



2016 Iowa Innovation Group

Key Insights

An overview of the latest innovations to help Iowa credit unions and their members

November 2016

EXECUTIVE SUMMARY

For the fourth consecutive year, the Iowa Credit Union League and Filene Research Institute partnered to replicate the renowned Filene i³ innovation program for the benefit of Iowa credit unions and their members. Sixteen employees from credit unions and system organizations collaborated over the course of six months to develop innovative concepts that solve challenges faced by Iowa consumers and credit unions. These concepts were introduced at the September 2016 Iowa Credit Union Convention in Cedar Rapids through each team's five-minute pitch during the keynote session:

- **CU Save Up** is an app-based resource that helps young adult consumers set financial goals, learn how to achieve them, and rewards them for progress along the way. Quizzes reinforce financial literacy and provide fun awards that members can enjoy.
- **One Dollar at a Time** turns savings into a habit by leveraging retail point of sale devices. Each time a participating credit union's debit card is used, the member is prompted on screen to transfer a small amount of money to a designated savings account.
- **The Savings Circle** facilitates savings among a group of friends or relatives similar to the *tandas* that are common throughout Latin America. Participants agree to contribute a set amount of money every week or month and at each interval one person from the group receives the accumulated funds.
- **Welcome Home Savings** helps immigrants save toward a down payment for their first home. Participating credit unions match a portion of the member's down payment savings in return for a commitment that the member will use the credit union for their mortgage and other products.

The concept documents that follow provide a summary of each team's idea, a description of the prototype they built, prototype test results and recommendations for next steps toward commercialization. These ideas are at the front end of the innovation process and will require further development and testing before they are market ready. The Iowa Credit Union League will provide updates as these ideas continue to develop. In the meantime we welcome your thoughts on how to take these ideas to market and invite you to share your interest in being a part of ongoing prototype testing.

The Iowa Innovation Group will continue to invest in innovation on behalf of and for the benefit of all credit unions in Iowa. As we look toward a fifth year of this initiative, we invite your credit union to participate in creating a better consumer finance model for Iowa's consumers.



CONCEPT DOCUMENT

CU Save Up

TEAM FILENE 4

Amanda Ketelsen, Ascentra Credit Union

Nick Mundorf, Linn Area Credit Union

Nikki Nelson, Integrus Credit Union

Kyle Sommers, Collins Credit Union

PROBLEM DEFINITION

Although the concept of gamification is nothing new, the success of Pokémon GO is an excellent example of how the gamification and app based technology can be implemented to appeal to a variety of audiences. It is safe to say we all know someone who is seeking the elusive Pikachu. That is why we chose to capitalize on the popularity of gamification to help the next generation of credit union members achieve their financial goals.

Problem Statement: How might we educate 16-24 year olds to better position themselves for future financial goals? Through our research, millennials make up a quarter of our population and through a survey we identified that a majority of millennials are living paycheck to paycheck. The ease of credit card use and other temptations that involve spending money make saving for future goals difficult. Furthermore, we are seeing an increase to college tuition costs as well as increased student debt after graduating from college.

INNOVATIVE SOLUTION

Before you say, “Ok, it is another money savings app, there are tons of them out there,” let us explain how we are different.

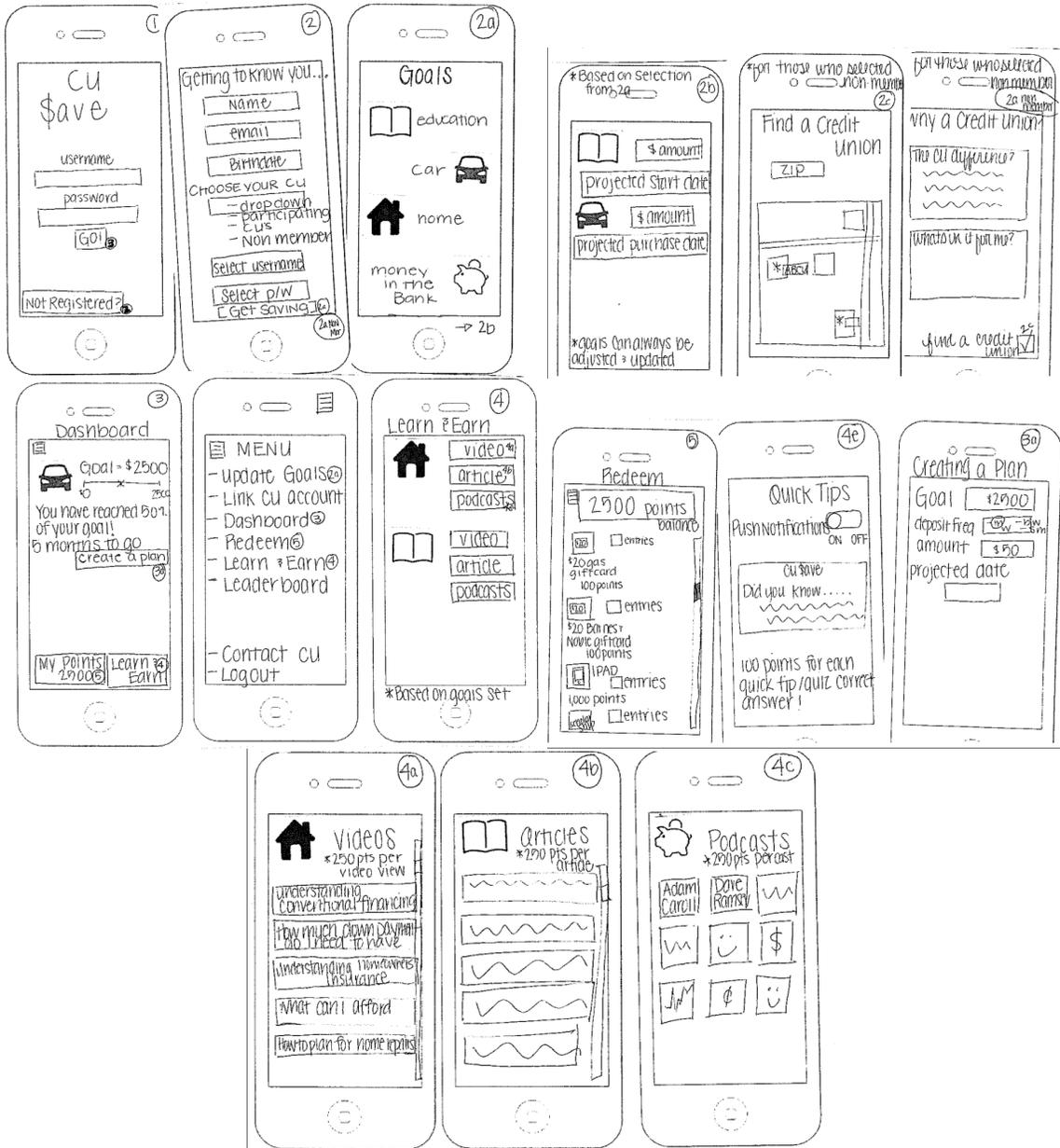
Our app is geared towards members aged 16 to 24, but we’d like to think of it as a resource base that involves quizzes, leaderboards, and turning in earned points for a chance at winning a drawing revolving around the user’s specific goal. When one plays basketball or a board game aimed at increasing knowledge or a skill set, the competitive nature comes out and it tends to be more enjoyable than running on a treadmill, forced exercise, or doing required homework in school. The members utilizing the CU Save Up app will be learning within a fun environment, which increases their likelihood to succeed.

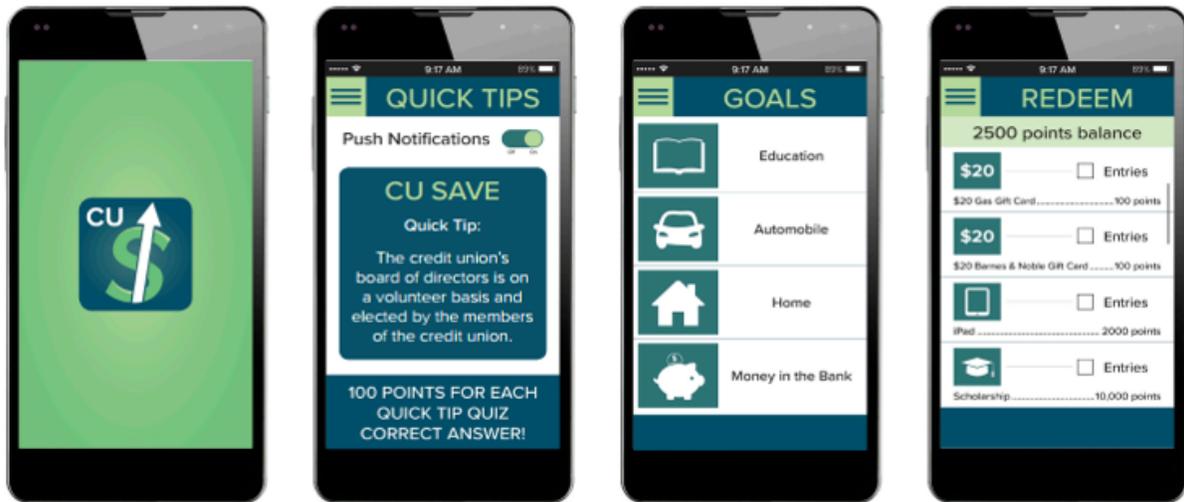
We indicated common themes that this age group is saving up for: Savings, Home Buying, Car Buying, and Educational expenses. Through the games, quizzes, and resources available users earn points depending on their involvement and how well they do on the quizzes and push notifications to their smart phones. With these points, a member can dictate what type of prize they would like to be eligible for. If a member has more than one goal, they can redeem their points for chances at other drawings pertaining to the goal they are saving for.

PROTOTYPE

We began the prototyping process utilizing post it notes to create a flow chart as to how end users would navigate through the features of the app. For testing purposes, we felt as though a more realistic hands-on feel would be beneficial for gaining feedback. Using an iPhone image template, we then completed a sample of each app page and coded them so those testing would know what screen each tap would take them to next. We then had a designer create an even more realistic look to three of our main feature screens.

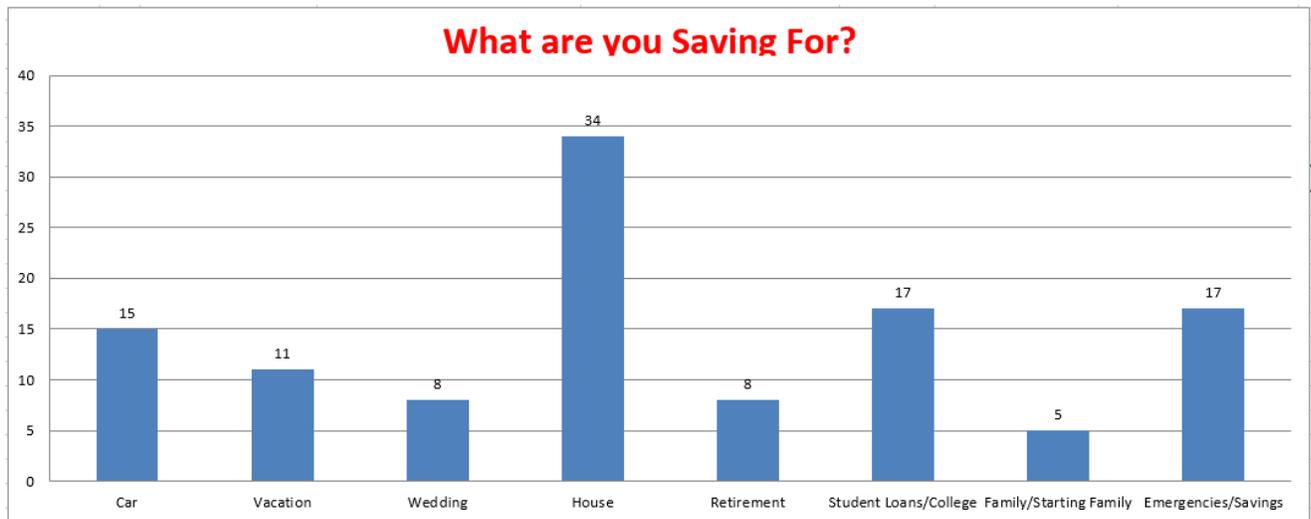
See below the images and progression of our prototyping:





TESTING AND RESULTS

We began our testing by first surveying co-workers, family, and friends in our designated age bracket of 16 to 24-year old's. We wanted to determine what it is that this group of members were most interested in learning about which gave us insight on what savings goals to highlight in our app. See the below graph with results leading to the top four savings goals of savings, education, home buying, and automobile purchases:



Using our coded iPhone template prototype we once again asked our co-workers, family, and friends to simulate personal usage of the app and requested they gave us their feedback on their experience. Two specific questions we asked testers were How likely would you be to download this app, and how often do you think you would utilize the app? Responses concluded that 10.5% were not likely to download, 36.8% were somewhat likely to download, and 52.7%

were very likely to download the app. In addition, 9.5% would rarely use the app, 23.8% would use the app monthly, 66.7% would use the app weekly, while 0% would use the app daily.

OPERATIONAL AND IMPLEMENTATION CONSIDERATIONS

With the CU Save Up app, we hope to partner with the Iowa Credit Union League (ICUL) and other credit union leagues to manage the app. This would allow members within the state of Iowa and the other leagues to win prizes, and have publishing rights. The prizes and number of prizes would be randomly selected, dependent on the number of credit unions and members that have downloaded the app and are participating. This will free up resources at participating credit unions and these automated processes will make the implementation stress-free.

The credit union leagues would also have more access to the educational pieces that we will be reliant on when it comes to push notifications, video quizzes, and additional resources. This partnership would allow us to explain the differences between credit unions and banks, further enhancing our relationships with our membership.

Once a credit union and a member is onboard, the member will be able to select their primary credit union and link their accounts and goals together on one screen. This will allow the implementation process to be beneficial to the member utilizing our app, as they will be able to identify all accounts in one place and determine how close they are to reaching their individually set goal.

FINANCIAL CONSIDERATIONS AND PROFORMA

With the CU Save Up app, there will be implementation costs associated with startup. These costs include training, marketing materials, and granting access to the credit union's membership. Costs would be determined by the number of members participating in the app. We would be interested in conducting an initial trial for credit unions to determine if the app would be beneficial. This would also allow us to determine appropriate costs based on the number of members participating within the first six months. After completing the trial, the credit union would pay an annual subscription.

During the trial, and on an ongoing basis, we would be able to provide training to help credit unions identify how many members are actively utilizing the app and their frequency. The marketing materials (emails, direct mail pieces, and in-branch signage) would be available to their membership to let them know about the app. The internal data on the back-end will be beneficial and allow credit unions to monitor how many goals are achieved. The data also allows for different touchpoint opportunities to help the membership along their way to goal achievement.

COMMENTS, NEXT STEPS, AND CALL TO ACTION

The next steps in developing the CU Save up app is to work with an app developer to bring our app to life. A central entity would need to be designated to maintain the app and rewards system as well as keeping the educational pieces updated and fresh.

We would like to ask for the support of Iowa Credit Unions and the Iowa Credit Union League to join together in this cooperative and progressive initiative to better educate our members and be their partner in achieving their goals.

We want to help our members obtain a brighter future and in the process, we will reduce delinquency, lower the credit union's average age, increase the millennial market share and help credit unions secure more loans. We will need some help getting our app off the ground, but we feel it is a concept that should be pursued further and incorporated into our organizations.



CONCEPT DOCUMENT

One Dollar at a Time (ODAT)

TEAM MEMBERS

Corey Cook, Financial Plus Credit Union
Josh West, Greater Iowa Credit Union
Lisa Heath, First Class Community Credit Union
Melissa King, DUPACO Credit Union

PROBLEM DEFINITION

About 38 million American households are living paycheck to paycheck; 50% of Americans would not be able to cover a \$500 emergency and 25% would not be able to cover a \$100 emergency.¹ The glaring statistics indicating how many consumers are not saving are astounding.

We see it every day in our branches. Members will have a negative balance in their checking account; they will ask to borrow money for rent or monthly bills; they are hit with an expensive vehicle repair and cannot afford to fix their car; they have a death in the family which causes a drop in their overall income; the list goes on. You may have experienced this first-hand, had a loved one go through it or assisted a member in need during a financial hardship.

America is facing a financial epidemic. What are we going to do about it? How can we help our members prepare for a better, more financially stable tomorrow? How are we going to partner with our members to streamline savings? Team Whoopsie Wooooos is proud to present a simple solution to our members' problems with One Dollar at a Time, otherwise known as ODAT.

INNOVATIVE SOLUTION

One Dollar at a Time is an innovative solution that forces members utilizing credit union based debit cards to be cognizant of when they spend money, they should save money. Our solution to the mounting number of consumers without saving accounts is to develop a debit card processing system that will allow a consumer to transfer money to a designated share account for financial emergencies or goals. Each time a credit union debit card is swiped (or inserted for chip purposes) the consumer will be prompted to indicate whether or not they would like to transfer funds to a designated account.

The establishment of this solution would require the member to enter into an S.M.A.R.T. goal or a "specific, measureable, achievable, real/relevant/relatable, timely goal" of their own design. We have developed a simple contract located in Appendix A that outlines the member's goal, the penalties he/she will receive if access to the funds is requested prior to him/her accomplishing his/her goal, and an acknowledgement section. The account will be inaccessible for overdraft purposes. The decision to pay dividends on these designated accounts will be up to the servicing credit union.

Today, there are products such as Bank of America's "Keep the Change" or Wells Fargo's "Way2Save" that are similar to our solution. However, these products do not hold the impulsion to make the consumer save. The saving accounts these funds are transferred to are easily accessible by the consumer, preventing the ultimate goal of saving for that "rainy day". Another difference is when the actual savings occurs; our users will be able to physically choose if they want to save, making them aware of their spending versus saving habits. Each time they use their debit card, they are being forced to acknowledge the option to save. Our expectation is

¹ 23 Dizzying Average American Savings Statistics

that the consumer would be more conscious of their spending habits. As consumers, we need to focus on investing in our needs and futures versus our wants.

PROTOTYPE

Utilizing our marketing and design connections, we had a prototype developed that would simulate a consumer using their debit card at a POS terminal. As the member would move through the transaction they would have the capability to transfer to a designated savings account, the amount to transfer, and the final screen to review the totals (purchase and transfer). You may view our prototype located in Appendix B, page 8.

While developing the prototype we pushed out a more basic POP! prototype to see how consumers would respond to a flat dollar transfer versus a percentage amount. We found that the flat dollar option was much more popular and thus created the final prototype with a fixed dollar transfer option.

TESTING AND RESULTS

Our first call to action was to poll consumers to weigh their ability to save, the ease of saving, and if they would use additional avenues to save if they were available. The results indicated that 70% felt that they did not have enough in their savings accounts. 46% believed that it is not easy to save with 75% of our surveyed asking for other outlets to save. (To review our results further, please refer to Appendix C.)

When our prototype was established we hit the streets and surveyed/videotaped consumers' reactions to our solution and prototype. We were able to speak with a diverse group of consumers in and out of the work environment.

For the most part our solution and prototype were widely accepted. Some consumers even asked where they could enroll into a program like this. This further deepened our tie to ODAT and we strongly believe that consumers will use this tool to save. Another aspect that was accepted was the inability for the consumer to be able to access the funds until their goal was obtained. Many consumers reiterated the fact that money was too easily accessible in a standard savings account. To make them held accountable to a goal that they set, would help them refrain from an early withdrawal.

OPERATIONAL AND IMPLEMENTATION CONSIDERATIONS

Team Whoopsie Woوو is looking to give today's debit card processing movement a face-lift. Our solution is innovative and will require a few large working pieces to implement, thus we have created a four step phase to ODAT.

Phase One: Push Notification/ SMS Messaging (Optional)

An initial phase that would be optional to credit unions would be the ability to send push notification emails or an SMS message whenever a participant's card is utilized. The notification would be simple and to the point such as:

Push Notification- "Thank you for using your [CREDIT UNION NAME] debit card. Please choose from the following options (\$1, \$3, \$5) to transfer to your ODAT Share Account."

SMS Messaging- "Thank you for using your [CREDIT UNION NAME] debit card. Please reply with 1 to transfer \$1, 3 to transfer \$3 or 5 to transfer \$5 to your ODAT Share Account."

Phase Two: ATM Terminals (partner thru Shazam, optional)

For credit union owned terminals we would ask that you would implement "offer" screens each time your members use your ATMs.

Phase Three: Partner with Facebook/Square/Android Pay/ Apple Pay

To ease into the debit card processing world, we intend to have a group of interested credit unions approach a small business card processing company to develop the initial idea of ODAT. Our credit unions serve the community and within our communities there are small business owners. Who better to promote our innovative solution than our members?

Phase Four: Partner with TMG, FIS, VISA/MasterCard

Our final goal is to transform the debit card process through the big players in this field. The idea of a CUSO handling the debit card processor platform is our ultimate goal. Every credit union would have access to this CUSO and thus would be able to offer their members the option to enroll into ODAT.

Credit unions will need to work with their compliance teams to establish a rate and fee schedule for the designated share account that the saved funds would fall into. They will need to determine the dividend rate (if applicable, but highly advised), early withdrawal penalty, and any other guidelines they would like to implement surrounding the program as a whole. Please refer to the mock account agreement located in Appendix A for review.

Training would need to be organized for any employee within your financial that can open new accounts to ensure full understanding of the program. While most of the transactional work will be completed "behind the scenes" it is important that this segment of the staff understand why the program is offered and what its intention is to their credit union member.

FINANCIAL CONSIDERATIONS AND PROFORMA

The cost of One Dollar at a Time will be dependent on a credit union's data processor. There will most likely be implementation fees for phase one, the push notifications/SMS messaging. Credit Unions will need to check with their data processors for the availability and contract pricing.

Phase two will require credit unions to review their contracts with their ATM providers. In Iowa, we can partner with Shazam to prepare and run a marketing campaign for \$125. Each ATM will have a participation fee, with one ATM starting at \$30 and 51 or more as little as \$11 per month.

The financial aspect of phase three and four will be dependent on how many credit unions will be on board. The more there are investing into this innovative idea, the more the cost will be spread out.

COMMENTS, NEXT STEPS, AND CALL TO ACTION

The One Dollar at a Time concept is the representation of the next evolution of POS systems.

Our next stage would be to collaborate together with the innovation of Facebook and Square to bring our concept to the wallets of our members. We need the partnership of 15-25 CU's to continue the mission of this concept. Today we ask- will you step up to help these 38 million households who are living paycheck to paycheck.

APPENDIX

Appendix A

[CREDIT UNION NAME/LOGO]



O.D.A.T. Agreement

MEMBER NAME _____
DATE _____

Welcome to O.D.A.T., the 21st way of saving!!!

We are glad to see you are taking the next step to improving your future financial stability. We are here to help you achieve your goals by offering a special savers account. You will be able to watch your savings grow as you utilize your [credit union name] debit card.

Please take a few moments to indicate your type of goal(s) you would like to work towards:

VACATION	EDUCATION	CAR- DOWN PAYMENT
RAINY DAY FUNDS	PERSONAL PURCHASE	HOME- DOWN PAYMENT

OTHER (PLEASE DESCRIBE): _____
Narrow your choices down to your most important and place it below.

I would like to save \$_____ to fulfill my _____ goal. I understand by signing below I will be assessed a fee of _____ if I wish to withdrawal my funds prior to reaching the above stated dollar amount. Upon completion of my goal, I further understand that I will need to contact [Credit Union Name] to have my funds transferred to my share account for access.

MEMBER SIGNATURE

DATE SIGNED

CU REPRESENTATIVE SIGNATURE

DATE SIGNED

Have extra money at the end of the month? Feel free to transfer it to your special saver share to meet your goal even faster!!

Appendix B

Slide 1:



Slide 2:



Slide 3:



Slide 4:



Slide 5:



Slide 6:



Slide 7:



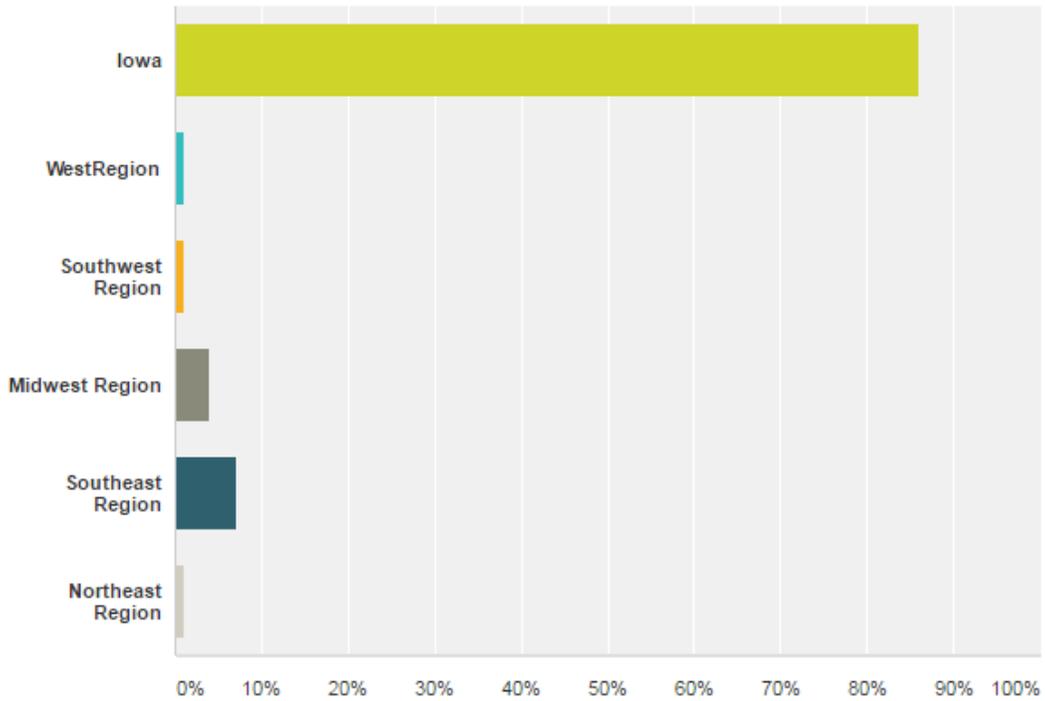
Slide 8:



Appendix C

Please select your region of residence

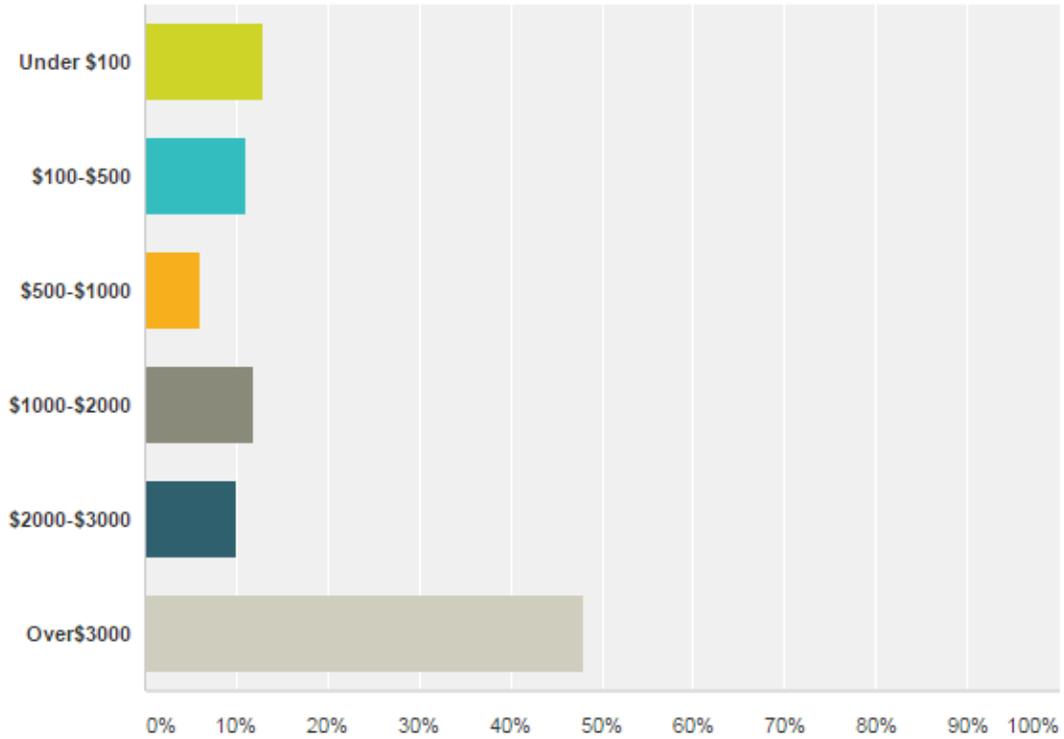
Answered: 100 Skipped: 0



Answer Choices	Responses
▼ Iowa	86.00% 86
▼ WestRegion	1.00% 1
▼ Southwest Region	1.00% 1
▼ Midwest Region	4.00% 4
▼ Southeast Region	7.00% 7
▼ Northeast Region	1.00% 1
Total	100

In case of an emergency, how much to you have in an accessible savings account?

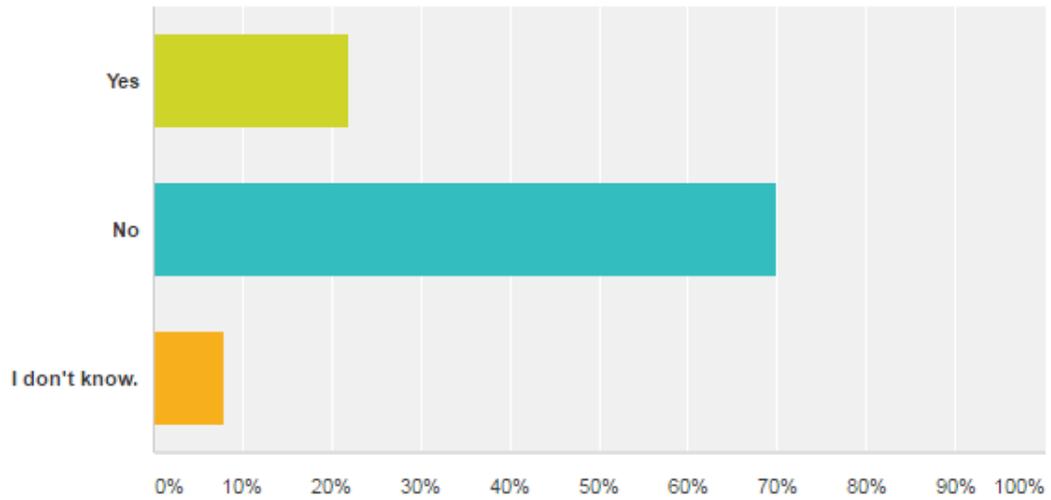
Answered: 100 Skipped: 0



Answer Choices	Responses
Under \$100	13.00% 13
\$100-\$500	11.00% 11
\$500-\$1000	6.00% 6
\$1000-\$2000	12.00% 12
\$2000-\$3000	10.00% 10
Over \$3000	48.00% 48
Total	100

Do you feel that you have a sufficient amount in savings?

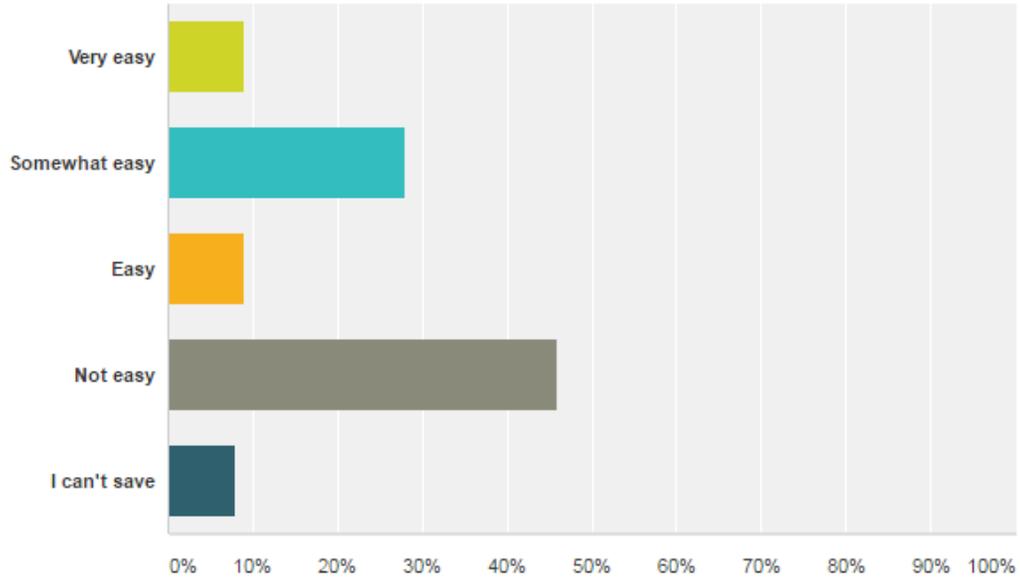
Answered: 100 Skipped: 0



Answer Choices	Responses
Yes	22.00% 22
No	70.00% 70
I don't know.	8.00% 8
Total	100

How easy do you feel it is for you to save?

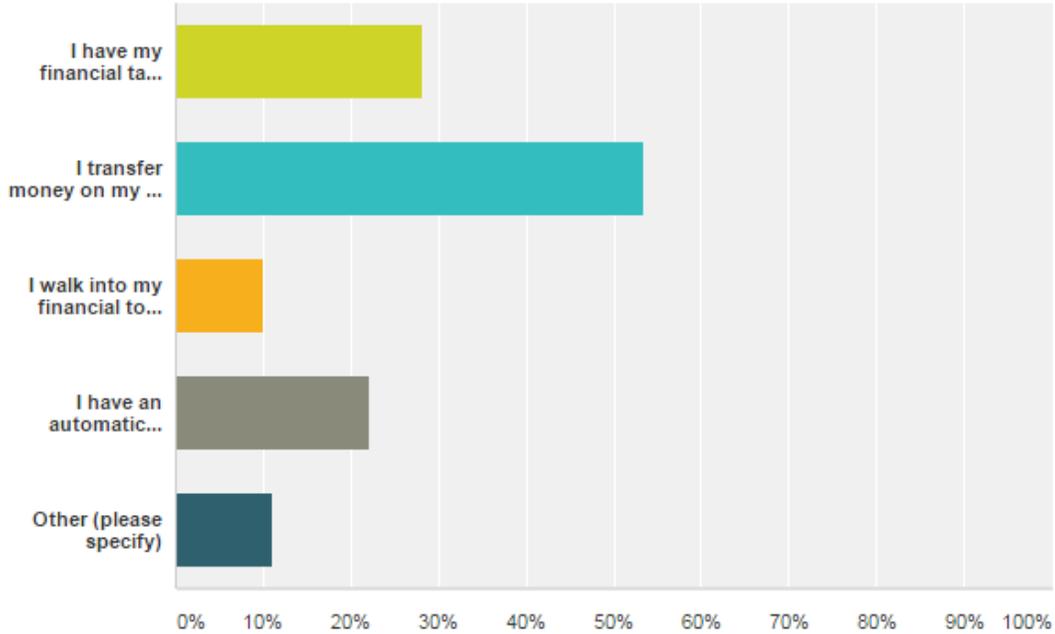
Answered: 100 Skipped: 0



Answer Choices	Responses
Very easy	9.00% 9
Somewhat easy	28.00% 28
Easy	9.00% 9
Not easy	46.00% 46
I can't save	8.00% 8
Total	100

How do you save?

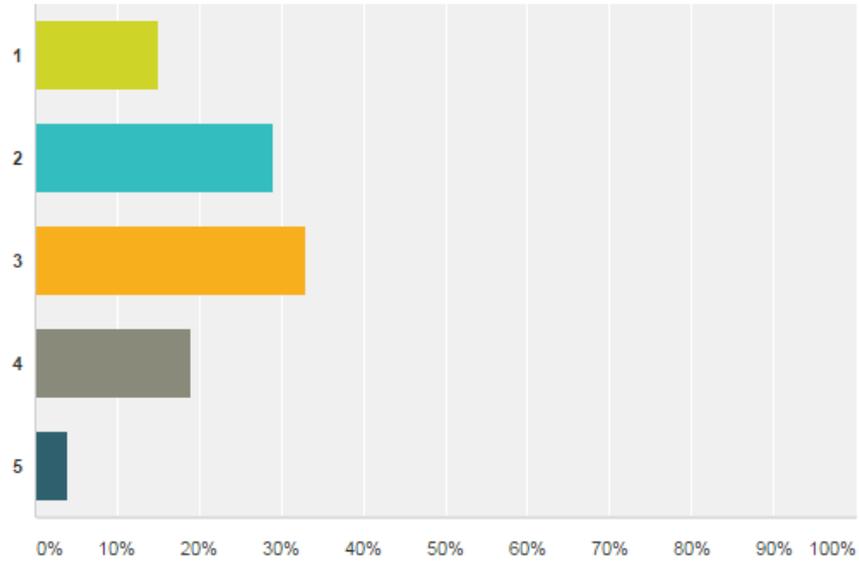
Answered: 99 Skipped: 1



Answer Choices	Responses
▼ I have my financial take a set amount out of each paycheck to put in my savings	28.28% 28
▼ I transfer money on my own through online services	53.54% 53
▼ I walk into my financial to put cash into my savings	10.10% 10
▼ I have an automatic transfer from my checking account to my savings on a regular basis	22.22% 22
▼ Other (please specify) Responses	11.11% 11
Total Respondents: 99	

How would you rate your ability to save? (1- I'm not a good saver, 5- I'm the world's best saver)

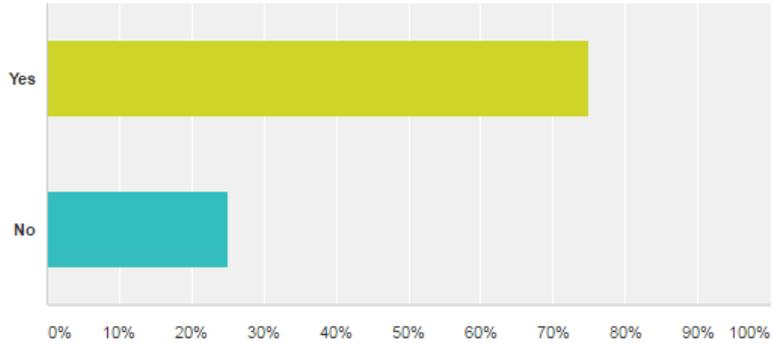
Answered: 100 Skipped: 0



Answer Choices	Responses
1	15.00% 15
2	29.00% 29
3	33.00% 33
4	19.00% 19
5	4.00% 4
Total	100

Do you wish you had another outlet to save without you realizing it?

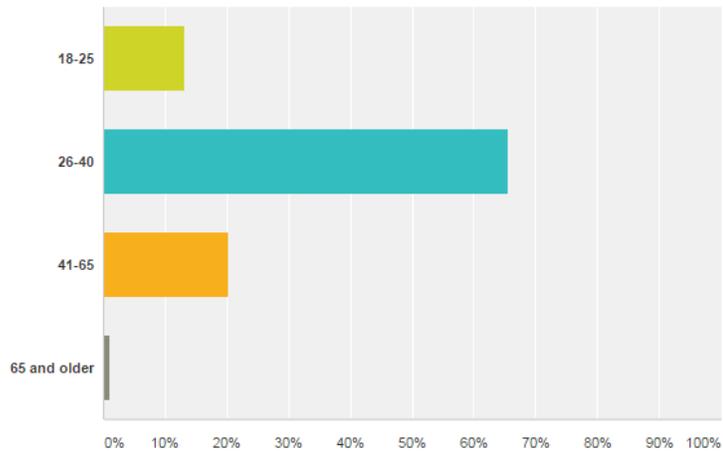
Answered: 100 Skipped: 0



Answer Choices	Responses	Count
Yes	75.00%	75
No	25.00%	25
Total		100

My age range is

Answered: 99 Skipped: 1



Answer Choices	Responses	Count
18-25	13.13%	13
26-40	65.66%	65
41-65	20.20%	20
65 and older	1.01%	1
Total		99



CONCEPT DOCUMENT

The Saving Circle

TEAM MEMBERS

Reba Carstens, IH Mississippi Valley Credit Union

Josh Madison, Nishna Valley Credit Union

David Suarez, Community 1st Credit Union

Christal Wing, Veridian Credit Union

PROBLEM DEFINITION

Hispanics are expected to make up almost one third of the US population by 2050². 16.8% of Hispanics in Iowa are underbanked and one in five lives at or below the poverty rate³. Credit Unions want to better serve their needs by providing services specific to their cultural background including savings and checking accounts, financial and credit education, payday loans and wire transfers.

How might we help Hispanics become more engaged in the banking world?

Providing services in a safe, family-oriented environment and in which the credit union is a trusted partner is key to meeting this need. This will result in increased memberships and therefore better and more credit options for the Hispanics to be financially successful. This means they are able to get pay day loans, car loans and mortgages.

To address this problem, the solution needs to be Hispanic-friendly; one that focuses on understanding the members needs as a Hispanic person who wants to do the right thing. They are working many hours for not a lot of pay, spending their free time with family and feeling insecure, stressed and confused.

INNOVATIVE SOLUTION

Individual Credit Unions will offer a Savings Circle option similar to the tandas they are familiar with in their home countries.

A Savings Circle is a group of friends or relatives who join together to save money. They agree to each contribute a set amount of money each week or month and at each interval, one person from the group gets the all of the money that was collected.

There will be a group administrator who must sign for each withdrawal along with one other member from the group.

This will be attractive to the Hispanic community because it something they have done before. It will show the Hispanics that the Credit Unions understand the family-oriented values of their culture and provide them a reason to join the credit union.

Once the relationship has begun, hopefully the depth of the relationship between the member and the credit union will grow. Many Credit Unions only require a matricula in order to open an account, so it would work for this group of Hispanics as well.

² U.S. Census Bureau July 1, 2015

³ U.S. Census Bureau, 2005-2009 American Community Survey

PROTOTYPE

Team Gumby created an online survey and in-house prototype Savings Circle. We opened a sub-account under one team member's account as a prototype to demonstrate how our Savings Circle works. In our prototype we used 1 dollar to represent 100 dollars, which is the minimum dollar amount for the real thing. 1 team member and two of their co-workers were the ones contributing to the Savings Circle. The Savings Circle would be a fairly simple process from a system standpoint to implement into a credit union.

We also built a survey on Survey Monkey which was sent out to current Iowa Innovation Group members, former Iowa Innovation Group members, and family/friends. We created a five question survey with a mixture of Yes/No questions and multiple choice questions. The five questions were as followed:

- Have you ever heard of a Savings Circle?
- Would you participate in a Savings Circle?
- What are benefits of joining a Savings Circle?
- What are the reasons to not join a Savings Circle?
- What are your thoughts and/or questions about this idea?

In addition to the survey and in-house test Savings Circle, we also interviewed several people who are Hispanic and who have participated in tandas previously. One interview was with a credit union employee. This interview was conducted over the phone and recorded. The other two interviews were in-person, and videotaped. The consensus amongst all of them is that they think this is a good idea and since the Hispanic community is already familiar with this idea, that they would be willing to try it at the credit union.

TESTING AND RESULTS

Team Gumby tested the survey with current Iowa Innovation Group members, former Iowa Innovation Group members, friends and family. We got 60 responses from our online survey. $\frac{3}{4}$ of the respondents have never heard of a Savings Circle before. This shows there is plenty of room for education on Savings Circle. Two of the biggest reasons the respondents would join a Savings Circle were the trust relationships with other members and the security in knowing the money will be there. The biggest reason for people not to join a savings would be that it does not accumulate dividends.

Both co-workers who helped out with the prototype thought that it was a good idea in theory but might need a few tweaks. One of them said that they didn't really see the benefit to it when they could just put aside their own money each month and come out the same. She went on to say it's a nice idea but it could use a few tweaks to the concept. The other co-worker likes the idea but thinks it works better in a later group than 3. It was explained that these are usually in bigger groups.

OPERATIONAL AND IMPLEMENTATION CONSIDERATIONS

While there are many things for a credit union to consider when evaluating the implementation of this solution, all of those that we have considered are not roadblocks:

1. What new account form adjustments need to be made? Expansions will need to be made to the signature and disclosures sections indicating the requirements of the account.
2. Are we/should we be staffed to serve the Spanish-only speaking members who will join the Credit Union? What is the local demographic makeup of area?
3. How can/should this idea be marketed? Should it only be marketed to Latinos? We recommend partnering with other Hispanic groups/organizations and grocery stores to advertise this product.
4. Will on-line access be allowed to these accounts? If so, it should probably only be for reviewing balances, because you wouldn't be able to require two signature on-line. And maybe because of that, you don't allow on-line access. This offering can be re-considered after the initial launch.
5. Are there concerns for any fraud with type of account? In checking with Risk Management departments, they feel that the use of monitoring systems such as Verafin should protect against fraud such as money laundering.
6. How do backend systems need to be configured to allow for these types of accounts with multiple owners? We have investigated the capabilities of the credit union backend systems and they are able to handle these accounts and the transactions related to them.
7. How do we ensure dividends are not paid due to lack of social security number so as to avoid 1099 reporting issues? Likely this will be handled through report flagging.
8. Does this product cause other disclosure or reporting requirements? Working with your legal department, they will be able to assist in knowing what these requirements are.
9. At what point do liquidity impacts to the Balance Sheet need to be considered? This would be on an individual Credit Union basis.
10. What are the impacts to the Finance Department in terms of their processes and reporting? This would be expected to be minimal.

FINANCIAL CONSIDERATIONS AND PROFORMA

The concept of Savings Circles is not new to the Latino community. Those who choose to join a Savings Circle group are passionate behind why they are doing it. These regular scheduled payments are paid before other obligations they have. There is an emotional tie to the commitment as the groups are usually made up of close friends and family. The Latino Community is close knit and their word to each other has great value. Each person has their own reasons for being a part of the circle and together they help each other succeed.

In many Hispanic countries, the financial industry is not seen as trust worthy. These circles are created in their own homes and managed by the same group of individuals. It works and creates security. When they move to America, they continue the Savings Circles without assistance from financials.

16.8 % of Hispanics are underbanked. The full array of financial products and services are not being utilized as there is security in cash in hand. Establishing saving circles allows the credit union industry to begin establishing trustworthy relationships with the Hispanic community.

These will be opened as non-interest bearing savings accounts so anyone with an ITIN or SSN can participate without restrictions. Each group will have a designated administrator who will help control and monitor the regular contributions and distributions. These savings accounts can be internally labeled, “Savings Circle” to help differentiate between other accounts the individuals may have at the credit union. These will not have ATM cards or share drafts attached to them initially as the distributions are controlled by the administrator. Distributions should be controlled with a signed document by two individuals, one being the administrator and any other participating party on the membership. These documents will help with any history clarification that may need to be done during the time the Savings Circle is open. This builds in accountability between the circle team and helps keep the credit union’s risk low. These accounts should not add significant cost to the credit union.

Marketing summary—The marketing plan can consist of many different facets.

- Marketing on posters need to be created to display at the branches, in the community such as Mexican grocery stores, churches or workplaces. The estimated time to create these is 5 hours at a cost of \$40 an hour with \$1000 in printing costs totals to \$1,200.
- A simple one page reference brochure explaining the Savings Circle can be used at the branches and shared in the community. The time to create these would be 10 hours at \$40 an hour plus \$1000 in printing costs totals to \$1,400.
- Advertising on the credit union’s website is important to reach individuals. The estimated time to create advertising would be 5 hours at \$40 an hour for a total of \$400.
- If there is room in the budget, billboards can be used to reach a target market as well. The estimated time to create it would be 10 hours at \$40 hour plus production of \$500 a board with a total of \$900. Having these placed outside would average \$1,300 for a 4 week flight.
- If there is a larger budget available radio spots would be ideal to market specifically to our Hispanic market. Production costs are estimated at \$1,500-\$2,000 for a two week schedule.
- TV spots would be an extra bonus and could cost \$10,000-\$40,000 for a campaign.

COMMENTS, NEXT STEPS, AND CALL TO ACTION

Creating a safe financial place for these Savings Circles to continue will help strengthen the credit unions relationship with the Latino community. This will give the credit union an ideal opportunity to help educate individuals on financial literacy and the many faucets the American industry has. As we build trust and help the individuals with their specific needs, we will unfold new opportunities to serve them fully. We can open new memberships with savings, share

draft, debit cards, on-line banking and mobile applications. With the new accounts, brings the opportunities for new loans from credit cards to car loans to home purchases.

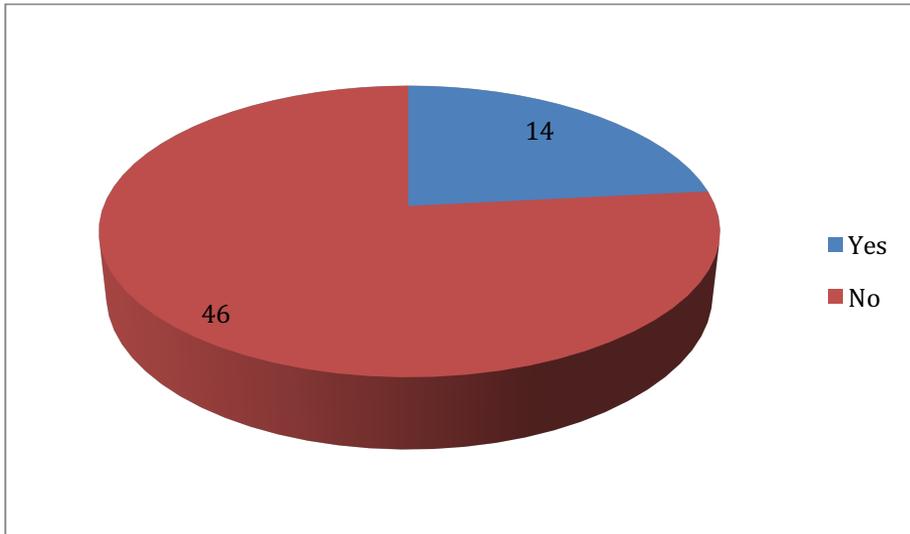
It's time for credit unions to serve a population waiting for their invitation to be served in a way they are familiar with. It's time to let go of the "money under the mattress" idea and create a safe environment for these Savings Circles to exist. We can build on these relationships by educating these individuals on our other product/services that can positively impact the rest of their lives. Everyone has goals, big or small, let's create great an opportunity to help take individuals to a new level. We ask you to consider how this Savings Circle can help impact your community and your members! Together, we can make a difference.

Credit unions foundations are built on people helping people and this allows credit unions to do that at a new level.

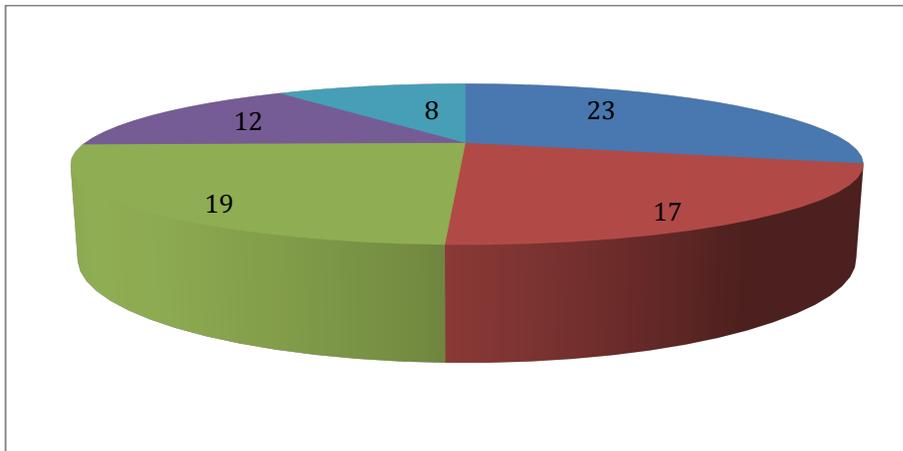
APPENDIX

Survey Results:

Have you ever heard of a Savings Circle?



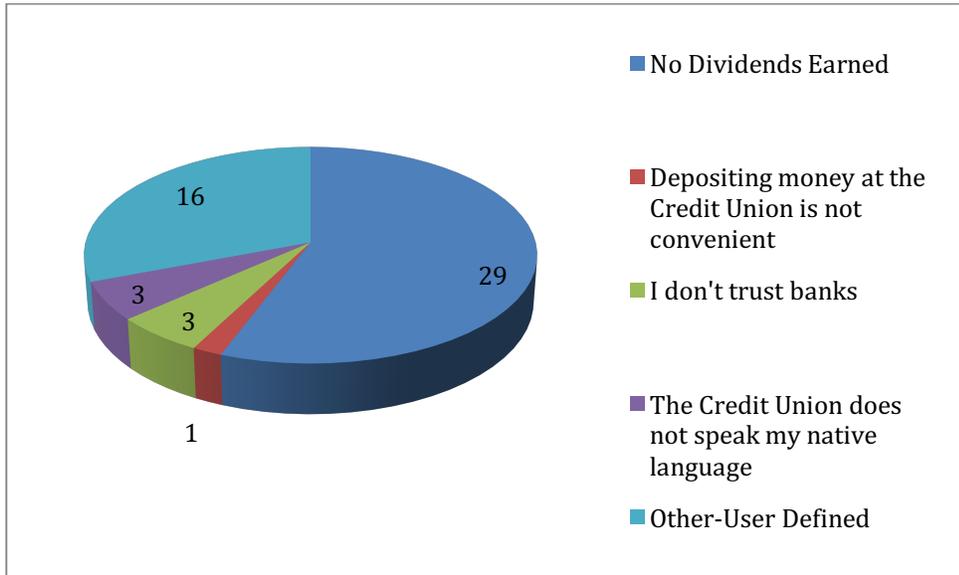
What are benefits to joining a Savings Circle?



Trusted relationship with other members	23
Security in knowing the money will be there	17
Easy to participate	19
A way to develop a relationship with a credit union	12
Other - User Defined	8

“In the sense of "fun" money. You would accumulate money in a painless manner and then have a lump sum used for something...maybe vacation or Christmas.”

What are reasons to not join a Savings Circle?



“I do fine saving on my own and don't really need the help. But I like the idea of helping others.”

“Accountability of everyone in the circle holding up their end of the program. Will my money be insured? Will I know the people in my circle to have a trusted relationship?”



CONCEPT DOCUMENT

Welcome Home Savings

TEAM MEMBERS

Abby Murray, North Iowa Community Credit Union
Leah Oneyear, Cedar Falls Community Credit Union
Jeremy Schrader, The Members Group
Alan Stalnaker, Veridian Credit Union

PROBLEM DEFINITION

Qualifying for a home mortgage for immigrants can be difficult, stressful and seem all around hopeless. Traditional mortgage financing requires at least 2 years of United States tax return documents. If an individual has migrated to the United States in the last two years, they may not have had enough time to build a credit history, making it difficult to apply for a traditional mortgage. Immigrants may qualify for an Individual Tax Identification Number (ITIN) Loan however; they would still be required to come up with the required Loan to Value (LTV) amount to qualify for a mortgage.

The Hispanic population is increasing throughout the United States. This demographic is coming here to live the American Dream: get a job, raise a family and buy a home. How might we make it easier to help an immigrant family save for a reasonable down payment on a mortgage loan? What can we do to jump start the home buying process for immigrants in preparation to buy their first home in America?

INNOVATIVE SOLUTION

The Welcome Home Savings is your pathway to homeownership; this is a savings partnership between you and mllGer Credit Union. The purpose of this savings plan is to help you save for a down payment on your first home in the United States. The expected timeframe to save up enough for a down payment is 36 to 60 months. A percentage of your funds saved will be contributed by mllGer credit union. All we ask is that you:

- Save regularly to your Welcome Home Savings.
- Take advantage of five credit union products/services.
- Commit to financing your home through mllGer Credit Union.

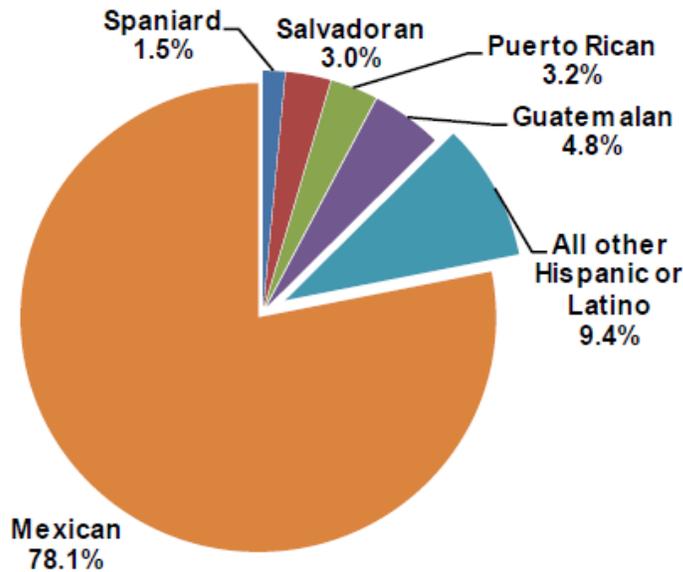
The Welcome Home Savings allows the member to save at a rate they are comfortable with and can afford. It gives them time to establish their credit history in the United States and build a relationship with their credit union in a timely fashion, all while saving to purchase a home to fulfill their American dream. Below is an example of what the Welcome Home Savings would look like for a member looking to purchase an estimated home value of \$100,000.00, including the amount contributed by their credit union and what it would take to save monthly to get to that point in approximately 48 months.

Member Snapshot	
Estimated Home Value	\$100,000.00
20% Down Payment	\$20,000.00
Member Down Payment Contribution	\$16,000.00
Credit Union Down Payment Contribution	\$4,000.00
Interest Rate	3.50%
Length of Loan (years)	30
Total Payments	360
Savings Plan Needed:	
# of Months to Save	48
Contribution Rate	2 Incomes (4 Deposits/Month)
Savings per month	\$83.33

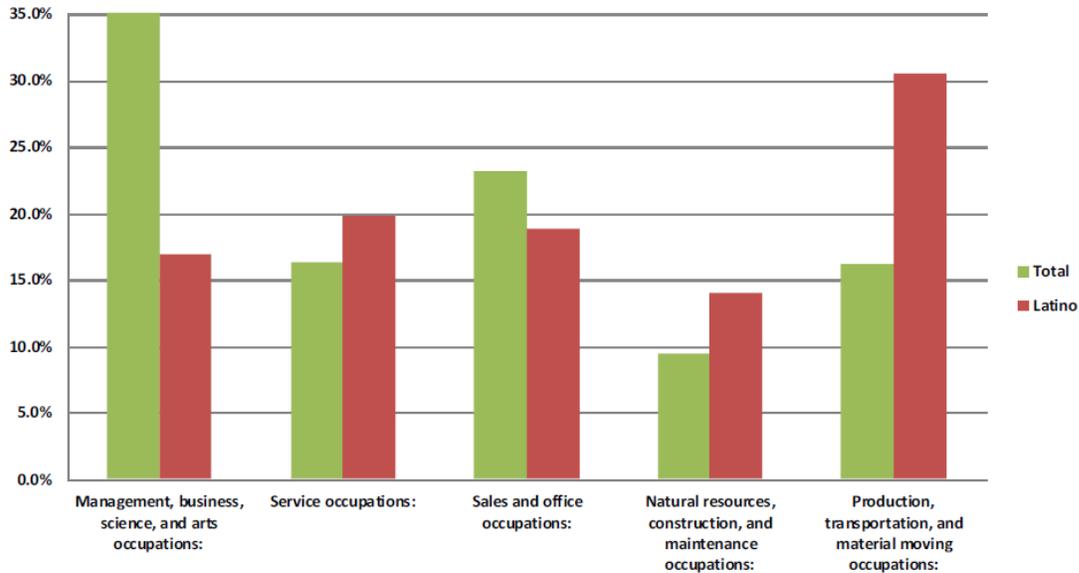
PROTOTYPE

The following surveys are courtesy of iowadatacenter.org and support our theory that the growing Hispanic population is alive and well in the State of Iowa, including the increase in employment of this demographic.

Hispanic or Latino Groups in Iowa: 2014



Employment by Occupation: 2014
(Percent of Population)



The graphic below gives an idea of what credit union members would receive through the Welcome Home Savings process via their monthly statement. It shows how much they have saved to date, the estimated amount of the credit union's contribution to date and the percentage of how close they are to their goal. The intention is to help them visually see their potential incentive for saving and give them an idea of how close they are to their overall goal.

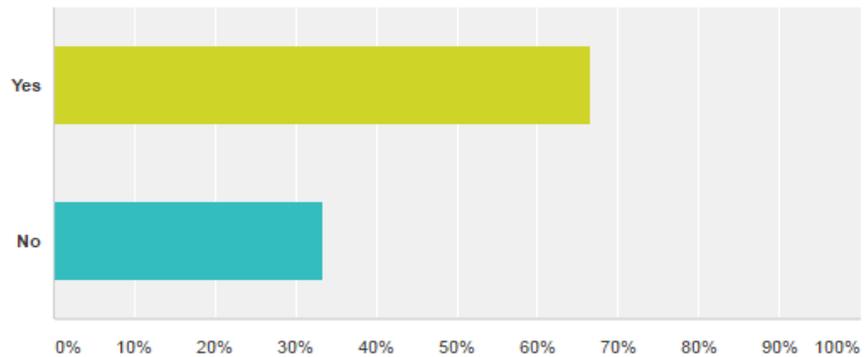


**The percentage of this particular member tracker represents how much the member has saved towards their goal.*

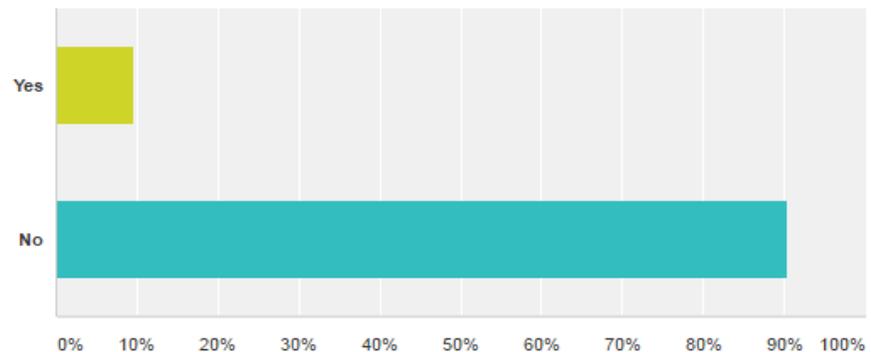
TESTING AND RESULTS

A survey was conducted via Survey Monkey and sent to credit union employees around the country to find out if there is a need and/or known program that would make home buying easier for immigrants. The survey results on the left support the fact that there is a need for a new or different process to provide an avenue for immigrants to come up with a reasonable down payment. The survey on the right depicts that there are not many known programs that will help immigrants come up with a reasonable down payment for a mortgage loan.

Do you feel there is a need for a new or different process to provide a reasonable down payment on mortgage loans for immigrants?
(n=21)



Are you familiar with any solutions that assist immigrants with a reasonable down payment for a mortgage loan?
(n=21)



Member Testimonial:

Michel B., an immigrant from Waterloo, IA says, “This kind of opportunity would help my family and I see where we are in the process of saving for a home. And to know the credit union is actually helping us in more ways than just a loan, would really make me a lifelong fan!”

OPERATIONAL AND IMPLEMENTATION CONSIDERATIONS

Implementation of the Welcome Home Savings should be fairly easy and cost effective for credit unions. It seems feasible that credit unions would be able to utilize share accounts already available to members for this product. This would eliminate the need to work with the core processing company to create a new product. Credit unions would need to consider the time and cost associated with creating marketing materials for the Welcome Home Savings. While we have provided some marketing templates, it may be beneficial for each credit union to customize these with their own colors, logos, and disclosures.

Perhaps the largest operational obstacle will be the proper accounting and tracking of the Welcome Home Savings. Each credit union would need to work with either their staff or core processing company to create a notification system for when a member has reached their savings goal. This would ensure timely payout of contributions, as well as a good marker of when to reach out to the member to begin the home buying process. Depending upon how each credit union decides to structure the contribution, there may also need to be modifications made to send out a 1099 to the members benefiting from the Welcome Home Savings. However, credit unions may also want to structure this contribution as a lender credit to avoid the issue of 1099s and the member being taxed for the contribution.

There are also some legal issues regarding the mortgage prepayment penalty under the Dodd-Frank Act. Each credit union would want to work with their compliance department to ensure that any mortgage made as part of the Welcome Home Savings is a “qualified mortgage” per Dodd-Frank. The compliance department should also verify no discriminatory practices are taking place when determining eligibility of members for the Welcome Home Savings.

FINANCIAL CONSIDERATIONS AND PROFORMA

Credit Union Snapshot	
Home Value	\$85,000.00
Total Down Payment	\$17,000.00
Contribution Match	20%
Max Contribution Amount	\$20,000.00
Origination Fee (1%)	\$680.00
Down Payment	
Contribution	\$3,400.00
Interest Rate	3.90%
Loan Period in Years	30
Interest Income Potential	\$44,064.38
<i>Breakeven in Month 7</i>	

Welcome Home Savings provides a considerable source of income for credit unions with little risk. Our 2%-1%-1% prepayment penalty on the mortgage for the first three years, as well as a standard 1% origination fee would ensure that the credit union would be at little risk when implementing this product. As the snapshot depicts, even with the contribution, credit unions are still poised to make a great deal of interest income from these mortgages. Beyond this product, team mIIger is also hopeful the Welcome Home Savings would build relationships with members that would ensure the credit union is their primary financial institution. This, in turn, will generate even more opportunity for income down the road.

The upfront cost of the Welcome Home Savings would be minimal, encompassing only marketing materials and some staff allocation. One thing participating credit unions should consider is the delayed income aspect of this product. While contributions need to be made at the time of loan origination, credit unions would not make any net income until mortgage interest has been collected for several months. Team mIIGer feels that credit unions should view this product as an investment into future revenue, as well as member relationships.

COMMENTS, NEXT STEPS, AND CALL TO ACTION

When team mIIGer started this journey, we had no idea what our solution would be. However, we always had one goal in mind and that was to help recent immigrant populations to the United States live the American dream and obtain traditional financing. We went through a number of possible solutions before arriving upon the Welcome Home Savings.

Team mIIGer feels that the Welcome Home Savings is a product that truly works to achieve the credit union motto – people helping people. This is clearly an underserved market that would benefit from this product. Credit unions would also be poised to greatly benefit financially from this product by generating income from this untapped market. The Welcome Home Savings would also build member loyalty, generating even more income and business for credit unions in the future.

As much as we on team mIIGer believe in this product, we cannot do this alone! We are looking for a credit union with the following goals:

- To grow membership
- Increase income
- Better serve the underserved

If this sounds like your credit union, we would like you to reach out to a member of our team to discuss piloting the Welcome Home Savings at your credit union.



ABOUT ICUL

The Iowa Credit Union League is the non-profit trade association that represents the interests of Iowa's state and federally chartered credit unions and their nearly one million members. ICUL was established in 1930 and its vision is "to foster financial stability and success of our member credit unions." ICUL is a dynamic organization that provides the following services to Iowa's credit union industry:

- **Legislative Advocacy** — ICUL lobbyists hike the hill in Des Moines and Washington, D.C. each legislative session to speak with legislators about the importance of credit unions and to discuss different issues affecting the industry. The legislative department also coordinates fundraisers for the Credit Union Political Action Committee (CUPAC) and manages and organizes grassroots involvement programs.
- **Regulatory Compliance** — Iowa credit unions are heavily regulated by the National Credit Union Administration and the Iowa Division of Credit Unions. ICUL offers support and expertise to credit unions to help them understand and comply with these regulations. In addition, the regulatory department offers fee-based professional audit products that include 24/7 Compliance Support, Lending Audit Services, BSA Independent Tests, Regulatory Training, Vendor Management Services and Website Compliance Audits.
- **Public Affairs & Marketing** — The ICUL communications team disseminates pertinent information to the media and community about Iowa credit unions and new developments in the industry. Staff also works on an annual Advocacy Campaign that targets legislators and consumers through advertising and other materials which emphasize the importance of credit unions.
- **Professional Development** — ICUL, in partnership with CUNA, holds numerous professional development seminars each year for Iowa credit unions to help them learn more about how to best serve their members. This includes the Iowa Credit Union Annual Convention, ICUL's largest event of the year.
- **Management Consultation** — The management consultants at ICUL are strategic partners with individual credit unions to help them identify goals, challenges, and prepare for the future development of their credit union. ICUL's consultants have a strong credit union background, provide educated advice and personalized service.

In addition, ICUL continues to focus on new business development and strategic alliances to help achieve our strategic direction and mitigate reliance on dues revenue. ICUL is invested in affiliate companies, The Members Group, TMG Financial Services, Coopera, and PolicyWorks who partner with credit unions on a wide range of financial service solutions. ICUL provides additional legislative, operational and technical support to our member credit unions through an affiliation with the Credit Union National Association and also has a marketing partnership with CUNA Mutual Group.

Find us on Facebook at facebook.com/iowaCreditUnions and on Twitter at twitter.com/ICUL



ABOUT FILENE

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

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

We're governed by an administrative board made up of credit union CEOs, the CEOs of CUNA & Affiliates and CUNA Mutual Group, and the Chairman of the American Association of Credit Union Leagues (AACUL). Our research priorities are determined by a national Research Council comprised of credit union CEOs and the President/CEO of the Credit Union Executives Society.

We live by the famous words of our namesake, credit union and retail pioneer Edward A. Filene: "Progress is the constant replacing of the best there is with something still better." Together, Filene and our thousands of supporters seek progress for credit unions by challenging the status quo, thinking differently, looking outside, asking and answering tough questions, and collaborating with like-minded organizations.

Filene is a 501(c)(3) not-for-profit organization. Nearly 1,000 members make our research, innovation, and impact programs possible. Learn more at filene.org.

"Progress is the constant replacing of the best there is with something still better!"

—Edward A. Filene

