



SHORT-TERM LOAN PROGRAM

The REAL Deal Short-Term Loan Program is a short-term cash advance that helps members pay for unexpected expenses and is an alternative that credit unions can offer to counter high-rate on-line payday lenders, finance companies or pawnbrokers doing business in Georgia.

One such loan program is the NCUA-approved Stretch Pay Program that is currently being offered in Colorado, Georgia, Ohio and Michigan. Since its inception in July of 2006, over 105,000 short-term loans have been made and almost \$40MM in advances have been generated by 40 credit unions.

Other programs exist with varying requirements and operational components. To qualify as a Priority REAL Program, your short-term loan program should include the following elements:

Member Financial Need

- Credit score between 400-680.
- Need short-term financial assistance.
- Currently using high-cost alternative financial services providers such as finance companies, on-line payday lenders, title pawn and conventional pawn shops.
- Individuals who have excessive overdraft/courtesy pay expenses and are at risk of losing their access to checking/transaction accounts.

Member Benefits

- Helps build positive credit history.
- Helps member move from high-interest/high-cost loan providers and save money.
- Helps member move from transaction-based financial activities to product utilization and ultimately to saver/wealth accumulation.

Operational Components

- Loan is a conventional signature loan using credit union loan documents.
- Member must sign a commitment letter and follow the program requirements.
- Closing for first advance should be in-person for review of requirements and terms of the loan.
- Loan must be repaid in 30 days in order to get a second advance.
- Annual loan application fee for each member to participate in the program is \$35 for a \$250 limit or \$70 for a \$500 limit.
- Loan application fees are transferred to a risk pool to cover losses.
- Member can receive up to 12 advances in a 12-month period.
- Direct deposit (optional).
- Credit counseling (optional).
- Credit union registers the member with the GettingAhead Association, contributing the first year's membership fee.

Outsourced Program Alternatives

If your credit union does not offer such a program and would be interested in better serving this market segment, you can get information about the Stretch Pay program being offered by Credit Union Outreach Solutions, Inc.

Credit Union Outreach Solutions, Inc.

5815 Wall Street
Dublin, OH 43017
Contact: Lori George
(800) 486-2917
lgeorge@ohiocul.org
www.ohiocreditunions.org/stretchpay.htm

GCUA STAFF CONTACT

Eric Jenkins at ericj@gcua.org or (770) 476-9625