



Case Study: Web-Based Loan Applications Bring Rapid ROI to Navy Federal Credit Union

“Knowing where to put our development dollars was a major consideration and challenge for us. JX2’s role in helping us determine this is a great story.”

Navy Federal Credit Union (Navy Federal) is the world’s largest credit union, with 2.8 million members and over 5,700 employees worldwide. With over \$36 billion in assets, membership includes all Department of the Navy personnel and contractors, other military and civilian personnel assigned or stationed at Navy installations, and family members. Navy Federal’s mission is to meet the financial needs of this mobile and disperse membership.

In the late 1990s, Navy Federal was using basic forms for members to submit consumer loan and mortgage applications from the internet. While these simple forms were more than most financial institutions had at the time, they couldn’t effectively model the complexity of a loan application. Information members submitted online was often incomplete, requiring a high level of human intervention from Navy Federal staff.

The institution sought to automate the loan process, from application to approval. Even with their 115+ branches, the geographic disbursement of members presented unique challenges to the Credit Union. They sought to improve service, leverage the online channel to increase the volume of loans collected, and streamline the approval process.

Navy Federal was among the early adopters in bringing web-based self-care to their members. “We knew we needed to move online. But it was unknown and untested, a channel yet to be proven,” said Frank Myers, Senior Vice President of Information Services for Navy Federal.

Pragmatic Development Forges Lasting Solution

Navy Federal selected JX2 Professional Software Services to create Internet Loan Applications (ILA), a suite of products to fully automate the loan process. The objective of ILA was to automate the application and approval process for credit cards, auto loans and mortgages. Another key factor in choosing JX2 was the firm’s expertise in helping Navy Federal determine the best platform for development. JX2 mapped out the capabilities and benefits of using Navy Federal’s existing IBM Lotus Domino® infrastructure, including overall investments and training. “Knowing where to put our development dollars was a major consideration and challenge for us. JX2’s role in helping us determine this is a great story,” said Myers.

For maximum efficiency and speed to market, JX2 guided the loan applications through two generations from 2000-2002. The first step took the earlier generation of simple forms, and created applications with basic validation and information verification features. The result was improvement in a wide array of services. The next generation applications offered advanced features beyond those available from most competing institutions, and real-time point of transaction approvals.

JX2's practical approach included collaboration across business units to fully define requirements. JX2 became immersed in Navy Federal's culture to get a full picture of the organization's technical, operations and service sides. They closely integrated with Navy Federal's business experts to convert the existing approval process to real-time functionality over the internet. Accurate loan applications could be collected and approved or disapproved in real-time for all three product lines—credit cards, auto loans and mortgages.

The firm's thorough requirements gathering, needs analysis and project management methodology ensured that these applications were built for longevity. From the phased-in steps of 2000 to today, ILA is providing cost savings to Navy Federal and helping them achieve their mission of bringing the highest quality service to members.

ILA Receives Rapid Adoption

Members were quick to use the online channel. "Growth was extremely fast, right out of the gate," said Myers. But while members rapidly adopted ILA, Navy Federal believed it was taking too much time for loan applications to be processed through their customer call centers. It was taking them six weeks to train employees to use the existing application processing system. As a result, Navy Federal had JX2 design a similar internal system that provided cost savings and real-time decisioning, while improving member service.

Business Impact

The Internet Loan Applications continue to empower Navy Federal to achieve its mission of providing services that meet the financial needs of its diverse and mobile membership. These applications paved the way for a dramatic increase in loan volume over the online channel, which now processes billions of dollars. Because the online channel is the least expensive way to do a loan transaction, ILA has led to cost reductions for Navy Federal.

The numbers speak for themselves. In 2002, Navy Federal was processing 118,637 consumer lending applications amounting to over \$1.25 billion. By the following year, applications had increased to 161,282—totaling \$1.65 billion. In the less than three years from inception to when JX2 turned ILA over to internal support, over \$3.5 billion in consumer lending was being approved over the internet.

In two years, loan amounts had tripled from approximately \$507 million to over \$1.6 billion.

In 2002, Navy Federal processed 13,032 equity applications. By 2004, this number had increased to over 33,396. In that time, loan amounts had tripled from approximately \$507 million to over \$1.6 billion.

About JX2

JX2 develops software for businesses in highly-competitive industries where the customer experience is paramount. For our clients, the effectiveness of web-based customer self-care, on-demand services, call centers, and back office solutions are mission critical to their success. We create business and technology solutions that streamline operations, improve the user experience, and protect end users. JX2 is an IBM Business Partner. Learn more at www.jx2services.com.

©JX2, 2007. JX2 is a trademark of JX2 Professional Software Services. All other trademarks are the property of their respective owners.