

Debt Matters:

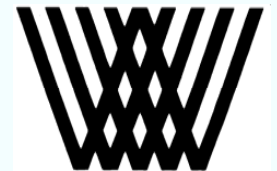
Raising the Profile of Household Debt in America

Center for American Progress



Public Perceptions of Household Debt
Best Practices for Improving Access to Financial Services

Presented by
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Woodstock Institute



Woodstock Institute

- Engages in applied research, advocacy, and technical assistance to help increase access to capital and credit in lower-income and minority communities.
- Extensive involvement in national and local community development finance advocacy and policy development
- Financial services product and services development



High Priced Consumer Loans

- Payday Loans
- Auto Title Loans
- Income Tax Refund Anticipation Loans
- Credit Cards
- Bounced Check Protection



High Priced Loan Intervention

- Financial Education
- Affordable Alternatives
- Public Policy



APPLE Program

- Provides financial and technical assistance to 7 CDCUs offering Alternative Products to Payday Lending (APPLE)
- Offered by National Federation of CDCUs



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APPLE Evaluation

- I. Basic information on the seven credit unions participating in program: including assets, net worth, loans and membership



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APPLE Evaluation

- ii. A description of each loan product, such as product terms, underwriting criteria, and product administration, comprises the second section



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APPLE Evaluation

III. Data on the loan activity and other factors of each affordable payday loan alternatives:

- the number of loans made
- credit scores of the borrowers
- purpose of the loans
- loan delinquencies
- analysis of the cost and revenue of each affordable payday loan alternative



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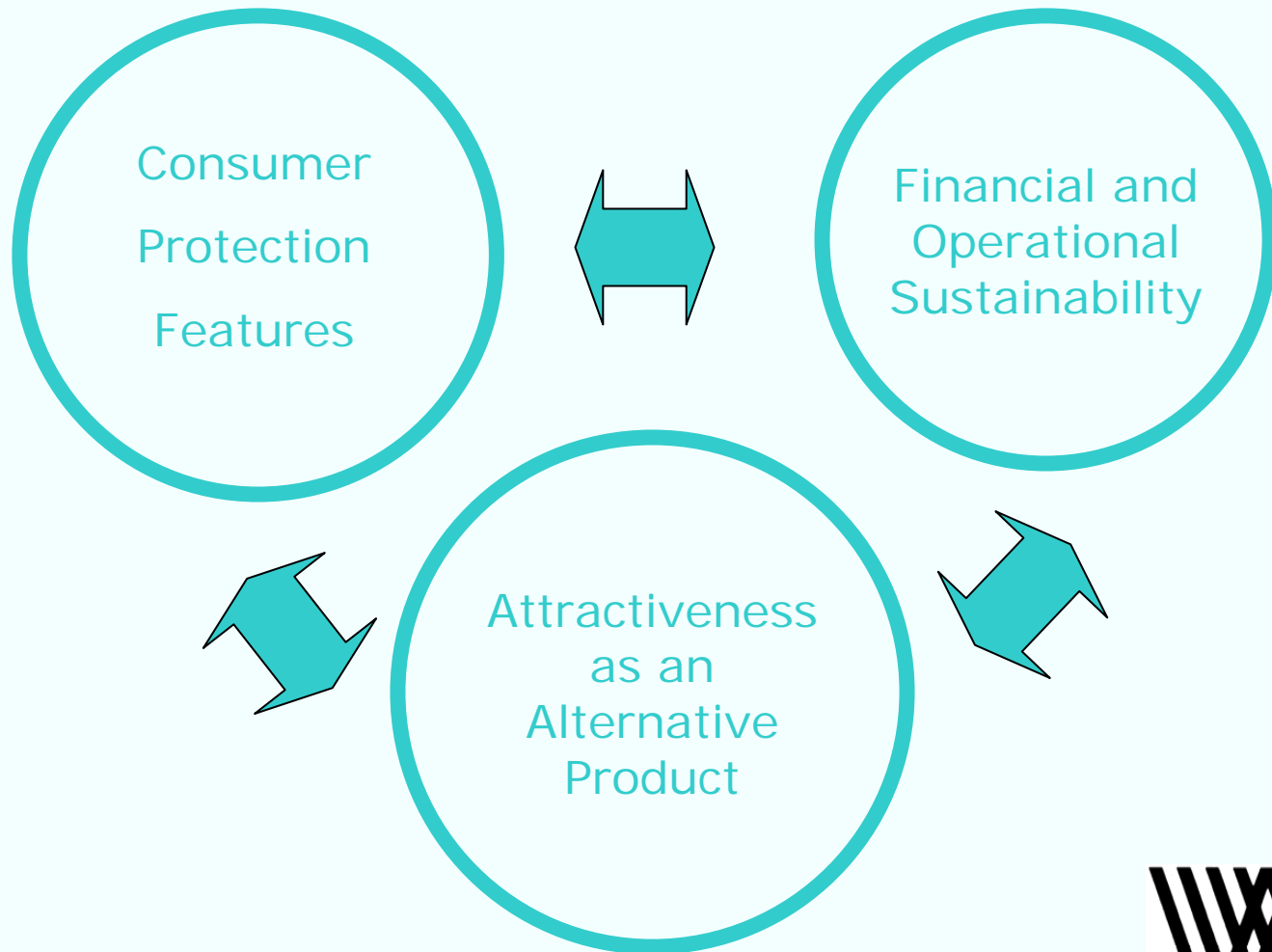
APPLE Evaluation

iv. Explore the factors that account for affordable payday loan program success

- Consumer Protections
- Financial And Operational Sustainability
- Attractive Alternative To High Cost Payday Loans



Identifying Factors of Success



Consumer Protection

Features

- Consumers should not be encouraged to over borrow.
- The interest rate of payday loans should be affordable.
- Consumers should not be encouraged to use payday loans as a long-term strategy to extend their income
- Financial literacy
- Savings



Factors Supporting Financial and Operational Viability

- Direct Deposit/Automatic Deduction
- Loan Loss Reserve
- Credit Reports
- Size of Financial Institution
- Membership Tenure of Borrower
- Federal Credit Union Interest Limitation



Attractiveness As An Alternative

- Convenience
- Membership Tenure of Borrower
- Interest Rate and Fees



High Priced Consumer Loan Policy Principles

- Interest rate or fee caps
- Loan based on ability to repay
- A recovery period to break the cycle of debt created by back-to-back loans
- Repayment plan to help borrowers in over their head made good on their debts
- Public disclosures



Resources

- Center for Responsible Lending - responsiblelending.org
- Consumer Federation of America – consumerfederation.org
- Consumers Union – consumersunion.org
- National Consumer Law Center – nclc.org
- National Federation of Community Development Credit Unions – natfed.org
- Woodstock Institute – woodstockinst.org

