OPPORTUNITYFINANCE NETWORK

Expanding Employer-Based Small Dollar Loan Programs and the CDFI Industry: **Learnings from the Knowledge Network**

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OFN.ORG

The Employer-Based Small Dollar Loan Knowledge Network (Knowledge Network) was operated and managed by Opportunity Finance Network (OFN) with the help of two Knowledge Partners: Center for Financial Services Innovation (CFSI) and the National Federation of Community Development Credit Unions (Federation). The Knowledge Network was made possible by the generous support of The Prudential Foundation.

About OFN

Opportunity Finance Network is the leading national network of community development financial institutions (CDFIs) investing in opportunities that benefit low-income, low-wealth, and other disinvested communities in the United States.

OFN's Members are performance-oriented, responsible community development banks, credit unions, loan funds, and venture capital funds. They operate in urban, rural, and Native communities across the country, spurring economic growth and job creation, and building stronger and healthier individuals, families, and neighborhoods.

About Center for Financial Services Innovation

CFSI is the authority on consumer financial health, leading a network of committed financial services innovators to build better consumer products and practices.

CFSI's mission is to improve the financial health of Americans, especially the underserved, by shaping a robust and innovative financial services marketplace with increased access to higher quality products and practices. Through CFSI's Compass Principles and proprietary research, insights, and events, CFSI informs, advises, and connects members of its network to seed the innovation that will transform the financial services landscape.

About National Federation of Community Development Credit Unions

The mission of the National Federation of Community Development Credit Unions is to help low- and moderate-income people and communities achieve financial independence through credit unions.

The Federation is a dynamic, growth-oriented association of credit unions that provide safe and responsible financial services to underserved communities. Since 1974, the Federation has been promoting financial inclusion by organizing, supporting, and investing in these community development credit unions (CDCUs), which specialize in serving populations with limited access to affordable financial services, including low-income wage earners, recent immigrants, and people with disabilities.

About The Prudential Foundation

The Prudential Foundation is a nonprofit corporation supported by The Prudential Insurance Company of America, an insurance subsidiary of Prudential Financial Inc. of the U.S. The Prudential Foundation advocates for systemic change focused on eliminating barriers to financial and social mobility in the areas of connecting people to quality jobs, building personal assets and transforming communities. As a strategic investor, the Foundation makes long-term commitments that yield tangible results through both grants and program-related investments.

Table of Contents

Executive Summary

During 2016, Opportunity Finance Network (OFN) convened an Employer-Based Small Dollar Loan Knowledge Network (Knowledge Network) of nine diverse mission-driven lenders offering employer-based small dollar loan products. OFN managed the Knowledge Network with the support of The Prudential Foundation and the valuable insights of two Knowledge Partners, Center for Financial Services Innovation and the National Federation of Community Development Credit Unions.

Through monthly conversations including online and in-person meetings, the Knowledge Network participants shared strategies and learned about common challenges. This paper details learnings from the Knowledge Network's discussions, organized in six areas: Marketing, Outreach, and Employer Engagement; Customer Experience; Technology; Financial Counseling; Impact and Outcomes; and Partnerships.

Key themes that emerged from the learnings are:

- Marketing and outreach, both to reach employers and to help eligible employees use the products, are a significant ongoing effort for the participants. At the end of the Knowledge Network's activities, nearly all participants identified "recruiting additional employer partners" as a high priority challenge.
- Keeping up with the speed with which predatory lenders can make lending decisions is a primary goal of many lenders' programs, and another continuing challenge.
- Financial counseling would benefit many users of the employer-based small dollar loan products, but participants struggle with encouraging borrowers to take advantage of the opportunities they offer in this area.
- Knowledge Network participants see a pressing need to better understand their products' impact on their borrowers and their communities; and to identify and secure resources that can help them do this research.
- Partnerships at the local and institutional level are critical for connecting with employers, and there is untapped potential in national partnerships.
- Among the small group of lenders in the group, there is significant variation in products and operational strategies.

This summary of the Knowledge Network discussions can help connect potential partners to these lenders in various ways. Community development financial institutions (CDFIs) can join with Knowledge Network participants to offer employer-based small dollar loans. Employers can learn more about the products and their benefits. Funders can understand how they can help lenders tackle the challenges of offering these products and strengthen financial resilience nationally.

Introduction: Employer-Based Small Dollar Loan Knowledge Network

American families are encountering increasing financial stress. Even working Americans lack confidence in their capacity to weather unexpected expenses. Research from the Center for Financial Services Innovation (CFSI) indicates that a majority of Americans do not have confidence in their own financial health. Forty-three percent describe themselves as struggling to pay bills and credit payments; 25 percent worry all the time about being able to meet monthly living expenses; and 83 percent of employees report at least some financial stress.

At the same time, the financial options available to people who need cash for unexpected expenses or to make ends meet are often high-cost payday lenders with effective annual percentage rates that can run to three digits, or rely on loan renewals that trap customers in a cycle of debt. Customers value the speed, convenience, and anonymity of these products, however, even when they may have other lower-cost options.

OFN, with several partners, has begun to explore the work of community-based lenders that offer innovative approaches to financing this market niche.

From the 2015 Wells Fargo NEXT Awards for Opportunity Finance, OFN and its NEXT Awards partners learned about several promising consumer finance strategies, including several strategies that focused on designing and expanding employer-based small dollar loan products. These loan products are typically offered by an employer as an employee benefit.

Through 2016, OFN convened an Employer-Based Small Dollar Loan Knowledge Network to focus on expanding and replicating employer-based small dollar loans. Small dollar loans offered by Knowledge Network participants provide an alternative to payday loans and other high-cost lenders that are predominant in communities underserved by traditional financial institutions. Offering small dollar loans through employers allows lenders to market to customers who have steady income. The employer partnership benefits the borrowers by streamlining application and repayment.

The goals of the Knowledge Network were to:

- Facilitate peer learning and sharing among CDFIs and similar mission-based institutions that are working to expand employer-based small dollar loan products.
- Identify challenges and barriers to product expansion, and develop opportunities and best practices to address challenges and facilitate expansion efforts.
- Identify opportunities for CDFIs that are not offering employer-based small dollar loans to partner with those that are to help replicate the product in underserved communities.

While all the members of the Knowledge Network offered this product, as a group there was significant variation among their approaches. This paper summarizes the strategies of the lenders in various aspects of offering employer-based small dollar loans, highlighting common themes and challenges as well as noting areas in which participants diverged. It is intended to present the learnings from the Knowledge Network and provide partners, researchers, and funders with understanding of the programs. CDFIs and other lending institutions that are interested in offering small dollar loans through employer partners can learn more about the Knowledge Network participants in Appendix II.

About the Knowledge Network and its Participants

The Knowledge Network included nine lending institutions: three community development banks, three community development credit unions, and three community development loan funds. They ranged in asset size from $2.3 million to $1 billion and began offering employer-based small dollar loans from as early as May 2005 to as recently as February 2016. All but one are certified by the U.S. Department of the Treasury as Community Development Financial Institutions.

Through 2016, Knowledge Network participants had cumulatively lent more than $24 million in more than 25,000 loans to employee borrowers through these programs. The number of employer partners ranged from 1 to 104, with company sizes from 2 to 13,000 employees. Three-quarters of the participants in the Knowledge Network partnered with public-sector employers; three-quarters with private-sector nonprofit employers; and 88 per cent with private-sector for-profit companies to offer loans.

The small size of the Knowledge Network and variety of business approaches makes it impossible to draw clear similarities in their models. However, conversations with the Knowledge Network revealed two fundamental groupings of strategies that are a helpful lens through which to consider the work of participating lenders: the reach of their markets, and the level of standardization of lending. Even within these rough divisions, participants represent a spectrum.

- About two-thirds of the financial institutions in the Knowledge Network conduct direct lending in defined, mostly local markets. The institutions offer employer-based small dollar loans directly to employee consumers who are often potential customers for the lender's other products, and the activities around those loans are the main focus of the employee-based small dollar loan program.
- The remaining one-third see the loan program as part of an effort toward scalable expansion strategies. One lender offers a proprietary platform for employer-based small dollar loans through a franchise model. Another participant was a franchisee of this lender. Both alone and with partners, one participant serves as the originator for its product in markets across the country through a fee-for-service model.
- About two-thirds of the Knowledge Network participants use technology-driven strategies to maximize loan speed and minimize personalization.
- The remaining one-third make their employer-based small dollar loans with high-touch, customized approaches. They work with borrowers to use loans for specific needs and to solve specific personal financial issues.

Because of the variation among institutions—depositories and non-depositories, for-profit and not-for-profit institutions—lenders also used a range of strategies within these models to generate revenue and ensure against loan losses for their programs and their institutions.

For example, all participating lenders charge interest on their loans, with annual percentage rates ranging from 16 to 24.99 percent.[1] Fee generation and risk management also come from such strategies as a collateralization model in which the employer puts up funds to secure employee loans or requiring an annual fee from employers for their participation scaled by size, utilization, and loss.

[1] These interest rates are well under the 36 per cent rate recently proposed by the Consumer Financial Protection Bureau to trigger additional consumer protections for small dollar loans, and are part of a responsible and sustainable lending strategy.

Knowledge Network Activities

The Knowledge Network was organized and managed by Opportunity Finance Network and incorporated the expertise of two key partners: Center for Financial Services Innovation, and the National Federation for Community Development Credit Unions. The Prudential Foundation provided support for the initiative.

During 2016, the members of the Knowledge Network met for six interactive webinars and two in-person meetings. The webinars covered a range of topics including impact measurement, the use of technology, the public policy and operating environments.[2] The structure of most of the webinars featured a short introduction to the topic facilitated by OFN or one of its partners, case studies from one or more participants to kick off conversation, and roundtable discussions with the full Knowledge Network.

The Knowledge Network also met twice in person, once in April 2016 at OFN's offices in Philadelphia and once in October 2016 in Atlanta in conjunction with the OFN Conference. The in-person meetings offered opportunities for more in-depth discussion on important topics, networking, and the chance to hear from outside experts and partners as participants tackled the opportunities and challenges of offering employer-based small dollar loans.

[2] See Appendix II for the full webinar schedule and the subjects of each.

Learnings

The Knowledge Network conversations produced learnings in six key areas: Marketing, Outreach, and Employer Engagement; Customer Experience; Technology; Financial Counseling; Impact and Outcomes; and Partnerships. Findings in each of these areas are discussed in detail in the following sections of this paper. Over the year that the Knowledge Network spent together, several themes emerged from those learnings:

- Marketing and outreach, both to reach employers and to help eligible employees use the products, are a significant ongoing effort for the participants. At the end of the Knowledge Network's activities, nearly all participants identified "recruiting additional employer partners" as a high priority challenge.
- Keeping up with the speed with which predatory lenders can make lending decisions is a primary goal of many lenders' programs, and another continuing challenge.
- Financial counseling would benefit many users of the employer-based small dollar loan products, but participants struggle with encouraging borrowers to take advantage of the opportunities they offer in this area.
- Knowledge Network participants see a pressing need to better understand their products' impact on their borrowers and their communities; and to identify and secure resources that can help them do this research.
- Partnerships at the local and institutional level are critical for connecting with employers, and there is untapped potential in national partnerships.
- Among the small group of lenders in the group, there is significant variation in products and operational strategies.

Learnings: Marketing, Outreach, and Employer Engagement

A primary concern and topic of discussion among all Knowledge Network participants was increasing the reach of their loan products, both through a greater number of employers and to a larger number of borrowers. For this reason, several of the conversations, both in-person and on the webinars, included information related to marketing and outreach.

Lenders' marketing efforts are geared to three main audiences: employers; partners that work with employers or with financially stressed populations; and employees.

Marketing directly to employers. One way to build the customer base involves meeting one-on-one with employers. When lenders talk with employers, they work both with the company leadership to get approval of the overall strategy, and with Human Resource departments to address workload and administrative burden concerns. Participants find that they are most effective if they can address the concerns of both these groups at employer partners.

In participants' experience, the most effective messaging for employers and their leadership generally includes:

- Employees are more productive when they are financially stable. Financial stability can reduce turnover and absenteeism.
- Employee loans can be a way for larger employers to "round out" their benefit offerings.

When talking to Human Resource staff, lenders emphasize:

- The product is low cost, has a fast turnaround, and is easy to implement.
- A small dollar loan product minimizes requests for payroll advances and calls from payday lenders seeking employment verification or collections to Human Resources department.
- The lender takes over education about this benefit after employer begins to offer it, so there is no need for the Human Resources department to offer ongoing education.

Working through partners. Local partners including the United Way, social service agencies, and others with an interest in employee financial wellness have helped participants gain entry into employers. These agencies work with both employers and with vulnerable populations, and have helped lenders find new employers and leverage credibility with those employers.

Some participants focus on a "channel" marketing strategy that does not work directly with individual employers, but works through a group or other organization that can reach multiple employers. Benefit brokers have emerged as a potential channel; brokers have relationships with employers and can add small dollar loan products to their roster of offerings.

Communicating directly with employees. This aspect of marketing generally involves convincing employees at participating employers to use the loan products. Lenders sponsor "Lunch and Learn" and similar events and provide marketing collateral for distribution to employees. Messages that most resonate directly with employees include:

- "We save you hundreds of dollars over payday lenders."
- Marketing "for life's unexpected moments" has been effective, rather than talking about "emergency" loans. Many borrowers are in crisis but aren't necessarily using the funds for specific emergencies, although often the need for funds is the result of a recent emergency.

Marketing Challenges

Knowledge Network conversations have revealed important challenges in marketing and outreach work. See the Partnerships section of this paper for Knowledge Network participants' work to engage additional employers.

Barriers or concerns expressed related to talking to employers include:

- The need to reassure Human Resources departments that making a small dollar loan product will not add extra burden or workload.
- Financial health is not foremost in employers' minds when developing a benefit package. Financial stress makes employees sick and leads to absenteeism, but employers don't always attribute that to financial stress, so helping employers understand the connection and benefit of the small dollar loan products is challenging.
- Employers are sometimes defensive that their employees' wages are insufficient, or that employees have financial difficulties in spite of their wage levels—the employer thinks they pay their employee enough and should not need this product.
- An employer may not want to push or recommend specific products even if it understands the need for loans like these.

Employee concerns that lenders must address in talking to employees include:

- Potential borrowers fear the general stigma of admitting financial hardship.
- Employees are afraid they might face consequences if their employer finds out they have bad credit.
- The income-volatile people served by small dollar loans don't think about "finances" because they think "I don't have enough money to have finances." This makes outreach and financial education efforts less effective.
- Because in some programs a borrower can be turned down for the loan, employees don't perceive the loan as a "benefit."

Operational Challenges
In addition to marketing and messaging challenges, Knowledge Network participants face the operational challenges of finding the employers and customers that are most receptive and will make good partners; and of dedicating the resources to conduct effective outreach.

- "Lunch and Learn" and similar education events at workplaces are effective but expensive for the institution. At least one participant devotes resources to a full-time salesperson and to recruitment and retention strategies such as holiday gifts for Human Resources departments.
- Because this set of loan products is based on employment, employee turnover is an important indicator for lenders in identifying prospective employer partners. The risks of short employee tenure can be somewhat mitigated by the short-term nature of the loan products, but it is still a factor. Information on turnover for individual companies is difficult to find, making it more challenging for lenders to identify those good employer prospects. Lenders can ask prospective employer partners about their turnover, or research turnover rates in an industry as a proxy. Turnover rate may also be part of an agreement with a particular employer, affecting its fee for participation or other terms to help mitigate potential risk.

Customer Experience

Since a primary function of the employer-based small dollar loans is to compete with online lenders, Knowledge Network participants strive to streamline the customer experience. Customers seeking short-term funding for unexpected expenses or emergencies value speed and confidentiality as much as price, and participants focus on providing that experience. The technology that lenders use, discussed in the *Learnings: Technology* section, is closely tied to the experience they provide their borrowers.

Application
The majority of Knowledge Network participants offer loans through an online application, with minimal personal interaction so that employee borrowers can apply for and receive their funds quickly. Borrowers concerned about confidentiality often choose online applications. For about half of the lenders, applying through an online application is the only option for borrowers. Others have borrowers apply in person, either with the employer or at the institution.

In all cases, the lender verifies borrower employment with a participating employer. Most participants have a minimum required employee tenure ranging from three to twelve months before an employee can be eligible.

All participants make financial counseling available at the time of application *(see Learnings: Financial Counseling).* A minority of Knowledge Network participants make participation in counseling or training a condition of the loan.

Underwriting and Loan Approval
For the majority of participants in the Knowledge Network, employment at a participating employer means that the lender takes no additional steps to qualify or underwrite borrowers, other than requiring an account at or membership in a credit union or bank. Some lenders include consideration of the specific use of funds in underwriting, though most do not.

In addition to the financial counseling described below, institutions can offer additional savings or depository products to borrowers. Borrowers who become customers of credit unions generally must become members if they are not already, and make the minimum deposits that constitute shares in credit unions.

Repayment

Because these loan products are offered through partnerships with employers, repayment is often through payroll deduction. For about half of the participants in the Knowledge Network, payroll deduction is the only option for loan repayment; all lenders offer it as one way to make repayments.

Loan Renewal

Predatory loans routinely renew before loans are paid off, racking up fees and interest for the borrowers. To counter this cycle of debt, Knowledge Network lenders take varying approaches to renewal of these loan products. Some do not allow any renewals until the loan is fully repaid; others limit renewal options until a borrower has repaid a portion of the loan, either in dollar amount or as a percentage of the outstanding balance.

Customer Experience Challenges

- Participants continue to face the challenge of competing with the speed of predatory or online lenders. They are generally able to make employer-based loans more quickly than many other financial products and have made significant strides in shortening the process and the time from application to loan disbursement. (See the Learnings: Technology discussion.)
- The points in the process where a “person” needs to be involved—to verify employment, to conduct additional underwriting—slow down the loan.

Learnings: Technology

Technology plays a key role in the customer experience for employer-based small dollar lending and is closely linked to providing a seamless customer experience through the life of the loan, as referenced in the previous section. It also supports the operations of the Knowledge Network participants in several ways.

- Enabling scalability: The participants that operate on a broader than local scale would be unable to do so without investment in technology platforms that allow for franchising or white-labeling products.
- Facilitating collaboration: In addition to product-led collaborations, technology helps lenders connect borrowers to resources including online financial counseling.
- Reducing expenses and contributing to institutional sustainability: While the initial investment in technology platforms is significant, institutions can sometimes realize savings in automating parts of the loan process.
- Turnaround time for customers: Technology helps speed up application, underwriting, and loan disbursement, leading to a quicker turnaround time, measured in days, for borrowers.

As with other aspects of operations, the specific platforms and their use varied across the Knowledge Network. Some developed proprietary systems that automate application and repayment, while others "borrow" platforms for specific parts of the process. Participants use their technology to manage documents, or to connect to payroll files for employment verification and repayment. A few use a more hands-on, customized approach that is significantly less dependent on technology.

Technology Challenges

- In general, finding the right technology to work with an institution's existing systems, to build one with resources available, and to meet the needs of all borrowers is an ongoing challenge. In particular, buying or building technology that can compete with online lenders that might have billions of dollars in venture capital funding leaves mission-driven lenders at a disadvantage.
- For lenders that use technological solutions for repayment, matching the payroll deduction for repayment with several borrowers' payroll schedules can cause challenges—connected software designed for monthly loan payments to a biweekly payroll, for example.
- Technology can make it difficult to streamline working with potential borrowers who are paid by check rather than electronic deposit. For example, one participant has identified home healthcare workers as a prospective market but many of those workers in that CDFI's market are paid by check.

Learnings: Financial Counseling

Coupling financial products and services with technical assistance and support is the hallmark of CDFIs and other mission-driven lenders, and one of the things that distinguishes their offerings from those of mainstream financial service providers. Offering financial counseling in conjunction with the employer-based small dollar loans has been challenging for members of the Knowledge Network. One objective of the products is to compete with online lenders or payday lenders—financial service providers noted for their minimal paperwork and speedy decision-making and disbursement. Requiring financial counseling in conjunction with employer-based loans slows down the process and makes Knowledge Network participant loans less competitive with those products.

As a result, most of the lenders in the Knowledge Network do not require financial counseling from borrowers. Those that do require counseling cite the importance of maintaining a relationship with the borrower and supporting them through long-term financial stability as a primary reason to do so. The programs in which financial counseling is a required component are generally those that are not technology-driven and not prioritizing scale and replication.

All participating lenders offer financial counseling as a service, either through the lender itself or through a partner, but in general see limited participation by their borrowers. Knowledge Network participants, as well as many of their partners and funders, are committed to the financial health of their customers and are exploring strategies to increase borrower usage of financial planning and wellness tools.

Knowledge Network participants' strategies to increase borrowers' use of financial counseling include:

- Specifically including a question on the loan's online application asking whether a borrower wants financial counseling, and contacting the borrower if so.
- Incorporating a partner's online financial self-assessment tools into the application process.
- Regularly visiting participating employers and holding counseling or learning sessions onsite.

Learnings: Impact and Outcomes

Knowledge Network participants measure the success of these programs across several kinds of metrics. They consider both the outcomes on the institution, and the impact on the borrowers.

In reviewing their employer-based small dollar products, lenders generally track the same common outputs for these loans as for other loan products: the number of loans, volume of loans, delinquency and charge-offs. The appendix to this document includes outcome measures and reports.

In considering the outcomes on the institution, participants consider:

- Is the product sustainable?
- Do customers of this product also use other products and services that the institution offers? Do they become long-term customers?

When trying to understand the impact of products on their borrowers, lenders look at:

- Borrowers avoiding predatory products, usually through collection of anecdotal information on what they might have done otherwise.
- An increase in borrowers' financial health, measured through such tools as an increase in credit score during the life of the loan, or an increase in savings.

A few Knowledge Network participants have begun to explore the impact of their products on the financial health of borrowers, their families, and their communities, looking at metrics beyond more easily counted outputs. These efforts involve survey or anecdotal information about borrowers' satisfaction with their financial condition and financial management skills, conducting borrower surveys both in-house and through a third party contractor. They include:

- The most comprehensive borrower impact survey, conducted by Appleseed and Texas A&M University on the Community Loan Center Network, surveyed 398 borrowers over a year, connecting with them three times over the life of their loans with CLC. It asked not only demographic questions, but also the purposes for which the borrower used the loan, whether they continued to use other payday loan products, and how they felt about their personal financial situation at different points in the process.
- Citizen Potawatomi CDC is also planning an impact assessment that would try to measure "intangible assets" and ask about how satisfied borrowers are with their financial knowledge and financial management.

Impact and Outcome Challenges

Challenges in collecting information about outcomes and impact include:

- Collecting information about individual borrowers, especially detailed information about their activities and post-loan behavior, is expensive. Especially as participants are working to make these products profitable and sustainable, it is difficult to find the financial resources to conduct detailed research.
- Unless survey data and information are mandatory and collected at application (which slows down a process that places a priority on speed) response rates are low and paint an incomplete picture of borrowers' improvement.
- Regulatory constraints preclude depository institutions from collecting racial and ethnic information about borrowers.
- A common, related challenge is encouraging borrowers to use financial counseling and education, detailed above. But these are the services that allow institutions to deepen their own impact, have contact with borrowers to ask qualitative impact questions, encourage borrowers to use less costly alternatives, and support them in learning about those alternatives.

Learnings: Partnerships

All Knowledge Network participants found that partnerships were key to their programs. They partner directly with employers; with agencies serving the financially vulnerable; and with organizations that can connect them to employers. In general, these local partnerships support lenders' entry into additional employer connections and each participant establishes and maintains local partnerships to ensure the success of its programs, as described in the *Learnings: Marketing and Outreach* section.

At the end of its time together, the Knowledge Network began to explore the possibilities of national partnerships. Many Knowledge Network participants had established relationships with local chapters or affiliates of the national organizations.

National partners can play an important role in supporting the expansion of small dollar loan products including:

- Calling attention to employer-based small dollar loan products and the need for them
- Forums for information exchange and knowledge sharing as affiliates implement partnerships locally
- Access to employers and employees
- Access to other national and regional partners.

A significant potential national partner for the Knowledge Network is the United Way and its Financial Stability and Success program, with which the Knowledge Network had an initial discussion. Other potential national public- and private-sector partners that could connect lenders to employers include:

- The Society for Professional Human Resource Management, which could provide an avenue into employer benefit programs.
- Unions, including the National Education Association and the Service Employees International Union. These organizations represent financially vulnerable populations, or professions with cyclical cash flow. They also are already equipped to manage the payroll deduction that is a part of loan programs.
- The National Human Services Assembly, a coalition of social services agencies such as Goodwill and Catholic Charities. The Assembly may be interested in expanding benefits to its front-line office staff, who are often low-paid.
- The regional Workforce Investment Boards of the Department of Labor, which are required to offer counseling.
- In addition, the Knowledge Network noted new opportunities with public-sector partners. Partnerships with these organizations would likely serve mainly as a vehicle for increasing awareness of employer-based small dollar loans and their potential for employee borrowers. Those public-sector partners include:
- The Financial Literacy and Education Commission, administered by Treasury and incorporating both the Departments of Treasury and the Department of Labor. Lenders could make connections with policymakers interested in both the financial and employee aspects of their products.
- Regional Federal Reserve Banks that have hosted convenings and could do additional outreach and gathering of experts and partners.

Partnership Challenges

- Even when there is momentum at a national level, partnerships are typically brokered locally. This requires time and attention to local relationships. In addition, the participants' experience with local affiliates of national organizations relationships has been uneven.
- With the exception of the United Way, all of the national groups would represent new, unexplored partnerships.

Next Steps for Employer-Based Small Dollar Loans

The year that Knowledge Network participants spent together yielded valuable lessons and information about potential strategies to expand employer-based small dollar loans. For these products to expand their presence, both nationally and in local communities, the Knowledge Network identified opportunities for future activity and collaboration:

- Additional research on impact: Participants are in the beginning stages of understanding the impact these products have on their borrowers and communities, as described in the Learnings: Impact and Outcomes section above. A few participants have conducted surveys or secured outside research, but all would like to learn more about how borrowers' financial positions have changed as a result of their employer-based small dollar loans and development services. Learning more about the impact on the payday lending industry on their borrowers represents an additional area of inquiry. A research and impact effort would require significant new funding.
- Explore additional partnerships: At its in-person meeting in October 2016, the Knowledge Network identified several potential new partnerships that could lead to increased visibility for the industry. Those opportunities include conducting a webinar with the national United Way; informing national agencies and organizations active in workforce development and financial empowerment about role of CDFIs offering employer-based small dollar loans and other products to increase family financial resilience; and recruiting additional employers connected with these groups.
- Explore replicable models for financial education to support family financial resilience: As noted in the Learnings: Financial Education section above, helping borrowers take advantage of financial counseling resources is an ongoing challenge. The Knowledge Network could explore and disseminate best practices in models for financial education in conjunction with these products.

Appendix I: Participants in the Knowledge Network

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http://bvahc.org/community-loan-center-brazos-valley/

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Appendix II: Knowledge Network Meetings

March 3, 2016

Webinar

Topic: Employer Engagement and the Business Case for Small Dollar Credit. Presentation from Tanya Ladha of the Center for Financial Services Innovation.

April 29, 2016

In-Person in Philadelphia, PA

Key Topics:

Employer Engagement, with presentations from Tanya Ladha, CFSI and guests Ed Chorzelewski, President, Brown & Brown Consulting (www.consultbb.com) and Carey Morgan, Financial Empowerment Center, City of Philadelphia (http://www.phila.gov/fe/Pages/default.aspx)

Customer Experience, with presentations from Cathie Mahon, National Federation of Community Development Credit Unions; Jeff Smith, NorthCountry Federal Credit Union; Nick Mitchell-Bennett, Rio Grande Valley CDC.

Replication and Expansion Strategies, with presentations from Beth Lipson, OFN; and Becca Hoeft, Sunrise Banks.

June 2, 2016

Webinar

Topic: Impact and Outcomes. Presentations from Ginger McNally, Opportunity Finance Network; Eric Kinman, Veridian Credit Union; Nick Mitchell-Bennett, Rio Grande Multibank; Cindy Logsdon and Tina Pollard, Citizen Potawatomi CDC.

July 7, 2016

Webinar

Topic: Consumer Financial Protection Bureau Proposed Rules on Small Dollar Lending. Presentation from Cathie Mahon, National Federation of Community Development Credit Unions.

August 4, 2016

Webinar

Topic: Using Technology in Lending. With presentations from Cathie Mahon, National Federation of Community Development Credit Unions; Melanie Stern, Spring Bank; Becca Hoeft, Sunrise Banks; and guest Michael Perkins of LogicFi.

September 1, 2016

Webinar

Topic: Innovations in Financial Health. Presentation from Tanya Ladha of the Center for Financial Services Innovation.

October 6, 2016

Webinar

Topic: Preparation for in-person meeting and review of outline for learnings paper. Presentation of outline for paper by Cheryl Neas, consultant to Opportunity Finance Network.

October 27, 2016

In-person in Atlanta, GA

Key topics: Expanding understanding of employer-based small dollar loan products; working with national partners. Conversation with Laura Scherler, Director, Financial Stability and Success, United Way; and Sameera Fazili, Consultant to the Federal Reserve Bank of Atlanta and Former White House Policy Advisor.

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January, 2017