



## Overview

# Texas Payday and Auto Title Loans

- Payday loan borrowers pay average of \$23 for every \$100 borrowed for 2-3 week loans.
- 50%-70% of payday and auto title borrowers must refinance loans. Average loan refinances 1.5 times in Texas in 2015
- Over 846 cars are repossessed in Texas every week.
- 32% of nonprofit clients asking for financial assistance have used a payday or auto title loan.

**We need a market solution!**

# The Solution: Community Loan Center

- Alternative: Market-Based Approach
  - Fairly priced small-dollar loans with reasonable terms
  - Direct competition to high costs lenders
  - Employer based loan to workers
- Sustainable and Scalable
  - Need a program that can outgrow the need for subsidy and generate revenues
  - Program designed to be replicated across state and beyond

# The Solution (cont.)

- Employer Based
  - Payroll Deduction
  - No storefront reduces costs of operations
  - No cost to employers/Marketed as Benefit
- Improved Efficiencies
  - Online proprietary interface for loan origination
  - Outsource Loan Processing
  - Outsource Loan Servicing
- Nonprofit driven
  - Grants, Program Related Investments, low cost debt financing
  - Community Reinvestment Act credits for Bank Investors

# Small Dollar Loans Comparison

	Affordable Small Dollar Loan	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

\*1<sup>st</sup> 14 day fee is \$300, if renewed an additional \$300 fee is required.

\*\*If loan is extended (as indicated by research) two times.

## Benefits To Employers

- Attractive and innovative employee benefit
- No direct cost to the employer
- Reduces employee financial stress
- Increases workplace morale
- Fully automated loan processing system
- Loan program is simple to administer
- Free financial counseling to borrowers

# 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

- Over 14,000 loans to date
  - Lent out over \$11 million to borrowers
  - Dallas, Rio Grande Valley, & Bryan/College Station Texas
    - 2016- Expanded to Austin, Houston, and Laredo Texas and the state of Indiana
- Active at 100 employers covering over 50,000 employees. Largest employer = 13,000 (City of Dallas)
- 4.5% Loan Loss (RGV)/ 1% (Dallas)/ 0.2% (Brazos Valley)

# CLC of Dallas

- Community Loan Center of Dallas
  - launch December 2015
  - 5 employers, with 23,500 active employees
  - Focused on government, healthcare, education, and manufacturing employers
- Beginning loan fund of \$750,000
- 2634 loans, totaling
- 2.5 million



# National Expansion Plans

- Received support from JP Morgan Chase Pro Neighborhoods Grant for \$5.1 million
- Indiana Assoc. of Community Economic Development – Statewide
  - Ft Wayne
  - Lafayette
- Interest from Other States:
  - Arizona, South Carolina, Colorado, New Mexico,

# How our partners can contribute to the success of the program

- Express interest in expanding the CLC program to a new state/market by **becoming a Community Loan Center**
- Assist the existing 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

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