

October 6, 2016

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street, NW.
Washington, DC 20552

RE: CFPB-2016-0025, RIN 3170-AA40

Dear Ms. Jackson:

The members of the Community Development Bankers Association (CDBA) respectfully submit the enclosed comments on the proposed rule for Payday, Vehicle Title, and Certain High-Cost Installment Loans as published in the Federal Register on June 2, 2016.

CDBA is the national trade association of banks and thrifts with a primary mission of promoting community development. There are 123 banks with the Treasury's Community Development Financial Institutions (CDFIs) designation – which means at least 60% of total lending, services and other activities are targeted to low and moderate income (LMI) communities. CDFI banks have a primary mission of working in impoverished urban neighborhoods and distressed rural areas with declining economic bases. CDFI banks provide financial products and services designed to build, not strip, wealth from hard working families.

CDFI banks strongly support the efforts of the Consumer Financial Protection Bureau (CFPB) to protect consumers. The proposed rule makes important strides to curb some of the most abusive pay day lending practices that force too many consumers into a negative spiral of unaffordable debt and make economically vulnerable consumers and their communities more fragile.

CDFI banks are firmly committed to serving LMIs and promoting financial inclusion. Thus, we are concerned that many well-intended consumer protection provisions of the proposed rule may have the unintended consequence of significantly reducing credit availability and access to financial services for the very customers it is trying to protect. The economic needs that drive consumers to pay day lenders will always remain. A Center for Financial Services Innovation (CFSI) analysis found that one-third-plus of all households report frequently or occasionally run out of money before the end of the month. In addition, more than four in 10 households report that they struggle to keep up with their bills and credit payments.

CDBA recommends that the new rule provide greater clarity for how good lenders can continue to serve customers. We also ask that the rule provide mechanisms to promote product innovation that can offer responsible alternatives to payday loans.

Complexity and Compliance: We are concerned that complexity of the rule itself could hinder transparency and enforcement. Such complexity may discourage good lenders – particularly small banks and credit unions from continuing to offer small consumer loans because they cannot afford the additional compliance costs and regulatory risk. The specific provisions that present the greatest risks for consumers and lenders are the Ability to Repay standards for longer term loans. Successful regulation should make a distinction between good credit offered by responsible lenders and debt traps of unscrupulous providers.

Short Term Loans: We support the proposed rule’s provisions for products with maturities of 45 days or less. Historically, these products have been the most abusive and detrimental to the economic security of consumers. The new rule will shift the market to longer term installment loans with smaller, more affordable payments - which are very positive changes.

Long Term Installment Loans: The proposed rule is intended to curb the harmful practices of payday and other high-cost lenders. Yet, CDFI banks are concerned that the rule could negatively impact the small consumer loans they originate because it covers loans with “all in” APRs greater than 36% inclusive of application and other fees. The heavy documentation and underwriting approach of the Ability to Repay (ATR) will primarily discourage low-cost lenders, but not payday lenders -- that are willing to pass along higher costs to borrowers and absorb the higher compliance costs. To mitigate this circumstance, CDBA strongly encourages the CFPB to include several exemptions that will allow responsible lenders to offer lower-cost small loans without incurring undue regulatory risk and compliance burden and costs:

1. Low Cost Loan Exemption: We support the proposed rule’s exemption of loans that have APRs of 36% or less and terms longer than 45 days. Maintaining the availability of low cost small dollar loans is important for households of modest means to manage emergencies and inevitable ebbs-and-flows in income. We believe that the vast majority of small dollar loans made by CDFI banks will fall within this exemption.
2. Preserving Service for Customers with the Smallest Loans: CDFI banks are most concerned that some of their smallest loans could be inadvertently swept into the ATR requirements. CDFIs serving customers of modest means often extend “one-off” loans to accommodate emergency needs of existing customers under \$1,000 (and often less than \$500). A \$500 loan with a \$32 application fee, a moderate (10%) interest rate, and a 3 month (90 days) term yields an APR of 36.09%. This affordably priced loan will trigger ATR, but is far cry from a payday lender’s 400% APR. For banks to offer loans of a few hundred dollars, streamlined origination and compliance framework is needed.

CDFI Banks operate in communities that are most often targeted by payday lenders because households are more likely than higher income communities to be living

paycheck-to-paycheck. As such, CDFI banks have been on a front line in developing products to combat debt trap payday loans. See Attachment A for a sample of small dollar loan alternatives that are offered by CDBA members.

We recommend the following three exemptions that would assist responsible lenders in offering viable alternatives to payday loans:

- A. Low Volume Exemption: Most CDFI banks are small. As of Q2 2016, they range in size from \$25 million to \$2.7 billion in total assets (\$349 million average). As such, the volume of small dollar lending that many do is modest and may be a minimal source of revenue – but they do it as a courtesy for their customers. Many small lenders will not be able to bear the cost and risk of compliance under the ATR requirements. Despite their commitment to their communities, the proposed rule risks these institutions withdrawing from offer small loans.

To address this challenge, we recommend the CFPB create a low volume exemption. This recommendation is our highest priority recommendation. CDBA recommends that the CFPB exempt lenders from ATR if they originate less than 2,000 small dollar loans annually that would otherwise be classified as “covered” loans provided revenue from such loans do not exceed 10% of a lenders gross annual revenue for banks and credit unions under \$10 billion in assets. Generally, this provision would allow most CDFI bankers to continue with their current small dollar product offerings and would be straightforward and practical to implement.

- B. Affordable Payment Exemption: As a complement to the low volume exemption, we support a streamlined compliance option that will allow lenders to extend affordable credit at a larger scale and provide real alternatives to payday products in their communities. Specifically, we support the “5 percent payment-to-income alternative” that was outlined in the CFPB’s 2015 proposal at 81 FR 48040. Under this alternative, small installment loans would be exempt from ATR if: (1) they are for a term ranging from 46 days to 6 months; and (2) monthly payments do not exceed 5 percent of a borrower’s monthly income. As outlined by the CFPB, this alternative would provide a streamlined compliance option for formalized small loan programs. We support this proposal, but believe it could be improved by: (1) eliminating the two loan limit per borrower -- lest it create incentives for borrowers exceeding two loans to seek high-cost payday loans from non-responsible providers; (2) allowing lenders to report these loans to a credit bureau on a monthly basis (versus the CFPB’s proposed real time database); and (3) offering the option of setting payments using the up to 5 percent payment-to-income ratio or the use of deposits as evidence of income with payments set at 6% of net deposits.

3. Innovation Exemption: Residents of low income communities are among the consumers with the greatest need for affordable and responsible financial services alternatives. These communities and their residents are the focus of CDFI banks. The “secret sauce” of CDFI banks, however, has always been our ability to be flexible and craft sustainable products and services to meet the needs of our unique customers. The proposed rule, however, leaves little room for innovation for CDFI banks and other responsible lenders to experiment without regulatory risk. The proposed rule does not eliminate pay day lending; rather it curbs only the worst abuses. The way to eliminate the lure of fast high-cost payday loans is making better and affordable products available to outcompete payday, as well as regulate the worst abuses.

The intersection between regulation and responsible innovation is unclear. Responsible innovation in the financial services industry starts with a bank’s leadership to commit to solve a customer or business need, the courage to develop it, and the ability to build the capacity to launch and maintain it. The ability to test a product early in its development to understand customer demand and preferences is critical. Void of a safe place to experiment with real customers, a bank has to accept regulatory criticisms in the pursuit of the ultimate goal of safe-and-sound, responsible innovation.

For example, Sunrise Banks based in Minneapolis-St. Paul faced such challenges when creating its TrueConnect small dollar loan product. Offered as an employee benefit, TrueConnect revolutionizes the process for making responsible small loans to employees in cooperation with employers as an alternative to payday loans. Delivered via an online platform with an automated process, loans are affordable and payments are made as a paycheck deduction – similar to other benefits. Loans have a duration of one year and an interest rate of 24.99%. Sunrise began True Connect as a pilot with its own employees to learn how to improve its product, process, and technology. The initial review from regulatory agencies, however, significantly increased the cost and extended the time of product development while the product was still in its controlled pilot. Under the proposed CFPB rule, innovation will be hindered if providers do not have sufficient room to experiment without fear of regulatory action such, as was possible in the Sunrise and other banks efforts during their pilot phase (See Attachment).

CDBA recommends that the proposed rule include an innovation pilot program that would exempt good lenders from the ATR requirement. Entities certified as CDFIs should be automatically eligible to participate. The CFPB would develop criteria for selecting other participants. Program participants would be granted greater flexibility to develop alternative pricing models, loan structures, underwriting, partnerships or other product elements in order to create responsible, consumer friendly products that can scale up and provide real alternatives to payday loans. Program participants would be required to report to the CFPB on its innovations and participate in program evaluations. The CFPB would issue a “no action” letter to program participants for piloting innovative products. Under the pilot, a “no action” letter can be rescinded if a

participant fails to report or if the agency finds that the product(s) are harmful to customers.

CDBA strongly supports the efforts of the CFPB to protect consumers. The proposed rule, however, could discourage good lenders and reduce the amount of responsible credit that is available thus exacerbating the problem. We strongly encourage the CFPB to find ways to keep the good players in the markets. We also recognize that the economic needs that drive consumers to payday lenders will always remain.

CDFI banks and other responsible lenders need sufficient regulatory clarity and flexibility to develop high-quality responsible products. In 2013, the CFPB recognized the important role that CDFIs play in serving under-served communities and vulnerable populations when it exempted them from the Ability to Repay requirements of the Qualified Mortgage rule. We would fully support the CFPB extending the small dollar loan Ability to Repay exemption to CDFIs.

We strongly encourage the CFPB to find a way to balance the competing goals within its mandate to facilitate a robust marketplace of good choices for consumers. As a nation, we have seen what happens when low-income markets and vulnerable populations cannot access the banking system. Non-regulated predatory lenders and service providers will fill the gaps. As the last decade has demonstrated, the consequences are dire not only for LMI families and communities, but for the economy as a whole.

If you have any questions, please contact Jeannine Jacokes, CDBA Chief Executive Officer, at 202-689-8935 ext. 222 or jacokesj@pcgloanfund.org.

Thank you for considering our recommendations.

Sincerely,



Jeannine S. Jacokes
Chief Executive Officer

On behalf of the Membership of the Community Development Bankers Association

ABC Bank (Chicago, IL)
Albina Community Bank (Portland, OR)
Bank2 (Oklahoma City, OK)
Bank of Anguilla (Anguilla, MS)
Bank of Commerce (Greenwood, MS)
Bank of Kilmichael (Kilmichael, MS)

Bank of Lake Village (Lake Village AR)
Bank of Montgomery (Montgomery, LA)
Bank of Winona (Winona MS)
BankFirst Financial Services (Macon, MS)
BankPlus (Ridgeland, MS)
Beneficial State Bank (Oakland, CA)
Broadway Federal Bank (Los Angeles, CA)
Carver Federal Savings Bank (New York, NY)
Carver State Bank (Savannah, GA)
Central Bank of Kansas City (Kansas City, MO)
Citizens National Bank (Meridian, MS)
City First Bank of DC (Washington, DC)
City National Bank of New Jersey (Newark, NJ)
Community Bancshares of Mississippi (Brandon, MS)
Community Bank of the Bay (Oakland, CA)
Community Capital Bank of Virginia (Christiansburg, VA)
Cross Keys Bank (St. Joseph, LA)
Farmers & Merchants Bank (Baldwyn, MS)
First American International Bank (Brooklyn, NY)
First Eagle Bank (Chicago, IL)
First Independence Bank (Detroit, MI)
First Security Bank (Batesville, MS)
First SouthWest Bank (Alamosa, CO)
FNBC Bank (Ash Flat AR)
Guaranty Bank and Trust Company (Belzoni, MS)
Illinois Service Federal Savings and Loan Association (Chicago, IL)
Industrial Bank (Washington, DC)
International Bank of Chicago (Stone Park, IL)
Mechanics and Farmers Bank (Durham, NC)
Merchants and Planters Bank (Raymond, MS)
Metro Bank (Louisville, KY)
Mission National Bank (San Francisco, CA)
Mission Valley Bank (Sun Valley, CA)
Native American Bank (Denver, CO)
Neighborhood National Bank (National City, CA)
Noah Bank (Elkins Park, PA)
Northern Hancock Bank (Newell WV)
OneUnited Bank (Boston, MA)
Oxford University Bank (Oxford, MS)
Pan American Bank (Chicago, IL)
Peoples Bank (Mendenhall, MS)
Planters Bank and Trust (Indianola MS)
Priority One Bank (Magee MS)
Richland State Bank (Rayville LA)
RiverHills Bank (Port Gibson, MS)

Savoy Bank (New York NY)
Security Federal Bank (Aiken, SC)
Sycamore Bank (Senatobia MS)
Southern Bancorp (Little Rock, AR)
Spring Bank (Bronx, NY)
Start Community Bank (New Haven, CT)
State Bank & Trust Company (Greenwood, MS)
Sunrise Banks (St. Paul, MN)
The Bank of Vernon (Vernon, AL)
The Commercial Bank (DeKalb, MS)
The First, A National Banking Association (Hattiesburg, MS)
The Jefferson Bank (Greenville MS)
United Bank (Atmore, AL)
United Bank of Philadelphia (Philadelphia, PA)
Urban Partnership Bank (Chicago, IL)

Attachment A

Examples of Small Dollar Loan Products Offered by CDFI Banks or Piloted by CDFI Banks

CDBA offers the following examples of Small Dollar loan products currently offered by its members. Given the significant challenges faced by CDFI banks in combating the negative effects of predatory lenders on individuals and communities, it is important that the CFPB's small dollar rule allow responsible lenders to continue to offer their existing products, as well as sufficient flexibility for banks to experiment and develop products tailored to the needs of their local markets.

BankPlus – Based in rural Belzoni MS, has expanded to more than 60 locations across the state. BankPlus was one of the original 28 bank participants in the FDIC's landmark 2008 Small Dollar Loan Pilot Program. The bank's CreditPlus product was launched in 2008 as an alternative to high cost payday loans and check cashing services. To obtain a loan, customers must participate in a 3-hour financial literacy program. Borrowers with a credit score of 500-599 can qualify for a \$500 loan. Credit scores of 600 or above qualify for a \$1,000 loan. Half of the loan proceeds are deposited into a savings account that serves as collateral. The remainder is deposited into a checking account for immediate use. Borrowers with a credit score below 500 or those with no credit score can qualify for the \$500 Credit Builder loan where all proceeds are deposited into the savings account. The interest rate is 5% fixed. No fees are charged.

From 2008 thru August 2016, BankPlus originated more than 25,000 CreditPlus loans totaling \$18.8 million. Among 18,803 loans recently analyzed, 10,170 were to customers with only one CreditPlus loan while 8,600 were to customers with more than one loan. Among the latter group of customers, more than 51% increased their credit scores by an average of 47 points between the two loans. Nearly 16% of all CreditPlus participants had no credit score when they entered the program – meaning the program is reaching a key un- or underbanked market segment and enabling them to establish a credit history. Further, nearly 500 customers had a credit score of 620 or higher upon applying for their second CreditPlus loan. This score is a critical threshold required by the secondary market for those seeking mortgage financing to purchase a home. Approximately 32% decreased their score between the two loans and 1% reported no change in credit score. To date, approximately one-fourth of CreditPlus loans have been charged off which translates into 8% of total loan dollars (after capturing savings accounts held as collateral, payments received and/or recoveries).

Building on the success of this product, the CreditPlus Auto loan was created for customers completing two CreditPlus loans. The CreditPlus Auto product has the same underwriting terms as other BankPlus Auto loans, except that the interest rate is capped at 7.5% and customers are given 60 days before the first payment is due. Launched in late 2014, 28 loans totaling \$318,283.15 (average \$11,36) have been made. Borrower average credit score for these loans is 596 and the average interest rate is 7.092%.

Beneficial State Bank: In 2011, Beneficial State Bank of Oakland, CA launched a pilot of the "PAL Loan," a product designed to meet underserved customers' short-term cash needs. The PAL loan was offered as an employee assistance benefit through partner employers. Positioned to provide an alternative to and compete against online and brick and mortar payday and cash advance providers, loans of \$750 to \$1,000 were made available for a term of 9-12 months at an 18-22% interest rate, generating with the fee of \$35 upon loan approval, an APR of 25-29%. By comparison at the time, one million Californians took out payday loans annually paying \$450 million in loan fees with an average APR of 459%. The PAL

product did not allow rollovers and all fees were clearly disclosed at the time of application. Loan decisions were made upon income verification completed in one to three days following application. The PAL loan program pilot ran from 2011-2013, gathering data across 1,163 loans and over \$1.1 million loaned. This experience and data provided critical insights for BSB's next pilots in safe and affordable credit for low-to-moderate, small dollar borrowers.

First Eagle Bank's Credit Builder Program; launched in 2012 is a combination low-interest loan and savings program that helps a customer establish a good payment history, an important step in building a higher credit score. Operating in the City of Chicago and surrounding areas, First Eagle serves neighborhoods that have been hit hard by the recession. The Bank has always taken an active role in its community and is committed to providing credit, capital, and financial services to underserved communities.

Customers can borrow from \$250 to \$2,500 for 12, 18 or 24 months at a 5% APR. No fees are charged and no credit score is needed to participate. The money borrowed is placed in a Savings Account at the bank that earns interest. When the customer makes a final payment, they can withdraw the money or leave it invested. By the end of the Credit Builder loan, customers typically see an improved credit score (based on payment history) and they have a jump start on savings. In 2015, First Eagle Bank booked a total of forty (40) loans with the aggregate balance of \$30,250. A total of forty-nine (49) loans were paid off during 2015.

Guaranty Bank has developed two small dollar loan products to help customers build credit history and access credit in the heart of the rural Mississippi Delta. Both programs require completion of a series of financial literacy classes.

New Horizon Saving Deposit Loan is a credit builder product. Loans are available from \$500 to \$2,000 with an interest rate of 6% for a term of 12-24 months. A maximum debt-to-income ratio of 45% is required. Funds borrowed are deposited in the customer's bank account and held as collateral. If a customer does not have a bank account, a New Horizon account is created with no minimum balance required. When a customer makes a final loan payment, they can withdraw the funds. Over the term of the loan they are building their credit score and history.

New Horizon Small Dollar Loan is available to meet immediate household needs. Loans are available from \$500 to \$2,000 with an interest rate of 13% for a term of 9-24 months. A maximum debt-to-income ratio of 40% is required. A minimum credit score of 600 is required for loans above \$1,000. Customers without a credit score may be able to participate if all other program criteria are met. Half of borrowed funds are deposited in the customer's bank account as collateral and half is available for immediate use.

Over the past four years, 353 loans totaling \$421,612 have been originated, with a charge off rate of 5.96%. A total of 2,488 individuals have participated in financial literacy class and 1,772 (71%) completed the 5-week course. The total number of encounters for the classes held directly was 7,640 (total number of participants that attended each one of the classes). Of this group, 353 customers took out a New Horizon loan.

Guaranty led a state-wide effort in 2014 to organize other Mississippi based CDFI banks and non-profits to provide a credit building product – the SCORE product (Small-dollar, Credit, Overhaul, Repair, &

Elevate). The credit score minimum for this product is lower than the small dollar loan program. This product is only offered after successful completion of a 12-hour financial literacy training program held over a five-week period. To date, 18 banks have participated in the program. The total number of customers served amount all the banks is not known currently and this information is currently being collected.

Spring Bank: Based in the South Bronx and Harlem in New York City, Spring Bank was founded with a mission of providing financial services that were a responsive alternative to payday lenders and check cashing services. In 2014, Spring Bank launched two products focused as a payday alternative and to promote credit building.

The Borrow-And-Save Loan is available for \$1000 to \$1,500 at an interest rate of 16% for a term of 12 months. A \$20 application fee is charged to all applicants. At origination, loan proceeds are placed in a high yield savings account, of which 75% of the loan is available for immediate use while 25% is held in the savings account and available, with accumulated interest, when the loan is paid. The Borrow-and-Save loan is designed to provide affordable credit and encourage a regular savings plan. It also offers a financial alternative to the high-interest loans offered by non-bank providers. There is no minimum required credit score. Loans are underwritten on the ability to pay. Over the term of the loan, borrowers are establishing or improving their credit score and developing savings.

The Credit Builder Loan provides a way for customers to improve or establish a credit score. Customers can borrow from \$500 to \$1,500 at an interest rate of 8%. A \$20 application fee is charged to all applicants. There is no minimum required credit score. The money borrowed is placed in a savings account or CD at the bank. Over the term of the loan, the borrower makes monthly payments of principal and interest. At the end of the loan, all funds can be withdrawn. Customers have established and/or seen an improved credit score.

In 2015 Spring Bank launched the Employee Opportunity Loan.

The Employee Opportunity Loan (EOL) is a loan of up to \$2500 offered by Spring Bank in partnership with employers. There are currently 12 employers in the program and 6000 eligible employees. There is no minimum required credit score. Loans are underwritten on the ability to pay. Employees must be employed for one year to be eligible. Loan payments are transferred from payroll to a Spring Bank savings account, thus creating a simple mechanism for borrowers to continue to save after the loan is paid. The EOL provides both an alternative high cost products and a better borrowing option than dipping into retirement savings. This product is via a custom built on-line platform.

To date, the bank has served over 600 applicants, including 395 that received loans totaling \$719,000. The bank has originated 192 Employee Opportunity Loans, 107 Borrow and Save loans, 27 Credit Builder loans, and 67 Unsecured Consumer loans (these borrowers applied to Borrower and save, but were eligible for a loan at a lower rate based on good credit scores). The Bank refers all clients who cannot be funded to one of our financial counseling partners including Ariva which is co-located at the Bronx headquarters. The average annual income of these customers is \$28,000 and average credit score is below 600.

Sunrise Banks has a mission to be the most innovative bank empowering the underserved to achieve. Sunrise is consistently working to innovative and develop new low-cost products that are accessible to underserved individuals and communities.

In pursuit of this mission, Sunrise launched TrueConnect in 2014. TrueConnect is a small dollar installment loan targeted to low-and -moderate income individuals. TrueConnect is unique in that it is offered through an employer and works in tandem with a company's payroll system, allowing employees to make payments directly from their paycheck. TrueConnect is designed as a 12-month installment loan with payments of principal and interest and no fees. An individual can be approved for a loan amount of \$1,000, \$1,500, \$2,000 or \$3,000 capped at 8% of their wages to avoid excessive borrowing. TrueConnect is offered at 24.99% APR; the average payday loan APR is 400%.

To qualify for the loan, an individual must be employed at their current employer for at least 6 months. As the product does not require a credit check, it is available to individuals with blemished credit records or individuals with no credit record. The Bank reports payments back to the credit bureaus giving the individual the opportunity to build their credit. Sunrise offers financial budgeting and counseling through Financial Choice, a program available to all Sunrise Banks' customers. Participation in Financial Choice is not a requirement for a TrueConnect loan.

Sunrise initially tested the product with its own employees. The product has since been marketed to a variety of small business, nonprofits, and public sector institutions in order to increase access to responsible products and services that help improve the financial health of the underserved. Since the product's inception, Sunrise has funded 835 loans totaling over \$1.3 million. The average salary for borrowers is \$30,000 per year. While the product is still new, initial estimates of overall losses are 2.7%. As an example of usage, one nonprofit employer offering the product has had 10.7% of employees utilize a TrueConnect loan, totaling \$500,000 borrowed, with an average loan size of \$1,300 and average borrower salary of \$27,000. TrueConnect shows promise in helping individuals find an affordable and responsible way to meet immediate, unexpected needs for cash for common situations such as a medical bill or car repair.

Southern Bancorp is on a mission to ensure access to affordable capital in rural Arkansas and the Mississippi Delta. Southern offers an array of small consumer loans in markets that often lack access to traditional financial products.

Each year, Southern Bancorp originates approximately 6,000 loans and holds approximately 12,000 in its portfolio. Over 50% of its loans are for less than \$10,000. Many of those small loans are unsecured consumer loans with a typical amortization between 6 and 12 months and rates of less than 14%, keeping payments very affordable. The details of the bank's small dollar loan programs are outlined below:

Credit Builder CD Loan assists customers build or repair credit. Loans are available from \$500 to \$1,000 at an interest rate of 5.7% for 12 months, of which half is deposited into an interest-bearing CD. Borrowers make payments, which are reported to the major credit bureaus until the loan is paid-off. Once the loan is paid off, the customer not only has a higher credit score, but has established a savings account. Southern has made 340 Credit Builder loans. Working with Southern's financial counselors, borrowers have increased credit scores by an average of 59 points.

Teacher Certification Loan product was launched to retain high quality classroom teachers and boost teachers' professional achievements. Loans of up to \$2,500 at 5% for 5 months are available to cover costs associated with National Board Certification (the highest standard for teachers). With certification, teachers with modest income can improve their average salaries by 16%. To date, Southern has made 12 Teacher Certification Loans totaling \$30,960.

Debt Consolidation Loans are available to help customers escape from high cost lending traps and credit card debt. In 2014, Southern served 166 people with debt consolidation loans averaging \$4,100 and 88 loans for medical expenses which averaged \$3,300. The average interest rate on this product is 7.8% with an average term of 18 months.

Auto Loans are available as an alternative to high priced auto dealer financing that often charge rates comparable to payday lenders, as compared to an average interest rate of 8.6% offered by the bank. Southern's 234 vehicle loans averaged just over \$5,000 each (2014) for an average term of 24 months.

Fresh Start Loan assists customers with overdrawn checking accounts by helping them gradually repay the overdrawn amount, and by returning their account to current status. Southern made nearly 300 Fresh Start loans in 2014 at an average rate of 0% for a term of 9 months.

Southern Bancorp recently also launched a small dollar loan pilot (currently testing with Southern employees only) focused on automation of the loan origination, funding and repayment process. Loan amounts are based on payroll (loan amount of \$250, \$500 and \$1,000 may not exceed borrower's two-week payroll amount), payments are based on a 12-month amortization and an interest rate of 16.99%. Online application process takes only a few minutes and the loan is instantly funded in the employee's account. Payments are automatically withheld from paychecks, similar to other benefit payments such as health insurance premiums. The target audience for this product are payday loan borrowers and financial education is encouraged as a part of the borrower experience.

United Bank of Atmore, Alabama: Serving southwest Alabama and northwest Florida, the rural economy served by United Bank is based on agriculture and home grown businesses and has a median income in 2013 of 58% of the Alabama statewide median and 48% of the United States median income. The bank launched its Credit Advantage Small Dollar Loan Program in May 2014 to encourage savings, educate customers with modest incomes about how to improve their personal finances, and serve as an alternative to high cost non-bank providers.

Credit Advantage loans are available for amounts of \$500 to \$2,000, of which half is placed in a CD as collateral. The CD is held as collateral for the term of the loan – but a hardship withdrawal waiver will be considered on a case-by-case basis for emergencies. Terms are available for 12, 18 and 24 months at a 10% interest rate. Fees are not charged on the account. The account is available for customers with credit scores up to 625, a maximum debt-to-income ratio of 47%. Customers with no credit score are eligible for \$500. To receive a second loan, customers must complete a financial education course conducted by Consumer Credit Counseling Services of Mobile. Customers may receive up to 3 Credit Advantage Loans.

The bank has originated 317 Credit Advantage loans totaling \$469,980. The average income of customers is \$28,310 and average household size is 2.55 people. Incomes range from \$8,000-\$65,000.

Given the early stage of the program, no data on credit score improvements are available. The annual charge off rate is 20.67%.

Urban Partnership Bank, which serves distressed communities in Chicago and Detroit, offers two secured Certificate of Deposit products that allow customers to access “next day” funds – a Consumer Installment Loan and a line of credit.

UPB Consumer Installment loan is available in amounts of \$1,000 to \$50,000 at an interest rate of 3.0 – 3.75% for up to 5 years. Payments are fully amortizing. All borrowed funds are deposited in the customer’s bank account as collateral and is available for immediate use.

UPB CD Secured Line of Credit is available in amounts of \$1,000 to \$250,000 (depending on credit limit) at a variable interest rate with interest only payments. All borrowed funds are deposited in the customer’s bank account as collateral and is available for immediate use. Interest rates are index based on the prime rate and capped at prime. A customer can pay down the principal and draw down new funds throughout the term of the loan.

No credit scores are required and no fees are charged for either product. Financial literacy workshops are available to all customers, but not required. To date, the two products have served 34 customers. All of the customers have borrowed \$30,000 or less. 29 customers have borrowed \$10,000 or below (17 were \$5,000 or below, and 11 were \$1,000 or below).