



**Federation**

**Credit Unions United to Serve the Underserved**

National Federation of Community Development Credit Unions

# Building and Preserving Community Assets: The Role of Credit Unions

*Cliff Rosenthal*

*Executive Director*

*National Federation of CDCUs*

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Presentation to the

*Department of Justice CCDO National Conference*

*August 22, 2007*

# Today's Presentation

- Introduction: ***Community Development Credit Unions and the Federation***
- Credit Unions and Community Security: Two Case Studies
- Asset-Building and Asset Protection
- The Weed & Seed IDA Demonstration Project

# Introduction:

## What are Credit Unions?

- “Not for profit, Not for charity, but for service”
- Member-owned, member-governed: 1 member, 1 vote
- 8,000+ credit unions in U.S.
- 85 million members
- \$700 billion in assets

# What are Community Development Credit Unions?

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- ✓ Credit unions with ***specific mission*** to serve low-income people, neighborhoods, and communities
- ✓ ***Special powers to raise funds*** (non-member deposits from foundations, corporations, government, etc.)
- ✓ Provide ***affordable credit*** to underserved people – (e.g., people with limited/no/blemished credit history)
- ✓ Serve ***small depositors and borrowers***
- ✓ Offer ***financial literacy and counseling***
- ✓ Serve their ***members + broader community***

# About the Federation

## *Our Mission:*

*Help CUs do More to Serve the Underserved*

## *Develop and promote*

- **Products**
- **Programs**
- **Partnerships**

*to help credit unions reach more underserved people more effectively*



# Federation Profile

- Founded: 1974
- 501[c]3 charitable organization
- Headquartered in NYC
  - Additional staff: Madison, Colorado Springs
- Services include:
  - **Investments** in CDCUs
  - CDFI Fund **advocacy** – national + NY State
  - **Training & management assistance**
  - **Secondary mortgage market**
  - **Special outreach programs**
    - Disability Outreach Network
    - Latino CU Network
    - Faith-based CU network
  - **Technical Assistance to organize new CDCUs**



# The Federation's Network

- 225 CDCUs
- 46 states
- Total Assets: \$3.47 billion
- Total Membership: 900,000
- Median size: \$1.6 million
- Largest: \$1.3 billion





# Credit Unions and Community Security: Two Case Studies

- **New York City**
  - Lower East Side People's Federal Credit Union
- **North Carolina**
  - Latino Community Credit Union

# Lower East Side People's FCU

- **1970s-80s**
  - “Alphabet City” ravaged by drugs, crime, abandonment
- **1980-84**
  - Community rallies against drugs
- **1984**
  - Last bank in neighborhood leaves – “red flag” for further decline
- **1984-86**
  - protests, organizing → formation of Lower East Side People's FCU
- **1986-2006**
  - credit union grows to \$20 million in assets / 5,000 members



# 1986



# 2005

- \$ 19.9 M in assets
- \$ 13.6 M in loan portfolio
- 5,800 members
- 21 employees
- 4 branches
- 6 ATMs



# North Carolina

- 1990s: huge growth in Latino population
- Most are unbanked, carry cash or keep “under mattress”
- Durham, NC: increased street violence, assaults, murder, burglary
- 2000: credit union organized to provide safe place to bank

# Latino Community CU

- Supported by large State Employees' CU
- Fastest growth of any new credit union ever
- In six years:
  - 50,000 members (95% previously “unbanked”)
  - \$49 million in assets
  - 5 branches around state





# Latino Community CU: Durham, Raleigh, Charlotte....



# CDCUs: Asset-Building & Asset Protection

- **Promote**
  - Savings
  - investment in non-depreciating assets (home, education, business)
  - Access to income (EITC)
- **Prevent!**
  - *Income erosion and loss through high-cost borrowing*
  - *Loss of assets through foreclosure*



# CDCU Innovations & Programs

- ***Individual Development Accounts (IDAs) and other savings programs***
- **Earned Income Tax Credit (EITC) and VITA**
- ***Alternatives to Payday Lending (“APPLE”)***
- **Lending to immigrants / Latino outreach**
- ***“Financial Literacy Day”***
- ***“Credit Path”™ (Alternatives FCU)***
- ***Home Ownership/Housing counseling***
  - CDCU Secondary Market
- **Outreach to underserved/unbanked**
  - Examples: people with disabilities; immigrants; faith
- ***Youth-run credit unions***
- **Non-profit affiliates**



# The Weed & Seed IDA Demonstration Project

- **9/2005:** Federation begins work with DOJ to assist W & S sites to develop homeownership IDA programs
- **Results:**
  - **Technical assistance** to 20 W & S sites
  - 10 fully funded **homeownership IDA** projects
  - 6 received **AFI awards** (approx. \$600k)
  - Two case studies on sites
  - T.A. and training resources produced
  - Projected 5-year value of homes bought: **\$22 million**





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116 John Street, 33<sup>rd</sup> Floor  
New York, New York 10038  
212.809-1850

[www.cdcu.coop](http://www.cdcu.coop)  
[croenthal@cdcu.coop](mailto:croenthal@cdcu.coop)