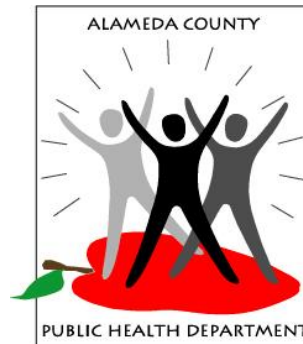


Alameda County Healthy Credit: *Investing in Stability & Prosperity*

An initiative of the Alameda County Health Care Services Agency, Public Health Department

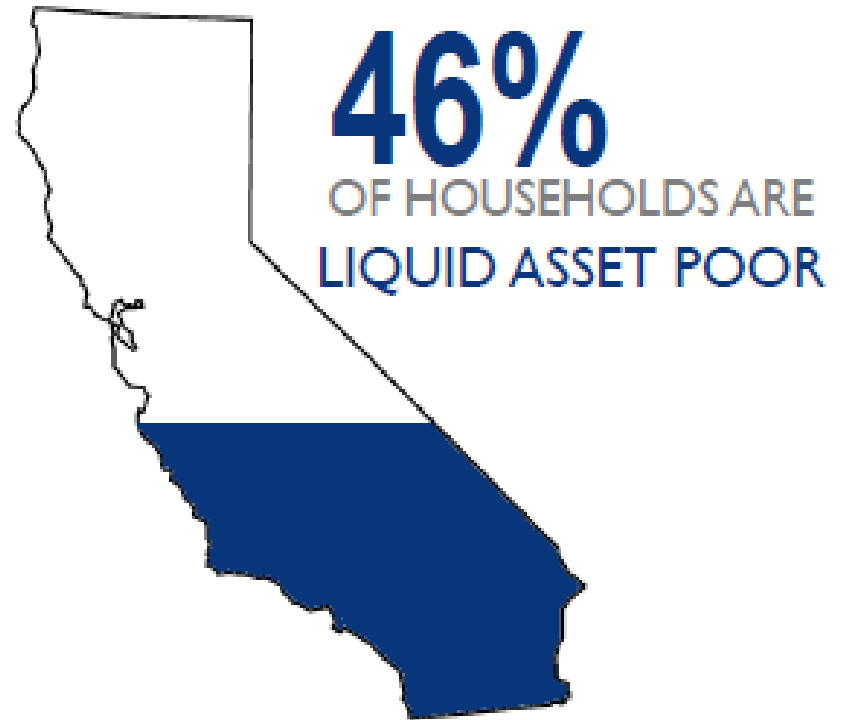


Jan 12, 2015
Alameda County BOS' Health Committee

Why is Healthy Credit Needed?

“The Triple Whammy”

1. Low income – paycheck to paycheck
2. Irregular and unpredictable income
3. No financial safety net or access to affordable credit

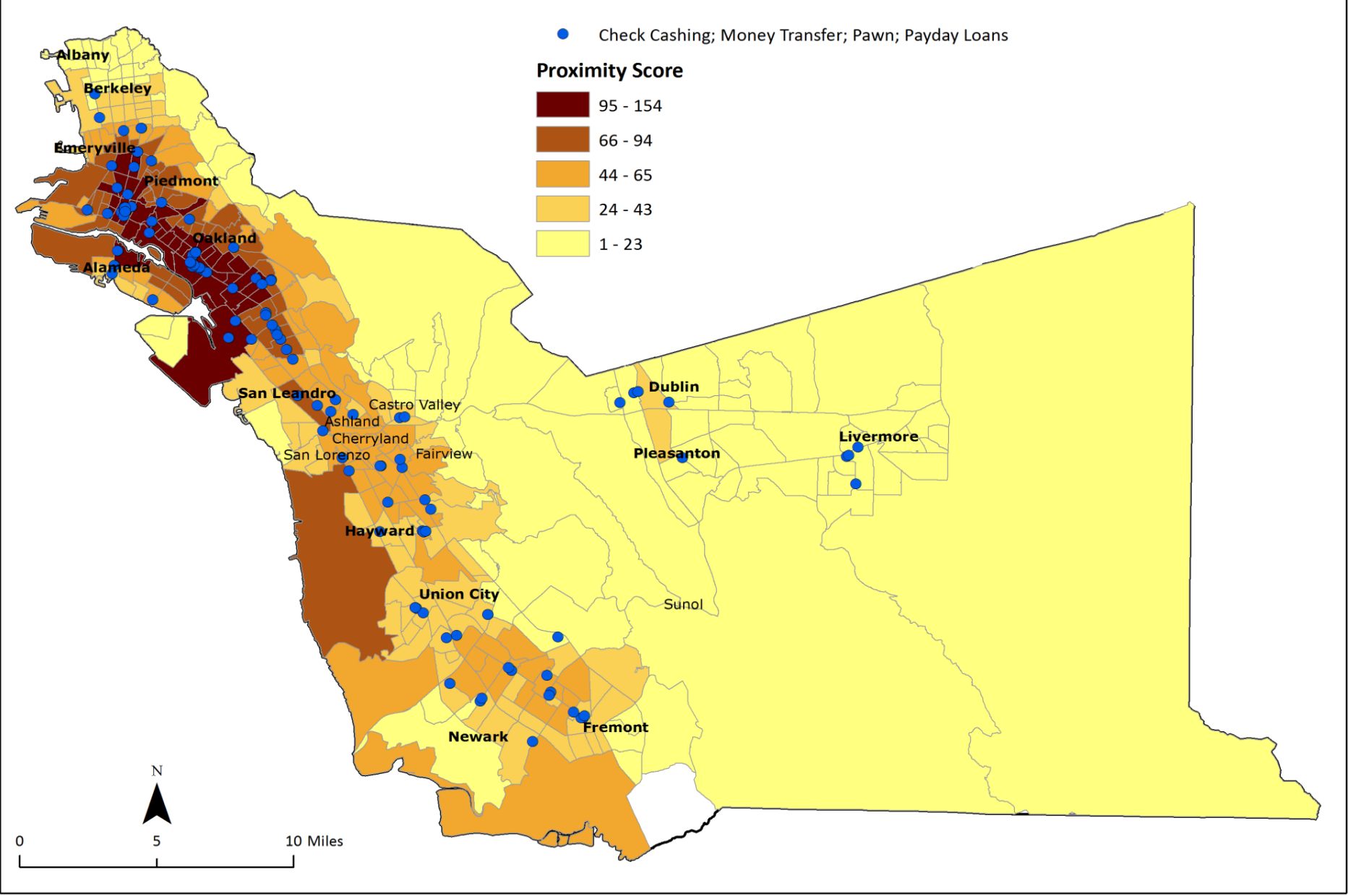


A Growing Problem: The Costs of Payday Lending

- **\$578 million in interest payments** in 2011
- **\$135 million net loss** to the state economy
- **88 payday locations** in Alameda County, up to \$20 million in interest paid



Predatory Financial Outlets - Proximity Scores



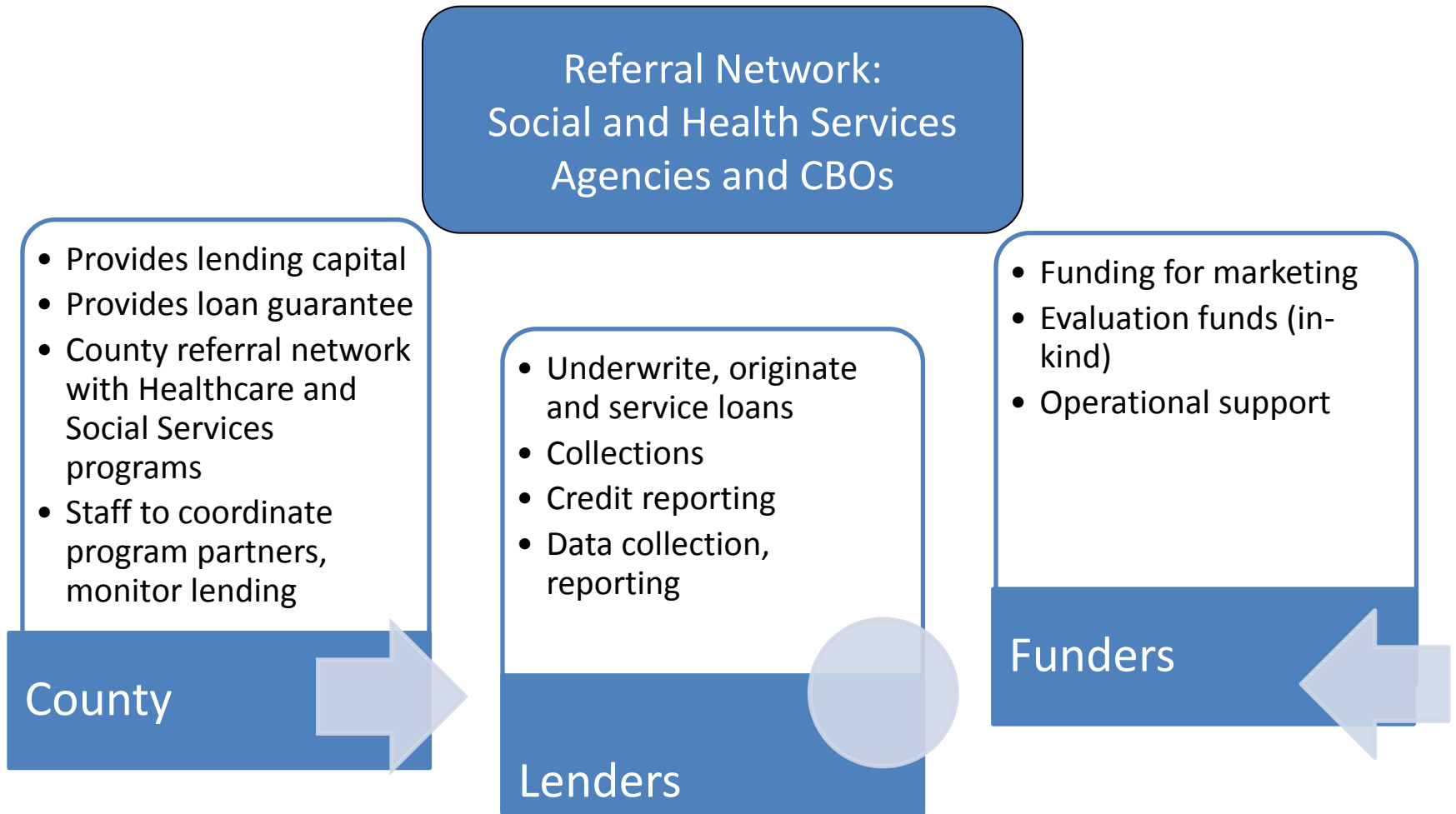
Source: CAPE, with data from InfoUSA 2011.

Note: Score calculated by weighting distance up to three miles and adding effect of all outlets.

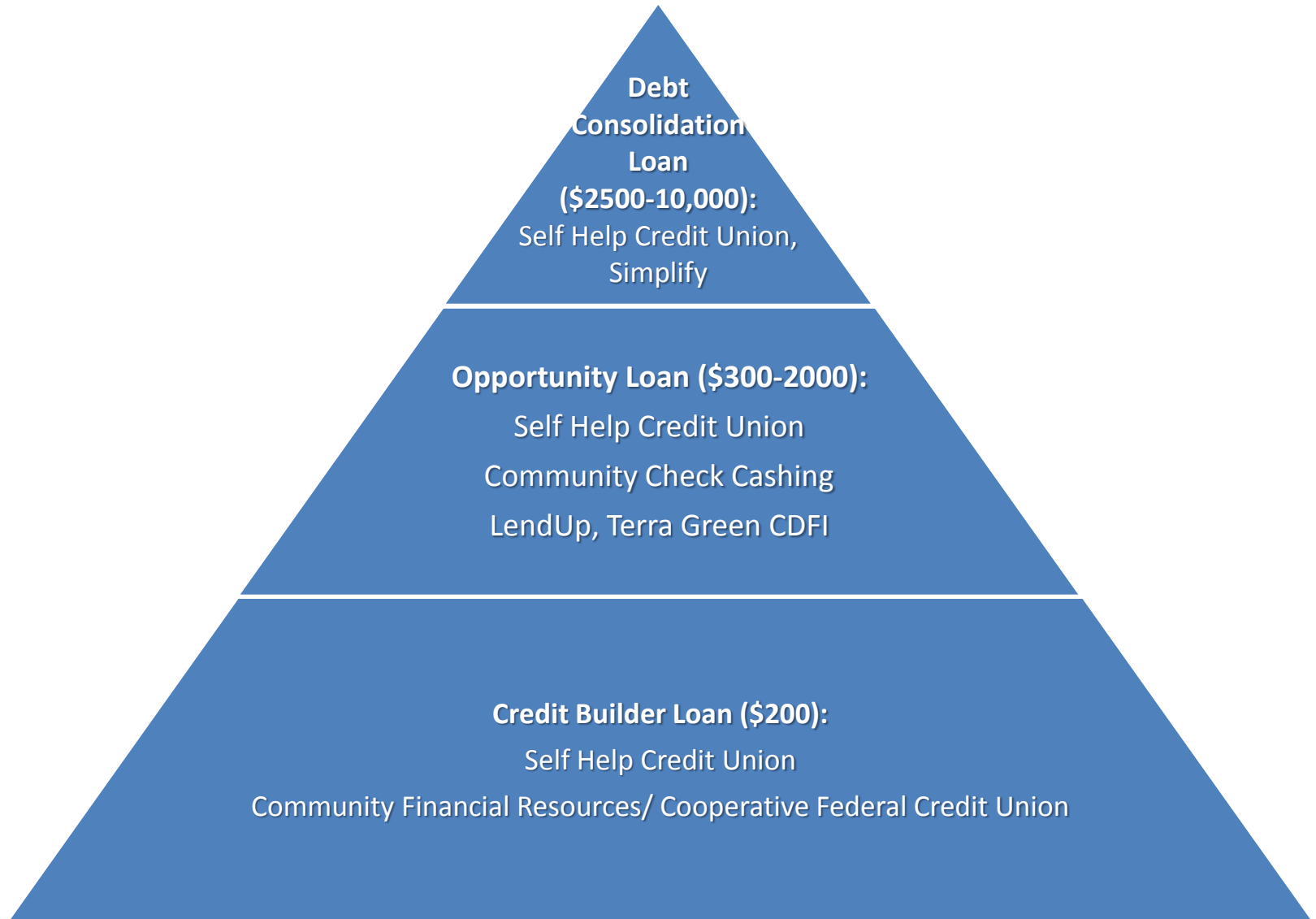
Advisory Partners

- Alameda County Community Asset Network (Urban Strategies Council)
- Alameda County Healthcare Services Agency
- Alameda County Social Services Agency
- Brighter Beginnings
- California Reinvestment Coalition
- Center for Responsible Lending
- Community Development Finance
- Community Financial Resources
- Family Independence Initiative
- Federal Reserve Bank of San Francisco
- First 5 Alameda
- Housing Economic Resource Advocates
- Insight Center for Community Economic Development
- International Rescue Committee
- LendUp
- Office of Alameda County Supervisor Keith Carson
- Office of San Francisco Treasurer Jose Cisneros
- Operation Hope
- Self-Help/ Community Trust
- SparkPoint, United Way of the Bay Area

Healthy Credit Overview



Healthy Credit Loan Products



Sample Loan Costs Comparison

	Healthy Credit Loan	Capital One Credit (min monthly payment)	Payday Loan
Loan Amount	\$500	\$500	\$255
Origination fee	none	\$19 (annual fee)	\$45
Term	12 months	12 months	28 days (14 days flipped twice)
APR	18%	24.9%	460.08%
Total finance charge	\$50	\$88.97	142.75
Monthly payment	\$46	\$47.50	\$352.75

Opportunity Loans



Potential Uses:

- Housing costs
- Small car repairs
- Medical bills
- Avoid garnishment
- Smooth cash flow, avoid overdraft
- Used computers
- Vocational training fees

Healthy Credit Lending Network

ALAMEDA COUNTY

REFERRAL PARTNERS

Social Services Agency
ACPHD Family Health Services
Collective Impact Fund
Sparkpoint Centers
Brighter Beginnings
EBALDC
Operation Hope
Catholic Charities

Healthy Credit:

Loan guarantee, Lending capital,
Administrative capacity

Healthy Credit Coordinator:

Manage partners,
Troubleshoot loan pipeline,
Monitors lenders and loan performance

6 Lenders

(100-200 loans each)



Healthy Credit Pilot Timeline

Year 1:

- * Make 500 loans
- * Begin data collection

Year 2:

- * Make 500 loans
- * Continue data collection

Year 3:

- * Wrap up loans made in 2nd year
- * Finish evaluation

HEALTHY CREDIT BUDGET

Budget

	Total	Year 1	Year 2	Year 3	HCSA
Loan Loss Reserve	\$ 100,000	\$ 50,000	\$ 50,000	\$ -	\$ 100,000
50% guarantee of 1000 loans, avg loan size \$500 (estimated loss rate 10-15%; potentially 75K in losses)					
Loan Guarantee Administration Set-up cost	\$ 10,000				\$ 10,000
Loan Guarantee Administration Fee (10% of fund)	\$ 10,000				\$ 10,000
Operational Support	Total				HCSA
Personnel					
Project Manager @ 0.50 FTE \$65,000 + 40% fringe (from ACPHD)	\$ 136,500	\$ 45,500	\$ 45,500	\$ 45,500	ACPHD
Project Coordinator 1 FTE (60,000 + 40% fringe)	\$ 252,000	\$ 84,000	\$ 84,000	\$ 84,000	\$ 252,000
Operations (from ACPHD)					
Facilities	\$ 25,800				ACPHD
Office supplies	\$ 824				ACPHD
Site visits	\$ 2,000				ACPHD
Marketing	\$ 25,000	\$ 12,500	\$ 12,500	\$ -	\$ 25,000
<i>Subtotal</i>	\$ 442,124				\$ 277,000
Subcontractors					
Evaluation (from SF Federal Reserve)	\$ 50,000				\$ -
Total Expense	TOTAL \$ 612,124				\$ 397,000
					\$ -

Loan Guarantee Set-up

- Loss reserve (100K) deposited into a trust fund
- Loan guarantee administrator responsible for:
 1. data management
 2. guarantee processing
 3. payments to lenders
 4. program reporting to the County
 5. default recovery/collections

Healthy Credit Impact

- Preventative approach to stopping cycle of high-cost debt
- Increased household financial stability
- Improved credit reports
- Better prepared to build assets
- Decreased household stress



Outcome Measures

- Number of customers reducing monthly/annual amount spent on predatory loans by \$____
- Number of customers reducing overall debt
- Number who raised credit scores by a minimum of ____ FICO points
- Number who completed financial capability workshop or coaching

Best Practice Outcomes

Loan Losses:

- Innovative Changes (Portland): Chargeoff rate 14.2%

Credit Score Improvement:

- Average credit score improvement of 677 if starting with no credit, and gain of 37 points for damaged credit (Innovative Changes)

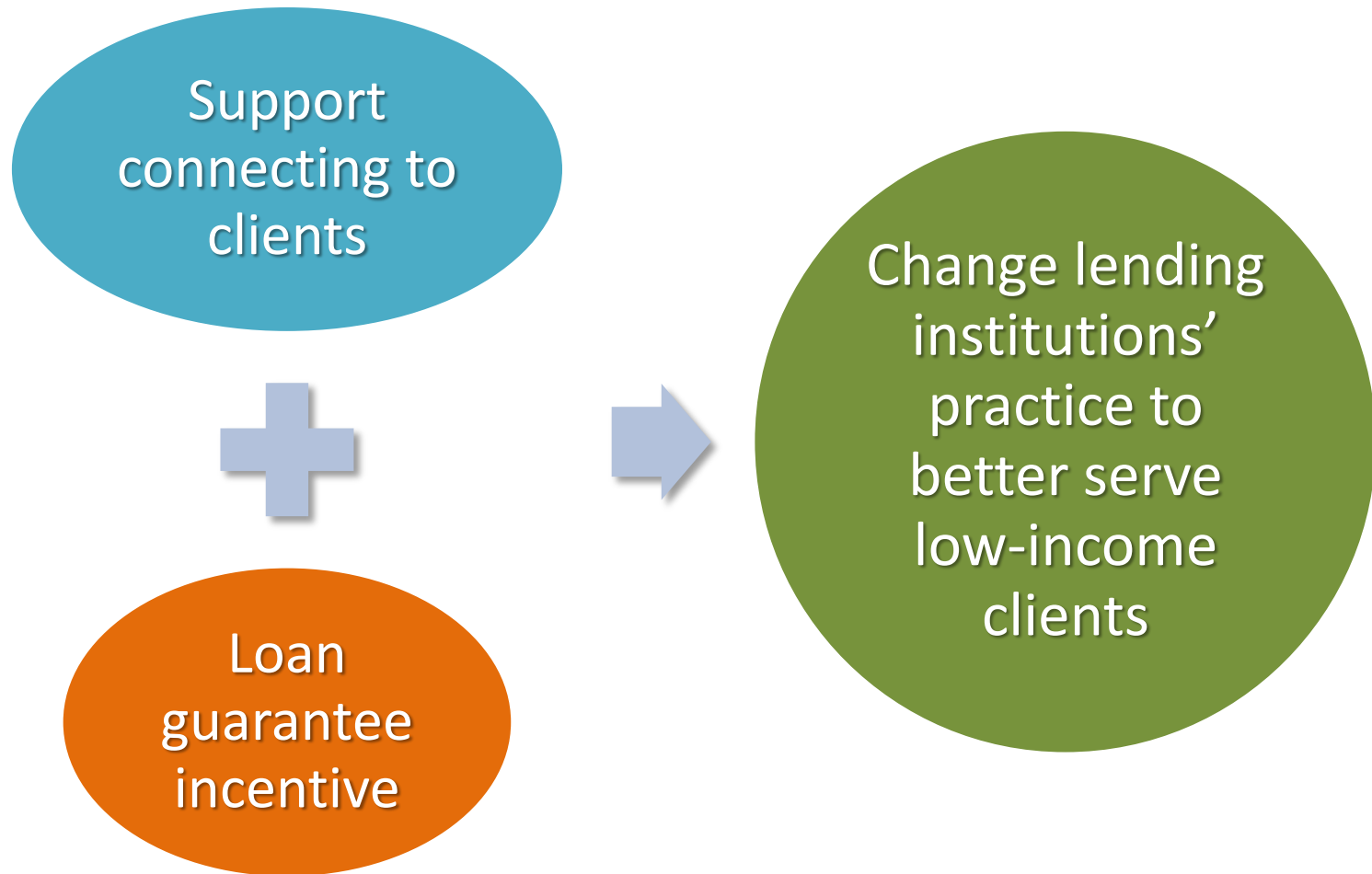
Uptake by Consumers and Lenders:

- Pennsylvania Better Choice:
Since 2006, consumers have borrowed \$34 million and saved \$25 million in interest and fees. Started with 25 credit unions and now at 65.

Outcomes Beyond 3-Year Pilot

- Demonstrate viability of low-income credit; lenders better able to serve excluded borrowers
- Healthy Credit a model for other jurisdictions
- Established viable partnerships for collaboration and infrastructure for financial empowerment resources in county

Public Health's Strategic Goal for Healthy Credit



Questions?

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Place Matters Initiative

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