From: Lanette Marcum [mailto:LMarcum@glacierbancorp.com]
Sent: Wednesday, November 14, 2018 4:11 PM
To: Comments
Subject: RIN 3064-ZA04

I am responding to your request for information regarding Small Dollar Lending. Perhaps there are other alternatives that banks can offer to participate in besides making the small dollar loans themselves.

A few years ago, as the CRA Officer for our bank, I was approached by one non-profit asking in desperation for the Bank to provide some sort of small dollar lending program that would enable their clients to break free of the pay-day lending traps they were in – most of their clients were 1 paycheck away from being homeless because of the pay-day lending traps and they felt they had no alternatives. None of the banks wanted to make small dollar loans. I could see the frustration they had over the vicious cycle that their clients were engulfed in and what it was doing to their families and to them as individuals. As a former Credit Administrator myself, I understood the lack of profitability for the bank in making such loans, the perceived risk and that these types of loans would be time consuming. Nonetheless, I did some research and consulted with Bank management regarding the development of a small dollar loan program. After some discussion, the request was denied for the same reasons I knew would be their concerns. I knew there had to be something we could do to help these people so I continued to think about it. We already offered a "credit builder" small dollar loan program, but it would not fit the needs for these individuals. The "credit builder" product allowed individuals to borrow small loan amounts, place them in savings accounts that were collateral for the loan, and when the loan paid off, they received the funds and they built their credit files. That type of program would not cover the emergencies or immediate needs of the group we were trying to help get out of pay-day lending cycles.

In my CRA related work, I had worked with another non-profit that made META loans. I approached them and asked them if they would be interested in also providing small dollar consumer loans. They jumped at the opportunity. They had discovered that the META loans they provided was only part of the solution to their clients problems; most of their clients also needed consumer loans but did not qualify for traditional bank credit. Many of them had used car loans with horribly high rates from unscrupulous car dealers and were also trapped in a pay-day lending cycle. They thought this solution would be perfect to help their clients and the clients of other non-profit organizations that have similar issues.

So I went back to my bank and suggested that we help this non-profit develop the small dollar loan program, with us providing Community Development grants monies to fund a loan pool. In addition to funding a loan pool, we would help them learn consumer lending, write their policies and procedures, provide regulatory training and support. The request was approved. Since I was also the Compliance Officer of the Bank, I did much of these functions myself. I also worked with the non-profit to help them get their consumer lending license approved, select the software and audited their test loans. We also offered some of our loan officers to help with technical lending needs and credit counseling, and one of our branches that happened to be across the street from the organization would help them process the payments. We worked with this non-profit for 2 years to get this program off the ground.

I went back to the original non-profit that had asked for help and told them what we were doing. They pledged they would raise money to help fund the loan pool because they were so excited that there would be an alternative they could offer their clients. I also promised to help promote this new avenue to the other banks in the area so they could contribute to the loan pool fund. That was where I ran into the problems. Several of the larger banks said they would not contribute to a loan pool fund – it was against their "policies". Some of the smaller banks didn't want to contribute until it was off the ground and proved it was running effectively, and then it would only be a small amount. The goal of the non-profit was not to make money; although they would charge interest, it would all go back into the pool. We would continue to offer technical support for regulatory training and audit their loans for them. The non-profit would take the applications, make the decisions utilizing the underwriting of their software, fund the loans, collect the loans, etc. It was their loan, not ours, so it eliminated our "risk" as a bank, but we were able to help in other Community Development aspects such as the providing financial expertise training and funding for the loan pool. The director for the first non-profit organization mentioned became very ill with cancer and things came to a screeching halt with the organization just scrambling to pick up the pieces let alone raise any money for their loan pool. So, our bank was the only source of funding for the program. It doesn't take long to use up that loan pool when there is only one contributing source.

I'm not directly involved in the program anymore because of a change in my position with the bank, but I think if more banks worked together with other community organization to provide this type of collaborative service, it would be an alternative to doing the small dollar loans ourselves, and it would meet the needs with a viable solution that benefits the entire community.