



Checking accounts open door to other services

By Tim Smith

Harland printed products

Checking accounts are the way to win your members' hearts and wallets, even if the checking account actually costs your credit union money.

Checking accounts also help you win and hold enough of your members' financial business to generate the revenue you need to sustain your operations. If you hold your members' primary checking account, they're likely to turn to you for auto loans, individual retirement accounts, share certificates, money market accounts, home equity lines of credit, mortgages, and other banking services.

Harland Printed Products, a division of the John H. Harland Co., Atlanta, recently commissioned a study of consumer preferences regarding account services and sources. The study used a sample of con-

sumers from 16 credit unions and two thrifts. Fred Ringenburg and Tony Ward-Smith—credit union consultants who were instrumental in helping to launch share drafts nationally two decades ago—conducted the survey. Since then, credit unions have issued more than 30 million checking accounts—about 25% of the entire U.S. personal-demand deposit business.

Growth of consumer banking has leveled off as it has matured. Almost every adult in the U.S. has at least one checking account. But providers must still try to increase their core-account relationships, and they have no choice but to offer checking accounts with different features. Perhaps that's why there's no such thing as a plain-vanilla checking account anymore.

The study concentrated on four basic types of

checking accounts: no fee with interest, free checking with no interest, relationship checking, and fee checking (Table I). It also revealed substantial differences in a consumer's use of a financial institution depending on the type of checking account:

- No-fee-with-interest accounts had the highest average checking and loan balances by a significant margin.
 - Relationship accounts had the second-highest checking balances, higher deposits, lower loan use, and the accountholders generally were older.
 - Free-with-no-interest accounts were the largest single group but they had relatively low checking and deposit balances.
 - Accounts that charged service fees had the lowest deposit and loan balances. These accountholders were also substantially younger.
- The challenge to credit

unions is to reach out to employers to make sure they're offering direct deposit to their employees (29% of employers don't offer it). You'll also have to tell members about the benefits of not having to wait in line to make deposits or not having to trust the uncertainties of the mail service (11% of respondents see no benefit). An innovative approach is to develop strategies, such as e-mail confirmation of direct deposits, to reassure members that deposits are safe and timely.

The study examined other consumer preferences, including what attracts them to a particular checking provider, why they leave, and what account features they most prefer.

The 20-page report, entitled "How to Design a Win-Win Checking Account," is available free from Harland, which CUNA & Affiliates recently endorsed as the national share draft provider to credit unions. To request the report, call CUNA member service at 800-356-8010 and press 3.

Tim Smith is credit union director for Harland printed products, a division of the John H. Harland Co., Atlanta. This division periodically commissions research studies that benefit credit unions.

TABLE I
CHECKING ACCOUNT PROFILE

	Type of checking			
	No-fee with interest	Free checking/ no interest	Relationship checking	Fee checking
Average household income	\$64,744	\$58,446	\$59,762	\$63,359
Average checking balance	\$6,967	\$1,583	\$3,348	\$1,320
Average checking profit	\$3	-\$7	\$32	-\$30
% accounts unprofitable	69%	62%	59%	67%
Average loan + deposit balances	\$29,165	\$18,335	\$34,694	\$13,875
Average household profit	\$413	\$2	\$372	-\$5
% households unprofitable	49%	70%	50%	73%

Source: Harland printed products, Atlanta