

The Hidden Costs of Rate Setting

Pricing is no place for guesswork. In fact, rate setting is not only one of the most financially influential decisions your credit union makes, it is also one of the most visible decisions. Everyone knows your rates.

- Board members depend on solid pricing decisions for your credit union's financial health.
- Examiners expect your pricing strategies to reduce risk.
- Members demand that your pricing be competitive.

In short, your credit union's success depends on well-managed rate setting.

In a marketplace where the cost and availability of funds change on a day-to-day basis, how can you be sure you are pricing competitively but still maintaining a strong bottom line? How much does it cost to make responsive, well-informed pricing decisions? The actual cost of making informed decisions is less expensive than you might think, but the hidden costs of making bad decisions are severe. Consider the following hidden costs:

The Cost of Confidence

What is it worth to you to know that when an examiner or board member questions how you made your decision, you have supporting research from a qualified, unbiased third party to document your position? What is it worth to have confidence that the critical information you use to make pricing decisions is collected following consistent guidelines? Competitive rate intelligence gives you this confidence.

The Cost of Competitiveness

If you aren't competitive, your members will take their business elsewhere. You need to know about your competitors' rates and specials before your members do. You gain a competitive advantage by subscribing to a rate intelligence service that sends you daily updates of any new offers. Armed with knowledge, your credit union can take a proactive stance rather than reacting to feedback from your frontline staff.

The Cost of Production

Typically, the cost of outsourcing rate intelligence is significantly less than conducting similar research in-house since you can access pooled data. That is, other financial institutions may already monitor the same institutions and products you require. The expense to gather this information is collectively shared among many institutions lowering your cost to as low as 7¢ per rate.

The Cost of a Basis Point

Poor pricing decisions can be one of the most costly mistakes a credit union can make. When every 10 basis points costs you \$1,000 per year for each million dollars under management, you cannot afford to "guesstimate" your pricing decisions.

The Cost of Timeliness and Accuracy

Bad data result in bad decisions. Lack of responsiveness in pricing can cost you money and market share. No matter what service you are outsourcing, only use vendors who stand behind their product. Timeliness and accuracy are of utmost importance for any rate intelligence provider and a money-back guarantee speaks volumes about a provider's level of service.

The Cost of Consistency

Best-of-breed rate intelligence firms set standards to ensure the consistency of your pricing information. Timeliness, accuracy and consistency of in-house research is jeopardized when an employee is too busy, promoted or departs. Considering examiners require consistently applied and documented systems and procedures, can you afford to have the consistency of your pricing decisions second-guessed?

The Cost of Experience

Selecting an experienced resource doesn't necessarily mean paying more. Experience isn't something you find in an advertisement or the yellow pages. Ask around. Sometimes the best way to find quality is to consult your peers.

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- ...testimonials on how Datatrac's rate intelligence services have helped credit union executives make better pricing decisions.

