

## Model 4: Paycheck Today Line of Credit

### **Northwest Community Credit Union**

P.O. Box 70225  
Eugene, OR 97401

[www.nwcu.com](http://www.nwcu.com)

**Assets: \$624 million**

**Members: 68,893**

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Northwest Community Credit Union (NWCU) revised and re-launched its Paycheck Today Line of Credit (LOC) in May 2008.

#### **Loan Features:**

- Open-end
- \$300 line of credit
- 18% APR
- Draw period of one year
- \$15 application fee
- Outstanding balance repaid in full on the 5<sup>th</sup> day of each month
- Can access line of credit through touch-tone teller, online banking, overdraft protection, or at any branch location
- This product is used as a tool to educate members on how to improve their financial situation and overall credit rating

#### **Underwriting Criteria:**

- Member must be a C,D or E credit tier to be eligible; A+, A and B tier members are put into mainstream products
- Member cannot have an open credit limit account with NWCU to qualify for this product
- Member in good standing
- No open bankruptcies or garnishments
  - Collections sends an email to Loan Advisor if they receive a garnishment or if a member files bankruptcy

#### **Procedures:**

Members can apply with a Member Service Specialist (MSS) either by phone or in person. The NWCU Underwriting Team reviews applications. If a member is over-qualified for product, the credit

union's loan software has an automatic up-sell feature that approves the member for a mainstream line of credit. Different guidelines apply for the standard LOC and the MSS explains how this loan is structured.

### **Annual Re-qualification:**

The Loan Advisory Team reviews every Paycheck Today LOC loan on an annual basis.

- If the member's credit score increases to a C tier or above, the member is bumped into a mainstream LOC
- The Paycheck Today LOC account terminates if the member isn't bumped to a mainstream LOC and the member must reapply for a Paycheck Today LOC.

### **Results as of November 2008:**

- Number of outstanding loans: 35
- Total number of borrowers with LOCs: 50
- Outstanding loan balances: \$9,100
- Average outstanding loan balance: \$228
- Total application fees collected (through first seven months): \$800
- No losses to date; 1 loan is 30 days delinquent

### **Collection Activity Procedures:**

All loans are due on the 5<sup>th</sup> day of the month. If payment remains unpaid on day six, the LOC is frozen and the member cannot access the account. If the payment is received by the 15<sup>th</sup> of the month, the loan limit is reinstated. When the loan is five days past due, telephone contact is made and the member is warned that payment must be received by the 15<sup>th</sup> or the loan will be permanently terminated.

### **Marketing:**

Paycheck Today is listed as a loan option on NWCU's Web site. When members click on that option, they are provided a comparison of Paycheck Today's APR and fees with those of The Cash Store and Check N'Go. They are also provided information as to why Paycheck Today is a better choice and a link is provided for financial counseling through "Balance." Employees are also trained on how to listen to members' needs and will promote the loan if applicable.

### **Sample Forms Included:**

- Policies & Procedures for Paycheck Today Line of Credit (Exhibit 1)
- Paycheck Today Web Site Information (Exhibit 2)

## Exhibit 1: Paycheck Today Line of Credit

[Product Features](#)

[Qualifications](#)

[Available Advance Amounts](#)

[Loan Input](#)

[Automatic Up-Sell](#)

[Balance](#)

[When is a Paycheck Today LOC closed?](#)

[Closing a Paycheck Today LOC- Who does what?](#)

[Annual Re-Qualification](#)

[Employee Requests](#)

### **PRODUCT FEATURES:**

- 1) Limited input into APPRO & Core
- 2) Credit and Security Agreement and Disbursement Receipt are the only required documents
- 3) Low interest rate of 18%
- 4) Advances may be processed by the member online, via Touch Tone Teller, in-branch or over the phone
- 5) Paycheck Today LOC Loans may be setup as Overdraft Protection
- 6) 1 year draw period
- 7) *Use this product as a tool for educating our members on how to improve their financial situation and overall credit rating*

Please Note: When discussing this loan type with the member, ask what the purpose of the loan is for? A Paycheck Today LOC must be paid in full on the 5<sup>th</sup> of the month, if the member feels he or she will need more than one pay period to payoff the balance, suggest a Personal One-Time Advance instead.

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### **QUALIFICATIONS:**

- 1) Member must be a C, D or E tier to be eligible. A+, A and B tier members should use mainstream products.
- 2) No credit limit account currently open with Northwest Community CU to qualify for this product
- 3) Member must be in good standing
- 4) No open bankruptcies or garnishments against them
  - a. Collections will send an email to Loan Advisor if they receive a garnishment or if a member files bankruptcy

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### **AVAILABLE ADVANCE AMOUNTS:**

Paycheck Today LOC Loans will only be available in the amount of \$300.00.

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## **APPLICATION MANAGER LOAN INPUT:**

The following procedures are those specific to Paycheck Today LOC Loans. For general information on how to fill out the loan application screens, see the General Procedure for Lending. Applications for this product can be found under Line of Credit in APPRO.

- The Product Screens for Paycheck Today LOC Loans are Financing and Regulations.
  - On the Financing Tab, enter the following:
    - In the Amount Requested field enter \$300.00
    - Click on Pricing, select Yes to accept the Interest Rate of 18%
    - The Pct. of Amount Requested will automatically set to 100.0000
      - Do not change this under any circumstances
    - Do not change this setting under any circumstances
    - The Monthly Payment will read \$300.00
    - Click on the Insurance Calculator next to the Insurance field. The Insurance Calculator gives you the Credit Life and Credit Disability products. The system will automatically default to Waived. You will need to manually adjust this with each loan as you discuss these products with your member.
      - Under Credit Life use the drop down to choose the type of insurance desired. Single, Joint, Ineligible, or Waived.
      - Credit Disability cannot be offered with this loan product and will need to be changed to Ineligible. The loan will not transfer to OSI is Disability is marked any other way.
      - Click OK. This will load the purchased products and take you back to the main screen.
    - Overdraft Protection section – There is currently no functionality behind this but it may be used in the future.
    - The Collateral section of this screen will not be used since these are unsecured products.
  - On the Regulations Tab, enter the following:
    - The Loan Information section is where you will enter in the purpose of the loan. Choose from the drop down or type the first letter of the desired purpose. Nothing else needs to be done.
- Once you have completed the product screens, follow the General Procedures for Lending to complete the processing of the application

*Note: A screen will pop up asking you if you want to assign the fees, click no. Fees cannot be assessed in Application Manager on Line of Credit Loans, this has to be applied in Operations Manager.*

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## **OPERATIONS MANAGER**

In addition to standard Operations Manager Procedures, the following steps must be completed on the Contract Editor LOC Screen:

- Set First Payment to the 5<sup>th</sup> of the month
- Next to Term, check the box that reads No Maturity
- Add the \$15 Loan Application Fee, either Financed or POC

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## **AUTOMATIC UP-SELL**

A new feature available with APPRO is an Automatic Up-Sell for members who are over-qualified for a Paycheck Today LOC because their credit score is too high. The system will automatically replace the Paycheck Today LOC with a \$500 Fixed Rate Line of Credit. Some of the fields within the application will be automatically updated to coincide with a Line of Credit. The following steps need to be completed by the MSS:

- Click the radio-button next to Pct. of Amount Requested.
- In the Monthly Payment field enter \$20.00, the minimum amount due on a LOC.

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## **BALANCE:**

- A Balance Handout must be signed by the member when a new Paycheck Today LOC Loan is opened. Explain how Balance can help and what benefits they offer.
- A Balance Handout will be mailed every 6 months
- When a Paycheck Today LOC is closed, mail a Balance Handout to the member

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## **WHEN IS A PAYCHECK TODAY LOC CLOSED?**

- 1) All Paycheck Today LOC Loans are due in full on the 5<sup>th</sup> of the month.
  - a. Members will have a 10 day grace period to pay off their loan in full.
  - b. On the 6<sup>th</sup> of each month, any available Paycheck Today LOC funds will be frozen.
    - i. If a member makes a payment during their 10 day grace period, send an email to Loan Advisor so the funds can be made available
  - c. On the 10<sup>th</sup> of each month a report will be pulled and the Loan Advisory Team will contact any members with outstanding balances letting them know they have until the 15<sup>th</sup> to payoff their loan.
  - d. If the balance remains unpaid on the 16<sup>th</sup>, the limit will be revoked. A \$25 late fee will be assessed to the loan.
- 2) When a member requests for the loan to be closed.
- 3) When a Paycheck Advance loan has been open for one year.
- 4) When we receive a garnishment on a member's account.
- 5) If an Account Review is performed, it may be closed.

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## **CLOSING A PAYCHECK TODAY LOC- WHO DOES WHAT?**

**MSS-** If a member requests to have their Paycheck Today LOC closed, follow the [Closing a Visa or LOC](#) procedures. Send the member an Adverse Action notice and a Balance brochure.

**Loan Advisory Team-** If the member falls delinquent on a Paycheck Today LOC one time in the twelve months; a Loan Advisor may close the loan. They will maintain the loan and send an Adverse Action notice and a Balance brochure.

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## **ANNUAL RE-QUALIFICATION**

The Loan Advisory Team will review every Paycheck Today LOC loan on an annual basis.

- If the member's credit score increases to a C tier or above, they will be bumped up to a mainstream LOC
  - \$15 loan application fee will not be charged when reviewing
- The Paycheck Today LOC account will terminate if the member isn't bumped to a mainstream product

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## **EMPLOYEE REQUESTS:**

Employee will submit an application with either an MSS or online. The request will go through a Credit Manager for approval and will be processed by the Employee Loan Processor.

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## Exhibit 2: Paycheck Today Web Site Information

### Paycheck Today Lines of Credit

Our low-cost alternative to payday loan companies

Compare some payday loan programs

Program	Interest (APR)	Fee to apply
NWCU's <b>Paycheck Today Line of Credit</b>	<b>18.00% *</b>	<b>\$15</b>
<b>The Cash Store</b>	up to 520% **	\$20
<b>Check N' Go</b>	up to 520% **	\$20

\* Rate quoted as annual percentage rate (APR), effective 5/1/2008, and may change without notice. All loans are subject to approval. Additional restrictions apply. [Contact us](#) for more information.

\*\* Source: US Public Research Group, Consumer Federation of America; numbers based on \$100 loan over two-week period. APR calculation based on their fees.

### Sometimes there's too much month at the end of the paycheck.

Our Paycheck Today Line of Credit may be the fair break you've dreamed of. Whether you use it to help you out of a bind or to escape the burden of normal payday loans, our goal is to help you. Unlike the payday loans you'll see on TV, we're not trying to profit on the people who have nowhere else to borrow. And it costs less than bouncing checks.

## Here's why our Paycheck Today line of credit may be a better choice:

- Fast answer
- Low application fee
- Low APR
- Borrow only what you need, up to \$300
- Use this line of credit as needed for up to one year
- May be setup as Overdraft Protection
- No back-to-back schemes
- No checklists
- No post-dated checks required
- Easy access to funds via online, Touch Tone Teller, phone, or in-branch
- An ideal way to improve personal finances
- Helps build a good credit history
- Get your finances on track with the help of [Balance](#)

This loan is for members only, so have your member information ready and [visit a branch](#) to apply.