

CU*ANSWERS
A CREDIT UNION SERVICE ORGANIZATION

Pricing Model

A Historical Perspective: 2015 - 2019

Volume 4

The CU*Answers Pricing Model

A Historical Perspective: 2015 - 2019

An Intro from Randy Karnes, CEO

As a cooperative, CU*Answers knows it's important to consider how the pricing model used by our CUSO has worked for our 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 we continue to evolve, offer more, and build a future for all concerned? There is no doubt that the credit unions that have been our foundation have grown, and that CU*Answers itself has been very successful, establishing new credit union partnerships every year.

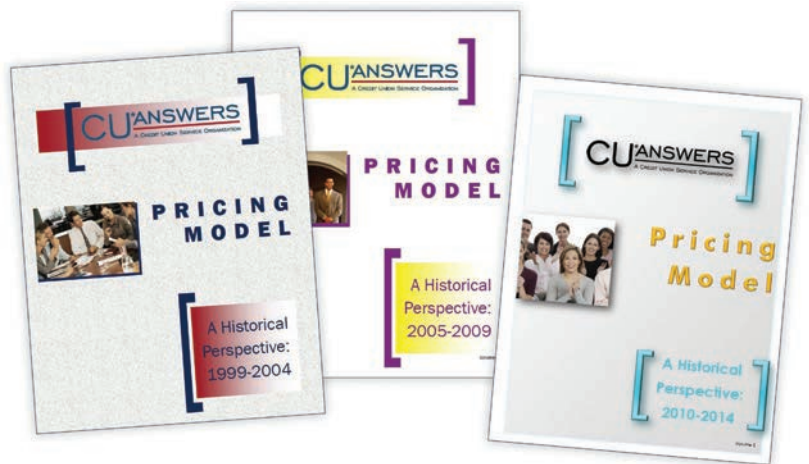
In 2017 we launched a new initiative, the CU*Answers Online Store. Its purpose was twofold: inspire credit unions to adopt an internet retailing mentality to appeal to the modern member, and to create better transparency and accountability in the way we advertise our own pricing to credit unions. In the two years since then the Store has exploded both in terms of the number of products we list, and in how our credit unions have adopted it as a preferred method of buying. We will continue to expand on this strategy so that we can truly say "you will know us by our stores."

This document, like the volumes that preceded it – Volume 1 (1999 - 2004), Volume 2 (2005 - 2009) and Volume 3 (2010 - 2014) is meant to be a full-disclosure report card to keep us focused and accountable to our disruptive pricing philosophy. We hope that all who read this will be inspired not only to challenge the Board and Management team if you feel we are not "walking the talk," but also to be an advocate for the importance of a cooperative pricing philosophy when you interact with your industry peers. Have an Owner's Voice when it comes to pricing!

Prepared for the Pricing Focus Group: April 11, 2019

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Volumes 1, 2 and 3 are available upon request.

Base Member Processing

The Base Member Processing Fee (BMPF) is the fundamental cost for the CU*BASE core data processing system. It is calculated each month based on the number of active members, regardless of balance or relationship status, that a credit union has at the end of that particular month. The BMPF allows a member to have up to 999 sub-account suffixes, including savings, certificate and loan accounts all covered by one low membership fee. Because we are a suite provider, the BMPF has within it an ever-growing foundation of tools to help credit unions run their business effectively – this fee represents the primary licensing cost for core applications such as accounting, teller services, loan services, back office services, and miscellaneous trial balance services.

The BMPF is contractual according to the term of the contract, so the fees listed in Figure 1 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 that each individual credit union actually pays is based on individual circumstances and its relationship with the CUSO over time.

Note in Figure 1 below you will also see that various prices have changed during the past five years, as well as some new fees being added. For instance:

- As a 7-year contract term became more *en vogue* we responded with a new, aggressive 7-year BMPF.
- We formalized our Scholarship and De Novo startup pricing as yet another way to pay it forward in special situations.
- We began charging a flat fee for credit unions whose branches had Sunday hours, only to eliminate that fee in 2019.
- We increased the BMPF for a 1-year contract term to reflect the impact on our ability to budget for ongoing resources, as well as the Disaster Recovery Fee to help cover the increasing complexity of our BR/DR investment.
- We rolled the Closed Member Fee (retaining data through end-of-year tax reporting) back to its pre-2008 level.

		Monthly Fee Per Member				
		2015	2016	2017	2018	2019
Active Member Fees (7-year contract)						
	Under 35K members	n/a		\$0.56		
	35,0001 to 45K members	n/a		\$0.532		
	Greater than 45K members	n/a		\$0.505		
Active Member Fees (5-year contract)						
	Under 35K members	\$0.58				
	35,0001 to 45K members	\$0.551				
	Greater than 45K members	\$0.523				
Active Member Fees (3-year contract)						
	Under 35K members	\$0.60				
	35,0001 to 45K members	\$0.57				
	Greater than 45K members	\$0.542				
Active Member Fees (1-year contract)		\$0.62	\$0.62	\$0.80		
Active Member Fees (Month-to-Month contract)		Quote Provided				
Minimum CU*BASE Processing Fee		\$2,000				
Scholarship Pricing		Significantly reduced for first 2 years of 7-year commitment				
De Novo Pricing for Start-up Credit Unions		Majority of fees waived for first 2 years of 5-year commitment				
Closed Member Fees (current tax year)		\$0.24			\$0.23	
Closed Member Fees (previous tax year)		Free				
Written Off Members		Free				
Shared Disaster Recovery Infrastructure Fee (per active member)		\$0.0225	\$0.0225	\$0.0275		
Sunday Processing Fee		n/a	\$250 per Sunday			Free
		Fee Reduced				
		Fee Increased				
		New Fee				

Figure 1

Figure
1

In previous years, we included a graph that showed the changes in the BMPF during the applicable measurement period. Our cooperative is very proud that this graphic has been removed from this year's Historical Pricing Analysis because our BMPF for our most popular contract terms (3, 5 or 7 years) stayed at the same level.

How Base Member Fees Change Over Time

As of November 2018 (CU*Answers fiscal year 2019), the BMPF fee paid by CU*Answers credit unions ranged between \$0.469 to \$0.581 per member month. This reflects that the actual amount paid by credit unions under contract with the cooperative varies, and most CUs start at or below the rack rate based 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.

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 the minimum amount needed by our cooperative for operations. In fact, for the years 2015 and 2016 the COLA increase was waived. Since this has a compounding effect to the credit unions' advantage – any year of 0% COLA yields savings in subsequent years in their relationship with CU*Answers – it is something that we are very proud of, but also very judicious in analyzing. **IN 2019, WE EVEN DOUBLED-DOWN ON OUR PARTNERS' FUTURES BY REDUCING THE BMPF FOR 93 CREDIT UNIONS - ANY CU UNDER CONTRACT THAT WAS PAYING MORE THAN \$0.57 WAS ROLLED BACK TO THAT PRICE!**

For the years where CU*Answers did assess a COLA increase, they were less than the National Consumer Price Index percentages that were allowable based on the contract. A case in point is 2017, where the COLA increase for BMPF was \$0.005, or 0.3%, while the National CPI figure for that year was 1.3%. In 2018 and 2019, the COLA assessed was closer to the allowable threshold but still lower – a COLA adjustment of 2.0% in both years but a corresponding NCPI change of 2.1% and 2.4% respectively. The adjacent chart shows the COLA vs. CPI in a graphical format.

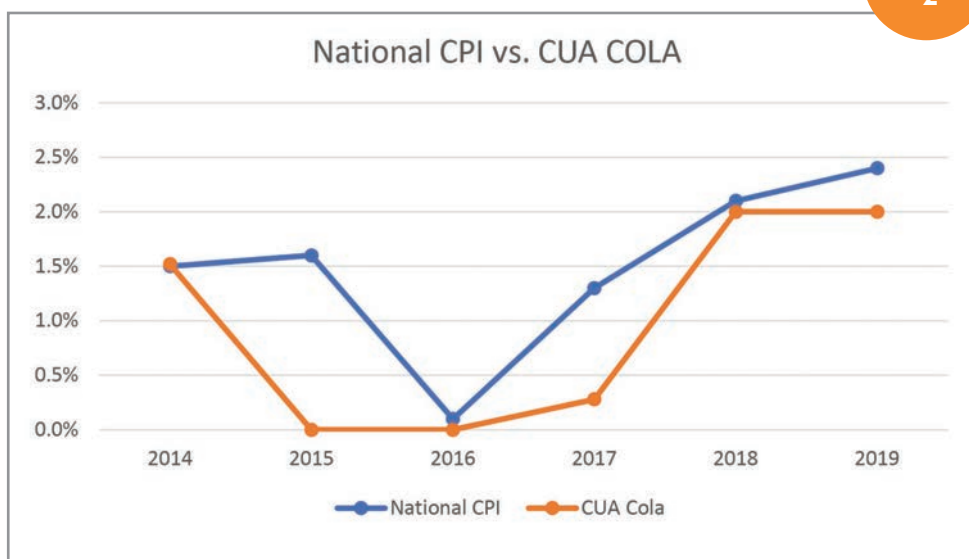


Figure
2

BASE MEMBER PROCESSING TAKEAWAY:

Many of you have heard our cooperative refer to a fundamental tenet of our pricing philosophy: CHARGE ONLY WHEN WE HAVE TO, NOT JUST BECAUSE WE CAN. An analysis of our BMPF historical pricing, coupled with our track record on assessing COLA increases helps bear out that we are walking that talk. In many companies in our marketplace, COLA increases de facto adjustments (usually an increase) to pricing. Here at CU*Answers, we take pride in the fact that Board members work diligently with the Management Team to ensure prices are based on a win-win for the cooperative and for the credit union.

Resource Utilization Fee

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

This latest revision of our Historical Pricing Analysis will be the last edition to include the Resource Utilization Fee (RUF), as we are in the final year of phasing it out altogether. Since its inception, the RUF was a fee that helped 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 allowed CU*Answers to budget system improvements, expand system capacity, and develop and produce member statements.

Prior to 2015, this fee was calculated by correlating a CU's resource requirements to the number of member check transactions per month. As members began to write fewer and fewer checks, the revenue collected by the cooperative steadily declined, but the demand for system resources continued to increase based on the increased amount of plastics and e-commerce-related transactions. So, in 2015 the CUSO made a fundamental shift in how this fee was calculated, shifting to an EFT-based fee, which allowed us to continue to keep statement processing fees at their below-market disruptive price point.

Figure 3 below represents the Resource Utilization Fee over the last 5 years, billed according to EFT PIN and Signature volumes. Services covered by this fee:

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

Figure
3

		Monthly Resource Utilization Fee				
EFT (PIN/Signature) Volumes		2015	2016	2017	2018	2019
1 to 250,000 transactions			\$0.010		\$0.005	\$0.0025
250,001 to 500,000 transactions			\$0.009		\$0.0045	\$0.0023
Over 500,000 transactions			\$0.008		\$0.004	\$0.002
			Fee Reduced			

Then came a major announcement at the 2017 Leadership Conference, where CEO Randy Karnes announced that the RUF would be reduced by 50% in 2018 and 2019 and then eliminated altogether in 2020. **THIS WAS A HUGE DECLARATION CONSIDERING THAT, AT ITS PEAK IN 2017, THE RUF GENERATED NEARLY \$2M IN ANNUAL REVENUE TO HELP COVER OUR INFRASTRUCTURE EXPENSES AND STATEMENT PROCESSING COSTS.**

Moreover, since the RUF allowed the cooperative to cover the cost of statement processing by Sage Direct (paper, postage, labor, etc.), we began billing each credit union as a pass-through cost starting in 2018. The 50% savings in 2018 was offset (partially offset for credit unions with high e-Statement penetration) by the pass-thru statement fees, which translated into a limited savings on the CU balance sheet. However, the reduction in 2019 and the elimination in 2020 will be bottom-line savings for every CU*BASE credit union since there were no new offsetting fees or pass-thrus.

RESOURCE UTILIZATION FEE TAKEAWAY:

The Resource Utilization Fee is going away altogether in 2020. Figure 3 depicts the impact that the RUF has had during the past 5 years. It is a very powerful statement that the CUSO is pulling a \$1.8M line item out of its income statement so that credit unions can keep more of their dollars to invest in other areas. It's the power of the cooperative at work!

RUF is
eliminated in
2020!

EFT Transactions

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

The use of these products by credit union members has exploded over the past decade, and everyone has been affected by changing tactics as members transition away from checks to the plastic in their wallets. While the number of new vendors entering our network has slowed, the transition from batch to online processing and changing from one vendor to another continues to be prevalent. And there is continued pressure on networks and core data processors like CU*Answers to invest in infrastructure to help ensure member access to funds.

While increasing volumes have allowed CU*Answers to decrease prices by nearly 50% over the last 20 years (see Figures 4 and 5 below for that data during the past five years), the revenue associated with plastics continues to increase. A major change was instituted in 2007, when we began capping the monthly fee for an individual credit union once they reached a certain level of activity. In 2014, we added a larger cap for the credit unions that were above 50,000 members. Most recently, and following the Historical Pricing Analysis research done in 2014, we instituted a series of caps that were based on transaction volumes so that an individual credit union would see their per transaction expense reduce proportional to the number of monthly transactions by their members. This was one of the highlights at our last Pricing Focus Group meeting, but it was not the end of focused attention on this expense line item for our customer-owners.

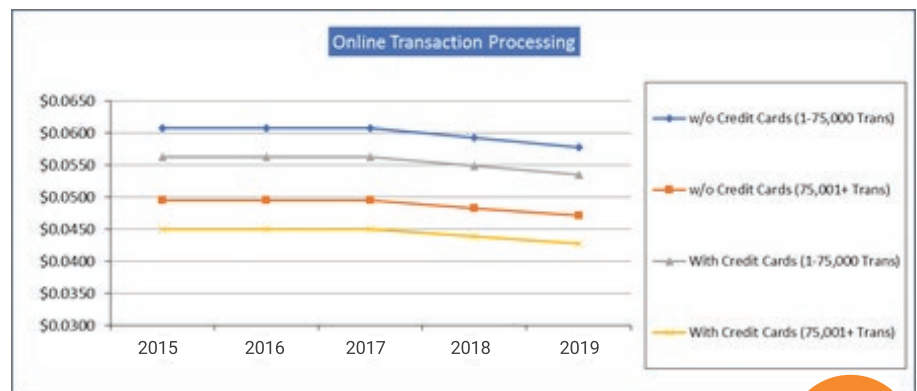


Figure 4

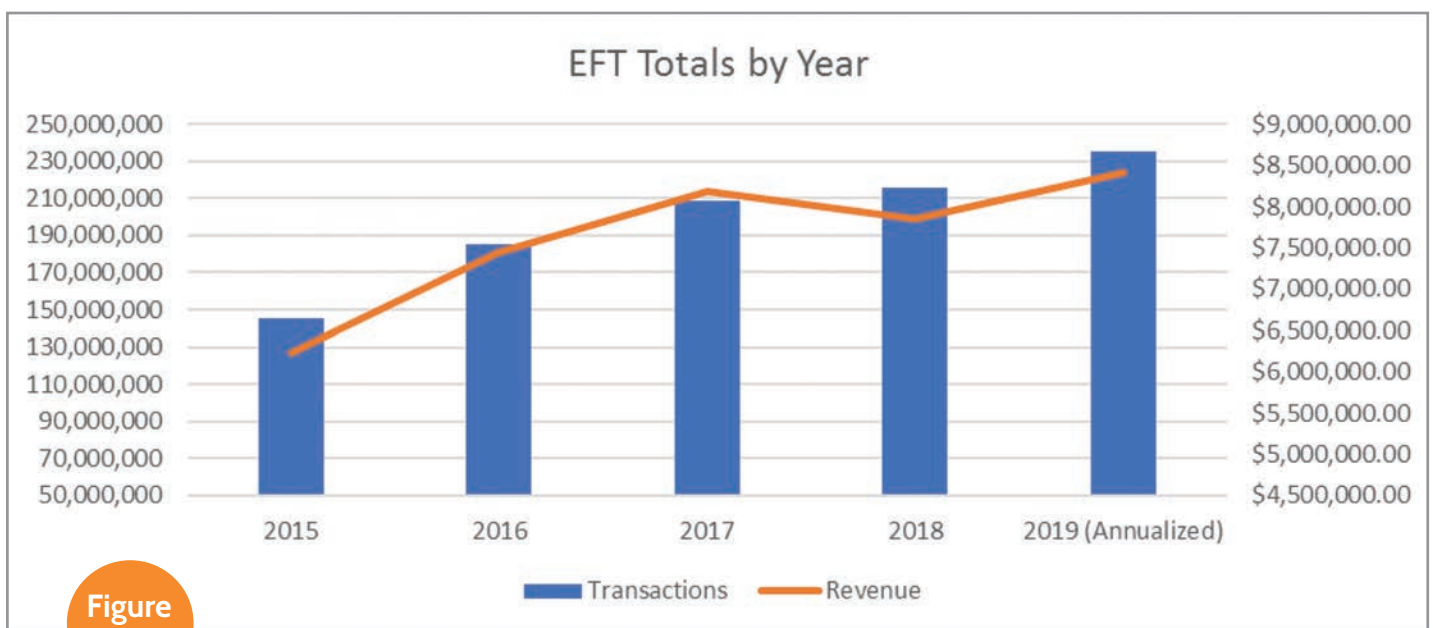
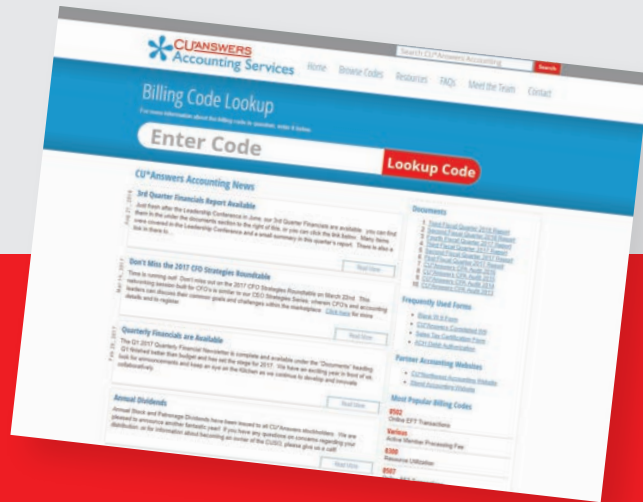


Figure 5

DID YOU FORGET ABOUT ACCOUNTING.CUBASE.ORG? USE IT!



INCLUDES

Browsing Codes
Resources
Frequently Asked Questions
Meet the Team
Contact Info

But the CU*Answers Executive Council did not stop at adjusting the caps. At the 2017 Leadership Conference, CEO Randy Karnes announced that the cooperative would be reducing EFT transaction fees by 10% over a period of 4 years starting in 2018. This 2.5% savings can be seen in Figure 6 below. As of the writing of this document we are halfway through these price reductions. Lastly, in an effort to help our credit unions with fewer than 2,000 members reduce their expense for plastics as an overall percentage of their data processing invoice, the cooperative began waiving EFT transaction fees for those shops starting in 2018.

Special Note Regarding Online Credit Card Pricing

As you can see in Figure 6 below, credit unions that have CU*BASE online credit cards continue to receive bundled pricing advantages for ATM and debit card transactions as well. This will continue for the foreseeable future.

**Additional
decreases in
2020 & 2021**

**Figure
6**

Figure 6

		EFT Transaction-Based Fees				
		2015	2016	2017	2018	2019
ATM/Debit - Batch Pricing						
	Per transaction fee (1st daily file transmission)	\$0.075				
		Minimum Fee = \$200.00 per month				
	Additional Daily File Transmissions	\$250.00 each				
ATM/Debit - Online pricing WITHOUT online credit cards						
	Waiver for Credit Unions less than 2K members	n/a	n/a	n/a	Waived	
	1 to 75,000 transactions	\$0.0608	\$0.0608	\$0.0608	\$0.0593	\$0.0578
	> 75,000 transactions	\$0.0495	\$0.0495	\$0.0495	\$0.0483	\$0.0471
	Pricing Cap for < 250K transactions	\$7,000				
	Pricing Cap for 250,001 to 500K transactions	\$8,500				
	Pricing Cap for 500,001 to 750K transactions	\$10,000				
	Pricing Cap for > 750K transactions	\$12,000				
ATM/Debit - Online pricing WITH online credit cards						
	Waiver for Credit Unions less than 2K members	n/a			Waived	
	1 to 75,000 transactions	\$0.0563	\$0.0563	\$0.0563	\$0.0549	\$0.0535
	> 75,000 transactions	\$0.045	\$0.045	\$0.045	\$0.0439	\$0.0428
	Pricing Cap for < 250K transactions	\$7,000				
	Pricing Cap for 250,001 to 500K transactions	\$8,500				
	Pricing Cap for 500,001 to 750K transactions	\$10,000				
	Pricing Cap for > 750K transactions	\$12,000				
Credit Card Processing						
	CU*BASE Online Servicing	\$0.09				
	Off Trial Balance Processing	\$100/month				
	Rewards Point Processing (receive and post)	\$100/month				
		Fee Reduced				

EFT TRANSACTION FEES TAKEAWAY:

Our strategy for EFT pricing is to charge each credit union a small fee when they generate interchange income, and to cap those fees at various thresholds. In 2020 and 2021, the per-transaction fee for ATM/debit activity will be reduced by 2.5% each year, fulfilling our commitment to reduce those fees by 10% over a 4-year period.

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 flat monthly fee. Instead of an *à la carte* usage fee for each major component, CU*Answers instituted a flat fee that encouraged credit unions to push their members towards these cost-effective delivery channels. In partnership with our customer-owners, we committed to capping our E-Commerce Fee, pushing ourselves to innovate with the same budget instead of simply adding more functionality and passing along additional expense to the credit unions. The long-term goal of the CUSO is to reduce this fee while increasing the breadth and depth of the services. We want every credit union leader to see that every new member they add results in lower per-member costs when those members embrace electronic channels. 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. As of the writing of this document (noted simply because we continue to add functionality over time) the E-Commerce Fee includes:

- Unlimited **It's Me 247** Online and Mobile Web Banking with PIB multi-layered security
- eStatements (regular and credit card)
- eNotices and eAlerts
- Online Banking Community (OBC) publishing
- CU*Talk Audio Response usage fee

As you can see in Figure 7 on the following page, these prices have stayed steady for the past five years with two exceptions: in 2015 we added a new pricing tier at the top end of the client base for credit unions greater than 75,000 members; and in 2018 we began waiving the fee for credit unions with fewer than 2,000 members as yet another commitment to their sustainability. Figure 7 also shows an increase in the breadth and depth of our investment in member-facing tools since 2015. Many of these have a direct cost-of-goods-sold impact for the CUSO, so a fee is warranted at this time. Examples include the exciting new MACO “biometric” authentication solution we added to our Mobile App in 2018 at a price point that is below our cost to the 3rd-party partner Daon, and CU*Talk Audio Response, which has telecommunications and 3rd-party software licensing components that get spread across our client base. Ultimately, it remains our goal to try to bring these components into our flat E-Commerce Fee.

IMPORTANT NOTES: *In Figure 7 you will also observe several new billable services that we have launched during the past several years.*

- Mobile App – In 2016 we launched our Mobile App to a beta group of credit unions. The product is now used by more than 197 clients! We made the bold statement that it would be “**Free Forever!**” and we remain true to that.
- MACO – As noted earlier, the MACO product hit the market in 2018, and did so with a bang! While a loss-leader for the CUSO from a pricing standpoint, we fully disclosed our pricing strategy for a sliding increase during our 3-year contract with Daon.
- Remote Deposit Capture (RDC) – In conjunction with our partners at eDOC Innovation, we launched our automated posting service for RDC in 2016. Since its initial launch, we have not only reduced the price, we have also increased the frequency of posting options available to the credit unions. And in 2019, we launched our disruptively-priced RDC-IQ near real-time posting service for an aggressive flat fee of \$25 per month.

Figure 7

		Monthly E-Commerce Related Fees				
		2015	2016	2017	2018	2019
Electronic Commerce Fees						
Under 2,000 members		\$150	\$150	\$150	Waived	
2,001 to 3K members				\$450		
3,001 to 5K members				\$810		
5,001 to 10K members				\$1,050		
10,001 to 15K members				\$1,600		
15,001 to 30K members				\$2,300		
30,001 to 50K members				\$3,500		
50,001 to 75K members				\$5,000		
> 75K members				\$7,500		
CU*TALK Audio Response Fees						
Monthly Fee for Dedicated telephone number				\$25		
Per minute Fee for Shared WATS line				\$0.025		
Account-to-Account Transfers (via ACH with MWI)						
Annual fee				\$99		
Per transaction fee				\$0.48		
CU*Answers Mobile Banking Fees		n/a	Free			
Text Banking (per text)		n/a		\$0.035		
MACO (multiple authentication convenience options)		n/a	n/a	n/a	\$1/yr	\$1.50/yr
It's Me 247 Mobile Web Custom Theme						
Set-Up Fee				\$1,600		\$800 *
Monthly Support Fee				\$20		
Remote Deposit Capture (RDC) Automated Posting		n/a	\$3 - \$5/post	\$3 - \$5/post	\$1.25- \$5/post	\$1.25- \$3/post
Remote Deposit Capture - IQ (near real-time posting) - monthly				n/a		\$25
* Waived for credit unions under 5,000 members.		Fee Reduced				
		Fee Increased				
		New Fee				

Online and Mobile Banking Usage

(Percent of Members Served)

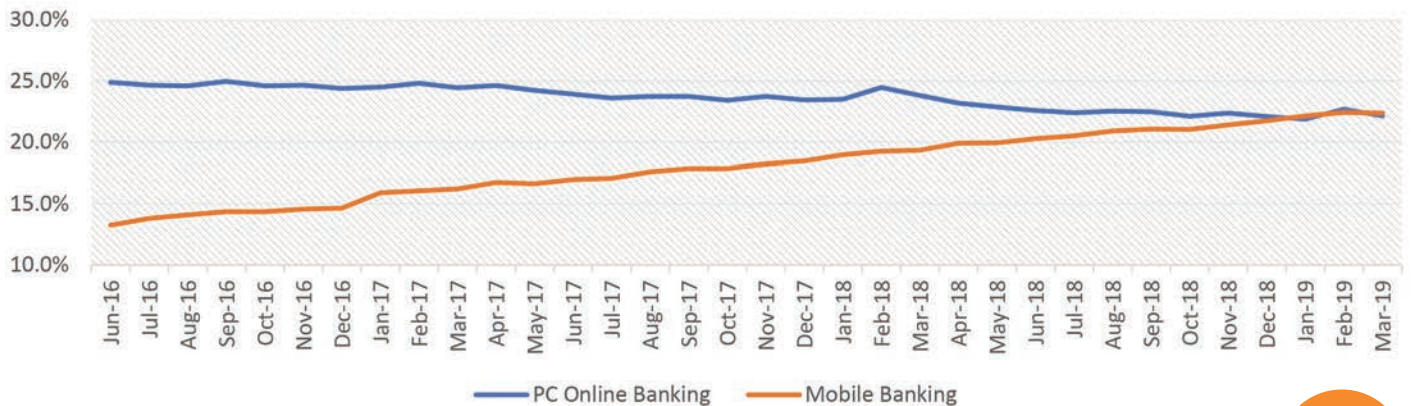


Figure 8

Graphical representation of adoption rates by member shows virtually the same % of members are utilizing Mobile as Desktop It's Me 247 in 2019.

EasyPay Bill Payment/Presentation

Online bill payment is an area where there has been significant pricing disruption during the past five years. As we entered 2015, we offered two solutions to our credit unions: iPay and CheckFree. Through aggressive negotiations with both vendors, our cooperative was able to reduce the complexity of the bill pay fee structure to a flat fee per transaction. Although minimums existed for the CUSO with each vendor, our credit unions were insulated from active and inactive user fees and could budget their expenses much more effectively. Then two major tremors hit prior to 2016: Fiserv purchased CheckFree and a new vendor called Payveris entered the market. It was clear to our Executive Council that a Payveris relationship gave the cooperative an opportunity to be disruptive in both pricing and functionality, so we worked with more than 100 credit unions to transition their members.

As you will observe in Figure 9 below, our most aggressive CUSO-negotiated pricing continues to be the Payveris solution. The fees for both Payveris and iPay (following an iPay price reduction in 2016) have remained consistent for the past four years. For credit unions that remain with Fiserv's CheckFree product, we offer only a Single Sign-On (SSO) into their tool. We will continue to explore new opportunities for both functionality and pricing disruption over the next several years. We believe that new players will enter the market, and the expansion of electronic settlement to include riding the "plastics rails" versus ACH should help to drive the costs lower over time as well.

		Bill Pay Fees				
		2015	2016	2017	2018	2019
VAR Relationship Pricing (Payveris)						
	Per Transaction Fee	n/a	\$0.595	\$0.595	\$0.595	\$0.595
	E-Bill Presentment Fee (per active e-bill)	n/a		\$0.25	\$0.25	\$0.25
	Person-to-Person feature (per transaction)	n/a		\$0.40	\$0.40	\$0.40
	Paywatch Fraud Detection (per transaction)	n/a		\$0.02	\$0.02	\$0.02
VAR Relationship Pricing (I-Pay)						
	Per Transaction Fee	\$0.675	\$0.655	\$0.655	\$0.655	\$0.655
Non-VAR Single Signon (Fiserv CheckFree)						
	Per Transaction Fee	\$0.682	n/a			
	SSO Fee	n/a	Varies Based on # of Clients			
	Fee Reduced					
	Fee Increased					
	New Fee					

Figure 9

E-COMMERCE FEE TAKEAWAY:

Our cooperative's overall strategy for E-Commerce Fees will continue to be adding more member-facing features to our base package while maintaining a manageable price for each credit union. This enables each of our customer-owners, regardless of size, to offer must-have functionality to its members. From a bill pay standpoint, we will continue to explore options with new and current vendors in order to pass through additional cost savings to each credit union.

Other Miscellaneous Fees

The remaining sections of the Fee Schedule in our Pricing Guides relate to items that have a smaller impact on the individual credit union's invoice. While very significant to our cooperative's overall revenue stream, questions are seldom raised about their place in our overall pricing scheme. That said, they remain very important for us not only to analyze on an ongoing basis, but also to keep our ears open for marketplace perception. Once again, the history of these fees shows CU*Answers' desire to balance the expense control for credit unions with the desire to expand services quickly and cost-effectively.

The charts that follow show a great deal of breadth and depth of the CU*Answers services offerings. Services like online credit bureau access include multiple strategies for credit unions, from pulling a credit report to every desktop for risk-based lending, data mining and trending to identify opportunities for more wallet share, to the automated handling of ACH, OFAC and off trial balance (OTB) products utilized by the members. In the pages that follow you will find comparison charts for the following miscellaneous items:

- External Vendor Communications
- Service Charges and Processing Charges
- Miscellaneous Statement Handling Fees
- OTB Processing Charges
- Data Archival Fees
- Custom Programming Fees

External Vendor Communications

This section is the catch-all for service charges related to ongoing communication with 3rd-party vendors. Every online credit union has several of these services (ACH, credit bureau retrieval and reporting, etc.) and the cost for the various services did not change during this measurement period.



	External Vendor Communications (monthly fee unless noted)				
	2015	2016	2017	2018	2019
Loan Insurance File - processing and posting per product			\$30		
ACH Processing			\$50.00		
ACH Returns and NOCs			\$0.80 per item		
Online Credit Bureau pulls (per report)			\$0.75		
			1 bureau = \$20		
Credit Bureau Reporting			2 bureaus = \$35		
			3+ bureaus = \$45		
Qualifile Risk Assessment (per report)			\$0.50		
OFAC Processing			\$10		
Payroll File Processing - receive and post			\$20 per run		
247 Lender Decision Model			\$0.50 per qualified auto-decision		

Figure 10

EXTERNAL VENDOR COMMUNICATION TAKEAWAY:

These fees have not changed in many years. Outside of deploying additional Decision Model offerings in the near-term, we anticipate that external communication fees will remain at current levels for the foreseeable future.

Service Charges and Processing Charges

This section of our Fee Schedule covers special service charges that credit unions have configured in CU*BASE, as well as OFAC and FIDM. The chart below reflects the 12.5% price reduction for service fees, with the rest of the line items holding steady.

	Service Charge/Processing Fees				
	2015	2016	2017	2018	2019
Internal CU Service Charge		\$20		\$17.50	
Internal CU Dormancy Fees		\$20		\$17.50	
Internal CU ATM Fee Programs		\$20		\$17.50	
Financial Institution Data Match (Quarterly)			\$125		
OFAC Data Match			\$10		
Dividend Regeneration			\$125		
	Fee Reduced				

Figure 11

SERVICE CHARGE FEE TAKEAWAY:

Like with EFT, these fees have an associated income line item for the credit union. We took a major pricing action by reducing fees by 12.5% starting in 2018 and do not anticipate any further pricing action for the foreseeable future.

OTB Credit Cards

OTB processing has traditionally been the fee for plastics vendors that send data to us so that CU*BASE could be updated via nightly batch processing. In recent years it has expanded to include mortgages serviced outside the core and investment information with CUSO Financial Services. With the increase in credit unions using CU*BASE to service online credit cards, the OTB-related revenue to the cooperative has diminished, but the fees have remained consistent per the chart below.

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.

It should be noted that services like consolidated online credit card statements, special handling for mortgage statements per growing regulatory requirements, etc., are creating additional pricing pressures on both statement providers and credit unions. We will continue to watch this area very closely over the next several annuals, as well as work with credit unions to develop even more creative ways to drive higher eStatement penetration.

	Miscellaneous Statement Handling Fees				
	2015	2016	2017	2018	2019
CASS Certification			\$100 per run		
Digitized Statement Logo Set-up (conversion/logo change)			\$175 per occurrence		
Select Statement Inserts (per statement mailing)			1st run = \$150; Add'l runs = \$50 each		
E-Direct Marketing Messages			No charge		

Figure 12

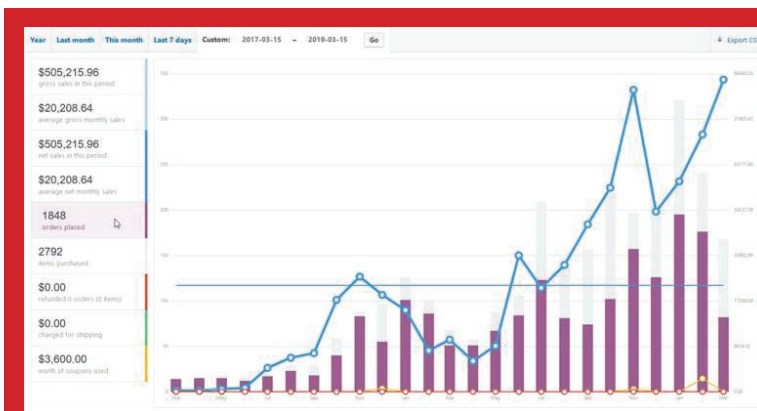
	OTB Related Fees				
	2015	2016	2017	2018	2019
OTB Processing (existing vendor - including credit card; other vendor file upload/ download)					
One-time Setup Fee			\$500		
Monthly Fee			\$100		
OTB Processing (new vendor - including credit card; other vendor file upload/ download)					
One-time Setup Fee			\$1,000		
Monthly Fee			\$100		

Figure 13

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' close alignment with eDOC Innovations. Over the last seven years, CU*Answers has transitioned from a CD-ROM-based archival system (does anyone remember microfiche?) to a robust set of real-time archival strategies such as electronic receipts, electronic loan documents and Check 21 processes. The demand for these tools, as well as the increased adoption of in-house document imaging servers from eDOC, was the primary catalyst for creating the CU*Answers Imaging Solutions Team in 2015 to help manage all things imaging and broaden the features available in our online CU*Spy solution. We have also continued to expand our online retention period for various CU*BASE data to help online credit unions reduce the need for media to be created and mailed by our team.

As you can see in figures 14 and 15 on the following page, the cost for member statements and reports to be spun off to media and sent to the credit union following our online retention period has remained constant. In the second table, you can also see that the cost for the various tiers went down in 2016 and has been consistent since that time.



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	Member Statements and Reports				
	2015	2016	2017	2018	2019
Data Archival Setup/Licensing Fee	\$3,000 (one-time)				
CD-ROM Storage	Tiered by # of Mbrs*				
CD-ROM Supply	\$10/CD-ROM				
Recreation of CU*CDs	\$100 plus \$10 per CD ROM				
*See separate worksheet below showing new in-house archival services fee schedule.					

Figure

Figure 14

	CU*Archives Fees				
	2015	2016	2017	2018	2019
Media Fees					
Media Charges, Statement CDs			\$10		
Media Charges, Report CDs			\$10		
Statement Archiving (Quarterly) - Tiered by Member Count					
0 - 5,000 Members	\$75		\$50		
5,001 - 7,500 Members	\$125		\$100		
7,501 - 10,000 Members	\$200		\$175		
10,001 - 15,000 Members	\$350		\$300		
15,001+ Members	\$650		\$600		
Report Archiving (Monthly) - Tiered by Member Count					
0 - 5,000 Members	\$75		\$50		
5,001 - 7,500 Members	\$125		\$100		
7,501 - 10,000 Members	\$200		\$175		
10,001 - 15,000 Members	\$350		\$300		
15,001+ Members	\$650		\$600		
Clients With Their Own Servers - Monthly Charges					
Fully In-House Statement Archiving (Server Only)			\$25		
Fully In-House Report Archiving (Server Only)			\$25		
Fully In-House Credit Card Archiving (Server Only)			\$25		
Partial In-House Statement Archiving (Server and Cold Storage)			\$10		
Partial In-House Report Archiving (Server and Cold Storage)			\$10		
Partial In-House Credit Card Archiving (Server and Cold Storage)			\$10		
Receipt and Loan Form Archiving - Quarterly Charges					
Loan Forms Archiving			\$50		
Receipt Archiving			\$50		
	Fee Reduced				

Figure 15

DATA ARCHIVAL TAKEAWAY:

We will continue to focus on this area of the credit union's invoice over the next several annuals. The monthly fee for statement and report archival was reduced significantly in 2016, but we will continue to look for alternative strategies and areas for cost reductions to pass along.

Custom Programming Fees

Maintaining the balance between when to charge, when not to charge and how much to charge when we have to is one of the biggest challenges we face. While many of the fees listed in this section have been applicable for a decade or more, we continue to review on an annual basis to ensure they are both warranted and fair. As you can see in the table below, most of the fees involve the setup of integrations to 3rd party vendors. While many of these are only applicable for a credit union during their initial conversion to CU*BASE, a credit union who changes relationships mid-stream, or deploys new products, would incur the applicable fee. These fees cover programming, testing, quality control, documentation and deployment.

While a huge number of these fees have remained unchanged in the past five years, it should be noted that most, if not all, are provided at a break-even or loss for the CUSO. The Developer's Help Desk (DHD) Team was created in 2017 to inspire credit unions to bring new ideas to the table and to help manage the custom programming process.

	Custom Programming Fees				
	2015	2016	2017	2018	2019
ATM/debit card batch processing setup			\$1,800		
ATM positive balance file setup (upload/download)			\$600		
ATM/Debit Online Interface					
Existing online network setup		\$3,500-\$5,000			\$4,000-\$6,000
New online network setup		\$8,500-\$15,000			
CUSC Shared Branch Online Interface					
Issuer					
One-time setup			\$1,500		
Per transaction fee (plus CUSC related fees)			No Charge		
Acquirer - Monthly Fee for Unlimited Branches			\$250		
Data Line (req'd for Issuer and/or Acquirer)			\$75		
Miscellaneous Custom Programming Fees					
Laser checks/money orders setup			\$950		
Laser custom loan forms			Quoted based on individual request		
3rd-party corporate check file rec'd for check recon.			\$500		
Check Processor setup/test (if non-CU*Answers)			\$1,500		
Check Images (retrieved via third party)			Quoted based upon vendor		
MICR line changes to member checks/LOC checks			\$350		
Custom share dividend bonus			Quoted on Request		
Special loan interest rebate			Quoted on Request		
Special programming requests and features			\$100/hour (\$200 Minimum)		
Statement Transmission set-up (non-CU*Answers)			\$750		
Digitized logo set-up (statements)			\$175		
CU*BASE Deconversion Fee			\$0.65		
	Fee Increased				
Custom programming prices are general guidelines only and are subject to change based on the individual project.					

Figure
16

CUSTOM PROGRAMMING FEES TAKEAWAY:

With the recent launch of our Developer's Help Desk unit, we anticipate that an increasing number of credit unions will be engaging our CUSO for custom development projects in the future. Moreover, the recent consolidation of vendors in the plastics arena will likely increase load on the already high number of EFT-related projects in the near term. Our prices have been consistent and aggressive.

Conclusion

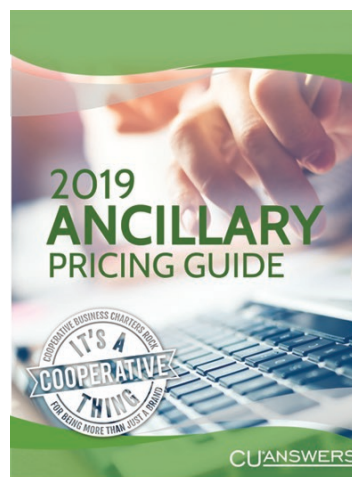
The past five years was a special period for our cooperative. We welcomed over forty new partners to the CU*BASE community. We launched new and exciting tools like Mobile App, online account opening and funding (MAP/MOP), Remote Deposit Capture with eDOC, Bill Pay with Payveris, a Custom Training Edition, the Developer's Help Desk and Internet Retailer Support Center. We saw EFT volumes that nearly doubled across the network, and the number of Mobile App users nearly matched the number of **It's Me 247** users in just four short years.

At the same time, we were able to reduce or eliminate dozens of fees within our core suite and waive COLA during two of those five years. We are proud of the fact that **ALL** of our nearly 200 customer-owners are being charged a lower Base Member Fee than was outlined in the contract when they signed with the CUSO.

We anticipate that the 2019 Pricing Focus Group will have the highest number of attendees ever. The foundation that was laid through the collaborative efforts of the previous three Focus Groups has helped strengthen our cooperative, and we expect the 2019 event to yield similar results – valuable input and feedback for the Board of Directors and Management to utilize in our upcoming planning sessions.

We hope you will take some time to think about the future and how you anticipate your economic models and delivery channels evolving over the next decade. Based on how you see that future, we encourage you to share how our pricing might need to change to fit your credit union's opportunity and the opportunities of your peers. For our CUSO to survive and thrive, we must be in alignment with the business models of our customer-owners through a focus on charging only when our credit unions earn.

Thank you for being a valuable part of our cooperative!



2019 Pricing Guides are available on our website

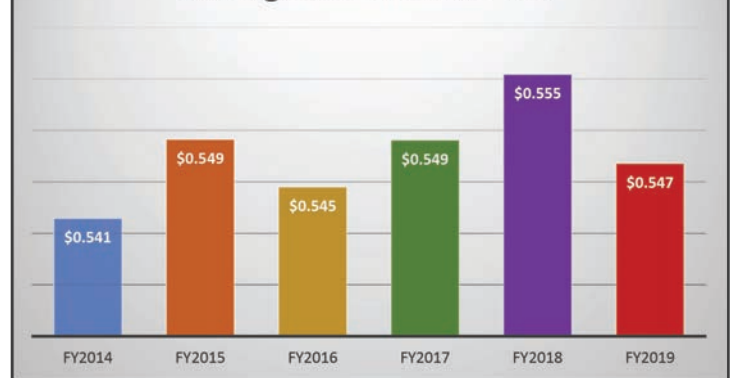
www.cuanswers.com/resources/doc/pricing-guides

Other Interesting Data

2019 Price Rollback

# of Credit Unions	93
# of Members	788,400
Average Savings	\$0.017
Revenue Impact	\$151,614.11

Average Base Member Fee



Invoice Analysis - 2015 *Based on Membership Size*

	Less Than 2K	2K to 5K	5K to 10K	10K to 15K	15K to 30K	Over 30K
Member Processing Base Fee	22.7%	20.7%	26.3%	26.1%	27.0%	25.2%
CMS	6.1%	6.1%	8.5%	11.3%	8.4%	17.4%
Item Processing	1.6%	0.9%	0.5%	0.8%	0.5%	0.7%
Member Processing Misc.	18.4%	13.8%	14.0%	14.0%	14.8%	14.4%
Resource Utilization Fee	1.7%	2.7%	3.8%	4.4%	4.4%	4.6%
e-Commerce Fees	4.2%	7.4%	6.4%	5.9%	6.0%	4.1%
Bill Pay	0.3%	1.3%	2.5%	0.7%	2.5%	0.0%
EFT	9.4%	15.7%	19.5%	21.3%	17.2%	10.5%
Data/Telephone Lines	6.3%	3.3%	3.1%	2.5%	2.0%	2.2%
Archival Services	2.1%	0.8%	0.9%	0.9%	0.8%	0.3%
Network Services	24.3%	17.4%	7.0%	4.6%	6.1%	5.6%
Audit/Compliance Services	0.0%	0.3%	0.0%	0.9%	0.0%	0.0%
Other	3.0%	9.7%	7.5%	6.7%	10.1%	15.0%

Invoice Analysis - 2018 *Based on Membership Size*

	Less Than 2K	2K to 5K	5K to 10K	10K to 15K	15K to 30K	Over 30K
Member Processing Base Fee	25.6%	21.8%	21.9%	22.0%	27.2%	28.5%
CMS	6.9%	9.0%	10.0%	10.7%	11.5%	15.8%
Item Processing	1.4%	0.8%	0.5%	0.5%	0.5%	0.5%
Member Processing Misc.	21.9%	16.5%	15.5%	16.0%	16.3%	14.6%
Resource Utilization Fee	0.7%	0.8%	1.0%	1.3%	1.3%	1.4%
e-Commerce Fees	0.0%	7.9%	5.6%	6.0%	5.5%	4.5%
Bill Pay	2.6%	4.1%	3.2%	4.6%	5.8%	9.1%
EFT	0.4%	18.1%	21.9%	23.4%	17.7%	10.4%
Data/Telephone Lines	4.0%	3.3%	2.1%	1.9%	1.3%	1.1%
Archival Services	1.9%	0.8%	0.8%	1.0%	0.7%	0.2%
Network Services	33.7%	15.4%	15.0%	8.6%	9.7%	9.3%
Audit/Compliance Services	0.4%	0.2%	0.3%	0.2%	0.7%	0.2%
Other	0.5%	1.4%	2.1%	3.9%	1.8%	4.4%

DID YOU KNOW?

- ✓ Prior to 2017 our Pricing Guides did not even include 7-year contract pricing
- ✓ We used to charge for closed members for 2 years (stopped in 2003)
- ✓ We used to charge for written off members (stopped in 2002)
- ✓ Started charging for Sunday processing in 2016 and stopped in 2019
- ✓ Since 2006 our DR/BR fee has increased from 0.018 to 0.0275 (based on all of the investments we have made for business continuity in a e-commerce world)
- ✓ Our Item Processing fees dropped dramatically in 2015
- ✓ In 2014 we stopped charging for email marketing messages
- ✓ Our EFT pricing has dropped 42% in the past 15 years, with 2 more price decreases scheduled for 2020 and 2021
- ✓ Trivia: In 2000 we charged a fee for ATM inquiries
- ✓ In 2008 we launched our E-Commerce Suite and stopped charging per minute for online banking utilization
- ✓ In 2009 we reduced the E-Commerce fee; and then we added more tiers following our Pricing Focus Group meeting in 2014
- ✓ In 2018 we stopped charging CUs under 2,000 members for E-Commerce Fees and EFT fees
- ✓ In 2015 we launched our “Free Forever” Mobile Banking platform
 - In 2018 we added MACO authentication to Mobile
 - In 2016 we turned on RDC for Mobile and upped the game with RDC-IQ in 2019
- ✓ In 2009 we started publishing an Ancillary Pricing Guide due the breadth and depth of the suite
- ✓ In March of 2017 we launched the CU*Answers Online Store
- ✓ In 2016 we launched our Payveris Bill Pay solution; now it serves members of 102 CU*Answers credit unions plus dozens of CU*NorthWest and CU*South clients
- ✓ Our labor cost for custom programming has only gone up \$5.00 per hour since 2000
- ✓ Our standard de-conversion fee of \$0.65/member has not changed since 2007
- ✓ Rollback #1 → in February of 2009 we rolled any credit union paying more than a \$0.55 per member Base Member Fee to \$0.55
- ✓ Rollback #2 → at the beginning of 2019 we rolled back Base Member Fees for 93 credit unions that were paying more than \$0.57 – a total savings of \$151,000 to those credit unions for 2019 alone
- ✓ Remember microfiche? It was the end of the world when we cut the cord a decade ago!
- ✓ Seems like we always have, but we only started charging a \$1.00 Per Member fee for conversion programming in 2009
- ✓ We have formalized both our Scholarship and De Novo startup pricing metrics since the last focus group met in 2014
- ✓ In 2019 we introduced Micro Apps as an *à la carte* fee

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