Non Predatory Financial Services: The Role of Credit Unions

Nancy Pierce – Tipton Research Group
piercen@kcnet.com
(816) 532-4865
www.realsolutions.coop
About Credit Unions . . .

- Cooperatives: member-owned
- Field of membership
- CU locator: http://www.creditunion.coop/
- Regulated by NCUA and/or state
- NCUSIF share insurance fund
- Affected by economic recession
- May be risk averse – losses affect all members
Prepaid Cards as Checking Option

• Works like a prepaid debit card
• $2 per month to member
• No set up or reload fee
• Make purchases (signature and PIN) with no transaction fees
• Get cash from ATMs nationwide
• Monthly savings of $9.70 compared to Wal-Mart card
• 1591 cards; most with FICA scores <600

Rhonda Drexler, AVP Financial Services
rdrexler@Covantagecu.org
715-627-4336, Ext. 2234
2\textsuperscript{nd} Chance Checking

- Basics of a 2\textsuperscript{nd} Chance Checking Product:
  - ChexSystems record is not for fraud (average score is under 600)
  - Require direct deposit
  - Require an education component, along with reasonable management (6 NSFs or less) and 12 months in the program before members can migrate into regular checking.
  - Charge a monthly fee: $7 to $10
  - 12 months in 2\textsuperscript{nd} chance product; onus on member to request review.

Mike Spielman, Education First Credit Union
mspiellman@educu.org
(800) 342-3643
Need for Small Loans

_Reality Check: Building a Better Virginia_ –
- ¼ Virginia households earn less than amount needed to meet basic monthly expenses
- 26% do not have sufficient cash assets for any emergency
- 56% report difficulty paying monthly bills

- All credit unions make small loans
- Some credit unions make payday alternative loans
- Reverse share-secured loan

Buy Here Pay Here:

• 30% Interest
• $5,000 Down Payment
• 100,000 miles

We finance your future – not your past!
Eligibility Requirements:
• Within 300% of poverty level
• On job for at least 3 months
• Must be insurable
• Attend 3 hours financial education & 2 hours auto maintenance

100% financing of purchase price

Profile of Borrower:
• Average household income is $17,945
• 73% are single parents
• 94% are female
• Average credit score is 578

www.youtube.com/watch?v=IP1LDB-D9cs
Non-prime Auto Loan Toolkit


- Underwriting guide
- Techniques to mitigate risk
- Pricing guide
- Loan portfolio management
- Community partnerships
- CU examples
- Insurance products
About Partnerships . . .

What do you bring to the table?
- Knowledge of clients
  - Lower risk & transaction costs
- Resources
  - Financial education
  - Access to grants to cover losses
  - Media contacts

Enhance your organization’s and the union’s image within your community.