

FOCUS ON CREDIT UNIONS

Should Small Business Owners Turn To Alternative Lending?

When it comes to your personal finances, you might be familiar with names like Lending Tree or Rocket Mortgage, websites where you can quickly fill out an application and be approved for a loan in record time. These websites are part of a growing trend called “fintech” (financial technology) or alternate lending. But it’s not just for personal lending, small business owners are also turning to alternative lending for startup loans, working capital, lines of credit, or merchant cash advances.

THE REASON FOR ALTERNATIVE LENDING

Since the economic downturn of the Great Recession, traditional big-names banks have reduced their small business loans by 20 percent, according to a Harvard Business School study. This downturn was the perfect environment to open the door for online lenders offering an alternative option for small business owners who’d been denied a loan by their bank.

Phil Fry, Diamond’s Business Services Manager, knows that yet even more online lending methods are popping up every day.

“I hear their advertisements on satellite radio every morning, and I always wind up thinking, ‘If it is that easy to borrow money from them, then there has to be some catch,’” says Fry.

THE GOOD AND (MOSTLY) BAD OF ALTERNATIVE LENDING

What alternative lenders offer small business owners is a faster application and approval process. You receive funds the next day or even in a few hours... who wouldn’t want that?

What alternative lending options also offer is loans that aren’t regulated, higher interest rates and fees, and repayment terms that don’t necessarily work in your favor. Typical lending scenarios could look like this:

A merchant cash advance or other short-term loan with an aggressive payment arrangement that takes weekly or even daily dips from your incoming cash

Working capital loans with a repayment plan that is front loaded into the first few months of the loan term

Alternative lending is being compared to the sub-prime mortgage lending in the early

2000s that allowed homeowners to buy houses that cost much more than they could really afford. Just like the homeowners who couldn’t afford their mortgage or sell their home for a profit, small business owners could find themselves in trouble if their business takes a temporary downturn.

THERE IS A SAFER ALTERNATIVE

If a traditional corporate bank doesn’t seem like a good fit for your small business finance needs, there is another avenue you can investigate, your local credit union. A safer alternative to the “alternative,” credit unions offer a full-range of small business service accounts including commercial

loans, real estate loans, checking accounts, investment accounts, and business credit cards, with flexible terms, no or low fees, and competitive interest rates.

More than that, credit unions are dedicated to local decision-making and investing in the community, just like your small business is! The personal service you’ll receive by partnering with a credit union is leaps and bounds above what you’ll find at a large banking institution or a faceless online lender.

If you have more questions about your small business lending options, contact Diamond’s Business Services team at 610.326.5490.



Reality Fair volunteers from Diamond CU, Tri County FCU, and Wrigley’s Office Supply pose during break between classes to show off their aprons.

Pottstown High School Students Get a Dose of Financial Reality

Diamond Credit Union, Tri County Area Federal Credit Union, and the Pennsylvania Credit Union Foundation sponsored a Financial Reality Fair at Pottstown High School.

During the third annual Financial Reality Fair at Pottstown High School, approximately 150 students participated in this “hands on” budgeting exercise to learn more about personal financial management in a one-day “real world” environment. In preparation for the Reality Fair, students chose a career and were provided with an in-depth budgeting sheet based on that career’s education level and salary.

Students were required to budget their money wisely to make ends meet for one month. Students visited 13 booths to find a place to live, obtain transportation, buy a cell phone, and pay for food and other essentials needed in everyday life. After visiting all of the booths, students balanced their budgets and reviewed their worksheet with a financial counselor.

John Faust, President/CEO of Diamond Credit Union and Andrew C. Pistoria, President/CEO of Tri County Area Federal Credit Union agreed that this event is a great example of credit unions working together to promote financial literacy. The team thanks the staff and students of Pottstown High School for welcoming both credit unions and making it a fantastic event.

The Reality Fair was coordinated by the marketing teams from and and was made possible with guidance and materials from the Pennsylvania Credit Union Association Foundation. Volunteers included employees from both credit unions and a representative from and Services. Souvenir T-shirts for the students were donated by Wrigley’s as well.



Pottstown High School Students show off their Reality Fair T-shirts after finishing the financial literacy exercise. The t-shirts were donated by Wrigley’s Business Products and Services and given as a reward for participation.



Eliza D.
Velvet Luxe Salon
Royersford, PA
Business Member Since 2013

“Diamond Credit Union wants you to be successful. They helped me every step of the way.”
That's younity.



Real members. Real success stories. Made possible with the help of Diamond Business Services.

The road to success starts by building the right relationships. We are here to provide the strength and value you’re looking for as well as the products and services you need. As a local business ourselves, we understand your business needs better than anyone. That’s why we offer focused financial solutions to help your business grow.

Start your success story today with Diamond Business Services. Contact 800.593.1000 or visit diamondcu.org to learn more.



Branches in Boyertown | Exeter | Pottstown | Wyomissing



Offering Products and Services to Help Your Business Grow and Prosper!

Our experienced professionals listen to your needs and help you make the right financial decisions for your business.

Now Located In Limerick!
Limerick Square Shopping Center
70 Buckwalter Road
Limerick, PA 19468



We're Better.

Change to American Heritage Today!

888-JOIN-US-9 www.AMHFCU.org/Limerick

- 30 American Heritage branches in Southeastern PA
- 30,000 Surcharge-Free ATMs Nationwide
- 7,200 Shared Branches Nationwide



Federally insured by the NCUA

No Problem MORTGAGE

ONLY 3% DOWN

NO CLOSING COSTS

LOW 3.875% APR*

Don't settle on your mortgage. Get the terms you deserve from Visions.

VISIONS
FEDERAL CREDIT UNION

visionsfcu.org

Pennsylvania | New York | New Jersey



Federally insured by NCUA.

*APR = Annual Percentage Rate. Credit union membership required with a \$25 minimum deposit. **Promotion valid on the 15/15 Adjustable Rate Mortgage (ARM) product only.** New purchase or refinance of non-Visions debt. One- to four-family, owner-occupied, primary residence only. Maximum mortgage dollar amount funded is based on region. Estimated savings of closing costs, which varies by geographic market and property, would be at least \$3,370, including, but not limited to, the following costs: appraisal, flood determination, application fee, credit report, lender attorney fees, recording fee, title insurance, and mortgage tax. Borrowers are responsible for initial escrow setup, interim interest, owner's title insurance, tax service fee, borrower's attorney fees, survey, and private mortgage insurance, if applicable. Monthly payment would be \$470.43 on a \$100,000 mortgage at 3.875% APR with a 30-year term. Payment example does not include amounts for taxes and insurance premiums. Cannot be combined with any other promotion or offer. Submit applications by Oct. 31, 2017.

When Should You Consider Refinancing?

Home ownership is a long-term investment toward your financial future. But, as you grow within your home, your financial needs may change. It's important to know what options may be available.

As you continue to pay down against your existing mortgage, equity can build greatly. There can be a variety of reasons why an individual may take advantage of equity and consider refinancing their existing home.

Longtime homeowners can cut interest rates significantly while saving a bundle over the life of the loan. Someone with seven to 10 years of homeownership can find many advantages as well.

Here are a few signs it's time to use your home to put money back in your pocket:

You can cut your interest rate by a percentage point or more. The low-rate environment the housing market has enjoyed for several years won't stay that way for long. If your mortgage is in the 5 to 7 percent range, it's time to take advantage. Take a look at these examples:

For example, a 15-year, \$150,000 mortgage at 6 percent interest would accrue

about \$78,000 in interest over the life of the loan. Compare that to \$47,000 in interest at just under 4 percent on the same home and you'd save roughly \$31,000 in savings.

Consequently, you can lower your monthly payment too, making room for items like home improvements in the short term.

You may consider converting an adjustable rate mortgage to a fixed. If your interest rate is close to increasing, it's a great time to extend a lower fixed rate. Not only will you continue to save, you'll also be keeping your monthly payment predictable.

Visions Federal Credit Union makes refinancing easy with its No Problem Mortgage products, which include low interest rates and no closing costs. Visit visionsfcu.org/NoProblem to see if a refi is a good financial fit for you.

VISIONS
FEDERAL CREDIT UNION