

Predatory Loan Conversion Program

A Systemic Change Project of
Society of St. Vincent de Paul - Diocesan Council of Austin



community impact



988 volunteers



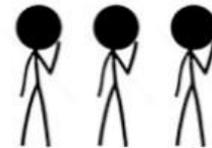
12,000 visits



4.1M in aid



120,000 people



24% are catholic

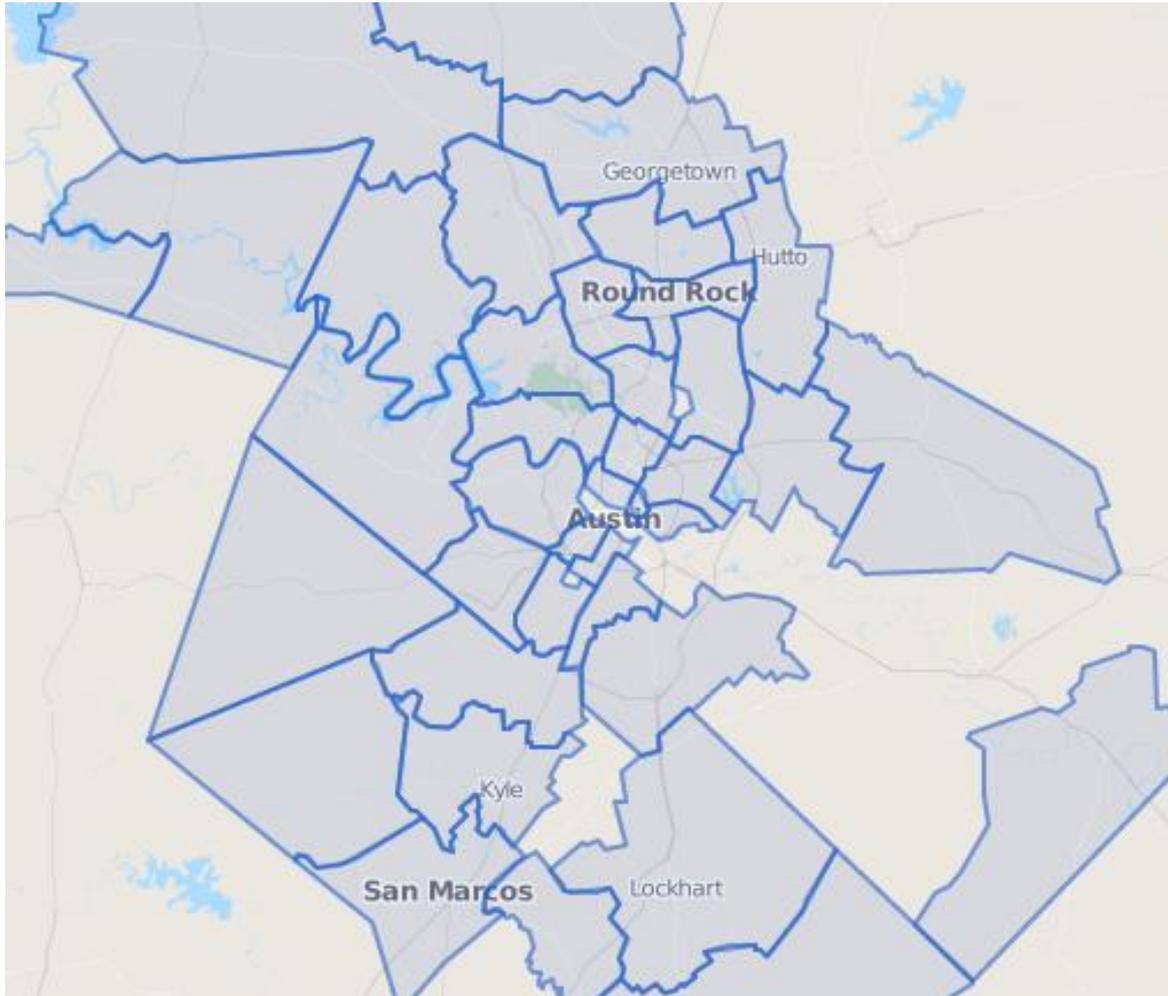


money + miles + hours =

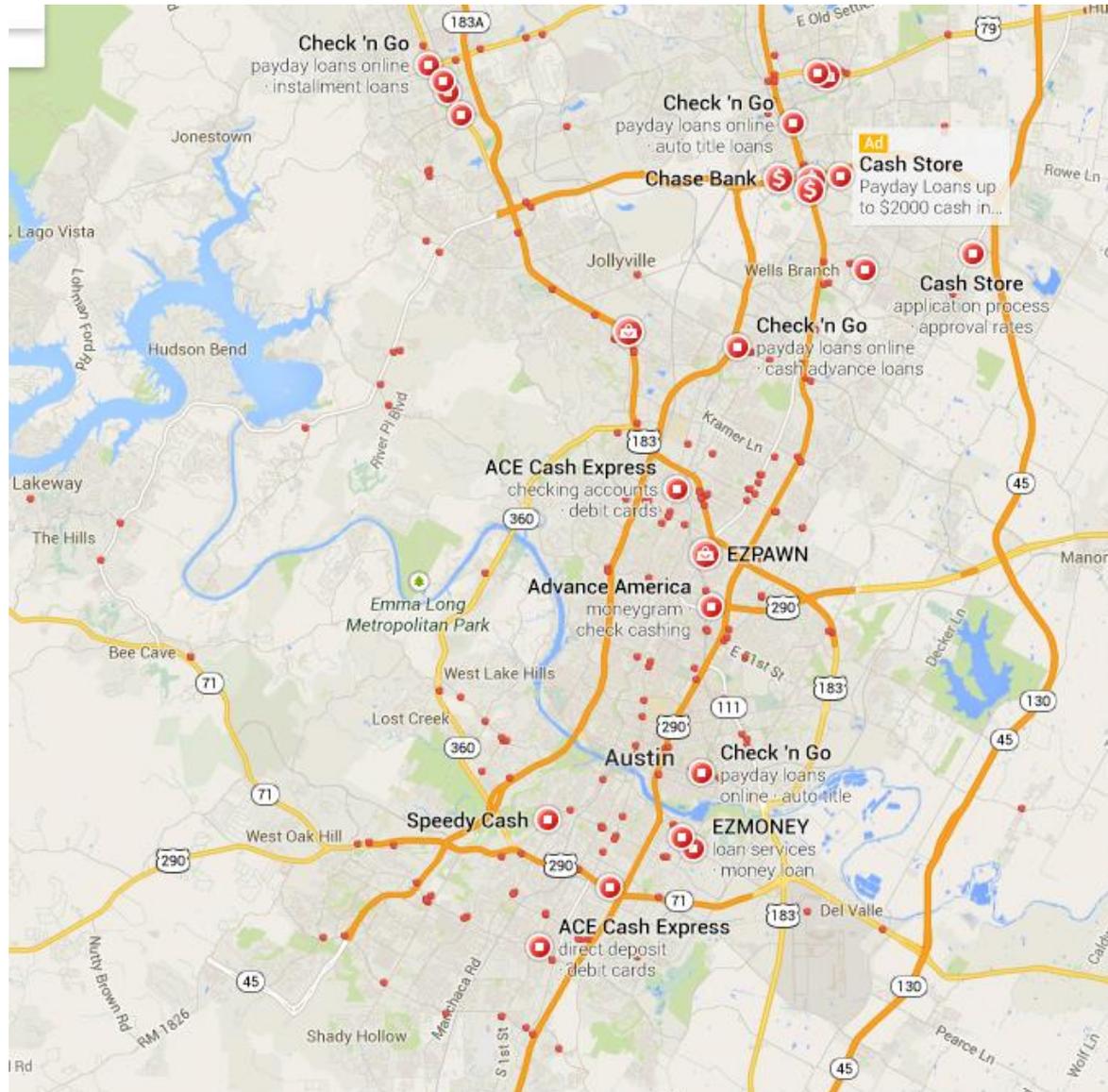
\$10M impact

2012-2013

30+ Austin Metroplex Conferences



Payday Lenders in the Austin Area



Systemic Change

- Provide the opportunity to educate thousands of those we serve about the dangers of taking out payday loans *for better future financial decisions.*
- Better use of some Society funds – rather than spending money on rent/utilities, we can alleviate need for rent/utility aid by addressing the underlying cause of the financial strain.



What is a share secured loan?

- **Funds are set aside in a bank account, and these funds act as collateral for a loan.**
- **Share secured loans are typically offered to build good credit.**
- **Because the loan is secured, it is offered at a very low interest rate.**
- **As the guarantor of the loan, SVdP can set the terms of the loan to serve the family's needs.**



SHARE SECURED LOAN

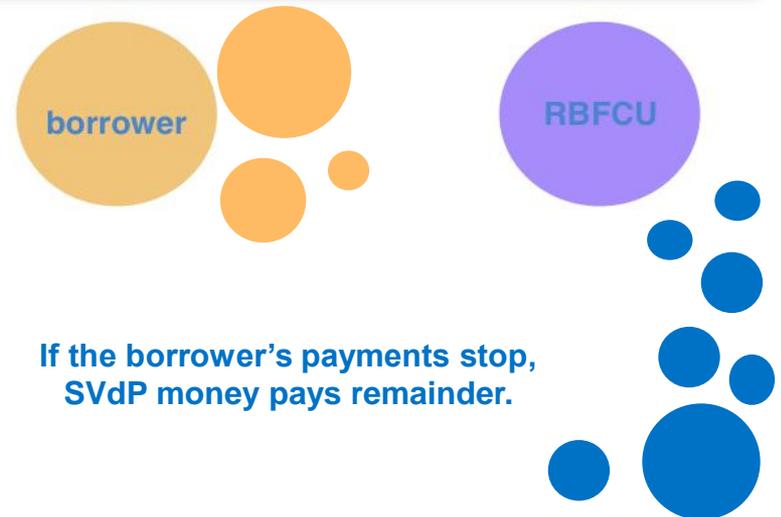


Borrower makes loan payments to RBFCU over the normal course of the loan.

At the close of the loan, SVdP gives incentive to borrower's savings account.



DEFAULT



If the borrower's payments stop, SVdP money pays remainder.



Comparing a \$500 Loan

Payday Loan Over 6 Months

Principal: \$500

Initial Loan Term: 1 month

APR: 346%

Monthly payment : \$144.17

interest and fees only

Payoff at 1 month: \$644.17

5 rollovers with fees and interest paid only
each month $\$144.17 \times 5 = \720.85

Payoff due at end of 6 months: \$644.17

Total Paid for Loan \$1,365.02

SVdP Loan Over 6 Months

Principal: \$644.17

Initial Loan Term: 6 months

APR: 2.2%

Monthly payment: \$108.54

principal and interest

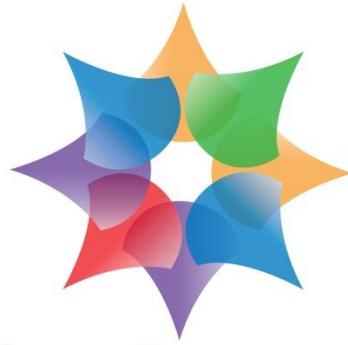
Total interest paid: \$7.09

Total Paid for Loan \$651.26

Vincentian Keys to SUCCESS

- Nominate only those borrowers most likely to successfully complete the program
- Completely understand the loan conversion process in great depth
- Provide all the information needed at each stage in a timely manner in order to avoid delays
- Significant time dedicated to helping borrower success from beginning to end





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Our ideal borrowing family:

- \$500 in high APR loans (APR greater than 100%)
- Legal SSN (required by the US Patriot Act to open an account at a financial institution)
- Willingness and ability to make regular loan payments
- Attendance at a basic financial literacy class (offered in English and Spanish at parishes across Central Texas)
- Commitment to staying away from predatory lenders in the future.

Major lessons learned through pilot

- Our home visit questions were refined to encourage disclosure of high interest loans
- Many people have multiple loans
- Education curve for families and need for our alternative marketing

Case Study – “Mary”

- August 2013 – “Mary” started a new job with a local ISD
- November 2013
 - Realized her increased income affected her Social Security Disability Income (SSDI) **and**
 - Her ex-husband stopped paying child support.
 - She took out 3 loans – 2 of which she still had when we had a home visit with her in March 2014
- April 2014 – Society converted her loans and now:
 - RBFCU loan in amount of \$650 at 2.2% interest
 - \$5 to open the account
 - Her payments are \$54.88 per month for 12 month. (Before conversion, her payments totaled \$102 per month. She was making good faith payments of only \$20 on each loan.)
- Her hearing disability meant the Society provided her with an interpreter for all meetings with her at her home and at RBFCU.
- April 2015 – her loan will be paid in full; she will receive a \$65 incentive.