

FOCUS ON A CDFI:

Quitman Tri-County Federal Credit Union

Marks, Mississippi

www.qcdo.org

Quitman County, Mississippi has much in common with other poor, remote sections of the Mississippi Delta. Less than one house in four has a telephone and less than one in three has a motor vehicle. The per capita income of \$6,500 is less than half the statewide average. More than two-thirds of the population is African American – mostly poor descendents of sharecroppers -- with a poverty rate three times higher than whites.

In 1981 the Quitman County Development Organization formed a credit union to provide affordable financial services to low-income residents of the county. Growth was slow during the first decade, but in the early 1990's the credit union adopted a more aggressive strategy for growth. In 1996, Quitman County Federal Credit Union successfully applied to the CDFI Fund for a capital grant of \$100,000 and a technical assistance grant of \$27,500 to help the credit union to expand lending for home improvements and residential construction, and thus stimulate business opportunities for small contractors. The credit union projected that the increased net worth from the CDFI investment would be leveraged many times over through increased share growth.

The CDFI Fund expected the credit union to raise capital from other investors, including local banks that, historically, had few ties with the credit union or its low-income members. Despite this history, the credit unions won over the banks. "We got a couple of local banks interested in making deposits," said Robert Jackson, CEO of the Quitman County Development Organization and founder of the credit union. "Our success comes from being persistent – making requests."

The first CDFI award helped the credit union to do more than leverage deposits. With increased net worth, the credit union was able to focus on its growth strategy. In 1998 the credit union received a second technical assistance grant of \$32,500 from the CDFI Fund to provide training for its staff and management, purchase computer and security equipment, and obtain consulting services to devise a marketing strategy for its new microenterprise loan product. The credit union also applied to the National Credit Union Administration (NCUA), the regulatory authority for all credit unions, to expand service to two adjacent and severely distressed counties, both of which had recently lost bank branches.

In April 2000, the NCUA approved a charter expansion to include Tallahatchie and Panola Counties, and the name of the credit union was officially changed to Quitman Tri-County Federal Credit Union. Again, the CDFI Fund provided a timely grant to help the credit union to successfully manage this most significant transition in the credit union's two decades of existence. A CDFI technical assistance grant of \$69,000 was used to attract new members from its expanded service area by networking two new branches, installing an automated teller machine (ATM), purchasing new online accounting software and further expanding financial products and services.

The results of the CDFI Fund investments speak for themselves. In the five years since Quitman Tri-County FCU received its first award, membership has almost tripled to 3,565, including more than half of the African American households in Quitman County. Assets have more than doubled during this period to \$5.3 million, and total shares have grown by \$2.1 million -- more than twenty times the amount of the CDFI capital grant.

The exceptional performance of Quitman Tri-County FCU is by no means unique. In 2001 the National Federation of Community Development Credit Unions (NFCDCU) conducted a study of the impact of CDFI Fund investments on the growth of recipient credit unions. The study found that growth rates in assets, lending, and member and non-member deposits increased substantially after receiving awards, far exceeding the direct impact of the award capital itself. The data showed that the twenty community development credit unions that received CDFI Core awards improved their growth rates substantially faster than their credit union peers, and indicated a strong correlation between the awards and the growth rate improvements. These institutions also grew at much faster rates than their own average rates of growth prior to receiving the awards.

NFCDCU research also found that successful community development credit unions use investments to build capital prior to launching high-impact community development activities. In the case of Quitman Tri-County FCU, enhanced net worth enabled the credit union to expand its field of membership, open new branches in underserved areas, attract more non-member deposits and introduce new loan products, such as housing rehabilitation, microenterprise lending, and non-secured loans up to \$1,500 that can be approved within thirty minutes. "At Christmas time we have Christmas loan specials" Jackson said. "You have to produce what your membership wants."

Quitman Tri-County FCU remains committed to expanding its services to economically distressed residents of the Mississippi Delta and building for the future. In 2002 the credit union received a CDFI Fund award for a second capital grant of \$100,000 to reach a greater number of people within its service area. With such critical investments from the CDFI Fund, the outlook for continued growth is indeed promising.

Quitman Tri-County FCU is a member of the National Federation of Community Development Credit Unions (NFCDCU). For more information on community development credit unions visit the NFCDCU website at www.natfed.org