

In this Issue

Update! CDFIs & Small Dollar Loans
 CBA 2010 Innovator of the Year
 Tips for CDFI Fund Applicants
 Frank Discussions
 OFN Conference



Helping Nonprofits
 Build Stronger Credit
 in their Communities



CBA @ OFN

CBA will be in San Francisco November 2-5 for the OFN conference - will you be there?

"Credit is an Asset" Workshop
Tues, Nov. 2, 1:30-5:30 pm
 Be sure to select CBA's **Pre-Conference: Credit Building: How to Help Individuals Build or Re-Build Credit**. Sign up [today!](#)

CBA Member Breakfast
Wed, Nov. 3, 7:30-8:30 am
 Network with credit building peers, learn of upcoming CBA projects and new funding for small dollar loans. **RSVP** [here](#).

Be a CBA Ambassador! Will you come by the Breakfast or Booth to pick up a special CBA member button and let other CDFIs ask you why you CBA?

Exhibit Booth. Stop by to say hi! Share a new credit building practice with us! As for free TA!

CBA looks forward to connecting with members and other CDFIs with consumer and business credit reporting.

CDFIs and Small Dollar Loans

When the consumer credit crisis hit, an obvious place to look for solutions was the Community Development Financial Institution (CDFI) industry. But when we looked at each other, it was clear that among the more than 750 CDFIs there was precious little consumer lending. According to one 2008 Opportunity Finance Network report just 3% of CDFI financing was devoted to consumer loans, primarily by low-income designated credit unions.

However, in the broad U.S. financial landscape, it has been the agility, flexibility, and innovations of non-depository unregulated creditors that have found ways around the mosaic of state usury laws to offer credit to low-income communities. Unfortunately, these "innovations" have resulted in mostly very predatory products. We are all too familiar with the payday loan – a two-week, non-amortizing high fee cash advance which exceeds 400% APR.

Last year at the OFN conference, CBA led a session on CDFI Loan Funds and Consumer Lending: Challenges & Opportunities. At the time we identified only a handful of CDFI loan funds offering small consumer loans and fewer with success stories. A year later, there has been significant progress in both CDFI practice and policy pointing to the potential role of CDFI loan funds to innovate, deliver, and define affordable, responsible small consumer loans.

CBA is proud of how more CDFIs are innovating small loans with big purposes! CDFI alternatives to payday and buy-here-pay-here loans are as diverse as the unique needs of each CDFI community -- emergency loans, debt consolidation loans, car loans, and appliance loans; two-week loans, amortizing loans, loans that require savings, and loans that create savings. Most importantly, each CDFI pairs loans with financial education. Every small loan offered by a CDFI and paired with appropriate financial education and credit reporting offers low-income consumers an opportunity to build financial capability and assets. As such, CBA sees every CDFI small dollar loan as an OPPORTUNITY LOAN.

Read on and learn more about CDFIs and Opportunity Loans:
[CBA's 2010 2010 Innovator of the Year](#)
[New CDFI Fund small dollar loan program to launch in 2011](#)



Frank Discussions

...with CBA Executive Director

Dear Colleague,

This fall I've been thinking a lot about small dollar loans. I know for many CDFIs, offering small loans feels like a step backward – a step back from helping low-communities to build long-term assets and toward

Frank-Dodd Act authorizes new CDFI Funds for Consumer Lending!

The Frank-Dodd Financial Reform Act signed by President Obama in July authorized a new CDFI Grant Program! The Small Dollar Loan Capacity Building and Loan Loss Reserve was created to encourage CDFIs to create and expand access to safe and affordable consumer loans for underserved consumers in CDFI communities. All loans made under the program must be reported to a consumer credit bureau.

The House appropriated \$7.5 million and the Senate is in discussions. CBA members are encouraged to sign a [letter of support](#) this week!

The bigger challenge will be to ensure CDFIs fully use the new funds next year!

helping community members with more basic financial services to help them maintain assets, avoid predatory debt traps and weather short-term crises. In some ways, we've upped the ante and the challenge for CDFIs – how do we BOTH help community members with their immediate emergency needs while ALSO helping them build financial assets for the future.

I think Opportunity Loans can serve as that bridge. Instead of short-term loans that only create debt, responsible small loans paired with financial education and credit reporting can help move clients from today's crisis to tomorrow's goals.

CDFIs are responding to the growing needs for small consumer loans and developing their own versions of what we like to call "Opportunity Loans". Each month, CBA adds to our collective portfolio a new Opportunity Loan product created by an innovative CDFI to meet the unique needs of its local market.

CBA is really excited to have recently received two new grant – a PRIME award from the Small Business Administration and funds from MacArthur Foundation. Together, CBA is positioned in 2011 to expand our sharing of best practices, tools, strategies, training and consulting to help CDFIs determine if an Opportunity Loan is the right innovation for your CDFI and community.

Best,
Vikki Frank
Executive Director

Resources: Nonprofits and Consumer Lending

[Building Financial Skills for Business Success: A Case Study of the Latino Economic Development Corporation \(LEDC\)](#), from The Aspen Institute's FIELD Program

[The Nonprofit's Guide to Prepaid Cards](#), from CFSI.

Look for upcoming information, ideas, and tools from CBA to help your CDFI launch or expand a consumer loan program right for you and your community.

CBA 2010 INNOVATOR OF THE YEAR AWARD

INNOVATIVE CHANGE\$



When's the last time you heard of a landlord spinning off a CDFI?

Innovative Housing, Inc. (IHI) wanted an option for their tenants other than payday loans – with up to 500% annual interest -- to make rent or gas payments. An affordable housing developer in Oregon, IHI offers resident services with financial education. IHI saw dependence on payday loans less about clients making poor decisions, but more due to lack of options in emergencies. When 2007 Oregon laws restricted payday loans, instead of relief, their tenants had even fewer choices. **Innovative Change\$ (IC\$) was born.**

An Emerging CDFI created in 2009, IC\$ disbursed its first loans in February 2010, and now has a portfolio of 97 loans totaling nearly \$45,000. **Opportunity Loans** up to \$1,000 are partially collateralized through a 15% "borrower's holdback". [Learn more about IC\\$ innovative Opportunity Loan and other small loan products.](#)

"We are honored by this. We could not do what we are doing without the exceptional efforts of CBA," said IC\$ Program Director and Innovator Sarah Chenven. "In our start-up phase, we found CBA a unique resource while creating our products. CBA continues to be our go-to for keeping up with innovations and best practices in CDFI consumer lending."

Also meet our [2009 Innovator: Chautauqua Opportunities!](#)

Are you working on your CDFI Fund application?

Credit building and outcome tracking are powerful tools for any CDFI loan fund working with low-income homebuyers, entrepreneurs and consumers. The costs of credit reports, credit reporting software, CBA Reporter/Member fees, and your staff to use the tools and serve your community can be eligible uses of CDFI Fund TA and FA dollars. If you are applying for TA, make sure credit building needs are justified and clear in the TAP, the budget AND the narrative. If you are applying for FA, building credit reporting, credit reports and credit education into your Comprehensive Business Plan can help demonstrate how your development services and lending help underserved entrepreneurs and consumers improve their financial lives and your community.

Don't miss this opportunity to work credit building into your CDFI business plan and budget! Feel free to call us for more information. CBA is your one-stop shop for technical assistance and services around credit building and credit reporting.

Have questions or need more information? Contact the CBA team at info@creditbuildersalliance.org or 202-730-9390.

Credit Builders Alliance (CBA) creates innovative solutions for community organizations so that financially underserved individuals can build stronger credit and access products to grow their businesses and/or personal assets.

Credit Builders Alliance

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