

INNOVATION BRIEF

Understanding the Impact of the Cost of Education

Filene i⁴ Incubator Results from the Debt Dragon Prototype Test

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INTRODUCTION

At Filene, **everything we do starts with research**, but research alone doesn't move an industry. It stokes ideas and a select few of those ideas hold the potential to be **tested for in-market use**.

Filene's i⁴ incubator takes the most promising i³ concepts and **actively prototypes and tests** them on a small scale in credit unions before further investment. That's how we bring our **best ideas to the market**.



FROM CONCEPT TO COMPLETION

RESEARCH

Nov 2014

The Institute for College Access & Success, "Student Debt and the Class of 2013."

INNOVATION

Jul 2015

A Filene i³ team presents **Debt Dragon** at ACUC, Denver.

BUILD

Dec 2015

A second Filene i³ team presents version two of **Debt Dragon** at big. bright. minds. at Harvard.

Aug 2016

Trabian and CU Student Choice to be tested live in market.

TESTING

Mar 2016

Live testing begins in the Filene i⁴ incubator.

REPORTING & NEXT STEPS

Aug 2018

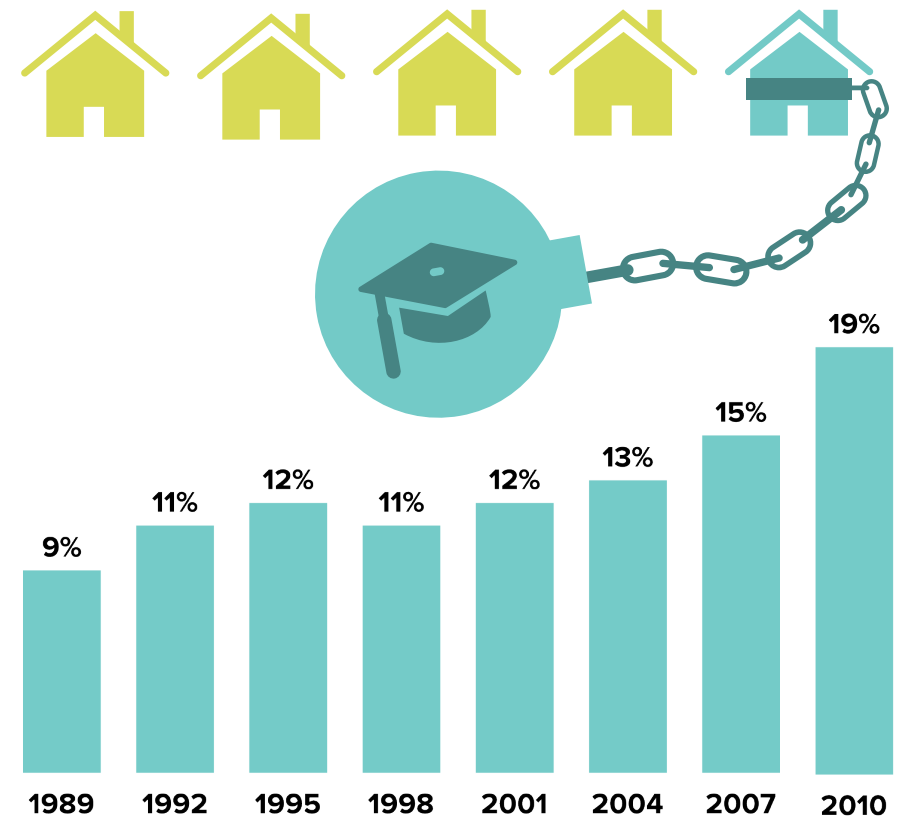
Observations and learnings shared with credit unions; Evaluation and implications for next phase/iteration.

GETTING TO THE ROOT OF THE PROBLEM

Student loan debt continues to soar leaving many graduates (and non-graduates) with a new burden to bear. As a result, most students graduate from college with regret – **77% of former college students age 40 and younger regret not doing a better job of planning how to manage their student loan debt.**¹



HOUSEHOLDS WITH OUTSTANDING STUDENT DEBT, 1989-2010

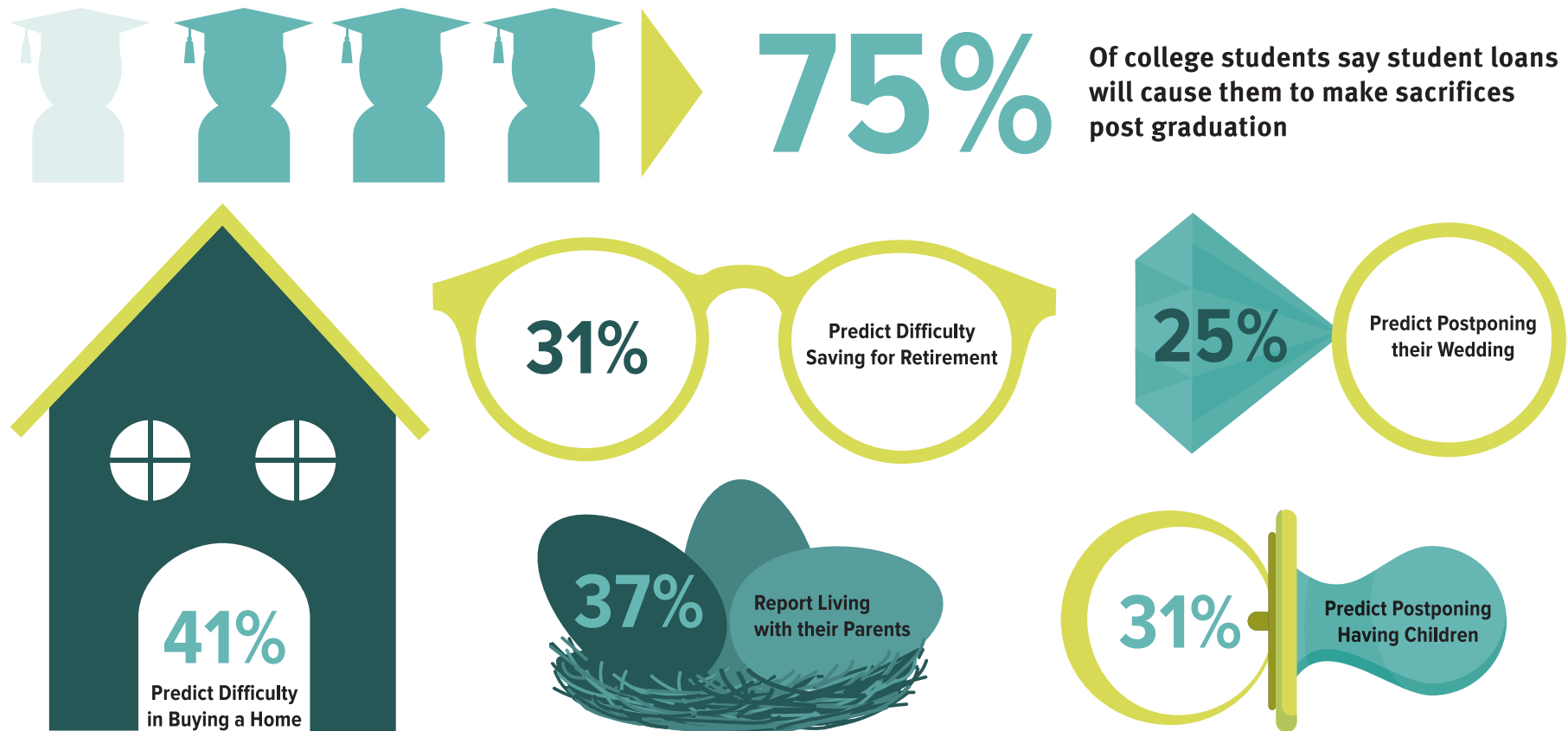


Includes education loans that are currently in deferment and loans in scheduled repayment period.

¹<http://www.pewresearch.org/fact-tank/2013/07/01/248455/>

GETTING TO THE ROOT OF THE PROBLEM

Implications for this new kind of debt include sacrificing **retirement savings, postponing home-buying, marriage and having children.**²



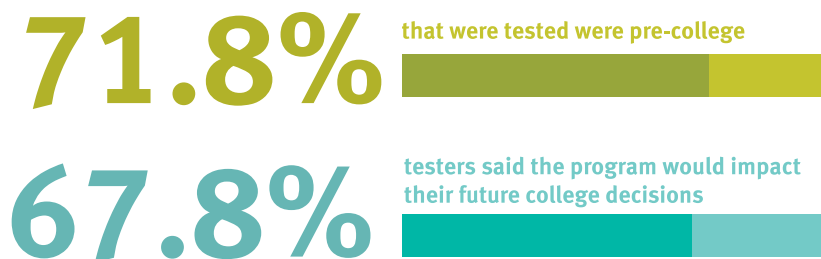
²<https://www.aicpa.org/press/pressreleases/2013/aicpa-survey-reveals-effects-regrets-student-loan-debt.html>

GETTING TO THE ROOT OF THE PROBLEM

Filene i³ innovators partnered with **Trabian Technologies** to develop a **checklist of items** and step-by-step advice to **reduce their potential student loan debt**.

A dynamic calculator was built to provide users a clear picture of the impact of the users monthly payment on their future selves. The calculator includes inputs for tuition, living, commuting, books, scholarships, savings and additional expenses.

Initial testing included friends, family, colleagues and students of the original **Debt Dragon** i³ team.



A majority of those questioned agreed that the application's navigation, content, information, design, and features met or exceeded their expectations. From these results the i³ team felt confident that their hypothesis that **users will feel more in control of their college decisions** was true.

Filene partnered with student lending industry specialist, **CU Student Choice** to provide their insight to the next iteration of **Debt Dragon**.



Excited about the opportunity for true impact, Filene selected Debt Dragon for **further testing in our i⁴ incubator**.

GETTING TO THE ROOT OF THE PROBLEM

PARTICIPATING CREDIT UNIONS

Akron Firefighters Credit Union Akron, OH (\$29 million)

Christian Financial Credit Union Roseville, MI (\$376 million)

City & County Credit Union St. Paul, MN (\$518 million)

Educators Credit Union Racine, WI (\$1.8 billion)

First Atlantic Federal Credit Union W. Long Branch, NJ (\$244 million)

Fitzsimmons Federal Credit Union Aurora, CO (\$182 million)

Fort Community Credit Union Fort Atkinson, WI (\$235 million)

NorthCountry Federal Credit Union South Burlington, VT (\$582 million)

New York University Federal Credit Union New York, NY (\$22 million)

Red Crown Federal Credit Union Tulsa, OK (\$189 million)

Redwood Credit Union Santa Rosa, CA (\$3.6 billion)

Thrivent Federal Credit Union Appleton, WI (\$523 million)

True North Federal Credit Union Juneau, AK (\$140 million)



PROGRAM OVERVIEW

CU's TESTED THE CONCEPT IN TWO WAYS

1 INVITING THEIR MEMBERS TO USE THE TOOL.

- Members were divided into a **control** (did not have access to Debt Dragon) and **test** (had access to Debt Dragon) group.
- Each group **answered questions before** being directed to **Debt Dragon** or conducting individual, independent research.
- Each group was **followed up** with approximately three months later with the same set of questions.

COLLABORATING WITH LOCAL HIGH SCHOOLS AND TESTING THE TOOL IN CLASS.

- ### 2
- Students used **Debt Dragon** in school and were **followed up** with between one week and three months.

QUESTION 1

ON A SCALE FROM ONE TO SIX, HOW WELL INFORMED DO YOU FEEL ABOUT THE OPTIONS TO MANAGE THE COST OF YOU OR YOUR LOVED ONE'S EDUCATION?

① ② ③ ④ ⑤ ⑥
UNAWARE WELL INFORMED

QUESTION 2

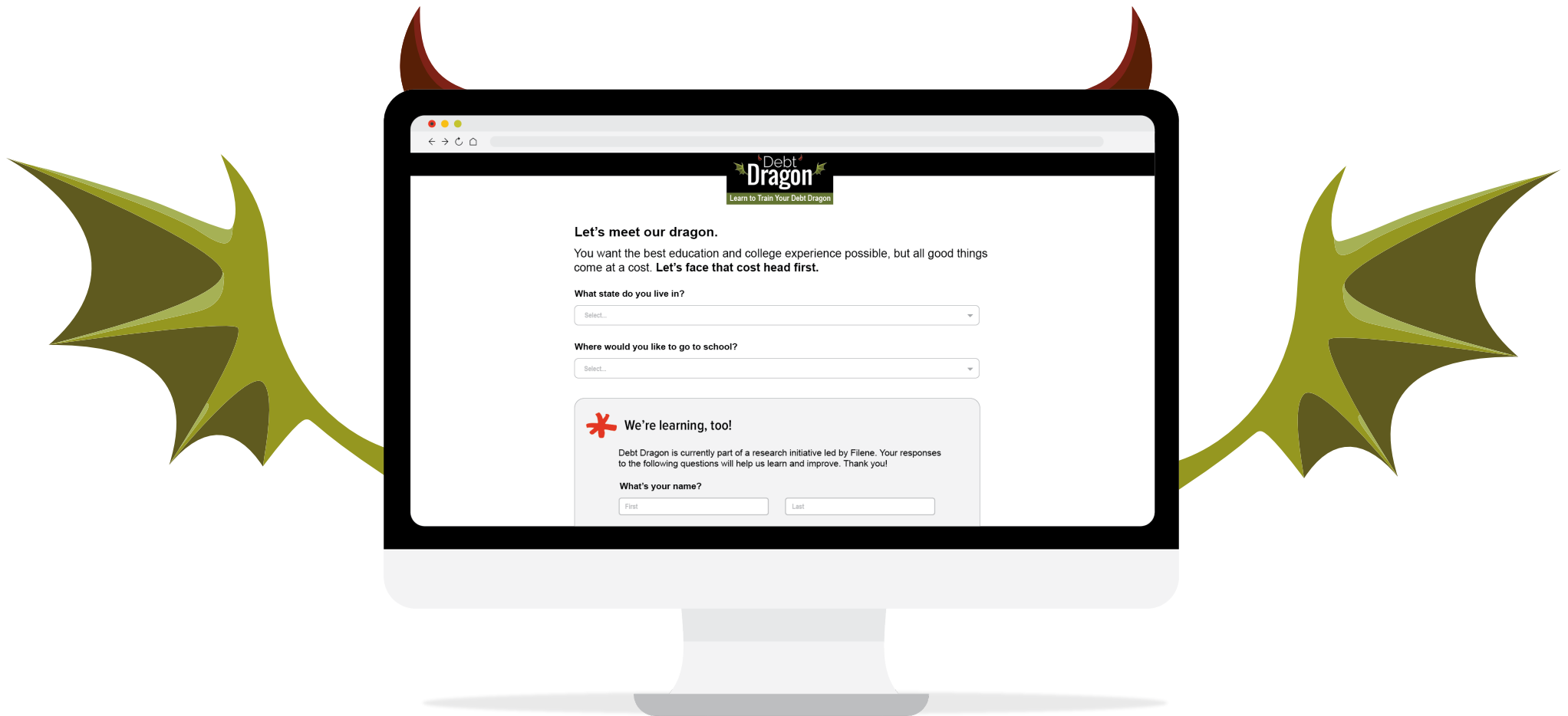
HAVE YOU CONSIDERED WHAT THE TOTAL COST OF YOUR OR YOUR LOVED ONE'S EDUCATION WILL BE? IF SO, ENTER THE AMOUNTS IN THE BOXES BELOW. IF YOU HAVEN'T, TELL US WHAT YOU THINK THEY MIGHT BE.

TOTAL AMOUNT DUE (OVER ALL YEARS)
\$

MONTHLY PAYMENT (FOR ALL YEARS)
\$

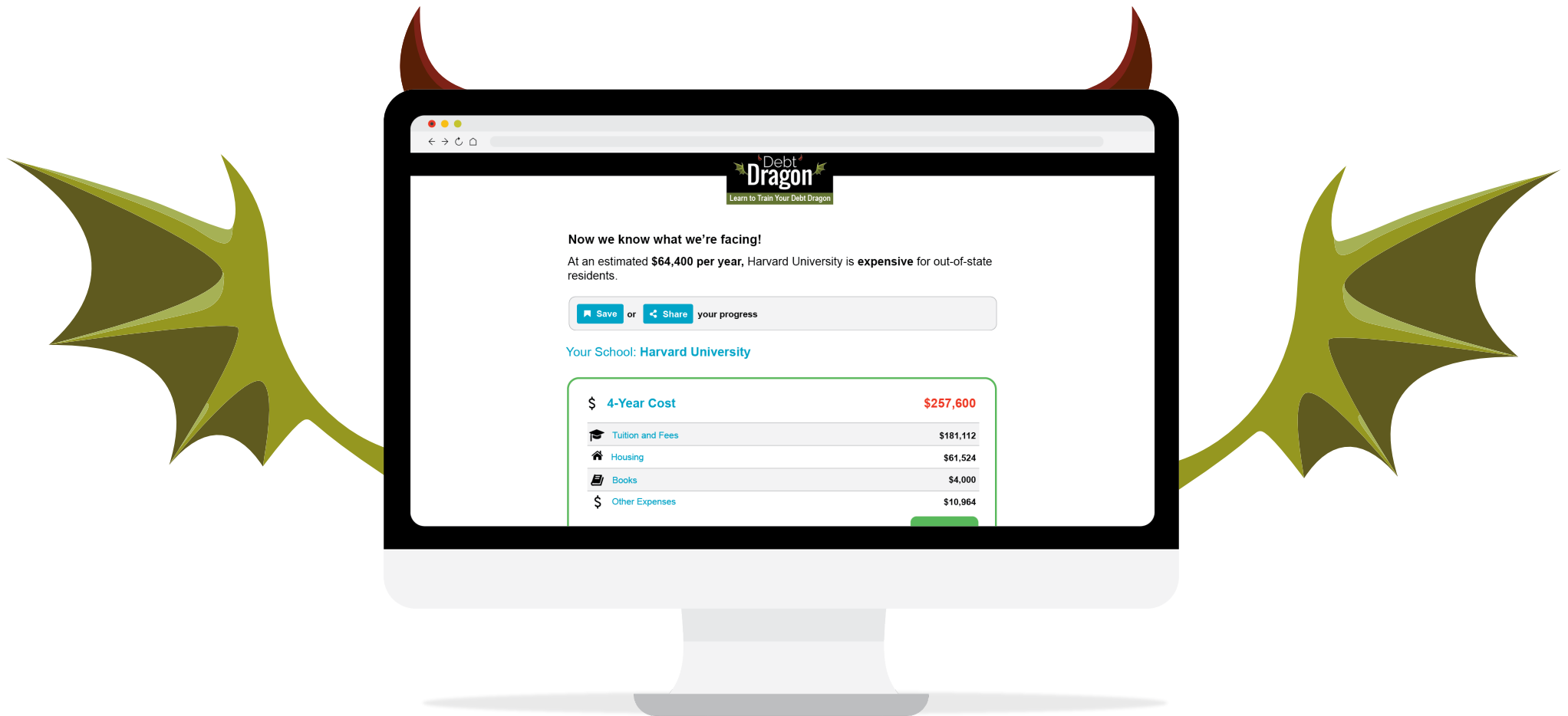
PROGRAM OVERVIEW

DEBT DRAGON – LANDING PAGE



PROGRAM OVERVIEW

DEBT DRAGON – WEBSITE



PROTOTYPE TEST METHODOLOGY



PROBLEM

How might we guide traditional, undergraduate students and their families to maximize their college investment?

SOLUTION

A website application that guides students through relatable, interactive scenarios that show real-time financial implications and alternatives about their investment options with clear actions items.



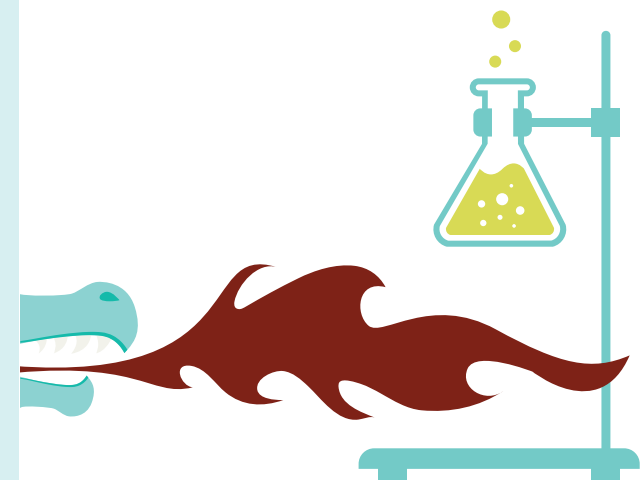
HYPOTHESIS

If we provide students and their families with **Debt Dragon**, then they will have improved clarity about the impact of their college investment.

METRICS

(to prove or disprove hypothesis)

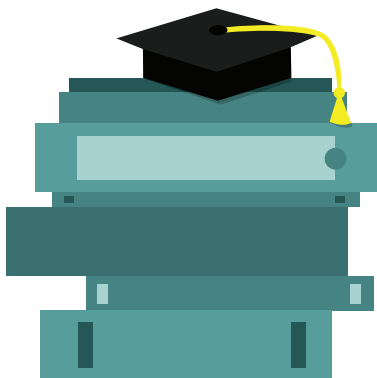
- Measurement of **improved clarity**
- Measurement of **learning something new**
- **Awareness of options** available pre/post **Debt Dragon**
- **Borrow amounts** pre/post **Debt Dragon**



USAGE RESULTS

Prior to the use of any tools, students were asked to rate from 1–6 how informed they were when it comes to **managing their college costs**, 6 being the most informed.

	HOW INFORMED ARE YOU? (1-6)		DID YOU LEARN SOMETHING?	
	Prior to use	After use	Yes	No
Debt Dragon	3.58	+18% → 4.23	84%	16%
Control	3.63	+8% → 3.91	63%	38%

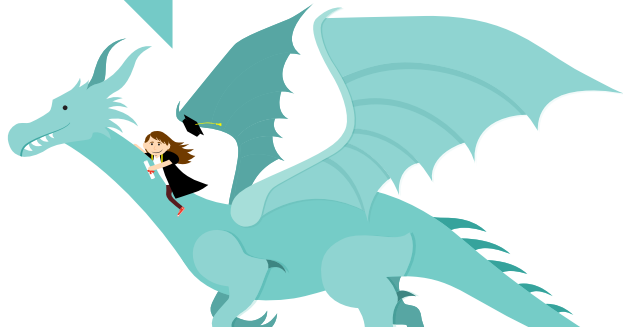


When each group was asked if they learned something, 84% responded “yes” to **Debt Dragon** while only 63% responded “yes” from the control group, indicating that **those who used Debt Dragon are more informed than those who did not.**

QUALITATIVE RESULTS

Feedback from students and members was positive and highlighted the unique need for a tool like **Debt Dragon**:

I learned that college education is much more expensive than I anticipated.



[Debt Dragon] helped me understand how important it is to save money.

I think this is a really important topic. I work in the financial aid office of my school and see too many students come in with no understanding of finances and loans.

Although I am retired, I filled it out as if I was going. It's very interesting, wish they would have had something like this available when I needed it. Thank you for continuing to update us and improve our ability to provide for the next generations.

I learned how much my college options could really cost me in the long run.

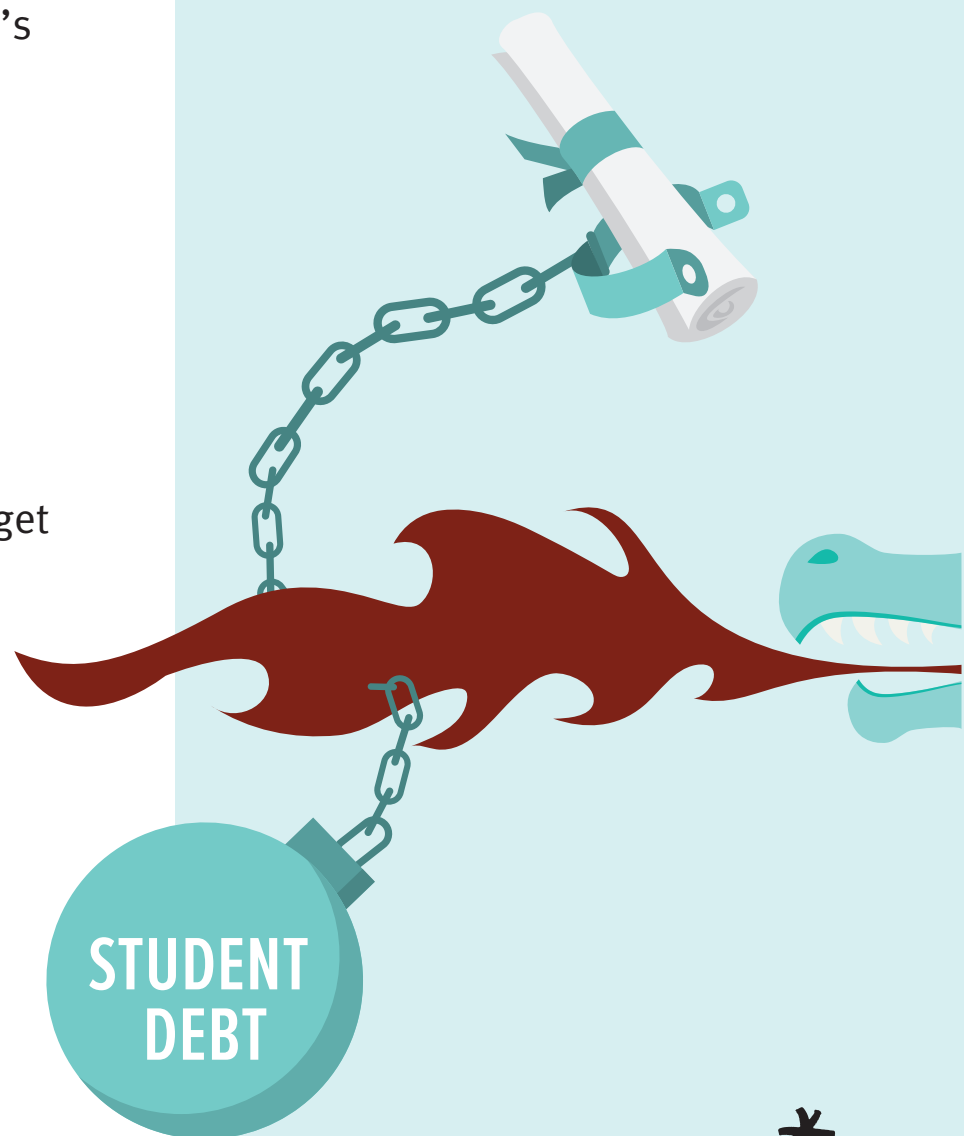
OBSERVATIONS & NEXT STEPS

Through this testing we **measurably improved** the clarity of the impact college investment have on an individual's future.

We observed students sharing their potential debts & busting beyond the faux pas that accompany financial discussions. **How can we use this tool to have healthy conversation about finances?**

While tools like **Debt Dragon** primarily aim to help students, **testing highlighted the value to the entire membership.** Feedback included remarks from non-target Debt Dragon members appreciative of the credit union investing in improving the lives of others.

With **Debt Dragon**, credit unions have an opportunity to demonstrate their determination to **invest in their communities.** School staff expressed strong interest in the tool, using it as a pre-requisite to each students college plan.



OBSERVATIONS & NEXT STEPS

Debt Dragon has the potential to revolutionize how an entire generation of students **contemplate their student loan debt**, while genuinely helping **strengthen their communities**.

While **Debt Dragon** demonstrates pushing the “awareness” needle with prospective students, more or additional value might be generated as part of a more **holistic system that connects the learning to action and decision making**.



NEXT STEPS???

Filene Research Institute is currently working with, and **evaluating partnership opportunities** to take **Debt Dragon** beyond the testing and incubation phase and into the market as part of a mature program.



ACKNOWLEDGEMENTS

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Royal Credit Union

Bret Davis,
Patriot Federal Credit Union

Christopher Danvers,
American Airlines Federal Credit Union

Lamar Heyward,
Local Government Federal Credit Union

Taylor Murray,
Affinity Plus Federal Credit Union

Chad LaFlash,
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Christian Financial Federal Credit Union

Aaron Palmer,
TwinStar Credit Union

Filene also thanks **Trellance**, for their generous support of the i³ innovation program and **CU Student Choice** & **Trabian Technologies** for their support of the innovation and the Filene i⁴ incubator.



ABOUT Filene*

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

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.

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