

# 6 Questions To Ask Before Outsourcing

## 1 What are the hidden costs?

Hidden costs of outsourcing can account for 15% to 60% of the contract.

Examples of hidden costs:

1. Due diligence and selection.
2. Transition work and business processes.
3. Attrition of existing workforce.
4. Dealing with cultural differences.
5. Ramping up.
6. Redundant management, infrastructure, & communication.
7. Managing the outsourcing relationship.

Source: SAPinsider

## 2 What is the pricing structure?

Will you pay a flat fee for services or will fees fluctuate based on volume or other factors?

✓ Tip for choosing an outsourcing underwriting provider:

Look for a provider that will negotiate a flat fee per loan instead of basing the price on a % of the loan amount.

Source: CRIF Lending Solutions & CreditUnions.com

2

3

## 3 What criteria should we consider when selecting a partner?

For example, a credit union that is considering outsourcing mortgage lending would want a partner that:

Specializes in mortgage lending.

Handles all compliance for federal, state, and local laws.

Adequately staffs to manage peak activity times in the market.

Helps the credit union engage and serve members.

Source: MYCUMORTGAGE & CreditUnions.com

4

## 4 How difficult will it be to terminate the relationship and move our data?

It is critical to have the ability to choose a different solution if the credit union is not satisfied with its current service provider.

✓ Tips to review contracts:

- Is there a clause that specifies a minimum time period before terminating the contract?
- Is there a specified process for migrating data?
- Are there fees to terminate the contract or migrate data?

Source: Cisco

5

## 5 Are we prepared for potential setbacks?

There are a plenty of problems that can incur when you outsource, including:

- ✓ A breach of contract.
- ✓ The outsourcing provider fails to live up to expectations.
- ✓ The credit union needs to terminate the contract early.
- ✓ The businesses expand and the credit union needs to increase its requirements.

Have a formal plan for how your credit union will respond in these, and other, situations.

Source: BUSINESS 2 COMMUNITY

6

## 6 How will we measure success?

Consider the following areas when evaluating a provider's performance:

-  Service Quality
-  Communication
-  Member Satisfaction
-  Goal & Vision Alignment
-  Security (for tasks & documentation)
-  Ability To Meet Objectives
-  Increased Financial Performance Of Credit Union

Source: FSO Knowledge Xchange