

10. Measuring Success

What measurement criteria will you use to determine if your new loan product is successful? There are at least five different measurement tools that can be used.

Income Goals

Depending on your pricing strategy (i.e., to make a profit or break-even), income goals may or may not be a measurement of your product's success. At the least however, you should track income from the loan product to ensure it is sufficient to cover losses. Most credit unions will want to cover some or all of their operating expenses associated with the product as well. If the loan product is losing money, the credit union can make the decision how long it will continue to provide the loan as a loss leader or what changes to make to the product to increase revenue or to cut costs.

Volume & Growth Goals

Some potential statistics or demographics to track include:

- number or percent of members using the product
- number of new members that joined the credit union to use the product
- number and \$ amount of advances made
- average age of member using the loan product as compared to average age of overall membership or average age of all borrowers (i.e., are you reaching a younger market?)

Loss Goals

When your credit union made the decision to offer this new loan product, you more than likely set some caps or thresholds for losses and delinquencies. Have you been able to stay under the thresholds or do you need to make some changes to collection or underwriting practices to reduce losses?

Savings to Members

How much have your members saved using your loan product versus a payday loan? You can either find out what the average payday lender is charging in your state or use the national average of \$17.50 per \$100 for a 14-day loan. That's a daily interest rate of 1.25% compared to .0493% for an 18% APR loan. A member who used a credit union loan of \$500 for 30 days at 18% would pay \$7.40 in interest as opposed to \$187.50 that would be paid to a payday lender for the same amount and same period of time. Even if the credit union charged a \$15 application fee, the member still saves \$165.10 by using the credit union loan product. This savings is one of the biggest benefits/impacts your program is providing your members. Don't be ashamed about how many members are using your payday-alternative loan product. Flaunt the amount you are saving your members. Tell your members, tell your board and staff, tell your community, and tell your policy makers.

Your credit union can also be part of the nationwide effort to track this information by logging onto the REAL Solutions® Impact Center at www.realsolutions.coop, click on "Get Involved" tab, click on "Calculate Your Impact," "Register Your Credit Union," and then "Calculate Your Payday Loan Product's impact." You will be asked a few questions about your program, after which the survey tool will calculate your savings to your members and add it to the growing nationwide savings sum.

Graduating Members into Other Services

Graduating your members into more traditional and better-valued products should be the ultimate and longer-term goal of any payday-alternative loan product. It is also the most difficult to track.

Here are some suggestions dependent on your data system capabilities:

- Assign some form of identifier code to members who use your payday-alternative loan product. This identifier should be retained whether the member continues to use the loan product or not. It will be a means of identifying service usage in the future.
- Calculate average services, accounts, share and loan balances, and/or profit per individual for those using your loan product. Compare the average with your remaining members. Over the span of some years, calculate the same averages for your members who previously used the loan product, but no longer do so. These comparisons can indicate how successful you've been in moving people up the wealth ladder and whether they are becoming loyal and active credit union members.
- Calculate the average membership tenure for those using the loan product, those who have never used it, and those who previously used it. As the number of those who previously used the product increases, you can track retention, another indicator of member loyalty. If possible, you may also want to track those who previously used the product but have since closed out their membership. This could be an indicator that the credit union didn't sufficiently meet their financial needs once they no longer needed a short-term cash loan.
- Compile and disburse anecdotal stories of members whom you have helped with your payday-alternative loan and how they subsequently graduated into other products – in particular, those who became homeowners, business owners, investors, college grads, etc., through your credit union's tutelage or guidance.