



FEDERAL RESERVE BANK  
OF PHILADELPHIA

State Employees' Credit Union®



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Philadelphia  
October 16, 2007



## *SECU Salary Advance Program*

- Maximum Amount \$500
- Maximum Term 31 Days
- Line of Credit (one time set up!)
- Requires SECU Checking Account
- Requires Direct Deposit at SECU
- Breathing, Not Under Bankruptcy
- Interest Rate 12.00% APR (1% per month!)
- Mandatory Savings (5% of borrowing)



## *SECU Salary Advance Program*

### *Basic Economics*

	<u>SECU Actual</u>	<u>Bank/Credit Union</u>
Interest Rate	12.00%	18.00%
(Loan Losses)	(.25)%	(5.00%)
	11.75%	13.00%
(Cost of Funds)	(4.00)%	(4.00)%
	7.75%	9.00%
Operating Costs	(2.00)%	(3.00)%
Before Tax Earnings	5.75%	6.00%

*...What other products give you a 6.00% pretax ROA or a 75% pretax ROE (8% capital rate)?*

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## *Let's calculate that difference...*

- **Payday Lender**
  - \$15 per hundred borrowed or \$75 fee on a \$500 loan for 1 month.
- **SECU**
  - 1% of amount borrowed or \$5 in interest on a \$500 loan for 1 month.
- 50,000 SECU members use the salary advance loan each and every month.
- Each member “saves” \$70 each month (theirs \$75 – ours \$5!).
- Monthly savings: \$70 x 50,000 people = \$3.5 million.
- Yearly savings: \$3.5 million x 12 months = \$42 million.
- SECU members have \$15+ million in savings with the Credit Union.

*We see the world differently!*

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