



# CDFIs INVEST

**How CDFIs Can Take Away  
Payday Lenders' Customers**

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# OPORTUN™

Loans for a better future



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## 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



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## 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

\$300 - \$8,000

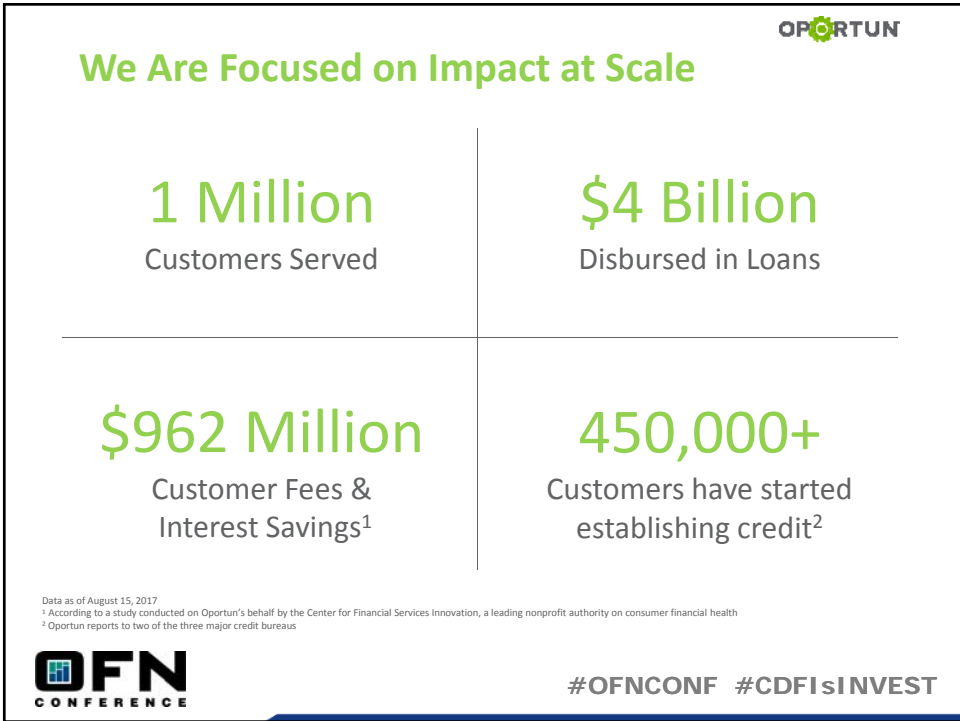
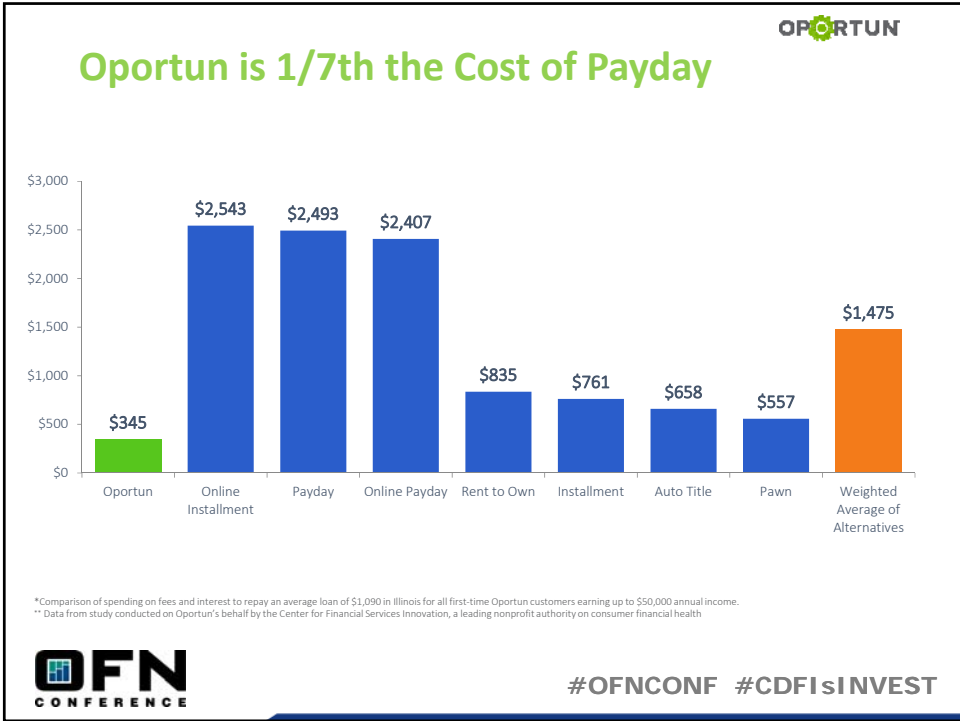
Loan amounts

6 - 38

Term months



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## How CDFIs Can Take Away Payday Lenders' Customers

Jeannine Jacokes / September 27, 2017

## What is the Community Development Bankers Association?



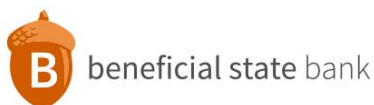
- Community Development Bankers Association (CDBA) is the national trade association of the community development bank sector.
- We are the voice and champion of banks and thrifts with a mission of serving low and moderate income communities. PCG manages CDBA.



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# CDFI Banks are Experimenting with Payday Alternative Products

## Case Studies



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## How CreditPlus Works

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



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## Loan Options

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



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## 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 pay day loan and 31% a car title loan



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## 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



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### 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 be available to up to 10,000 additional employers with 3.5+ Million employees.

Annually 15-20% of the employees use TrueConnect.

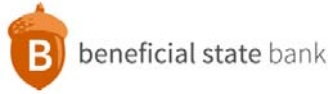
Loan losses are manageable and sustainable for ongoing growth of the program

	TrueConnect
Amount	\$1,000, \$1,5000, \$2,000 and \$3,000 based on employee qualification
Interest rate	24.99%
Fees	No fees
APR	24.99%
Term	12 month
Security	Automatic payroll deductions
Credit Score	No credit score is used in underwriting; but, Sunrise reports a borrowers repayment history to the credit bureaus to build credit.



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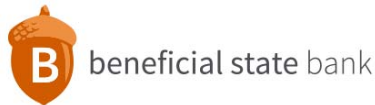


## How L Card Works

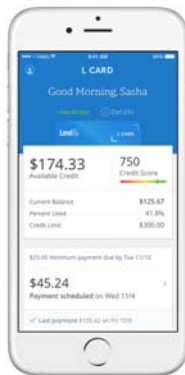
- Launched in March 2017 as an alternative to pay day loan products, Lcard is a partnership between Beneficial State Banks and FinTech LendUp
- Beneficial is the issuing bank with LendUp serving as marketing and distribution channel
- Lcard is offered via credit card as “emergency money”
- LendUp prequalifies 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 are able to build a credit profile and/or improve their credit ratings as a result of making on time payments



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## Product Options



	Lcard Features
Initial Amount	\$300-\$1,000; Customers can raise borrowing cap after successful repayment & graduate to higher credit limit
Annual Fee	\$0-\$60; Fee depends on risk assessment; successful repayment history can qualify a borrower for a lower rate
APR	19.99%-29.99%; rate depends on risk; successful repayment can qualify for a lower interest rate
Term	Revolving credit
Late fees	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
Payments	Customer has option to pay amount outstanding or minimum payment without being subject to roll over or additional fees



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