Certificate Variable Rates

INTRODUCTION

Certificate Variable Rates let you configure variable rate codes and assign them to certificate accounts, much like group variable rates for loans. A change to a CD variable code will automatically change the rate on all CDs that have that code.

Rate changes can be scheduled to occur on any date you wish, and the actual rate change will occur automatically during beginning-of-day processing just before certificate accruals are done. Rates can be changed across the board to a matching rate, or using a deviation factor to increase or decrease certificate rates incrementally.

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IMPORTANT CONSIDERATIONS

TIMING OF RATE CHANGES

The timing of rate changes is important in order to follow the terms disclosed to members and to make it easier to explain how dividends were accrued and paid on a certificate account. Because the changes take effect during beginning-of-day processing, remember to schedule the change before the date on which the new rate should take effect. You can do this at any time, up to the day before the effective date. For example, if a new rate should be in place starting on October 1, 2010, enter the pending change no later than September 30, with an effective date of 10/1/2010.

If you wait until the day the change is supposed to take place, remember that beginning-of-day accruals have already been run using the old rate. Entering a rate change with today's date will cause the rate to change on certificate accounts immediately, even though that day's dividends have already been accrued. Keep that in mind down the road when answering member inquiries about dividend amounts.

Because of the automated coordination between rate changes and certificate accruals in beginning-of-day processing, any date can be used to schedule a rate change, including holidays and Sundays. Just before accruals are "caught up" for a day not normally processed (such as a Sunday), any outstanding rate changes for that date are put in place so that accruals happen using the correct rate. Just remember to schedule the change in advance!

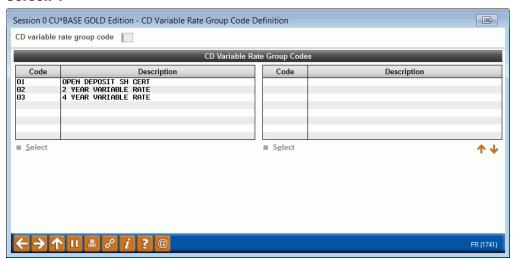
RENEWAL INCENTIVES

If your credit union offers certificate renewal incentives, either on the certificate accounts themselves or through your Tiered Services program or a Marketing Club rate bonus, keep in mind the net effect of these incentives when making your variable rate changes.

For example, say a variable rate change updates a certificate to 6.00%. At the time of renewal, the standard rate for the certificate type is 5.50%. If the account receives a renewal incentive of 0.25%, the rate on the renewed certificate will be 5.75%, lower than the rate before renewal.

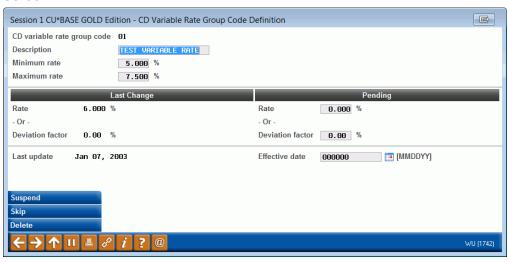
CONFIGURING CD VARIABLE RATE CODES

"CD Variable Rate Configuration" on the Savings Products (MNCNFA) menu Screen 1



Enter a two-character code (you may use numbers and/or letters) and use Enter to proceed to the second screen.

Screen 2



Start by entering or modifying the description, as well as a minimum and maximum rate to prevent certificates from being priced above or below any disclosed rates. (See "Field Descriptions" below for more details.)

To set up a change to all certificates with this variable rate code, enter either a new rate to be used for <u>all</u> accounts, or a deviation factor to increase or decrease all accounts incrementally. For an increase, enter a positive number (such as 10 for an increase of .10%). For a decrease, enter a minus sign after the number (use the hyphen on either the number pad or regular keypad). For example, enter 10- for a decrease of 0.10%.

Using Rate vs. Deviation Factor - If all of the certificate accounts with this variable rate code are not currently at the same rate, entering a Rate will cause all certificate accounts to be "equalized" to the same rate when the next rate change occurs. If you wish all accounts to simply increment up or down by the same amount, regardless of what the current rate on the account is, use the Deviation Factor instead to enter an incremental change.

Next, enter the date on which the changes should take place. Use *Enter* to record the change.

- If either the <u>current</u> date or a date in the past was entered, the system will display a warning message confirming the change. If the date shown on the warning message is correct, use *Enter* again to confirm and <u>immediately</u> change the rates for all certificate accounts with this code. If a *Rate* was entered, accounts will be updated with this new rate. If a *Deviation Factor* was entered, a new rate will be calculated for each individual account by adding or subtracting the deviation amount from the account's existing rate.
- If a date in the <u>future</u> entered, the change will be scheduled and will occur automatically during beginning-of-day processing on that date, just before certificate accruals are calculated for that day. If a *Rate* was entered, all these accounts will be updated with this new rate. If a *Deviation Factor* was entered, a new rate will be calculated for each individual account by adding or subtracting the deviation amount from the account's existing rate.

Field Descriptions

Field Name	Description	
Description	Enter a description for the variable rate code.	
Minimum rate Maximum rate	Enter the lowest and highest possible rate that should be applied to certificates with this variable rate code. For example, if a variable rate certificate account is disclosed as never going above or below a certain rate, enter that minimum and maximum rate here.	
	These fields have two purposes: first, to prevent a rate outside of this range from being accidentally entered in the Rate field on this configuration screen. Second, if a Deviation Factor is used to modify rates incrementally up or down, the account will never be taken to a rate lower than this minimum or higher than this maximum.	
	NOTE: The range entered here cannot be outside of the tolerance range specified for all credit union certificate products.	
Last Change		
These fields show the settings that were entered the last time a rate change was put into effect.		
Rate	The last rate that was entered into certificates with this variable rate code. If this is blank, refer to the Deviation Factor instead.	
Deviation factor	The amount of change that was last made to certificates with this variable rate code. If this is blank, refer to the Rate	

Field Name	Description
	instead.
Last update	The last time that rates were modified for certificates with this variable rate code.
Pending	
These fields show th	ne settings to be used for an upcoming rate change, if any.
Rate	If you wish for all certificates with this variable rate code to use the same rate, enter the new rate here. On the Effective Date all certificate accounts will be updated to this new rate.
Deviation factor	If you wish to simply increase or decrease the rate currently shown on each individual certificate account with this variable rate code, enter the amount of deviation (positive or negative) here. On the Effective Date, all certificate accounts will be updated by either adding or subtracting this amount from the rate already shown on the account.
	For example, assume you have two certificate accounts that are flagged with this code: an older one at a rate of 5.50% and a new one recently opened at a rate of 5.60%. If a deviation factor of 0.10-% is entered, the first account will be updated to a new rate of 5.40% while the newer account will change to 5.50%.
	For an increase, simply enter the amount of deviation. For a decrease, enter the amount followed by a minus sign (use the hyphen on either number pad or regular keypad).
Effective date	Enter the date on which the rate change should take place. During beginning-of-day on that date, the rate change will automatically be put into place for all certificate accounts with this code.

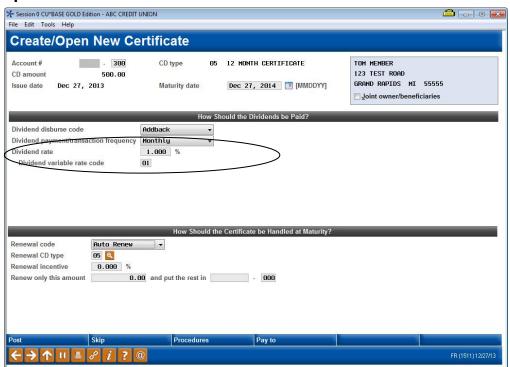
Buttons

Button	Description	
Suspend (F4)	Use this to suspend the code so that it can no longer be used on new accounts.	
Skip (F8)	Use this to return to the previous screen without saving any changes.	
Delete (F16)	Use this to delete the variable rate code configuration. There will be no confirmation for this procedure. CAUTION: This will not change any member certificate account records. If this code has been placed on any member accounts, the code will remain. To avoid confusion, it may be better to suspend the code instead.	

ASSIGNING THE VARIABLE RATE CODE

For a new certificate, the Certificate Variable Rate Code can be entered at the time the account is created, so that future rate changes made to the code will also update the new account. For an existing certificate, use the Account Information Update system to assign a variable rate code after the account has already been set up.

Open Certificates



Enter the starting rate to be used for the certificate, and the configured Variable Rate code to be used when making future rate changes.

"Update Member Account Infor." on the Update Functions 1 (MNUPDT) menu

