



debtinfo**cus**

# CONCEPT DOCUMENT

---

---

## EXECUTIVE SUMMARY

The current economic climate is one of unprecedented consumer debt, rising unemployment, declining home values, and the implosion of many large players in the market. Big banks are tightening credit standards as they attempt to bring themselves back from the brink of financial demise.

Some facts:

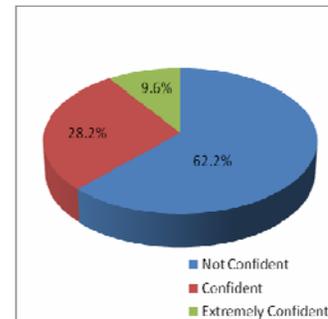
- The amount of debt Americans carry has increased dramatically over the past 10 years. The average amount of credit card debt is more than \$8,000. This represents a 167% increase from 1990 (2009—CardWeb.com).
- 62% of the population has less than \$100,000 in assets. As a combined group, they represent only 12% of consumer assets nationwide...and are being overlooked by today's financial advisors. (2007 – Forrester). This group in particular struggles with day-to-day “life” decisions such as debt counseling, home and auto financing, college savings, retirement savings, etc. They are often embarrassed to ask financial questions of family and friends and have the belief that financial advisors are only for the wealthy.
- According to MSN, about 43% of American families spend more than they earn each year and personal bankruptcies have doubled in the past decade. Furthermore, revolving debt totals are 31% higher than just five years ago.

Consumer debt, and the stress and embarrassment that it can bring individuals and families, is the pain point that Debt in Focus addresses. Through our team's work, members now have the ability to input debt and income information to generate a customized plan to help manage and reduce those debts.

## OPPORTUNITY

Credit unions have a unique opportunity to build upon their strong reputation of trust by giving members a way to analyze their own debt situation and by laying out an action plan to make improvements.

America First, Centra, and Xceed Credit Union solicited feedback on the concept through an online survey and screen shots of the proposed tool – 690 responded. Of the respondents, 62.2% did not feel confident with their financial situation. Too much debt was the top reason cited.



When asked what worries them most about their current situation, members' concerns ranged from the worsening economy and possible/realized job loss to a feeling of helplessness due to their debt load:

*“My husband works 3 jobs to get us out of debt but we don't have any savings so every time something comes up (e.g. water main broke, braces for kid, etc.) it puts us behind on getting out of debt. It just feels like there is no end.”*

*“Balances of credit cards are too high and I have too many credit cards that are close to the limit.”*

76.8% said that a customized plan would help them manage their debt. Debt in Focus offers just such a solution.

## ENVIRONMENTAL SCAN

The marketplace is filled with debt calculators, debt-settlement, and debt-counseling companies. Most debt calculators are single focus, such as length of time to pay off balances, without taking income into consideration. These calculators allow anonymity, yet they do not give a full picture of one's financial situation, nor a plan for improvement.

Debt settlement and debt counseling companies offer one-on-one assistance. These companies must collect specific financial information about consumers up front in order to assist them with reducing their debt load. This information is collected even before determining if there is anything the company can do to assist.

One recent entrant in the marketplace is Experian, one of the major credit bureaus. Their offering, ScoreRight™, is available through participating financial institutions. A credit analysis is completed via a one-on-one meeting with a loan officer. This tool allows the credit union to pull credit via a soft inquiry and generates a score similar to their FICO credit score. The tool can then run scenarios of positive or negative actions to show how they that will impact their credit score (e.g. paying off delinquent accounts, paying on time, paying down credit card balances, closing/opening credit card accounts, etc.)

While there are competing services and tools available for consumers to use, none offer a comprehensive plan and anonymity together. The aforementioned offerings may still be utilized; however Debt in Focus offers a perfect way for credit union members to use a self-service tool as a starting point. For others, it may be the only guidance they need. In either case, credit unions further reinforce full-service, self-service, and member advocacy by offering this tool.

## SOLUTION

Often, members are too embarrassed about their financial situation to seek out face-to-face help. Debt in Focus delivers an actionable plan to help improve members' credit profiles and reduce debt. The true differentiator is the anonymity and self-service capability the tool offers.

Debt in Focus is a web-based debt management tool that:

- Is completely anonymous.
- Is simple to use and extremely user friendly (non-financial jargon).
- Provides the end-user with a summary of their debt (totals, ratios, estimated budget).
- Provides the end-user with a 'personal action plan' that provides simple actionable next steps to help reduce/restructure the consumer's debt in a responsible manner. (Order of revolving debt payoff, possible options for restructuring auto loans, consolidation products such as home equity loans, sample budget, advice for life stages, etc).



There are two primary look and feel options for the same web tool:

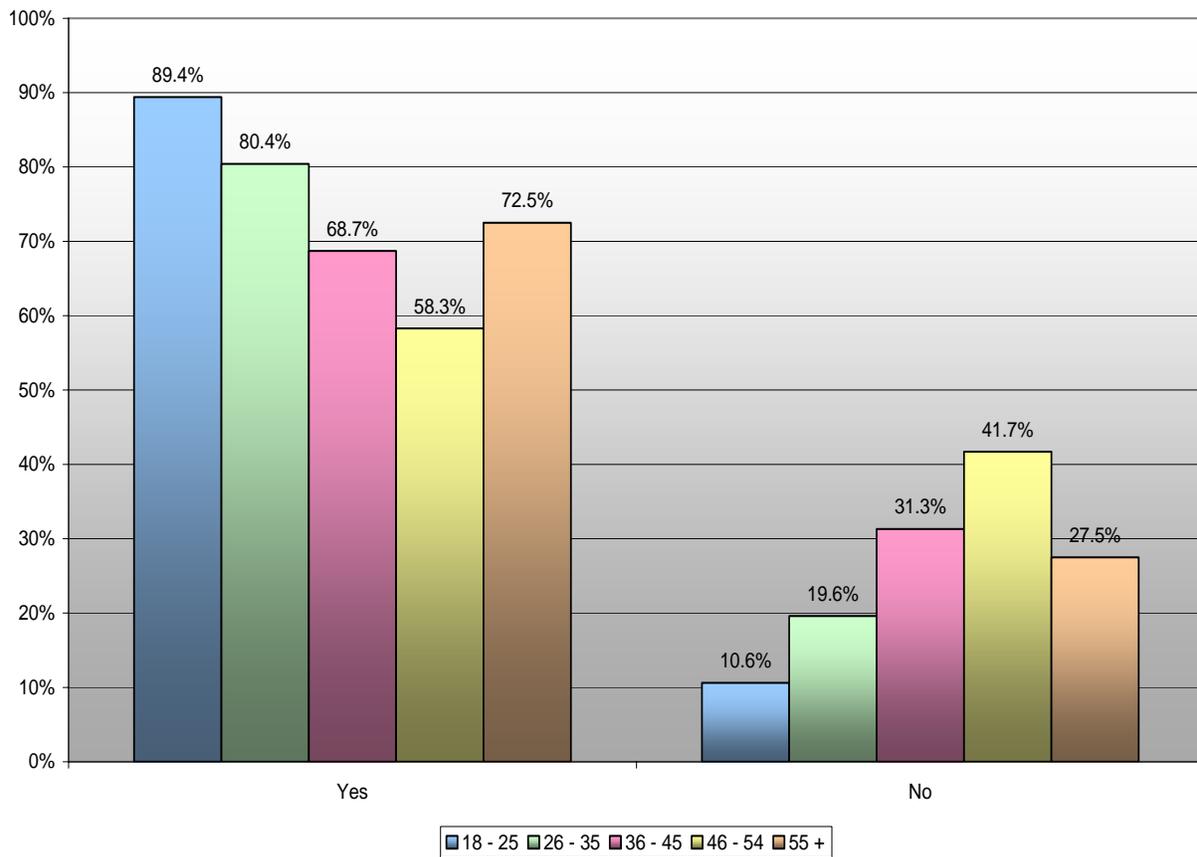
1. Credit union industry version (non specific) that can be linked to by any credit union and that can stand alone for users that find the website via a search engine such as Google.
2. Customized/branded interface to the web-tool that allows the credit union to:
  - Provide the credit union's branding (logo/colors) throughout the web-tool.

- Customize limited verbiage and links on the results page to point back to the sponsoring credit union.

## MEMBER BENEFITS

- Anonymous service that is free to end users.
- Ability to save information and return to the tool at any time.
- Honest look at one’s own situation – the impetus to change.
- 70% of those surveyed after using the tool indicated that Debt in Focus would help them better manage their debt.

**Would this customized plan make a difference in helping you manage your debt?**



## CREDIT UNION BENEFITS

- Member-focused tool that supports advocacy and self-service.
- 85% of those surveyed after using the tool indicated that they would be interested in additional assistance – for a modest fee.
- Increased loan volume.
- Member affinity.
- New member acquisition.

---

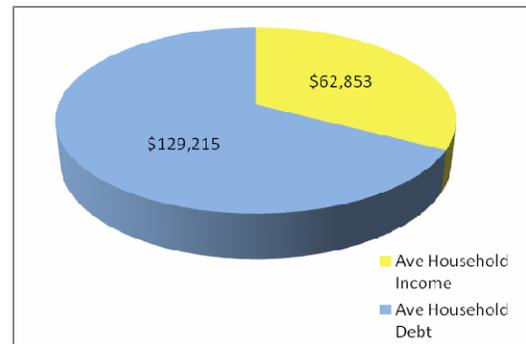
---

## TARGET MARKET

- Members facing an increasing debt load and who are struggling to make payments.
- Members who have an increase in income and wish to pay down debt faster.
- Members interested in seeing a 'snapshot' of how well they are managing debt.
- Members that need specific advice and guidance for their stage of life.
- 95% of those surveyed after using the Debt in Focus tool indicated that they would refer the website to family and friends.

## OPERATIONAL AND OTHER CONSIDERATIONS

- Training: Staff's comfort level with assisting members with interpreting the data and providing guidance on next steps.
- Level of customization: Link to a credit union industry version of the website that is not specific to any one credit union ([www.debtinfocus.com](http://www.debtinfocus.com)) or link to a branded/customized version that is specific to the sponsoring credit union. Example: <http://www.debtinfocus.com/?refer=AFCU>
- Loan products: These plans will lead members to call the credit union for assistance with consolidation loans, workout options etc. Offerings should be available to complement the tool.
- Fit with other services such as BALANCE™ (debt counseling/education provider) and ScoreRight™. Debt in Focus can serve as a first-step to these offerings.



## PROOF OF CONCEPT

The Debt in Focus proof of concept was created by an in-house software development team at Ent Federal Credit Union. The look and feel was jointly developed by Xceed Financial Credit Union and Ent. The tool first went live to end users on February 27, 2009. In early March, Centra Credit Union was the first credit union to link to the Debt in Focus Tool followed shortly by Ent and America First Credit Union.

### Debt in Focus statistics from March 4 through March 22:

- 888 users made it through the workflow to the results screen.
- Average household income: \$62,853
- Average number of household income sources: 1.7
- Average total household debt: \$129,215
- Average number of household debt sources: 4.4
- Average revolving debt: \$9,755
- Average fixed debt: \$119,460
- Average debt to income ratio: 30.6%
- Average revolving debt ratio: 2.7
- 272 users (30.6%) went on from the results page to the payment schedule page.
- 263 users (29.6%) went on from the results page to the advanced payment plan/analysis page.
- 257 users (28.9%) went on from the results page to the more detailed budget worksheet.
- Average credit score range: 587 – 637

- 
- 
- 68.8% of Debt in Focus users reported that they reviewed their credit report within the last 12 months.
  - Average age of the Debt in Focus user: 29.8 – 39.9
  - Primary financial institution: CU – 839 (94%), Bank 43 (5%), Neither – 6 (1%)
  - Referred (leads coming from CU sites): America First referred – 643 (72%), Ent referred – 134 (15%), Centra referred – 75 (8%), Direct URL/Search Engine – 36 (4%).
  - Debt in Focus has been accessed by users in 43 states and in 14 world countries.

The Ent eCommerce/Marketing team embedded a survey into the debt in focus results page (for a limited time). Here are a few testimonials from users after using the tool:

*“Over all I thought it was a great tool. The fact that it is a free tool to help people get out of debt makes it an A++. After all, this is why we are in such a mess - many of us lived above our means and are now paying for it w/ high interest rates on credit cards. It is nice to know that there is someone out there providing a free tool that will help show people how to cut their payoff time and interest payments down. Thank you. Well done!!!”*

*“Great tool. To not be embarrassed by your personal financial situation having to talk to someone is a great thing.”*

*“This is a very nice tool to help me with keeping the focus of getting out of debt and living within my means so that I can continue to enjoy life without worries.”*

# PROOF OF CONCEPT – SCREEN FLOW



Welcome Screen



Income Intro Screen



Income Summary Screen



Debt Intro Screen



Debt Summary Screen

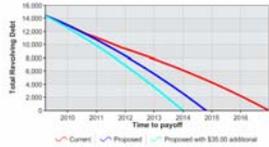


Final Questions Screen

4. results

Summary of Your Debt & Income

|                 | Monthly     | Annually     |
|-----------------|-------------|--------------|
| Income:         | \$ 7,880.00 | \$ 94,560.00 |
| Fixed Debts:    | \$ 2,345.00 | \$ 28,140.00 |
| Revolving Debt: | \$ 235.00   | \$ 2,820.00  |
| Combined Debt:  | \$ 2,580.00 | \$ 30,960.00 |



This chart shows how reorganizing your payments can pay off your debts sooner, saving you time and money. Simply changing how you pay your debts can have powerful results. Want to take control over your repayment plan? Click the magnifying glass for more tools.

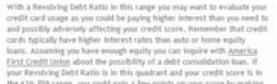
Personal Action Plan

1. Pay the following revolving debts. Simply changing how you pay your debts can have powerful results. For more details on payment plans, click here. For a detailed 12-month payment schedule, click here.
  - 1. Home Depot \$750.00 @ 21.0%
  - 2. Kohls \$285.17 @ 21.0%
  - 3. Capital One \$13,000.00 @ 10.0%

Debt to Income Ratio



Revolving Debt Ratio



With a Revolving Debt Ratio in this range you may want to evaluate your credit card usage as you could be paying higher interest than you need to and possibly adversely affecting your credit score. Remember that credit cards typically have higher interest rates than auto or home equity loans. Assuming you have enough equity you can inquire with America First Credit Union about the possibility of a debt consolidation loan. If your Revolving Debt Ratio is in this quadrant and your credit score is in the 620-709 range, you could gain a few points on your score by making sure you keep the balances below 50% of the credit limit.

1. Talk to a [America First Credit Union](#) representative about auto loan refinancing. If you could reduce your payment by \$30 per month and apply it toward your credit card payoff schedule, you could pay off your revolving debt 8 months sooner and save \$457.49 in interest.
2. Since the value of your home appears to be significantly more than what you own you should talk to a [America First Credit Union](#) representative about establishing a home equity loan. The interest you pay is generally tax deductible. This could be a good option to pay off those revolving debts with higher interest rates (as long as you resist the temptation to charge them back up again), freeing up money you could use to apply toward other debts or place in savings.
3. Did you know that credit unions are not-for-profit financial organizations that exist to serve members, not to make a profit? Unlike most other financial institutions, credit unions do not have stock or pay dividends to outside stockholders. Instead, earnings are returned to their members in the form of lower loan rates, higher interest on deposits, and lower fees. Find an [America First Credit Union](#) near you.

Provide feedback on this tool...

**Budget Breaks for Your Net Income (\$9,456 / month)**

| Budget Item     | Target % | Target Amount      |
|-----------------|----------|--------------------|
| Living Expenses | 35 - 45% | \$1,487 to \$1,312 |
| Revolving       | 30 - 40% | \$1,234 to \$1,459 |
| Transportation  | 10 - 15% | \$423 to \$1,427   |
| Savings         | 5 - 15%  | \$212 to \$1,427   |
| Debt            | 8 - 10%  | \$8 to \$1,425     |

Helpful Tips for Your Stage of Life (ages 28 - 35)

- Plan for your first home purchase if you have not done so already.
  - What size house are you looking for?
  - What location(s) are you looking for?
  - What can you afford?
  - What kind of down payment can you make?
  - Maximize your credit score before purchasing a home.
  - Create a budget to track income & expenses.
- Find a trusted financial advisor for insurance needs and investment options.
  - Understand and leverage all employment benefits offered to you, including retirement plans, insurance, disability, etc.

**Credit Report Score**

You specified that your credit score was between 680 and 759. Wow, you have a good credit score but it could be a little better. With this score, depending upon the financial institution, you may or may not be getting the best rate. If you are not sure, check with your credit union or bank and ask! Your score indicates that you have strong credit but a couple of scenarios may be keeping it from its maximum potential and by implementing a couple of key steps, you could raise that score.

- You may be recovering from a past collection or late payment. Continuing to make your payments on time will add points as you distance yourself from that derogatory credit.
- Your credit card balances may be above 50% of your limit. It is a good idea to keep those balances well below 50% as the model sees you as a higher risk if it goes much above that threshold.
- Debt acquired over the last 12 months tends to suppress the score. Generally adding a credit card or other loan will not hinder your score but when it's more than 2 new debts in a 12-18 month period the score can drop some. Time will take care of that or if you have more than a card you could pay off and cancel the one that is newest.

Although it is important to know your credit score, you should also review your credit report once a year. [AmericaFirst.com](#) can be used to obtain a free copy of your credit report.

We included that you have less than five open credit cards, which is good, because having more than that can negatively impact your credit score. Additionally, balances greater than 50% of the credit limit is also a negative impact to your score.

Results Page – 1st Half of Page

Results Page – 2nd Half of Page

payment schedule

We hope this is the first of many visits you will make to this site. Once you put your plan into action things will start to change so we encourage you to print this page, hang it on your refrigerator or someplace visible and track your progress. It may be hard to see at first but be patient with yourself and your plan. Over time your situation will change so we encourage you to come back at least every 6-9 months, update your information, and generate a new plan.

Proposed Plan: paying low balance first with \$35.00 additional

|             | Mar 2009 | Apr 2009 | May 2009 | Jun 2009 | Jul 2009 | Aug 2009 |
|-------------|----------|----------|----------|----------|----------|----------|
| Home Depot  | \$135.00 | \$135.00 | \$135.00 | \$135.00 | \$135.00 | \$135.00 |
| Kohls       | \$35.00  | \$35.00  | \$35.00  | \$35.00  | \$35.00  | \$49.00  |
| Capital One | \$150.00 | \$150.00 | \$150.00 | \$150.00 | \$150.00 | \$150.00 |
| Total       | \$320.00 | \$320.00 | \$320.00 | \$320.00 | \$320.00 | \$330.00 |

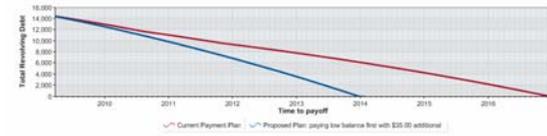
|             | Sep 2009 | Oct 2009 | Nov 2009 | Dec 2009 | Jan 2010 | Feb 2010 |
|-------------|----------|----------|----------|----------|----------|----------|
| Home Depot  | -        | -        | -        | -        | -        | -        |
| Kohls       | \$170.00 | \$170.00 | \$170.00 | \$170.00 | \$73.78  | -        |
| Capital One | \$150.00 | \$150.00 | \$150.00 | \$150.00 | \$246.22 | \$320.00 |
| Total       | \$320.00 | \$320.00 | \$320.00 | \$320.00 | \$320.00 | \$320.00 |

These plans are for guidance purposes only. Please consult each debt individually to insure you are making at least the minimum payment on all debts to avoid fees & penalties.

New Payment Schedule – Revolving Debts

payment plan comparison

This page is an interactive tool designed to help you reach your financial goals. We recognize that everyone's situation is different so we have provided you the flexibility to choose which option best meets your needs. You can select different additional amounts to pay, compare at what happens when you pay off by low balance or highest rate and find the plan that makes the most sense for you. Once you find it, go to the bottom of the page to view and print a payment schedule.



| Current Payment Plan   | Proposed Plan: paying low balance first with \$35.00 additional  |
|--|--|
| <ul style="list-style-type: none"> <li>Proposed Plan: paying low balance first with \$5 additional</li> <li>Proposed Plan: paying high interest first with \$5 additional</li> </ul> | <ul style="list-style-type: none"> <li>Proposed Plan: paying low balance first with \$35.00 additional</li> <li>Proposed Plan: paying high interest first with \$55.00 additional</li> </ul> |
| <p>Payoff Date: December 2016</p> <p>Total Paid: \$28,800.54</p> <p>Total Interest Paid: \$6,192.37</p>  | <p>Payoff Date: January 2014</p> <p>Total Paid: \$18,390.00</p> <p>Total Interest Paid: \$3,981.00</p>   |



Payment Plan Comparison Tool

| Monthly income and expenses budget   |                                 |
|--------------------------------------|---------------------------------|
| <b>Savings (5-13%)</b>               | <b>Living Expenses (35-45%)</b> |
| Emergency                            | Household** (\$849.40)          |
| Retirement                           | Groceries                       |
|                                      | Household Items                 |
| Your Total Savings                   | Clothing                        |
| **Your Recommended \$424.80          | Personal Items                  |
|                                      | Other                           |
| <b>Housing (30-40%)</b>              | Household subtotal              |
| Mortgage/Rent** (\$1,062.00)         | Entertainment** (\$212.40)      |
| Payment                              | Dining Out                      |
| Taxes                                | Home/Events                     |
| Insurance                            | Travel                          |
| Mortgage/Rent subtotal               | Other Entertainment             |
| <b>Housing Expenses** (\$424.80)</b> | Entertainment subtotal          |
| Electric                             | Miscellaneous** (\$352.24)      |
| Water                                | Child Care/Baby Sitting         |
| Gas                                  | Dry Cleaning                    |
| Trash                                | Hair/Beauty/Spa                 |
| Telephone                            | Charitable/Giving               |
| Cable TV/Satellite                   | Gifts                           |
| Internet                             | Dry Cleaning                    |
| Other                                | Life Insurance                  |
| Housing Expenses subtotal            | Health/Premiums/Co Pays         |
| Your Total Housing                   | Other Expenses                  |
| **Your Recommended \$1,489.80        |                                 |

Detailed Budget Screen – 1st Half of Page

| Transportation (10-15%)   |          | Miscellaneous subtotal       |            |
|---------------------------|----------|------------------------------|------------|
| Loan Payments             |          | Your Total Living Expenses   |            |
| Insurance                 |          | **Your Recommended           | \$1,614.24 |
| Tax/License               |          |                              |            |
| Bus/Train/Parking         |          | <b>Summary**</b>             |            |
| Maintenance               |          | Monthly Income (after taxes) | \$4,248.00 |
| Your Total Transportation | \$509.76 | - Total Expenses             |            |
| **Your Recommended        |          | Income After Expense         | \$4,248.00 |
|                           |          |                              |            |
| <b>Debt (0-10%)</b>       |          |                              |            |
| Credit Cards/Store Cards  |          |                              |            |
| School Loan(s)            |          |                              |            |
| Other Loan(s)             |          |                              |            |
| Your Total Debt           | \$212.40 |                              |            |
| **Your Recommended        |          |                              |            |

Detailed Budget Screen – 2nd Half of Page

---

---

## GETTING STARTED

Getting started with Debt in Focus is easy to do! Debt in Focus is a standalone website that you can link to from your credit union website today. Other than providing a link from your website, there are no other technical steps or requirements. How's that for easy? But wait, before you start – the Debt in Focus team has developed a few best practices that you might want to consider before getting started:

1. Debt in Focus can give you customized usage reports for your credit union's members that use the Debt in Focus website. The key is to use a referral code in your web link. To get started, contact Chad Graves, VP of Information Technology at Ent at (719) 550-6857. Chad and his team will get you setup in no time.
2. Debt in Focus can be branded/customized with your credit union's logo and/or color scheme. In addition, the tool's verbiage can be modified in select areas to tie back to your credit union's staff, locations, and/or website.
3. Take time to show the website to your credit union staff. Encourage them to use the website and to become familiar with it. Employees have financial needs and questions too! Using the site will help them to better answer any potential member questions and to be familiar with the results when members come into the credit union seeking particular products or solutions.
4. When launching to members consider things like: sending an email announcement to your home banking members, a banner ad on your credit union's home page, a press release to the local market, and developing a seminar series where you can demo the tool to members and get direct feedback.
5. Think big. Debt in Focus might be a great value add to credit unions with select employee groups (SEGs). Consider co-branding the Debt in Focus product with your SEG while directing the SEG's members back to your credit union for help with specific product needs.

## PROJECT TEAM

Filene i<sup>3</sup> is a creative group of insightful and energetic credit unions professional who develop new ideas, innovate, and implement for the benefit of the credit union system. Please visit [filene.org/home/innovation](http://filene.org/home/innovation) or email [innovation@filene.org](mailto:innovation@filene.org) to learn more. The team members who developed this idea are:

**Kathryn Davis**

Xceed Financial Credit Union  
El Segundo, CA  
[kdavis@xfcu.org](mailto:kdavis@xfcu.org)

**Tammy Gallegos**

America First Federal Credit Union  
Ogden, UT  
[tgalegos@americafirst.com](mailto:tgalegos@americafirst.com)

**Chad Graves**

Ent Federal Credit Union  
Colorado Springs, CO  
[cgraves@ent.com](mailto:cgraves@ent.com)

**Nan Morrow**

Centra Credit Union  
Columbus, IN  
[nmorrow@centra.org](mailto:nmorrow@centra.org)

**Tansley Stearns**

Connex Credit Union  
New Haven, CT  
[tstearns@connexcu.org](mailto:tstearns@connexcu.org)

**Jean Theis**

Motorola Employees Credit Union  
Schaumburg, IL  
[jtheis@mecunet.org](mailto:jtheis@mecunet.org)