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Tools For Financial Inclusion

NACUC's 45th Annual Roundtable Forum, October 15 2021

Our Mission

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At Inclusiv, we believe that true financial inclusion and empowerment is a fundamental right. We dedicate ourselves to closing the gaps and removing barriers to financial opportunities for people living in distressed and underserved communities.

Inclusiv is a **certified CDFI financial intermediary** that transforms local progress into lasting national change. We provide capital, make connections, build capacity, develop innovative products and services and advocate for our member community development credit unions (CDCUs).

Inclusiv is a **nonprofit** that raises resources to promote and support financial inclusion and community development through innovation, knowledge sharing and best practices

Inclusiv is a **national credit union network** that provides access to affordable, responsible and sustainable financial services to 15 million predominantly low and moderate-income consumers. Community Development Credit Unions are a lifeline for their communities, providing financing for affordable housing; micro and small businesses; etc.

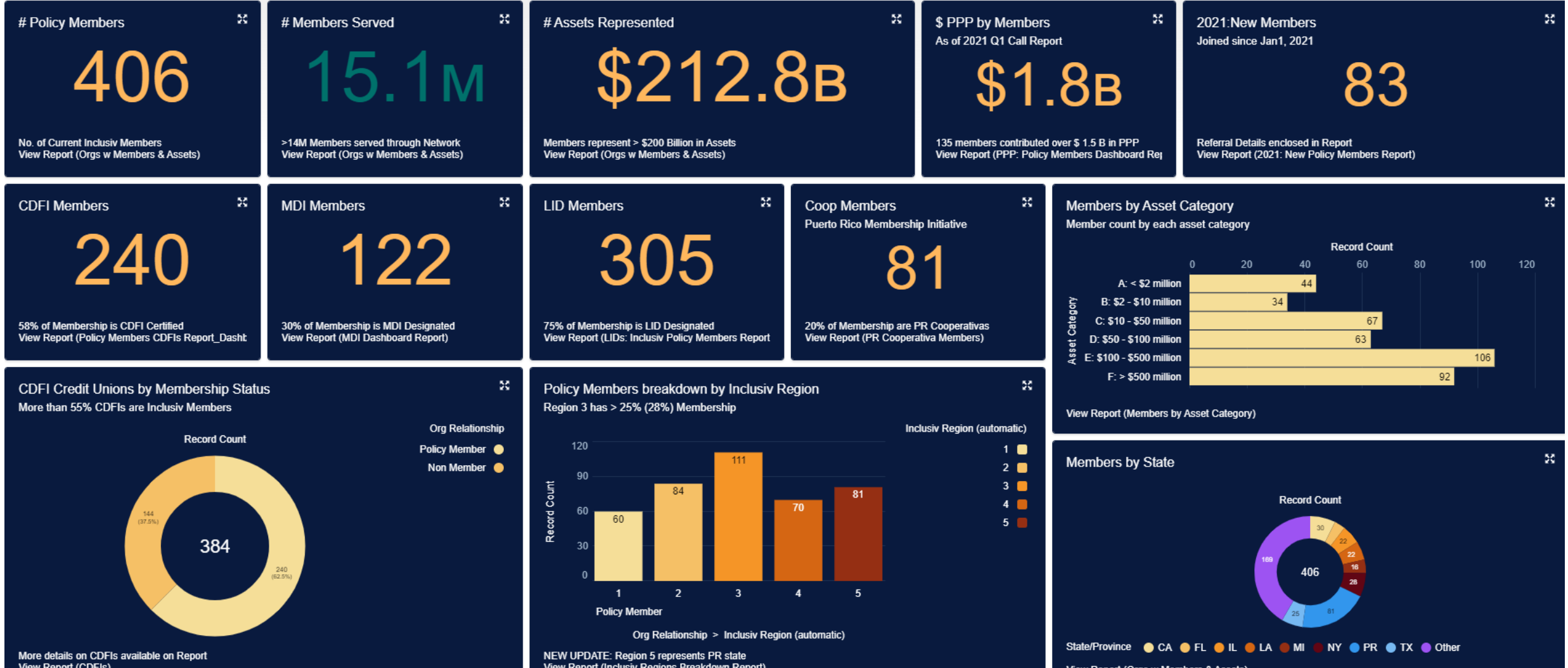
Inclusiv's mission is to help low- and moderate-income people and communities achieve financial independence through credit unions.

/ Inclusiv Credit Union Network /

Community Development and financial inclusion authority for credit union industry

- National network of mission driven credit unions
- Financial intermediary and oldest industry's secondary capital investor
- Non-profit that raises resources from the philanthropic community to promote innovation and the scaling of responsible solutions to expand financial inclusion and community development
- Industry advocate for low income designated, CDFI certified and minority designated credit unions

/ Inclusiv Credit Unions Network / Our Members



/ Inclusiv Credit Unions Network / Our Industry Partners



California and Nevada
Credit Union Leagues



Carolinas Credit Union
League



Creating Cooperative Power

Cooperative Credit Union
Association



CrossState Credit Union
Association



Patelco Credit Union



Ohio Credit Union League



Hawaii Credit Union
League



Illinois Credit Union League



Indiana Credit Union
League



Iowa Credit Union League



MOUNTAIN WEST
Credit Union Association



Louisiana Credit Union
League



Montana's Credit Unions



New York Credit Union
Association



Northwest Credit Union
Association

A LOT's Happening

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/ The ugly truth: A financial system that doesn't work for everyone /

According to the FDIC's "How America Banks" report

- 20.5 million Americans (6% of total population) is unbanked
- 50 million Americans (15% of total population) is underbanked

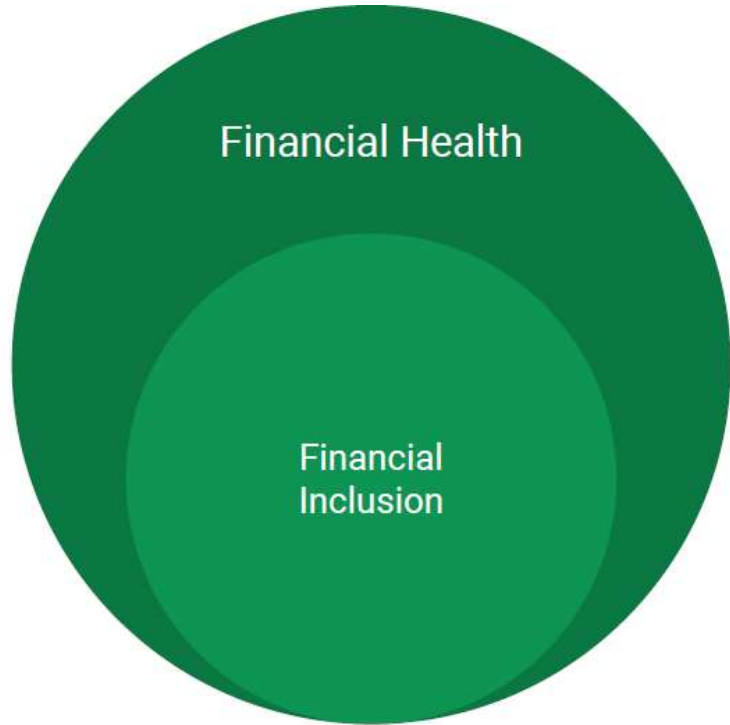
Financial exclusion disproportionately impacts people of color

- 15% of African Americans are unbanked and 32% are underbanked
- 12% of Latinos are unbanked and 23% are underbanked
- 2.5% of White Americans are unbanked and 11% are underbanked

According to Experian, **70 million** or a third of the entire US adult population has credit scores below 650

More than 100 million people are subject to income volatility and over 130 million have "impaired credit"

/ Pandemic is exacerbating these trends /



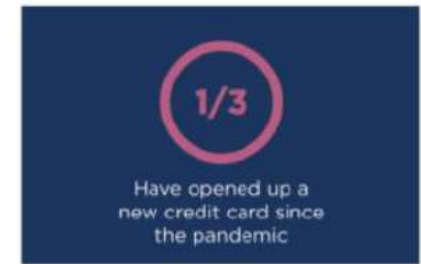
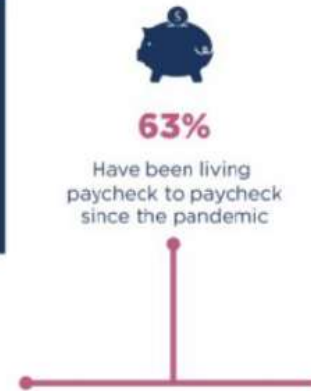
This problem is growing



There is a large population of people who we aren't able to help because they are not in the mainstream banking system



53%
say they were not living paycheck to paycheck before the pandemic



64%
of millennials say they are currently living paycheck to paycheck

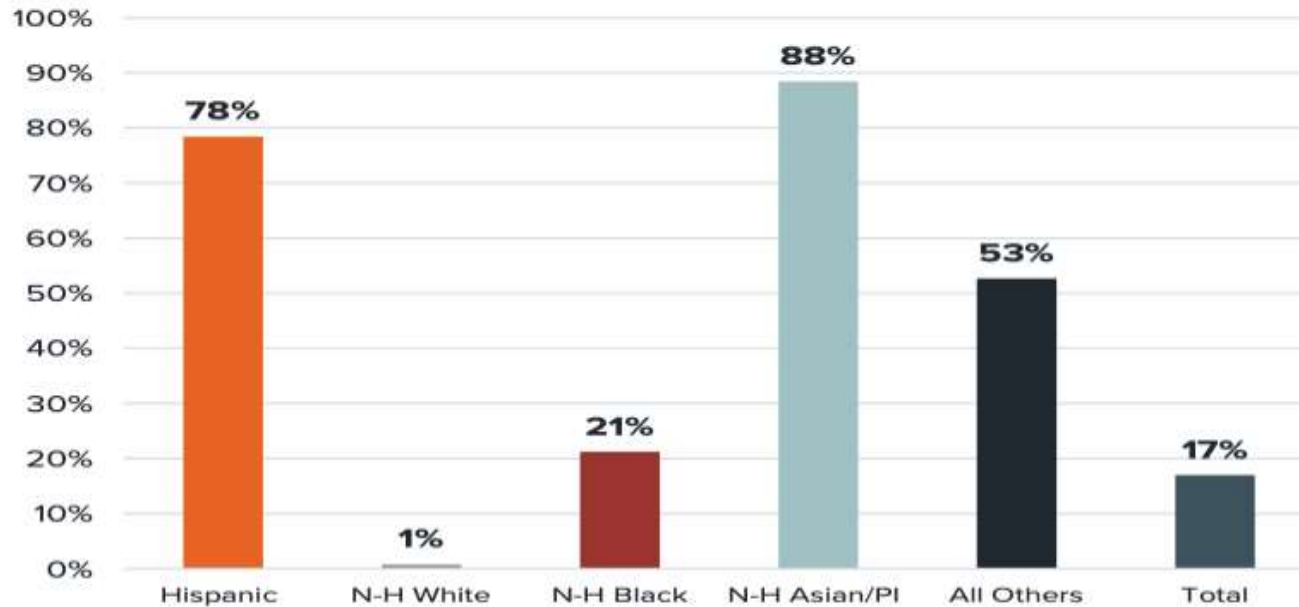
/ The cost of Financial (Ex) clusion /



- Correlation between race/ethnicity and lack of economic mobility = poverty
- Expensive to be poor! So much so that people can't afford it
- An unbanked person with average income of \$20k or less will spend:
 - \$1,200 a year on check cashing and money orders
 - Over \$40,000 in unnecessary fees in their lifetime
- Consumers with low or no credit scores may pay \$200,000 more over a lifetime for financial products and services than those with good scores

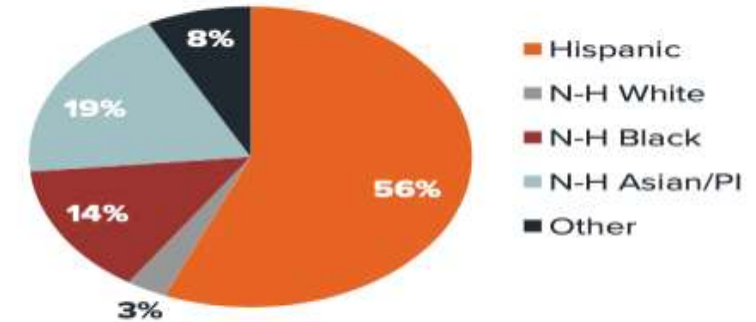
/ Demographics Trends and DEI /

Population Growth by Percent 2000-2020



Source: Claritas® AMDS 2020

Percent of Total Growth by Race/Ethnicity 2000-2020



These findings suggest that virtually all the growth now and into the foreseeable future will emanate from groups other than the traditional non-Hispanic White population.

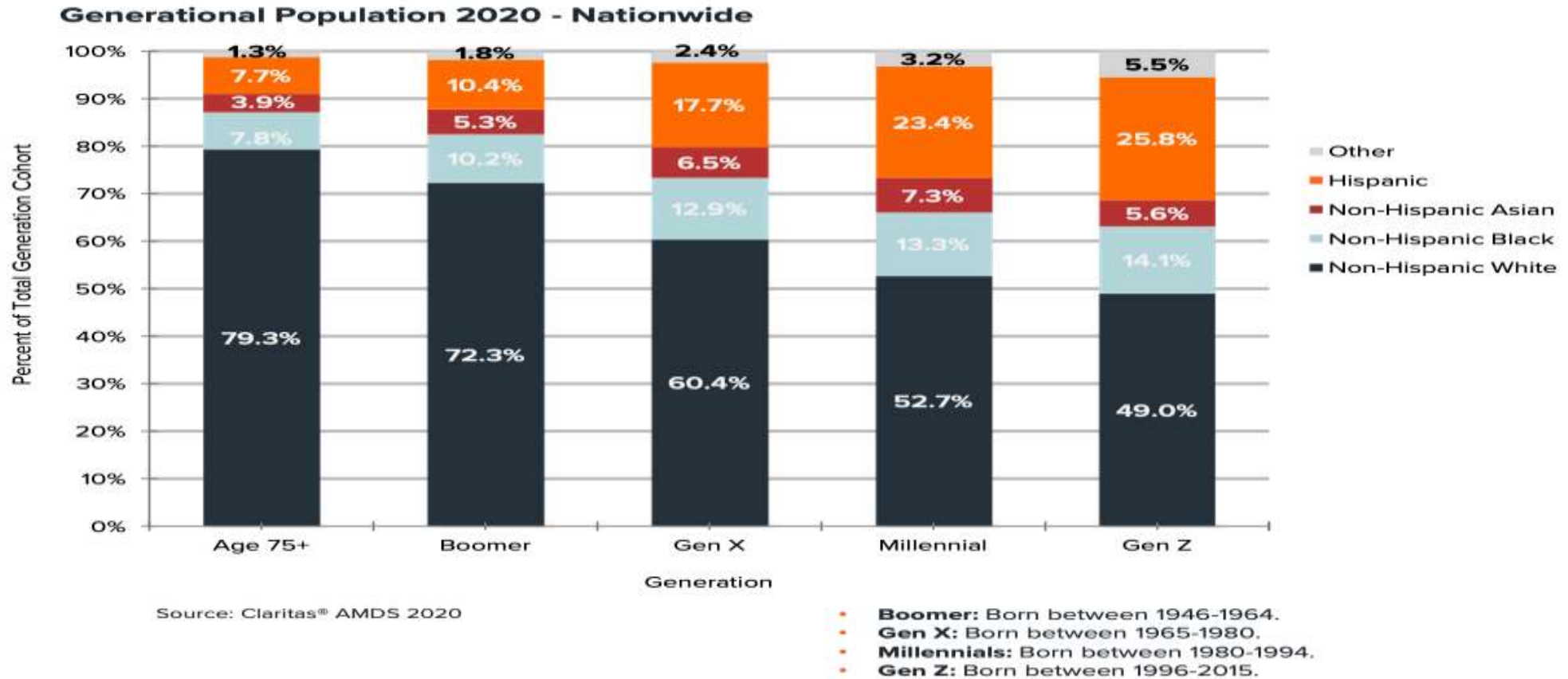


For more multicultural consumer insights, visit www.claritas.com

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/ Demographics Trends and DEI /

Every Generation is ethnically MORE DIVERSE



This is our Moment!

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/ Financial Inclusion is part of our DNA/

- The first CU in the US, St. Mary's Bank was established to help French Canadian immigrants
- Credit Union Act: To Help People of Small Means
- Credit Unions are the ultimate financial first responders
 - Mitigating impact on members: loan forbearance; fee waivers; emergency loans; loan modifications; etc.
 - More than \$10 billion in micro and small business lending as part of the SBA's Paycheck Protection Program (PPP)

/ Fully Embrace Financial Inclusion and Diversity /

Financial inclusion extends the benefits of regulated finance to those who are most frequently excluded by mainstream institutions, specifically:

- ✓ Residents of economically distressed CDFI Investment Areas
- ✓ Low-Income Individuals and Families
- ✓ Communities that experience persistent discrimination

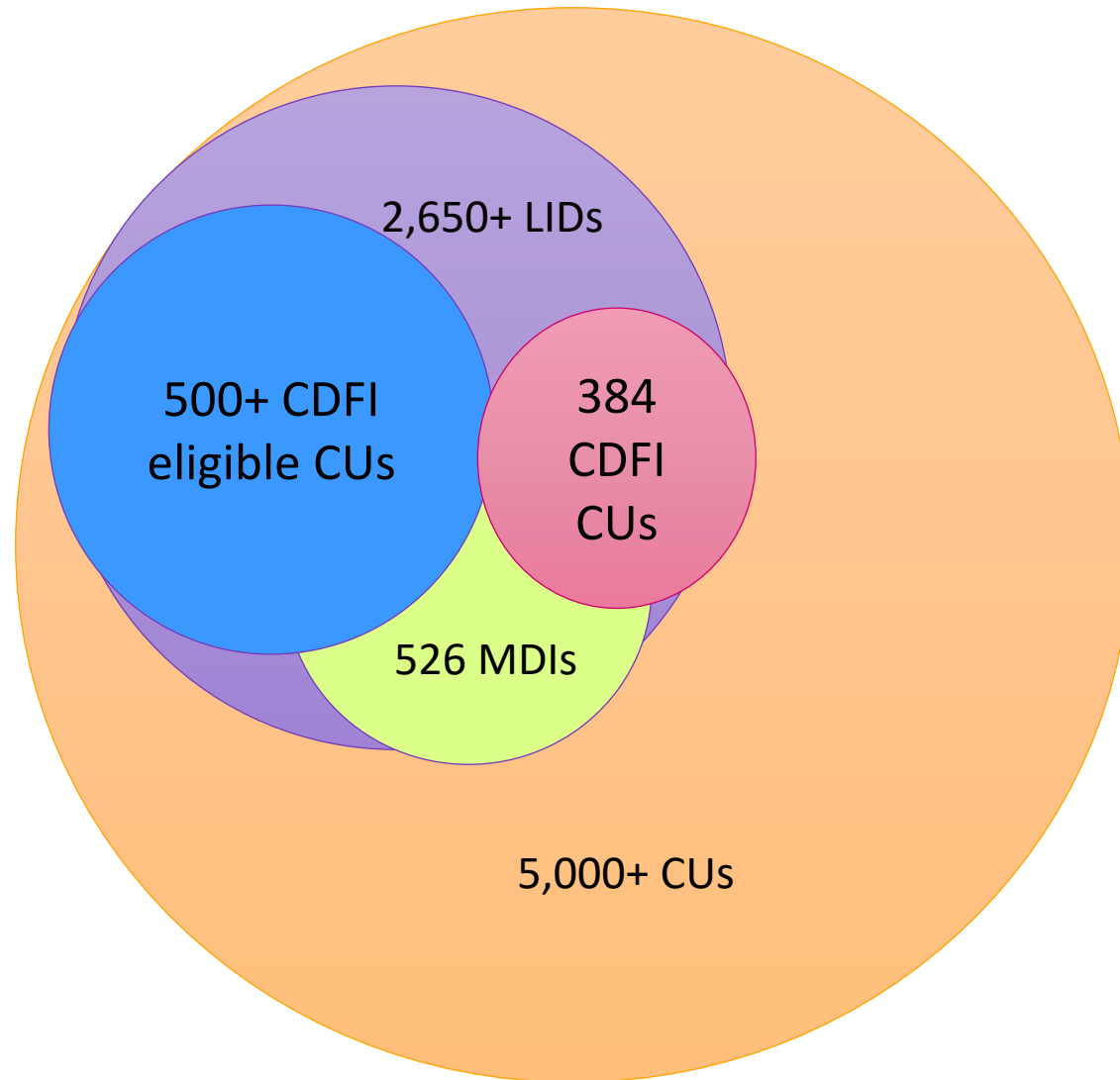


CUs that focus on financial inclusion are more profitable, grow faster and are more active lenders than their peers across the industry

Financial Inclusion Tools

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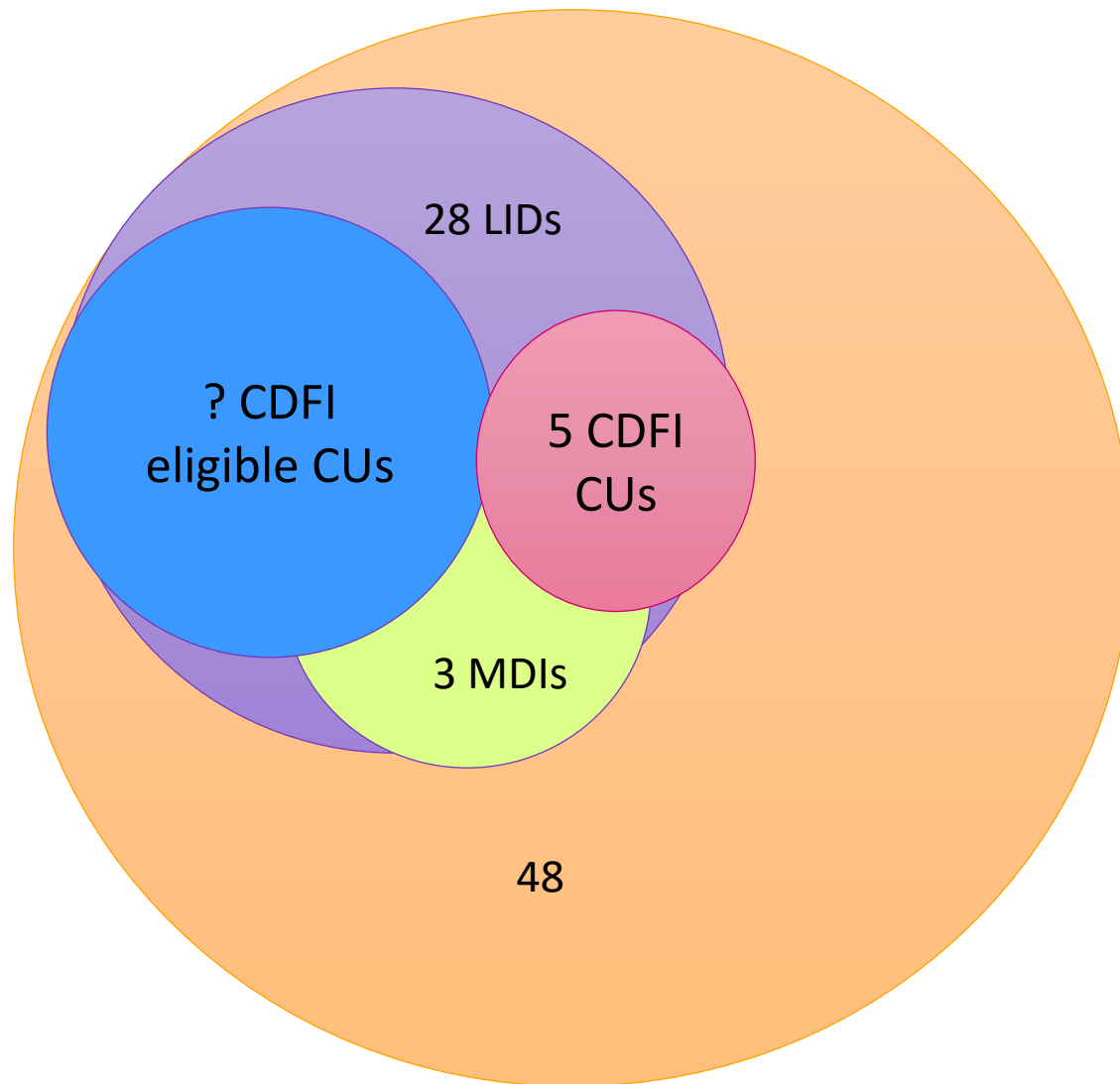
/ Financial Inclusion Tools / Industry Breakdown



- LID: Low Income Designated (*)
- MDI: Minority Depository Institution
- CDFI certified: Community Development Financial Institution

(*) A handful of CDFI CUs are not LIDs

/ Financial Inclusion Tools / Roundtable Breakdown



- LID: Low Income Designated (*)
- MDI: Minority Depository Institution
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/ Low-Income Designation /

What is it?

- Provided by NCUA to credit unions with a predominantly low-income membership
 - At least 50.01% must meet certain low-income threshold.
- 5-year cure period if percentage falls below threshold. Critical to measure on a yearly basis

Why does it matter?

- Exemption from the cap limiting member business loans to 1.75 times net worth or 12.25% of total assets
- **The power to raise secondary capital loans**
- The ability to raise insured non-member deposits from any individual or institution
- Ability to provide limited transactional services to non-members
- Regulatory flexibility. LID authority codified on Letter Issued in response to Inclusiv's advocacy and incorporated into Chapter 23 of the NCUA Examiners Manual



/ CDFI Certification /

What is it?

- Provided by the CDFI Fund,
- Must meet 7 eligibility tests
 - ✓ 2 critical ones: Accountability test and Target Market test

Why does it matter?

- **Access to external resources such as FA, RRP and MLP**
- Offers some regulatory benefits such as
 - ✓ Exemption from CFPB Ability to Repay and QM requirements
 - ✓ Exemption from MBL cap (even if not LICU)
 - ✓ Fast track to become an SBA Paycheck Protection Program lender
- Mission + margin: CDFI business model demonstrates that serving LMI markets is sustainable and a driver of growth and relevance



/ Minority Depository Institution Designation /

What is it?

- Provided by NCUA to credit unions defined by the minority composition of its current and potential membership; minority composition of their boards of directors

Why does it matter?

- Access to resources:
 - **CDFI Fund's \$1.2 billion set aside as part of the Minority Lender Program (MLP)**
 - Participation in the Treasury Department's Emergency Capital Investment Program (ECIP) that will inject \$9 billion in eligible financial institutions
- Emerging relevance within industry in the context of diversity, equity and inclusion
- Future funding opportunities both from public and private sector supporting minority communities

/ Juntos Avanzamos Designation /



- Created by the Texas CUL and taken national by Inclusiv
- Currently 116 participant credit unions with combined assets of \$108B and serving 8+ million consumers
 - ✓ Program operates in 27 states, DC and Puerto Rico
 - ✓ 14 national partners
- Designation provided by Inclusiv to credit unions that demonstrate:
 - ✓ Flexible documentation requirements for account opening purposes
 - ✓ Flexible loan underwriting criteria to meet the needs of new Americans
- Program is managed by Inclusiv but has an independent governance and accountability structure
 - ✓ Advisory committee: industry partners
 - ✓ Selection committee: JA designated CU representatives

/ 2020 Inclusiv Advocacy / Resources to Expand Financial Inclusion



CDFI Fund
\$3.2 Billion

Funding Opportunities

RRP Grants: \$1.25 billion

FA Grants \$ 130 million

COVID-19 Recovery Grants
\$1.75 billion

Status

244 CUs awarded \$402M

13 CUs awarded \$2.7M SDL

94 CUs awarded /\$11.7 M TAG

FA Grants TBA Oct

TBD

U.S. Treasury
\$9.0 Billion

ECIP Secondary Capital

90 CUs applied for \$3B

Panel discussion

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/ Panel discussion /

Responding to the opportunity

Pablo DeFilippi
Inclusiv, SVP



Roberta Charles
Board Chair



Kaua'i Government
Employees FCU
Hawaii

- Assets: \$124,252,414
Members: 7,269
- CDFI Certified
 - LID
 - MDI
 - Inclusiv Member

Luis Ramos
Board Chair



Nutmeg State
Financial CU
Connecticut

- Assets: \$526,482,515
Members: 41,310
- CDFI Certified
 - LID
 - JA Designated
 - Inclusiv Member

Roger Salter
Board Chair



US Eagle FCU

- New Mexico
- Assets: \$1,373,847,484
Members: 83,029
- CDFI Certified
 - LID
 - MDI
 - Inclusiv Member

Take Action and Contact us!

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/ RRP Support for Inclusiv Members /

CDFI Support Team



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