

YOUTH CREDIT UNIONS: INVESTING IN THE FUTURE OF OUR COMMUNITIES
WITH THE YOUTH OF TODAY

by

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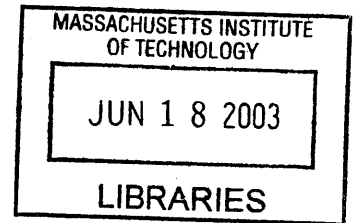
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ABSTRACT

Youth credit unions have emerged in the United States as a relatively new and innovative community youth development program. It is a twist of youth development and financial literacy. The basic idea of a youth credit union is to develop financial and leadership skills of young people through youth savings accounts, financial literacy education, asset development opportunities, and professional/personal development skills. These services are often administered by community development credit unions that partner with schools, faith-based institutions, or local community development organizations. The concept behind youth credit unions is to provide young people with the skills and wealth necessary to mature into healthy and financially self-sufficient adults.

This thesis discusses three case studies of youth credit union programs in Ithaca, New York, Seattle, Washington, and Marks, Mississippi and applies the lessons learned from these programs to evaluate the effectiveness of their program designs. The cases were assessed based on four key considerations: 1) How many youth are impacted or benefiting from the program? 2) Are the programs servicing underserved or underrepresented groups? 3) Is there a certain scale that needs to be achieved to make this type of program worthwhile for the youth and the community development credit union? 4) Do youth credit unions effectively address financial literacy within the activities of the program? The findings resulted in recommendations of basic criteria necessary for an effective youth credit union program and support the need for additional research to evaluate the impacts of this program on improving the personal, professional, and financial health of young adults.

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INTRODUCTION

Community development is “...the active involvement of people in the issues which affect their lives and focuses on the relation between individuals and groups and the institutions that shape their everyday experience.”¹ It is commitment by all entities involved to enable a sharing of skills, awareness, knowledge and experience in order to make a positive difference. For many disadvantaged communities, community development is the process in which to counteract the negative influences surrounding them. Residents, institutions, businesses, schools, and community organizations come together to identify their needs and rights and take appropriate action on issues of common concern. For leaders in community development, these are the principles that guide them in creating solutions to revitalize distressed neighborhoods.

Community development credit unions (CDCU) are unique enterprises – nonprofit, community-run, yet extensively regulated and supervised financial institutions.² They are important in revitalizing many low-income communities across the United States by filling the gap in financial services offered by other financial institutions. They address the economic needs of underserved and underrepresented neighborhoods by empowering people with hands on technical assistance, training, and financial literacy education to ensure them the greatest chance of success in improving their quality of life. CDCUs approach community economic development holistically by focusing on the needs of all stakeholders in the community. Their financial expertise and services as a bank lend themselves as a catalyst for improving the economic health of future generations. This viewpoint has resulted in increasingly more CDCUs

¹ Cleveland Council on World Affairs *Federation of Community Work Training Groups*, URL <http://www.ccwa.org.uk/scroll/definitions.html>

² Lanspery, Susan C. *Youth Credit Union Programs: A New Branch of Community Development*, Center for Human Resources Heller School Brandeis University, December 1998

recognizing the importance of including youth into their overall strategy of community development.

Youth credit unions have emerged in the United States as a relatively new and innovative community youth development program. It is a twist of youth development and financial literacy. The basic idea of a youth credit union is to develop financial and leadership skills of young people through youth savings accounts, financial literacy education, asset development opportunities, and professional/personal development skills. These services are often administered by community development credit unions that partner with either local youth development organizations or schools. The concept behind youth credit unions is to provide young people with the skills and wealth necessary to mature into healthy financially self-sufficient adults.

As the economy is requiring a more skilled and educated labor force, this is a strategic time to target youth and educate them with the necessary financial tools to be smart about their economic choices. According to the National Federation of Community Development Credit Unions, “community development economics is destined to fail if leaders are not trained for its future.”³ As the next generation of consumers, their financial decisions often determine their future economic success. With a purchasing power of \$150 billion annually, they are at a critical stage of transition from having their economic decisions and practices determined and influenced by their parents to having their own financial independence.⁴ This is often an overwhelming period, with credit card offers and the enticement of “free money”, which result in financial distress. For this reason, this thesis will examine whether youth credit unions are effectively designed to help improve the saving and spending habits of future generations.

³Housing Research Foundation URL <http://www.housingresearch.org>

⁴Credit Union National Association URL http://www.cuna.org/data/cu/pubs/youth_speech.html

Research Question

How can community development credit unions that empower individuals in underserved communities, through responsible money management and financial services, contribute to the preparation of young people with the skills and wealth necessary to mature into healthy adults?

This thesis will seek to understand if youth credit unions are an ideal extension of a CDCU's scope of services to address the needs of young people. Certain indicators will be used to judge whether this is an appropriate expansion for CDCU. They are:

- Is there a proven need for improving the financial skills of youth?
- Do youth credit union program activities combine the developmental assets necessary to ensure an effective youth development program?
- Do the values and goals of a youth credit union fit within the mission and activities of a community development credit union?
- Do programs involve a significant number of youth from underserved or underrepresented groups?
- Do CDCUs have the capacity and resources to implement and support this type of youth development program?

Research Design

This study will examine the practices of three existing youth credit union programs in the United States and assess their effectiveness in producing financially well-prepared adults. Sources of information come from published literature, online books, pamphlets, reports, and interviews.

The following applications are used:

- Research to understand the field of youth development and how it connects with the mission and work of community development credit unions.
- Interviews with three community development credit unions to collect data on differing U.S. youth credit union models:
 - Alternatives Federal Credit Union, Student Credit Union – Ithaca, NY
 - Northwest Baptist Federal Credit Union, Youth Credit Union – Seattle, WA
 - Quitman County Federal Credit Union – Marks, MS
- Interviews with youth credit union participants, both present and past members, to evaluate the type and level of impact youth credit unions have on their participants. The questions used to interview the youth focused on pre-identified success measures.
 - Increase in youths' responsibility and leadership skills
 - Positive family and peer relationships
 - A developed sense of self and group
 - Improved financial management behaviors

For example, a positive result supporting the benefits of youth credit union services is that youth are saving money and saving larger amounts as a result of participating in the credit union.

- Comparing practices from the three case studies including their strengths and weaknesses in relation to the program's purpose. The elements for a successful program ensure that a sizeable number of youth are engaged in their personal and professional development and exhibit healthy behaviors in how they manage their money.

Justification

The rationale for conducting research on this topic relates back to the statement, "Community development economics is destined to fail if leaders are not trained for its future."⁵ I believe that there are two fundamentals that will increase opportunities for people: they are education and money management skills. For this reason, youth credit unions incorporate both of these areas into one program. Teaching youth how to better manage their money while developing their individual leadership skills seems to be an ideal project that will provide the foundation for impacting the financial health of communities.

Another reason to pursue this research is the limited information regarding youth community development credit unions. The National Federation of Community Development Credit Unions has recently created a special interest program, Youth Credit Union Network and has received funding to administer a National Project. The youth advisory committee selected a small number of sites for this project. The purpose is to slowly grow and develop their youth credit union programs by giving them mini-grants to capitalize their initiatives. These initiatives will prove to be valuable resources of information, but presently are still in the data collection phase.

⁵ Housing Research Foundation URL <http://www.housingresearch.org>

This paper is intended as an initial exploration of youth credit unions. The information is limited in scope and does not provide a comprehensive evaluation based on a prescribed youth credit union model.

Limitations of the Study

In this paper, bias exists in the selection method used to determine the three highlighted youth credit union program models. Originally, I selected three different youth credit union models based on their differences in program design. Due to circumstances, which made two of the three programs unreachable for interviews, Northwest Baptist Federal Credit Union and Quitman County Federal Credit Union were chosen as replacements. These selections were based on the most immediate responses I received from an email sent out to five different youth credit union programs, recommended by the NFCDCU, requesting information about their projects.

The second limitation was in the method used to obtain primary data for this paper. Data collection was restricted to phone interviews, and although it provides initial insight into the operations of these youth credit unions, it is limited to one viewpoint – the coordinators of each of the programs. Also, the nature of phone interviews and the availability constraints of the interviewees limited the extent to which detailed information could be obtained.

Information obtained to evaluate participant satisfaction and benefits were limited and inconclusive. Only two interviews were conducted with former participants from one of the example programs, Alternatives Student Credit Union. In addition, participation levels of each of the highlighted programs were not certain. They provided a general idea to the number of youth

being served, but further assessment to differentiate the distinct types and levels of participation would be beneficial.

Most of the research focused on two areas of a youth credit union – program design and participation levels. It is limited to these areas based on the restrictions of my data collection and therefore does not give a more comprehensive overview as to the overall effectiveness of youth credit unions. Suggestions for further research will be explored in Chapter 5.

Overview of the Study - *Summary of Chapters*

The first chapter discusses the lack of understanding that young people have of basic finances. This lack of comprehension demonstrates a need for financial services and education for youth. Chapter 2 explores the field of youth development, defines the developmental assets necessary for a strong youth program, and explains how it equates to community development. It also introduces youth banking programs as a form of youth development. Chapter 3 explores the creation of community development credit unions and how their history and mission support the values and characteristics of youth credit union programs. Chapter 4 highlights three case studies that serve youth in different youth credit union program models across the country. The information reveals the strengths and weaknesses of their activities and provides insight to the practices necessary for an effective program. The three cases represent three different types of youth credit union models. Chapter 5 concludes the thesis with key findings and recommendations to stimulate future discussion of youth credit unions.

As young people have basic needs that are critical to their survival and healthy development, it is important to consider how youth credit unions can provide for these needs. CDCUs,

community organizations dedicated to serving their members' best interest through economic and social development, should look to assess whether increasing their services to protect, prepare, and include youths through the concept of youth banking/credit unions is within their capabilities. Since youth are often overlooked as key stakeholders within the community, it is now the time to educate and prepare youth with the necessary skills to achieve high personal and professional success, positive relationships, a sense of identity and confidence, and improved behaviors in their money management.

CHAPTER 1

THE NEED FOR FINANCIAL SERVICES AND EDUCATION

Many low to moderate-income communities lack the financial skills to live a money-wise lifestyle. Often people are consumed with high amounts of debt, have little savings, and are not comfortable using basic financial services. This often results from having low financial literacy skills and a poor access and exposure to mainstream banking services. As a result, people become accustomed to using convenient financial services that gouge communities with high interest rates, promote predatory lending practices, drain a community's capital resources, and promote dependence on a cash-based economy.

These habits continue the cycle of poverty by transitioning young people into the adult world financially ill-prepared. According to former Treasury Assistant Secretary for Economic Policy, David W. Wilcox, “ Nearly one in ten American households have no checking account, no savings account, and no place where they could establish a regular savings program. And among minority households, the fraction of so-called ‘unbanked’ households is closer to one in four.”⁶ These remarks reflect the lack of understanding past and present generations have and inevitably future generations will have regarding basic finances. Youth of today continue to be ill equipped for their future financial well-being. A study conducted by the JumpStart Coalition, a nonprofit organization dedicated to evaluating the financial health of young adults and promoting a set of standards to teach financial education, administered three surveys spanning over 5 years to measure the financial knowledge of high school 12th graders. The results show a steady decline in youth’s financial literacy scores. Within the framework of a score of 60%

⁶“Importance of Improving Financial Proficiency of Young People” Treasury Assistant Secretary for Economic Policy David W. Wilcox Remarks to The Federal Reserve Bank of Dallas. November 13, 2000 LS-1023
URL www.ustreas.gov/press/releases/ls1023.htm

needed to pass and 75% needed to receive a C grade, the average score in 1997 was 57.3%, 51.9% in 2000, and 50.2% in 2002.⁷

The JumpStart Coalition survey of 4,024 twelfth graders across the country found 68.1% of high school seniors failed the practical financial literacy exam administered by the coalition. The survey was created around four key areas that members of the JumpStart Coalition felt encompassed a well-rounded understanding of personal finances. These areas were: 1) income, 2) money management, 3) savings and investing, and 4) spending and credit. The sample consisted of 12th grade English and social studies classes from 179 randomly selected schools. They were administered a survey of age and life-cycle appropriate multiple-choice questions. The results of the survey demonstrated that students have a weak comprehension of savings and investments, which relates to the poor financial habits displayed by many wealth poor households.

Many of these types of households are more than likely to plan for the next few months, rather than years, spend more than their incomes, and not save regularly.⁸ In addition, 71.4% of the students surveyed by JumpStart knew that salaries, wages, and tips constituted a primary source of income for most people age 20-35. But the youth failed to realize that as income increased so did income taxes. This result demonstrates the inability of youth to calculate their earnings accurately. This may lead to young people over-committing themselves financially in anticipation of an overestimated future take home pay – which results in spending beyond their incomes or accumulating debt.⁹

⁷ Mandell, Lewis PH.D. *Financial Literacy: A Growing Problem – Results of the 2002 National JumpStart Survey*. Washington DC, JumpStart Coalition for Personal Financial Literacy, 2002, p. 7

⁸ CFA, NCUF, and CUNA *Assist These Households to Save and Build Wealth*. America Saves; Washington D.C., May 13, 2002 URL <http://www.americasaves.org>

⁹ Mandell, Lewis PH.D. *Financial Literacy: A Growing Problem – Results of the 2002 National JumpStart Survey*. Washington DC, JumpStart Coalition for Personal Financial Literacy, 2002, p. 9

A range of barriers contribute to poor financial habits. They may span from high-cost banking services to a lack of local bank branches in the neighborhood. But many immediate barriers are attributable to cultural influences. These influences and assumed beliefs hinder many from becoming financially healthy and result in families using underground economies for survival. Research conducted by the Consumer Federation of America found that low-income households believed that saving small amounts is not worthwhile because there would be no significant accumulation. In addition, these households felt that there exists a lack of community acceptance towards savings. For example, some households indicated that they would rather avoid the pressure to use their savings to meet the financial needs of family and friends making it emotionally easier not to save.¹⁰

Greater Challenges for Youth of Color

For low-income families, the challenges increase if they are of color. Seventy percent of children in communities of color live in extreme poverty and children in these communities of color are more likely to live in poverty than their Caucasian counterparts.¹¹ The child poverty rate is highest for African-American and Latino children.¹² The Child Trends organization researched the effects of poverty on youth living in working poor and non-working poor families and found that Black Non-Hispanic and Hispanic children have the highest likelihood of poverty within each working status category. The findings reveal that families with working parents reduce the likelihood of poverty regardless of race, but the reduction is smaller for Black and

¹⁰ *New Research on Use of Banking Services by the Poor Identifies Barriers to Saving and Strategies for Overcoming These Barriers.* America Saves; Washington D.C., December 4, 1997 URL www.americasaves.org

¹¹ Underserved Youth in Communities of Color. Planned Parenthood of Connecticut, Inc., URL www.ppct.org

¹² Child Poverty Facts - National Center for Children in Poverty URL http://www.nccp.org/ycpf_03.html

Latino children. This economic disparity existing among racial groups is mirrored in the financial literacy rate of Black and Latino students compared to White students.

The JumpStart Coalition financial literacy survey found that African American and Latino students had low abilities to make critical financial decisions in their own best interest. Compared to the white students with a mean score of 53.7%, the mean scores of African American and Latino students were 42.1% and 44.8%, respectively. Out of all other background variables, including parents' income, highest level of education of parents, and sex, performance differences were most closely related to race. Although students of color fared poorly compared to white students, it must be pointed out that no racial group had more than 40% of students passing the exam.¹³ Thus reinforcing the need for all youth to increase their money management skills.

Additional Challenges and Needs Confronting Youth

This grave situation presently facing many of our youth and their families, especially those of color, is compounded by the facts that teens have a spending power of \$150 billion, do not feel that saving money is a priority, and around a fifth of all college credit card holders have an average balance of \$1000 with only 18% paying their balances in full each month.¹⁴ Teens have three primary sources of income: allowance, employment, and gifts received from family. These income sources usually supplement a youth's discretionary funds. With few expenses

¹³ Mandell, Lewis PH.D. *Financial Literacy: A Growing Problem – Results of the 2002 National JumpStart Survey*. Washington DC, JumpStart Coalition for Personal Financial Literacy, 2002, p. 15

¹⁴ "Importance of Improving Financial Proficiency of Young People" Treasury Assistant Secretary for Economic Policy David W. Wilcox Remarks to The Federal Reserve Bank of Dallas. November 13, 2000 LS-1023
URL www.ustreas.gov/press/releases/ls1023.htm

incurred by a teen, much of their disposable income results in teens experiencing premature affluence. Eighty two percent of their disposable income is spent on entertainment, clothing, and transportation.¹⁵ Adolescents spend a majority of their resources on immediate pleasures. Compounded with the fact that teens do not feel saving is important, this present situation makes the need for financial education imperative.

Young people have basic needs that are critical to their survival and healthy development. It is valuable to further understand first hand some of the issues facing youth in regards to financial services and education. In November 2002, I conducted a preliminary focus group with youth from Boston's South End who are employed by MYTOWN, a youth development organization. They stated their challenges and needs in relation to youth banking. For many of the employed youths, their major issue is being able to cash their paychecks. Because most private financial institutions require a state issued ID and have a required age limit, the youth have no choice but to use the check-cashing agency down the street. The stories conveyed in the interview told of cases where a youth made his own ID at home to be able to use it at the bank to cash his check, and another teen who started saving her checks in her mattress because she didn't want to keep losing money to the check cashing agency. What she was not aware of was that each of her checks had a void date and resulted in all of her checks expiring. These youth stories continue to support the need for addressing the future economic success of adolescents both nationally and within local communities with youth financial development.

¹⁵ Danes, Sharon M. PH.D. *Financial Literacy of Youth*. Youth and Family Development Concept Paper 2000

Keys to Promoting Youth Financial Development

Within the results of the JumpStart survey, key lessons were revealed to identify effective techniques that motivate youth to become more money wise. One major finding based on the JumpStart survey was that students seem to most effectively learn personal finance in an interactive and relevant manner. The survey found that students who participated in an interactive stock market game in class consistently showed higher levels of financial literacy than those who did not.¹⁶ By creating activities and curriculum that are alternative to the traditional classroom-based learning, youth are provided an opportunity to learn skills in a supportive, practical, relevant, and interesting manner.

Additionally, the survey supports a direct connection between a youth's financial understanding and their level of aspiration. The 12th grade students who aspired to attend a four-year college had an average score of 53.5%, compared to students with no plans for post-secondary education or training scored an average of 32.2% on the survey.¹⁷ These results reinforce the need to combine youth financial education with youth development. Motivation, skill building, and support are necessary components to encourage young people to want to be successful in life. By building up these areas, it is in essence increasing their desire to be economically competent.

Habits tend to be learned at an early age. The influences that youth face in various aspects of their life will impact their actions and views toward money and life goals. Therefore an important element in gaining the attention and interest of youth is targeting them with age-appropriate

¹⁶ Mandell, Lewis PH.D. *Financial Literacy: A Growing Problem – Results of the 2002 National JumpStart Survey*. Washington DC, JumpStart Coalition for Personal Financial Literacy, 2002, p. 8

¹⁷ *Ibid*, p. 15

materials and activities. Financial concepts must be relevant to youth in order for them to start applying them to their daily lives where it becomes a habit.

The future of youth depends highly on their ability to make smart economic decisions. This need for improving the financial proficiency of young people is a national issue that should be addressed in local communities. To look at it in a broader context, youth financial proficiency would likely translate into greater national saving. Increasing national saving is the surefire method for boosting people's standard of living.¹⁸ This is at its core community development - improving the lives of people and the communities in which they live.

Conclusion

Youth are the future of all communities. Their emotional health and financial well-being are important qualities that should be nurtured in order for them to develop into self-sufficient adults. The lack of financial understanding by young people plagues communities across the country. It is time that communities prepare the young people to transition into the adult world with the appropriate skills and financial understanding. The question faced by communities is how to determine the appropriate means to achieve healthy financially responsible youth.

This chapter identified key areas of need for youth financial literacy and youth development. The information taught to young people needs to be practical, relevant, and in a hands on type of environment. The cultural influences that exist within a neighborhood or racial group needs to be dealt with to help break down the attitudes and beliefs that get handed down from

¹⁸ "Importance of Improving Financial Proficiency of Young People" Treasury Assistant Secretary for Economic Policy David W. Wilcox Remarks to The Federal Reserve Bank of Dallas. November 13, 2000 LS-1023
URL www.ustreas.gov/press/releases/ls1023.htm

generation to generation. Attention especially needs to focus on underserved and underrepresented groups, especially in Black and Latino communities. Adolescents are at an imperative stage in their development and are often enticed with financially lucrative offers that they are ill prepared to respond to.

CHAPTER 2

YOUTH DEVELOPMENT

This chapter will explore the field of youth development in order to better understand the practices needed to guide the healthy development of young people. The field is very broad in application but adheres to general guidelines that identify specific environments, actions, and supports needed by youth as nourishment for their growth. By examining the youth development field, this helps set the context to analyze what qualities are necessary to administer an effective CDCU youth credit union program.

“Adolescents. Teenagers. Youth. Young adults. These are all terms used to refer to young people who have begun, but not completed the journey to adulthood.” Development is ongoing - mediated through relationships – influenced by environment – and triggered by participation.¹⁹ Combined together, “...youth development is a process which prepares young people to meet the challenges of adolescence and adulthood through a coordinated, progressive series of activities and experiences which help them to become socially, morally, emotionally, physically, and cognitively competent.”²⁰ It is an ongoing process to ensure that young people are engaged and invested, and addresses their basic personal and social needs in order to build their competencies for a successful adolescent and adult life.

The strength of a youth program lies in its ability to have a significant impact on the skills, attitudes, and experiences youth need to become confident, contributing adults. Programs that hope to positively influence young adults must take into account social and developmental

¹⁹ *Our Ideas About Youth*. The Forum for Youth Investment, URL <http://www.forumforyouthinvestment.org>

²⁰ National Youth Development Information Center, URL <http://www.nydic.org/nydic/devdef.html>

assets that are crucial to the healthy growth of young people. The youth development approach.²¹

- Offers continuous support from the adults around them,
- Creates a sense of the opportunities before the youths, and
- Provides a chance to develop the skills that will help the youths make the most of both current and future opportunities.

Assets that are fundamental for the proper development of youth are often more challenging to obtain for low-income youth. The serious social conditions faced by urban youth of color have not been given the proper attention within the past few decades. Surroundings that pose threats such as racism, mass unemployment, and relentless violence are toxins that impede productive development for young people.

In general, the youth development approach is useful for all young people, but for adolescents who are unlikely to receive positive support, opportunities, or skills from their families and communities, it can be even more important.

The Youth Development Approach

Over the past decade, the field of youth development has undergone a transformation. At its inception, it was a concept or movement that centered on creating interventions to address the assumed deficits or problems that exist within young people. Youth programs sought to correct the assumed deficiency with specific skills and knowledge without taking into account the

²¹ *Youth Development and Adolescent Pregnancy Prevention*. Resource Center for Adolescent Pregnancy Prevention, URL <http://www.etr.org/recapp/theories/youthdev/>

complexity of issues faced by youth. At the same time, thoughts existed that supported youth as assets in the making. This type of thinking believed policy and programs should look at youth development as dependent on a range of supports and opportunities coming from family, community, and other institutions that are integral in young people's lives. Most of the attention for youth programs in the 1980's and 90's focused on the deficit approach; until research and evaluation illustrated weak, transient, or no results.²²

The Center for Youth Development and Policy Research, an organization focused on publicizing the issues confronting adolescent development, redirected the thinking associated with youth. Programs that already used the asset approach gained more attention and support from policy makers in the field, which transformed the youth development movement into a field of practice.²³

Youth development is an approach to practice. It tries to understand how youth development occurs and what happens to youth when it does occur. The levels of discourse in which the youth development movement has evolved began with a movement – which led to strategies – that affected policy – and now influences the creation of youth programs with specific types of youth-centered projects. The field primarily exists within two types of settings: 1) activities offered by community-based organizations serving youth during gap periods, and 2) add-on or insertion programs in schools and other institutional settings.²⁴ It offers a wide range of programs that provide a diversity of activities such as team sports, job training, and tutoring – all part of the youth building discipline. Although youth development experts do not agree upon a

²² Connell, James P., Gambone, Michelle Alberti, Smith, Thomas J. Youth Development in Community Settings: Challenges to Our Field and Our Approach. Community Action for Youth Project, p. 282

²³ Ibid, p. 283

²⁴ Ibid, p. 283

set of standards to define the parameters of this field, there exists a developmental framework, which identifies elements for a strength-based approach to healthy youth development.

Developmental Assets

Communities of today have changed, families have been transformed, and workplace demands are fundamentally different than what they were 25 years ago.²⁵ Young people are often ill equipped to deal with the challenges that confront them. “The odds are high that a young person with nothing positive to do and nowhere to go will find things to do and places to go that negatively influence their development and future.”²⁶ The critical assets that contribute to a youth’s learning and social development are:²⁷

- Support
- Empowerment
- Boundaries and expectations
- Constructive use of time
- Commitment to learning
- Positive values
- Social competencies
- Positive identity

The Search Institute deems these assets instrumental for the holistic development of an adolescent. Although not all youth receive attention in all these areas, the hope is to provide enough assets suitable for them to properly develop.

²⁵ McLaughlin, Milbrey W. *Community Counts: How Youth Organizations Matter for Youth Development*. Public Education Network, Washington D.C., p 2

²⁶ *Ibid*, p 2

²⁷ *Developmental Assets: An Overview*. Search Institute (an independent nonprofit organization whose mission is to advance the well-being of adolescents and children by generating knowledge and promoting its application) URL <http://www.search-institute.org>

The following explains the activities that are associated with each of these developmental assets. The first four developmental assets are categorized as external assets. This means that these are qualities that youth should receive from people and organizations in their lives.

- **Support for youth** incorporates love of family, effective communication with parents, active involvement of parents in the youth's education, support from non-parent adults, and caring and encouraging experiences with neighbors and schools.
- **Empowerment** entails youth feeling valued by the community, given useful roles in the community, serving the community, and feeling safe in all settings of their life.
- **Boundaries and Expectations** are defined by having clear rules and consequences provided by the family and school, adult role models, positive peer influence, and encouragement by parents and teachers to achieve.
- **Constructive Use of Time** includes a young person spending time in creative activities, youth programs, or religious institutions.

The final four assets included in this framework are part of a youth's internal assets. These assets show a commitment to nurture qualities, which guide youth choices and create a sense of centeredness, purpose, and focus in their lives.

- **Commitment to Learning** involves: motivating youth to do well in school, actively engaging youth to learn, ensuring that they complete at least one hour of homework per school day, encouraging them to read for pleasure, and creating a bond with the school.

- **Positive Values** centers on a young person placing high value on caring for others and promoting equality, standing up for their beliefs and convictions, being honest, accepting and taking personal responsibility, and exercising restraints to drugs and alcohol.
- **Social Competencies** take into account a young persons ability to plan ahead and make decisions, show empathy and sensitivity in friendships, be comfortable with and knowledgeable about people of differing backgrounds, resist negative peer pressure, and resolve conflicts nonviolently.
- **Positive Identity** deals with the ability for young people to feel that they have personal power, to report having high self-esteem and that their life has a purpose, and to be optimistic about their personal future.

This framework is all-inclusive to give a detailed description of the complexity of issues the field of youth development must confront. From the external developmental assets to the internal ones, a youth must be provided with the right kinds of supports from various entities and have these supports delivered in the right way. Therefore, youth development exists within a broader context of community development.

Outcomes Based on Implementation of a Youth Development Approach

With the use of these developmental assets, the question still remains: What are the results that a youth program hopes to expect from the youth participants? According to Connell, Gambone, and Smith in their report “Youth Development in Community Settings,” the goal of improving the

long-term life chances of young people should result in young people: 1) becoming more economically self-sufficient; 2) being healthy with good family and social relationships; and 3) contributing to their community. The developmental outcomes most likely to lead to adult success are associated with specific indicators outlined by the report.

- **Economic self-sufficiency** – Youth should expect as adults to be able to provide for themselves and their families while saving additional resources for emergency or long-term purchases. They should have a decent job and have the education or access to education to improve their professional opportunities.

- **Healthy Families and Social Relationships** – Indicators include youth growing up to be mentally and physically well. They should be good caregivers to their future children, and develop trustworthy family and social networks.

- **Contributions to Community** – For youth, the indicators for this area may vary, but overall, the hope is that young people will actively contribute to groups or communities that are important and relevant in their lives.

Many of these outcome indicators overlap with the developmental assets stated previously. Although the emphasis is to relate the developmental needs and supports required for adolescents with specific thresholds, these outcomes are based on behavioral outcomes as a way to predict success for youth and can be applied when looking at the outcomes youth credit union programs hope to achieve. To further see the connection of these ideas, the youth development approach must be looked at through the lens of community development.

Youth Development Equates to Community Development

“Youth development means community development. Seeing youth development as community development refocuses policy and practice beyond the specifics of opportunities provided for youth to the community relationships that nurtures and sustain those opportunities.”²⁸ The assets and indicators presented in the previous two sections reinforce the point that youth development is a holistic approach. It is an approach that requires connections between the various groups through which youth move, such as schools, churches, families, and community organizations. These links are the building blocks of community development.

The significance behind this alternative framework is to build stronger relationships among the entities crucial to the development of youth. These networks create an essential web of mutual accountability and responsibility for young people.²⁹ A comprehensive community youth development approach requires a vision where youth are at the center. It focuses on understanding young people at all levels - from their personal interests to their lives at home, school, and in the neighborhood.³⁰ To impact youth at all levels of their developmental needs, strong ties must be created among the various organizations.

Community youth development will only succeed if the creation of these ties promotes a mutual respect for each other's roles in an adolescent's growth. For example, faith-based institutions are often among the most available and sustainable resource for a community's youth and adults. They are often the heart of communities that provide positive values, especially in

²⁸ McLaughlin, Milbrey W. Community Counts: How Youth Organizations Matter for Youth Development. Public Education Network, Washington D.C., p 25

²⁹ Ibid, p 25

³⁰ Ibid, p 9

distressed areas.³¹ Schools are the universal institution to the development of adolescents. They offer physical space and materials to support learning.³² A community organization offers resources that extend into the non-school lives of youth – life skills. By realizing the resources that each of these entities can bring to the table, strong partnerships will assist in building a more comprehensive scope of services that address youth in a community-based approach.

Youth Banking a Part of Youth Development

In the early 1980's, a youth banking program was initiated to provide youth with an alternative approach to learning the relevant skills needed for their transition into the working world. This type of youth development program serves as an initial model influencing many of the present youth credit union programs. By understanding the goals and objectives of this youth banking program, we can start to recognize the developmental assets that make youth banking a part of youth development in that it supports the healthy growth of young people.

The concept of youth banking was proposed to address the need for a better transition from school to work. It sought to teach youth that knowledge and skills are essential for maintaining a standard of living for survival in the economic system.³³ Youth banking programs, a partnership between businesses and educational institutions, served to make a difference in the learning experience of youth by focusing on improving the quality and effectiveness of a young person's achievement. The goal was to institute bank branches in local public schools. An employee of the partnering financial institution would oversee these branches, but the tellers

³¹ Ibid, p26

³² Ibid, p27

³³ McLaughlin, Dolores Liberty Ed. D. *Initiating a School-Bank Partnership: A Study of the Relationship Between Banking and Education*. University of Massachusetts Doctor of Education Dissertation, May 1992, p30

and workers would be students. It was created to offer an alternative type of education to target students who may not be on the traditional path to higher education.

In the early 1980's, the Massachusetts banking sector introduced and developed the concept of a public high school student branch bank partnership. The first United States high school student branch bank was opened at Wakefield Memorial High School in Wakefield, Massachusetts on April 6, 1981.³⁴ The program's purpose was to provide inexperienced students an environment where they could learn appropriate behaviors and marketable skills for future employment. This type of school-to-work transition program aimed to bridge the relation of classroom academics to real world application. It was a way to provide students with an opportunity to use knowledge for practical purposes.

Research by Dolores Mc Laughlin indicated that the school banking partnership expected students to have:³⁵

- Part of the real world available to them
- The opportunity to feel that they are part of the community and not isolated from mainstream life
- A better understanding of how a financial institution affects them now and in the future, and
- The opportunity to participate and learn new skills within a professional field.

Youth banking programs fostered a different type of learning environment. It focused on problem-based learning where students were faced with realistic practical issues and trained with the knowledge and skills to help them solve the problems.³⁶ This type of learning environment aligns fairly well with the prescribed youth development goals by teaching youth to

³⁴ Ibid, p 27

³⁵ Ibid, p90

³⁶ Ibid, p 25

have the ability to absorb, process, and apply new information effectively in order to better deal with the various roles and responsibilities that they must take on as adults.

Youth banking fosters youth development assets through a range of activities. It provides technical training in the banking industry and access to a professional environment to improve and advance young people's professional opportunities. The curriculum developed for the program establishes clear goals and work procedures for the youth, which provide boundaries and expectations necessary to guide youth in their development. The advisors or adult managers of the branches provide the required support to encourage and motivate the students. This innovation creates community ties for the youth because the relationship between local financial institutions and schools made teens feel part of the community and not isolated from mainstream life. It also offered students the chance to become part of a team and to know more kids, hence building their positive values of genuinely caring for others and their social competencies to work well with and understand people who are of differing backgrounds. Overall, the expectation for the program was to empower youth with an alternative learning environment to prepare them for future economic success.

Whether or not youth banking programs were successful in achieving their desired goals, a sample of various school bank partnerships was evaluated.³⁷ Based on this analysis, the outcomes revealed that students developed marketable skills through the practical methodology of hands-on training. Moreover, participants learned how to treat and deal with people, especially when roles became reversed and the youth were servicing teachers and principals as customers. The project instilled cooperative learning concepts to reinforce that youth had to be responsible and accountable for the work and each other. The youth felt greater self-esteem

³⁷ McLaughlin, Dolores Liberty Ed. D. *Initiating a School-Bank Partnership: A Study of the Relationship Between Banking and Education*. University of Massachusetts Doctor of Education Dissertation, May 1992

and self-confidence by learning in a group environment where they were provided with on-the-job training. Furthermore, the participants agreed that the teaching methodology employed in the student bank branch mixed well with their learning style and ultimately gave them the confidence for an easier transition from school to work.

The main shortcoming of the program was its lack of continuity of instruction by an advisor. The youth banking program needed to have a permanent advisor/instructor who was qualified to work with the youth and knowledgeable to teach the banking curriculum. This downfall in acquiring continuity in instruction is a concern that seems to have continued as youth banking programs have evolved into youth credit union programs. In chapter 4, the highlighted case studies will reveal the continued need to have permanent youth credit union program advisors.

This type of innovative partnership has continued to develop and spread throughout the country. It has influenced community development credit unions to incorporate many of the above-mentioned goals into programs for the youth in their community or service area. The youth banking program instills goals that are inline with the prescribed assets necessary for an effective youth development program.

Conclusion

Youth development equates to community development. It is the people, programs, and institutions that must provide support, meaningful opportunities, and offer quality services to engage youth to become fully prepared for adulthood. During their most critical years for development, youth must have the basic developmental assets to prepare them for a productive future.

These assets speak to a youth's internal and external needs. Their need for support must be ongoing and in a respectful manner. Youth benefit most when a variety of people are involved in their lives. Young people should also be provided meaningful opportunities that feature youth leadership and voice. A clear focus in the program, with quality content and instruction, gives adolescents chances to learn how to act in the world around them, to explore, express, earn, belong, and influence. All of these components must be lead by supportive adults and peers who provide respect, high standards and expectations, guidance and affirmation to young people.³⁸

The goal of improving the long-term life chances of young people should result in young people: 1) becoming more economically self sufficient; 2) being healthy with good family and social relationships; and 3) contributing to their community. These outcomes are what youth programs should strive to achieve. The youth banking program was the first version of a youth credit union program to incorporate these goals as part of their agenda. The purpose of the youth banking program addressed the need to teach youth the knowledge and skills essential for maintaining a quality standard of living. In essence, youth banking programs define youth development - a process that all young people go through on the way to adulthood.

³⁸ *What is Youth Development?* Center for Youth Development and Policy Research, URL <http://cyd.aed.org/whatis.html>

CHAPTER 3

Community Development Credit Unions

This section will look at community development credit unions (CDCU) as a vehicle to promote youth financial development and address the need to prepare youth for their transition into the adult world. As community financial institutions, their mission is not only to provide needed financial services, but also support the health and development of the people it serves. Therefore, this chapter will explain the origins of community development credit unions and consider whether they contain the characteristics to ideally incorporate youth development programs. By integrating the characteristics of a community development credit union with the qualities important for the healthy development of youth, the result is a new form of community youth financial development - youth credit unions.

Access to affordable and adequate financial services and institutions are seriously lacking in low and moderate-income neighborhoods in the United States. Often the only options are alternative informal markets, such as check-cashing agencies, liquor stores, pawnshops, and loan sharks.³⁹ Conventional banks that decide to locate in a distressed area are not providing capital to support pressing problems, but instead serve largely to drain resources out of the community.⁴⁰ Their interests focus on the bottom line – high financial returns. Therefore, the need for adequate affordable financial services is critical.

An option that has emerged is credit unions – more specifically community development credit unions. “ Community development credit unions are member-owned and controlled nonprofit

³⁹ Isbister, John. *Thin Cats: The Community Development Credit Union in the United States*. Center for Cooperatives, The Regents of the University of California, Davis CA, 1994, p78

⁴⁰ *Ibid*, p 78

financial institutions which bring credit and financial services to people and communities with limited access to mainstream financial institutions.”⁴¹ Community development credit unions have materialized as a vital resource in low-income communities. Embedded in their mission is to not only provide needed financial services, but also support the health and development of the people it serves, including the youth.

For a community to be sustainable and prosper, attention needs to be focused on its future potential, which the target is youth. Youth today have basic needs in order to develop into productive citizens. These needs were explored in Chapter 2, but the objective of this section is to explore CDCU as an ideal entity to promote community youth development.

Origins of Credit Unions and Their Common Welfare Approach

The idea of cooperative finance began in Germany in the 1850’s and later migrated to North America in the early 1900’s. It wasn’t until the War on Poverty in the 1960’s that the development of financial institutions for the specific purpose of serving low-income people formed.⁴² The roots of credit unions sought to change social relationships. Although its primary purpose was not directed at the poor, it instilled principles that resemble the objectives of many present day community development credit unions.

“The early cooperative credit societies had a distinctive purpose; they were established in order to protect groups of people whose livelihoods were threatened by economic forces over which

⁴¹ Tholin, Kathryn and Pogge, Jean. *Banking Services for the Poor: Community Development Credit Unions*. Chicago, Ill. Woodstock Institute, 1991, p2

⁴² Isbister, John. *Thin Cats: The Community Development Credit Union in the United States*. Center for Cooperatives, The Regents of the University of California, Davis CA, 1994, p29

they had no control.”⁴³ The cooperative credit movement was a response to the challenge of corporate capitalism against peasant economies. During the nineteenth century, Germany was undergoing major economic changes. Large-scale production of factories and commercial farming sought to terminate local artisans and individual growers. These local farmers and artisans felt threatened that their way of life or social order was ending. Thus the impetus for the cooperative movement was to protect the class of people who felt their livelihood was under attack. Credit unions developed as a mechanism for people to join together to combine their resources to create safe havens and as a way to continue connecting people to their workplace and their communities.

In the early twentieth century, the cooperative banking movement migrated to the United States through Canada. Alphonse Desjardins, who developed Canadian cooperative banking, (*caisse populaire* or “people’s banks”) based the need on testimony he heard in parliament of constituents being preyed on by loan sharks.⁴⁴ In addition, the Canadian working class was also fighting a capitalistic economic system that threatened their social and economic status, similar to Germany. A unique quality of *caisse populaire* stems from their origination in parishes. These parish-based credit unions can be seen replicated in the development of a number of American faith-based CDCUs today.

Ten years after the first credit union was started in Quebec, Canada, Desjardins assisted Pierre Jay and Edward A. Filene in creating American credit unions. Incorporating sentiments of cooperative based institutions, Filene differentiated early American credit unions by organizing them among the employees of varying companies. The purpose was to provide credit at

⁴³ Ibid, p30

⁴⁴ Ibid, p 49

reasonable rates to finance consumer purchases. Credit unions began to flourish in the United States so that by the 1990's, there were about 14,000 credit unions with 60 million members.⁴⁵

American credit unions still retain the cooperative spirit of a member-led institution, but the essence of social change so intimately related with the earlier credit unions seems faint. The growth in American credit unions has evolved from a movement to an industry - with a majority of them operating as businesses that provide financial services for their middle class workers. In the early 1900's, credit unions did serve a working class on the verge of impoverishment. Presently, the majority of members have incomes that place them above the average median income of the country.⁴⁶ Most credit unions are run by professional staff and have turned into monetary institutions that are most concerned with their financial statements instead of the quality of their members' lives.⁴⁷

The early days of credit unions intended to protect the people it served while pooling its resources to benefit them as well. This movement established an institution that gave control of financial resources to the common person in order to assist the greater good of the community. Cooperative owned institutions instill a common welfare approach; and although lost in the development of mainstream credit unions in the United States, this approach reemerged with the creation of community development credit unions in the early 1930's.

⁴⁵ Ibid, p 58

⁴⁶ Ibid, p 59

⁴⁷ Ibid, p 60

CDCU - The Development and Goals of American Community Development Credit Unions

Community development credit unions represent a departure from the mainstream credit unions. As member-owned and controlled nonprofit financial institutions, community development credit unions bring credit and financial services to people and communities with limited access to mainstream financial institutions.⁴⁸ Their purpose is social change – similar to the social movements created by the earliest credit unions.

The first American CDCUs were created in Black southern rural communities. In the late 1930's to early 40's, working people in the plantation system, whose incomes were very low and lacked access to credit or were offered credit on the most exploitative terms, created these CDCUs.⁴⁹ Some of these initial CDCUs still exist today, but are relatively small in operation and asset size. Due to the complexity and cost of starting and maintaining a community based financial institution, the CDCU movement was slow to materialize until the 1960's. With the convergence of three different groups, an increase in interest and support surfaced to create a growth of CDCUs in a number of urban and rural communities.

Black civil rights activists, the credit union national association (CUNA), and the federal Office of Economic Opportunity (OEO) promoted this influx of newly established CDCUs.⁵⁰ The 1960's, a time of social unrest, also brought the need for access to financial services to the forefront. Black civil rights activists found that people who demonstrated for racial equality were persecuted by their white southern-owned financial institutions with loss of access to any form of credit. Federal officials encouraged these activists to work with the OEO to mobilize the savings

⁴⁸ Tholin, Kathryn and Pogge, Jean. *Banking Services for the Poor: Community Development Credit Unions*. Chicago, Ill. Woodstock Institute, 1991, p2

⁴⁹ Isbister, John. *Thin Cats: The Community Development Credit Union in the United States*. Center for Cooperatives, The Regents of the University of California, Davis CA, 1994, p62

⁵⁰ *Ibid*, p 63

of African Americans by setting up cooperative, self-help lending institutions. The OEO, created by President Johnson's War on Poverty, was a major force in the establishment of CDCUs. The OEO was set up by the government to combat poverty by creating programs that raise the living standards of one-third of Americans whose income fell below the national poverty line. Although over 400 CDCUs were created during this period, most of them failed with approximately 10 percent still active by the 1990's.⁵¹

The reasons for the overall failure of many of the OEO-sponsored CDCUs focused on the problem of having a top-down approach for a community-based institution. Because most of the CDCUs were initiated by the OEO in Washington, D.C. and operated by the staff of local Community Action Agencies (CAA), there was no development of local community support or a volunteer base to sustain its success. For community-based institutions, their success depends on the cultivation of leadership, dedication, and on-going support of its members. Without member involvement, much of the ideals rooted in a cooperative movement are lost.

Presently, CDCUs in operation across the United States vary in the characteristics of their members. They range from faith-based to ethnic-based, but the ideals still remain similar to those of the early credit union pioneers – a common welfare approach in the development of their community. Many of these institutions are small with few staff and modest asset holdings, but identify an existing need to remain and possess the dedication to continue working for social change.

From the German farmers and artisans to the American Black civil rights activists, the credit union movement continues to promote social change by addressing the financial health of the communities it serves. This section revealed the motives behind the creation and evolution of

⁵¹ Ibid, p 65

community credit unions as a way to validate CDCUs as an appropriate entity to promote a holistic community economic development approach. Overall success of a community must take into account future resources – the most precious of these is its youth.

The Qualities and Characteristics that Define a Community Development Credit Union

CDCUs are set up as financial institutions with a dual mission. On the one hand, they must meet the financial service needs of their members, but on the other side their purpose is to also promote local community development. A CDCU promotes community development through activities such as their lending practices, financial education, leadership development, and promotion of social networks.

According to the National Federation of Community Development Credit Unions, a healthy CDCU is measured by good management of their financial obligations; contributions to the community's financial well being and self-sufficiency with respect to local culture and conditions, and education of its members regarding credit union management, economic development, personal financial management, and community leadership.⁵² These traits are common in all CDCUs and help differentiate them from traditional credit unions or financial institutions. But, there is no one model for CDCUs. Today many different types exist depending on the community or group they serve and what members determine as their particular mission and priorities.

⁵² Lanspery, Susan C. *Youth Credit Union Programs: A New Branch of Community Development*, Center for Human Resources Heller School Brandeis University, December 1998, p 5

Although models differ, CDCUs do share a commitment to people and place. “People are represented by their members and place by the community in which they live and work.”⁵³ The strength of CDCUs rests in the fact that they are institutions that are owned and controlled by its members – residents and stakeholders of the community. They do not rely on outside entities to determine their priorities and objectives. Each member who deposits or borrows from the CDCU is entitled to one vote. This vote elects the CDCU board, which determines the policies and procedures of the organization. The distinction in this process is that CDCU boards are more likely to focus their policies to improve the quality of life of its members and give them new hope. This contrasts with mainstream credit unions that pay attention to their members’ interest in order to create marketing strategies to increase revenues.⁵⁴ Leadership and ownership are important qualities for the promotion of community development and youth development.

As a community development financial institution, CDCUs make financial services available to people who are not able to access mainstream financial establishments. The role of CDCUs in providing financial services is holistic. Not only are basic financial services such as savings accounts and loans available, but they often provide financial planning and education to members. They encourage their members to improve their savings habits by planning and budgeting for future needs and they assist their members to develop solid credit histories.⁵⁵ These activities promote a lifestyle change in how people view and deal with money. It reeducates, in a supportive manner, members’ ability to develop financial as well as personal assets. This personal support in financial education and exposure compliments the financial literacy education so desperately needed by today’s youth. By already providing these services

⁵³ Tholin, Kathryn and Pogge, Jean. *Banking Services for the Poor: Community Development Credit Unions*. Chicago, Ill. Woodstock Institute, 1991, p5

⁵⁴ Isbister, John. *Thin Cats: The Community Development Credit Union in the United States*. Center for Cooperatives, The Regents of the University of California, Davis CA, 1994, p3

⁵⁵ Tholin, Kathryn and Pogge, Jean. *Banking Services for the Poor: Community Development Credit Unions*. Chicago, Ill. Woodstock Institute, 1991, p5

in a manner that supports its members, CDCUs may be ideal to expand these activities to address youth.

Another distinction of CDCUs is their commitment to using their resources to make an economic impact on their community.⁵⁶ CDCUs will alter or change their lending policies to ensure that the loans are addressing a need or making an impact in the community. This principal applies to youth development programs because it is important for young people to take the lead in determining the needs for their program. The opportunity to thoughtfully ensure that the requests of all youth are being met compliments CDCUs commitment to addressing needs and having an impact in the community.

One of the strongest distinctions of a CDCU is its commitment to developing community control and leadership. This translates to control over the direction and management of the CDCU as well as the community resources flowing in and out of it.⁵⁷ The success of a CDCU depends greatly on the dedication of its board of directors. The board is made up of elected members who volunteer their time to serve. The duties of CDCU boards vary depending on size and resources, but the main objective is to provide new skills and capacities to community leaders. As a board member, local residents learn basic organizational management skills necessary to run a successful business. These competencies have a compound effect, which in turn builds the experience and qualifications of local residents in building successful careers. Overlap between CDCUs and youth development can be seen here. This leadership development aspect is one of the strongest components endorsed by youth development and youth credit union programs. For many youth programs, the skills, attitudes, and confidence necessary for the future success of their young people need to be addressed. Often they are developed

⁵⁶ Ibid, p5

⁵⁷ Ibid, p6

within the various roles and jobs of running a youth program. These roles often educate and expose adolescents by developing their leadership skills, but also have the potential to teach youth civic values around both democratic practice and community service.

Based on the qualities and characteristics of CDCUs, on the surface, they incorporate the ideals necessary for a successful youth program or a successful youth credit union program. However, there are various constraints, such as size, resources, services, products, management, and staff expertise that hinder CDCUs from being the ideal entity to impact youth at a sustainable level.

Smaller CDCUs confront additional operating constraints. Many smaller or start-up CDCUs have limited resources and staff to devote to additional programs. Also, the range of financial services provided is limited with part-time hours of operation. Management is another constraint. Often the manager of a credit union must be a financial manager, an organizer of volunteers and leaders, a teller, a loan officer, and a marketing representative. These demands often restrict a CDCU from long-term planning or expansion of services.⁵⁸ Youth programs require coordinators with experience or knowledge of youth development principles. This may be an additional constraint that a CDCU may not be able to accommodate in-house.

The above limitations require CDCUs to be inventive and creative in order to overcome them. Some CDCUs have found ways to increase their scope of services by partnering with other organizations. These partnerships are crucial if CDCUs are interested in youth services or more specifically developing youth credit union programs. As a way to address the need for improved money management skills and leadership development opportunities for adolescents, youth credit union programs have surfaced as a possible alternative for nurturing young people into

⁵⁸ Ibid, p 22

healthy and financially well adults. The next section will define and explain further the roles, responsibilities, and activities of youth credit union programs.

Goals and Characteristics of Youth Credit Union Programs

Youth credit union programs are developing throughout the country. Many view these programs as a perfect opportunity to teach young people about the importance of money management and real life employment skills, while helping them experience the credit union philosophy.⁵⁹ The types of credit union programs vary, but the majority of national youth credit union program models have looked at schools as the source for developing their youth credit union programs since they provide a large pool of youth participants as well as school time and physical space to conduct financial activities. Most of the literature provided by the Credit Union National Association (CUNA – national trade association serving credit unions) reflects this type of program model, but also illustrates that credit unions that administer the programs are not all equal. A large share of the programs seem to be supported by traditional credit unions that may be larger in size with a richer asset base reflected in the range of products provided. In addition, they seem to partner with schools that may not work with an underserved population.

Community development credit unions have also followed the charge of youth banking by creating youth credit union programs to address similar goals for students, as well as to have a broader impact on community development. They share many of the same purposes as larger-scale youth credit union programs, but the unique attributes of a CDCU youth program are reflected in their community youth development approach where they target underserved and underrepresented groups.

⁵⁹Halter, Kelly and Young, Susan. *A Perfect Opportunity* Credit Union Magazine, Jan 2002.

All youth banking programs share similar goals of promoting financial self-sufficiency for the youth they serve, but community development credit unions differ in that their programs also promote community development or reinvestment. Much of CUNA's youth credit union literature advocates for youth as an untapped market for credit unions. They promote credit unions offering services beyond basic savings accounts and moving kids to a variety of financial services. For many CDCUs, this is a challenge. According to Joe Cummins, Manager of Alternatives FCU student credit union program, national large-scale credit unions have a formulated recipe for starting and operating a youth credit union. What gets lost in that recipe is that CDCUs face differing needs and constraints and target a more disparate audience than many of the mainstream credit unions.⁶⁰ Part of the challenge is that many CDCUs are smaller in scale and are not able to offer a wide variety of financial services to their youth and adult members. Although CUNA's literature imparts steps to successfully put credit unions in schools, CDCUs have had to tailor this information to their needs.

Since early 1992, the National Federation of Community Development Credit Unions has targeted their efforts to provide support in helping CDCUs develop programs that serve young people between the ages of 7 to 17.⁶¹ This support has generated approximately 15 established youth credit union programs in community development credit unions throughout the country. These programs are not separately chartered financial intuitions, but programs existing under the original charter of the CDCU. Although many of these programs share a broad goal of empowering youth, there is diversity amongst the various youth credit union models.

⁶⁰ Cummins, Joe of Alternatives Federal Credit Union, February 14, 2003, Ithaca, NY

⁶¹ Bostic, Viola, Youth Credit Unions. National Federation of Community Development Credit Unions – Community Investments, June 2002 p5

The purpose and characteristics of youth credit union programs vary according to location, resources, interests, culture, and other characteristics that develop diversity.⁶² Some programs may place more importance on one objective versus another, but most often youth credit union programs have multiple purposes. The following are some of the common goals or objectives:⁶³

- Recruiting new CDCU members, who bring in new ideas and resources and enhance the CDCUs personal and financial assets.
- Nurturing present and future CDCU and community leaders
- Training future CDCU staff
- Creating meaningful opportunities for young people to contribute to an organization, take pride in their work, and practice teamwork.
- Educating young people (by instruction and by example) about financial management, economic power, applied math skills, initiative, personal and community responsibilities, hope and faith in community activism, accountability, long-term planning, work, business, defending their ideas, and conscientiousness.
- Offering young people a chance to interact with the public – learning how to talk to customers, be punctual, and dress appropriately for a business environment.
- Building bridges to other local organizations (e.g., schools, churches, community based organizations, and businesses)
- Helping young people mature.

These overarching goals are also achieved in various ways. As there is a diversity of community development credit union models, there is also a mixture of youth credit union models. There are four distinct youth credit union structures identified within CDCUs: faith-

⁶² Lanspery, Susan C. *Youth Credit Union Programs: A New Branch of Community Development*, Center for Human Resources Heller School Brandeis University, December 1998, p 4

⁶³ *Ibid*, p 6

based programs, school-based programs, community-partnered programs, and credit union-based programs. Within these structural differences, youth credit union programs emphasize goals that are relevant for their community needs.

Faith Based Programs – These youth programs are implemented in faith based community development credit unions. The youth participants are generally recruited from the congregation and are managed by the credit union employees or volunteers. Youth participants open savings accounts and administer the basic functions of running the youth financial services.

School Based Programs – CDCUs look for partnerships with local public, vocational, or community schools. A student branch is opened within school grounds during school hours. These branches are student operated, active usually during specific periods of the day (i.e. lunch hour), and only take in deposits from other students. Other transactions, such as withdrawals are taken care of at the main CDCU branch. Most of the participants are students within the school. The benefit of this model is the large pool of existing participants, but the challenge may also be to make clear that the credit union is separate from the school if there are ill feelings toward the school that may prevent participation.

Community Partnered Programs – This type of partnership is structured between a CDCU and a local community-based organization, which may include community development corporations and youth development organizations. The benefit of this model is that the youth credit union program partners with an organization that is knowledgeable and able to run a youth development program with existing connections to area youth. The activities are similar to the models above where the youth provide financial services to other youth by offering

savings accounts, financial literacy education, and opportunities to be actively involved in leadership roles.

Credit Union Based Programs – This final program structure maintains a youth credit union program within a CDCU. A program manager is hired to oversee the youth programs within the CDCU and all youth activities and services are provided at the CDCU offices. Again many of the youth credit union activities are similar to the models above, except that CDCU staff and members are the sole implementers. This model is geared towards well-developed CDCUs that have the resources, expertise, and organization to successfully implement a youth program in-house.

Depending on the goals and scope of the youth credit union programs, many programs will start their operations based on one of the above models and as the program and interest of the youth credit union grows so does their outreach and services. For example, the Mission Area Youth Credit Union Program began its program within the Mission Community Financial Assistance, a community based organization, and has now developed local branches at area San Francisco schools. As interest increases, youth credit union programs augment additional partners to meet the demand.

Roles and Responsibilities of Youth Credit Union Participants

In general, there are core youth roles that are part of running a youth credit union program. These positions vary from managers to marketers. As stated earlier, the depth of roles and responsibilities is attached to the goals and size of the specific youth credit union program. The

following is a general overview of the various types of roles and responsibilities for youth participants.

Board of Directors – The board of directors, voted on by the youth credit union members, are responsible for overseeing the youth credit union and ensuring that the mission and goals of the program are being maintained. They take an active role to help determine relevant workshop topics for youth to participate in and review the financial statements of the youth credit union program. The roles within the board may include: President, Vice-President, Secretary, Treasurer, and Vice-Treasurer

Operation Managers– The youth involved in the operations of the credit union take on the position of Managers and Assistant Managers. They oversee the tellers of the credit union and make sure that financial services are provided according to policy set forth by the board and youth members. They have the main responsibility of overseeing that the financial records are balanced against all transactions that may have occurred and provide statements and updates to the board of directors.

Marketing Committee – This group of participants take on the responsibility of outreaching to youth with various marketing tools. Often the main source of relaying information is in the form of newsletters to all members. Other means of communication to bring the youth credit union program into the public eyes include: creating posters, giving presentations to other youth groups, and creating brochures.

Investment Team – Participants involved with the Investment Team are responsible for managing the youth credit union's portfolio. For the more developed programs, the curriculum

and activities are extended to expose and teach participants about the stock market, how to track, follow and buy stocks and mutual funds.

Fundraising Committee – The youth are responsible for planning and creating different ways to help fund the youth credit union. Often the money raised is used for field trips and conferences related to the youth credit union.

Website Group – With greater youth who are becoming technologically proficient, some youth credit union programs created websites for their program. These websites help inform outsiders about the services as well as offer a way for youth credit union members to stay informed on the latest events and services provided by the youth credit union program.

Business Development Team – If entrepreneurial and business development skills are a focus of a youth credit union program; youth are encouraged to learn the process of starting a mock, but realistic business. They are guided in the area of business planning, financial planning, marketing and product development. The team discusses additional topics of what it takes and what kind of person would be a successful entrepreneur, the life stages of businesses, and how to develop business ideas.

These various positions represent a general overview of the differing roles and responsibilities youth can take advantage of as participants of a youth credit union program. Each area of involvement exposes youth to diverse types of leadership development as well as skill building opportunities. By working in these various roles, young people understand that it takes a variety of skills and competencies to develop an effective organization. They also learn from their mistakes and successes. By providing the youth with the opportunity to plan their program the way they see fit, they learn from unwise decisions and build their sense of confidence and ability

in correcting the situation. These working groups give young people ownership over the planning and implementation of the steps necessary to make their program successful.

Services and Activities of Youth Credit Union Programs

Along with the roles and responsibilities for youth to develop both personal and professional goals, there is an assortment of activities that allow for greater participation of youth at all levels of engagement. Not all youth have an interest in taking on leadership roles that require a great time commitment or are ready to handle the scope of responsibility required of some leadership positions. Therefore, the following activities address all the goals and characteristics associated with a youth credit union program, but allow all types of youth with varying degrees of interests to be involved in the program.

Financial Services – One of the major services associated with a youth credit union program is the financial services provided to youth. These services may include basic savings accounts, checking accounts, small loans or Individual Development Accounts (IDA - matched savings accounts). Depending on the resources and services that are already provided by the CDCU, this is an indicator as to the breadth of services that are initially offered to the youth participants. As programs and credit unions develop, the financial services may expand. This allows for youth to open their own savings account and began learning financial literacy habits hands on. The youth may not work or volunteer for the program, but are still a part of it by using their savings account as a way to learn good money habits and become familiar with a financial institution.

Financial Literacy Workshops – One asset of a youth credit union program is their emphasis on teaching smart money management. Based on the overwhelming need to increase the number of financially literate youth, many programs feel that this is a priority of their program. The financial literacy workshops are meant to augment the hands on learning of maintaining a savings account and working in the credit union program. The classes deal with money issues that are relevant and age appropriate to the youth. Sometimes financial literacy curriculum will be developed in differing tracts to address the various developmental stages of youth. For example, 7-9 year olds may start off with how to count and save money for Christmas present shopping. For 10-12 year olds may begin with the basics of creating a budget and setting savings goals and 13-15 year olds may learn more about the benefits of saving, including interest and dividends, and how to apply for a job, interview well, and present a solid job application. For 16-17 year olds, their focus may be on wise credit use, saving for a car, and college applications and financial aid. The trainings are often designed for all youth, including those who may not choose to participate more actively in its management, and are taught by credit union staff, volunteers, and community partners.

Teller Training – This is provided to youth interested in learning how a credit union operates. The training is comprised of basic member services, transactions, opening and closing process and basic computing software. Often there may be a certification process associated with teller training to determine the youth's ability and preparedness to carry out teller duties. It also provides youth a sense of accomplishment and encouragement if they graduate teller training with a certificate of approval. This activity, considered job training, is often a main goal of some youth credit union programs. Because some CDCUs are small in scale, they rely on their youth program to train future tellers to help run and sustain credit union services.

Manager Training – Participants who want to take a more active role with greater responsibilities receive training to become a manager of the youth credit union operations. This training ensures that managers and assistant managers are able to oversee staffing, coordinate financial activities, and evaluate operations to ensure that financial performance is inline with the budget. It helps provide training in teaching youth how to utilize various leadership approaches to maintain a happy and productive staff. Often existing youth managers provide this training.

Newsletter – Many youth credit union programs have developed quarterly or bi-annual newsletters. These publications are written, edited, and laid out by youth to update members on the latest undertakings of the credit union. It is also one of the ways in which programs help market their youth services and outreach to new youth participants. This activity helps build youth's writing, editing, graphic design and publishing skills as well as serving as a team-building activity.

Public Speaking – For many of the programs, public speaking engagements are part of the marketing of the credit union. These presentations also provide youth a chance to develop their public speaking and presentation skills, which are applicable to numerous professions. One former participant from Alternatives FCU Dollar for Dreams program stated that speaking at a conference, as a representative of the youth credit union, was a great experience. Never had she had the opportunity to be able to speak in front of a group of credit union professionals who were all interested in learning from what she had to say.⁶⁴

Fundraising – Fundraising comprises a broad variety of activities. Many programs engage youth to take the initiative and responsibility to earn their activity funds. Fundraising motivates

⁶⁴ Koplinka-Loehr, Anne, former youth participant of Alternatives Student Credit Union, March 25, 2003, Wisconsin

youth to feel the rewards of their labor. The types of fundraising youth initiate may consist of operating a snack machine/store at the credit union for all to use, writing proposals, bake sales, or having car washes.

Annual Meeting – Some programs have instituted an annual meeting for their youth members. This meeting is open to all youth members to celebrate their year of accomplishments. All the different working groups or committees report on their achievements from the previous year as well as announce the proposed goals for the upcoming year. Members are encouraged to provide feedback and voice suggestions to the working groups. This is also a time when the youth board of directors is elected by the youth membership.

Field Trips – Part of the incentive for the youth to be involved in the credit union program is due to the opportunities to visit and learn about new places. Trips to the Federal Reserve Bank seem to be one of the most popular field trips organized by many youth credit union programs.

Conferences – The Credit Union National Association and National Association of Community Development Credit Unions hold annual conferences. These conferences incorporate youth credit unions as an important strategy in the credit union movement. Youth have the opportunity to participate in these conferences and often present their programs too.

These services and activities address various youth development and education practices and principles. Not all youth credit unions will provide all of these services, but most programs contain at least two with more advanced ones incorporating more.

How Youth Credit Unions Advance Youth Development and Financial Literacy

Goals

Youth credit union programs serve communities by preparing future generations with the skills necessary to mature into financially healthy adults. In order to achieve this, CDCU youth credit union programs must instill the developmental assets necessary for the proper development of adolescents, influence a sizeable number of youth to have noticeable impacts in the community, and serve the members of the community that are greatest in need of improving their financial well-being.

By and large, the components of a youth credit union incorporate the developmental assets important to young people. As board members, managers, tellers, fundraisers, and marketers, the youth are provided with constructive use of time, positive values, social competencies, and an improved positive identity. These various roles are creative and develop practical skills for a young person's professional development. They also promote positive values by teaching teamwork skills and exposing them to lessons of common welfare and cooperative awareness as they take on leadership roles where they must represent and lead the organization in the direction that is most beneficial for their youth membership and not just themselves. The practicality of these roles and responsibilities build social and professional competencies for the youth. For participants who have the advantage of on the job training, job related curricula, and exposure to professional work environments, this increases their motivation to continue their education and think more seriously about future career opportunities. The experiences and opportunities for youth within the youth credit union project helps build a positive identity by giving them personal power and showing them that their role has a much needed purpose to the program in order to make it successful.

All of the opportunities to participate in the various roles, responsibilities and activities would not be possible unless adequate support was provided. Youth credit union projects are structured to include adult advisors who are passionate about and committed to the program. These advisors take care of coordination efforts, but also provide additional support to young members regarding school or family-related problems, job applications, and college. The advisors are program managers and youth development professionals. According to Credit Union Digest, the person who works with the students is the key person. They are the advisor, mentor, educator, and supporter. Often, the coordinator attends the participants' sporting events, lends a sympathetic ear to the kids' problems, and dispenses advice on a range of areas.⁶⁵ This type of adult support speaks to the need for youth to have caring and encouraging experiences as one of their primary developmental assets.

As a youth led and run project, this type of format empowers youth to have the feeling that the organization and community value them. The youth are led to perform and participate in various roles that cater to their differing developmental stages, but all participants from board members to youth account holders retain ownership of their program. Their roles and activities give the community a much-needed service, which in turn adds value to the youths' work thus empowering them.

The financial literacy education and hands on experience with various financial services of a youth credit union program displays a commitment to learning. These workshops encourage youth to actively engage in new ways of thinking and living. This educational component encourages young people to take what they learned about basic money management concepts

⁶⁵Credit Union Digest August 2002, URL www.doig.cuna.org/download/youth_4_02Digest_Student%20CU.pdf

and apply it to their everyday lives. Youth are encouraged to learn the benefits of saving and how wise money management greatly affects their future opportunities and standard of living. This commitment to an alternative and practical style of learning hopes to achieve a spill over effect into the kids' schoolwork and extracurricular activities. CDCU youth credit union programs can also use the money management education and hands on learning style to concentrate on the needs of minority and disadvantaged youth. The mission of a CDCU to serve low-income and underserved populations aligns well with the need to address the critically low financial literacy rates among youth of color.

A youth credit union structures itself to have clear roles, responsibilities, and activities to provide youth with the necessary developmental skills to be successful adults. The requirements placed upon the various leadership roles and youth participants in general are created with specific boundaries and expectations to motivate them to achieve the program objectives. As part of this framework, youth know that the program must operate under clear rules to achieve its goals. They also realize that their decisions may have consequences, both positive and negative, which they must deal with and learn from. The boundaries and expectations provided by the adult coordinator, volunteers, parents, teachers, and other peer members encourage the youth to achieve.

Based on the premise and concept of a general youth credit union program, it instills the developmental assets to make it a high-quality youth development program with a focus on improving financial literacy. On the surface, the project seems ideal for CDCUs to achieve healthy financially well adults. But, a comparison of three existing program examples may reveal differences between the concept and its outcomes

Conclusion

Community development credit unions provide access to financial services for low-income communities consistent with the long-term financial well being of its members. Most importantly, by reaching out to these low-to-moderate income households, CDCUs are introducing and educating them to products and services that impact their life by changing their relationship with and understanding of personal finances.⁶⁶ The overarching mission of CDCUs, to make a difference in the lives of people, is inline with the fundamental goals of general youth development programs and more specifically youth credit union programs. Youth credit union programs come in all shapes and sizes. The models, roles, and services vary from program to program depending on the goals and objectives of the program. Developing youth's leadership, money management, professional, and social skills are all necessary parts for effective community youth development.

⁶⁶ Caskey, John P. Swarthmore College and assistance from Brayman, Susan J. *How Credit Unions Can Serve the Underserved*. Filene Research Institute, March 2000, p12

CHAPTER 4

YOUTH CREDIT UNION CASE STUDIES

This chapter will explore three differing CDCU youth credit union programs. Each program will highlight their mission, target population, activities, success, and challenges. The intention is to use these three examples to begin to determine how community development credit unions that empower individuals in under-served communities contribute to the preparation of young people with the skills and wealth necessary to mature into healthy adults and whether they are an ideal entity to achieve it.

Highlighted Youth Credit Union Program

Alternatives Federal Credit Union – Formerly Dollars for Dreams and presently renamed the Student Credit Union program – Ithaca, NY⁶⁷

Mission

Student Credit Unions (SCU), are branches of Alternatives

Federal Credit Union designed to introduce teenagers to financial services and small business management within the

framework of a credit union. Their mission is based on a human developmental model. They seek to show kids that there are alternative ways of working together, getting along, and being tolerant of each other despite the fact that technological advances often push away community involvement. Their program is trying to give youth alternative ways of learning and doing things so that they know how to better handle negative social pressures and situations.

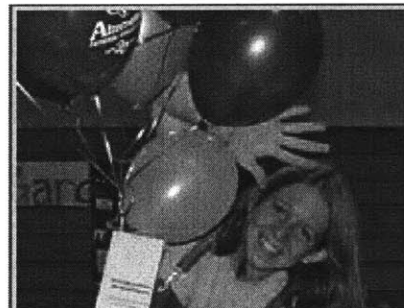


Figure 1: Youth Credit Union (Former) Volunteer, Anne Koplinka-Loehr www.alternatives.org

⁶⁷ Cummins, Joe of Alternatives Federal Credit Union, February 14, 2003, Ithaca, NY

Alternatives Federal Credit Union, a Community Development Financial Institution, is dedicated to economic justice by building wealth and creating economic opportunity for underserved people and communities. The idea to start a youth credit union program was initiated by their Chief Executive Officer, Bill Meyers. For Alternative FCU, their purpose is to meet the financial needs of the members of their community. They believe that by controlling the flow of funds within a small community, the community can build itself to suit its own needs and be more self-reliant.⁶⁸ The Student Credit Union was an extension of this belief.

Target Population

Located in Ithaca, New York, the program targets youth from local partner public schools and children whose parents have accounts at Alternatives Adult Credit Union. They serve an area where 13.5% of the families and 40.2% of the individuals are at or below the federal poverty level.

Activities

Originally named “Dollars for Dreams”, the Student Credit Unions began in 1990 and within their first year of operation had 82 youth accounts with \$7,000 in deposits. The program first operated with a volunteer adult supervisor and then an Americorps VISTA Volunteer administered it. It was not until 10 years later, in October 2000, that a full-time Community Development Educator of Alternatives FCU directed the student credit union.

⁶⁸ Alternatives Federal Credit Union website. URL www.alternatives.org

The Student Credit Union currently has branches at Alternatives Community School, Boynton Middle School, the main branch at Alternatives FCU, and is developing a branch at Ithaca High School. They operate during lunch period at the schools on specific days of the week and also have operating hours on Friday afternoons at Alternative's main office. Student Credit Union staff, comprised of middle and high school students, assist in duties such as working shifts as tellers, marketing, fundraising, writing newsletters, and going to conferences.

Their members are required to be under the age of 19 and must pay a one-time membership fee of \$2.00, which may be waived if a parent or guardian has an existing account at Alternatives FCU. Youth members have access to a variety of financial services, but the most commonly used is the savings account. These accounts have a minimum balance of \$1.00 and do not require an adult-co-signer. In addition, youth may open share drafts accounts (checking accounts) to learn how to use checks and balance account statements and use it with an entry-level debit card. As for the understanding of loans and asset development, the Student Credit Union offers starter loans for members up to \$500 with a maximum 2 year pay back schedule at 10.5% APR and Individual Development Accounts, a 3 to1 ratio matched savings program, to help teach students the benefits of savings for a big goal, such as education and entrepreneurial expenses.

Successes

Presently, the Student Credit Union has 734 Members with \$404,721 in deposits. It has gone through a lot of changes and adjustments since its inception, including many benefits and drawbacks. Alternatives Credit Union has built a solid relationship with Alternatives Community

School. The result is a joint partnership with the support of the community school's teachers and administrators. The principal has provided the Student Credit Union class time, an elective period, where students can meet and organize the operations of the credit union branch. The school also provides school credit for those youth involved in the management of the Student Credit Union. There are a group of 5 kids who are actively involved. They are all volunteers and give up their lunch period to open the credit union branch.

Other successes of their program are the field trips and conferences the members attend. The middle school youth become very motivated when planning and fundraising for a trip. These trips offer the youth skills in planning and coordination, fundraising, exposure to and information about the sites visited, and most importantly they practice their financial management skills because the youth use checks to budget and pay for their costs. They recently visited the Federal Reserve Bank and are planning a trip to the U.S. Treasury in Washington, D.C.

Alternatives Student Credit Union has also implemented savings rewards. In order to increase saving deposits, they offer prizes at the end of the month to their youth members who deposited every week. This has been successful in motivating youth to increase their savings and improve their saving habits.

The other successes have come in the form of leadership opportunities. Former participant, Abby McBain stated that one of the skills she learned from operating the credit union was accepting responsibility. As a lead coordinator, she learned that everything is not always fun, but the job still had to get done. She also felt that by working in a professional environment, it taught her appropriate social skills and respect for fellow co-workers. It also exposed her to how poor financial planning could adversely affect a person's life when adult clients would overdraw from their accounts. Because of the management situation, Abby felt that she and the

other staff members were trusted to run the program self supervised.⁶⁹ This trust and responsibility were important in giving the youth the confidence and self-esteem to maintain the program, but also did result in challenges that will be addressed in the next section.

Anne Koplinka-Loehr, another former participant, developed successful presenting and networking skills from the Student Credit Union activities. She learned these skills from public presentations to funders, student classes, and other adult groups. At a NACDCU conference, she learned to make contacts and network with other attendees and present in front of a large group of adult credit union professionals. This opportunity helped reinforce that youth were important members of the credit union with valid ideas and opinions that people were interested in learning from. Anne also stated that one of the skills learned from participating in the Student Credit Union, which made her a stronger person, was learning how to work in a team.⁷⁰ By listening to others and making sure that everyone working together is coming to some consensus on the present and future direction of the program, this greatly improved her leadership skills, which ultimately lead to a summer job at Alternatives FCU.

Currently, one middle school youth participant, who has been a staff member for over a year, feels more confident about his money knowledge and even feels his math skills have improved in school from working as a teller. He also feels that by creating savings goals, this helps deter him from wanting to spend his money on extra luxury items. He states the best things about the credit union are watching the money grow in his account and watching the money for the field trips increase.⁷¹ With all of these successes and benefits gained from running a youth credit

⁶⁹ McBain, Abby, former youth participant of Alternatives Student Credit Union, March 7, 2003

⁷⁰ Koplinka-Loehr, Anne, former youth participant of Alternatives Student Credit Union, March 25, 2003, Wisconsin

⁷¹ Dubin, Max, present middle school youth participants of Alternatives Student Credit Union, February 14, 2003, Ithaca, NY

union program, Alternatives also went through many growing pains or challenges since its inception.

Challenges

The success of recruiting and involving middle school kids to participate in the Students Credit Union has not spread to local high school kids. According to Joe Cummins, high schoolers are harder to work with because they have given up. They believe that if they have no money than they will never have money. They are not interested in opening savings accounts or volunteering with the credit union because many have lost hope that they can save any money that will make a difference. If high school students have accounts, it's due to their parents opening the accounts for them.

Most of the various financial services created for the youth have been based on trial and error. They found that their middle school kids are not interested in formal financial literacy classes and Alternatives FCU has no funding and time to offer money management education to their youth savers. Most of the youth staff asks questions of the adult credit union staff as they arise to increase their financial literacy. In addition, Individual Development Accounts are not very successful with youth participants. Joe Cummins speculates it may be due to the fact that young people who qualify for the IDA program (low-income requirement) are not comfortable to come forward in the schools to identify themselves to all that they are low income. Presently, they have no youth IDA holders.

Creating additional partnerships to outreach to other students in youth development programs or local schools has proved to be difficult. Presently the Student Credit Union has formalized partnerships with two middle schools. Out of these two relationships, the branch at Alternatives is more accomplished because the school has actively committed time and resources and support to the program. Boynton Middle School promotes the lunchtime branch, but does not take the extra step of working to integrate the program within their curriculum. They have also tried to connect with local youth development and after school organizations, but the response have been minimal due to lack of time and resources of the youth organizations. In addition, trying to create more sound relationships with teachers has been unsuccessful due to their existing heavy workload.

Alternatives FCU originally created the youth credit union program, "Dollars for Dreams" in 1990. It has since grown and been renamed to the Student Credit Union. During the past thirteen years, the program has gone through challenging management issues. From interviews with former youth participants, the lack of formal management of the youth program seemed to result in a program that did not have adequate support for the youth volunteers. During the years of 1998 to 2000, the program had no formal advisor and Alternatives FCU experienced high turnover of administrative staff. In addition, most of the former youth credit union administrators had limited experience and understanding of youth development principles. With no supervisor, the youth volunteers were given the responsibility to keep the program afloat. They struggled to keep the program alive and felt scared that it might no longer exist. They dealt with and repaired the management issues, but the growth of the program is still limited.

The reports of increasing numbers of accounts and savings may not truly reflect active members within the Student Credit Union program. This number is reflective of all savings accounts that are owned by members under the age of 19, which may include inactive accounts

and accounts that parents have opened for their children who are not participants of the youth program. Approximately, 8-10 students have been involved with the management and operations of the youth credit union. The challenge is to increase the number of active youth members and working youth volunteer staff. Related to this issue is to ensure that youth staff turnover is well balanced. During the late 1990's, the youth volunteer staff had a rude awakening when the core of the youth staff graduated and only a couple of youth volunteers were left to operate the program. The youth credit union program needed to be mindful of graduation turnover to avoid challenging transitions.

Highlighted Youth Credit Union Program

Northwest Baptist Federal Credit Union - Youth Credit Union Program – Seattle, WA⁷²

Mission

The Northwest Baptist Federal Credit Union created their youth program in 1993. The former CEO of the credit union, Robert Coleman, became aware of the youth credit union concept when attending a NFCDU meeting. He



Figure 2: Youth Participants with Robert Colman
Washington Credit Union League and Affiliates
http://www.wcu-news.org/08_01/08_01md2.html

always supported getting youth involved with the credit union and the youth credit union program seemed ideal. Northwest Baptist FCU pursued the youth program because it fit with the credit union's overall mission of assisting people that would otherwise not be helped. The goal of the youth credit union is to offer the young people within the church membership the opportunity to participate in a financial institution that is owned by them and provide them with the knowledge to be financially responsible to operate the credit union. Their program represents a faith-based model of youth credit unions.

Northwest Baptist Federal Credit Union was originally chartered in 1958 under the name of Mt. Zion Baptist Church Credit Union. It has expanded its charter to include three additional churches with a total of 900 members. The Northwest Baptist FCU is a part-time credit union open three days a week and operated with 3 paid part-time staff and volunteers. They created their youth credit union to teach young people the operations of a credit union and the differences between a community development credit union and a mainstream financial institution. They feel this focus allows youth to take ownership of the credit union, lay the

⁷² Anderson, Becky, volunteer of Northwest Baptist Federal Credit Union, March 17, 2003, Seattle, WA

groundwork for their future professional development, and train youth in the credit union field. As a small part-time CDCU, the youth program trains the next generation into the workings of the credit union so they will be in a position to administer it. They decided that this is an important focus for Northwest Baptist FCU because training in credit union management fits more appropriately with their mode of operations and helps sustain the credit union.

Target Population

The majority of the clients come from the members of the four churches. The credit union is designated low-income, but most of the membership is mixed income and are from the central Seattle area. They serve a predominantly African American population.

The youth credit union program targets children or relatives of members of the credit union. Due to their charter, the youth must have a connection to the credit union. The ages of the youth are between 13 and 18 years. They are able to market the program through the Zion News, a monthly newsletter for the churches. Weekly bulletins, events, membership drives of the Northwest Baptist FCU are other marketing strategies. But the vast majority of youth participants get involved due to current youth members bringing friends to youth credit union events and parents within the church giving names of possible participants and the credit union following up.

Activities

Northwest Baptist Federal Credit Union structured the roles of their youth program to mirror the adult credit union. They have a youth board with positions for president, vice president, treasurer, manager secretary, and public relations/marketing coordinator. The activities for the members to get involved in are:

- Monthly workshops
- Internship - hands on training with a stipend to learn the functions of a credit union
- Governance of the youth credit union
- Social/promotional events

The monthly workshops are based on topics prescribed by youth. At the first meeting of the year, the youth board meets with the members to determine topics of interest to youth. These topics include check writing, budgeting, use of credit and are held during the weekend for about a two-hour period. Approximately 9-10 kids on average show up to these weekend meetings.

Northwest Baptist FCU program offers internships to the youth members. This activity was started to create a process in which youth could earn supplementary funds, learn professional skills, and most importantly, learn the day-to-day operations of the credit union to hopefully be in a position to run the credit union. The training is limited to one youth for a two-month period and is funded either by the credit union, the churches, or an affiliate organization.

The youth credit union board members govern the program. They are in charge of running their meetings, which trains them to facilitate meetings, set and follow an agenda, integrate financial aspects into decisions, and learn basic professionalism.

All youth are considered participants even if they do not participate in any of the above activities. They only need to have a savings account. A minimum of \$25 is needed to open an account and if the youth cannot afford it the credit union will cover the minimum so they can open an account. The Northwest Baptist FCU offers savings accounts as the only financial service to the youth members. Often church social events are tied to credit union promotional events, which are community-building gatherings for the youth.

Successes

The youth credit union program has sustained itself since 1993. It has approximately 100 youth account holders and provides a paid training for adolescents interested in learning the inner workings of a credit union. The program serves a predominantly African American membership (an underrepresented group with demonstrated need for increased youth financial literacy) and provides access to financial literacy workshops for all youth members.

The costs to operate the youth program are relatively low - approximately \$200/month for all the workshop activities. Their dropout rate is low because the youth credit union is able to maintain adolescents' interest and motivation by offering ownership into a financial institution. The youth are excited about the information they are learning because the topics are determined by and relevant to youth. In 1996, Northwest Baptist FCU hosted a National Federation Community Development Credit Union youth conference. This gave much recognition to youth banking and the credit union movement.

Northwest Baptist FCU holds responsibility as their main youth development objective. Responsibility comes in the form of financial knowledge and savings, running their own organization, adhering to agree upon processes, such as elections, and understanding long-term goals and effects. The youth credit union would like for young people to take ownership in their lives and the community in which they are part of by understanding the mission of a cooperative and by helping your neighbors and fellow members. According to Becky Anderson, a volunteer who has worked with the youth program since its inception, the greatest success is that the young people that are part of the credit union are motivated and driven people.

Challenges

Northwest Baptist FCU faces many constraints as a small part-time credit union. There are 3 part-time paid staff and volunteer support. A volunteer with support administers the youth program. Out of the 100 youth accounts, about 9-10 are active in the monthly workshops. In addition, the internship training is limited because of the present credit union structure. Only one youth at a time can be trained in the operations of the credit union.

As a small CDCU, youth are limited in their financial choices with only savings accounts. Their membership is mixed income and based on their success of having motivated and driven young people as participants, it may be questionable as to whether the program reaches all audiences, including kids at greater risk.

The Northwest Baptist FCU youth credit union program addresses a need for their organization – training future credit union workers to sustain the credit union. The scale of the program is

small and does not offer a variety of financial services. This program may target an underserved group, African American youth, but the impact of their efforts seem limited in scope and numbers.

Highlighted Youth Credit Union Program

Quitman County Federal Credit Union/Quitman County Development Organization – Youth Credit Union program – Marks, MS⁷³

Mission

Quitman County youth credit union program was created under the Quitman County Federal Credit Union and their parent organization, Quitman County Development Organization in 1993. The youth credit union is a financial institution developed for, operated, and managed by young people, up until the age of 18. The purposes of the program are to teach young people in the community to save, manage, invest, and borrow money at an earlier age. The emphasis is to teach the youth how to handle their money – consumer finance. As members, the kids are given control and a voice in how the credit union is operated and managed. Youth can become a member with a minimum of \$3.00 and an applied one-time \$1.00 joining fee. Some of the benefits consist of:

- A Picture Identification Card, savings passbook, coloring booklet and monthly youth credit union newsletter
- Competitive dividend rates paid on savings, reduced risk because only members may borrow and much lower interest rates than banks and other financial institutions
- Free financial education workshops on saving, credit union operations, leadership development and opportunities for field trips, conferences, visiting other youth credit unions, and career opportunities in the areas of finance.

⁷³ Watts, Pearl, Youth Coordinator of Quitman County Federal Credit Union, March 19, 2003, Marks MS

The Quitman County Development Organization and Credit Union share the mission of enabling local residents to improve their quality of life by empowering them through leadership opportunities and increasing their human and financial capital. Extending this mission with a youth credit union program was a logical organizational expansion.

Target Population

Quitman County is a highly disadvantaged area with a poverty rate over 33% and a median household income of \$20,636.⁷⁴ Reflecting this lack of community resources, in 1998 their public school system was on the verge of conservatorship due to low-test scores.⁷⁵ The need was clear and the youth credit union program was a way to address it.

With the public school system in disarray, in 1997, the Quitman County youth credit union was able to secure 500 members and over \$30,000 in assets.⁷⁶ The program targets youth from all over Quitman County, but has been serving mostly African American youth from predominantly low-income households and a handful of youth who are teen mothers.⁷⁷ Many of the youth participants come from word of mouth by other kids as well as the other youth programs of Quitman County Development Organization. The youth credit union also partnered with area high schools and middle schools to offer in-school branches. This partnership increased visibility and membership of the program. Presently, the youth credit union has 625 members with \$54,000 in assets.

⁷⁴ U.S. Census Data, URL <http://quickfacts.census.gov/qfd/states/28/28119.html>

⁷⁵ Lanspery, Susan C. *Youth Credit Union Programs: A New Branch of Community Development*, Center for Human Resources Heller School Brandeis University, December 1998, p 43

⁷⁶ *Ibid*, p43

⁷⁷ Watts, Pearl, Youth Coordinator of Quitman County Federal Credit Union, April 30, 2003, Marks MS

Activities

The Quitman County youth credit union program incorporates various models into their program design. They began as an extension of the credit union, which was created under the Quitman County Development organization, a local community development corporation (CDC). Within this framework they extended their reach and partnered with local high schools and middle schools within the area. Their youth credit union is a school and credit union based program with support from the parent CDC.

The program focuses on good saving habits, money management skills, and professional development. Based on these objectives, they created the following activities:

- Youth Credit Union Board of Directors and Leadership Positions
- Youth Tellers
- Youth Trainers
- Parent Advisory Committee
- Money Management Workshops
- Organizational Development Training
- Annual Retreat
- Savings Rewards Program
- Fundraising – Sweet Shop
- Social Events
- Volunteerism

The various leadership roles for youth are president, vice president, secretary, treasurer, reporter, manager, and assistant manager. The president is responsible for overseeing and

implementing board meetings with the assistance of the vice president, treasurer, and secretary. The reporter markets the credit union to other community and youth organizations, including creating press releases for local media. The manager is the person in charge of the tellers and handles the functions of the credit union – this includes ensuring deposits are in check. The assistant manager works in partnership with the manager to make certain the financial activities are running smoothly. Presently, there are 12 youth who work together to oversee the operations of the youth credit union within these various leadership roles.

There is one main youth teller at the Quitman County FCU main branch. This branch operates Tuesday and Thursday from 3:30pm- 5:30pm and every second Saturday from 9am-12pm. During the summer the main youth branch is open daily for 3 hours. In addition, the youth credit union enlists additional tellers to work at the school branches. Presently, they have 64 total youth tellers at all of their school branches - 45 local elementary school tellers and 19 local high school tellers, with the hours of operation from 7:30 –8:00am, lunch period, and after school 3:15-4:00pm on specified days of the week. All of the school branches are supervised by an adult, only take in savings, and do not allow for withdrawals. The youth must go to the main branch.

The teller training is offered to kids as early as third grade. The training consists of three 30-40 minute sessions with role-playing and a final exam to certify that the youth can handle the responsibility. At first adults were leading the training, but now experienced young tellers are training others including elementary through high school tellers.

As a way to keep the credit union executives as well as parents involved with the youth program, a parent advisory committee was created to help support youth activities. This committee is comprised of the Credit Union CEO, parents of the youth members, and a financial

advisor. They meet quarterly to help keep communication open between all parties and provide advice and guidance to the young members.

The money management workshops provide trainings in creating and using budgets, understanding financial terms, setting savings goals both short, intermediate, and long term, check writing, and entrepreneur finances. The workshops are provided once a month at the credit union and additional trainings are provided at schools and other youth development groups almost twice a month. The workshops start with basic concepts such as having the kids add up everything they have on your body in order to teach them how to be smarter consumers and to look for sales. The lessons get more complex with advice on how to maintain the viability of their youth sweet shop business. The youth credit union coordinator, Pearl Watts, her assistant, and the high school youth credit union board members teach all of the financial literacy classes.

Part of the educational experience entails organizational development with the youth staff and board. The youth staff and board receive regular training with the culmination of an annual board retreat. As youth in leadership positions, the credit union provides opportunities for the youth to build their professional development skills as well as learn appropriate socialization skills that will better equip them to handle different settings and situations in life.

To encourage increased savings of the young members, the youth credit union produced various saving incentives or rewards. Example activities in the elementary schools are the depositor of the month and depositor of the week recognition. The child who has saved the most within these set time periods wins a piggy bank full of candy and his/her name on the savings board that is openly displayed. Quitman County youth credit union has developed positive relations with the partnering schools, especially at the elementary level. The youth

credit union has combined with the public schools' awards day to also recognize all the depositors of the month for that school year and present the child who saved the most with a plaque. This public recognition at the schools has been successful in continuing to encourage and motivate youth to save. Unfortunately, saving hasn't been as strong in the high schools.

Fundraising activities are conducted through a Sweet Shop located at the main branch of Quitman County FCU. There are a total of 10 youth who are involved with the management and staffing of the sweet shop. This is another type of youth development activity where kids get first hand experience running their own enterprise.

Quitman County is a rural area with little entertainment for youths, including no local movie theaters. To address this need, the youth credit union along with the Quitman County Development Organization hosts several social events for local kids. These events help to build a community and relationships between the youth and the organizations as well as market and outreach the services and activities the organizations provide. Their intention is to create a place that is not just a credit union office, but a place that kids can come and hang out and feel comfortable.

The youth program also promotes volunteerism through credit union activities. Interested youth participants volunteer their time to address the needs of local senior citizens and residents who live in convalescent homes. Often the young people assist the elderly by helping them to clean their homes, do laundry, or run errands. Most of the benefit to the youth is derived from relationships and time spent with the senior population of the community. They learn the importance of creating nurturing caring relationships.

Successes

The Quitman County youth credit union program's success is evident in their approach to working with youth. The youth credit union is one aspect of Quitman County's overall youth development goals. As part of the Quitman County Development Organization, the youth credit union gains a higher level of support and resources to provide more comprehensive youth development services to its young people. The greater resources and support is evident in having a full-time paid coordinator focused on youth services and the relationships created with parents, schools, and being a subsidiary of the Quitman County FCU and Development Organization. The view of the program in making the youth credit union more of a community meeting place and not just offices helps continue the community youth-centered approach. By working with the Quitman County Development Organization, it makes the youth credit union stronger and helps draw in more kids to the program.

Their program is more developed in the variety of activities and leadership roles offered to the kids. Initiated in 1994, the youth credit union program has grown to include in-school branches with 5 local high schools and elementary/middles schools. There are a total of 625 youth members and out of these members, 350 actively participate in the various credit union activities.⁷⁸ The youth coordinator defined active participants as kids who involved themselves in more activities than just having a savings account. As far as demonstrated leadership, the total number of youth in management roles is 25.

⁷⁸ Watts, Pearl, Youth Coordinator of Quitman County Federal Credit Union, April 30, 2003, Marks MS

Challenges

One of the challenges shared by Pearl Watts was getting the school administrators and faculty to be more supportive and trusting of the youth members and youth credit union program. Often you have a top down approach where the principals are on board, but not the teachers. Some of the math teachers have been supportive because they noticed a difference in the youth members' math skills. But, still there are teachers reluctant to believe that kids are actually saving and participating in the program.

The other challenge for the program is increasing the rotation of tellers so all youth interested in working as tellers have a chance to serve. Presently, youth are limited in the amount of shifts they can work. Overall, the Quitman County's youth credit union program is more comprehensive in scope of services and activities compared to other programs, but the impacts the youth credit union has on the future development of youth is not clear.

Conclusion

The three cases each highlight various strengths and weaknesses of a youth credit union program. The examples provided insight into the four program models: school based, faith based, and a combination of community partnered, credit union based, and school partnered. All share similar missions of providing leadership and educational opportunities for their youth, but the focus varied according to the needs and objectives of the credit union and the community it serves.

For Alternatives FCU, their student credit union program is trying to give youth another way of learning and doing things even if social pressures persuade other less advantageous options. Their activities promote youth development and believe that youth learn best when given a voice to direct the program and hands on opportunities to learn applicable skills. They offer a variety of financial services, but the program struggles in getting youth to take advantage of these activities. Questions arise regarding how many youth are really participating or benefiting from the program since the number of youth accounts represents all youth who have opened accounts and not just youth who are active in the youth credit union. Other points of consideration are who is their target audience and are they reaching the underserved and underrepresented groups?

Northwest Baptist FCU youth credit union program is a faith-based model much smaller in scale with very limited financial services. Since the Northwest Baptist FCU is a part time credit union that serves four Seattle based churches, its hours of operations are limited. Since a priority is to maintain the operation of the credit union to serve its members, their youth credit union program targeted their goals to training future credit union leaders to run the organization. Scale of operation becomes an issue as to whether a small part-time credit union can have a large enough impact to sustain and justify their program as youth development. The youth credit union may fit Northwest Baptist FCU needs, but may not be comprehensive enough to provide the necessary supports entailed in an effective youth development program.

Quitman County FCU and Quitman County Development Organization's youth credit union program has structured itself to utilize the supports and resources of both of the parent organizations. With this collaboration, the youth credit union offers a variety of financial services as well as provides a more detailed set of activities with a diverse set of roles and

responsibilities for the youth. Their program integrates youth leadership with financial literacy and has a full-time coordinator devoted specifically to youth programs.

CHAPTER 5

KEY FINDINGS AND RECOMMENDATIONS

How Well Do CDCU Youth Credit Unions Incorporate the Developmental Assets Necessary for an Effective Youth Development Program

This thesis sought to explore youth credit unions as an approach for community development credit unions to empower young individuals in under-served communities, through responsible money management and financial services, and contribute to their preparation with the skills and wealth necessary to mature into healthy adults. To achieve this, it is necessary to consider how well CDCU youth credit union programs instill the supports and assets prescribed in the youth development field to produce healthy well-adjusted adults.

Chapter 2 detailed the developmental assets necessary for a young persons growth as:

- Support
- Empowerment
- Boundaries and expectations
- Constructive use of time
- Commitment to learning
- Positive values
- Social competencies
- Positive identity

These internal and external assets are woven throughout the various roles, responsibilities and activities of a youth credit union project. How well programs address these developmental

assets is reviewed by comparing the performance of the highlighted youth credit unions in the following matrix.

*The programs are ranked on the following scale – **Weak – Limited – Strong**
 These rankings are given in relation to addressing the developmental assets required for the healthy growth of youth.*

Developmental Assets	Alternatives FCU Student Credit Union	Northwest Baptist FCU-Youth Credit Union	Quitman County FCU and DO – Youth Credit Union
Support	Limited – The program was started in 1990, but did not gain a paid part-time experienced youth advisor until 2001. Previously, adult volunteers and VISTA volunteers had managed the program.	Weak – Adult volunteers administer the youth credit union, which results in an unpredictable level of support.	Strong – The Quitman County organizations hired one paid full-time staff devoted specifically to youth programs.
Empowerment	Strong – The youth set guidelines and operate their own program. They are provided guidance by their adult advisor, but are given the power to learn from their own choices.	Strong – Participants are given opportunities to determine how their program should run. The board of directors deals with governance issues and workshop topics.	Strong – Along with the other programs, the young people determine the governance and operations of the credit union.
Boundaries and expectations	Limited – This is loose because supports for the program vary. With a part-time coordinator and differing degrees of support by teachers and school administrators, the youth may not have clear boundaries and expectations in which to develop.	Limited – The guidance for youth comes from volunteers and the church. Although, not formalized it provides a set of boundaries and expectations. The concern is whether these supports are sufficient on a volunteer basis.	Strong – The creation of an adult advisory committee, full-time youth coordinator, support from parent organizations, and varying support from teacher and school administrators provide a variety of sources to set clear expectations and boundaries in all areas of a young person’s life

Developmental Assets	Alternatives FCU Student Credit Union	Northwest Baptist FCU-Youth Credit Union	Quitman County FCU and DO – Youth Credit Union
Constructive use of time	Strong – The roles for youth as tellers, marketers and fundraisers develop practical skills in the students' social and professional development.	Strong/Limited – The roles and responsibilities center on job readiness, socialization, and leadership skills. The limitation arises due to the constraints of resources that only allows student to be trained as a teller one person at a time.	Strong – The variety of roles and responsibilities support leadership, professional/ organizational, and financial skill development. The range of activities allow for youth to learn as savers, participants, leaders, and trainers – each role building the skills of the kids.
Commitment to learning	Strong/Limited – In the area of money management, there are no formal workshops or instruction devoted to financial education, but one of the school branches does give elective credit for operating the school branch. The program states learning in all forms are essential to their goals	Strong/Limited – The youth credit union is considered inadequate in this area due to their limitation in offering services to a greater amount of young people. Their program supports a commitment to learning through workshops and job training.	Strong – The program falls in line with the other cases except that it is able to offer various types of activities to a larger number of youth – this is reflected in the total number of active youth and greater diversity of roles and activities offered to the youth.
Positive values	Strong – All of the activities promote positive ways of thinking, approaching and doing things.	Strong – With the support of the four partner churches, there is a positive reinforcement of promoting solid values.	Strong – Little difference in this category compared to the other two. They also promote positive values in all the activities within the program.
Social competencies	Strong – The goals that the program seeks to achieve focus on developing a more financially aware youth with increased motivation and confidence	Strong – The board roles and internship position are geared towards achieving a level of ability and comfort in a professional and daily setting.	Strong – The roles and activities have been developed to increase youths' awareness, comfort, and capability to succeed emotionally and financially in the adult world.

Developmental Assets	Alternatives FCU Student Credit Union	Northwest Baptist FCU-Youth Credit Union	Quitman County FCU and DO – Youth Credit Union
Positive identity	Strong – By having school branches, the youth are satisfying a need for their fellow students. This reinforces the importance of their role in making the program successful.	Strong – The main objective of the youth program is to train future staff and leaders for the credit union. The need for the youth strengthens the importance of their involvement.	Strong – Similar to the other programs, the CDCU provides financial services and education for the development of families and individuals. Included in these groups are youth. Youth realize that young people need financial services and the young members provide it.
Youth Development –Primary or Secondary objective?	Primary Objective	Secondary Objective – primary objective is to train future staff and leaders of the credit union to sustain operations	Primary Objective

Based on this matrix, all the youth credit union projects incorporate the key developmental assets necessary for a youth program. The differences in achievement between projects centered on the varying degrees of support of the youth credit union coordinator, the disparity of size and resources of the programs, and what they viewed as the primary objective of the youth credit union. For these reasons, the Quitman County youth credit union ranked better due to having adequate support to guide their youth, a full array of positions and activities for the youth to participate in, greater number of youth participants, and placing youth development objectives as their main reason for administering this type of program.

Key Findings of the Three Highlighted Youth Credit Union Programs

Based on the research and understanding of the three case studies, certain questions surfaced as to their actual impact as a youth development program. The key issues for consideration are: 1) How many youth are impacted or benefiting from the program? 2) Are the programs servicing underserved or underrepresented groups? 3) Is there a certain scale that needs to be achieved to make this type of program worthwhile for the youth and the community development credit union? 4) Do the programs effectively address financial literacy within the activities of the youth credit union? These are the main issue areas where the realities of implementing the program differ from the project's concept and ideals.

The following table summarizes findings among the three cases addressing the four key issues.

Key Issue Areas	Alternatives Student Credit Union	Northwest Baptist Youth Credit Union	Quitman County Youth Credit Union
How Many Youth are Impacted or Benefiting from the Program?	734 account holders ▪ 8-10 active participants	100 account holders ▪ 9-10 active participants	625 account holders ▪ 350 active participants
Are the programs servicing underserved or underrepresented groups?	No <i>This determination is based on the limited information within this study</i>	Majority of participants are African American youth from mixed income backgrounds	Majority of participants are low income African American youth
Is there a certain scale that needs to be achieved to make this type of program worthwhile for the youth and the community development credit union?	One part-time coordinator Partnerships with local schools	Volunteer coordinator Partnerships with the congregations that are part of the credit union's charter	One full-time coordinator Partnerships with local schools and Quitman County Development Organization
Do the programs effectively address financial literacy within the activities of the youth credit union?	Does not provide formal financial literacy classes and most of the specified roles, responsibilities, and activities of a	Formal money management workshops are provided once a month. But similar to Alternatives, not able	Provides formal financial literacy classes at the credit union and at local schools. Similar to the first two cases, no

	youth credit union address youths' developmental needs, but are not as clear in how they impact youths' financial development. Also not apparent is how financial concepts are applied to the everyday lives of kids to increase comprehension and relevance of what they are learning.	to determine how personal financial concepts are integrated in the various youth credit union responsibilities and how it is applied to youths' lives.	conclusive findings to support how financial management concepts are being integrated in the daily activities of the youth to result in improved skills and behaviors.
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How Many Youth are Impacted or Benefiting from the Program?

The number of youth participating in each of the three example cases varies. According to Alternatives Student Credit Union, they have a total of 734 youth members with \$404,721 in deposits. This number is indicative of all youth who hold accounts at Alternatives. It does not reflect the number of youth actively engaged in credit union activities. Many of the accounts may be inactive or controlled by parents and not youth. It seemed more likely that there are a handful of middle school kids whom volunteer as tellers and receive the developmental supports of the program. Interviews with former participants discovered that Alternatives had a maximum of 8-10 youth avidly involved throughout the first ten years of operation. The majority of the youth are basic account holders.

This may also be true for Northwest Baptist FCU youth credit union. Their program states having 100 youth account holders with only 9-10 actively participating in the monthly workshops and taking leadership positions on the board.

For, Quitman County, they engage greater number of youth participants. They state having 625 members with \$54,000 in assets. Out of these 625 members, 350 of them participate in additional youth credit union activities above and beyond having a basic savings account. Sixty-four of these youth are trained as tellers and rotate shifts to work at the school branches and 12 of the 625 members manage the credit union as board representatives.

These figures lead to the conclusion that youth development projects vary as to the amount of young people they influence. The high number of account holders reflects that kids are taking advantage of the opportunity to open savings accounts, but not as many are participating in the other activities presented by the youth credit unions. This thesis explored youth credit unions as a youth financial development program and thus has evaluated it as more than a savings program. For that reason, the number of adolescents actively engaged in various roles of the youth credit union is an important indicator when evaluating whether youth development in the form of youth credit union projects should be an area of growth for CDCUs.

According to the “Youth Development in Community Settings” report, the goals of programs in improving long-term life chances of young people should result in young people: 1) becoming more economically self sufficient; 2) being healthy with good family and social relationships; and 3) contributing to their community. Presently, limited evaluation data exists on outcomes of youth credit union programs. To positively affirm whether youth credit union projects are producing more economically self-sufficient adults with good family and social relationships is difficult. Based on interviews with two former participants of Alternatives FCU Student Credit Union program, it revealed some insights as to youth outcomes.

The former participants, who are presently attending college, were asked whether or not credit union activities influenced their decision to seek higher education? Both stated that they were

already headed down the college track before their credit union experience. When asked whether their experience using youth credit union's financial services resulted in applying money management skills, such as budgeting, to their individual routine, each of the girls stated that they are money conscious, but do not formally create budgets for themselves and that their awareness is due to influences of their parents. These responses reveal that Alternatives' program may not have had a strong influence on improving the financial habits or educational goals of their youth participants. The two girls seemed to already possess the motivations and supports necessary for success. Without further information or interviews of other program's former participants, it's hard to confirm whether this is a reality of all youth credit union programs.

Are the Programs Servicing Underserved or Underrepresented Groups?

The second point of consideration is whether the youth, who are actively involved, represent a diverse group, including underserved and/or underrepresented groups. The Alternatives Student Credit Union coordinator conveyed that it has been difficult for him to engage youth to open Individual Development Accounts. The reason for this is not clear, but the coordinator suspects it may have to do with kids' reluctance to identify as low-income. Also, based on an interview I conducted with a present youth teller, a sixth grader, he is already highly motivated and has the direction for further education with specific professional goals in mind. He stated that this was not a result of participation in the student credit union. This also holds true for two of the former Alternatives youth tellers interviewed. This leads to the conclusion that the program does not seem to reach an underserved audience and does not target youth with greater needs.

For the Northwest Baptist Federal Credit Union and Quitman County FCU, both of their youth credit unions predominantly serve African American youth. African Americans are identified as an underrepresented group that lacks adequate financial services and education. Although both programs do target their services to a minority population, Northwest Baptist FCU stated that the kids come from mixed income households and already have a strong motivation to succeed. Quitman's youth credit union coordinator on the other hand affirmed that 99% of their youth were from low-income rural backgrounds and often from single parent households. Their efforts seem to target a greater percentage of underserved and underrepresented youth.

The variance in the type of participants served in each of the programs puts forward the issue of whether the youth members would succeed and be financially healthy even without influences of a youth credit union project. Youth development programs need to consider the type of impact their services have on the members. Is the program making a difference to improve the future of young people and at a scale to have a noticeable impact within the community? Are youth better off from participating in the youth credit union or would their lives still follow down the same path? These uncertainties cannot be fully realized within the scope of this research, but is an area that needs further exploration.

Is There a Certain Scale That Needs to be Achieved to Make This Type of Program Worthwhile for the Youth and the Community Development Credit Union?

The third point of consideration addresses the relationship between scale of program and achievement of outcomes. Based on the comparative matrix of how well the programs meet the developmental needs of youth, the main reason for lower rankings in Northwest Baptist FCU and Alternatives FCU projects were due to the small scale of youth affected in some or most of the activities and the differences in support and range of activities provided. The supports and activities of all programs essentially covered the identified developmental assets required, but

issues arose around adequate experience and full-time assistance to administer the program and as a result may have limited the programs ability to increase the variety of services to involve more youth and to target more low-income members.

The main reason Quitman County ranked higher in achieving all of the developmental assets was due to the greater amount of program resources that yielded a higher number of youth participants. With the additional support of Quitman County Development Organization and a full-time youth coordinator, a better structure was created to implement a more comprehensive youth development program with the resources to accommodate greater levels of participation. Partnerships assist the problems of resources and staff support, but they must be created with all parties willing to devote time and resources and be fully committed to the goals and objectives of the project.

The struggles Alternatives and Quitman County faced in building solid partnerships with local schools to offer in school branches is an example of the importance to have clear partnership agreements before implementation. Alternatives Student Credit Union has a well-developed partnership with one of the local middle schools. The administration provides physical space and an elective period for the youth to operate the youth credit union. The result has been more active youth participants compared to the other in-school branches due to the positive assistance of the principal and teachers.

Partnerships can also result in more effective outreach and higher participation numbers. CDCUs must consider what kind of relationship they have with youth and why they would appeal to youth. If no relationship exists with youth, CDCUs will have a harder time convincing youth to participate. An idea for exploration is to consider partnerships with existing youth

development organizations that have strong relationships with adolescents and can provide the needed expertise in working with young people.

Additionally, resources and capacity affect the range of roles and activities the youth can take part in. To increase participation levels, programs must provide targeted activities that motivate youth to want to be involved. These activities must appeal to the youth's interests as well as support their proper development. For example, lending activities or owning and using debit cards are services that may appeal to youth. But for a youth credit union to even be able to consider this, the CDCU must be a pretty well developed institution that already provides these services to their adult members. In order to increase the options and opportunities for youth, the resources and capacity of the adult credit union is a crucial factor. The programs evaluated in this paper are limited in their ability to offer more complex and advanced financial services as a way of increasing interest and motivation for their youth projects. Greater resources result in more youth with the opportunity to undergo a range of activities. This may lead to a more comprehensive and effective youth credit union program.

Do the Programs Effectively Address Financial Literacy Within the Activities of the Youth Credit Union?

Finally the fourth area of concern speaks to the effectiveness of youth credit union activities on increasing the financial literacy of teens. This thesis supports that there is a need for improving money management skills of youth and determined financial literacy as one of the two major elements that creates a youth credit union program. Chapter 1 determined that the lack of financial understanding by young people plagues communities across the country and that the information taught to young people needs to be practical, relevant, and in a hands on type of environment. Alternatives FCU does not teach a formal financial literacy class. Northwest Baptist and Quitman County both offer money management workshops, but their success in

improving the financial skills of youth can not be determined. Most of the specified roles, responsibilities, and activities of a youth credit union address youths' developmental needs, but are not as clear in how they impact youths' financial development. It was not apparent in the three models how they take financial concepts and apply it to the everyday lives of the kids so that they understand the relevance of what they are learning. Because financial literacy is a significant component of a youth credit union, this is an area that needs further attention and evaluation.

These four areas of consideration raise questions as to whether youth credit unions should be an approach used by community development credit unions to empower young individuals in under-served communities with the skills and wealth necessary to mature into healthy adults. The limitations of the data and the general findings are inconclusive to determine the overall impacts of a youth credit union program, but the lessons learned from the three models provide specific recommendations that can be used to create a well developed youth credit union model.

Recommendations

Unless CDCUs have the financial resources and capacity, expertise or experience with youth, and a youth centered approach to their program, overall, a youth credit union program may not be an ideal extension of its services. The cases support the view that programs that have a full-time youth development advisor with the resources and capability to provide a greater range of activities produce a more comprehensive youth development program.

The basic recommendations that can be drawn from the findings of the youth credit union projects are:

- Programs must have a full time youth advisor who is experienced in the field of youth development and committed to the program goals. This role is key and must enlist a person who youth trust as a friend, mentor, and educator. The findings from the evaluation of the youth banking programs in Chapter 2 also support this as a crucial component for a successful program. Their main constraint or challenge was having the continuity of a dedicated advisor. Recommendations to achieve this would be to create partnerships with other youth development organizations/programs. These types of entities already have built relationships with youth, are experienced at working with youth, and can outreach to greater numbers of youth who are more likely to trust them.
- The members of the youth credit union should reflect the members of the adult community development credit union. As a financial entity chartered to serve underserved and underrepresented groups, the youth credit union should also make sure of this. The membership of the youth should be diverse to provide equal opportunities for all kids in the community. Efforts need to be made in identifying the youth with the greatest needs in the community and learning how to effectively communicate with them to gain their trust and willingness to participate in a youth credit union.
- The activities of the youth credit union should be integrated with youths' interests. There has to be an appeal or a draw for the youth to want to participate in this type of youth development program. An idea would be to integrate youth credit union services with other types of youth activities. For example, youth credit unions could offer services, such as loans, to other youth groups. (i.e. youth entrepreneurial groups, sports teams, young professional groups)

- Better integration of youth financial education needs to occur in youth credit union programs. Because youth financial literacy is one of the main components of a youth credit union program identified in this paper, the young members in their daily lives need more application in relating the information taught in money management workshops to actual practice. Alternatives Student Credit Union begins to touch on this with their field trip activity. The youth get practice putting together a budget for the trip and use check books throughout their visit to pay for and track their spending. Habits are learned at an early age and financial management skills need to be practiced.
- Community development credit unions need to assess the level of resources and capacity needed to create a comprehensive and effective youth development program. There needs to be a basic level in which CDCU have the capacity and can afford to provide the range of financial services and activities needed for a high quality youth credit union. If CDCUs want to have the appeal to draw in large numbers of kids interested in participating in their youth program, they must offer services that are in line with youths' interests. If using debit cards, writing checks, or taking out loans meet kids' interests than CDCUs must have the capacity to provide for this in their youth credit union program. This may not be possible for CDCUs with fewer resources. For part-time and smaller CDCU, the goal may be to create a youth program to train future staff and leaders for the organization. This goal is important for the sustainability of the credit union, but may not be comprehensive enough to be considered a full-fledged youth development focused youth credit union. The intent and services must promote the developmental assets at a sufficient level to impact more than a handful of youth. CDCUs need to be better developed with a more complete range of services to adequately address the needs and interest of young people. It's important to note that to create community change, youth credit union programs have to achieve some scale to accomplish it.

- Partnerships are key in developing the supports and assistance needed to sustain and grow a youth credit union. Churches, schools, community organizations, and youth development organizations are all entities that work with and value youth. These establishments need to be consulted and encouraged to work with the youth credit union to create a stronger bond of community supports to nourish and cultivate well-prepared young adults as well as increase outreach and participation levels.
- Greater communication needs to occur to learn from the successes and challenges of operating a youth credit unions. The National Federation of Community Development Credit Unions stated that youth credit unions is an area of interest for them and they should therefore supplement their youth credit union network by funding an effective learning exchange so youth can visit other sites and talk to other youth to capture best practices. This network should also include mainstream credit unions and their youth participants to learn best practices from them as well. This is an important tool to improve present programs as well as assist CDCUs in determining whether youth credit unions appropriately fit their needs.
- CDCUs interested in starting a youth program should conduct initial focus groups with local kids to survey interest for the youth credit union. These children should represent the type of participants that the CDCU youth credit union hopes to target. This will help create youth credit union roles, responsibilities, and activities that will be more relevant to the interests of the youth and help the CDCU evaluate whether there is an interest for these types of youth services.

These recommendations derive from the initial research of three highlighted case studies of youth credit union programs. Because the concept of youth banking is not a very well known type of youth development, this thesis just begins to touch on the issues regarding youth credit unions.

Further research of youth credit unions is required to better understand the impacts it has on influencing youth. Findings regarding participation and outcomes of youth are limited in this thesis and need to be developed in order to realize the strength and effectiveness of youth credit union programs. Based on the basic recommendations drawn from the initial exploration of the example programs, further research should compare the level of involvement of youth on the operations versus client side of the program, and measure the effects of the program on youth outcomes.

Suggestions for further research are:

- Conduct a short-term evaluation with specific values to measure impacts of the program relative to the appropriate developmental stages of youth. This will provide more immediate results as to the effects youth credit union activities have on supporting the healthy development of youth.
- Conduct a long-term evaluation that tracks participants from when they first enter the youth credit union program to when they reach twenty-five years of age. Create a set of indicators to measure achievement. This could be broken down into primary, secondary, and tertiary impacts. Primary impacts may include: Youth saving money, setting savings goals and sticking to them, setting future educational, personal, and professional goals for himself/herself. Secondary impacts may be increased educational or job opportunities, improvement in attitude and work ethic, and better family and social relationships. Tertiary impacts would include: youth feeling more hopeful about their future, becoming more self-confident, better able to manage time, and more involved in the neighborhood. This will give actual data on the effects youth credit union experience and education have on improving participants' future personal, professional, and financial opportunities. Compare

this evaluated group to a control group to measure whether youth would have reached the same outcomes without participating in the program.

- Define standards that measure levels of involvement of kids in a youth credit union program. Differentiate participation between those who use youth credit union services and those who manage the operations of the credit union. Compare these levels among various youth credit union programs to measure scale in impacting youth.
- Determine an average cost per youth to administer the program. Evaluate the cost of this program relative to the capacity and resources of the CDCU and the effective influences the program has on the future development of youth.

Finally, this thesis focused on community development credit union youth credit union programs and therefore was limited in evaluating other types of youth banking programs. The Credit Union National Association has embarked on promoting youth credit unions as a perfect opportunity to teach youngsters about the importance of money management and employment skills while providing a stable, lucrative membership base for the credit union future. Based on the published information, these youth credit unions administered by traditional larger scale credit unions seem successful in achieving a well-developed program. More research as to the differences between traditional youth credit unions and CDCU youth credit unions may help determine better practices for CDCU youth credit unions.

This thesis posed youth credit unions as a possibility for CDCU to empower young individuals in underserved communities. This section revealed differences between the concept of youth credit union programs and the realities of implementation and impacts. On the whole, youth credit unions offer the elements for a well-developed youth program, but further research is needed to assess whether it is improving the future success of the youth it serves.

CONCLUSION

This thesis sought to explore youth credit unions as an alternative approach for community development credit unions to empower young individuals in under-served communities, through responsible money management and financial services, and contribute to their preparation with the skills and wealth necessary to mature into healthy adults. The main lessons that can be drawn from this initial exploration are:

- There is a clear demonstrated need to better prepare young people with the proper financial skills for transition into the adult world.
- Community development credit unions share the types of outlook and belief that are in-line with the values that make up youth credit union programs. However, the problems arise regarding having sufficient resources and the capacity to provide a comprehensive youth development program.
- More research and examination of all types of youth credit unions, including traditional larger scale youth credit union programs, need to occur to better determine best practices. Furthermore, additional evaluative studies should be conducted to assess the true impact the roles, responsibilities, services, and activities are having on the future achievements of participants.

This study attempted to bring forward a concept that seemed to have the potential to positively influence the financial, personal, and professional future of young people. It defined what a youth credit union program entailed and showed examples of how CDCU are presently implementing it within their organizations and communities. However, the limitations of the study became evident with inadequate data on participant outcomes. With interviews of two

former participants obtained, this only provided a brief glance as to whether or not youth credit unions are really contributing to the future economic success of young people. More comprehensive data collection and analysis are needed before conclusions can be drawn.

This thesis brings awareness to the purpose and objectives of a youth credit union program, but due to limitations of the study, further research would enhance whether it is a viable solution to address my initial research question of...

How can community development credit unions that empower individuals in underserved communities, through responsible money management and financial services, contribute to the preparation of young people with the skills and wealth necessary to mature into healthy adults?

The findings led me to realize that projects, which seem ideal on a conceptual basis, may have differing results when mixed with the realities associated with implementation. The justification for continued research on this topic relates back to my own personal belief there are two fundamentals that will increase opportunities for people; they are education and money management skills. As stated in the beginning of this thesis, “community development economics is destined to fail if leaders are not trained for its future.”⁷⁹ Therefore, future attempts at creating community youth programs should address the developmental and financial well being of youth.

⁷⁹ Housing Research Foundation URL <http://www.housingresearch.org>

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