LEARNING IN ACTION:
Building Financial Capability through Products and Programs
Justine PETERSEN

Credit Wellness-3
North Texas Asset Funders Network
November 20, 2015 Funders Forum
The Problem

Those with a low or no credit score experience:

• **Limited opportunities:** Credit checks are a part of a background check for most landlords/employers.

• **Lack of access:** If minimum criteria is not met, mainstream financing products and utility/telecom services may cost more or be inaccessible.

• **Financial instability:** With a lack of savings or a credit card, there is a lack of buffers to weather economic and “life happens” shocks.

As a result, the credit poor are less likely to build long term financial assets and escape the cycle of poverty.
The Product: CW-3

CW-3 (Credit Wellness-3) is a $300 credit builder loan with an optional match savings element. The 3 stands for its three-fold nature - a loan, savings and credit card.

- **About:** Licensed by Working Credit NFP/Justine PETERSEN in non-LISC footprints where the LISC Twin Account cannot be offered.
- **Eligibility:** Must be over 18 years old, accessing counseling services through a non-profit partner and be able to afford ~$26.40 p/mo. in repayment.
- **Terms:** 9% interest; No additional fees; 12 mo. term; Reported to the bureaus; A $25 match is accrued with each month’s on time payment.
Stakeholders Role

Funding opportunities include:

• The training for non-profit partners: Offered in both in-person and webinar-based formats.

• Cost of access for the non-profit to the JP Training Center, a required credit building training portal.

• Up to $600 in match dollars for CW-3 participants. The first $300 in match would fund the security deposit on a secured credit card. A second year $300 in match would be used to increase the credit limit on a secured credit card, pay off reported active debt or to satisfy collections.
Headlines on Impact and Outcomes

Headlines:

• NY Times Article: How Credit-Card Debt Can Help the Poor (Feb. 11, 2014)
• WTTW Chicago: Building Credit from Scratch (April 10, 2014)

Outcomes:

• Since 2012, 728 (TA/CW-3) applications have been approved.
• Scores have increased and behaviors changed.
  • Unscored and up to 690 in 6 months, or 700 in 12 months
  • Even low scores usually end up in the high 600s
Call to Action

Replication is easy.
• The LISC Twin Account is currently offered in 11 states. The CW-3 has the same replication ability, but in start-up stages.
• In Houston, 73 LISC Twin Accounts have been opened.
• In Dallas, we plan to open at least 100 accounts through the support of the United Way of Dallas and the Dallas Women’s Foundation.

Benefits.
• For non-profits, it’s a way to grow current program offerings/impact.
• For funders, it’s a low-risk/high impact investment.
Thank You!

Galen Gondolfi
Chief Communications Officer
ggondolfi@justinepetersen.org
314.533.2411 x 132

Maria Sennett
Credit Building Manager
msennet@justinepetersen.org
314.533.2411 x 121
Introduction & Overview
THE PROBLEM:

PAYDAY & AUTO TITLE LOANS

$5.8 Billion
The industry of payday and auto-title lending in our state

Dallas, TX

527
Payday & Auto Title lenders

$263
Million
Fees charged

7,817
Cars repossessed

Millions of dollars are stripped from our community every year!

A $1,000 loan costs a borrower in Corpus Christi

664% APR

Sources: Office of Consumer Credit Commissioner website
Community Loan Center Terms

• Employer Based System
• $1,000 Loan Maximum
  – Or up to half of borrower’s monthly gross pay
  – One Year Loan term
• 18% Interest (21.83% APR)
• $20 origination fee
• Relaxed underwriting
• No collateral
• No Prepayment Penalties
• Reports to Credit Bureaus
• Repayments $23.38/week or $94/month
Community Loan Center System

• Rio Grande Valley CLC (Franchisor)
  – Contracted to Originate and Service All Loans
  – Developing Software and Intellectual Property

• Texas Community Capital (SubFranchisor)
  – Sublicenses Software and IP to Local CLC Lenders
  – Recruit New Local Lenders Into CLC Program
  – Create Intellectual Property, including Marketing Materials, Co-Branding, and Program Guidelines
  – Also a Licensed Lender in Balance of State Areas

• Local CLC Lenders (Franchise)
  – Recruit Employers to Participate in Program
  – Raise Loan Capital to Fund the Loans
  – Become a Licensed Lender via Texas OCCC
CLC Program Success

• 792 Loans in first year of Operation in Brownsville
  – Over 8,250 loans to date
    – Lent out over $7.1 million to borrowers
    – Dallas, RGV, Houston, Laredo, Austin, & Brazos Valley

• Active at 81 employers covering over 34,000 employees. Largest employer = 13,000

• 4.5% Loan Loss

• Saved borrowers over $5.75 million
Total Transactions
Oct. 2011 to Sept. 2015

All Years: 5892 (CLC Of RGV 1065, CLC of Dallas 212)
2014-2015: 2503 (CLC Of RGV 1065, CLC of Dallas 212)
2013-2014: 1552
2012-2013: 1046
2011-2012: 791
Originations 1<sup>st</sup> 15 days of Oct, 2015
$355k or $23,666 per day.
• 4 Active Employers Totaling: 13,300 employees
  – Focused on government, healthcare, education, and manufacturing employers

• During first 6 months Increased loan fund to $750,000 due to transactional demand

• 1,065 Loans in 7 months of Operation
  – Lent out over $996,000 to borrowers
  – Charge Offs of $7,600 or <1% (CLCBV = 0 charge offs)
What Resources Are Needed

• To Meet the 24 month Goal of 10,000 new transactions, we need 5 CLC Lenders transacting 2,000 loans each
• Each of the 5 lenders will need to raise a minimum of $845,000 over the 2 years
• Collectively, the CLC system can easily absorb $5 million to fund these loans and continue growing beyond year two
• The CLC Program is poised for rapid expansion. The only obstacle is a lack of loan capital.
How you can contribute to the success of the program

- **Contribute** to the CLC Loan Fund to bring the program to scale in Texas
- Assist the Community Loan Center to **enroll employers**
- Help identify funders to **help grow the capital base** from which to lend
- Explore **financial support for program administration and loan loss reserves**
- Help the Community Loan Center **gain visibility**
Contact

Matt Hull
Texas Community Capital
1910 East MLK Jr. Blvd.
Austin, TX 78702
512.916.0508
matt@tacdc.org
Let’s talk about SAVINGS

Jade Shipman
Director of Research & Innovation
North Texas Forum
11.20.2015
EARN provides savings programs for low-income households nationwide.

EARN is a national nonprofit with a mission to create prosperity for working families by helping them save and invest in their futures.
America has a savings problem across all income categories

40% of Americans have little to no savings to fall back on in the event of a job loss or other emergency.

75% of households in the US do not have enough savings to cover three months of expenses without income.

1 Pew, Jan 29, 2015: The Precarious State of Family Balance Sheets
For low-income households, lack of savings is an acute threat.

On average, low-income families have enough money on-hand to survive just 9 days.
Low-income families **WANT** to save, and with diligence & support, they **CAN** save!

Since 2001, 6,000+ EARN families have saved **$6.8 million** of their own money for their important life goals.
Who is EARN serving?

- $21,100 Average annual household income at enrollment for all EARN Savers
- 90% Self-identify as a person of color
- 71% Women
- 73% Parents

Source: EARN Business Intelligence (IDA Saver Study: EARN Tripleboost Dashboard, data for Jan-Dec, 2013, and EARN Innovation Symposium Scaling Savings)
What happens when people start to save?

In the short term...

NEW BEHAVIORS
To save, people become aware of where their money is going and start to budget. The savings habit sticks: of EARN Savers, 83% continue to save after program end.

EMPOWERMENT
80% of EARN Savers report an increase in confidence and self-esteem. They also report more future orientation toward their goals.
In the longer term, with savings...

FINANCIAL STABILITY
Saving allows people to weather financial storms: **92%** of EARN Savers have a strategy for handling a financial emergency at program end (vs. 42% before)

ECONOMIC MOBILITY
Saving allows investment in assets & children: a Pew study found that **71%** of children of high-saving, low-income parents move out of the bottom income quartile.¹

In short, with savings, people have greater stability & achieve their dreams.

Q: So... How can we best serve working families & encourage them to save?

EARN’s answer: Offer flexible programming that meets folks where they are.
Program History

Launched in 2014

Designed from the ground-up based on EARN’s research

Created to be an approachable “entryway” into savings for folks who have never saved before.

- Program length is 6-months
- $20/month minimum savings to earn rewards

Program is non-intimidating, yet early research indicates it effectively kick-starts the savings habit.
Program Overview

- **Online savings program:**
  Savers use EARN’s platform to view savings progress, rewards earned and financial education content

- **Savers customize their experience:**
  Set their own monthly “stretch” goal ($20-60/mo) and enter their reason for saving to stay motivated!

- **Accommodates consumer choice:**
  Savers link a savings account from any bank or credit union

- **Earn Cash Rewards:**
  Earn up to $10 every month $20 min is saved

- **After 6 months:**
  Rewards are paid to the Saver & they can opt in for another 6 months w/out rewards!
Welcome back!

**STATUS:** Deposit made this period!

Make your next deposit between **JUL 6 and AUG 5** to receive your bonus.

[Deposit Now at your bank](#)

**RAINY DAY FUND**

Linked to: Bank of America

Savings account ending in: 1451

Account Started: May 5, 2015

Goal Completion Date: November 5, 2015

Personal Monthly Goal Amount: $50

Total Personal Goal Amount: $300

---

**CURRENT MONTH**

Month 2 of 6: **JUN 6 - JUL 5**

- $20 Minimum Deposit Met!
- $5 Personal Goal Met!
- $5 Deposit Reward earned

$50 Goal

$20 Minimum

$70 saved! WOW! You saved more than your goal. Great job!

Please Note: Withdrawals are against program rules.

[View this month's transactions](#)

---

**AMOUNT SAVED TO DATE**

- Goal: $300
- Saved: $105.12

[View all transactions](#)

---

**REWARDS EARNED**

- $15

[View rewards earned](#)

---

**FINANCIAL EDUCATION VIDEOS**

[Check out these videos!](#)

---

Do you have a question? Read the [Program Rules](#), see the [FAQ](#) page or [Contact Us](#).
The NEED in Texas

Texas is home to **3.5 million low-income households**, defined as earning 80% or below of the Area Median Income.¹

EARN’s research indicates that...

**500,000** low-income households in TX would be **highly motivated** to sign up for the **EARN Starter Savings Program**.²

---

¹ Data from 2014 State of Texas Low Income Housing Plan Annual Report, found at http://www.tdhca.state.tx.us/board/docs/books/131212-item1w-14-DraftSLIHP-131205.pdf
² EARN Survey of Low-Income Adults Nationwide, October 2015
EARN’s Commitment in North Texas

We are committed to serving **400 Dallas/Fort Worth Savers** over the next **2 years** and we currently have **3 committed partners** in the region.

![Partners Logos]

Family Pathfinders of Tarrant County, Inc.  
Catholic Charities Fort Worth  
Interfaith Housing Coalition
Thank you!

Jade Shipman
Director of Research & Innovation
jade@earn.org
415-230-0908

Tad Oyler
Development Director
tad@earn.org
415-217-3665
NORTH TEXAS FUNDERS FORUM
Asset Funders Network
Panel Discussion
Q/A