

Model 3: UCU Cash

United Credit Union

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Assets: \$101 million

Members: 15,734

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United Credit Union's UCU Cash Payday Loan Alternative is an open-end loan that can be advanced in amounts from a minimum of \$100 to a maximum of \$500. The tagline used to promote the UCU Cash product is "A REAL Credit Union Solution."

Loan Features:

Tier 1: 26% rate + 10% annual fee (\$50) = 36% total

- Direct deposit required
- Payment due with each direct deposit

Tier 2: 26% rate + \$40 annual fee

- Direct deposit required
- Direct deposit of \$5/pay or \$10/mo to savings

Note: Put hold on suffix for 60 days. If member has at least 60 days worth of savings in that suffix, they qualify for discount again the following year. Otherwise, next year fee will be \$50.

Tier 3: 36% rate + 10% annual fee (\$50) = 46% total

- No direct deposit required
- Payment due on each pay period

Procedures:

- Borrower completes Application for UCU Cash. If joint applicants, both complete an application.
- For each cash advance, members complete Request for UCU Cash Advance and give to tellers.
- Loan suffix: 14
- Loan type code: PD
- Security code - P
- Payment amount is based on \$500 (even if taking less so it won't have to be adjusted).
- Payment begins with next pay period.
- Length of loan: 60 days maximum.

- Balance must be paid in full before another advance is taken. No limit on number of advances as long as paid in full (PIF) before each advance.
- Can take advance over phone or at teller counter. No Internet, TLC or ATM advances.
- Number of payment skips: maximum 3 skips in a 12-month period. Write skips in notes to track.
- Leave courtesy pay as is.
- Late fee: 5% of payment with maximum fee of \$15.

Underwriting Criteria:

- Minimum length of membership: 60 days
- Length of employment: six months
- Minimum age: 18
- Minimum income: \$1,000/month gross
- Proof of residence: * Pay check stub (<30 days old)
*Verify address on check stub with address on computer, if doesn't match, get utility bill, etc.
- Member can't be delinquent on existing loans or have negative share account > 15 days old.

Results for 12 months as of October, 2008:

- 225 open loans
- \$89,450 in open LOCs with \$65,000 in outstanding balances
- Interest income: \$17,000
- Fee income: \$11,550
- Late fee income: \$1,560
- Charge-offs: \$8,300
- Charge-offs as a percent of average outstanding balances: 12.8%
- Time to do cash advance: 10 minutes

Loan Note Used:

CUNA Mutual Group's LOANLINER® unsecured form.

Sample Forms Included:

- Application for UCU Cash (Exhibit 1)
- Request for UCU Cash Advance (Exhibit 2)
- UCU Cash Checklist (Exhibit 3)

Exhibit 1: Application for UCU Cash

Account Number _____

Member Name _____

E-Mail Address: _____

Street (Physical Address) _____

City/State/ZIP _____

Home Phone _____ Cell Phone _____

Social Sec. Number _____ Date of Birth _____

Employer _____

Work Phone: _____ Date Hired _____

Monthly gross income: _____ Date of Next Payday _____

Pay Frequency: _____ Weekly _____ Bi-Wkly _____ Semi-Mo. _____ Monthly

PLEASE READ BEFORE SIGNING

1. I understand I will be charged a \$50 non-refundable annual fee as long as this account line is open. To avoid the annual fee, this account line must be closed prior to the Anniversary date of the account.
2. I understand United CU may obtain a credit report or something comparable for this or any subsequent advances.
3. I authorize the withdrawal of payment in full from my account should this loan become delinquent.

Member Signature _____ Date _____

Approved/Denied by: _____ Date _____

Exhibit 2: Request for UCU Cash Advance

Acct Number: _____

Name: _____

Home Phone: _____

Cell Phone: _____

Employer: _____

Employer Phone: _____

Loan must have 0 balance to take new advance

ALL info must be completed and must be employed to take advance.

Exhibit 3: UCU Cash Checklist

- _____ Length of membership – 60 days
- _____ Length of employment – 6 months
- _____ 18 yrs old
- _____ Income \$1000 or greater per month
- _____ Paycheck stub < 30 days old – verify address on computer. If different, verify with electric bill, etc.
- _____ No delinquency/OD's on current UCU acct > 15 days

Set-up

- _____ Loan limit \$100 - \$500
- _____ Length of loan 60 days
- _____ Pmt based on limit (not advance amt)
- _____ Pmt begins with next pay period

Payment on \$500 limit

Monthly pmt - \$262/mo
Semi-mo/Bi-wkly pmt - \$130/pay
Weekly pmt - \$65/pay