Innovations in Credit Union and Community Partnerships

Alan Branson, Hope Credit Union

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HOPE Mission

- Strengthen communities, build assets and improve lives in economically distressed areas in the Mid South by providing access to affordable, high-quality financial products and related services.

- Leverage private, public and philanthropic resources to tackle development hurdles facing low-income communities that cannot be addressed by any one sector by itself.
HOPE Overview

★ Community Development Financial Institution
  – Credit Union - LICU, CDCU, CDFI
  – Loan Fund - CDFI, NWO

★ Community Development Intermediary
  – Project Management
  – Program Management

★ Policy Center
**HOPE Products & Services**

★ **Business Lending**
  ★ Loans for small & medium-sized business, NMTC

★ **Housing Finance**
  ★ Single Family Mortgages, LIHTC debt and equity, Real Estate Development

★ **Retail Financial Services**
  ★ Transaction products, savings products, secured/unsecured consumer loans
  ★ Emphasis on affordable products for LMI households

★ **Intermediary Services**
  ★ Financial counseling/education such as foreclosure mitigation, homebuyer education, credit building
HOPE Community Partnerships (1)

★ LI HTC Project
★ Permanent Mortgage – 15 year fixed rate loan
★ Conduit for low-cost FHLB funds – grant/loan
★ Onsite financial education
★ Onsite/online/mobile account services
★ Child savings accounts – public/private matching funds
★ Account and Credit Builder products

★ Benefits
★ Household
★ Developer/Management Company/Lender
HOPE Community Partnerships (2)

★ Fresh Food Projects
★ Conduit for low-cost CDBG funds
★ In-store kiosk/ATM/mini-branch
★ Accounts for employees
★ Onsite financial education
★ Community Outreach

★ Benefits
★ Business – increased traffic flow, connection to community
★ Employees – affordable financial services, reduced fiscal stress
★ Community – accessible, affordable services
HOPE Impact Profile

Members By Household Income
- <$36,000: 49%
- $36,000-$59,000: 33%
- >$59,000: 18%

Members By Family Type
- Unmarried with Children: 39%
- Married with No Children: 10%
- Unmarried: 29%
- Married with Children: 22%

Members By Race
- African American: 81%
- White: 16%
- Other: 3%

Prior Banking Status of Members
- Previously Unbanked with Only a HOPE Account: 21%
- Previously Banked with Only a HOPE Account: 20%
- Previously Banked: 14%
- Previously Unbanked: 45%

Many C
ONE
PURPOSE

#OFNCONF
HOPE Impact Profile

Mortgage Borrower Demographics

- Distressed: 17%
- Low Income: 63%
- Female: 55%
- Ethnic Minority: 67%
- First-Time Home Buyer: 88%

Percent of HOPE Mortgage Borrowers who Report Improved Quality of Life after Purchasing a Home

- Quality of Home: 63%
- Affordability of Home: 57%
- Safety of Neighborhood: 86%
- Child's Performance in School: 88%
- Recreational Opportunities for Children: 82%

HOPE Mortgage Borrowers: Reasons for Choosing HOPE

- HOPE had Grant Money: 8%
- HOPE was most accessible: 10%
- Denied Elsewhere: 26%
- Other: 50%
- HOPE's Interest Rates were lower than other institutions: 50%

Many CDFIs
One Purpose

#OFNCONF
HOPE Impact Profile

Payday Loan Comparison Annual Cost

- HOPE StretchPay: $160
- Payday Loan: $1,335

Consumer Direct Lending By Type Q4

- Stretch Pay, 62%
- Share Secured, 14%
- Used Vehicle, 11%
- Unsecured 9%
- Other Collateral, 3%
- Home Equity, 2%
- Others, 5%
Contact Information

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  www.hopecu.org

- National Federation of Community Development Credit Unions
  www.cdcu.coop
Innovations in Credit Union and Community Partnerships

Dave Prosser, Freedom First Credit Union
VP of Community Development
Southwest Virginia www.freedomfirst.com

Mission:
Helping people prosper, helping our communities thrive

- Headquarters: Roanoke, VA
- Year Chartered: 1956
- Charter Type: Community
- Area Population:
  - Roanoke MSA: 308,707
  - Montgomery County & Radford City: 94,392 & 16,408
- Membership: 46,514 (61% LMI)
- Designations:
  - NCUA Low-Income, 2010
  - US Treasury CDFI, 2010
- Assets: $311M
FFCU as a financial driver for development

- Economic Development
- West End Partnership
- Investment
- Economic Empowerment
- Impact Banking
- Affordable Housing
- Financial Education
- Giving Back
- Community Development
- Collaboration
- Innovation

**About West End**

<table>
<thead>
<tr>
<th>Housing</th>
<th>Median Owner Occupied Housing Cost</th>
<th>Median Gross Rent</th>
<th>Median Year Built</th>
<th>Owners paying over 30% to housing costs</th>
<th>Renters paying over 30% to housing costs</th>
<th>Median Owner Occupied Value</th>
<th>No Vehicles Available</th>
<th>% Owner Occupied</th>
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<tbody>
<tr>
<td>Roanoke MSA</td>
<td>$1,264</td>
<td>$705</td>
<td>1973</td>
<td>32%</td>
<td>45.3%</td>
<td>$168,600</td>
<td>7.3%</td>
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<td>Blacksburg MSA</td>
<td>$1,190</td>
<td>$701</td>
<td>1977</td>
<td>27.6%</td>
<td>58.5%</td>
<td>$155,700</td>
<td>6.4%</td>
<td>61.2%</td>
</tr>
<tr>
<td>Roanoke City</td>
<td>$1,146</td>
<td>$659</td>
<td>1957</td>
<td>39%</td>
<td>49.8%</td>
<td>$131,800</td>
<td>13.4%</td>
<td>56.4%</td>
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<tr>
<td>West End Census Tract</td>
<td>$608</td>
<td>$566</td>
<td>1939</td>
<td>1.9%</td>
<td>67.1%</td>
<td>$66,700</td>
<td>36.7%</td>
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<td>Virginia</td>
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<td>$1,024</td>
<td>1979</td>
<td>35.1%</td>
<td>48.9%</td>
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<td>68.4%</td>
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<tr>
<td>US</td>
<td>$1,560</td>
<td>$871</td>
<td>1975</td>
<td>37.5%</td>
<td>51.2%</td>
<td>$186,200</td>
<td>8.9%</td>
<td>66.1%</td>
</tr>
</tbody>
</table>

2007-2011 American Community Survey
West End Partnership

- **July 2011:** Received $850,000 from US Treasury CDFI Financial Assistance
- **May 2012:** Received $343,176 in HUD CDBG funds from Roanoke City
- **October 2012:** 125+ employees volunteer during FFCU's annual Community Work Day
- **For-profit, non-profit & government collaboration**

West End Partnership

- **March 2013:** West End Partnership holds official groundbreaking
- **August 2013:** Project receives and additional $150,000 in funding; construction begins
- **1Q2014:** Branch scheduled to open
Examples of Collaboration

- Education
- Affordable Housing
- Transportation
- Impact Banking Products
- Homelessness Prevention

Keys to Success

- Develop and Maintain Networks
- Measure Outcomes/Impact
- No “Mission” without “Margin”...(3 goals)
  - Sustainability
  - Diversification
  - Impact
- Build, Buy or Rent Grant Writing Capacity
- Involve Volunteers and Employees (Engagement is key)

Tell Your Story!

- Like-minded For-Profits
- Education Community
- Trade Associations
- Like-minded Credit Unions
- Funders
- Faith-Based Community
- Federal Home Loan Banks
- Federal Reserve Banks
- Neighborhood Leaders
- Local Governments
- Non-Profits

MANY CDFIs
ONE PURPOSE
The Community Development Team

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540.378.8922
Innovations in Credit Union and Community Partnerships

Pablo DeFilippi, National Federation of CDCUs
www.cdcu.coop

Why Partner?

1. Leverage your internal capacity to do more with the same resources
2. Look beyond your organization’s niche/capacity to offer comprehensive solutions to the needs of your clients
3. Work with community partners to provide more and better access to financial products
4. Offer appropriate/impactful financial products
Why Partner?

CU Challenges
- Lots of liquidity
- Some CDFI programs do not work for regulated institutions (NMTC)
- Member Business Loans are heavily scrutinized by examiners and not all CUs have the expertise

Loan Fund Challenges
- Access to lending capital
- Offer retail banking services to clients and clients’ employees

Learning from Each Other
- For credit unions collaboration is a chance to expand networks, learn about specialized lending innovations, and explore partnerships
- For loan funds venture funds collaboration offers a chance to expand their network among CDCUs, identify opportunities for collaboration, and learn more about how cooperative finance can contribute to economic development in their communities
The CU Role

CUs can offer a continuum of products and services to meet the diverse needs of individuals and businesses.

More About Credit Unions

- Credit unions are not-for-profit financial cooperatives serving groups of members who have something in common such as employment at a company, membership in an association, or residence in a particular geographic area.
- More than 92 million U.S. consumers are member-owners of, and receive all or part of their financial services from the nation's 7,000 credit unions. As not-for-profit cooperatives, credit unions generally offer more attractive savings and loan rates and low or no fees.
More About Credit Unions

Philosophy and Structure

- Credit unions are democratically owned and controlled institutions. Credit union boards of directors are elected by members.
- Each member has an equal vote regardless of how much he or she has on deposit. Credit unions have no outside stockholders so, after reserves are set aside, earnings are returned to members in the form of dividends on savings, lower loan rates, or additional services.

Regulation and Supervision

- Federally chartered credit unions are regulated primarily by the NCUA, an independent federal agency. State chartered credit unions are regulated by their state credit union department.

Prudently Managed and Federally Insured

- Credit unions engage in consumer, business and residential real estate loans to their members.
- Deposits at federally-chartered and virtually all state-chartered credit unions are federally-insured by the National Credit Union Share Insurance Fund.
Finding the right partner CU

★ Approx 2,000 Low-Income Designated (LID) CUs
- Designation given by NCUA if more than 50% of a CU members are defined as low income
- Serving 18 million consumers and $150 billion in assets

★ Community Development Financial Institution (CDFI)
- Designated by United States Treasury Department’s CDFI Fund
- 225 CUs with $16 B in assets serving 2.2 million consumers

★ Community Development Credit Union (CDCU)
- Provided by NFCDCU
- 250 CUs with $17 B in assets providing services to 2.5 million consumers

Visit [www.cdcu.coop](http://www.cdcu.coop)

Mission Driven CUs

★ Low Income CUs
- Accept non-member deposits and secondary capital
- Can provide transactional services to non-members (Check cashing, remittances, bill pay)
- Flexibility to serve consumers beyond their FOM

★ Community Development Credit Unions (CDCU)
- CUs committed to financial inclusion and community revitalization.
- FIs are key components of any poverty alleviation strategy
- Committed to strategic partnership with social services agencies, local governments and CBOs
Partnerships: Opportunities and Challenges

- Providing liquidity to fund business loans or mortgages.
- Cross referrals for small business loans and mortgages
- Providing consumer loans, credit builder loans and other loans the loan fund may not make
- Providing additional counseling or other basic banking services already in the credit unions list of products and services
- Non-profit affiliates
- Partnering with “specialty loan funds” – rural, green, job creating

Support for member business loans through a CUSO
Syracuse, NY

- Cooperative Federal FCU/Home Headquarters
- HHQ creates housing opportunities for low income people in Central and Upstate New York
- The credit union works with the loan fund in 3 different ways:
  - a) providing lending capital through a low interest loan for the loan fund's Flex Fund, which provides home improvement loans without equity requirements;
  - b) participating in a coalition for home foreclosure prevention through which the credit union provides counseling and if applicable refinancing of qualifying loans; and
  - c) cross referrals for mortgages and other type of loans.

Phoenix, AZ

Marisol FCU/Neighborhood Housing Services of Phoenix

- NHS provides down payment assistance through the city of Phoenix, but lacks the liquidity to fund mortgages.
- The loan is originated by the loan fund, but it is also co-underwritten by the credit union, which funds it.
- NHS keeps the origination and processing fees and also services the loan.
- CU gets the interest from the loan.
- Loans are below $100,000
- Since 2011 the CU has funded 3 and 15 more are in the pipeline.
How to speak CU

★ Keep in mind CUs aren’t subject to CRA
★ Do your homework: understand their Field of Membership (FOM) restrictions and CU charter (community, associational, etc.)
★ CUs aren’t a source of grant funding
★ Think beyond the “deal” and about expanding access to affordable financial services to your clients and their employees
★ CUs are the most effective mechanism to link up low income consumers with the financial mainstream
★ Remember, CUs are regulated financial institutions, so safety and sound are key...

Who We Are

★ Our mission is to help low- and moderate-income people and communities achieve financial independence through credit unions
★ Since 1974 the Federation has been promoting financial inclusion by organizing, supporting and investing in credit unions serving LMI consumers
★ Work focus on 3 areas: Expanding Capital, Bringing Expertise and Increasing Impact for our members
★ Most Federation members are low income designated and/or CDFI certified
★ Represent vast majority of all CDFI certified credit unions
For more information

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