

SMART *CHOICE*:

A Payday Loan Alternative

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OBJECTIVE

- Help our members understand the negative impact to choosing payday lenders as a resource and for the credit union to provide a safe alternative with less cost to the members.
- Adopted the Real Solutions Partner Program in October 2010
- Implemented Filene's "Debt in Focus"
 - Provides a basic, simple to use option for members to become educated about the dangers of payday loans.
 - Gives members a means in which to break the cycle, using the credit union as a better resource.



LOAN PARAMETERS

- Short-term cash advance with a maximum 90-day term
- Minimum loan- \$100 Maximum loan- \$1000
- APR- 18%
- Loan processing Fee- \$20- Non-refundable and charged to everyone regardless of approval
- Loan must be paid in full prior to other loans being disbursed, but up to 4 loans maximum are allowed per member/per year



CRITERIA TO QUALIFY

- No credit report required
- Must be at least 18 years of age
- Minimum membership-30 days without payroll deduction; 0 days with payroll deduction
- Must be employed at least 6 months
- Minimum monthly gross income \$1000 (\$12,000 annual)
- Loan not to exceed 50% of monthly gross income
- Must have active checking account
- 10% of loan is frozen in Share account until loan is paid in full



APPLICATION



Smart Choice Loan Application

SMARTChoice
- A Payday Loan Alternative -

AMOUNT REQUESTED (maximum amount is \$750.00) \$		TERM (must be paid back within 90 days)		PURPOSE					
APPLICAN NAME and ADDRESS				MEMBER NUMBER		SOCIAL SECURITY NUMBER			
				DRIVERS LICENSE		STATE			
				YEARS & MONTHS AT ADDRESS		DATE OF BIRTH			
EMPLOYER			POSITION			EMPLOYER PHONE		HOME PHONE	
YEARS & MONTHS ON JOB Yrs Mo		GROSS MONTHLY WAGE (must provide pay stub for proof of income)				OTHER MONTHLY INCOME (provide proof)			
Have you ever filed bankruptcy? ___ NO ___ YES _____ Year						Do you intend to file Bankruptcy within the next 90 days? ___ NO ___ YES			
Do you currently have a payday loan with another lender? ___ NO ___ YES If yes, explanation:						Have you now or have you ever had Judgments, Garnishments, Legal Proceedings against you? ___ NO ___ YES If yes, explanation:			
<p>DISCLOSURES</p> <ul style="list-style-type: none"> • Application fee = \$20. Non-refundable and charged to everyone regardless of approval. • This fee must be paid up front before the loan is granted, and the fee is charged regardless of whether or not the loan is approved. • APR is 18% • Loan must be paid in full, for a period of 15 calendar days, prior to other loans being disbursed. • Maximum of 4 loans per member/per calendar year. • Must be at least 18 years of age. • Must have active checking account with Fort Worth City Credit Union for at least 90 days with direct deposit (Net Paycheck). • Member must be in good standing and no previous charge offs. • Must be employed for at least six months. • Minimum monthly gross income is \$1000 (\$12,000 annual). • Loan not to exceed 50% of monthly gross income, or the maximum loan amount of \$750. • Payment more than 10 days delinquent may result in member being disqualified for future SMARTChoice loans. • No minimum credit score. A minimum credit review may be used to review payday lender history and/or verification of current bankruptcy. • 10% of loan amount is frozen in Borrower's Share Account until loan is paid in full. 									
<p>SIGNATURE</p> <p>I authorize you to investigate my credit record, to check statements I've made, to report your credit experience with me and keep the application.</p> <p>ALL INFORMATION SET FORTH IN THIS APPLICATION IS DECLARED TO BE A TRUE REPRESENTATION OF THE FACTS FOR THE PURPOSE OF OBTAINING THE CREDIT REQUESTED AND ANY WILLFUL MISREPRESENTATION ON THIS APPLICATION COULD RESULT IN CRIMINAL ACTION.</p>									
APPLICANT'S SIGNATURE _____						DATE _____			



RESTRUCTURED PRODUCT 2012

- Management of loans became increasing more time consuming
- Joint account holders opening accounts to get SC
- Delinquency caused more underwriting guidelines
- Applications with existing unsecured loans
- Expectations of additional loan due to early payoff
- Members closing checking accounts
- Cancelling their direct deposits
- Bankruptcies



ADJUSTMENTS MADE

- Maximum loan \$750
- Existing SC loan must be paid in full for 15 calendar days
- Active checking account for at least 90 days with direct deposit (Net Paycheck)
- Payments late more than 10 days may result in disqualification for future loans
- A minimum credit review may be used to review payday lender history and/or verification of bankruptcy
- All other loan requirements remained the same.



RESULTS THRU DECEMBER 2013

- 2,586 loans totaling \$2,048,953
- Charged-off 46 loans totaling \$23,752
- Total net income- \$136,000
- Average monthly loan balance- \$97,151

