

The Power of Financial Inclusion

Through
Credit Unions

QCASH®

The Power of Financial Inclusion

Just after the COVID-19 pandemic had commenced sweeping the world in March 2020, the National Credit Union Administration (NCUA) teamed with other federal financial agencies to craft a joint letter to credit unions throughout the United States, encouraging them to extend and promote responsible small dollar lending to their members and others experiencing financial difficulty.

Increased and affordable access to small dollar loans for unbanked and underbanked communities represent one of the most powerful salvos to empowering and enabling financial inclusion to underserved communities. We will discuss how small dollar lending policies can help solve these challenges and highlight specific credit unions who have implemented financial inclusion to help underserved communities get back on the path to financial stability.

The Call Goes Out for Small Dollar Lending During COVID

The coming unemployment wave was jarring. Twenty-two million jobs in the United States (BLS.gov) were lost to the pandemic in February through April of 2020; as many as were lost in the Great Depression and the Great Recession, combined. Consumers across the nation needed immediate financial relief, and millions were coming up short.

Responding quickly, the NCUA encouraged credit unions to underwrite small dollar loans founded on sensible policies on behalf of their communities. That meant offering small dollar lending products like QCash in consistent and honest ways by complying with established consumer protections and fairness.

Not all of our nation's communities are the same, however, and some were hit harder by the pandemic than others. **According to the Pew Research Center, about half of lower-income Americans reported household job or wage loss due to COVID.**

Young adults were inordinately at risk of job losses, as were the least-educated and those working low-wage jobs. Not surprisingly, such common high-risk industries included restaurants and bars, transportation, retail, personal care, arts and entertainment, and child care.

Additional characteristics that further worsened consumers' financial condition included:

- Many lack the capacity for emergency funds
- Lack of access to quick liquidity to pay their bills
- Under a traditional scoring system, many would fail to qualify for small dollar loans
- They know of no other option than to turn to high-priced payday loans

Ensuring Consumers Don't Get Left Behind

COVID-19 only highlighted the economic challenges and gaps within the United States' financial services ecosystem. A prominent concern for many credit unions is ensuring as many underserved consumers as possible don't get left behind in the



mission to meet their financial needs and goals.

The challenge many credit unions find themselves pondering is how to better serve the unbanked and underbanked in a risk-responsible way that empowers them, enhances their experience, and builds loyalty and trust.

Research from the Credit Union National Organization (CUNA) shows credit unions that implement financially inclusive policies grow

their memberships, loans, and assets faster, without stunting the quality of their portfolios. Fortunately for many credit unions and other financial institutions, external fintechs like the QCash small dollar lending platform provides an effective way to address financial inclusion challenges head-on and meet contemporary member needs while saving capital on technology research and development by building an in-house platform.

How CDFIs Are Leading the Way with Financial Inclusion

In many areas across the country, community development financial institutions (CDFIs) are the cooperatives filling the need for financial inclusion. Through the lens of social responsibility, CDFIs commit themselves to serving more rural, lower-income communities. They dedicate themselves to offering financial opportunities to

individuals who need access to accounts, loans, and the financial literacy programs necessary to lead a more comfortable life for themselves and their families.

According to the Opportunity Finance Network, there are 1,100 CDFIs located around the country as of March 2021, managing in excess of \$222 billion in financial assets. Since their founding, the credit union mission has always offered their communities the small dollar lending solutions necessary to fulfill their immediate needs in order to build out their long-term financial stability and security.

Credit Unions Fulfilling the Mission of Financial Inclusion

Whether or not your credit union is CDFI-certified, financial inclusion tools like QCash small dollar loans represent that opportunity for credit unions everywhere to realize the possibility of financial relief and stability following any unexpected emergency. Below, we have highlighted eight credit unions whose small dollar loan programs or community outreach initiatives have changed lives while continuing to help their communities, even in the era of COVID.

BCU

When a number of states declared Shelter in Place orders following the growing COVID pandemic, loss of jobs and income was a central concern for a large percentage of American workers. Thankfully, BCU teams were prepped and ready to handle the immediate needs of their members and put their policy of financial inclusion into action. Within days, BCU had activated its emergency relief protocol, providing their membership with immediate financial relief through emergency small dollar loan assistance, loan payment deferral, and waiving of fees.



Seizing the moment and executing on their crisis plan for the immediate- and long-term future of their membership, BCU worked quickly to implement digital banking tools including a COVID-19 Relief portal that provides real-time information about available relief options and resources to achieve financial stability.

In addition, BCU worked extra hard to take care of their local communities, donating personal protective equipment to healthcare workers in Northern

Illinois hospitals and assisting families dealing with school closures and financial challenges through the Feeding America initiative. Barely two months into the pandemic, **BCU contributed 30,000 meals to food banks** within its largest member communities across the U.S. and Puerto Rico.



Lastly, to reinforce BCU's mission to address the immediate needs of their members, the credit union pursuing the implementation of an overdraft protection system that sends out an alert before a payment bounces, allowing them to decide for themselves how to proceed. By putting the decision in the hands of its members, BCU is working with their community to introduce a new future of cooperative financial health.

Tropical Financial Credit Union

At the outset of the pandemic in South Florida, Tropical Financial Credit Union took immediate action to transition from traditional lending to their emergency relief activities and member assistance programs. **For members who had an existing loan with the credit union, Tropical FCU took immediate action to defer all payments across all existing segments** in order to accommodate their members' financial situations.



COVID's impact on transitioning from traditional loans to emergency relief was significant for members seeking financial stability in a limited timeframe. For those who apply for digital small dollar loans like Tropical's QCash Loan, they are able to apply for the loan in six clicks through their mobile device and have their specific loan amount approved and deposited in their account in 60 seconds.

Access to loans at Tropical are now almost fully digital. Chief Executive Officer Richard Helber stated 60 percent of loan applications and deferral requests come in online and through the call center. Signatures are conducted electronically on 99 percent of loans. It's now rare to have in-person document signings today on small dollar loans.

One Nevada Credit Union

Millions of renters, both out of work and working, felt major emotional relief last year when the State of Nevada and the Centers for Disease Control (CDC) halted evictions for nonpayment of rent during the COVID-19 pandemic.

Yet all good things must come to an end. In the last week of August 2021, the Supreme Court struck down the national eviction ban, leaving more than 11 million remaining behind on their rent and potentially being forced out of their homes.



State leaders expected a significant increase in eviction filings at that time, and consumers needed finance options in order to catch up on all past due rent or make a payment plan with their landlords to keep their homes. One Nevada Credit Union's Quick Cash Loan was created for precisely this situation.

One Nevada did a soft launch of its new, small dollar, Quick Cash digital banking

product in December 2020. Despite no promotion, the small dollar lending product quickly gained steam with their members. Buoyed by those early results, One Nevada officially introduced Quick Cash to specifically-targeted membership segments who may not have been aware of the new mobile offering.



The goal of One Nevada's Quick Cash small dollar lending product is to provide a more affordable avenue to immediate cash while

offering the credit union an additional revenue stream to increase consumer loan volume. And the credit union knows they have the market; approximately 15,600 members have a higher-than-average likelihood to require this product. All they have to do is log into One Nevada's "Digital Banking" page to apply.

Whether members are facing an unexpected car repair, injury, accident, or require a financial bridge to hold their apartment before the moratorium expires, One Nevada's Quick Cash Loan gets members the immediate funds they need deposited directly into their accounts in 60 seconds.

Hudson Valley Credit Union

The average high school student in America lacks the basic skills necessary to handle personal finance heading into college or the general workforce. They have no idea how to process the basic principles like earning, saving, investing, and spending.

How would students know such principles when 78 percent of American adults themselves live paycheck to paycheck, and two of three families lack any type of emergency savings, according to CNBC? As of 2020, only six states require a standalone high school course on personal finance.

Hudson Valley Credit Union decided to take action on a solution. Pairing with financial education programs



Banzai and EverFi, **HVCU works with teachers in the districts the credit union serves to incorporate financial education into the school curriculum.** The companies' FinEd programs offer fun and engaging exercises that help students in the community learn life's most essential financial lessons.

HVCU's literacy programs engage the community at large as well. In April 2021, they partnered with the United Way of Westchester and Putnam in New York to host a webinar encouraging better budgeting and saving among individuals and families. A member of the HVCU Financial Wellness Team introduced core budgeting concepts like identifying needs and wants, how to set up a budget, and best practices that encourage confident saving and spending rather than budgeting out of guilt. The webinar helped viewers define what an emergency fund is, explored why we need one, and how they can begin funding one immediately.

"The past year taught many of us the importance of staying financially prepared for the unexpected," said HVCU Assistant Vice President Lisa Morris. "This seminar teaches participants easy ways to budget and prepare for emergencies ahead of time. They learn the important first steps they can take to achieve their financial goals."

Even when someone is prepared for emergencies, extra surprises can occur during the holidays. To offer assistance to members in those situations, HVCU initiated a Holiday Loan that started November 1st. HVCU recognizes the last-minute necessities that come along with the holiday season, and the credit union wanted to help members cover those “pop-up” expenses. The new Holiday Loan helps HVCU’s members borrow up to \$1,500 to pay for gifts, travel, entertaining costs, and everything in between with just a few easy clicks.

Whether offering financial education for long-term success or short-term solutions when necessary, HVCU is there for their members with the right products and services at the right time.



Wright-Patt Credit Union

Wright-Patt Credit Union’s story is one of unification, cooperation, and individuals coming together to form a stronger, more vibrant, and healthier community.



Regardless of the inconvenience, emergency, or crisis, Wright-Patt has delivered on their region’s financial needs time and again. The evening of Memorial Day, May 27, 2019, was one of those life-changing events for local residents

as a “tornado outbreak” ripped through densely-populated Dayton, Ohio, causing catastrophic damage to the city and neighboring communities.

For area residents already struggling economically, the tornadoes only exacerbated their difficulties as many in the region lost their homes, cars, and countless other possessions. With total economic loss reaching \$900 million to \$1.1 billion and 1,177 structures destroyed, Wright-Patt was there to provide the necessary car, home equity, and disaster relief loans that enabled the North Dayton community the opportunity to build their lives back.

Additionally, in the weeks that followed the tornado outbreak, Wright-Patt went even further by partnering with the American Red Cross to offer an easy way for their partners and members to help out. **Thanks to the community coming together, Wright-Patt raised over \$100,000 to provide disaster relief for the region.**

With the government at risk of shutting down in December 2018, a nervous Dayton community wasn’t sure what fate had in store for nearby Wright-Patterson Air Force Base if lawmakers in the nation’s capital didn’t approve legislation on a spending bill to fund the government and avert a disastrous federal shutdown. Without a resolution, tens of thousands of federal workers would face furloughs right before Christmas or be forced to work without pay, or worse.

With 30,000 workers and local residents at risk of furlough, when the government shuts down, what are they to do? Wright-Patt took action as soon as possible to create a Shutdown Loan program for members left without a paycheck, waiving all interest when paid back. In addition, the credit union offered skip-a-pay options, with no fees on current loans.

The potential for a federal shutdown was yet another example out of many that Wright-Patt has taken to help their members face life’s toughest economic times. Already dealing with so much, the members’ local credit union was prepared to make life easier by offering smart borrowing options.

Concurrent with their new QCash Personal Loan mobile platform that experienced 6,000 loan transactions in the first two months following installation in 2021, Wright-Patt’s Vice President of Marketing and Business Development Tracy Szarzi-Flors didn’t mince words when speaking about the need for accessible loans:

“We want Main Street Ohioans to achieve financial wellbeing and have the capability to weather financial storms. That is a struggle for most. We don’t have a debt problem

in the U.S. We have a spending problem. That's why having an emergency lending product available for our members makes a big difference when a financial storm blows in."



Tucson Federal Credit Union

While the COVID-19 pandemic is by no means finished with us, America's consumers are beginning to plan for that day when life can begin looking a little bit closer to the days of yore. That mindset certainly applies to their personal finances, too.

After having been through these prior 18 months, much of America has taken an impromptu crash course in the benefits of what a sound financial health plan can offer. That applies to financial inclusion program outreach by community financial institutions, too. For instance, Tucson, Arizona, residents will soon be able to receive free personal finance training at a new public Multicultural Empowerment Center (MEC), hosted by Tucson Federal Credit Union.



The center, scheduled to open in late November 2021, will offer such financial inclusion measures as bilingual, in-person, and online training in home budgeting and saving strategies, improving credit, general education, and job search skills.

The final achievement for outgoing TCFU President and CEO Susan Stansberry after 31 years with the credit union, the MEC has been part of the strategic plan for the credit

union for several years as an extension of its community-support programs. **“It’s sort of doubling-down, making sure we’re embedded on a permanent basis in the community in a way that is meaningful, and impactful for people who need this,”** she said, emphasizing that TFCU has been providing financial education coaching for decades.

Realizing the impact financial inclusion, health, and improved financial education must have on area communities and America overall, participants are not required to be TFCU members to enroll in the MEC personal finance training program. More information on the program will be available at <http://tucsonfcu.com>.



To ring in the 2021 holidays, Tucson has decided to accompany their suite of personal savings with a holiday loan product for their members -- 0 percent interest rate loan with just a small fee. In these last two years marred by financial instability, uncertainty, and job loss, Tucson Federal Credit Union continues to anticipate member needs while rolling out the necessary products fit for the times.

University Federal Credit Union

These past 20 months have challenged Americans’ lives in nearly every conceivable way; socially, personally, and certainly financially. Many consumers are experiencing and reconciling some form of financial disruption, but in the meantime they’re taking it on the chin when expenses become difficult or impossible to meet.



This is where Salt Lake City’s University Federal Credit Union rose up to help meet their members’ financial obligations when they needed it most. Accompanying their small business relief loans, Paycheck Protection Program (PPP), and Skip-A-Pay Payment deferral options, UFCU incorporated their own Financial Education and Planning Resources counseling program.

When members and their families face financial challenges -- COVID-19 clearly being an extreme version of this concept -- credit union members deserve the necessary help to stay in control of their financial lives. In coordination with Banzai Financial Resources, UFCU provided a free resource to ensure their members have the financial education tools to make the best decisions that fit their family's economic situation.

From creating a budget and building an emergency fund, to planning around illness and teaching your children about money, **UFCU's Financial Education and Planning Resources program presented a comprehensive opportunity to not only re-establish stability for members' families, but begin building a financial health plan for a long, growth-focused, and prosperous economic future.**

Yet another financial health program that exemplifies the UFCU culture of identifying and proactively taking action on behalf of their members.

A Bright Future of Digital Adopters in Credit Unions

In this new era of rapid digital transformation, the credit union mission has never been better positioned to provide individuals and communities everywhere the financial tools necessary to advance their way out of financial instability.

If your credit union is considering implementing a digital small dollar loan platform into your digital assets, do not hesitate to contact QCash Financial through our website. We will be in touch with you quickly.

