

NEW YORK



The Employee Opportunity Loan

A CDFI PROGRAM FINANCIAL ASSISTANCE SUCCESS STORY

SPRING BANK



Ms. Dorothy Shuford,
A Success Story

"I consolidated some of my debt, which wasn't possible without Spring Bank's loan ...My credit score has skyrocketed."

Ms. Dorothy Shuford, Employee Boom!Health Bronx, NY Employer Partner in the EOL Program

With New York City's high cost of living, making ends meet on a modest salary can be challenging. Even when financially stable New Yorkers are faced with an emergency, the ability to access sources of credit can be very expensive. The Consumer Financial Protection Bureau (CFPB) indicates a typical two-week payday loan with a \$15 fee per \$100 borrowed equates to an annual percentage rate (APR) of almost 400 percent.

In 2015 with support from a Community Development Financial Institutions Fund (CDFI Fund) Financial Assistance award, Spring Bank launched the Employee Opportunity Loan (EOL) program. The EOL Program provides low-and moderate-income employees of participating businesses with access to small dollar loans.

According to research compiled by the Federal Deposit Insurance Corporation (FDIC), more than 36 million U.S. households do not have full access to the financial system—meaning they are either unbanked or underbanked. The unbanked rates for black households was 18.2 percent, and for Hispanic households 16.2 percent. According to data compiled by the Urban Institute, the Bronx, where Spring Bank is based,

CDFI Program Financial Assistance Awardee:

Spring Bank

Community Profile: Bronx, New York

- 27.6% Poverty Rate
- 11.8% Unemployment Rate
- New York State Empowerment Zone
- Household Median Income: \$33,009

Loan Recipient:

Dorothy Shuford, Boom!Health

Employee Opportunity Loan Activity:

- 391 Approved EOLs totaling \$702,831
- 18 Participating Partner Employers

Project Highlights

- Technology Platform for on-line applications/remote closings
 - Partnerships with local employers
 - Credit scores increased for 70% of employee participants
 - Borrowers continue to save
-

had the highest share—21.8 percent—of unbanked households in New York City.

The Spring Bank EOL is a \$2,500 fully amortizing 12-month loan with an interest rate of 16 percent—a much more affordable option than going through a traditional payday lender. Eligible loan amounts are calculated on the basis of 80 percent of gross income with no minimum credit score requirement. The loan repayment process is designed to foster individual program participant savings—every borrower opens a Spring Bank savings account. Loan proceeds go into that account, as do payments transferred from the borrower's paycheck. Those payments can seamlessly continue to flow into savings after the loan is repaid. Seventy-five percent of borrowers have opted to continue those transfers after their loans have been repaid. Payments are reported to the credit bureaus, helping to establish or build credit, and increase personal assets. Increased savings better enables individuals and families to weather financial hardships that could negatively impact credit worthiness.

Ms. Dorothy Shuford, an employee at Bronx-based Boom!Health, along with over 350 employees and 18 partner employers, has been able to better her financial situation thanks to the EOL program. Through this program, Dorothy improved her credit score over 100 points in 12 months.

Spring Bank's mission is to pursue a double bottom line – serving the needs of underserved consumers and small businesses in New York City and, as in 2016, being rated as one of the country's best performing banks in its asset class. The bank is certified by the CDFI Fund. For more information go to: www.springbankny.com.

**FOR MORE INFORMATION
ABOUT THE IMPACT OF CDFIS
AROUND THE COUNTRY,
VISIT WWW.CDFIFUND.GOV**