20 questions to ask yourself about non-interest income

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Before we get to the hard questions, let's get a few facts on the table. Banks and credit unions are facing daunting revenue challenges with:

- Unprecedented competition for consumer and business loans.
- Declining non-interest income.
- Fierce traditional and non-traditional competitors.
- Growing threats from fintechs and big techs who want to be the primary providers of financial services and have the brand equity and loyalty to make it happen.

There are no easy answers for overcoming these challenges – no silver bullet. And each challenge is complicated – there's no easy button or one-size-fits-all approach. But every financial institution's ability to achieve its near- and long-term goals for financial performance is contingent on non-interest income. And generating non-interest income in the current environment means doing some of the basics of banking differently.

Routine fees charged for specific services are a significant component on non-interest income. Businesses have a higher tolerance for reasonable fees for important services like cash management, merchant services, and

factoring. But fintechs and big techs are now conditioning them not to pay the historically tolerated fees.

Consumers expect free basic banking services, but many are willing to pay for specific financial services that:

- Have tangible value, like premium card rewards or safety deposit boxes.
- Provide a level of convenience that is perceived to be worth the fee, like wire transfers or using out-of-network ATMs.
- Directly improve their financial wellbeing, like loan processing fees or expedited payments that avoid late fees protect credit scores.

Now let's get started with those 20 questions.

the state-of-fees in 2021

1. How important are fee structures to accountholder satisfaction and retention?

   According to the Financial Brand, here are the reasons consumers left their primary financial institution last year:

   » **45% = Excessive Fees** (industry averages for the three major fee categories all declined last year)

   » 36% = Bad Service Experience

   » 32% = No Help Improving Financial Wellbeing

   » 27% = Seeking Better Returns on Money

   » 15% = Competitive Advertising

   » 11% = Account Consolidation

   » 9% = Relocation

   » 9% = Closest Branch Closed

2. What are the industry averages for the three major fee categories?

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According to MoneyRates:

- Checking account maintenance fee: $13.95 per month, which is down 3.1% from last year (the average
- minimum balance to avoid monthly maintenance fees is now $800).
- Overdraft fees: $30.82 per transaction, which is down 4% from last year.
- Out-of-network ATM fees: $4.55 for accountholders and $7.50 for non-accountholders, down 1.7% from last year.

let's get personal

3. How do your fees compare with these industry averages?
4. How do your fees compare with those charged by your key competitors?
5. Are your fees differentiators – good or bad – in the markets you serve?

technology - it's impossible to ignore

6. o you have the technology to "know" your accountholder and provide profitable and competitive relationship pricing?
7. Do you have the technology to create seamless, meaningful bundles of financial services and appropriately price them?
8. Do you have a CRM/MRM solution that identifies the next-best product based on lifestyle or life stage?
9. Are you evaluating practical opportunities to charge for new technologies like specific real-time P2P or B2B use cases?
10. Do you invest in technologies that make it easier for consumers and businesses to do business with you – technologies like digital account opening, digital lending, instant issue cards, and digital issuance to name a few?

The industry average DDA monthly maintenance fee is **$13.95**. The average overdraft fee has reached **$30.82**, and the average ATM fee is **$4.55**. How do your fees compare? What about your top competitors?

11. And now the million-dollar question – if you could invest in any technology that would support your revenue challenges, what would it be?

more is more – more accountholders mean more non-income opportunities

12. Are you laser focused on the low-hanging fruit – like increasing interchange by motivating and rewarding debit card use or adding full-service credit to your cards program?
13. Do you foster a culture that trains, motivates, and ewards your front liners to put on their sales hats?
14. Do you have a successful strategy for soliciting and nurturing referrals?
15. Do you make adequate investments in marketing considering you now compete with the credit union down the street, the bank across the country, and the neo banks, fintechs, and big techs that are a tap away?
16. Do you participate in the marketing programs and leverage the marketing resources – many of which are free – that are provided by your technology partners, card networks, etc.?
17. Are you leveraging technology to drive highly targeted marketing – are you delivering the right message at the right time to the right prospect?
18. Have you embraced the tremendous power of digital marketing – are your online and mobile experiences transactional and lucrative marketing channels?
19. Do you have an active strategy to convert unprofitable accountholders into profitable ones?
20. Do you offer non-traditional services like identify theft protection or insurance that improve financial wellbeing while generating new diversified sources of income? (Auto pay is a wonderful thing.)

Even in this challenging environment, there are abundant opportunities to grow non-interest income without raising fees.

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Non-interest income will always be an important source of revenue for banks and credit unions of all charters and sizes. So start your non-interest income reinvention by:

- Keeping the financial wellbeing of your accountholders at the center of everything you do and every decision you make – that's not how fintechs or big techs roll.
- Doing a deep dive on how contemporary technology and the right technology partners can help – it takes a village.
- Thinking outside of the box and investigating new products and services that generate alternative sources of income – everyone needs cellphone insurance.
- And don't underestimate the power of Google – we can find the ideal DDA or credit card for our specific needs in minutes.

Even in this challenging environment, there are abundant opportunities to grow non-interest income without raising fees – remember "excessive fees" was the number one reason consumers got new checkbooks last year.

connecting possibilities

Learn more about maximizing non-interest income.

For more information about Jack Henry, visit jackhenry.com.

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