

Employer Sponsored Small Dollar Loan Incubator Final Summary Report

Summary

Since April 2014, sixteen credit unions and one community bank had agreed to participate in the Employer Sponsored Small Dollar Loan Program for an eighteen-month period. Thirteen credit unions remained in the program throughout the testing period, which ended August 31, 2015. There were some credit unions that struggled to sign up employer partnerships and because the testing period would end before their loans were paid off they were asked to no longer participate in the pilot tracking results. A few credit unions due to staffing challenges had fewer results and did not maintain consistent reporting. During the fourteen-month incubator-reporting period (with the exception of the originating credit union who reported data for twenty months), the program resulted in 13 credit unions that partnered with 48 employers generating 1,042 loans with over \$1.2M in loan volume and over \$42K in savings balances. The average loan per borrower was \$1,173 and the average savings was \$152. Also, the average age of the applicants was 39 years old with an average income of \$36,474 and an average credit score of 554.

The Credit Unions

The credit unions that participated in the incubator program were represented by varying asset and member sizes from all across the country. Credit unions ranged from \$4.3M to \$441.5M in assets with membership between 2,000 and 31,000.

ESSDL Incubator Participants				
	Credit Union	City	State	Website
1	Commodore Perry FCU	Oak Harbor	OH	https://www.commodoreperryfcu.com/
2	Cy-Fair FCU	Houston	TX	https://www.cyfairfcu.org/
3	Express Credit Union	Seattle	WA	http://expresscu.org/
4	Georgia Heritage FCU	Savannah	GA	https://www.gaheritagefcu.org/
5	Holy Rosary Credit Union	Kansas City	MO	http://www.holyrosarycu.org/
6	Mercy Health Partners FCU	Toledo	OH	http://www.mhpfcu.org/
7	Metrum Community Credit Union	Centennial	CO	http://www.metrumcu.org/
8	North Country FCU	Burlington	VT	https://www.northcountry.org/home/home
9	ProMedica FCU	Toledo	OH	http://promedicafcu.com/
10	Spring Bank	Bronx	NY	http://springbankny.com/
11	Sun Federal FCU	Maumee	OH	https://sunfederalcu.org/
12	Toledo Metro FCU	Toledo	OH	http://www.toledometro.com/
13	Toledo Urban FCU	Toledo	OH	http://toledourban.com/

The Products

Most credit unions modified an existing alternative payday or salary advance loan product, while others utilized the Tool Kit to design a new product. All the credit unions defined their base ESSDL program following North Country’s program parameters, but each implemented varying program names, loan amounts, loan terms, interest rates, employer fees, and underwriting guidelines. Rates for borrow and save ranged from 14.99% to 21% interest with a majority of the terms ranging from 6-12 months. North Country FCU was the only credit union to extend their term on a regular basis to up to 54 months. They were also the only credit union to not pull a credit report on the member as part of the application process. Additionally, North Country, Express, and Mercy Health Partners were the only credit unions to charge an employer fee. The others either did not charge one because they did not want to or because the employer would not join the program if there was a fee.

Differentiating Features:

Credit Union	Program Name	Loan Amount	Loan Terms	Interest Rates	Underwriting Guidelines
Commodore Perry FCU	ESSDL	Up to \$1,500	Up to 12 months	16.9%	Active bankruptcy or has outstanding loss to CU. Employed for at least 12 months.
Cy-Fair FCU	ESSDL	Up to \$1,500	Up to 12 months	18%	Active bankruptcy, bankruptcy in the last 12 months, or has outstanding loss to CU. Employed for at least 6 months.
Express Credit Union	ESSDL	Up to \$1,000	9 months	18%	Active bankruptcy or has outstanding loss to CU. Employed for at least 6 months.
Georgia Heritage FCU	Life Line Loans	Up to \$1,500	Up to 12 months	16.9%	Active bankruptcy or has outstanding loss to CU. Employed for at least 6 months.
Holy Rosary Credit Union	ESSDL	Up to \$1,500	Up to 12 months	21%	Active bankruptcy or has outstanding loss to CU. Employed for at least 3 months.
Mercy Health Partners FCU	ESSDL	Up to \$1,500	6 months	17.99%	Outstanding loss to CU, OD with CU, can't be in the process of filing or be in proceeding for bankruptcy (Ch7), if in Ch 13 if the trustee gives approval letter may allow, ability to

					repay (DTI 50%). Employed for at least 12 months.
Metrum Community CU	ESSDL	Up to \$1,500	12 months	14.99%	Active bankruptcy or has outstanding loss to CU. Employed for at least 6 months.
North Country FCU	Income Advance Program	Up to \$1,500 (with 15 loans up to \$3,000)	Up to 28 months (14 loans 34-54 months)	16.99%	The employee is in good standing and has worked there for the requisite time each employer requires.
ProMedica FCU	ProMedica Income Advance Loan	Up to \$1,500	Up to 12 months	15.99%	Bankruptcy within a year or has outstanding loss to CU. Employed for at least 6 months.
Spring Bank	Employee Opportunity Loan	Up to \$2,500	12 months	16%	Active Bankruptcy, Bankruptcy within last year and Chex Systems unless it was less than \$100 and they can show they made good on it. Employed for at least 6 months.
Sun Federal FCU	ESSDL	Up to \$1,000	Up to 12 months	16.49%	Active bankruptcy or has outstanding loss to CU. Employed for at least 12 months.
Toledo Metro FCU	ESSDL	Up to \$1,000	Up to 12 months	16%	Based on ability to repay. Active bankruptcy or has outstanding loss to CU. Employed for at least 3 months.
Toledo Urban FCU	ESSDL	Up to \$1,500	12 months	16%	Outstanding loss to CU. Employed for at least 3 months.

Loans

Credit Unions closed 1,042 loans totaling \$1.2M in small dollar loans with over \$42K in savings. Credit unions indicated that most borrowers used the ESSDL program to help them pay off other debt and build their credit. Other loan purposes included debt consolidation, medical bills, car repairs, house repairs, personal needs, and children's summer camp. A lot of the credit unions were not able to launch immediately because they either struggled to sign up employer

partnerships or they joined the program after we launched. For this reason, we do not have a lot of savings data.

Credit Union	Launch Date	# Loans	Loan Volume	Established Savings
Commodore Perry FCU	July 2014	4	\$4,800	\$0
Cy-Fair FCU	December 2014	30	\$43,000	\$0
Express Credit Union	February 2015	13	\$11,800	\$0
Georgia Heritage FCU	April 2015	74	\$95,750	\$0
Holy Rosary Credit Union	June 2014	5	\$3,819	\$0
Mercy Health Partners FCU	April 2015	50	\$58,829	\$0
Metrum Community Credit Union	August 2014	12	\$18,000	\$0
North Country FCU	January 2014 (2007)	678	\$790,344	\$42,562
ProMedica FCU	April 2015	28	\$41,300	\$0
Spring Bank	April 2015	14	\$23,800	\$0
Sun Federal FCU	November 2014	44	\$42,450	\$0
Toledo Metro FCU	November 2014	80	\$77,700	\$0
Toledo Urban FCU	November 2014	9	\$10,800	\$0

Stories

92% of the credit unions that participated for the entire incubator period indicated they will continue offering the ESSDL program to their members. More specific comments about the program can be found on the scalability survey results. Credit unions also provided qualitative information about the success of the program through testimonials; a few of those stories are highlighted below.

Georgia Heritage FCU – Kelly Krumwiede – Member Services Officer:

“We have had a phenomenal response! I’ve had several people who, with tears in their eyes, hug me and say what a huge blessing this program is for them and how thankful they are to have it available to them.”

Georgia Heritage FCU – Robby Glore – VP of Operations:

“We were approached by Robyn Wainner from Step Up Savannah and Richard Reeve from CCCS to partner with them to help fight poverty in the Savannah, GA area. They were looking for a financial partner to help them with this monumental task. They had already been turned down by banks and even another credit union. Wow, what a challenge! All kinds of questions popped up in my mind for such a task. Why should we jump on this bandwagon? How can our little credit union possibly help? Can we really make a difference in the poverty level of Savannah? What can we provide that would not risk the assets of the credit union? And even though those questions were in the back of my head, one thing rang true as I listened to Robyn and Richard. THIS IS WHAT CREDIT UNIONS DO! We launched our program in the last week of May and many questions were answered. We saw

people who really needed to get away from the grips of the title pawn lenders, pay past due mortgages, catch up utility bills, and others who needed to aid family members. Here we are just 4 months into the program and we have been able to help over 100 people who would have been at the mercy of finance companies and title pawn lenders. The loan officer that I have in charge of this program, Kelly, talks about how blessed she is to be able to make a difference in people's lives. These new members to the credit union have tears running down their face when they find out that we can help them. And Kelly has gotten quite a few hugs as well!

My hope is that more employers will understand the financial stress that some of their employees are under and realize the productivity that is lost through the stress of their situations. Or the possible turnover in staff that financial stress can cause which creates more expense for the employer for hiring and training new personnel.

Making a positive impact on poverty is not an overnight resolution. It is a journey. I like to think that we have just made our first few steps on this journey. And yes, be it ever so small right now, we are making a difference!"

Spring Bank – Melanie Stern – Director, Consumer Lending:

"Participating in the ESSDL program created an important opportunity for Spring Bank to look at a new way to expand its small dollar loan program. The program not only gave us incentive to launch our Employee Opportunity Loan but it helped create both internal and external buy-in for the project. With the support of Filene and the lead financial institution- North Country Federal Credit Union –we have designed a program that will help us reach not only a large pool of borrowers but also build new business relationships. The program also incentivized us to build a lending platform that will streamline intake and closing and will be on-line by the end of this year.

And this month we launched with our second employer-BronxWorks-a social service agency with over 700 employees.

This has been a win-win for the bank, our non-profit and business partners, and local employees."

Mercy Health Partners FCU – Cheryl Dorman – CEO/Treasurer-Manager:

"We were looking for a way to assist existing members with subprime credit and to attract new members. This program is helping us to accomplish both objectives. It has also allowed us to partner more closely with our single employer group (a hospital system) that was looking for a way to support employees with emergent financial needs. Based on comments we receive from our ESSDL borrowers, all are extremely grateful and appreciative of both the credit union and our employer. Thanks to Filene, the ESSDL launch process was an easy one. They supported and provided assistance every step along the way."

Associated Media:

Source	Link	Date
Worklife Partnership	http://www.worklifepartnership.org/Employers/Training/Filene-Research-Institute-Meeting/	3/15/14
LISC Toledo	http://toledolisc.org/?page_id=832 (Toledo Financial Opportunity Center Newlsetter - June 2014)	6/9/14
Credit Union Times	http://www.cutimes.com/2014/07/15/filene-testing-two-pilot-programs	7/15/14

The Blade	http://www.toledoblade.com/local/2014/08/01/Credit-union-group-offers-alternative-to-payday-loans.html	8/1/14
Toledo News Now	http://www.toledonewsnow.com/clip/10429910/small-dollar-loan-program-gives-toledoans-more-options	8/1/14
Ohio Credit Union League	http://www.ohiocreditunions.org/Resources/Publications/Pages/eLumination.aspx	8/7/14
13 ABC (Toledo, OH)	http://www.13abc.com/clip/10458412/bridges-august-10-part-1	8/10/14
13 ABC (Toledo, OH)	http://www.13abc.com/clip/10458418/bridges-august-10-part-2	8/10/14
American Banker	http://www.americanbanker.com/issues/179_157/can-reengineering-the-pay-cycle-disrupt-payday-lending-1069431-1.html	8/14/14
Credit Union National Association	http://cuna.org/Stay-Informed/News-Now/Washington/NY-Times--Nussle-highlights-CU-help-in-restoring-members--credit/	10/28/14
Spring Bank	http://us10.campaign-archive2.com/?u=1b8e7da617e5c69ae064354d5&id=b91df0dd27&e=762d351748	6/10/15
Savannah Now	http://m.savannahnow.com/news/2015-07-03/step-program-offers-employer-based-low-interest-loan-program#gsc.tab=0[m.savannahnow.com]	7/3/15
Next City	https://nextcity.org/daily/entry/employer-based-loan-program-rainy-day-fund	7/23/15