Financial institutions face a difficult balancing act when setting overdraft limits: weighing strict regulatory guidelines and the risk of principle write-offs against customer demand for an overdraft service. SmarterPay from Fiserv can accurately assess risk while setting defensible limits.

**Balancing Regulation, Risk and Retention**

In recent years, regulators such as the Consumer Financial Protection Bureau (CFPB) have mandated that financial institutions take steps to ensure their clients can afford to repay a loan prior to extending them credit. While overdraft services are not treated as loans, it is clear that overdraft services are an extension of credit that requires underwriting practices. However, many financial institutions continue to use fixed overdraft limit solutions that make little to no differentiation in how limits are assigned to accounts.

The challenge now facing financial institutions is how to adopt a more responsible approach to setting overdraft limits without compromising the service that customers want and without exposing the financial institution to undue risk.

SmarterPay is a deposit analytics solution that helps you assess and manage risk at the account level to facilitate responsible overdraft limit setting practices, while enabling other valuable functionality such as monitoring, account management and in-depth reporting. The solution uses a patented risk-scoring methodology that predicts a customer’s probability of charge-off and presents transactional information to calculate an accountholder’s capacity to repay. Dynamic overdraft limits ensure that both risk and affordability factor into risk decisions, similar to how other credit products are underwritten.

The SmarterPay model was derived through an evaluation of critical data elements identified from over 300 account-level predictive variables and customer behaviors to provide each account with the appropriate limit that balances liquidity needs with risk. SmarterPay identifies trends that lead to charge-offs, enabling you to take action before they occur.

With SmarterPay, you can achieve the optimal balance between service, principal loss and customer retention while meeting regulatory guidelines. Providing accurate limits also delivers the highest level of customer service to the vast majority of accountholders who may have simply made a mistake or need a few days to fund their accounts.
Regulatory Compliance
Evaluated as part of broader regulatory assessments by each of the prudential regulators and the CFPB, SmarterPay enables defensible overdraft limit assignments, excessive overdraft monitoring and shut-off capabilities to meet the compliance expectations of these regulators.

Robust Reporting
Offering powerful reporting capabilities and consultative support, SmarterPay enables you to monitor excessive overdrafts, charge-offs and performance anomalies. This includes account-level analysis to detect potential changes to repayment capacity and customer usage.

Program Flexibility
With SmarterPay, you can configure rules and parameters that enable differentiated treatment down to the product and account levels, including new account strategies, minimum and maximum limit ranges, and differential limits by delivery channel.

Complementary Modules
SmarterPay is built on a broader data management and analytics infrastructure that enables several other key deposit account use cases. These include managing refund amounts (Refund Advisor from Fiserv), monitoring and remediating accounts with excessive overdraft activity, industry benchmarking and differentiated channel risk strategies.

Deployment and Integration
To accommodate your specific technology needs, SmarterPay can be provided as a service or licensed to your institution for on-premise or hosted deployments. The solution integrates with numerous core processing solutions from Fiserv, as well as others from Fidelity and Jack Henry.

Professional Services
Fiserv can provide periodic results monitoring for a more in-depth portfolio performance review. We offer routine validation of the model within SmarterPay and can provide assistance to support the specific needs of any financial institution.

Did You Know?
Consumer surveys conducted by Fiserv and SourceMedia Research in 2017 and 2019 about consumer knowledge and use of overdraft services showed:

- While twice as many consumers needed help covering expenses and turned to alternate methods, use of overdraft services went down 20 percent between 2012 and 2017
- Satisfaction with their overdraft service dropped significantly during that time, from 55 percent to 36 percent
- The 2019 survey showed that consumers did not have a good understanding of their financial institution’s overdraft service, often not remembering opting in or what the service provided

Conclusion: With consumer engagement and education, plus the flexibility to offer overdraft limits that take both risk and affordability into account, financial institutions can provide a necessary service to consumers who need it.
The SmarterPay Advantage

Due to its robust functionality, SmarterPay has been adopted by the largest financial institutions in the United States. SmarterPay processes more than 50 million deposit accounts and analyzes hundreds of millions of transactions every night. No other solution provider in the industry can match our industry experience, analytical capabilities and processing capacity.

Key Features

- Robust solution that creates a defensible overdraft limit assignment
- Engineered to balance overall risk through a daily account-level calculation
- Intuitive combination of a risk model with a capacity to repay
- Patented complex algorithms utilize a wide range of predictive variables
- Powerful daily reporting features that monitor excessive overdrafts and performance
- Flexibility to create a customized overdraft system
- Proven overdraft letter and email capabilities to expedite notification to customers per regulatory expectations

Connect With Us

For more information about SmarterPay, call 800-872-7882, email getsolutions@fiserv.com or visit fiserv.com

Fiserv is driving innovation in Payments, Processing Services, Risk & Compliance, Customer & Channel Management and Insights & Optimization. Our solutions help clients deliver financial services at the speed of life to enhance the way people live and work today.

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