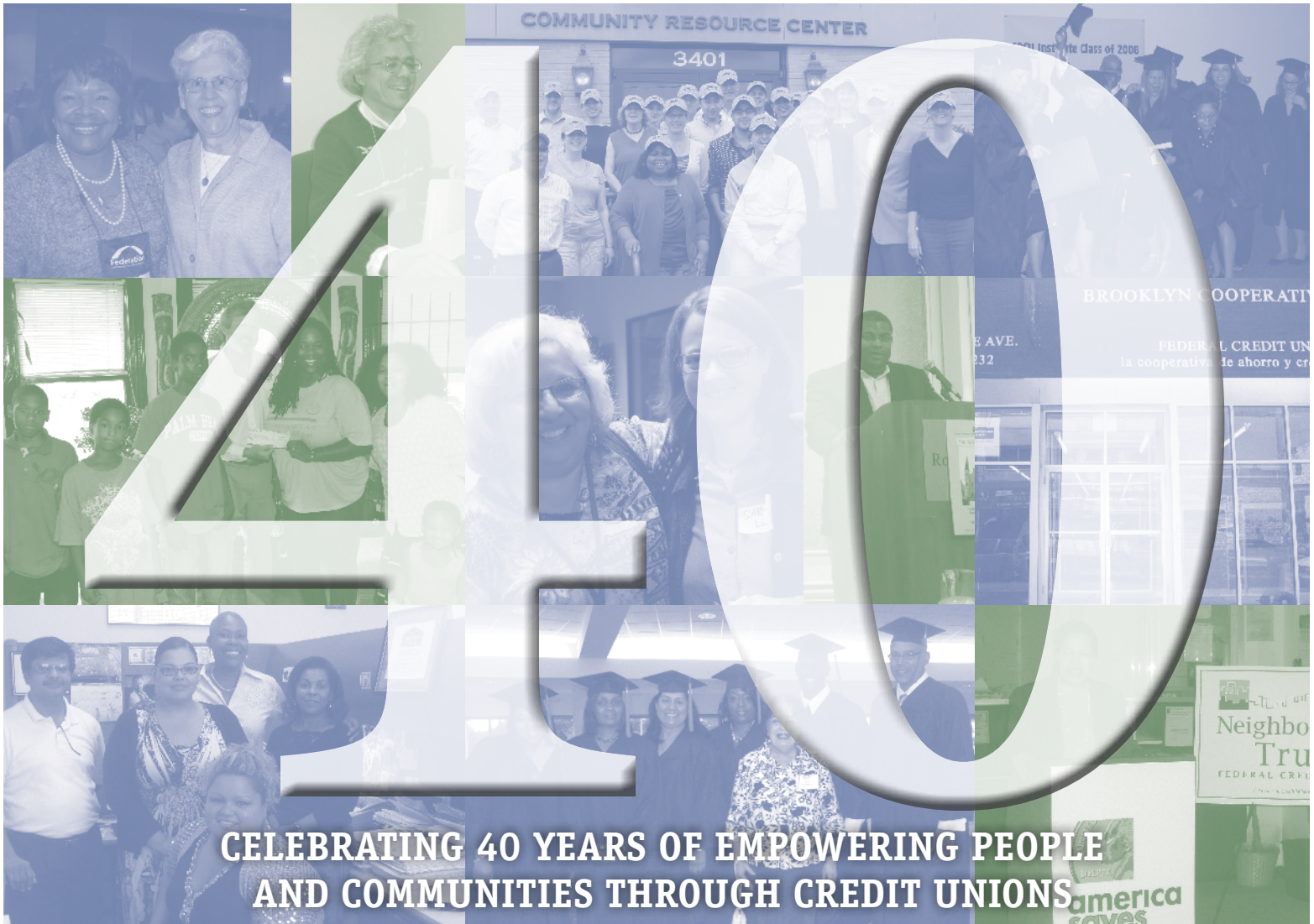


THE BRIDGE

issue
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PARTNERS IN COMMUNITY DEVELOPMENT



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THE BRIDGE

PARTNERS IN COMMUNITY DEVELOPMENT



CELEBRATING 40 YEARS OF EMPOWERING PEOPLE AND COMMUNITIES THROUGH CREDIT UNIONS

The mission of the National Federation of Community Development Credit Unions is to help low- and moderate-income people and communities achieve financial independence through credit unions. We are a dynamic association of growth-oriented credit unions that have more than \$22 billion in combined assets and provide safe and responsible financial services to 2.5 million Americans in urban, rural and reservation-based communities. Established in 1974, the Federation promotes financial inclusion by strengthening community development credit unions, also known as CDCUs, which specialize in serving the underserved. The Federation achieves its mission through:

INNOVATION

We develop new products that meet the needs of low-income wage earners; foster strategic partnerships with funders and community organizations; identify and promote best practices in financial services for LMI markets; and provide education and training to CDCUs.

INVESTMENTS

Our Community Development Investment Program invests in member CDCUs to strengthen their financial position and expand their impact on the low-income communities they serve. Federation investments help CDCUs offer responsible products that help consumers protect and build assets.

CAPACITY-BUILDING

Federation technical assistance, webinars, practical tools, guides, and consulting services support CDCUs at all stages of development; we help CDCUs to compete in their communities, grow their membership and strengthen their bottom line.

The National Federation of Community Development Credit Unions

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The Bridge is a magazine published by the National Federation of Community Development Credit Unions (Federation) intended as an educational resource highlighting best practices, insights and commentary to help credit unions better serve underserved and emerging markets.

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President/Chief Executive Officer Cathie Mahon

Editor-in-Chief Clarissa Ritter

Visit the Federation's website at www.cdcu.coop/member-submission/ to submit photos of your credit union for use in future issues of The Bridge.

From the President's Desk



This year the Federation celebrates 40 years of helping low and moderate income people and communities achieve financial independence through credit unions. Many thanks to our members, Board, funders, community partners, volunteers and staff who have contributed to this amazing journey toward financial inclusion! Even as we embrace our rich and storied past, the Federation's focus is fixed on the future, where the need for safe and affordable credit union services continues to grow.

While the economy has begun to rebound, many people are finding themselves in jobs with lower wages and less security than previous employment afforded. Today 1 in 5 working adults holds a poverty wage job. Recent research into the financial lives of the lowest-income populations show many households patching together multiple sources of income throughout the year.

To meet the challenges ahead, the Federation will focus on the innovation, investments and capacity-building that community development credit unions can draw on as a resource to grow their outreach, counsel their members and use to maintain a healthy bottom line.

This issue of The Bridge reflects many of the Federation's immediate priorities and opportunities for member participation:

- The Federation is expanding our financial capability and empowerment work in the coming months. Read more about the success of Neighborhood Trust's Credit Union Extension Program, plus get updates on the financial counseling programs run by Federation members Shreveport FCU and Hawaii First FCU.
- The Northwest Area Immigrant Asset-Building Initiative is designed to promote citizenship and financial security for immigrants. The Federation, in partnership with Grantmakers Concerned with Immigrants and Refugees, and with the generous support of the Northwest Area Foundation, will promote the integration of credit union products and services with immigrant legal and social services.
- Read also about the Federation's Borrow and Save small dollar loan product, selected to participate in Filene's Accessible Financial Services Incubator. Fourteen credit unions are participating in the Incubator, including Freedom First, one of the credit unions that first piloted Borrow and Save. Borrow and Save has become one of Freedom First's most successful Impact Banking products.
- Get updates on our Cooperative Finance Leaders for America program, funded by Citi Community Development, and our CDFI Certification Campaign. We've just finished the first year of our CFLA program and will begin accepting applications for a new round of CFLA fellows beginning May 21, 2014.
- Read about the nearly 200 applications for the 40 NCUA Technical Assistance awards and how the Federation's CU Breakthrough team is helping an increasing number of credit unions access CDFI grants to grow membership, assets and loans.

We look forward to working with you on these and the many other initiatives the Federation is currently engaged in. Our 40th year is shaping up to be a productive year, and we look forward to sharing it with you to make your communities, and the people who live in them, strong.

FEDERATION PLANS TO EXPAND SUPPORT FOR FINANCIAL EMPOWERMENT IN CUs

BY ANN SOLOMON WITH AARON CHARLOP-POWERS, M. KEALA BARNETT AND YOLANDA GODFREY

Credit unions in low-income communities recognize that meeting the financial needs of members often means going beyond simply offering products to also providing education and counseling to help their members utilize products effectively and reach their financial goals. Today more than 1/3 of the almost 2,000 low-income designated credit unions and 77% of the 173 CDFI-certified credit unions offer financial counseling. The commitment to financial empowerment is powerfully clear and every day we hear new stories of the tremendous effect that credit unions' counseling programs are having on people's lives. And yet, there is more to be done – with nearly 68 million unbanked or underbanked Americans relying on costly and unproductive fringe financial products to meet their basic needs, getting people connected to credit union products and services is more important than ever.

When President and CEO, Cathie Mahon joined the Federation in October 2012, she vowed to help credit unions implement financial empowerment services as a top strategic priority. Ms. Mahon started and led the New York City Office of Financial Empowerment establishing more than 20 Financial Empowerment Centers offering free financial counseling and coaching throughout the city. She saw first-hand the impact of financial counseling and coaching on the lives of struggling New Yorkers, serving more than 25,000 people.

The Federation launched the Financial Capability Partnership Initiative with the Center for Financial Services Innovation in early 2013, connecting credit unions to non-profit social service providers to integrate credit union products and services for social service clients through financial counseling in three cities. This year the Federation will expand the financial capability and empowerment work to bring successful financial empowerment models to its members.

The goals of this new Financial Empowerment in Credit Unions Initiative are to:

- **Develop a robust and sustainable model for the integration of financial counseling into credit union's operations**
- **Combine counseling with high-impact financial products and services to achieve greater outcomes for clients**
- **Systematically track and evaluate the effectiveness and impact of counseling through a uniform data collection system**

The Initiative aims to strengthen existing counseling programs within credit unions and to expand the provision of high-quality financial counseling throughout the credit union field. By

embracing and promoting a culture of financial capability, more credit unions can reach their full potential as vehicles for financial empowerment and economic development.

Neighborhood Trust Financial Partners provides just such a scalable, best practice model. The Neighborhood Trust Credit Union Extension program provides in-depth, one-on-one financial counseling to a broad cross-section of new consumers and helps them to achieve their financial goals through the appropriate use of credit union products. The Credit Union Extension (CUE) program deploys full-time counselors to three CDCUs in New York City. The counselors engage members and potential members in discussions about their financial condition as well as their goals and aspirations, and then help to establish action plans for moving forward financially and achieving those goals. The counseling also provides guidance on the best way to use credit union services to get there. The Federation and Neighborhood Trust have been engaging in intensive discussions and review of the model to determine elements for replication in other contexts and credit unions around the country.

Learn more about the Neighborhood Trust model and other successful credit union counseling efforts and stay tuned in 2014 for additional information as this Initiative moves forward!

Neighborhood Trust Financial Partners – Embedding Financial Advisors in New York City CDCUs



Eric Espinoza, Neighborhood Trust's Financial Advisor in the Neighborhood Trust Federal Credit Union, working with a client.

Neighborhood Trust Financial Partners' mission is to empower low-income individuals to become productive participants in the U.S. financial system and achieve their financial goals. Today, we are a leader in the financial empowerment field, but we started as

FEDERATION PLANS TO EXPAND SUPPORT FOR FINANCIAL EMPOWERMENT IN CUS

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a small credit union in Washington Heights in northern Manhattan over 15 years ago. From the start, our unique structure--we are a 501(c) 3 co-managed with a community development credit union (CDCU) -- enabled us to be both a financial counseling service and a products laboratory, continually investing in unique financial products and delivery innovation.

Since our early days we have grown substantially and our operation has become more sophisticated, but our fundamental approach has not wavered. Our Financial Empowerment Integration Model embeds Neighborhood Trust Financial Advisors into trusted host sites and integrates our services into their core programming so that our services are relevant and actionable. We don't just educate or counsel—our trained Financial Advisors help clients to roll up their sleeves and take action. We provide expert counseling, and design and provide access to financial products created with clients' improved balance sheets and financial empowerment goals in mind.

Neighborhood Trust's vision is a world in which relevant and effective financial services are integrated into people's everyday lives so that improved money management and financial mobility are default outcomes. For our clients points of access include the workplace, schools, government services, where they live, or at the credit union where they are a member via our Credit Union Extension (CUE) program.

CUE is an example of Neighborhood Trust's integration model, based on the fundamental belief that financial empowerment is most successful when incorporated into the poverty-fighting initiatives of trusted community partners, in this case CDCUs. CUE moves financial counseling from behind the desk to permeate every aspect of a CDCU's operations so that individuals receive the most relevant and immediate support they need to improve their financial health. The financial institution benefits through more effective service and through its members' improved financial behaviors.

Neighborhood Trust currently operates this program at a network of three CDCUs in New York City, including our sister Neighborhood Trust Credit Union in Washington Heights, Brooklyn Cooperative FCU and Lower East Side People's FCU. These communities have some of the highest concentrations of poverty in New York City, with 30-40% of families living in poverty and median household incomes below \$30,000.

The CUE model embeds a trained Neighborhood Trust financial advisor into the daily operations of a partner CDCU who provides helpful, actionable financial counseling to both credit union members and to credit union staff. Thus, low-income New Yorkers are empowered with a financial action plan and productive financial products to achieve concrete financial goals. Furthermore, in each member transaction the frontline staff finds the "teachable moments" that catalyze long-term financial planning efforts and improved financial behaviors. CUE outcomes are both a more

financially healthy member who is better able to use credit union services toward critical financial goals and a healthier, more efficient credit union operation.

Hawaii First FCU - Financial Counseling on the Big Island



The Hawaii First FCU financial counseling program is comprised of three basic parts: first, obtain knowledge and tools through their financial education workshops; second, work with a counselor one-on-one to create an action plan to achieve specific goals; third, follow up as necessary until the goal is achieved. In 2013, Hawaii First provided one-on-one financial counseling to 750 families and financial education to an additional 600 households.

Why Hawaii First offers counseling and coaching

During daily interactions with members, the credit union realized many members lacked the tools and knowledge to make sound financial decisions, leading them to financial hardship. Many members were caught in the payday loan cycle, with collections galore, and could not qualify for traditional loans. This prompted the CEO to assign all staff to become CCUFC through CUNA within one year. Certification empowered staff with the tools to assist members and also the knowledge to improve their own financial house. With this knowledge, staff could "walk the walk," giving them confidence to show members the way. Having all staff certified also benefited members because counseling and coaching can happen at all touch points of interaction with our members from the teller line to the loan application.

Impact

By equipping members with the tools and knowledge to make better financial choices, Hawaii First FCU gives them the gift of hope. They have seen members get out of the Payday loan cycle, transition into being able to obtain traditional loans, and experience improvement in their credit scores, allowing members to accomplish their financial goals and dreams. How do they know it works? When members give hugs and show tears of joy, they know the credit union has achieved its mission of empowering their community.

FEDERATION PLANS TO EXPAND SUPPORT FOR FINANCIAL EMPOWERMENT IN CUS

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Shreveport Federal Credit Union

Shreveport Federal Credit Union in partnership with Credit Union Strategic Planning certified 31 staff members and eight community partner representatives as “Community Development Certified Financial Counselors” in February 2013. Having Certified Financial Counselors on staff means that Shreveport Federal can offer its members valuable financial counseling in addition to its regular loan products. The focus is on helping members become credit worthy, putting them on a path to financial well-being.



As part of the Financial Counseling Program, Shreveport Federal offers credit counseling through its patented “Score Right” program. The Score Right program is an individualize credit analysis

that identify steps members can take to improve their credit scores. A Certified Financial Counselor will sit down with a member and recommend an action plan to improve their credit score to obtain the best possible interest rate. The results of the plan are measurable; members can see immediate improvements in their credit scores with each action completed.

Since 2013, approximately 5000 members and guest have availed themselves of the Financial Counseling, Score Right analysis and other services offered through Shreveport Federal’s two Financial Empowerment Centers (FEC). Modeled upon the New York City Financial Empowerment Centers, the FECs located in Shreveport, LA and Marks, MS are resource centers established to financially empower individuals, families and small business owners through financial education. Partnering with organizations such as the USDA Rural Housing Development, local universities, businesses and civic organizations, the Financial Empowerment Centers offer workshops and seminars such as Budgeting and Money Management, First Time Homebuyers, and Record Keeping and Tax Planning for the Small Business Owner.

Having a professional staff of Certified Financial Counselors can mean the difference in approving or denying a loan, the difference in getting a loan with Shreveport Federal or a predatory lender. By providing the financial counseling services, we are able to help members improve credit scores, create budgets, manage debt and build wealth. “Our goal is never to deny a loan, but to lend to members who need it most” says Mrs. Helen Godfrey Smith, President and CEO.

Federation Initiatives in Support of Immigrants

BY JASON CHANG

Introducing the Northwest Area Immigrant Asset-Building Initiative

Immigration reform has been in the news for years, sometimes reflecting progress, other times reflecting setbacks. But this debate often overlooks issues that immigrants face on a daily basis, including steep financial barriers that may price them out of seeking US citizenship or Deferred Action for Childhood Arrivals (DACA) status. As application fees have almost tripled since 1999, the cost of citizenship for a family of three living at the 2013 federal poverty level can cost up to 10% of their annual income. In effort to help immigrants overcome these barriers, the National Federation of Community Development Credit Unions and Grantmakers Concerned with Immigrants and Refugees are pleased to launch a new initiative that will combine the financial capability of credit unions and the expertise of immigrant service providers to provide a comprehensive, convenient solution for low- and moderate-income immigrants.

The initiative, made possible through generous support from the Northwest Area Foundation, seeks to provide access to affordable financing for immigrant individuals and families in the Northwest area pursuing naturalization, DACA, permanent residency and

potentially, legalization. They will also be encouraged to build assets and credit history through a range of safe financial products and services offered by credit unions, enabling immigrant and refugee populations to become banked and participate in the mainstream economy.

The one-year pilot will launch on June 2014 and is open to partnerships in the following four states: Washington, Oregon, Minnesota and Iowa. The Initiative is currently reviewing proposals and will select two to three finalists later this spring. Stay tuned for future updates on the Initiative, including an announcement of finalists and an introduction of their partnerships at www.cdcu.coop/initiatives/serving-underserved-markets/immigrants/



Pathways to Citizenship

The Federation is partnering with The International Rescue Committee (IRC), which offers immigration legal services in 22 cities throughout the US, on the new Pathways to Citizenship pilot. Look for more details this summer.

The International Rescue Committee (IRC) is looking forward to piloting a partnership with the NFCDCU member credit unions in New York City and San Jose that will offer financial products to its immigration clients who come from low-income immigrant communities and need access to capital in order to achieve U.S. citizenship, permanent status, and other immigration benefits. A successful partnership will increase the client's financial know-how and resources to achieve citizenship, economic self-sufficiency and community integration. Potential points of engagement with credit unions could include financial inclusion services and products such as loans, incentives and external partnerships in low-income communities.

Paula Forero, Esq.
Director of Immigration
International Rescue Committee



Citizenship Loans Have A Long History at North Side Community Federal Credit Union

North Side launched the New Americans citizenship loan in early 2007, because we recognized a growing need and opportunity to fill that gap in our community. Uptown, the neighborhood in which the credit union is located has traditionally been a gateway community in Chicago with many immigrants moving into the area. We already had established relationships with social services in the area that worked specifically with immigrants and began to understand the challenges people face in the process of becoming citizens. Specifically, some of these challenges are around the affordability of citizenship and the lack of credit history to obtain a loan to help with the costs. By partnering with and working through agencies that provide supportive services that help people successfully pass their citizenship tests, we can responsibly and safely give immigrants financial assistance they may not have otherwise been able to access. The number of people who receive loans annually varies based on the number of clients our partner organizations are seeing. Of course, we hope people who access our citizenship loan later access other products but we offer the loan because we believe it is the right thing to do.

Sarah Marshall
Marketing and Partnerships Manager
North Side Community Federal Credit Union



The Federation Launches Borrow and Save

BY TAMMIE HOY WITH DAVE PROSSER



The Federation launched Borrow and Save as a small dollar loan product with a built-in savings component to break the cycle of high cost, repeat borrowing from predatory lenders. With Borrow and Save borrowers access emergency, small dollar credit needs, build savings and increase their credit score.

In December 2013, the Filene Research Institute selected Borrow and Save to participate in their Accessible Financial Services Incubator, along with four other products benefiting low- and moderate-income and un/under banked consumers. This 18-month project is made possible through a grant provided by the Ford Foundation.

What makes Borrow and Save different from other small dollar loans?

- Borrowers have immediate access to needed funds
- Loans are not tied to the next paycheck
- Fosters savings
- Provides a solution for borrowers not eligible for other credit products
- Puts borrowers on a continuum toward accessing all credit unions products
- Does not require major investment on the part of the credit union
- Generates revenue for the credit union
- Promotes the financial health of the member

Borrow and Save credit unions find the product helped to meet a critical need with a reasonable and responsible amount of risk. Freedom First Credit Union, one of the initial participants in the Borrow and Save pilot, continues to offer this product and is supporting the Federation in replicating it to more credit unions through the Filene Incubator.

Fourteen credit unions have agreed to participate in the Borrow and Save Incubator program. The goal will be to determine the ability to scale the Borrow and Save product across credit unions of all sizes and locations. Participants will utilize guidance from the Federation's Borrow and Save Tool Kit, developed as part of the initial pilot. Additional technical support will be available from the Federation, Filene and Freedom First to develop and implement Borrow and Save product in their credit union over the next 14 months.

Borrow and Save Incubator Participants

| | Credit Union | CITY | STATE |
|----|---------------------------|------------------|-------|
| 1 | Urban Upbound | Long Island City | NY |
| 2 | North Side Community | Chicago | IL |
| 3 | Communicating Arts | Detroit | MI |
| 4 | 1199 SEIU | New York | NY |
| 5 | Southwest 66 Credit Union | Odessa | TX |
| 6 | Seasons FCU | Middletown | CT |
| 7 | Peninsula Community FCU | Shelton | WA |
| 8 | Hope | Jackson | MS |
| 9 | Carter Federal | Springhill | LA |
| 10 | Freedom First | Roanoke | VA |
| 11 | SkyOne FCU | Hawthorne | CA |
| 12 | Credit Union 1 | Anchorage | AK |
| 13 | Guadalupe Credit Union | Santa Fe | NM |
| 14 | Lake Trust | Lansing | MI |



The Federation Launches Borrow and Save

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Borrow and Save at Freedom First FCU

Freedom First FCU was honored to be selected by the Federation to launch the Borrow and Save product. Borrow and Save aligns directly with the goals we set for the Credit Union when we initially created our Impact Banking suite of products and services, and it has proven to be an important option for many of our members. Geared toward low-income and credit-challenged households, Impact Banking directly addresses the financial education, credit building, and positive saving/spending habits many of our members require.

Freedom First is sometimes unable to fulfill the requests of individuals who come to our branches requesting loans for their immediate needs. When credit challenges or income limitations present barriers to traditional loan products,



Freedom First FCU offers its members customized financial counseling with every program and product offering, including Borrow & Save.

Borrow and Save provides an alternative starting point, enabling the member to take steps toward financial self-sufficiency. Borrow and Save reduces the loan amount and introduces the concept of saving for future needs; the goal is to provide a structure and schedule that encourages future saving habits. Borrow and Save is successful when the member continues to channel his/her loan payment amount directly into savings after the Borrow and Save repayment period has ended.

Borrow and Save has become one of Freedom First's most successful Impact Banking products. We have found that borrowers who are not initially in a position to take advantage of larger Impact Banking loan programs—such as Responsible Rides or Affordable Housing—are able to build their credit their savings through Borrow and Save; they can then contribute to the down payment required for a vehicle or home purchase.

Continuing our partnership with the Federation and becoming involved in the Filene Incubator project will enable Freedom First to propel Borrow and Save further, thereby better assisting our members.



FFCU At a glance:

Mission: Helping our members prosper—helping our communities thrive

Headquarters: Roanoke, Virginia

Year Chartered: 1956

Charter Type: Community (serving the Roanoke MSA, Montgomery County and the City of Radford)

Assets: \$320M

Membership: 47,000 (66% low income)

Designations: NCUA Low Income, 2010; CDFI, 2010, 2014

Cooperative Finance Leaders for America: *Notes from the Field*



The CFLA program has completed its first year! Eleven new and emerging leaders completed the six-month program and are actively working in CDCUs and community development organizations throughout the US. Below find Notes from the Field written by the Fellows which gives an update on their progress.

The Federation is happy to announce that we will start accepting new applications for CFLA fellows and credit union sponsors beginning May 21, 2014. Through a generous grant from Citi Community Development we are able to continue the CFLA program this year. Look for additional information about the program on our website: cdc.ucoop/initiatives/credit-union-leadership-development

Josh Mendonca

The experience and knowledge I gained through my involvement as a CFLA Fellow at Appalachian Community FCU has been invaluable. As a marketer, it is my job to communicate and engage with our members and the communities we serve in an effort to tell our story and inform them of our products and services. In December we began hosting workshops which cover subjects such as budgeting and credit scores. After these workshops we offer to do a free financial assessment in order to help individuals raise their credit scores and lower their interest rates, thus saving them money! We continue to look for new ways to help individuals in our communities. We started sponsoring Milligan College's Volunteer Income Tax Assistance (VITA) program in order to provide free tax preparations for the underserved in our service areas of Kentucky, Virginia and Tennessee. We are really excited for 2014 as we continue our mission of "Building Financial Relationships One Member at a Time".



From left to right: **Josh Mendonca**, CFLA Fellow, **Ron Scott**, Appalachian Community FCU President & CEO, and **Tony Moss**, VP of Lending



Ashish Verna, Cooperative FCU Fellow

Ashish Verna

After a rigorous training as part of CFLA program, I am well versed with financial, operational and technical aspects of small businesses and community development. After witnessing the impact of the CFLA training on the successful completion of my first project, Syracuse Cooperative Federal Credit Union and I am hopeful that we can transform Syracuse Cooperative Federal Credit Union into a high-tech savvy, powerful organization focused on the revitalization of Syracuse, New York.

Cooperative Finance Leaders for America: *Notes from the Field*

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Ash Exantus

The CFLA program has given me some invaluable lessons. Since our kick-off training last August, I have implemented a few new initiatives at the Urban Upbound Federal Credit Union, which have so far doubled our production. I also had my first partnerships meeting with a CEO of a billion dollar credit union. At first I was nervous, but some of the terms and questions he asked were familiar to me because of my CFLA training.



Greg Schiefelbein, SVP, Citi Community Development, Bishop Mitchell Taylor, Urban Upbound President/CEO, and Ash Exantus, Urban Upbound Manager/CEO



Kathy Stokas, Genesee Co-op FCU Assistant Manager, and Lila Phimmasone, CFLA Fellow

Lila Phimmasone

I've been busy in all aspects at Genesee Co-op Federal Credit Union. I've been involved in the Credit Union for about five years where I mainly worked on the Teller line and answered phones when not away at school. After graduating from SUNY Brockport and becoming a CFLA fellow, I have begun to delve into other areas of the Credit Union. I have been able to do a bit of traveling on behalf of Genesee. The CEO and I have recently returned from Lancaster, Pennsylvania where we did two-day training with other credit unions big and small about our programming system, Mercury. Before that, we went to Syracuse, NY to the New York Cooperative Summit. There we learned not only about Cooperative Credit Unions but about worker cooperatives and food cooperatives. I will soon be working on more of the marketing aspects of the Credit Union including updating the website. The whole day we spent on Marketing in NYC during the CFLA training will surely help me be successfully in this area of work. The training in New York has made it an easier transition from the front-end everyday work to more of the behind-the-scenes more complicated work.

Hudson Presume

In March our credit union, Manatee Community Federal Credit Union, achieved a goal that has not been done in 10 years. We achieved over 1 million dollars in loans. We are currently preparing for a car sale for our members on the 9th and 10th of May. Various projects we have focused on are our Fresh Start loan and our Reliable Rides program. The Fresh Start loan is a credit building program that helps members save money and build credit at the same time. Our Reliable Rides project is a car purchasing program for low-income families. Our Reliable Rides program provides quality vehicles, road side assistance and more, all this with affordable financing!



Hudson Presume, third from the left, and Manatee Community FCU team

The Federation's CDFI Challenge: Changing the dynamics of the CDFI Industry

BY PABLO DeFILIPPI WITH JULES EPSTEIN-HEBERT

In December of 2013, the Federation announced that it was embarking on a year-long campaign to greatly expand the number of credit unions with Community Development Financial Institution (CDFI) certification. We set out to engage the hundreds of credit unions that might be CDFI eligible and demonstrating a commitment to a community development mission. As of February 2014 there are 2,026 low income designated credit unions with combined assets of \$192 billion, providing services to 20 million predominantly low-income consumers.

The Federation soon found critical partners within the credit union industry interested in supporting the CDFI certification campaign

- NCUA introduced a Technical Assistance Grant (TAG) of \$2,500 to help credit unions with the preparation of their CDFI certification application. Nearly 200 credit unions applied for 40 NCUA grants.
- CUNA's Community Credit Union Committee demonstrated its support for the Certification Campaign by collaborating with the Federation on a White Paper: "CDFI Certification: A Building Block for Credit Union Growth Performance, Profiles and Prospects for CDFI Credit Unions" that sheds new light on the value of CDFI Certification and best practices from CDFI credit unions. Read highlights of the white paper on the next page or read the full report on cdc.coop/reports
- Numerous State Credit Union Leagues/Associations have begun promoting the benefits of CDFI certification. The Federation has developed targeted trainings with the Mississippi Credit Union Association and the Missouri Credit Union Association and is working to schedule additional trainings with leagues or associations in Pennsylvania, New York, New Jersey, Alabama, Florida, Massachusetts and Connecticut.

The certification campaign has already seen some dramatic results. Currently credit unions represent the fastest growing category of CDFI, and by the end of 2014 credit unions are projected to account for nearly

one-third of all certified CDFIs. Our goal is to increase CDFI awards to credit unions and to increase the awareness of the impact community development credit unions have on connecting underserved communities with affordable and responsible financial products and services. The Federation's CU Breakthrough team is helping to make the CDFI certification process more manageable. Given the demand for this spring's NCUA Technical Assistance Grant for CDFI certification, there is a strong case for additional targeted funding rounds. If you are considering CDFI certification and want to learn more about how the CU Breakthrough team can help you contact us at CUBreakthrough@cdc.coop.

The Value of CDFI Certification

With 68 million Americans un-banked or under-banked, the opportunities for the growth and relevance of credit unions are greater than ever before. In fact, many CUs have been forced to turn away new members and deposits to protect their net worth ratios. Proposed new risk capital rules make the need to raise capital for high-return, community development activities even greater. With CDFI certification credit unions can sustainably expand their efforts in the community.

Low-income designation and CDFI Certification provide valuable tools for eligible credit unions to raise external resources to increase institutional capacity and better serve existing and future credit union members. These credentials, combined with affiliation with the Federation, provide the building blocks to develop sustainable programs to meet the financial needs of LMI members and communities across the nation.

- Certification provides opportunities for credit unions to grow at an accelerated pace through access to external resources. The CDFI Fund offers **Technical Assistance Awards** up to \$1250,000 and **Financial Assistance Awards** of up to \$2 million dollars each year.
- CDFI certification makes credit unions eligible to attract capital from additional public and private sector sources like the one time **Community Development Capital Initiative**, which resulted in the investment of \$70 million in 48 LID and CDFI CUs or the **Bureau of Indian Affairs Loan Guarantee Program**.



The Federation's CDFI Challenge: Changing the dynamics of the CDFI Industry

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- The **CDFI Bond Guarantee Program** increases access to long-term credit at below market rates by providing federal guarantees to bonds from qualified issuers. As the newest CDFI Fund program, specific policies and procedures that govern this new program are still under development, and advocates are hopeful that the program could prove to be a substantial source of low-cost secondary capital loans for CDFI credit unions.
- **New Market Tax Credits (NMTC)** that can be used to finance large scale commercial or affordable housing developments in low income communities.
- The **CDFI Bank Enterprise Award (BEA)** program provides mainstream banks with capital that can only be reinvested in certified CDFIs; certified credit unions have received millions of dollars of BEA deposits at below-market rates.
- The **CDFI Capacity Building Initiative** offers training, educational and free consultancy opportunities to CDFI credit unions in specialized areas such as small business lending, microfinance, and financing healthy foods options.
- Since 2008, all CDFI credit unions have been eligible to join the **Federal Home Loan Bank**, including state-chartered credit unions without federal insurance.
- **Exemption from the Member Business Loan (MBL)** limit of 12.25% of assets.

From CDFI Certification: A Building Block for Credit Union Growth—Performance, Profiles and Prospects for CDFI Credit Unions, a white paper from the CUNA Community Credit Union Committee and the National Federation of Community Development Credit Unions

Credit unions have long been at the forefront of community development finance. Today, CDFI certification offers fresh access to resources, a key to unlock the potential for credit union growth in diverse, low-income and under-served markets for years and decades to come. This paper compares CDFI certified credit unions with peer groups of low-income designated and mainstream credit unions and identifies important similarities and differences.

Key Findings:

1. Credit unions thrive in tough markets
2. CDFI credit unions maximize leverage of external resources
3. CDFI credit unions are leaders in technology and innovative member services
4. CDFI credit unions represent a viable business model for community development finance
5. CDFI certification is within reach for thousands of credit unions

Credit unions may be the ultimate CDFI. From 2009 – 2013, 61 credit unions received \$102.7 million in CDFI Financial Assistance grants. During that time, these credit unions increased total assets by \$2.4 billion—a leverage rate of \$23.70 for each equity grant dollar added by the CDFI Fund—and increased total loans by more than \$1.5 billion. CDFI capital awards have helped to expand services to target populations through the expansion of branch networks and the introduction of new products and services, like credit-builder loans, first-time homebuyer programs and financial education and counseling.

Read the full report at www.cdcu.coop/reports



Mendo Lake Credit Union

Ukiah, California

Total Assets as of 3/31/2014: \$177,933,986



For Mendo Lake Credit Union, knowing their members' needs was at the heart of their certification process. The credit union, which currently includes four branches serving 25,000 members in two counties of Northern California, pursued certification in 2005 because of the growth they were experiencing.

Mendo Lake operates in Lake and Mendocino counties, extremely rural areas where many members regularly commute to other counties like Napa, Sonoma, and Humboldt. While many of the long-term members are educators, a significant proportion of the members are lower income individuals including seasonal agricultural workers. Mendo Lake has used their CDFI grants to develop and expand products and services for these lower-income members, with free checking accounts and low cost auto loans among the credit union's most popular products.

Mendo Lake became certified in 2005, was awarded the first of three Financial Assistance grants in 2006, and has received a total of \$4.9 million in CDFI grants since certification. These grants helped Mendo Lake to nearly triple in size, adding more than \$100 million in total assets and increasing loans by \$42.4 million. According to Richard Cooper, the CEO of Mendo Lake, CDFI certification

facilitated their ability to "[find] a niche with little competition." The CDFI awards have strengthened Mendo Lake's capital base and allowed the credit union to offer loans for new and used cars to members with greater flexibility. Underwriting for these loans focuses less on an applicant's credit score or proof of income, forgoes the application fee, and is often tailored to first-time buyers, as well as buyers of less expensive older used cars.

Mendo Lake's commitment to community development finance is also recognized by a 2012 California State Governor's Award for Volunteering and Service as well as the California/Nevada League's Desjardins Youth Financial Education Awards program, which in 2013 recognized the credit union for their financial literacy classes created for elementary, high school and college students.

The leaders of Mendo Lake Credit Union believe that CDFI certification is an obvious choice for all credit unions that serve low- and moderate-income people. Certification provides an opportunity to obtain grant funding that increases net capital so the credit union is better able to serve as many members with as much flexibility as possible. CDFI awards have provided Mendo Lake with a necessary capital cushion. In the words of CEO Cooper, "we wouldn't be here without CDFI funds".



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