Creating a Sustainable Foundation for Financial Inclusion

Scott Butterfield, Your Credit Union Partner
Sarah Marshall, North Side Community Credit Union
Jamey Gill, Mendo Lake Credit Union

Purpose of this session: Establishing a framework for a sustainable financial inclusion model

1. Why financial institutions should be focused on financial inclusion (Scott Butterfield)
2. Best practice examples of how two credit unions rallied staff around a deeper focus on financial inclusion and who have successfully leveraged programs for greater human and financial impact (Sarah Marshall, Jamey Gill)
3. Connecting the Dots: How a financial inclusion model is sustainable, generating high impact. (Scott Butterfield)

#OFNCONF  #RETHINK
Financial Inclusion is Social Justice:

- As Community Development Financial Institutions, our mission is to:
  - Provide affordable access to credit
  - Promote thrift

- The need today is stronger than ever:
  - 55% of U.S. consumers have subprime credit
  - 50% of working adults make less than $30,000 a year
  - 75% of consumers are living paycheck to paycheck
Scott - this is very CU specific, so be sure to set the stage that you are speaking from the CU perspective but this information paints the bigger picture of need in our communities.

Alison Carr, 10/23/2016
Financial Inclusion is Social Justice:

- FIs face many challenges:
  - Tight and increasing regulatory oversight
    - Creates risk aversion
    - Examiners don’t get it
  - The pursuit of "scale" may conflict with "high touch"
  - Lack sophistication and community partnerships
  - Internal bias and lack of understanding
  - Lack effective risk management tools to support higher risk activities (and sustainable net income)

Consider two best practice credit unions who are overcoming these challenges and creating significant impact and experiencing tremendous growth as a result
- North Side Community FCU
- Mendo Lake Credit Union
Set the stage of two examples. While they are credit unions, the lessons learned can be applied to other organizations looking to create impact in serving LMI populations.

Alison Carr, 10/23/2016
Mission First: Organizational Culture Matters

Sarah Marshall, MBA, CCUE
North Side Community Federal Credit Union

North Side Community Federal Credit Union

- 42 year old CDFI, CDCU
- Founders are still board members
- Diverse board & staff
- 3300 Members with average account balance of $250
- Average Loan Size = $4500 dollars Consumer Lending
- 75%+ of Borrowers are LMI

#OFNCONF  #RETHINK
Measure Metrics, but Have Fun

• Your borrowers understand your organizational culture even if they don’t articulate it

• ‘North Side made me feel like family, and made me feel comfortable talking about finances. I am proud to be a credit union member’ – Angela Harris

Think outside of the box for outreach opportunities

What do free food and books have to do with loans and savings?
Engage all roles in the organization

- Introduction of GAP LP Product – Employee Generated Idea
  - Modeled after current loan products, targeted marketing to meet the needs of the local transgender community

Results? (June 2016)

- Net worth: 9.12
- Delinquency: <3%
- Fee and other income: 3.22 (grants included)
- Reversal of Member Attrition
- ROA: .45 (up from declining ROA: YE 2015 negative)
Mission Mindset: Connecting with Our Community

Jamey Gill, Director of Marketing and Community Outreach
Mendo Lake Credit Union

Mendo Lake Credit Union

- Headquartered in Ukiah, CA
- Membership open to all who live or work in Lake & Mendocino Counties
- Over $225 million in assets
- 29,000 members
- 4 branch locations
The Challenge/Opportunity

- 25% of Lake County’s population lives in poverty according to U.S. Census data for 2009-2013

- 20% of Mendocino County’s population lives in poverty during the same time period

- Factors include rural geography and no major employers

"Entry-Level" Solutions

- Free Membership Checking
- Second Chance Checking options
- Reasonable loan alternatives to local payday lenders
- Auto lending for lower credit tiers
- RV loans
- Working closely with local auto dealers – even on weekends

Consumer Loans

Transfer Your Loan and Save!

Bring your auto, RV, sports vehicle or personal loan to Mendocino Lake Credit Union...and save money! We’ll give you 1% off your existing rate OR our regular rate, whichever is lower!*

Rates as low as 1.44% APR.*

Click here to apply today!
Connecting with Our Community

- One specific demographic that is largely unbanked or underbanked is the Native American community
- MLCU is the primary banker for two of our Native American tribes

MLCU ATMs located in casino/restaurant
- Process quarterly per-cap check for tribal members with accounts. Non-members have to wait for a check in the mail.
- Waive $25 membership deposit for new accounts
- Car/personal loan program
  - Loans are secured by the tribe
  - MLCU gives members a Tier 1 rate regardless of their qualifications
  - Required participation in MLCU financial counseling workshops
"I wanted to share with you the great experience I had with Salvador, who was in my class last Saturday and at that time asked if he could make an appointment with me to go over his credit report. Because of his credit score, we countered his loan request - put it back in the Tribal Council’s court to make the decision if they wanted us to extend an offer to lend him $30K. During our call today to go over his report, he let me know that the Council also called him to go over this request prior to writing their letter of approval. I was pleasantly surprised that they are going over these with the tribe member, and taking our concerns seriously. Salvador and I spent an hour going over his report showing him how to read it, and talked about what to work on to fix his credit. It was a positive experience all the way around."

-Sarah Anzano, Branch Manager
Connecting with Our Community

*Latino Outreach*

- Working towards Juntos Avanzamos certification
- Quarterly Outreach Committee Meetings/Board Reports
- Spanish speaking team members
- Recent hire: Spanish speaking Community Outreach Coordinator
- Marketing in Spanish - Facebook, branch screens, website, radio
- Always looking for new services that could benefit this group – considering *Supplemental Accident & Critical Care Coverage* for this group in particular

Connecting with Our Community

*Latino Outreach*

- Specialized marketing for existing loan programs
  - Quinceanera Loan
  - Wheels to Work

![Image of Quinceanera Loan promotion]
Celebrating Hispanic Heritage Month

"Being Latino means being able to live in a country you might not have been born in but being able to embrace and fuse two different cultures into one, like adding hot sauce to my spaghetti.

-Brenda

"Being Latina means being part of a passionate culture. Mi cultura has instilled in me a strong sense of FAMILY, LOVE, DEDICATION and FEARLESSNESS. I am a proud Chicana."

-Angelique
Connecting with Our Community
Lake County Wildfire Relief

- Since 2015, Lake County has been impacted by four major wildfires
- Over 1500 homes and businesses lost
- Valley Fire was declared a Federal disaster – 3rd most devastating fire in California history
- At the onset of the first fire in July 2015, MLCU worked with longstanding community partner, North Coast Opportunities, to establish the Lake County Wildfire Relief Fund
- This fund continued to serve our devastated community through the Jerusal, Valley, and most recently the Clayton Fire (2016)
Connecting with Our Community

*Lake County Wildfire Relief*

- Close to $2 million dollars in funding has been distributed directly to fire survivors
- Worked with several community partners including the Middletown Rancheria, North Coast Opportunities, Hope City, FEMA and the Red Cross to establish **Team Lake County**, a volunteer-led, long-term recovery group recognized by the National Volunteer Organizations Active in Disaster (NVOAD)
- Partnered with Redwood Credit Union to accept applications and disburse funding through the Fire Family Foundation (charitable arm of Firefighters First Credit Union)
Connecting with Our Community

*Lake County Wildfire Relief*

- Why put in all the time and effort?
  - Trust from our community
  - In a time of total devastation, people knew that they could turn to Mendo Lake Credit Union for help
  - More loans – people heard about how much we give, and they want to support us!

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2016 Opportunity Finance Network Conference

Connecting with Our Community

**Judy Dwiggins Hickey**

Sorry about the question on Sunday. We have an RV loan through Bank of the West. I think we have 5 or so years left. I would be happy to bring it over to MLCU except our RV is a 2008. No big deal to us. If it would help your portfolio even though it is older than a 2008 let me know and I will go down and talk to someone.

**Jamey Mariah Gill**

No worries!

That would be awesome! I will share with our loan manager on Monday and let you know what she says. Thanks so much for considering it!

**Judy Dwiggins Hickey**

I have no allegiance to Bank of the West! Since the Valley Fire I like Mendo Lake a lot! And you!
Other Charitable & Financial Education Partnerships

- **Economic Development and Financing Organization** – MLCU partners with for business loans
- We also bring financial education into local classrooms by sponsoring Banzai, an on-line financial literacy program

For Middle and High School Teachers - Banzai Financial Literacy Program

Results!

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<th>Jun-2016</th>
<th>PEER Avg</th>
<th>Percentile</th>
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<tbody>
<tr>
<td>Net Worth Growth</td>
<td>12.96</td>
<td>5.96</td>
<td>94</td>
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<tr>
<td>Market (Share) Growth</td>
<td>3.86</td>
<td>7.23</td>
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<tr>
<td>Loan Growth</td>
<td>16.83</td>
<td>7.58</td>
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<td>Asset Growth</td>
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<td>7.05</td>
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<tr>
<td>Membership Growth</td>
<td>8.34</td>
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<td>90</td>
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Other Positive Results

• The credit union has received three CDFI grants totaling $4.5 million

• Recognized with a CU Times Trailblazer Award

• Despite a very different loan portfolio composition, delinquency rates close to peers

• We have found our “Why”
  We are here to help!

Keys to Success

• Keep it simple – think about what makes sense for the member and the organization

• Help members save – basic accounts are free and saving is encouraged

• Face-to-Face service matters – being welcoming and respectful to members is a must

• Give back to the community – almost 700 volunteer hours so far this year... and over $80,000!

• Create a comfortable environment – 6 years ago, we had 2 Spanish speakers out of 35 staff, now 75% of our staff are bilingual
Opportunities to create greater financial inclusion:

Purpose Alignment -

- We are all working to "provide affordable access to credit"
- As community development organizations, our goal is to improve quality of life for individuals and our communities
- Helping underserved populations can be inspiring and rewarding – attracting the best employees, members and community partners who share the vision/mission
AC [3]1 Say something to the effect, these examples speak specifically to what credit unions are doing, and this is why. Ask the question about their original charter and how the work they are doing is aligned with their mission and purpose.

Alison Carr, 10/23/2016
Opportunities to create greater financial inclusion:

**Profit and Growth -**
- Serving underserved markets can be profitable and scalable
- Important to identify your sustainable market niche
- Provides an alternative to and combats predatory lenders
- Underserved market segments are growing
- Regulatory benefits for serving underserved
- Financial assistance for serving underserved
- Greater opportunities for community partners

**Impacts - The Credit Union Example**
- Brand differentiation
- Consistent growth
  - Membership
  - Loans
  - Revenue
- Higher average net loan yields
- Higher fee income
- Increased member loyalty
- Increased referral and organic growth
- Community partner advocates
Why it Matters:

Consumer Impacts -
- Access to financial knowledge improves financial decisions, and improves lives
- Affordable access to credit:
  - Creates/improves credit scores
  - Improving credit scores:
    - Lower cost of goods
    - Improves employment opportunities
    - Lowers other costs (insurance premiums)
    - Builds assets and improves quality of life

Questions?
Thank You!

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