

Industry Insights

Case Study

Reviewing Long-Standing Service Contracts Can Result in Substantial Cost Savings and Better Service

Founded in 1951 with a membership that consisted of employees of Westmoreland County's Greensburg Division of the Bell Telephone Company and their families, \$55 million asset Westmoreland Community Federal Credit Union is headquartered in Greensburg, PA, with one branch in nearby Harrison City.

Much like the telecommunications industry, Westmoreland has experienced a great deal of change over the years, with an expanded field of membership that now includes the manufacturing, food service, contracting and social services industries, along with telecommunications.



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Before renewing long-term contracts, it's good to get a second opinion

The credit union was in the process of reviewing the data processing contract that it had originally signed more than 10 years prior. CEO Maria Lavelle thought it was time to have an expert take a look at the price and terms to determine whether or not renewing the contract again was in the institution's best interest.

"After we renewed this contract the first time, we noticed some things that we should have asked for in the renewal process," said Lavelle. "So before we extended the contract with this vendor, we thought it would be a good thing to get an expert opinion."

Coincidently, at that same time a JMFA representative was visiting Westmoreland to make a presentation about the company's products and services, which include contract review and negotiations consulting. Lavelle decided to ask JMFA for input on the data processing contract.

More than \$300,000 in Total Savings

Westmoreland Community FCU was able to save more than \$300,000 and receive lower rates applied immediately for their data processing contract.

An outside, professional perspective can uncover unexpected results

"JMFA brought knowledge of data processing contracts that we did not have internally," Lavelle explained. "After they reviewed our vendor's offer, they recommended that we switch from a five-year to a seven-year contract which resulted in a \$300,000 savings. What's more, JMFA was able to arrange for the lower rates to be applied immediately, which saved the credit union an additional \$40,000."

In addition, JMFA was able to negotiate a lower set-up fee than was originally offered by the vendor for new products related to

mobile banking and loan origination services. "We were delighted with these new services and JMFA was able save the credit union an additional \$5,000," she added.

According to Lavelle, another benefit of involving JMFA in the credit union's contract renegotiations was the information they shared with the staff regarding what to look for in their contract invoices. "Two months after the contract was renewed, the staff noticed that we were being billed the same as before the renegotiation," she said. "They sent the invoice to JMFA to make sure they understood the terms of the new contract. JMFA reviewed the information and contacted the vendor to make sure we were getting billed the renegotiated fee."



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She continued, "JMFA made the process simple and less time-consuming for the credit union staff. All we had to do was explain to JMFA what we wanted and they did all of the legwork to negotiate on our behalf. Once they had pared the information down to what they believed best met our needs, we were able to make an informed decision on the favorable terms they had negotiated. JMFA's involvement greatly leveled the negotiations playing field and made the process totally painless for everyone. We came away with a new awareness that we have been able to carry over to other contract reviews."

Contract renegotiations lead to improved vendor relationships and member servicesAccording to Lavelle, data processing is Westmoreland's largest expenditure next to payroll, so it was important to make sure the credit union was getting the best possible terms and services.

"Credit union CEOs wear a lot of hats and it can be very reassuring to have someone with the knowledge and experience in contract review and negotiations involved when considering whether or not to renew a service that is crucial to your operations," she said. "Before we began this process, a vendor change was a real consideration. But JMFA saved us a tremendous amount of time and frustration, and handled the process so professionally that we have been able to maintain a healthy working relationship with our vendor. In the end, this was the best outcome for the credit union and our members."

About JMFA

JMFA is a leading provider of profitability and performance-improvement consulting. For more than 35 years, JMFA has been recognized as one of the most trusted names in the industry, helping financial institutions reach their goals. JMFA is recognized for earnings enhancement and expense control programs, executive placement, as well as product, service, pricing and technology-improvement consulting. Simply stated, JMFA's programs and services are designed to increase income or reduce expenses. JMFA is proud to be a preferred provider for performance-enhancement consulting services among many industry groups.