

Affordable Loan Options for Employees

Analysis by the New Mexico Fair Lending Coalition

Twenty percent of New Mexico's government and private industry workers use storefront and internet loans charging 100% to 3,200% interest. Many have poor or non-existent credit records that make it impossible to borrow elsewhere. About 45% of these borrowers eventually default after paying many times the original loan principal in interest and fees. Most of these borrowers earn \$40,000 or less.

High cost loans can have devastating consequences. In 2014, thousands of New Mexico title loan borrowers had their vehicles repossessed. The financial and emotional chaos caused by high cost debt undermines employee productivity, increases turnover and sucks dollars out of the local economy. Financial emergencies are the number one issue dealt with by employee assistance programs nationwide.

Two services, **True Connect** and **Kashable**, provide affordable loans as an employee benefit at no cost to your organization, require no capital investment, and provide substantial benefits that make your workplace more attractive to employees and job seekers. They can save individual workers thousands of dollars annually in financing costs with average reductions of over 95% in interest and fees. True Connect and Kashable are entirely market based, operating without support from government or non-profits.

Best of all, **True Connect** and **Kashable** services are designed keep your organization out of the loan business. Loan origination, servicing, financing, collection and risk are all assumed by reliable outside vendors. You are never in the position of saying no to a worker who wants a loan. The only employer responsibilities are setting up payroll deductions for loan repayments and informing employees about how to access these low cost small loans.

True Connect Benefits

<u>Workers</u>	<u>Employers</u>	<u>Local Financial Institutions</u>	<u>Community</u>
<p>-24.9% APR 12 month amortized loans from \$1000 – 3,000. Saves \$2850 annually vs. typical \$1,000 300% APR interest only title loan.</p> <p>-Easy on-line application</p> <p>-No credit check. One day funding</p> <p>-No prepayment penalties</p> <p>-Safe. Loan payments capped at 8% of gross paycheck. No deceptive practices.</p> <p>-Builds credit, payments are reported to credit bureaus.</p> <p>-Reduces use of retirement accounts for emergency cash.</p> <p>-Built in financial counseling referrals to reputable local institutions.</p>	<p>-No cost to implement or operate. A turnkey service where all risks are assumed by outside vendors.</p> <p>-Reduced employee financial stress brings a healthier, more stable and engaged workforce. Default rate about 2%.</p> <p>-Creates an employee retention and recruiting advantage.</p> <p>-Does not require the employer to get involved in worker's personal finances.</p> <p>-The only employer responsibilities are setting up payroll deductions and informing workers about the available benefit.</p>	<p>-Does not compete with local banks and credit unions. They typically do not make small loans to low credit borrowers.</p> <p>-Program offers free tie in marketing to local financial institutions (usually credit unions) willing to provide sound financial counseling to participating employees.</p> <p>-Program offers investment opportunities to local financial institutions to keep some of the profits local.</p>	<p>-Keeps money in consumer's pockets to support local business. This is a form of bottom up economic development.</p> <p>-Fills an affordable small loan credit niche local banks and credit unions typically do not have the economies of scale to succeed at.</p> <p>-Reduces community capital drain. 80% of high cost storefront lending stores in New Mexico belong to out of state vendors.</p> <p>-Reduces blight by pressuring high cost storefront lenders to close their doors.</p>

Kashable Benefits

<u>Workers</u>	<u>Employers</u>	<u>Local Financial Institutions</u>	<u>Community</u>
<p>-6 to 26% APR 6, 12, or 18 month amortized loans from \$250 to \$10,000. Typical 15% loan saves \$2,915 annually vs. typical \$1,000 300% APR interest only title loan.</p> <p>-Easy on- line application- Loans to credit scores as low as 450. Instant approval, 3 day funding</p> <p>-No prepayment penalties</p> <p>-Safe. Loan payments capped from 3-11% of gross paycheck based on salary & credit. No deceptive practices.</p> <p>-Builds credit, payments are reported to credit bureaus.</p> <p>-Reduces use of retirement accounts for emergency cash.</p>	<p>-No cost to implement or operate. A turnkey service where all risks are assumed by outside vendors.</p> <p>-Reduced employee financial stress brings a healthier, more stable and engaged workforce. Default rate about 2%.</p> <p>-Creates an employee retention and recruiting advantage.</p> <p>-Does not require the employer to get involved in worker's personal finances.</p> <p>-The only employer responsibilities are setting up payroll deductions and informing workers about the available benefit.</p>	<p>Product does compete with credit unions and banks.</p>	<p>-Keeps money in consumer's pockets to support local business. This is a form of bottom up economic development.</p> <p>-Fills an affordable small loan credit niche local banks and credit unions typically do not have the economies of scale to succeed at.</p> <p>-Reduces community capital drain. 80% of high cost storefront lending stores in New Mexico belong to out of state vendors.</p> <p>-Reduces blight by pressuring high cost storefront lenders to close their doors.</p>