

# Common Cents Financial Initiative The Save It! Loan

**Underbanked Financial Services Forum  
June 2009**



**Justin Maxson, President  
Mountain Association for Community Economic Development**



**Capital**



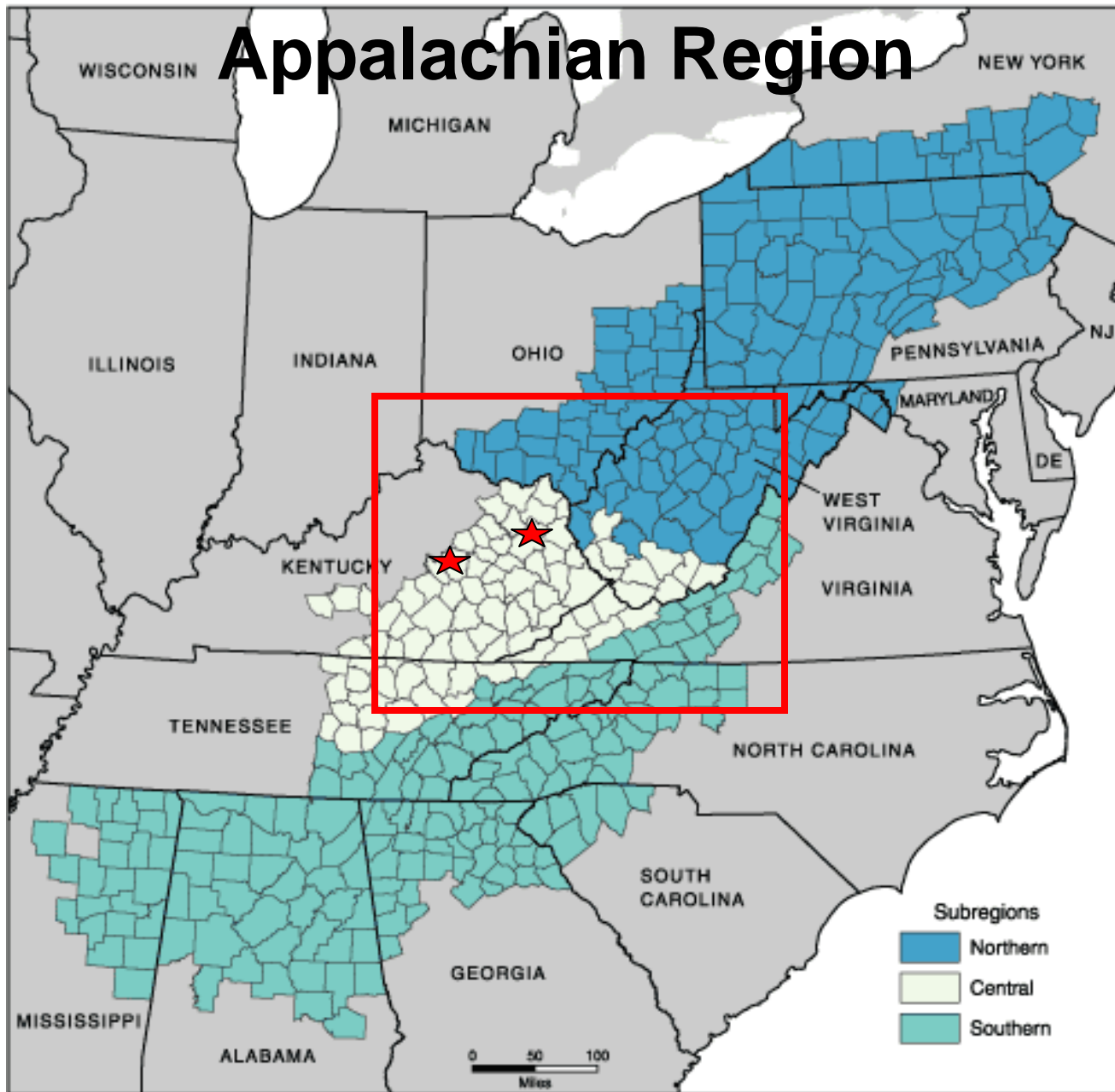
**Demonstrations**



**Research and  
Policy**

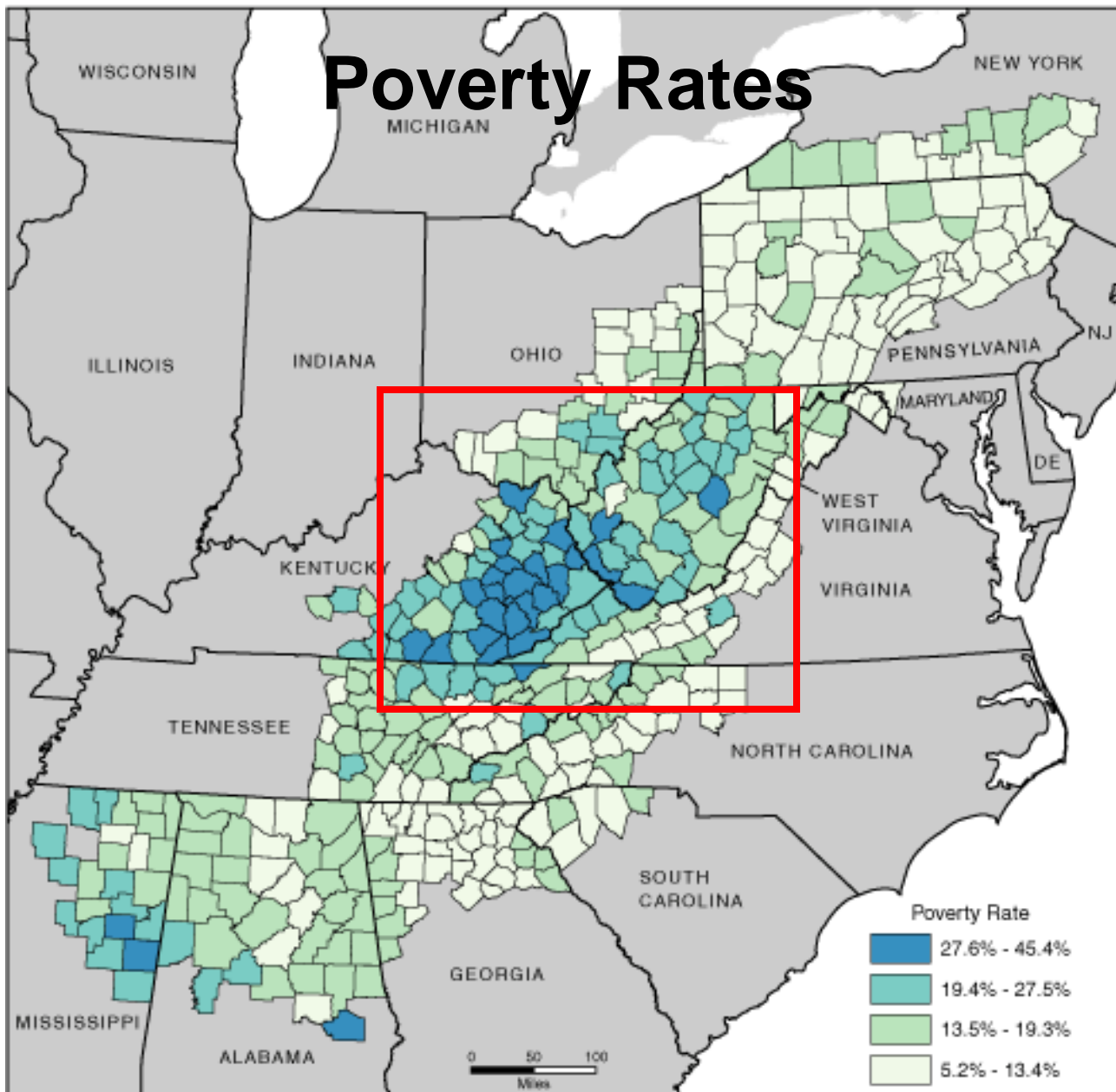
*MACED works to create economic alternatives that work for people and places in need in Central Appalachia.*

# Appalachian Region



Map Created: June 2002.

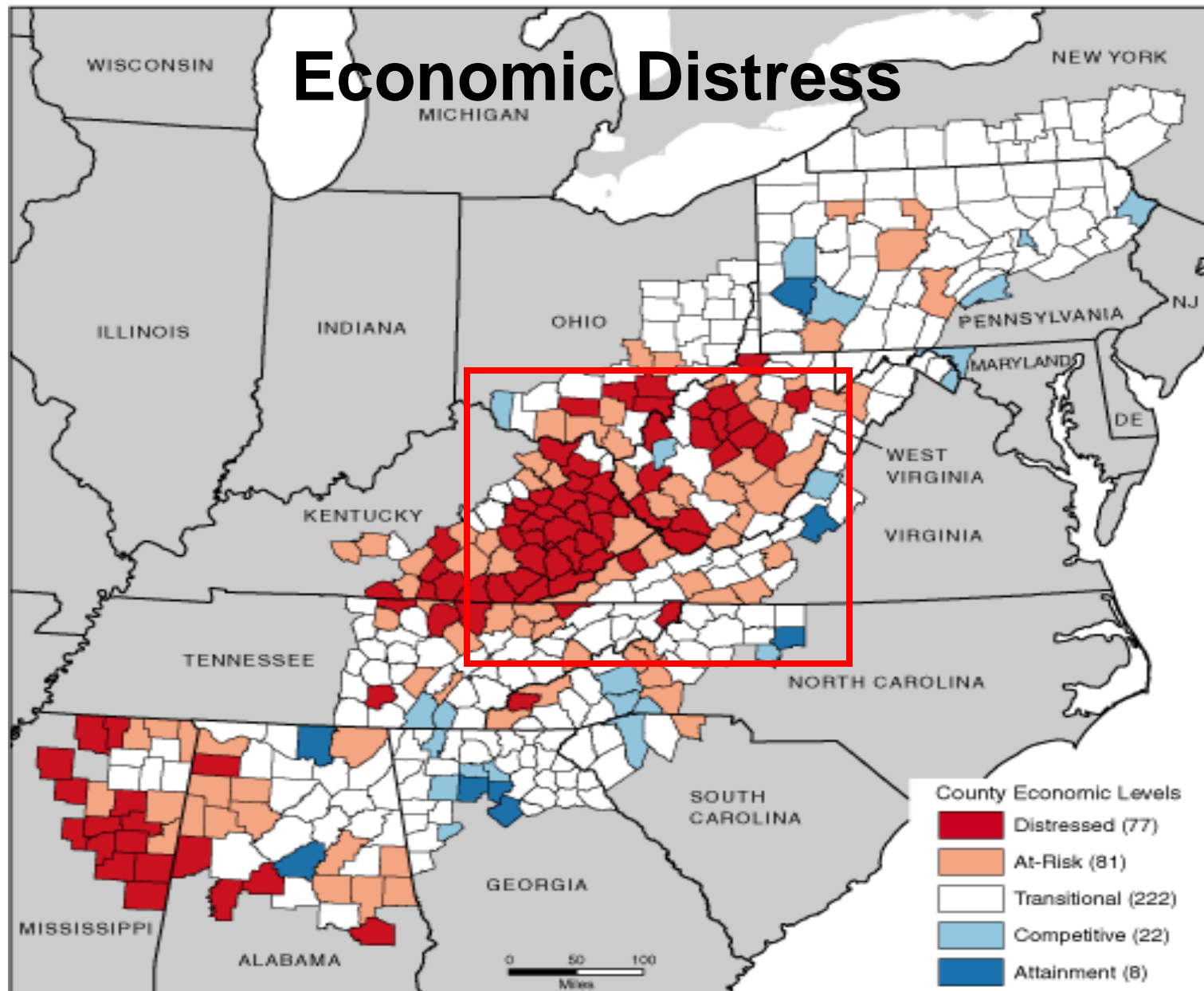
# Poverty Rates



Map Created: October 2004.  
Data Source: U.S. Census Bureau, 2000 Census, SF3.  
Data Classification Scheme: Natural Breaks.

U.S. average = 12.4%  
Appalachian average = 13.6%

# Economic Distress



Map Created: October 2005.  
Data Sources: U.S. Bureau of Labor Statistics, LAUS, 2001-2003;  
U.S. Bureau of Economic Analysis, REIS, 2002;

Effective October 1, 2005  
through September 30, 2006.

**CHECK  
-4-  
CHECK**

**CHECK  
-4-  
CHECK**

---

*Office Hours*  
Monday thru Friday  
9:00 - 5:00  
**859-985-2850**



105

**OPEN**

\* **FIRST TIME  
CUSTOMERS  
RECEIVE \$200  
PAYBACK \$20!**

---

\* **FAST CASH  
IN ABOUT  
15 MINUTES!**

# Challenges

- New payday loan shop every four days in KY
- Cost to borrowers of \$200 million a year in fees
- Average KY borrower flips one loan five times, paying \$250 for a \$300 loan
- Business owners saw spike in employees in financial trouble
- Writing-off payroll advances
- Obvious demand for short-term credit



# We Knew What We Wanted

- Scalable program
- Convenient
- Affordable to the borrower
- Potential catalyst for behavioral change
- Connect borrowers to financial institution
- Income generating



The logo for the Common Cents Financial Initiative. It features the word "Common" in a large, bold, white font with a green outline, positioned above the word "cents" in a similar style. Below "cents" are the words "Financial Initiative" in a smaller, bold, green font. To the left of the text are two overlapping green circles, each containing a white dollar sign.

**Common  
cents  
Financial  
Initiative**

## Pilot Design

- Employers are point of entry
  - Targeted to employees of participating employers
  - Workplace benefit for employees
- Save It! Loan product
  - 10-month term loan, 18% interest
  - Loan amount tied to salary (\$300-\$500)
  - Payroll debit to repay loan
  - Six months of tenure required to be eligible

# Pilot Design

- Savings Component
  - 50 percent of primary loan amount added
  - Am schedule is on primary loan amount plus savings amount
  - No interest charged on savings portion
  - Access to savings at payoff
- Financial Education
  - Push materials (envelope stuffers)
  - Free phone-based counseling
  - Online resources



# Save It!

## Loan

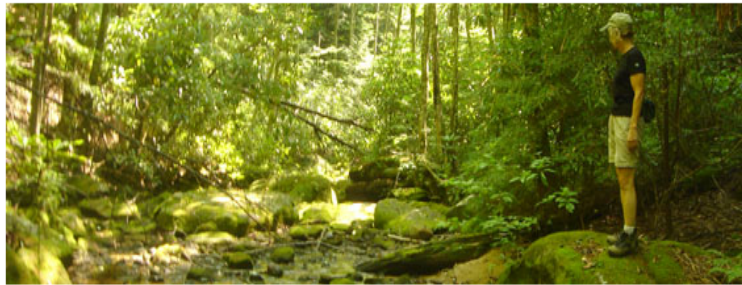
### Example Loan

- Primary principle borrowed \$500
- Principle repaid \$750
- Savings available \$250
  
- Biweekly P&I \$25
- Biweekly P on savings \$12
- Total interest paid (over 10 months)  
\$40

# Delivery System

- Computer terminal at work (or in community)
- Online application
  - Collect application information
  - Verify employment and income
  - Generate application to lender
  - Track application data
- ACH deposit to bank or stored value card





Your Employer is proud to offer you the Save It! Loan as a valuable benefit. [Apply Now!](#)

How it Works

Save It! Loans provide up to \$500 quickly and are automatically paid back over 10 months.

Learn How

Apply Now

It's easy. It's fast. It's secure. It's confidential.

Apply Now

Get Information

With videos, online lessons and tools & calculators, we make learning fun.

Learn Why

The Loan that Helps Employees Save

What if there were a loan that made it easy for you to repay, and gave you money in the bank when the loan is repaid? There is. It's called the *Save It! Loan*.



Need help filing your taxes?

Many people are eligible for free tax preparation help. [Click here to learn more.](#)

Application Status

After you apply, come back to this site to securely review your application status.

Check Status

We're a non-profit organization who works with employers in Kentucky to offer Save It! Loans as an alternative to expensive payday loans.

Photography by Angie Carriere of [Goodtyme Photography](#).

## Apply

### Apply in Minutes!

#### Step 1: Personal Information

This application is 100% secure and confidential.

Please complete the Contact Information section and click the **Next** button below. All fields with a "\*" are required.

Name\*:

Address\*:

(line 2)

City\*: , Kentucky

Zip\*:  99999

Work Phone\*:  (999) 999-9999

Work Ext:

Home/Alternate Phone\*:  (999) 999-9999

To process your application, the lender requires your social security number and date of birth.

SSN\*:  999-99-9999

Date of Birth\*:  MM/DD/YYYY

Please verify your history with us with the following questions. All information will be validated before funding.

Have you ever had a loan with us?\*  Yes  No

Are you still paying on a loan with us?\*  Yes  No

**Next**

#### To Borrow or Not to Borrow

Things to consider before taking out a loan:

- Do I really need the money?
- Will this loan decrease my overall wealth?
- Can I afford the cost of the loan?

Avoid borrower's remorse by thinking through your options before getting a loan.



## Apply

### Apply in Minutes!

#### Step 2: Financial Information

This application is 100% secure and confidential.

Please complete the Financial Information section and click the **Next** button below. All fields with a "\*" are required

Do you own your own home?  Yes  No

How much would you like to borrow? (\$300 - \$500)

Loan Amount\*: \$

Use the chart to the right to see how much you can borrow.  
Actual loan amount will be based on verified salary.

Where should we deposit your money?\*

- Option 1: My Checking Account
- Option 2: My Stored Value Card
- Option 3: I Will Open a New Bank Account
- Option 4: Send Me a Stored Value Card

[Back](#)[Next](#)

#### How much can I borrow?

The amount you can borrow depends on your annual salary. You must make between \$12,000 and \$60,000 to qualify for this loan.

Yearly Salary	Maximum Amount
Over \$12,000	\$300
Over \$18,000	\$350
Over \$24,000	\$400
Over \$30,000	\$450
Over \$36,000	\$500



# Results to Date

- 11 employers covering 1200 employees
- 340 loans made, avg. size of \$325, 65% make under \$18,000
- Written off 46 loans, 7 recoveries
- New savings generated: \$55,000
- 30 percent distributed to reloadable SVC



# Borrower data

- 58 percent own their own home
- 31 percent do not have bank accounts
- 62 percent of borrowers earn less than \$18,000
- 10 percent earn more than \$48,000

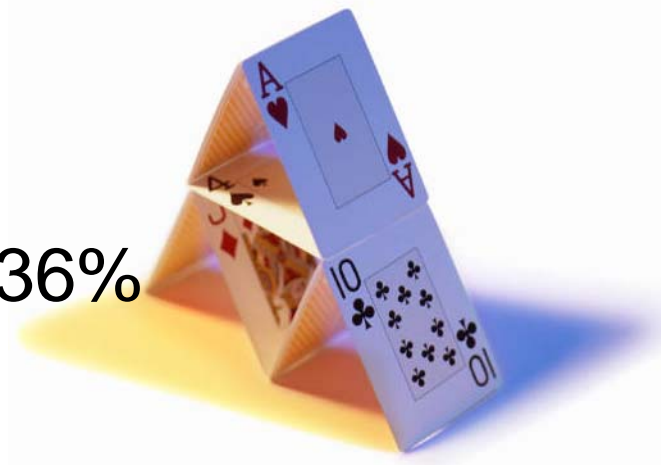
# Moving to More Scale

- Minimum 30 employers and 10,000 employees
- 1000 loans made
- Potential expansion into other states in Central Appalachia



# Beta Challenges

- Capacity
  - Finding a financial institution partner that
    - Is sufficiently automated for cost effectiveness
    - Has a large footprint in the region
    - Offers clear migration path for under-banked persons
- Product Pricing
  - Design point under 36%
  - Can the product be priced  $< 36\%$  and still breakeven?



# Key Changes

- Shift financial institution model—add partner with bigger footprint
- Simplify key electronic processes
- Develop better help materials for employers and employees
- Revise pricing



# Save It!

## Loan

### Beta Product

- More stream-lined application processes
- More automation of loan servicing
- Loan amounts: \$375 - \$700
- APR: Under 36%
- Term: Six months
- Savings: Option for additional savings