

Founders Federal Credit Union Helps Reduce Members' Predatory Loan Interest Rates by up to 10x with Q2 Discover and Q2 SMART

Key Challenges

When a group of Spring Mills employees launched [Founders Federal Credit Union](#) ("Founders") in 1950, the blue-collar textile workers saw an opportunity to protect their colleagues from getting preyed upon by loan sharks, pawn shops and money men. They banded together to offer fair lending options and to protect one another.

Today, nearly 75 years later, Founders' commitment to serving under-banked individuals has only intensified. The credit union has an entire department exclusively devoted to financial literacy education in the community—from teaching sessions at elementary schools through high schools, colleges and civic groups—Founders is committed to moving people from financially vulnerable to fully empowered.

The credit union's strategy behind providing the right solutions for its members has always been problem-driven rather than data-driven. While data can be a valuable resource, it is rarely helpful when there is no direction behind it. Founders CEO Bruce Brumfield says, "We're always looking at and evaluating the data we have on our members and considering how we can turn that data into information and insights that can identify or be used to solve challenges. We noticed our members have a propensity for using title companies, check cashing companies and finance companies, so we looked into the dollar limits and frequency of these loans. We saw a need in the market to offer a solution at a favorable interest rate that would benefit the member while also protecting the credit union."

Founders found what they were looking for in a third-party lending solution, called QCash, as an alternative to payday loans used by some at-risk members who were paying 200% – 500% in interest. Members who qualified could apply for Founders' less expensive loans, dubbed "Express Loans," via their existing digital banking dashboard. Decisions and funding are almost immediate, with members bypassing credit checks.

Problem

The problem was, few members were using the service because they didn't know it existed. Pam Gilmore, Founders SVP Digital and Debit Delivery says, "Our biggest challenge in marketing the product was that it's not available to every member. Members must qualify based on their relationship with us and their direct deposit status. We couldn't do a mass marketing campaign."



About Founders Federal Credit Union

Founded: 1950 as Springmaid Credit Union

Headquarters: Lancaster, South Carolina

Current Market: More than 250,000 members in 37 locations

Assets: \$4 billion

“When you think about a strategic partner, you're really looking for somebody that's going to push the envelope. Q2 does that.”

Pam Gilmore

Founders SVP Digital and Debit Delivery

Q2

Results

10x Loan Growth

Within 90 days, Founders' Express Loan volume grew 10x, from 170 loans at \$300,000 to generating more than 1,700 loans at \$3.6 million per month

10x reduction of interest payments

Founders significantly helped their at-risk members reduce interest payments by up to 10x, releasing them from the cycle of predatory loans

~2 payday loans instantly eliminated

Many members immediately paid off two or even three payday loans on the spot once funding was received

ROI >\$600K

In less than a year of deploying Q2 SMART and Q2 Discover, Founders' return on investment has already exceeded \$600,000

Strengthened relationships

Founders strengthened its member relationships and improved members' financial lives with targeted, individualized loan offers

Solutions

Founders had found a solution that couple impact the lives of its members significantly, but to deliver true value, they needed to drive adoption.

Identifying Qualified Members (Q2 SMART)

First, Founders needed to identify members who would qualify for and benefit from the solution. A mass-marketing approach would have been ineffective because eligibility relied upon direct deposit status and other qualifiers.

In order to strategically market the Express Loans to the right members, Founders leveraged [Q2 SMART™](#), a solution designed to help financial institutions uncover and target audiences and customer needs based on internal data, products or specific behaviors. With Q2 SMART, Founders was able to quickly sift through direct deposit data to uncover their members' suitability and need for the Express Loans.

Educating and Marketing to Members (Q2 Discover)

Now that it had identified the right members for the opportunity, Founders faced the challenge of effectively educating those members and marketing the solution to them in a way guaranteed to reach them. With the help of [Q2 Discover](#), powered by Pendo Adopt, Founders could connect with the right members in a highly personalized, convenient and relevant way through Q2's digital banking platform. The solution empowers banks and credit unions to leverage valuable information available to them to make informed, data-driven decisions, take action on their discoveries, and provide the rich, meaningful experiences account holders demand.

Enabling a Seamless Integration (Q2 Innovation Studio)

Lastly, Founders needed to ensure QCash was incorporated into the Q2 digital banking platform, where its members regularly engaged with the credit union. With [Q2 Innovation Studio](#), which enables financial institutions to deploy third-party solutions directly to their account holders, Founders was able to seamlessly integrate the third-party solution right into its digital banking environment.

"Our membership, within the first 25 minutes of marketing the solution with Q2 Discover, started submitting loans and getting funded. We could see these members had payday loans. Some of them had two or three payday lenders that they were paying. We could see they came in, took that money from us, and paid off those lenders on the spot," said Gilmore.

Gilmore says, "Today, members who qualify for Express Loans see an immediate popup when they log into their online banking, thanks to Q2 Discover. It lets them know about the offer and takes them to the application page with one click. Once there, they fill out and submit the form for immediate funding."

"We could tell by looking at their transaction histories that we were making a difference in their financial lives. They were paying off those really high-interest-rate loans, and some were paying back our loans within three days. It was clear they just needed immediate cash."

With the support of Q2, Founders' results have been immediate and impactful—benefiting all parties, except for the predatory lenders taking advantage of Founders' at-risk members.

"We were doing about 170 Express Loans per month at about \$300,000. It was not making a big impact. Once we started leveraging Q2 SMART and Q2 Discover, and integrated QCash into the Q2 digital banking platform with Q2 Innovation Studio, we did about 1,700 loans at over \$3 million in a single campaign. The response from our membership, once they got in and started using the product, was fantastic. We were able to put Q2 Discover out there to promote the solution without any additional marketing or support.

Todd Olson, CEO and Founder of Pendo, the technology behind Q2 Discover, weighed in on Founders' success with the solution and the impact the credit union is making on the communities it serves, "We're not curing cancer or saving lives, we're building software, but this is an example of how software can affect people's lives in a significant way. Launching a new product is step one, but making sure account holders are getting value out of it—that's what makes it successful."

Founders has quickly helped rescue its members from the exorbitantly high fees of payday lenders. By determining its goals for members up front and then leveraging data to drive adoption and impact with Q2 Discover, Q2 SMART and Q2 Innovation Studio, Founders has greatly improved its members' financial position and strengthened their relationship with the credit union over time.

Brumfield says, "Quite frankly, in this environment, if you don't have a good fintech partner, then you're lost. We think we have the best partner there is out there in Q2."

Gilmore adds, "When you think about a strategic partner, you're really looking for somebody that's going to push the envelope. Q2 does that. They're going to work with you, and they're going to introduce you to new products and services."

For more information go to [Q2.com](#) or call (833) 444-3469.