



# Society of St. Vincent de Paul Diocesan Council of Dallas Mini Loan Program (MLP)



Training Presentation

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# Mini Loan Program (MLP)

## “The Cycle of Debt”

- 250 predatory loan stores ten years ago
- Over 3,000 predatory stores now
- Twice the number of predatory loan stores in Texas than McDonald’s restaurants and Starbucks combined
- Predatory “Payday Loans”
- Predatory “Auto Title Loans”
- Target the working poor with advertising and multiple outlets

Source: Dallas Morning News – April 4, 2015



# MLP: “The Cycle of Debt”

- Someone gets a predatory loan to solve a short-term money crisis
- They then find themselves in an unexpected long-term crisis
- Trapped in a “cycle of debt”
- Renews predatory loan multiple times
- This “cycle of debt” often causes them to take out another loan to payoff the first
- Pay excessive fees each time the loan repeats
- 300-600% APR interest rates
- Disrupts the borrower’s normal budget
- They can no longer pay some of their normal monthly expenses, such as rent or utilities





# MLP: “The Cycle of Debt”

- Local Society of St. Vincent de Paul (SVdP) Conference gets a call for help
- Local Conference helps by providing direct assistance for that month’s rent or utilities
- Such direct assistance does solve the short-term problem
- But, it does NOT solve the long-term problem
- The individual or family are still trapped in the “cycle of debt”





# MLP: “An Answer to the Need”

- The Society of St. Vincent de Paul, Diocesan Council of Dallas is pleased to offer a new program in 2015
- Helps breaks that “Cycle of Debt”
- The Mini Loan Program consists of 3 parts -
  - Education
  - Conversion Loans
  - Savings Accounts





# MLP: “Don’t re-invent the Wheel”

- This is not a new idea
- Modeled after several other tried and proven programs
  - Belleville IL SVdP Council has been operating such a program for nearly 5 years
  - Belleville presented a workshop on their “Payday Loans” program at the 2011 SVdP National Meeting held in Grapevine TX
  - The St. Joseph’s SVdP conference in Richardson began operating a similar program in 2012
- Pilot phase of the MLP (fka Predatory Loan Conversion Program) began in January 2015
  - Completed four “Conversion Loans”
  - Offering the new MLP to all conferences within the Dallas Council



# MLP: Education Program

- Educational “WARNING” brochures warn of the dangers of Payday Loans or Auto Title Loans
- Copies of “WARNING” brochures will be available to all local SVdP Conferences
- All Home Visit teams will be asked to distribute these brochures to all clients, along with their other resource materials





# MLP: Conversion Loans

- “Conversion Loans” will payoff existing payday/title loan, breaking the “cycle of debt”
- Diocesan Council of Dallas has established a “MLP Council Committee” to administer this program
- Dallas Council has an agreement in place with Inwood Bank, Veritex Bank and Pegasus Bank to issue “Conversion Loans” to approved applicants
- Loans will be administered by the Bank.
  - Funding the actual loan
  - Collecting the periodic payments





# MLP: Conversion Loans

- All Bank loans will be 3% APR interest
- Example: \$1,000 Loan costs about \$85 per month for one year
- About \$1,015 total repaid, only \$15 interest
- Every loan is co-signed by the Diocesan Council of Dallas – MLP Leader signs loan documents
- SVdP repays loan if defaulted





# MLP: Conversion Loans

- How does the process work ?
  - Local conference home visit team discovers a predatory loans
  - Home visit team provides direct assistance like normal
  - Home visit team begins process to determine eligibility for “Conversion Loan”
- **Vincenitian home visit teams and are the key players** in this new program. Home visit teams are initial and primary contact with each individual/family
- Establish a relationship of trust by their direct assistance and compassionate presence
- “Conference MLP coordinator” in conjunction with home visit team should continue building that relationship by helping the individual/family through our “Conversion Loan” process





# MLP: Conversion Loans

- Conversion loan applicants must meet several criteria
- Must have a reliable source of income (full-time employment, Social Security, or a retirement pension)
- Must have direct deposit of their income into an existing checking account (a new checking account will be opened at the partnering bank if they don't have an existing one)
- Must authorize monthly direct debits from checking account into partnering Bank loan account





# MLP: Conversion Loans

- Payday/Title Loan must be more than \$300 but less than \$2,500. Exceptions may be made that will require a majority committee vote but they cannot exceed \$4,000
- Monthly budget must allow individual/family to comfortably repay our “Conversion Loan” with 12 monthly payments
- “Conference MLP coordinator” determines that individual/family meets the conversion loan criteria
- **Diligent screening interview conducted by the local conference is critical.**





# MLP: Conversion Loans

- Conference MLP coordinator and/or home visit team members accompany individual/family to the nearest partnering Bank office
- Sign necessary loan paperwork at bank
- Diocesan Council of Dallas co-signs the loan
- Dallas Council leader monitors repayment progress of each loan
- If loan payment is behind, Dallas Council leader will request local conference to resolve the problem with the individual/family





# MLP: Conversion Loans

- Timely repayment helps build credit rating (currently only Veritex bank will monitor credit score)
- Better credit makes it easier to obtain a car or home loan in the future
- “Conversion Loan” provides potential for a new path towards financial success
- By breaking the Cycle of Debt, the “American Dream” might be realized
- All part of the work by the Society of St. Vincent de Paul





# MLP: Savings Account

- Another part of MLP is opening of new savings account for the individual/family (no fee)
- When mini loan is paid off a savings account is opened
- A \$50 deposit will be made by the local conference to open this new savings account for the individual/family





# MLP: Savings Account

- “Conference MLP Coordinator” will counsel individual/family to continue with monthly automatic deposits after loan is paid off.
- Deposits will go into new savings account
- Savings throughout the year for emergency funds, Christmas presents, or other large dollar items







# MLP: Roles of the Conferences

- Local conferences will be asked to recruit a volunteer “Conference MLP Coordinator”
- District MLP Representatives will provide training for “Conference MLP Coordinators”
- “Conference MLP Coordinators” are responsible for working with home visit teams in interviewing and collecting all documentation required for a loan application
- “District MLP Representative” will assist conferences through the loan application process
- Contact your “District MLP Representative with any questions





# MLP: District Representatives

- 6 District MLP Representatives are available to help conferences through the process
- District 1 – George Human (St. Joseph-Richardson)
- District 2 – Jennifer Afflerbach (St. Thomas Aquinas)
- District 3 – Tom Crowe (Sacred Heart-Rowlett)
- District 4 – Russ Keenan (SEAS-Plano)
- District 5 – Tony Tinker (St. Michael – Gr.Pr.)
- District 6 – Bruce Toplek (Holy Trinity-Dallas)
- Council MLP Leader – Louise Bland (St. Joseph-Richardson)

