

Business Success Strategy: Targeted Reg E Communications

EFFECTIVE STRATEGIES TO PURSUE “OPT-IN” CONSENT

Overview of Reg E changes: On November 12, 2009, the Federal Reserve Board announced final rules that prohibit financial institutions from charging consumers fees for paying overdrafts on automated teller machine (ATM) and one-time debit card transactions, unless a consumer consents, or opts-in, to the overdraft service for those types of transactions.

To ensure that consumers have a meaningful choice, the final rules prohibit financial institutions from discriminating against consumers who do not opt-in. The final rules require institutions to provide consumers who do not opt-in with the same account terms, conditions and features (including pricing) that they provide to consumers who do opt-in. For consumers who do not opt-in, the institution would be prohibited from charging overdraft fees for any overdrafts it pays on ATM and one-time debit card transactions.

The changes take effect on July 1, 2010, providing a short timeframe for financial institutions to notify and seek opt-in consent from customers. This white paper examines the required steps and optimal strategies to retain the fee revenue impacted by the new Reg E changes.

1. EXECUTIVE SUMMARY

The changes to Reg E will significantly impact future fee revenue. An effective communication strategy will extend beyond the notification and confirmation requirements, to actively pursue that critical opt-in from all customers holders – with additional effort made on high-users.

Deluxe can help you:

- Fulfill your required step of consumer notification.
- Segment the customer base into strategic communication plans – correlating spend to the value of the opt-in
- Pursue opt-in using multiple touchpoints and varied channels
- Provide reporting and required consumer confirmation on each opt-in for your system update

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2. RULES FOR THE WRITTEN NOTICE

According to the Federal Reserve Board, you must provide written notice to customers that must be substantially similar to Model Form A-9 in the federal rule and include the following five items:

1. **A description of your overdraft service**, including the types of transactions for which a fee or charge for paying an overdraft may be imposed, including ATM and one-time debit card transactions.
2. **The specific dollar amount of fees you charge** for paying an ATM or one-time debit card transaction as a result of your overdraft service.
3. **The maximum number of overdraft fees** that you will assess per day or, if applicable, a statement that there is no limit.
4. **An explanation of a customer's right** to agree to your overdraft payment service for ATM and one-time debit card transactions, including the methods by which the customer may consent to the service.
5. **Alternative plans for covering overdrafts.** If you offer a line of credit subject to Reg Z or a service that transfers funds from another account to cover overdrafts, you must state that fact. You may list additional ways for the customer to pay overdrafts.


THE SECRET TO GAINING CONSENT

Consumers are hit with an unceasing flood of messaging. Marketing experts know that the best way to make sure your message gets through is to use multiple channels (letters, email, phone calls and postcards) plus multiple touches (occasions when you are contacted).

This integrated strategy provides the highest success rate of actually reaching the targeted consumer.

To address the Reg E changes, financial institutions are advised to segment their accounts to:

- Limit the resources and spend needed to retain non-users and low-users of the overdraft protection service.
- Focus resources and spend on moderate and high-users, including sending follow-up communications to non-responders through various channels.



The image shows a sample of a Model Consent Form for Overdraft Services, titled "A-9 Model Consent Form for Overdraft Services". The form is titled "EXPLANATION OF OVERDRAFT COVERAGE" and contains several sections: "Your Right to Request Overdraft Coverage", "Overdraft Fees", "Other Ways We Can Cover Your Overdrafts", and "How to Request Overdraft Coverage or Get More Information". The form includes a checkbox for the customer to consent to overdraft coverage and fields for the customer's name, date, and account number.

Your written notice must follow this format and include the five items noted at left.

3. SECURING CONSENT

The Federal Reserve Board has also approved four ways customers can opt in to your overdraft services.

1. **By mail** – Provide a consent form to return by mail.
2. **By telephone** – Provide an inbound telephone number and/or make informational outbound calls.
3. **Electronically** – Provide an electronic channel like email or Web.
4. **In person** – Provide a consent form to return during in-branch visit.

Reporting on opt-ins and responses will be critical to revenue retention and loyalty of customers. Clear documentation of notification, consent, and confirmation will be necessary.

4. COMPLIANCE TIMELINE

The rules are effective July 1, 2010, but you may begin notifying customers early to help mitigate revenue loss. The rules vary depending on when an account is opened:

- **For existing accounts opened before July 1, 2010** – You may not assess any fees or charges on or after August 15, 2010, for paying an ATM or one-time debit card transaction pursuant to the overdraft service, unless you have provided the written notice and obtained the customer's consent.
- **For new customers for accounts opened on or after July 1, 2010** – You must provide the written notice and obtain the customer's consent before you can assess any fee or charge on the account for paying an ATM or one-time debit card transaction according to your overdraft service.

WHAT DIRECT MARKETERS HAVE LEARNED

Consider this a classic question that compares mailing to more people fewer times or fewer people more times:

*"If I have a choice of mailing to **several** communities once (possibly twice), or mailing to a **few** communities two, three or even four times, what would be best?"*

In all but a few situations, the right answer is to "go with frequency." It's essential that your communication be there during the critical time frame in which a consumer is interested in taking action. For the overdraft protection strategy, that means segmenting your list to communicating with fewer customers in more ways and more often.

Reach without
FREQUENCY =
Wasted Money

5. STRATEGY TO MAXIMIZE SUCCESS

Here is a step-by-step plan to guide you through the transition:

1. Notify the customer in print (or electronically if the customer has agreed to permit email from you).
 - Separate the notification from all other information
 - Describe the overdraft service fees imposed
 - State the amount of the overdraft fees
 - Outline limits on fees charged or state that there are no limits
 - Detail opt-in rights and alternative plans for covering overdrafts
2. Provide a reasonable opportunity for the customer to opt-in to the service for ATM and one-time debit card transactions.
3. Obtain the customer's consent to the payment of ATM or one-time debit card transaction fees. This consent can be provided via:
 - Mail
 - Telephone
 - Electronically
 - In person
4. Provide customers with confirmation of their consent, including a statement informing them of their right to revoke such consent. This can be done in print or electronically (if the customer agrees).

THE POWER OF MULTIPLE TOUCH POINTS

Marketing is the process of building a relationship with current and prospective customers. Have you ever established a lifelong friendship with someone you had contact with only once? Probably not.

Generally friendships (and all relationships for that matter) grow as a result of frequent contact over time. Even when the potential to form a great friendship is there at the first encounter, it is unlikely to grow without nurturing.

“Deluxe has taken the best of their best to build a consistently professional outbound calling team.”

DELUXECALLING CLIENT

6. HOW DELUXE CAN HELP

Deluxe provides full-service printing and call center resources to:

- Send your notification letter – with consent form and Web address for opt-in
- Pursue the opt-in through emails, outbound calls and postcards
- Report the opt-in
- Confirm the opt-in to the customer as required by the regulation

You can achieve a result-driven, cost-effective outcome through two of our proven services:

ThinkDeluxeSM - Comprehensive, personalized, direct marketing communications support. Capabilities include:

- Design and content development
- Letter and postcard mailings
- Email and Web contact strategies

DeluxeCalling[®] - Experience-focused outbound calls to inform customers about the regulation and capture their consent.

7. REDUCE IMPACT ON FEE REVENUE

Deluxe will not only help you fulfill your notification and confirmation requirements, but also reduce the impact on your fee revenue by actively pursuing opt-in consents using a segmented approach.

This approach matches the number and variety of contact points with the value of each opt-in.

There are three levels (*see chart below*).

By tailoring a strategy to each level, you maximize your opportunity to gain consent while minimizing your effort and expense.

Reporting provides you with consent information and triggers the confirmation letter.

8. CONCLUSION

The new regulation changes pose for a significant risk of revenue loss that can be addressed through an effective, multi-pronged communication strategy. Acting early will provide a greater runway to gain that critical opt-in consent.

Deluxe offers the direct marketing experience and resources to mitigate revenue loss and effectively address the new Reg E requirements. For more information, contact your Deluxe sales representative, call 888-335-8931, or visit www.ThinkDeluxe.com/RegE.

LEVEL OF OVERDRAFT PROTECTION USE	COMMUNICATION FOCUS	NUMBER OF CONTACT POINTS
Low	Notification only	Limited
Moderate	Notify and follow-up to non-responders	Moderate
Heavy (top 25%)	Notify, follow-up to non-responders using varied communication channels and multiple touch points	Optimal