FRIDAY CONVENTION OPENING SESSION
FRIDAY, JUNE 7TH

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...

**Traditional:**
- Checking
- Debit/Credit
- ACH/Wire transfers

**Pay Someone**

**Need More Money**
- Credit card/Line of Credit
- Overdraft Fees
- Mortgage & Secured Loans

**Protect the Nest Egg**
- Savings/CDs
- Mutual funds
- 401ks & IRAs
- Investment advisory partners
And yet, consumers, (especially millennials and the underbanked) perceive three needs for banking...

**Traditionally:**
- Checking
- Debit/Credit
- ACH/Wire transfers

**Millennial and Financially Challenged:**
- P2P (Venmo/Cash)
- Digital Wallets (Apple Pay, Android Pay, PayPal, etc.)
- Neo-banks/Challenger banks reloadable debit cards
- Retailer “rewards” cards/apps (Amazon, Starbucks, etc.)

**Traditionally:**
- Credit card/Line of Credit
- Overdraft Fees/LOC
- Mortgage & Secured

**Millennial and Financially Challenged:**
- Payday loans
- Mobile/Online: Rocket Mortgage, Lending Club
- Research First/Retailer Financing, Amazon
- Secured Credit Cards, Big Issuer Reward Cards

**Traditionally:**
- Savings/CDs
- Mutual funds
- 401ks & IRAs
- Investment advisory partners

**Millennial and Financially Challenged:**
- Fractional Shares (Acorns/Robinhood)
- Investment companies with checking: Etrade, etc.
- Neo-banks and Challenger banks “round up” savings
- Sadly, more difficult for the financially challenged
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.**

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

96% of customers have complete trust in banks to keep their money safe

but

19% have little or no trust that banks will provide unbiased advice

YOUR MONEY IS SAFE!!
FinTech Disruptors and New Competition

Tech & Non-Bank Disruptors
- PayPal
- Venmo
- Amazon
- Google
- Apple
- T-Mobile
- Cash App

Prepaid Disruptors
- serve
- Bluebird
- Walmart MoneyCard
- DEBIT CARDS
- NETSpend
- Brinks Money
- mango
- Chase Liquid
- PayPal Cash
- akimbo

Neo-Bank Disruptors
- chime
- MoneyLion
- acorns
- VARO
- Moven
- Capital
- Empower
- Aspiration
- finn
- greenhouse
- zero
- motiv

Challenger & Beta Bank Disruptors
- SIMPLE
- GObank
- BankMobile
- Access
- Marcus by Goldman Sachs
- Empower
- Upstart
- SoFi
- LendingClub
- PROSPER
- Upstart
- SoFi
- AVANT
- LendUp
- Swell

Credit & Lending Disruptors
- affim
- Dave
- earnin
- fair
- Stash
- Upstart
- SoFi
- AVANT
- LendUp
- Swell

Investing & Crypto Disruptors
- Robinhood
- Betterment
- PERSONAL CAPITAL
- wealthfront
- STASH
- coinbase
- digit
- Dollarbird
- honeyfi
- Spendee
- Truebill

PFM & Aggregation Disruptors
- mint
- Albert
- YNAB
- Clarity Money
- PocketGuard
- mvelopes
- Pinkeye
• 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

Industry at a Glance
Check Cashing & Payday Loan Services in 2018

- Revenue: $11.1bn
- Annual Growth 13–18: -0.5%
- Annual Growth 18–23: -2.1%
- Profit: $1.4bn
- Wages: $3.6bn
- Businesses: 3,591
## Appendix 1: Top 10 payday lenders located in Michigan, as of June 2017

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

**All other companies**

**Total companies**: 555
**Figure 1: Example of Michigan payday fee structure**

<table>
<thead>
<tr>
<th>Loan fees and costs</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees for first $100 borrowed</td>
<td>$15.00</td>
</tr>
<tr>
<td>Fees for second $100 borrowed</td>
<td>$14.00</td>
</tr>
<tr>
<td>Fees for third $100 borrowed</td>
<td>$13.00</td>
</tr>
<tr>
<td>$100 payday advance with a $15 fee = 391% APR</td>
<td></td>
</tr>
<tr>
<td>Fees for fourth $100 borrowed</td>
<td>$12.00</td>
</tr>
<tr>
<td>$100 bounced check with $54 NSF/merchant fees = 1,409% APR</td>
<td></td>
</tr>
<tr>
<td>Fees for fifth $100 borrowed</td>
<td>$11.00</td>
</tr>
<tr>
<td>$100 credit card balance with a $37 late fee = 965% APR</td>
<td></td>
</tr>
<tr>
<td>Database fee</td>
<td>$0.49</td>
</tr>
<tr>
<td>$100 utility bill with $46 late/reconnect fees = 1,203% APR</td>
<td></td>
</tr>
</tbody>
</table>

**Total fees on $500 loan**: $65.49

**APR on a two-week loan**: 341%

**Fees if consumer reaches extended payment plan after eight loans**: $523.92

---

**Payday Lenders Response:**

- **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

**Federal Credit Unions***:

- State charters adhere to state law and preempts CFPB

---

**State Chartered Credit Unions***:

- Maximum APR 25%
- Fees: All fees and charges as agreed to by borrower

---

* Michigan
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
### Q-Cash Loan

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

**More Information**

- No credit check

**Here's what you'll need:**
- Access to Online Banking or Mobile Banking
- No additional documentation needed

**Apply Now**

---

### 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

**Here's what you'll need:**
- Access to Online Banking or Mobile Banking
- No additional documentation needed

**Apply Now**

---

Q-Cash payment example: Single payment of $112 per $100 borrowed, due in full in 60 days. 73% APR.
Your path to financial empowerment.
$37 Million in Assets
Based in Detroit
Offered MyPay Today Since 2008
$10 M Loaned Since Inception
17% of Members Use the Program with an average of 8 draws per year
$70 Annual Fee plus 18% Interest
22% Net Return Since Inception
Total Cost to Members = 22% of Check N Go Fees
The Real Value is in the Service, not the Loan
Payday Loan Stores Focus on Customer Experience Too!
An Estimated 60% of Payday Loans Are Done Online!
Helping You Move Forward with Cash Loans from Advance America

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

Apply For A Loan

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

Blog

8 Steps To Create And READ NOW

9 Ways To Teach Your READ NOW

FAQs

Why Should You READ NOW

How Much Can I READ NOW

Read All Money Tips

Read All FAQs
How Netspend® Visa® Prepaid Cards Work

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

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

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

Find a Store

Still Have Questions About Netspend® Visa® Prepaid Cards?

Learn More
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
From Payday Lenders to the Neo-Bank Disruptors and Challenger Banks
Challenger & Beta Bank Disruptors

Marcus, by Goldman Sachs Bank

Greenhouse by Wells Fargo Bank

Finn by Chase Bank

BankMobile, A division of Customer’s Bank

Incredible Bank, a division of River Valley Bank

Purepoint Financial, a division of MUFG Union Bank
HERE WE BANK

Join millions who are changing the way they bank, invest, and grow.

Download on the
App Store

Get it on
Google Play
SIMPLE INVESTING. ONE STEP AT A TIME.

Start small and move toward your goals with step-by-step advice.

GET STARTED
EXCLUSIVE ACCESS TO 5.99% APR LOANS

EARN $$ WITH PLUS

MoneyLion Plus users, even those with low credit-scores, can access a low-interest loan (5.99% APR) to cover the expense and keep their savings progress on track, using their investment account to collateralize the loan.
EARN REWARDS FOR STAYING ON TOP OF YOUR FINANCES

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

START EARNING

What will you do with your rewards?
TRACK YOUR SCORE.
IMPROVE YOUR CREDIT.
ALL FOR FREE.

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

ENROLL FOR FREE

Your Credit Score... Explained
PERSONAL FINANCE

NAVIGATE YOUR FINANCIAL JOURNEY

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

GET IT ON Google Play  Download on the App Store
Earn 5% cash back
plus get your pay up to 2 days before payday* with the 5% Cash Back Visa® Debit Card

OPEN AN ACCOUNT

OR, FIND IT AT STORES NATIONWIDE
Earn 5% cash back
plus get your pay up to 2 days before payday* with the 5% Cash Back Visa® Debit Card

OPEN AN ACCOUNT

OR, FIND IT AT STORES NATIONWIDE
Get the Walmart MoneyCard Mobile App

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

FREE TO DOWNLOAD | EASY AND CONVENIENT

Need a Secure Login?
Check your balance, see transactions, and review Cash-Back Rewards.

Register new card
After registration, use your card to make purchases.

Get paid up to 2 days early with free direct deposit
Subject to your payment provider's process and timing.
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.

Get a Card
Learn More
Add money options

**Direct Deposit**
Enroll in direct deposit and load all or part of your paycheck with [no reload fees](#).
[Learn More](#)

**Walmart Rapid Reload™**
Add cash to your card. Swipe your card at the register of any participating Walmart store. Fees may apply.
[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.
[Show More](#)
Add money options

Direct Deposit
Enroll in direct deposit and load all or part of your paycheck with no reload fees.
Learn More

Walmart Rapid Reload™
Add cash to your card. Swipe your card at the register of any participating Walmart store. Fees may apply.
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.
Show More
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
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