CHICAGO'S ONLY BLACK-OWNED CREDIT UNION SOLDIERS ON

MARCH 19, 2018

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Medill Reports
While black-owned banks disappear, another black-owned financial institution perseveres.

South Side Community Federal Credit Union, or SSCFCU, at 5401 S. Wentworth Ave., is the only black-owned community credit union in Chicago. The not-for-profit financial institution is chartered and insured by the National Credit Union Administration (NCUA), an agency of the federal government.

The closure wave of black-owned banks nationwide has been going on for decades, with the total number halved from 44 in 2007 to 22 in 2017. In Chicago, the number slid from four to two, according to the Federal Deposit Insurance Corp., underscoring the financially-underserved situation of the city's black communities and the difficulties for a local black-owned financial institution to survive.

The SSCFCU's field of membership stretches from 22nd Street on the north to the city limits on the south and from Lake Michigan on the east to Western Avenue on the west, covering a large area of Chicago's African-American neighborhoods.

Founded in 2003, the credit union's total assets fluctuate over the years and grew to $4 million in 2017. Its membership is approaching 2,000. The association has no shareholders, for it's owned by its members, who are its depositors. However, its staff totals only five, an important reason why the credit union operates only four days a week, including four hours on Saturday.

"We are really working to be more profitable and to be able to hire more people," said Gregg H. Brown, CEO and president of the credit union. "Making more high-quality loans" is the primary route to profits, he added.

Two changes were made in 2016 in the credit union's loan policies to increase loans. One was to shorten the loan review and approval process by granting senior loan officers more authority and to lift the maximum amount of non-collateralized loans up to $10,000 from the previous $5,000.

The other change was to raise the maximum loan amount for auto and other vehicle loans to 120 percent of Kelley Blue Book suggested retail value when the borrower's credit score tops 650, compared with 90 percent of the value before the revision.

The policies have panned out so far, Brown said, as the total loans and leases doubled in 2016 to $1.5 million, compared with $712,368 in 2015. The volume continued to grow in 2017, reaching a record high of $1.7 million. The credit union swung to a small profit last year after losing money in 2016.

Despite the rise in total loans, delinquency rates declined to 11.34 percent from 26.76 percent in 2015, and further dipped to 9.87 percent in 2017. However, when compared with the 2.24 percent total delinquency rate at commercial banks in the fourth quarter of 2017, the credit union's rate is still unsatisfactory, in Brown's view.

Brown explains that the higher credit risks are rooted in the nature of the SSCFCU, as it qualifies for NCUA's low-income designation and is therefore entitled to legislated benefits. This is a classification for credit unions where more than half of their members qualify as low-income. It is set up to serve members that have challenges accessing mainstream financial products and services.

"Thirty percent of the people that we surveyed said that this was their first bank account," said Brown. "They used to go to currency exchanges and get their loans from payday loan stores."

A combination of incentives in savings plans with financial education programs is an approach the credit union is taking to combat credit risks. For example, a "credit builder" loan offers incentives to accumulate credits, while an eight-week financial education course is designed to teach borrowers how to consolidate debts and set savings goals. According to the credit union, the credit building loan program has improved the credit scores of 39 percent of the borrowers, and since the education course was launched in 2004, it has helped over 3,898 individuals.

Javada Holmes, a 30-year-old non-profit organization worker, just opened her account in the credit union last month. She looked up financial institutions online and was attracted by some resources at the association, especially the secured credit builder loans. "My ultimate goal is to raise credit scores and to increase savings," said Holmes.

A wealth and wellness program, which combines a healthcare investment account with healthcare and financial education, was initiated by the credit union in 2015. It claims to be the only financial institution across the country to have initiated such a program. Once the account is opened, participation in a variety of healthcare-related activities such as an annual physical examination and healthcare walks or runs can earn bonuses. A weight loss of one pound in a six-month period yields a deposit of $1 in the customer's account.

"The real beauty of this is that we pay them incentives for engaging in activities that will improve their health," said Brown. Due to a lack of marketing, he added, only around 30 people have been enrolled in the program so far.

As nonprofit cooperatives, the primary goals of credit unions are to encourage members to save money with higher interest and to offer loans to members with lower rates. The SSCFCU currently offers interest rates varying from 0.5 percent to 1 percent, compared with bank rates of about 0.01 percent compiled by the City of Chicago. The credit union's rates for loans vary from different categories, and the payday alternative loans had the highest rate at 27.50 percent in 2017, compared with a typical 400 percent annual interest rate compiled by Payday Loans Online Resource.

"Community credit unions are like pebbles in a pond that ought to expand into the mainstream economy," said Brown. As he sees it, the institution functions as a bridge across which people pull their financial resources in and invest in one another, thus building the financial base at the community level.