

Welcome!

- We will start shortly. Closed captions are enabled. Please select the live transcript option if you wish to use them.
- Please type in the chat the answer to this question:

How do you define a safe, affordable loan?





Small Dollar Loan Product Draft Standards

February 16, 2023

© 2023 Credit Builders Alliance, Inc. Some rights reserved. CREDIT BUILDERS ALLIANCE and the accompanying Logo are trademarks of Credit Builders Alliance, Inc. This document is licensed under a Creative Commons Attribution-Noncommercial-Share Alike License (US/v.3.0).

Noncommercial uses are permitted on the condition that you include an attribution to Credit Builders Alliance. If you alter, transform, or build upon this work, you may distribute the resulting work only under the same or similar license to this one. More information regarding the license is at: <http://creativecommons.org/licenses/by-nc-sa/3.0/>. Requests for permissions beyond the scope of the license should be directed to Credit Builders Alliance, Inc., at www.creditbuildersalliance.org/. Credit Builders Alliance ("CBA"), a not-for-profit organization, makes this information available for informational purposes only. This information is not intended as legal, financial, or other advice, and you and your clients should consult qualified advisors before making any decisions. CBA does not represent that any of the information will produce results.

Housekeeping



This webinar is being recorded. The recording and slides will be available by February 28th.



Attendees will remain in listen-only mode, please interact with us via the chat.



Closed captions are available for the event.



Questions? Type them into the Q&A box.



Our Mission

Bridging the gap between equity-focused nonprofits and credit bureaus to unlock credit as an asset for all

Our Philosophy

Good Credit is an Asset

Mission-driven nonprofits and other entities are uniquely positioned to help the households they serve build credit as an asset – often the **foundational** asset.

Credit Building Community



CBA Fund

CBA Fund is Credit Builders Alliance's Community Development Financial Institution (CDFI) Intermediary.

We help nonprofit lenders start or grow a small dollar consumer loan program to provide safe and affordable alternatives to predatory loans in their communities.

We employ a three-pronged approach of support:

1. Loan Capital
2. Capacity Building Grants
3. Technical Assistance



Agenda



Need for Safe, Affordable Loan Standards



Description of the Work



The Draft Standards/Feedback



Next Steps



What type of organization do you represent?

1. Nonprofit lender
2. Nonprofit CDFI
3. For-profit CDFI
4. Fintech
5. Credit Union
6. Bank
7. Not a lender



Disclaimer

This information is not intended to be legal advice and may not be used as legal advice. Every effort has been made to assure this information is up-to-date. It is not intended to be a full and exhaustive explanation of any credit product, service, or program.



Meet the Presenters



Brooke Cain

CBA Fund Manager
Credit Builders Alliance



Richard Reeve

Chief Program Officer
Credit Builders Alliance



Purpose

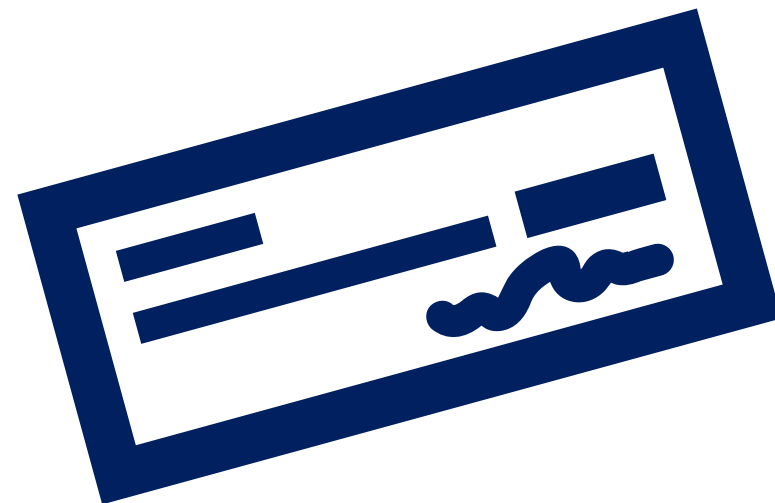
- Share What We Learned as a Convenor
- Feedback from a Wider Audience
- Inform CBA's Next Steps



Reality One: High APRs

Alternative Financial Services:

- Payday Loans ~391%
- Car-Title Loans ~300%
- Rent-to-Owns ~200%+



Source: FTC
NerdWallet



© 2023 Credit Builders Alliance, Inc. Some rights reserved

Reality Two: High-Cost Debt Traps

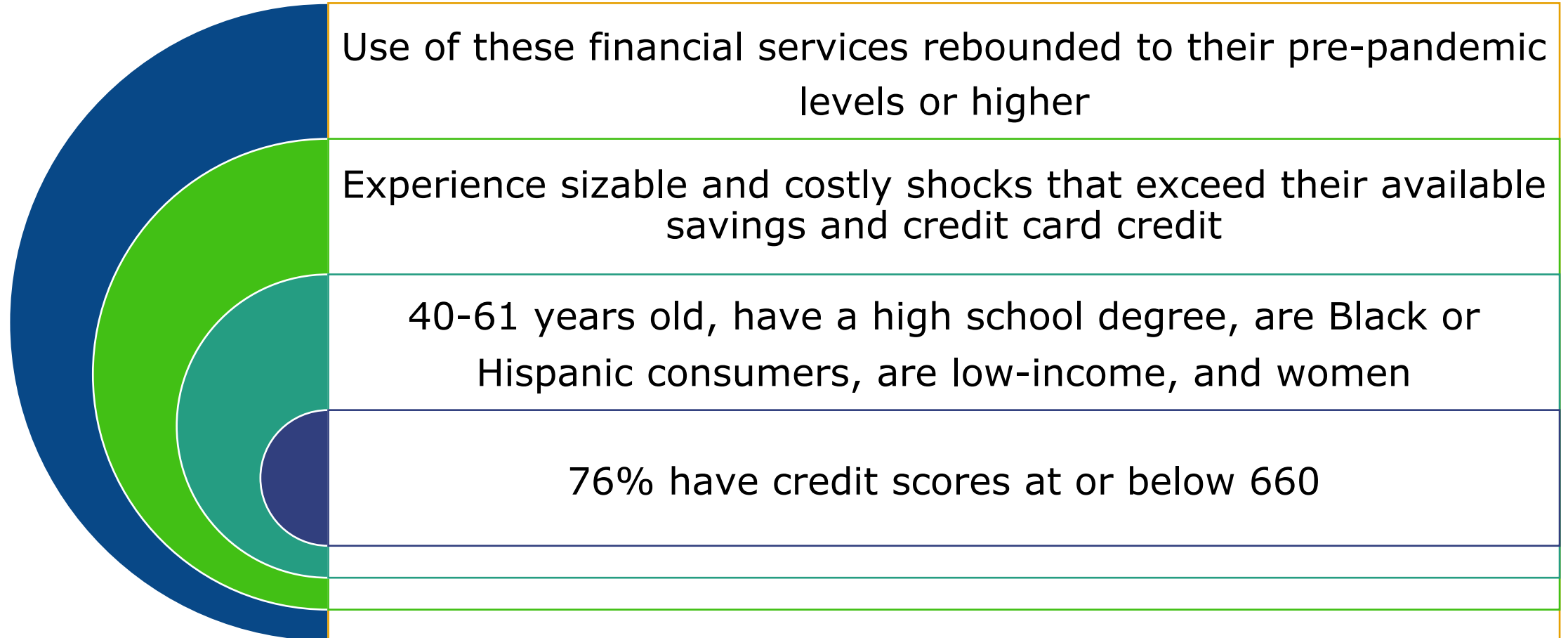
The average payday loan borrower is in debt for five months of the year, spending an average of \$520 in fees to repeatedly borrow \$375.



Source: The Pew Charitable Trusts



Reality Three: Who is Impacted?



Four Pillars

- Ability to Repay
- Not Collateral Only
- 36% APR
- No Balloon Payments

Affordability

- Feature the Loan
- Communicate DQ Factors
- Clear Language
- Loan Info/Support
- Open to all Customers

Accessibility

- Clear Cost

Data Privacy
&
Transparency

- Support for Denials
- Credit Reporting
- Financial Coaching

Impact:
Recommended

2022 Work

- Met seven times
- Shared Expertise
- Narrowed Focus
- Drafted Standards
- Not Endorsement
- No Universal Agreement



**KAISER
PERMANENTE®**



The Focus

- Small Dollar-no minimum up to \$2,500.
- Core Standards: Minimum threshold for defining safe and affordable consumer loans
- Strongly Recommended Standards: Ideal features but are not required or reasonably implemented by all audiences.



Intended Audiences:

- Nonprofit lenders, non-profit Community Development Financial Institutions (CDFIs)
- Fintech developers and for-profit CDFIs
- Credit unions and banks



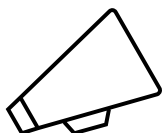
Momentum



Lack of affordable
small dollar products



Need for a framework
to guide consumers



More lenders entering the
consumer loan market



National standards



Support CBA Members
creating products



Support CBA Members
connecting their
participants

Tensions

- Paternalistic vs. Creative
- Strict APR Cap vs. Incentivizing Adoption
- Short Term, Small Dollar Problem
- Subjective Language
- Black and White vs. Grey Areas
- Legal Issues Beyond Our Scope

Thank You to...

- Center for Responsible Lending
- Cities for Financial Empowerment Fund (CFE Fund)
- City of Boston's Office of Financial Empowerment
- Change Machine
- CO Department of Law
- Consumer Federation of America
- Consumer Financial Protection Bureau (CFPB)
- Federal Deposit Insurance Corporation (FDIC)
- Filene Research Institute
- Financial Health Network
- ideas42
- Inclusiv
- Local Initiatives Support Corporation (LISC)
- National Consumer Law Center
- Pew Charitable Trusts*
- TrueConnect
- United Way of Massachusetts Bay and Merrimack Valley*
- Working Credit NFP

** Ad hoc participation*



1. Affordability

Core Standards

1. Steps are taken to reasonably ensure that the borrower will be able to afford to make payments as they come due while meeting existing obligations without reborrowing



Are you currently using consumer permissioned data to help assess the ability to repay a loan?

- Yes
- No
- Not Applicable
- Don't Know



1. Affordability

Core Standards

2. Loans do not rely solely on collateral for repayments



1. Affordability

Core Standards

3. Max of 36% APR, as defined in the Military Lending Act



A 36% APR cap is:

- Too high
- Too low
- Just right
- Good but make an exception for smaller dollar, shorter-term loans



1. Affordability

Core Standards

4. Equal, amortizing installment payments instead of balloon payments



2. Accessibility

Core Standards

5. Featured on the company website and visible with other credit products



2. Accessibility

Core Standards

6. Qualifying and disqualifying factors (outside the ability to repay) are clearly communicated



What factors would disqualify a borrower that need to be communicated?

Please share your answer in the chat!



2. Accessibility

Core Standards

7. Language should be clear and understandable
(non-industry jargon)



What is some industry jargon you think would confuse borrowers?

Please share your answer in the chat!



2. Accessibility

Core Standards

8. Consumers can access their loan information throughout the course of the loan, as well as customer service support.



2. Accessibility

Core Standards

9. All bank account holders should be allowed to apply for a small dollar consumer loan



3. Data Transparency & Privacy

Core Standard

10. Discloses the full cost of the loan to the borrower in simple, clear and easy-to-understand language, with no hidden or conditional (tips, expedited fees)/unstated fees, industry jargon, misleading information or fine print.



Would your organization be interested in a list of best practices around providing clear and easy-to-understand loan disclosure language?

- Yes
- No
- Not Applicable
- Don't Know



4. Impact

Strongly Recommended Standards Only

11. Financial institution goes beyond Adverse Action requirements to provide denied borrowers with avenues to other products/credit building resources

12. Reports to the three major Consumer Reporting Agencies

13. Financial coaching or counseling is offered



Should any of these strongly recommended standards be core standards?

1. Avenues to other products
2. Reports to all three Credit Reporting Agencies
3. Offering financial coaching/counseling
4. No, Keep them strongly recommended



Do you have a product that meets these draft standards?

- Yes
- No
- Not Applicable
- Don't Know



Do you see any standards that your product(s) do not comply with?

- Ability to repay
- Not solely on collateral
- 36% APR
- Equal amortization, no balloon payments
- Featured on the website
- Clear disqualifications
- No jargon
- Loan and customer support access
- All account holders can apply
- Discloses full cost of the loan

Do you see any standards that you would eliminate?

- Ability to repay
- Not solely on collateral
- 36% APR
- Equal amortization, no balloon payments
- Featured on the website
- Clear disqualifications
- No jargon
- Loan and customer support access
- All account holders can apply
- Discloses full cost of the loan



Would you be interested in having your products certified under these standards?

- Yes
- No
- Not Applicable
- Don't know



What benefits do you see in getting your products certified?

Please share your answer in the chat!



Next Steps

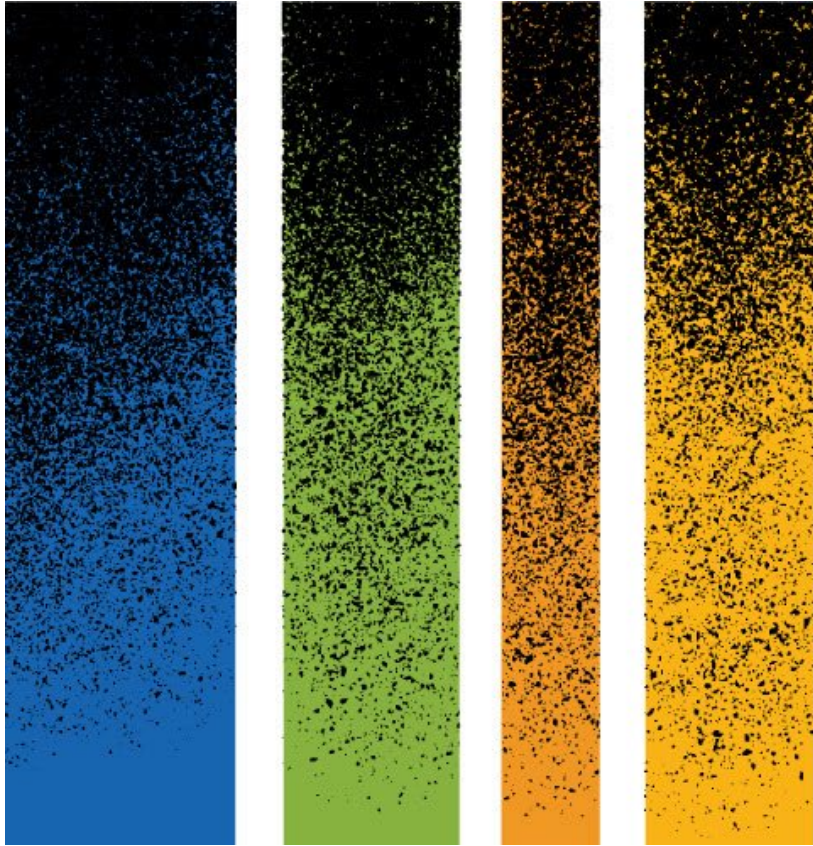
- 1) Fill Out Post Webinar Survey
- 2) Review the Standards
- 3) Sign up for the Symposium!



Q & A



10th Annual Credit Building Symposium



10th Annual CBA Credit Building Symposium

BRIDGING THE CREDIT GAP

June 7-9, 2023

Grand Hyatt Hotel / Washington, D.C.



CBA's Training Institute



[Login](#) | [Register](#) 
 202-730-9390
 training@creditbuildersalliance.org

[ABOUT CBA](#) [MEMBERSHIP INFO](#) [FAQ](#) [CALENDAR](#) [LOG IN](#) [REGISTER](#)

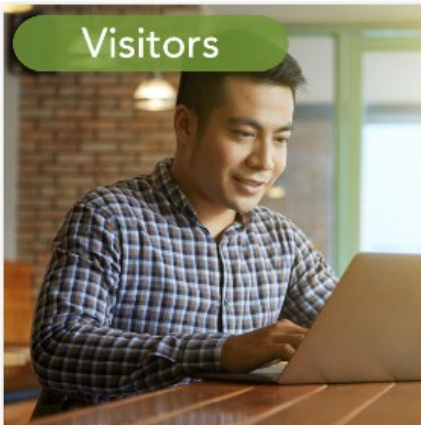
Welcome to CBA's Training Institute (TI)!

As the leading equity-focused organization in the credit building field, Credit Builders Alliance is uniquely positioned to design and deliver the robust, relevant courses practitioners need, to create toolkits, tipsheets, and worksheets you can use with your participants and clients, and to bring you together with credit industry experts and other nonprofit practitioners for monthly community webinars and other events.

The TI serves as the hub for these valuable learning resources. Many are exclusive to CBA members, but many others are available to anyone with a TI account. Log in or register now to get the most out of your visit.



Members



Visitors



Master Trainers

CBA's Mission: to bridge the gap between equity-focused nonprofits and credit bureaus to unlock credit as an asset for all.

www.cbatraininginstitute.org

Thank You for the Feedback!

Richard Reeve

Chief Program Officer

richard@creditbuildersalliance.org

Brooke Cain

CBA Fund Manager

brooke@creditbuildersalliance.org

