

REAL Solutions Lending Tool Kits



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Overview

- Why the Foundation produced a series of Toolkits
- What Toolkits are available and what they can help you do
- How to access and use the Toolkits

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Asset Trends

“At the end of September 2015, there were 247 credit unions with assets in excess of \$1 billion, holding 57% of the credit union system assets and 60% of the loans. The median asset size of a U.S. credit union was \$26 million.”

NCUA Call Report Data

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Credit Union Growth Trends

	More than \$500 Million	\$100 Million to \$500 Million	\$10 Million to \$100 Million	Less than \$10 Million
Number of Credit Unions	468	1,034	2,725	1,863
Net Worth Growth	↑9.10%	↑6.20%	↑3.40%	↑1.40%
Loan Growth	↑12.50%	↑8.60%	↑5.40%	↑2.00%
Membership Growth	↑6.50%	↑2.70%	↑0.50%	↓1.70%

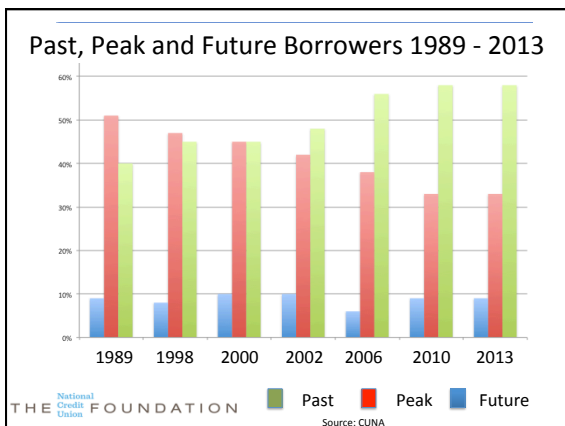
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NCUA Call Report Data

Member Lending

“60% of credit union members have no borrowings with their credit union”

(Source: CUNA Research Services)

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All Toolkits aim to achieve these goals...

- Provide affordable products and services to people of modest means
- Grow the credit union
- Improve the bottom line
- Be consistent with the credit union philosophy

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Some Credit Unions are introducing a formal “not yet” lending policy?

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In what circumstances would a “not yet” lending policy not work for a member?

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Non-prime auto loan Toolkit



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Auto Loans

Share of non prime auto loans

- Sub-prime lenders – 60%
- Banks – 30%
- Credit Unions – 5%

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Impact of the current economic crisis?

Many economists believe that since people have to get to work, they will do what they can to keep their cars. They can always rent a place to live!

“Borrowers absolutely have to have their car,”

Adam Levin, president of the lead generator Credit.com, Inc.

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The Challenge Facing Members

86% of Americans need a car to get to work

2009 Census

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The Challenge Facing Credit Unions

- How can credit unions do non-prime auto loans for members with low or no credit?
- At a better interest rate than sub-prime lenders!
- In a way that does not place the credit union at risk!

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Non-prime auto lending – the CU Way

- Pricing
- Underwriting
- Reliable Autos
- The Credit Union Close
- Insuring Risk
- Close Monitoring

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Results of Incubator Pilot

- 10 credit unions
- Loans – 7,600
- Loan value - \$101 million
- Average interest rate – 11.7%
- Average age of member – 36
- Average term of loan – 54 months
- Average credit score - 584

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We see the following rate spreads using the interest rate environment in place on 12/31/2013.

	A+	A	B	C	D	E
Current Rate*	3.65%	4.20%	5.15%	7.15%	12.90%	15.65%
Cost of Funds	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
Gross Spread	3.35%	3.90%	4.85%	6.85%	12.60%	15.35%
Loss Rate	0.06%	0.12%	0.43%	1.56%	2.62%	3.62%
Net Spread	3.29%	3.78%	4.42%	5.30%	9.98%	11.73%
Origination & Maintenance Cost	0.68%	0.68%	0.67%	0.74%	1.05%	1.20%
Spread After Costs	2.61%	3.10%	3.75%	4.56%	8.93%	10.53%

* Assumes a 60-month term.

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The Crisis Facing Americans

“At the end of 2012, 19% of individuals reported that over the last year, their household spent more than their income.”

FINRA

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The Crisis Facing Americans

“In mid 2015, 66 percent of all Americans were living paycheck to paycheck”

American Payroll Association

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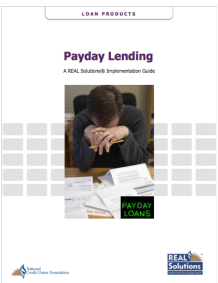
Using Predatory Lenders

“30% of individuals reported using one or more predatory borrowing methods in the last 5 years.”

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Payday Lending Toolkit



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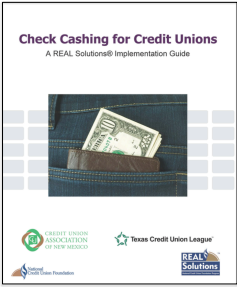
**Who are the “Unbanked” ...
how many are there....
and why?**

“10% to 13% of U.S. households, primarily low-to-moderate-income, minorities, and recent immigrants, do not have bank accounts.”

FDIC Chairman Don Powell

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Check Cashing Toolkit



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The Crisis Facing Americans

“Approximately half of all American workers make \$25,000 a year or less”

Analysis of Social Security Statistics

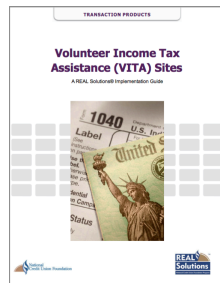
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The Cost of Tax Preparation

“The GAO’s 2014 report found that the fees charged for tax preparation varied widely, even between offices affiliated with the same chain. In one testing scenario, fees ranged from \$160 to \$408; in the other testing scenario, fees ranged from \$300 to \$587”

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VITA Sites Toolkit



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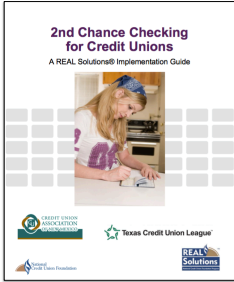
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“Mistakes like a bounced check or a small overdraft have effectively blacklisted more than a million low-income Americans from having a checking account for as long as seven years.”

The New York Times

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2nd Chance Checking Toolkit



2nd Chance Checking for Credit Unions
A REAL Solutions® Implementation Guide

NATIONAL CREDIT UNION ADMINISTRATION
Texas Credit Union League
REAL Solutions

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The Crisis Facing Americans

“At the end of 2012, 56 percent of Americans do not have funds on hand to cover unanticipated financial emergencies”

Financial Industry Regulatory Authority (FINRA)

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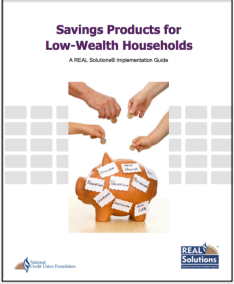
The Crisis Facing Americans

“In October 2015, 62% of Americans had under \$1,000 in savings.”

GOBankingRates Survey

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Savings Products for Low-wealth Households Toolkit



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Reasons for Bankruptcy

- Unexpected Disaster
- Poor/Excess use of Credit
- Medical Expenses
- Divorce/Separation
- Job Loss

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Reasons for Bankruptcy

1. Medical Expenses (42%)
2. Job Loss (22%)
3. Poor/Excess use of Credit (15%)
4. Divorce/Separation (8%)
5. Unexpected Disaster (7%)

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Medical Debt

“26% of individuals have medical bills that are overdue.”

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Helping members with Medical Debt



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The Challenge Facing Members

“Four out of five Americans are not adequately prepared to meet their needs in retirement”

Aon Hewitt Consulting

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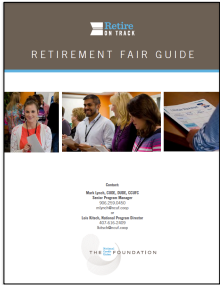
The Challenge Facing Members


49% of Americans say they aren't contributing to any retirement plan.

LIMRA
(A worldwide association of insurance and financial services companies)

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Retirement Fair Guide




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Retirement Fairs

- Experiential Learning Program
- Based on High School Reality Fairs
- Developed in cooperation with CUNA Mutual
- Helps members and staff prepare for all aspects of retirement

 • Grow the credit union
• Enhance the bottom line

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Retirement Fairs

- Guide and materials available for credit unions to use
- Goal to have as many credit unions as possible conducting fairs for members and staff




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Other Foundation Opportunities

- Life/Poverty Simulation
- High School Reality Fairs
- BizKid\$
- Grants
- Money Rules Books
- Development Education
- CU Aid

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For More Information...

...contact **Lisa Klisch**, National Program Director, at (407) 858-2459 or klisch@ncuf.coop.

Plug & Play Programs for your Credit Union

Credit unions are always looking for ways to improve the financial lives of their members. Therefore, the Foundation, through its REAL Solutions program, has created a variety of toolkits to help credit unions meet member's needs in the following areas:

- Medical Debt
- Non-Prime Auto Lending
- VTS Sites
- Payday Lending Alternative
- Check Cashing
- Second Chance Checking
- Savings Products for Low-Income Households Implementation Guide

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