

FACTS

Credit union service to members of modest means

WHAT OTHERS SAY ABOUT CREDIT UNION SERVICE

Key points:

- *National recognition* has been established of credit unions as models for providing fair, viable and inexpensive services to help people of modest means.
 - A *top federal banking regulator* publicly suggests bankers should be following the lead of credit unions in serving persons of modest means.
 - *National, regional and local press* are publishing articles about action credit unions are taking to serve modest means members.
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National recognition

- *USA Today* on Oct. 2, 2006 published an editorial sharply critical of “payday lenders” offering overpriced and sometimes predatory service to persons of modest means, and pointed to credit unions as an alternative to these services.
- The editorial points to services offered by credit unions as undercutting claims by others in the financial industry that they can’t offer an alternative that will make a profit.
- “State Employees Credit Union now offers short-term loans at a 12% annual interest rate. More than 40,000 people a month use the service,” the editorial states, “undercutting industry claims that it can’t turn a profit under caps” such as one recently imposed by Congress.

Federal banking regulator

- Sheila Bair, chairman of the board of the FDIC (the federal insurance fund for banks) in a press briefing Oct. 16, 2006 pointed to a payday lending alternative at State Employees CU of Raleigh, N.C., as a “model product” banks could use for serving people of modest means, according to *The Credit Union Times* Oct. 16 daily website report. Particularly attractive about the credit union program, she said, was the mandatory savings component.

Recently in the press

- *USA Today*, Money section cover story, Sept. 20, 2006, headlined: “Breaking the cycle of payday loan ‘trap’; Credit unions offer cheaper alternatives”
- *Dayton Daily News* (OH) reports Sept. 29, 2006 that “when Ora Houston of Trotwood needed help paying her bills, her bank turned her down for a loan. The disabled 50-year-old turned to a payday lender she never expected -- a credit union. “I feel like the credit union rescued me,” Houston said.
- *Florida Times-Union* (Jacksonville) reports Oct. 8, 2006 that local Vystar Credit Union has “stepped in” to offer short-term credit to individuals, taking over where payday lenders have abandoned the area due to new legislation.
- *Milwaukee Journal-Sentinel* (WI) reports Oct. 19, 2006 that Wisconsin credit unions will soon offer check cashing and wire transfer services with an aim to draw low-income consumers into the mainstream banking system, where they can begin to save money.