

RESPONSE TO RFP FOR ALM MODELING SERVICES

The Credit Union Foundation of MD & DC

March 31, 2014

ATON FINANCIAL MANAGEMENT

ATON Financial Management (ATON) is pleased to present the Credit Union Foundation of Maryland & the District of Columbia with our response to the Asset/Liability Management Modeling Request for Proposals (RFP).

ATON (a term meaning “Aid to Navigation”) is a wholly owned subsidiary of Mid-Atlantic Corporate Federal Credit Union, headquartered in Middletown, Pennsylvania. The ATON team consists of seasoned experts organized to help credit unions navigate their balance sheets. We offer a wide array of products and services to assist credit unions with constructing a balance sheet that provides maximum member benefit and quantifies measurable risk to facilitate management decision-making.

Currently, we provide Asset Liability Management (ALM) modeling services to over 50 credit unions of all asset sizes. ATON recognizes the financial and operational stress ALM can put on credit unions with limited time and resources. For this reason, we have developed a powerful service offering that brings together the mechanics of ALM modeling and the education process necessary to understand how to use the modeled results.

We offer a complete ALM solution with a suite of products that include:

- **Asset/Liability Management Modeling Services**

ATON’s ALM modeling service is designed to provide credit unions with the tools and information necessary to effectively manage their balance sheet. Our experienced professionals can assist in identifying and quantifying their balance sheet risk exposure and support the credit union in making more informed decisions. By measuring the ALM position, management can maximize performance while limiting lost opportunities.

Our cost effective ALM modeling service includes model set-up assistance, rate shocked income simulation and net economic value of equity analysis, and detailed quarterly reporting. Also available are user controlled model assumptions, rate stress tests and the ability to run “what-if” scenarios which are very useful in determining the effectiveness of a program prior to implementation. This gives management the ability to make changes in interest rates and project future return on asset results with greater confidence.

If the credit union would like further input each quarter, ATON can write and customize an Executive Summary of the ALM modeled results. The summary includes a brief economic update, historical performance ratios, brief summary quantifying the credit union’s interest rate risk, future considerations, and quarterly Board of Directors or Asset/Liability Committee (ALCO) conference calls to review and discuss the reports.

- **ALM Model Validation Services**

A Model Validation can improve ALCO and Board confidence in the ALM model and yield more reliable results. A reliable model will lead to better balance sheet decision-making and, in turn, an improved bottom line. Our ALM Model Validation service is designed to review the sources of data to ensure completeness and confirm the assumptions used in the modeling process are reasonable. ATON offers three levels of Model Validations which will depend on the need and complexity of the balance sheet being modeled.

- ***Model Assessment***

An assessment is a general critique of the entire asset/liability management process used by a credit union and includes recommendations for improvement. The model is reviewed as to its role in the process but not validated.

- ***Model Validation***

A non-parallel validation focuses exclusively on the model covering all aspects as defined by OCC 2000-16. The validation covers model logic, structure, data input, and data output.

- ***Model Validation with Parallel Run***

A parallel validation includes all aspects of the non-parallel validation and, in addition, the credit union's model assumptions and data input are run on a second independent modeling platform with the data output being compared to the credit union's model output.

- **ALM Policy Services**

- ***ALM Policy Development***

A credit union's policies should create guidelines for management's decision-making process. ATON can help credit unions develop a policy that fulfills the institution's regulatory requirements.

- ***ALM Policy Review***

While management can use these policies to protect the credit union, an outside source should review the policies to make sure that the protection is sufficient, but not overly restrictive. If the credit union already has a policy in place, ATON can be this outside source.

- **Asset/Liability Committee Services**

An ALCO is essential when navigating a credit union's balance sheet by setting and overseeing the risk control policies. Having the right crew and map is an integral component to your institution's success.

- ***ALCO Creation***

- Selecting the right people to participate on your ALCO is instrumental in developing success. ATON can help credit unions achieve the right mix of talent, experience, and potential.

- ***ALCO Agenda Setting***

- ATON can assist credit unions in structuring and organizing meetings to optimize the ALCO's time and resources while steering conversations in the right direction.

- **Balance Sheet Management Training**

Understanding the complexity of the balance sheet while being able to determine the risks and rewards associated with it will give managers the tools they need to make better decisions for their credit union.

ATON can help credit unions understand how their assets and liabilities relate to the overall success of their balance sheet and will develop a process management can use to project how future decisions will impact the long-term success of the credit union.

- **Board of Director Training**

Board understanding and support is important for management to execute the decision-making process. Better understanding of ALM/balance sheet management by the credit union's Board of Directors gives them the tools to understand management's focus and support management's decision-making process.

With management focused on the credit union's daily operations, there is not enough time in the day to have a thorough discussion with the Board on the importance of this process. That's where ATON comes in. We can perform on-site education sessions for the Board so that management can focus on their daily work.

The presentation will provide an overview of the importance of balance sheet management while incorporating important factors to consider when making decisions on rates.

PRODUCT PRICING

Pricing for our services as outlined in your ALM Modeling RFP are as follows:

ALM Modeling Services

➤ **Credit unions with less than \$40 million in Total Assets**

Year 1

Annual Fee:	\$ 1,600
One-time Setup Fee:	\$ 1,500
Optional Executive Summary:	\$ 900

Year 2

Annual Fee:	\$ 1,600
Optional Executive Summary:	\$ 900

➤ **Credit unions with between \$40 and \$100 million in Total Assets**

Year 1

Annual Fee:	\$ 3,990
One-time Setup Fee:	\$ 3,000
Optional Executive Summary:	\$ 900

Year 2

Annual Fee:	\$ 3,990
Optional Executive Summary:	\$ 900

• **ALM Policy Services**

- ***Policy Development:*** \$500 per policy
- ***Policy Review:*** \$250 per policy

QUESTIONS

Should you have any questions or require any further information, please do not hesitate to contact myself or Ryan Brockman.

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