

MoneyWise Newcastle

Credit Union News

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A BUSY YEAR OF GROWTH

2006 saw an incredible increase in growth for MoneyWise. Having started the year with a loan book of almost £2M we closed at nearly £2.5M. With members savings only £20k more than the loans we have managed to maximise our assets. This does of course pose fresh challenges and we have to be careful with our lending to ensure we can provide loans to as many members as request.

So what were the key indicators to our growth? It is difficult to put a definite marker down but a successful promotion through the City Council payroll system did have a major impact. A promotional loan of £300 on joining under payroll deduction saw 190 new members take up a total of £57,000 in new loans. The committees annual review of its lending policy also saw a radical change in its lending practice. Out went the requirement for a savings ratio before application, and in came a more capacity based approach.



So what is capacity based lending?

Traditional credit union lending has meant members saved for a period of time and then borrowed an amount 2,3,4 or 5 times their share balance. This allowed members to target a set amount to borrow and ensure they had enough savings to qualify. Credit checks were only carried out on loans of £3000 and above. Members' soon realised what to apply for to avoid embarrassing questions. The only evidence the credit union had of member's ability to repay was how they raised the initial savings. For many a maximum loan of £8,000 meant only having to show £1,600 in shares.

With a capacity based approach members' now have to prove ability to repay, by saving or making loan repayments for a minimum period of time at the rate the new loan will be scheduled. Along with a new loan application form and a disposable income calculator built in, hopefully we will have a better idea of whether members' can afford to meet the payments. In assessing loans we now know:- length of membership, income, the maximum amount available to borrow, the maximum time available to repay and the previous credit union history. With ability to credit check any application we now believe we are able to make more informed decisions in respect of each application than ever before.

CIVIC CENTRE GOES LIVE

Having moved the majority of staff to a new Head Office location in Byker, work for the staff based at the Civic Centre was restricted. We spent six months e-mailing information backwards and forwards, operating with limited access to our main accounts software program and having updates restricted by the council's internet security. To say duplications and errors occurred would be an understatement. With a small amount of funding support and some of our own cash we recruited the services of Savantis Ltd. A local IT networking firm specialising in solutions for the financial sector, Savantis created a live link between the Head Office and the Civic Centre. With the system available away from the office and all members of staff being able to access the full software program we are looking forward to increased efficiency and productivity.



KEY LOANS—AN UPDATE



In August we launched our Key Loans. These loans are targeted at borrowers caught up in high interest costs from doorstep lenders who may not have the ability to save for the six week requirement. We have a specialised loan officer committed to this task, Joe Robb. Joe joins us from a 4 year career with the Royal Navy. No stranger to credit granting, Joe worked for the Northern Rock Building Society as an unsecured loans officer before his career with the Navy. Early indications are that these loans are making a real difference to the lives of many. We have currently lent £60,000 to 220 new members on this scheme and Joe continues to meet and interview more applicants daily.

MONITORING BAD DEBT

This year we have continued to identify missed payments and pursue bad debt. This is still an area that causes major concern and although we exceed the Financial Services Authority's minimum standard for bad debt provision we have to consider the point at which a member will not return to payment. When members default on repayment of loans, every effort is made to pursue them. In the past it might have taken six months of enquiries and letters before finally deciding on court action. This is about to change. Our software now allows us to review our loan book and see if scheduled payments arrive correctly. A major area of non payment is excuses about banks not receiving standing order instructions. We take responsibility for posting standing orders to the bank but members' need to take responsibility for ensuring the payment is made. If an agreement is made to pay on a set date, members' need to ensure it is paid on time.



What provision to Bad Debt do we provide?

As an indicator it is worth noting what action we have to take when a loan enters into default.

Under FSA rules the moment a loan is accepted we have to write 2% off automatically. That is £2 in every £100 borrowed. When a loan goes three months in arrears we must provide an additional 33%. So now a £100 loan not repaid in three months costs us £35. If the loan fails to receive any payments after 12 months we have to provide 100%. So now the loan of £100 not repaid costs the credit union £100. This is money that comes from surplus, profit and any dividend to members.



Remember – **Bad Debt affects us all, if you get into difficulty don't ignore it. Talk to the Credit Union.**

MONEYWISE WEBSITE



Our new look MoneyWise website is now up and running. You can now download any of the regular forms for managing your account as well as contacting us through the site.

Latest news is available as well as the latest lottery information and winners. With RSS feed you can receive the latest news direct to your own PC or mobile phone. Visit us at www.moneywise.org.uk and let us what you think of the site.

LOTTERY



Our members lottery has now been running for six months and has paid out almost £1000 in prize money. **To succeed it needs members** and as the majority of money is returned in prizes, **the more members that take part the bigger the prizes can be.** Playing is easy. You can have up to a maximum of 10 tickets at £1 each. All you need to do is ensure there is sufficient money in your share account to meet the monthly deduction. The computer system takes your stake and then returns any winnings back into your account.

To enter simply contact our Head Office, complete an application form and let us do the rest. Alternatively you can apply on-line at www.moneywise.org.uk/lottery

ARE YOU PAYING EXTRA TO PAY YOUR UTILITY BILLS?

If you are faced with the prospect of paying the Post Office or bank a fee simply to pay a bill, why not let us pay it for you? You pay us the cash and for a nominal charge of £1 per transaction, we will give you a cheque to the value. It's your money don't let others have it if you don't need to. Also did you know we accept third party cheques?



DWP ELIGIBLE LOAN DEDUCTION SCHEME

In January the DWP introduced its Eligible Loan Deduction Scheme aimed at providing another avenue for lenders to recover loan arrears. The scheme allows us to apply for a deduction to benefits in the event of a member defaulting on a loan. This would apply to all loans including members currently employed but who then find themselves on benefits including state pension. All our loan agreements now contain wording regarding recovery of debt through DWP benefits.

TELL US WHAT YOU THINK

As well as introducing a new loan policy the credit union has designed a new loan application form . This form is produced using a Microsoft Excel spreadsheet that allows us to complete an application face to face or over the telephone. Having taken a while to understand it themselves the staff are finding the process of loan applications a lot smoother. We will now record your details instantly even if you are simply making an enquiry about a loan. We can ensure you have all the information you need to complete an application and request any additional requirements we need from you to assess the loan. What's more, you do not need to spend time handwriting an application. So far it's received a positive response from members who have used the system but we are always looking for ways to improve the service we offer. Let us know what you think. Help us to help you and improve our service.



THANKS FOR THE SUPPORT

We acknowledge the continued support provided by the Northern Rock Foundation who are contributing to the salary of our Deputy Chief Executive Officer Andrew Breese. The funding for this post is in its second year and Northern Rock Foundation currently provides two thirds of Andrew's salary.



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We are also grateful for the support from Newcastle City Council. Head Office and Civic Centre staff maintain an excellent working relationship across the authority. We currently receive approximately £250,000 per month from 2300 members salary payments. Managing these numbers and providing accurate and regular amendments is a mammoth task and the Board of Directors recognises the contribution made.

FREE MONEY

MoneyWise is giving away money. Recommend a friend to join the credit union and earn yourself £5. New members can join by contacting the credit union at one of the branches or via the website. When we receive a deposit into the share account we will deposit £5 into the introducing member's account. Hurry though this offer is only until Good Friday, 6th April. Also to claim your £5 the new member needs to write your membership number on the application form.



Remember .. MoneyWise is open to everyone who lives or works in Newcastle or Longbenton.

CALLING ALL KIDS

Our junior membership cards are having a make over and we need your help. We are looking for a design and new character to be the face of MoneyWise Junior Membership.



SUPER HERO REQUIRED

As an incentive we will award three prizes of £25, £10 and £5 to the winning design artists with the top design being used to produce new junior passbooks and material. All entries should be received at 2 Chirton Wynd, Byker by Friday 13th April. Entrants must be under 16 years

DON'T GET CAUGHT OUT BY THE FAREPAK TRAP

As you may be aware 115,000 people nationally have put claims into the Farepak administrators due to the collapse of the company before Christmas. Don't put your money into an unregulated savings organisation. Savings with the credit union are protected by the Financial Services Compensation Scheme. **Start a Christmas savings account now.**

Remember .. MoneyWise is open to everyone who lives or works in Newcastle or Longbenton. Do you anyone who was caught out by Farepak?

ANNUAL GENERAL MEETING

This years AGM will be held on Wednesday 7th March 07 from 12:30pm at Byker Community Fire Station. All resolutions for the meeting or nominations to serve on the Board of Directors should be received at the Head Office by Monday 5th March.