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2021 Tekkie Award for Data Analytics: Northwest Community Credit Union

By W.B. King

In most instances, a credit score below 650 severely limits a person's ability to borrow money at a reasonable interest rate. So in an effort to ensure all of its 107,000-plus members had accessibility to fair small dollar loans, especially during the pandemic, Northwest Community Credit Union partnered with QCash Financial.

"Our credit union is a 'Low Income Designated Credit Union' in Oregon with a high portion of membership from low-income households," said Northwest Community Credit Union's CFO Qing Lu. "Our analysis during 2017, based on our member transactions, identified a group of a couple of thousand members regularly making payments to external payday lenders and obviously exploited by an extremely high interest rates."

To level the playing field, the \$1.6 billion Eugene, Ore.-based credit union later deployed the Olympia, Wash.-based QCash Financial's white label small dollar loan product creating NW Cash Loans. Lu explained that 37.6% of NW Cash borrowers are considered "deep subprime" with credit scores of 579 or lower.

"Using data analytics, Northwest Community Credit Union was able to specifically target those members who were most in need of the product, and offer them the financial relief they needed to help bridge potential income gaps," said Lu.

As of June 2021, Northwest Community Credit Union had 5,134 loans funded for \$6,025,350. The loan range was from \$300 to \$4,000, noted Lu.

"The median loan amount is \$1,025. Members access the application via online banking. The process takes less than five minutes from start to funding," said Lu. "Interest rates are the same for all borrowers. Payback time varies based on loan amount."

And while statistics support borrowing across all age groups, the heaviest concentration of borrowers is 20 to 29 (27%), 30 to 39 (28%) and 40 to 49 (18%). The reason for borrowing runs the gamut, noted Lu.

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Northwest Community Credit Union's
CFO Qing Lu.

"We see members get NW Cash loans for many different reasons. Some include moving expenses, down payment to purchase a vehicle, down payment to move into a new home, keeping the power on, car repair, purchasing groceries, paying medical bills, purchasing clothes and lodging during wildfires," she continued. "Buying gas to travel to another state to see a sick family member, paying for a child's field trip and covering unexpected expenses that come up in between paychecks."

The member experience is streamlined, noted Lu. "It only takes six clicks within minutes (depending on how fast a member reads the loan disclosure document) to see the approved borrowed amount in the member's checking account."

System functioning speed is fast, too, she added. "It's reporting module and parameter setups are comprehensive and user friendly as well, which makes it easy for back office staff to manage the system," Lu continued. "The pricing model is mainly based on volume with minimum upfront cost, which is optimal for financial institutions with limit budgets."

Back Office View

QCash's CEO Seth Brickman said that Northwest Community Credit Union is one of 28 credit unions using the product. As of May 2021, the QCash platform has approved nearly 600,000 loans for over \$413 million. He explained the solution typically takes six to eight weeks to deploy.

"At Northwest Community CU it took 89 business days as it was one of our earlier implementations. Our implementation team walks the CU through the entire implementation process and provides extensive training so that the CU is ready to launch with a great member experience that works extremely well and CU staff that is well-trained," Brickman noted. "Since we connect to the banking core and mobile/digital banking systems, the integration undergoes vigorous testing to ensure there are no bugs, all processes work and data is captured."

From a back office technical perspective, the QCash platform can be integrated with a "number of the most popular cores and digital banking systems," said Brickman. If the credit union is not on a currently supported platform, he said QCash works with the credit union to ensure its core/digital banking systems can be integrated.

"Since our platform is digital, it requires no lending personnel involvement to underwrite or fund loans. In fact, the QCash platform even creates the payment record and GL entry for the loan and sends it to the core," said Brickman. "A credit union will need to provide access to a team which includes members from lending, marketing, and IT to assist our implementation team with all of the necessary setup to run the platform, so it meets the CU's goals."



QCash's CEO Seth Brickman.

Before the solution was rolled out to membership, Lu explained that beta testing was conducted by an internal group comprised of staff members who used the solution to borrow small amounts of money. The testing team, she recalled, ran into a "time lag" problem.

"The exact timing required for the member to see the amount show up in their checking account depends on the updating time of our online banking system (one to two minutes)," said Lu. "Just keep in mind that the actual user experience depends not only on QCash functionality, but also features of the financial institution's core and online banking systems." Lu further explained that overall the QCash platform, which was designed in a Microsoft Azure development environment, has efficient functionality.

"QCash's development team also provides a code sheet and assisted integration with various core and online banking systems," Lu said.

After minor kinks were worked out, the solution was made available to all members and the response has been encouraging. Lu relayed numerous success stories, including one member who was waiting on a tax refund for six months, but errors kept preventing the money from being deposited in their account.

"She would use the NW Cash loans when her hours were slow at work and always pays them off," said Lu. "It has also helped increase her credit score from 558 to 611 using these cash loans."

In Brickman's view, the pandemic caused credit unions to rethink a contactless strategy and figure out "how to help as many members as possible" through this crisis and beyond.

"In June of this year, 244 credit unions were awarded over \$400 million in CDFI grants. The CDFI RRP grant funds will be used to support eligible activities such as financial products, financial services, development services and certain operational activities," said Brickman. "The QCash platform is approved to use these grant funds to cover implementation and build loan loss reserves. It's an exciting time for our CUSO and credit unions to truly help those who need it the most."



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