

Core Systems – Collaborating to Better Serve Members

CU*Answers is uniquely positioned to respond to this year's Roundtable - first as a credit union solution provider, and second as a working, credit union-owned collaboration.

As a solution provider we recently announced several 2009 initiatives related to the tough economic times. We are waiving our contractual COLA increases for 2009, and instead will be using a new formula that is no more than half of the contract terms. We also announced cuts for plastic processing (ATM/Debit) between 6.6% and 13.3%. In the last two years, CU*Answers has cut its ATM/Debit processing fees by as much as 30%.

We believe these investments will help ensure credit unions can still afford to build strong relationships with members flocking to debit card and credit card channels. Now is not the time for credit unions to slow down; they must invest for the future.

While pricing cuts are important, we also announced two new investment initiatives that we see as being far more important in the long term:

- First, we declared a goal for our CUSO to build a network capability that will ensure the lowest cost of compliance in the industry. We plan to accomplish this goal through a new CUSO shared business called Audit Link. Audit Link is a follow-up to our collaborative solution for bookkeeping (provided in partnership with the Xtend CUSO), and will provide internal auditing services at \$200 a week. The CUSO is adopting a "we are in the compliance business" perspective to drive our compliance innovation, understanding, and credit union partnerships.
- Second, we declared a goal for our CUSO to be known as one of the most aggressive mortgage servicing networks in our industry. We plan to take on this challenge with a two-pronged approach: to start an aggressive series of development projects for servicing mortgages from A to Z, and to work aggressively with credit unions to increase their mortgage offerings across the board. Lender*VP will lead the charge, working with Prime Alliance and participation lending partners to ensure every CU*Answers credit union considers mortgage lending as one of their core competencies. Once again, we'll partner with Xtend to provide a unique shared business solution for mortgage servicing, where credit unions can take advantage of CUSO resources but continue to own the loan and have a fully-integrated and native solution for their members.

We believe these investment initiatives come from the spirit of building businesses with credit unions, not just providing solutions. As a core processor during these trying times, we understand that credit unions need more than tools; they need to have a plan to execute on the tools, partners to facilitate that execution, and a collaborative plan that shares the cost of moving forward. All three are CU*Answers specialties.

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Randy Karnes
CEO

Randy Karnes has been CU*Answers' CEO since 1994, and has been involved in the credit union industry since 1985. Mr. Karnes has been a Board member of Callahan & Associates since 2001, and is a co-founder of the Member Value Network along with Ed Callahan and Chip Filson. Mr. Karnes is an active commentator and contributor in the industry through forums such as www.creditunions.com and www.cuanswers.com. The CU*Answers team regularly participates in industry events, from local Leagues to the national scene. Mr. Karnes is also an active speaker and facilitator for credit union Board planning sessions and educational events.

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In terms of new products and services, it is easy to anticipate that future and younger members will want a laundry list of emerging technologies such as mobile banking, remote deposits, institution-to-institution transfers, and simply more online capabilities. But I would encourage credit unions to consider a bigger investment: an investment in changing the mindset of their organization about responding to the next generation of members.

Spend time and money on revamping your policies and procedures, your way of thinking and responding, so that you can appreciate future member lifestyles and circumstances effectively.

For example, young members graduating from college today already have debt from college tuition, credit cards, car loans, and other circumstances that don't fit the mold of our credit modeling, underwriting and marketing policies. Many credit unions aren't even ready to lend to or embrace these members today, let alone in the future.

CU*Answers is aggressively pushing new payday lending processes to its credit unions in 2009. For many credit union employees and board members, even the words "payday loans" have a negative connotation. But today's and tomorrow's members are getting payday loans.

The ultimate investment for the credit union in deciding to offer products like payday loans is changing the way they think about these products. Our tools are cheap, investing in a new mindset is harder than you think.

When it comes to our collaborative outlook, we live and die by the fact that participation should have an investment return. Here at CU*Answers we believe that the return on a collaborative relationship is earned through every transaction. When a credit union pays our invoice, they should see that as an investment in their future, not just simply payment for services received. Give an equity return to a partner, and they start to believe they are a partner.

Collaborative relationships are about the mutual improvement of every network participant. In 2008, CU*Answers worked hard to remove the artificial entry and exit barriers that are prevalent in so many core processing contracts today. We removed assignability. We slashed our contract exit fees. We changed the perspective of improving our net worth to that of improving the net worth of our owners and clients directly through their operations.

In order to count on the fact that a core processing vendor's collaborative capabilities are truly a competitive advantage—a market differential—you must go beyond just touting the fact that you are developing future capabilities with your customers. You have to go into business with your customers and work on their agendas. You have to be ready for client owners and client leaders, and have a healthy respect for member capital. A core data processor's business plan has to be about expanding credit union member capital more than it is about building its own. Talk the talk, and walk the walk.



CU*Answers is a 100% credit union owned CUSO located in Grand Rapids, Michigan, providing a wide variety of services to over 500 credit unions nationwide through its powerful network. Included are its flagship CU*BASE Data processing system – available in both an On-line (ASP) and In-house environment, Web Site development, Network Design and Security, eDocument solutions, Image Check processing and CU*Check 21 services. CU*Answers provides expertise in implementing technical solutions to operational needs, and is a leader in helping credit unions form strategic alliances and partnerships.

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