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REPORT TO THE CONGRESS

Progress Being Made And Difficulties Being Encountered By Credit Unions Serving Low-Income Persons

B-164031(4)

Office of Economic Opportunity

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

~~713-146~~

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JUNE 17, 1971



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D C 20548

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To the President of the Senate and the
Speaker of the House of Representatives

This is our report on the progress being made and difficulties being encountered by Office of Economic Opportunity-financed credit unions serving low-income persons

Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Office of Management and Budget, the Director, Office of Economic Opportunity, and the Administrator, National Credit Union Administration

Comptroller General
of the United States

D I G E S T

WHY THE REVIEW WAS MADE

In January 1965, as part of the Community Action Program, the Office of Economic Opportunity (OEO) began providing financial assistance to credit unions sponsored by Community Action Agencies to serve low-income residents living in designated neighborhoods.

At December 31, 1969, 125 credit unions--106 federally chartered and 19 State chartered--were receiving financial support from OEO for payment of employee salaries, rental of space, or other operating expenses. During calendar year 1969 OEO support to the credit unions amounted to an estimated \$3.2 million, of which \$2.1 million was for direct assistance in the form of grants and \$1.1 million was for technical assistance contracts, special consultants, and other expenses.

The General Accounting Office (GAO) made this review to evaluate the (1) progress made by the OEO-financed credit unions in becoming self-supporting, (2) benefits provided to low-income participants of the OEO credit union program, and (3) results of financial operations of OEO-financed credit unions.

GAO reviewed the activities of eight credit unions--six federally chartered and two State chartered--selected on the basis of the amounts of their assets and their locations.

FINDINGS AND CONCLUSIONS

Benefits to the poor

Principal benefits that low-income persons received from the OEO-financed credit unions were the availability of (1) depositories for their savings and (2) loans that they otherwise might not have obtained or loans at lower interest rates than those available from other sources.

At December 31, 1969, the 106 federally chartered OEO-financed credit unions had 65,900 members, \$4.2 million in members' deposits, and 18,200 loans outstanding totaling \$4.2 million. From inception, the credit unions had made loans totaling \$14.2 million. Comparable data was not readily available for the State-chartered credit unions.

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GAO's review of delinquent and uncollectible loans at the eight credit unions indicated that delinquency was not a major problem and that relatively few loans had been written off as uncollectible. (See p. 11)

Problems in becoming self-supporting

The eight OEO-financed credit unions have encountered a number of problems in their operations that have resulted in relatively high operating deficits and in little success in attaining OEO's goal of becoming self-supporting. Significant problems that GAO identified follow

Deficits from operations--The results of financial operations of the eight OEO-financed credit unions showed that, from the beginning of OEO financing (January 1965 through March 1967) to December 1969, they had incurred expenses which exceeded operating revenues by \$500,000 and that the deficits had been offset by grants from OEO amounting to \$565,000. The credit unions' prospects for attaining a break-even point in operations are not promising without corrective action by OEO.

On the basis of calendar year 1969 operating experience, none of the eight credit unions had sufficient income to cover their fixed expenses, such as salaries of permanent staff, rent, and utilities. Application of their income toward covering their variable expenses, such as supplies and provisions for the payment of dividends and required reserves, showed that five of the eight credit unions' variable expenses had exceeded their operating income. The eight credit unions would have difficulties in achieving a break-even position, even with a substantial increase in loans, unless their operating expenses were reduced. (See p. 13.)

Insufficient growth of shareholder deposits--The eight credit unions did not have sufficient shareholder deposits, the primary source of funds for making loans, to make loans to generate interest income adequate to cover operating expenses. OEO has provided grants to credit unions for operating expenses which have offset their operating deficits for periods longer than the 1 or 2 years anticipated by OEO guidelines.

The insufficient growth in shareholders' deposits is attributable primarily to the very limited savings that low-income families have available for deposit in the credit unions.

CUNA International, Inc --an international credit union organization which is an OEO contractor responsible for certain administrative functions of the credit union program--stated that the slow growth of credit unions in low-income areas had led to a low level of loan services, which implied limited usefulness of the credit unions. CUNA stated also that the limited usefulness also was measured by the low level of dividends that the credit unions had paid (See p. 15)

✓ High salary costs--The total salary costs and the number of paid, full-time employees of the eight credit unions were higher than those of other Federal credit unions of comparable size (See p 20)

✓ High space costs--Seven of the eight credit unions experienced higher costs for space occupied--rent, utilities, and maintenance--than other Federal credit unions of similar size, primarily because most of them paid rent for space whereas many other credit unions which were not OEO financed were provided with space free of charge or at relatively low rentals (See p. 21.)

Formal goals for credit unions
not established

✓ Neither OEO nor CUNA has required the OEO-financed credit unions to develop plans showing projections of their financial operations or target dates for achieving the goal of becoming self-supporting. The establishment of such a target date and its comparison with a credit union's progress toward meeting that goal would enable OEO and the credit union to determine whether the credit union's progress was adequate.

Also, this would enable OEO and the credit union to initiate actions to alleviate the problems that might be causing the credit union to experience a less than anticipated rate of progress (See p. 23.)

Potential for increasing loan funds

The Federal Credit Union Act was amended on October 19, 1970, by Public Law 91-468 to provide for the National Credit Union Administration to insure the deposits in credit unions in the same manner as the Federal Deposit Insurance Corporation insures deposits in commercial banks. Presumably, such deposit insurance will permit low-income credit unions to attract more funds.

OEO has funded the Opportunity Funding Corporation and a pilot guarantee program which have, or plan to have, projects directed toward assisting the low-income credit unions in obtaining deposits. The assistance could include providing incentives to encourage institutional deposits in credit unions and guarantying deposits and a minimum rate of return on deposits. (See p. 24.)

RECOMMENDATIONS OR SUGGESTIONS

To assist the OEO-financed credit unions in becoming self-supporting and to thereby reduce OEO financial support, GAO recommends that the Director, OEO:

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- Require each credit union to periodically develop a plan showing its current financial status, its annual projections of expenses, income, and growth, and a target date for becoming self-supporting. The plans and the results of operations should be reviewed by OEO to ascertain whether the projections are reasonable and whether the credit union has initiated, or plans to initiate, actions that will enable attainment of projected goals.
- Provide guidance and assistance to credit unions experiencing difficulties in attaining established goals and encourage them to reduce expenses whenever possible. (See p 28)

AGENCY ACTIONS AND UNRESOLVED ISSUES

OEO and the National Credit Union Administration agreed with GAO's conclusions and recommendations. (See pp 28 and 29) OEO stated that it intended to obtain status reports, plans, and projections bearing on the goal of self-support of credit unions, to review the operations of the credit unions and to provide necessary guidance and assistance, and to require them to concentrate their efforts on cost reductions.

OEO stated also that

- Although Public Law 91-468 undoubtedly would increase the ability of credit unions to attract deposits, the extent of success that credit unions may achieve in becoming self-supporting remained unpredictable.
- Although becoming self-supporting was a goal of OEO for credit unions now financially assisted, the continuation of such assistance to credit unions also should be considered on the basis of the value of the services that financial assistance enabled the credit unions to provide. To better assess the value of these services, OEO intends to obtain an analysis of credit union operations relating costs to benefits and to develop a plan for evaluation of credit union operations by means of a comparison of costs and benefits.

The Administrator, National Credit Union Administration, indicated that.

- One of OEO's objectives was to staff credit unions with low-income persons and that, as a result, there was a tendency to over-staff, which was in conflict with the concepts of keeping payroll costs to a minimum and making credit unions self-sufficient.
- Other credit unions had succeeded because of the voluntary efforts of officials during the early stages of existence. The payment of salaries to employees has been counterproductive in the development of voluntary efforts by directors, poor people need urging and training to become leaders and are prone to let the paid employees assume all responsibilities.

--The Administration believed that credit unions were an effective instrument in helping poor people to help themselves and that the social benefits that accrued were worth some expenditure by the Government to assist them

MATTERS FOR CONSIDERATION BY THE CONGRESS

In view of the interest shown by members of Congress in antipoverty programs, GAO is bringing its findings and observations to the attention of the Congress. The matters presented in this report may be of particular interest to the congressional committees having responsibilities for federally assisted antipoverty programs.

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ABBREVIATIONS

GAO	General Accounting Office
NCUA	National Credit Union Administration
OEO	Office of Economic Opportunity

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CHAPTER 1

INTRODUCTION

The Office of Economic Opportunity provides financial assistance to certain credit unions as part of the Community Action Program under the Economic Opportunity Act of 1964, as amended (42 U.S.C. 2701).

OEO-FINANCED CREDIT UNIONS

A credit union is defined by the National Credit Union Administration as a cooperative association organized for the purposes of promoting thrift among its members and creating a source of credit for provident or productive purposes. The membership of a credit union consists of a group of individuals with a common bond or interest, such as employment; residence, or membership in a fraternal, professional, religious, or other association.

Each OEO-financed credit union operates under a charter issued either by the Federal Government under the Federal Credit Union Act (12 U.S.C. 1751) or by a State government under a State credit union act.

The Economic Opportunity Act, as amended, provides for the establishment of Community Action Agencies and Community Action Programs, which are to focus upon the needs of low-income individuals and families. As part of the Community Action Program, in January 1965 OEO began providing financial assistance to credit unions sponsored by Community Action Agencies or other OEO-related antipoverty groups to serve low-income residents living in designated neighborhoods.

To become a credit union member, a person is required to contract to purchase a share in the credit union at a minimum of \$5 and may be required to pay a nominal membership fee. Only members are eligible to obtain loans from the credit union. Eligibility for membership in a credit union is defined in the credit union's charter.

Seven of the eight OEO-financed credit unions which we reviewed had charters which permitted any person who lived or was employed in a designated neighborhood to become a member of the credit union. About 55 percent of the OEO-assisted credit unions operate under this type of charter, and many of the OEO-assisted credit unions have converted to this type of charter since February 1970. Membership in the other credit union that we reviewed and in the remaining 45 percent of OEO-financed credit unions was restricted to persons who were enrolled and participating in a community action program.

The Federal Credit Union Act, as amended, requires that a federally chartered credit union be managed by a board of directors consisting of at least five members of the credit union elected by the members of the credit union. Similar requirements are contained in credit union laws of some States. Because of such legal requirements, OEO guidelines provide that the OEO-financed credit unions not be administered by the board of directors of Community Action Agencies or other OEO-related antipoverty groups but be operated as delegate agencies of such agencies or groups.

Records available at OEO and the National Credit Union Administration showed that, as of December 31, 1969, 125 credit unions--106 federally chartered and 19 State chartered--were receiving financial support from OEO for the payment of employee salaries, rental of space, or other operating expenses. Although OEO does not maintain records showing the total OEO financial support provided to the credit unions, on the basis of information obtained from OEO, CUNA International, Inc., and the National Credit Union Administration, we estimate that during calendar year 1969 OEO support to the credit unions amounted to \$3.2 million, of which about \$2.1 million was for direct assistance in the form of grants and \$1.1 million was for technical assistance contracts, special consultants, and other expenses.

OEO PROGRAM ADMINISTRATION

The Director of OEO is responsible to the President for the administration and coordination of antipoverty programs authorized by the Economic Opportunity Act. He is responsible also for the establishment of policies governing OEO operations and for the planning, direction, control, and evaluation of OEO programs.

Prior to September 1969 the OEO-financed credit unions were administered by the Community Action Program office, OEO Headquarters, Washington, D.C. In September 1969 OEO Headquarters underwent a major reorganization; the responsibilities for administering OEO-financed credit unions were vested either in the newly established Office of Program Development--for credit unions which are components of pilot and demonstration projects--or in the Office of Operations--for credit unions which are components of Community Action Agencies.

OEO has established 10 regional offices whose employees assist communities in applying for and conducting Community Action Programs. Each regional director is responsible for the direction, control, evaluation, and coordination of all aspects of the programs and activities in his region and for monitoring compliance by OEO-financed activities--including credit unions--with basic OEO policies, standards, procedures, and grant conditions. Each regional office is staffed with an official whose duties include coordination of the credit union program with OEO's contractor, CUNA.

NATIONAL CREDIT UNION ADMINISTRATION

The National Credit Union Administration is an independent agency of the Federal Government and is responsible for the administration of the Federal Credit Union Act (12 U.S.C. 1751).¹ The Administration is engaged in chartering,

¹Prior to March 10, 1970, responsibility for administering the Federal Credit Union Act was vested in the Bureau of Federal Credit Unions, Social Security Administration, Department of Health, Education, and Welfare.

examining, and supervising Federal credit unions, including federally chartered credit unions financed by OEO. The Administration also prescribes standards, procedures, and accounting forms for use by Federal credit unions; establishes Federal credit union rules and regulations; and compiles and analyzes financial and statistical data on Federal credit union operations. The Administration operates from a Washington Headquarters office and six regional offices.

At December 31, 1969, the Administration had chartered 106 of the 125 credit unions which were receiving financial support from OEO. Six of the eight credit unions which we reviewed were chartered by the Administration.

In March 1965 OEO contracted with the Administration for the training of credit union staff and board members. The training program included staff training and education in fiscal operations, collection methods, consumer education, debt reduction, financial counseling, and legal services. During the period of the training program, May 1966 through August 1968, the Administration trained about 500 OEO-sponsored credit union representatives for which the Administration was reimbursed about \$272,000 by OEO.

The training program was discontinued by OEO in August 1968 because of limited available funds. The training program was reinstated for the year ending June 30, 1971, and \$216,000 was made available to the Administration for a training program for about 400 credit union officials.

CUNA INTERNATIONAL, INC.

CUNA International, Inc.,¹ Madison, Wisconsin, is an international credit union organization whose membership is composed of representatives of central credit union organizations (leagues) and credit unions located in areas which do not have a central credit union league. All 50 States and the District of Columbia are represented in CUNA. Among

¹CUNA International, Inc., prior to becoming an international organization, was designated as the Credit Union National Association.

other activities, CUNA designs credit union promotional material, conducts training courses for credit union personnel, gathers statistics on credit unions, publishes credit-union-related magazines; and provides bonding, property, and casualty loss insurance.

In April 1966 OEO contracted with CUNA to develop a plan for assisting Community Action Agencies in designing credit union program components and for encouraging State credit union leagues and established credit unions to take a more active role in the war on poverty. CUNA also was to assist in organizing low-income credit unions and to assist established credit unions in designing programs for, and expanding services in, low-income areas. The contract was for a 1-year period for which CUNA was paid \$19,500.

In April 1967 OEO and CUNA entered into a second contract in the amount of \$180,000 for the period April 1967 to March 31, 1968, under which CUNA was to provide assistance to credit unions in record maintenance, collection procedures, membership, and other areas of credit union administration. CUNA also was to provide consultative services to Community Action Agencies, coordinate credit unions' consumer action activities with the OEO regional offices, evaluate the impact of the credit unions, and perform other services. The contract was extended through June 30, 1970, and increased to a total amount of \$593,000. CUNA's involvement in the program terminated at June 30, 1970. At January 27, 1971, OEO had not made a decision as to whether a contractor would be engaged for future assistance in the program.

CHAPTER 2

BENEFITS RECEIVED BY LOW-INCOME FAMILIES

FROM OEO-FINANCED CREDIT UNIONS

✓ The principal benefits that low-income persons received from the OEO-financed credit unions were the availability of (1) depositories for their savings and (2) loans that they otherwise might not have obtained or loans at lower interest rates than those available from other sources.

According to OEO, credit unions are a source of low-cost credit which is particularly suitable for assisting the low-income consumer. OEO states that, for low-income persons, credit is often the only means of acquiring life's necessities and that low-income persons do not qualify for low-cost loans because most banks regard them as poor credit risks. Some employed low-income persons may find that credit is available, but only at high interest rates.

Since 1934, Federal credit unions have been permitted to charge an interest rate of up to 1 percent per month (12 percent per year) on the outstanding loan balance. From inception of the OEO financing, the eight credit unions reviewed generally charged the maximum interest rate of 12 percent per year.

At December 31, 1969, the 106 federally chartered OEO-financed credit unions had 65,900 members, \$4.2 million in members' deposits, and 18,200 loans outstanding totaling \$4.2 million. From inception the credit unions had made loans totaling \$14.2 million.

Our analysis of 4,985 loans totaling about \$1.2 million that were made from inception to December 31, 1969, to members of the six Federal credit unions which we reviewed showed that 3,250, or about 65 percent of the loans, had been made to families that had a reported annual income of less than \$5,000. These loans totaled about \$500,000, or 44 percent of the total amount of the loans made by the six credit unions. Similar information was not available on the two State-chartered credit unions reviewed.

Information on the purposes for which the 4,985 loans were made is shown in the table which follows.

<u>Purpose</u>	<u>Number of loans</u>	<u>Total amount loaned</u>	<u>Percent of number of loans</u>
Debt consolidation	706	\$ 231,552	14.2
Rent or utilities	593	73,771	11.9
Furniture and appliances	377	116,850	7.6
Clothing	366	45,964	7.3
Medical	353	57,116	7.1
Automobile	328	170,816	6.6
Travel and vacation	255	59,979	5.1
School	207	57,259	4.2
Christmas	172	35,590	3.4
Food	164	8,905	3.3
Taxes	156	38,749	3.1
Home improvement	105	38,134	2.1
Other	1,183	221,644	23.7
Purpose not stated	<u>20</u>	<u>3,125</u>	<u>.4</u>
Total	<u>4,985</u>	<u>\$1,159,454</u>	<u>100.0</u>

Our review of delinquent and uncollectible loans at the eight credit unions indicated that delinquency was not a major problem and that relatively few loans had been written off as uncollectible.

Other services provided by OEO-financed credit unions have included financial counseling; sale of money orders, bus tokens, postage stamps, and food stamps; and facilities for cashing checks and paying utility bills. OEO-financed credit unions also have made arrangements with Community Action Agencies and private employers to permit credit union members to make deposits in their share accounts by means of payroll deductions.

CHAPTER 3

PROSPECTS FOR OEO-FINANCED CREDIT UNIONS'

BECOMING SELF-SUPPORTING

The eight OEO-financed credit unions have encountered a number of problems in their operations that have resulted in relatively high operating deficits and in little success in attaining OEO's goal of becoming self-supporting. Significant problems that we identified are as follows:

- The credit unions have not been able to achieve a satisfactory rate of growth in member shareholder deposits, primarily because the poor do not have excess funds that can be used for investment purposes. As a result, limited funds have been available to the credit unions for making loans to members, and the interest income on such loans has not been sufficient to cover the credit unions' operating expenses.
- Generally, high operating expenses were being incurred because full-time, paid employees were carrying out credit union activities and because contributed space was not made available.

DEFICITS FROM OPERATIONS

Our review of the results of financial operations of the eight credit unions showed that, from inception of OEO financing through December 1969, the credit unions had incurred expenses which exceeded operating revenues by \$500,000 and that the deficits had been offset by grants from OEO, amounting to \$565,000, for credit union operating expenses. Prospects for these credit unions' attaining a break-even point in operations are not promising. ✓

A table follows showing a summary of the results of the operations of the eight OEO-financed credit unions for calendar years 1967, 1968, and 1969, and OEO financing to December 31, 1969.

Credit union	Calendar year									From inception of OEO financing to December 31, 1969			Date OEO financing initiated	
	1967			1968			1969			Oper-ating income	Oper-ating ex-penses	Def-icit		OEO finan-cial support
	Oper-ating income	Oper-ating ex-penses	Def-icit	Oper-ating income	Oper-ating ex-penses	Def-icit	Oper-ating income	Oper-ating ex-penses	Def-icit					
(000 omitted)														
A	\$ 3	\$ 26	\$ 23	\$ 4	\$ 27	\$ 23	\$ 10	\$ 32	\$ 22	\$ 20	\$ 132	\$ 112	\$ 131	Jan 1965
B	3	26	23	5	23	23	10	30	20	21	131	110	130	Jan 1965 ^a
C	2	25	23	4	29	25	8	31	23	14	92	78	91	Apr 1966
D	2	13	11	4	15	11	6	17	11	13	49	36	43	Sept 1966
E	(b)	10	10	(b)	8	8	1	11	10	1	30	29	30	Nov 1966
F	(b)	13	13	1	25	24	2	27	25	3	68	65	68	Mar 1967
G	1	13	12	2	15	13	2	21	19	5	54	49	50	Jan 1966
H	(b)	9	9	(b)	6	6	(b)	7	7	1	22	21	22	Jan 1967
Total	<u>\$11</u>	<u>\$135</u>	<u>\$124</u>	<u>\$20</u>	<u>\$153</u>	<u>\$133</u>	<u>\$39</u>	<u>\$176</u>	<u>\$137</u>	<u>\$78</u>	<u>\$578</u>	<u>\$500</u>	<u>\$565</u>	

^aCredit union was established in July 1961

^bLess than \$500

The CUNA research and economics department has developed a break-even analysis procedure, for the use of any credit union, which considers a credit union's operating expenses to be either a fixed expense or a variable expense. CUNA defined a fixed expense as any expense which could not be reduced easily--salaries of permanent staff, rent and utilities, equipment, audit or examination fees, and credit union State league membership fees. Other credit union expenses, such as supplies and provisions for the payment of dividends and required reserves, are considered by CUNA to be variable expenses.

Application of the CUNA break-even analysis procedure to the calendar year 1969 operating experience of the eight OEO-financed credit unions showed that none of the credit unions had had sufficient income to cover their fixed expenses. Application of their income toward covering their variable expenses showed that five of the eight credit unions' variable expenses had exceeded their operating income. The eight credit unions would have difficulties in achieving a break-even position, even with a substantial increase in loans, unless their operating expenses were reduced.

BEST DOCUMENT AVAILABLE

INSUFFICIENT GROWTH OF SHAREHOLDER DEPOSITS

The eight credit unions did not have sufficient shareholder deposits, the primary source of funds for making loans, to make loans to generate interest income adequate to cover operating expenses. To keep the credit unions solvent, OEO has provided grants to cover the operating deficits for periods longer than those anticipated by OEO guidelines. The insufficient growth in shareholders' deposits is attributable primarily to the very limited savings that low-income families have available for investment in the credit unions.

At December 31, 1969, the eight credit unions' assets totaled \$554,938 and their liabilities and capital consisted of shareholders' deposit account balances of \$486,099, notes payable of \$16,282, other liabilities of \$3,978, and reserves and undistributed earnings of \$48,579. Since inception, OEO has provided these credit unions with grants for operations totaling \$565,000.

OEO guidelines dated August 1969 state that certain operating and administrative costs of a credit union can be financed by OEO but that such assistance cannot be expected to be provided for more than a year or two. The guidelines state also that it is essential to precede the establishment of a credit union with an energetic campaign of education and organization and that an operating credit union must continue these activities to enlarge its membership, capital, and impact on the economy of the target area.

The CUNA report to OEO for the period July 1968 through June 1969 included a model credit union program for use in planning a credit union component of a Community Action Agency. The CUNA model credit union was based on an urban area with a potential membership of about 20,000 and was projected to become self-supporting after 5 years of operations which is considerably longer than the year or two indicated in the OEO guidelines. CUNA projected that the model credit union's share deposits would increase as shown in the following table.

<u>Year of operation</u>	<u>Average growth each month</u>	<u>Total growth in shares a year</u>	<u>Total shares at end of year</u>
1	\$1,000	\$ 12,000	\$ 12,000
2	3,000	36,000	48,000
3	5,000	60,000	108,000
4	7,000	84,000	192,000
5	9,000	108,000	300,000

The CUNA report stated that, during the first year of the model credit union's operations, the credit union could adequately serve the needs of its members on a part-time basis at the hours of peak needs and that, during its second year of operations, the credit union's office hours would expand because of an increasing membership. The CUNA report stated also that, during the model credit union's third year, it would be operated on a full-time basis and that income generated from loans would be available to pay a portion of its operating expenses. The CUNA model provided that, during the fourth and fifth year of credit union operations, it would have developed volunteer leadership skilled in managing the credit union and that, at the end of the fifth year, it would have member deposits of about \$300,000.

CUNA stated that a credit union of that size would generate annual income of approximately \$30,000, of which \$15,000 could be used to pay dividends to shareholders and to set aside legal reserves and \$15,000 could be used to pay operating expenses, which would eliminate the need for subsidy. CUNA, in estimating that the model credit union's operating costs would be about \$30,000, assumed that there would be volunteer help to keep out-of-pocket costs down.

Each of the eight credit unions was expected by OEO to become self-supporting within a few years from the date that they obtained OEO financial support. At December 31, 1969, however, they were not self-supporting nor were they progressing toward becoming self-supporting at the rate of the CUNA model, although they had been receiving OEO financial support for more than 1 or 2 years.

The following table shows the total assets of each of the credit unions at December 31 of each year since inception and their comparison with those of the CUNA model credit union at December 31, 1969.

Credit union	Date OEO financing initiated	Projected total assets based on CUNA model	Total assets at December 31				
			1969	1968	1967	1966	1965
(000 omitted)							
A	Jan. 1965	\$291	\$156	\$48	\$33	\$24	\$16
B	Jan. 1965 ^a	282	127	96	49	31	31
C	Apr. 1966	164	103	50	28	11	-
D	Sept. 1966	129	73	54	31	16	-
E	Nov. 1966	115	30	13	5	(b)	-
F	Mar. 1967	(c)	29	31	6	-	-
G	Jan. 1966	164	26	25	16	4	-
H	Jan. 1967	108	11	3	3	-	-

^aCredit union was chartered in July 1961 and had total assets of about \$12,000 when OEO began financing its activities.

^bLess than \$500.

^cCredit union is located in a rural area for which the CUNA model is not intended to apply.

At December 31, 1969, the 125 OEO-financed credit unions had accumulated total assets of about \$6 million. Only 17 of the credit unions had total assets in excess of \$100,000, and only two had total assets in excess of \$300,000 which was the amount estimated by CUNA to be necessary for a credit union to become self-supporting.

CUNA, in its August 1970 report to OEO, commented on the problems that credit unions in low-income areas have in achieving growth, as follows:

"The growth of the capital of a credit union depends upon the number of members in the credit union, and amount of money they save. Community-type credit unions in low-income areas have had a good deal of trouble accumulating sufficient capital to be able to support the necessary full-time operations without some subsidy. The slow growth of membership and of members' shares has led to a low level of loan services, which in turn implies limited usefulness of the credit union. This limited usefulness is also measured by the generally low level of dividend that such credit unions have paid. The end result is that the credit union attracts neither the saver nor the borrower, and shows only minimal growth."

HIGH OPERATING COSTS

The eight OEO-financed credit unions experienced significantly higher operating costs than other Federal credit unions of the same size. Generally, their high operating costs were attributable to the employment of paid, full-time employees rather than volunteers and to a lack of contributed space.

The following table, which compares the average 1969 operating expenses of the eight OEO-financed credit unions with those of similar-sized Federal credit unions, shows that the eight credit unions experienced significantly higher costs for salaries, space, and other expenses.

Comparison of Operating Expenses of
OEO-Financed Credit Unions with Those of Similar-
Sized Federal Credit Unions

	Asset size at December 31, 1969							
	<u>\$10,000 to \$25,000</u>		<u>\$25,000 to \$50,000</u>		<u>\$50,000 to \$100,000</u>		<u>\$100,000 to \$250,000</u>	
	All Federal credit unions	Credit unions reviewed	All Federal credit unions	Credit unions reviewed	All Federal credit unions	Credit unions reviewed	All Federal credit unions	Credit unions reviewed
Total number of credit unions	<u>1,172</u>	<u>1</u>	<u>1,318</u>	<u>3</u>	<u>1,768</u>	<u>1</u>	<u>2,672</u>	<u>3</u>
Average 1969 operating expenses of credit unions exclusive of dividends								
Salaries	\$167	\$5,447	\$ 441	\$14,576	\$ 964	\$12,806	\$2 262	\$21,812
Cost of space occupied	24	64	41	2,321	76	-	147	1,906
Borrower's protection and life savings insurance	141	58	343	227	700	505	1 553	964
League dues	28	42	68	99	135	110	284	42
Surety bond premiums	20	7	33	26	52	48	106	28
Examination and supervision fees	68	40	135	126	188	55	292	336
Interest on borrowed money	17	-	57	23	131	280	282	50
Educational expenses	9	-	15	1	32	253	67	158
Depreciation	7	-	13	141	25	81	67	113
Other insurance	3	-	11	277	25	-	56	724
Communications	6	19	12	173	24	304	61	842
Accounting services	3	-	15	-	28	-	46	-
Conventions and conferences	3	22	9	-	22	15	59	149
Supervisory committee expense	2	-	3	5	7	-	15	-
Annual meeting expenses	9	16	22	3	53	73	113	51
Other expenses (note a)	<u>114</u>	<u>1,136</u>	<u>194</u>	<u>1,755</u>	<u>347</u>	<u>2,788</u>	<u>670</u>	<u>3,636</u>
Total	<u>\$621</u>	<u>\$6,851</u>	<u>\$1,412</u>	<u>\$19,753</u>	<u>\$2,809</u>	<u>\$17,318</u>	<u>\$6,080</u>	<u>\$30,811</u>

^aIncludes stationery and supplies collection expense, payroll taxes bank service charges, and other expenses

Seven of the eight credit unions paid dividends during 1969. The dividend rates varied from 3 to 5 percent and averaged 3.9 percent. Without the OEO subsidy, none of the credit unions would have been able to pay a dividend.

Details on certain operations of the eight credit unions are discussed in the following sections.

BEST DOCUMENT AVAILABLE

Salary costs

The total salary costs and the number of paid, full-time employees of the eight credit unions were higher than those of other Federal credit unions of comparable size. The services provided by the eight credit unions, except for selling food stamps, were similar to the services generally provided by other credit unions. Only a small portion of the higher salary costs was attributable to the sale of food stamps.

Standards have not been established by OEO, CUNA, or the National Credit Union Administration on staffing requirements for credit unions. A CUNA official responsible for administering the OEO contract informed us that, on the basis of his experience with credit union operations over a number of years, he believed that an OEO-financed credit union with total assets of \$300,000 could be sufficiently staffed with one paid, full-time employee supplemented with competent volunteer assistance.

In July 1970 the CUNA official informed us that in January 1965, when OEO began to finance credit unions, OEO generally had provided grants to finance the salaries of three full-time employees. OEO officials informed us that OEO had provided grants to finance the salaries of more full-time employees than were employed by Federal credit unions of comparable size in order to provide sufficient manpower resources to enable the credit unions to increase their rate of growth. The CUNA official stated that OEO, when financing additional new credit unions, now provided grants only to finance the salary of one full-time employee.

The CUNA official informed us further that the credit unions, which originally had received OEO financing for two or more full-time employees, still were receiving financing for two or more full-time employees although he believed that in most cases one full-time employee was sufficient.

The following table shows that each of the eight credit unions had more full-time employees and greater salary costs than other Federal credit unions of comparable asset size.

Asset size at December 31, 1969	Number of Federal credit unions	Number of credit unions reviewed	Average number of paid employees				Average 1969 salary costs	
			Full-time		Part-time		Credit unions reviewed	Federal credit unions
			Credit unions reviewed	Federal credit unions	Credit unions reviewed	Federal credit unions		
\$ 10,000 to \$ 25,000	1,172	1	1 00	0 09	1	0 46	\$ 5,447	\$ 167
25,000 to 50,000	1,318	3	2 67	11	-	72	14,576	441
50,000 to 100,000	1,768	1	2 00	12	-	96	12,806	964
100,000 to 250,000	2,672	3	3 00	26	-	1 24	21,812	2,262

The CUNA official stated that many credit unions, including some which were operated in conjunction with an OEO program but which were not financed by OEO, were staffed with only volunteer assistance. The CUNA official stated, however, that one of the chief benefits of a credit union's having a full-time employee was that it could operate on a full-time basis and thus could be more accessible to the residents of the neighborhood.

Space costs

Seven of the eight OEO-financed credit unions experienced higher costs for space occupied--rent, utilities, and maintenance--than other Federal credit unions of similar size, primarily because most of them paid rent for space whereas many other credit unions which were not OEO financed were provided with space free of charge or at relatively low rentals. For example, the Federal Credit Union Act, as amended (12 U.S.C. 1770), states that a Federal agency may allot space in Federal buildings to a credit union whose membership consists of Federal employees without charge for rent or services. Also, credit unions at industrial plants or other private facilities often are provided with space without charge.

In a report to the Congress (B-164031(4), February 17, 1971), we recommended that the Administrator of General Services establish guidelines for use by Federal agencies in determining charges to credit unions serving Federal employees for space, related services, and personal property furnished by the Federal Government, when the credit unions had attained a degree of financial stability that would enable them to pay for the space and other services. The OEO-financed credit unions reviewed have not attained this degree of financial stability.

The OEO-financed credit unions' operating costs would be reduced if they obtained space free of charge or at modest rentals from such groups as charitable, religious, governmental, and commercial organizations in low-income neighborhoods.

By letter to us, dated January 21, 1971, the Deputy Director, OEO, stated that some OEO-financed credit unions that were paying rent for space were located in premises owned by or leased to other organizations that received Federal assistance. The Deputy Director stated also that, if the credit unions were permitted to reduce their payments for space to such organizations, the organizations would incur a reduction of income which would merit consideration in determining the amount of their Federal assistance.

We recognize that rentals received by federally assisted organizations from the OEO-financed credit unions could be a factor in determining their Federal assistance. We believe, however, that, to attain financial stability, those credit unions paying rent for space should attempt to obtain free or less costly space from charitable, religious, governmental, or other organizations.

NEED TO ESTABLISH FORMAL GOALS
FOR CREDIT UNIONS

Neither OEO nor CUNA has required the OEO-financed credit unions to develop plans showing projections of their financial operations or target dates for achieving the goal of becoming self-supporting. The establishment of such a target date and its comparison with a credit union's progress toward meeting that goal would enable OEO and the credit union to determine whether the credit union's progress was adequate. Also, this would enable OEO and the credit union to initiate actions to alleviate the problems that might be causing the credit union to experience a less than anticipated rate of progress.

None of the eight OEO-financed credit unions had established formal goals for their operations. Prior to the establishment of one credit union, however, the delegate agency's proposal for funding a credit union to begin operations in April 1966 stated that it would be self-supporting by December 1968. The available records, however, did not show that any attempts had been made to periodically evaluate the progress of this credit union. We also noted that funding requests to OEO for periods after October 1966 had not mentioned that becoming self-supporting was a goal of the credit union.

In its August 1970 report to OEO, CUNA stated that, originally, goals for limited-income credit unions had not been established because of a lack of experience in what a limited-income credit union could be expected to accomplish and because of the belief that the failure to achieve a goal would be discouraging to limited-income people; however, "hidden" goals--such as obtaining \$300,000 in total assets--did exist. CUNA officials stated that they had encouraged credit unions to establish plans for growth and that they believed that goals should be established now. CUNA stated that the goals of a credit union must be understood and established by the credit union members.

CHAPTER 4

POTENTIAL FOR INCREASING LOAN FUNDS

Funds available to credit unions for loans are, for the most part, limited to member shareholders' deposits and whatever additional capital is earned through credit union activities and funds which the credit unions can borrow. As previously discussed, the limited amount of members' deposits has had an adverse effect on the credit unions' ability to earn the revenue needed for a break-even operation. There have been some recent developments, however, which seem to offer some potential for increasing the amount of funds that can be used for making loans.

On October 19, 1970, the Federal Credit Union Act was amended by Public Law 91-468 to provide insurance for member deposits in State and federally chartered credit unions. The act, as amended, provides for the National Credit Union Administration to insure the deposits in credit unions in the same manner as the Federal Deposit Insurance Corporation insures deposits in commercial banks.

During the Senate debate on the amendment to the Federal Credit Union Act, it was noted that low-income credit unions had demand for loans in amounts which exceeded the available deposits and that the insurance of deposits would permit low-income credit unions to attract more funds. It was anticipated that organizations would be willing to deposit funds in low-income credit unions if the funds could be insured against loss.

OEO has funded the Opportunity Funding Corporation and a pilot guaranty program that have, or plan to have, projects directed toward assisting low-income credit unions in obtaining deposits.

OPPORTUNITY FUNDING CORPORATION

In June 1970 OEO made grants totaling \$7,450,000 to the Opportunity Funding Corporation, Washington, D.C., a nationally based, limited-purpose organization that was to draw on the resources of the financial sector to help low-income persons. Credit unions were among the financial organizations

that could be assisted by the corporation, and such assistance would be provided in one or more ways, as follows

- Provide incentives to institutions to encourage deposits in low-income credit unions.
- Offer to selected credit unions in poverty areas insurance on members' deposits similar to that now available to commercial banks through the Federal Deposit Insurance Corporation.
- Guarantee credit unions against loss on loans made to low-income persons.
- Rediscount a portion of the notes held by credit unions.

In April 1971 an OEO official informed us that the Opportunity Funding Corporation had allocated about \$5 million to individual economic development activities. He informed us also that, although none of this amount was allotted for use in the credit union program, the Opportunity Funding Corporation still planned to assist credit unions.

PILOT GUARANTY PROGRAM

In June 1969 OEO made a grant of \$35,000 to CUNA for a 2-year pilot and demonstration project, during which time CUNA was to provide \$5,000 to each of the seven then-existing OEO regions for use in guaranteeing not only the investment but also a minimum return on the investment for deposits of organizations which, pursuant to the guaranty, deposited funds in credit unions serving low-income persons.

A credit union that received a guaranteed deposit would be required to develop a plan for satisfactory credit union asset growth through increased member shareholdings. Also, the plan would be required to provide for the eventual full-time operation of the credit union without any OEO financial support and to include a phaseout of the pilot guaranty program investments.

In July 1970 CUNA officials informed OEO that most State credit union leagues were not interested in the program

because of the tight money situation and because of the leagues' belief that the pilot guaranty program was not financially sound. An OEO official informed us that, under the program, CUNA could guarantee only a 3-percent return on investments in the credit unions and that institutions wanted a higher return.

In December 1970 we were informed by OEO officials that CUNA had contracted with two State credit union leagues to administer the pilot guaranty program but that the program had not become operational.

CHAPTER 5

CONCLUSIONS, RECOMMENDATIONS, AND AGENCY COMMENTS

CONCLUSIONS

The OEO-financed credit unions have been of some benefit to low-income families. They are located in areas that are accessible to the poor and have provided the poor with loan funds and depositories for their savings, as well as facilities for the purchase of food stamps. Had these credit unions not been established, certain low-income families might not have obtained loans or, if obtained, the interest rates on the loans might have been higher.

These benefits, however, were attainable only because a substantial amount of the credit unions' operating costs were financed by OEO. Although OEO intended that its financial assistance would be provided for a relatively short period, CUNA stated that it would take 5 years for an average OEO-financed, low-income credit union to become self-supporting. Also, the OEO-financed credit unions that we reviewed were making slower progress than that anticipated by CUNA as necessary for a low-income credit union to become self-supporting in 5 years. We believe that, unless changes are made in the credit unions' operations, OEO financing will be required for much longer periods than originally anticipated by OEO and CUNA.

Generally, the neighborhoods served by the OEO-financed credit unions are low-income areas and, for the foreseeable future, probably will not generate sufficient shareholder deposits to become self-supporting. If operating costs are not reduced through the use of volunteer help and free space, the credit unions will have to obtain fairly substantial deposits from other sources to generate sufficient revenue to cover operating costs.

OEO has not required the financed credit unions to develop plans showing projections of their financial operations or target dates for achieving the goal of becoming self-supporting. Frequent assessment of a credit union's progress toward attaining an established goal would enable OEO and the credit union to determine whether the credit union's

progress was adequate and to initiate action to alleviate problems that might be causing a less than anticipated rate of progress.

Vigorous efforts are needed by the OEO-financed credit unions to reduce high operating costs. Emphasis should be placed on obtaining and utilizing volunteer help in lieu of full-time, paid employees and on obtaining free space or space at modest rentals from such groups as charitable, religious, governmental, and commercial organizations in low-income neighborhoods.

RECOMMENDATIONS TO THE DIRECTOR, OEO

To assist the OEO-financed credit unions in becoming self-supporting and to thereby reduce OEO financial support, we recommend that the Director, OEO

- Require each credit union to periodically develop a plan showing its current financial status, its annual projections of expenses, income, and growth; and a target date for becoming self-supporting. The plans and the results of operations should be reviewed by OEO to ascertain whether the projections are reasonable and whether the credit union has initiated, or plans to initiate, actions that will enable attainment of projected goals.
- Provide guidance and assistance to credit unions experiencing difficulties in attaining established goals and encourage them to reduce expenses whenever possible.

OEO COMMENTS

On September 28, 1970, we requested the comments of the Director, OEO, on the matters discussed in this report. The Deputy Director, OEO, in a letter to us, dated January 21, 1971, (see app. I) agreed with our conclusions and recommendations. He stated that the OEO Office of Program Development intended to obtain status reports, plans, and projections bearing on the goals of self-support of credit unions; to review the operations of the credit unions and to provide necessary guidance and assistance, and to require them to concentrate their efforts on cost reductions.

The Deputy Director stated also that

- Although Public Law 91-468 (to provide insurance for member deposits) undoubtedly would increase the ability of credit unions to attract deposits, the extent of success that credit unions may achieve in becoming self-supporting remained unpredictable.
- Although becoming self-supporting was a goal of OEO for credit unions now financially assisted, the continuation of such assistance to credit unions also should be considered on the basis of the value of the services that financial assistance enabled the credit unions to provide. To better assess the value of these services, it would be desirable to obtain an analysis of credit union operations relating costs to benefits and to develop a plan for evaluation of credit union operations by means of a comparison of costs and benefits. The Office of Program Development intends to make the necessary preparations to enable OEO to obtain such an analysis and plan.

NATIONAL CREDIT UNION ADMINISTRATION COMMENTS

By letter to us, dated October 29, 1970, (see app. II) the Administrator, National Credit Union Administration, advised us that he was in general agreement with our conclusions and recommendations and that the Administration's regional offices had urged the officials of credit unions to establish realistic goals which would result in their transition to a status of self-support.

The Administrator indicated that

- One of OEO's objectives was to staff credit unions with low-income persons and that, as a result, there was a tendency to overstaff, which was in conflict with the concepts of keeping payroll costs to a minimum and making credit unions self-sufficient.
- Other credit unions had succeeded because of the voluntary efforts of officials during the early stages of existence. The payment of salaries to employees has been counterproductive in the development of

voluntary efforts by directors, poor people need urging and training to become leaders and are prone to let the paid employees assume all responsibilities.

- The Administration believed that credit unions were an effective instrument in helping poor people to help themselves and that the social benefits that accrued to the community were worth some expenditure by the Government to assist them.

CHAPTER 6

SCOPE OF REVIEW

Our review was made to evaluate the (1) progress made by the credit unions in becoming self-supporting, (2) benefits provided to low-income participants in the OEO credit union program, and (3) results of financial operations of the OEO-financed credit unions. Our review was made at six federally chartered and two State-chartered credit unions, at the offices of CUNA in Madison, and at OEO Headquarters. The credit unions reviewed were selected on the basis of the amounts of their assets and their locations. Our review was directed primarily toward reviewing the credit unions' calendar year 1969 operations.

We reviewed legislation pertaining to OEO-financed credit unions and OEO policies and procedures applicable to the credit union program. We examined program documents, correspondence, and pertinent records and reports. We interviewed officials of OEO, credit unions, delegate agencies, the National Credit Union Administration, CUNA, and private banks.

Although our review included tests of the accounting procedures and records, such tests were not designed to verify the financial statements of the credit unions. For example, we did not obtain confirmations--from commercial depositories, shareholders, or borrowers--of the amounts recorded as being on deposit or on loan.

APPENDIXES

OFFICE OF ECONOMIC
OPPORTUNITY

EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D C 20506

JAN 21 1971

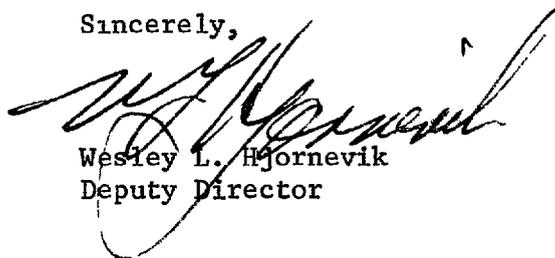
Mr. Henry Eschwege
Associate Director
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Eschwege.

I am pleased to enclose the comments of the Office of Economic Opportunity on your proposed report on the prospects that credit unions benefiting the poor will become self-supporting.

I appreciate having had the opportunity of submitting these comments.

Sincerely,



Wesley L. Hjernevik
Deputy Director

Enclosure

APPENDIX I

Comments of Office of Economic Opportunity on the draft report of the Comptroller General of the United States entitled "Dim Prospects that Credit Unions Benefiting the Poor Will Become Self-Supporting"

I General Comments

We agree with the conclusions and recommendations stated at pages 44-46 of the draft report. Consistent with them, the staff of the Office of Program Development intend, in cooperation with other OEO staff, to obtain status reports, plans and projections bearing on the goal of self-support of assisted credit unions, to review the operations of such credit unions in the light of these and to provide necessary guidance and assistance and to require such credit unions to concentrate efforts on cost reduction.

The draft report takes notice of certain factors that impede the progress of credit unions in low-income communities toward self-sufficiency. These include the fact that loans typically are small and the fact that such credit unions have difficulty in attracting deposits. Although Public Law 91-468 undoubtedly will increase the ability of credit unions to attract deposits, the extent of success that credit unions in low-income communities may achieve towards becoming self-supporting remains unpredictable. However, as the draft report concludes, these credit unions have been of benefit to low-income families and the benefits have been obtainable only because of the substantial OEO assistance. Therefore, although self-support is a goal of the Office of Economic Opportunity for presently assisted credit unions, we believe

that continuation of assistance to them should be considered on the basis not only of their progress toward that goal but also on the basis of the value of the services that assistance enables them to provide

In order to apply these bases objectively and consistently, it would be desirable to obtain an analysis of low-income credit union operations that relates costs to benefits and a plan for evaluation of such operations by means of a comparison of costs and benefits. Office of Program Development staff intend, in cooperation with other OEO staff, to make the necessary preparations to enable OEO to obtain such an analysis and plan

II Specific Comments

1 GAO draft report, p 10 "Most of the OEO financed credit unions have charters which permit any person who lives or is employed in a designated neighborhood to become a member of the credit union "

OEO comment:

Approximately 55 percent of the OEO assisted credit unions possess this type of experimental charter, the remaining ones are restricted to persons enrolled and participating in the community action program only. This has in the past restricted membership to those least likely to accumulate savings. The new share insurance law will markedly increase the prospects for share accumulation by permitting investments. It should also be remembered that the experimental charters have only been available for a little more than two years, and that many of the credit

APPENDIX I

unions that have them converted only recently.

2. GAO draft report, p. 14 "During the period May 1966 through August 1968, the National Credit Union Administration trained about 500 OEO sponsored credit union representatives for which the Administration was reimbursed about \$272,000 by OEO. The training program was discontinued by OEO because OEO had limited funds available for the credit union program."

OEO comment

The training program was reinstated in June 1970 and \$216,000 was made available to NCUA for a specific program of training including planning and goal setting for individual credit unions' officials.

3. GAO draft report, p. 37. "Seven of the eight OEO financed credit unions reviewed experienced higher costs for space occupied - rent, utilities, and maintenance - than other credit unions primarily because most OEO financed credit unions paid rent for space occupied whereas many other credit unions are provided space free of charge or at relatively low rentals."

OEO comment

We agree with this statement but do not believe that in all cases the reduction of assisted credit unions' space costs as a result of obtaining space free of charge or at relatively low rentals would result in savings to the Government. Some assisted credit unions are quartered in premises owned by or leased to organizations that themselves receive Federal assistance. If those credit unions were permitted to reduce

their payments to such organizations, the latter would suffer a reduction of income which would merit consideration in the determination of the amounts of Federal assistance to be provided to them.

[See GAO note.]

GAO note: Deleted material was concerned with matters presented in the draft report which were not included in this report.



NATIONAL CREDIT UNION ADMINISTRATION

Washington, D C 20456

October 29, 1970

Office of the Administrator

Mr. Irvine M. Crawford
Assistant Director, Civil Division
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Crawford

Thank you for the opportunity to comment on the draft report, "Dim Prospects That Credit Unions Benefiting the Poor Will Become Self-Supporting."

We are in general agreement with the conclusions and recommendations of Chapter 5 (pp 44-45-46). Our regional offices have for some time urged the officials of funded credit unions to establish realistic goals which would result in the transition to a status of self-support.

The draft report does not comment on the fact that OEO in granting funding to limited-income credit unions had an additional objective of providing employment to persons in the limited-income area. This objective, which in fact provided an overstaffing, ran counter to a goal of self-support. The employees whose salaries were paid by OEO funds could not avoid a conflict of interest, since to become self-supporting could only mean the elimination of their jobs.

Credit unions have succeeded because of the voluntary efforts of officials during the early stages of existence. The payment of salaries to employees through funding has also been counterproductive in the development of voluntary efforts by directors. First of all, poor people need urging and training to become leaders and secondly they are prone to let the employees who are paid assume all responsibilities.

We in NCUA hold the view that credit unions are an effective instrument in helping poor people to help themselves and that the social benefits that may accrue to the community are worth some expenditure by the Government to assist them.

Sincerely,

Herman Nickerson, Jr.
HERMAN NICKERSON, JR.
Administrator

PRINCIPAL OFFICIALS OF
THE OFFICE OF ECONOMIC OPPORTUNITY
RESPONSIBLE FOR THE ACTIVITIES
DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
DIRECTOR		
Frank C. Carlucci	Dec. 1970	Present
Donald Rumsfeld	May 1969	Dec. 1970
Bertrand M. Harding (acting)	Mar. 1968	May 1969
R. Sargent Shriver	Oct. 1964	Mar. 1968
ASSISTANT DIRECTOR FOR COMMUNITY ACTION PROGRAM (note a):		
Theodore M. Berry	Apr. 1965	Sept. 1969
ASSISTANT DIRECTOR FOR PROGRAM DEVELOPMENT:		
Joseph P. Maldonado	Aug. 1970	Present
Marvin J. Feldman	Jan. 1970	Aug. 1970
Robert Perrin (acting)	Sept. 1969	Jan. 1970
ASSISTANT DIRECTOR FOR OPERATIONS:		
Phillip V. Sanchez	Feb. 1971	Present
Don I. Wortman (acting)	Dec. 1970	Feb. 1971
Frank C. Carlucci	Dec. 1969	Dec. 1970

^aIn September 1969 this position was terminated as an organizational entity, and responsibility for the programs was shifted to the Office of Program Development and the Office of Operations, newly created offices.