FINANCIAL EMPOWERMENT INCUBATOR: POTENTIAL FOR SMALL DOLLAR LENDING

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THE RESEARCH AND THE NEED

REPORT
Reaching Minority Households: Learning from Minority Credit Unions
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MINORITY COMMUNITIES CAN BENEFIT FROM FAIRLY PRICED LOANS

Minorities represent 30% of U.S. households

But hold only:
- 10% total wealth
- 13.4% deposits
- 7.5% retirement investments
- 5.1% other investments

Minority communities are twice as likely to have a concentration of payday loan stores.

Source: US Census Bureau (2013)
Source: CFPB (2016)
Filene’s Research has identified that lasting change for consumers comes through:

→ Regulatory change
→ Consumer financial literacy and education
→ Innovative, fairly priced programs that meet consumer needs
CREATING ACCESS TO INNOVATE PRODUCTS

FINANCIAL EMPOWERMENT INCUBATOR

Seek > Test > Share
BORROW AND SAVE

*BnS is a small dollar, short term loan with a 25-50% built in savings component*

What did we learn?

- Consumers and credit unions liked it
- 9 of 12 CUs planned to continue
- Ability to pay test showed promise
- ROA varied, 7% to -13%, high volumes needed for sustainability

Average Borrower Credit Score: 562
Average Loan: $947
What did we learn?

→ 12 of 13 CUs planned to continue

→ ROA varied widely, 5% to -147%, high volumes needed for sustainability

→ Scalability challenge, implementation and partnering with employers

**Average Borrower Credit Score:** 560

**Average Loan:** $1,173
Payday Payoff Installment Loans

→ Consolidate up to $2,500 high cost debt into affordable installment loan

→ 11,700 loans issued, net charge off rates less than 6%

QCash Quick Small Dollar Loans

→ Omni-channel, instant funding in less than 60 seconds

→ In 2015, $28M lent, saving members $3.7M, with a net margin of 11%
BREAKING PAYDAY ALT. MYTHS

#1
There are no viable payday alternatives

#2
Payday alternatives are not financially sustainable

#3
One size (of payday alternative) fits all
TAKE ACTION, CREATE CHANGE

The need is great; improving access to short term credit is possible, makes an impact, and requires action.

→ There are viable alternatives to payday lending
→ Credit Unions and Banks have a role to play
→ Testing and information sharing is critical
→ Educate, behavioral change is hard
→ Change is inevitable: don’t be paralyzed to meet consumer need that exists now
Thank you!
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