

Small-Dollar Credit – The Demand Side

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FDIC Committee on Economic Inclusion

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Who uses SDC?

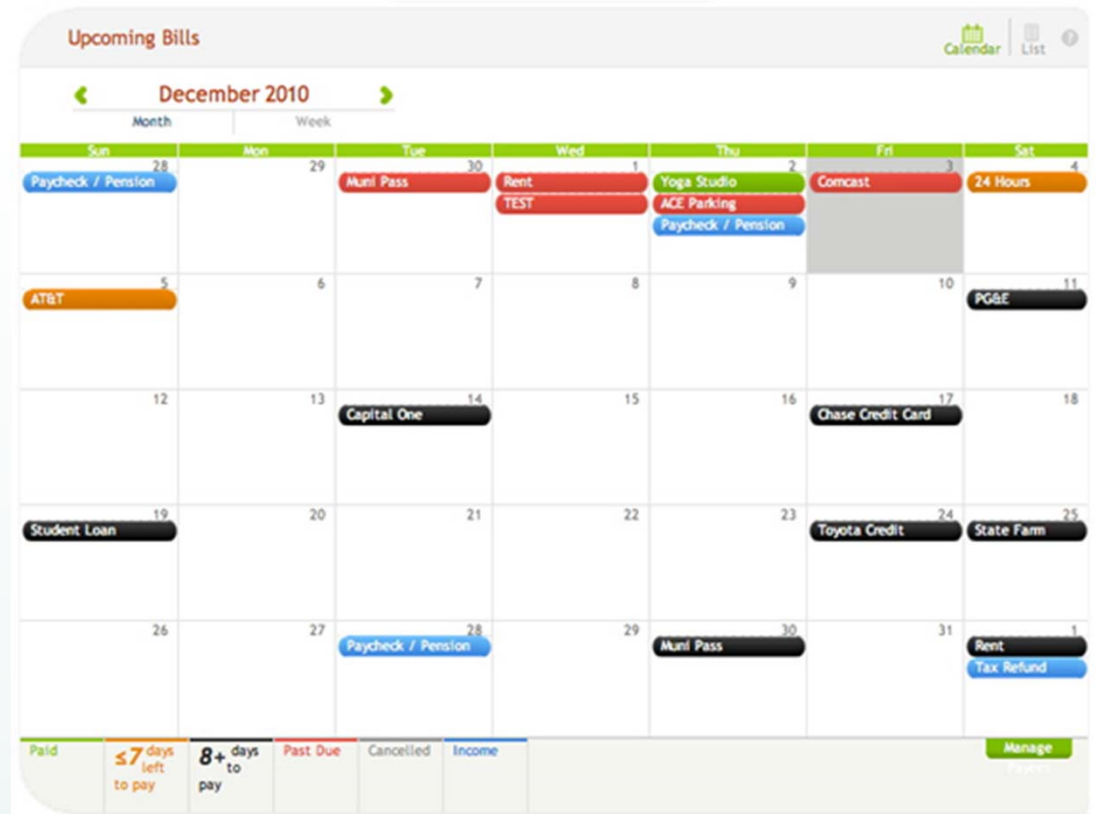


32%



Unexpected
Expense

Who uses SDC?



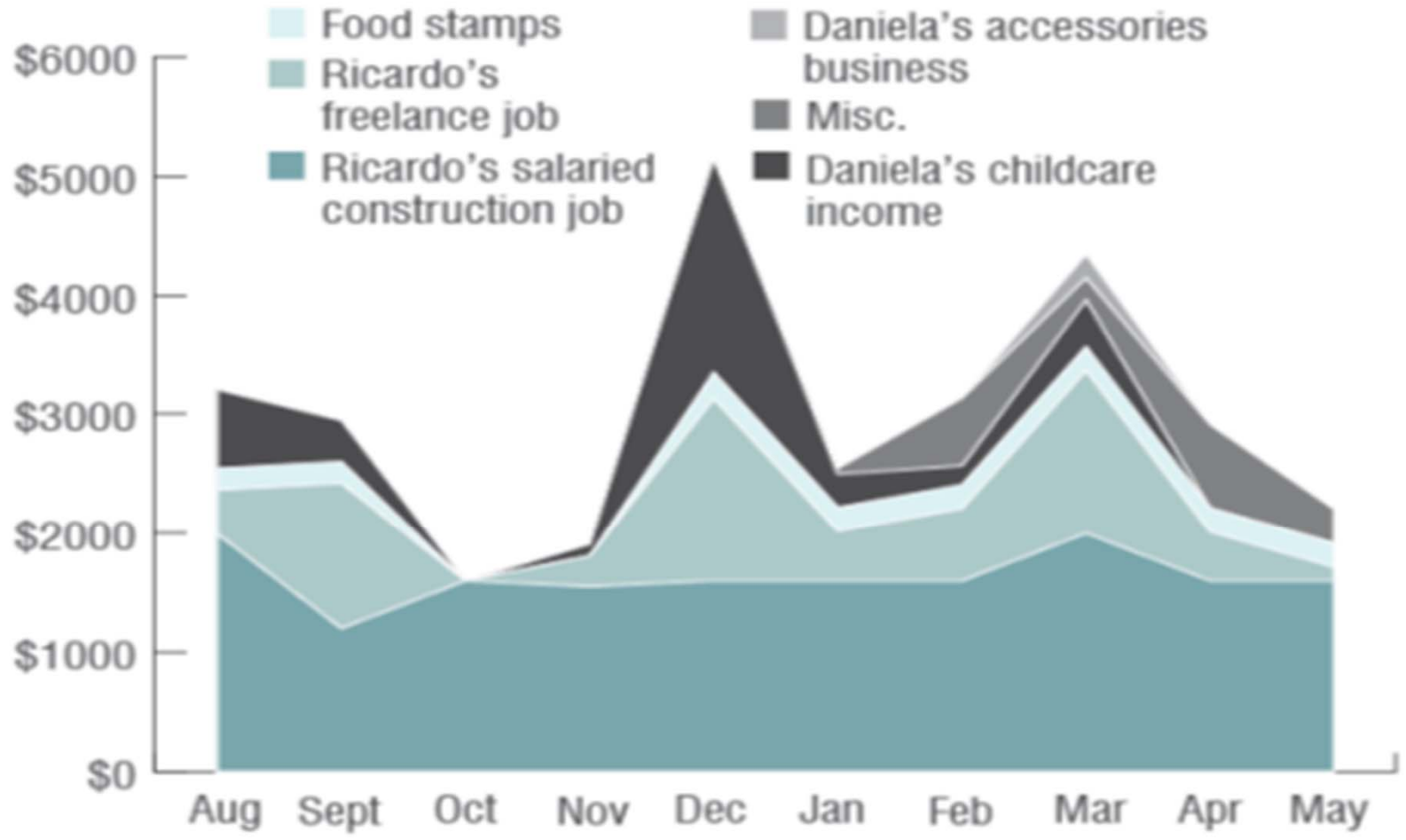
32%



Misaligned
Cash Flow

Income volatility within a family. . . .

FIGURE 2: The Garzas' Income Sources³



Who uses SDC?



9%



Planned
Purchase

Who uses SDC?



30%



Exceeding
Income

Overview of CFSI's SDC research

- Funded by the Ford Foundation
- SDC Consumer Datasets
- US Financial Diaries

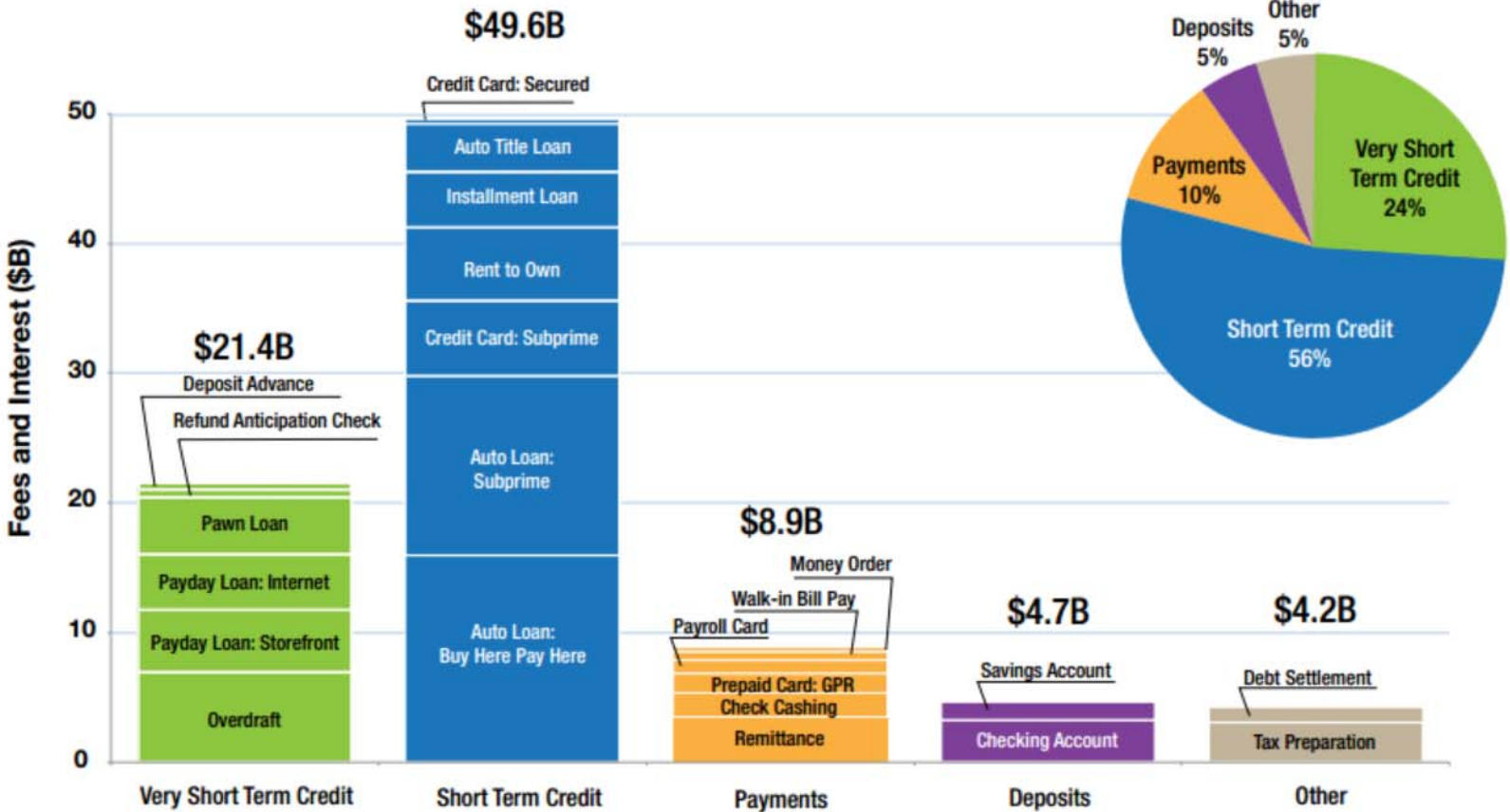
| Study | Sample | Consumer Source | Research Partners | Research Dates |
|----------------------------------|---|---|--|----------------|
| 1. Quantitative Survey | 1,100+ SDC consumers (payday, pawn, deposit advance, installment, auto title loans) | GfK KnowledgePanel (nationally representative online panel) | Rourke O'Brien (Princeton) | January 2012 |
| 2. Qualitative Interviews | 31 SDC consumers via individual IDs | Regions Ready Advance (AL); Progreso Financiero (CA); ZestCash (KS) | Jennie Romich (University of Washington) | May-Sept 2012 |

SDC Research Agenda:

- “A Complex Portrait: An Examination of Small-Dollar Credit Consumers” (Aug 2012)
- “Know Your Borrower: A Needs Analysis of Small-Dollar Credit Consumers” (Nov 2013)

Market sizing

Financially Underserved Market Revenue: \$89 Billion



Category Descriptions:

Loan products with terms of one month or less and typically due in a lump sum payment

Loan products that function on an installment basis with terms from several months to several years or as a revolving line

Products that enable consumers to send funds or transact and convert funds into other forms such as electronic payments

Traditional bank depository products

Other consumer financial services

About CFSI

The Center for Financial Services Innovation is the authority on consumer financial health, leading a network of financial services innovators committed to building better consumer products and practices.

Using our Compass Principles as a framework for quality, we:

Connect

We foster dialogue and collaboration through CFSI events and networking opportunities.

Inform

We provide deep consumer insights and industry research.

Innovate

We seed and test promising new ideas.

Advise

We offer consulting services to both for-profit and nonprofit providers.

The Compass Principles

Embrace Inclusion

Responsibly expand access financial services

Build Trust

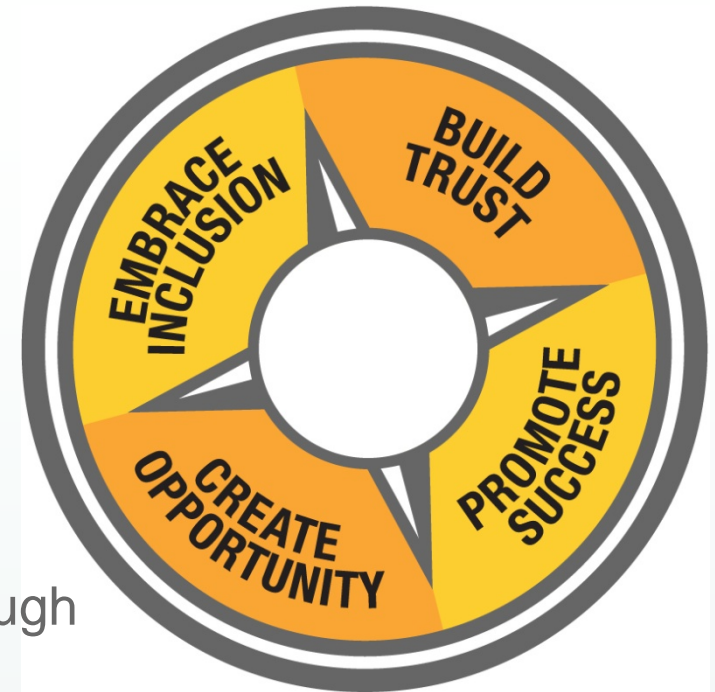
Develop mutually beneficial products that deliver clear and consistent value

Promote Success

Drive positive consumer behavior through smart design and communication

Create Opportunity

Provide options for upward mobility



These principles are grounded by a solid foundation of values:

Profitability and Scalability • Deep Customer Knowledge • Safety
Variation and Choice • Relationships • Cross-Sector Participation

Compass Guide to SDC

1. Made with a high confidence in the borrower's ability to repay
2. Structured to support repayment
3. Priced to align profitability for the provider with success for the borrower
4. Creates opportunities for upward mobility and greater financial health
5. Has transparent marketing, communications, and disclosures
6. Accessible and convenient
7. Provides support and rights for borrowers



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Links

A Complex Portrait: An Examination of Small-Dollar Credit Consumers
(<http://www.cfsinnovation.com/system/files/A%20Complex%20Portrait-%20An%20Examination%20of%20Small-Dollar%20Credit%20Consumers.pdf>)

Know Your Borrower: A Needs Analysis of Small-Dollar Credit Consumers
http://www.cfsinnovation.com/CFSI_KnowYourBorrower.pdf

Know Your Borrower Info-Graphic
http://www.cfsinnovation.com/RES_Ford_SDC_Need_CasesInfographic_1-24-2013.pdf

Compass Guide to Small Dollar Credit
<http://cfsinnovation.s3.amazonaws.com/CompassGuideToSDC.pdf>



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