From: Howard Porter [mailto:howard@tccapital.org]
Sent: Tuesday, January 22, 2019 6:05 PM
To: Comments
Subject: November 20, 2018 - Request for Information on Small-Dollar Lending; Comment Request (RIN 3064–ZA04)

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

Potential benefits related to banks partnering with third parties to offer small-dollar credit. The small-dollar credit market is a multi-billion industry. Since banks have generally withdrawn from this market, a variety of alternative lenders have stepped in sometimes offering predatory financial products such as payday, auto title, tax return anticipation, pawn shop loans and others. Another trend is fin-tech online loans which may be lower priced and sometimes provide working opportunities with banks. Also, there are a few non-profit driven models charging prices similar to credit card cash advances when borrowers have jobs and agree to loan repayment through payroll deduction. I am program manager of one of these lenders-the Community Loan Center (CLC).

Founded in 2011 by the Rio Grande Valley Multi Bank in Brownsville, Texas the CLC loan program is an affordable, employer-driven small-dollar loan program. Borrowers must be employed by an employer who agrees to verify a borrower's employment and allow the employee to repay their CLC loan through payroll deduction. All CLC loans are made online. This results in a lower rate of delinquencies and lower costs to the lender. Instead of charging 300-500% interest like many payday loans, CLC loans are priced at 18% interest plus a $20 origination fee. CLC loans are closed-end installment loans with a one-year term, with no collateral required and with no pre-payment penalties. Also, CLC borrowers are offered free, no-obligation financial education modules to help them better manage their money and avoid expensive loans in the future.

The CLC loan program now has 18 local lenders across several states. Since inception, this network has made over 46,000 loans for over $43,000,000 with a three year loan loss rate of 4.2%. Lenders don't have to be non-profit organizations, although most lenders are non-profits. One new lender offering CLC loans to customers is a regional commercial bank.

CLC local lenders require additional loan capital at affordable rates from banks or other investors. Working with an alternate non-profit lender such as the CLC can help banks meet their CRA lending, investment and service obligations. Since CLC borrowers are required to have deposit accounts at a bank or credit union where their loan proceeds are deposited, this creates an opportunity for banks to offer innovative new customer bank accounts and other products to unbanked local workers. As a result, these new customers may become customers for more conventional bank products and services.

Finally, banks can also become local CLC small-dollar lenders and use the CLC software and loan funding and loan servicing to operate their own Community Loan Center.

The risks in lending to smaller organization s require careful underwriting and monitoring. As a capital lender, banks could augment the lending risks with careful underwriting, taking a security position on the borrower's various assets as needed.

--
Howard Porter
Program Manager
Texas Community Capital/ Community Loan Center of America
512.916.0508