



## Six Credit Unions Selected To Seek Payday Loan Alternatives

New York, November 10, 2004 - JPMorgan Chase & Co. and the National Federation of Community Development Credit Unions have selected six credit unions in five states to create and develop alternatives to high-cost "payday" loans for consumers.

Starting early next year, the bank will work with the credit unions in California, Illinois, Louisiana, New York and Ohio to help low-income consumers who now use short-term loans to carry them over until their next paycheck. With few choices, these customers are faced with high fees and rates for loans as short as a week or two.

"Through a rigorous approval process, we selected these credit unions because of their strong records of improving the communities they serve," said Lewis Jones, president of The J.P. Morgan Chase Foundation. "These new partners will work hard over the next year to find workable alternatives that will help consumers and their families keep more of their hard-earned money."

The grants totaling \$225,000 will go to (in alphabetical order):

**ASI Federal Credit Union (Harahan, LA) \$25,000** - ASI FCU serves individuals, families and businesses from five parishes in Louisiana. The credit union will introduce "APPLE" consolidation loans to help members pay off debts of up to \$1,000 that are owed to predatory lenders. Borrowers will have up to 18 months to pay back these low-interest loans, at a fixed APR of only 10 percent. ASI will also help their members build assets while paying off their loan; a portion of each APPLE loan payment will be placed in a new savings account, to help the member through future emergencies. Borrowers also will be asked to pledge not to borrow funds from any payday or predatory lenders for the duration of their APPLE loan.

**Bethex Federal Credit Union (Bronx, NY) \$25,000** - For 34 years, Bethex FCU has served communities in the South Bronx, where there are more check cashers borough-wide than any other financial services provider. Bethex will use their APPLE grant to expand their "Cash-in-a-Flash" program, which provides emergency loans up to \$500 without a checking account or good credit history. Loans are generally available the same day they are requested and are intended to bring people into the credit union where they receive credit counseling, financing literacy training, and other development services.

**Faith Community United Credit Union (Cleveland, OH) \$50,000** - For more than fifty years, Faith Community United Credit Union has been providing affordable financial services to lower income residents of Cuyahoga County, Ohio. Currently, almost 30 percent of the credit union's members have incomes below the federal poverty line and many members that meet the minimum requirements take advantage of the credit union's "Grace" Payday Loans. Faith Community United will use their APPLE grant to ease these requirements for newer members and increase

their Grace Loans by 30 percent. The maximum amount for a Grace Loan is \$500 in any month, and the credit union requires borrowers to save a minimum of \$10 per month and show proof of employment. Faith also encourages new participants to take advantage of their other asset-building programs, including financial literacy and homeownership classes.

**Lower East Side People's Federal Credit Union (New York, NY) \$25,000 -**

Lower East Side People's Federal Credit Union was chartered in 1986 and is a full-service community development credit union whose mission is to give access to affordable financial services to all residents and businesses in the Lower East Side of New York City. According to the 2000 Census, more than half of all households in this area live in poverty and approximately 27 percent of the local population are foreign-born. The credit union will use their APPLE grant to offer emergency, non-renewable loans of up to \$500 to any employed member who gets paid by check. The credit union expects to make at least 500 loans that will serve as alternatives to high-cost payday and tax refund anticipation loans. The credit union also expects that 250 borrowers will enroll in financial literacy classes and 200 will receive financial counseling about economic independence.

**Northeast Community FCU, Mission Area FCU and Patelco CU (San Francisco, CA) \$50,000 -**

Northeast Community FCU, Mission Area FCU and Patelco CU have formed a consortium to jumpstart financial activity and services among the most underserved populations in San Francisco. The consortium intends to refine Northeast's "Grace Loan" program and extend it to Visitacion Valley, Excelsior and Bayview-Hunters Point. Studies have shown that these two linguistically and culturally diverse areas are especially at-risk to payday lenders. The three credit unions will reach out to these communities by creating a Credit Union Service Organization (CUSO) and with a satellite branch office and field offices in the target communities.

**South Side Community Federal Credit Union (Chicago, IL) \$50,000 -** South Side Community FCU is a newly chartered credit union that has experienced significant growth since opening its doors in November 2003. Serving an area of Chicago more targeted by payday lenders than any other, the credit union has introduced the first payday loan alternative in the South Side of Chicago. The credit union has modeled its approach on the successful Payday Alternative Loan (PAL) product of Northside Community Federal Credit Union, and will use its APPLE grant to more than triple the number of PALs offered in 2005.

JPMorgan Chase and the Federation continue to seek a member credit union to develop alternatives in Texas as part of a \$400,000 grant announced by the bank earlier this year. Full results and analysis are expected in the spring of 2006.

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The National Federation of Community Development Credit Unions represents 220 credit unions serving urban and rural low-income communities across the United States. Founded in 1974, the Federation is headquartered in Lower Manhattan and offers a wide range of advocacy, educational, training, capital, marketing, and outreach programs to support and assist credit unions. To learn more about the Federation, please visit [www.cdcu.coop](http://www.cdcu.coop).