

CU*ANSWERS

A CREDIT UNION SERVICE ORGANIZATION



PRICING MODEL

A Historical
Perspective:
2005-2009

THE CU*ANSWERS PRICING MODEL

A Historical Perspective: 2005-2009

The story is the same, but the numbers have been changed to prove our point...

"What should the price be today?" There are always two sides to that story: the seller's and the buyer's. The buyer wants to make sure he gets the best deal possible, and that whatever he is buying will help let him maximize his own value (net return). The seller wants to make sure he can attract enough buyers at this price to actually continue doing business.

In our case, it is also important to consider how the pricing model used by CU*Answers has worked for its credit unions over time. Do the ongoing practices of both credit unions and CU*Answers allow both sides to move forward? Can credit unions build value and provide service with the tools and services CU*Answers provides? Can CU*Answers continue to evolve, offer more, and build a future for all concerned? There is no doubt that the credit unions which have been our foundation *have* grown, and that CU*Answers itself has been very successful, establishing new credit union partnerships every year.

This document, like Volume 1 (1999-2004) before it, is an attempt to explain the rationale behind the way CU*Answers prices key elements of its services, and to provide a historical perspective by looking at previous pricing periods.

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For the CEO Roundtable: December 10, 2008

Base Member Processing

Purpose: Licensing Fee

This is the base unit cost for a credit union member. Unlike other fees, there is no correlation between base member processing cost and the member's actual relationship, positive or negative, with the credit union—if they are a member, this is what they cost. This fee includes basic member servicing features provided by CU*Answers. For this price, a credit union membership can have up to 999 sub-account suffixes, including savings, certificate and loan accounts. This fee functions as the primary licensing fee for core credit union applications such as accounting, teller services, loan services, back office services, and misc. trial balance services.

This fee is contractual based on the term of the contract, so the fees listed below are the starting point based on the year when a credit union began processing with CU*BASE.

	Monthly Fee Per Member				
	2005	2006	2007	2008	2009
Active Member Fees (5-year contract)	\$0.53	\$0.53	\$0.53	\$0.56	\$0.56
Active Member Fees (3-year contract)	\$0.55	\$0.55	\$0.55	\$0.58	\$0.58
Active Member Fees (1-year contract)	\$0.57	\$0.57	\$0.57	\$0.60	\$0.60
Closed Member Fees - current tax year	\$0.23	\$0.23	\$0.23	\$0.24	\$0.24
Closed Member Fees - previous tax year	Free				
Written Off Member Processing	Free				
Disaster Recovery Fee	\$0.015	\$0.0175			
Minimum CU*BASE processing services fee	\$2,000 per month				

Figure 1

The mechanism that CU*Answers uses to increase this fee for existing credit unions is referred to as the COLA (Cost of Living Allowance) adjustment. The average COLA adjustment for the period between 2001 and 2008 was 2.815%, but the actual increase CU*Answers passed on to its clients during that period was much lower. It averaged only \$0.011 per member month. Based on a per-member fee of \$0.50 per member, this works out to be 2.2%. We have rarely taken a full COLA increase. In 2002, 2005, and 2008, CU*Answers waived its COLA increase entirely.



Figure 2

In an unprecedented move in 2009, CU*Answers will roll back the per-member fee for 45 credit unions, resetting the cumulative effect of their COLA increases by \$0.01 per member month.

In 2009, the average price paid by clients (under contract as of 12/31/08) will be \$0.532 per member month.

Platform Technology Updates/ Disk Retention/Statements

Purpose: Resource Usage Fee

How does CU*Answers price a credit union who requires a high level of transaction activity and its related disk storage requirements, compared to a smaller credit union that requires less data processed and stored by our systems? Like a 25,000 sq. ft. building costs more to lease than one with only 5,000 sq. ft., this fee is basically a “rental” fee for the use of resources. This section is also referred to as a “Resource Usage Fee.” It is calculated by correlating the resource requirements of a credit union to the number of member check transactions per month. The reason for this is that checking accounts historically require the most amount of disk storage, are a good indicator of the number of statement pages, and seem to be the most easily measured variable between base and variable member activity.

Services covered by this fee:

- Statement creation
- Transaction history retention
- Upgrades to hardware resources for core processing (IBM iSeries)

FEE PER CHECKING ITEMS PROCESSED

These fees are tiered based on volumes, and they have not changed since 2002. This is not a blended fee; all check transactions are charged at a single tiered price according to the total number of transactions the credit union processes.

Special note: With the decline in checking account transactions due to the way members are adopting debit cards, the services covered by this fee will be up for review in 2009. In many cases, this fee no longer supports the costs related to statements. It is our hope that credit unions will continue to push e-Statements so that we will not see an increase in this fee in the future.

In 2009, the average price paid by clients (under contract as of 12/31/08) will be \$0.0264 per item.

Per Item Fee					
Checking Items Processed	2005	2006	2007	2008	2009
1 to 100,000	\$0.030	\$0.030	\$0.030	\$0.030	\$0.030
100,001 to 200,000	\$0.020	\$0.020	\$0.020	\$0.020	\$0.020
200,001 to 425,000	\$0.015	\$0.015	\$0.015	\$0.015	\$0.015
425,001 or more	\$0.010	\$0.010	\$0.010	\$0.010	\$0.010
Minimum Resource Utilization fee	n/a	\$500.00 per month			

Figure 3

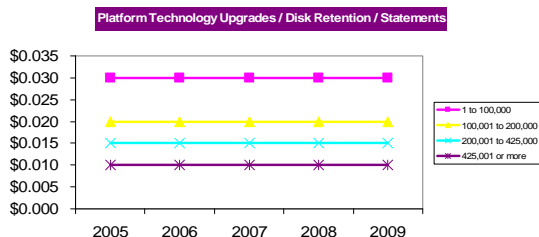


Figure 4

MISCELLANEOUS

These fees are peripheral fees for miscellaneous handling related to statements. (As of 2008, e-Statements no longer have a separate fee and are included in the e-Commerce Fee, described starting on page 6.)

	Other Fees				
	2005	2006	2007	2008	2009
CASS Certification (outside statement preparer)		\$100.00 per CASS run			
Digitized Statement CU Logo Setup		\$175.00 one-time fee			
Select Statement Inserts (per stmt mailing)		1st run: \$150.00; Other runs: \$50.00 per run			
E-Direct Mail (Marketing Messages)		\$0.01 per email			

Figure 5

ATM and Debit Card Transactions

Purpose: Licensing Fee and Resource Usage Fee

ATM and Debit Card transactions are both priced from the same table; however, their volumes are not combined when determined the pricing tier. There are two primary ways we handle ATM and debit card transactions:

- Offline (batch) processing - This style creates more overhead based on day-to-day operator costs. Operators are responsible for running and verifying jobs that send balance files to the third-party network and receive post files to be manually posted against member accounts.
- Online (interactive) processing - This style requires more expensive communication resources because the lines are live and interactive. The number of lines that can be interactive are finite based on the resources in the computer room, and the diligence required to maintain the connection is expensive.

Since 2006, the pricing for online processing has been reduced by as much as 35%. We anticipate these prices to continue to drop as volumes accelerate with member usage. It is important to remember that the Fee Per Checking Items Processed (see Figure 3) is now under stress due to the declining number of check transactions. In 2009, ATM and Debit card fees were linked to the online Credit Card processing strategies. These transaction fees continue to be a pay-as-you-go area, and CU*Answers believes this is the best way to account for plastic costs at a credit union.

	Per Item Fee				
	2005	2006	2007	2008	2009
One daily file transmission	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05
Second daily transmission	Minimum \$200.00 per month \$250.00 per month				
1-20,000 online transactions *	\$0.100	\$0.100	\$0.075	\$0.075	\$0.070
20,001-75,000 online transactions *	\$0.075	\$0.075	\$0.075	\$0.075	\$0.070
75,001+ online transactions *	\$0.050	\$0.050	\$0.050	\$0.050	\$0.050
ATM Inquiries	n/a	n/a	n/a	n/a	n/a
ATM Card PIN Requests	n/a	n/a	n/a	n/a	n/a
ATM Card Ordering	n/a	n/a	n/a	n/a	n/a
Credit Card online transactions	n/a	\$0.10	\$0.10	\$0.10	\$0.10

Reduced in
2009!

* For 2009, \$0.065 if also performing Online Credit Card transactions.

Figure 6

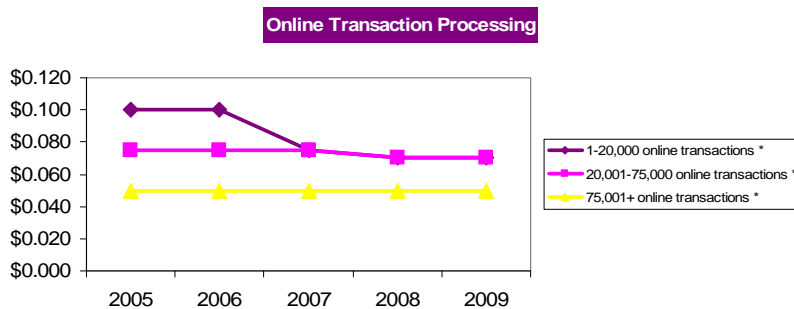


Figure 7

The e-Commerce Fee

Purpose: Licensing Fee and Resource Usage Fee

In 2008, CU*Answers revolutionized its pricing by combining all of its strategies related to e-Commerce between a member and a credit union into one fee. Instead of an *a la carte* usage fee for each major component, CU*Answers now charges a flat fee that encourages credit unions to push their members towards these cost-effective solutions. In essence, we hoped to create a “black hole” in a credit union’s income statement that pulled both members and credit union strategies towards these services.

To do so, we committed to capping our expenses in the e-Commerce area, pushing ourselves to innovate with the same budget, instead of simply adding more functionality and charging more along the way. In 2009, we took the next step and tighten our belt another notch. We want every credit union leader to see that the next member they add to their e-Commerce offerings *lowers their costs* on a per-member basis.

CU*TALK AUDIO RESPONSE

Starting in 2008, Audio Response was included as part of the e-Commerce fee. CU*Answers greatly expanded its ASP offering so that credit unions could have an independent access phone number while still be online for ARU services. Credit unions that have their own, in-house ARU services receive a discount on their e-Commerce fee. The only variable in how much credit unions pay for audio response is the actual line costs and communication minutes their members use.

Member Interaction Fees					
	2005	2006	2007	2008	2009
Audio Response	Over 2,500 members: \$275.00/mo. Under 2,500 members: \$125.00/mo.			Included with E-Commerce Fee	
Dedicated CU Audio Line	n/a	\$25.00 per Month			
Spanish language option	Online user: \$250.00 (one time) Locally-installed unit: \$2,500.00 (one time)				
Plus applicable WATTS line charges (discounted - shared passthrough)					

Figure 8

IT'S ME 247 ONLINE BANKING

Online Banking is the cornerstone of any credit union's e-commerce strategy. What started out as CU*@HOME is now **It's Me 247** Online Banking. In 2007, CU*Answers clients took a leap forward moving to this new platform. Without a doubt, online banking and all of its associated tactics in the future will continue to attract member attention. The idea that CU*Answers has capped its e-Commerce Fee and included all of these capabilities in a single price truly sets CU*Answers apart. In 2009, that price dropped even further.

Per Minute Fee					
	2005	2006	2007	2008	2009
Internet Home Banking monthly fee	\$100.00 per month <i>(waived if combined Audio/HB minutes exceeds 5,000)</i>			Included with E-Commerce Fee	
Per-Minute Usage Fee: Tiered					
1-50,000 minutes	\$0.035	\$0.025	\$0.0225	Included with E-Commerce Fee	
50,001 - 100,000 minutes	\$0.030	\$0.020	\$0.0175	n/a	
100,001 + minutes	\$0.025	\$0.015	\$0.0125	n/a	

Figure 9

E-STATEMENTS

It is possible that nothing has had a greater impact on credit union operational expense than e-Statements. Instant delivery with no postage. Credit unions continue to drive their members to electronic communications at a record pace. Many credit unions have goals to exceed 50% penetration with e-Statements. In 2008, we stopped charging for e-Statements so that credit unions would accelerate these tactics. To add more fuel to the fire, we added e-Notices as well and included them in the flat e-Commerce fee.

e-Statements				
	2005	2006	2007	2008 2009
E-Statement Processing	\$150.00 Monthly	\$150.00 Monthly	\$150.00 Monthly	Included in E-Commerce Fee

Figure 10

E-COMMERCE FEE

This is the last time that this historical guide will break out separate tables for audio response, online banking, and e-Statements, because now they are all represented by the table below. It's easy to forget how much value is represented in this single line item on a credit union's monthly invoice. It's easy to forget that the goal of the CUSO is to continue to lower this price, year in and year out, at the same time that more and more members use these services. In 2009, CU*Answers went after its goal of eliminating e-Commerce fees for credit unions under 2,500 members with a 57% cut for that tier. The other tiers were cut by approximately 5% each.

Fee Per Month					
E-Commerce Fee	2005	2006	2007	2008	2009
1 - 2,500 Members		n/a		\$350.00	\$150.00
2,501 - 5,000 Members		n/a		\$850.00	\$810.00
5,001 - 10,000 Members		n/a		\$1,200.00	\$1,050.00
10,001 - 15,000 Members		n/a		\$1,700.00	\$1,600.00
Over 15,000 Members		n/a		\$2,400.00	\$2,300.00

Reduced in 2009!

E-Commerce Fee includes unlimited **It's Me 247** Online Banking with PIB multi-layered security, regular and credit card e-statements, e-Notices and e-Alerts, Online Banking Community (OBC) publishing, and Audio Response usage fee.

Figure 11

CU*EASYPAY! BILL PAYMENT/PRESENTMENT

This service, in partnership with CheckFree, is one of the great success stories of our CUSO format. In 2006 we switched from "good funds" to the industry-standard processing method, moving to a new pricing structure with different fees for active and inactive users. Pricing is now tiered based on usage, a model that is designed to reduce entry barriers and encourage credit unions to market bill pay aggressively without having to worry about those members who sign up and never use the service.

		Fee Amount				
		2005	2006	2007	2008	2009
CU*EasyPay! Implementation (one-time fee)		\$2,250.00	n/a			
Monthly Minimums						
		No min. fees for first 60 days. After 60 days, sponsor fee of \$250.00/mo applies until 101 subscribers; waived if 101 subscribers is maintained.	n/a			
User / Customer Service Fees						
Bill Payment User Fees		\$4.95 (includes 15 transactions)	\$2.65 active; \$1.50 inactive			
Add'l Bill Payment Transactions		\$0.36	\$0.40 (per transaction)			
Per User Signup Fee		\$3.00	n/a			
Miscellaneous Fees						
Stop and Reissue Request		\$15.00 each				
Overnight Delivery Request		\$15.00 each				
Non-Sufficient Funds ACH Debit		\$20.00				
Research Fee		n/a	\$25.00			
Check Image Retrieval Fee		n/a	\$10.00 per item			
Resource Time (Special Requests)						
CheckFree Customer Service Rep		\$40.00/hour				
Non-Systems Professionals		\$125.00/hour				

Look for a 15% reduction in bill pay fees later in 2009!

Figure 12

Other Miscellaneous Fees

The remaining sections of the Fee Schedule relate to items that have a smaller impact on the individual credit union's invoice. While very significant to CU*Answers' overall revenue stream, questions are seldom raised about their place in the overall pricing scheme. Once again, the history of these fees shows CU*Answers' desire to control costs for credit unions and to expand services very rapidly.

The charts below show a great deal of range as to the capabilities of CU*Answers and its services. Services like online credit bureau access include multiple strategies for credit unions, from pulling a credit report to every terminal to credit scoring, and are directly related to key lending features like risk-based pricing. Below you will find comparison charts for the following miscellaneous items:

- External Vendor Communications
- Service Charges and Processing Charges
- Miscellaneous Processing Charges
- OTB Credit Cards
- Data Archival
- Custom Programming

EXTERNAL VENDOR COMMUNICATIONS

	Fee Amount				
	2005	2006	2007	2008	2009
Tape processing		\$20.00/ea			n/a
Loan insurance tape/run processing			\$30.00/mo		
ACH processing			\$50.00/mo		
Third-party tape/diskette preparation/delivery		\$40.00/hr ¹		\$50.00/hr ¹	
Online credit bureau access			\$0.75/report		
Experian ID Verification		n/a		\$0.75/reqst	
Credit Bureau Reporting	n/a	\$20.00 1 bureau	\$20.00 1 bureau	\$20.00 1 bureau	\$20.00 1 bureau
		\$35.00 2 bureaus	\$35.00 2 bureaus	\$35.00 2 bureaus	\$35.00 2 bureaus
		\$45.00 3 bureaus	\$45.00 3 bureaus	\$45.00 3 bureaus	\$45.00 3 bureaus
Additional online retention of credit report data ²			\$5.00/mo		
ACH Returns and NOCs ³			\$1.00/item		\$0.80/item
AIRES file creation, balancing and download to disk ³			\$50.00/ea		
Check images from third-party check processor			Quote Provided		

Reduced in 2009!

¹ One hour minimum.

² Beyond standard retention of 6 months (summary data) and 60 days (detailed report).

³ If processed by CU*Answers.

Figure 13

SERVICE CHARGES AND PROCESSING CHARGES

	Fee Amount				
	2005	2006	2007	2008	2009
Internal CU service charges			\$20.00/mo		
Internal CU dormance fees			\$20.00/run		
Internal CU ATM fee programs			\$20.00/mo		
Financial Institution Data Match (FIDM)			\$125.00/qtr		
OFAC Data Match			\$10.00/mo		

Figure 14**MISCELLANEOUS PROCESSING CHARGES**

Fee Amount					
	2005	2006	2007	2008	2009
Statement copy (paper media)	\$0.75 ea (initial 2 years)		\$20.00 ea (over 2 years)	\$0.50 per page; \$10.00 minimum	
Dividend regeneration	\$125.00 ea				
End of Month Processing Verification	n/a	\$50.00 per Month			
1099 and/or 1098 processing ¹	quoted annually				
Microfiche storage (cumulative)	\$2.50/mo				
Original microfiche	\$2.05 ea			n/a	
If using CD-ROM storage	\$1.85 ea				
Copies of microfiche	\$0.22 ea			n/a	
If using CD-ROM storage	\$0.20 ea				
Copies of Screen Reference Guide	Free				
Individual chapters of Screen Ref. Guide	Free				
Branch-level documentation support (per branch)	n/a				
CU*BASE GOLD Online Help / reference mat'ls	Included at all workstations with CU*BASE GOLD ³				
CU*Answers Answer Book online inquiry	Free				
¹ Postage Separate					
² If using CD-ROM storage.					
³ Web-based online help introduced in Fall 2003.					

Figure 15**OTB CREDIT CARDS**

	Fee Amount				
	2005	2006	2007	2008	2009
OTB Processing (existing vendor - including credit card; other vendor file upload/ download)					
One-time Setup Fee	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00
Monthly Fee	\$100.00/mo	\$100.00/mo	\$100.00/mo	\$100.00/mo	\$100.00/mo
OTB Processing (new vendor - including credit card; other vendor file upload/ download)					
One-time Setup Fee	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
Monthly Fee	\$100.00/mo	\$100.00/mo	\$100.00/mo	\$100.00/mo	\$100.00/mo

Figure 16

DATA ARCHIVAL

Member Statements and Reports	Fee Amount				
	2005	2006	2007	2008	2009
Data Archival Setup/Licensing Fee	\$2,495.00 (one-time)		\$2,750.00 (one-time)		
CD-ROM Storage	\$0.01/page				
CD-ROM Supply	\$20.00/CD-ROM				\$10.00/CD-ROM
Recreation of CU*CDs	n/a	\$100.00 plus \$20.00 per CD ROM			
COLD Storage (e-receipts; photo ID)	Third party vendor relationship			Integrated EDI option	

Reduced in 2009!

Figure 17

CUSTOM PROGRAMMING

Fee Amount					
	2005	2006	2007	2008	2009
ATM/debit card batch processing setup	\$1,500.00			\$1,800.00	
ATM positive balance file setup (upload/download)	\$500.00			\$600.00	
ATM/debit card and/or shared branching online interface					
Existing online network setup	\$1,500-\$3,000			\$2,500.00-\$4,000.00	
New online network setup	\$5,000.00 - \$10,000			\$7,500.00 - \$12,500.00	
CUSC Shared Branch Online Interface					
Issue					
One-time setup	n/a	n/a	\$1,500.00	\$1,500.00	
Per transaction fee (plus CUSC related fees)	n/a	n/a	\$0.10	\$0.10	
Acquirer					
Montly fee for 1 or 2 Branches	n/a	n/a	\$250.00	\$250.00	
Monthly fee for 3 or more Branches	n/a	n/a	\$500.00	\$500.00	
Data Line	n/a	n/a	\$75.00	\$75.00	
Laser checks/money orders setup	\$950.00				
Laser custom loan forms	Quoted based on individual request				
3rd-party corporate check file rec'd for check recon.	\$500.00				
Check Processor setup/test (if non-CU*Answers)	\$1,500.00				
Check Images (retrieved via third party)	n/a	Quoted based upon vendor			
Notice Transmission set-up (non-CU*Answers)	\$750.00				
MICR line changes to member checks/LOC checks	\$350.00				
Custom share dividend bonus	\$400.00		\$400.00 (first); \$100.00 each additional		\$1,000.00 Minimum Quote Provided
Special loan interest rebate	\$400.00 - \$1,000.00				\$1,000 Minimum Quote Provided
Special programming requests and features	\$95.00/hour (\$200.00 minimum)				\$100.00/hour (\$200.00 Minimum
Statement Transmission set-up (non-CU*Answers)	n/a	\$750.00			
TCD Interface (new vendor only)	n/a	Quote provided			
Digitized logo set-up (statements)	n/a	\$175.00			
CU*BASE Deconversion Fee	\$0.50		\$0.65		
Custom programming prices are general guidelines only and are subject to change based on the individual project.					

Figure 18

CONCLUSION

This document was presented to prompt communication between CU*Answers and its partners at the 2008 CEO Roundtable event in December. In 2009, CU*Answers will host a special education event hosted by Randy Karnes, CEO, and Bob Frizzle, CFO: **Understanding Your CU*Answers Invoice and Maximizing Your Return**. This event is intended to help credit unions correlate our pricing and monthly invoices with the way they earn through credit union operations.

The 2008 CEO Roundtable kicked off a year of self assessment for the CUSO and its Board of Directors, which will culminate with the 2009 Board Strategic Planning Session to be held in August 2009. We hope that the discussions around this historical pricing perspective will get our network participants thinking about what it means to be a *manufacturer of value*. (See the 2009 Pricing Guide.)

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