

'CashPlease': Small bank debuts alternative to payday loans

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This week, Wells Fargo joined the list of large banks introducing short-term credit products — and the much smaller OneUnited Bank in Boston unveiled a version of its own, intended as an alternative to payday loans.

OneUnited's loan, called CashPlease, is designed to help customers of the \$635 million-asset Black-owned bank manage their cash flow without the hurdles and higher costs some other lenders might impose. Instead of conducting credit checks, it looks at applicants' checking-account activity and other aspects of their relationship with the bank. Funds arrive within four hours of the loan's approval.

OneUnited's rollout of CashPlease comes after the introduction of similar small-dollar loans by several large banks. In October 2020, for instance, Bank of America launched Balance Assist, which offers loans of up to \$500 for a flat \$5 fee and a repayment period of three monthly installments.

Wells Fargo expects to offer its loan by the end of 2022. It will provide amounts up to \$500 for a yet-to-be-determined flat fee, and be repayable in three equal monthly installments.

In June, the \$174 billion-asset Huntington Bancshares in Columbus, Ohio, rolled out its Standby Cash program, a digital-only line of credit of \$100 to \$1,000. If borrowers agree to pay it back in three monthly installments drafted automatically from their accounts, Huntington's loan is free. Otherwise, it carries a 12% annual percentage rate.

OneUnited doesn't have the deep pockets of a Wells, BofA or Huntington, but it recognized a need for low-cost short-term credit in its communities, according to Teri Williams, OneUnited's president and chief operating officer.

The CashPlease loan ranges in value from \$200 to \$1,000. It carries an APR of 47% — significantly less than the cost of a payday loan — and is also payable in three monthly installments deducted from borrowers' checking accounts.

"We won't lose money [but] we didn't implement this for the revenue," Williams said. "We tried to identify ways that ... won't cost us money but will allow our customers to avoid practices that put them in the red in a way they can't come back from."

Another community bank, the \$2 billion-asset Southern Bancorp in Arkadelphia, Arkansas, said it's planning to develop an app to provide its customers with a short-term loan, CEO Darrin Williams said Tuesday.

Southern, which is certified as a community development financial institution, offers its employees an emergency loan of up to \$1,000, delivered to their checking accounts almost immediately and payable over 12 months. The goal now is to develop something similar for its customers.

“What we hope to be able to do is use customer data to build some underwriting criteria and figure out how we might extend a small amount of credit to people over time that will allow us to provide that payday loan alternative to folk,” Williams said.

In disadvantaged communities, where residents’ banking options are limited, access to affordable small-dollar credit is critically important, Williams added. Frequently, payday lenders are the only choice. Indeed, a study published in the Emory Law Journal in April found payday lenders’ advertising was disproportionately aimed at African American and Latino customers.

“The reason why the payday lending industry is so prevalent is there’s such a need for small-dollar lending,” Williams said. “From a customer standpoint, we want to bring a measure of responsible and responsive lending, where you’re not caught in a debt trap.”

Like OneUnited, Huntington isn’t expecting to generate significant revenue from Standby Cash. Chairman and CEO Steven Steinour said in a recent interview that the company might actually experience a small loss in the short term. Over time, however, it should generate brand loyalty, according to Steinour, who said Standby Cash ranks was one of the most successful product launches in the bank’s history.

“It’s not something you say, ‘OK, I’m going to get [a return on investment] on [this] in the next year or two,’” Steinour said of Standby Cash. “Over time, this will be a brand separator. ... This will distinguish our product set. If you look at who’s got the best checking account pound for pound and you put this product on, nobody else has it.”

While Huntington hasn’t disclosed statistics on Standby Cash, “enrollment and usage of the product continues to exceed our initial expectations,” a company spokeswoman said Wednesday.

OneUnited expects to see a similar response for its CashPlease product, based on early indications from its client base. OneUnited did a soft launch of CashPlease on the bank’s mobile app last month, a few weeks ahead of Tuesday’s official release. Even without any other marketing, a number of clients took out loans, Williams said, adding that she fully expects more banks to create competing small-dollar loan products over the next few years.

“We see our experience as being — I hate to use this term — kind of like a canary in a coal mine,” Williams said. “We think, as an industry, banks need to lead in this area. There are so many ... solutions out there that aren’t healthy.”