



CONCEPT DOCUMENT

[D-Cipher]

TEAM MEMBERS

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PROBLEM DEFINITION

Consumers feel a lack of trust with financial institutions – including credit unions – because of all the “fine print” in disclosures coupled with the seeming mountain of disclosures and other documents. What are they hiding in all this paperwork?

Credit unions have difficulty keeping up with all the messages they need to provide to their membership. Often, the topic of these messages is common to all credit unions and does not require a unique or customized response tailored to each credit union. Still, significant energy and attention are often required of every credit union – such efforts are often reactionary in nature. Examples of such topics are:

- The latest credit card breach – what happened? Who is to blame? What should I do?
- The latest big data breach – Do I need to worry?
- EMV – what’s this all about? Why/how is it better? (Why am I getting a new card?)
- What is Apple Pay?
- Are mobile banking and mobile check deposit safe?
- How does <input name of latest financial crisis> affect me?
- How will the decline of the Euro affect my travel and spending in the next few months?

Consumers are often confused when making decisions about loan and savings options. While each credit union may have some unique, customized products to offer, in general the principals for product types remain the same across all organizations. Consumers may wonder, for example: Should I choose a Mortgage refinance, a HELOC, a Signature Loan, etc? What are the advantages/disadvantages of each? Which one serves MY best interests in the long term and short term? Etc.

INNOVATIVE SOLUTION

A managed website which credit unions can subscribe to and link to their own CU websites. Its mission is to take the devil out of the details by providing simple, common sense explanations that tell you what's important in the fine print, not just what's compliant, in order to build loyalty and strengthen trust.

Appearance: The website would appear as an iframe element to the CU's website. The content displayed within the iframe will be maintained for relevance with current topics of interest/concern – perhaps a streaming banner. The iframe will also provide links to other important content.

Content: All content will be worded so as to be applicable to all general topics and questions. Content will be worded with the voice of a consumer/member advocate. Content will be stated in simple, “real people” terms. Information will be structured so as to be compliant or in a way that avoids issues of compliance. News and world events will be continuously monitored for issues that may raise concerns for consumers. Content will include:

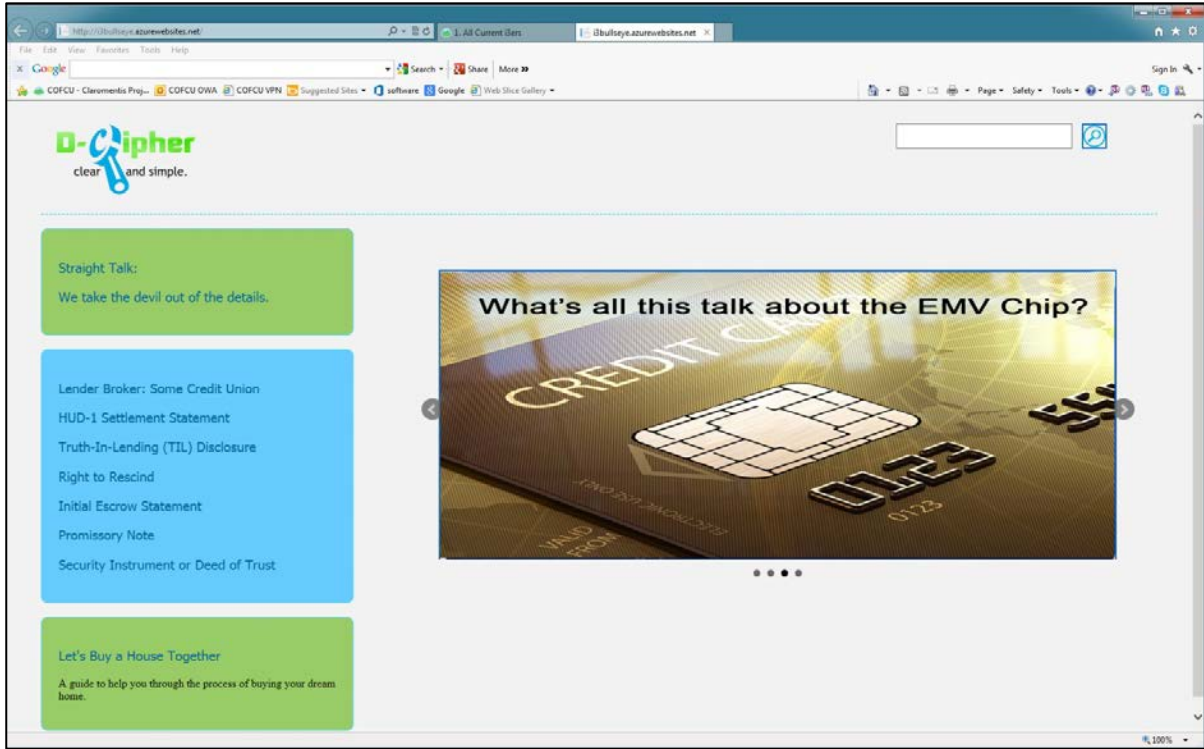
- Responses to urgent consumer fears:
 - The latest credit card breach
 - The latest data breach
 - The latest bad news from Wall Street
- Information regarding financial technology news:
 - ApplePay
 - EMV Chip
 - Should I shop online?
- Information related to the latest finance-related “buzz”.
- Simple statements as to the purpose and content of standard disclosure documents:
 - What does this document really say in three sentences or less?
 - Who does this document really protect? How?
 - Who requires this document? The Government? CFPB? CU?
- Simple statements about the pros & cons of various loan or savings types
- What should I watch out for when looking for a _____ loan?
- Current Scams
- Savings Strategies – Tips for creating wealth – what to do with unexpected cash windfall
- Etc.

Format: Information will be presented in the format most appropriate to the topic, including:

- Text
- Graphics
- Videos
- Whiteboard or other animation
- Downloadable/printable content

PROTOTYPE

A website focusing on two topics: 1) Consumer questions & concerns related to the Mortgage Loan process and its array of disclosures & documents; 2) Credit Union's need to communicate upcoming events related to the EMV chip.



TESTING AND RESULTS

The prototype described above was designed and built. A link to the website and to a follow-up survey was sent to approximately 50 people. A description of the website and its purpose were presented to the individuals. On the survey, individuals were asked the following questions:

- Does this website communicate transparency to earn the trust of our Members?
- Which aspect of the website is most important?
- Which aspect of the website is least important?
- How likely would you be to use this website or refer it to others?
- What's missing in order to enhance the trust and transparency?

Based on feedback from the survey, we've determined the following:

- There is a need for a resource such as we are proposing and prototyping.
- Most respondents (2/3) would likely subscribe to such a service for their members.
- Most of the website's content served the purpose intended.
- Some of the website's content should be simplified even further.
- More content is required for the website to be a viable option.

In addition to the feedback related to content and purpose of the site, we learned that there were a few glitches – hyperlinks that went to the wrong page, etc. These are easily remedied, but the issue underscores the importance of adequate testing before making it available to potential users, and especially before producing a final product and going live with it.

From the testing and survey process, the Bullseye team has gained some insight as to where the content, presentation, and navigation need to be “polished”. The team is confident that the intended purpose of the website is practical and viable, but additional effort is required to improve the content and presentation of the prototype.

BUSINESS MODEL AND 3-YEAR FINANCIAL PROFORMA

Financial institutions, credit unions included, are challenged to build and maintain trust with their customers/members. The ever-increasing burden of regulatory requirements and wordy disclosures adds to the problem. Credit unions need a tool that will help to present their organizations as transparent and “on the members’ side” – not hiding behind the legalese of disclosures and regulations.

Credit unions can continuously build and maintain consumer/member trust by presenting d-cipher via their individual websites - providing consumer-friendly, non-complex information on current issues and topics of concern.

Credit unions won’t need to scramble to publish messages regarding the latest industry concerns such as credit card fraud, data breaches, consumer alerts, etc. General, but thorough information will be posted to d-cipher in a timely manner. The information will feed to the CU’s own website.

Assumptions:						
	20	Year 1 Number of Credit Union Subscribers				
\$	5,000.00	Credit Union Annual Subscription Fee - Fixed for 3 Years				
	3%	Annual Subscriber Growth Rate Year 2				
	5%	Annual Subscriber Growth Rate Year 3				
\$	1,000.00	Annual Revenue from Advertisers				
	50%	Annual Revenue from Advertisers Growth Rate Year 2				
	35%	Annual Revenue from Advertisers Growth Rate Year 3				
\$	20,000	Year 1 Website Development - (did not amortize but we can) for 3 Years?				
INCOME						
		Year 1	Year 2	Year 3	Total	
Revenue From Annual Subscription	\$	100,000	\$ 103,000	\$ 108,150	\$ 203,000	
Revenue From Advertisers	\$	1,000	\$ 1,500	\$ 2,025	\$ 2,500	
Total Revenue	\$	101,000	\$ 104,500	\$ 110,175	\$ 205,500	
EXPENSES						
<i>Product Set Up</i>						
Website Development	\$	20,000	\$ -	\$ -	\$ 20,000	
Programming/Testing	\$	2,000	\$ -	\$ -	\$ 2,000	\$190 hourly programming rate for 3 hours
Website Hosting	\$	3,000	\$ 3,000	\$ 3,000	\$ 9,000	\$50 hourly rate for 3 hours
Content Updates	\$	1,000	\$ 1,200	\$ 1,000	\$ 3,200	\$250 Creation, Compliance, & Electronic Version
Updates / Maintenance	\$	500	\$ 500	\$ 500	\$ 1,500	
Marketing	\$	5,000	\$ 5,000	\$ 5,000	\$ 15,000	\$20 EE hourly, 2.5 hours over 24 months x 100 participants
Compliance Reviews	\$	7,500	\$ 7,500	\$ 7,500	\$ 22,500	\$500 loan origination x 100 participants
Overhead Support/Administration	\$	5,000	\$ 5,000	\$ 5,000	\$ 15,000	
Total Expenses	\$	24,000	\$ 22,200	\$ 22,000	\$ 88,200	
Net Income(Loss)	\$	77,000.00	\$ 82,300.00	\$ 88,175.00	\$ 117,300.00	

COMMENTS, NEXT STEPS, AND CALL TO ACTION

The Bullseye team will address the initial feedback (hyperlinks, more clarity, etc.) and work to make D-Cipher's information truly clear and simple.

But, the bottom line is this: Simple is complicated. Any journey toward simplification can easily lead to further roadblocks. But, finding a solution to the deterioration of trust between financial institutions and their customers/members and scaling the wall of regulation are not only critical, but also allow for a great opportunity for the first one who can get it right. We believe D-Cipher can get us there.

ABOUT FILENE

Filene Research Institute is an independent, consumer finance think and do tank. We are dedicated to scientific and thoughtful analysis about issues affecting the future of credit unions, retail banking, and cooperative finance.

Deeply embedded in the credit union tradition is an ongoing search for better ways to understand and serve credit union members. Open inquiry, the free flow of ideas, and debate are essential parts of the true democratic process. Since 1989, through Filene, leading scholars and thinkers have analyzed managerial problems, public policy questions, and consumer needs for the benefit of the credit union system. We support research, innovation, and impact that enhance the well-being of consumers and assist credit unions and other financial cooperatives in adapting to rapidly changing economic, legal, and social environments.

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