

Credit Union IMPACT REPORT



*The credit union
difference in action.*

2020
SPRING



“It’s wonderful to see Michigan credit unions investing in our communities and making a positive impact. Thousands of citizens benefit from the products and services we offer, as well as the contributions made to local charities. I love to see how many credit union associates volunteer to help so many organizations, and I’m grateful to be a part of our movement.”

Karen Church
MCUL Board Chair
ELGA Credit Union CEO

TABLE OF CONTENTS

4. WHAT IS THE CREDIT UNION DIFFERENCE?
5. SERVING EVERY CORNER OF THE STATE
6. THE NOT-FOR-PROFIT BENEFITS
7. ALTERNATIVES TO PAYDAY LENDING
8. PROVIDING FOR THOSE IN NEED
10. MICHIGAN CREDIT UNION FOUNDATION
11. FINANCIAL EDUCATION:
THE ROAD TO SUCCESS
12. COMMUNITY REINVESTMENT GRANTS
14. ERASING MEDICAL DEBT



WHAT IS THE CREDIT DIFFERENCE?

On a basic level, credit unions are different than other financial institutions. We are not-for-profit organizations that have members instead of customers, and those members are also cooperative owners of their credit union.

But the spirit of the “credit union difference” is felt in the favorable rates and lower fees offered on high-quality products and services and the year-round commitment to improve communities through educating future leaders, fundraising for those in need, assisting small businesses and much more. Where other financial institutions design their products and services based on a profit-driven model, credit unions are guided by the motto “people helping people.”

Why do credit unions do these things?
Because it’s the right thing to do.
Our movement’s social mission is

about being a positive force in our neighborhoods — finding areas, organizations and people that need help and providing that help. It’s that simple.

In 2019, Michigan credit unions reached 5.5 million members after a 2.7% growth rate. This means that Michigan memberships are equivalent to 55% of the state population, which is far outpacing Michigan’s population growth. When financial institutions show an interest in not only the health of each member, but the communities they serve, people take notice.

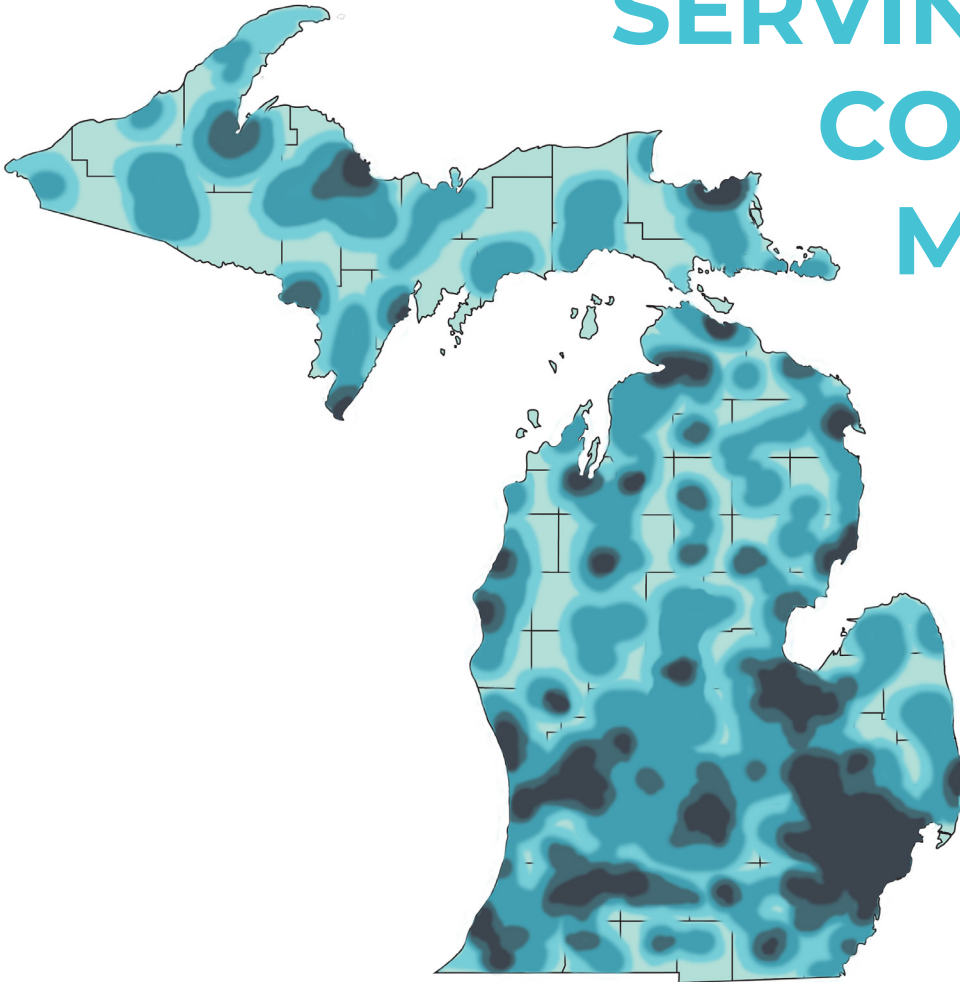
In other words, the Credit Union Difference means *trust*.

In the following pages of the 2020 Spring issue of the Credit Union Impact Report, you can read more about exactly how our movement is making a difference.

Best,

Dave Adams
President/CEO
MCUL & Affiliates

SERVING EVERY CORNER OF MICHIGAN

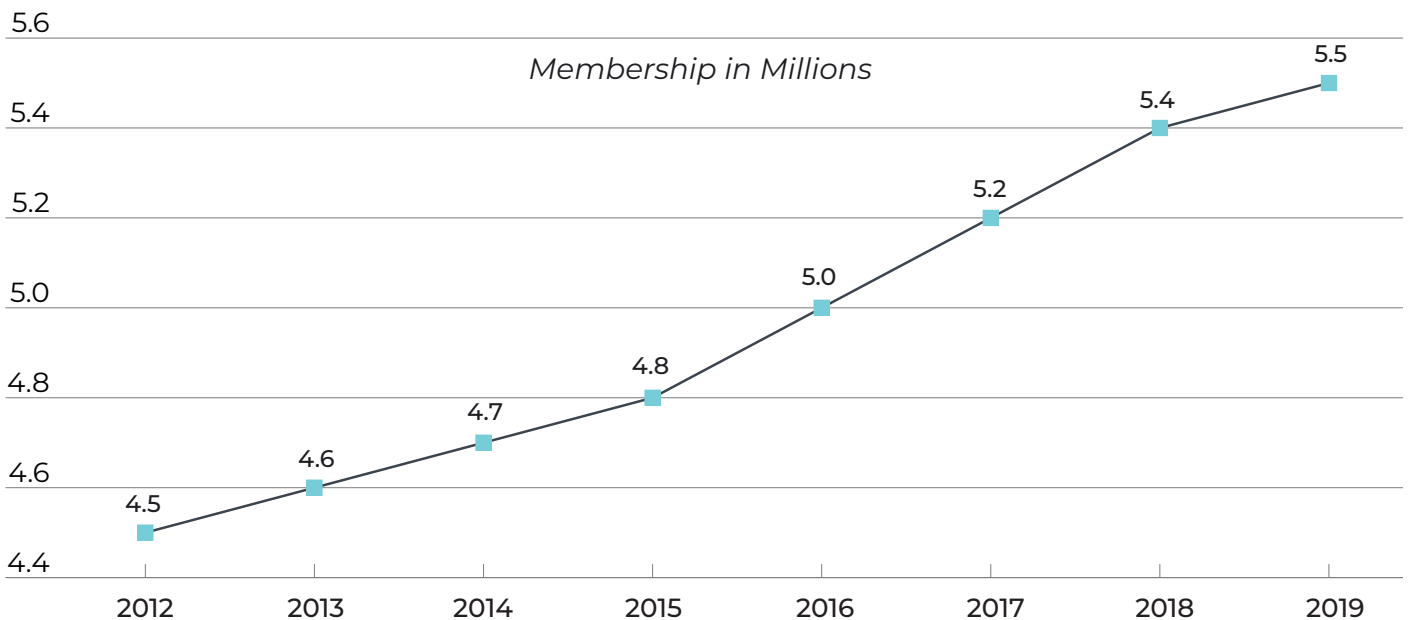


Credit Union Density Map

Michigan credit unions are spread throughout the state, with more than 1,100 locations and nearly 1,700 fee-free ATMs serving our 5.5 million members.

218
Credit Unions

MICHIGAN CREDIT UNION MEMBERSHIP CONTINUES TO RISE



TRUST THAT CREDIT UNION MEMBERS CAN RELY ON

The relationship between credit union and member is based in trust. The cooperative, not-for-profit model, where members are also owners, means members can trust they're dealing with a financial institution not set on profits, but benefits — *benefits for the consumer*.

People respond to low-cost products and services created for financial health, not the highest profit, and that's what we're seeing in Michigan, where credit union memberships are outpacing population growth.

The Credit Union National Association (CUNA)'s Q3 data reported that, in the previous 12 months, Michigan credit unions provided \$482 million in direct financial benefits to the state's 5.5 million members — an increase to the already impressive \$424 million recorded in the preceding quarter.

What does this mean? It means each Michigan credit union member is getting an estimated \$89, or \$187 per household, in direct financial benefits. CUNA calculates these stats based on average savings differences between credit union and bank pricing, and result from financial benefits, such as higher CD rates and fee-free checking, as well as lower rates and fees on products like home, car and auto loans.

\$482 Million

in Direct Financial Benefits to

\$5.5 Million

Members

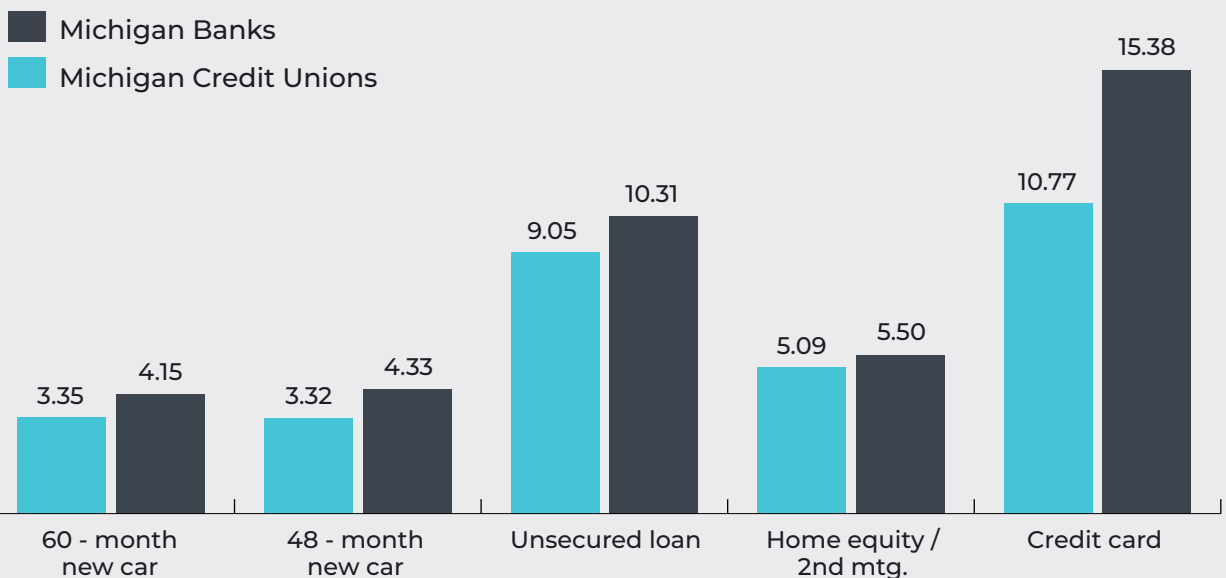
\$89
Per Member



\$187
Per Household



INTEREST RATES (%) CREDIT UNIONS VS. BANKS



ALTERNATIVES TO PAYDAY LENDING



Photo Courtesy: One Detroit Credit Union

One of Michigan credit unions' primary goals over the past few years has been actively working to protect consumers against the rapid increase of payday lenders. These quick and accessible but predatory, high-interest loans put vulnerable customers in cycles of debt that can be hard to escape.

A recent study reported that Michigan is host to nearly 600 payday stores, which offer loans that often carry interest rates exceeding 400%. And, once the loan is paid off, statistics show that 70% of Michigan consumers are likely to take on another loan that same day, with nearly all borrowers returning within two months.

"We were determined to find a better answer for this clear need in our community," said Joumana McDad, chief strategy & innovation officer of One Detroit Credit Union, which has developed a payday loan alternative for members. "One Detroit Credit Union is helping working Detroiters finally break free from the risky cycle of payday loans by offering fair, credible and reasonably priced alternatives."

One Detroit's loan product, My Pay Today, has an annual fee and allows members to take draws of \$500 at 18% as needed throughout the year. This results in an average cost of \$14.60 per draw, as opposed to the \$65 rate of payday lenders. Further, while the two-week period allowed by those

predatory stores is built to create the kind of debt cycle many customers fall into, My Pay Today allows borrowers to pay off the loan over a 60-day period to help break the cycle.

"What made this product unique is that we started with a community need, didn't allow ourselves to be intimidated by the challenges, and devised something that works," said McDad.

One of the many other Michigan credit unions that has created a similar product is the Hastings-based Thornapple Credit Union. Its product, the Mulligan Loan, is appropriately named for the golfing rule that gives players a second chance. This loan has a maximum amount of \$750, with an 18% interest rate and allows borrowers six months to repay.

State-chartered credit unions in Michigan are able to offer payday loans at the same rates and fees as predatory lenders, but they choose to lend responsibly instead, often offering supplemental counseling and guidance with the loan.

There is clearly a consumer need for payday loans, and the credit union movement is committed to helping members get their financial needs met in a way that properly assists them, rather than taking advantage of them.

PROVIDING FOR THOSE IN NEED

Credit unions pride themselves on being a pillar of the community — an institution that its neighbors can count on when times are tough. In 2019, Michigan credit unions proved how dependable they were throughout the year, including during two occasions that put many Michiganders in potentially stressful financial circumstances.



Senator Debbie Stabenow joins the 2019 GM employee strike.



The first was the General Motors (GM) employee strike, which began on Sept. 15 and lasted until Oct. 25. While nearly 50,000 workers were demanding increased pay and health benefits, they went without regular pay for more than a month. And though we now know when the strike ended, those on strike had no idea, day to day, when it would end — when their next regular paychecks would resume.

Credit unions didn't wait to reach out to members, acknowledging the potential stress brought on by the strike and how they could help, such as the letter that Financial Plus Credit Union sent to its members. In it, President/CEO Jill Reno wrote, "We sincerely care about you and your financial well-being. We understand the impact the recent UAW strike against General Motors could be placing upon you and your family."

Likewise, United Financial Credit Union sent out a communication that said, "We put our members first and we know that some members might be experiencing financial strain," before listing all available options for its membership.

The other financially stressful situation that credit unions responded to in 2019 was the holiday season, an annual occurrence that can affect everyone, whether it's through anticipated costs, like heating

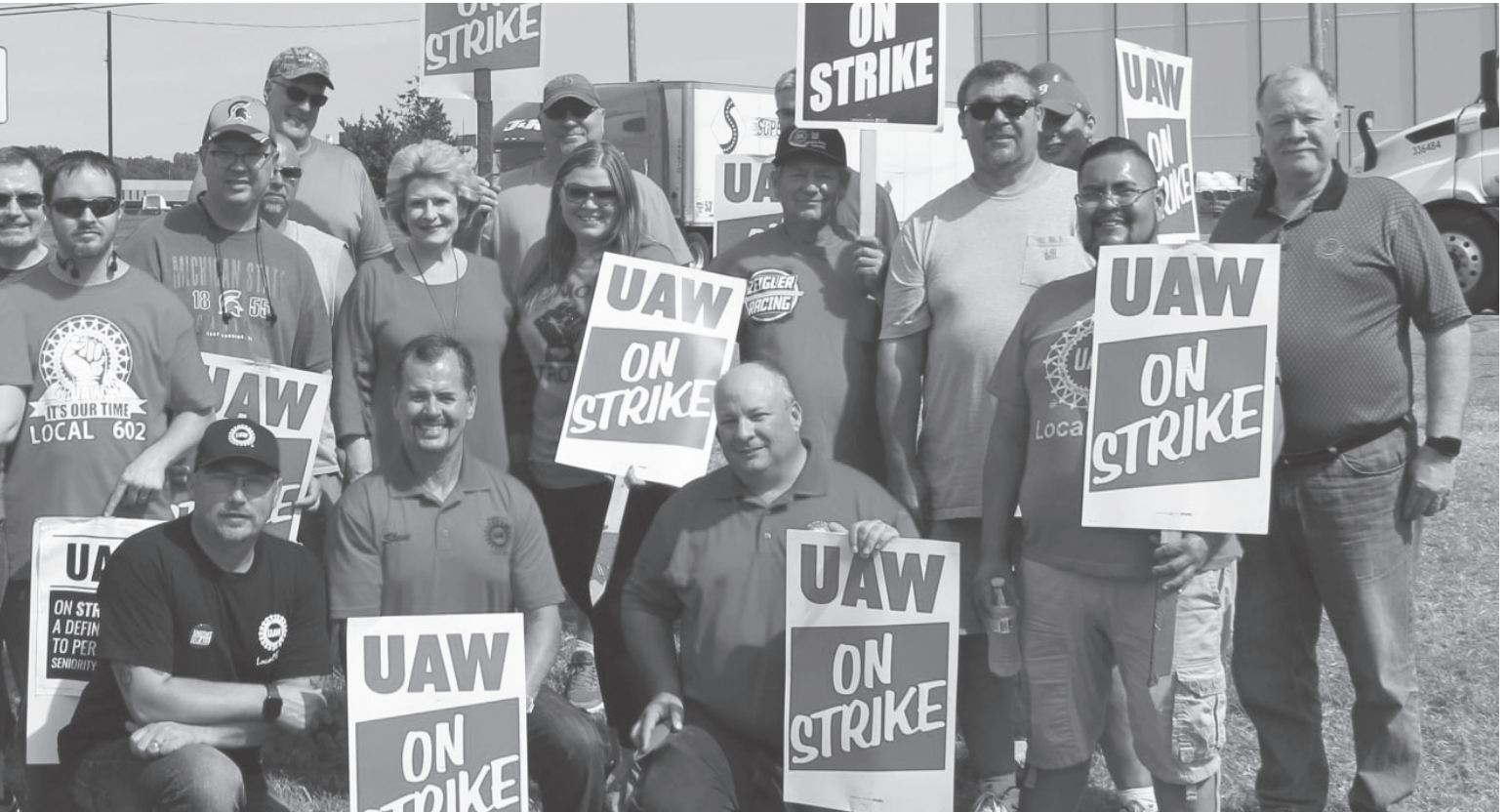


Photo Courtesy: Local UAW 652

bills, gifts and parties, travel fees, new clothes, or unforeseeable ones like a sudden car or furnace repair.

Just as with the GM strike, Michigan credit unions were quick to notify their membership and communities (via press releases, emails and social media) that financial relief was available — that they were standing ready to help meet their specific needs and ease their burdens. The most popular assistance option in times like these is a pre-approved, low APR loan ranging from \$1,000-\$3,000, with 6–24-month payback plans. Other products and services include a skip-a-pay option, which allows a member to skip a month's payment without penalty, as well as one-on-one financial coaching sessions. Some credit unions also encouraged members to reach out to discuss other case-by-case solutions.

The emergency loan program is another one of the ways Michigan credit unions are offering members much-needed healthy alternatives to predatory payday lenders. During these times of financial stress and uncertainty, when consumers are increasingly vulnerable, they are more likely to turn to quick solutions from payday lenders and others that have unfair credit practices built to put borrowers in a cycle of debt. These credit union loans, however, aren't designed to build profits — only to assist those in need.

“While we actually offer this member perk all year long, we promote it around the holidays when household funds can get a little tight,” said Honor VP of Lending Dustin Nehls, regarding their skip-a-pay program. “We want to give our members the grace and flexibility to have a tight month due to whatever circumstance they have going on without the added mental stress of a late loan payment. The skip-a-pay program gives members a solution with no questions asked to skip a loan payment and use their money where they feel it's best needed at that point in time. We understand that life happens, even around the holidays.”

Honor sees nearly 4,000 payments skipped per year using the program. Allowing members to skip an auto payment lets them free up hundreds of dollars to use on seasonal necessities without promoting the debt of a credit card purchase or high APR loan.

When credit unions reach out during times of trouble and offer affordable products and services that are built to help members, they prove to their communities that they recognize them and care about their financial wellbeing. It sends the message, “We're in this together.”

MICHIGAN CREDIT UNION FOUNDATION

The Michigan Credit Union Foundation (MCUF) is a non-profit organization that helps Michigan credit unions better serve their memberships and communities. The organization is fueled entirely by cooperative donations from the credit union industry.

The three primary ways MCUF assists credit unions is through community reinvestment grants, financial education initiatives and professional development support.

COMMUNITY REINVESTMENT GRANTS

Funding the development of unique programs designed to assist low-income, underbanked and underserved areas.

FINANCIAL EDUCATION INITIATIVES

Coordinating statewide programs to improve financial futures for thousands of families and increase awareness for Michigan credit unions' financial health initiatives.

PROFESSIONAL DEVELOPMENT SUPPORT

Improving consumer financial health by providing credit union professionals increased access to financial counseling and young professionals collaborative support.

MCUF's stamp on the credit union community is a reflection of the movement in Michigan — every step of progress we make is the product of collaboration. Credit union funds go toward new and ongoing initiatives, like student-run classrooms, young professional groups and home buying seminars. MCUF is fueling the movement's desire to offer creative and necessary solutions across Michigan.

\$129,000

51% Community Reinvestment

\$51,000

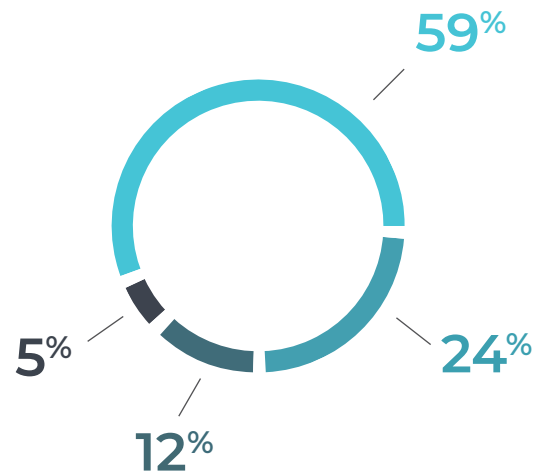
24% Financial Education Programs

\$27,000

12% Professional Development

\$10,000

5% Financial Counseling Training



FINANCIAL EDUCATION INITIATIVES

15

Credit Union Reinvestment Grants

692

Financial Counselors Trained in the Decade with **89** Counselors Trained in 2019.

6,000

Teens Reached Through **81** Financial Reality Fairs

9,000

Youth and Teens Educated with Credit Union Money Smart Week Programs

FINANCIAL EDUCATION: THE ROAD TO SUCCESS

In 2019, Michigan credit unions held 81 teen-focused Financial Reality Fairs — all aided by MCUF. These real-life budget simulations, which have more than tripled since 2015, introduce students to the complex world of income, spending and credit through interactive, community-based exercises.

The cornerstone element of these fairs is the financial counseling sessions that close the exercise. Counselors walk students through their budget step by step to reconcile it. This essential last step gives participants insight into how they will balance their car payment with rent, student loans, credit card payment and other living expenses.

Jeremy Cybulski, community engagement manager at Community Choice Credit Union, was one of many volunteer counselors in 2019. He said the most impactful part of counseling is being able to inform students about how credit scores work, showing them in dollar signs how varying credit scores impact things like car and insurance payments.

Cybulski added that these fairs are “a safe space,” saying they allow students a place to learn while the stakes are low as opposed to learning the hard way.

Michigan Legacy Credit Union President/CEO Carma Peters, another volunteer counselor in 2019, spoke about how satisfying it is to help students understand why the budgeting process is so important to achieving life goals.

“Getting them to understand savings goals, which will keep them out of the large percentage of American households where a \$500 catastrophe could really tip them into financial ruin, and explaining it so they understood that establishing that habit early can set them up for success later on,” said Peters.

“Volunteering our time and resources to this event was a great investment,” said Janet Thompson, president and CEO of Parkside Credit Union, who also served at a Financial Reality Fair. “In my interactions with students, I could see real-time connections being made about monthly budgeting and understanding how credit scores play into monthly expenses. It’s gratifying to know that our time made an impact on these students’ futures.”

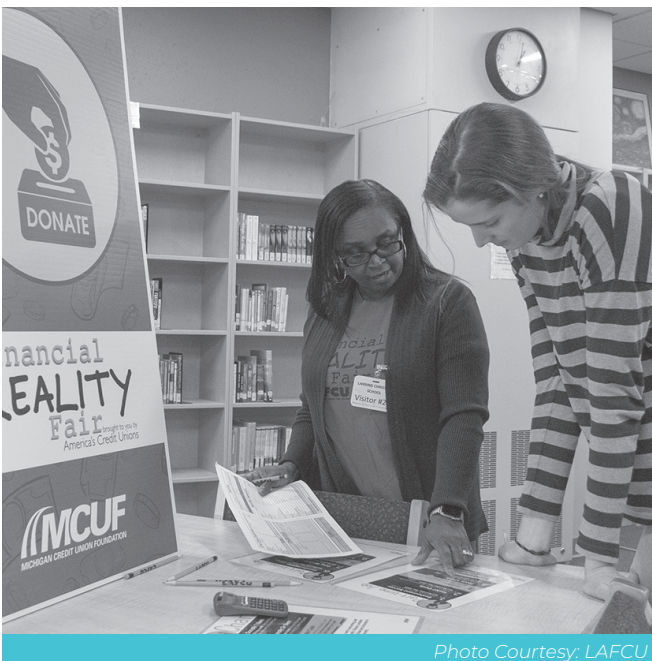
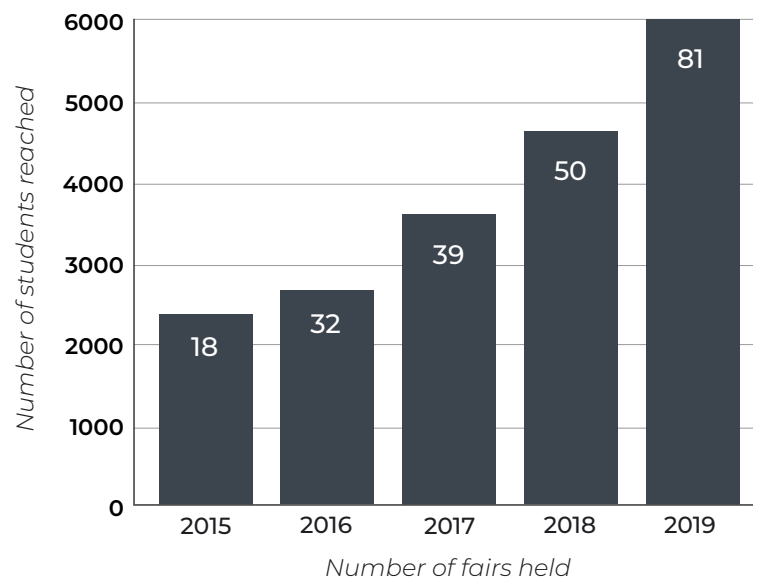


Photo Courtesy: LAFCU

LAFCU’s Shelia Scott explains to senior Emma Granger that giving back to her community is an important value to consider when creating a budget.

IMPACT OF FINANCIAL REALITY FAIRS



2019 COMMUNITY REINVESTMENT GRANTS

MCUF awarded a total of nearly \$129,000 in community reinvestment grants to 15 different credit unions or credit union chapters. Here's how these organizations used these grants to make Michigan a better place:

a. AUTOMATED SAVINGS AND EDUCATION PLATFORM

4Front Credit Union in Traverse City is using its grant to implement Plinqit, a goal-based automated savings and financial education program.

b. DIGITAL TECHNOLOGY FOR HIGH SCHOOLERS

Alpena Alcona Area Credit Union is supporting AAA high schoolers by installing interactive digital boards and tablets that will enhance financial and technology education for students.

c. STUDENT-RUN CREDIT UNION

BlueOx Credit Union put its grant money towards a new student-run credit union branch in a Battle Creek high school.

d. FINANCIAL EDUCATION WORKSHOPS

The Lansing-based CASE Credit Union is using its grant funds to coordinate and hold collaborative monthly financial education workshops with on-site access to community services.

e. FINANCIAL EDUCATION TECHNOLOGY

Burton-based ELGA Credit Union used grant funds to coordinate hands-on financial education sessions for youth and adults through the use of app-loaded tablets.

f. CHILDREN'S SAVINGS ACCOUNTS

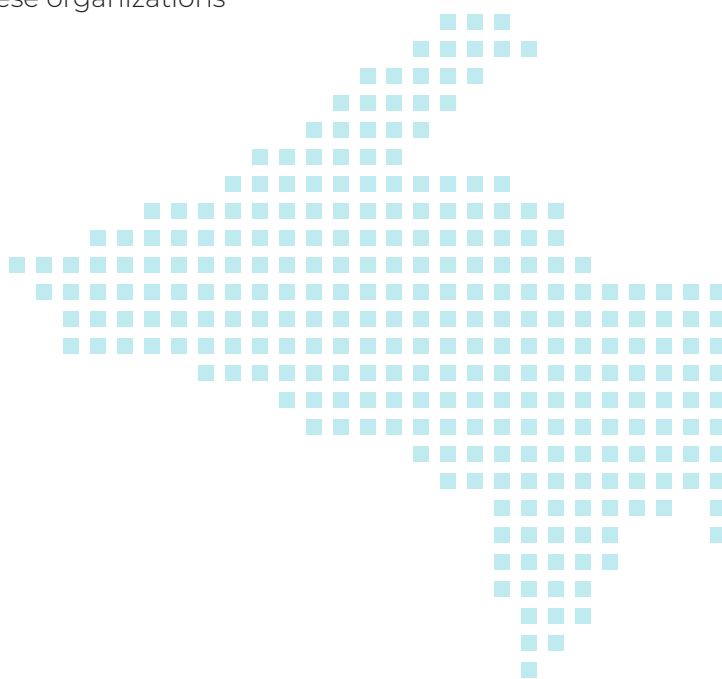
CP Federal Credit Union, located in Jackson, partnered with the Jackson Community Foundation and school district to put its grant money toward a free children's savings account program designed to assist with education and training expenses after high school.

g. CHILDREN'S FINANCIAL LITERATURE

With the grant, Muskegon area credit unions financed books for classroom financial education as part of Muskegon County's children's savings program.

h. YOUNG PROFESSIONAL GROUP

In 2019, MCUF coordinated a group of young professionals called FUELmi dedicated to community outreach projects.



i. CLASSROOM EDUCATION READING PROGRAM

Mid-Michigan-based Journey Federal Credit Union has used its grant to fund a third-grade reading program with financial education books and credit union classroom education.

j. SUPPORT FOR SPECIALIZED SERVICES

Michigan Legacy Credit Union, located in Detroit's metro area, provided support for a program bringing specialized financial services and education, including elder abuse awareness, to underserved areas.

k. HOME BUYING SEMINAR

Muskegon Co-op Federal Credit Union used the grant to create a new seminar to educate the community on the home buying process.

l. EMPLOYEE RETENTION AND EMERGENCY LOANS PROGRAM

Northland Area Federal Credit Union, servicing northeast Michigan, is partnering with Michigan Works! and is using its grant to support employee retention and financial health with financial education and emergency loans.

m. AUTO LOAN AND COUNSELING PROGRAM

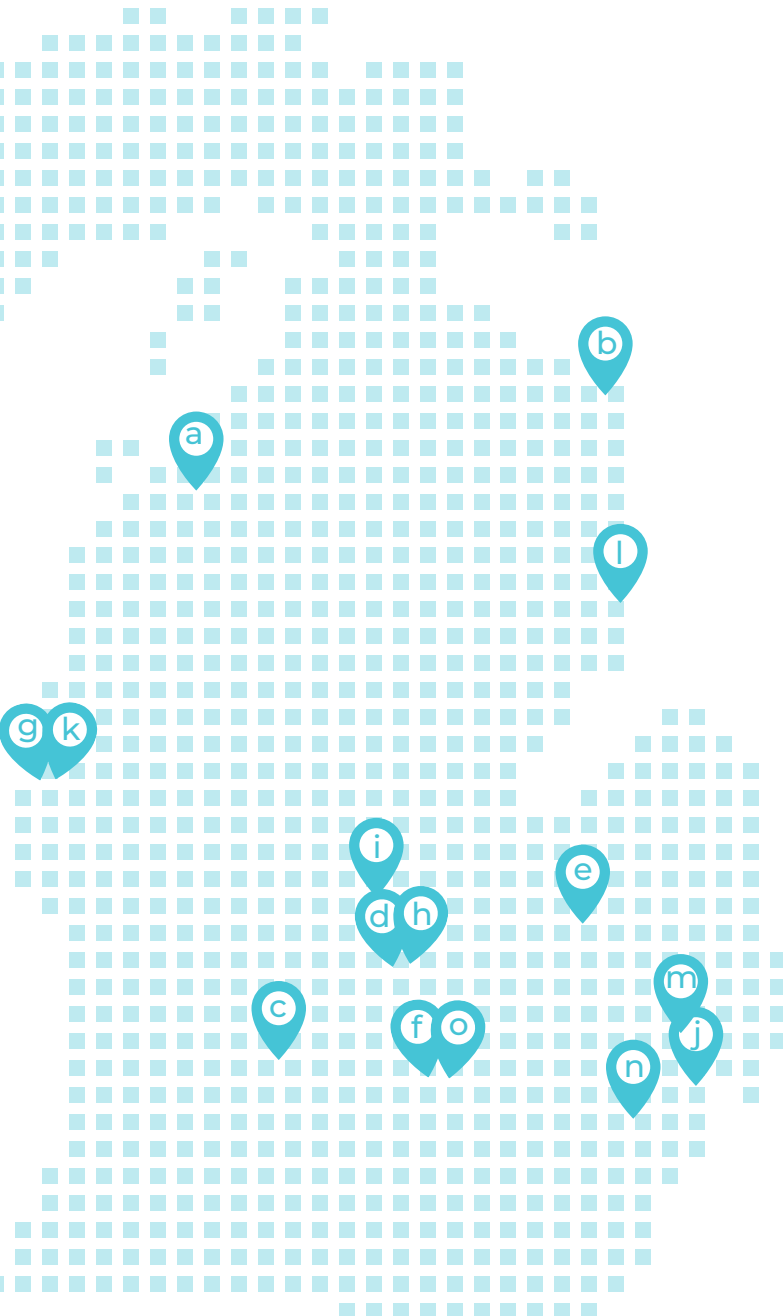
People Driven Credit Union, in Southfield, funded a new auto loan program that includes financial education and one-on-one counseling.

n. YOUNG ADULT CAMP

Romulus-based Public Service Credit Union put its grant funds towards a camp for young adults built to strengthen financial and career education.

o. ERASING MEDICAL DEBT

The SoMi Chapter of Credit Unions used grant money to help erase the medical debt in collections for financially struggling community members.



ERASING MEDICAL DEBT



Late in 2019, the Southern Michigan Chapter of Credit Unions (SoMi Chapter) announced a \$25,500 gift to RIP Medical Debt, a 501(c)(3) non-profit organization. The gift, a collaborative effort by nine Michigan credit unions and the Michigan Credit Union Foundation, helped abolish \$2.5 million in medical debt for 3,182 people in Jackson, Lenawee, Hillsdale, Calhoun and Washtenaw Counties in Michigan.

RIP Medical Debt uses donations to purchase medical collection accounts at a greatly reduced cost and pays off the debt for the neediest people. More than 3,000 local recipients of the credit unions' joint act of kindness were subsequently notified by RIP Medical Debt via letter.

"Each of our credit unions recognizes that medical debt doesn't happen by choice. We don't view medical collections as an indicator of financial irresponsibility," shared American 1 Credit Union CEO Martha Fuerstenau. "However, because loan rates are based on credit scores, the impact of a medical collection reaches into the wallet of our neighbors month after month. It's a

vicious financial cycle that also burdens the emotional health of those underneath its weight. Through collaborative giving, we are creating a new virtuous cycle for more than 3,000 individuals and families."

The individuals selected for debt abolishment are truly in need, according to RIP Medical Debt co-founder Jerry Ashton, "We find people who earn less than two times the federal poverty level or are in hardship by paying 5% of their annual income out of pocket for medical expenses, or who face insolvency due to their medical debt being greater than their assets. I cannot tell you how thrilled RIP Medical Debt is to partner with this amazing collection of Southern Michigan credit unions that do not simply talk about community involvement but live it daily."

Fuerstenau expressed the hope that the gift of debt abolishment will serve as a step toward restored financial wellness for the recipients. The credit unions involved in this project provide financial counseling in various forms for anyone in their communities.

YOU'LL SEE THE DIFFERENCE.

OPEN YOUR EYES TO A CREDIT UNION[®]





Helping credit unions serve, grow and remain strong.

f t in
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MCUL.org