



A VISION OF A YOUTH CREDIT UNION

A Children's Defense Fund (CDF) study, conducted in 1992, found that more and more children in the United States are being raised in poverty. In the 1960s, the proportion of children living in poverty decreased from 27 percent to 14 percent. But it has been rising since then. In the 1970s, it jumped back to 17 percent. In the 1980s, it rose to 22 percent. For African-Americans, by 1989, the proportion had risen to almost 40 percent—that's four out of ten children living in poverty. This was during a decade of unprecedented economic growth in all sectors of the American economy.

A vital part of a child's development takes place in the first two to three years of life. During these early years, the child's physiological, emotional, and intellectual growth patterns are established for later years. If intellectual or nutritional nourishment is arrested, which is more likely among children raised in poverty, a child may not grow to his or her potential.

This has been the case, of course, in developing countries. Unfortunately, unless the trend is reversed, this may rapidly become the case for many children in the United States. The CDF study concludes:

"Our high poverty rate is interfering with the healthy development and education of millions of our children and threatens the nation's economic and social future."

Whether or not you agree with this bleak assessment, evidence indicates that education for children in the United States is sorely inadequate. And financial education is rarely taught at all. One means of addressing this portion of the problem is to teach financial and consumer education through credit unions.

Youth programs are particularly helpful. Children can more easily absorb the skills and values that will help them gain control of their financial well-being, particularly since they don't have years of bad habits to overcome.

The best time to start teaching consumer finance is with seven-year-olds.
Teaching should continue through high school.

More than a Financial Institution

If D.E. Wells FCU is the offspring of the Mt. Calvary Baptist Church, the Youth Credit Union is surely the child of the offspring. The Youth Credit Union was formed for many of the same reasons as its parent: access to low-cost credit and a secure place to save. As it evolved, the Youth Credit Union became more than a financial institution, it became a home and a learning center where students were taught skills and values that would give them control of their financial well-being right from the start.

At the Wells Youth Credit Union, as with any effective learning institution, students also learn about the responsibilities, unwritten rules, and subtleties of the passage into adulthood. They accomplish this through practical tasks, such as serving as youthful ambassadors to the Springfield community. They have been hosts and hostesses at Urban League and NAACP annual dinners, and they have participated in community clean-ups and outreach programs to schools and summer camps.

The results of the CDF study point to a need for more learning centers like the Wells Youth Credit Union, especially for minority children. Wells and other credit unions can offer valuable tools to cope in a sophisticated and specialized economy.

This chapter will look at the history of the Youth Credit Union; the reasons for planning and organizing it; and its development, early successes and problems.

Teaching Saving

A successful enterprise and learning center starts with a vision combined with perseverance to turn that vision into reality. Carol Arango became manager/treasurer of the D.E. Wells FCU in 1986. As manager, Arango noticed many African-Americans could not fill out applications and were unfamiliar with financial institutions. She also noticed that young adults were uncomfortable with financial institutions, and lacked the saving habit. She started to think about ways to make young people more comfortable, and not feel intimidated by a financial institution.

I thought that if we took the seven-year-olds and let them operate a credit union, they would develop good habits. They would be able to develop the habit of going to a financial institution and make it a regular part of their lives.

Aranjo's vision was supported in the early years by practical examples. In one case, an 11-year-old child of a member said that he would join the Wells FCU if he was allowed to buy a car. Aranja asked him to come in every Saturday to deposit \$10 to \$15. When he reached the age of 16, he didn't want to withdraw his savings. He didn't buy the car; he still maintains the savings account. This showed that the sense of ownership was strong and that the act of regular saving could bring changes for a child.

But it was critical that the children save the money themselves. If parents saved for them, they would withdraw their funds, but if they saved for themselves, they would be more likely to keep the cash in their accounts.

In another case, two daughters of a member, ages 11 and 12, volunteered to help out at the credit union. After a period of time, their mother reported a marked change in both girls' behavior: they had become more responsible and mature.

Others in the Wells Credit Union also saw a need for a youth organization that would change young lives and offer an alternative to the negative effects of inner-city life: drugs, violence, peer pressure, and a simple lack of activities.

A fighting chance to defeat that most crippling of social diseases—poverty—was another reason for forming the youth credit union. Financial illiteracy was one of the reasons people stayed mired in poverty, according to many of the members of the credit union.

Reverend O'Neal of the Mt. Calvary Baptist Church said that his counseling with members of the congregation often dealt with the effects of a lack of money management. Young couples, already in debt and with few resources, want to spend \$4,000 for a wedding. O'Neal counsels them to be realistic and consider the dubious value of spending excessive funds on a wedding, particularly if money was not available. Parents, he thought, needed to take a more active role:

Parents should take a more active role in teaching about financial matters. It is tragic when you have to learn the hard way. By the time you are in a financial tizzy, it is too late.

Getting youngsters involved with financial education and the credit union at an early age helps them prepare for life. They are able to manage their own destiny, they are "head and shoulders" above their parents, according to O'Neal.

A Reluctant Board

Even though there was some support for the idea of a youth credit union among the board of directors and members, it took considerable lobbying and consensus building by Aranja to convince the full board to support it. The president of the board said that even though they agreed to the need for a youth credit union, they fought it.

The board's objections centered on a perceived lack of interest by the youth. The children wouldn't want to give the time.

The board also said that the children were too young to learn about computers and financial management. While the board was considering the idea, Wells FCU was hand posting accounts. It took a "real selling job" to convince the board, said Aranjó.

Another board member said that it would be difficult for Carol Aranjó to handle her job duties and add the considerable time needed to set up the youth enterprise. At the time, the credit union had just moved out of the church, and was experiencing growing pains. That board member would later agree to become one of the advisers for the 15- to 20-year-old age group.

It took Aranjó more than two years, but she was finally able to convince her board to try the idea on a limited basis. Once they "bought it, they have been behind it," said Aranjó.

The adult board has become one of the most enthusiastic supporters of the Youth Credit Union. And many of the board members have served as advisers. Other board members drop in from time to time to offer informal, but invaluable advice on running the credit union.

Involved From the Beginning

Once the board gave its approval, a small group of members was assembled to begin the many hours of planning that lay ahead. Youths were involved from the beginning. The adult advisers established committees to prepare loan applications and developed policies on loan limits, types of loans, age minimums, and prepayment.

Some of the original procedures for the youth credit union were based on the SIS Bank procedures. SIS and Wells don't consider themselves competitors. Wells FCU sends its members to the bank for services the credit union doesn't provide, and SIS Bank does the same. This is a repeated theme throughout the history of both the Wells FCU and the Youth Credit Union:

Unlike many credit unions, D. E. Wells has developed good relationships with local banks. This has been a reason for the success of the youth and adult credit unions.

One of the first decisions was determining the fee for becoming a member. At first, it was suggested that the fee charged should be \$100, but that was generally regarded as being excessive. After a great deal of negotiation, the fee was set at \$2.50.

In April 1988, in preparation for the grand opening the next month, the youth and adult group gave presentations at churches and other community gatherings. The youth members conducted one-on-one presentations to their friends, which is typically the most effective