



St. Louis Community
Credit Union

Welcome to the community.



St. Louis Community Credit Union

- Not-For-Profit Financial Cooperative
- \$250 Million in Total Assets
- Community Development Financial Institution (CDFI)
 - Designated by United States Treasury Department
- Low-Income Designated (LID) Credit Union
 - Designated by National Credit Union Administration





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How do you responsibly serve an economically distressed population that has limited or impaired credit and faces variability in income, while mitigating institutional risk?





Freedom “Payday Loan” Alternative

- **History**

- Launched in 2007 to fill mainstream market gap and to compete with traditional payday lenders

- **Market Need**

- St. Louis, like many urban footprints, has base of citizens that cannot make financial ends meet. Borrowers indicate that they use the loan for:
 - Recurring bills (i.e. utilities, gas, etc.)
 - Emergencies
 - Medicine and food





Freedom “Payday Loan” Alternative

- **Loan Features**

- \$500 line of credit
- 90-180 day repayment period
- 19%-27% APR and \$25-\$50 annual fee
- Mandatory 10% forced savings with each draw
 - Savings available when full balance is paid off

- **Marketing**

- SLCCU website, mailers, fliers, and word of mouth
- Our borrowers are the best promoters





Freedom “Payday Loan” Alternative

- **Underwriting**
 - Must have a checking account open and active for 90 days
 - Account must be in good standing
 - No negative balances
 - No returned items
 - No delinquencies on other loans
 - Once approved, borrower can immediately draw down from the line of credit





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Freedom “Payday Loan” Alternative

- **Current Portfolio**

- Approximately 5,200 open lines
 - SLCU has approximately 52,000 member-customers
- \$2.2 million in total balance for portfolio
- Loss rate in the mid-teens (fluctuates throughout the year)





Freedom “Payday Loan” Alternative

- **Processes and Lessons Learned**

- Automation is key

- Online and over-the-phone application process
- For underwriting, SLCCU utilizes an auto-decisioning program that can analyze the potential borrower’s account portfolio
- Online and automated phone tools make facilitating loan distribution cheaper and less taxing on staff time
- Auto-draft from checking or paycheck helps to mitigate loss





Freedom “Payday Loan” Alternative

- **Processes and Lessons Learned**

- Maximum limit for loan must be carefully analyzed and tailored to fit your market
- Pairing with financial education is important, but is not a successful strategy for people who have an immediate need
 - Mandatory financial education will be perceived as a barrier and discourage the borrower
 - Offering financial education as a supplemental service will likely be better received from borrowers





Freedom “Payday Loan” Alternative

- **Funding Partnerships**

- CDFI certified institutions/loan funds are able to apply for grants through the US Treasury Department
- Banks have a vested interest in working with organizations like SLCCU that offer these products by providing lines of credit to capitalize the portfolio and providing grant dollars for administrative/loan loss expenses
- Foundations are increasingly interested in the provision of these products





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Contact Information

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