

# Borrowing Opportunity: Using KPIs to Track Small-Dollar Lending Success



With the help of the Financial Health Network, **Nusenda Credit Union** evaluated its **COOP Capital program**, a small-dollar loan administered via a nonprofit partner. The Financial Health Network and Nusenda tracked KPIs over a period of roughly six months for 44 participating borrowers. The results revealed small yet positive improvements in credit scores and borrower sentiment toward the credit union. This evaluation was generously sponsored by the National Credit Union Foundation.

## A HISTORY OF COMMUNITY SERVICE

Nusenda Credit Union is headquartered in Albuquerque, New Mexico. It has 20 branches, about 200,000 members, and has been named “Best Credit Union” by the Albuquerque Journal for six consecutive years. Nusenda uses the slogan, “the power of WE,” to embody its commitment to its members and the local community.



## SMALL LOANS, BIG GOALS

The National Credit Union Foundation selected Nusenda and two other credit unions to receive consulting and evaluation support from the Financial Health Network, with the goal of helping credit unions take action by:

- 1 Leveraging quantitative data to measure components of financial health
- 2 Using those metrics to understand the financial health and business impacts of specific products, services, or campaigns

The Financial Health Network engaged with Nusenda to track KPIs to evaluate its [COOP Capital Loans](#). Through this program, individuals who are credit-challenged can access small-dollar loans (averaging between \$400 and \$10,000, depending on the community partner) along with financial coaching support from Nusenda and nonprofit community partners. The community partner collateralizes the loans, which reduces the loan risk profile for the credit union. The program has a particular focus on students, with some receiving loan forgiveness upon graduation. This provides a powerful incentive to participate in the program. In the past five years, 184 people have participated in the program.

The Financial Health Network and Nusenda tracked relevant KPIs in order to understand how participation in the program impacted borrowers’ financial health and the credit union’s business metrics.

## INSIGHTFUL INDICATORS

The Financial Health Network and Nusenda narrowed down a larger list into seven selected KPIs that would help determine the success of the program. The credit union tracked the KPIs between April and September 2019, and administered a brief survey to members at the beginning and end of the evaluation period. Nusenda was also able to pull data from before the evaluation period to increase the look-back period for the project.

KPI	Correlation with Financial Health	Correlation with Credit Union Business
Frequency of on-time/in-full loan repayment	Higher successful repayment is indicative of higher finhealth	Lower instances of charge-offs
Borrower credit score	Higher credit score indicative of higher financial health	n/a
Brand reputation / borrower satisfaction, measured via survey	n/a	Higher satisfaction with loan program indicative of closer member relationship
Total number of COOP Capital loans	n/a	More loans are indicative of program growth
Number of products owned by an individual with a COOP Capital loan	n/a	More products owned reflect higher share of wallet and a closer member relationship
Balance in savings accounts at Nusenda owned by an individual with a COOP Capital loan	Higher savings balance indicative of higher financial health	Higher savings balance means higher credit union deposits
Number of members with COOP Capital loans	n/a	More members taking out loans is indicative of program growth

These seven KPIs were selected over other potential options because Nusenda and the Financial Health Network found they had the right balance of being available in Nusenda’s existing data systems, and being indicative measures that could be impacted by having a COOP Capital loan. Other KPIs were not selected for two main reasons:

- **Availability of data in Nusenda’s existing systems.** In some instances, the data necessary to track a KPI was not already available in Nusenda’s data systems and would have been collected via survey. Nusenda elected not to field a complex survey that would place a burden on respondents and had concerns about collecting complicated data via survey.
- **Comprehensiveness of the existing data.** There were some KPIs where data was available, but the data contained by Nusenda would not present a comprehensive picture of an individual’s financial life. Therefore, these potential KPIs would have been unreliable to use to track impact.

## COMMITTING TO CAPITAL

Though small because of the low number of borrowers in the program, the results of KPI tracking were positive. Relative to when borrowers joined the COOP Capital program, their KPIs improved slightly by the end of the observation period.

- Charge-off rates were higher than the average for a comparable loan at Nusenda (11% vs. 2%). In particular, students had a higher charge-off rate than non-students.
- 65% of borrowers became a member to acquire the loan. This suggests that the COOP Capital program is an opportunity for Nusenda to access a certain segment of new members and provide financial coaching and other forms of assistance to individuals who are credit-challenged.
- Overall, 12% of borrowers experienced increases in their credit scores, compared with the 3% that experienced decreases.
- While Nusenda only received 11 complete survey responses, respondents received a much higher NPS score compared to Nusenda’s overall average, which suggests that COOP Capital borrowers are generally satisfied with their engagement with Nusenda.



## CONCLUSIONS

A comprehensive evaluation of data systems is necessary before beginning impact evaluation. Preparation, and in particular, a comprehensive evaluation of existing data, made this project run smoothly, as Nusenda was able to integrate data from across the credit union to generate a complete list of potential KPIs.

KPIs may take time to change as a result of a new program. In Nusenda's case, six months was the minimum amount of time it took to see an observable impact. It is possible that the credit union would have seen larger changes over a longer observation period.

Small-dollar loans can attract new members. Nusenda found that 65% of COOP Capital borrowers became members to obtain the loan and about 80% of borrowers remained active members after paying off the loan.

Nonprofit partnerships are a viable avenue to attract new members and strengthen community relationships. Nusenda is excelling at this through the COOP Capital program, and the Financial Health Network has shared [insight](#) into effectively partnering with fintechs and nonprofits to improve consumer financial health.

## Evaluating the Impact of Small-Dollar Loan Programs

### Steps to start your own impact evaluation

1. Assess your existing data and KPIs that you think will be most indicative.
2. Use Financial Health Network's [Compass Guide to Small-Dollar Credit](#) to guide the design and implementation of a new program. In particular, make sure the product's marketing, underwriting, repayment structure, and pricing are high-quality and designed for borrower success.
3. Work closely with the vendor that provides credit data to ensure you can obtain the specific data you need at the right times for your evaluation.
4. Determine the length of your evaluation and how long it will take to see that your small-dollar loan or intervention has impacted members' financial health. Consider six months as a minimum starting point.