

CBA Community Webinar Series

Transcript

February 2023 Webinar: Small Dollar Loan Products Standards (2/16/2023)

00;00;05;00 - 00;00;29;12

Claire

So my name is Claire Mildrum and I am CBA's Training and Curriculum Development Senior Specialist. Thank you for joining us and taking the time. Today we are covering the work undertaken by the Product Standard Advisory Committee, which convened a group of key stakeholders from 19 organizations to create a set of standards for small dollar loan products. This was made possible by Kaiser Permanente.

00;00;30;04 - 00;00;52;04

Claire

We are so excited to get as much feedback as possible during this webinar. So we look forward to using Zoom's polls and chat functions to hear back from you on your thoughts about these standards. This will help us with our iterative design process where we continue to develop these standards based on feedback. So if you haven't done so already, please drop in the chat to your answer to this question:

00;00;52;05 - 00;01;22;21

Claire

How do you define a safe and affordable loan? We'll also be including a one-page explanation of the draft standards as a resource with the recording and slides at the end of the month. And so before we jump into our content for today, I'll provide a brief overview of our organization, Credit Builders Alliance. CBA serves as a bridge between equity-focused nonprofits and the credit industry to unlock credit as an asset for all.

00;01;22;28 - 00;01;52;18



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Claire

We offer technical services such as access to credit reports and credit reporting, access to capital through our CDFI intermediary, CBA Fund, and capacity-building for nonprofits and practitioners. This includes our Training Institute training series, webinars and toolkits. All of our services are connected to our core philosophy that a good credit file is essential to achieving and maintaining financial stability.

00;01;53;06 - 00;02;28;02

Claire

Ultimately, we believe that good credit is an asset, often the foundational asset necessary to get and stay ahead. So CBA members represent more than 600 nonprofits across the country that serve low and moderate income households and small businesses, many of whom are locked out of traditional financing. This includes nonprofit, community development financial institutions, microenterprise development organizations, credit unions, government affiliates, and tribal entities.

00;02;28;19 - 00;03;01;29

Claire

It also includes community action agencies, affordable housing providers, LISC Financial Opportunity Centers, and Catholic Charities, United Way and Habitat for Humanity affiliates. These members reach hundreds of thousands of people across the country from urban, rural and urban rural to urban to tribal areas, providing programming tailored to their community needs. Part of what makes CBA a community is CBA und.

00;03;02;17 - 00;03;32;16

Claire

CBA Fund is a community development financial institution intermediary that is dedicated to catalyzing and growing the capacity of nonprofits to offer small dollar consumer loans. CBA Fund uses a three-pronged approach of support loan capital capacity building grants and technical assistance to



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nonprofit. So sign up for CBA's monthly newsletter to hear and learn about upcoming funding rounds, and we'll drop that in the chat in just a moment.

00;03;32;20 - 00;03;59;04

Claire

So today we'll be covering the standards for small dollar consumer loans. After I introduce our panelists, they will discuss the need for the safe, affordable loan standards, particularly in consumer lending. We will then share about the project and committee itself, and we'll spend most of our time talking about the standards and getting feedback from you. Then we'll end with next steps and a question and answer session as time allows.

00;04;00;14 - 00;04;25;19

Claire

So while I tell you about our presenters, we'll pull up our first poll as a practice. This will help us establish a baseline for what kind of organizations we have on our webinar today so you can go ahead and start rolling that out. And so you should see a box pop up in front of this slide that provides a few options from not a lender to a fintech or for-profit CDFI or credit union.

00;04;26;12 - 00;04;48;02

Claire

Let us know what kind of organizations do you represent. So I'm starting to see that a lot of people have joined us today from nonprofit CDFIs and a good amount from nonprofit lenders as well. A couple from fintechs and a couple from a credit union and a bank. And a lot of you today are actually not from a lender.

00;04;49;09 - 00;05;15;16

Claire

So that is wonderful to see those results come in. So I want to pause for a minute by noting our standard disclaimer. So the content included in this webinar is not intended to serve as legal advice. We have made every effort



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to make sure the information is up to date, but it's not intended to be a full and exhaustive explanation of any credit product program or service.

00;05;15;17 - 00;05;42;19

Claire

So when working with participants around issues that are legal in nature or deal with contractual agreements, make sure to know your limits and avoid giving participants legal advice or information that is out of your depth or expertise. Creating partnerships with pro-bono legal services can be very helpful when these situations arise. So now that we've covered the housekeeping for today's session, I'd like to introduce our two panelists.

00;05;43;13 - 00;06;14;23

Claire

Brooke Cain manages Lending and technical assistance provided by CBA Fund, CBA's CDFI, an intermediary to help expand the capacity of non-profits to provide safe and affordable small dollar loans and credit building products in their communities. And as chief program officer Richard Reeve leads the implementation of CBA's core training services, oversees member relations, and directs stakeholder engagement. So thank you both for joining us to share your expertise.

00;06;14;24 - 00;06;18;03

Claire

And Richard, I'm going to let you take it on from here.

00;06;18;29 - 00;06;47;13

Richard

Thanks so much, Claire. I want to dive in by talking about our purpose today, which is to share what CBA has learned as a convener of these 19 organizations over the last year. We are not a direct-to-consumer lender. We are not a policymaker or policymaker or a regulator. But we got these experts together and drafted some core standards that we're excited to



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share with you today, a wider audience, and get your feedback and real time.

00;06;47;20 - 00;07;10;11

Richard

So, Claire, so Brooke has the job today to capture all that information and engage with you and get your feedback. And what that'll do is help us over the next few months finish finalizing these draft standards. And I do mean to emphasize draft at this point, but it also help us look to the future on what do we do with these standards once they're finalized?

00;07;10;24 - 00;07;36;13

Richard

Do we put them on a shelf and use them as a resource for partners and interested stakeholders? Do we eventually, you know, try to test these out in the real world with actual lenders and get their feedback? Do we look to the to the future to create a SEAL and credential different organizations? The reality is we don't know, but we're thankful you're with us today to help start figuring that out.

00;07;36;17 - 00;08;00;25

Richard

So I want to share three current realities of high cost-lending that exist in the United States today. The first is high annual percentage rates are APRs Now, if you're used to credit cards, average rates of 14 to 18% APRs, well, get ready for triple digits when you look at alternative financial services, according to the Federal Trade Commission and NERDWALLET.

00;08;01;12 - 00;08;35;05

Richard

We picked three examples here to give you some ideas of what APRs look like. But for example, payday loans can range anyone anywhere from hey, not permitted in my state to well over 660% APR, averaging around 391%.



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Car title loans can average around 300% APR and rent-to-own agreements average around 200 plus APR. But APRs could be an abstract concept, but everybody can understand monthly cash flow.

00;08;35;22 - 00;09;03;23

Richard

So what these turn out to be for many families and individuals in our country, country is high cost debt traps. According to the Pew Charitable Trust, the average payday lender, a payday borrower, is in debt for five months out of the year. That's almost half a year and spends \$520 just in fees to keep re-borrowing the same amount of money of \$375.

00;09;04;02 - 00;09;39;13

Richard

So you can imagine somebody goes into borrow \$375 and then five months later, five months later has paid a total back of \$895. Really devastating for a monthly cash flow. So who's impacted by these alternative financial services? Well, according to the CFPB, the 2021 and 22 surveys that the use of financial survey services, alternative financial services, have actually rebounded and are at or in some cases higher than their initial pre-pandemic levels.

00;09;40;20 - 00;10;13;25

Richard

The reality is what causes somebody, a consumer, to get involved with these alternative financial services? Well, they experience a sizable and costly shock that exceeds what they have in a checking and or savings account and with available credit. So they make a logical decision to look for alternative sources. What are the borrowers looking like? Well, the average profile is 40 to 61 years old, has at most a high school degree is more likely to be Black or Hispanic, more likely to be low-income and more likely to be women.

00;10;15;00 - 00;10;46;15



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Richard

70%... 76% of these borrowers have credit scores at or below 660. So it's CBA as an equity focused credit building organization, this is who we, our members target and serve. So this is why we got involved with small dollar loan standards. So we approached it from four pillars. Those pillars are affordability, accessibility, data, privacy and transparency and impact.

00;10;46;27 - 00;11;16;05

Richard

We created ten core standards and some additional strongly recommended standards. So just to share with you briefly those standards, and then we'll go into detail and Brooke will be capturing your feedback is first, the ability to repay is considered, but not it's not solely the loan is not solely reliable, relied on collateral to make the lending decision that there's a 36% APR cap, that there are no balloon payments.

00;11;16;29 - 00;11;50;18

Richard

We also looked at accessibility. So is the loan featured by the company that's offering it? Are qualifying and disqualifying factors communicated upfront before someone applies? Is the language clear? And while the person has the loan, are they getting access to the loan information and customer support? And is it open to all customers at that institution? We also looked at data privacy and transparency and we want to make sure that the cost is clear before someone borrows the money.

00;11;51;18 - 00;12;18;00

Richard

Now, when it comes to impact, we didn't have any core standards, but we did have three strongly recommended standards, including support for borrowers who are denied, reporting to the credit reporting agencies when appropriate, and offering financial coaching and counseling. So that's just a brief overview, but we'll go into detail and get your feedback in a second. I



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want to describe the work that was done in 2022, thanks to Kaiser Permanente funding.

00;12;18;21 - 00;12;47;06

Richard

We we convened a group of 19 different organizations and they met seven times throughout the year. They were able to share their expertise and help us narrow the focus and identify small dollar loans as a product that really needed some safe and affordable standards. By the end of the year, we drafted the standards. But please keep in mind that just because a group participated and worked through this process with us, they do not endorse these standards.

00;12;47;07 - 00;13;16;05

Richard

These are CBA's. And there actually wasn't universal agreement amongst the standards, and we're okay with that. So when they helped us narrow down the focus, the first thing we did we looked at was defining small dollar loans. And those came in at no minimum. But up to \$2500. They also helped us develop these core standards that we're sharing today, which are really the minimum thresholds for defining safe and affordable consumer loans.

00;13;16;29 - 00;13;47;04

Richard

They also helped us look at some strongly recommended standards that we will share, three of which today. Those are ideal features, but not required or reasonably implemented by all audiences. So who are the intended audiences? I love we have a diverse group in the room. Many of you are here and I would say we had these in mind with starting with nonprofit lenders and nonprofit community developments, financial institutions, CDFIs, which are well represented here.

00;13;47;11 - 00;14;09;25



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Richard

We felt that that group would be most likely to adopt these standards in the future, the fastest. But we also realized that maybe some fintech developers and some for-profit CDFIs would be able to adopt the standards. Now we know credit unions and banks make up the largest part of lenders in our country, and they may take longer, if ever, to adopt these standards.

00;14;09;25 - 00;14;41;22

Richard

But we certainly want to have those conversations. And the last two years there's been a ton of momentum around small dollar lending. The reality, though, is in most communities in the country, there's still a lack of safe and affordable products. Then more lenders are also entering the consumer loan market. Our friends at the Pew Charitable Trusts have shared that six of the eight largest banks in the country now are involved in small dollar lending at CBA.

00;14;41;23 - 00;15;11;21

Richard

We want to support our lender members who have existing safe products or those that are looking at creating them. We also identified a need for a framework to guide consumers and point them in a positive direction for safe and affordable loans because of the variation we saw state-by-state. We see a need for having national standards, and we also want to support our members that are financial coaches, financial counselors, and help them connect their participants to safe and affordable loans.

00;15;13;27 - 00;15;38;21

Richard

So this was a really cordial group. Everybody got along really well. But I will say we noticed some tensions when we discussed certain issues, and I want to highlight those because I've already seen some great ideas in the chat box, many of which we discussed as a group. But we had a push-pull



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between being to internally stuck and having really prescriptive guidelines or creating these like loose guidelines that allowed for lenders to be creative.

00;15;39;11 - 00;16;05;12

Richard

We also saw push-pull around having the strict APR cap or being a little bit more forgiving and going, well, this is definitely a safer alternative and maybe it doesn't meet the cap. We had those discussions. We also have a short-term small-dollar problem. What do I mean by that? The shorter the term, the smaller the dollar, the harder it is to get that 36 APRA cap to work and get lenders involved.

00;16;06;01 - 00;16;30;21

Richard

Here's an example. Let's say a 30-day loan worth \$250. If a lender charges a 36% APR, they're going to make like a dollar on that loan. And we know that is not going to get folks involved. We're going to share some subjective language with you today. We know it's subjective, but we were advised that if we ever wanted to create these credentials, that we really need to have black and white.

00;16;30;21 - 00;16;57;07

Richard

Yes, these folks can be approved. Those, these can't. Those folks can't. Looking at avoiding some of the gray areas that our groups definitely got involved in. We also know that there are legal issues beyond our scopes, but fortunately there are some regulations out there already in place, but they don't apply to all the target audiences we mentioned. So just a big shout out and a thank you to the participating groups that dedicated their time and expertise.

00;16;57;21 - 00;17;17;04

Richard



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Many of you all are here today and we really appreciate you being here and staying engaged. Just a quick reminder, though, the groups that are that you see here did not do not endorse these standards. So we want to make sure that the everyone knows that. So now we're going to break down these standards one by one, and then we're going to ask for your feedback as we go along.

00;17;17;20 - 00;17;44;13

Richard

So the first core standard has to do with affordability, and that is that steps are taken to reasonably ensure that the borrower will be able to afford to make the payments as they come due while meeting existing obligations without re-borrowing. And I apologize for the word salad, there, but there are some key phrases. There are some key points in this and really three.

00;17;44;19 - 00;18;07;28

Richard

One is that steps are taken to look at affordability. Two, is that existing obligations are considered. And three, this is not a set up for re-borrowing. So we know that everyone, there are a lot of different ways to measure affordability. But while we've got everybody here today, we want to ask the question about consumer permission data and see the use of it.

00;18;08;07 - 00;18;12;15

Richard

So, Brooke, would you mind calling up our first poll there and getting feedback?

00;18;13;04 - 00;18;47;14

Brooke

Sure. You want it? Yeah. So we want to know, are you using consumer permission data to help assess the ability to repay a loan? Yes. No. Not applicable. Don't know. Give everybody a few seconds to fill this out. We



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appreciate your feedback. This is really going to help us with these standards. Few more seconds and I'll end the poll.

00;18;48;00 - 00;19;07;21

Brooke

Okay. Share out results. So it looks like. Yes, 41% are; only 6% said no. Quite a few not applicable may not be lenders and 14% said don't know.

00;19;10;08 - 00;19;32;11

Richard

Awesome. Thank you for that, Brooke. So the second one is that loans do not rely solely on collateral for repayments. So example, an example of this might be if someone were to go get a car title loan today, the only way the lender's measuring affordable it is is their name on the car title and is the value of the vehicle worth more than their borrowing.

00;19;32;19 - 00;19;57;28

Richard

We don't think that's enough. We want to see better measures of affordability beyond just the collateral. So the third core standard is a max of 36% APR as defined in the Military Lending Act. And if you're not familiar with that, it's going to help with calculate...it refers to multiple things, but it also includes fees and finance charges in the calculation of the APR.

00;19;58;14 - 00;20;06;04

Richard

So, Brooke, we've got our second question here. We want to hear feedback on about the 36%.

00;20;06;15 - 00;20;32;24

Brooke

Okay. Tell us what you think. Do you think 36% APR is too high? Too low. Just right. Good, but make an exception for the smaller dollar, shorter term



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loans that Richard referred to earlier. So give everybody a few seconds to fill this out. Still hopping around a bit.

00;20;35;14 - 00;21;00;13

Brooke

Okay. And then go ahead and close it out and share the results. So interesting that like 54% say that's too high. 1% said too low. 14% said just right, and then 31% agree that it's good. But we should make an exception for those smaller loans.

00;21;02;18 - 00;21;28;12

Richard

That is awesome feedback. Thank you all so much for that. And we had multiple discussions that we heard all of these and those discussions said where we think you all are pretty much in sync with what what the group talked about. So our fourth standard, again, still related to affordability is that the there are equal amortizing payments, installment payments instead of any balloon payments.

00;21;28;20 - 00;22;02;08

Richard

So we want consistent monthly repayments that are very clear, that are consistent long term over the time period that the payments are applied to both principal and interest. And there's not a lump sum due at the end of the loan that would trigger default, refinancing or re-borrowing. We're now switching to accessibility. And the first core standard here is, is the product featured on the company website and visible with other credit products.

00;22;02;21 - 00;22;27;10

Richard

We acknowledge that this might not be an organization's most profitable product, but we don't want it buried. We want the customers to know it's available and have access to it and easily get connected. So treated as equal



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with the other products that are available. If there's collateral on the other products, make sure there's collateral on this so folks are made aware of it and can easily access it.

00;22;28;21 - 00;22;52;29

Richard

So we also want to make sure that any qualifying or disqualifying factors outside of the ability to repay are also clearly communicated up front. And one of the examples that came up in our discussions was let's say a potential borrower is a has an has an it's in and they go to apply for a 24 month loan, but their visa runs out in 12 months.

00;22;53;07 - 00;23;13;16

Richard

Well, we know in underwriting they're going to be kicked out and rejected because of that. Well, the group's suggestion was make sure things like that are disclosed up front so it doesn't frustrate potential borrowers, it doesn't discourage them, and they can make accommodations in this example. You know, maybe they make a loan for 12 months instead of 24 months.

00;23;14;14 - 00;23;18;29

Richard

So, again, we want to get some feedback here, but I think this time we're going to switch it to the chat. Is that right?

00;23;19;00 - 00;23;48;12

Brooke

Right. Yeah. So in the chat, please share what are some factors that might disqualify a borrower that need to be communicated up front so you can put them in the chat and we can all see what everybody is putting in there. So we have the income, credit score, bankruptcy, residency, ITIN holders, lack of income to cover the loan.

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00;23;48;14 - 00;24;03;19

Brooke

DTI. Yeah, lots of feedback. Not in our defined target market, pending divorce, currently in bankruptcy. Lots and lots of feedback. Thanks.

00;24;05;09 - 00;24;28;10

Richard

This is great. So this is exactly what we're looking for. I'm so glad. I love this group. Everybody is willing to drop things in and we really appreciate that. So let's move on to the next sentence. But if you have anything that's not in there, keep dropping it. We're totally okay with that. So accessibility and standard number seven is the language should be clear and understandable.

00;24;28;20 - 00;24;46;09

Richard

Non-industry jargon as I've been guilty of using during this talk so far. APR. Yeah. Amortization. But we also want to hear from you all. What other kind of industry jargon do you know or think would confuse borrowers? Brooke, over to you.

00;24;46;18 - 00;25;24;16

Brooke

Yeah, So just put in the chat like Richard said, what are some ideas of industry jargon that you think would confuse borrowers? So we have balloon payment, ROI, DTI, mandatory, arbitrary and that confuses me. Predatory loans, guarantee or guarantor, promissory notes. Pro forma is, yeah like any of the legal lingo can really throw people off, ability to repay all of that repayment clause.

00;25;27;11 - 00;25;43;10

Brooke

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Wow. This is great. Yeah. Honestly, APR Yeah. I mean, I think that that really does throw a lot of people off. Late charge fee, adjustable rate. Yeah. So many good. So much great feedback.

00;25;44;17 - 00;26;14;04

Richard

I love it. Thanks so much. I see. I see safe and affordable loans. That's great. We're totally guilty of using multiple jargon terms during this. This talk. I appreciate that they call it out there, so keep them coming on the chat. That's what it's there for. Looking at core standard number eight, consumers can access their loan information throughout the course of the loan, as well as customer support, customer service support.

00;26;14;19 - 00;26;40;24

Richard

So you might look at this and go, this seems like a no-brainer. Well, a lot of alternative financial service companies, because of the way they're structured and the way their loans are structured, they don't send out regular statements. There's no way to check the terms of your loan at any given time. What's what you still owe, what's your interest rate you're being charged and your pay also now, as well as not having access to talk to somebody.

00;26;41;02 - 00;27;18;20

Richard

We really want to encourage... to make sure that this these consumers can connect with customer support and get information about their loan at any time. So number nine, all bank account or account holders with the company should be alert with the lender should be allowed to apply for a small dollar consumer loan. So we want to make sure if a customer came in through a for example, a free bank or an account that they're not prohibited from applying from the small dollar right now.

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00;27;18;20 - 00;27;51;17

Richard

Number ten, and our only core standard around data transparency and privacy was that the loan the lender discloses the full cost of the loan to the borrower in simple, clear, and easy to understand language with no hidden fees or conditional fees like tips or expedited fees. Anything that's unstated. Doubling down on industry jargon here, misleading information or fine print, and to some bizarre we really want borrowers to know what they're getting into.

00;27;51;23 - 00;27;58;08

Richard

Good, bad, or ugly up front. And I know where that leads us to another poll question.

00;27;58;08 - 00;27;58;20

Brooke

Question.

00;28;00;27 - 00;28;36;03

Brooke

Okay. So here we want to understand, would your organization be interested in a list of best practices around providing clear and easy to understand loan disclosure language? Give everybody a few seconds to fill this out. I really appreciate everybody interacting with us today. This is exactly what we were hoping. Help us figure out next steps and finalize everything and I go ahead and end it.

00;28;36;23 - 00;28;50;22

Brooke

So a resounding yes. 95% of attendees could really use some best practices in this area, which is good for us to know. I mean, it's good to understand what the needs are out there.



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00;28;52;00 - 00;29;23;05

Richard

Awesome. Thank you all for that. Thank you, Rob. So our fourth pillar was around impact. And again, this wasn't one of the core standards, but we thought we would share some strongly recommended standards around impact. And the first is that the financial institution goes beyond adverse action requirements to provide the nod borrowers with an avenue to other products or credit building resources, so making sure that they have options and alternatives and support if it's a hard no.

00;29;24;07 - 00;29;48;29

Richard

The second part of this is reports to the three major credit reporting agencies when possible. So being a credit building organization, we want this to be a credit building opportunities when opportunity when possible for borrowers. And then finally, we want to make sure that financial coaching or counseling is offered, but we never want it to be an obstacle or a barrier for somebody getting connected or approved for the loan.

00;29;50;05 - 00;29;56;07

Richard

So, Brooke, I'll turn it back over to you to get some feedback on this and then some other the standards in general.

00;29;57;10 - 00;30;49;15

Brooke

Okay. So should any of these strongly recommended become standards and this you should be able to select more than one hoping that it's working because I'm not seeing any feedback yet. So go ahead and select any of these that you should that you think should be core standards. This when I say that, yeah, I mean these we discussed these at length and really ended up feeling that since we were trying to have kind of a wider audience for



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these standards, that some of these could be core and would have to be like strongly recommended but really interested to see everybody's input here.

00;30;50;12 - 00;31;23;11

Brooke

Give a few more seconds to for everybody to respond. So I got some more votes coming in. Okay. I'm going to end the poll share results now. So it looks like offering financial coaching and counseling like was was the greatest get the most votes for becoming a core standard at 49%. And then reporting to all three credit reporting agencies was pretty high up there as well.

00;31;23;29 - 00;31;51;13

Brooke

Avenues to other products also got 37% and now keep them all strong strongly recommended, got 32% of the vote. And then do you want to like advance then to the next slide, Richard? And we can do the next poll. So we have another poll and hopefully this one is going to launch correctly here. Do you have a product that meets these standards?

00;31;52;23 - 00;32;24;03

Brooke

Looks like 43% say yes, they already have a product that would meet these standards, which is great. Not applicable, 32%. So maybe aren't lenders out there? 19% said no, 6% said don't know. Okay. So then we're going to go on to the next one. Okay. Let me get this one up now. We're going to ask some questions that like around all of the standards.

00;32;24;15 - 00;32;57;28

Brooke

So do you see any standards that your products do not comply with, like spelling out exactly which ones you think would be kind of a barrier for your organization? Go ahead and select all that apply. This can would help us kind



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of understand where we can provide maybe some information on some best practices in order to align your product with these standards in the future.

00;32;57;28 - 00;33;51;00

Brooke

Sharing the results. And it looks like no jargon is the biggest one. The biggest hurdle, 43% clear qualifications, 31%. Let's see, 36%. APR 23%. Interesting ability to repay 6% not solely on collateral is 3%, equal amortization, no balloon payments 9%. And loan and customer support access 3%. And I think it's like interesting. It would be very interesting to understand exactly like what are these loans that like, do you have like clear any clear reasons why you offer a balloon payment or something like that?

00;33;51;12 - 00;34;28;25

Brooke

So any more feedback you could give would be really helpful as well. Our next poll, do you see any standards that you would eliminate? So of these core standards? And are there any that you think need to not be included that would be like too big of a barrier for too many organizations, too many lenders to meet? And again, if you have like a clear reason why you feel like this should be eliminated, please put it in the chat.

00;34;28;25 - 00;35;00;29

Brooke

We want to we want to hear from you. And to me this is very interesting that the 36% APR like got the most votes at 40% and then the no jargon, 29%. I think that that's also really interesting. Featured on the website. 20%. Yeah. So just curious, Richard, which ones of these are like the most interesting to you like.

00;35;00;29 - 00;35;10;26

Richard

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Yeah I feel like the 36% APR is really interesting considering we had a lot of folks say that was too high, so we'll have to rectify that. I think we have our work cut out for us. Brooke.

00;35;11;00 - 00;35;49;18

Brooke

Yeah, Yeah, it's very interesting. Okay. Okay. Would you be interested in having your products certified under these standards? Let me pull up that last poll question and clearly, we don't know what this is going to look like. This is something that would be most likely done by a third party organization that would be certifying loan products. But just curious like if this if we work it out and we're to offer the certification process, would you all be interested?

00;35;50;28 - 00;36;32;06

Brooke

And it looks like 38% said yes, they'd be interested, 32% said don't know, which is completely understandable since we haven't really explained what that would look like, how much it would cost any of that 7% said no, 23% said not applicable. And then we're really interested to see what benefits do you see in getting your products certified. So if you could put that in the chat, that would be really informative to us and help us determine if this is something that we should work toward and just understanding what it would mean to you.

00;36;32;06 - 00;37;08;18

Brooke

Would you be willing, like if you did get certified, would you put the certification seal or whatever on your website? And what would it signal to your your borrowers, your partners? Just really curious how you think you would use that certification. So someone said, like to signal to borrowers and steer them away from predatory lenders? Not sure. So as a for-profit lender, they are approached with a sense of suspicion.

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00;37;08;18 - 00;37;35;03

Brooke

And so that would kind of give them some legitimacy in the eyes of others. Easier to market, easier to spread the word, legitimacy, additional credibility, training, access to grants for loan capital. Yeah. So like a lot of like you all are seeing that it would be a signal to a lot of different groups, not only your borrowers and funders, but the community.

00;37;37;00 - 00;38;01;22

Brooke

And then not from a lender perspective, but would be helpful to have standards to point to in policy work. Great points may also attract the course service providers to offer simplified adoption methods. Yeah, so this is all really helpful. Thanks to everybody for your feedback. And then our next steps at the end of the webinar, there will be a post-webinar survey.

00;38;01;22 - 00;38;21;25

Brooke

We ask that you fill it out, there will be a place to indicate if you would like to connect with us to go over this any more, provide any more feedback, and we'll be providing the the standards as well, like a one pager of those. So feel free to review those and then sign up for our symposium as well.

00;38;22;25 - 00;38;47;11

Claire

That was great. Thank you so much to Richard and Brooke for doing that, doing all that super, really complicated work. I want to make sure to flag that and also to really flag as well how much response we had in the chat. That was pretty amazing to actually almost struggle to keep up with how things were coming off, considering people had never heard of these standards before.

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00;38;47;23 - 00;39;09;08

Claire

So that also means that we have a ton of questions and this amount of time to answer some of those. So I wanted to start with just a couple that would be easy for me particular to tackle. So will we share the recording? We will be sharing the recording that will be uploaded to the Training Institute by the end of the month and you should receive an email notification.

00;39;09;28 - 00;39;41;00

Claire

And then there was another question that was about will financial counseling be part of the screening process that that's going to be a strongly recommended standard. So with those kind of straightforward ones answered, I wanted to just pull up this list here, and I think I'll start off, Richard, with you. Remind me, what are the core standards versus the strongly recommended?

00;39;42;19 - 00;40;05;13

Richard

Yeah. So there are ten core standards and then we share three of the strongly recommended. The core are the ones that just meet these, these what we consider like basic guideline standards. The strongly recommended and I saw a lot of quotes around them in the in the chat. We're also happy to share those as well. There's a one-pager there's going to be included and the follow up.

00;40;05;13 - 00;40;17;25

Richard

Or we can also look at the two-pager that also lists the strongly recommended so folks could see where I see a lot in the chat and a lot of other feedback that the strongly recommended addresses as well.

00;40;18;13 - 00;40;32;03



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Claire

Absolutely great. And another one that we had was what was your largest takeaway from this process, From this project? Richard, You can feel free to start or Brooke, if you have one or something you'd like to start with as well.

00;40;33;07 - 00;41;09;12

Brooke

Sure. I would just say that it was an amazing process started by our colleagues, Talia and Maria, and to be a part of this process, working with so many really knowledgeable people from the different from 19 different organizations. And I think the biggest takeaway or amazement to me is that we actually were able to decide pretty concisely on some core standards with, you know, and because in the beginning it didn't necessarily seem like there would be consensus around some of these.

00;41;09;12 - 00;41;21;26

Brooke

And so when it came down to it and we were able to like decide and settle on these, to me it was like very amazing and like such an interesting process. Wonderful.

00;41;21;26 - 00;41;44;04

Richard

Richard Yeah, I'll just say that unfortunately, like the tensions piece, like this is harder than it that I would have imagined. You know? And then in the past, like knowing, working in direct service is very clear. Like, oh, we just this is bad news. We got to come up with something clear. And then when you get into the nitty gritty, it's complicated.

00;41;45;00 - 00;41;47;24

Richard

Everybody is trying to figure this out as best they can.

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00;41;48;23 - 00;42;12;27

Claire

Absolutely. That is, I think, such a complicated tension. I think we saw it, too, with the poll results. Right. That both the 30...36% is too high in some cases and too low and others to go for some lenders and too high for consumers, which creates a fundamental tension of how do you meet the needs of so many different constituents and communities as well?

00;42;12;27 - 00;42;34;00

Claire

How do you balance the realities of both the community and also the operations that you need to have money to keep a lending program going? So there was question here that's a little bit more about future steps. So will CBA be providing technical assistance to banks interested in exploring credit builder loans, other small dollar loans?

00;42;35;20 - 00;43;02;12

Brooke

Yeah, I can take this. I would say that like for sure, we're still trying to work out next steps around providing to and that like CBA tends to focus on providing to nonprofits. But I'd also like to highlight that there are others that are working in the banking space, which would be Pew Charitable Trusts that have been working for years to encourage banks to offer small dollar consumer loans and have made a lot of great progress.

00;43;02;12 - 00;43;30;18

Brooke

And you can check out their recent article that highlights how six out of the eight six of the eight largest banks are now providing these small, small dollar loans. And then Beneficial State Foundation has just released some equitable, equitable banking standards and some of them kind of intersect with this work as well. And so and they're providing a framework for banks there.



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00;43;30;19 - 00;43;36;09

Brooke

So check out beneficial state foundations, equitable bank standards.

00;43;36;15 - 00;43;55;16

Claire

Okay, that's fantastic. Now, I also wanted to show there's also been a link shared by a attendee for the Boston Builds Credit, product guidelines and standards for secured credit cards and credible their loans and that that has been really pivotal and fundamental in building credit in Boston. So thank you for sharing that.

00;43;55;17 - 00;44;17;09

Brooke

Yeah, I would just say I just want to highlight that we used like all the standards that were out there, including Boston Builds Credit. We kind of like looked at the standards that the CDFI Fund are using for their small dollar consumer loan program. And yeah, we used all of those standards that were already out there to inform this work for sure.

00;44;17;27 - 00;44;38;20

Claire

Wonderful. Yeah, I love that there's that we're kind of seeing the layering of all of these different projects that are starting to really take hold nationwide. What's really wonderful to be on this call and then also to hear these conversations happening in the chat as well. So I have another question. It's a little bit more technical on the standards themselves.

00;44;38;20 - 00;45;01;20

Claire

They may or may not already be decided. If someone is denied a loan, then the credit reporting would be a would be a hard inquiry. That would be a



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derogatory is or that is the case. So the question is asking if someone is denied a loan after their credit has been pulled and that would be coming up as a hard inquiry.

00;45;01;20 - 00;45;04;27

Claire

Is that would that be the case? On that kind of technical?

00;45;05;10 - 00;45;08;24

Richard

I think this is referring to the the strongly recommended.

00;45;09;27 - 00;45;10;27

Claire

I believe so, yeah.

00;45;10;29 - 00;45;33;29

Richard

Or is I right number 12 where. Yeah. So it was hard because it's not we didn't want the negative side but there are certain things we just have to be fully reported. But I would say the idea or intent with making it strongly recommended when possible, it wouldn't make sense for a one-month loan to be reported to the credit reporting agencies.

00;45;34;06 - 00;45;48;27

Richard

But those that have longer terms, we wanted, you know, to have a credit building opportunity, and that's certainly why we did not make it a core standard because it would just functionally wouldn't work. But when possible, really like that.

00;45;49;06 - 00;46;13;06

Claire



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That combined wonderful work to do everything to add on that. Great. And I want to see if you had any first thought reactions to this question here. I wonder if there could be accreditation with stricter standards for lenders that are looking for outside funding to help subsidized loans for less banked communities versus less strict standard for those attempting to have independently sustainable products.

00;46;13;19 - 00;46;17;10

Claire

So having a stricter standards kind of based on sounds like a funding source.

00;46;18;00 - 00;46;40;18

Brooke

Yeah, that's an interesting idea. I think then it gets quite murky. Like for me that I mean, it comes back to like the black and white and really clearcut standards and then, you know, then it becomes difficult to have. I think it's more important to have one set of standards that kind of meets the needs of more and more of the lenders.

00;46;41;07 - 00;46;45;03

Brooke

How about, Richard, you might have a different take now.

00;46;45;07 - 00;47;12;05

Richard

I think I'd agree with that. We also we the idea of tiered standards definitely came up, certainly looking at smaller dollars and on the smaller end, we also looked at it like capping how long the loans could be. So yeah, those discussions I think were there. I think for the simpler simplification reasons that Brooke mentioned of like pass/fail, that gets really complicated if we have it more tiered or nuanced.

00;47;12;20 - 00;47;37;25

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Claire

Absolutely. Remember you mentioning them potentially as well. So one of the questions around the sort of standards around marketing and something that I actually first thought of when I said do credit building loans that a member organization of CBA is what what would happen for a non-profit lender who is offering small dollar loans to specific target market through nonprofit partnerships.

00;47;37;25 - 00;47;45;28

Claire

So the the loans themselves are not advertised clearly on websites with other loan products. How is that that come up during conversation.

00;47;47;02 - 00;48;23;15

Brooke

Yeah so are they I mean you may not know but like it sounds like targeting specific populations that like yeah I mean like we could definitely take these back to the committee because yeah, I mean it's like we didn't like work out every situation and every possible iteration. So definitely some like we can take a lot of these back to the committee and kind of like hash it out as we work to really come up with the final standards that we'll be moving forward with.

00;48;23;15 - 00;48;44;09

Claire

Absolutely. Yeah. This is something that I know sometimes you have like a financial I think actually I know a little bit about the organization that actually asked this question is that there are sometimes organizations that are doing they're just offering a loan with their because they have the back room right. To offer funding and the structure of a loan.

00;48;44;21 - 00;49;01;12

Claire



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But they're not coaches, they're not counselors. So they're looking for that marriage of, you know, who has the right capacity in their community. So I know that it can be specifically important when there are language barriers or other other specific barriers. So I think I would love to know more about that.

00;49;01;17 - 00;49;15;29

Brooke

Yeah. I mean, that's and somebody put in the the chat special purpose credit programs and I think that that's like like a really good thing to bring up you know, and to to work that out and maybe we have a special call out for for that or something.

00;49;16;10 - 00;49;42;21

Claire

Absolutely. And then we aren't going to get to all the questions today. But I think I'm going to end on this question of a request that went along with some of the requests of what kind of documentation people might be looking for, is looking for a list of products that already meet the draft standards is a that's a request, and I think it would be something that would be great once draft standards are maybe more finalized or or just a that there's a little bit easier ways to meet that.

00;49;42;21 - 00;49;45;17

Claire

Did you want to say anything before we wrap up? Either of you.

00;49;46;28 - 00;49;52;24

Brooke

Know, think I just thanks everybody for their feedback and participation.

00;49;52;24 - 00;50;16;18

Claire



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Yeah, absolutely. I completely agree with that. So on that and let's move on to talking a little bit about our Credit Building Symposium, which is going to take place in Washington, DC from June seventh to ninth. And this is a really big year, as I said, as we celebrate our 10th symposium ever. And this theme is on building, on bridging the credit gap.

00;50;16;22 - 00;50;39;06

Claire

So to register, I'll be dropping a link in the chat and we would love to see you there and feel free to follow up with any questions. Now. Also recommend that you would also sign up for our newsletter in order to do that as well, to kind of hear more details as those come out. And then also another resource that we want to call special attention to is the Training Institute.

00;50;39;15 - 00;51;04;25

Claire

So this serves as a hub for building training and educational materials, including past webinars, e-courses, text sheets, toolkits and more. So CBA membership grants access to most materials on our CBA Training Institute. So we recommend that each staff member associated with your organization, if you are a member, sets up an account on the Training Institute, there's no need for a shared username.

00;51;05;00 - 00;51;41;19

Claire

So as a reminder, today's recording and slides will be available at the end of the month on the Training Institute and you should receive a notice via Zoom and email once these resources are live. And I did want to flag actually there was a question that we missed unable to cover that was about what products or software do we recommend for reporting and we don't actually have a specific product that we recommend, but we do have a whole

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webinar on actually how to work through picking those products that if you're a member, you'll be able to access.

00;51;42;08 - 00;52;01;25

Claire

So thank you so much for coming today. We look forward to seeing our community members next month at our webinar on supporting youth and building credit. So thank you so much everyone. Have a great rest of your day. And I'm just going to drop a couple of things into the chat, including that survey. So thanks so much.