

## IN THE SPOTLIGHT : Revenue

**Income solves all problems***ENYFCU, the CUSO and market innovation as survival*


**E**astern New York FCU (\$51 million) had what its CEO Chris Langley considered a handy little tool – a payment calculator his loan officers used, in-house, to help boost cross-selling opportunities. Somewhere along the line, however, Langley and his board started thinking of the payment calculator as more than just a little tool. If the CU could somehow access credit reports, it could use the calculator to compare a person's current loans to ENYFCU's loans. If people could see the rates on their current loans compared with lower rates at ENYFCU, they might switch. They might become members and move their loans over to the ENYFCU. In other words, the CU might actually have an impressive lead generator on its hands.

This would be a handy thing for a CU like ENYFCU to have. After all, Langley and his board saw the trend several years ago: As more people moved to the Internet to search for loans, the CU's loan volume continued to drop. Three years ago, the CU could count on approximately 150 loan applications per month. These days, it's closer to 70. Most

people start their loan searches online today, and smaller CUs can't afford to keep up. Services like Google Ad Words or Lending Tree just weren't designed for \$50 million CUs, said Langley.

At the same time, Langley and Co. came to realize just how big this project would have to be to work. In order to tap credit data, his CU would have to partner with big credit rating agencies and licensed data marts. To do all this just for one CU with a modest field of membership wouldn't make sense. ENYFCU would probably need to start a CUSO and count multiple CUs as customers of the service in order to give it any reasonable scale. In other words, it would have to act a lot like a start-up, which isn't something CUs are accustomed to do.

"We had this little analytic, this payment calculator, but it's nothing if I can't leverage it – if I can't tie things up, end-to-end," said Langley. "Unless I can control the oil field and the pipeline, then the drill has no value."

Two years ago, ENYFCU committed to leverage. Today, the CU's CUSO, Syphr , counts a credit reporting agency, Equidata,

and a licensed data mart, Innovative Software Solutions, as partners. It's now beta testing RateMatch, a lead-generation tool the CU built from their "little analytic." Currently, eight CUs are testing the tool by using it to pull in new loans and new members. Langley expects to be out of beta by the end of April and, if everything goes according to plan, ENYFCU and Syphr could be the first into the market with a tool that could supercharge Internet lending for CUs.

**What is RateMatch?**

Here's how RateMatch works: A consumer buys a credit report. As he waits for the report to load, RateMatch checks to see if the consumer could qualify to join a RateMatch customer CU. If so, it then checks to see if that RateMatch CU can beat the rates on any of that buyer's loans. If it can, it lets the buyer know which loans that CU can beat and by how much. RateMatch literally highlights those loans listed on the credit report and informs the consumer that, should he opt to switch to that CU, he could save \$X per month. A tab at the Web site allows the consumer to view a side-by-side comparison between his loan and the CU's offer. If the consumer likes the deal, he can click a button and authorize the interface to send his credit info to the RateMatch customer CU.

According to Langley, \$50

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(ENYFCU, continued from p. 1)

per month in savings is the sweet spot. If a CU loan can save buyers at least \$50 per month, buyers typically conclude that the hassle of switching over to another financial institution is worth the savings and will authorize the transmission of their personal data. Through beta testing, Langley found that about 35% of all RateMatch offers hit or beat that \$50 per month threshold. From that point, it's money in the CU. About 98% of users who send the data become members and move the loan.

### The entrepreneurial path

Because the CU diverted so many resources to Syphr and RateMatch, it had to set other projects aside. A lot of things didn't get funded, Langley admits. The entrepreneurial tenor of the project also challenged the CU's organizational dynamic. "When you consider the list of things CUs do, this kind of project isn't on it," says Langley. But ENYFCU's board had faith not only that the lead generator could function, but also that it could bring in revenue and help the CU remain independent.

"They wanted to generate new kinds of income and they had a lot of faith in innovation," said Langley. And that was no small risk.

"We held our planning session literally days before we booked our [Corporate Stabilization Plan] assessment," said Langley. "Even before we heard about the assessment, we knew it was going to be a hard year. To its credit, the board said, 'We've got an asset and we need to monetize it sooner rather than later.' Income solves all problems."

As the shock of the corporate stabilization plan and the NCUA's assessment wears off, weary CUs are trying to figure out how best to recover that lost capital. Some CUs may have resigned themselves to living off their reserves, but most are taking long, hard looks at their operating expenses, cutting costs where they can and thinking about how to bring in more capital as soon as possible. One strategy many executives seem to talk up lately is the CUSO.

It makes sense. CUSOs can give CUs a way to generate new sources of income or achieve scale or both, if done right. NACUSO's Tom Davis says that he's noticed the buzz, too, though it's far too early to tell if that interest has led to any significant CUSO activity.

For CUs considering a CUSO strategy, ENYFCU makes for a challenging model. Yes, the ENYFCU and its CUSO may be poised to bring in new revenue at a time when practically all CUs need it. But in order to do so, it had to commit to an entrepreneurial path that took it well outside a CU's traditional comfort zone. For what

it's worth, Langley suggests that a lot more CUs may have to start thinking this way.

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After RateMatch goes live, Langley hopes to add a total of at least 50 CUs as RateMatch customers. The right mix of CUs would give RateMatch 80% coverage nationally as well as the top six metropolitan areas. Within 32 weeks, Langley wants to add a consumer-facing site to RateMatch, one designed to attract consumers disappointed with the "generic rates" they

get at Web sites like Bankrate.com. In a short period of time, Langley and ENYFCU will find out if all the time and funding they've invested in Syphr will pay off.

"We're pre-revenue, but we have high hopes," says Langley. "Are we bullish? How can we afford to be any other way?" □