

Developing Productive Partnerships

A REAL Solutions® White Paper



Self Help Inc.

Developing Productive Partnerships – A REAL Solutions® White Paper is a 2010 publication of the National Credit Union Foundation's REAL Solutions® program.

About the National Credit Union Foundation (NCUF)

The National Credit Union Foundation (NCUF) raises charitable funds, runs innovative programs, and makes impactful grants for America's credit union movement. NCUF's mission is to "promote and improve consumers' financial independence through credit unions." Among the NCUF programs achieving this mission:

REAL Solutions® — Helping millions of consumers gain access to affordable financial services, achieve financial literacy, grow savings, build assets, and buy homes.

Development Education — Leading training on cooperative principles in the modern consumer marketplace to overcome what credit unions identify as the greatest threat to their future: "the eroding of credit union philosophy."

Social Impact Management — Meeting a "triple bottom line" that benefits credit unions, members, and communities.

About REAL Solutions®

REAL Solutions® is the signature program of the National Credit Union Foundation. REAL — "Relevant, Effective, Asset-building, Loyalty-producing"— Solutions® works to help credit unions offer a wide range of products and services that have proven successful in serving working families with low wealth and modest means. Using product/business models created and tested by credit unions, REAL Solutions® disseminates information to credit unions through special meetings, an [online impact center at realsolutions.coop](#), and state and national conferences. As NCUF's signature program over the past three years, REAL Solutions® has been adopted in 37 states and is saving members tens of millions of dollars. It has now become a documented business strategy for credit unions to grow their memberships by serving the underserved.

About the Author

Jim Jerving is a Madison, Wisconsin consultant with 28 years of experience in writing and communications. He has 25 years of experience in the financial services industry. At the Credit Union National Association, he worked in publications, public relations, education and management. Jerving was editor of publications for the World Council of Credit Unions; he also worked in a similar position for the University of Wisconsin's Dean of Students office. Jerving is a director at Heritage Credit Union in Madison, Wisconsin and is past chairman of the board.

Jerving has lectured at the University of Wisconsin-Madison School of Journalism, where he earned his M.A. After completing his B.A. in Political Science at the UW-Madison, he lived and worked in Switzerland, France, Spain, Holland and Germany. In addition, he has traveled to more than 20 countries to write reports and photograph international development projects.

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Introduction

During these times of thin margins, credit unions are finding that productive partnerships with non-profits in their communities are powering their social and financial balance sheets. These collaborations allow credit unions to reach potential markets, offer access to valuable resources, and provide more services and products for members.

The best partners have strengths that credit unions lack, says Bill Myers, senior fellow, Aspen Institute, Washington, D.C., a former credit union CEO for 28 years, and Real Solutions field coach.

“A non-profit may have clients that a credit union wants to serve, for example, Hispanic small business owners,” he says. “Another non-profit may have the ability to raise funds or has an outreach to youth clubs.”

The credit union can partner with these groups to offer financial services to their clients, says Myers. “The credit union can start from scratch and spend the resources, but why not use the resources that are already in place?”

A good place to find productive partnerships, according to Myers, is where both organizations’ missions overlap. This has created some disagreements within credit unions in the past. He suggests that credit unions avoid confusing non-profit partnering with charity work; “charity” is gifting for a good cause. “Partnering” is furthering your mission through mutual action. So, it is important to steer the credit union’s partnerships to organizations closely tied to its mission.


A Lifetime Partnership Offers Sacred Loans

America’s Christian Credit Union (ACCU; \$241 million in assets; Glendora, California), formed a partnership with Bethany Christian Services (Grand Rapids, Michigan), the nation’s largest adoption agency, and began offering adoption loans in January 2009. Adoption loans fit the mission of the credit union: To reach, serve and teach, says CEO Mendell Thompson.

“It’s a method for us to use the resources we have,” he says. “We understand, possibly better than large banks, that this is not just a loan like a car or a boat; it is a sacred loan and a lifetime partnership. We are helping to save lives.”

“Bethany sends loan applications to ACCU after the prospective adoptive parent has successfully completed their home study through Social Services,” he says. “Once a prospective parent has gone through this screening process, they have been officially approved for adoption,” he says. “We get involved after the approval has been made. We are then matched up with a parent and we go through a formal loan application.”

Adoption loans are difficult to find, since they aren’t offered by most financial institutions. Thompson knows of no other credit unions that offers these loans. Among the few banks offering adoption loans; one was offering an interest-free loan for six months, after which a 27% annual percentage rate (APR) was charged. The loans can range from \$20,000 to \$40,000. The credit union is currently offering 8.9% to 9.9% APR for 60 months as an unsecured loan.



“Adoption loans are very special loans; it’s a lifelong commitment to love and raise a child,” says Thompson. “When you help a parent adopt a child; it speaks to the essence of what life is.”

Thompson recently gave a presentation at a college in California. A young woman in the audience asked a question and soon broke down in tears. She revealed that she and her brother were adopted but her parents were unable to get a loan for the adoption and had to save the money. She said that it was wonderful that the credit union now offers loans for adoptions.

“This isn’t going to be a loan that pays the bills, but it is a special loan,” says Thompson. “I believe that these loans will be paid off because the commitment and passion of these parents is so strong and we want to be a resource.”

Partnering with the State of Pennsylvania

Partnerships between government entities and credit unions do occur, but at the state level in the United States they tend to be rare. One of the more unique partnerships was developed between the Pennsylvania Credit Union Association (PCUA) and the Pennsylvania State Treasury Department in 2006, as an alternative to payday loans.

“The rates being charged by payday lenders are usurious,” said Michael Wishnow, SVP communications and marketing, for the association. State Treasurer Bob Casey, invested \$20 million in Mid-Atlantic Corporate FCU to jumpstart and support this payday loan alternative by earmarking a portion of the interest earned on the deposit for the Better Choice program.

The loans are made for a maximum of \$500; 10% of the loan is deposited in a savings account, and there is a \$25 application fee. The loan is amortized over 90 days. The credit unions that participate agree not to use applicants’ credit scores, because many of the applicants lack, or have poor, credit scores. Applicants can have only one loan at a time.

“Better Choice is a bridge between the worlds of wealth-building and wealth-stripping,” says Wishnow. “It’s a wealth-builder provided by mainstream financial institutions like banks, insurance companies and credit unions, rather than a wealth-stripper that pawn brokers, payday lenders and rent to own shops essentially are.”

There have been more than 28,000 such loans totaling more than \$13.4 million since 2006. Most importantly, consumers have saved nearly \$10 million dollars by using Better Choice loans rather than a traditional payday loan product, according to the Pennsylvania Credit Union Association.

Since the program was launched, 83 credit unions with 214 locations have signed on to offer these loans. A traditional payday loan for \$500 costs a consumer about \$450 in fees and interest for 90 days. A Better Choice loan costs a consumer \$42.50 in interest for the same time period. The member then also end up with \$50 deposited in a savings account, which may help them start a savings habit. They are also provided with financial counseling.

The investment by the Pennsylvania Treasury Department was originally designated for marketing and support of the program. At this point, the money has been used solely for loan loss rebates, while PCUA has handled the marketing expenses. The delinquency rate after 2½ years has been averaging roughly 6% to 7%.



Volunteer Income Tax Assistance

In a city the size of Chicago, there are multiple opportunities to develop partnerships. North Side Community Federal Credit Union (\$9 million assets; Chicago, IL) developed a partnership with the Center for Economic Progress, the largest Volunteer Income Tax Assistance (VITA) program provider in the country. Center VITA sites complete about 30,000 tax returns annually for consumers in the state of Illinois free of charge.

“We entered in a pilot program with the Center for 96 returns in 2004; in 2008 we did 800 returns for about \$1.1 million in refunds,” says CEO Ed Jacob. “In 2009, for three evenings a week, people came to the credit union where we offered tax preparation for free based on income eligibility: less than \$30,000 for single individuals, and less than \$45,000 to \$50,000 for married families.”

VITA programs are usually held in libraries and community centers. Holding a volunteer event like tax preparation in a more traditional financial institution like a credit union brings an additional benefit to the community. It allows those without formal banking relationships to visit and feel comfortable—some for the first time—in a financial institution.


“It also gives the credit union a chance to recruit the non-banked,” says Jacob. “We get an opportunity to cross-sell some of our services that can benefit them: housing counseling services, financial counseling, foreclosure counseling, and traditional credit union services as well as special related services such as the tax savers certificate of deposit.”

Potential members and the credit union both benefit. Volunteers, provided by the Center for Economic Progress, complete the tax returns, and supply the software. North Side Community FCU provides the space. Monday evenings are reserved for members with appointments only, which they value as a member benefit. The Credit Union’s select employee groups can brand it as a service they offer. It strengthens the relationship between credit union and members. Tuesday and Wednesday nights are open to the public from 5:30 to 9:30 p.m. on a first-come, first-served basis. On the first few nights there are long lines curling around the block. In 2009, the credit union acquired 63 new accounts through VITA. Of the 800 participants, 400 are members.

New Americans Loan Program

New immigrants to the United States often work at menial jobs and use non-traditional financial outlets that often charge exploitative interest rates. Establishing credit and savings accounts is complicated under these conditions. North Side Community FCU has a history of serving people who use alternative financial outlets. The credit union partners with Centro Romero – a community-based organization that serves the refugee immigrant population – to offer loans to recent immigrants who lack the \$675 required to cover the application and test to become a U.S. citizen.

Centro Romero provides citizenship classes for recent immigrants to Chicago; it also refers people to North Side for the New American loan which is issued to the United States Citizen and Immigration Service. Some 130 such loans were made since the program started in 2006; 98 were paid off, 8 were charged off, 24 are currently on the books, and one is delinquent. Bottom line for the credit union: 130 new members and \$13,000 in new savings. Applicants must be legal, permanent residents, and have a credit score over 550. If they lack a formal credit history, the credit union will complete a credit application for them.



Maria Noriega, 39, was the first applicant to qualify for a New American loan after living 19 years in the United States. She works as a nanny making about \$450 monthly. For her, the 2007 increase in the citizenship fee from \$400 to \$675 was a substantial hardship. Noriega talked to a reporter from the *Chicago Tribune*, February 19, 2007, “I’ve been trying to save, but always something comes up.”

The cost for the New Americans loan is what brings these people to the credit union. It doesn’t exploit them with a \$1 membership fee, \$5 to open the account, \$10 loan application fee, and \$78 monthly payments for nine months. A fair loan for a small amount is hard to find in this economic climate.

“The loan is a great way to bring in new members; it’s a chance to develop long-term relationships and member loyalty,” Jacob says. “They will remember that the credit union was there for them.”

In a city like Chicago, with so many non-profits, it might be a challenge to separate the wheat from the chaff. “The more active you are in the community, the more you can tell who has the respect of the community,” says Jacob. “I’m careful of where I put my name. Carefully vet your partners by talking to the churches since they are usually the center of the communities.”

Partnership Return on Investment (ROI)


Community partnerships are valued by some in the organization, but financial staff inevitably asks for justification of expenses. Part of the challenge is the difficulty of measuring the effectiveness of partnerships, especially the return on investment. What metrics can be used measure the effectiveness of a non-profit partnership? What does the organization get in return for the staff time and resources invested in the partnership?

HarborOne Credit Union (\$1.8 billion in assets; Brockton, Massachusetts) found part of the answer in a membership survey, according to Leo MacNeil, SVP community relations/CRA officer.

“A survey of members in 2008 asked why they did their banking with us,” he says. “They responded with two reasons. One was excellent service, and two was because you actively support community causes that I believe in such as housing, employee volunteers, sports for kids and donations.”

HarborOne CU is gaining notice for its community service. It opened the MultiCultural Banking Center in 2007 by offering selected non-profits free office space in a former office with 11,000 square feet of space. This brought immediate relief for those people going through foreclosure resolution in Brockton, especially important since the city has the highest rates of foreclosures in the state of Massachusetts. HarborOne CU provides space for Neighborhood Housing Services, which offers a foreclosure mitigation program, Neighbor Works, that helps first-time buyers with down payments, provides assistance to get lead paint safely removed from homes, and provides other housing needs.

Self Help, another program at the MultiCultural Banking Center, offers fuel assistance as well as Individual Development Accounts for up to \$2,000 in a matched savings program where HarborOne CU offers an additional \$2,000. So if the participant who completes a financial literacy course at the Center saves \$2,000 for fuel, he/she can end up with a total savings of \$6,000 for fuel.



Most programs at the MultiCultural Banking Center are given in four languages spoken by the various communities in Brockton: French for the Haitians; Portuguese for the Cape Verdeans; Spanish for the Hispanics; as well as English.

HarborOne CU completed about 350 tax returns in partnership with Self Help and VITA in Brockton in 2009. “The VITA coordinator for the city of Brockton said we saved low- and moderate-income tax payers about \$100,000 in tax preparer fees,” says MacNeil, “We also saved these people fees from the usurious tax advance loans, because they get their returns back in one to two weeks via the returns done through VITA and the Credit Union.”

HarborOne CU, like North Side Community FCU in Chicago, has placed importance on serving the immigrant community.

“Immigrants in a foreign country trust someone who looks and talks like them,” says MacNeil. “They are preyed upon by predatory lenders in their own community. Many of these immigrants are working two or three jobs just to survive. In our financial services industry, we make it more difficult to serve immigrants because it is a highly regulated business.”

Brockton’s police chief invited MacNeil to talk with leaders of the Ecuadorian community at a local church. That community now numbers about 3,000 in Brockton. MacNeil talked about the importance of having a savings account at a financial institution instead of hiding their money at home or carrying it in a wallet.

A local Catholic hospital also invited HarborOne CU to its Job Fair because of the success of the MultiCultural Banking Center. HarborOne CU was the only financial institution invited because of its reputation of service to the community and partnerships with other non-profits.

Uncover Passion

Mark Lynch, a field coach for Real Solutions, has a unique vantage point from serving both in the Australian and U.S. credit union movements.

“There isn’t just one partnership for your organization; you need to be able try several options,” he says. “The best partnerships are those that serve up win-win solutions and benefit the credit union with more members and more sustainability, where your partner wins, the organization becomes stronger, and there is an affordable product.”

Credit unions recognize the need to serve young members, so they go to schools to provide financial literacy training. “They talk to the school superintendent and run into a brick wall,” says Lynch. “My view is if that technique fails, try something else; there are a lot of other places where young people go, like boys and girls clubs, and sporting clubs.”

“Try to uncover people’s passions when searching for a non-profit partnership,” says Lynch. He cites the example of Savings and Loans Credit Union in Adelaide, Australia that developed an affinity credit card that contributed part of its earnings to a state hospital for women and children. The card was successful. It hit every target, and increased income and membership for the credit union. A recent initiative of the organization is a plan to donate \$1.25 million to a fund over the next five years that will help young care givers who care for parents with an illness or disability.



Another credit union in Australia helped youth sporting clubs that lacked Web pages. The organization offered to develop Web pages for the clubs if they supplied the information. The Web pages are accessed via the credit union's web site.

Closing Thoughts

If one examines HarborOne CU's financials, it becomes clear that the \$1.8 billion asset organization's business is strong. Loans and shares have grown over 10% for the past 12 months. But by looking at its social statement; it's equally impressive, and that helps keep its financial statement muscular.

The MultiCultural Banking Center serves the community and the members are solidly behind this strategy. Productive partnerships gain momentum as the credit union prospers during tough times. As all of these partnerships show, cooperative philosophy and good business practices are intertwined and strengthen each other.

Adoption loans, in the view of Mendell Thompson embody the spirit of the organization's mission. They are good business loans as the loans plant the seed for a lifelong partnership between credit union, parent, and child while building a common bond that is unlikely to be broken. It's a common bond that exemplifies the best of the credit union philosophy.

As resources in the financial services environment continue to be scarce, productive partnerships become a valued option for credit unions to serve members and potential members. Communities benefit because the combined resources of two organizations are better equipped to provide financial services to underserved populations. Credit unions and their partners benefit by combining resources during lean times to offer more and better quality services to their members and clients.