

Credit Union community savings points (CSPs)

Proposal for extending York Credit Union services into those communities where they are most needed

Summary

1. Members are asked to support the establishment of 3 community savings points in those areas of the city where the Credit Union's services are most needed.
2. The availability of a sustainable source for savings and credit are key to ensuring financial inclusion in times of economic insecurity and for ensuring that the financial circumstances of those who are most precarious are not exacerbated by the prevailing climate.
3. Consolidation of existing debt presently accounts for 31% of all York Credit Union loans. The need for such support through their services is only likely to rise in the present economic climate. The attached annex shows a comparison of the rates offered by sub-prime lenders in a YO31 postcode, these vary from 183.2%APR to 342.5%APR (though the Credit Union is aware of many higher rates offered in York, up to a maximum of 2,639,385.9%APR). Consolidation of sub-prime debt reduces outgoings to creditors and helps maximise income. Both the additional money lenders have and the payments on their Credit Union loan are retained in the local economy.
4. Credit purchasing accounts for 26% of York Credit Union loans. Where a national retailer offers credit it is unlikely that any of the interest charged will remain in York's economy. The typical cost of credit from a national retailer in York is 29.5%APR (see annex 1). For the purchase of an item at £230 this equates to a total cost, including interest of around £300 (there may be additional credit agreement costs added). The same item purchased over the same period using a YCU loan would result in a total cost of around £260, saving the borrower £40.

Dates for establishment of CSPs from receipt of funding (week 0)

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| Week 1. | Begin recruitment of CSP Staff (internal/external).
Identify potential suitable locations (with consideration of potential to share existing council facilities and to ensure security and viability)
Begin discussions with locations. |
| Week 3. | Confirm locations and opening times. |
| Week 4. | Interview for CSP staff.
Begin promotion of CSP locations locally (leaflet distribution/Media/YCU website). |

Week 5. Risk assessments complete for locations.
CSP equipment acquired (Laptop, Scanner, Mobile Office, etc.).

Week 6. CSP staff in post.
Train CSP staff. > Admin
 > Cash Handling
 > Security
 > Anti-Money Laundering
 > Data Protection
 > IT Systems
 > Member Care

Week 7. Launch CSPs (media event).
Ongoing training.

Weeks 7-52 Weekly CSP services

Measurable targets and outcomes

Membership - evidence to date shows that via existing Community Saving Points, York Credit Union recruits around 30 to 35 members per year per CSP. This would equate to an estimate of 100 additional members per year from three CSP's running for 50 weeks per year

Savings – evidence suggests an assumed net weekly Retained Share Growth (the average weekly increase in a member's share balance) of £2.00 (this is slightly lower than average, to reflect the nature of the CSP locations in areas of financial exclusion). If we also assume an average share withdrawal rate of 20%, we will see a net additional cumulative share balance of £8,000 per year

Lending - Where YCU issues a loan, the individual borrower saves an estimated £195 in interest payments, for credit purchases this varies depending on amount (annex 1 shows savings of between 8 and 15%).

Output measures to be reported

- Number of customers attending each CSP per month (with a comparator with the numbers at the main office and existing CSP to ensure that the new CSPs are not abstracting existing customers)
- Number of new accounts opened per CSP per month
- Average balance of these accounts
- Number and value of loans issued through each CSP

Targets	Members	Savings (assuming 20% withdrawal rate)	Loans	Savings made by borrowers on loan consolidation	Savings made by borrowers on credit purchases
Year 1	100	£8k	£22.5k	£2.7k	£468
Year 2	200	£16k	£45k	£5.4k	£963
Year 3	300	£24k	£67.5k	£8.1k	£1.4

Outcomes - Improved financial inclusion, ready and sustainable source of debt consolidation, reduced reliance on doorstep lenders, improved retention of credit in the local economy

Funding breakdown

All CSP's require two staff, and assuming two hours per CSP, plus the travel time involved in moving the CSP kit around the city, this would equate to one full day per staff member (two full staff days). The staff would be employed at Scale 4, point 18 of the NJC scale (£16,536 pro-rata 07/08). Assuming a 3% increase for 08/09 and 15% on-costs, the total staff costs for three new CSP's would be £7,835 per year.

With additional travel, management and training costs	£9,000
One-off purchase of additional IT hardware (laptop, scanner, roller case, etc)	£800
Total	£9,800