How CDFIs Can Take Away Payday Lenders' Customers

Sarah Livnat
Who We Are

• Oportun is a mission-driven, financial services company and CDFI serving 8 US states

• We empower individuals with limited or no credit history by offering responsible loans at affordable rates so they can establish credit and build a better future

• Provided first loan in 2006

• 240+ locations in California, Texas, Illinois, Arizona, Nevada, Utah plus availability online in New Mexico and Missouri

Our Loans Are Designed for Customer Success

- Unsecured personal installment loan, documents in Spanish and/or English
- No prepayment penalties and no balloon payments
- Ability to pay framework used to underwrite every loan
- Grace periods of 7 – 15 days
- Fixed payments and rates
- Report to credit bureaus

<table>
<thead>
<tr>
<th>Loan amounts</th>
<th>Term months</th>
</tr>
</thead>
<tbody>
<tr>
<td>$300 - $8,000</td>
<td>6 - 38</td>
</tr>
</tbody>
</table>
Oportun is 1/7th the Cost of Payday

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*Comparison of spending on fees and interest to repay an average loan of $1,090 in Illinois for all first-time Oportun customers earning up to $50,000 annual income.

**Data from study conducted on Oportun's behalf by the Center for Financial Services Innovation, a leading nonprofit authority on consumer financial health.

We Are Focused on Impact at Scale

1 Million Customers Served

$4 Billion Disbursed in Loans

$962 Million Customer Fees & Interest Savings

450,000+ Customers have started establishing credit

Data as of August 15, 2017

* According to a study conducted on Oportun’s behalf by the Center for Financial Services Innovation, a leading nonprofit authority on consumer financial health.

1 Oportun reports to two of the three major credit bureaus.
Before You Go

Please complete your session evaluation!

You can find it in the Conference app.
What is the Community Development Bankers Association?

- Community Development Bankers Association (CDBA) is the national trade association of the community development bank sector.

- We are the voice and champion of banks and thrifts with a mission of serving low and moderate income communities. PCG manages CDBA.
CDFI Banks are Experimenting with Payday Alternative Products

Case Studies

BankPlus launched its CreditPlus low-interest small-dollar loan as an alternative to payday lenders in 2008. Mississippi has the highest per capita number of payday lenders in the nation.

Program Requirements
1. Mandatory attendance at 3-hour BankPlus financial literacy seminar based on FDIC Money Smart curriculum
2. A certificate of seminar attendance must be presented within a BankPlus branch within 6 months of a completed seminar
3. New checking and savings accounts and a small loan to assist in paying off higher interest debt and/or to start a savings program
4. A credit score is used to determine loan amount
5. Must have six (6) months of verifiable income with appropriate documentation of income at loan closing.
6. Two acceptable forms of ID

How CreditPlus Works

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Loan Options

<table>
<thead>
<tr>
<th></th>
<th>CreditBuilder</th>
<th>$500</th>
<th>$1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amount</strong></td>
<td>$500</td>
<td>$500</td>
<td>$1,000</td>
</tr>
<tr>
<td><strong>Interest Rate</strong></td>
<td>5% per annum</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Fees</strong></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>APR</strong></td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Term</strong></td>
<td>12 month</td>
<td>12</td>
<td>12 or 24 month</td>
</tr>
<tr>
<td><strong>Security</strong></td>
<td>Fully Secured by BankPlus Saving Account</td>
<td>Loan Amount Split Between BankPlus Checking and Savings Accounts</td>
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</tr>
<tr>
<td><strong>Credit Score</strong></td>
<td>499 or Below (Including No Score)</td>
<td>500-599</td>
<td>600 or Higher</td>
</tr>
</tbody>
</table>

Results

- **Program Inception (April, 2008) thru July, 2017**
  - 26,299 individuals have received financial literacy training, of which 75% choose to get a loan
  - 27,434 loans originated totaling $20,437,500
  - 816 financial literacy seminars (averaging 92 per year) totaling 2,448 training hours
  - 9,792 employee hours invested in teaching and preparation with an average 126 employees per year participating

- **As of July, 2017**
  - 2,868 active loans with balances totaling $1,199,257
  - 11,559 active demand deposit and savings accounts with balances of $5,179,267
  - 47 point average credit score improvement for customers that took out subsequent CreditPlus loans
  - In 2016, 89% of CreditPlus borrowers were low-to-moderate income, 60% were low income, and 51% reported having had a payday loan and 31% a car title loan
How True Connect Works

- Sunrise launched True Connect in 2015 as a safe alternative to loan products that trap borrowers in a cycle of long-term debt.
- True Connect is structured as a voluntary employee benefit.
- Online application process
- Loans are underwritten by Sunrise
- Employers have no responsibility for the loan
- Automatic payroll deductions through the employer
- Fund can be disbursed into an employee’s checking account, savings account, or general purpose reloadable prepaid debit card usually within one business day
- Six free financial counseling sessions are available annually

### Results

- 2500 employers across the US have access to TrueConnect as an employee benefit
- Sunrise signed an agreement with PlanSource (benefits enrollment platform) to allow TrueConnect to available to up to 10,000 additional employers with 3.5+ Million employees.
- Annually 15-20% of the employees use TrueConnect.
- Loan losses are manageable and sustainable for ongoing growth of the program

<table>
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<tr>
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<tr>
<td><strong>Amount</strong></td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
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<td><strong>Security</strong></td>
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How L Card Works

- Launched in March 2017 as an alternative to payday loan products, Lcard is a partnership between Beneficial State Banks and FinTech LendUp.
- Beneficial is the issuing bank with LendUp serving as marketing and distribution channel.
- Lcard is offered via credit card as “emergency money”.
- LendUp prequalifies customers from its existing online network based on proprietary screening criteria.
- Card is marketed to customers otherwise considered “subprime”.
- Free online financial literacy training materials available.
- Unlike payday lenders, payment activities are reported to major credit bureaus allowing cardholders to build a credit profile and/or improve their credit ratings as a result of making on-time payments.

Product Options

<table>
<thead>
<tr>
<th>Feature</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Amount</td>
<td>$300-$1,000; Customers can raise borrowing cap after successful repayment &amp; graduate to higher credit limit</td>
</tr>
<tr>
<td>Annual Fee</td>
<td>$0-$60; Fee depends on risk assessment; successful repayment history can qualify a borrower for a lower rate</td>
</tr>
<tr>
<td>APR</td>
<td>19.99%-29.99%; rate depends on risk; successful repayment can qualify for a lower interest rate</td>
</tr>
<tr>
<td>Term</td>
<td>Revolving credit</td>
</tr>
<tr>
<td>Late fees</td>
<td>Grace period for late payments with no penalty APRs; Customer has option to pay amount outstanding or minimum payment without being subject to additional fees</td>
</tr>
<tr>
<td>Payments</td>
<td>Customer has option to pay amount outstanding or minimum payment without being subject to roll over or additional fees</td>
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