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**Sent:** Wednesday, January 09, 2019 12:45 PM  
**To:** Comments  
**Subject:** Response to: RIN 3064-ZA04

1. To what extent is there an unmet consumer demand for small-dollar credit products offered by banks?

Based on our 5 years of experience in the small-dollar loan market, there is significant unmet consumer demand for small dollar loans offered by banks, especially for those consumers with no credit scores or poor credit. They have limited or no access to bank-based credit and as a result are the most vulnerable to high-cost loans from state-licensed consumer finance companies.

2. To what extent do banks currently offer small-dollar credit products to meet consumer demand?

Very few banks offer small-dollar credit products at all; even fewer make them available to those who need them the most - consumers with no credit scores or poor credit scores.

3. To what extent and in what ways do entities outside the banking sector currently satisfy the consumer demand for small-dollar credit products?

Unfortunately, there are many unsavory lenders - state-licensed consumer finance companies in particular, who are more than happy to supply the consumer demand with their loan offers. However, these loans can make the consumer worse off than they were before, and do little to help transition the consumer to better, safer loans from banks.

4. What data, information, or other factors should the FDIC consider in assessing the consumer demand for small-dollar credit products?

The FDIC should look at how strongly consumers respond when offered a small dollar loan option provided by a bank, especially those consumers with no credit scores or poor credit. Our TrueConnect loan program is offered as an employee benefit program to employers across the United States. Loans are made by a federal bank to consumers, which are repaid by small payroll deductions over a 1-year term. No credit score is used in the application process, but payments by payroll deduction are reported to the credit agencies to help consumers restore or establish a positive credit history.

We participated in the FDIC's Small Dollar Loan Pilot Program years ago, and shared our employer-based model to the FDIC. Our program has grown substantially since then, and consumer demand for our solution has been strong.

Benefits and Risks 5. What are the potential benefits and risks to banks associated with offering responsible, prudently underwritten small-dollar credit products?

Most banks seem to be concerned that traditional lending models don't work well for small-dollar loans, especially to higher-risk consumers who have no credit scores or poor credit. They rightfully worry that the costs of underwriting and collecting these loans will far outweigh the potential interest or fee revenue they can collect.

That's why TrueConnect created a new model structured as an employee benefit program. By re-inventing how small dollar lending is done, we enable banks to make small dollar loans that are good for consumers while sustainable for the lender.

6. What are the potential benefits and risks to consumers associated with bank-offered small-dollar credit products?

Consumers with no credit scores or poor credit often feel separated from the banking world. They live in the financial world of payday loans, car title loans, and other state-licensed consumer finance credit. They stay there because to establish a positive credit history or to restore a bad credit history is to qualify for a loan and show that you can pay it back. But if you can't qualify for a bank loan, you can't prove that you will pay it back responsibly and restore your credit.

With TrueConnect, employees can qualify for a bank loan and have their payments by payroll deduction reported to the credit agencies to help them rebuild or establish a positive credit history. The goal is to reconnect them to the world of the banked by enabling a bank-offered small-dollar credit product structured as an employee benefit program through their employer.

7. What are the key ways that banks offering small-dollar loan products should manage or mitigate risks for banks and risks for consumers?

Banks should focus on proven business models, like TrueConnect, that will allow them to offer small-dollar loan products in a scalable way while reducing risk to their insured deposits. We would be happy to help other banks accomplish those goals.

8. What are the potential benefits and risks related to banks partnering with third parties to offer small-dollar credit?

The potential benefit is to be able to serve customers that they would not be able to reach with traditional banking products and services; to help transition the roughly 20% of the population that is credit-challenged and living in the consumer finance world back into the banking world. That would dramatically increase the potential future customer base of the banking industry.

The risk is to choose third parties wisely - ones that understand compliance and are focused on lifting up consumers who are most at risk, rather than taking advantage of them. There are a lot of consumer finance companies and fintechs with models to make loans to traditionally underbanked populations, but many of them are not beneficial to the consumer and are not helping them to transition out of the consumer finance model back into the traditional banking world. It is not helpful to consumers to have banks simply providing funding or infrastructure to

third party lenders or platforms that simply want to continue taking advantage of consumers. Banks have a special role in the financial world, and a special responsibility as a result.

9. What steps could the FDIC take, consistent with its statutory authority, to encourage banks to develop and offer responsible, prudently underwritten small-dollar credit products?

We do not need the FDIC to change the law to enable banks to work with TrueConnect to serve consumers. Our model has been working well for years, and is growing substantially. The FDIC could, however, continue in its leadership role to drive awareness and visibility to programs like TrueConnect, to help banks understand models that do work and are working. They can make their own business decisions whether these are customers they want to serve. Also, providing some guidance as to what constitutes a "responsible" small dollar loan product vs an irresponsible small dollar loan product. Just because a fintech or third party lender is making small dollar loans, it does not mean their model is helpful to consumers. Banks funding traditional payday or car title lenders doesn't help solve the problem. Getting banks connected to solutions that are helping transition consumers from consumer finance credit to the banking world is where the FDIC could focus its efforts.

Challenges 10. Are there any legal, regulatory, or supervisory factors that prevent, restrict, discourage, or disincite banks from offering small-dollar credit product. If so, please explain.

We are not aware of any barriers that are affecting TrueConnect's growth. But helping more banks become aware of the TrueConnect model and how they can leverage it to reach customers would be a helpful role for the FDIC.

11. Are there any operational, economic, marketplace, or other factors that prevent, restrict, discourage, or disincentivize banks from offering small-dollar credit products? If so, please explain.

The general marketplace generally does not understand consumer finance. Those who specialize in the small-dollar credit space understand that making a short term \$1000 loan available to people with no credit scores at 24.99% APR is a VERY affordable price; but for people who only understand interest rates in the context of a 4% APR mortgage payment, it seems like a high interest rate.

Similarly, we have seen and heard small dollar lenders say things like "We don't have to disclose an APR because our loan term is only 5 months long, not a full year". This is obviously not true, but only those who are experienced in the small dollar credit world understand how disclosures are supposed to work. The FDIC can continue to use its role to help educate and inform the public and the marketplace on these kinds of issues.

12. What factors may discourage consumers from seeking responsible, prudently underwritten small-dollar credit products offered by banks?

In our experience, requiring credit scores in the application process is a huge disincentive for many consumers. Even if a bank is trying to prudently underwrite their loans, and make them accessible to people with poor credit or no credit scores, consumers are scared. Their personal experience is that a credit check will disqualify them for credit and further harm the poor credit they already have. That is why many of them gravitate toward products that do not use a credit check - like payday or car title loans - even though they understand that they are very expensive.

With TrueConnect we are able to facilitate a responsible small dollar loan from a federal bank to consumers without using a credit score. That is why consumers have really supported our product and our program.

Product Features 13. Are there specific product features or characteristics of small-dollar loan products that are key to meeting the credit needs of consumers while maintaining prudent underwriting?

No credit score check. Fast and easy loan experience. Easy to comfortably repay. These are the keys.

14. Are there specific product features or characteristics that are key to ensuring the economic viability to a bank of responsible, prudently underwritten small-dollar credit products?

With TrueConnect, we are able to structure our small dollar loan program as an employee benefit program through the borrower's employer - at no cost or financial risk to the employer. Our patented model helps keep the program responsible for borrowers, while still being sustainable and scalable for the lender.

Innovation 15. How can technology improve the ability of banks to offer responsible, prudently underwritten small-dollar loan products in a sustainable and cost effective manner? Please specify the technology or technologies and the use case(s).

TrueConnect's patented employee benefit program has automated the loan experience for the consumer and for the lender. This removes a lot of the cost and risk that small-dollar lending has traditionally experienced. Our technology and automation allows the program to scale quickly to large volume, which helps us reach more consumers in need and makes the program more sustainable and cost-effective for the lender.

16. Are there innovations that might enable banks to better assess the creditworthiness of potential small-dollar loan borrowers with limited or no credit records with a nationwide credit reporting agency?

With TrueConnect, banks don't need to find those consumers. Those consumers find us; and if their employer agrees to offer the program - at no cost or financial risk to the employer - consumers can get the help they need.

17. What role should the FDIC play, if any, in supporting innovations that enhance banks' abilities to offer responsible, prudently underwritten small-dollar loans? Are there specific barriers that prevent banks from implementing such technologies or innovations?

Continuing to drive awareness and visibility of proven models like TrueConnect will help banks understand how to reach small-dollar loan consumers effectively and responsibly. We stand by to help the FDIC do that.

18. How can technology be leveraged to improve consumers' experiences and reduce potential risks to consumers associated with small-dollar credit products?

Again, TrueConnect's patented employer-offered, automated loan model help consumers access affordable credit they need quickly in times of need, but with terms that are responsible and affordable.

Alternatives 19. What other products and services that supplement or complement small-dollar credit offerings should banks consider? Are there other ways that banks can help consumers address cashflow imbalances, unexpected expenses, or income volatility besides small-dollar credit products?

TrueConnect is available to them. We're here to work with them.

Other 20. Are there any distinguishing characteristics of particular institutions, such as a bank's size, complexity, or business model, that the FDIC should consider, and if so how?

No.

21. Please provide any other comments or information that would be useful for the FDIC to consider.

We are happy to supply additional information about the TrueConnect program that the FDIC is interested in learning about. Thank you.

Doug

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To schedule an appointment to learn more about TrueConnect, click [here](#)