

CU*ANSWERS

A CREDIT UNION SERVICE ORGANIZATION



Pricing Model

A Historical Perspective: 2010-2014

The CU*Answers Pricing Model

A Historical Perspective: 2010-2014

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 a cooperative, the customer-owner is supposed to ensure the seller and the buyer create a win-win for everyone.

As a cooperative, CU*Answers also knows it’s 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) and Volume 2 (2005-2009) 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.

Prepared for the Pricing Focus Group: **March 26, 2014**

A companion to this summary is the separate “**New Pricing Models for the Future**” booklet which outlines key pricing changes planned starting in fiscal year 2015.

It also includes a more detailed 15-year historical analysis of long-term CU*Answers pricing strategies.



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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 miscellaneous trial balance services.

This fee is contractual according to the term of the contract, so the fees listed below are the starting point from when a credit union began processing with CU*BASE. In other words, these prices represent the rack rate included in a sales proposal for a new credit union prospect. The base member fee a credit union actually pays is based on individual circumstances and relationship with the CUSO over time.

	Monthly Fee Per Member				
	2010	2011	2012	2013	2014
Active Member Fees (5-year contract)	\$0.56	\$0.56	\$0.56	\$0.56	\$0.58
Active Member Fees (3-year contract)	\$0.58	\$0.58	\$0.58	\$0.58	\$0.60
Active Member Fees (1-year contract)	\$0.60	\$0.60	\$0.60	\$0.60	\$0.62
Active Member Discount (35K-45K Members)	-	-	-	5.00%	5.00%
Active Member Discount (45K+ Members)	-	-	-	Add'l 5%	Add'l 5%
Closed Member Fees - current tax year	\$0.24	\$0.24	\$0.24	\$0.24	\$0.24
Closed Member Fees - previous tax year	Free				
Written Off Member Processing	Free				
Disaster Recovery Fee	\$0.0225	\$0.0225	\$0.0225	\$0.0225	\$0.0225
Minimum CU*BASE processing services fee	\$2,000 per month				

Figure 1

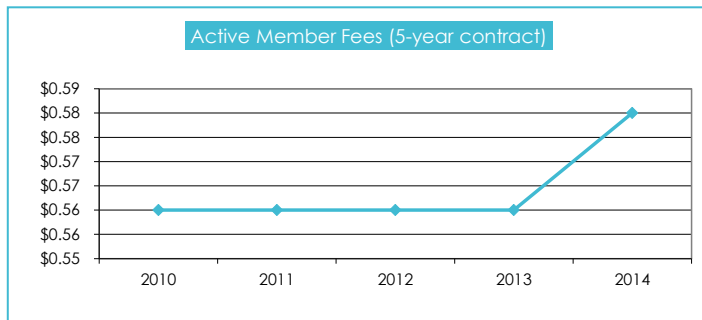


Figure 2

Figure 2 shows the CU*Answers base member fee, or rack rate, over the past five years. As you can see, CU*Answers held the price for 4 consecutive years as credit unions and the economy recovered from the mortgage crisis, pre-2010.

How Base Member Fees Change Over Time

As of November 2013 (CU*Answers business year 2014), the average active member fee paid by CU*Answers credit unions ranged between \$0.460 to \$0.577 per member month. The actual amount paid by credit unions under contract varies, and most CUs start at or below the rack rate, depending on how their initial deal was structured. From there, COLA (Cost of Living Allowance) increases over the life of the contract adjust the amount of the base member fee.

See pages 20-21 of the separate "New Pricing Models for the Future" booklet, showing an analysis of active member pricing and historical COLA analysis.

While CU*Answers contracts grant the right for CU*Answers to increase the base member fee based on COLA, the CUSO does its best to limit increases based on the condition of credit unions and minimum amount needed by CU*Answers for its operations. For 2009, 2010, and 2011, the COLA increase was waived (0%). Remember that once these increases are waived, the credit union saves over the life of their relationship with CU*Answers.

For 2012, CU*Answers implemented a COLA increase of 1.9%, which was just half of the 3.8% COLA allowed by contract. For 2013, CU*Answers implemented a COLA increase of 1.0%, which was half of the 2.07% COLA allowed by contract. In 2014, the full 1.52% COLA increase was implemented.

In many companies, COLA increases are built into contracts and become automatic adjustments (usually an increase). Here at CU*Answers we take pride in the fact that Board members work diligently with the management team to make sure prices are based on a win-win for the CUSO and the credit union.

Resource Utilization Fee

Purpose: Cover Platform Technology Updates, Disk Retention, & Statements Overhead

This fee helps the CUSO balance *the way credit unions use our infrastructure*, affecting statement printing costs and other miscellaneous services, against the *volume of work* a credit union generates in their day-to-day operations. These revenues allow CU*Answers to budget system improvements, expand system capacity, and develop and produce member statements. This is one of the key tactics CU*Answers uses to insulate credit unions from infrastructure adjustments and surges in statement production costs.

In the past, this fee was calculated by correlating a CU's resource requirements to the number of *member check transactions* per month. The reason for this was that checking accounts historically required the most amount of disk storage and were a good indicator of the number of statement pages, and seemed to be the most easily measured variable between base and variable member activity.

We anticipate adjusting the foundation for this fee beginning with the 2015 fiscal year. [For more information about the new approach, see the "New Pricing Models for the Future" booklet, page 8.](#)

Services covered by this fee:

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

Figure 3 represents the Resource Utilization Fee over the last 5 years, billed according to checking items processed. 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.

Checking Items Processed	Per Item Fee				
	2010	2011	2012	2013	2014
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	\$500 Per Month				

Figure 3



Miscellaneous Statement Handling Fees

The Resource Utilization Fee does not cover all fees related to statements. The fees outlined below are peripheral fees for miscellaneous handling related to statements. CU*Answers works closely with several vendors, encouraging print vendors to be creative and offer our credit unions as many options for printing statements as possible. Our primary print partner is Sage Direct, Inc.

Special Note: New services like online credit cards and now special handling for mortgage statements, per new regulatory requirements, are creating additional pricing pressures on both CUSO and credit unions. We anticipate over the next several years that requirements for new capabilities such as statement cycles and additional statement formats will cause an increase in fees. Credit unions are advised to watch this area carefully over the next several annuals.

	Other Fees				
	2010	2011	2012	2013	2014
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		No Charge	

Figure 4

EFT Transactions

Purpose: Licensing & Resource Usage Fee for ATM, Debit, & Online Credit Cards

The use of these products by credit union members has exploded over the past few years, and everyone has been affected by changing tactics, as members transition away from checks to the plastic in their wallets. There has been a rush of new vendors, a move away from offline (batch) processing to interactive, online processing, and several new tactics related to producing cards and maintaining card databases.

While increasing volumes have allowed CU*Answers to decrease prices over the last 15 years, prices have been relatively flat over the past five. The major change has been capping prices as individual credit unions reach certain levels of activity. The current cap of \$7,000 per month for CUs under 50,000 members has been in place since 2010. In 2014, CU*Answers added a second tier for credit unions over 50,000 members.

It is anticipated that in 2015 we will move away from capping based on membership size, and instead tier the pricing based on transaction volume, along with creating additional caps. [See the "New Pricing Models for the Future" booklet, page 6, for more details.](#)

Special Note Regarding Online Credit Card Pricing

As you can see in the worksheet below, credit unions that have CU*BASE online credit cards do get price discounts for ATM and debit card transactions as well. This will continue in the future. But starting in April 2014, there will be a **10% price reduction** in credit card processing fees, from \$0.10 to \$0.09 per transaction. [See the "New Pricing Models for the Future" booklet, page 5, for more details.](#)



	Per Item Fee				
	2010	2011	2012	2013	2014
One daily file transmission	\$0.06	\$0.065	\$0.065	\$0.075	NA
Second daily transmission	Minimum \$200.00 per month				NA
	\$250.00 per month				NA
Per Transaction Pricing (without Credit Cards)					
1-75,000 Transactions	\$0.0700	\$0.0675	\$0.0608	\$0.0608	\$0.0608
75,001+ Transactions	\$0.0500	\$0.0550	\$0.0495	\$0.0495	\$0.0495
Pricing Cap (Less than 50,000 Members)	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
Pricing Cap (Greater than 50,000 Members)	NA	NA	NA	NA	\$10,000
Per Transaction Pricing (with Credit Cards)					
1-75,000 Transactions	\$0.0650	\$0.0625	\$0.0563	\$0.0563	\$0.0563
75,001+ Transactions	\$0.0500	\$0.0500	\$0.0450	\$0.0450	\$0.0450
Pricing Cap (Less than 50,000 Members)	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
Pricing Cap (Greater than 50,000 Members)	NA	NA	NA	NA	\$10,000
Credit Card online transactions	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10

Figure 5

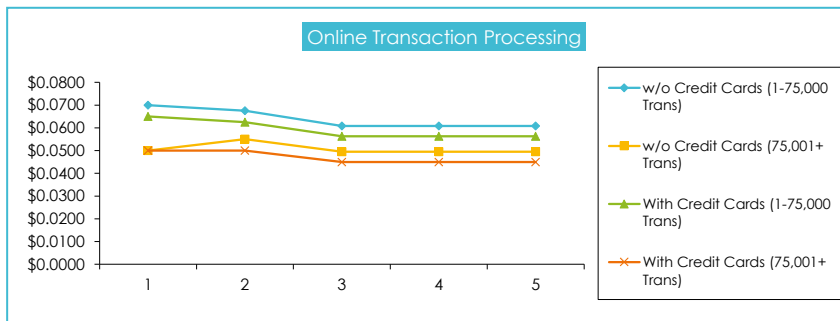


Figure 6

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. 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. We want every credit union leader to see that every new member they add results in *lower per-member costs*.

With all the products and services packed into this single fee, it's easy to forget how much value is represented in this single line item on a credit union's monthly invoice. The E-Commerce Fee includes:

- Unlimited **It's Me 247** Online Banking and Mobile Web Banking with PIB multi-layered security
- eStatements (regular and credit card)

- eNotices and eAlerts
- Online Banking Community (OBC) publishing
- Audio Response usage fee

As you can see in Figure 7, these prices have stayed steady for the past five years. We anticipate a new schedule starting in 2015, along with additional tiers that will ease the upward transition for our smallest clients, and prepare for the addition of larger and growing clients down the road. *See the "New Pricing Models for the Future" booklet, page 4, for more details.*

E-Commerce Fee	Fee Per Month				
	2010	2011	2012	2013	2014
1 - 2,500 Members	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00
2,501 - 5,000 Members	\$810.00	\$810.00	\$810.00	\$810.00	\$810.00
5,001 - 10,000 Members	\$1,050.00	\$1,050.00	\$1,050.00	\$1,050.00	\$1,050.00
10,001 - 15,000 Members	\$1,600.00	\$1,600.00	\$1,600.00	\$1,600.00	\$1,600.00
15,001 - 50,000 Members	\$2,300.00	\$2,300.00	\$2,300.00	\$2,300.00	\$2,300.00
Over 50,001 Members	NA	NA	NA	NA	\$5,000.00



Figure 7

EasyPay Bill Payment/Presentation

This service, whether presented through our partnership with Fiserv or our partnership with iPay, is one of the great success stories of our CUSO format. Beginning in 2013, our bill pay fee tactics changed significantly based on negotiations with both Fiserv and iPay. We moved away from the per-subscriber fee to a straight per-transaction fee. This allowed CUs greater flexibility to attract new members to bill pay without the penalty of a per-member subscriber fee. While transaction pricing went up (from \$0.04 to \$0.675 per transaction), the net effect for most credit unions was an overall reduction of about 17%.

Along with this change, both Fiserv and iPay have been expanding the services offered to bill pay members, and will continue to do so in the future. In 2013, CU*Answers added both Fiserv and iPay smart phone bill pay services as part of its mobile web banking initiative. In 2015, CU*Answers will launch an aggressive program to promote its new online banking for business, **It's My Biz 247**, in which the iPay Business Bill Pay product will play a key role.

User / Customer Service Fees	Fee Amount				
	2010	2011	2012	2013	2014
Bill Payment User Fees	\$2.65 active; \$1.50 inactive			\$0.00	
Bill Payment Transactions	\$0.40 (per transaction)			\$0.675 (per transaction)	
Per User Signup Fee	n/a			\$0.00	
Miscellaneous Fees					
Stop and Reissue Request	\$15.00 each				
Overnight Delivery Request	\$15.00 each				
Non-Sufficient Funds ACH Debit	\$20.00				
Research Fee	\$25.00				
Check Image Retrieval Fee	\$10.00				

Figure 8

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				
	2010	2011	2012	2013	2014
Tape processing			n/a		
Loan insurance tape/run processing			\$30.00/mo		
ACH processing			\$50.00/mo		
Third-party tape/diskette preparation/delivery			\$50.00/hr ¹		
Online credit bureau access			\$0.75/report		
Experian ID Verification			\$0.75/request		
Credit Bureau Reporting			\$20.00	1 bureau	
			\$35.00	2 bureaus	
			\$45.00	3 bureaus	
Additional online retention of credit report data ²			\$5.00/mo		
ACH Returns and NOCs ³			\$0.80/item		
AIRES file creation, balancing and download to disk ³			\$50.00/ea		
Check images from third-party check processor			Quote Provided		

¹One hour minimum.
²Beyond standard retention of 6 months (summary data) and 60 days (detailed report).
³If processed by CU*Answers.

Figure 9

Service Charges and Processing Charges

	Fee Amount				
	2010	2011	2012	2013	2014
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 10

Miscellaneous Processing Charges

	Fee Amount				
	2010	2011	2012	2013	2014
Statement copy (paper media)			\$0.50 per page; \$10.00 minimum		
Dividend regeneration			\$125.00 ea		
End of Month Processing Verification			\$50.00 per Month		
1099 and/or 1098 processing ¹			Quoted Annually		
Copies of Screen Reference Guide			Free		
Individual chapters of Screen Ref. Guide			Free		
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 11

OTB Credit Cards

	Fee Amount				
	2010	2011	2012	2013	2014
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 12

Data Archival

Even the title doesn't fit anymore: what was once primarily data archival has become a broad range of services based on CU*Answers' alignment with eDOC Innovations. In the past five years CU*Answers has transitioned from a CD-ROM-based archival system to include new functions such as electronic receipts and loan documents, and imaging processes related to Check 21. With these transitions, the concept of charging per page has been retired and our CD-ROM services are based on the stored data sent to the credit unions. This created the need to adjust our

The CU*Answers Pricing Model: A Historical Perspective (2010-2014)

pricing based on member counts, as shown in Figure 14. Another major change was the introduction of eDOC services provided directly to credit unions via their own in-house servers. In this case, data moves directly from our servers to the credit union's server, avoiding the need for CD-ROM storage. These prices are also listed in Figure 14.

It is anticipated that in 2015 we will announce new CU*Answers Imaging Solutions that will reinvent this area going forward. New features and services will be added to the CU*Answers online solution, as well as new support for credit unions who choose an in-house solution. Look for new pricing schedules beginning in October 2014.

Member Statements and Reports	Fee Amount				
	2010	2011	2012	2013	2014
Data Archival Setup/Licensing Fee	\$2,750.00 (one-time)		\$3,000.00 (one-time)		
CD-ROM Storage	\$0.01/page				Tiered by # of Mbrs*
CD-ROM Supply	\$10.00/CD-ROM				
Recreation of CU*CDs	\$100.00 plus \$10.00 per CD ROM				
COLD Storage (e-receipts; photo ID)	Integrated CU*Archives option*				

*See separate worksheet showing new in-house archival services fee schedule beginning in 2014.

Figure 13

Data Archival Fees	Fee Amount				
	2010	2011	2012	2013	2014
Media Charges, Statement CDs	NA	NA	NA	NA	\$10.00
Media Charges, Report CDs	NA	NA	NA	NA	\$10.00
Cold Storage Processing Fee	NA	NA	NA	NA	\$25.00
Statement Archiving (Quarterly) - Tiered by Member Count					
0 - 5,000 Members	NA	NA	NA	NA	\$75.00
5,001 - 7,500 Members	NA	NA	NA	NA	\$150.00
7,501 - 10,000 Members	NA	NA	NA	NA	\$225.00
10,001 - 15,000 Members	NA	NA	NA	NA	\$400.00
15,001+ Members	NA	NA	NA	NA	\$700.00
Report Archiving (Monthly) - Tiered by Member Count					
0 - 5,000 Members	NA	NA	NA	NA	\$75.00
5,001 - 7,500 Members	NA	NA	NA	NA	\$150.00
7,501 - 10,000 Members	NA	NA	NA	NA	\$225.00
10,001 - 15,000 Members	NA	NA	NA	NA	\$400.00
15,001+ Members	NA	NA	NA	NA	\$700.00
Credit Card Archiving (Monthly) - Tiered by Member Count					
0 - 10,000 Members	NA	NA	NA	NA	\$20.00
10,001 + Members	NA	NA	NA	NA	\$40.00
Clients With Their Own Servers - Monthly Charges					
Fully In-House Statement Archiving (Server Only)	NA	NA	NA	NA	\$25.00
Fully In-House Report Archiving (Server Only)	NA	NA	NA	NA	\$25.00
Fully In-House Credit Card Archiving (Server Only)	NA	NA	NA	NA	\$25.00
Partial In-House Statement Archiving (Server and Cold Storage)	NA	NA	NA	NA	\$10.00
Partial In-House Report Archiving (Server and Cold Storage)	NA	NA	NA	NA	\$10.00
Partial In-House Credit Card Archiving (Server and Cold Storage)	NA	NA	NA	NA	\$10.00

Figure 14

Custom Programming

	Fee Amount				
	2010	2011	2012	2013	2014
ATM/debit card batch processing setup			\$1,800.00		
ATM positive balance file setup (upload/download)			\$600.00		
ATM/debit card and/or shared branching online interface					
Existing online network setup		\$2,500.00-\$4,000.00			\$3,500.00-\$5,000.00
New online network setup		\$7,500.00 - \$12,500.00			\$8,500.00-\$15,000.00
CUSC Shared Branch Online Interface					
Issuer					
One-time setup			\$1,500.00		
Per transaction fee (plus CUSC related fees)	\$0.10			n/a	
Acquirer					
Montly fee for unlimited branches	\$250.00				
Data Line			\$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)					
			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					
			Quoted on Request		
Special loan interest rebate					
			Quoted on Request		
Special programming requests and features					
			\$100.00/hour (\$200.00 Minimum)		
Statement Transmission set-up (non-CU*Answers)					
			\$750.00		
TCD Interface (new vendor only)					
			Quote provided		
Digitized logo set-up (statements)					
			\$175.00		
CU*BASE Deconversion Fee					
			\$0.65		

Custom programming prices are general guidelines only and are subject to change based on the individual project.

Figure 15

Introducing Our Accounting Website



A fresh new look launching March 2014

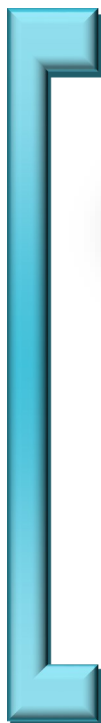
http://accounting.cuanswers.com/

Conclusion

This was a special year. This 3rd meeting of the Pricing Focus Group included a stronger focus on changing the structure of our pricing and looking forward as we analyzed not only the past five years but also the past fifteen. The CU*Answers Board has taken this opportunity to dedicate its planning year to examining how prices will adjust with the changing credit union industry over the next ten years. What we learn in interacting with our customer-owners in this Focus Group will be very important to the Board Planning Session in August 2014.

Take some time to think about the future and how you anticipate your economic models changing over the next decade. Based on how you see the future, tell us how our pricing might need to change to fit your credit union's opportunity and the opportunities of your peers. For our CUSO to be successful, we must be compatible with the business models of credit unions, to the point where our pricing *fits*. We must remember our driving ethic to charge only when credit unions earn.

Thank you for participating in the 2014 Pricing Focus Group!



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