



2007 Annual Development Banking Conference
November 6-7, 2007

**Ethnic Populations, Rural Poor, and the
FDIC Small Dollar Loan Program**
11:45 am – 1:00 pm

Moderator: Ellen Seidman
EVP, ShoreBank Corporation

Panelists: Angela Duran
President, Southern Good Faith Fund, AR
David Flores
CEO, Nuestro Banco, NC
Ed Jacob
CEO, Northside FCU, IL
Andrew Stirling
Program Manager, Small Dollar Loan Program; FDIC

November 7, 2007 www.ncif.org

National Community Investment Fund

November 7, 2007



Building Communities. Changing lives.





Southern Bancorp

- Work in multi-county area in rural Arkansas and Mississippi
- High poverty, high unemployment, low education levels
- Family of companies includes three banks and three nonprofits
 - Delta Southern Bank
 - Elk Horn Bank
 - First Bank of the Delta
 - Southern CDC
 - Southern Financial Partners
 - Southern Good Faith Fund



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Products and Services for the Un- and Under-Banked



- IDAs
- SEED accounts
- Aspiring Scholars accounts
- Credit Builder CD
- Stored value card
- Alternative mortgages
- VITA tax filing
- Credit Counseling
- Homebuyer training and counseling
- Small business training, counseling, and technical assistance
- Career Pathways

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Comprehensive Community Development

- Community strategic plans in all three banks markets
- Focus on economic development, education, health care, housing, leadership, and tourism
- Community-driven plan and implementation



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Individual Level Impact



- \$ 2 million in IDA savings and matches by over 700 families
- Median change in net worth between account opening and asset purchase is \$1000
- Small business clients saw an increase in household income from \$30,000 to \$38,000 between 2004 and 2006

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Community Level Impact – Phillips County, Arkansas

- Merger of two cities to create a new county seat
- 40 million gallon per year biodiesel plant under construction
- \$4.5 million health and wellness center completed
- \$2 million sweet potato storage and distribution facility completed
- \$1.5 million, 20-unit affordable housing development
- KIPP public charter school
- Boys & Girls Club
- Citilink public transportation system
- Leveraged over \$52 million in investment into the county over a three-year period



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Community Level Impact – Phillips County, Arkansas

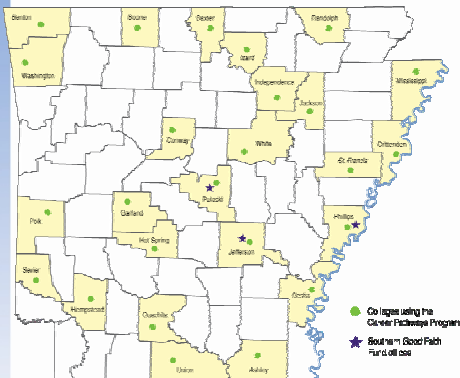


	Percentage of Students Scoring Proficient or Above 2006-2007 School Year					
	Math			Literacy		
	KIPP	HWH	AR	KIPP	HWH	AR
5 th Grade	78	33	61	69	43	59
6 th Grade	55	49	68	58	49	60
7 th Grade	63	31	58	57	28	57
8 th Grade	66	8	48	78	34	63
Algebra I	93	14	61			
Geometry	95	36	59			

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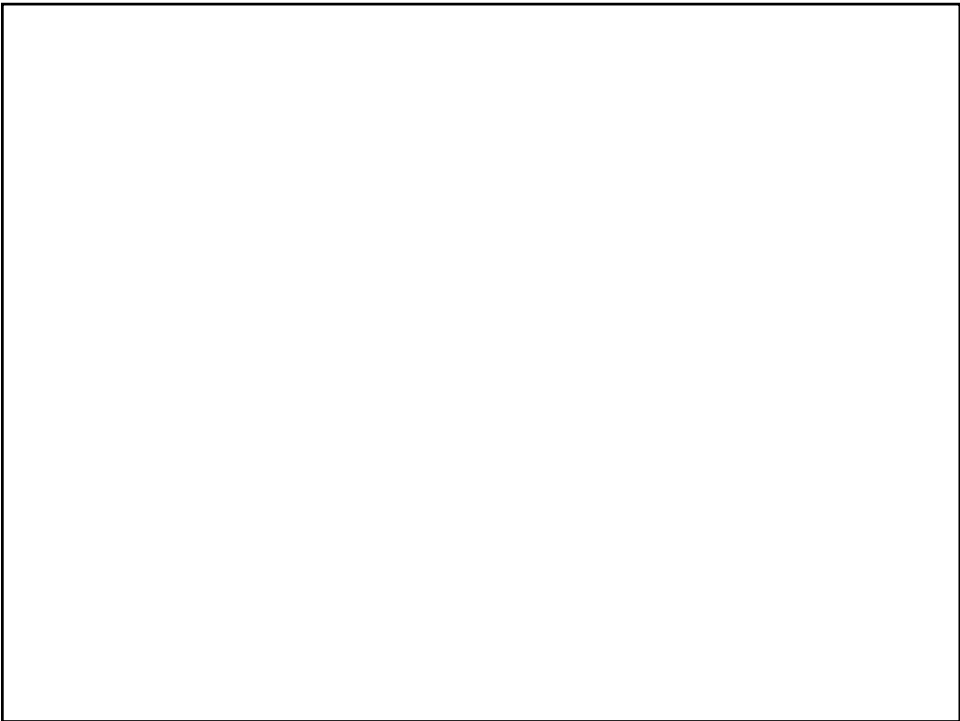
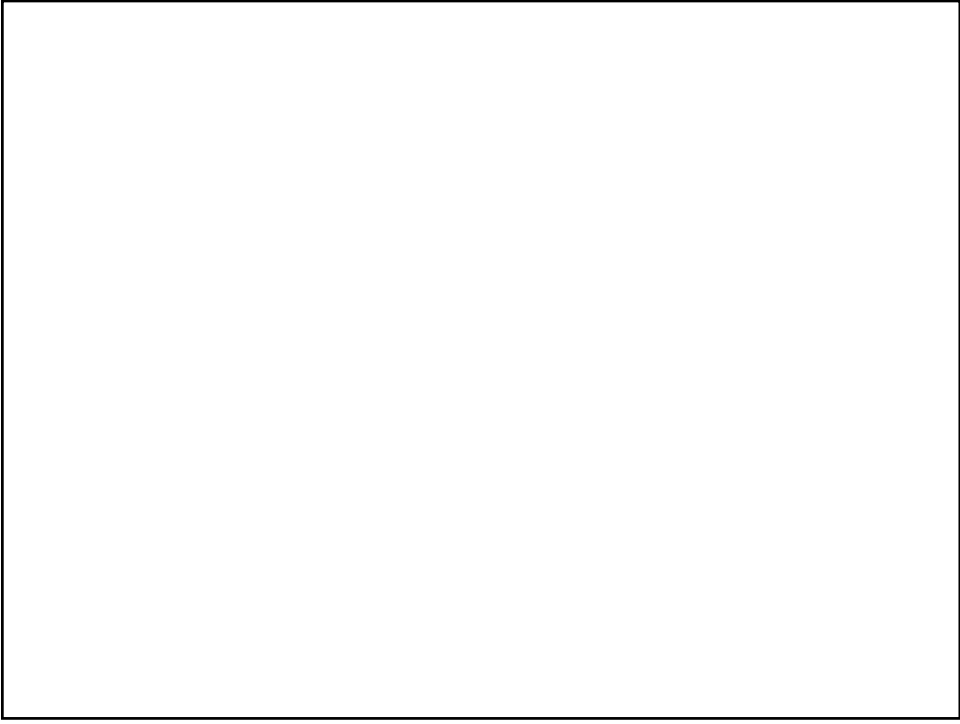


State-Level Impact



- \$28 million for Arkansas Career Pathways Initiative at 25 schools around the state
- \$1.7 million per year to fund IDA programs at 11 sites around the state
- Increase in state minimum wage from \$5.15 to \$6.25 per hour
- Aspiring Scholars Matching Grant Demonstration

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NCIF Annual Development Banking Conference

David Flores
President and CEO
Nuestro Banco

November 6-7, 2007

Nuestro Banco's Mission

- To accelerate the integration of Hispanic immigrants, within the communities that we serve, into the banking system and their local communities by:
 - Ensuring that the overall local community views us as a trusted partner and resource
 - Proactively working with local outreach programs to develop and deliver financial education programs
 - Providing the financial products and services that build **long term wealth and economic empowerment**

The Hispanic Community in North Carolina is in the early stages of Development

- In 1990 the Hispanic population in NC was 76,000 – today there are 1,000,000 and growing (73% of Mexican heritage)
- 60% of the growth has come from immigration, while 40% has come from migration within the U.S
- And is very young - 35% < 17 yrs old and 55% < 44 yrs old
- With purchasing power growing faster than the population growth rate - 2004-2008 population growth rate is projected to grow 122% while the purchasing power, during the same period, is projected to grow 143% (avg income is \$32,000)
- Total purchasing power of \$8.3B in 2004

We have created 3 segments, and have aligned our products and services based on their needs

• Recent Immigrants

- Membership account
 - Photo ID
 - ITIN preparation
 - Check Cashing
 - Remittances
 - Bill Payment
- Basic Checking
- Basic Savings and CD's
- Credit Builder Program

• Semi Acculturated/ Acculturated

- Traditional products with a focus on automobile and home purchase

• Small Business

- Traditional products with a focus on growing their business
- Employee Services
 - Special offers from Recent Immigrant package

Caring Nurturing Patience Dignity Respect ⇒ TRUST

The keys to success in serving the Hispanic market are:

- Understanding the psychographic makeup of the Hispanic
- Earning the TRUST of the community
- Providing financial education
- Developing customized products and services
- Be Patient and you will develop loyal and profitable long term relationships

Grand Opening Event



Branch Lobby



Lobby Waiting Area



Payday Alternative Loan (PAL)

November 7, 2006

Ed Jacob
North Side Community Federal
Credit Union

North Side C.U. Facts

- Chicago, IL
- \$7 million in assets
- 1 branch
- 2,700 members
- Founded in 1974
- CDCU, LICU, CDFI

Genesis of the Strategy

- Marisol's story
<http://www.youtube.com/watch?v=ZD3OCLUwOHA>
- Members who used payday lenders
- Foundation of Hot Funds/Cold Cash
- Match payday lenders on convenience

The Product

- Payday Alternative Loan (PAL)
- \$500, 16.5%, amortized over 6 months
- Minimum income \$1,000/month
- Initially, credit reports and scores for research purposes only

Performance to Date

- 4,300 loans totaling almost \$2.2 million since April, 2002
- 600 loans charged off totaling \$180,000 (8%)
- 30-day delinquencies running 3.4%; 60-day running 2.7%
- Underwriting changes 12/04 and 12/05

Pathways

- Toughest part is movement along the credit path (Alternatives CU in New York)
- 290 loans to PAL graduates totaling over \$1,000,000
- Not used for one-time emergencies (car repair)

Critical Success Factors

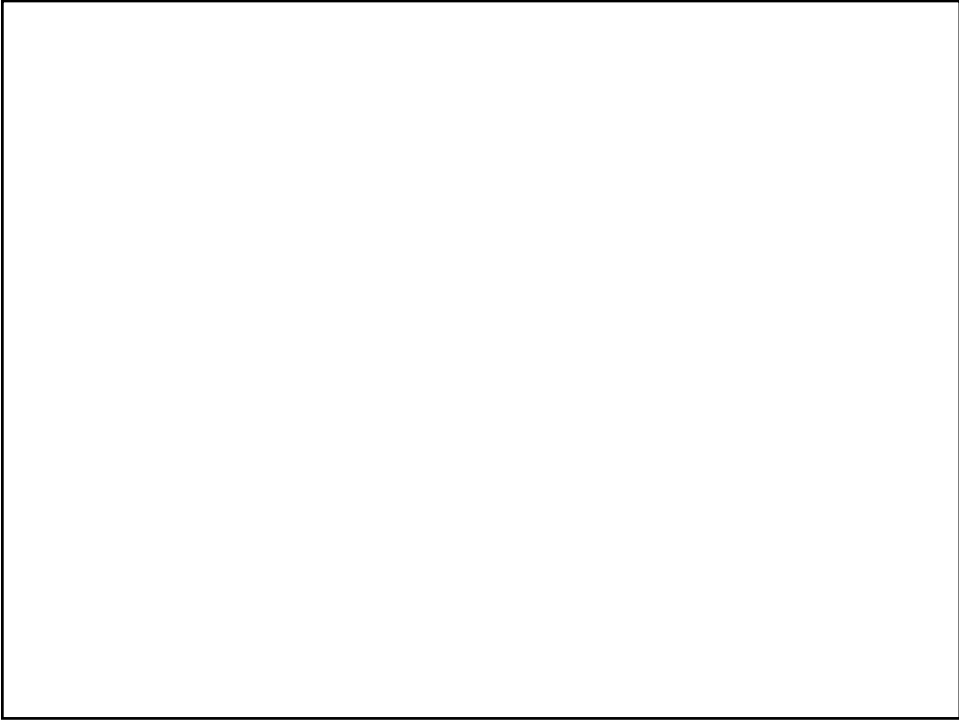
- Manage transaction costs
- Financial training
- Move quickly on delinquencies

Challenges

- Portfolio performance
- Profitability (RFSI Guidebook)
- Transaction costs (origination & collection)
- Migration to other asset-building (and profitable for CU) products
- Reg E issue - requiring repayment by direct deposit
- Only viewed as a cheaper payday lender

For more information

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Home > Consumer Protection > Community Affairs Program

COMMUNITY AFFAIRS PROGRAM

Learn how the Community Affairs Program helps to meet community credit needs.



EARN MORE

- [Community Affairs Program](#)
- [Community Affairs Program - Regional and Area Offices](#)
- [Community Affairs-Related External Links](#)

Money Smart - An Adult Education Program

- [Money Smart - Un programa de educación para adultos](#)
- [Money Smart News](#)

Alliance for Economic Inclusion

[Small-Dollar Loan Pilot Program](#)

["Tapping the Unbanked Market" Symposium](#)

[Community Development Investment Guide](#)

We need your help!
The FDIC is looking for volunteers to participate in user studies to help us improve the consumer information on our website. The studies will take place in late-October or early-November and will take about an hour of your time. If you're interested just send an email to websturdy@fdic.gov - all we need is your email address. Thanks!

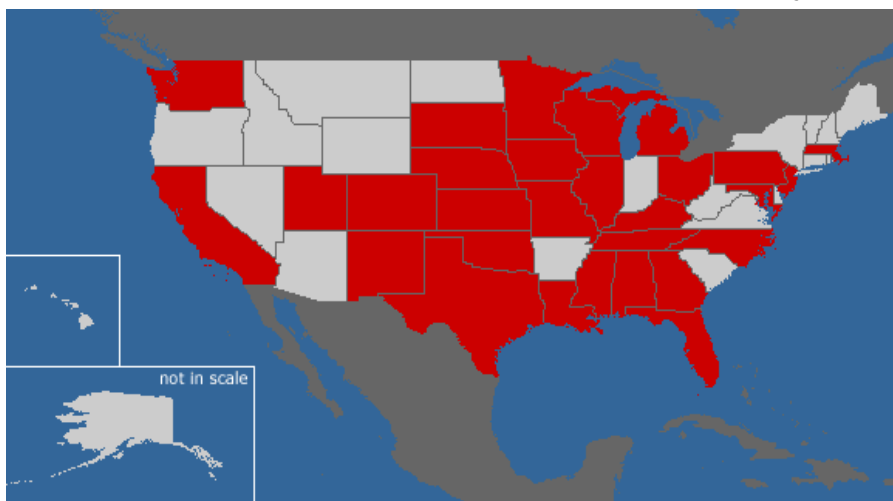
QUICK LINKS

- [Information for Families' Rebuilding Efforts in Gulf Coast States](#)
- [CRA Examination Schedule](#)
- [Monthly List of Banks Examined for CRA Compliance](#)
- [CRA Ratings & Performance Evaluations](#)

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Local intranet

Affordable and Responsible Consumer Credit Pilot Study



FDIC Affordable and Responsible Consumer Credit Pilot Study

Key Features:

- Loan amounts of up to \$1,000;
- Amortization periods longer than a single pay cycle and up to 36 months for closed-end credit, or minimum payments that reduce principal (no negative amortization) for open-end credit;
- Annual percentage rates (APR) below 36 percent;
- No prepayment penalties;
- Fees limited to the amount necessary to cover actual costs; and
- An automatic savings component.

The screenshot shows a web browser window displaying the FDIC website. The address bar shows the URL <http://www.fdic.gov/small-dollarloans/>. The page title is "Small Dollar Loan Pilot Program". The main heading is "Small-Dollar Loan Pilot Program". The text on the page describes the pilot project, its purpose, and the key features of the preferred small-dollar lending program. The key features listed are:

- Loan amounts of up to \$1,000;
- Amortization periods longer than a single pay cycle and up to 36 months for closed-end credit, or minimum payments that reduce principal (i.e., do not result in negative amortization) for open-end credit;
- Annual percentage rates (APR) below 36 percent;
- No prepayment penalties;
- Origination and/or maintenance fees limited to the amount necessary to cover actual costs; and
- An automatic savings component.

The application period is scheduled to run from October 24 - November 15, 2007.