Good afternoon, my name is Maynard Hurd and I am the Vice President of Lending at Securityplus Federal Credit Union. To give you some background on Securityplus, we are a not for profit financial institution that opened our doors in 1937 to serve the employees of the Social Security Administration located in Woodlawn, Maryland. Today we have approximately 35,000 members and 362 million dollars in assets. We continue to provide the credit union benefit to the Social Security Administration, the Center for Medicare and Medicaid Services, many other business and associations, as well as offering membership to anyone who works, lives, worships, or attends school in Baltimore City. We have recently been designated as a Low Income Credit Union and received our certification as a Community Development Financial Institution. Our goal is to make A Positive Difference in the lives of our members, staff, and the community.

I would like to thank Congressman Sarbanes and Cummings and Senator Warren for holding this session and inviting me to represent Securityplus. Back in 2011, our Credit Union noticed an increasing number of members having problems with maintaining a positive balance in their checking accounts. These issues indicated that some of these members were experiencing financial stress and were turning to payday lenders to alleviate that stress. In obtaining payday loans, members provided their deposit account information to the payday lenders who would in turn seek to debit that account on a regular basis seeking payment, which in many cases resulted in a negative balance.

In response to this trend Securityplus created a small dollar loan program to provide our members in need of instant credit with a more affordable and measured repayment option. We constructed the program to comply with the guidance issued by the National Credit Union Administration regarding small dollar loans. This program provides members with the opportunity to borrow up to $1000 at a fixed rate of interest for a term of 6 months. There are no pre-payment penalties and the loan must be paid in full in order to be eligible for another loan. Although the product may seem to be priced high to people with good credit, it is considerably more affordable to a person with poor credit or limited credit than the typical lending products available to them today. We tried to build our product to be simple and convenient, which are the major qualities that attract people to payday loans. To qualify for the loan, we require proof of employment and we verify the member’s ability to repay the loan. We do not perform a credit check and we limit the number of loans a member can obtain in a given period of time. We have seen the benefits of this program to our membership even though the default rate is high as is the amount of employee time involved because we require the member to interact with staff before the loan is issued. Last year all of our staff received at least introductory training in Financial Counseling to assist our members in working to improve their credit so they can qualify for more favorable types of loans. Unfortunately, we have found that many of our members favor the convenience of the small dollar loan over the traditional loan process, even if that process would provide a lower cost alternative.

Security*p*lus also offers a Creditbuilder loan product to help people either establish or improve their credit score. Members are loaned money, which is locked in a savings account. The member then makes payments for the term of the loan. The interest rate is minimal, set at just 3% above the savings account rate. After the loan is paid off, the proceeds are released to the member. Through consistent payment of the loan, the member’s credit score should improve allowing them access to more affordable credit.

It is our belief that education of the consumer, combined with the help of financial institutions, consumer advocacy groups and social service organizations can help people and their communities solve some of the financial problems they face today. Thank you.