



## **Expanding the Business Deposit Program**

*Granite Federal Credit Union  
November 13, 2015*

# **Introduction**



## The Complete Business Deposit Product Package

Current Package

1. Free Business Checking
2. Business Savings and Money Market
3. Merchant Card Services
4. Business Debit and Credit Cards (in progress)
5. Business Bill Pay
6. Consumer Online Banking
7. SEP Retirement Accounts

Desired Package Products

8. Business Online Banking
9. Business Tax Payments
10. Payroll Services
11. ACH Origination for Businesses
12. Business Remote Deposit Capture
13. Sweep / Cash Management
14. Business Overdraft Protection

15. Account Analysis Checking
16. IOLTAs



# System Capabilities



### System Capabilities – CMC FLEX

- Ability to set a minimum balance
- Ability to charge a fall below fee
- Can count the number of checks cleared and checks deposited
- Can set tiers for activity levels and interest paid



## Incremental Transaction Cost Analysis



### Incremental Transaction Cost Summary

Checks Cleared	\$0.04
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Checks Deposited	\$0.07
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ACH Origination	\$0.08
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*A cost of \$0.05 will be used for ease of analysis*

Bill Pay per User	\$5.95
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Mobile Banking per User	\$1.00
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Mobile Deposit Capture	\$0.35
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## Potential Business Checking Account Structures



### Option 3 - All in One Account

Account Fees	Activity Levels	Interest Paid
Flat Fee: \$15.00	0-100 transactions: no fee	\$0 - \$10,000: no interest
\$5.00 of this waived with \$5,000 balance	101-250 transactions: \$0.30 each	\$10,001 - \$25,000: low tier
\$15.00 waived with \$15,000 balance	251+ transactions: \$0.40 each	\$25,001 - \$100,000: med tier
		\$100,001 and up: high tier

Transactions include: Checks cleared, checks deposited, all external debits and credits (internal transfers not included)



## Analysis of Existing Accounts



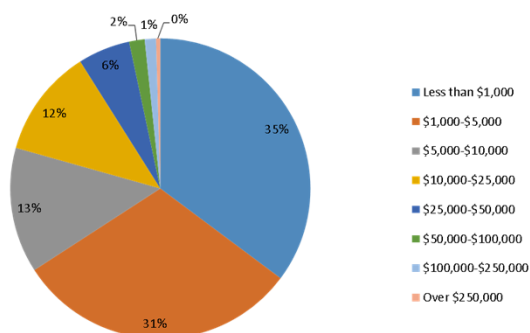
## Existing Business Member Profile

- Approximately 3000 business members
- Mostly small businesses – sole proprietorships
- Variety of industries – examples include delicatessen and construction company
- Some LLCs and larger businesses
- Most have a personal relationship with Granite



Source: reported by Granite project team during kick off call

## Existing Business Checking Balances

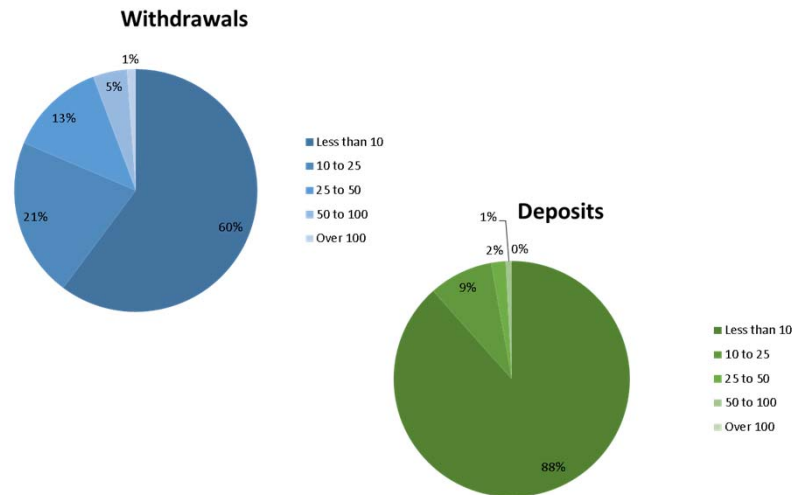


- 66% have balances less than \$5,000
- 25% have balances between \$5,000 and \$25,000
- 3 accounts have deposits totaling \$2.3MM, or 28% of total deposits

Sample of ~700 business checking accounts with deposits totaling \$8MM



## Business Checking Transaction Volumes



Sample of ~700 business checking accounts with deposits totaling \$8MM



## Transition of Existing Accounts

- ~~1. All on day one~~
2. Over time per credit union
3. Over time as business members access other business services
- ~~4. No required transitions~~



# Package Products



## Package Product Vendors

	Account Analysis	Online Banking	Mobile Online Banking	Payroll Services	ACH Origination	Bank Wires	Remote Deposit Capture	Mobile RDC	Sweep / Cash Management	Positive Pay
Alloya					X		X			
CMC Flex	X	X	X		X			X	X	
Q2		X	X		X	X				X
Ensenta							X			
Digital Insight		X	X		X	X	X			
FIS Global		X	X		X	X	X		X	X
Wausau							X			
Fundtech					X		X			
Bluepoint							X			
Cachet Financial Solutions							X	X		
Alkami		X	X							
Cavion (D+H)		X			X				X	X
D+H										
PayChex				X						
ADP				X						
Sage Payroll Services				X						



Need to further investigate business online banking capabilities within the Flex system



## Business Online Banking

### Standard Features

1. Multi-level authorities
2. Ability to send wires
3. ACH Origination features often included

### Differentiating Features

4. Sweep account setup and balance management
5. Cash concentration from multiple accounts
6. "Integration" with business accounting software
7. May include volume RDC options



## Electronic Federal Tax Payment System

Information provided by: <https://www.eftps.gov>

- Electronic payment is becoming the standard for paying federal business taxes.
- Businesses can enroll for automatic tax payments directly on the EFTPS website. Using:
  - a. The credit union's routing number
  - b. The business checking or savings account number



## Business Payroll Processing

### Paychex's program for credit unions

- Payroll processing for businesses with 1 or more employees
- Time and attendance tracking
- Tax and insurance solutions
- Health insurance and retirement plan administration
- Human resources outsourcing
- Referral fee to the credit union for each successful referral



## What to Look for – ACH Origination

### Standard Features

1. Access to ACH debit and credit
2. Batch ACH upload
3. Highest levels of security



### Differentiating Features

4. Integration with accounting software
5. Ability to divide larger balances into multiple payments
6. Recurring payment schedules
7. Technical support available to the business
8. Online tutorials and flash demos



## What to Look for - Business RDC

### Standard Features

1. Web-based vs. host system integrated
2. Easy access to deposit history and check images
3. Variety of scanners with purchase or lease options
4. Highest levels of security

### Differentiating Features

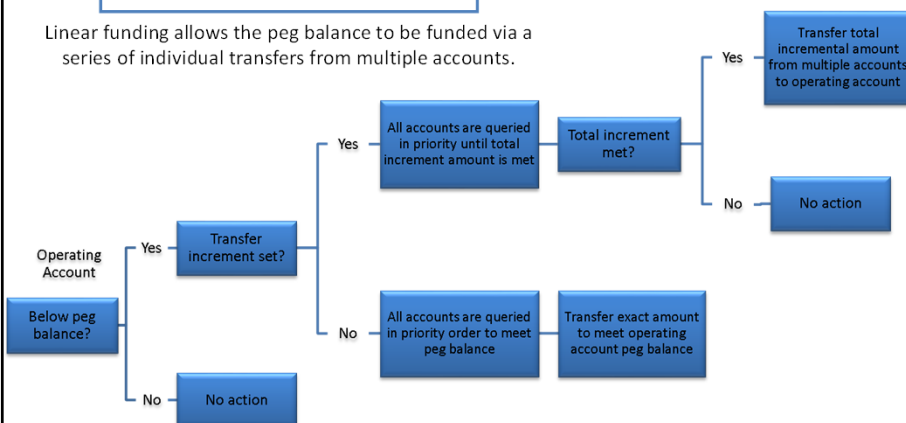
5. Ability to provide next business day availability
6. Late cut off time for businesses
7. New business implementation support
8. Technical support available to the business
9. Online tutorials and flash demos



## Sweep Account

### Low Balance Transfer

Linear funding allows the peg balance to be funded via a series of individual transfers from multiple accounts.



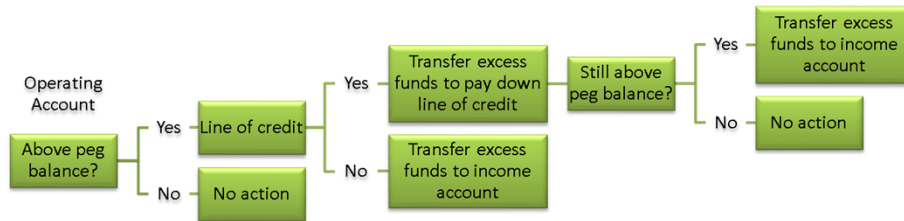
A fee can be set for each transfer if desired



## Sweep Account

### High Balance Transfer

High Balance Transfers allow the member to transfer excess funds to pay off loan balances or to an income account.



- A minimum transfer amount and/or minimum withdrawal can be set
- Transfers can be made to multiple loans and/or income accounts
- A fee can be set for each transfer if desired



## Action Steps From Here



### Action Steps for Next Meeting

1. Make decision on desired checking account structure and pricing levels
2. Draft a separate business rate and fee schedule
3. Determine the desired package products and priority for future implementation
4. Consider options for transition of current accounts



## Exhibits



# The FLEX Module



## FLEX Business – Checking Module

- The FLEX Business Checking module provides additional functionality on business accounts.
- Allows for:
  - Sweep Maintenance
  - Transaction Fee Maintenance



## Sweep Maintenance

- A sweep may be defined so the system can automatically check other accounts to maintain a desired balance in the business account.
- The sweep program runs automatically during the end-of-day cycle.
- Allows three types of sweeps
  - Add = Allows adding to the target account from the sweep account, if the balance in the target account is lower than the target balance.
  - Subtract= the Allows subtracting from the target account to the sweep account, if the balance in the target account is higher than the target balance.
  - Both = Allows adding or subtracting to/from the sweep account based on what is needed to maintain target balance.



Source: FLEX Business Checking Module Manual

## Sweep Maintenance – *continued*

- Target balance can be set to maintain the **available** or **ledger** balance.
  - Available= Maintain the available balance, not including any minimum balance or holds.
  - Ledger = Maintain the ledger balance (actual balance) in the target account.
- Allow a partial of what is needed to maintain the target balance if the sweep account does not have the full amount available.

Source: FLEX Business Checking Module Manual



## Transaction Fee Maintenance

- Transaction fee maintenance may be used to define fee criteria for business accounts such as excessive deposits or cash withdrawals.
- Set:
  - Number of transactions that will trigger a fee
  - Frequency of fees: Annually, Monthly, Quarterly
  - Base amount
  - Per transaction amount
- Allows you to generate a worksheet of what will post, if fees were posted.
  - Strongly recommend generating a worksheet and reviewing prior to posting the fees to verify the information is accurate.

Source: FLEX Business Checking Module Manual



## Transaction Costs – Checks Cleared

Cost of checks cleared: \$0.04

Service Detail			
Service Description	Volume	Unit Price	Charge
<b>Coin and Currency</b>			
Union Bank Vault Order Fee	28	2.0000	56.00
Vault Fee - per delivery			687.72
Fuel Surcharge pass-through			52.23
Coin Deposited- Std Bag	14	3.2500	45.50
Coin Deposited Non-Standard	116	.2000	23.20
Currency Ordered- Teller Fit	2,704,000	.0001	351.52
Deposit- Cash or Coin Only	11	1.7500	19.25
Currency Deposited-Unstrapped	24,467	.0003	7.34
Rolled Coin (Boxed)	31	7.5000	232.50
Deposit Adjustment	1	15.0000	15.00
<b>Subtotal Coin and Currency</b>			<b>1,490.26</b>
<b>Draft Processing</b>			
Member Share Drafts Processed	38,136	.0280	1,067.81
Member Share Draft Discounts			-74.75
<b>Service Detail</b>			
<b>Service Description</b>	<b>Volume</b>	<b>Unit Price</b>	<b>Charge</b>
Automated Returns	189	1.5000	283.50
Image Archive	38,136	.0050	190.68
<b>Subtotal Draft Processing</b>			<b>1,467.24</b>

$$\$1,258.49 / 38,136 = \$0.033, \text{ rounded to } \$0.04$$





## Transaction Costs – Checks Deposited

Cost of checks deposited: \$0.07

Service Detail			
Service Description	Volume	Unit Price	Charge
Automated Returns	189	1.5000	283.50
Image Archive	38,136	.0050	190.68
<b>Subtotal Draft Processing</b>			<b>1,467.24</b>
<b>Check Collection Services</b>			
Monthly Deposit Participation Fee	1	75.0000	75.00
Un-Encoded Items Deposited	40	.7500	30.00
POD Discount			-2.10
Returned Deposited Check	13	5.0000	65.00
C21/RDC Items	22,665	.0700	1,586.55
C21/RDC Item Discount			-111.06
C21/RDC On-Us Items	1,426	.0700	99.82
C21/RDC On US Item Discount			-6.99
<b>Subtotal Check Collection Svcs</b>			<b>1,736.22</b>

$$\$1,686.37 / 24,091 = \$0.07$$



## Transaction Costs – ACH Origination

Cost of ACH: \$0.08

<b>Automated Clearing House</b>			
Monthly Access Fee	1	100.0000	100.00
ACH Receipt Transactions	93,989	.0100	939.89
ACH Corporate Receipt Transactions	2	.0000	0.00
ACH Return Items - Automated	697	.4000	278.80
ACH Originated Transactions	716	.0800	57.28
<b>Subtotal Automated Clearing House</b>			<b>1,375.97</b>



# Business Checking Survey



	Mountain America CU	American First CU	Cynus CU	Zions Bank	Bank of Utah	Bank of American Fork
<b>"Small" Business</b>	<b>Business Essential Checking</b>	<b>Free Business Checking</b>	<b>Sole Proprietor or DBA</b>	<b>Basic Banking Checking</b>	<b>Business Advantage Checking</b>	<b>BitSmart Small Business</b>
Balance requirement	None Waive fee with eStatements	None	None One time set up fee of \$15	None	*Sole Proprietor businesses only None	None
Fall below fee	\$5.00	\$0.00	\$2.00	\$0.00	\$0.00	\$0.00
Number of transactions free	N/A	250 transactions	None	150 transactions \$5,000 cash deposited	Unlimited	200 items
Charge if beyond	N/A	\$0.15 per transaction	\$0.10 per check deposited or written	Charges not listed	\$0.00	\$0.10 per item Over 300 items converts to analyzed
Earnings	None listed	None listed	None listed	None listed	Tied interest	None
<b>"Popular" Business</b>	<b>Business Growth Checking</b>	<b>Analyzed Checking</b>	<b>LLC, Partnership, or Corporation</b>	<b>Business Checking</b>	<b>Free Business Checking</b>	<b>BitSmart Commercial</b>
Balance requirement	\$5,000 average daily balance	None	None One time set up fee of \$25	\$3,500 minimum daily balance OR \$20,000 combined deposit & outstanding business credit balances	None	\$500 minimum daily balance
Fall below fee	\$15.00	\$8.00	\$2.00	\$15.00	\$0.00	\$7.00
Number of transactions free	300 combined items \$15,000 cash/cash handling	None	None	300 transactions \$25,000 cash deposited	300 checks	300 items
Charge if beyond	\$0.10 per item \$0.35 per \$1,000	\$0.15 per check written \$0.05 per deposited item	\$0.10 per check deposited or written	Charges not listed	\$0.50 per item	\$0.00 Over 300 items converts to analyzed
Earnings	Option to earn dividends OR earnings credit	Earnings credit	None listed	None listed	None listed	None
<b>Primary Management</b>						
Account analysis	X	X		X	X	X
Merchant services	X	X	X	X	X	X
Business online banking	X	X	X	X	X	X
Payroll services	X	X	X	X	X	X
ACH origination	X	X	X	X	X	X
Remote deposit capture	X	X	X	X	X	X
Overdraft and/or zero balance	X	X	X	X	X	X
Positive Pay and/or Lockbox	X	X	X	X	X	X



	Bank of America	US Bank	CHASE	Wells Fargo
<b>"Small" Business</b>	<b>Business Fundamentals</b>	<b>Silver Checking</b>	<b>Total Business Checking</b>	<b>Simple Business Checking</b>
Balance requirement	\$3,000 minimum daily balance <b>OR</b> \$5,000 average monthly balance <b>OR</b> \$15,000 combined average monthly balance	None	\$1,500 minimum daily balance \$2 waived if enrolled in electronic statements	\$1,000 average ledger balance (\$5.00 credit towards fall below fee) On-line statements (\$5.00 credit towards fall below fee)
Fall below fee	\$17.00 no fee for ACH, debit card or online bill pay	\$0.00	\$12.00	\$10.00
Number of transactions free	200 checks paid, other debits & deposit items \$10,000 cash deposited	150 transactions	200 transactions	50 paid & deposited items \$3,000 cash deposited
Charge if beyond	\$0.45 per check paid, other debit & deposit item \$0.30 per \$100 cash deposited	\$0.50 per transaction	\$0.40 per transaction	\$0.50 per paid or deposited item \$0.30 per \$100 cash deposited
Earnings	None listed	None listed	None listed	None listed
<b>"Regular" Business</b>	<b>Business Advantage</b>	<b>Gold Checking</b>	<b>Performance Business Checking</b>	<b>Business Checking</b>
Balance requirement	Actively use RDC, payroll services or merchant services through BoA <b>OR</b> \$15,000 average monthly balance <b>OR</b> \$35,000 combined average monthly balance	Use US Bank merchant services <b>OR</b> \$10,000 average collected balance <b>OR</b> \$20,000 combined average collected balances <b>OR</b> \$50,000 combined deposit and loan balances	\$50,000 combined average daily balance	\$3,000 minimum daily balance <b>OR</b> \$6,000 average ledger balance <b>OR</b> Use Wells Online Payroll service
Fall below fee	\$29.95 no fee for ACH, debit card or online bill pay	\$20.00	\$20.00	\$12.00
Number of transactions free	500 checks paid, other debits & deposit items \$25,000 cash deposited	300 transactions	350 transactions	150 paid & deposited items \$5,000 cash deposited
Charge if beyond	\$0.45 per check paid, other debit & deposit item \$0.30 per \$100 cash deposited	\$0.40 per transaction	\$0.40 per transaction	\$0.50 per paid or deposited item \$0.30 per \$100 cash deposited
Earnings	None listed	None listed	None listed	None listed
<b>Treasury Management</b>				
Account analysis	X	X	X	X
Merchant services	X	X	X	X
Business online banking	X	X	X	X
Payroll services	X	X	X	X
ACH origination	X	X	X	X
Remote deposit capture	X	X	X	X
Sweeps & zero balance	X	X	X	X
Positive Pay & Lockbox	X	X	X	X



## Option 1 - Simple Flat Fee

Flat fee per month	\$20.00
Number of free transactions	Unlimited
Option to pay interest if desired	



## Option 2 - Activity Based Account – Two Tier

### Small Business

Fee per month	\$10.00
Balance required to waive fee	\$2,500
Number of free transactions	150
Charge in excess	\$0.30
No interest paid	

### Large Business

Fee per month	\$15.00
Balance required to waive fee	\$5,000
Number of free transactions	300
Charge in excess	\$0.30
Interest paid in tiers	

Transactions typically include: Checks cleared, checks deposited, all external debits and credits (internal transfers not included)



# Account Analysis Checking



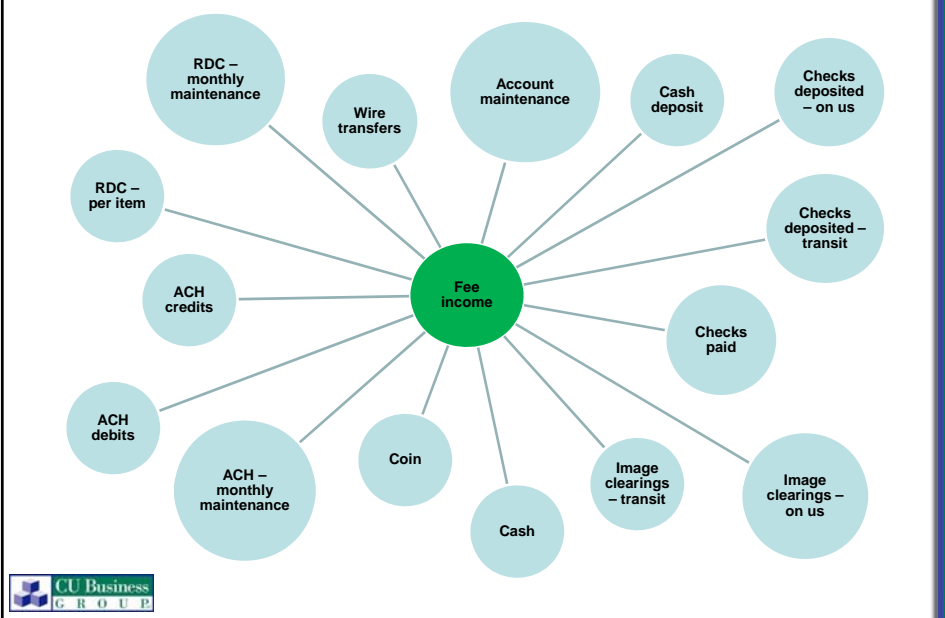
## Account Analysis Defined


Account Analysis is an informational tool used to determine the balance levels needed by a commercial business in order to offset fees for services provided by the credit union.

The business member's account balances are used to compensate for the service charges associated with the account(s) activity.



## Standard Charges for Account Analysis





**Bank of America**  
BANK OF AMERICA, N.A.  
P.O. BOX 830175 ACCT ANALYSIS  
DALLAS, TX 75283-0175

ANALYSIS STATEMENT  
Member FOIC 0084259

WS 0000 000 427 004901 8801 8P 0.357

FULL ANALYSIS BUSINESS CKG  
BANK AND COST CENTER NUMBER  
DATE PREPARED 10-05-10  
MONTH ENDING 09-30-10  
MONTHLY SETTLEMENT 09-30-10  
SETTLEMENT & ACCOUNT TYPE DEBIT 501  
OFFICER NUMBER VSK12  
PAGE 1 OF 2  
CUSTOMER SERVICE: 1.888.287.4637

**BALANCE SUMMARY**

AVG POSITIVE LEDGER BALANCE	\$ 375,182.32
AVG LEDGER BALANCE	375,182.32
LESS AVG FLOAT	37,287.00
AVG COLLECTED BALANCE	337,895.32
AVG NEGATIVE COLL BALANCE	.00
AVG POSITIVE COLL BALANCE	337,895.32
LESS RESERVES	.00
AVAIL BAL FOR EARNINGS CREDIT	337,895.32
AVAILABLE BALANCE REQUIRED	2,190,869.04
NET AVAILABLE BALANCE	1,852,973.72
REQ RESERVES ON NET AVAIL BAL	.00
DEFICIT COLLECTED BALANCE	1,852,973.72


**EARNINGS CREDIT SUMMARY**

AVAIL BAL FOR EARNINGS CREDIT	\$ 337,895.32
EARNINGS ON AVAILABLE BALANCE	97.20
LESS TOTAL SERVICE CHARGES	630.25
DEFICIT	533.05
PERIOD TO DATE DEFICIT	533.05
CURRENT PERIOD SERVICE CHARGE	\$ 533.05


ACCT# TO BE DEDUCTED FOR SERVICE CHARGES.

CURRENT MONTH'S EARNINGS CREDIT RATE = 0.35%

CURRENT MONTH'S MULTIPLE = 83,476.19



SERVICE	NUMBER OF UNITS	UNIT PRICE	SERVICE CHARGE	BALANCE REQUIRED
<b>BALANCE RELATED SERVICES</b>				
FDIC ASSESSMENT	375,182		40.74	141,620.00
<b>DEPOSITORY SERVICES</b>				
ACCOUNT MAINTENANCE	1	20.0000	20.00	69,523.81
BANKING CENTER DEPOSIT	5	1.0000	5.00	17,380.95
CKS DEP UN-ENCODED ITEMS	1	.1200	.12	417.14
CKS DEPOSITED FOREIGN ITEMS	4	3.0000	12.00	41,714.28
DEBITS POSTED-ELECTRONIC	75	.3000	22.50	78,214.29
CREDITS POSTED-ELECTRONIC	82	.3000	24.60	85,514.29
GEN DISB CKS PD-IS FRT/BK IMG	97	.1800	17.46	60,694.28
IMAGE DEPOSIT	59	1.2500	73.75	256,369.05
IMAGE DEPOSITED ITEMS	732	.0600	43.92	152,674.28
<b>COMMERCIAL DEPS-CASH VAULT</b>				
CHANGE ORDER BKG CTR	1	2.5000	2.50	8,690.48
CURR SUPP/\$100- BKG CTR	8	.0900	.72	2,502.86
<b>GENERAL ACH SERVICES</b>				
ACH MONTHLY MAINTENANCE	1	30.0000	30.00	104,285.71
ACH INPUT-ECHANNEL	9	10.0000	90.00	312,857.15
ACH NOTIF OF CHANGE (NOC)	9	3.5000	31.50	109,500.00
ACH STANDARD RPTS-ELECTRONIC	3	2.0000	6.00	20,857.14
ACH CONSUMER ON US CREDITS	89	.1100	9.79	34,031.90
ACH CONSUMER OFF US CREDITS	325	.1100	35.75	124,273.81
ACH CREDIT RECEIVED ITEM	82	.1000	8.20	28,504.76
ACH DEBIT RECEIVED ITEM	79	.1000	7.90	27,461.91
<b>REMOTE DEPOSIT SERVICES</b>				
REMOTE DEP-ACCOUNT MAINTENANCE	1	25.0000	25.00	86,904.77
REMOTE DEP CK IMAGE PROCESSING	732	.1500	109.80	381,685.71
ROSOL-ITEM STORAGE	33,253	.0000	.00	0.00
LOW VOLUME SCANNER MAINT	1	13.0000	13.00	45,190.47
<b>TOTAL SERVICE CHARGES</b>			630.25	2,190,869.04



## IOLTAs

### Utah Bar Foundation IOLTA Program

- Interest must be remitted to the foundation at least quarterly
- Reasonable Allowable Fees:
  - Per check charges
  - Per deposit charges
  - Fall below fee
  - Federal deposit insurance fees
  - Sweep fees and reasonable IOLTA administration fees
- Must pay the highest interest or dividend rate generally available on non-IOLTA accounts
- Eligible financial institutions must be federally insured and approved to offer IOLTAs by the foundation

