

**Strategies for Reaching Out Conference:
Low Wealth Members, Immigrants, and Youth**

October 12-15, 2008
San Francisco, California

Executive Summary

Credit unionists came to San Francisco from October 12 to 15 to discuss strategies to provide services to low wealth members. A great deal has happened since last year's conference; the financial markets are in turmoil and consumer confidence is shaken. But the credit union financial ship of state is strong. Credit unions avoided sub prime lending and their capital and financial health is robust.

Helping low wealth members makes good business sense as well as fulfills the credit union mission as the following narratives indicate. Low wealth members, when given a chance will pay back their debts; they are also looking for a safe and secure place to save. They are looking for opportunities to grow and build for the future just like all Americans.

Credit unions are developing alternatives to check cashing and payday lending outlets that offer reasonable fees and rates of interest. These outlets are not intrinsically evil as some would paint them; consumers patronize these outlets because they serve a need in the community. Problems arise, though, when the loans are rolled over and the cycle of indebtedness becomes chronic; or when the interest rates and fees are usurious.

Banks are pulling back on mortgage lending and other types of loans, credit unions are well positioned to let their communities know—loud and clear—that they are open for business and have money to lend, especially to low wealth members.

Defining the Economy and how it Relates to Serving the Underserved

Bill Hampel, SVP & Chief Economist, CUNA Washington, DC

Credit unions likely won't need direct support from the Treasury's bailout, but some credit unions have collateral damage. The financial turbulence in the markets doesn't change the calculus of serving low wealth credit unions. Credit unions can ride out the turbulence by doing what you are already doing—reaching out to serve the low wealth, underserved market.

The economy, of course, has changed dramatically during the last few months. As we reached August 2008, there was a consumer-led recession with stressed consumers, weak capital spending, tightening credit and strength in net exports. The outlook then was weak or negative growth through mid-2009, then a long slow recovery, but it wasn't uniform across the country. It wasn't pretty, but it wasn't a financial disaster.

But in September and October 2008 there were wholesale changes in the landscape of financial institutions—Freddie and Fannie, AIG, there were no more pure investment banks and there was unprecedented federal intervention. The financial markets are in *much* worse condition than the real economy.

Credit is the lubricant that keeps the economy going. This is the worst credit tie up to hit the U.S. economy since the Great Depression. But the government learned from the Great Depression, this will not be the same situation as the 1930s. Fed Chairman Ben Bernanke is a scholar of the Great Depression.

Resolving the Financial Crisis

The current financial crisis is more of an unknown solvency predicament than a liquidity issue. Confidence has to be restored among financial institutions that do business with each other. The first attempt to resolve the problem was the Troubled Assets Relief Plan; the second was the Direct Treasury Capital Infusion into Financial Institutions. Other options being discussed include guaranteeing the debt of financial institutions as well as unlimited deposit insurance.

If the worst of the credit crunch can be dealt with within a month, we'll have a recession not much worse than we experienced in 1990 or 2001 followed by a long and slow recovery. If the credit crunch resists all concerted government action, we'll probably experience a recession as severe as the early 1980s, but not as harsh as the early 1930s.

Mortgage backed securities—one of the factors in the financial crisis—are not a homogeneous product. Perhaps 5% to 10% will go bad, but the vast majority will pay off. If you sell them now, they will have to be written down. Nobody knows what they are worth; it is too complicated to calculate at this point. The securities are so complicated; even Treasury doesn't know what to pay for them. That's what the drawback was with the Troubled Assets Relief Plan.

The Direct Treasury Capital Infusion Plan has its critics as well, especially among the large financial institutions since it tends to water down the value of the interest of all stockholders.

Why Did We Get into Trouble?

There are a multitude of factors that contributed to the slowing economy. Two significant factors in 2008—American consumers were no longer saving and they were building up very high debt levels.

If we go back to the early 1990s we had a household savings rate averaging around 7% from 1990-93. During the 2000s, the household savings rate dropped considerably; reaching almost -1% in 2006 and +1% in 2007. One benefit of the financial crisis is that we are starting to see Americans save; household savings is 3% in August 2008.

In 1960, household debt outstanding to annual disposable income was about 40%; by 2008 it tripled to 120%. How can you spend more than you earn? There are two ways—by drawing down on your assets or by borrowing.

Another contributing factor for the financial crisis was the rapid rise in housing prices and the subsequent fall in prices. However, home prices are close to bottoming out next year. Nominal home prices have increased annually from 1975 to 2006, but inflation adjusted home prices have declined during the same time periods during the recessions of 1981-83 and 1991 and are declining during the current recession.

The housing market is not uniform over the United States. According to the Schiller Price Index, Boston had a drop of -5.4% home prices last year, while Las Vegas had a -29.9% change in price of homes. If you made a second mortgage in Las Vegas a year ago before the price collapse, you would now have an unsecured loan.

Confidence in the financial markets is the glue that holds all of it together—if a lender isn't confident that a borrower will pay back the loan, he will be less likely to lend the money. This is essentially this situation that has been plaguing the credit markets during the month of October 2008. Consumer confidence dropped 61 points in one year, from 115% in 2007 to 50% in 2008, which signals a lack of consumer confidence in the financial system.

Recessions, of course, typically result in job loss; the last recession of 1991 the unemployment rate was 6.4%. The current recession's unemployment rate is forecasted to increase to 7.4%. It won't be as high as the Great Depression which was 25% or the recession of 1982 at 11% unemployment.

Fortunately, inflation hasn't been much of a problem; through August 2008 the Consumer Price Index is 5.4%; the core rate is 2.5%. Food and energy prices, though, have been highly volatile for past 12 months.

Credit Union Forecast for 2009

There will be faster savings and asset growth, but less of a boost than normal in a recession. Look for slower organic loan growth. Consumers will be borrowing less as lenders cut back on willingness to lend. And in the auto finance market cars aren't selling.

There will be significant increases in loan losses as well as a downward pressure on net income and falling net worth ratios. Credit union delinquency—1.05%—the highest since the 1990s will also increase. Mortgage delinquencies increased from 0.34% in 2006 to 0.78% in 2008, which is still relatively low.

Credit union savings grew at an annualized 8% rate through August 2008, while during the past three or four years it hovered around 3% or 4%. Net capital to assets dropped to 10.9% in August 2008, and should stay at about at number in 2009. Figure A shows where net worth ratios might be at the end of 2008 and 2009

assuming that savings growth remains strong and net income remains low. This shows that even after the stresses of the worst financial meltdown since the 1930s, credit unions will on the whole remain very well capitalized. Of course, some credit unions in more harshly affected real estate markets will face more significant drops in net worth ratios.

Figure A
Net Worth Ratios after 2 Years
All U.S. Credit Unions
Initial Ratio 11%, ROA 40 bp

Growth Rate	10%	12%	14%
2008	10.4%	10.2%	10%
2009	9.8%	9.5%	9.2%

Suggested Credit Union Response

- Negative effects weren't caused by credit unions and are not likely to be long lasting.
- Responses by credit unions should be modest.
- Let the capital cushion do its work.
- Avoid penalizing members with higher fees and loan rates or lower dividend rates to protect net income, that's the function of capital.
- Rising delinquency and loan losses do not require modified lending policies unless the loan losses are the result of a recent major change in policies.
- Adjust net income budgets and monitor closely.
- Tell members about share insurance.
- For more information: http://advice.cuna.org/download/credit_crisis_08.pdf

Today's Credit Union Membership is a Diverse Mix of Ethnicities: How to Serve Immigrants

Warren Morrow, Founder & CEO, Coopera Consulting, Des Moines, Iowa

People come to the United States for a number of reasons: for a dream, for their children, opportunities, or fleeing oppression. Credit unions started during a time of high immigrant growth. Those early immigrants were preyed upon by loan sharks and face similar threats today. Immigrant growth during the last ten years was in response to industry work demands.

Our industry faces well-known challenges: an aging population and membership, saturation of mainstream markets, increased scrutiny and slow growth. Our market share is staying the same and not growing, while banks are starting to serve more low and moderate income people.

Most consumers are using some form of financial services, but many of these people are “unbanked,” which means they fail to maintain a checking or savings account with a mainstream financial institution and use alternative financial services such as check cashing outlets, payday loan outlets, money transfer services, and pawnshops.

These people are unbanked for a variety of reason—fear, lack of familiarity with financial institutions, distrust, avoiding fees, lack of identification or convenience.

Some 40-55% of Hispanic immigrants are unbanked. The FDIC projects that Hispanics will account for more than half of the U.S. banking growth during the next decade. Latino households with checking accounts will increase by 57% and with savings accounts by 76% during the next two years. And one of three U.S. citizens will be Hispanic by 2050.

Entrepreneurship is higher among immigrant groups; the numbers back this up. Hispanic women, for instance, own 39% of all women-owned firms in the U.S. with approximately 750,000 businesses. There were 1.6 million Hispanic-owned businesses in the U.S. in 2002, a 31% increase from 1997. These businesses produced \$222 billion in revenue.

The reason entrepreneurship is higher among immigrants is because it more difficult for these groups to get a job. And many immigrants came to this country with a vision of something better for themselves and their family. They took a risk to leave their country and they are willing to take a risk to be an entrepreneur.

Hispanic purchasing power in the U.S. increased from 89% between 2000 and 2007, from \$491 billion to \$926 billion. The U.S. Hispanic annual disposable income is larger than the annual GNP of Brazil, Spain and Canada.

Hispanics & Immigrants Products

To reach the Hispanic and immigrant market, we need to keep our product offerings simple and convenient. And treat people with dignity and respect. Luis Pastor of Latino Community Credit Union, Durham, North Carolina is a good example of this.

Your goal should be to adapt your systems and policies to be more inclusive of your community. Increase awareness and relevance among Hispanics and they advertise for you. Community events are important for Hispanics and other immigrant groups to maintain a credit union presence.

The following are basic products that Hispanics and immigrants need:

- Check cashing
- Remittances
- Money orders
- Bill payments
- Payday lending alternatives
- SAFE accounts and savings
- Individual Development Accounts (IDAs)
- Tax assistance and RALs

As members learn more about the credit union and build credit, the following products become valuable:

- Checking accounts
- Credit building loans
- Stored value cards
- Lines of credit
- Auto loans
- Credit cards
- Direct Deposit
- Home banking
- ITIN lending
- Residency loans

Best Practices: Serving Immigrants in your Membership

Jim Blake, CEO HarborOne Credit, Brockton, Massachusetts

HarborOne is a \$1.6 billion asset credit union located in Brockton, about 20 miles south of Boston. The organization is the number one minority lender in the market and has the same designation for the low-income lender. It also has four consecutive outstanding CRA ratings. Massachusetts places its state chartered credit unions under the Community Reinvestment Act, just like its banks. HarborOne is 91 years old, making it one of the older credit unions in the nation.

We were finding that there were a lot of foreclosures in Massachusetts and Brockton had the most foreclosures in the state. People were being preyed upon; there weren't many solutions. The Massachusetts Community & Banking Council Report found that 53% of black borrowers in the Boston area making at least \$98,000 a year got mortgage loans with high interest rates, compared with 13% of white borrowers. The study estimates that the average recipient of a high-rate loan actually was four percentage points above the market rate.

As we looked at the data in Brockton, we discovered that thousands of people went to predatory lenders. They didn't come to our credit union. We asked community leaders why didn't come to our credit union. The answer was that they didn't trust us. It was the same answer that earlier immigrants, Irish and Italians, faced—a lack of trust.

We took a strategic look at the problem and decided to convert 11,000 square feet of vacant former main office space and staffed it with multi-cultural employees. We provided the following courses:

- English for speakers of other languages,
- Basics of personal finance
- First time home ownership
- Foreclosure counseling
- Credit counseling
- Assistance with Earned Income Tax Credit

Offering English for speakers of other languages was a significant decision to build an environment of trust with immigrants. There was a waiting list of more than 1,200 people to learn English; we knew there was a need. We offered free office space to any non-profit that would deal with immigrant problems. We wanted to be the one place where people could go—a triage process, an emergency room. The staff people speak 17 different languages.

Some of the community partners included Neighborhood Housing Services, South Shore Housing, VITA, Fuel Assistance, and South Shore Haitians for Progress. Some of our non-residence community partners include Consumer Credit Counseling, Adult Learning Center, YMCA, Career Works, Neighborhood Health Center, and United Way.

The Multi-Cultural Center reports to the Retail Banking group. The Center has one year to become profitable. Serving low-income and middle-income can be profitable, look at the example of Wal-Mart; their most profitable business is financial services.

One of the more valued services is the loan for the cost of the citizenship test at \$670. The Center offers several of the National Credit Union Foundation's Signature Programs, including Second Chance Checking; Micro loans in amounts of \$350, \$600, and \$100; and Volunteer Income Tax Assistance. And they are developing a payday loan alternative program.

Since September 2007, they have launched a financial literacy course in English and Spanish. Graduates of the 8-week course receive Second Chance Checking and a \$500 line of credit, regardless of their creditworthiness. That line of credit is bumped to \$1,000 after 8 weeks if the credit is handled responsibly.

First time home ownership classes are provided in English, Portuguese and Haitian. We have a train-the-trainer program, which is extremely popular with our staff. The Multi-cultural building also houses a HarborOne branch, which serves a highly diverse membership. The Multi-cultural Center took in \$7.5 million in loans in 2007.

Best Practices: Serving Immigrants in your Membership

Salvador Durran, CEO, Mission Federal Credit Union San Francisco, California

Mission Federal Credit Union is a community development credit union that was founded in 1971 to serve the Mission District. The average household income is \$44,500 compared to \$55,509 for the city of San Francisco.

The Mission District is also an area of great need. It has the highest concentration of fringe outlets in San Francisco—22; payday lenders—13. The estimated annual cost to residents is \$2.15 million. And 56% of Mission residents are unbanked and 44% residents lack a credit history.

Our staff is bi-lingual and bi-cultural; we hire staff that can relate to our members. All of our business is conducted in Spanish, English or Spanglish; all of our materials are

available in Spanish and English. We are a small credit union with one branch and 2,000 members—450 are under 18 years old—\$8 million assets that has been open for 30 years.

We tailor our products and services to our members. For example, wiring money, small business loans and credit building are important services for our members. Our members don't have a lot of money. Used car loans are important, so we keep the interest rate competitive, close to the new car rate. Our members won't come to us for new car loans.

Building long-term relationships are important; consider where your members will be in ten years. They will not be broke forever; you need to be flexible with identification and underwriting to give your members an opportunity.

Trust in financial institutions is not automatic because the immigrant's past experience may have been negative. Immigrants have strong social networks. Once you have their trust, they will tell everyone they know about the credit union. They build on social networks through word of mouth. People are loyal; they will remember that first loan and won't forget. Bankrupt members have paid back loans to the credit union, even though they were not required to do so.

We have a new alternative payday loan program that will provide up to \$2,000. We also have a new small business assistance program as well as a micro-lending and entrepreneur program. We provide loans for immigrants to start small businesses.

Best Practices: Serving Immigrants in your Membership

Lily Lo, CEO, Northeast Community Credit Union San Francisco, California

Northeast Community Credit Union (NECFUCU) was organized in 1981 in Chinatown in San Francisco as a community development credit union for the underserved.

There are a number of reasons that immigrants don't open a bank account. Probably the main reason is lack of trust; their previous homeland had no government guarantees. Cultural differences also account for another factor; Asian cultures tend to pay by cash and save in traditional methods. They might save in a cookie jar, under a mattress, with friends and relatives, or buried in their backyard. They might also invest in jewelry or gold bars.

In Chinatown, the banks wouldn't accept many of the residents who were homeless, immigrants, transients, unbanked, or lacked documents. Many of the residents were using check cashing outlets. For immigrants and low wealth, the benefits from opening a savings account were numerous: establish identity and credit, earn interest, build assets, save for a car or home, qualify for a loan, or qualify for bill payment.

People will ask why we would serve homeless, since they don't have money or income. But, they do have savings and income. Many live on SSI, which is \$661 a month, which is not enough for an apartment in most cases. Even the homeless can save; we educate them on the value of maintaining a savings account.

We have found that many low-income members can save and can develop budgets. We hold financial literacy workshops that teach budgeting, rebuilding credit, debt consolidation, peer counseling, starting up a small business and tax counseling. The workshops are held once a week for seven weeks. We also offer one-to-one counseling for those who are reluctant to open up in a group setting.

Robert Fowler is a handicapped member and was formerly homeless. We consider him one of our success stories. He used check cashers and signed up for an IDA account at the credit union. He was able to start a vending machine business with the savings from his IDA account and was moved into low-income housing. He now volunteers at the credit union during tax time and serves on the board of directors.

Figure B compares a payday loan from Cashcall and a loan for from the credit union. Note the total payments of \$9,288.17 for a loan of \$2,600 from Cashcall as opposed to \$3,116.31 from the credit union.

Figure B
Borrowing at NECFCU
Payday Loan Alternative

\$2,600 Loan	Cashcall, Inc	NECFCU
Prepaid Finance Charge/origination fee	\$75	\$0
Amount Financed/Amount paid to Borrower Directly	\$2,525	\$2,600
Finance Charge	\$6,763.17	\$516.31
Total of Payments	\$9,288.17	\$3,116.31
Loan Term	First payment \$194.13 41 payments \$216.55 Last payment \$215.49	First payment \$129.53 23 payments \$129.86
APR	99.23	18%

NECFCU provides workshops on assistance for small businesses. We also provide assistance in marketing, loan packaging, lease review and accounting advice. We provide advice and translate in Chinese for many of our members, which are important since the regulations, codes and licenses can be complicated. Some of the subjects covered in the workshop include:

- Obtaining your contractor's license
- Understanding business tax and personal property tax
- Starting an import and export business
- Small business loan versus a bank loan
- Promoting your business on E-bay
- Starting, purchasing, and marketing a small business

Partnerships are a significant element of our success. Some of our partners include Patelco, San Francisco Fire Credit Union, Golden One Credit Union, Spectrum Credit Union, The National Federation of Community Credit Unions and First Bank.

**Best Practices: Serving Immigrants in your Membership
Taking it back to the Credit Union**

Lois Kitsch, Program Officer/Director Real Solutions, National Credit Union Foundation, Washington DC

Lois: What similarities did we find among the speakers after the first day?

Audience: All of the speakers emphasized the importance of education and partnerships.

Lois: What products and services do immigrants and low-wealth members need?

Audience: They need international wire transfers that are inexpensive, fast and convenient. They need safe accounts, especially for people who are undocumented, and those who have their savings in mattresses or buried in their backyards. These accounts don't pay dividends. They also need small loans and access to credit.

The credit unions also indicated that their members paid their loans and indicated that their members were trustworthy. Low wealth members are willing to save. For our credit unions to succeed there has to be a commitment from the top down.

**Serving Youth
Generation Engage!**

Adrian Talbott, Executive Director, Generation Engage, Washington, DC

Generation Engage is a nonpartisan youth initiative that is trying to reach voters through multiple media. The organization is trying to accomplish this via technologies such as video chats that allow potential voters to talk with local, state and national leaders from both parties. Although this is the wired generation, many young people lack Internet access; video conferencing and other methods make it easier to reach these young voters.

Young people need to realize that real change happens on a local level. Change in our communities is bigger than politicians, and individuals need to transfer the excitement from the national election to local issues and civic organizations to see the kind of change we all want; change that we can feel next week happens locally.

The organization is trying to reach out to young people who aren't attending traditional colleges. Young people today don't suffer from a lack of interest, but rather a lack of access. Generation Engage would like to partner with credit unions to offer curriculum on basic financial issues along with civic issues. Credit unions are in a unique position to answer questions about financial literacy and can work locally with community organizations.

Generation Engage is working with community colleges, where these institutions have a responsibility to teach their students to act as responsible and informed consumers. Community colleges are similar to credit unions; they are community organizations that promote empowerment for their students.

Generation Engage meets young people where they are; many are choosing not to go to college for economic reasons, not academic reasons. In the past several years, we are facing a low and sometimes a negative savings rate. We feel that financial literacy would be a good fit for our efforts.

The video that we are now showing is of Robert Reich, former secretary of labor in the Clinton administration in his office in Berkeley, where he teaches at the University of California. We have young people in Washington, D.C., New York, and San Francisco asking him questions in real time via video hook-up about the importance of one's credit report in today's economy.

This is a typical event that we have with young people. We have had President Clinton, Spike Lee, Senator Hillary Clinton, Senator Chuck Hagel, Vice President Al Gore, General Colin Powell, and Speaker Newt Gingrich appear in our events.

Generation Engage is built on three principles:

- Young people suffer not from a lack of interest, but from a lack of access;
- Our democracy should be a dialogue, not a monologue;
- The best investment we can make in the future of our democracy is in young leaders at the local level.

The process that Generation Engage is attempting is taking politics directly to the people. It arranges for a politician to come to a place where young people congregate and talk for 40 minutes or so. Before an event, the organization has highly committed individuals, "ambassadors," who work with the local community colleges and professors.

Serving Youth

Reaching and Serving Youth in Today's Market

Ben Rogers, Driver, Filene Research Institute CU Tomorrow Project, Madison, Wisconsin

Some 33% of all Americans are asset poor, which can be defined as not being able to go three months without resources to be drawn upon. And 10% of all households in America have less than \$100 in assets.

If young people get the same products at a credit union as they do at a bank, there really won't make a difference to young people. The financial products have to be compelling. Just being a cooperative isn't going to make a difference to young people, the products have to make the difference. The products and services will differentiate credit unions from banks.

When we met with the Filene fellows recently, one of the fellows, Professor Peter Tufano, Harvard Business School, said "I worry that as consumers make flight to quality, credit unions will make a flight to safety."

Creditworthiness doesn't change because Wachovia Bank goes under. Credit unions shouldn't let the national economic crisis change the way we do business. We have strong financial and capital positions and are in a strong position to offer young members and potential members services and products when other financial institutions are pulling back.

Another one of the Filene Fellows, Dorian Stone of McKinsey & Company said that he was "bullish about the opportunity for credit unions." I would agree, while the rest of the financial community is tightening up on credit and seeking capital, credit unions are in great shape. They avoided subprime loans and counseled their members to take out loans that they could afford.

A good way to differentiate to young people is to offer a rate difference, for example, on a car loan. As the big three auto manufacturers are getting out of auto financing and leasing, credit unions are moving toward a competitive advantage in auto lending. So, now is a time to offer competitive auto loans to young members.

An interesting statistic was reported in the September 12, 2008 *New York Times*, in 29 of 42 states, lotteries saw increased sales over the previous fiscal year. The personal savings rate is also up to 3% in the second quarter of 2008 after falling to a negative rate in 2005. Consumers are starting to realize that they will have to save again, which is one of the silver linings to come out of this financial disaster.

Professor Tufano studied the savings habits of low- and moderate-income consumers, which he defines as an annual household income of up to \$50,000. Figure C summarizes his findings.

Figure C
Percentage of Participants
Articulating Specific Savings Goals

Any Savings Goal	81%
General Savings	16%
Emergency Savings	13%
Home improvement, purchases or rental	15%
Car purchase, repair or other	13%
Education	4%
Business	1%
Retirement	5%
Children	4%
Gifts, weddings, funerals	4%
Bills	3%
Medical	1%
Durables	1%
Move	1%
Living expenses	1%
Miscellaneous	7%

There are essentially six ways to get young people to save:

- Force them
- Make it hard not to save
- Make it easy to save
- Bribe them to save
- Offer social support for savings
- Make it exciting to save

Suggestions for Saving

I'm going to ask the group for suggestions on how they would get youth to save. The following are ideas from the group on how to motivate young members to save:

- Promote payroll deduction; it's easy to save if you have payroll deduction
- Keep the change program, similar to Bank of America's program
- Paying the members' initial share for their savings account
- Transferring the odd cents on the debit card to a savings account
- Counseling young enlistees on how to make money last since the military gets paid once a month, teaching budgeting tools
- Pay a high interest rate on first \$1,000 or \$1,500
- Hold a drawing for an iPod, prize based savings
- Partner with community organizations
- Match savings, for the first \$100 match with \$10
- Give points toward books
- Partner with local retailers with discounts as reward for saving

- Lower fees
- Earn income tax credits
- Work with community partners, who will match savings with IDAs
- Work with savings coaches, who will set goals

Some credit unions have special programs for young savers. BECU, for example has a higher dividend rate, 7.50% APR, on the first \$500 for savers under 18 years of age. Addison Avenue Federal Credit Union has a checking rewards program that pays 5.25% up to \$25,000 with some online transactions required.

Services & Products Important to Young Members

The following services and products are tactics credit unions can use to attract this age group as they transition out of high school and open their first independent accounts:

- Free Foreign ATM services
- Automatic text notification
- College application fees
- Discounted loans, possibly co-signed
- Small gifts, \$5 gift certificates
- 0% credit cards with \$1,000 limit
- Reverse first overdraft fee, get out of jail card
- Credit score

Serving Youth

Best Practices: Serving the Youth in your Membership

Chad LaFlash, Director of Research & Development, UW Credit Union, Madison, Wisconsin

UW Credit Union has \$1.1 billion in assets and 120,000 members. Our student mission is to acquire, serve and retain the majority of college students on our campuses. Students became eligible to join in 1967 and a serious influx of students began in 1980s. During the 1990s we had doubts: can we survive with so many students; is our image just a student bank?

We completed branding and behavioral research and found that our best members started as students. Many students are profitable from the start. Our membership is young and growing. People in our various communities are respectful of us. Young adults have both loan and deposit needs and produce non-fee and non-interest income.

Our priorities for the new century were to acquire as many young adults as possible, encourage profitable behaviors and retain them for life. The average age of our members is 36 years old. We add about 5,000 new students every fall. More than one-half of all students become profitable after six years.

The numbers place the UW Credit Union at the top of its peers in the Madison area: we have a ROA of 1.10%, a 5% annual membership growth rate, 12% annual asset growth,

the highest satisfaction and loyalty in the Madison area and the highest PFI in of any credit union in the Madison area.

The UW Credit Union's strategies are to have convenient locations, a feature-rich Web site, valuable checking package, responsible credit cards, appealing student loans and continuous marketing.

Convenient locations are a key driver for all ages because proximity demonstrates commitment on behalf of the credit union. Some 75% of all accounts are opened in the branch, while only 25% are opened online. Our branches have a modern retail look with self service ATMS. We also have exclusive rights to place ATMs on UW campuses.

The Web site is essential to our strategy because all college students are online; they have an expectation to finding anything they want online. UW Credit Union was the first Wisconsin financial institution with online services and mobile access. Some 93% of students now have a mobile phone.

We don't have free checking; we offer relationship checking to keep the transaction costs low for our members. The relationship package drives positive behaviors of lower branch transaction costs and lower print and postage costs.

"Free checking" is a myth that holds that is it necessary to compete and attract members by offering checking without charge. A better option is to offer checking accounts with no minimum balance or monthly fee, unlimited checks, unlimited ATM withdrawals, real overdraft protection and responsible access to credit. And real-time alerts are given for any action or low balance.

Credit cards are a controversial topic; about 75% of students have one. The interchange and interest income is important to us, but our credit card is superior to Citibank's. Our card also presents a good branding opportunity. To obtain a credit card, a student needs to be enrolled, be 18 years old, and have a Social Security number. An "A" score gets a 9.9% fixed rate; a "B" score or no credit record gets an 11.5% rate. There is no income requirement. There are automatic payments and real-time alerts available as well as educational opportunities.

The initial credit card limit is \$1,000, which can be increased by \$1,000 annually with a history of prompt payments to \$4,000 by graduation. There is no annual fee and no need for teaser rates. Enrolled students show significantly better charge-off rates and delinquency rates than non-students with no credit history.

UW Credit Union has been the top Madison producer for student loans for the past 20 years. Student loans are relatively easy and attractive to lenders. They are guaranteed by the U.S. government, so there no loan losses. There is a variable yield on Stafford loans. There is a 3% to 5% net margin on alternative loans. The average balance is \$17,000. And there are cross-sell opportunities.

We market to the parents of incoming freshmen and transfer students; our message is: “we are the campus bank.” We also buy lists from the campuses, which are relatively inexpensive. We have a Facebook presence—an inexpensive venue for advertising. We don’t use TV or radio advertising, but advertise on the student newspapers. We use incentives and giveaways like t-shirts, iTunes, drawings for iPods, room makeovers.

Why Young Adults Should Join UW Credit Union

Our marketing message is focused on giving young adults reasons to join the UW credit union:

- Convenient, attractive branches and ATMs
- State of art online banking
- Better than free checking
- Responsible and reasonable access to credit
- Competitive student loans
- Youth-oriented marketing outreach

Serving Youth

Best Practices: Serving the Youth in your Membership

Michelle Lacour, Chief Growth Officer, LaDOTD Credit Union, Denham Springs, Louisiana

LADOTD Credit Union has \$96.5 million in assets, 17, 675 members and 57 employees. In Louisiana, it is mandatory to have financial education in school. In 2003, our CEO decided to hire a full-time teacher to teach financial education. During 2008, Danielle Scott will have taught 263 financial education classes to 7,377 students in elementary, middle and high school.

The in-school credit union branches provide a number of benefits to credit union. It helps to create the next generation of members, fulfills the organizational mission of the credit union and provides an opportunity to the credit union story. It is also an opportunity to forge a bond with young members before the banks begin marketing to them.

The National Credit Union Foundation provided an Innovation Grant for the In-School Credit Union. The grant helps students build a relationship with the credit union. They are developing a habit of saving and increasing their knowledge about financial products.

The In-School Credit Union serves as an alternative to school. For those that are academically behind, it can be a second chance. One student was not successful in-school and the principal selected him to work in the credit union. He thrived in the credit union and became branch manager. Tellers are required to balance the cash and full time employees from the credit union are there to help the students.

We meet with our Congressional delegation on a regular basis and let them know what is going on with our credit union. We have three in-school credit unions: Cardinal Credit

Union, Staring Credit Union and Cougar Credit Union. Each principal of the schools involved selects students to participate in the in-school credit unions.

In-School Credit Union Start-up

The back office part is the hardest challenge to the in-school credit union start-up. Schools lack true IT networks, so we have to start well in advance to lay the groundwork for IT. We'll go to the school and give a presentation and give a letter to the parents. Each student needs \$5 to open a savings account; the student has two weeks to earn the \$5. There are three positions for students: two marketing directors, two branch managers, and several member service representatives.

Training on the core system is usually done on Saturdays or Fridays. We talk about member confidentiality. We collect all member applications before the credit union is opened.

At the Cardinal Credit Union, we have a 97.6% penetration rate with 120 accounts with \$11,067 on deposits. We only allow students to make deposits, we don't make loans. Students can go to our other branches to make withdrawals. We also have eight adult members with \$4,909 on deposit.

Staring Credit Union has a 71% penetration rate with 82 accounts with \$2,508 on deposit. There are ten adult members with \$1,037 savings on deposit. Cougar Credit Union has a 72.8% penetration rate with 494 accounts with \$4,626 on deposit. There are 22 adult accounts with \$1,165 on deposit.

Youth Advisory Council

We hired four teens to work with us for seven weeks to advise us about their attitudes about money, desired financial products and services. We wanted to find out what young people wanted in credit union services.

The results were interesting. They didn't want their parents involved with their accounts. They were agreeable to a financial education class to receive a checking account with debit card. They want mobile banking and would like to use a combination of plastic and cash.

Teens are not willing to be a financial institution's friend on MySpace or Facebook. They don't trust giveaways because there is usually a catch. Parents have a big influence on where teens bank. The exterior and interior color scheme of credit union may not be inviting to young members. Consider hiring a younger greeter at your credit union.

A teen checking account should have a high interest rate and rewards. It should consider downloadable with iTunes and receive ATM refunds. A customized image on the debit card is highly desirable.

Serving Youth

Best Practices: Serving the Youth in your Membership

Margaret Libby, Executive Director Mission SF Community Financial Center, San Francisco, California

There are typically four strategies to expand economic opportunities: raise awareness about the quality of financial services as an alternative to the high cost to fringe financial outlets; educate about financial matters; increase income and earning power; and improve community financial services.

Mission San Francisco Community Financial Center funds and operates financial education and outreach programs targeting youth and works to improve financial services in the area. The Center operates youth programs for the following reasons:

- Prevention of credit and debt problems
- Develop savings and budgeting habits early
- Reach parents through their children; a proven method to reach immigrants
- Provide youth with positive developmental activities and support; there are violence and gang activity in our neighborhood
- Provide youth with resources to stay in school, achieve in school, and get on a college track
- Create a succession plan for the community development credit union movement and for our community's leadership, get new members, develop values of the community

The Youth Credit Union Program (YCUP) combines youth-to-youth and adult-to-youth training practices to prepare youth members to become member service representatives. Savings accounts for children and youth under 18 are moved to adult when members turn 18. The accounts receive 18% APR. Some 25 youth were trained as member service representatives during the last two years, 450 members signed up and YCUP has \$85,000 in assets.

The credit union supports a youth financial education program that is youth run and youth trained that consists of 8 weeks of training in July and August. Some of the topics include: budgeting, savings, spending, credit union and bank differences and financial justice.

The credit union has learned that young people are interested in credit unions and financial training. And youth are powerful resources for engaging other youth. Youth leadership in the area can bring new energy to potential partners and serve as a catalyst for collaboration among other partners. Youth ownership is vital for program sustainability.

Young members need to feel engaged in the planning, design, naming and messaging of the programs. If you give youth your respect, they will have a great deal to teach you. Give them real decision making responsibility and compensate them for their time and

expertise. And make it fun for youth leaders. It is critical to give young members the tools to do the research.

A peer financial program is most effective because youth are more open to their peers; they are experts in how to reach their peers with new information. And in the immigrant community, young people are often the best point of access to adults as they often act as translators for their parents both in language and cultural nuances.

It's challenging to build relationships with schools and venues at schools. The bureaucracy is a barrier and is often difficult to overcome. Young people don't always feel comfortable at school; they often prefer places far from a school setting.

Serving Youth Your Members—Their Voice

Members of Mission Area Youth Credit Union, San Francisco, California

Conference participants heard from four members of the youth credit union. The following are their comments:

I tell my friends about the credit union. We try to let them know that it is about education and savings; it's about your future. It's sad that we are not learning about savings, budgeting or financial goals in school. If you learn about this when you are 30 years old you will be in a jam and it might be too late.

We let our friends know about check cashers and payday lenders and the fees they charge. They tell us that they didn't know they were getting ripped off. How can I join a credit union? They ask us after we explain the fees. That's the easiest way to get their attention.

We try to focus the group by examining their spending habits. If they buy a can of soda daily, it can mean a \$420 in a year. We suggest that they consider having a savings goal with that money. We have a goal sheet and list how much it would take to save a week.

Thanks to my work with the credit union, I'm looking forward to being an accountant; I'm saving for that goal. I'm taking all the information I've been given. This gets me thinking for the future and gets me thinking about reaching those goals. I want to make a difference and help people, not just make money.

Question from the audience: Will you get a credit card?

No, credit cards bring too easy access to money and it's not helpful.

Yes, I want a credit card for a back-up plan just for emergency purposes, for unexpected plans.

We meet Tuesdays and Fridays and during those meetings we encourage each other and share stories. We are practically a family, because we enjoy each other's company so much. We spend a lot of time with the credit union, paid and unpaid.

Question from the audience: Has the credit union influenced the choice of your future career?

No, it hasn't influenced my career.

It has opened a lot of doors for me. I am considering becoming a youth program coordinator for financial literacy.

Because of my credit union work, I would love to become an accountant. I have helped my mom with bills and other bookkeeping chores. The credit union has committed me to the accounting program.

The last four years has opened a lot of career choices for me. Before my credit union experience, I couldn't speak before an audience. I now have a different career path every week.

The programs are developed and run by youth. Young people have ideas, we want to help out. It's important to have friends tell you about the credit union rather than adults. Peer tutoring is important to our success.

Serving Low Wealth

Wal-Mart Financial Centers—What Can Credit Unions Learn From Wal-Mart

Ron Galloway, producer/director, Augusta, Georgia

Wal-Mart is all about scale and application of scale. More than 130 million people shop at Wal-Mart every week, and 25% of those shoppers are unbanked. Wal-Mart is getting into the music business. The new Eagles and AC/DC album are only available at Wal-Mart. About 13 years ago, Wal-Mart didn't sell groceries, today it is the largest grocery store.

Wal-Mart is not really a store; it is an IT company where computers run the store. Wal-Mart tracks the weather to be aware of hurricanes. Interestingly, the items most in demand after a hurricane are diapers and beer, which Wal-Mart makes sure it has in stock.

Since 25% of its customers are unbanked, Wal-Mart wants to make sure that it services those consumers with money cards. We are seeing a lot of non-traditional organizations getting into banking. GMAC used to be auto loans, now it is taking deposits. PayPal has 45 million users. E*TRADE has a Twitter page. Soon everyone will have a mobile phone and will have mobile banking.

Google wants to get into banking. Amazon is setting up a PayPal like service, Amazon payment. Facebook has “acebucks,” a virtual currency whereby people can lend to each other in an unregulated way for 11% loans.

Kentucky Teleco Federal Credit Union www.kytelco.com has a unique promotion called “Fire Your Bank,” on a micro-site which invites readers to tell their story of how they fired their bank. The firings are posted on the credit union’s Web site. We should be competing against banks, not our fellow credit unions.

Consumers are going to looking for a safe place to put their money, not necessarily a return. Safety and stability are going to be the important factor for financial institutions in the near future, not yield. Not the thought of bank runs, we’ve had them. Or nationalized banks, we’ve had them.

Wal-Mart has a pre-paid Visa debit card that it offers to customers. Some of their customers deposit their paycheck at Wal-Mart and use the store as their financial institution. Financial services are one of their most profitable divisions. Wal-Mart stock is one of the few stocks that have increased this year. Wal-Mart serves the needs of the poor and a lot of people need them.

Credit unions have a great story to tell, but they aren’t doing a good job of telling their story. Credit unions can learn a great deal from Wal-Mart’s business model of serving low and moderate income folks.

Question from the audience: Aren’t the low wages and the well-documented worker abuses a high price to pay for the benefits that Wal-Mart provides for low and moderate income Americans?

I believe during the next year as people are losing their jobs and the recession becomes more severe, employees at Wal-Mart will value their jobs highly and low- and moderate-income consumers will depend on Wal-Mart even more. That will more than make up for any problems with workers.

Serving Low Wealth

Defining a Low Wealth Membership

Lois Kitsch, Program Officer/Director Real Solutions, National Credit Union Foundation, Washington, DC

Low-wealth households include low-income workers as well as renters with moderate and middle income who are unable to save. These include young people, new Americans, low wage families and those at the bottom of the wealth pyramid. There are 30 million workers between 18 and 64 years of age who earn \$9 per hour or less, which comes to about \$18,800 annually, which is the poverty level for a family of four.

One in four Americans are at the poverty level. They are members of families that lack such common benefits as health care, sick leave or vacation time. Some 14% of

Americans will reach 65 years old with low wealth. One may not realize the vast number of low wage occupations in the American economy: bartenders, cashiers, child-care workers, cooks, crossing guards, dishwashers, farm workers, janitors, nurse's aides, security guards, taxi drivers, waiters, maids, clerks, parking lot attendants, ushers and retail salespeople.

Are you doing a good job of telling what you do in serving low-income members? Schools First Credit Union brought six members to the GAC. The New York Credit Union League publishes a book about its member outreach and provides copies to its elected officials.

Prospera Credit Union in Appleton, Wisconsin recognized that financial education started with the staff. So, they educated their employees first before it offered products to members. When Prospera first offered a payday lending alternative, they had a huge barrier to overcome. The staff had to provide the reasoning for payday lending to their members.

When Charter Oak Federal Credit Union first offered check cashing, tellers weren't told that the fee income was earned from the check cashing. There were issues with the check cashing product at first. Once the tellers realized that it benefited both the members and the credit union, the issues were resolved. The results of the Charter Oak check cashing:

- 1% of the face value of the check is charged
- 2,500 of the members are using this service
- 400 members are using other products
- The program generated \$700,000 in fee income
- The program saved members more than \$600,000

Access to check cashing is critical. Wal-Mart is growing in this business. Bill payment is also an important service for low- to moderate-income consumers; they need a place to pay their light bill. They also need inexpensive money orders.

Since Filene i3 group developed the prize-based savings project, we've noted that some credit unions have tried this and succeeded. Members who have never saved before are motivated to save because they have a chance to win a prize. Prize-based savings are popular in Latin America and Great Britain.

Low wealth families need check cashing services and fee-free checking; money orders; remittances and tax preparation assistance. Safe accounts, that pay no dividends, are attractive to non-documented people that need a safe place to deposit their savings.

There are an estimated 30 to 40 million Americans that lack a formal banking relationship—this is a growth as well as a social opportunity for credit unions. CoVantage Credit Union in Shawano, Wisconsin works with the Menominee Native Americans. They have issued the “Load n’Go Card” which is a debit card program. It is used as a debit card as well as a prepaid card. Most of the users don't qualify for

checking accounts; they have FICA scores less than 600. There is a \$2 per month fee plus a small load fee.

PG County Credit Union has a Pot of Gold Savings program, whereby members save for a specific purpose. It may take three to five years to save \$2,500; \$5,000 or \$10,000. The current balance is 4.4% of credit union assets or \$4 million. Some 1,000 members of 12,000 members are using the program. The member can borrow from the fund for 3% over the savings current rate.

St. Louis Community Credit Union offers a 2nd chance checking, Money Max Card and a payday lending alternative. Some 774 members are using the products and 1,114 payday lending advances have been made with an average loan size of \$336 with a default rate of 1.2%. A savings of 10% of the loan amount is required. Rollovers are allowed with no additional fee.

About 8 million used cars are sold to low and moderate income borrowers annually. Banks have 30% of the market, sub prime lenders have 60% of the market, and credit unions have 5% of the market. This can be an opportunity for both credit unions and their members, especially during this time of tight credit.

Credit union can learn seven lessons in a new research report published by the National Credit Union Foundation, more credit unions can offer financially viable programs to help car buyers “steer clear” of predatory auto loans.

[*Steer Clear: How Credit Unions Help Car Buyers Avoid Predatory Loans*](#), shows how credit unions could gain a sustainable share of the “non-prime” market, where 8 million used cars are sold each year to borrowers with less than prime credit scores. The 57-page *Steer Clear* report is available free of charge, thanks to funding by NCUF and The Annie E. Casey Foundation.

Serving Low Wealth

Best Practices: Serving the Low Wealth Members

Tristram Coffin, CEO Alternatives Federal Credit Union, Ithaca, New York

Alternatives Federal Credit Union is a community development financial institution founded in 1971; Bill Meyers was the founding CEO. Today it has \$55 million in assets and 7,800 members. More than two-thirds of the membership is low income and 25% of the new members are typically unbanked.

Alternatives mission is to serve low wealth members, which is an unmet need in our community. Credit unions are in a position to offer value to low income members; they don't have to be in a dominant position to change the market.

Although we in the credit union movement may not realize it, credit unions can sometimes be a barrier for low wealth people. The name “credit union” can be confusing for starters. At Alternatives we try to appear informal in appearance and in manner. We

have a play area for children and give doggie biscuits for dogs. We hire employees within our membership. We look like our community. We don't have minimum wage jobs; we have "living wage" jobs.

We offer a seven week financial education "Money Wise" course. The cost is on a sliding scale of \$10 to \$80 and provides budgeting and basics of accounting. The participants in the course begin to feel a degree of control over their financial lives. It serves as a catalyst in transition from helplessness to hope.

We have 120 volunteers for our Volunteer Tax Assistance (VITA) program which provides assistance to more than 1,200 clients. One doesn't have to be a member of the credit union to take advantage of this program. More than \$2 million in refunds and Earned Income Tax Credit was provided through this program and 65 new members were signed up.

The program offers members a free income tax preparation and access to low income credit. For the credit union, it provides member involvement, new accounts from the unbanked and it strengthens our brand and image.

The student credit union has branches in elementary schools and it opens before school starts to take deposits. We have more than 1,200 students participating at the student credit unions. One student reportedly didn't want to go on vacation with his parents because he would miss his weekly savings deposit. There is a strong parental PTA involvement.

The credit union is celebrating ten years with its IDA program. Members can save for a home, education or starting a business. There is an educational component, and of course, members will get a match with their savings. More than 50 homes were purchased through this program. There is a 98% retention rate and currently there are 100 open accounts, double the amount of 2007.

Community partnerships are vital to our operations. The partner defines the need, policies and criteria. The partner makes the reserve deposit and loan decision. We service the loan, charge interest to cover costs. Wheels to Work is an example, it's a Catholic charity that helps low income folks buy a car and get off public assistance and get back to work.

We provide training for entrepreneurs with courses. "Are you ready for business" explores the feasibility of a small business. "Getting down to business" helps with business plans and the nuts and bolts of running a business. We also hold additional seminars, workshops and networking events.

Many of our members will not meet secondary market standards for home loans. We have flexible mortgage home loans to meet this need as well as construction loans. Low income people typically don't get good service; we want to give our low income members good service.

We sustain our mission by having employees on staff that specialize in grant writing. We also have a balance of higher income members who support our work. We continue to build relationships with community partnerships and foundations.

Serving Low Wealth

Best Practices: Serving the Low Wealth Members

Lily Lo, CEO, Northeast Community Credit Union San Francisco, California.

Northeast Credit Union's mission is to meet the savings and credit needs of the underserved, homeless, transient, and low-income residents. In the 1.4 square mile area our membership, more than 40 languages are spoken. The majority of our membership is below the median family income for San Francisco. Northeast today has \$8.8 million in assets and 1,562 members and has three branches and will soon have a fourth branch at Sixth and Mission.

We provide small business assistance to start-ups and expanding enterprises with one stop services such as registering the business, filling out loan applications, business tax filings, writing business plans. Workshops are held in English and Chinese languages on how to operate a new business, tax law and other subjects.

Volunteer Income Tax Assistance (VITA) has been important for low-income taxpayers who would not be able to afford paid assistance. In 2007, we filed 2,610 returns and taxpayers received \$1,375,548. We provide help for earned tax credit and the economic stimulus payment as well as the San Francisco Working Families Credit and the Renter's Credit.

When Bank of San Francisco was launched in September 2007, its primary goal was to bring low income, unbanked people into the financial mainstream by helping them open low-cost starter accounts. Northeast was one of the original participants of this initiative.

Low-income people can and are willing to save. We encourage savings by offering a variety of savings products: gift account, regular share, fun account, split rate, business checking, share draft checking, passbook savings, CDs, direct deposit, and IDAs. Northeast offers an alternative to payday lending, the "Grace/payday" loan which provides a loan as little as \$50. There are also small, start-up loans for small businesses and home improvements as well as new and used car loans.

Serving Low Wealth

National Federation of Community Development Credit Unions

Cliff Rosenthal, CEO, New York City

There are 225 community development credit unions (CDCUs) members of the federation and 50 community development partners. The Federation is headquartered in New York City. It is a 501[c] 3 charitable organization, our money comes from grants.

Our mission is to help credit unions do more to serve the underserved by developing and promoting products, programs and partnerships. We help by providing capital for CDCUS, deposits and secondary capital. We hold a CECU Institute annually in Madison, Wisconsin for 50 to 60 managers and officials that train the trainers.

The Federation had developed a CDCU Mortgage Center, LLC, which is a special secondary market for purchase loans from the underserved. The Center offers home ownership counseling. We also have special outreach programs to reach the underserved: the disability outreach network; Latino Credit Union Network; Faith based Credit Union Network; and the Youth Credit Union Project.

A community development credit union has a specific mission to serve low income people, neighborhoods and communities. It can be any charter type and is usually designated "low-income" by NCUA or state. If it is designated, its powers include non-member deposits, secondary capital and not subject to 12.25% limits on member business lending.

Community development partners are credit unions that have made a commitment to expand their membership and presence in low income areas and partnership with CDCUs. They also participate with the Federation and participate with public and private initiatives serve low income people.

It's difficult for a new credit union to get a charter. There were only four new federal credit unions chartered in the U.S. in 2007 and 2008, while there are between 100 to 200 new banks chartered on average annually. It takes an average of three years to charter a credit union. The NCUA is not there to help; they are there to set up barriers. There are 28 million unbanked and 45 million underbanked in the U.S.

Credit unions can help low wealth families by providing free tax preparation and refund anticipation loans. The refunds are a significant economic boost for families and communities.

In San Antonio, for example, there are 353 non-bank check cashers, pay day lenders and pawnshops. Some \$6.6 million total fees on check cashed, \$38.6 million total fees on payday loans, and \$24 million total value of pawnshop loans during 2007. The unbanked will spend more than \$40,000 in lifetime for check cashing fees. And 22% of San Antonio's low- to middle-income families are not banked.

Generations Federation Credit Union offers an Alternative Refund Anticipation Loan (ARAL) at 0% compared to paid preparers who typically charge \$335 including a charge for the tax return. The credit union opened 1,542 new accounts because of the ARAL, and made more than \$5.8 million in ARALs.

New York City's Office of Financial Empowerment, launched by Mayor Michael Bloomberg at the Lower East Side People's Federal Credit Union in 2006, had a mission to educate, empower and protect New Yorkers with low incomes. Major initiatives

included developing a network of financial education providers; fighting predatory lending; bringing unbanked people into the financial system, and provide incentives for people to save.

The largest VITA/EITC coalition in the nation was developed with 150 public and private partners. Some 82,374 tax returns were filed with \$59,597,068 EITC refunds. Ten financial institutions signed on, including five credit unions and five banks. A safe starter account was developed for unbanked with no minimum balance and no monthly fees. A \$50 incentive was given for opening a savings account.

Serving Low Wealth

National Credit Union Foundation's Role in Serving Members of Modest Means

Tom Decker, National Program Director, CU Center for Social Impact Management, National Credit Union Foundation, Madison, Wisconsin

Lois Kitsch, Program Officer/Director Real Solutions, National Credit Union Foundation, Washington DC

The Biden/Pell Amendment provided the funds for the Credit Union Development Education program, which held its first class in 1982. The focus was to teach credit unionists the value of international and domestic development through the use of cooperatives. The six-day immersion program seeks to inspire participants to a life-long commitment to international development and service projects to local and international communities.

Initiatives in the works with the World Council of Credit Unions and the Foundation include an international designation for the development education program. A scholarship program is also planned for African participants. The development education program was honored with the Herb Wegner Award for its program excellence.

In 2008, NCUF received 41 applications requesting \$2.2 million for its Innovation grants. The Foundation will approve 14 Innovation grants totaling up to \$600,000. The Innovation grants must meet the criteria of the Real Solutions program.

During Hurricane Katrina, NCUF activated its Disaster Relief Fund. State credit union leagues, state foundations, individual credit unions, and Corporate Sponsors worked with NCUF to coordinate the largest disaster relief effort the movement has ever seen. Credit union supporters across America answered with an overwhelming outpouring of donations. CU AID raised more than \$3 million for credit union employees.

The Community Investment Fund (CIF) is the primary funding vehicle for the National Credit Union Foundation's national, state and local programs. Investors can make a deposit into their corporate and donate up to 2% of the dividend to the National Credit Union Foundation and the NCUF dedicates up to 1% to national programs:

- [REAL Solutions®](#), empowering credit unions to offer new services that are proving effective in serving consumers who are struggling to save or build assets;

- [Biz Kid\\$](#), the first PBS-TV series devoted to youth financial education and underwritten by America's Credit Unions;
- [Credit Union Development Education](#), promoting cooperative principles and credit union philosophy to make a positive impact in communities around the world;
- [Social Impact Management](#), making the business case for social responsibility initiatives that meet a “triple bottom line” benefiting credit unions, their members, and their communities;
- [Innovation Grants](#), encouraging credit union innovations through creative grant-making.
- [CUAid.coop](#), supporting the national online fundraising platform for credit union employees and members so that all disaster relief donations go toward grants.

Savings Opportunities

There are a number of savings opportunities that credit unions are offering their members. Matrimony is a promotion that Filene’s i3 group has developed, which allows cash gifts to be given to newlyweds in a socially acceptable way while building up the young couple’s savings accounts. This is being attempted at North Island Credit Union in San Diego.

Question to the audience: Does anybody have a savings officer at their credit union?

I see that a few credit unions in the audiences do, that is a good sign.

Check cashing is the number one service to the unbanked. They need their payroll or government checks cashed. Charter Oak Federal Credit Union launched a check cashing program and charged a 1% fee, which was far less than the check cashing outlets. This brought in \$660,000 fee income over three years and saved members \$600,000 and added 2,500 new members.

Wright-Patt Credit Union in Fairfield, Ohio, has a Stretch Pay Program, which is an alternative to payday lending. Borrowers can receive a \$250 or \$500 payday loan, 12 times a year, but each time the previous payday loan has to be paid off. The borrowers pay an annual fee of \$50 or \$70. You have to be a member for 60 days to get the loan and not have caused the credit union a loss. The interest rate is 18%. Once members qualify for the program, they can get the Stretch Pay loans at the teller line. Doug Fecher, CEO, offers the program more as a service to the community, because it breaks even, it doesn’t make a profit.

Prospera Credit Union in Appleton, Wisconsin offers a payday loan alternative at its branch at a Goodwill store. The terms were 9.90% for \$100 for a two week loan. The branch is open 6 days a week from 7a.m. to 7p.m. The branch is easy and convenient for

members. They also have wire transfers, check cashing, financial counseling and medical referrals to a health center in the complex.

Dan Mica, CEO Credit Union National Association

I wasn't able to join you in person, but through this video hook-up I am able to say a few words to you about this wonderful conference that you have been able to attend this week.

You have learned a lot about low-wealth and low-income people this past week. We are now able to put their interests first. It is the mission of credit unions to serve people of modest means. We now have to take what we have learned and put it into practice.

We have learned about people of modest means and ultimately credit unions teach that we have to help people help themselves.

If we can teach financial literacy it helps credit unions, it is good for business, good for America, and you and I can put the credit union ideals into practice. Thank you.