



DEPARTMENT OF
CONSUMER
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SERVICES

NEWS RELEASE

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State credits First Tech for offering new short-term lending program

(Beaverton) Governor Ted Kulongoski and other state officials today applauded an Oregon credit union for being the first to introduce a new short-term lending service for its members who may struggle with temporary budgeting problems because they are paid monthly rather than weekly or biweekly.

First Tech Credit Union created the service specifically to offer a smart alternative to typical payday loans, which have very high fees – equivalent to interest rates ranging from 400-500% APR. The First Tech Salary Advance Loan comes with a 15% APR (with automatic deposit), no application fee, free budgeting assistance from a First Tech Credit Union budgeting and financial goal setting professional, and an automatic payment option.

“Too many Oregonians – including state employees – find themselves stretched thin between paychecks,” Governor Ted Kulongoski said. “A major car or home repair bill can easily leave people without a good option for a short-term loan at a reasonable cost. I congratulate First Tech for stepping up with an alternative for its members, and I encourage other Oregon banks and credit unions to do the same.”

First Tech's membership exceeds 130,000, following recent mergers with State Employees Credit Union in Salem and Oregon Metro Credit Union in Eugene. Of those members, First Tech estimates that several thousand may be using typical payday loan services. First Tech members must either work for the State of Oregon, live or work in Lane County, or work in the high tech or telecom industries.

Those using high-fee check cashing services include state workers and others who are paid once a month. The longer pay cycle can make budgeting a challenge, especially in the event of major, unexpected expenses. Others who use these services include consumers who have no other options or who seek to avoid high non-sufficient-fund or overdraft-protection fees charged by many banks and credit unions. First Tech's free budgeting resources are intended to help members ensure that they only need to use the new loan program to bridge occasional gaps between paychecks.

“This is another example of how First Tech is different,” said Bob Corwin, First Tech's EVP/Chief Operations Officer. “We're first to offer innovative products and services because we actively listen to our members and deliver what they want. In this case, some members were falling into the payday loan trap. We designed the First Tech Salary Advance Loan to provide help when they need it. Along with that, we offer to help them with their budgeting to get them through the rest of the current month and plan for future months.”

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Officials with the Department of Consumer and Business Services (DCBS), the agency that regulates Oregon financial institutions, welcomed First Tech's new service.

Floyd Lanter, administrator of the DCBS Division of Finance and Corporate Securities, said the new service "is an extremely welcome feature that offers a dramatic contrast to the typical short-term loan rates we encounter in payday lending." Lanter noted that payday lenders have expanded rapidly to fill a substantial gap in the financial services industries caused, in part, by the withdrawal of banks, credit unions and traditional consumer finance companies from the small loan market and by costly charges by merchants and institutions for returned checks and nonsufficient fund ("NSF") charges on overdrawn accounts.

Lanter said that he was convinced that "if more credit unions and banks will follow First Tech's leadership, our financial institutions can provide a lower cost alternative to payday loans and some financial relief to hard-pressed Oregonians, while making a reasonable return on the service."

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