

STRATEGY #3

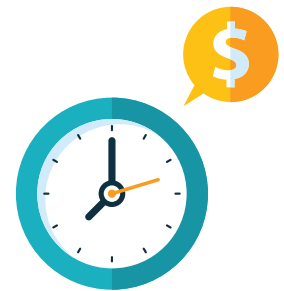
Design Products for Life Transitions

Young adults undergo life transitions as they pursue their education, start careers, get married, buy a home or have children. These transitions pose opportunities to offer financial services that can support Gen Y through their life events and design products based on members' goals.

Consumers tend to make their first large financial commitments in their 20s, which is why young adults commonly seek an opportunity to establish solid credit. When credit unions offer tiered lines of credit that help build credit histories, it allows young adults to qualify for financing for larger purchases, such as homes and cars. A credit union starts a credit builder loan or card with a base amount immediately available that increases with successful repayment. For those with no credit history, some underwriters incorporate data from telephone, rent, cellphone or other payments to assess candidates' credit worthiness, instead of relying solely on credit scores when making credit decisions.

Young adults express gratitude toward credit unions for giving them their first loan. Today more loan options are available, although many at high cost. While they may be cheaper, credit unions often need to make borrowing easier and faster to be competitive.

A commonly reported reason why younger households lack savings accounts is the perception of not having enough money for an account and a concern that fees would consume their balance. Many financial institutions require large deposit amounts for accounts and charge fees. Increasingly, young adults use non-interest bearing, small amount stored value accounts with payment services or cellphone company prepaid accounts. Many credit unions have responded with pre-paid reloadable debit cards and small balance accounts with low-cost online or mobile transactions.



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MyCASH PRODUCTS FOR MEMBERS AGE 18–24

Educational Employees Credit Union (EECU) in California, USA, offers members age 18–24 the MyCash program, which includes free checking account and bill payment, no minimum balance, no monthly service fee and free use of ATMs. Their student VISA credit card helps young members build their credit history with this up to \$2,500 credit limit and no annual fee product. Many students get their first loan at EECU by applying for a computer loan of \$500–\$1,000 and interest rates as low as 3%. Young members interested in the Student Auto Loans receive rate discounts based on their grade point average in school and automatic payment.