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Credit unions make move to help those who have less

By: Paul Gores

More Wisconsin credit unions will begin offering check cashing and wire transfers as part of a new initiative to reach low-income consumers and immigrants, the industry's state trade group said Tuesday.

One goal is to lessen those customers' reliance on alternative financial service companies that charge high fees, said Brett Thompson, president and chief executive of the Wisconsin Credit Union League.

Another aim will be to draw low-income consumers into the mainstream banking system, where they can begin to save money, he said.

The league estimated that 25 million to 30 million Americans use alternative financial services that extract big fees and offer little opportunity for saving. Such services include cash advance stores and payday lenders.

The league said it will work in partnership with the Madison-based Filene Research Center, a credit union research organization that will provide information on how to attract and retain low-income customers. Filene and the league will begin next week to hold the regional seminars.

Currently, about 80 of the state's nearly 300 credit unions offer check-cashing services to people who don't have accounts with them, Thompson said.

Thompson said Wisconsin "can no longer afford to let citizens with the desire and ability to be self-supporting drown financially because they lack the wherewithal to get on solid financial footing."

In a news conference outside Brewery Credit Union in Milwaukee on Tuesday, Thompson and representatives of Filene said that over the next year, they intend to promote credit unions as the institutions where consumers who are now outside the traditional financial services system can feel welcome.

"A lot of people who don't make a lot of money are paying too much for financial services," said Bob Hoel, executive director of the Filene Research Center.

Immigrants who earn money in Wisconsin and wire it to their native lands often pay about \$10 to send \$500. Check-cashing fees generally are in the \$8 range.

Payday lenders typically charge \$20 for every \$100 borrowed - a loan that, in theory, will be repaid when the borrower gets his next paycheck. But many times, borrowers can't pay off the loan when it's due, the debt snowballs and a problem sets in, critics say.

Thompson said credit unions should be willing to make short-term loans but also offer guidance to keep people from amassing too much debt.

The league cited Wisconsin's growing Hispanic and Hmong populations as possible targets for the outreach.

Some Wisconsin banks already are making inroads with the Hispanic population, offering flat-fee wire transfers and programs that allow immigrants to open accounts even if they don't have Social Security numbers.

Thompson said that when credit unions were formed more than 70 years ago as non-profit cooperatives, they recognized the need to serve people in their communities who weren't getting banking services elsewhere.

"That basic need continues today for low-wealth and new Americans," Thompson said.

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