

Share Draft Accounts

Share draft accounts were designed to make paying and exchanging money an easy and convenient process.

Share draft accounts are the keystone of financial services. They are the service around which strong financial relationships are built. Share draft accounts are used almost daily for a variety of financial transactions.

In this chapter, you learn about the technical and service aspects of credit union share draft accounts, the features of these popular transaction accounts, and the “extras” that many credit unions offer to make this service even more beneficial for members.

Share Draft Basics

Credit unions introduced share drafts in the 1970s as the first dividend-paying accounts with the same convenient access as bank checking accounts.

Before the invention of share drafts, banks offered checking accounts that didn’t provide people with returns on their funds. This changed once share draft accounts came into being; then, other financial institutions followed suit with interest-bearing checking accounts. Today there are only minor differences between share draft accounts offered at credit unions and checking accounts offered by other financial institutions.

Let’s look at the ways share draft accounts benefit members.

Defining Share Drafts

A **share draft account** is a transaction account whose funds are accessed by writing a share draft, similar to a

Objectives

Upon completion of this chapter, you will be able to:

- 1.** Explain the advantages of share draft accounts;
- 2.** Describe the basic features of share draft accounts;
- 3.** List the steps to take when signing up members for debit card access to share draft accounts;
- 4.** List the benefits of direct deposit and overdraft protection;
- 5.** Describe share draft account fees and charges; and
- 6.** Explain how share draft accounts benefit your credit union.

check, or by using a debit or ATM card. Share draft accounts were designed to make paying and exchanging money an easy and convenient process.

A share draft is a **negotiable instrument**, which means it is a legal financial document that represents cash and can be converted to cash on demand. Share drafts are written orders from members to pay specified amounts of money to other parties. Once a share draft has been used for payment, it goes to the credit union by means of a complex clearing process. Each draft is encoded with information about the credit union and member account so it can be quickly routed and cleared.

See figure 3.1 for a brief explanation of the clearing process.

Figure 3.1**The Share Draft Clearing Process**

Step 1: Member issues draft to payee. The clearing process begins when a member writes and presents a share draft to a payee, typically a merchant or individual.

Step 2: Payee deposits draft at his or her financial institution.

Step 3: Draft is delivered for clearing. The financial institution encodes and routes the share draft for clearing through a Federal Reserve bank, clearinghouse, or processor. Several financial institutions may be involved in this step.

Step 4: Share draft processor receives draft. The credit union's share draft processor receives the draft or electronic information about the draft.

Step 5: Member account updated. In the final step, the processor passes information about the draft to the credit union, which withdraws the funds from the member's account and updates account records.

Draft Advantages

The share draft clearing process is complicated, but the process keeps funds secure, records all transactions, and allows members convenient access to their money.

Share draft accounts are:

- A convenient way to manage personal finances;
- Widely accepted and easy to use;
- Recorded on account statements so members can easily track deposits and payments and balance their accounts; and
- Typically offered with lower monthly fees and charges on certain services than those of other financial institutions.

Canceled share drafts aren't typically returned to members, but images of drafts are readily available. This means less storage and paperwork—which is good for the environment.

Draft Protection

Members should stay informed about fraud prevention and learn to use their share draft accounts to guard against schemes. Credit unions offer

financial education about managing share draft accounts. Many credit unions provide special share draft accounts for teenagers. Teens are required to complete training that teaches them how to protect their share draft accounts and keep their finances in balance.

For a useful guide on preventing share draft account fraud, refer to figure 3.2. Test what you've learned about share draft accounts with activity 3.1.

In the next section, you learn about some features of share draft accounts.

The Simplicity of Share Drafts

Share draft accounts may have a variety of features and benefits but they share three basic characteristics:

1. Share draft agreement;
2. Monthly statements; and
3. Truncation.

You recall that credit unions were the first financial institution to pay dividends on share draft accounts. Even today credit unions generally offer the best options for these transaction accounts. For example, some share draft accounts pay dividends if members maintain a minimum bal-

Figure 3.2**How to Protect Your Share Draft Account**

When filling out a share draft:

- Make sure you fill in the "Pay to the order of" line completely so crooks and forgers can't add words or letters to the payee's name. If there's room left after you write the payee's name, fill the gap with a wavy line.
- When you fill in the numeric amount of the draft, don't leave space for a forger to squeeze an extra figure in front (turning a \$100 check into a \$1,100 draft, for instance). Also, don't leave any space between the dollar and cents numbers.
- Make the dollars and cents number a different size, so a forger can't easily move the decimal point to alter the draft amount.
- When filling in the written amount, start at the extreme left and fill in any space remaining with a straight line to prevent insertions. And remember to fill in the space to the end of the line.

Follow these additional precautions:

- Keep your blank share drafts in a secure location.
- Store the carbons of your used drafts in a safe place. These records can provide samples of your handwriting to thieves and scam artists.
- Never pre-sign a draft. Sign the share draft only when you're ready to turn it over for payment.
- Double-check every share draft to ensure it's complete and correct before signing.

ance; others have no minimum balance requirements and account fees that are low or nonexistent.

In this section, you learn the basic characteristics of a share draft account, beginning with the agreement.

Agreements

When a member opens a share draft account, he or she must sign an agree-

ment. The agreement explains rules and offers information such as:

- When funds from checks deposited to the account will be available for withdrawal;
- How members should report errors on the account; and
- How the credit union handles drafts or other withdrawals that would overdraw the account.

Activity 3.1**Share Draft Accounts 101**

Choose True or False for the following statements.

1. True False Unlike a check, a share draft is not a negotiable instrument.
2. True False Once a share draft is submitted as payment, it makes its way back to the credit union through the clearing process.
3. True False Writing a draft is the only way to withdraw funds from a share draft account.
4. True False Share draft accounts can only be held by adults 18 and older.
5. True False Many credit unions offer share draft accounts with no monthly fees.

Answers appear in appendix A.

Regardless of the delivery method, some kinds of accounts may require other disclosures and terms, according to state and federal law.

Statement Options

Members receive itemized monthly statements about their share draft accounts. With this information, members can compare their records with those of the credit union. These statements list transactions including:

- Deposits;
- Cleared share drafts;
- Debit card transactions;
- ATM withdrawals;
- Dividend crediting;
- Miscellaneous accounts; and
- Automatic bill pay.

Instead of paper statements, credit unions encourage members to opt for e-statements. E-statements are easily accessed at the secure credit union site, are less expensive to produce, and save trees! The savings are passed on to the credit union and its members.

Regardless of the delivery method, some kinds of accounts may require other disclosures and terms, according to state and federal law. Check with your credit union management to understand what types of disclosures and terms are required for each account type. Know how and when such disclosures should be given to members.

Figure 3.3 shows a sample statement. Use activity 3.2 to practice balancing a share draft account.

Truncation

In the past, cancelled share drafts may have been returned to members in paper form. Today, credit unions more often use **truncation**, a share draft storage system whereby canceled drafts, which have gone through the

clearing process, are converted to an electronic image for storage rather than being returned to the member. Members can access these images online.

For added convenience, share drafts are designed so that a duplicate is made with each draft members write, providing a convenient copy of the original. Draft copies and truncation are features that eliminate the need for storing cancelled drafts. This amounts to significant savings in printing and postage, which the credit union can pass on to members in the form of more favorable loan and savings rates.

Complete activity 3.3 about share draft accounts features.

Next we talk about ATMs and debit cards.

Plastic Cards

Since the advent of the “electronic check,” members have less use for their share draft books; but that doesn’t mean they’re using their accounts less often. Instead of writing drafts, a growing number of members rely on their debit and ATM cards to access funds. Debit transactions are now a more popular method than credit cards and share drafts as a means of making payments for everyday purchases.

This section examines the use of ATM and debit cards and the steps you take to sign up members for these convenient services.


Card Comparison

First, let’s look at the differences between ATM and debit cards.

An **ATM card** is a plastic card that

Figure 3.3
Anatomy of a Share Draft Statement

DIRECT INQUIRIES TO:



555 W WASHINGTON AVE
MADISON, WI 53703
www.heartlandcu.org
(608)282-7000
(800)362-3944

Member Name
Address
City/State/Zip

STATEMENT OF ACCOUNT

MEMBER NO.	ENDING DATE	BRANCH	PAGE	
0000000000	02-28-XX	1	1	13059 P

File your taxes online with Quicken and Heartland CU and get your return in 7–12 days! Go to heartlandcu.org and click on the Turbo Tax for the Web button. There's no software to download and you can stop and save at any time. Check it out today!

NOTICE: PLEASE SEE REVERSE SIDE FOR IMPORTANT INFORMATION

DATE	TRANSACTION DESCRIPTION	AMOUNT	FINANCE CHARGE	BALANCE
FEB28	REGULAR SHARE SAVINGS ACCT#1 02-01-01 THRU 02-28-01	PREVIOUS BALANCE		25.00
	NEW BALANCE			25.00
FEB01E	HEARTLAND CHECKING ACCT# 2 02-01-01 THRU 02-28-01	PREVIOUS BALANCE		0.00
FEB01E	ADVANCE FOR DRAFT FROM/TO 142	1,217.51		1,217.51
FEB01E	SHARE DRAFT 1362 TRACE# 27392434	35.00-		1,182.51
FEB01E	SHARE DRAFT 1383 TRACE# 27403030	1,182.51-		0.00
FEB02	DEPOSIT 0202 1823 007733 555 W WASHINGTON AVE MADISON WI	532.23		532.23
FEB02	ADVANCE FOR CHECK FROM/TO 142	20.00		552.23
FEB02	0202 1824 007737 555 W WASHINGTON AVE MADISON WI			
FEB02	WITHDRAWAL 0202 1824 007737 555 W WASHINGTON AVE MADISON WI	120.00-		432.23
FEB05	DEPOSIT	171.89		604.12
FEB06	SHARE DRAFT 1396 TRACE# 77947024	12.00-		592.12
FEB06	SHARE DRAFT 1405 TRACE# 77866837	12.36-		579.76
FEB06	SHARE DRAFT 1404 TRACE# 77867164	12.65-		567.11
FEB06	SHARE DRAFT 1394 TRACE# 77886790	14.83-		552.28
FEB06	SHARE DRAFT 1395 TRACE# 77876111	16.91-		535.37
FEB06	SHARE DRAFT 1398 TRACE# 77891221	49.89-		485.48
FEB06	SHARE DRAFT 1399 TRACE# 77890589	55.11-		430.37
FEB07	WITHDRAWAL	77.17-		353.20
FEB07	POS 0207 0042 003549 OXYFRESH WORLDWIDE INC SPOKANE WA			
FEB07	SHARE DRAFT 1406 TRACE# 87092741	28.00-		325.20
FEB08	DEPOSIT	14.57		339.77
FEB08	SHARE DRAFT 1407 TRACE# 97215750	40.00-		299.77
FEB09	EFT DIRECT DEPOSIT/WIT CUNA INC PAYROLL 010209	1,019.00		1,318.77
FEB09	PAYMENT SHR TRANSFER 142Internet Access Feb. 08, 2001 21:10 Ref: 34180	1,210.00-		108.77
FEB09	WITHDRAWAL 0209 1825 007807 307 E WILSON ST MADISON WI	100.00-		8.77
FEB12	ADVANCE FOR DRAFT FROM/TO 142	8.08		16.85
FEB12	EFT DIRECT DEPOSIT/WIT LIBERTY CHECK CHK ORDER 020701	16.85-		0.00
FEB10E	ADVANCE FOR CHECK FROM/TO 142	108.77		108.77
FEB10E	POS 0210 0201 008314 OXYFRESH WORLDWIDE INC SPOKANE WA			
FEB10E	WITHDRAWAL	108.77-		0.00
FEB10E	POS 0210 0201 008314 OXYFRESH WORLDWIDE INC SPOKANE WA			
FEB12E	ADVANCE FOR DRAFT FROM/TO 142	156.18		156.18
FEB12E	SHARE DRAFT 1408 TRACE# 37428331	6.80-		149.38
FEB12E	SHARE DRAFT 1409 TRACE# 37437317	15.12-		134.26
FEB12E	SHARE DRAFT 1403 TRACE# 37455025	17.15-		117.11
FEB12E	SHARE DRAFT 1401 TRACE# 37475066	117.11-		0.00
FEB13E	ADVANCE FOR DRAFT FROM/TO 142	352.29		352.29
FEB13E	SHARE DRAFT 1414 TRACE# 47709963	8.62-		343.67
FEB13E	SHARE DRAFT 1410 TRACE# 47612002	12.12-		331.55
FEB13E	SHARE DRAFT 1412 TRACE# 47702373	56.25-		275.30
FEB13E	SHARE DRAFT 1402 TRACE# 47699972	62.30-		213.00
FEB13E	SHARE DRAFT 1413 TRACE# 47623271	100.00-		113.00
FEB13E	SHARE DRAFT 1411 TRACE# 47603738	113.00-		0.00
FEB13E	ADVANCE FOR CHECK FROM/TO 142	10.54		10.54

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gives members access to their share savings funds and account information at automated teller machines (ATMs). They are simple to use. A member enters the personal identification number (PIN) and selects the desired transaction. ATM cards are typically issued

to members who have a share account, but not a share draft account; they may be issued to members who do not qualify for or want a debit card.

A **debit card**, also known as a **check card**, is a multipurpose card that permits members to make payments from

Activity 3.2**Balancing a Share Draft Account**

- Step 1.** Print out your monthly statement and check off all transactions in your draft register.
- Step 2.** Subtract from the balance shown in your draft register any charges from the statement you had not previously entered.
- Step 3.** Add to your balance any deposits and dividends not previously recorded.
- Step 4.** Correct discrepancies on entered charges and deposits.
Register balance after Steps 2, 3, and 4: _____
- Step 5.** Total the transactions not included on statement:
Outstanding charges: _____
Outstanding deposits: _____
- Step 6.** Enter end draft balance shown on statement: _____
Subtract outstanding charges from Step 5: _____
Add outstanding deposits from Step 5: _____

This amount should equal your draft register balance. If it doesn't:

1. Verify additions and subtractions on this sheet.
2. Verify additions and subtractions in your draft register for the month.
3. Verify that the amounts you have posted to the register match the amounts shown on the statement for each transaction.

Activity 3.3**What's My Line?**

Match the feature with the description that best matches it. Not all responses will be used.

- | | |
|---|----------------------|
| 1. I provide members with all the information they need to reconcile their share draft account with credit union records. _____ | a. truncation |
| 2. I bypass mailing stacks of cancelled drafts to members each month in favor of converting those drafts to easily accessible, electronic images. _____ | b. online access |
| 3. I spell out the rules of the share draft account and useful information such as how quickly funds from deposited checks are available and how members can report errors. _____ | c. disclosures |
| | d. monthly statement |
| | e. account agreement |

Answers appear in appendix A.

their share draft account at stores, gas stations, online outlets, and other points of purchase. It's more versatile than an ATM card and can be used in most of the same places as credit cards.

Debit cards also permit ATM access to both share draft and share savings accounts, so members don't need to carry both an ATM and debit card.

For those who prefer to withdraw

When signing for transactions, members are better protected against fraud.

funds for purchases directly from their share draft account instead of authorizing a credit transaction, debit cards can replace ATM cards, share drafts, cash, and credit cards. Instead of carrying bulky wallets and share draft books, members can just use their debit cards.

Debit Card Deal

Credit unions may decide whether to issue debit cards based on a member's creditworthiness or past problems managing accounts, such as a history of overdrawing on the account. Other credit unions may automatically supply a debit card when a member opens a share draft account.

Offering a debit card typically entails three steps:

1. Enrolling the member in a share draft account;
2. Determining the member's eligibility for debit card access using a credit score or deposit account verification service; and
3. Offering the member quick access to a debit card to establish the credit union's share draft account as his or her primary transaction account.

Some credit unions have equipment at each branch that imprints debit cards, generating a new card on the spot for share draft account holders.

What is your credit union's procedure for offering members debit card access? Does it have the ability to create new cards on site?

Sign or Key

When credit union members receive their debit cards, they have two options

to authorize transactions:

1. Keying in a PIN; or
2. Signing for the transaction.

Each method is processed through its own system. When signing for transactions, members are better protected against fraud. Transactions clearing through the credit card system are fully protected.

The issuing financial institution earns more revenue for signature transactions so many credit unions encourage members to sign for their debit purchases, which are then processed through the credit card system.

Some credit unions may offer reward programs for members to encourage them to make the extra effort of signing for transactions.

Card Benefits

As you can see, the use of debit cards benefits members as well as credit unions. Members have the convenience of a fast payment system. Because debit transactions are more efficient and streamlined than processing share drafts, credit unions save money from reduced operations and expenses.

Next, we explore other features of share draft accounts that make them useful and convenient for members. But first, review the steps in signing up members for debit card access in activity 3.4.

Share Draft Features

Share draft accounts offer direct deposit and overdraft protection. Members appreciate these features because they save time and money.

Activity 3.4**Debit Card Enrollment**

Members who use their debit card regularly are most likely to think of the credit union that gave them the card as their primary financial institution. Choose the best response to review the process of signing members on for debit card access.

1. What's the first step in the process?
 - a. Provide information about how members can close their bank checking account.
 - b. Complete a two-page application for a debit card.
 - c. Enroll the member in a share draft account.
 - d. All of the above.

2. What criteria do some credit unions use to determine members' eligibility for debit card access?
 - a. length of credit union membership
 - b. credit score or deposit account verification service
 - c. completion of an educational seminar on personal financial management
 - d. none of the above

3. Offering members quick access to a debit card
 - a. benefits both members and the credit union.
 - b. establishes the credit union's share draft account as members' primary transaction account.
 - c. demonstrates the credit union's commitment to providing convenient financial services.
 - d. All of the above.

Answers appear in appendix A.

Direct deposit and overdraft protection are two more features that show credit unions' commitment to excellent member service.

Direct Deposit

For those who enjoy standing in line at financial institutions on payday, counting away the minutes before being served, direct deposit might be a real fun spoiler. For everyone else, direct deposit means no special trips to a branch just to deposit paychecks or Social Security checks.

Direct deposit allows members to authorize electronic transfer of their wages and salaries or government benefit payments into their share draft

accounts. By enrolling in direct deposit, those funds are deposited directly to their accounts.

Direct deposit streamlines payroll processing, so many companies encourage their employees to sign up. Credit unions promote direct deposit because it is a more efficient way to process deposits and because it helps build member relationships.

Figure 3.4 for is example of a statement stuffer that offers information about the benefits of direct deposit.

Overdraft Protection

Credit unions offer overdraft protection to members. **Overdraft protection** is a service wherein the credit union

Figure 3.4

The Direct Deposit Difference

random in your saving patterns. And saving is easier when you pay yourself first.

When you pair direct deposit with automated transfers from checking to savings, you really make progress, and most consumers recognize that. The Consumer Federation of America, Washington, D.C., and Wachovia released results of a survey of more than 2,000 adults and how they view their ability to save, major barriers to saving, and successful savings strategies. Among the successful tactics, automatic transfers from checking to savings or investments ranked high—75% said it is important, 48% said very important.

Sample

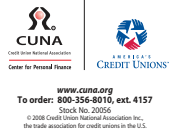
Automatic transfers, and you have a powerful pair of money management tools working for you. Automatic transfers serve you in many ways. For example, say each payday you automatically put a portion of your paycheck into savings and have the balance deposited to your share draft/ checking account. You also might make a loan payment to the credit union, automatically. You accomplish three things at the same time, at

- no loss of your time:
- 1) You build your savings,
 - 2) Fulfill a debt obligation—building a solid credit history with timely payments, and
 - 3) Make funds available immediately to pay other

bills and to use for fun.

Your credit union easily can help you set up direct deposit. Ask the staff at your credit union for its nine-digit routing and transit number before you request direct deposit from your employer. Fill out the form from your credit union. You may also have to have your employer fill out a form to set up your account.

Sample



Brought to You by Your Credit Union



Direct deposit—the electronic transfer of a payment from a company or organization into your checking or savings account—isn't just for your paycheck. You can use it for tax refunds, pension dividends, bonuses, and more.

Direct deposit tops both ATM cards and checkbooks as Americans' most important tool for managing personal finances, according to a national survey sponsored by the U.S. Department of the Treasury's Go Direct® campaign.

Sample

Benefits add up

With direct deposit, you don't have to worry about:

- **Confidentiality and safety**—Because your check passes through fewer hands, your financial affairs stay private. Problem with paper checks are rare—the chances of having a problem with a paper check is much greater. By using checks, you're increasing the chances of check fraud or identity theft. Direct deposit uses the same levels of security that companies and the government use to transfer funds to each other.
- **Timely deposit**—When you receive a check, there's often a delay before you can deposit it. With direct deposit, time—and forgetfulness—are not problems. Your deposit is made on time, consistently. You get paid even if you're not at work, say, if you're ill, on vacation, or on a business trip. It's also a big help to people who work different shifts and have trouble getting to their credit union or bank during business hours.
- **Access to your money**—Direct deposited funds clear automatically. You can write share drafts or checks right away, or use your debit or ATM card, without having to worry that your funds haven't been credited.
- **Earning dividends promptly**—Direct deposit assures that your check earns dividends as soon as possible if you're depositing it into an interest-bearing account. If you have to make the deposit in person, any delay postpones when your money starts making money.

with no loss of convenience.

Sample

Consumers using direct deposit are a month ahead of those who don't.

Savings build faster

NACHA surveyed 1,505 people by telephone. The survey revealed that those using direct deposit save \$390 a month, \$90 more than those saving manually.

At a 6% yield, those direct depositors could save an additional \$22,867 in 10 years. It's not magic—it's being consistent instead of

Sample

Everybody's doing it

- The Go Direct® program, offered by the Treasury and the Federal Reserve, encourages people who receive federal benefit checks to Go Direct and choose to have their government checks directly deposited. Direct deposit is the best way to receive Social Security and other federal benefits. For more information, call 800-333-1795.
- The Internal Revenue Service makes refunds via direct deposit within days of receiving funds. In 2007, 80 million taxpayers e-filed their taxes and more than 61 million received their refunds by direct deposit. To have your tax refund directly deposited into as many as three of your accounts, where the form designates, simply plug in the appropriate nine-digit routing and transit number and account number. See IRS Form 8888 for more information (irs.gov).

covers the amount of a share draft written on insufficient funds instead of rejecting the draft and returning it unpaid to the payee.

Depending on the member's preferences and the credit union policies, overdraft protection can be accomplished different ways. The credit union may:

- Transfer funds from the member's share account to cover the amount of the draft;
- Transfer funds from a line of credit previously approved for the member; or
- Cover the amount of the draft in return for a small fee and notify the member about the overdraft

and the need to reimburse the amount of the item. This is sometimes referred to as courtesy pay. The courtesy pay fee is typically the same or less than the credit union's standard NSF (nonsufficient funds) fee, and it saves the member the hassle and often steep fees levied by payees for returned drafts.

We discuss nonsufficient funds at the close of this chapter.

Convenience

When telling members about the great features of share draft accounts, remember to mention direct deposit and overdraft protection—two features that members really appreciate.

Because laws permit converting checks and share drafts into electronic images, payments clear quickly. This catches some people by surprise when they have insufficient funds in their accounts. Other members simply find

it difficult to keep up with accounting for debit card transactions and accidentally overdraw their accounts. Overdraft protection prevents these minor issues from becoming expensive mistakes.

The next section explores fees generally associated with share draft accounts. But first, complete activity 3.5 to see what you've learned about overdraft protection and direct deposit.

Share Draft Fees

Credit unions may charge fees to recuperate service costs related to share draft accounts. Because they are active transaction accounts, share draft accounts have a greater variety of fees than most other share accounts. Some of these fees include:

- Monthly service charges;
- Share draft printing fees and foreign ATM fees;
- Charges for stop payment orders and balancing statements; and

Activity 3.5

Direct Deposit or Overdraft Protection?



Choose between direct deposit and overdraft protection. Put an X in front of your selection.

1. Covers the amount of a share draft written on insufficient funds
 Direct Deposit Overdraft Protection
2. Automated electronic transfer of paychecks and government benefit payments
 Direct Deposit Overdraft Protection
3. Saves members a trip to the branch Direct Deposit Overdraft Protection
4. Offers several options, including transferring funds from a share account
 Direct Deposit Overdraft Protection
5. Payments are immediately available
 Direct Deposit Overdraft Protection
6. Intercepts a problem and the potential for steep fees
 Direct Deposit Overdraft Protection

Answers appear in appendix A.

Online access, e-payments, and increased use of debit cards have lessened reliance on paper share drafts.

- Nonsufficient funds and overdraft protection fees.

Credit unions typically offer lower fees for share draft accounts than other financial institutions charge for their checking accounts. Fees are charged as a means of ensuring that the cost of providing these services is compensated by the members who use them.

Monthly Service Charge

In the past, many financial institutions charged monthly fees for transaction accounts or required a minimum balance for fee-free access. Times have changed.

Credit union members who consistently use their share draft accounts are more apt to consider the credit union as their primary source for all their financial services. Offering share draft accounts with no monthly fees to those members is an effective way to build relationships.

For members who maintain a minimum monthly balance, some credit unions may offer these accounts at no monthly fee. Many credit unions offer share drafts with no monthly fee or minimum balance so they can better compete with other financial institutions for this important service.

Printing Fees

The first—and sometimes only—fee many members pay for their share draft account is for printing their share drafts. This printing cost is generally deducted from the member's share draft account. Often, as incentive for members to enroll in a new share draft account, the credit union will issue the

first 50 to 100 drafts free of charge.

Online access, e-payments, and increased use of debit cards have lessened reliance on paper share drafts. Members tend to write fewer drafts than in the past. When members do want to use or reorder checks, they usually have the option of doing so via a link at the credit union Web site. This saves paperwork and postage.

Foreign ATM Fees

When an ATM is not owned by the credit union or part of its network, it's sometimes called a "foreign ATM." When members make withdrawals from foreign ATMs, they may be charged fees.

Credit unions are charged for those transactions and may pass fees on to members; however, some credit unions may offer members a set number of free ATM transactions each month.

Stop and Go

Another fee members may encounter is associated with a stop payment order. Sometimes members want the credit union to refuse payment on a share draft written to another party. They do so by requesting (in person or by phone) a **stop payment order**.

Stop orders may also be placed on ACH transfers if they meet certain requirements. The credit union may charge a fee for this service.

For members who find it difficult to balance their statements, many credit unions offer balancing records services for them. This rate may be hourly, based on the time it takes an employee to balance the member's account.

Activity 3.6**Share Draft
Fee Match**

Match the following descriptions with the answers.

- | | |
|---|-----------------------------|
| 1. Charged when credit union returns a draft for insufficient funds: _____ | a. monthly service charge |
| 2. Charge for authorizing credit union not to pay a draft written to a third party: _____ | b. share draft printing fee |
| 3. Charged when credit union covers draft written on insufficient funds: _____ | c. NSF fee |
| 4. Basic fee for share draft account; many credit unions today don't charge this fee: _____ | d. stop payment order fee |
| 5. Fee charged for using an ATM not owned by the credit union or part of its network: _____ | e. account balancing fee |
| 6. Charge to purchase printed share drafts: _____ | f. foreign ATM fee |
| 7. Usually an hourly fee to help members reconcile their share draft accounts: _____ | g. courtesy fee |

Answers appear in appendix A.

NSF and Overdraft Protection Fees

The last share draft account fees we discuss are those related to drafts written on insufficient funds.

A credit union may charge one or more of these fees when share drafts are written on accounts with insufficient funds (NSF):

- An **NSF fee** is charged when a draft is returned unpaid to the payee; the member may also be assessed fees by the payee for the returned draft.
- If the credit union transfers funds from a line of credit authorized by the member for overdraft protection, the member will pay interest on the transferred amount until it is repaid.
- The credit union may charge a **courtesy fee** for covering the amount of the draft and notifying the member of the need to bring

the account balance positive.

While members may pay occasional fees for their share draft account, credit unions try to keep these fees as low as possible as part of their members-first commitment. Try activity 3.6 to review common share draft fees.

Key Service

The share draft account may be the most important service offered by credit unions. Members rely on their share draft accounts for managing their finances. Credit unions focus on making these popular accounts easy to access and as convenient as possible.

A member service representative describes the key features of a well-designed share draft account to a credit union member in figure 3.5.

Building Relationships through Benefits

Share draft accounts are central to member service. Think of them as the keystone around which other products and services rely.

As much as members rely on their share draft accounts, the credit union depends on them, as well. Research conducted by CUNA identifies the important benefits of share drafts:

- Share draft accounts are critical services for attracting and retaining members.
- Members consider the financial institution that provides their share draft or checking account as their primary financial institution—the place they are most likely to turn for other financial services.
- Members who value the low cost and convenient access afforded by their share draft accounts are more likely to recommend the credit union to their friends and family.

Strong Foundation

Lifelong relationships provide a vital link between credit unions and their members. Share draft accounts are most likely the beginning of such a connection. That's why credit unions work hard to develop share draft accounts that respond to members' financial needs and suit their lifestyles. Credit unions rely on frontline employees like you to promote share draft accounts.

Connecting Members to the Credit Union

Throughout this chapter, we've explored the many features and benefits of share draft accounts and learned that they were designed as a useful and convenient service for members. Many of your encounters with credit union patrons will involve share draft account transactions. Now you understand the features of these accounts, can keep members informed, and answer their questions.

See figure 3.6 for a list of benefits share draft accounts offer to members

Figure 3.5

Serving Up Share Draft Satisfaction

Member: I really feel like my bank is nickel-and-diming me on my checking account. They have fees for everything!

MSR: You should take a look at our free share draft account. It has fewer and lower fees than most checking accounts, along with some special features to save you time and money.

Member: No monthly fees?

MSR: No monthly fee, no minimum balance, and no ATM fees if you use the ATMs in our big network. Plus, we pay monthly dividends if your paycheck is direct deposited and if you receive e-statements.

Member: That all sounds great. But what about NSF fees? Every once in a while I forget to record a debit charge, and if I come up short, having to pay a bank fee and a fee to the company with the returned check feels like a double whammy.

MSR: We offer overdraft protection, which means we'll cover the amount of a share draft up to a set amount for a \$25 fee instead of returning the draft. And our online branch and bill pay are free and simple, so you'll find they make it easier to manage your account.

Member: I guess I only have one more question: How can I sign up?

Figure 3.6**Share Draft Benefits****How Share Draft Accounts Benefit Members**

- These accounts offer a convenient way to manage personal finances.
- Share drafts are widely accepted and easy to use.
- In addition to writing share drafts, members can access deposited funds via Internet and phone transfers to other accounts, online bill payment, ATM withdrawals, and debit card payments.
- All transactions are recorded on account statements so members can easily track deposits and payments, and balance their account.
- Credit unions typically offer share draft accounts with no monthly fee and with lower charges on certain services than other financial institutions.
- Most credit unions do not return canceled share drafts, but make draft images easily available, which makes for less paperwork and storage.
- Direct deposit and overdraft protection are convenient, popular options to help members manage their accounts.

How Share Draft Accounts Benefit the Credit Union

- Share draft accounts are critical services for attracting and retaining members.
- Members consider the financial institution that provides their share draft or checking account to be their primary financial institution, or the place they are most likely to turn for all their financial services.
- Members who value the low cost and convenient access afforded by their share draft accounts are more likely to recommend the credit union to their friends and family.
- Share draft account holders have more profitable relationships with the credit union, which benefits them personally, the credit union, and all its members.

and the credit union.

In this chapter, you've learned a lot about the advantages of share draft accounts. You can describe the basic features of share draft accounts; list the steps to take when signing up members for debit card access to their share draft account; list the benefits of

direct deposit and overdraft protection; describe the types of fees and charges for services related to share draft accounts; and explain how share draft accounts benefit your credit union. Next, you learn about lending.

PLAY PAGE



Test your knowledge of key benefits of share draft accounts.

Reminder:

To access the Play Page, go to <http://training.cuna.org/playpage/index.html>

or go to www.cuna.org and type “Play Page” into the Search Box.

Select the title of this module, and then the chapter you want to review.

