

## Credit Union Recognizes Need for Contract Review as Auto-Renewal Timeframe Nears for Core and Debit Card Processing Agreements

Established in 1953, Ko'olau Federal Credit Union (formerly Windward Community Federal Credit Union) originally served military and Department of Defense personnel on the Marine Corp Base Hawaii. Today, membership in this \$85.3 million asset credit union extends to all people who live, work, worship or attend school in the community, which extends from Makapu'u Point to Chinaman's Hat on the island of Oahu.



When the credit union's contracts for debit card processing and core data processing were nearing the automatic renewal timeframe, Ko'olau FCU CEO Debbie Kim determined that it would be a good time to review the existing contracts to make sure that the credit union was getting the best possible price, along with the services that most closely met its needs. Like many small credit unions, these contracts represent a significant expense, so Kim was a bit anxious about initiating the process.

"It takes a certain level of expertise and industry knowledge to know just how to structure a request for proposal (RFP)," said Kim. "This includes knowledge of what services are available, which products provide the best value and how to effectively bargain to get the best deal." Another concern for Kim was finding the time to complete the process without negatively impacting other important credit union management responsibilities.

### SERENDIPITOUS MEETING LEADS TO SIGNIFICANT SAVINGS AND IMPROVED CONTRACTS

About this time, Kim had a meeting with JMFA to discuss the company's profitability and performance enhancement products and services. During the conversation, they covered JMFA's solution for contract review and negotiation—JMFA Contract Optimizer.

*"With their industry knowledge, JMFA's experts would have a much better understanding of what to ask for and could give us a realistic idea of what we should be paying for the service contracts."*

"After reviewing the product brochure, I immediately thought, this is something we need right away," Kim said. "Our conversation really convinced me of the benefit of having an expert conduct the contract review and renegotiation for the credit union," she said. "With their industry knowledge, JMFA's experts would have a much better understanding of what to ask for and could give us a realistic idea of what we should be paying for the service contracts."

Later, as Kim was reviewing the information on JMFA Contract Optimizer, she recalled seeing an endorsement for JMFA from the Hawaii Credit Union League.

"That gave me additional peace of mind regarding JMFA, since I would expect that the League had done its due diligence on the company's expertise and results record before recommending its products and services," she said. As a result, Kim signed with JMFA for a review of the credit union's debit card processing and core data processing contracts.

### CONTRACT NEGOTIATION EXPERTISE LEADS TO EXPANDED CONTRACT REVIEW

As the process began, JMFA recommended that the credit union include the contract for credit card processing in the review.

"They explained that when a financial institution uses the same vendor for both debit and credit card processing, it's possible to get a better deal," Kim said. "This is definitely something I wouldn't have thought of had I handled the contract review myself—especially since the credit card processing contract wasn't up for renewal. Frankly, I didn't know this was possible."

Kim also appreciated JMFA's objectivity during the negotiation process.

"When you have worked with a vendor for some time, it can be uncomfortable negotiating costs with your account representative. You don't want to damage a good relationship that you have built up over time," she said. "JMFA took the role as an objective third party and was able to negotiate on our behalf. It was also helpful that they have the benchmarks to know what other institutions are paying, given their broad customer base."

As Kim had hoped, having a professional contract negotiator also saved a tremendous amount of time for her.

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“It would have taken much longer and caused disruption to other responsibilities if I had taken on this task myself,” she added.

### RECOMMENDATIONS LEAD TO RESULTS BEYOND INITIAL EXPECTATIONS

As a result of JMFA’s contract review and renegotiation efforts, the credit union experienced immediate and future cost savings on its core data processing agreement, locked in services that would be beneficial in the future and saved money by changing vendors for debit card processing services.

“The results were outstanding,” said Kim. “It was extremely helpful to have an expert who knew how to cover all of the bases. If we had taken on the process in house, I am sure that some things might have fallen through the cracks.”

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She continued, “It’s easy to get comfortable with existing services and not consider that there may be new products out there that will be more effective going forward. Not only did JMFA’s recommendations result in a significant cost reduction now, they showed us how we could get better pricing on future data processing services that will help us to continually improve how we do business.”

“I am sure I wouldn’t have gotten these future savings, because I wasn’t aware it was possible to ask for those terms.” Kim also appreciated that JMFA’s involvement in leading the negotiations process allowed her to maintain a good relationship with her vendors.

### PASSING ALONG LESSONS LEARNED FROM THE PROCESS

After completing the contract review and renegotiation process, Kim advises other credit unions to stay on top of contract timeframes.

“With auto-renewal terms in a contract, the process needs to start sooner than people realize,” she said. “And if you are thinking about a vendor change, you have to let your current provider know before the auto-renewal deadline or you can automatically get locked into another full contract timeframe before you can make any changes.”

Would she recommend JMFA? “Yes,” Kim responded, “especially for small- to mid-sized credit unions that lack sufficient resources to perform all the due diligence in the vendor selection process. JMFA has the skill and expertise in negotiating and they know what items need to be covered. They are also familiar with national pricing ranges and can recognize when an institution is being overcharged relative to the market.”

With these contract review and negotiations successfully completed, Kim scheduled another meeting with JMFA to discuss other services that will help Kōolau FCU continue to improve its performance and member services.



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**To learn more, please contact Kelli Silvernale at [kelli@cuvm.org](mailto:kelli@cuvm.org) or 850-558-1082.**