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

<table>
<thead>
<tr>
<th></th>
<th>Affordable Small Dollar Loan</th>
<th>Payday Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Amount</td>
<td>$1,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>Administrative Fee</td>
<td>$20</td>
<td>$0</td>
</tr>
<tr>
<td>Term</td>
<td>12 months</td>
<td>14 to 30 days</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>18%</td>
<td>n/a</td>
</tr>
<tr>
<td>Financial Fee</td>
<td>n/a</td>
<td>$300 * / $600**</td>
</tr>
<tr>
<td>Total Interest/Fees</td>
<td>$122.16</td>
<td>$900</td>
</tr>
<tr>
<td>Annual Percentage Rate</td>
<td>21.8321%</td>
<td>782.14%</td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$93.51</td>
<td>$1,300 due in 14 days</td>
</tr>
</tbody>
</table>

*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 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**
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