



HomeTrak

REPAIR + CARE BUDGET PLAN

CONCEPT DOCUMENT



TEAM MEMBERS

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THE OPPORTUNITY

Housing is one of the top conversations going on right now. Whether a consumer currently owns a home or is dreaming of buying one, there are more complex issues facing homeowners today than ever before.

The United States and Canada are experiencing a steady decline in home values. In fact, home values in certain areas have dropped as much as 38% ¹. This makes it very difficult for current homeowners to make decisions on:

- How to maintain their home
- Setting priorities for home maintenance projects
- Evaluating projects that increase home value

Since home prices are so low, it should be the perfect market for new homeowners to capitalize on the best value. Unfortunately, they are experiencing a different set of problems. Many don't know how much house they can afford, which is leading them into houses that are too expensive. Others don't understand what the true cost of home ownership is until they are already in the house and faced with the expenses.

The above issues, coupled with the facts that 67% ² of the United States population owns a home and 81% have Internet access, support the conclusion that the timing is ideal for providing a home maintenance solution that helps consumers begin to take some of the uncertainty out of owning a home.

THE SOLUTION

HomeTrak originally grew out of a desire to help pass on the value of homeownership to the next generation. This means they must be prepared for both the investment and the expense. HomeTrak is a personalized web-based program that allows homeowners to keep track of the remaining life and average replacement cost of all appliances, mechanicals and big ticket items in their homes, like roofs and windows. HomeTrak begins to take the uncertainty out of owning a home by helping the consumer prepare and save for unexpected home repairs.

Consumers will value HomeTrak for its simplicity and easy way to track home expenses, and the credit union will realize benefits because it leads to loans, builds relationships with members, and ultimately helps the member manage owning a home.

HomeTrak has a lot of flexibility and has future upcoming enhancements for a smartphone application, possible warranty sales, and the ability to send an electronic reminder when simple household tasks, like furnace filters need replacing.

TARGET MARKET

This product provides value to all consumers who own a home and are interested in tracking their home maintenance costs, regardless of age, gender or economic status. However, HomeTrak specifically targets consumers that are:

- Interested in saving for future home expenses
- Cost-conscious
- Interested in keeping their home maintenance up-to-date
- Technologically savvy
- In a low or moderate income bracket
- First-time homebuyers

Primarily, the HomeTrak product is perfect for use upon the purchase of a first home. In particular, this product will help new buyers realize and consider all of the costs associated with owning a home, beyond simply paying their mortgage payment. For mortgage lenders, this product is best utilized as an exercise to demonstrate a consumer's ability to realistically afford the liabilities of owning a home.

CONSUMER BENEFITS

- Consumers who use HomeTrak will have the ability to track and plan their home maintenance expenses.
- Consumers will have the opportunity to set up a credit union savings plan or apply for financing to pay for their home maintenance expenses.
- Users can truly see the “real cost of home ownership.”
- Users will receive email reminders helping them remember annual and periodic home maintenance updates.
- HomeTrak automatically updates life expectancies and costs without the user having to initiate the changes.
- Users will receive an annual home check-up list and guide that can be downloaded as needed.
- When selling the home, consumers can share this information with the seller.

CREDIT UNION BENEFITS

- Credit unions that offer HomeTrak will retain members.
- It will be an added benefit for credit union mortgage loans and help enhance borrower success.
- HomeTrak will generate new loans with informed borrowers.
- HomeTrak will encourage credit union savings accounts.
- The credit union will have the opportunity to deepen member relationships through this new product offering and inherent cross-sell opportunities.
- HomeTrak is a tool that demonstrates the credit union reputation as a cooperative that is interested in the financial well-being of its members.
- Implementation is easy, fast, and tailored to individual credit unions.

PILOT RESULTS

The i³ team worked with Portigal Consulting, in Pacifica, CA, in conducting the research analysis for the HomeTrak concept. The objective of the analysis served two key purposes:

1. Proof of concept: test and understand concept value through reactions from target consumers
2. Insight into actual uses of HomeTrak: guide implementation and reveal opportunities for concept enhancement through consumer validation

The following is a summary of the steps we took to test and refine the HomeTrak idea.

Each team member conducted a 90-minute, in-home field interview with a consumer couple who met established target demographic screens. This approach exposed the idea directly to the consumer and gained their direct feedback and a deeper understanding of the context in which HomeTrak might be used. The HomeTrak concept was at a stage where it could be articulated clearly, but was still undefined enough that interviewees were free to offer creative responses and suggestions.

Through a collaborative exercise, the design-research process was compressed into three weeks to accomplish our objectives. Steps in the process included:

- Planning
 - Recruit and schedule research participants

- Develop interview guide
- Research
 - Undergo interview best-practices coaching
 - Conduct interviews
- Analysis
 - Write-up interview summaries
 - Participate in collaborative analysis
 - Collate synthesis of findings

Research subjects were recruited based on the following demographic screens and characteristics:

- Members of credit union (excluding credit union employees)
- 3-4 year seasoned credit union mortgage holders
- Employed with positive deposit account balance at credit union
- Computer savvy as measured by home banking and bill pay use
- Proactive about caring for their home
- Ideal: experienced a substantial home-related expense (roof, remodel, appliance replacement)

The findings of the interviews revealed that the key appeal of HomeTrak for first-time home buyers is its power to help consumers avoid surprises by increasing understanding of the true cost of homeownership. However, being a “first time home-buyer” is a temporary state; first-time home-buyers quickly graduate to being seasoned home-owners, gaining experience as years pass. The field research demonstrated that the HomeTrak concept can naturally extend to meet ongoing needs by providing real return on investment (ROI) information on the value of the homeowner’s investments over time.

The core of the HomeTrak experience is based on entering life-cycle data and providing replacement projections for key areas of home-maintenance, ranging from appliances to major mechanicals. The research findings discovered that consumers have a less-linear perspective on these items. The research conclusions also pointed out an opportunity to consider organizing HomeTrak around more consumer-driven categories based on aspirations and/or projects rather than straight-up product life-cycle replacements. Research subjects envisioned upgrades to their home in terms of projects and tend to replace items for reasons other than life-cycle expiration (style update, lifestyle upgrade, child-proofing). One participant even introduced his own categories: “things that break,” “improvements,” and the “unseen.”

During the 90-minute home interviews, it was consistently evident that the research subjects immediately engaged with the concept. HomeTrak made sense to them and they could easily perceive value in the concept. Collaborative analysis of the research subjects’ responses resulted in identifying the following key areas:

- Value
 - Facilitating organization of key home-maintenance info and data in a central location
 - Demonstrating ROI for investments in the home over time
 - Energy efficiency
 - Home’s resale value
 - Combining tracking and planning
 - Receipt and warranty tie-ins
 - Project-based organization
 - Enabling action based on HomeTrak tracking and planning
 - Savings
 - Loans
- Critical User Requirements

- Extremely easy input mechanisms – requiring minimal data entry
- Information presented visually
- Highly customizable to each household
- Concerns
 - Will it be difficult to enter all the information?
 - How will it continue to provide value over time?
 - What does it cost?
 - Will users be subjected to unwanted sales pitches and advertising?

The research analysis completed provides strong consumer validation of the HomeTrak concept. Based on the findings of this research effort, both the i³ team and Portigal Consulting believe that tremendous potential for the HomeTrak concept has been identified. Initial findings also pointed to several areas of additional research that warrant consideration:

- Better understand and refine the categories to organize tracking and planning functions.
- Help homeowners use HomeTrak to strategize for their top concerns, which are unpredictable or unexpected expenses. Examples included: mold, radon, chimney flashing.
- Tie to the deep meaning of the home – refuge, sanctuary, family, safety – through branding and experience.

Complete summary sheets of the in-home research interviews are available and include:

- Descriptions of the members, their home and household
- Key qualifying characteristics of the interviewees
- Responses to the concept of the “real cost of homeownership”
- Priorities regarding home maintenance expenses
- Description of approach to homeownership
- Major and minor home maintenance expense stories
- Key feedback on concept
- Expectations and reactions
- Design suggestions
- Pictures of the respondents and their home

OPERATIONAL AND OTHER CONSIDERATIONS

When selecting HomeTrak as an addition to a credit union’s suite of products, services and website, please note the following:

- All of the information concerning product pricing, life expectancies and added values for home maintenance costs and improvements are for informational purposes only. In no way does the information represented on HomeTrak reflect a binding contract related to pricing or other details provided.
- Credit union employees will need to be trained on HomeTrak to fully explain its benefits and encourage their members to participate.
- HomeTrak may be made available to non-credit union members.
- Implementation of HomeTrak for credit unions will be relatively simple. Banners, web copy and other advertising will be provided to a participating credit union to create a link directly from their website.
- In order for members to participate in HomeTrak, personal information such as names, email addresses, and zip codes may be required to create an account on the website.
- Information on HomeTrak will be updated periodically to remain as current as possible.
- HomeTrak supports free, one-time or periodic fees for the service.

- Other third party services may be contracted with HomeTrak to provide database services, advertising, product pricing and life expectancy models and website development. In some cases, an exclusive contract for a third party partner may be enforced on the site.
- Participating credit unions may download reports that list members who are utilizing HomeTrak and their activity.
- Participating credit unions should offer mortgages and home equity products. HomeTrak relates specifically to these products and is a natural tie-in for cross-selling these services.
- There may be a cost associated for credit unions for the licensing of HomeTrak to their members. Additional costs may be incurred for the level of customizing and branding of HomeTrak.

FINANCIAL PRO-FORMA/ROI

HomeTrak's customizable format allows credit unions to add this feature to their website for a comparatively small upfront cost than individual development. The direct benefit back to the credit union occurs through embedded web banners for promotion and direct links to set up savings accounts and to apply for home equity loans and mortgages to help pay for unexpected home repairs or renovations.

Assumptions:

- Software available in turn-key format, ready to customize
- Web design including secure link and IT integration: \$1,500
- Email campaign for 12 months, including design, demographic targeting, and response tracking: \$2,400
- Direct mail postcard, 2,500 piece drop: \$1,875 per drop
- Initial sign-up giveaway for a Lowe's Appliance gift card: \$700

Breakeven Analysis - 12 months	Percent Increase in HELOC & 2nd Mortgages from HomeTrak (3)		
<i>Revenue</i>	<u>1%</u>	<u>3%</u>	<u>5%</u>
Home Equity Loans (1)	\$ 1,638	\$ 4,900	\$ 8,050
Second Mortgage (2)	\$ <u>892</u>	\$ <u>2,704</u>	\$ <u>4,394</u>
Total Revenue	\$ 2,530	\$ 7,604	\$ 12,444
<i>Expense</i>			
Web Integration	\$ 1,500	\$ 1,500	\$ 1,500
Promotion (E-mail, postcard, giveaway)	\$ <u>4,975</u>	\$ <u>6,850</u>	\$ <u>8,725</u>
Total Expense	\$ 6,475	\$ 8,350	\$ 10,225
<i>Net Cost</i>	\$ (3,945)	\$ (746)	\$ 2,219
(1) National average \$350 profit on \$30,000 HELOC based on Raddon Financial Group 6/30/11			
(2) National average \$338 profit on \$35,000 second mortgage based on Raddon Financial Group 6/30/11			
(3) Percentage increases based on existing mortgage portfolio for members aged 24-32			
- 39 HELOCs with \$417k aggregate balance			
- 22 second mortgages with \$331k aggregate balance			

RESOURCES

The HomeTrak administration module will allow the credit union to update branding information and marketing advertising quickly and easily.

Currently, the team is looking for partnerships with outside sources enabling the system to access basic house and appliance information. The URL for HomeTrak is secured and the basic foundation of the system is built by Blackhawk Community Credit Union.

GETTING STARTED

1. HomeTrak won the Filene Research Institute's first "Idea Idol" competition, as voted by credit union peers. This awarded the idea additional funding and resources from Filene and will assist HomeTrak in moving from concept to working model.
2. Following development, HomeTrak will be available as a turnkey offering. Costs for IT integration will be limited to web customization for participating credit unions.
3. Consider the scope and resources required to implement HomeTrak at your credit union, including staff training and promotional rollout.
4. Plan the web banner advertisements to promote on HomeTrak.
5. Contact us at innovation@filene.org, if interested in piloting HomeTrak.

Sources:

¹ Wall Street Journal article featured at <http://blogs.wsj.com/developments/2011/06/28/mapping-home-value-drops-by-zip-code/>

² <http://www.census.gov/hhes/www/housing/hvs/annual05/ann05t12.html>