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## 1. Results by Design Team Participants

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## 2. Executive Summary

Statistically speaking, a majority of marriages end in divorce. Add to that the number of credit union members who experience the death of a spouse, and there exists an enormous need for information and assistance with separating finances. Sadly, research indicates that a single, dependable resource does not exist. Unfortunately the taboo of discussing personal situations has left our members searching for help from unconventional sources and has increased credit union risk of loan losses. On the bright side, member survey results show that those who have experienced separations desire more assistance from their credit union.

In answer to this need, Single Again provides an easy to implement resource for credit unions to help their members. The web site map and page content are designed to be a complete source of information to a newly single member. Single Again includes a checklist of tasks that need to be performed during separation or death, an FAQ section to answer immediate questions, explanations on how to change their accounts, forms to change account ownership and modify loans, and links to specific agencies and organizations where members will need to update their information after a separation.

Implementation of Single Again fills the void that has been looming for so long while strengthening the relationship between the member and the credit union. The credit union gains an opportunity to save existing loans and accounts that may have gone elsewhere.

## 3. Opportunity

Personal struggles and challenges face everyone at some point in their lives. During such times, people go through many stages of emotional response. Some shut down; some stay in denial for varying periods of time; some tackle the specifics head-on. Whatever the initial response, eventually, most people can use help in getting the resolution process started, frequently soliciting input from friends and family, most of whom offer up mounds of sympathy and empathy, but little fact based, action oriented, viable advice. Perhaps the most common of these situations arise when a relationship ends, through separation, divorce or even death.

In such instances the personal, emotional impact is huge, but the

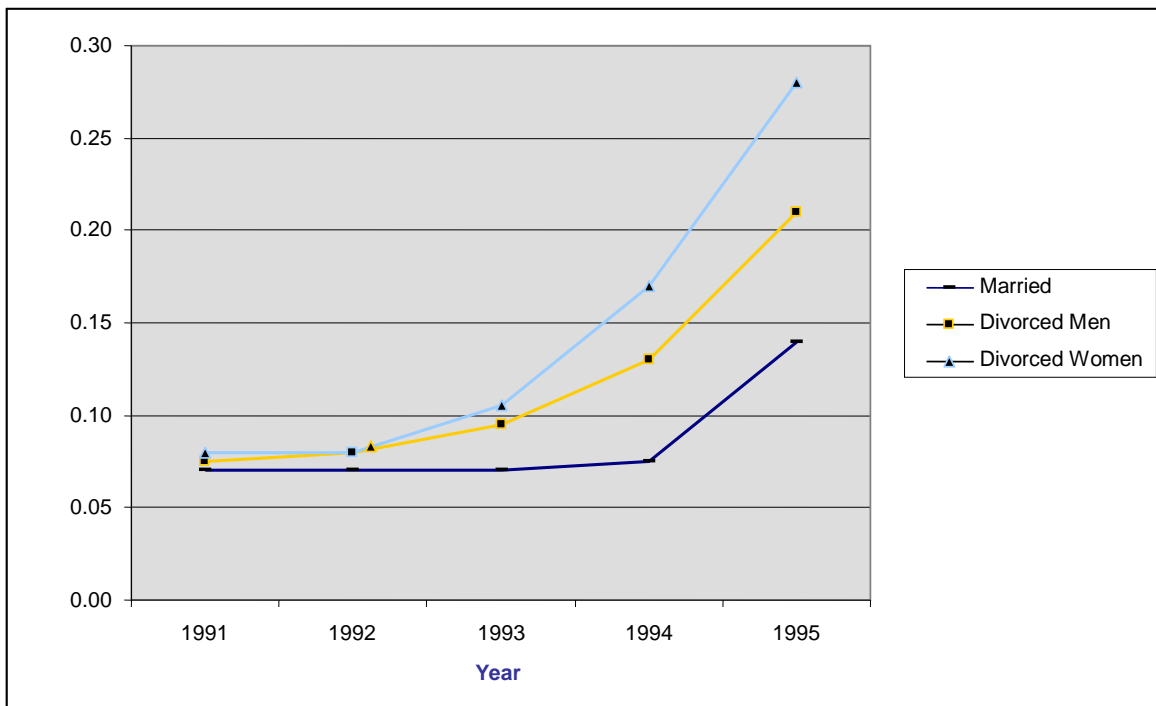


practical, financial impact can be equally long lasting and difficult to navigate. Traditionally, financial institutions have offered little assistance to those facing these changes in their lives. From dividing the assets and liabilities after divorce to re-titling assets after the death of a spouse, the road is difficult and frustrating.

Statistically, these are not rare events, but part of everyday life for a significant portion of our members. In 2002, 10% of the US population was divorced and 7% was widowed. The success rate for marriages decreases as people remarry. Nearly one-half of first marriages end in divorce. The same is true of two-thirds of second marriages and nearly three-quarters of third marriages.<sup>1</sup>

While these are the simple facts of life in America, they can create issues and opportunities for financial institutions. For a credit union, the concerns are manifold, not the least of which is the potential for default on a loan. Not surprisingly, divorce has a noticeable impact on both delinquency and bankruptcy. Past studies have identified marital status as a significant contributor to U.S. household repayment problems, suggesting that being married significantly decreases the probability of delinquency and bankruptcy.<sup>2</sup> Additional research has found that a growing number of non-married households is experiencing financial difficulties and that the growing proportion is divorced women.<sup>3</sup>

Default rate by marital status and gender (1991-1995)<sup>4</sup>



These studies find that men and women experience declines in income, wealth, and credit access upon divorce. And, lower levels of income and wealth and higher levels of debt are associated with higher levels of default and bankruptcy.

However, beyond the concern about loan performance, credit unions are faced or should be faced with the salvaging of the member accounts. As members traverse the rough road of separation, divorce or death, it sometimes is easier to start fresh, closing out former joint accounts and moving on to a new relationship with a different financial institution. Therefore, during these times of personal struggle, credit unions could, by not reaching out and recognizing the needs of their newly single members, lose not only loans, but also deposit relationships and the potential for rebuilding the relationship with the member. In the case of divorce, potential exists for new, separate relationships with each member of the recently dissolved partnership.

To assess the issues faced by current credit union members, three credit unions posted a survey on their websites. In all, 622 members of American Airlines Credit Union, Point West Credit Union and USA Federal Credit Union took the time to respond to questions aimed at determining the scope of financial impact due to divorce, separation or death. Additional questions identified where those who had experienced such separation turned to for information and what issues they had faced. Not surprisingly, their first choice for guidance was family. Responses to the question "From whom would you seek financial advice when facing a life event?" identified the credit union as a close second as illustrated in the table below.

|                        | Response Percent |
|------------------------|------------------|
| <b>Credit Union</b>    | <b>33.9%</b>     |
| <b>Bank</b>            | 3.1%             |
| <b>Friend</b>          | 11.0%            |
| <b>Family Member</b>   | <b>36.1%</b>     |
| <b>Online Research</b> | 15.8%            |

Nearly 70% of those responding identified themselves as having joined finances with another. Of these, 42% had then found it necessary to



remove a joint owner from an account with 53% of the changes cited as due to divorce, 26% due to separation and 8% due to death.

The table below indicates the responses to the question, "Which services would you have used if they were offered by your credit union to remove a joint holder?"

|   | Response Percent |
|---|------------------|
| Checking switch kit                                     | 50.0%            |
| Budget calculators                                      | 19.3%            |
| In-person financial counseling                          | 42.0%            |
| Web links or forms to change name on official documents | 48.9%            |
| Tax advice  | 21.6%            |
| <b>Loan modification that removes joint owner</b>       | <b>69.3%</b>     |
| Credit monitoring                                       | 35.2%            |

Finally, participants were asked, "How much would you be willing to pay for these services?"

|  | \$0               | \$1-\$50          | \$51-\$100 | \$101-\$250 | \$250-\$500 |
|--|-------------------|-------------------|------------|-------------|-------------|
| Credit Monitoring (annually)   | <b>54.4% (37)</b> | 42.6% (29)        | 2.9% (2)   | 0.0% (0)    | 0.0% (0)    |
| Mortgage Loan Modification that Removes a Joint Owner (Per Loan)                       | 35.9% (23)        | <b>50.0% (32)</b> | 10.9% (7)  | 1.6% (1)    | 1.6% (1)    |
| Other Loan (i.e. Auto/Credit Card) Modifications that Removes a Joint Owner (Per Loan) | 43.5% (27)        | <b>46.8% (29)</b> | 8.1% (5)   | 1.6% (1)    | 0.0% (0)    |

To determine what information was currently available to consumers facing a separation of finances, a website search was conducted. In spite of the demand for accurate, useable information and assistance, currently little appears to be available to the everyday consumer. The websites appeared to fall into two categories. First were those owned by financial institutions, which were generally found to provide a cursory page that led customers to other sections within the website without addressing the unique needs created by separation, divorce or death.

The second group of sites also purported to provide pertinent information on what to do with finances during a divorce. Upon closer scrutiny, these sites were predominantly those of divorce attorneys selling their services. While some contained good statistical data, few, if any, provided any actionable information.

#### **4. Solution**

Given the desire for information and services as supported by the high number of people who go through a divorce, the knowledge gleaned from the survey and the dearth of solid information currently available on the internet, the need for a solution such as Single Again is significant.

Single Again is a package of materials available to credit unions interested in reaching, helping and retaining this underserved segment of their members. The solution is a web site map and page content that can be easily adapted to any credit union web site with a few minor edits of proprietary names, logos, and quick links. The web content was developed to be a complete one-stop resource for members facing financial issues due to separation.

#### **Checklists for Divorce and Death**

Separation can be very emotional for members and even deciding what to do next can be difficult. To help put things into perspective, a checklist of next steps has been developed for both divorce and death. Although these are very different circumstances, the need for guidance is very much the same.

### **Changes/Opening a New Account**

The process of separating accounts can be different for each credit union. This area of the website was designed to meet two needs. First, our members understand they need to make changes to their accounts but do not understand the legalities of ownership and responsibility. Many simply do not understand why the credit union cannot remove a name from an existing account or loan. The concerns of the members are addressed in simple to understand terms as they are guided to other links in the credit union website. Second, since each credit union has unique policies and procedures, the language used to describe the changes is purposely general so it can be widely adapted.

### **Consumer and Mortgage Loan Modifications**

One of the most innovative pieces of the site is the loan modification information. The process is clearly outlined and documents are provided to allow the member to apply for a loan modification. Using this process, the credit union modifies the loan from joint borrowers to a single borrower without requiring a full application, underwriting, or changing the terms of the agreement. In most instances, only the ability of the remaining borrower to repay the loan is considered. When applied to a real estate loan, additional assistance will be provided to assure the property is appropriately titled. Modification fees may be set by individual credit unions to offset the risk associated with maintaining the existing rate.

### **FAQs**

The FAQ is a database of frequently asked questions pertaining to both separation and death of a loved one. Since procedures may vary from state to state, general answers are provided. Individual credit unions may want to update or add additional resources.

### **Useful Links**

Each credit union will be able to customize a set of links to external resources such as the motor vehicle department, social security, state child support departments, budgeting, credit reporting agencies, calculators, and other useful resources.

## **5. Member Benefits**





The first need fulfilled by Single Again will be that of a resource for the member. The affected member will be able to turn to a trusted advisor, the credit union, and obtain the information and services he or she needs to work through the separation of finances necessitated by separation, divorce or death. The loan modification piece alone can bring clarity and closure to the difficult process of splitting the property and the debts at the end of a relationship.

## **6. Credit Union Benefits**

For the credit union the wins will be substantial. First, by providing the resources and services to members during a time of stress, the credit union will enhance its role as a trusted advisor and solidify the relationship with the member. Additionally, Single Again will make it easier to retain the member rather than losing that relationship because a helping hand was more readily available elsewhere. In fact, the program could actually result in the creation of two separate relationships, in the case of a divorce, involving a member and a joint member or joint owner.

The positive impact of Single Again goes beyond salvaging the deposit relationship and potential future lending opportunities. The loan modification product can also help decrease the number of loans that become delinquent or even those ultimately charged off due to the change in the members' circumstances. By making it easier for the member to continue with the loan as it was originally established, the credit union is not only assisting the member but also protecting the assets of the credit union.

## **7. Target Market**

Demographically, there is no single or specific age, gender or ethnicity for which Single Again will be beneficial. Instead, the occurrence of divorce, separation or death affects a broad range of credit union members. Any person who finds himself or herself faced with the need to reorganize personal finances due to the departure of a partner will find the information and assistance available through Single Again a unique service provided by his or her credit union, a trusted advisor.

## **8. Operational and Other Considerations (Risk)**



Today, all credit unions provide the means of changing deposit account ownership due to separation, divorce or death of one of the account holders whether through re-titling the accounts or actually closing them and opening new accounts. These processes hold little or no risk to the credit union. Loan accounts do pose a different problem which is addressed by the Single Again program. While allowing the removal of a co-borrower could be construed as adding risk to the loan, a different view offers that such an action could, in fact, save the loan for the credit union. Use of the modification documents and assessment of a fee designed to help mitigate potential losses will not only save the loan, but could preserve the entire financial relationship with the member.

### 9. Proof of Concept (Pilots)

Two credit unions, American Airlines and Point West, adapted the material for their websites and rolled them out in March. In each case, a segment of the membership was notified via a regular email communication that the Single Again information was a new addition to the credit union’s site. The click-through statistics below represent early response to specific email notification. Arguably, the nature of Single Again better lends itself to long term measurements as members find themselves in a position to seek the information.

|                     | Point West Credit Union |         | American Airlines Credit Union |         |
|---------------------|-------------------------|---------|--------------------------------|---------|
|                     | Number                  | Percent | Number                         | Percent |
| Email to members    | 1,781                   |         | 68,898                         |         |
| Message opened      | 295                     | 16.8%   | 9,964                          | 14.47%  |
| Single Again clicks | 28                      | 9.5%    | 182                            | 1.83%   |

As additional support for the concept, several people who had recently experienced the need to separate finances were interviewed. The interviews sought to determine what unique circumstances each faced and how they had dealt with their finances including where they had garnered the information necessary to make the appropriate changes to their accounts. Interviewees were also asked to access the pilot websites and provide their input as to the value of the material provided.



Generally, respondents found the web material useful and had specific recommendations for additions and improvement.

## 10. How to Get Started

Single Again provides the basics necessary to launch the program by adapting the pre-designed web site map and page content to match the look and feel of the individual credit union's web site. This simply requires editing the names, logos and quick links to reflect the environment in which the credit union operates. Additionally, the loan modification forms should be reviewed by legal counsel to assure they work within the framework of the credit union's current lending policies and meet any unique state requirements.

## 11. Appendices

### a. Marketing/Education Tactics

According to survey results, members look to their credit union, second only to family members, for financial guidance during life events that require changes to financial services, providing a clear opportunity for the credit union, whether through a self-service channel such as the website or through personal contact with a credit union staff member. However, due to the sensitive and very personal nature of both divorce and death, this is not a service that can be or should be advertised in the same manner as would be a new checking or loan product. Rather, marketing must be a thoughtful combination of education, awareness and training.

Generally, informational articles in credit union publications can offer Single Again as a resource, whether on the web or in the branch. As another means of generating awareness, the two pilot credit unions notified their membership through emails and eNewsletters that were already part of regular communication channels. As can be seen from the text of the messages included below, the approach was low-key, but straightforward.

#### **Point West Credit Union email**

*Point West understands separation from a partner often initiates many transitions. Finances can be a stressful and difficult part of the change and Point West is here to help. Single Again was designed to help members figure out what's next, how to start*



new, what to do with existing accounts, and more. Plus, it provides links to view many helpful websites for individuals who are going through a separation.

### **American Airlines Credit Union email**

**Dear Valued Member,**

Having a sound overall financial strategy requires you to recognize that your finances are in a constant state of change. Not only do financial markets fluctuate, but your financial needs also change over time. Luckily, it is easier to predict the changes in your financial life stages than it is to predict the direction of the financial markets.

We're building a new Life Events section, within the **Financial Tools & Resources** of AACreditUnion.org, designed to help you with valuable information and educational resources as you plan your financial future. With topics ranging from Marriage and Family, Single Again, to Retirement and Estate Planning, we're here to help.

Our first Life Events topic - **Single Again** - is **now available** and designed to help any of our members who are going through a legal separation, or have recently experienced the loss a loved one, with the financial issues that may be experienced. Topics within this section include:

- [How to Start New Accounts](#)
- [What to do with Existing Accounts](#)
- [Establishing New Loans / Credit](#)

We've also included links to additional resources and check lists that will be helpful for anyone going through a very stressful, and often difficult, life event.

[Click here](#) to visit the Single Again topic of our new Life Events section.

Stay tuned over the next few weeks as we continue to add new content.

As with any other product or service offered on a credit union website, placement is key. Options for placement of the Single Again information include areas dealing with Resources, Life Styles or Life Events. This is driven by the current and unique design of each credit union website. Obviously, the greater the visibility, the higher the likelihood of usage by members seeking advice through the privacy of their home computer.

For those members who prefer to deal directly with a credit union representative, it is imperative that that staff member fully understands the power of Single Again and is completely comfortable with discussing such matters with members. Training should be designed to help the employees shift the way they think about serving members who are



experiencing such life altering events. By building understanding and empathy into the interaction, the staff member will bring value to the member far beyond merely handing over forms to be filled out. Such training should also foster full familiarity with the information provided by the website, especially the checklists and frequently asked questions. By walking the member through the site, the employee will be providing a resource to which the member can refer in private, after leaving the credit union.

Single Again is a perfect fit with the credit union mission of providing financial education. Credit unions offering Single Again could reach out to divorce and death support groups, offering to provide information or present seminars on dealing with the financial impact of these events. Another source for business development could be divorce attorneys who could refer clients to the credit union to establish accounts after divorce.

### **b. Financial Pro Forma**

The two results of the implementation of Single Again that will have positive financial impact are the retention of members and the opportunity to retain performing loans in the credit union portfolio. The premise that members experiencing the difficulty of reorganizing their finances a due to divorce, separation or death will be more likely to remain with the credit union if the credit union not only recognizes their situation, but also provides solutions to make the transition less difficult.

While there have been many attempts at determining the lifetime value of a member, the actual dollar figure is individually very difficult to ascertain. One approach is to merely quantify the financial products a lifetime member may use. The table below represents an extremely conservative estimate as prepared by Lemmon Tree Enterprises, Inc., a Tempe, Arizona, marketing firm.<sup>5</sup>

| # of Years/Items | Description              | Dollar Value | Dollars Over Time |
|------------------|--------------------------|--------------|-------------------|
| 7                | Auto Loans - One every 5 | \$15,000     | \$105,000         |

|    |   |           |                    |
|----|---|-----------|--------------------|
|    | years in adulthood  |           |                    |
| 2  | Mortgages - conservative dollar value   | \$100,000 | \$200,000          |
| 1  | Home Equity Loan  | \$75,000  | \$75,000           |
| 2  | Certificates - without additional earnings posted                               | \$12,500  | \$25,000           |
| 1  | Money Market - over time  | \$30,000  | \$30,000           |
| 25 | Credit Card Annual Usage - \$5,000 average per year                             | \$5,000   | \$125,000          |
| 40 | Checking Direct Deposits for Salary - flowing through over 40 years of a career | \$30,000  | \$1,200,000        |
|    | <b>Estimated flow of money for a member in a lifetime</b>                       |           | <b>\$1,760,000</b> |

Another approach to quantifying the financial impact of Single Again is through member retention. The simple cost comparison of retaining a member versus acquiring a new member shows substantial advantage to the former. According to a study reported in “Credit Union Tech-Talk,” the estimated cost of customer acquisition is \$280 a head, versus \$57 for customer retention.<sup>6</sup>

Finally, the value of the loan modification piece of Single Again must not be underestimated. By allowing for a member to remove a co-borrower, the credit union strengthens the potential for retaining that loan. Without this member accommodation, the loan could be refinanced elsewhere under the single borrower or could go into default due to on-going issues with the division of property and debt responsibilities. Value is added to the loan modification process through a fee. This fee should be set at a point which will cover cost of the administrative process as well as help offset the additional risk the credit union may be taking on.

## Endnotes

<sup>1</sup> [U.S. Census Bureau, National Center for Health Statistics, Americans for Divorce Reform,](#)



Centers for Disease Control and Prevention, Institute for Equality in Marriage, American Association for Single People, Ameristat, Public Agenda

<sup>2</sup> Fay, Scott, Erik Hurst, and Michelle White, "The Household Bankruptcy Decision," *American Economic Review*, 2002

<sup>3</sup> Sullivan, Teresa and Elizabeth Warren, "More Women in Bankruptcy," *American Bankruptcy Institute*, 1999

<sup>4</sup> Fisher, Jonathan and Angela Lyons, "The Ability of Women to Repay Debt after Divorce," presented at "Women Working to Make a Difference," Seventh International Women's Policy Research Conference, June 2003

<sup>5</sup> Lemmon, Nicolette, presentation for Credit Union Marketing University, Lemmon Tree Enterprises, Inc., Tempe, Arizona, March 2008

<sup>6</sup> Gartner as quoted in "Credit Union Tech –Talk," October 28, 2002