

ALLOYA UPDATE

SEPTEMBER 2022 |



Crisis Meets Credit Unions

STUDENT DEBT IN AMERICA

Earlier this year, U.S. student loan debt hit a jaw-dropping, chart-topping \$1.7 trillion. Hence the so-called “student debt crisis.” In a recent interview with Lori Herrick, the President/CEO of Manchester Municipal Federal Credit Union (\$33.5M), she indicated it likely would not be a crisis if more credit unions had a hand in things...

“One in four people have student loan debt, yet most students and family members couldn’t tell you how much they’ve borrowed or how much they will owe after graduation,” Herrick explained. “To make matters worse, most students have no idea what deferring those loans for four or five years will do to the actual money borrowed.” She went on to describe how students who defer their loan payments until after college pay an average of six years of accrued interest before making a single payment toward principal or the original amount of money borrowed.

2009: HOW DID WE GET HERE?

Feeling disheartened by the data, Herrick began to dig deeper into the issues while searching for solutions. She discovered that once many student borrowers begin to repay their loans, they have a low monthly payment, and they’re content with that. But these student borrowers often don’t realize that this low monthly payment is designed to prolong the repayment process and multiply the total amount owed. “Some students pay for years without making a dent in their balance. Why? Because they have four to eight different loans with different terms and different interest rates – and they have no control over what gets paid on the loans,” Herrick explains. “For higher interest rate loans, the payment only covers accrued interest, if that!” Herrick concluded it was time to do more, so she and her team at Manchester Municipal launched a student lending program as an alternative borrowing solution for their members.

(Continued on page 2)

“



”

Higher education opens doors for a brighter future and borrowing for that education is a necessity for most families.

– Lori Herrick, President/CEO,
Manchester Municipal FCU

2010: THE INCEPTION OF IN-HOUSE STUDENT LENDING

It all started when a member of Manchester Municipal came into the credit union to get an auto loan after graduating from college. In reviewing his credit, Herrick discovered he had four student loans with the government, all with different interest rates but the same term of 300 months. "His monthly payment was \$294, and he was pleased with that," Herrick recounted. But given his strong credit, he was eligible to consolidate his four loans with the credit union at 3.5% interest at 120 months. While his monthly payment rose by \$17 to \$311, his total loan repayment would amount to just \$37,000. With the government, the original borrowing amount of \$31,000 would have accrued \$29,000 in interest, amounting to \$61,000 in total repayment. "We were going to save him \$24,000 in interest on that loan," Herrick exclaimed.

JANUARY 2022: THE PITCH OF A LIFETIME

To demonstrate the effectiveness of the credit union's student loan program and for a chance to win \$5,000, Herrick shared this story in front of Alloya's virtual audience and the "piranhas" (judges) during Alloya's January 2022 Link event, *Piranha Pool: Part II*. "If we were to win today's competition, we would like to work with an agency to create professional videos to help educate students on responsible borrowing for higher education," Herrick stated. Her pitch impressed the judges and audience alike, earning her credit union an honorable second place win and a \$3,000 prize.

JULY 2022: IDEAS TAKE FLIGHT

With the winnings from Alloya and additional support from the Credit Union League of Connecticut, Herrick teamed up with the credit union creatives at iDiz, Inc. to create a series of "Student Loan Sense" videos to answer the questions of prospective and current college students. "We are so thrilled with how this project turned out," Herrick remarked. "But it's so important that credit unions realize these videos are not just for us at Manchester Municipal. They're for all credit unions!" She explained that even if a credit union does not aspire to have an in-house student loan program of their own, they can use the videos on their website and social media accounts to boost awareness of responsible borrowing options. The videos are free to use because Manchester Municipal's mission is simple: "We want to spread the word far and wide to help students and to end the debt crisis."

To view and download the videos, visit www.cuidiz.com/student-loan-sense. To access the event recording of *Piranha Pool: Part II* and other past Link events, visit www.alloyacorp.org/recordings.



It's not just **what** we do but **how** we do it.

MEMBER SURVEY COMING SOON!

Your perspectives matter and make a difference, so we invite you to participate in this year's Member Survey, coming to an inbox near you on September 13, 2022. Please don't pass up this opportunity to share your feedback with us.



NEW ARTICLES BY OUR EXPERTS!

Extra, extra! Our experts have published a few new educational articles to help address some of the biggest credit union pain-points!

Moving or Merging? Start Here.

Alloya's VP of Member Product Support Kathy Feringa shares questions to ask before committing to a core conversion or credit union merger.

Short-Staffed? Maybe Staffing Isn't the Problem (or Solution)

Kathy Feringa strikes again as she shares five ideas to help your credit union achieve more with less.

Back-to-School Scams: Helpful Tips to Protect Members

Compliance Analyst Savanna Osborne, CFE, shares seven common scams that malicious actors conduct this time of year.

www.alloyacorp.org/articles



184 Shuman Boulevard
Suite 400
Naperville, IL 60563



www.alloyacorp.org
[linkedin.com/company/alloyacorp](https://www.linkedin.com/company/alloyacorp)
(800) 782-2431