A Common Bond: Some Thoughts on Delinquency

The following quotation is taken from the text of an article which discusses the closure in 1976 of the Connecticut Feminist Federal Credit Union (CFFCU). Although the content is specifically American, the discussion raises some issues on the topic of delinquency which are provocative and directly relevant to us in Toronto in 1979.

> "The strength of a credit union is in its 'common bond' and CFFCU founders had made much of this term because it seemed synonymous with sisterhood. Actually, the intent of this federal requirement was to make sure credit union members knew each other and could bring peer pressure to bear on delinquent loans; if the other woman working next to you on the assembly line didn't pay up, you could be pretty direct about letting her know it wasn't very sisterly to default on your money. But at CFFCU, with women almost encouraged to walk in off the street and apply for loans, there was just no way to force repayment, and the delinquency rate when they closed, 13% compared to a national average of 3%, showed it.
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> Feminist credit unions consciously encourage women to borrow money under non-traditional circumstances, but such a policy can only work if women are educated to the value and responsibility of a credit union and believe it is their own. CFFCU was not able to bring enough women into its process and inspire commitment to the organization. Furthermore, those groups which originally made up the credit union, and supposedly gave it its common bond, never took responsibility for educating their members about it. Such education had been intended, but they were never able to accomplish it for lack of time and money.
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> Additionally, with all the emphasis at CFFCU on making loans, there was not nearly enough consideration given to the other half of the recycling system--savings. In the beginning it was just expected that feminists would put their money into the credit union and many did. But CFFCU women never put much energy into recruiting savers. . ."
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> from "Death of a Dream: Failure of a Feminist Credit Union"
> by Christine Pattee Quest Vol. IV, No. 1, Summer, 1977

We consider a member to be delinquent when she has missed three consecutive loan payments. According to the Report of the Delinquency Committee, as recorded in our Fourth Annual Report, our rate of delinquency is higher than the national average. In monetary terms, of $315,936.70 in loans outstanding at the year end, $38,229,29 is not being repaid according to schedule.

CONSEQUENCES FOR THE INDIVIDUAL MEMBER

1. Sometimes members are not aware that there are credit bureaus in every city. These are non-profit businesses which maintain data files on the repayment records of individuals who hold loans at financial institutions. On the basis

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of these records a credit bureau assigns a credit rating to each individual who has negotiated a loan. All lending institutions request credit ratings from the credit bureau in order to evaluate the loan applications which they receive. It is to the advantage of an individual to make regular loan payments on an outstanding debt and therefore to establish a good credit rating so that any future loan she may wish to apply for will be more readily obtainable.

CONSEQUENCES FOR OUR CREDIT UNION

1. A credit union is a money co-op. It is structurally different in this way from a bank. In credit unions members pool their money together and from this make low cost loans to each other. Loans which are not regularly repaid or in default, therefore, hurt us all. Loans which are not promptly repaid mean that there is less money available for other members' needs.

2. Loans which are not repaid mean we do not collect interest on the money outstanding. This interest is a major source of income for running our Credit Union, paying the expenses of salaries and materials, expanding our financial services. Right now we pay out 9¼% per annum on savings accounts and take in between 12% and 13½% on loans. This means our income is small and we need all of it to survive.

3. Our high delinquency rate means that the Credit Committee will become increasingly severe in its loan granting policies and more inclined to require rigorous assurances that loans will be surely repaid. We cannot afford any more delinquency.

WHAT WE ARE DOING ABOUT IT

1. The Credit Committee has become increasingly stringent in its granting of loans.

2. Members of the Credit Committee regularly telephone members who are late in their loan repayment to insure that contact is maintained and that every alternative arrangement for repayment is explored.

3. In some cases Credit Union representatives make personal visits to the homes of members who are very late in repayment in order to communicate the seriousness of the situation as clearly as possible. In extreme cases, when we feel that a member is in fact able to pay but chooses not to, we authorize collection agencies to collect.

WHAT YOU CAN DO ABOUT IT

1. We all realize that these are hard economic times and that unemployment is high, especially among women. Women's services are everywhere loosing funding. In times like this, however, it is especially important that we maintain a Women's Credit Union as a resource to the women's community. Repayment of an outstanding loan should, therefore, be a top priority for all members.

2. We believe that in almost all cases of delinquency some repayment schedule could be worked out. If you are presently late with your payments,

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please contact us to discuss your particular financial situation. It may be that we can work out a lower monthly payment schedule and re-finance your loan over a longer term. Could you pay $30/month, for example, instead of $60/month? It may be that we can arrange for you to pay only interest for a period of a few months.

3. In almost all cases the Credit Union is in contact with members who are missing payments. Extremely few members have simply absconded with the cash. Usually they have become unemployed or find, for some combination of other reasons, that they are experiencing difficulty in meeting their repayment schedule. In any case, if this is your position, we ask you to come in and explain your situation to us. Call Mariela Morales, our loans officer, for information and assistance.

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