Sometimes You Gotta Wrestle with the Bicycle
Self-Help Credit Union

Mission: To create and protect ownership and economic opportunity for all, especially people of color, women, rural residents and low-wealth families and communities.

- Founded in 1980 in Durham, NC
- Originally created to encourage and provide capital to support democratic capitalism (coops, worker-owned businesses etc.)
- Growth & Scale success due to: 1) mission focus; 2) creative lending initiatives while exercising sound credit underwriting prudence; and more recently, credit union merger expansion.
Self-Help in a Nutshell

Creating and protecting ownership and economic opportunity
Self-Help, A Family of Organizations committed to financial access

- Self-Help is now the largest CDFI in the country, with over $1.8 billion in assets, serving close to 100,000 members and $450 million in net worth.

- $6.4 billion invested in more than 87,000 families, individuals and organizations since 1980.
Self-Help’s Financial Strength

- Much of the growth from our two credit unions has remained strong and resilient even during the financial crisis of the past five years. The combined assets of our credit unions grew by almost 300 percent between 2008 and 2012.

- All member deposits are invested in loans. As of 9/30/2014, SHCU has $568 million of member deposits. Loan-to-share ratio for both credit unions is 70%.

- Each member account is insured up to $250,000 by the National Credit Union Association.

- SHCU’s loan net charge-off ratio as of 9/30/14 was 0.62% (losses / average loans). It was the same in Q1 2013. For comparison in 2008 it was 0.68%, rose to 1.24% in 2010 and declined in each subsequent year.

- SHCU at 9/30/14 had a loan loss reserve of $11.64 million, which is 2.96% of loans and 1.74% of assets, and a net worth ratio of 12.99%.
## Self-Help’s Four Main “Lines of Service”

<table>
<thead>
<tr>
<th><strong>Community Lending</strong></th>
<th><strong>Retail Financial Services via SHCU &amp; SHFCU (branches NC, CA &amp; IL)</strong></th>
<th><strong>Real Estate Development</strong></th>
<th><strong>Center for Responsible Lending (CRL) (2002)</strong></th>
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<tbody>
<tr>
<td>Impact areas:</td>
<td>State CU est. in NC in 1984; grown through 8 mergers.</td>
<td>Acquire and rehab key properties to promote community and economic development.</td>
<td>Federal and state policy research and advocacy on predatory lending and consumer issues:</td>
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<td>Single Family mortgages</td>
<td>17 full-service branches</td>
<td>Retail branches</td>
<td>Payday lending</td>
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<td>Access to healthy foods</td>
<td>$650 MM assets</td>
<td>Multi-tenant office</td>
<td>Mortgage reform</td>
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<td>Charter Schools</td>
<td>51,000 members</td>
<td>Charter school facilities for low-income students</td>
<td>Car title lending</td>
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<td>Alternative energy</td>
<td>Federal CU est. in CA 2010</td>
<td>Affordable housing</td>
<td>Credit/debit card lending</td>
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<tr>
<td>Affordable housing</td>
<td>grown through 7 mergers.</td>
<td>Single Family homes</td>
<td>Student loans</td>
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<td>Small businesses</td>
<td>20 branches</td>
<td>Senior living</td>
<td>Debt consolidation</td>
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<tr>
<td>Nonprofit facilities (Childcares, Churches)</td>
<td>$560 MM assets</td>
<td>Adaptive, historic reuse</td>
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<tr>
<td>Commercial real estate</td>
<td>49,500 members</td>
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<td>Consumer loans</td>
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Sector Analysis
Strategy and Process

**Strategy**

Combine mission impact and financial sustainability:
Define a list of potential lending sectors like Child Care and Charter Schools where Commercial Lending can achieve mission impact directly to borrowers and their communities and support Self-Help’s financial sustainability by making its lending activities more efficient by accumulating depth and expertise in specific market areas.

**Process**

Knowledge and Research
Learn by Doing
Continue to investigate potential sectors that will, if positive, provide a road map for marketing and working in that sector and, if negative, provide the data that identifies the obstacles for working in particular markets.
STEP 3: Opportunities for Self-Help

Key Questions:
Is this a good sector for S-H?

Look for:
- “Niches” within the sector? (What value do we bring to borrowers)
- Does it fit our mission? (Measurable positive impact on S-H target communities and individuals; Policy implications; Create jobs)

Deal Flow
Would potential borrowers want SH’s loans
Size of the market?
Capital needs? Loan size?
Is there enough demand?

Competition: Who are we competing with?

Availability of Innovation Capital (grants, PRI’s)
Other funding opportunities?
Possible Partnerships?

Step Check:
Is S-H ready to go? If YES → Continue to Step 4.

*Figures from rough analysis done in 2010.*
We’re Committed to Healthy Foods

Impact
• Job creation
• Rural economic development
• Public health (less adult & childhood obesity)
• Access to Capital for Innovative Entrepreneurs

Economic Case
• Lending opportunity based on following strengths of clients:
  o Fundamentals of business (management)
  o Financial viability (business model)
  o Borrower has to have skin in the game

Creating and protecting ownership and economic opportunity
New Healthy Food Lending
$1.5 million to Eastern Carolina Organics

transformed an East Durham 26,000 ft² brownfield site into a new organic produce distribution center to grow and expand its business.

- Incubator space for small business startups
- $356,000 Energy Features (lights, envelope, cooler compressor)

“Now with this new warehouse, the growth of ECO is in the hands of our innovative farmers and loyal customers, enabling us to make a greater impact on the food system through our supply of local organic food from North Carolina family farms.” - Sandi Kronic, Executive Director
Creating and protecting ownership and economic opportunity

Mission Federal Credit Union
4/2011
$6MM assets
2,500 members

People’s Federal Credit Union
9/2008
$4MM assets
2,800 members

Community Trust
6/2009
2 branches
$41MM assets
12,000 members

Il Fútbol Federal Credit Union
1/2010
$7MM assets
3,000 members

Ist Pacific Credit Union
1/2011
9 branches
$161MM assets
16,500 members

United Savings Federal Credit Union
6/2010
$23MM assets
4,000 members

Prospera
1/2010
Pilot branch
(start up)

K.C. Central Credit Union
1/2010
2 branches
$34MM assets
8,000 members

CT Prospera LA
7/2012
5 branches
(purchased)

Creating and protecting ownership and economic opportunity

Next Expansion phases: San Diego and Fresno
Self-Help’s Awards

2013 Hubert H. Humphrey Civil and Human Rights Award to CEO & Founder, Martin Eakes

2012 MacArthur Award for Creative and Effective Institutions given to Center for Responsible Lending

2011 Visionaries Award to Martin Eakes

2009 Ned Gramlich Lifetime Achievement Award for Responsible Lending

2004 One of 14 best organizations building economic opportunity for African Americans by USSIF (formerly Social Investing Forum Foundation) and Co-op America

2004 Social Capitalist Award. One of top 20 groups changing the world.

2012 published by UNC Center for Community Capital. “Regaining the Dream” uses data from Self-Help’s home lending and model of mortgage lending to tell the story of how to fix what went wrong in our housing finance system.