
Fee Options with CU*BASE

Understanding CU*BASE Automated Income Features

INTRODUCTION

“Oh, how I long for the days when we did not fee for anything!”

This is a common comment from board members and even staff members when trying to understand today’s need for fees and service charges in this competitive marketplace. But the days where a credit union can offer basic shares and simple car loans are long gone. Today’s credit union member demands service diversification. You must have ATM cards, Audio Response, Home Banking, several types of savings instruments, dozens of loan offerings, and still have enough tellers and drive-ups to keep the lines short.

Gone is the idea that *all members* will participate. Today’s membership is just as diversified in their makeup as the products they demand. Multiple SEGs, communities, age groups, financial status, and history with credit unions means that today’s credit union must meet the challenge of finding a way to offer the service before whole groups of members are attracted away.

In short, today’s financial marketplace is becoming a very large *a la carte* menu. And it is getting more difficult each year to “include” everything by covering the cost with the spread between loans and savings products. Therefore every credit union must focus on what is their mission and the plan to make sure that mission is communicated to members clearly through the pricing of their products and the fees for their services.

Recognize that today’s member will never give you a chance to communicate a message if you simply say “we don’t offer it.” You must find cost-effective ways of offering services and saying “yes!” to your member’s needs if you are to communicate your message and meet your mission.

Revision date: March 19, 2017

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CHALLENGES IN SETTING A MISSION AND DESIGNING A PLAN

“Our credit union’s focus is on being our membership’s PFI.”

When a member compares alternative organizations to conduct their banking business your credit union must be ready to meet the marketplace with a list of services that can compete. Saying Yes to today’s member’s needs is no small task, but most would say that being competitive is a credit union specialty. But being *too* competitive is today’s problem.

For the base user the product/service must be priced to reflect the situation where this is an isolated transaction, then discounted based upon the value of the member’s total relationship with the credit union and the member’s contribution to the whole. Add in what is reasonable based upon the norm, or what is included and you’re on the way. Remember, saying yes to a member’s need can be expensive. Setting the norm by pricing allows the member to choose how to pay for their own individual circumstances. What do you do with a member who regularly clears 88 to 100 checks a month?

“Our members immediately go to rates and miss the point of what is included, since we have no service charges.

A price of zero reflects a value of zero. Everyone knows there is no such thing as a free lunch. One of the starting points to getting members to understand their value as a PFI participant is that based upon their relationship with the credit union they receive the following value. If a single transaction is priced at zero, then there is no incentive to find a way to save on zero.

“We set a value on all our services, but how do we avoid being viewed as a bank?”

Have a fee for everything, with the goal never to charge a participating member a fee. Continue to think about your credit union as a “Fee Free” provider of financial services, but only for those who choose to positively participate. Post your pricing with the message “ASK HOW TO AVOID PAYING THE FEE.” Turn conversations focused on the price to conversations focused on how the credit union member can save and bank more effectively with the credit union. Encourage PFI participation that leads to little or no fees for the member, and get the member to ask how. Your staff will become immediate salesmen when they can help someone who is interested in what they have to offer.

“How can my credit union run as a cooperative in this ‘have to have it all’ marketplace?”

The first rule of cooperative organizations is that no one member takes away from the whole more than he brought to the table to begin with. Consider these situations:

- ◆ A member can clear 125 checks a month without a fee, but still demands the lowest loan rate as the group;

- ◆ A member can use the ATM system 35 times with little to no other business relationships and is priced the same as a member with large balances;
- ◆ A member wants twenty five phone transfers a month to cover his checks without a fee, but his calls keep another member from participating in the loan program due to busy phone lines

In these cases, and many more, some members are taking away more than they brought to the table.

“As we grow, it’s harder and harder to have a single message that everyone hears loud and clear.”

Saying Yes means to empower the member to bank as their lifestyle deems necessary, but not at the expense of the group. Saying No means that you only empower the member to find another institution, but does not give either the member or your credit union the ability to find a better way for the member to meet their need. So if your message is important, then the correct price may be the only way it is heard.

ANALYZING THE PARTS AS A WHOLE

To ensure that your credit union’s pricing for savings and lending products and your pricing for fees and service charges communicates the correct message, work through the tables on the following pages.

- ◆ **Table 1** is a review of the CU*BASE fee options and what might motivate a credit union leadership team to activate each option.
- ◆ **Table 2** reviews the CU*BASE waiver options that allow the system to understand when a member should not be assessed a fee based on the configuration.
- ◆ **Table 3** should be completed by your credit union to describe your own independent fees.

FEES AND FEE WAIVERS IN CU*BASE

The key to effective pricing programs (fees/service charges) is that they are applied consistently, as part of the process not as an add-on, and are effectively monitored by the system without manual interpretation or intervention. CU*BASE has several fee programs that meet these criteria.

If you set pricing to establish value, and then wish to present this value to the member as a discount or offset for their participation at the credit union, or a waiver due to a special condition (age), or based upon some offsetting relationship, then you will want to review the waivers associated with the CU*BASE fee programs.

Waivers come in two forms. The first is an internal configuration waiver that is activated or reviewed as part of the fee transaction itself. An example would be an age exception to the check cashing fee based on the fact that younger members may need to cash a check that was given to them as a gift. The second is an external waiver where some relationship outside of the actual fee transaction causes an exception to the fee. These come in two types: Tiered Service Relationship Fee Waivers and Marketing Club Fee Waivers.

The end of this booklet lists fees and fee waivers available in CU*BASE.

CONCLUSION

The key is before the credit union decides on a fee, there must be some idea about the expected outcome. How many members will be charged regularly? Is this designed for income or to adjust member behavior? Do you anticipate a major sales effort to offset member resistance? Can you offer this service without the fee? And when you look at all fees in comparison to the pricing for savings and loan products, do they send a consistent message?

Example: ABC Credit Union does not pay dividends on their checking accounts. This is because funds are short-term in nature and are meant to cover outstanding checks and they encourage members to keep their longer-term savings using one of their available savings products. However, the credit union does not charge for daily phone transfers or daily overdraft transfers or any other form of transfers. ABC's member are constantly having the system transfer funds from dividend-paying savings accounts to cover outstanding checks.

Not only does this corrupt the concept of zero-dividend checking accounts, it also increases the operating costs of the share draft program because of increased transactions for transfers and mailing costs for overdraft notices. These two policies conflict.

Remember, it is important to you also understand how you have priced your savings and loan products, and then compared them to the tables outlined above. The key is a consistent message. Now that you have sold yourself on a path, prepare your staff and board of directors to sell your membership.

Minimum Balance Configuration								
CU*BASE Fee Program	Motivation to Fee	Waiver Strategy	Waiver Method					
	Allows the credit union to create multiple parameter driven fee programs based upon the member files. CU product specific and maintained.	Internal waivers include configured aggregate balance and member age (low and high).	Age	Aggregate Savings	Account Exceptions*	Tiered Services	Marketing Club	Manual Waiver
Account Minimum Balance Fee	<p>Checking Account: On a checking account: to raise average monthly balance, reduce NSF/OD, low cost funds, PFI indicator</p> <p>Money Market: On a money market or special savings account: add in unison with no dividend balance to enforce balance requirement, recoup dividend difference paid on daily balances over minimum to earn, transaction blocker, CU currently manual closing accounts, reinforce member managed concepts</p>	<p>If the credit union only offers one checking account, it might make sense to offer waivers for members with high relationship balances or where key age groups are resistant to balance requirement</p> <p>Use aggregate balance waiver based on defined share groups.</p> <p>Use age waivers for both young and oldest categories.</p> <p>Use direct depositor club in combination with other Net Pay promos for PFI support</p> <p>Per Credit Union Policy</p>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	

*Account Exceptions include: SH, SD, CD, IR, and OC in addition to the OTB account exceptions including: Credit, Loan, Save, ATM and Debt

Transaction Fee Configuration

CU*BASE Fee Program	Motivation to Fee	Waiver Strategy	Waiver Method					
			Age	Aggregate Savings	Account Exceptions	Tiered Services	Marketing Club	Manual Waiver
	Allows the credit union to create multiple parameter driven fee programs based upon the transaction files. CU product specific and maintained.	Internal waivers include number free per occurrence, minimum trans. amount to fee, balance level to fee, and member age (low and high).						
Transaction Fee	<p>Money Market: Regulation D Compliance cost offset, lock in funds, market competitive for investment minded members</p> <p>Checking Account: Cleared checks transaction fee as marginal cost offset on high volume accounts, abuse or "yes" fee, business account fee</p>	<p>Per Credit Union Policy</p> <p>For individual members (based on average) this fee is a good giveaway for relationship promo. Possible to set up a Business Club to set a tiered function for attracting business members if desired.</p> <p>Waive for relationship clubs and upper tiered service tiers.</p> <p>Develop business club to activate and help small organization cut cost, but make sure the organization is pro-active.</p>	<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>	

Account Fee Configuration								
CU*BASE Fee Program	Motivation to Fee	Waiver Strategy	Waiver Method					
	Allows the credit union to create multiple parameter driven fee programs based upon the member files (i.e., a fee for simply <i>having</i> a particular type of account). CU product specific and maintained.	Internal waivers include minimum balance to fee and member age (low and high).	Age	Aggregate Savings	Account Exceptions	Tiered Services	Marketing Club	Manual Waiver
Account Fee – For IRA shares	To cover cost of external IRA Administration - Per Credit Union Policy	Per Credit Union Policy	<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>	

Over the Counter Fee Configuration								
CU*BASE Fee Program	Motivation to Fee	Waiver Strategy	Waiver Method					
	Over the counter fee programs are interactive with the posting programs with the ability to override and maintain counter database for member management. They are high return with low impact as to service interruption.	Internal waivers include member age (low and high), aggregate savings and loan balances, average savings balance and number free per month or day.	Age	Aggregate Savings	Account Exceptions*	Tiered Services	Marketing Club	Manual Waiver
Deposited Checks Fee:	Marginal cost offset on high volume accounts, abuse or "yes" fee; separate fee for business vs. non-business accounts	Business Deposit Checks: Activate Business Segment with Relationship waiver Non Business Deposit Checks: Good giveaway : waive with Relationship Waiver	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
Check Print Fee	Internal cost of printing, encourage checking account relationships	Check Print Fee: Good give away, consider average; waive with Relationship Waiver - Tiered		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Money Order Print Fee	Internal cost of printing, encourage checking account relationships	Good giveaway; waive with Relationship Waiver - Tiered	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Phone Transfer Fee	Internal cost of phone systems, promote other service channels (ARU, ATM, AFT), member managed funds, opportunity cost of not serving members for sales opportunities	Good give away, consider average; waive with Relationship Waiver - Tiered	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Check Cashing Fee)	Internal cost of servicing member in teller line or drive up, cash cost, promote other service channels (direct deposit - checking account - ATM)	Encourage Participation; waive with Balance, and age waivers Relationship Waiver	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

*Account exceptions include OTB accounts, including: Credit, Loan, Save, ATM and Debt

Over the Counter Fee Configuration (continued)

CU*BASE Fee Program	Motivation to Fee	Waiver Strategy	Waiver Method					
			Age	Aggregate Savings	Account Exceptions	Tiered Services	Marketing Club	Manual Waiver
Wire Transfer Fee	Internal cost of servicing member in teller line or drive up, cash cost	No automated waiver						<input checked="" type="checkbox"/>
Starter/ Replacement Check Printing Fee	Internal cost of printing, encourage checking account relationships	No automated waiver						<input checked="" type="checkbox"/>

Miscellaneous Fee Configurations								
CU*BASE Fee Program	Motivation to Fee	Waiver Strategy	Waiver Method					
			Age	Aggregate Savings	Account Exceptions*	Tiered Services	Marketing Club	Manual Waiver
Self-Service Fees – It's Me 247 Online Banking	Revenue generation, offset required PFI service, attach value to services	Balance, and age waivers Relationship Waiver				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Self-Service Fees – CU*TALK Audio Response	Revenue generation, offset required PFI service, attach value to services	Balance, and age waivers Relationship Waiver	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
CU*EasyPay! Bill Pay Fees	Revenue generation, offset required PFI service, attach value to services		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
Membership Fee	Participation Incentive - PFI Value	No automated waiver						<input checked="" type="checkbox"/>
Share Draft Stop Pay Fee	Member generated cost - prohibitive	Per Credit Union Policy No automated waiver						<input checked="" type="checkbox"/>

*Account exceptions include OTB accounts, including: Credit, Loan, Save, ATM and Debt

Miscellaneous Fee Configurations (continued)						
CU*BASE Fee Program	Motivation to Fee	Waiver Strategy	Waiver Method			
NSF Return Fee	Member generated cost - prohibitive	Per Credit Union Policy				
ANR/Non-Return (Courtesy Pay) Fee	Member generated cost, reinforce pricing models, avoid manual CU intervention (phone transfer), encourage member funds management, lending service option					
			Age	Aggregate Savings	Account Exceptions*	Tiered Services
						Marketing Club
						Manual Waiver
Overdraft Protection Fee	Member generated cost, reinforce pricing models, avoid manual CU intervention (phone transfer), encourage member funds management, lending service option	Per Credit Union Policy				<input checked="" type="checkbox"/>
Dormancy Fee	Cover administrative cost for escheat compliance, activate participation, PFI indicator, raise balances, cover minimum balance service cost (statements)	Encourage Participation, Balance, and age waivers Plastic waivers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
ATM / Debit Card Fee	Revenue generation, offset required PFI service, give brand value NOTE: The ATM / Debit Fee programs allow both transaction type fees and transaction group fees with the ability to configure 99 groups to layer approach for brand or product distinction, or relationship management.	Use fee configuration to establish a tiered value to the ATM/Debit Program with multiple service charge codes. Consider member choose pricing. Number free by tier Set pricing by transaction type and cost factors Relationship Automated Pricing				<input checked="" type="checkbox"/>
						<input checked="" type="checkbox"/>

*Account exceptions include OTB accounts, including: Credit, Loan, Save, ATM and Debt

Miscellaneous Fee Configurations (continued)

CU*BASE Fee Program	Motivation to Fee	Waiver Strategy	Waiver Method					
Transaction Listing Print Fee	Member generated cost, repetitive in nature (CU provides statement), encourage alternate service options (ARU, Online Banking).	Consider manual override based on relationship indicators	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>		
Safe Deposit Box Fees						<input checked="" type="checkbox"/>		
Check Funds Transfer Fee				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	