



## SERVING THE UNDERBANKED AND MILLENNIALS

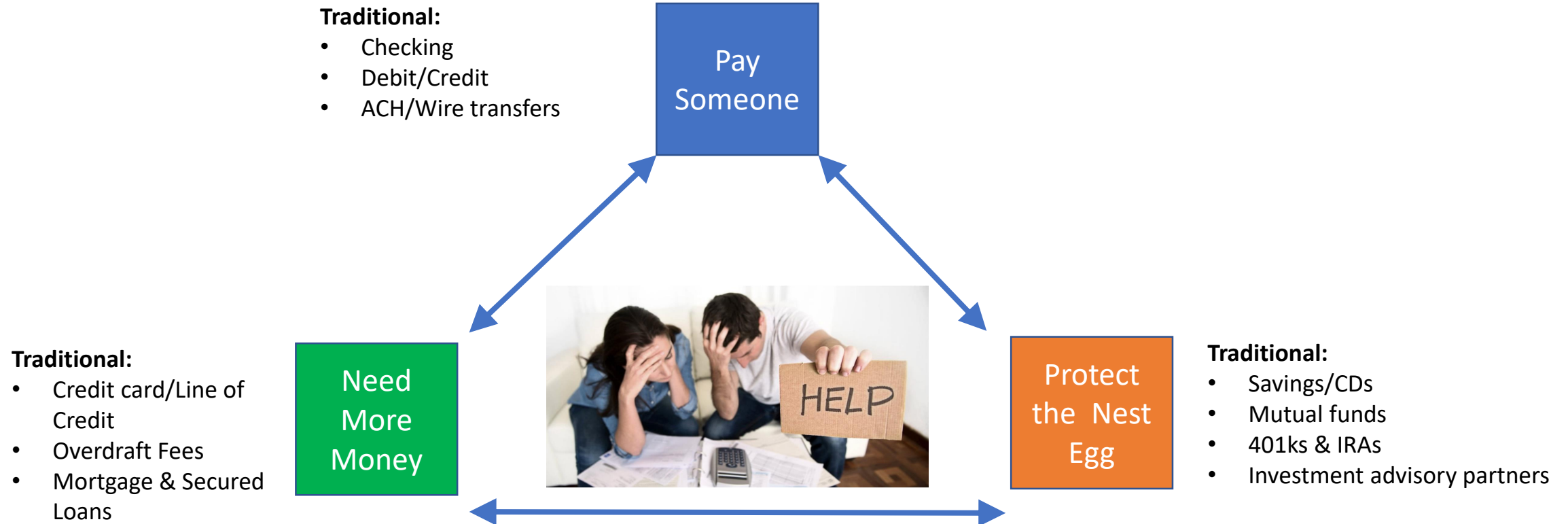
Offering Payday Alternative Loans and  
Collaborating to Offer Better Mobile  
Solutions

Dave Adams with Lisa Servon, Kevin  
Foster-Keddie and Sean King

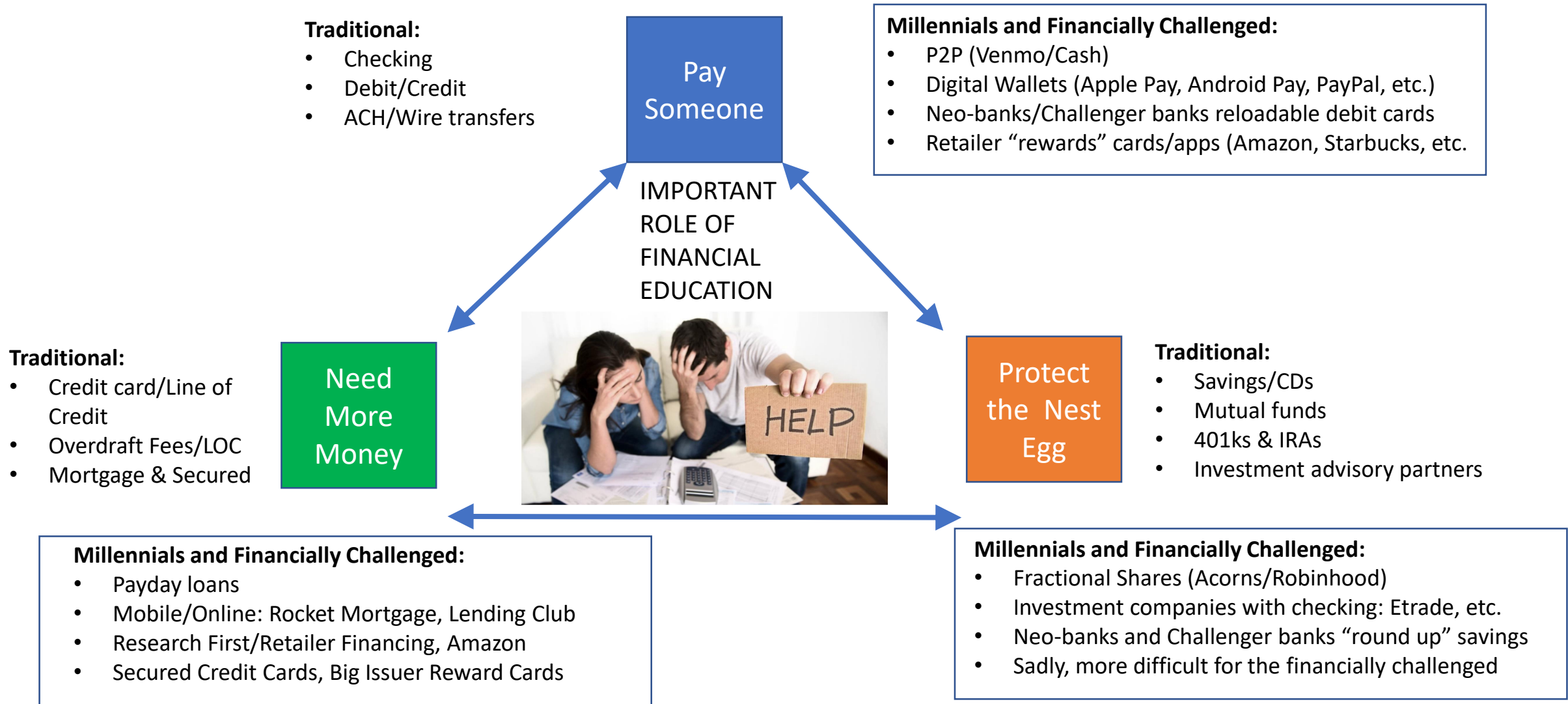
Managing money has become very complex...



And yet, consumers, (especially millennials and the underbanked) perceive three needs for banking...



And yet, consumers, (especially millennials and the underbanked) perceive three needs for banking...



# U.S. Consumer Financial Health Is At An All-Time Low in 2019

Record debt, negative savings rates, rising costs of living and flat wages paint a dire picture of the average American household's financial state. The **unbanked and underbanked segments of the economy are hit hardest of all.**

July 29, 2018

**Almost 80% of US workers live from paycheck to paycheck**

theguardian

June 20, 2018

**23% of Americans Have No Emergency Fund**

The Motley Fool

June 15, 2018

**For the biggest group of American workers, wages aren't just flat. They're falling.**

The Washington Post

January 18, 2018

**Only 39% of Americans have enough savings to cover a \$1,000 emergency**

CNBC

January 8, 2018

**Credit card debt hits all-time high of \$1.023 trillion**

AMERICAN BANKER

April 9, 2018

**Auto loan delinquency rates are worse now than during the financial crisis**

BUSINESS INSIDER

October 1, 2018

**1 Million People Default On Student Loans Each Year**

Forbes

July 6, 2018

**U.S. housing rents hit record-high average of \$1,405 per month**

CBS NEWS

This market represents at least **25.2% of U.S. households** according to the FDIC\*

14.1M Unbanked U.S. Adults...

48.9M Underbanked U.S. Adults...

# TRUST IS THE DIFFERENTIATOR FOR CREDIT UNIONS

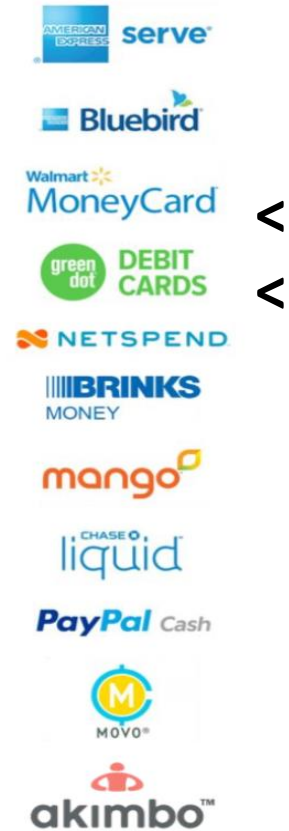


# FinTech Disruptors and New Competition

## Tech & Non-Bank Disruptors



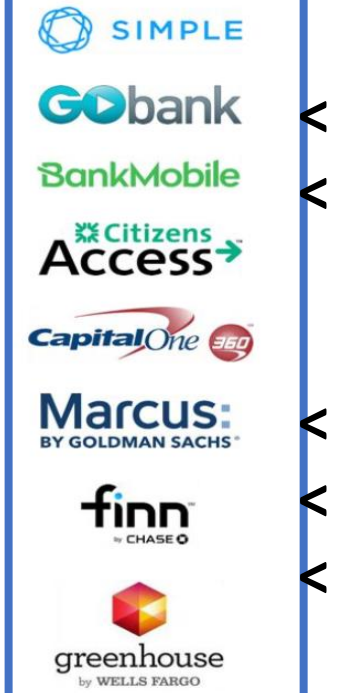
## Prepaid Disruptors



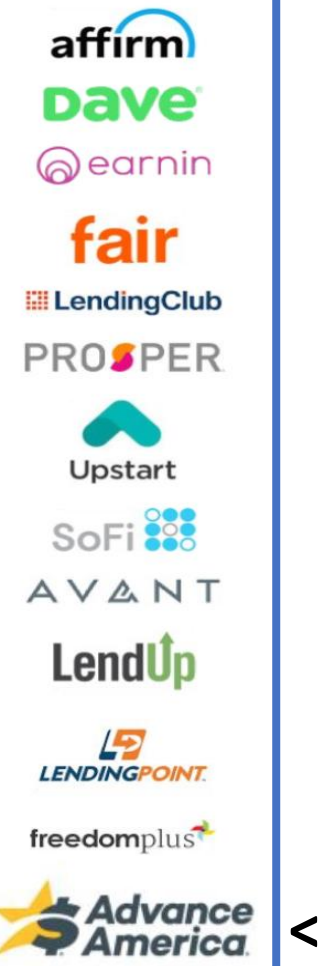
## Neo-Bank Disruptors



## Challenger & Beta Bank Disruptors



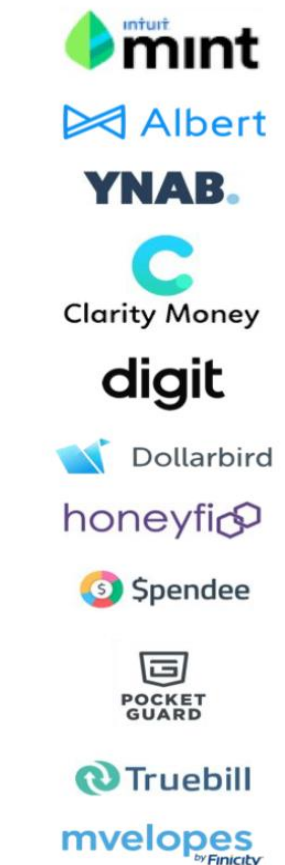
## Credit & Lending Disruptors



## Investing & Crypto Disruptors



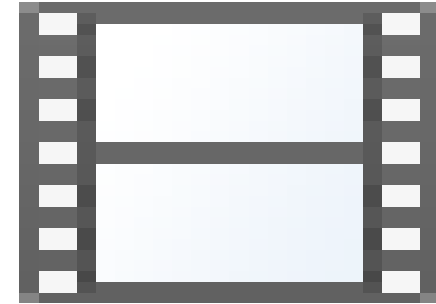
## PFM & Aggregation Disruptors



# Credit & Lending Disruptors

# Industry at a Glance

Check Cashing & Payday Loan Services in 2018



- 12M U.S. customers
- 6% of U.S. consumers have used them
- 76% earn under \$40k
- Only around since '93
- High poverty & bankruptcy correlation
- Legal in 27 states with 36% rate cap
- 15,000 stores and 83,000 employees
- Growth is down due to the strong economy and new online competition

Revenue

**\$11.1bn**

Profit

**\$1.4bn**

Annual Growth 13–18

**-0.5%**

Wages

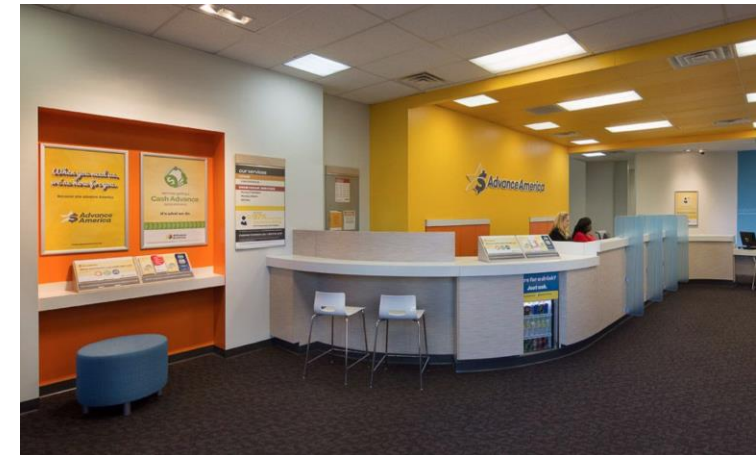
**\$3.6bn**

Annual Growth 18–23

**-2.1%**

Businesses

**3,591**





## Appendix 1: Top 10 payday lenders located in Michigan, as of June 2017

Rank	Payday lender "Doing Business As" name	Parent company name	# of payday stores in MI	Headquarters
1	ACSO OF Michigan, Inc.	Advance America	144	Spartanburg, SC
2	Great Lakes Specialty Finance, Inc.	Check N' Go	110	Cincinnati, OH
3	Approved Cash Advance Corp.	Same as DBA name	35	Cleveland, TN
4	Check Into Cash of Michigan, LLC	Check Into Cash	26	Cleveland, TN
	Instant Cash Advance Corp.	Same as DBA name	26	Wyoming, MI
5	Cash For Checks, LLC	Same as DBA name	24	Indian River, MI
	Cottonwood Financial Michigan, LLC	The Cash Store	24	Irving, TX
6	Allied Check Cashing Michigan LLC	Allied Cash Advance	20	Cincinnati, OH
7	Check & Cash USA, LLC	Ready Money	15	Wausau, WI
8	Buckeye Check Cashing of Michigan, Inc.	Check\$mart	14	Dublin, OH
	Cash Now, LLC	Same as DBA name	14	Oak Park, MI
	JD Finance, INC.	Same as DBA name	14	Cedar Springs, MI
9	Crickets, LLC	Cricket Financial Services	8	Warren, MI
10	M CO 1, LLC	M Companies Check and Cash	6	Ishpeming, MI
	All other companies		75	
	<b>Total companies</b>		<b>555</b>	

**Figure 1: Example of Michigan payday fee structure**

	Loan fees and costs
Fees for first \$100 borrowed	\$15.00
Fees for second \$100 borrowed	\$14.00
Fees for third \$100 borrowed	\$13.00
Fees for fourth \$100 borrowed	\$12.00
Fees for fifth \$100 borrowed	\$11.00
Database fee	\$0.49
<b>Total fees on \$500 loan</b>	<b>\$65.49</b>
<b>APR on a two-week loan</b>	<b>341%</b>
Fees if consumer reaches extended payment plan after eight loans	\$523.92

**Payday Lenders Response:**

- \$100 payday advance with a \$15 fee = 391% APR
- \$100 bounced check with \$54 NSF/merchant fees = 1,409% APR
- \$100 credit card balance with a \$37 late fee = 965% APR
- \$100 utility bill with \$46 late/reconnect fees = 1,203% APR

**State Chartered Credit Unions\***

<b>Permissible</b>
Maximum APR 25%
Fees: All fees and charges as agreed to by borrower

Michigan

\*State charters adhere to state law and preempts CFPB

**Federal Credit Unions\*:**

**NCUA PALs Program:**

- \$200-\$1,000 loans
- Can charge up to a \$20 fee and 28% interest
- 1-6 month term with 1 month minimum
- Up to 3 PALs per borrower during 6-month period, but no rollovers
- \$500 loan for 1-month loan = 76% APR
- Must be member for 1-month minimum

# Q-Cash & Q-Cash Plus Loans



## Q-Cash offers instant loans for unexpected needs

Sometimes you need to borrow money for something that doesn't quite fit into the box.

### Q-Cash

- Loan amounts from \$50.00-\$700.00
- Low fees
- No application fee
- No credit report needed





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## Q-Cash Loan

Annual Percentage Rate (APR)	73%
Max amount	\$700
Payment period	60 day term

More Information

No credit check

[Apply Now](#)

Here's what you'll need:

- Access to Online Banking or Mobile Banking
- No additional documentation needed

## Q-Cash Plus Loan

Annual Percentage Rate (APR)	36% - 45.4%
Max amount	\$4,000
Payment period	Varies - see table below

More Information

No credit check

[Apply Now](#)

Here's what you'll need:

- Access to Online Banking or Mobile Banking
- No additional documentation needed

Q-Cash payment example: Single payment of \$112 per \$100 borrowed, due in full in 60 days. 73% APR.



FEEDBACK



Loans & VISA



Checking & Savings



Online Access



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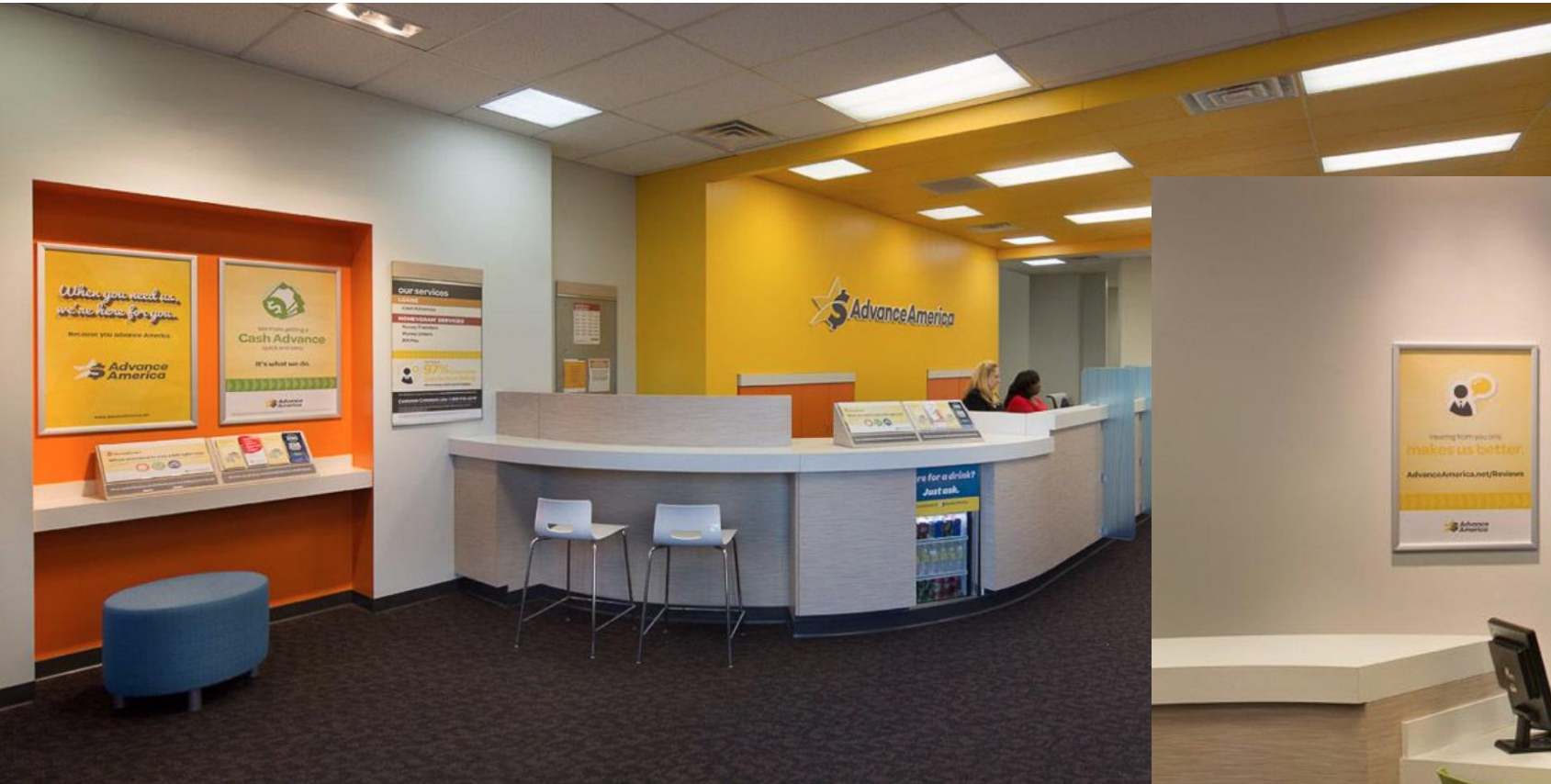
[Rates](#)

Loans & VISA



# Payday Loan Stores Focus on Customer Experience Too!



# An Estimated 60% of Payday Loans Are Done Online!

**Check n Go**

Get up to \$500 [REFER-A-FRIEND](#)

Payday Loans

Installment Loans

Cash Advances

Check Cashing

Prepaid Card

Browse: [Home](#) / [Services](#) / [Payday Loans](#)

## Online Payday Loans



**Get b  
direct**

- Con
- Fun  
follo
- 24/7

**Check n Go**

For assistance call 1-800-561-2274

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[My Account](#)



NEED A QUICK FIX?  
GET THE CASH YOU NEED AND BE ON YOUR WAY FAST

Choose Your Loan Amount:

**\$ 2550**

\$ 100

\$ 5000

Payday Loans from \$100 to \$1000 | Installment Loans from \$1000 to \$5000

**APPLY NOW** >

Already had a loan with us?

**EXPRESS APPLICATION** >



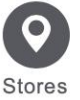
Washington is taking a second look at regulations that could impact your access to credit. **Your voice needs to be heard!** [Click here](#) to share why this is important to you!



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Stores



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- Fast Application
- Instant Approval Decision
- Money Same Day\*
- Perfect Credit Not Needed

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Already have an account? [Login](#)

Types of Cash Loans from Advance America

# Why Choose Advance America



## Clear Rates & Fees

Our goal is to always make sure you understand how and what you're paying—it's why we're always up front about all of our terms and conditions.



We go out of our way to keep our customers happy

Excellent  5 out of 5

Based on 20,326 reviews | Powered by  Trustpilot



Scott and Jean in Crystal River are caring, wonderful people. You couldn't have better, more knowledgeable employees.

*Carol McGowan 05/02/2019*



My experience was wonderful. My agent was super friendly, the process was quick and easy. I would recommend Advance America to anyone who could use a little financial help and doesn't want to pay ridiculous interest rates.

*Bradford J. 05/02/2019*



# Our Stories



## Brittney's Story

### First Time Customer

Even first-time customers are on a first-name basis with us. Just ask Brittney, who needed money fast and was able to get it even faster with our help.



# Helpful Information

Easy and practical tips to make the most of your cash

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**NEW**



8 Steps To Create And [READ NOW >](#)

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9 Ways To Teach Your [READ NOW >](#)

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Getting a Netspend Card is simple. Use it like a debit card and reload as needed.



A Netspend Visa<sup>®</sup> Prepaid Card lets you pay bills, add funds, and make purchases anywhere Visa<sup>®</sup> Debit Cards are accepted.

- Register a card and activate at a location
- Use your card everywhere Visa<sup>®</sup> debit cards are accepted
- Reload your card as often as you need with Direct Deposit, Mobile Check Load<sup>5</sup> on the Netspend Mobile App<sup>6</sup> or with cash at any of our 130,000 locations<sup>7</sup>

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## Credit & Lending Disruptors

affirm

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LendingClub

PROSPER



Upstart

SoFi

AVANT

LendUp

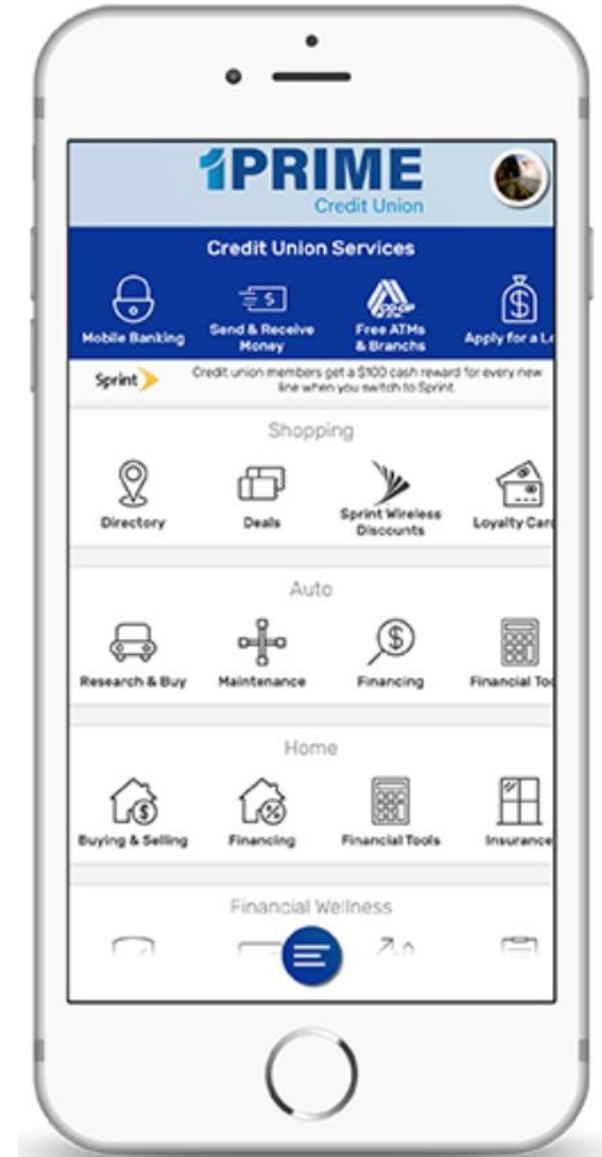
LENDINGPOINT

freedomplus

Advance America

# Key Takeaways for Credit Unions

- Payday Lenders' growth has slowed because of the stronger economy, regulations and online options vs. storefronts. But growth will return.
- Higher-risk borrowers need a credit union solution and there ought to be a way for credit unions to collaborate in offering solutions like WSECU's "Q-Cash". One Detroit's "My Pay Today", or Wright-Patt CU's "Stretch Pay."
- Credit unions need to fight the negative stigma associated with these loans and be firm in their convictions behind the "why" for serving this market. More "visibility" of offerings is needed. Not a matter of "if", but "how"?!
- CUSG's Life Step Solutions, LLC will seek to collaborate with credit unions in Michigan and nationally to deliver new products that serve the underbanked and millennials via credit unions.



From  
Payday  
Lenders to  
the Neo-  
Bank  
Disruptors  
and  
Challenger  
Banks

CAPWAY®

Features

Know Money

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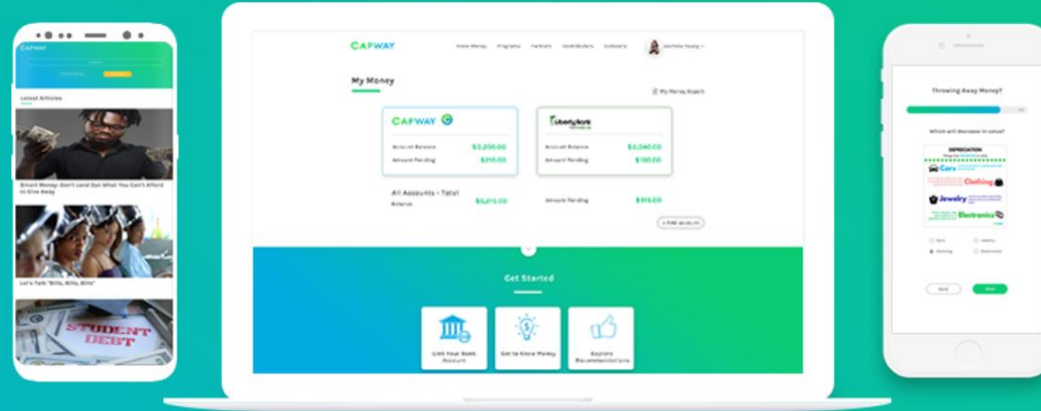
Company

Sign up

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Is CapWay Right for Me?

**CapWay Money Account**  
Join the Waitlist now for our fee-less bank account, created just for you.

This isn't your parents or grandparents old way of doing banking. We're the money account you've been waiting for.

**Join the Waitlist for a CapWay Money Account**

From  
Payday  
Lenders to  
the Neo-  
Bank  
Disruptors  
and  
Challenger  
Banks

This isn't your parents or grandparents old way of doing banking. We're the money account you've been waiting for.

**Join the Waitlist for a CapWay Money Account**



# Challenger & Beta Bank Disruptors

By the end of 2019, over 50% of the top 10 U.S. Banks will have a fully digital mobile bank with new offerings and tools not offered by their traditional product lines. This will further differentiate large financial institutions from regional and community banks.

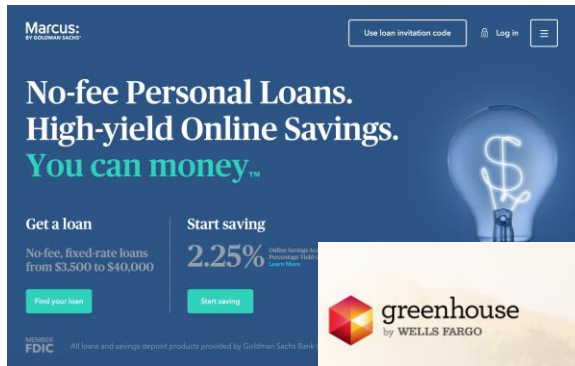


— Jim Marous, Co-Publisher, The Financial Brand

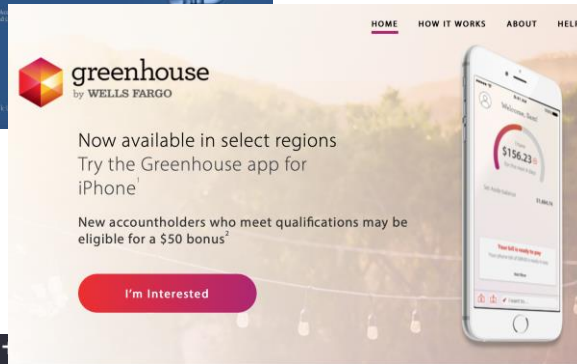


Marcus, by Goldman Sachs Bank

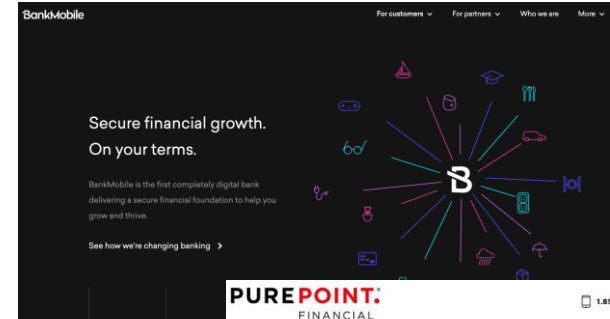
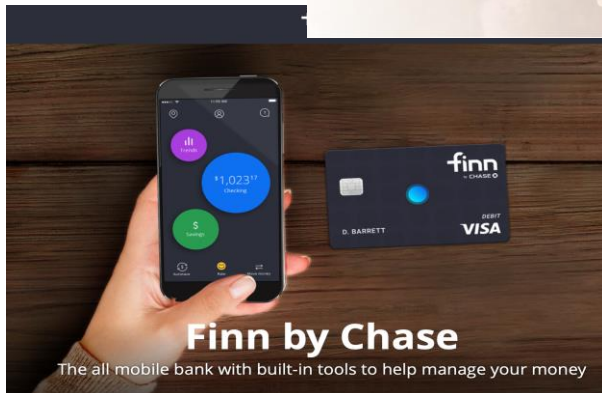
BankMobile, A division of Customer's Bank



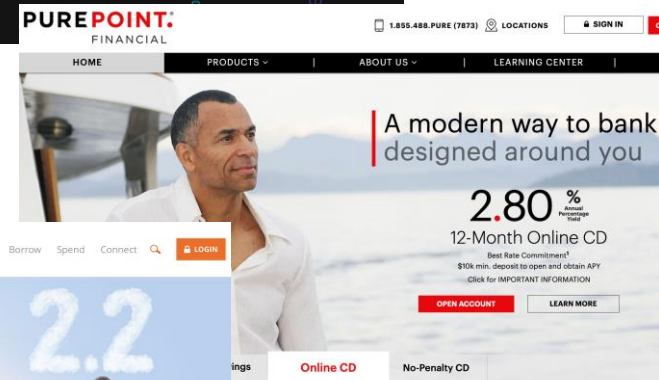
Greenhouse by Wells Fargo Bank



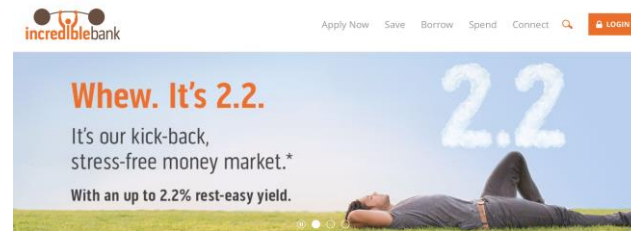
Finn by Chase Bank



Purepoint Financial, a division of MUFG Union Bank



Incredible Bank, a division of River Valley Bank



# Neo-Bank Disruptors

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MoneyLion

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VARO

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CAPITAL

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Your good financial habits deserve rewards.  
It's easy to start now. And it's free.

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Do more than just view your credit score.  
Improve your credit health.

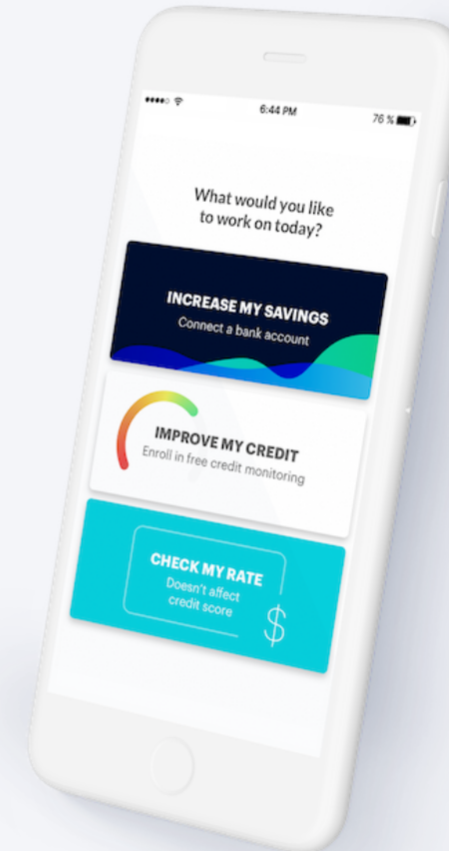
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## Your Credit Score... Explained

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See your borrowing, savings and investing all in one place - packed with smart guidance to help you reach your goals.



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Track your money 24/7, view transactions, and find ATMs near you.

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Don't have a card?

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### Need a Secure Login?

Check your balance, see transactions, and review Cash-Back Rewards.

[Secure Login](#)



### Register new card

After registration, use your card to make purchases.

[Register](#)



### Get paid up to 2 days early with free direct deposit

Subject to your payment provider's process and timing.

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Get pay up to  
**2 days before payday**  
with ASAP Direct Deposit™

No Direct Deposit? Add cash at any Walmart register using Walmart Rapid Reload™ for \$3.

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### Need a Secure Login?

Check your balance, see transactions, and review Cash-Back Rewards.

[Secure Login](#)



### Register new card

After registration, use your card to make purchases.

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### Get paid up to 2 days early with free direct deposit

Subject to your payment provider's process and timing.

[Learn more](#)

# Walmart MoneyCard

3·2·1 Save.

## Add money options

---



### Direct Deposit

Enroll in direct deposit and load all or part of your paycheck with **no reload fees**.

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### Walmart Rapid Reload™

Add cash to your card. Swipe your card at the register of any participating Walmart store. Fees may apply.

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### By Check at Walmart

Cash your eligible payroll or government check at Walmart and load your card with **no reload fees**. Check cashing fees may apply.

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Walmart   
**MoneyCard**  
**WAYS TO DEPOSIT**  
**MONEY**

## Add money options

---



### Direct Deposit

Enroll in direct deposit and load all or part of your paycheck with **no reload fees**.

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### Walmart Rapid Reload™

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[Learn More](#)



### By Check at Walmart

Cash your eligible payroll or government check at Walmart and load your card with **no reload fees**. Check cashing fees may apply.

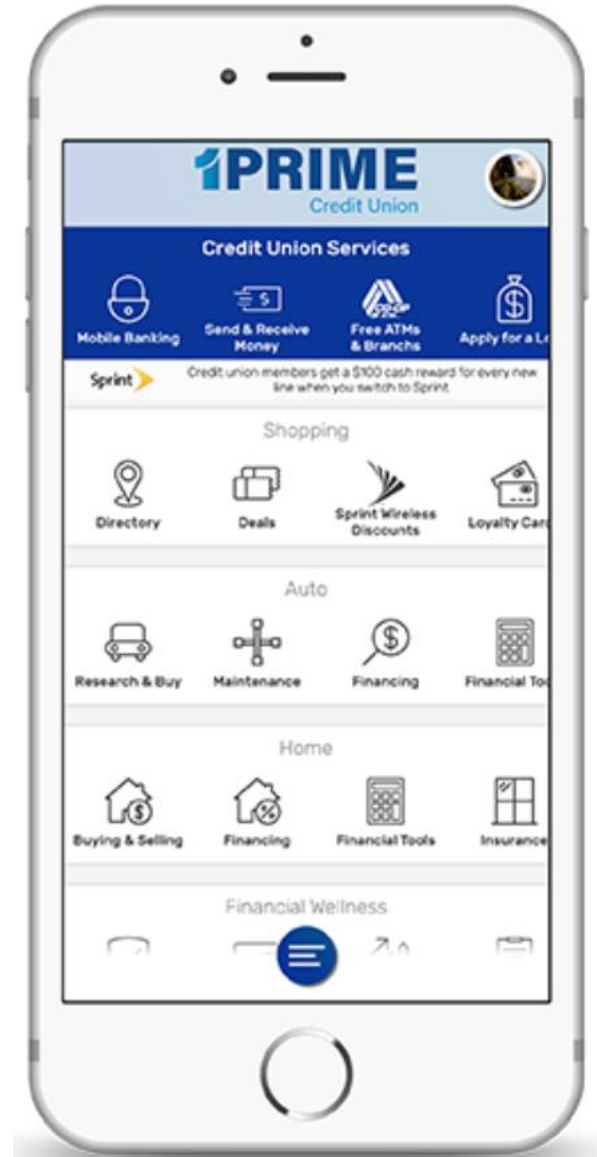
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## Challenger & Beta Bank Disruptors



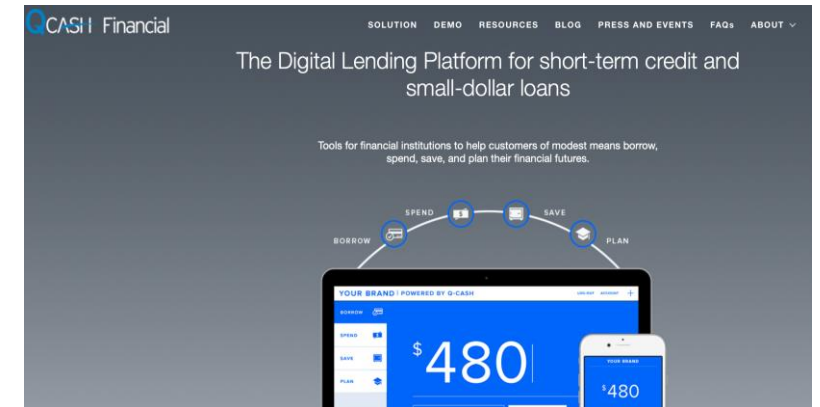
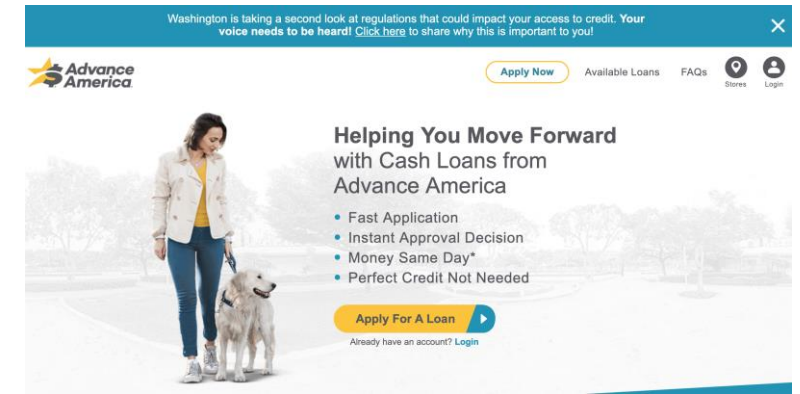
# Key Takeaways for Credit Unions

- Challenger banks and neo-banks are targeting the underbanked and millennials with a message of, "you can trust us more to offer truly affordable services along with money management tools."
- Popular features include: 1-2 day early payroll deposit, cash-back instant alerts, "reload at the register" for cash deposits, high-yield checking based on required deposits and interchange fees, fractional share investing, financial education, low fees, etc.
- Credit unions should own this space but are currently slow to respond. At a minimum, our messaging needs to improve. Ideally, so should our product suite.
- CUSG's Life Step Solutions, LLC will seek to collaborate with credit unions in Michigan and nationally to deliver new products that serve the underbanked and millennials via credit unions.



# Welcome the Panel: Can Credit Unions Be the Disruptors?

- “We’re underbanked because banks do a lousy job of serving us.”
  - Lisa Servon, Author of “The Unbanking of America” & University of Pennsylvania Professor
- “Underbanked consumers won’t even hear you until you solve the loan issue. But financial wellness tools should be tied to lending.”
  - Kevin Foster-Keddie, CEO, WSECU & Q-Cash Financial
- “Unique strengths and fortuitous timing could position credit unions to compete aggressively with Neo-Banks and Challenger Banks, increase overall membership and better serve the unbanked and underbanked market.”
  - Sean King, Founder/CEO, UXOps & Former Greendot Designer







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