Fair & Fast Loan
Offering an Alternative to Pay Day Lending

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About Vancity

- Canada’s largest credit union
- Formed in 1946
- Operates in Vancouver and Vancouver Island, BC
- 500,000 members
- 57 branches
- $17.5 billion in assets
- Culture of member-led innovation
Underserved or Underbanked are individuals that have a relationship with a mainstream financial institution but turn to fringe providers such as payday lenders and cheque cashers for their unmet financial needs.

Vancity estimates that up to 15% of adult British Columbians are underbanked.
Framing the Opportunity

Across Canada, payday lending is a growing problem that traps individuals, including our members, in a cycle of debt.

**Demand: 2014 payday lending data in BC**

- Volume: 858,000 loans, 200,000 borrowers
- Average loans per borrower: 4.3
- Typical APR for 2 week payday loan: 600%
- Locations: 274

**Supply: shortage in viable alternatives**

Vancity saw a strategic opportunity to drive impact and growth.
Pay Day Lending

Why do people turn to expensive payday loans?

Credit Challenged
No access to other options

- Your credit score provides a history of how you have paid bills and paid back loans
- If your credit score isn’t great, you may not qualify for credit cards or loans from the bank

Convenience Seekers
Need cash right away, with no hassle

- Sometimes you need money right away and can’t wait days for the loan to be processed
- Payday lenders are open late, have convenient locations and can get you money in less than 30 minutes

Many people are forced to pay high interest and fees to borrow money right away so they can cover unexpected expenses and make ends meet
## Defining a Strategy

<table>
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<tr>
<th>Challenges</th>
<th>Approach</th>
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<td>Little Canadian research to rely on</td>
<td>Strategic priority</td>
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<td>Major considerations: business model, financials, market positioning</td>
<td>Structured design and delivery</td>
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<td>Enterprise IT projects in progress</td>
<td>Phased rollout</td>
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<td>Learning from others</td>
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Complex challenges, which can be successfully addressed with enterprise focus and careful design and delivery.
Our Journey

Q1 2013
Kick-Off

Q2 & Q3 2013
Research

Q3 2013
Proof of Concept

Q4 2013
Detailed Design

Q1 2014
Implementation

March 2014
Soft Launch!

June 2014
Broad Launch!
Not a payday loan, but a sustainable alternative

- Borrow $100 to $1500
- 19% APR
- Flexible repayment from 2 months to 2 years
- Takes about 1 hour for members
Why is it different?

**PAYDAY LOANS**

- **Quick fix**
- Up to 600% interest
- $23.00 interest to borrow $100 for 2 weeks
- 2 week payback, not enough time to get back on your feet
- **Does not build credit** score
- **No advice, limited** products and services

**VANCITY FAIR & FAST LOAN**

- One step towards **financial health**
- 19% interest, no fees
- $2.38 interest to borrow $100 for 2 months
- Up to 2 years to repay
- Reports to credit bureau to start **rebuilding bruised credit**
- **Personalized advice**, full suite of products and services to meet your ongoing needs
Designed to be a bridge product between payday loans and traditional credit...

The Fair & Fast Loan isn’t a silver bullet to solve the payday loan problem.

And it’s not right for everyone.
Take Aways

Successes
- Over 1,486 loans funded to date
  - average value of $1,120 and term of 14.4 months
- Members has saved over $2 million in interest and fees
- Positive feedback from members, staff, and the public
- High response rate to targeted marketing
- Extensive and positive, earned media coverage

Learnings
- Enterprise priority
- Dedicated, results driven team
- Learn from other FI’s offerings
- Internal change management is key
Future Opportunities and Questions…

• How to balance risk and inclusiveness?
• What are the long-term impacts on members?
• How to make the offering ‘Fairer & Faster’?
• How to drive impact at scale?
• How to leverage third party partners for referrals and reach?
Thanks!
Appendix: Impact Story #1

Here’s a recent example on how the Fair & Fast Loan impacted one of underserved members:

A member had payday loans from three different payday lenders. The Lender worked with the member to approve her for a $1,500 Vancity Fair & Fast Loan. The lender sat with the member and called all three different payday lenders to make arrangements to pay off the member's loans. The Lender paid off two of the loans directly, and the last one through Pre-Authorized Payment. The lender and the Member also discussed options for the member to permanently break her payday debt cycle. The member was so appreciative she cried, and after leaving the branch brought back a box of chocolates for the Lender.
Appendix: Impact Story #2

Here’s a recent example on how the Fair & Fast Loan generated unexpected broader benefits for Vancity:

After hearing about the Fair & Fast Loan, a well-known businessman in one of the communities we serve approached our regional director and said: “Now I understand what Vancity is all about.” He subsequently moved all of his personal accounts and more than $1MM in deposits from a major bank to Vancity.
Appendix: In-branch Marketing Samples

Digital Signage

Need money fast?
We can help with that, too.

Say hello to the Vancity Fair & Fast Loan™, the new quick loan solution that helps you get back on your feet fast.

Informational Brochures

Need money fast?
We can help with that, too.

Floor Decals

Emergency money starts here.
Ask us today about the Vancity Fair & Fast Loan™.

Wicket Posters

Need emergency money?
We can help with that, too.
Appendix: Digital Marketing Samples

Vancity.com

Social Media
Appendix: Earned Media Samples

TV & Radio

[Image of a news segment with text: "BIV: VanCity offers an alternative to PayDay loans."]

Newsprint

[Image of a newspaper article with text: "Vancity shakes up payday loan industry."]

Industry Publications

[Image of a magazine article with text: "Banking for Underserved Individuals."]