

COMMUNITY LOAN CENTERS IN TEXAS

- **CLC of Austin**, operated by BCL of Texas
- **CLC of the Brazos Valley**, operated by Brazos Valley Affordable Housing
- **CLC of Dallas**, operated by BCL of Texas
- **CLC of Greater Houston**, operated by Neighborhood Recovery CDC
- **CLC of Greater Laredo**, operated by Azteca Economic Development & Preservation Corporation
- **CLC of Rio Grande Valley**, operated by Rio Grande Valley Multibank
- **CLC of Texas**, operated by Texas Community Capital

HOW TO BRING THE COMMUNITY LOAN CENTER TO YOUR COMMUNITY

The CLC loan program is designed to be a viable social enterprise for the Local Lenders. Texas Community Capital (TCC) is the network administrator authorized to recruit organizations to become Community Loan Center Local Lenders and market the program to employers in their assigned service territory.

Community Loan Center franchises are now available in many unserved markets in Texas. Each Local Lender receives access to the online software, use of trademarks, a logo, marketing materials, loan processing and loan servicing, technical assistance, and training.

FOR ADDITIONAL INFORMATION ON HOW TO JOIN THE COMMUNITY LOAN CENTER PLEASE CONTACT:

Howard Porter, Program Manager
Texas Community Capital
2200 E. Martin Luther King, Jr. Blvd
Austin, Texas 78702
512.916.0508
www.tccapital.org

COMMUNITY LOAN CENTER ADVISORY COMMITTEE

As part of TCC's efforts to expand the program statewide, we have formed an Advisory Committee of professionals interested in seeing the CLC Program Loan Center succeed. These members represent funders, policy advocates, CLC participants, and regulators committed to providing ongoing guidance and support to the program.

Current members include:

Ann Baddour, Texas Appleseed (Chair)
Woody Widrow, RAISE Texas
Nick Mitchell Bennett, Rio Grande Valley Multibank
Tom Wilkinson, Brazos Valley Council of Governments
Kevin Jewell, Consultant
Debbie Taylor, Citi
Susan Hoff, United Way of Metropolitan Dallas
Eliza Platts-Mills, University of Texas Law Clinic
Alfreda Norman, Federal Reserve Bank of Dallas
Shannon Van Zandt, Texas A&M University

COMMUNITY LOAN CENTER

OF TEXAS

Affordable Small Dollar Loans

The Community Loan Center of Texas is recruiting lenders across the state to provide a sustainable and scalable alternative to predatory loans.

The Problem

THE TROUBLE WITH PAYDAY LOANS

In the last few years payday and auto title lenders have converged on Texas neighborhoods where loopholes in our state finance laws allow lenders to charge much higher interest rates than most other states. Texas payday and auto title lenders extract over **one billion dollars per year in fees** from those who can least afford it, with interest rates as high as **660% APR**. Payday lenders require payment of the entire loan balance from the borrower's next paycheck. These usurious interest rates and fees trap borrowers in cycle of debt requiring them to sometimes repay thousands of dollars to borrow only a few hundred. Lower paid consumers need credit solutions that consider what is best for the consumer, rather than what is best for the lender.

THE PROBLEM WITH PAYDAY/AUTO TITLE LOANS

- Up to 660% interest charged in Texas
- 44,052 cars repossessed in Texas in 2014
- \$1.49 billion in fees
- Payday lenders don't report timely repayment history to credit bureaus
- Average payday loan refinanced 2 times in Texas

The Solution

THE COMMUNITY LOAN CENTER

People need short-term loans that are quick and easily accessible. To address this need, the Rio Grande Valley Multibank and Texas Community Capital created the Community Loan Center Small Dollar Loan Program. The Community Loan Center provides workers with an alternative to predatory loans, and demonstrates that an inexpensive small dollar loan product can be a successful social enterprise for non profits.

The Community Loan Center is designed around proprietary software that enables scalability and sustainability. With over 5,450 loans in multiple markets in Texas, we know that the program can work in your area.

COMMUNITY LOAN CENTER AT-A-GLANCE

- 18% interest, \$20 admin fee
- \$1,000 maximum
- Employer based model
- Online loan application & servicing
- 52 week term
- Repaid through payroll deduction
- Financial Counseling

Small Dollar Loans Comparison

	Community Loan Center Loans	Payday Loans
Loan Amount	\$1,000	\$1,000
Administrative Fee	\$20	\$0
Term	12 months	14 to 30 days
Interest Rate	18%	n/a
Financial Fee	n/a	\$300 * / \$600**
Total Interest/Fees	\$122.16	\$900
Annual Percentage Rate	21.8321%	782.14%
Monthly Payment	\$93.51	\$1,300 due in 14 days

*1st 14 day fee is \$300, if renewed an additional \$300 fee is required.
 **If loan is extended (as indicated by research) two times.

BENEFITS OF THE CLC PROGRAM TO EMPLOYERS

1. No direct costs to employers for providing the CLC program to employees
2. Reduces employee turnover by building employer loyalty
3. Reduces employee absenteeism
4. Reduces distractions to HR staff from employee debtors, bankruptcies, etc.
5. Reduces “presenteeism”- employees dealing with personal financial problems while working
6. Reduces paycheck advances to employees.

RESULTS TO DATE

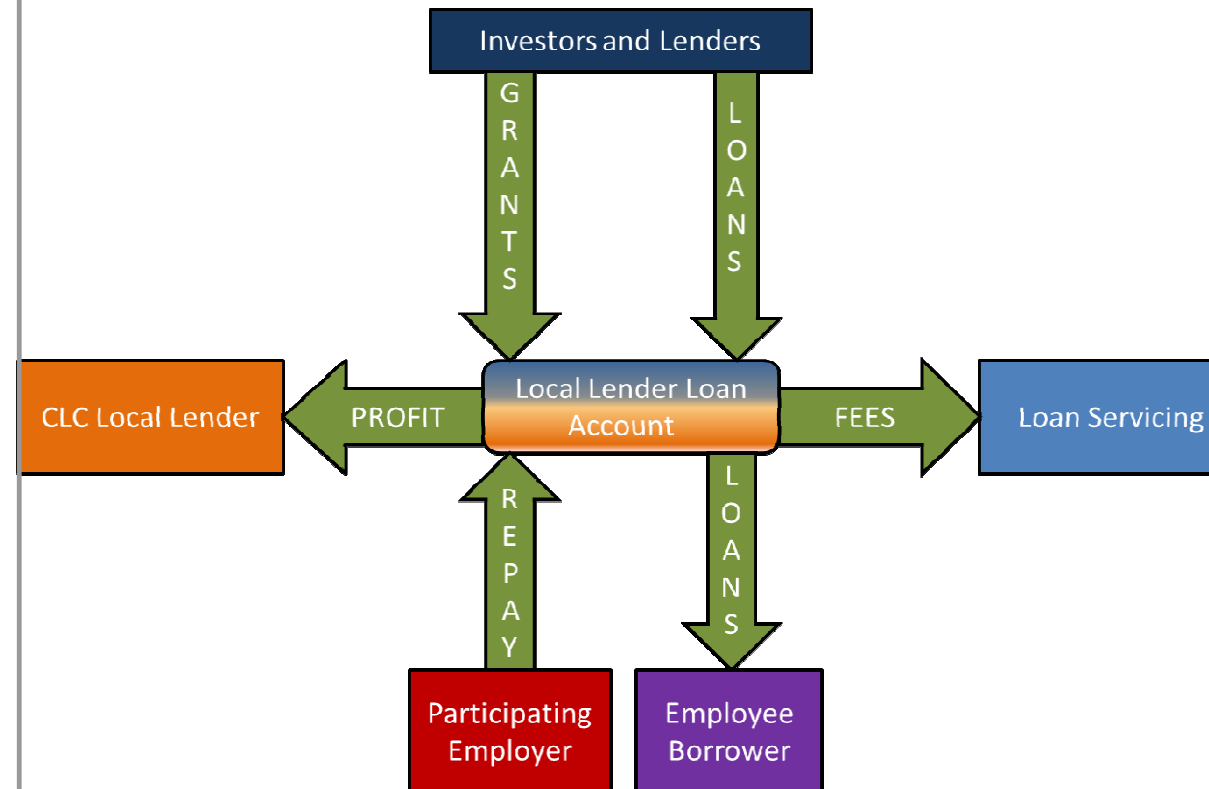
To date, the CLC program has originated over 7,500 loans through 74 employers with 37,850 eligible borrowers. The Community Loan Center lenders in the Rio Grande Valley, Dallas, the Brazos Valley and Waco have loaned out over \$6 million since October 2011. These loans saved borrowers over \$4 million compared to traditional payday loans. Current default rate is under 4.5 percent.

Based on survey results, we know the following about our borrowers:

Borrower Profile

- 53% earn < \$40,000 per year
- 50% are homeowners
- 57% are female
- 91% are banked
- 87% non white
- 83% have no savings

SMALL DOLLAR LOANS: FOLLOWING THE MONEY



THE PROGRAM

The CLC local lender recruits employers in their community to offer the CLC loan program to their employees. The CLC program is offered at no cost to participating employers in their service territory. When an employee at a participating employer needs a loan, they go to the CLC website to apply.

An eligible employee can apply for a CLC loan online anytime. The CLC loan approval process is quick and easy since the entire loan application process is automated and credit underwriting is not required. After the employer verifies employment of the employee/borrower, the employee signs the CLC loan documents online. CLC loan proceeds (see diagram above) are transferred directly into the borrower’s bank account. CLC loan repayments begin on the employee’s next payday through payroll deduction. The CLC lender earns the interest from repayment of the CLC loans.

Community Loan Center loans feature:

- quick approval
- streamlined underwriting
- no collateral
- affordable repayment options
- no credit reports
- no pre-payment penalties

CLC borrowers may access their account anytime through the CLC website. This innovative website eliminates the need for storefronts and high overhead costs resulting in much lower loan costs. The CLC program provides free, no obligation financial counseling to all CLC borrowers. The CLC financial counselors help borrowers become more financially empowered to manage their personal finances and to use credit responsibly.

The CLC model is customer centric and engages community lenders who understand the needs of consumer loan borrowers. The overarching goal is to help CLC borrowers meet current and ongoing financial obligations and achieve a sense of security in their financial future.

INVESTING IN THE COMMUNITY LOAN CENTER

The Community Loan Center is seeking *grants, loans, and investments*. The CLC program puts grant money from **foundations** and **corporate donors** to work year after year, re-lending the grant funds up to 8 times every 5 years. The CLC program delivers measurable positive outcomes demonstrating how the CLC helps borrowers improve their financial health.

Reduced interest rate *loans* make it possible to bring needed relief to local economies by supporting the CLC. Foundations involved in impact investing can provide Program Related Investments and Mission Related Investments to CLC local lenders. Bank loans for CLC capital provide an excellent way to fulfill bank Community Reinvestment Act obligations.

Social investors may invest in the Community Loan Center directly. By accepting a modest rate of return on *investments*, private companies, religious institutions, nonprofit organizations or individuals can make a difference in their communities by supporting the Community Loan Center.

COMMUNITY LOAN CENTER ORGANIZATIONAL CHART

