



Payday Loan Alternative Design Worksheet

1) Is your credit union interested in offering a payday loan alternative? (Note that an affirmative response does not commit your credit union to such an offering.)

- Yes (CONTINUE WITH Q.2)
- No - We already offer a payday loan alternative that's working well for us (SKIP TO Q.21)
- No - We don't care to offer a payday loan alternative (SKIP TO Q.21)
- Don't know/not sure (CONTINUE WITH Q.2 OR SKIP TO Q.21)

2) Please identify whether each of the following is a reason why your credit union is interested in offering a payday loan alternative:

	Yes	No	Don't know
To save members money on payday loans	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To build a credit history for borrowers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To attract new members	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To build political capital and the CU brand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To provide a community service	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
To help members escape the payday lending trap	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3) Starting out, who will be the likely target market for your credit union's payday loan alternative?

- Current members
- Potential (new) members
- Both current and potential members
- Don't know

4) How will your credit union need/want to price its payday loan alternative?

- The product must be profitable
- The product must break even
- The product could be offered at a loss
- Don't know

5) Will you need/want your credit union's payday loan alternative to be a line-of-credit or simply a small consumer loan?

- Line-of-credit (open-ended)
- Small consumer loan (closed-ended)
- It doesn't matter
- Don't know

6) Which of the following verifications will your payday loan alternative require? (CHECK ALL THAT APPLY.)

- Income/employment verification
- Credit report for demographic purposes, but NOT for underwriting
- Sub-prime credit check (i.e., to identify extent to which borrower is using payday lenders)
- Credit report for underwriting purposes
- Don't know
- Other (please specify)

If you selected other, please specify:

Several credit unions are offering products that mirror those offered at payday loan stores. This is especially true for those credit unions that are offering the product to new members. This means the term is for only 14 days. However, most if not all of the credit unions that offer a payday loan alternative to existing members allow them to have a 30- to 60-day loan repayment term. This means they can split the payment up over multiple paychecks instead of having to pay it all at one time. It also helps to decrease the APR.

7) What is your preferred minimum loan term for this payday loan alternative?

- No minimum loan term
- 7-day loan term
- 14-day loan term
- 21-day loan term
- 30-day loan term
- Don't know
- Other (please specify)

If you selected other, please specify:

8) What is your preferred maximum loan term for this payday loan alternative?

- 60 days
- 90-day balloon
- 120-day balloon
- One-year amortizing
- Don't know
- Other (please specify)

If you selected other, please specify:

9) What is your preferred minimum loan amount for this payday loan alternative?

\$ _____

10) What is your preferred maximum loan amount for this payday loan alternative?

\$ _____

11) Would you prefer to utilize one (or more) fixed dollar values, or a percentage of an applicant's net pay to determine the amount of your payday loan alternatives?

- Prefer that our payday loan alternative amounts are of fixed size (e.g., we'll make loans in one or two denominations)
- Prefer to allow payday loan alternative amounts to vary based on the percentage of a member's net pay
- No preference
- Don't know
- Other (please specify)

If you selected other, please specify:

12) Will you require your alternative payday loan to be paid in full before another loan/advance is made?

- Yes
- No
- Don't know

13) How many outstanding payday loan alternatives will you allow a member to have at any one time from your credit union?

14) How many payday loan alternatives will you allow a member to obtain within a specified period of time (e.g., within a calendar year)? Make sure to identify the timeframe to which you are referring.

_____ per _____

15) Which underwriting and/or qualification criteria will you want to include as part of your payday loan alternative? (CHECK ALL THAT APPLY.)

- Minimum length of membership requirement (e.g., 30-, 60-, 90-days)
- Minimum length of employment requirement (e.g., two months)
- Requirement that existing credit union loans are not delinquent
- Active (non-negative) checking account requirement
- Minimum credit score requirement
- Direct deposit (of paycheck) requirement
- Post-dated check or ACH pre-authorization requirement
- None of the above -- All applicants should get a loan, period
- None of the above -- All applicants should get a loan unless they have caused the credit union a loss
- None of the above -- All applicants should get a loan unless they are in collections or potential bankruptcy
- Don't know
- Other (please specify)

If you selected other, please specify:

The 18% (federal credit union) ceiling is generally not thought to be high enough to make these small loans profitable. However, there are fee and interest options that should allow credit unions to recoup their costs:

- Credit unions that must generate revenue above expense recovery generally charge an application fee plus interest. This could be as little as \$10 per application or as high as \$25. We recommend that credit unions keep the fees as low as possible while still building a viable product.
- Credit unions that wish to break even on a product often charge an annual fee plus an interest charge. This means that members can use the product multiple times for one annual fee. This is much less expensive for consumers and generally covers costs.
- Credit unions that offer the product as a community service generally charge an interest rate without an associated fee. While a credit union is unlikely to cover costs with this type of pricing unless it can fully automate the loan process, it is likely to garner publicity and goodwill for offering an interest-only product.

16) Which of the following fee options are you most likely to consider for your payday loan alternative?

- Annual fee (used in conjunction with a line-of-credit/open-ended loan) + interest
- Flat fee for all loan applications (must be charged to all that apply) + interest
- Flat fee per \$100 loan increments
- Monthly fee for a bundle of CU products/services (including the payday loan alternative)
- Interest only (no fee)
- Don't know
- Other (please specify)

If you selected other, please specify:

17) Is your credit union interested in offering your payday loan alternative in conjunction with relationship pricing? For example, a member might receive a discounted interest rate or fee if they use predetermined credit union services or delivery channels, or if they opt into a savings or educational program feature.

- Yes
- No
- Don't know

18) Starting out, do you wish to provide your payday loan alternative on-site at the credit union office (like a traditional payday loan outlet), or would you prefer to offer a 24/7 online product?

- On-site at the credit union office only
- Online fully-automated product only
- We would like to offer both options
- Don't know

19) To what extent should a financial education and a savings component be included with your payday loan alternative?

	Mandatory	Optional (w/incentives to use)	Optional (with no incentives)	Do not include	Don't know
Financial education component	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Restricted savings account component	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

20) Which of the following risk mitigation techniques would you prefer to include with this payday loan alternative? (CHECK ALL THAT APPLY.)

- Pooling risk among several credit unions (e.g., Stretch Pay)
- Insuring the risk
- Increasing the membership longevity requirement until CU gains experience
- Offering the loan with a non-profit partner(s) that can absorb some of the losses
- Limiting outstandings to a specific dollar amount or % of loan portfolio
- Advance-funding a special reserve set aside for product losses
- None of the above
- Don't know
- Other (please specify)

If you selected other, please specify:

21) The following information will be used solely by league representatives and your field coach to provide each credit union with appropriate information and assistance based on your payday loan alternative preferences:

Your name: _____

Your credit union's name: _____

Once you have completed this worksheet, please send it with a request for assistance to the REAL Solutions® liaison at your state league/association.