

# Baseline Survey Results May 2009

A REAL Solutions® Impact Assessment



## ***Baseline Survey Results – May2009: A REAL Solutions® Impact Assessment***

is a 2009 report from the National Credit Union Foundation's REAL Solutions® program.

### **About the National Credit Union Foundation (NCUF)**

The National Credit Union Foundation (NCUF) raises charitable funds, runs innovative programs, and makes impactful grants for America's credit union movement. NCUF's mission is to "promote and improve consumers' financial independence through credit unions." Among the NCUF programs achieving this mission:

**REAL Solutions®** — Helping millions of consumers gain access to affordable financial services, achieve financial literacy, grow savings, build assets, and buy homes.

**Development Education** — Leading training on cooperative principles in the modern consumer marketplace to overcome what credit unions identify as the greatest threat to their future: "the eroding of credit union philosophy."

**Social Impact Management** — Meeting a "triple bottom line" that benefits credit unions, members, and communities.

### **About REAL Solutions®**

REAL Solutions® is the signature program of the National Credit Union Foundation. REAL — "Relevant, Effective, Asset-building, Loyalty-producing"— Solutions® works to help credit unions offer a wide range of products and services that have proven successful in serving working families with low wealth and modest means. Using product/business models created and tested by credit unions, REAL Solutions® disseminates information to credit unions through special meetings, an [online impact center](http://realsolutions.coop) at <http://realsolutions.coop>, and state and national conferences. REAL Solutions® has been adopted in 34 states by almost 600 credit unions and is saving members tens of millions of dollars. It has now become a documented business strategy for credit unions to grow their memberships by serving the underserved. Real people with real needs are finding REAL Solutions® at credit unions.

### **About the Authors/Analysts**

**Vicki Joyal** – Vicki is the owner of CVJ Strategic Intelligence, a Madison, WI-based business providing credit unions and related organizations with a unique blend of strategic research and consulting expertise. With over 20 years of management and analytical experience, Joyal is adept at conducting market research and analysis, and is frequently called upon to consult and speak about emerging issues, demographic trends, and marketing opportunities facing credit unions and the financial services industry. Prior to CVJ, Joyal was Vice President of Research Services for the Credit Union National Association (CUNA). Vicki currently serves as a field coach for the National Credit Union Foundation's REAL Solutions® program, working with state leagues/associations to help credit unions develop and implement financial products/services for low-to-moderate income and low-wealth consumers as a sustainable strategy for growth. She also designs and conducts surveys and impact assessments to measure the effectiveness of REAL Solutions® products/services/programs.

**Jeffrey Purvis, CUDE** – Jeff is the National Learning Center & Database Manager for the National Credit Union Foundation's REAL Solutions® signature program. Prior to his employment with NCUF, Purvis worked as a project consultant for several local companies. His most recent tenure was with the Filene Research Institute as administrative officer for the REAL Solutions® program. He is also the manager at Douglas Memorial Federal Credit Union (DMFCU) in Baltimore, MD. Purvis has more than

10 years of experience in the mortgage banking industry, and has certificates of completion for HTML, EDI Orientation, Technical Writing, and the Expert Compliance Designation from Credit Union National Association. Jeff is currently working to develop and enhance the REAL Solutions® Impact Center Web site, so that credit unions in every state can benefit from the knowledge gained through this initiative. He also oversees the fieldwork and provides technical consultation for surveys and impact assessments to measure the effectiveness of REAL Solutions® products/services/programs. Jeff received his Credit Union Development Educator (CUDE) designation in April 2008, and currently serves as program coordinator for NCUF's Development Education (DE) training program.

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# Introduction

The REAL Solutions® Baseline Survey is an ongoing measurement tool designed to measure the percentage of credit unions offering—and planning to offer—key REAL Solutions® products/programs/services. In 2008, it was used to measure the product/service offerings of partner credit unions that were at least halfway through their first year of the program. In 2009, it is being used by at least two leagues/associations to measure product/service offerings of credit unions that have recently signed onto the program. For these leagues/associations, results will provide a true baseline for measuring product/service adoption as their programs progress. Finally, the REAL Solutions® Baseline Survey is available to all leagues/associations for use in determining REAL Deal credit unions.

As of May 2009, 23 REAL Solutions® leagues/associations representing 24 states have invited their partner credit unions to participate in the Baseline Survey. Most of the remaining 10 leagues/associations will survey their partner credit unions later this year once their REAL Solutions® initiatives are well underway. The Baseline Survey process and response rate statistics follow:

- Distributed via e-mail in March 2008 and February 2009 to 444 REAL Solutions® credit unions
- Leagues/Associations can choose to send the survey request themselves or have NCUF send out the survey request
- Two-to-three follow-up emails and/or phone calls are used to encourage participation
- NCUF has received 183 responses as of May 2009 (41% response rate to date)
- Partial data from an additional 72 credit unions were incorporated from survey data gathered by Wisconsin and New York (each fielded their own survey; some data elements overlap)
- The total number of REAL Solutions® for which we have at least some baseline data is 255 (approximately 43% of all REAL Solutions® credit unions)

Note that the credit unions represented by Baseline Survey responses have been affiliated with the REAL Solutions® program for varying lengths of time, from as short as a few weeks, to as long as four years. Data tabulated by asset size, length of time as a REAL Solutions® partner credit union, and other segmentation variables will be provided in subsequent reports as soon as a sufficient response rate and number of responses is achieved.

## **REAL Solutions® Impact Assessment Plan**

The Baseline Survey includes the following data elements:

- % of REAL Solutions® credit unions that offer—and plan to offer—13 key products/programs/services
- % of REAL Solutions® credit unions that offer 13 additional products/services
- program features and/or usage statistics for 6 products/programs/services

- % of REAL Solutions® credit unions participating in three REAL Deal pillars
  - educational tools, programs and counseling services for consumers (not restricted to low-income/low-wealth consumers)
  - community involvement and charitable initiatives/donations
  - collaboration with other organizations to provide outreach products/programs

Supplemental Product/Service Surveys are being developed to measure the impact (terms/rates/features, use, member dollars saved, movement into mainstream financial products/services, membership growth, etc.) for the following:

- Payday Lending Products (done and ready to field)
- Tax Preparation Services (done and ready to field)
- Transaction Products
  - check-cashing (member and non-member)
  - 2<sup>nd</sup> chance checking
  - bill payment
  - money orders
  - international remittances
- Savings Products
  - step-up CDs
  - Prize-Linked Savings
  - round-up savings
  - The Savings Challenge/Revolution
  - other savings-related Filene i<sup>3</sup> innovations
- Loan Products
  - used-vehicle loans/programs
  - first-time mortgages
  - microenterprise loans
  - credit cards (for those with no credit history)
  - credit-builder loans
  - credit re-builder loans
  - credit-score builder programs

Supplemental Survey invitations will be distributed by NCUF via email using the contact information derived from the Baseline Survey for each category in which the credit union currently offers REAL Solutions® products/services.

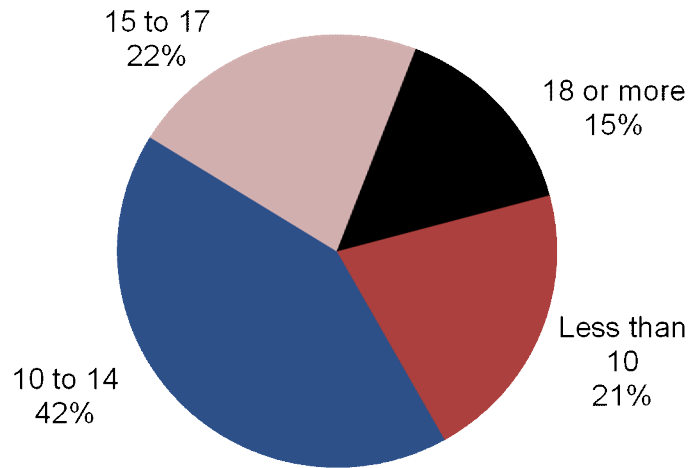


## Program Depth

### Highlights

- The Baseline Survey measures 26 distinct products/services/programs often used by low-income, low-wealth, and emerging markets. They are as follows:
  - Payday loan alternative
  - Small value, unsecured loans (\$500 or less)
  - Used-vehicle loans for low-credit score borrowers (D & E paper)
  - Check-cashing for members
  - Check-cashing for non-members
  - Second-chance checking
  - Prepaid, reloadable general spending cards
  - Tax preparation and/or filing assistance
  - Voluntary Income Tax Assistance (VITA)
  - Product to encourage/promote savings
  - Mortgage for low-wealth or first-time homebuyers
  - Immigrant outreach
  - Youth (11-to-13) program/initiative
  - Teen (14-to-17) program/initiative
  - Young adult (18-to-30) program/initiative
  - Money orders
  - International remittances
  - Basic financial literacy/education programs/tools
  - Formal credit counseling (by accredited in-house counselors or referral)
  - Tiered loan pricing based on risk
  - Credit card for members with no credit history
  - Credit-builder loan (for those with no credit history)
  - Credit re-builder loan (for those with poor credit history)
  - Small business loans
  - Credit-score builder counseling/program
  - Free checking account (no monthly or per-check fees & no minimum balance requirement)
- The REAL Solutions® initiative is permeating credit unions across all product/service lines. In fact, partner credit unions currently offer an average of 12.9—or half—of these 26 products/services/programs for low-income, low-wealth, and emerging markets.
- While 21% of credit unions currently offer less than 10 REAL Solutions® products/services/programs, at the other end of the spectrum, 15% of credit unions offer 18 or more of these products/services/programs.
- The number of REAL Solutions® products/services/programs offered most likely increases with the length of time that a credit union has been involved with the initiative. This correlation will be explored in subsequent Baseline Survey reports.

### Number of Key REAL Solutions Product/Service/Program Offerings

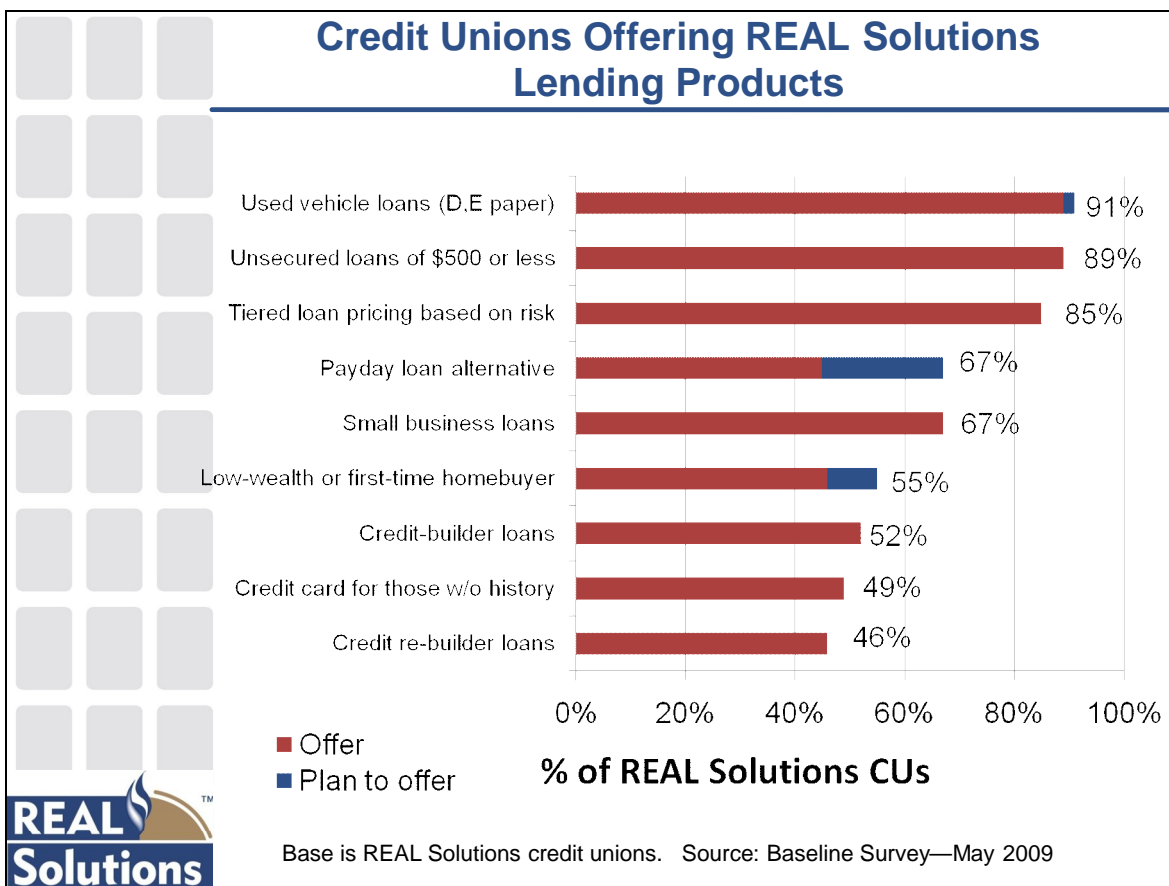


Limited to REAL Solutions credit unions that completed the 2009 Baseline Survey that measures 26 distinct product/service/program offerings.

# Lending Products

## Highlights

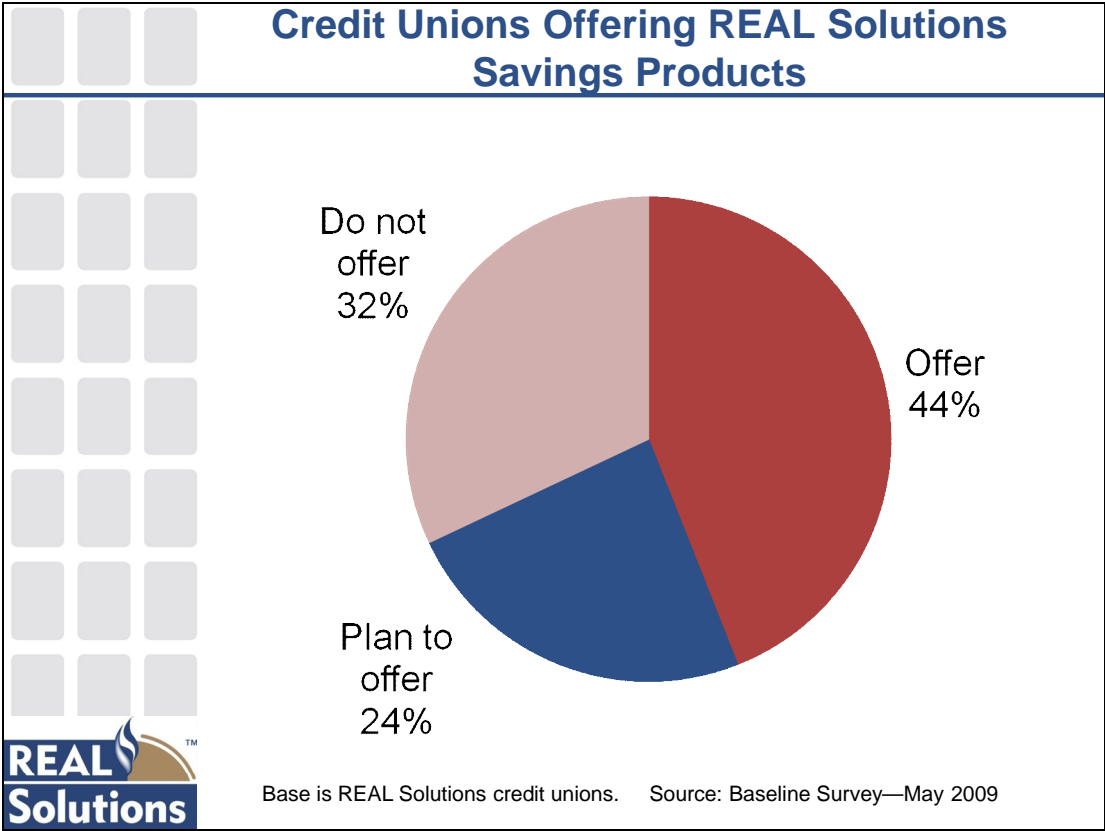
- 89% of REAL Solutions® credit unions offer unsecured open- or closed-end loans of \$500 or less (not including overdraft privilege/courtesy pay). Those that offer small, unsecured loans/lines of credit originated an average of 299 loans in 2008.
- 89% of REAL Solutions® credit unions offer used-vehicle loans for low-credit score borrowers (i.e., D and E paper). An additional 2% of credit unions are planning to add used-vehicle loans to their REAL Solutions® portfolio of products/services.
- 67% of REAL Solutions® credit unions offer small business loans for low-to-moderate income and low-wealth members.
- Nearly half of REAL Solutions® credit unions offer each of the other five loan products. This includes the 45% that currently offer a payday loan alternative—an increase of 3 percentage points from May 2008 (42%). An additional 22% of credit unions are planning to add a payday loan alternative to their REAL Solutions® offerings.



# Savings Products

## Highlights

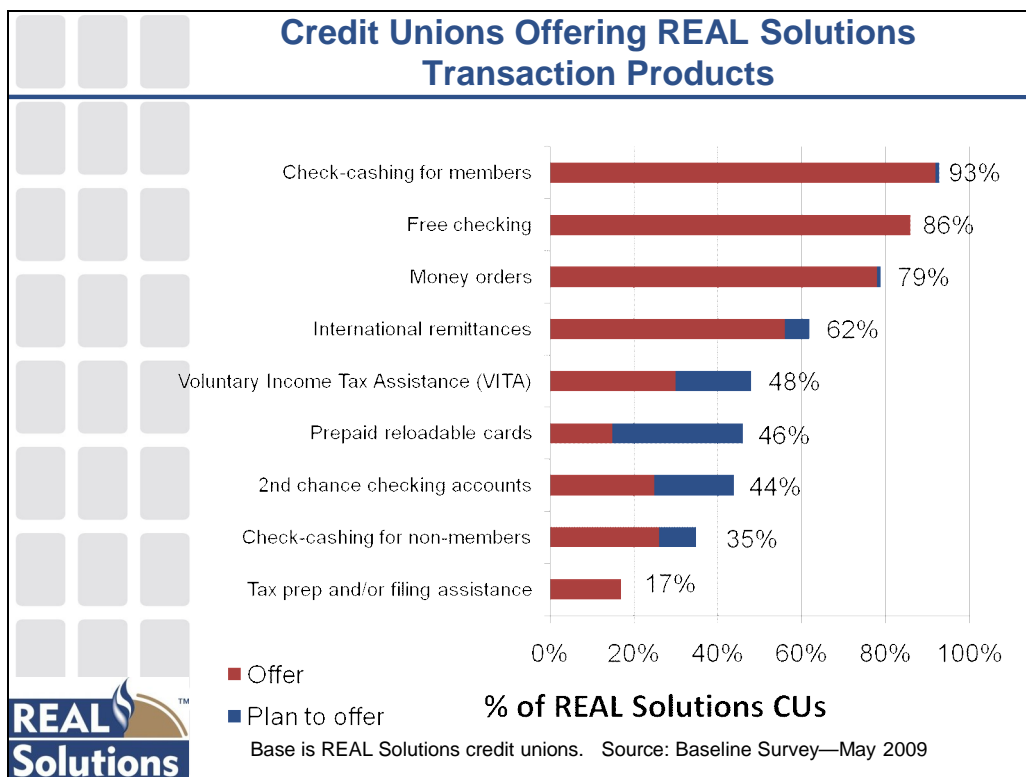
- 44% of REAL Solutions® credit unions currently offer a product or program to help low-income members save—an increase of 7 percentage points from May 2008 (37%). An additional 24% of REAL Solutions® credit unions plan to introduce a product/program to help members save money.



# Transaction Products

## Highlights

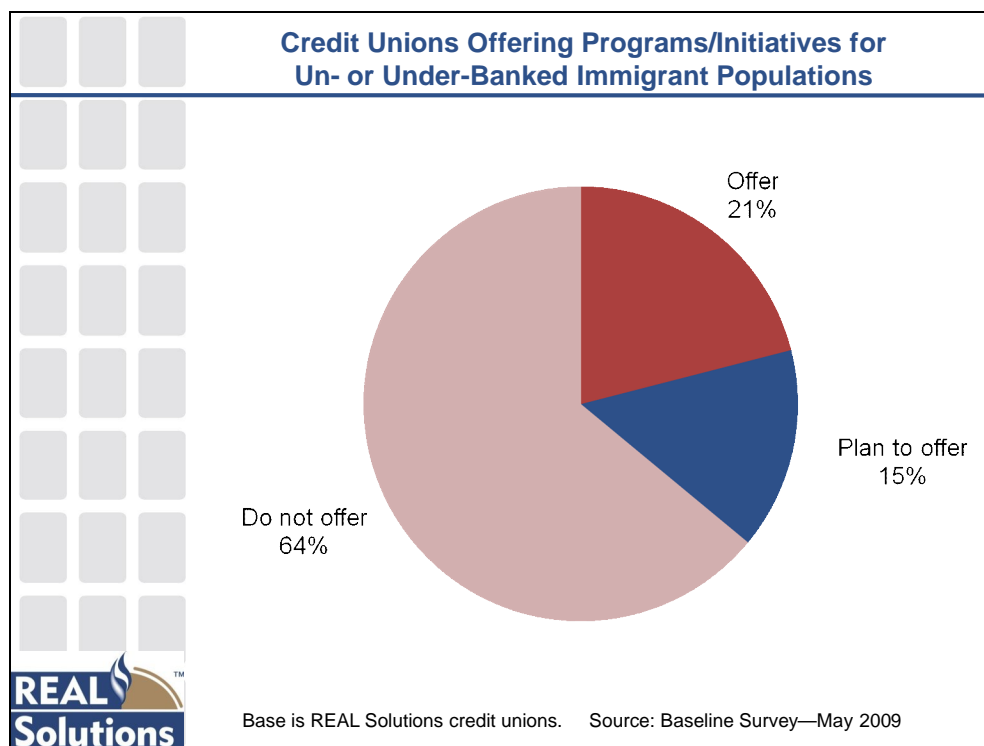
- While 92% of REAL Solutions® credit unions currently offer check-cashing services to existing members (for payroll and government-issued checks), just 26% offer check-cashing services to non-members. An additional 9% of credit unions are planning to offer non-member check-cashing services at a future date.
- 30% of REAL Solutions® credit unions currently participate in Voluntary Income Tax Assistance (VITA) services for low-income consumers—an increase of 9 percentage points from May 2008 (21%). An additional 18% of credit unions plan to become involved with VITA.
- Just 15% of REAL Solutions® credit unions currently offer prepaid reloadable general spending cards, but an additional 31% are planning to offer this product in the future.
- Most credit union prepaid reloadable card programs are new entrants in the marketplace. Credit union issuers tend to target multiple market segments with their prepaid reloadable cards:
  - 89% target those who don't want or qualify for a traditional checking account
  - 53% target college students
  - 32% target immigrant populations
  - 32% target other market segments
- REAL Solutions® credit unions have issued—on average—120 prepaid reloadable cards since program inception.



# Emerging Markets: Immigrants

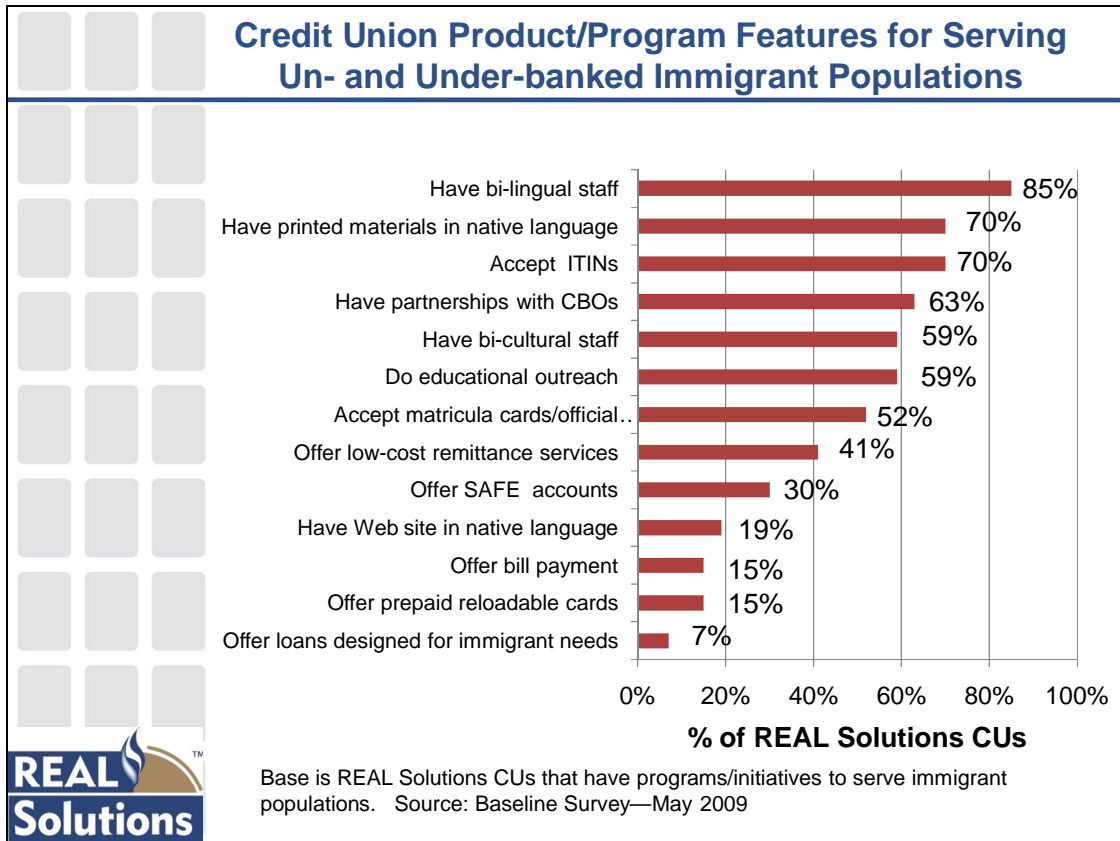
## Highlights

- 21% of REAL Solutions® credit unions currently have a special program/initiative in place to serve one or more unbanked or underbanked immigrant populations—an increase of 4 percentage points since May 2008 (17%). An additional 15% of credit unions are planning to implement a program/initiative to serve one of these emerging markets.



- Keep in mind that a single product/service offering does not a program make. Rather REAL Solutions® credit unions involved with immigrant outreach offer an average of 5.9 out of 13 products/services/program features as identified and measured in the Baseline Survey.
- REAL Solutions® credit unions with immigrant outreach programs are likely to serve these consumers using their native language(s) through bi-lingual staff and by offering printed materials in languages other than English.
- Credit unions with immigrant outreach programs are also likely to accept tax identification numbers in lieu of Social Security numbers, and to serve communities through partnerships with community-based organizations (CBOs).

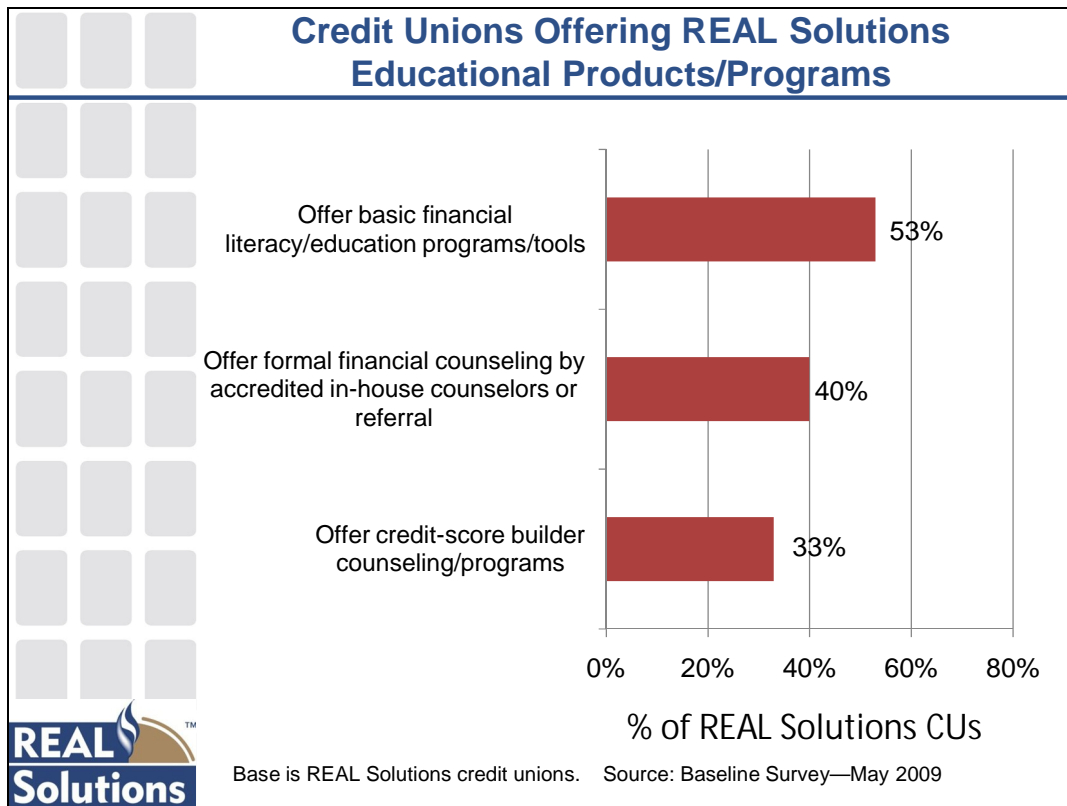
- Few REAL Solutions® credit unions offer bill payment services, prepaid reloadable general spending cards, and loans designed to meet the specific needs of immigrants (e.g., to pay for the U.S. citizenship test).



# Financial Education

## Highlights

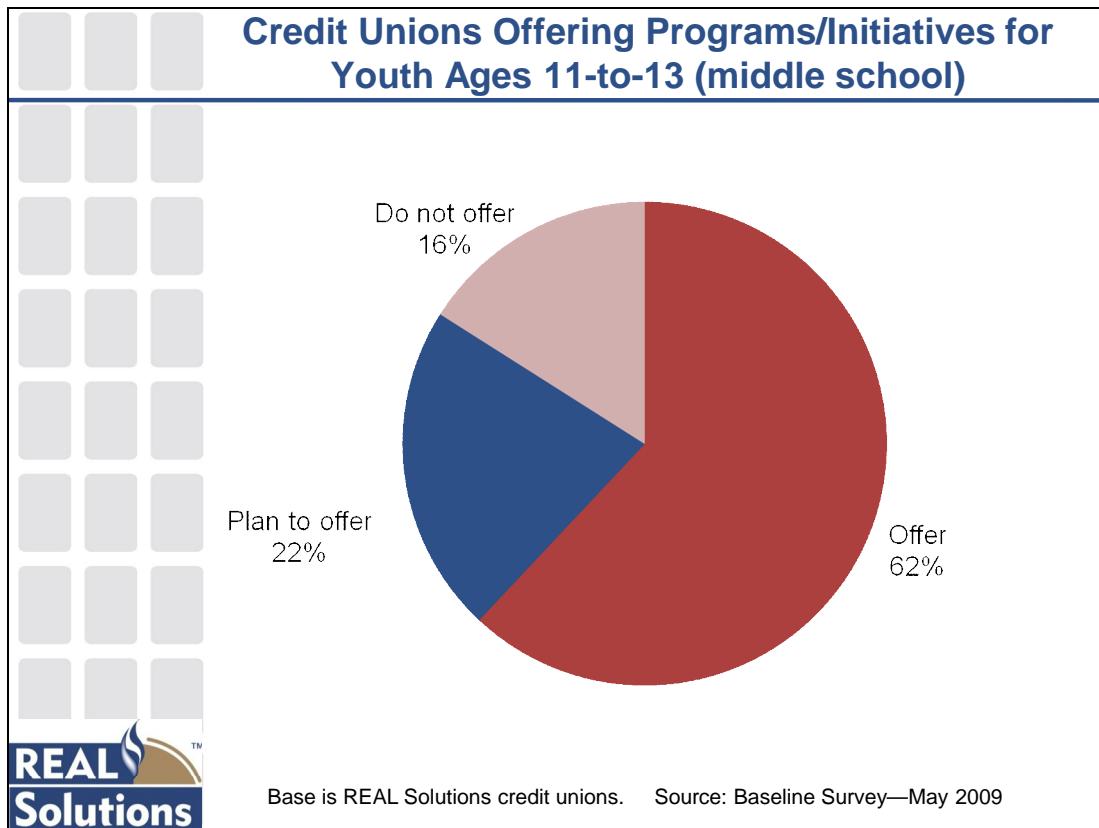
- Financial educational/literacy “programs/tools” must consist of more than newsletter articles and the provision of informal advice. With this stipulation, we find that 53% of REAL Solutions® credit unions offer basic financial education/literacy to low-income, low-wealth and/or emerging markets.
- 40% of REAL Solutions® credit unions offer formal financial counseling provided by accredited in-house counselors or by referral. Formal financial counseling has become a critical service offering given the current recession and increase in home foreclosures. Note that many more credit unions most certainly provide *informal* financial counseling.



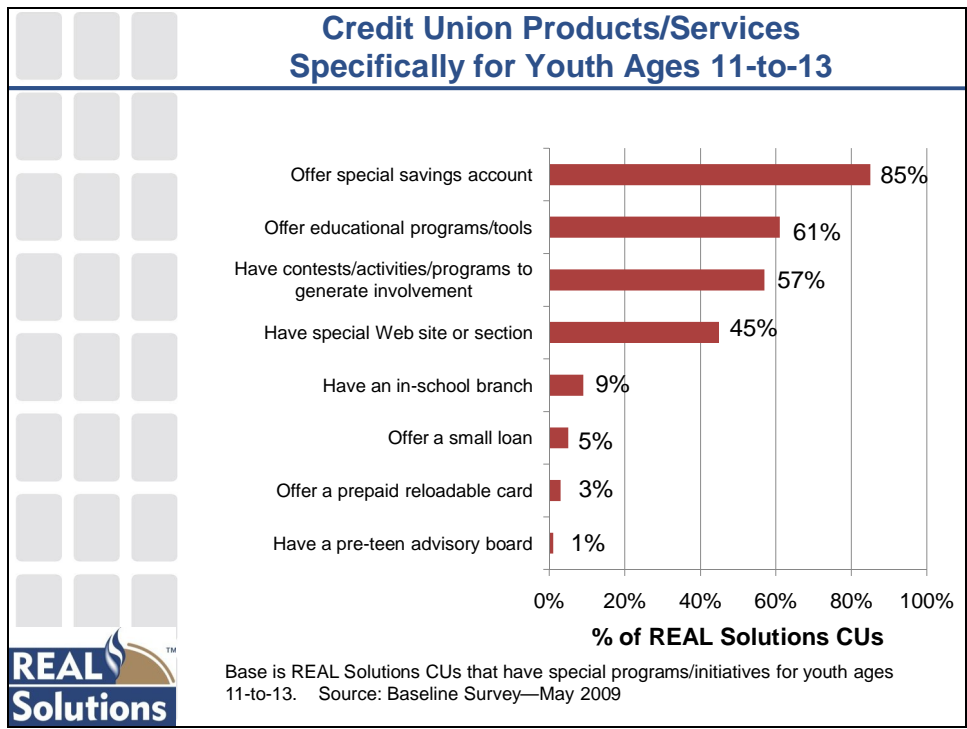
# Youth and Young Adults

## Highlights

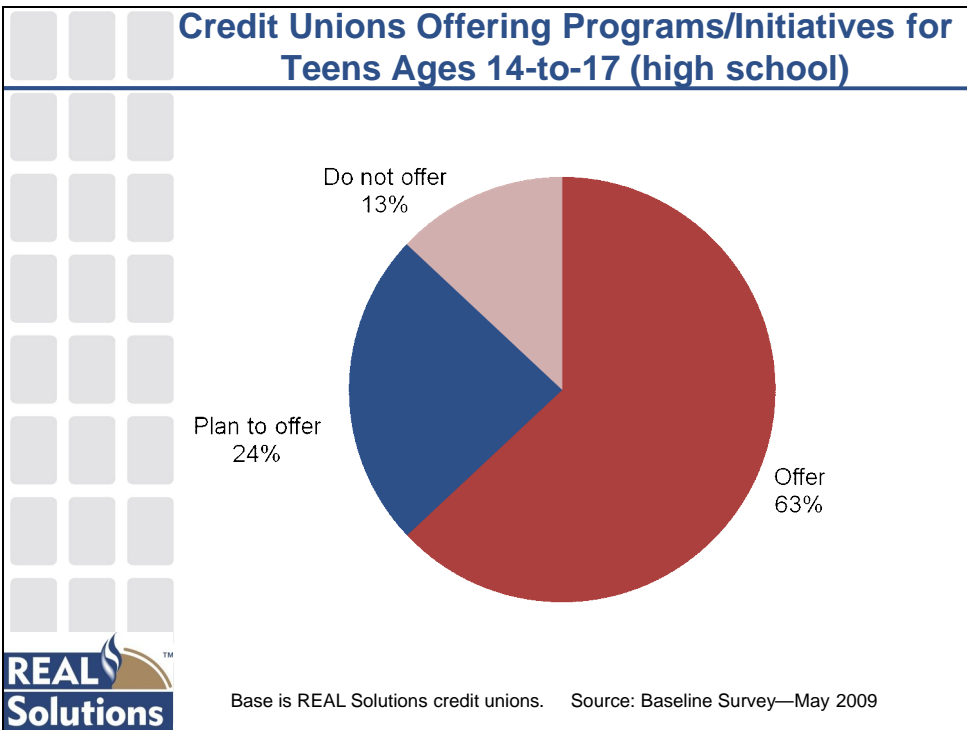
- 62% of REAL Solutions® credit unions have a program or initiative in place for serving youth 11-to-13 years of age. An additional 22% are planning to introduce a program for middle-school-age kids in the future.



- REAL Solutions® credit unions with special programs/initiatives for 11-to-13-year-olds offer an average of 2.8 out of 8 products/services/program features as measured in the Baseline Survey.
- REAL Solutions® credit unions with special programs/initiatives for middle-schoolers offer products/services that build knowledge (61%), generate involvement (57%), and take advantage of technology (45%).
- 9% of these credit unions have an in-school branch for 11-to-13-year-olds.
- Just 1% of these credit unions utilize a pre-teen advisory board to assist with the development and implementation of products, services, and programming for those aged 11-to-13.

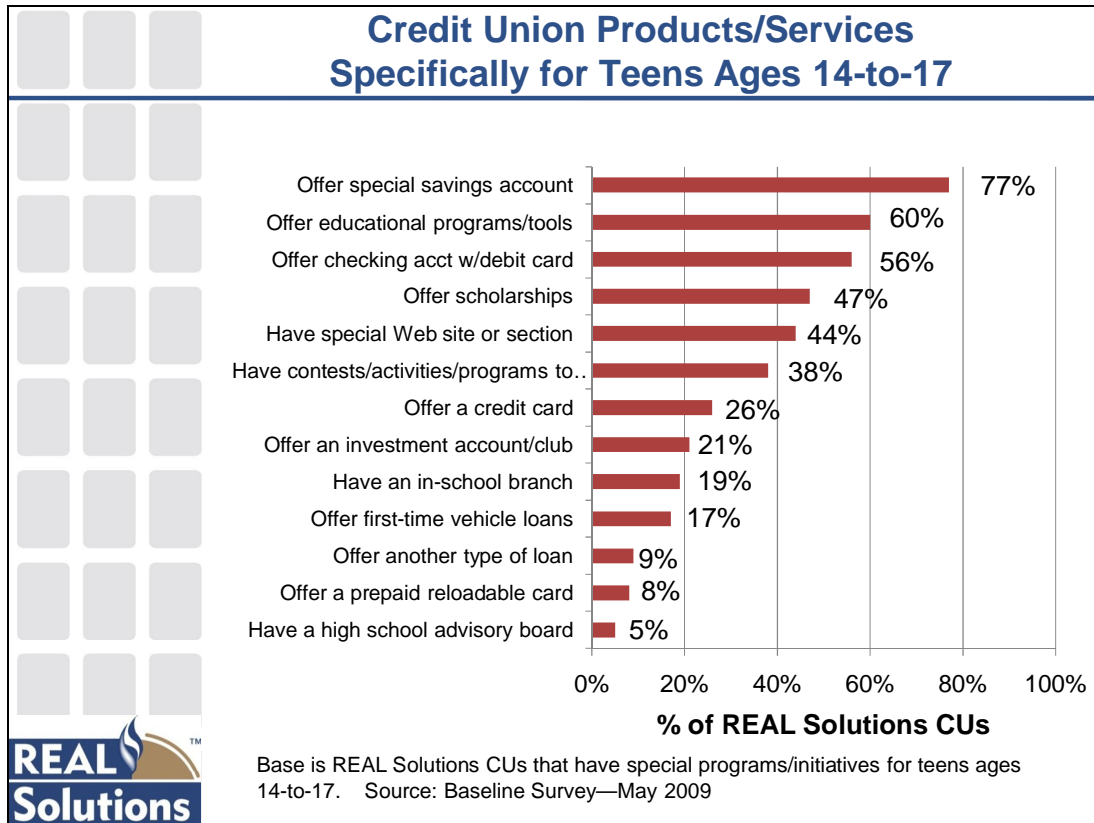


- High school students are a sought-after market by REAL Solutions® credit unions as 63% have a special program/initiative in place to serve teens ages 14-to-17. An additional 24% of credit unions are making plans to serve the teenage market at some point in the future.

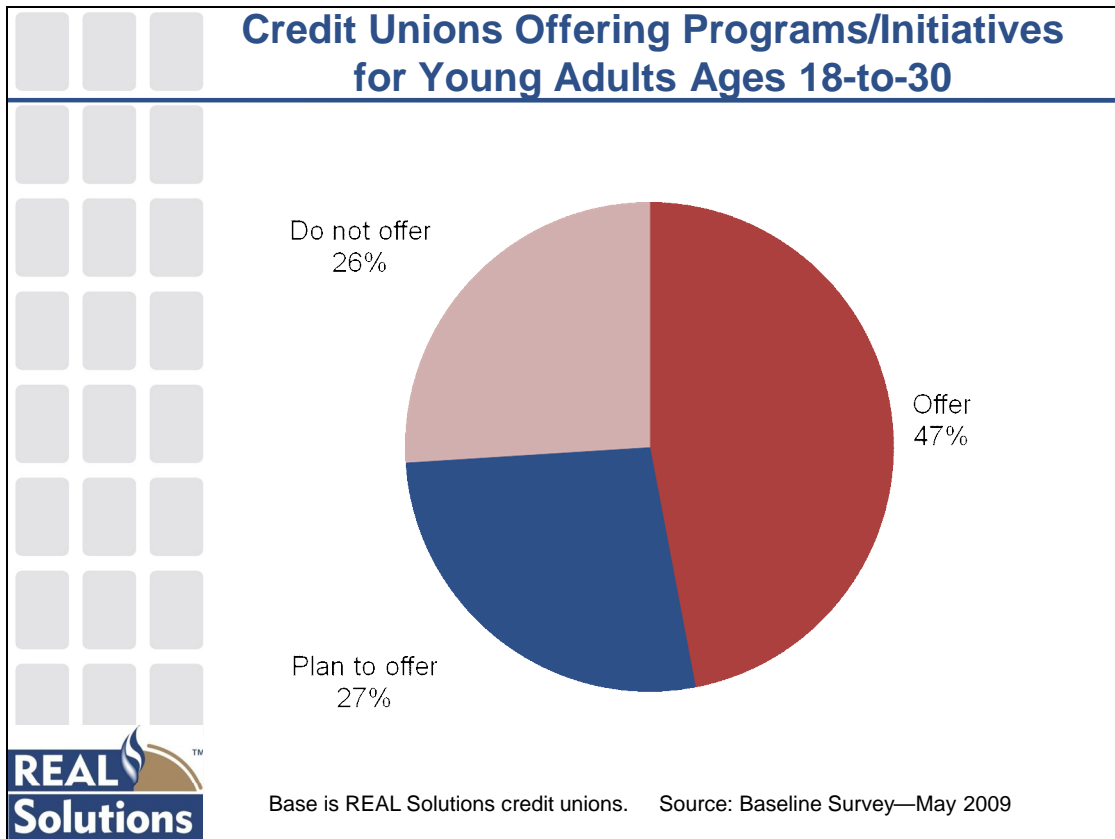


- REAL Solutions® credit unions with special programs/initiatives for 14-to-17-year-olds offer an average of 4.3 out of 13 products/services/program features as measured in the Baseline Survey.

- REAL Solutions® credit unions with special programs for high-schoolers are likely to focus on education, transaction accounts, and establishing a credit history.
- 19% of these credit unions have an in-school branch for 14-to-17-year-olds.
- 5% of these credit unions utilize a high school advisory board to assist with the development and implementation of products, services, and programming for those aged 14-to-17.

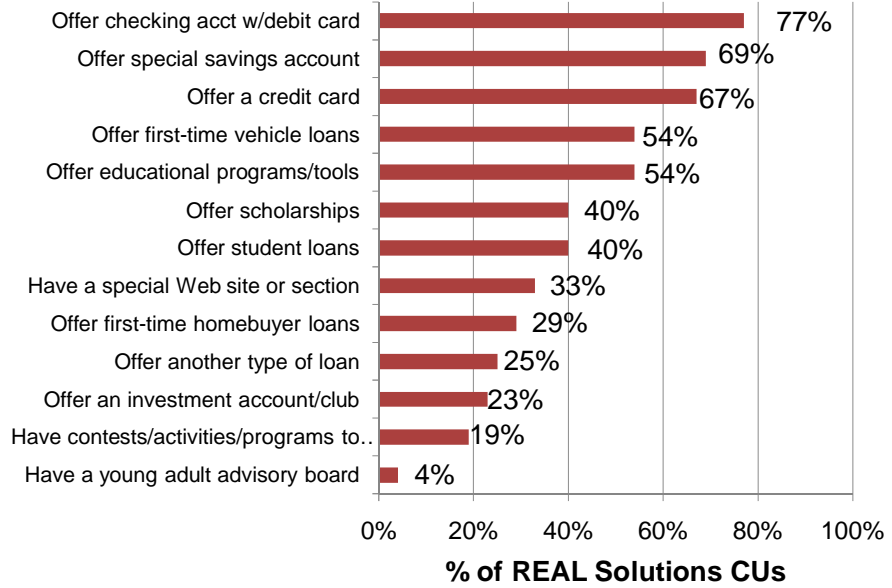


- Fewer REAL Solutions® credit unions (47%) have a special program/initiative in place to serve young adults ages 18-to-30. While 27% are planning to introduce a program/initiative for young adults, the idea of targeting young adults with products/services that differ from those for other adults may evoke visions of a difficult and lengthy implementation.
- 26% of these credit unions have no plans to offer products/services/programs designed specifically for young adults.



- REAL Solutions® credit unions with special programs/initiatives for 18-to-30-year-olds offer an average of 5.4 out of 13 products/services/program features as identified by the Baseline Survey.
- REAL Solutions® credit unions with special programs/initiatives for young adults are likely to focus on offering transaction accounts (77%) and loan products such as credit cards (67%), first-time vehicle loans (54%), and student loans (40%).
- The prevalence of contests, activities, and programs to generate credit union involvement diminishes for the young adult market (19%), but credit unions are still very likely to continue offering educational programs and tools throughout young adulthood (54%).
- 4% of these credit unions utilize a young adult advisory board to assist with the development and implementation of products, services, and programming for those aged 18-to-30.

## Credit Union Products/Services Specifically for Young Adults Ages 18-to-30



Base is REAL Solutions CUs that have special programs/initiatives for young adults ages 18-to-30. Source: Baseline Survey—May 2009



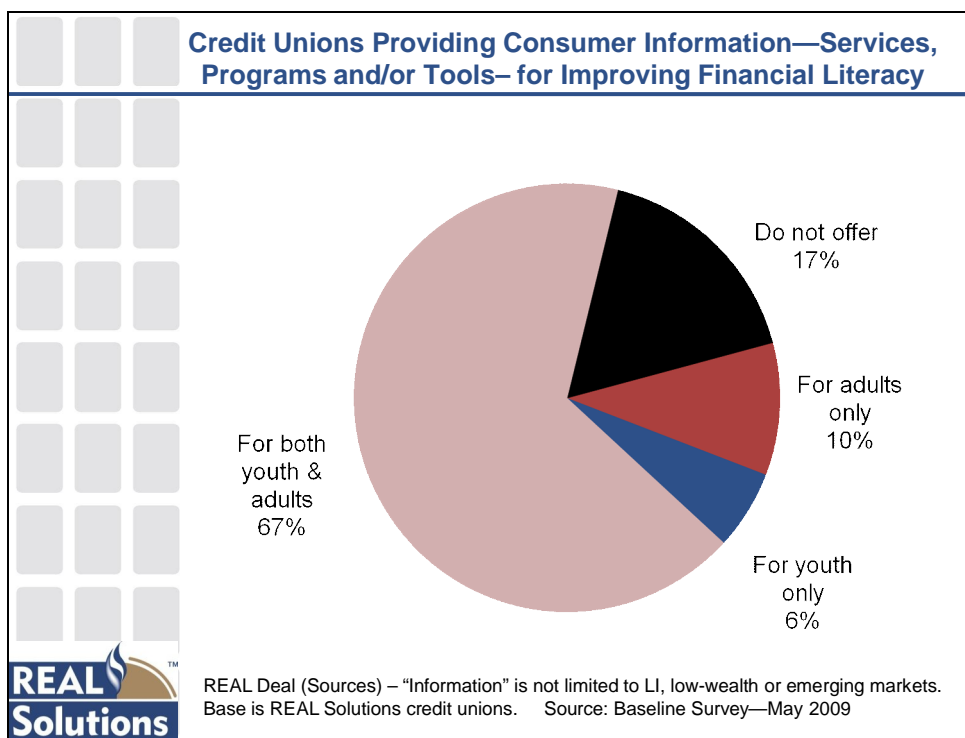
## REAL Deal Measures of Success

The REAL Solutions® 2009 Baseline Survey also included information items designed to determine the impact of credit unions' outreach efforts as identified by the REAL Deal outreach framework.

The preceding sections of this summary report can be used to measure credit union success with the "REAL Programs" component of REAL Deal. The remaining three components: "REAL Sources" – Educational Tools, Programs and Counseling Services for Consumers, "REAL Community Help/Commitment" – Community Involvement and Charitable Initiatives/Donations, and "REAL Partnerships" – Collaboration with Other Organizations to Provide Products/Programs are addressed by the information presented in this section of the REAL Solutions® Baseline Survey Results—May 2009 report.

### REAL Sources—Educational Tools, Programs and Counseling Services for Consumers Highlights

- 83% of REAL Solutions® credit unions provide consumer information –services, programs, and/or tools—for the purpose of improving financial literacy among all types of consumers (not restricted to low-income, low-wealth, or emerging markets). Note that newsletter articles, marketing materials and information financial education/advice are not considered "consumer information."
- 67% of REAL Solutions® credit unions provide consumer information for both youth and adults, while 10% provide it exclusively for adult consumers, and 6% provide it exclusively for youth consumers.

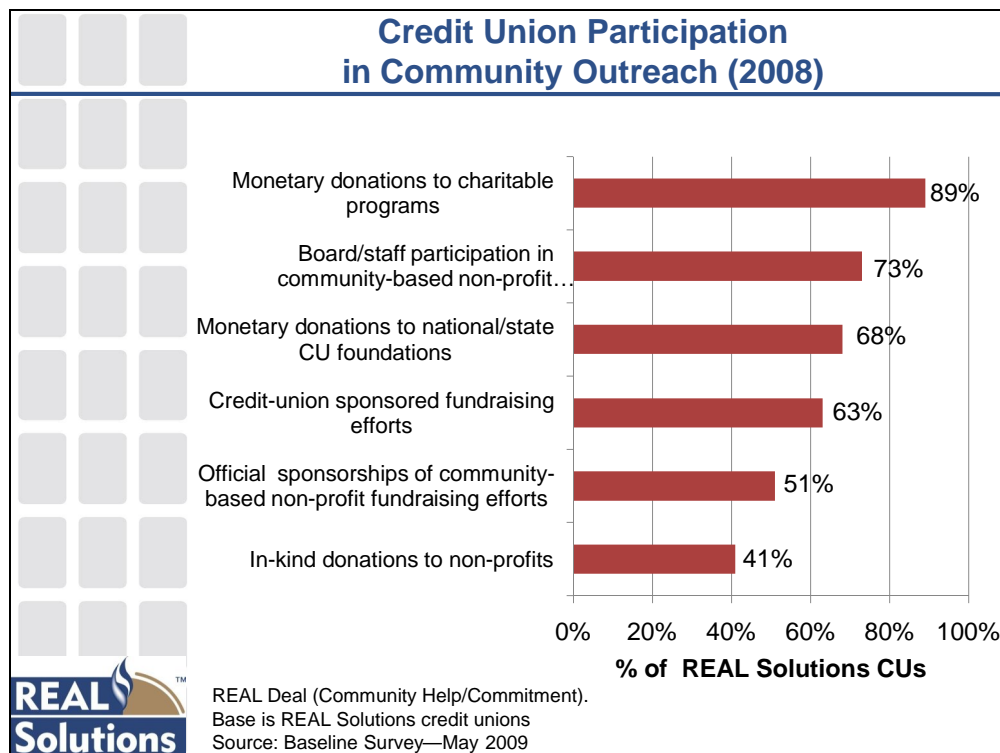


- 1,966 educational events were held by 95 REAL Solutions® credit unions in 2008. This equates to an average of 21 events per credit union.
- 50,685 consumers participated in or attended these credit union educational events. This equates to an average of 533 total consumers per credit union, for an average of 26 attendees per educational event.

## REAL Community Help/Commitment—Community Involvement and Charitable Initiatives/Donations

### Highlights

- The most prevalent manner in which REAL Solutions® are involved with their communities is by donating money. In 2008, the vast majority (89%) donated money to charitable programs such as the Children’s Miracle Network, United Way, Ronald McDonald House, and the American Cancer Society. Furthermore, roughly seven in ten REAL Solutions® credit unions (68%) donated money to the state and/or national credit union foundation(s). In fact, \$7.4 million dollars were donated to charitable initiatives or programs by 129 REAL Solutions® credit unions in 2008. This equates to an average of \$66,208 per credit union.
- REAL Solutions® credit unions are also quite likely to donate their time to community and charitable initiatives. Nearly three-quarters of credit union board and staff members (73%) participated in community-based non-profit activities/events such as helping to build a Habitat for Humanity house. In 2008, 53,092 volunteer hours were contributed by employees of 127 REAL Solutions® credit unions. This equates to an average of 474 volunteer hours per credit union. By applying the Independent Sector’s 2008 figure for the value of volunteer labor (\$20.25 per hour), these credit unions contributed \$1.1 million worth of volunteer labor in 2008.

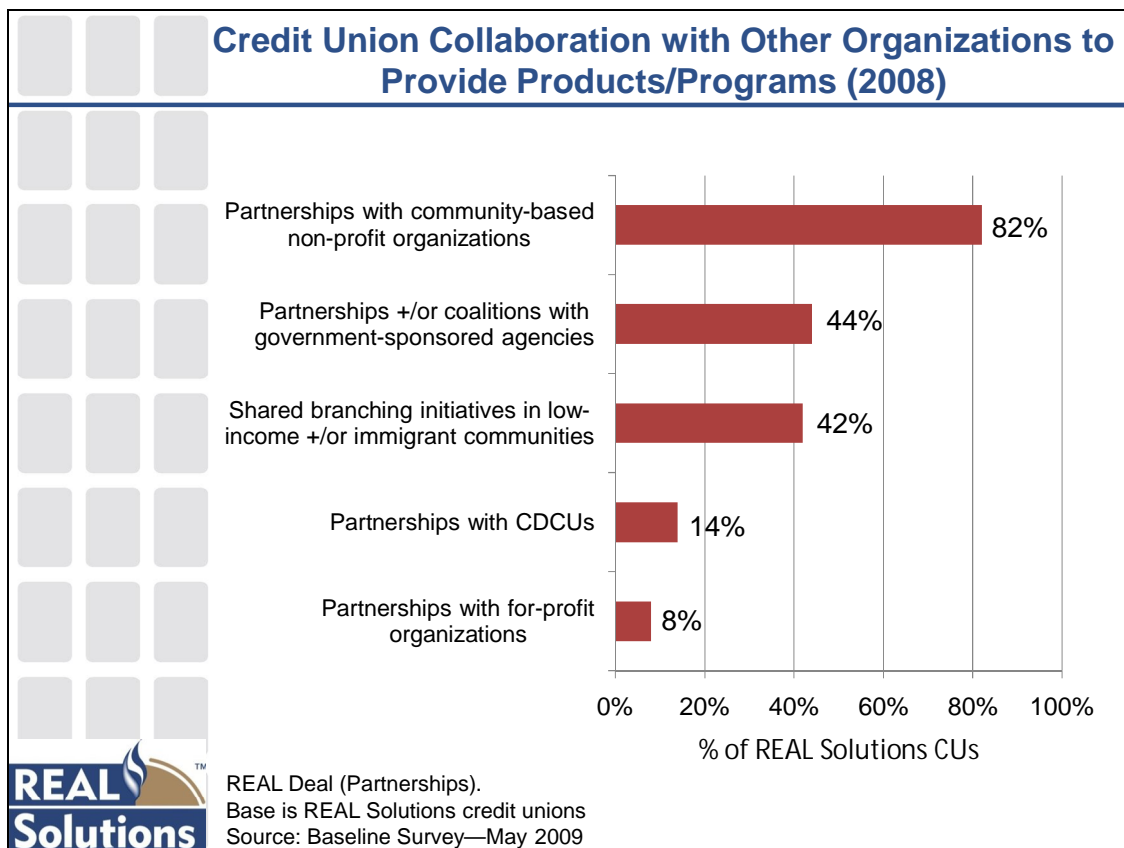


- A substantial percentage of REAL Solutions® credit unions (51%) become official sponsors of community-based fundraising efforts such as the Susan G. Komen Race for the Cure. In addition, 63% of credit unions sponsor their own fundraising efforts for scholarships, disaster relief and other causes.
- Finally, four in ten REAL Solutions® credit unions (41%) provide help to their communities by making in-kind donations of equipment, furniture, or back-office operations to non-profit organizations. Baseline survey data indicates that \$1.1 million worth of in-kind goods were donated by 115 REAL Solutions® credit unions in 2008. This equates to an average of \$10,547 per credit union.

## REAL Partnerships—Collaboration with Other Organizations to Provide Products/Programs

### Highlights

- Collaboration and partnerships are nearly universal among REAL Solutions® credit unions. In 2008, 96% of REAL Solutions® credit unions collaborated with another organization(s) to provide outreach products/programs.
- The vast majority of REAL Solutions® credit unions (82%) collaborate with community-based non-profit organizations such as thrift stores/food banks, neighborhood housing services, and workforce investment boards.



- More than four in ten REAL Solutions<sup>®</sup> credit unions (44%) have partnerships and/or coalitions with government-sponsored agencies such as foreclosure prevention task forces, the Small Business Administration (SBA), and various wealth-building coalitions, and community action councils.
- REAL Solutions<sup>®</sup> credit unions also see the value of extending their reach using shared branches—42% participated in shared branches located in low-income and/or immigrant communities during 2008. Note that these communities may not be “local” as most credit unions belong to national credit union shared branch networks.
- Fewer REAL Solutions<sup>®</sup> credit unions partner with community development credit unions (CDCUs) (14%) and/or for-profit organizations such as check-cashing or payday loan outlets (8%).



## Next Steps

National Credit Union Foundation and REAL Solutions® staff, along with partner leagues/associations will continue to urge credit unions to complete the 2009 Baseline Survey. Given the ongoing nature of the REAL Solutions® program, each data collection initiative—whether Baseline or Supplemental—will be evergreen (or continual) throughout the year. In addition, data will be analyzed and results published at least two times per year.

Each participating league/association will receive state-level results at periodic intervals upon request, enabling them to measure the progress of their respective programs in comparison to the national benchmarks provided in this report.

Assuming the number of Baseline Survey responses will continue to grow, subsequent reports will include breakdowns by credit union characteristics such as asset size, field-of-membership, and years of involvement as a REAL Solutions® credit union.

In addition, the Supplemental Product/Service Surveys identified on page three of this report will be launched starting in July 2009. Data from these financial impact assessments will be analyzed and reported in conjunction with the Baseline Survey responses.

Finally, a financial profile of REAL Solutions® credit unions will be developed, analyzed, and reported during third quarter 2009.