

Early Concept Document

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**Debit Card Savings Program
(No Excuses Savings Club)**

BUSINESS PLAN

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Table of Contents

1	Preface	3
1.1	Debit Card Savings Program Innovation	3
2	Executive Summary	3
2.1	Introduction	3
3	Strategic Situation	4
3.1	Overview	4
3.2	Strategic Opportunity	4
3.3	Business Objectives	5
3.4	Mission	5
3.5	Keys to Success	5
4	Product Concept	6
4.1	Overview	6
4.2	Product Considerations	6
5	Competitive Comparison	7
5.1	Competitors	7
5.2	BofA	7
5.3	American Express	9
5.4	Legal Issues	9
6	Pro Forma	9
6.1	Financial Analysis Methodology	9
6.2	Pro-Forma Tables	10
7	Marketing Analysis	14
7.1	Market Analysis	14
7.2	Target Market	14
7.3	Product Naming	14
8	Pilot / Implementation Strategy	15
8.1	Pilot Overview	15
8.2	Pilot Result Measurements	15
8.3	Pilot Product Design	15
8.4	Pilot Implementation	16
9	Appendix A Sample Member Disclosure	17
10	Appendix B Survey Results	18

1 Preface

1.1 Debit Card Savings Program Innovation

Today, competitors to credit unions are beginning to offer debit card savings programs that are attractive to their customers. Credit Unions should explore offering similar programs, both as a defensive measure but also as an opportunity to create new value. In this business plan, the Incubators have explored the debit card savings program in more detail and have devised a pilot program to measure actual effectiveness.

Overall, the goal of the debit card savings program is to provide credit unions with a vehicle to allow members to conveniently save, and to reward members for doing so, without negative financial impact to the credit union. In other words, the credit union through this program can promote and augment savings and do so without negatively impacting the bottom line. Other benefits for the credit union include offering a program that could help maintain member loyalty while promoting checking account and debit card usage.

2 Executive Summary

2.1 Introduction

We believe there is an opportunity to help members meet their desire to save more by implementing a robust automatic savings program tied to debit card usage. The program would allow members to round up their debit card purchases to the nearest dollar, and then deduct that rounded amount from their checking account and have it moved into a savings account. The credit union could then offer a match on the saved amount while offsetting the cost via increased debit card usage. The end result is a win-win scenario. The member wins as they are taking an active step to save more and the credit union wins, as they are able to offer a savings vehicle that is attractive to all members including those of modest means.

Based on current statistical data from the Department of Labor, Americans are now saving at the lowest rate since the Great Depression. American savings rates are currently in negative territory at -0.5 % and this rate has not been seen since 1933. Coupled with the mounting debt ratios that most Americans currently maintain the country finds itself in an unprecedented negative financial situation. Contributing factors to this phenomenon include the ready availability of unsecured credit and rampant consumerism buoyed by optimism in rising home equity. Clearly, Americans should focus on saving more and credit unions can help!

We believe Americans want to save more and are willing to do so if the process is made convenient. To determine the level of interest in a debit card savings program, we engaged credit unions across the nation to survey their members. Of the 941 respondents, 88.9% indicated they weren't currently saving enough and 69.1% sighted "an easy and painless way to save" as one of the most attractive features of a debit card savings program. Furthermore, 69.4% of respondents indicated "they couldn't think of anything that would prevent them from enrolling." That level of willingness rose even higher when savings were augmented as 87.1% indicated that "having my Credit Union match a portion of the savings" was the most attractive feature. What a great way to help members of modest means! Even better, through increased debit card usage and related interchange income (87.3% of all respondents said they would use their debit card more

frequently as a result of this proposed program) credit unions could offset the matching costs. Everyone wins!

To meet our members desire to save and to differentiate and defend credit unions from current debit card savings products, a more robust product offering could be developed. Certainly, a core component of such an offering should include the rounding of each debit card purchase transaction up to the nearest dollar (round up would come from member's checking account) and depositing that difference into a savings account. While Bank of America and American Express offer similar options, as a defensive move, credit unions could increase the options available to create a product of greater value. For example, allowing members to save a selected percentage of their overall debit card spending, or using the "round up" to pay additional principal on loans, invest in retirement accounts, or establish balances in high yielding CDs with no minimums, etc. The possibilities are extensive!

3 Strategic Situation

3.1 Overview

Although other financial institutions are offering debit card savings program, and at least one institution (BofA) has a patent pending, we believe that members will come to expect similar programs from their providers. In a defensive move, at a minimum, credit unions should explore the possibility of offering a debit card savings program. Furthermore, unlike banks that may be looking at the program as a way to increase profits through debit card usage, credit unions have the opportunity to approach the situation from a "break even" scenario while deriving other benefits including member loyalty, increased deposits, increased checking penetration and new member attraction.

3.2 Strategic Opportunity

The opportunity exists for credit unions to offer a debit card savings program and quickly demonstrate an innovation capability similar to that of the "big banks". Too often credit unions are considered "friendly" but not "professional" which is converse to the way consumers view big banks (surveys conducted by SAFE validate this perception). By quickly re-acting to innovations in the marketplace offered by big banks, the professional image of credit unions may not be enhanced, but neither should the image erode. In addition, from a strategic standpoint, credit unions as non-profits can look for ways to offer a debit card savings program that are more beneficial to consumers and thus create more value. By creating more value, the potential exists, for credit unions to attract additional members or at least offer them an alternative to the "big banks". Lastly, consumer groups are negatively scrutinizing current debit card savings programs as a fiscal benefit to banks and not consumers. Credit Unions, on the other hand, can neutralize that criticism, and possibly attract more loyalty, by offering a solution resulting in a breakeven to the bottom line.

3.3 Business Objectives

Create and launch a successful Debit Card Savings program that can be modeled by other credit unions.

- Credit Unions will
 - Own the actual product
 - Tailor the product as desired for differentiation
 - Attract new members to Credit Unions
 - Attract existing members to acquire checking accounts
 - Retain existing member checking account relationships
 - Offset costs through increased debit card usage.
 - Grow deposit balance sheet

3.4 Mission

Provide a Debit Card Savings program that allows members to easily and consistently grow their savings.

3.5 Keys to Success

Key Success Item	Explanation
Must be viewed as attractive.	Members must see value. Matching some percentage of spending or increased dividend rates for example.
Ease of Software Development.	Since the program is expected to be self funding the cost and associated ease of implementing the necessary logic should be low.
Easy to enroll.	It is possible that many members might want to sign up right away. Therefore, a mechanism must be found to make it quick and easy to enroll members via the core system.
Offset costs.	The program should be self-funding. In other words, increased debit card activity and associated revenue should be used to offset any "matching" funds.
Not used for negative income generation.	Negative press has been targeted against other financial institutions that offer this type of product, as it is viewed in some consumer advocacy camps as not a savings program but a revenue generation program. If CU's can offset costs by achieving a breakeven, that negative perception could be effectively combated.
Have necessary disclosures.	As with any new products, disclosure must meet regulatory requirements.
Statements must be clear.	Members must have a way to understand their contributions, CU matches, to avoid confusion and increase positive awareness.
Effective Marketing.	As with any new products, effective advertisement and promotions should be developed and offered.
Make offering "unique" to ensure no "patent" infringement.	Currently a patent is pending on a debit card savings program. Depending on the patent results, CU's should consider making their offering unique and different to avoid infringement.

4 Product Concept

4.1 Overview

The goal of the debit card savings product is to make savings easy for the member through their daily debit card spending. Specifically the base product should include the "rounding" capability, whereby on a daily basis, individual debit card purchases are rounded to the next highest dollar. That "rounded" amount will then be "saved" as it is withdrawn from the associated checking account and deposited into a high yield savings account. In addition, a matching incentive by the Credit Union will be made to equal a percentage per "round up" per month/year. These two features are considered a core offering and if proven effective, future product offerings can include more robust capabilities (such as the ability for members to save a designated percentage of their overall spending or weekly or monthly emails to members showing their savings progress, etc.)

4.2 Product Considerations

Enrollment Process

1. Open checking
2. Order debit card
3. Set member level control flag on host for tracking
4. Provide disclosures

Checking Products eligible for pilot

- All personal checking products
- Exclude business accounts

Share Savings to receive rounded transfers

- Every member has a share deposit with a minimal initial deposit (BofA requires \$100 initial deposit)
- Consider using existing high yield savings accounts that are competitive with bank money markets (BofA only pays 0.50%)
- Additional deposits can be made in person, at branches or deposit ATMs
- Members can set up additional transfers from checking to savings in home banking

Debit card transactions eligible for rounding

- Point-of-sale purchases both PIN and Signature based
- Consider raising POS limit to \$1,000 for the \$500 limit group

Fee considerations

- Account Maintenance Fee should be waived if signed up for program or else fee will eat up any small savings on accounts without qualifying balances or services.
- Program designed to not take accounts negative.

Reward Options – discuss with pilot group

- At least equal BofA - 5% match of Keep the Change transfers posted annually up to \$250
- Consider relationship management to offer bonus rate of 25bp for Savings if signed up for program

- Consider 5% match of transfers quarterly instead of annually (match dividend frequency of Savings for APYE calculation)

Taxation-

- Any matching funds should be classified as an extraordinary dividend and reporting in the members 1099-INT

5 Competitive Comparison

5.1 Competitors

Currently two financial institutions are offering debit card savings type programs, BofA and American Express. Both are explored further below. However, the key differentiator for Credit Unions, we believe, is to offer a competitive program that is truly beneficial to the member. To achieve this, the credit unions should focus on achieving breakeven when matching funds and providing dividends, and count on increased member loyalty and attraction to increase the bottom line.

5.2 BofA

The BofA model, launched approximately six months ago with a patent pending, uses the round up formula mentioned earlier in this plan. BofA also provides an incentive match for the saved funds of 100% for the first six months not to exceed \$250. The product offering has apparently served BofA well as recent reports indicated a projected annualized debit card growth rate of 28%. BofA deposits all funds in a very low interest rate account currently offering .5%. That rate is very low for a typical savings account, and could be less attractive to customers, but BofA only points that fact out in the small print. However, the 100% match for the first 3 months plus a 5% annual match thereafter is appealing to customers, and from a marketing standpoint, the match sounds significant. However, when the math is done, the amount matched by BofA is quite low. An article below from Freedom Financial clearly demonstrates that because of the 100% match for only 3 months, and the .5% savings account the deposits are held in, the customer would be better served by putting \$100 in a higher yielding savings account. This is where CU's can truly compete (by allowing funds to be deposited in higher yielding accounts, with a focus on breakeven) vs. the revenue play and consequential bad press that BofA is currently garnering (see BAI and Freed Financial articles below).

BAI, March 2006 ran an article that claims "BofA spokeswoman Tara Burke says about 1.1 million customers have signed up for Keep the Change since it was introduced last September, bringing in 250,000 new checking accounts and 400,000 new savings accounts. She declines to quantify the account balances gathered by the program. "

Is Bank of America's "Keep the Change" Promotion worth your time?

Freedom Financials, March 24, 2006.

In short, no. But first the background:

Bank of America recently started a [promotion](#) in which all debit-card purchases are rounded up to the nearest dollar. The amount that is rounded up is deducted from your checking account and put into your savings account. For the first 3 months, BofA matches 100% of the money that is put into your savings account this way. After the promotional period, BofA matches 5%. At first this seems like a really good deal—you are after all getting a painless way to save plus free

matching money which appears to give you returns of 5%+.

However, the proof is in the fine print. Of note:

- 1) The Bank of America savings account currently pays an interest rate of only 0.5%. The opportunity cost of putting money into this account is forgone interest from a higher paying savings account. [Emigrant Direct](#), for example, currently has a savings account yielding 4.00%-- a whopping 3.5% difference.
- 2) The minimum required for opening a savings account is \$100. This means that at least \$100 of your money will be earning only 0.50% year-round, in addition to any of the money that is automatically saved.
- 3) Matching funds are credited once a year at the end of the year. This means that you must keep your money tied up and your low-interest-earning account open for a long time.
- 4) The maximum matching amount is \$250.

The potential value of this promotion is not in the automatic rounding (you could, after all, use direct-deposit to just as painlessly set aside a portion of your salary each week) but in the matching. Lets run through a plausible scenario, ignoring the introductory matching period to key in on the long-run savings effects.

Imagine you make 200 purchases a year with your debit card. Looking at my statements, I make way less than 50 a year, so this number, if high, is certainly plausible. Assuming an even distribution of prices across the cents spectrum, we could approximate the mean amount saved from each purchase to be .50 cents. Thus, at the year's end, this amount of purchases would result in \$100 saved plus \$5 dollars in matching funds.

The year-end balance sheet would look something like this:

\$100 (opening amount) + \$0.50 (interest) + \$100 (saved) + \$0.50 (interest) (actually less than \$0.50 but lets pretend) + \$5 (matching)

Total:
\$200 (principle) +\$6 (interest)

Your effective interest rate on the \$200 tied up in the BofA savings account would be approximately 3.0% or 1.0% less than you would simply using a normal savings account. Thus you would be losing money by doing this deal.

Removing excess money (>\$100) from your savings account as it is automatically saved improves but does not fix this promotion. Your effective interest rate would increase to around 6% (for this scenario), but you would waste hours a year implementing it.

Just for fun, though, lets imagine we want to "take full advantage" of the promotion and max out. To get \$250 in matching you would have to make around 10,000 purchases in a year. Not only is that a whole lot of time to spend spending, but it is a whole lot to spend in order to save.

And that, in my calculation, defeats the whole purpose of saving.

*Ed Mierzewski,
U.S. Public Interest Research Group*

“ I believe this is part of Bank of America's strategy to encourage people to use their debit cards more often so that the bank can increase its profits by collecting more interchange fees from merchants. I think the amount they are tossing at consumers is peanuts compared to the increase they will see in interchange fees if this program is successful. ”



5.3 American Express

The American Express Card program (Savings Accelerator *SM*) is not focused on debit cards, but it does have a strong savings element to it. American Express through matches 1% of all purchases made using their One Card (Credit Card) and deposits that match into a savings account with a current yield of 3.1%. If it is a new account, AMEX will deposit an initial \$25 for the customer. In addition, for all enrolled members, they waive the first year annual fee of \$35. However, some consumer groups still view this as nothing more than a variation on existing credit card reward programs. It is possible that a credit union could offer a debit card savings program whereby the member designates their own match, moving a percentage of their spending from savings into checking and in doing so, the Credit Union will provide some type of match.

5.4 Legal Issues

During the course of our research, we learned that Bank of America (BofA) filed an application for a patent of their "Keep the Change" program launched in September 2005. In order to address legal concerns, a patent attorney was hired to provide guidance concerning patent law and the application process. It was determined that specific information contained in the application is unavailable to the public for a period of at least 18 months following submission of the application. It was also determined that there is no violation of the patent if an idea is replicated by another provider during this period. If the Patent Office approves the application and grants a patent of specific attributes that have been replicated, then the subsequent provider can be asked to discontinue the program moving forward.

6 Pro Forma

6.1 Financial Analysis Methodology

As each Credit Union is different, analyzing the financial impact of the program will also be different for every Credit Union. A financial model was built utilizing basic debit card assumptions and also allows for Credit Unions to customize the analysis, based on their specific information, plans and goals.

Profitability of debit card programs is heavily dependent upon the mix of member's transactions: % of signature-based transactions vs. % PIN based transactions. Signature based

transactions return a higher level of interchange income. In this model, the mix is assumed to be 50/50, with an average net gain of \$0.19 per transactions (after related debit expenses).

In the Pilot CU analysis, other assumptions include:

- Average "round up" amount of \$0.50 per transaction
- CU % match of 5% of "round up" amount
- CU dividend rate of 5% on program balances
- 25% growth in number of transactions

The number of debit card users, as well as their # of monthly transactions has a large impact on financial outcomes. The model allows flexibility to view various transaction levels (10, 15 and 20 swipes per month) and understand the impact of each.

The model analyzes three ways:

- 1) Current profitability of existing debit card program. (**Current Scenario**)
- 2) Impact of adding new debit rewards program with no new growth (**Plan A**)
- 3) Impact of adding new debit rewards program with forecasted growth. (**Plan B**)

This model supports various scenario analyses. By using Credit Union specific data and modifying program variables, the model defines specific financial outcomes and assists in finding the proper mix for each institution.

6.2 Pro-Forma Tables

6.2.1 SAFE CU Model Current Debit Card Costs

<u>Current DR Card Activity per Member - 100% Signature Based</u>					
Avg Gain per Trans	\$ 0.29	Avg Gain per Trans	\$ 0.29	Avg Gain per Trans	\$ 0.29
Avg # of swipes/ mo	10	Avg # of swipes/ mo	15	Avg # of swipes/ mo	20
Avg profit/mo	\$ 2.92	Avg profit/mo	\$ 4.38	Avg profit/mo	\$ 5.83
<u>Current DR Card Activity per Member - 100% PIN Based</u>					
Avg Gain per Trans	\$ 0.09	Avg Gain per Trans	\$ 0.09	Avg Gain per Trans	\$ 0.09
Avg # of swipes/ mo	10	Avg # of swipes/ mo	15	Avg # of swipes/ mo	20
Avg profit/mo	\$ 0.88	Avg profit/mo	\$ 1.32	Avg profit/mo	\$ 1.77
<u>Current DR Activity per Member - 50% Signature & 50% PIN Based - Current Scenario</u>					
Avg Gain per Trans	\$ 0.19	Avg Gain per Trans	\$ 0.19	Avg Gain per Trans	\$ 0.19
Avg # of swipes/ mo	10	Avg # of swipes/ mo	15	Avg # of swipes/ mo	20
Avg profit/mo	\$ 1.90	Avg profit/mo	\$ 2.85	Avg profit/mo	\$ 3.80

6.2.2 SAFE CU Model No Growth paying Dividends/Matching (Scenario A)

Plan A					
<u>New DR Card Plan - Assuming 50% Signature & 50% PIN Based Usage Per Member</u>					
(New program will match: 5% of DR card transaction round ups		Using dividend rate of: 5%			
Avg Gain per Trans	\$ 0.19	Avg Gain per Trans	\$ 0.19	Avg Gain per Trans	\$ 0.19
Avg # of swipes/ mo	10	Avg # of swipes/ mo	15	Avg # of swipes/ mo	20
Average trans round up	\$ 0.50	Average trans round up	\$ 0.50	Average trans round up	\$ 0.50
Avg per trans CU match	\$ 0.025	Avg per trans CU match	\$ 0.025	Avg per trans CU match	\$ 0.025
Avg mo dividend exp	\$ 0.02188	Avg mo dividend exp	\$ 0.03281	Avg mo dividend exp	\$ 0.04375
Plan A avg profit/mo	\$ 1.6281	Plan A avg profit/mo	\$ 2.4422	Plan A avg profit/mo	\$ 3.2563
Current Scenario/mo	\$ 1.9000	Current Scenario/mo	\$ 2.8500	Current Scenario/mo	\$ 3.8000
Plan A vs. Current/mo	\$ (0.2719)	Plan A vs. Current/mo	\$ (0.4078)	Plan A vs. Current/mo	\$ (0.5438)
<i>Plan A per trans gain/loss</i>	\$ 0.1628	<i>Plan A per trans gain/loss</i>	\$ 0.1628	<i>Plan A per trans gain/loss</i>	\$ 0.1628
Avg member savings	\$ 5.00	Avg member savings	\$ 7.50	Avg member savings	\$ 10.00
Avg member addtl benefit	\$ 0.27	Avg member addtl benefit	\$ 0.41	Avg member addtl benefit	\$ 0.54
Annual member gain	\$ 63.26	Annual member gain	\$ 94.89	Annual member gain	\$ 126.53
5 yr member gain	\$ 316.31	5 yr member gain	\$ 474.47	5 yr member gain	\$ 632.63
<u>CU Breakeven to Current Scenario</u>					
Addtl trans needed	1.67	Addtl trans	2.51	Addtl trans	3.37

6.2.3 SAFE CU Model 25% Growth paying Dividends/Matching (Scenario B)

**DR Card Modeling - Monthly Activity plus
Plan B**

25%

 increase in # of trans

New DR Card Plan - Assuming 50% Signature & 50% PIN Based Usage

(New program will match: 5% of DR card transactions		Using dividend rate of: 5%	
Avg Gain per Trans	\$ 0.19	Avg Gain per Trans	\$ 0.19
Avg # of swipes/ mo	12.50	Avg # of swipes/ mo	17.50
Average trans round up	\$ 0.50	Average trans round up	\$ 0.50
Avg per trans CU match	\$ 0.025	Avg per trans CU match	\$ 0.025
Avg mo dividend exp	\$ 0.02734	Avg mo dividend exp	\$ 0.03828
Plan B avg profit/mo	\$ 2.0352	Plan B avg profit/mo	\$ 2.8492
Current Scenario /mo	\$ 1.9000	Current Scenario /mo	\$ 2.8500
Plan B vs. Current/mo	\$ 0.1352	Plan B vs. Current/mo	\$ (0.0008)
<i>Per Trans gain/loss</i>	\$ 0.1628	<i>Per Trans gain/loss</i>	\$ 0.1628
Avg member savings	\$ 6.25	Avg member savings	\$ 8.75
Avg member add'l benefit	\$ 0.34	Avg member add'l benefit	\$ 0.48
Annual member gain	\$ 79.08	Annual member gain	\$ 110.71
5 yr member gain	\$ 395.39	5 yr member gain	\$ 553.55
<u>CU Breakeven to Current Scenario</u>			
Add'l trans needed	(0.83)	Add'l trans	0.00
		Add'l trans	0.85

6.2.4 SAFE CU Model Summary Current Scenario/A/B

DR Card Modeling - Monthly Activity <i>SAFE Credit Union - Pilot CU</i>	# of Debit Card Users:			
		<u>10 Swipes</u>	<u>15 Swipes</u>	<u>20 Swipes</u>
<u>Current Scenario</u>	Avg Mo Profit/Member	\$ 1.9000	\$ 2.8500	\$ 3.8000
	Total CU Profit	\$ 97,176	\$ 145,763	\$ 194,351
<u>Plan A = Current + New Program, No Growth</u>	Avg Mo Profit/Member	\$ 1.6281	\$ 2.4422	\$ 3.2563
	Total CU Profit	\$ 83,270	\$ 124,906	\$ 166,541
<u>Plan B = Plan A + Modeled Growth</u>	Avg Mo Profit/Member	\$ 2.0352	\$ 2.8492	\$ 3.6633
	Total CU Profit	\$ 104,088	\$ 145,723	\$ 187,359
	Current vs. Plan A	\$ (13,905)	\$ (20,858)	\$ (27,810)
	Current vs. Plan B	\$ 6,913	\$ (40)	\$ (6,992)

Current Assumptions:

- 50% PIN based, 50% Sig based
- Average gain of \$0.19/transaction.
- 25% growth in # of transactions
- Average "roundup" of \$0.50/transaction.
- CU match of 5% of "roundup" amount
- Dividend rate of 5%

7 Marketing Analysis

7.1 Market Analysis

The i3 Incubator team solicited other i3 credit unions to survey their members about the desire to save and the willingness to enroll in a debit card savings program. Approximately 1,000 corresponding members replied to the survey and the numbers were consistently in favor of a desire to save and enroll in a debit card savings program.

88.9% indicated they weren't currently saving enough.

69.1% sighted "an easy and painless way to save" as one of the most attractive features of a debit card savings program.

69.4% of respondents indicated "they couldn't think of anything that would prevent them from enrolling" in a debit card savings program.

87.1% indicated that "having my Credit Union match a portion of the savings" was the most attractive feature of a debit card savings program.

87.3% of all respondents said they would use their debit card more frequently as a result of this proposed program.

This analysis, based on survey data spread across a wide segment of credit union members, we believe, indicates that the program could be effectively marketed to a majority of members that have a checking account.

7.2 Target Market

The U.S. savings rate declined to near zero in 2004, and fell even further in 2005 to - 0.5%, a rate so low it has not been seen since the Great Depression. Yet, until recently, low household savings has received limited attention from government officials, the press, and nonprofit organizations.

The neglect of household savings is especially troubling in low and moderate income households, since they have accumulated few assets that will allow them to survive financial crises and sustain levels of living into retirement. With no or low assets, these families have difficulty investing in a home, car, education, or a business that can help them improve their economic condition.

According to the Administration for Children & Families, an agency of the U.S. Department of Health & Human Services, more than 25% of American households are "asset poor", meaning the individuals and families have insufficient financial resources to support them at the poverty level for three months (during a suspension of income). It is against this very serious backdrop that the idea of establishing a "Debit Card Savings program" was born. The target market then is any member, even those of modest means, who would like to save a portion of their spending, and be rewarded through the application of credit union matching funds.

7.3 Product Naming

Multiple names for the product were considered and for purposes of the pilot it was determined to call the product "No Excuses Savings Club". Names were considered based on several criteria, foremost of which was that it should not include a reference to any existing debit card savings programs. Furthermore, it was decided that the name should indicate that the benefits to be derived were significant enough that the decision to "join" should not only be easy, but failure to do so was a lost opportunity.

8 Pilot / Implementation Strategy

8.1 Pilot Overview

A pilot project has been approved at a test credit union (SAFE). The purpose of the pilot is to actually develop and implement a debit card savings program and test the effectiveness of the program against employee members of the CU. Key Measurements for this pilot will be measured strictly on the "rounding" and matching capability.

8.2 Pilot Result Measurements

The following items, at a minimum, will be measured and reported on as part of the pilot effort:

- A) Ease of software development
- B) Ease of Enrollment
- C) Statement Effectiveness
- D) Adoption rates
- E) Cost offsets based on debit card usage
- F) Member satisfaction

8.3 Pilot Product Design

8.3.1 Rounding

The initial product design will be focused on the "rounding" capability. A batch software program will be written to examine debit card usage for enrolled members on a nightly basis. Each corresponding transaction will be captured and rounded to the nearest dollar and those additional rounded funds will be collectively summed to produce a nightly withdrawal/deposit amount (WDA). The WDA will then be pulled from the members associated checking account and deposited in the members standard share savings account. The account will have a higher deposit yield than the competition (BofA). To avoid an overdraft situation, before the WDA transaction is made, a software routine will check for sufficient checking account funds. If funds are insufficient the WDA transaction for that day will not be made. At the end of the quarter, a separate batch job will be ran to calculate the total WDA savings made for that quarter and for the associated 5% credit union match. The results of that job will then be posted as an incentive dividend. The member's monthly statement will include all WDA checking/savings account transactions along with any earned/matching dividends.

8.3.2 Matching

For the pilot, an initial match will be offered at 100% for the first 45 days. Since the Pilot is planned to last for only 90 days, the 100% match will be in effect for the first half of the Pilot period. By measuring enrollment before and after the 90 days, a correlation study can be produced to determine the importance of the match to adoption rates.

8.3.3 Enrollment/Statements

In addition to creating the base product, other ancillary product support materials and processes will need to be developed. For the actual "rounding product" along with the higher yield savings account, specific disclosures will need to be created and account acceptance criteria established. An implementation process will need to be developed for enrolling members properly

within the core data processing system. That enrollment process must be built so that it will properly identify and feed the necessary information into the appropriate daily and monthly computer batch jobs. Furthermore, the monthly statement will need to be re-designed to incorporate the appropriate product transactions.

8.4 Pilot Implementation

The Pilot will be conducted using employee members at the test Credit Union. By using employees, the product can be evaluated and refined for effectiveness without the potential for negatively impacting the entire membership. As a result, the employees, as part of the pilot, will be asked and expected to provide feedback concerning the product's effectiveness and will be solicited for enhancements to improve the overall offering. In addition, the programming and legal/disclosure complexities for developing and deploying the product will be studied to determine the cost and complexity factors. All of these factors will be shared with the Filene Institute to help other Credit Unions decide if the product should and can be effectively deployed.

The estimated cost for implementing the Pilot should not exceed \$5.5K in initial investment (\$1K legal review, \$2K enrollment disclosure collateral development, \$2.5K statement revision) and will take approximately 5 months to complete. It must be understood and accepted by the Pilot credit union that this is truly a research and development effort and that the initial investment may not be recovered (if the Pilot or follow-on product offerings do not meet expectations). In addition to the initial costs, it is anticipated that 40 hours of internal programming time and 40 hours of product development effort (creating associated processes, disclosures, testing, and project management) will be required. Based on these factors, it is estimated that 60 days will be required to develop and launch the pilot and that another 90 days will be needed for product usage and related evaluation outcome. As a result, the Pilot will start April 1 of this year with a target completion date of September 1.

9 Appendix A Sample Member Disclosure



Dear Member Name:

Welcome to SAFE's Debit Card Savings Program. SAFE makes it easy to save each time you use your SAFE debit card for purchases. Additional deposits may be made in person at a SAFE branch or at a SAFE or CO-OP ATM that accepts deposits. And, you may set-up additional transfers in home banking. The more you save, the more dividends you earn with SAFE's tiered Share Savings Account.

The Debit Card Savings Program is subject to the following terms and conditions:

We will round up the amount of any debit card purchase made by you or any joint owner on your personal checking account to the next whole dollar amount, and transfer the amount in excess of the purchase price from your checking account to your savings account.

We aggregate the round up from purchases that post to your checking account each day and make a single transfer (labeled Debit Card Savings Transfer) at the end of each day. If you do not have sufficient available funds in your checking account, or if any transaction has overdrawn your checking account, we do not round up purchases posted on that day and we do not post a Debit Card Savings Program transfer for that day.

If your debit card purchase is subsequently cancelled or reversed, the corresponding Debit Card Savings Program transfer will remain in the savings account. We may cancel the Debit Card Savings Program at any time. Program features are subject to change without notice. Debit cards must be linked to your SAFE personal checking account.

If you have any questions about the program, please contact SAFE's Call Center at (916) 979-SAFE within greater Sacramento or (800) SEE-SAFE outside the Sacramento area.

Thank you for banking at SAFE.

Sincerely,

Scott Vaughn
Visa Product Manager

10 Appendix B Survey Results

Results Summary

Export...

View Detail >>

Filter Results

To analyze a subset of your data, you can create one or more filters.

Add Filter...

Total: 941

Visible: 941

1. New Debit Card Program

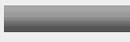
1. Do you think you save enough?

		Response Percent	Response Total
Yes		11.2%	105
No		88.9%	830
Total Respondents			934
(skipped this question)			7

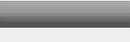
2. Outside of a home, car, vacation, retirement, or the holidays what do you typically save money for?

		Response Percent	Response Total
Education		26.1%	239
Purchases for the home (i.e., furniture, electronics)		43.6%	400
Home Improvements		40.1%	368
Entertainment		35.1%	322
Other (please specify)	View	24.4%	224
Total Respondents			917

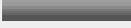
(skipped this question)	24
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3. If you think you're not saving enough, what is it that makes saving money difficult for you?			
		Response Percent	Response Total
Budget is too tight and I can't afford it.		66.5%	585
Forget to make deposits to savings.		27.7%	244
Too difficult to set up automatic savings deposits.		5.3%	47
<input type="button" value="View"/> Other (please specify)		11.5%	101
Total Respondents			880
(skipped this question)			61

2. Debit Card Savings Program - Options

4. Which debit card savings option appeals more to you?			
		Response Percent	Response Total
Rounding up purchases to the nearest dollar and moving that "spare change" amount from your checking account into a savings account.		78.2%	657
Saving a percentage of the purchases you make (by moving that percentage		24.5%	206

from your checking into your savings).			
Total Respondents			840
(skipped this question)			101

5. Which of these debit card savings options would be easier to manage and keep track of?			
		Response Percent	Response Total
Rounding up purchases to the nearest dollar to be deposited to a savings account.		81%	680
Saving a percentage of the purchases you make to be deposited to a savings account.		20%	168
Total Respondents			839
(skipped this question)			102

6. If you used a debit card savings program based on a percentage of your purchases, how much would you be willing to save?			
		Response Percent	Response Total
1%		13.4%	111
2%		15.3%	127
3%		13.8%	115
4%		4.7%	39
5% or higher		34.7%	288
Would not use		17.2%	143
View Other (please specify)		3.2%	27

Total Respondents	831
(skipped this question)	110

3. Debit Card Savings Program - Features

7. What features would make a debit card savings program most attractive to you? (Check all that apply)			
		Response Percent	Response Total
	Easy and painless way to save.	69.1%	560
	Having my Credit Union match some portion of savings.	87.1%	706
	Access to higher yielding accounts not otherwise available to me.	47.8%	388
	A way to ensure ongoing, regular savings.	57.8%	469
	Receiving emails from my Credit Union updating me on my saving progress.	49.2%	399
<input type="button" value="View"/>	Other (please specify)	2.2%	18
Total Respondents			811
(skipped this question)			130

8. How would you most like to utilize these savings? (Check all that apply)			
		Response Percent	Response Total
	Investing in high yielding CD (with no minimum balance) to accumulate savings over time.	48.6%	390

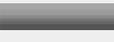
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Debit Card Savings Program Business Plan
April 2006

Additional payoff of existing loan.		38.6%	310
Savings for my child.		32.4%	260
College saving.		29.3%	235
IRA Contributions/Retirement saving.		39.5%	317
View Other (please specify)		10.2%	82
Total Respondents			803
(skipped this question)			138

9. Would you use your debit card more frequently if this type of program were offered?

		Response Percent	Response Total
Yes		87.3%	703
No		12.9%	104
Total Respondents			805
(skipped this question)			136

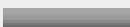
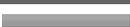
10. What would prevent you from enrolling in a debit card savings program? (Check all that apply).

		Response Percent	Response Total
Can't afford to save money.		13%	105
Don't use or have a debit card.		2.5%	20
Too much work to track the savings.		10.3%	83
Don't understand how the program would work.		11.8%	95
I can't think of anything that would prevent me from enrolling.		69.4%	559
View Other (please specify)		5.7%	46

Total Respondents	806
(skipped this question)	135

11. What other ways could your Credit Union help you save more?	
View Total Respondents	143
(skipped this question)	798

4. Demographics

12. Please select your age range.			
		Response Percent	Response Total
18-25		10%	80
26-35		32.4%	260
36-45		26.5%	213
46-55		20.8%	167
56-65		8.8%	71
Over 65		1.9%	15
Total Respondents			803
(skipped this question)			138

13. Sex			
		Response Percent	Response Total
Male		32.5%	259
Female		67.8%	540
Total Respondents			797
(skipped this question)			144

14. Total Household Income			
		Response Percent	Response Total
\$0 - \$20,000		6.6%	52

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Debit Card Savings Program Business Plan
April 2006

\$20,001 - \$45,000		32.8%	259
\$45,001 - \$75,000		35.4%	279
\$75,001 - \$100,000		16.9%	133
\$100,001 - \$150,000		7.6%	60
More than \$150,000		1.5%	12
Total Respondents			789
(skipped this question)			152

15. What State do you currently live in? (Please use 2 letter abbreviation if possible, i.e. CA, NY, IA)		
View Total Respondents	796	
(skipped this question)		145

16. What is your current zip code?		
View Total Respondents	780	
(skipped this question)		161

17. What Credit Union(s) do you belong to?		
View Total Respondents	752	
(skipped this question)		189