

## **Johns Hopkins FCU Navigates Rate Cuts to Come Out on Top**

When Johns Hopkins Federal Credit Union was faced with a 50% state-mandated insurance rate reduction in fall 2008, they were understandably concerned that their non-interest income from credit insurance products would take a nose dive. Of course, this came at the height of one of the worst recessions in US history. The management at Johns Hopkins FCU (JHFCU) discussed the situation, and, working with their financial products provider, CRI Solutions, enacted changes that helped avert losses and actually steer the credit union towards increased income.

### **Transitioning from Credit Insurance to Debt Protection**

Soon after learning of the rate reduction, JHFCU Management explored the possibility of switching their payment protection program to Debt Protection for new loans. For them, there were three conditions which had to be met in order to make this change.

1. The benefits that were afforded to members under the credit insurance program had to be the same or better with Debt Protection coverage.
2. The fee to the member for Debt Protection could not exceed the rate that was charged for credit insurance prior to the rate reduction.
3. The loan origination system had to be able to quote whatever Debt Protection packages the credit union chose.

CRI Solutions suggested, and eventually provided, a contractual liability policy through Stonebridge Casualty Insurance Company that provided the credit union with additional fee income from the Debt Protection coverage while keeping the cost affordable.

JHFCU's loan origination software, CRIterion<sup>®</sup>, was easily adapted to quote the fee within the loan payment. All system requirements were satisfied.

### **Simplified Benefit Options**

Naturally, after deciding to make the switch to Debt Protection, the next question was, "What packages should we offer?" Data gathered through CRIterion<sup>®</sup> indicated that in 2008, 92% of the JHFCU members who elected credit insurance coverage chose Single Life and Disability combined. With this information, the credit union's management made the decision to offer only two Debt Protection packages to the membership – single life and disability and joint life and disability. According to Karen Kennedy, Loan Specialist at JHFCU, "Through the consolidation of the Debt

Protection program our front line staff is able to quickly and effectively inform our members of the benefits of the Debt Protection program.”

### **Implemented Effective Incentives**

JHFCU also made the decision to begin offering incentives to the credit union staff for sales of debt protection waivers. This, in combination with the training provided by CRI Solutions’ staff and the simplified package options, helped the program gain nearly instant momentum. In fact, in the first month of switching to Debt Protection, JHFCU’s penetration numbers began a steady march upward.

### **Launched a Wildly Successful Loan Promotion**

What began with the switch to Debt Protection, simplified offerings, and MSR incentives, culminated in the fall of 2009 when JHFCU launched a highly successful 12/12/12 holiday loan promotion. More loans were issued during the promotion than in the entire year of 2008. Besides boosting loan volume, 67% of the borrowers took advantage of the protection option. That figure, combined with the sheer volume of loans sold resulted in JHFCU protecting more loan dollars in the first month of the promotion than they did in all of 2008.

The promotion resonated with members’ needs so well that the credit union didn’t even need to advertise it. “Although the Credit Union would like to receive the credit for promoting the 12/12/12 Holiday loan product, we would have to extend this credit to our members,” says Karen Kennedy. “Through word of mouth our members were able to help the credit union have a successful loan product.”

Even after the promotion ended, JHFCU’s protected loans averaged twice that of 2008, allowing the credit union to protect more loans and increase their non-interest income at the same time.

JHFCU isn’t alone in being faced with tough state-mandated rate cuts, but they have been able to rise above. None of the initiatives or changes were fool-proof; each was a calculated risk that may not have added up to increased income for the credit union. The key was that each decision worked with the others to give the members and the credit union a solution to their need.. Johns Hopkins FCU demonstrated that, even during a tough economy, with the right choices, your credit union and your members can come out on top.