

## Borrow and Save Incubator Final Summary Report

### Summary

In April 2014, fourteen credit unions had agreed to participate in the Borrow and Save Incubator Program for an eighteen-month period. Twelve credit unions remained in the program throughout the testing period, which ended July 31, 2015. Of the twelve, eight credit unions have remained consistently active in the program. A few credit unions due to staffing changes had fewer results and did not maintain consistent reporting. During the sixteen-month incubator reporting period, credit unions closed 3,100 loans for over \$2.9M in lending and \$900,000 in savings. The average loan per borrower was \$944 and the average savings was \$290.

### The Credit Unions

The credit unions that participated in the incubator program were represented by varying asset and member sizes from all across the country. Credit unions ranged from \$10M to \$350M in assets with membership between 3,000 and 30,000.

<b>Borrow and Save Incubator Participants</b>				
	<b>Credit Union</b>	<b>CITY</b>	<b>STATE</b>	<b>Website</b>
1	NORTH SIDE COMMUNITY	Chicago	IL	<a href="http://northsidecu.org/">http://northsidecu.org/</a>
2	COMMUNICATING ARTS	Detroit	MI	<a href="https://www.cacuonline.org/">https://www.cacuonline.org/</a>
3	1199 SEIU	New York	NY	<a href="http://www.1199federalcu.org/">http://www.1199federalcu.org/</a>
4	Southwest 66 Credit Union	Odessa	TX	<a href="http://www.southwest66.com">http://www.southwest66.com</a>
5	Seasons FCU	Middletown	CT	<a href="https://www.seasonsfcu.org/">https://www.seasonsfcu.org/</a>
6	Peninsula Community FCU	Shelton	WA	<a href="https://www.pfcu.org/">https://www.pfcu.org/</a>
7	HOPE	Jackson	MS	<a href="http://www.hopecu.org/">http://www.hopecu.org/</a>
8	Carter Federal	Springhill	LA	<a href="https://www.carterfcu.org/">https://www.carterfcu.org/</a>
9	FREEDOM FIRST	Roanoke	VA	<a href="https://www.freedomfirstcu.com/">https://www.freedomfirstcu.com/</a>
10	SkyOne FCU	Hawthorne	CA	<a href="https://www.skyone.org/">https://www.skyone.org/</a>
11	Guadalupe Credit Union	Santa Fe	NM	<a href="http://www.guadalupecu.org/">http://www.guadalupecu.org/</a>
12	Lake Trust	Lansing	MI	<a href="https://www.laketrust.org/">https://www.laketrust.org/</a>

## The Products

Most credit unions modified an existing alternative payday or salary advance loan product, while others utilized the Federation's Tool Kit to design a new product. All the credit unions defined their base Borrow and Save program following the Federation's Borrow and Save Pilot program parameters, but each implemented varying interest rates and savings amounts. Rates for borrow and save ranged from 6% to 28% interest with terms as short as six months and as long as three years. Eleven credit unions required 25% savings or higher.

### Borrow and Save Interest Rates and Fees:

Credit Union	Rates	Fees	Savings
<b>1199SEU</b>	18.00% rate	Fees \$20.00	50% into Savings
<b>Carter</b>	15% rate	Application Fee \$5.00	5% into savings
<b>Communicating Arts</b>	19.99% interest	\$20 Application fee Standard late fees	50% of loan into savings
<b>Freedom First</b>	Portfolio average rate is 16.62%	No Fees	50% of loan proceeds always put into saving account
<b>HOPE</b>	Interest is risk base priced 6% to 18%	No Fee	Offered two levels. One \$500 with \$250 in savings and one \$1,000 with \$500 in savings.
<b>Guadalupe</b>	One rate 21.99%.	\$20 Fee	Tiered Savings.
<b>Lake Trust</b>	Tiered from 9.90% to 19.90%	No Fee	50% into savings
<b>Northside</b>	Interest rate i18%	\$30 Application fee	The savings rate ranges from 48% to 24%, dependent on the size of the loan (\$1000 loans have the option of a six month or 12 month term, and the 12 month term has a 48% rate).
<b>Peninsula Federal Credit Union</b>	18% Rate	No Fees	25% into savings
<b>Seasons</b>	Interest Rate: 28%	No fees	50% Savings  Loan has either \$500.00 or \$250.00 on hold in savings and the loan is then either for \$1250.00 or \$1500.00.
<b>Sky One</b>	18% rate	No fees	50% savings
<b>Southwest66</b>	18% interest	\$20 Application fee	25% savings

## Loans

Most credit unions far exceeded the number of loans they had committed to in their Tester Agreement. Several credit unions closed three to four times as many loans as they had anticipated. Credit Unions closed 3,100 loans totaling \$2.9M in small dollar loans with over \$900,000 in savings. Credit unions indicated that most borrowers used Borrow and Save to help them pay off other debt and build their credit. Other loan purposes included debt consolidation, bill pay, house renovations and improvements, car repairs, education, personal and medical expenses.

<b>Borrow and Save Incubator Participants</b>				
	<b>Credit Union</b>	<b># Loans</b>	<b>Lending</b>	<b>Savings</b>
1	NORTH SIDE COMMUNITY	223	\$219,250	\$15,225
2	COMMUNICATING ARTS	23	\$19,500	\$9,750
3	1199 SEIU	160	\$313,000	\$112,750
4	Southwest 66 Credit Union	56	\$49,100	\$12,275.00
5	Seasons FCU	209	\$208,500	\$82,500
6	Peninsula Community FCU	88	\$70,496	\$17,624
7	HOPE	805	\$682,750	\$171,457
8	Carter Federal	412	\$162,505	\$7,880
9	FREEDOM FIRST	263	\$632,111	\$319,737
10	SkyOne FCU	171	\$118,500	\$59,000
11	Guadalupe Credit Union	683	\$452,300	\$79,275.50
12	Lake Trust	5	\$8,000	\$3,100

## Stories

75% of the credit unions that participated for the entire incubator period indicated they will continue offering Borrow and Save to their members. Many of the credit unions will continue to evaluate the program and provide feedback on delinquencies and charge offs. Filene collected additional data through a credit union and borrower survey that will provide additional information about the successes and/or challenges of the program. Credit unions also provided qualitative information about the success of the program through testimonials; a few of those stories are highlighted below.

**Sky One:**

*"Everything is going better than expected. They had some member push back at the beginning from members who didn't 'need help'. That turned around quickly."*

*Received positive press coverage with the roll of the program.*

*Press coverage: <http://madamenoire.com/430165/take-loan-pay-back-get-cash-check-skyones-new-borrow-save-program/>*

*Link to SkyOne website showing how they marketed the Program.*

*<https://www.skyone.org/loans/borrow-and-save.html>*

**Peninsula CU:**

*From the CEO: "Peninsula CU was able to grant new member, James, a Borrow and Save loan in June 2014. He had good employment, but was in the beginning stages of divorce, and found himself short on cash days before pay day. James was also scheduled to head out of town for work and needed to pay the mortgage (for his soon to be ex wife) and provide food for his children before leaving. He came to Peninsula CU to find an alternative to a pay day lender.*

*James paid off his Borrow and Save loan today and thanked Peninsula CU for the help. In the time since taking out the Borrow and Save he has been able to save \$3000 for a down payment on a new car and add \$2000 to a savings account. And great news. . .he financed his new vehicle with Peninsula Credit Union. James expressed his gratitude and expressed that he is in a much better place in his life in part due to the assistance provided by PCU. What a great story!! Truly people helping people. "*

**Southwest 66:**

*Response from CEO, "The program is going absolutely wonderfully. I believe we are up to 67 members taking advantage of this product and they can't say enough about the benefits of the program. We will be capping our first round at 100 loans to season the portfolio a bit and watch for charge offs and delinquencies, which to date there have been none. Once we feel comfortable we will be opening it to 500 more loans. Our Board could not be more excited. This product is changing peoples behaviors and in turn, their lives. We could not be more happy with your partnership and I will let William and Aaron answer as to whether we need any further support."*

*"The majority of the loans have been used to help with past due bills. Such as utilities, rent and credit cards. We have not had any new members. The best part about this loan is the savings portion to it. I believe that by doing this we will slowly ingrain in our membership the importance of having a savings account."*

**HOPE:**

*From the Lending Team: "Members use these loans for a variety of purposes, such as to pay taxes on one's car tags, tires, Christmas gifts and to catch up on bills.*

- o Team members also mentioned enthusiasm for the length of the repayment period. The longer repayment period allowed some members to take on credit and build their credit score where they may not have had the opportunity in the past.*

- *Team members use the credit score snapshot to engage in member education / financial coaching that enhances members' ability to build credit scores.*
- *Team members have also specifically mentioned its use as an alternative to a payday loan when short-term expenses or emergencies occur."*

**Seasons:**

*From the Lending Team: Summer Fun and Holiday Loan modified to offer Borrow and Save. Had soft roll out Memorial Day week 2014, big blitz for June, took summer fun loans, direct deposits with D or E, offered a marketing blitz to promote for D&E members with lower credit, a 625 automatic go to Borrow and Save.*

*Seasons was surprised with the positive response of the members even though they were charging 28% interest rates- due to the amount of time and added risk- Credit Union thought members would cringe at the rate, no one was bothered they were excited they were being given an opportunity to get a good loan versus a predatory loan.*

**Associated Media**

Source	Link	Date
The National Federation of Community Development Credit Unions	<a href="http://www.cdcu.coop/borrow-save-to-be-scaled-in-filenes-incubator/">http://www.cdcu.coop/borrow-save-to-be-scaled-in-filenes-incubator/</a>	11/21/13
The National Federation of Community Development Credit Unions	<a href="http://www.cdcu.coop/learn-more-about-borrow-save-participate-in-filene-incubator/">http://www.cdcu.coop/learn-more-about-borrow-save-participate-in-filene-incubator/</a>	12/10/13
The National Federation of Community Development Credit Unions	<a href="http://www.cdcu.coop/download/the-filene-accessible-financial-services-incubator-2014-02-04/">http://www.cdcu.coop/download/the-filene-accessible-financial-services-incubator-2014-02-04/</a>	2/4/14
Cornerstone Credit Union League	<a href="http://www.cornerstoneleague.coop/southwest_66_cu_makes_giving_back_to_members_community_a_top_priority.html">http://www.cornerstoneleague.coop/southwest_66_cu_makes_giving_back_to_members_community_a_top_priority.html</a>	2/13/14
CUNA	<a href="http://www.cuna.org/Stay-Informed/News-Now/CU-System/14-CUs-ready-to-test--Borrow---Save--program/">http://www.cuna.org/Stay-Informed/News-Now/CU-System/14-CUs-ready-to-test--Borrow---Save--program/</a>	3/11/14
Northwest Credit Union Association	<a href="http://www.nwcu.org/member-resources/member-resources/anthem/peninsula-credit-union-s-jim-morrell-our-collective-voice-is-louder-than-that-of-any-individual">http://www.nwcu.org/member-resources/member-resources/anthem/peninsula-credit-union-s-jim-morrell-our-collective-voice-is-louder-than-that-of-any-individual</a>	3/25/14
Madame Noire	<a href="http://madamenoire.com/430165/take-loan-pay-back-get-cash-check-skyones-new-borrow-save-program/">http://madamenoire.com/430165/take-loan-pay-back-get-cash-check-skyones-new-borrow-save-program/</a>	5/19/14
The Bridge (The National Federation of Community Development Credit Unions)	<a href="http://origin.library.constantcontact.com/download/get/file/1102356662890-331/Bridge5_Flnal_May2014.pdf">http://origin.library.constantcontact.com/download/get/file/1102356662890-331/Bridge5_Flnal_May2014.pdf</a>	6/9/14
PR Web	<a href="http://www.prweb.com/releases/2014/08/prweb12124007.htm">http://www.prweb.com/releases/2014/08/prweb12124007.htm</a>	8/28/14
Digital Journal	<a href="http://www.digitaljournal.com/pr/2150960">http://www.digitaljournal.com/pr/2150960</a>	8/28/14

CU Insight	<a href="http://www.cuinsight.com/press-release/testimony-on-alternatives-to-high-cost-financial-products-before-assembly-subcommittee-on-banking-in-underserved-communities">http://www.cuinsight.com/press-release/testimony-on-alternatives-to-high-cost-financial-products-before-assembly-subcommittee-on-banking-in-underserved-communities</a>	11/25/14
The National Federation of Community Development Credit Unions	<a href="http://www.cdcu.coop/federation-testifies-on-borrow-and-save/">http://www.cdcu.coop/federation-testifies-on-borrow-and-save/</a>	11/25/14
The Epoch Times	<a href="http://www.theepochtimes.com/n3/1108560-ny-bank-offers-throws-financial-lifeline-to-the-needyy/">http://www.theepochtimes.com/n3/1108560-ny-bank-offers-throws-financial-lifeline-to-the-needyy/</a>	11/27/14
Spring Bank (email campaign)	<a href="http://us10.campaign-archive2.com/?u=1b8e7da617e5c69ae064354d5&amp;id=ec40b9d2d5&amp;e=762d351748">http://us10.campaign-archive2.com/?u=1b8e7da617e5c69ae064354d5&amp;id=ec40b9d2d5&amp;e=762d351748</a>	4/2/15
The National Federation of Community Development Credit Unions	<a href="http://www.cdcu.coop/the-bridge-6/">http://www.cdcu.coop/the-bridge-6/</a>	6/10/15
CU Insight	<a href="https://www.cuinsight.com/press-release/peninsula-credit-union-receives-2-million-for-financial-educationlow-income-outreach">https://www.cuinsight.com/press-release/peninsula-credit-union-receives-2-million-for-financial-educationlow-income-outreach</a>	9/18/15