



COMMUNITY LOAN CENTER

OF THE RIO GRANDE VALLEY
Affordable Small Dollar Loans

THE PROBLEM: PAYDAY & AUTO TITLE LOANS



\$5.8 Billion

The industry of payday and auto-title lending in our state



3,498
Payday and Auto Title Lenders



\$1.53 Billion
Fees charged Texans in 2012



44,052
Cars repossessed in Texas

Brownsville, TX

Millions of dollars are stripped from our community every year!



63
Payday &
Auto Title
lenders



\$18.7
Million
Fees charged



709
Cars
repossessed

Brownsville MSA in 2014

A \$1,000 loan
costs a borrower in Corpus Christi

664% APR



**EMPLOYEES'
FINANCIAL STRESS**

Texas Payday and Auto Title Loans

- Payday loan borrowers pay average of \$23 for every \$100 borrowed for 2-3 week loans.
- 50%-70% of payday and auto title borrowers must refinance loans. Average loan refinances 1.5 times in Texas in 2014
- Over 846 cars are repossessed in Texas every week.
- 32% of nonprofit clients asking for financial assistance have used a payday or auto title loan.

The Solution: Community Loan Center

cdcb's small-dollar loan program, the **Community Loan Center (CLC)** Small Dollar Loan Program, offers a responsible alternative to high-cost financial services such as payday loans, pawnshops, car title loans, signature loans, and check-cashing outlets.

- **Alternative: Market-Based Approach**

- Fairly priced small-dollar loans with reasonable terms
- Direct competition to high costs lenders
- Employer based loan to workers

- **Sustainable and Scalable**

- Need a program that can outgrow the need for subsidy and generate revenues
- Program designed to be replicated across state and beyond

The Program



The program is designed to support working families facing unexpected financial emergencies, providing a safer, more manageable option compared to predatory payday lenders.



Unlike payday loans, which often trap borrowers in cycles of debt with short 18-day terms and exorbitant interest rates averaging 500% APR, the CLC Loan offers a more affordable solution.



Loans are capped at \$1,000, feature a 12-month repayment term, and carry an interest rate of just 18%, with a one-time \$20 setup fee.



Community Loan Center Terms

- **\$1,000 Loan Maximum**
 - Or up to half of borrower's monthly gross pay
 - One Year Loan term
- **18% Interest (21.83% APR)**
- **\$20 origination fee**
- **Relaxed underwriting**
- **No collateral**
- **No Prepayment Penalties**
- **No credit check**
- **Reports to Credit Bureaus**
- **Repayments \$23.38/week or \$94/month**
- **Financial Literacy offered through the lender.**
- **Employer Based**
 - Payroll Deduction
 - No storefront reduces costs of operations
 - No cost to employers/Marketed as Benefit
- **Improved Efficiencies**
 - Online proprietary interface for loan origination
 - Outsource Loan Processing
 - Outsource Loan Servicing
- **Nonprofit driven**
 - Grants, Program Related Investments, low cost debt financing
 - Community Reinvestment Act credits for Bank Investors

KENN System

- Proprietary Online Software (KENN System)
 - Online Application (open 24 hours)
 - Employer Portal (verify employment, payment)
 - Local Lender (Franchise) Administrative Portal
 - Administrative Portal
 - loan servicing, fund transfer, payments
 - All loan funding and servicing handled by the Rio Grande Valley Multibank CDFI
- Jobs and Processes Automated for Efficiency

Small Dollar Loans Comparison

		Affordable Small Dollar Loan	Payday Loans
Loan Amount		\$1,000	\$1,000
Administrative Fee		\$20	\$0
Term		12 months	14 to 30 days
Interest Rate		18%	n/a
Financial Fee		n/a	\$300 * / \$600**
Total Interest/Fees		\$122.16	\$900
Annual Percentage Rate		21.8321%	782.14%
Monthly Payment		\$93.51	\$1,300 due in 14 days
<p>*1st 14 day fee is \$300, if renewed an additional \$300 fee is required. **If loan is extended (as indicated by research) two times.</p>			

Benefits To Employers

- Attractive and innovative employee benefit
- No direct cost to the employer
- Reduces employee financial stress
- Increases workplace morale
- Fully automated loan processing system
- Loan program is simple to administer
- Free financial counseling to borrowers

Community Loan Center Structure

- Rio Grande Valley CLC (Franchisor)
 - Contracted to Originate and Service All Loans
 - Developing Software and Intellectual Property
- Texas Community Capital (SubFranchisor)
 - Sublicenses Software and IP to Local CLC Lenders
 - Recruit New Local Lenders Into CLC Program
 - Create Intellectual Property, including Marketing Materials, Co-Branding, and Program Guidelines
 - Also a Licensed Lender in Balance of State Areas
- Local CLC Lenders (Franchise)
 - Recruit Employers to Participate in Program
 - Raise Loan Capital to Fund the Loans
 - Become a Licensed Lender via Texas OCCC or other state licensing offices

Statewide Expansion - 2014

To date, we have CLC partners in the following areas:

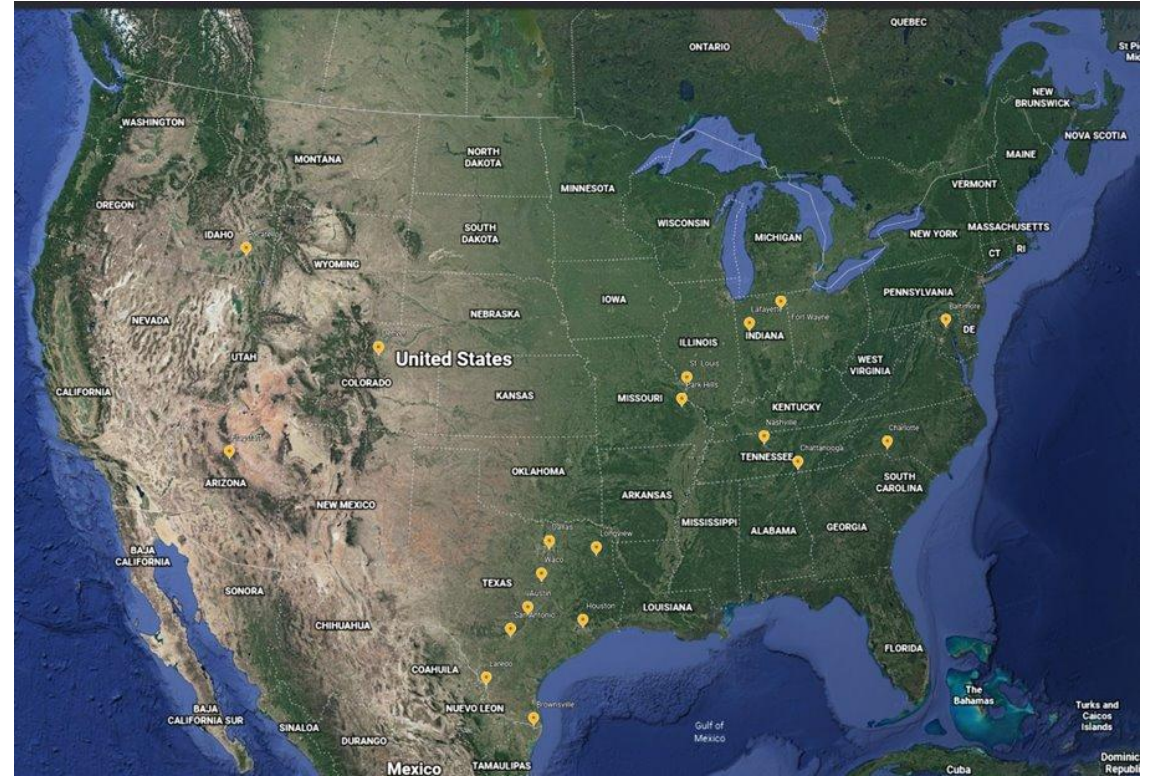
- Rio Grande Valley
- Laredo
- Houston
- Austin
- Dallas
- Waco
- San Antonio
- Coastal Bend



Nationwide Expansion 19 Active Franchises - 2016

To date, we have CLC Franchises in the following states:

- Idaho
- Colorado
- Arizona
- Missouri (2 Franchises)
- Tennessee (2 Franchises)
- Indiana (3 Franchises)
- Maryland
- North Carolina



CLC Program Success as of 12/31/24

- Over 142,000 loans to date across 19 markets.
- Over \$140 million loaned to borrowers across the network
- 86% of Borrowers are People of Color
- 63% of borrowers are women.
- Active at over 480 employers covering over 157,000 employees
- 4% Loan Loss Network Wide
- Saved borrowers over \$56 million compared to Texas Payday Loans

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