



HOMETOWN BANK CASE STUDY

Overview:

A small bank with a very large and influential client with multiple business units had two issues to address.

First, the client maintained a large Hispanic employee base that filled the bank's retail lobbies each Friday cashing paychecks. The vast majority of the workers were unbanked and therefore didn't have access to the client's existing direct deposit program.

Second, the client experienced paycheck fraud and requested that the bank provide a solution that would eliminate the problem.

Business Challenge

Bank Lobbies

Because the bank did not have a large number of bilingual employees, the check-cashing process was inefficient for the bank associates, the Hispanic workers and other branch customers. The payroll checks were drawn from the bank and many employees felt they needed to go to a branch to cash them. The branch also needed to have the money on hand and the manpower to handle all the transactions. Bank associates were pulled away from more profitable assignments to handle the overload and were continually catching up.

Hispanic employees had to leave the job for extended periods of time, cutting into productivity.

Other bank customers were frustrated by the long lines as they completed their own transactions.

Payroll Check Fraud

The bank recognized that a direct deposit program could address the client's paycheck fraud issue but they didn't have a solution in their portfolio that could meet the needs of the primarily unbanked Hispanic workforce. A pay card seemed the ideal choice.

They needed a resource that offered bi-lingual training, support and customer service to meet all the needs of their client. They turned to Directo as their provider of choice.

Directo's Solution

Directo designed an implementation plan that it would deploy from top to bottom. Directo ensured that initial implementation went smoothly before rolling the program out to all of the client's companies.

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Implementation included:

- A communication to the workforce informing them that someone in their community had taken part in an illegal payroll check fraud which led the company to make a change to the payroll program.
- An early collateral communication educating workers about the options available to them for direct deposit including the Directo program.
- A direct deposit rally explaining the program and signing up employees at each of the plants to ensure complete understanding and ensuring compliance.
- Stickers including the employee's name, address, social security number and employee number to address employee literacy issues and to facilitate the enrollment process. This step allowed the rally to focus on ATM use training, a priority, since ATMs are the main method for accessing funds from the Directo account.
- Pre-scheduled small groups of 10-15 workers at the client's location to answer questions about direct deposit and Directo with bilingual reference materials and translators on hand.
- Distribution of handouts featuring the bank's ATM locations to make transactions convenient and easy.
- Presence of Directo customer service teams at each client facility on the first payday after program implementation to provide additional ATM training and to answer questions.

Bank and Client Benefits

- Elimination of payroll check fraud via direct deposit.
- Solidified the relationship with their client by taking steps to ensure that payroll check fraud would not happen in the future – protecting both entities from future financial liability.
- Less-crowded lobbies on paydays freeing up staff to manage their main responsibilities.
- Decreased expenses associated with check cashing and the balance of the money the bank needed to have on hand.
- Elimination of the administrative burden on client management to distribute checks or address issues such as lost checks or other related issues with live checks.
- Improved lifestyle for their client's valued employees. Employees no longer must wait in line to cash checks or risk carrying cash.
- A consistent program across all client companies.

Results

- Within 90 days, 100% of the bank client's business units converted to direct deposit and electronic pay.
- 70% of workers selected the Directo program and the remainder have direct deposit with local banks.
- Simplified pay days for the payroll department because earlier distribution of money on pay day created more time to respond to employee questions/issues.
- 100% direct deposit saves significant time for the payroll department because there are no uncleared checks to manage (reconciliation and escheat).
- Workers embraced the program once they understood the key benefits including access to mainstream financial services which provides them with more options for managing their money and expenses.
- Since implementation, the most popular Hispanic grocery store in town installed a POS unit to enable employees to use their Directo cards for purchases and to send money via Western Union.