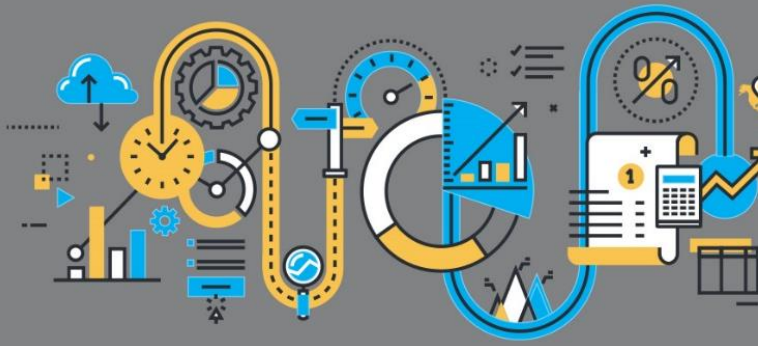


# Scribe Notes



## Group 1

Scribe - Julie Gessner

Name	Credit Union
<b>Barbara Harper</b>	Cincinnati Ohio Police Federal Credit Union
<b>Kim Kniola</b>	First Trust Credit Union
<b>Russ Dalke</b>	Northern Colorado Credit Union
<b>Todd Powell</b>	Spokane Firefighters Credit Union
<b>Barbara Bean</b>	Cal Poly Federal Credit Union

## Group 2

Scribe - Liz Winninger

Name	Credit Union
<b>William Burke</b>	Day Air Credit Union
<b>Charles Papenfus</b>	Inland Valley Credit Union
<b>Randy Gailey</b>	Horizon Credit Union (Utah)
<b>Karen Browne</b>	TBA Credit Union
<b>Janet Borer</b>	Members First Credit Union

## Group 3

Scribe - Esteban Camargo

Name	Credit Union
<b>Leo Vaulin</b>	CU*South
<b>Steve Kelly</b>	Metrum Community CU
<b>Patrick Post</b>	Mountain River CU
<b>Scott Collins</b>	Xtend
<b>Kim Hall</b>	Tri-Cities CU
<b>Todd Powell</b>	Spokane Firefighters CU
<b>Russ Dalke</b>	Northern Colorado CU

## Group 4

Scribe - Laura Zazakis

Name	Credit Union
<b>Scott McFarland</b>	Honor CU
<b>Greg Smith</b>	CU*NW
<b>Tom Gryp</b>	Notre Dame Federal CU
<b>Adam Johnson</b>	Safe Harbor CU
<b>Carma Peters</b>	Michigan Legacy CU
<b>Karen Browne</b>	TBA CU

Group 5

Group 6

Scribe - Barbara Cooper

Scribe - Keegan Daniel

Name	Credit Union	Name	Credit Union
Jeff Jorgensen	Sioux Empire	Linda Bodie	Element
Michael Abraham	First Financial	Dean Wilson	Focus
Vin Cerasuolo	Century Heritage	Don Mills	Alpena Alcona
Lindsey Merritt	Jordan CU	Kevin Ralofsky	Verve
Kevin Posey	Thinkwise CU	Dennis Degenhardt	Glacier Hills
		Jerry Wise	Greensboro

Group 7

Group 8

Scribe - Marsha Sapino

Scribe - Jim Vilker

Name	Credit Union	Name	Credit Union
Christy Leslie	Bridge CU	Barb Page	Kent County
Barb Mills	Calcite CU	Corrine Coyie	Advantage
Mark Richter	First United	Vickie Schmitzer	Frankenmuth
Kim Bourdo	Service 1 FCU	Matt Jennings	Quest
Charles Papenfus	Inland Valley CU	Janelle Franke	River
Barbara Bean	Cal Poly FCU	Randy Gailey	Horizons
		Steven Janssen	Brewery
		Andy Fogle	Des Moines Police Officers

## Group 9

Scribe - Annalyn Hawkes

Name	Credit Union
Mike Brandt	Evergreen CU
Steve Janssen	Brewery CU
Jerry Wise	Greensboro Municipal CU
Jennifer Oliver	South Bay CU
Kris Lewis	Allegan CU
Andy Fogle	Des Moines Police Officers

---

### Group Notes

*The following notes are included exactly as taken by table scribes. Scribes were instructed to jot down everything that was discussed at the table, with the idea that reading the notes would be a little bit like eavesdropping on the conversations.*

### Loss and Your Bottom Line

**Could you give a seminar on how your strategies and tactics price losses into your rates, fees, and penalties?**

- Retailers build the cost of shoplifting into the price. But in a zero-rate interest marketplace, where do you build in the cost of loss?
- Is it time to rethink pricing in the financial services marketplace, or just your pricing?

---

### Group 3 Notes

- Patrick says they just expense it and hope they can recover it elsewhere.
- Steve works with CUDC (CULA) to manage indirect lending. They provide reporting and analytics to determine whether the program can be improved by changing rates, etc.
- Certain fees are to modify behavior, or incentive fees (get this ancillary service and you'll get a fee); how do we restructure fees with bundled services that consumers (i.e. millennials) won't mind paying?
- Millennials don't like one-off fees, but they don't mind micro transaction, convenience fees.
- Banks get away with account fees because of packaging services. Credit unions have moved too fast to give things away.

- Have to change the mindset that credit unions have to give everything away because they're cooperatives. Part of being in a cooperative is paying in towards the success of the cooperative at large to ensure its sustainability and receive long-term benefits.

#### Group 4 Notes

---

- **Greg** – Security Checking account – participate, or if you don't participate then you pay a fee.
- Call center agents (when agent answers have them give a quick blurb about what's happening with the CU today). Make these people (call center agents) your staff. There needs to be more affinity.
- **Scott** – Turned off the tracking of tiered services for fees waived. Reward checking – dividend goes right into checking account
- Suggested on indirect lending loans – Charge member \$100 / Non-member \$225 processing fee
- **Carma** – Looked at fee schedule, see what things really cost. What if you pay an annual fee (i.e \$50) and it gives you a get a loan discount, better pricing on CD, or courtesy pay fee waived.
- Have performed an analysis on tiered services, paying out too much...over \$1M per year. Need to take another look at what is being offered.
- **Tom** - The CU uses "Where your members borrow". Then do a soft pull and have a call campaign
- In November, the CU will begin a call campaign; they have lists ready to go now that Mortgage volume is dropping and will call about car loan refinancing. Xtend tries and does a good job, but more ownership with staff calls.
- Adam - Does anyone charge a processing fee for loans? Notre Dame CU charges \$119 per car loan at time the loan is booked. The member also earns 1% cash back up to \$500. Can configure to automate the fee at the Product level so the processing fee is charged.

#### Group 5 Notes

---

- Table: This discussion is all about price.
- Kevin: Had an employee focus group that reviewed their fee structure based on the cost of the service to the credit union. This included the member experience as well. This focus group included front line staff as well.
- B, C and D paper would price higher based on the loss ratio/to total loans in that segment to get a percentage, then apply that to the rate.
- Lindsey: Offer two types of checking accounts: If you don't qualify for the one, the other can be offered to you at \$10 month.
- Lindsey/Kevin changed to miles vs. year on auto loan rates. Interest Rate Risk also needs to be managed.
- Jeff: Stake your ground and balance competitive pressure and price accordingly.
- Added to the CAMEL rating (CAMELS where S = sensitivity to interest rate risk). Get your ALM in place. Recommends to price at the most popular term, then raise or lower accordingly. He feels strongly you price to the person first, then the term, then the collateral.
- Loan document fee on consumer loans can help offset the cost.
- Randy – how are the fees applied in accounting? CU\*A looks at some of our income and doesn't want to get used to getting this money as we might not charge in the future.
- Offer 0% loan to cross sell other lending services.
- Another client (did not get his name)? We don't do anything.

## Group 6 Notes

---

- Consumer pricing and how it differs from Mortgage pricing (DW)
  - Anything outside reviewing the marketplace you are in?
- Mortgage pricing is already written in base don't be secondary market (JW)
- How does a credit union effect pricing based on the marketplace not asking for loans? (DW)
- How do we position ourselves at the beginning of the spectrum rather than afterwards. (KR)
  - Make adjustments to other portfolios.
  - ROA is non-negotiable.
  - Loan growth is non-negotiable
  - Expense Reduction/Management is non-negotiable.
- I expect to charge off X dollars, and net Y dollars, but pricing decisions are not taken into consideration.
- Marketplace driven response is the driving factor.
- We will stay out of the market if necessary (KR)
  - We will not do a 1.99% loan
- Are you figuring out your actual costs and is it being factored into the loan rate. (DW)
  - What is the yield by product, is the science there?
- Future cash flows projected per the science of duration analysis
- How does capacity play a role?
- Consumer loans are a moving target, and adjustments may need to be made to get loans from the marketplace.
- One way to mitigate is to set caps on the portfolio at certain rates. (KR)
  - Teaser effect
- Review performance of loans at specific rates to indicate what future prices may be. (KR)
- If we do not want to give up on margins, will we be giving up on volume
- If a \$20 million business loan payoff comes in, we may run a promo to fill the gap
- I do not have the time or expertise for pricing (JW)
- There is no 'secret sauce' for pricing (DW)
- There are going to be rate reflections that I will need to respond to in my marketplace (DW)
- I have so much excess liquidity, that I need to respond to 1.99% loans (DD)
- Is there a position of 1.99% loans versus credit union investments?
  - How are loan losses factored into the mix?
- If consumers are only rate shopping, we have to respond to the rates
- We can respond to the 1.99% interest rates because of our membership (LB)
  - How do we use reverse psychology of paying via ACH. If ACH payments are not made, the rate is greater.
- How are ancillary products involved in loans that are priced relatively low?
  - We are 65% Life/Disability on new loans in 2016.
  - Can the term of a loan be extended for the payment to be mitigated with the introduction of ancillary products?
  - What is the LTV change with the sale of ancillary products?

## Group 7 Notes

---

- Calcite
  - Do not have a good strategy

- It's a mindset to change the model to start charging fees, because we are so used to not charging fees
- Pay to be in a club
- Kids will pay for a service if it has value. Add services to the clubs
- Inland valley
  - Big year for us on the fraud side
  - Costs higher on the credit side
  - We've had a visa card since 1991 and may do our first rate change. Is it time to raise the rate?
  - Software that allows you to turn your card off and maybe charge a fee for the folks that don't use the software
  - We won't give a 1.99% loan to benefit one member if we can invest it for more money that will benefit all members
  - We buy into programs like ATMs so our members won't get hit with a fee. Would be neat if we could communicate to the members how much they saved because we pay it for them.
- Bridge
  - Price to market
  - It's easier to charge penalty fees
- Cal Poly
  - Per transaction fee? Our students don't want to pay for anything
  - Need to find something that kids want that I can provide
  - 10% of their students stay and will add services
  - Would be cool to add "you saved (this much) money" on the statement for tiered services
  - Noticing in Cali that Banks are starting to charge fees

## Group 8 Notes

---

- They agreed you can't put a price to every item as you must give some away based upon competition
- Vicky said credit unions need to make money with new business opportunities
- Millennials will pay a fee, but need a choice
- There are losses that are product specific that may be covered by other operating income
- Must be fluid and what you charge for now; may not be something you would have in the future
- Benefit in partners that offer a service to members, that you are getting a cut with
- Credit unions that partner together to get a better price
- The last question Vicky thought it would be a little bit of both. Collaborating between other credit unions to drive down expense is important
- FTC.gov "10 Things You Should Know About Fraud" brochure was discussed
- Vicky thought the credit union should do a deep dive on fraud per products to understand the cost at a more granular level. Talked about having CU\*Answers develop analytical software that would track it for pricing