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The Center for Financial Services Innovation (CFSI) is the nation’s authority on consumer financial health. CFSI leads a network of financial services innovators committed to building a more robust financial services marketplace with higher quality products and services. Through its Compass Principles and a lineup of proprietary research, insights, and events, CFSI informs, advises, and connects members of its network to seed the innovation that will transform the financial services landscape.

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**Acknowledgements**

The Compass Principles, and this research, are supported by CFSI’s Founding Partner, the Ford Foundation, and the Omidyar Network.

We would like to thank the 16 lenders whose generous participation in our research made this report possible.
Executive Summary

» Millions of small-dollar credit borrowers are set back by predatory lending practices. There is a critical need for high-quality products designed for both borrower success and lender profitability.

» This report shares an analysis of practices of 16 installment lenders that have adopted some of the high-quality practices from the Compass Guide to Small-Dollar Credit (SDC).

» Lenders with practices receiving the highest ratings are consistently doing well in areas of responsible underwriting and transparency in pricing and disclosures.

» These insights, particularly those relating to customer service and support, may be applicable to multiple SDC products.

The following table summarizes degree of adoption for each guideline among our sample of lenders.

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Within each guideline, the Guide provides three categories of practices: Core, Stretch, and Next Generation. The table to the right summarizes the overall degree of adoption of these practices among our sample of lenders.

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Introduction

With inadequate savings and limited access to traditional lines of credit, millions of consumers turn to installment loans, a form of small-dollar credit (SDC)\(^1\), to meet their borrowing needs. Borrowers may use installment loans to support a planned purchase or cover unexpected expenses.\(^2\) While many installment loan products serve consumers well, some are high-cost, low-quality loans not designed for borrower success. Though many such products are marketed as short- or medium-term solutions, they often impose significant fees that can exacerbate the borrower’s debt burden. For individuals struggling day-to-day, access to high-quality, small-dollar installment loans may be critical for building a path to financial health.

In this report, we share survey findings and innovation spotlights from a sample of 16 installment lenders that have adopted some of the high-quality practices described in CFSI’s Compass Guide to Small-Dollar Credit. For the purposes of this report, we narrowly define SDC installment loans as unsecured, consumer loans under $5,000, with a duration less than three years, repaid in multiple payments. Our objective is to identify practices in the SDC installment market that encourage quality and increase innovation. Innovation enables lenders to find better ways to meet customer needs, create a loyal, more engaged customer base, and drive longer-term revenue. The high-quality practices that lenders in this study have already implemented demonstrate that it is feasible for this industry to offer profitable products that also support borrower success. Though these findings are drawn from a select group of installment lenders, they reveal tangible ways to promote borrower success and provide opportunities for improved consumer financial health.

1 Broadly speaking, small-dollar credit (SDC) includes single payment and short term credit products under $5,000 with terms ranging from two weeks to three years. In 2013, the total U.S. SDC market volume was over $118 billion and revenue was nearly $44 billion. See Center of Financial Services Innovation, 2013 Financially Underserved Market Size Study. 2014.

2 Center for Financial Services Innovation, Know Your Borrower: The Four Need Cases of Small-Dollar Credit Consumers. 2013.


4 Center for Financial Services Innovation, The Compass Guide to Small-Dollar Credit. 2014.
Using definitions of quality articulated in the Guide, this report highlights the leading practices and innovations we observed in our sample. Findings are organized by the seven guidelines that structure the Guide and explore how the corresponding recommended practices are implemented. These practices are divided into three categories:

<table>
<thead>
<tr>
<th>Core Practices</th>
<th>Stretch Practices</th>
<th>Next Generation Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>These are the standards for a high-quality small-dollar credit product. A loan should not be considered high-quality unless it meets these practices.</td>
<td>These are additional best practice ideas for providers looking to stretch beyond the basic requirements.</td>
<td>These practices are for providers that have met the standards for quality, challenged themselves to stretch beyond the basics, and are considering the next step in high-quality product design. These practices are called “next generation” to emphasize the need for new models for delivering small-dollar credit that may not yet exist today. We need additional customer-focused innovation, research and testing for these new models to emerge.</td>
</tr>
</tbody>
</table>

Sample of Lenders

We surveyed 16 SDC installment lenders that have adopted at least some of the high-quality business practices outlined in the Guide. The sample includes banks, credit unions, CDFIs5, and other nonbank direct lenders. Besides representing diverse institution types, the lenders vary by size, distribution channel (online or storefront), and business practices. These lenders may also offer multiple SDC products, but we focused on the primary personal installment loan product each offers. We sought to focus on installment products, using our definition on the previous page, that are openly available in the market. Payroll-based loans, available through employers as an employee benefit, and collateral-based products were excluded from this report.

The table on the next page summarizes the lenders included in our sample. We recognize that this is a heterogeneous group. They each have distinct business models, target different customer segments, and are subject to differing regulations. Some consumers may only be able to access the products of some, but not all of these lenders based on their risk profiles. Many of our recommendations may not be feasible for all of these lenders. Nevertheless, the objective is to highlight some of the innovations that each of these lenders has introduced to their operating environment.

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5 CDFI refers to a U.S. Treasury Department certified Community Development Financial Institution.
We selected our sample based on conversations with market experts (representing federal agencies, industry organizations, and nonprofit policy and research groups), CFSI advisors, and participating lenders. In short, we looked for market leaders and innovators in an industry that is unfortunately not currently dominated by high-quality practices. Our sample does not include every lender that has adopted high-quality SDC installment business practices. For instance, we purposefully chose our subset of credit unions to be representative of many of the practices and innovations in the credit union market. Also, some lenders did not respond to our invitation to participate or were unable to participate for various reasons.

But with these exceptions aside, we attempted to develop a comprehensive sample of lenders that have adopted some high-quality practices. Undoubtedly, there are lenders inadvertently excluded due to limitations of our methodology. In future iterations of this report, we hope to capture more innovative installment lenders and expand our focus to additional SDC products. We encourage readers to share recommendations for our future reports.

<table>
<thead>
<tr>
<th>Lender</th>
<th>Institution Type</th>
<th>Channel</th>
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</thead>
<tbody>
<tr>
<td>Axcess Financial - Check ‘n Go</td>
<td>Nonbank</td>
<td>Storefront and Online</td>
</tr>
<tr>
<td>CoVantage Credit Union</td>
<td>Credit Union</td>
<td>Storefront and Online</td>
</tr>
<tr>
<td>Elevate - RISE</td>
<td>Nonbank</td>
<td>Online</td>
</tr>
<tr>
<td>Enova - NetCredit</td>
<td>Nonbank</td>
<td>Online</td>
</tr>
<tr>
<td>Freedom First FCU</td>
<td>Credit Union</td>
<td>Storefront</td>
</tr>
<tr>
<td>Guadalupe Credit Union</td>
<td>Credit Union</td>
<td>Storefront</td>
</tr>
<tr>
<td>LendUp</td>
<td>Nonbank</td>
<td>Online</td>
</tr>
<tr>
<td>Nix Lending - Kinecta FCU</td>
<td>Credit Union</td>
<td>Storefront</td>
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<tr>
<td>Opportunity Financial</td>
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<td>Oportun</td>
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6 LendUp borrowers start with a payday loan and after success with that product, and reaching certain milestones, borrowers may qualify for an installment loan. Because of this product graduation model, we’ve included LendUp in this sample of SDC installment lenders.
Methodology

Following the framework of the Guide—the seven guidelines, the underlying practices (Core, Stretch, and Next Generation), and the examples listed under each practice—we share data-based findings on our sample of 16 installment lenders.

Throughout this report we also present Innovation Spotlights to highlight companies that have adopted a recommendation from the Guide in a particularly innovative way. These Spotlights are illustrative and do not represent all companies that may have adopted a certain recommendation. Aside from the Innovation Spotlights, we do not report on specific lenders. All findings are anonymous and assessed on the aggregate sample.

Data was collected in telephone surveys with participating lenders. The questionnaire was based on the examples listed under each of the practices outlined in the Guide. Data was not collected for all of the examples in the Guide due to constraints in survey length, difficulty of turning some examples into survey questions, and accounting for overlap between practices. However, our methodology enables us to generalize and assess ratings for each practice even though we did not collect data for every example under each practice.

Using a consistent questionnaire, our researchers asked the same questions in all interviews. Additional information may have been collected during some lender interviews and not during others as respondents expounded differently when answering specific questions. We note where this is the case.

We aggregated the information collected and assessed our findings against the Core, Stretch, and Next Generation practice examples outlined in the Guide. While lenders were evaluated on the examples, ratings were given at the practice and guideline level. Throughout this report, degree of adoption is rated on a High—Medium—Low scale, employing both quantitative and qualitative methods of analysis. Some findings could have fit under multiple practices, reflecting an inevitable overlap among many of the guidelines, practices, and examples. We assigned each finding to one example and practice where we thought it fit best. For more information about the methodology, please refer to the Appendix.
Summary of Findings

The following table summarizes degree of adoption of each guideline among our sample of lenders.

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The table below summarizes degree of overall adoption of Core, Stretch, and Next Generation practices among our sample of lenders.

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</table>
Analysis by Practice Level

Core Practices: Medium

These are the standards for a high-quality small-dollar credit product. A loan should not be considered high-quality unless it meets these practices.

Among this sample, there was a high degree of adoption of Core Practices from the Compass Guide to Small-Dollar Credit. These lenders employ advanced algorithms to make underwriting decisions, reduce rates for customers who demonstrate positive behaviors, and provide guidance about how to use their products successfully. There was also a high degree of adoption of Core Practices related to transparency to disclose the full cost of the loans to borrowers in simple and clear language, with no hidden fees or misleading information. For example, a majority of lenders provide prospective borrowers with access to a tool that helps them understand the cost of their loan, such as a loan calculator.

And all lenders confirmed that they clearly communicate the risks of borrowing to their customers (e.g., their credit reports will be pulled, their employment may be verified, they will be liable for making payments, and there are consequences for nonpayment).

Though this sample has adopted many high-quality practices, there is still significant room for improvement. With regard to underwriting, lenders could further analyze prospective borrower expenses and deposit account inflows and outflows to gain a more accurate understanding of their financial obligations. Where allowed by regulations, more lenders should consider creating smaller, credit-building loan options for credit-challenged borrowers who may not qualify for the primary SDC offering or the initial loan for which they applied. Lenders should also provide more actionable and specific advice to declined borrowers.

There are opportunities for lenders to design more borrower safeguards. For instance, more lenders should limit customers to having one loan at a time or place caps on a borrower’s outstanding credit. There are also many practices related to borrower support that should be embraced more widely. Half of the lenders in the sample offer an extended payment plan or a hardship refinance to help borrowers facing unemployment, income changes, or other difficult financial circumstances. Half of the lenders offer grace periods that allow consumers to avoid late payment fees and penalty interest rates. More lenders should institute similar processes to help struggling borrowers.

In terms of customer experience, the overall process, from application to servicing, should be convenient. For example, borrowers should be able to access account information and self-service features from a web-based dashboard or telephone support. While some of the lenders in our sample offered this, more should. There are also opportunities for lenders to leverage teachable moments to provide guidance about how to use their products successfully, such as through financial education modules. Lenders can also design incentives and rewards for borrowers to complete these courses. More lenders should offer clear paths for reducing loan rates for borrowers who demonstrate positive behaviors (consistent repayment, maintenance of external credit, etc.). And most critically, repayment should be reported to all major credit bureaus to help borrowers establish or build their credit.

7 The industry is expecting the Consumer Financial Protection Bureau (CFPB) to come out with their proposed SDC rules by the end of the year. Market experts anticipate that the new rules will address borrower safeguards.
Stretch Practices: Medium

These are additional best practice ideas for providers looking to stretch beyond the basic requirements.

Some SDC lenders in our sample are going beyond the Core practices and adopting Stretch practices. To help borrowers understand their credit, lenders should proactively share credit scores with all applicants, both those declined and approved. We observed a handful of lenders using nontraditional delivery channels to increase borrower access. Enabling borrowers to make payments at kiosks at local retail locations provides valuable convenience and encourages on-time payments. An innovative approach to help borrowers manage their overall debt is to release loan distributions directly to their existing creditors. To make products and the borrowing process more transparent and easily understood, lenders should enable borrowers to visualize the impact of positive or proactive behavior. For example, lenders can show borrowers how much more quickly they could pay off their loan if they increased their payment amounts. Lenders can also demonstrate how repayment behavior can affect their credit score and how these changes would impact them.

Next Generation Practices: Low

These practices are for providers that have met the standards for quality, challenged themselves to stretch beyond the basics, and are considering the next step in high-quality product design. These practices are called “next generation” to emphasize the need for new models for delivering small-dollar credit that may not yet exist today. We need additional customer-focused innovation, research and testing for these new models to emerge.

There is progress to be made among the sample in adopting Next Generation practices, but this is to be expected, given the aspirational nature of these practices. Many lenders have developed or are creating alert systems that proactively notify borrowers through mobile or online channels about upcoming due dates, missed payments and other critical information. More lenders should consider developing these systems and explore other effective ways of communicating with borrowers. Lenders should also consider offering resources that would help borrowers improve their financial health, such as budgeting and personal financial management tools. Additionally, lenders should design incentives, benefits, and products for borrowers who demonstrate positive behaviors. Only a few lenders have pursued early innovation in designing products that incorporate or incentivize savings. There is a need to further adopt and innovate strategies that help consumers who struggle to establish a savings safety net.

Following is an in-depth discussion of our findings among our lender sample. Findings are organized by guidelines and practices. Summary paragraphs present the main findings for each guideline among our sample and discuss strengths, areas for improvement, and general recommendations.
Guideline 1

A high-quality small-dollar loan is made with a high confidence in the borrower’s ability to repay.

Summary:

» All lenders surveyed in this report employ a proprietary underwriting algorithm, or some score-based analysis, to evaluate personal information and income data.

» More lenders, including those outside of this sample, should consider additional methods to verify a borrower’s ability to repay, such as deposit account cash flow analysis.

» There are opportunities for lenders to create loan products tailored to an individual’s situation while still managing risk. For instance, lenders can introduce smaller, credit-building loans for customers who may not qualify for the institution’s primary SDC offering, regulation permitting.

Core Practice

Lenders use the best available underwriting techniques to ensure a borrower’s ability to repay without re-borrowing and while still meeting basic needs and financial obligations.

Study aggregate adoption: High

All 16 lenders surveyed in this report collect personal information, employment or income information, and require proof of identity and address.

All lenders surveyed employ a proprietary underwriting algorithm, or some score-based analysis, to determine if a borrower qualifies for a loan.

Additional underwriting considerations and methodologies* observed with this sample:

Most* lenders analyze a borrower’s outstanding debt, which was viewed as a key determinant of a borrower’s ability to repay.8

7* lenders evaluate data not captured by traditional credit reporting (alternative data).

5* lenders consider the borrower’s relationship and history with the institution. These lenders find value in considering a broader view of the borrower’s behaviors.

2* lenders require that prospective borrowers provide rent and utility information.

2* lenders complete a budget with prospective borrowers.

1* lender employs an interview process.

1* lender asks prospective borrowers to present a hardship letter describing their financial situation and why they are seeking a loan.

8 Findings marked with an asterisk (*) were ascertained during survey interviews as respondents elaborated on the initial questions, but were not asked exhaustively of the sample. These findings reflect how many lenders “at least” follow a certain practice. There may be other lenders in our sample that have adopted a practice but did not indicate it during the original survey interview. See Methodology on page 8.
Innovation Spotlight
To assess a borrower’s ability to repay, Zestcash uses information from multiple sources, including data from loan applications, subprime data providers, and alternative data providers. These inputs, which provide tens of thousands of signals, are assessed using a proprietary underwriting model.

In addition to analyzing credit reports, Sun Loan uses a budget form as an underwriting template. Taking a personal approach, the prospective borrower and loan officer complete a budget together to document monthly income and expenses. Ability to repay, and therefore loan eligibility, is assessed based on a borrower’s free income.

Core Practice
Lenders offer an appropriate loan product and amount based on each individual borrower’s financial situation and the lender’s risk.

For high-risk prospective borrowers with thin or no credit files who do not qualify for the lender’s primary installment loan product, all five credit union lenders surveyed in this report have alternative products that may be appropriate for credit-challenged borrowers (e.g., credit-builder loans and secured credit cards). Some lenders that do not offer these alternative products view their standard small-dollar credit offering as a credit-builder, starter loan.⁹

Innovation Spotlight
Covantage Credit Union and Freedom First FCU offer credit-builder loans to members who have low or no credit scores. After a member is approved for a loan, disbursed funds are directed to a savings account where they will earn interest. Members make payments in installments, and only when the loan is repaid in full can funds be withdrawn from the savings account. These loans allow members to both develop saving habits and build their credit. In 2013, new Freedom First Credit Builder members who joined with no credit score had an average credit score of 630 after only six months.¹⁰

Guideline 1
Two practices under Guideline 1 were not reported: (1) By nature of our design methodology, none of the products surveyed solely rely on collateral for repayment. (2) It was not assessed if lenders in this sample monitor portfolio performance.

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⁹ There is disagreement about whether lenders should view their standard SDC offering as a credit-builder, starter loan. The formal definition of a credit-builder loan is one where the consumer borrows against his or her own savings. Aside from the five credit union lenders in our sample, the other lenders do not offer this type of product. State regulations may limit certain providers from offering this type of loan. Additional examples under this practice are reported elsewhere in the report.

Guideline 2

A high-quality small-dollar loan is structured to support repayment.

Summary:

» All lenders surveyed have fully amortizing loans and offer borrowers some flexibility with choosing the amount or terms of their loan. For customers who are not paid on a traditional two-week cycle, some lenders customize repayment schedules to better match a borrower’s income schedule.

» Several lenders help struggling borrowers, particularly those who are facing income or employment changes, reschedule or restructure their loan payments. More lenders should consider adopting these practices.

» Some lenders have implemented text or email alert systems that help borrowers manage repayments, and more should introduce these.

» Lenders must also implement safeguards to prevent misuse or overuse of products, such as limiting a borrower from taking out multiple loans or ensuring that total payments do not exceed their ability to repay.

Core Practice

Lenders design repayment timing and other product features to support and encourage successful on-time repayment.11

Study aggregate adoption:

High

All 16 lenders offer fully amortizing loans, where the principal and interest are paid down over the life of the loan. Customers only pay interest that has been accrued. Therefore, borrowers making early payments can save on unearned interest.

None of the lenders charge prepayment penalties.

All lenders offer a range of loan terms and amounts.

14 lenders offer borrower support during the decision-making process, using either a personal approach with loan officer counseling, or a digital approach, with a web-based tool that helps a borrower choose their loan amount and terms.

5 lenders offer both personal support and a web-based tool.

5 lenders only offer personal support.

4 lenders only offer web-based tools.

2 lenders offer no support options.

Innovation Spotlight

While branch-based models intuitively seem more able to offer proactive customer support, some online lenders have created a robust borrowing experience, Enova’s NetCredit product being one example. All prospective NetCredit borrowers must apply online.

After entering basic personal information and details about income and employment, a borrower deemed eligible is directed to a web page where they can see all loan amounts for which they qualify and choose the amount and terms of their loan. There are two sliders—one for choosing the loan amount, the other for controlling the number of payments and the payment sizes. Adjusting the sliders shows how the total cost of the loan would change.12

11 Other examples under this practice are reported elsewhere in the report. See Guideline 3.

12 Enova International tested this feature with a subset of its borrowers for CFSI’s Small-Dollar Credit Test & Learn Working Group. Following the completion of the study, this feature was rolled out to all borrowers, with some changes in the experience design. Read about this pilot and other interesting innovations in our recent publication, Insights from CFSI's Test & Learn Working Group.
Core Practice

Lenders create meaningful safeguards to prevent harmful misuse or overuse of the product.

8 lenders do not allow borrowers to take out multiple loans or more than an approved amount. These lenders expressed that it is their responsibility to ensure that total payments on all loans do not exceed the borrower’s ability to repay.

The other 8 lenders allow borrowers to take out multiple loans, per state regulations, but most said this is not common practice. When considering additional loans for a borrower, these lenders undertake the complete underwriting process to reassess the borrower’s ability to repay a new loan.

Study aggregate adoption:
Medium

Core Practice

Lenders provide support to borrowers when they have trouble repaying.

8 lenders may help borrowers facing unemployment, income changes, or other difficult financial circumstances by restructuring their loans with an extended payment plan or a hardship refinance. 13

3* of these lenders indicated that they could refinance multiple loans they had extended to a borrower into a single, consolidated loan.

Innovation Spotlight

Oportun works with customers who are willing but unable to make payments, offering a hardship restructure with a reduced interest rate and extended term that result in a reduced regularly scheduled payment amount. 14

Guideline 2

13 Refinancing is not always a high-quality practice. With fees or accumulating debt, refinancing can lead to expensive and unhealthy results for a borrower. However, when priced fairly and in the best interest of the borrower, a loan refinancing could support a borrower who is struggling to make payments with an existing loan. For a discussion on refinancing to improve rates for borrowers in good-standing, see Guideline 3.

14 Oportun also offers reduced interest rates for customers who have demonstrated successful borrowing behavior.
Stretch Practice

Lenders allow flexibility in setting repayment schedules that match income schedules.

6 lenders allow borrowers to customize their payment schedule to best match their income cycle.

13 lenders will help borrowers by rescheduling a payment, without having to restructure the loan. These lenders stipulate that this support is only available within a reasonable grace period, and specify that borrowers should reach out as soon as possible when challenged to make a payment.

Study aggregate adoption:
Low

StretchPractice

Lenders allow borrowers to customize the amount borrowed, loan term and payment amount up front in order to design a loan that fits their budgets, within ranges that underwriting suggests the borrowers can afford.

10 lenders provide prospective borrowers with access to a tool that helps them understand the cost of their loan. The sophistication of this varies among lenders, from a simple calculator to a tool that allows borrowers to customize their loan terms.

Study aggregate adoption:
Medium
Next Generation Practice

Lenders provide customizable alerts and tools that help borrowers manage their debt responsibilities effectively.

Study aggregate adoption: Low

6 lenders send payment alerts and notifications before a payment is due via text or email.

3 lenders send late notices only.

3 lenders are developing alert systems.

4 lenders have not yet implemented an alert system.\textsuperscript{15}

There was no observation of any lenders offering budgeting or personal financial management tools. Lenders should consider developing such tools or partnering with third-party providers to offer these services.\textsuperscript{16}

Innovation Spotlight

Elevate sends several borrower notifications via text, including payment reminders, payment confirmations (receipts), and other alerts.

\textsuperscript{15} This finding could also fit with Guideline 3.

\textsuperscript{16} There were some budget-related learnings incorporated in some lenders' financial education support. See Guideline 4.
**Guideline 3**

A high-quality small-dollar loan is priced to align profitability for the provider with success for the borrower.

**Summary:**

» All lenders surveyed in this report offer reduced rates and expanded loan options to borrowers who have demonstrated positive behaviors with previous loans, including on-time payments and successful repayment. However, more lenders should introduce clearer graduation paths to products with better terms and lower prices.

» To support borrower success, lenders should not regard fees and punitive interest rates as profit drivers. Instead, lenders should seek to help borrowers avoid these expenses by enabling automated communications such as alerts and providing reasonable grace periods.

**Core Practice**

Lenders price loans to incentivize and reward positive behavior, lowering costs and/or increasing benefits for the borrowers as they demonstrate creditworthiness over time.

**Study Aggregate Adoption:**

Low

5 lenders reduce rates, *during the life of the loan*, through a refinance for borrowers who demonstrate consistent repayment.17 These lenders have specific requirements for a reduced rate, such as a certain number of on-time payments. Borrowers are re-assessed before the refinance is finalized.

1 other lender has an explicit, points-based path for earning discounts on both existing and future loans.18

11 lenders require that borrowers have a transactional account.

15 (the 11 above, plus 4 others) allow borrowers to make automatic payments from transactional accounts, and to opt out at any time. Automatic payments help borrowers avoid missed payments and the associated fees and charges. Automatic payments in this context are not coercive, but rather a feature to provide convenience for borrowers.

**Innovation Spotlight**

*Opportunity Financial* has designed incentives to promote positive borrower behavior. Opting in for automatic payments can help borrowers qualify for larger loans at the same rate. Also, by completing and passing online credit education clinics, in partnership with RevolutionCredit, borrowers qualify for discounts on the principal of their loan. The clinics are designed to help customers become more financially aware of topics like budgeting and credit scores.

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17 For additional information on lowered rates for future loans, see more of Guideline 3 below. For discussion on hardship refinancing, see Guideline 2.

18 This finding could also fit with Guideline 4.
Core Practice

Lenders do not rely on penalty fees and interest rates or fees earned from refinancing as profit drivers.

Study aggregate adoption: Medium

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Core Practice

Lenders ensure borrowers receive the most appropriate and lowest-priced loan for which they qualify.

Study aggregate adoption: High

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Guideline 3

8 lenders offer reasonable grace periods (of at least 2 days), allowing customers to avoid late payment fees and penalty interest rates.19

2* lenders freeze or cap the total amount of interest and late fees assessed on a borrower to prevent rapidly accumulating costs.

Innovation Spotlight

Enova’s NetCredit does not assess late fees.

Freedom First FCU has a 10-day grace period before a payment is considered late or past due. If past due, the borrower is charged either five percent of the payment or $10, whichever is greater. Borrowers also have the option to skip one payment per year.

All lenders surveyed reduce rates for subsequent loans for customers who have demonstrated positive payment histories and maintenance of external credit, as reflected by their credit scores.

4 of these lenders offer clearly tiered graduation paths to future loans with lower rates defined by reaching specific points-based or behavior-based milestones.20

Innovation Spotlight

With Elevate’s RISE product, borrowers receive rate discounts for making consistent, on-time payments. For example, a customer (in California) could qualify for a 50% discount after one loan (or 24 monthly payments) and for a rate of 36% after two loans (or 12 additional monthly payments). 60% of RISE customers have had their rates go down over time.

LendUp’s business model is based on product graduation. Borrowers move up the LendUp Ladder by consistently paying on time and completing free credit education courses. As borrowers pass milestones, they gain status and earn access to larger loans at lower rates. Borrowers start with a payday loan (single payment) and work toward qualifying for installment loans (multi-payment).

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19 This finding could also fit with Guideline 2.
20 This finding could also fit with Guideline 4.
Next Generation Practice

Lenders provide additional benefits to borrowers who demonstrate positive behavior.

Study aggregate adoption: Medium

9 lenders, more than half of the report sample, offer additional financial products to borrowers, including payment products, other loans, checking accounts, and ancillary insurance products.²¹

5 providers offer an add-on payment card (a prepaid card, a debit card, or a secured credit card). Note that credit unions are member-based lending institutions that typically require borrowers to open a savings account before being eligible to borrow. These membership requirements were not considered as additional products.

Innovation Spotlight

Oportun, Speedy Cash, and Axcess Financial (storefront only) provide borrowers with the free option of disbursing funds onto a general purpose reloadable prepaid card. Oportun offers the Ventiva Prepaid Visa Card, Speedy Cash offers the opt+Visa Prepaid Card, and Axcess offers the NetSpend Prepaid MasterCard. Prepaid cards are secure, flexible, and convenient financial instruments that help consumers spend, save, and manage their money. These cards can be used to load funds or to make automatic payments.²²

²¹ Not all lenders and advocates view add-on products as a favorable practice because of questions about the quality of these offerings and whether they are sold in the best interest of the customer. However, if these are high-quality products that are targeted to the customers’ needs and marketed transparently, then this could be a positive practice.

²² CFSI’s Compass Guide to Prepaid (2013) provides guidance on prepaid design and delivery. For highlights on strategies that prepaid card issuers have adopted, please refer to CFSI’s Prepaid Industry Scorecard (2014).
Guideline 4

A high-quality small-dollar loan creates opportunities for upward mobility and greater financial health.

Summary:

» A majority, but still not all, of the lenders in the sample report repayment to major credit bureaus. It is critical that high-quality SDC products support borrowers by helping them build credit. All lenders should report payment histories on all credit products to at least the three major credit bureaus.

» More lenders should also adopt the practice of sharing credit scores with borrowers so that they can better understand their financial situation. Additionally, there is an opportunity for lenders to show borrowers, in real-time, how their repayment behavior affects their credit scores.

» Many lenders surveyed in this report offer financial education and guidance. While valuable, uptake of these offerings can be strengthened by giving discount incentives or other rewards.

» Though there has been budding innovation in the credit union space, more lenders should promote savings-building opportunities through lending practices or product design, regulation permitting.

Core Practice

Lenders help the borrower leverage successful repayment into better credit opportunities in the future.

11 lenders report repayments to the major credit bureaus to help borrowers establish their credit scores.

3 additional lenders report repayment for some but not all SDC products.

Study aggregate adoption:

Medium
Core Practice

If a borrower does not qualify for a loan today, lenders provide actionable and specific advice that can help him or her work towards qualifying in the future.

Study aggregate adoption: Low

6 lenders provide support to declined borrowers—beyond sending an adverse action notice—including credit counseling, credit education, or offering alternate loan products. All 5 credit unions provide additional support to declined applicants. 3 of these credit unions offer free credit counseling services to its members.

Innovation Spotlight

CoVantage Credit Union offers free Accel Credit Counseling to all members. The program provides assistance with personal and family budgeting, understanding a credit report, money management, debt repayment, and how to avoid bankruptcy, foreclosure, and repossession. Counselors are available for member support six days a week.

Core Practice

Lenders leverage teachable moments to provide guidance about how to use the product successfully.

Study aggregate adoption: High

13 lenders use key moments during the application and approval processes to provide proactive advice to borrowers. With some lenders, employees directly communicate loan offers to borrowers, discussing the costs and risks of the agreement (either at the branch or over the phone). 7 lenders offer borrowers formalized financial education, including financial planning and credit courses. Most of this support is virtual or module-based. 3 lenders tie discount incentives to completion of learning modules. 3 lenders provide personal budgeting support or address the topic through education modules.

Innovation Spotlight

During the origination process, Oportun employees walk through key details of the loan, including the disclosure and payment schedule. The representatives turn loan disbursement into a teachable moment by sharing fundamental information and proactive advice about how to avoid fees and qualify for better credit opportunities in the future. Topics covered in the educational documents include:

- How your installment loan works
- Avoid additional fees
- Prepare for interest charges
- Why is a credit score important?
- Making payments
- How do I build good credit?
- Pay early with no penalty
- I don’t have a credit history. How do I get started?
- Plan ahead! Advice for holidays and trips
- How can I view my credit history and check my score?
Stretch Practice

Lenders provide borrowers with the information about their credit reports and credit score at key moments over the life of the loan so they can observe in real-time how repayment behavior affects their credit profiles.

Study aggregate adoption: Medium

Next Generation Practice

Lenders combine small-dollar loans with savings opportunities and incentives, helping borrowers improve their ability to manage future emergencies or cash shortfalls.

Study aggregate adoption: Low

8 lenders proactively share credit scores with both borrowers and applicants.

2 additional lenders will share credit scores with borrowers upon request.

There was no observation of any lenders communicating with borrowers about real-time changes to their credit scores. Lenders should develop ways to show borrowers how their repayment actions and behaviors affect their credit score.

Innovation Spotlight

Freedom First FCU shares a “credit snapshot” with all applicants. This document provides the individual’s credit score and explains what it means, how the score compares to the rest of the country, what goes into the score, how many tradelines the applicant has, and how they can improve the score. All applicants are required to sign the credit snapshot document whether they are approved or denied.

Next Generation Practice

6 lenders, all of which are member-based lending institutions (credit unions or banks), require that prospective borrowers have a savings account. No other lenders offer customer savings accounts.

2 credit unions among these six lenders offer a credit product that helps borrowers build savings.

Innovation Spotlight

Kinecta FCU requires that every member has a savings account, which the credit union seeds with an initial $5.

Freedom First FCU and Guadalupe Credit Union offer the Borrow & Save loan, which freezes 25 percent to 50 percent of the loan amount in a savings account, where it earns interest but is inaccessible until the loan is paid in full.

Guideline 4

23 It is worth noting that nonbank lenders are not permitted to accept deposits.

24 The Borrow & Save product was developed with Filene Research Institute and the National Federation of Community Development Credit Unions. Borrow & Save loan amounts range from $250 to $5,000, repayment periods range from 3 to 36 months, and loans must adhere to the NCUA interest rate guidelines, not exceeding a 28% APR. In addition to the two credit unions offering the Borrow & Save product in our sample, there are 10 other credit unions piloting this product. The two credit unions in our sample are representative of the Borrow & Save products offered by these other 10 credit unions.
Guideline 5
A high-quality small-dollar loan has transparent marketing, communications, and disclosures.

Summary:
» All lenders surveyed in this report have communications that are compliant with regulations and easy to understand. However, more lenders should develop tools that help prospective borrowers better understand the true cost of their loan options.
» Lenders should also consider developing other innovative ways to show borrowers how much more quickly they could pay off their loans if they increased their payment amounts.
» Online customers should have access to web-based portals to directly make payments and manage their loans.
» Additionally, there is opportunity for lenders to consider expanding support to declined borrowers. For instance, lenders should share adverse action notices in a more understandable manner so that individuals can make smarter decisions that will help them qualify for a credit product in the future.

Core Practice
Lenders disclose the full cost of the loan to the borrower in simple, clear, and easy-to-understand language, with no hidden fees, industry jargon, misleading information or fine print.

All 16 lenders confirmed that they prominently disclose, with equal weighting, the periodic and total cost of the loan, both in dollar terms and as an annual percentage rate (APR) inclusive of all fees. These lenders comply with the Truth in Lending Act (TILA) and its implementing regulation, Regulation Z.

Innovation Spotlight
Regions Bank shares single-page Quick Guides with prospective borrowers. These reference documents provide key information about a loan product in plain language and a concise format. Using these guides, customers can review product features, tips for managing a loan, and steps for closing a loan.25

Study aggregate adoption:
High

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25 Regions Bank piloted a savings secured loan with a reduced minimum as part of CFSI’s Small-Dollar Credit Test & Learn Working Group. Read about this pilot and other interesting innovations in our recent publication, Insights from CFSI’s Test & Learn Working Group.
Core Practice

Lenders provide borrowers with information about the loan product in a manner and language they can understand so that they can make better and more informed decisions.

Study aggregate adoption:
High

Stretch Practice

Lenders clearly illustrate to borrowers in real-time how much the loan will cost and how long it will take to pay off given actual or anticipated payment behavior.

Study aggregate adoption:
Medium

Compliant with the Fair Credit Reporting Act (FCRA), all lenders issue adverse action notices to declined applicants, sharing reasons why a prospective borrower was not approved.

All lenders also confirmed that they clearly communicate the risks of borrowing to their customers (e.g., their credit reports will be pulled, their employment may be verified, they will be liable for making payments, and there are consequences of nonpayment). Though there was consistent transparency across our sample, lenders should always strive to convey information in a clear and easily understood manner.

9 lenders provide borrowers with a loan portal, either an online or mobile dashboard, to view details, manage their account, and make payments.

Some lenders are seeking to further develop online capabilities to increase convenience and accessibility and reduce operational costs. Most storefront lenders prioritize improving the branch and telephone experience over online technology.
Guideline 6

A high-quality small-dollar loan is accessible and convenient.

Summary:

» The lenders surveyed in this report are doing well in implementing processes that lead to responsible underwriting and provide convenient access to funds.

» Beyond the point of loan origination, there are opportunities to improve the customer experience. Lenders should consider implementing additional options for fund distributions. For example, lenders can give borrowers the option to direct funds to a specific third party to reduce other debts. There is also great opportunity for lenders to offer credit solutions through employer benefit channels where repayment can be deducted from an employee’s payroll.

Core Practice

Lenders make loan decisions in a timely fashion, balancing the borrower’s desire for quick access to funds with the lender’s commitment to responsible underwriting.

All 16 lenders can typically fund borrowers within one business day or less. There is a clear expectation set for prospective borrowers about how quickly they will receive a loan decision. Speed allows convenient access to funds, but without responsible underwriting, this is not a high-quality practice.

All 16 lenders use a proprietary algorithm in their underwriting processes, as recommended in Guideline 1.

Innovation Spotlight

Within an hour, approved Vancity borrowers can have their loan funds available in their bank accounts.26 With a quick, yet comprehensive underwriting process, Vancity can responsibly lend to borrowers who need cash quickly.

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26 Vancity piloted its Fair & Fast Loan as part of CFSI’s Small-Dollar Credit Test & Learn Working Group. Read about this pilot and other interesting innovations in our recent publication, Insights from CFSI’s Test & Learn Working Group.
Core Practice

Lenders ensure that loan application, decision, disbursement and servicing processes are convenient and culturally relevant.

Study aggregate adoption: Medium

Lenders accept applications at some combination of branch locations, online, or over the phone.

3 lenders accept applications across all of these channels.

Accepted Application Channels

Storefront lenders see in-branch touchpoints as an opportunity to provide direct support to prospective borrowers, particularly those who prefer personal interaction. Though there are challenges to scaling this practice, the personal element is a valued part of the storefront business model. In contrast, for some online lenders, remote channels are more convenient and relevant for their target customers, who typically prefer using the internet.

1 lender in the report sample only accepts direct, automatic payments via ACH, requiring that borrowers have a transactional account.

The other 15 lenders accept payments from two or more channels.

Among our sample, options for receiving fund distributions include check, cash, loading a prepaid card, and direct deposit. With more options for disbursements, borrowers can choose the channel that is most convenient for them.

1 lender directly funds disbursements to third-party creditors to help borrowers refinance higher-cost debt.
Innovation Spotlight

CoVantage Credit Union offers four channels for submitting applications: in-branch, online, by mail, and by phone. CoVantage also allows borrowers to make automatic or manual payments and encourages making payments via payroll deduction.

Speedy Cash makes funds available by cash (at a branch location), ACH, or instant funding to a prepaid card.

Kinecta FCU’s payday consolidation loan is designed to help borrowers pay off one or more payday loans with affordable installment payments. To ensure borrowers pay off their prior loan balances, Kinecta only disburses funds via money orders payable to the borrower’s creditors.27

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27 Kinecta Federal Credit Union evaluated its payday consolidation loan as part of CFSI’s Small-Dollar Credit Test & Learn Working Group. LexisNexis Risk Solutions is offering its RiskView score to underwrite this loan. Read about this pilot and other interesting innovations in our recent publication, Insights from CFSI’s Test & Learn Working Group.
Stretch Practice

Lenders use nontraditional delivery channels to increase access for the borrower, facilitate timely loan approval and minimize risk to the lender.

Study aggregate adoption: Medium

7 lenders allow borrowers to submit applications and make payments at kiosks in retail locations.

2 lenders work with employers to deduct payments from payroll.

Innovation Spotlight

Springleaf accepts payments through a variety of channels: branch, online, mail, mobile, phone, or at Walmart customer service desks.

Opportunity Financial has an option to deduct payments from payroll.
Guideline 7
A high-quality small-dollar loan provides support and rights for borrowers.

Summary:
» The lenders surveyed have reliable channels for borrower support; however, most lenders are handling appeals on a case-by-case basis, rather than following a standard protocol. There is opportunity for lenders to develop structured dispute resolution processes. Lenders should consider introducing a Borrower’s Bill of Rights and an independent ombudsman process.

Core Practice
Lenders ensure that borrowers can obtain customer support easily and are treated respectfully and helpfully.

Study aggregate adoption:
Medium

5 lenders make their services and materials available in both English and Spanish.
7 other lenders have some bilingual capability (i.e., access to interpreters, bilingual staff). Depending on the region and available staff, some lenders have capability to communicate with clientele in other languages, including Hmong, Navajo, Chinese, and Punjabi. Typically these services are informal, and official documents are not available in these languages.
4 providers offer services only in English.
3* lenders assign relationship managers to help support borrowers.

Core Practice
Lenders design dispute resolution and collection practices that are reasonable and fair to the consumer.

Study aggregate adoption:
Low

No lender mentioned the use of an independent third-party or an ombudsman process to resolve disputes.
1 lender has a distinct dispute resolution process.
For the other 15 lenders, disputes are handled through customer service channels and are treated on a case-by-case basis. Lenders see use of existing channels as more customer-friendly than creating additional processes. While there are advantages to having an informal, ad hoc approach for dispute resolution, a more formal policy can better ensure that borrowers’ complaints are resolved quickly and appropriately.
1 lender has a Borrower Bill of Rights.

Innovation Spotlight
Freedom First FCU has an established policy for resolving disputes. Unlike other lenders, they have defined a specific process and protocol for addressing customer concerns.
Conclusion

The findings of this report show how some high-quality lending practices have been adopted by a sample of installment lenders. There are still improvements that even this innovative group of lenders can adopt over time. However, the recommendations in this report are pertinent learnings for many lenders in the SDC market, beyond just our small sample. They provide specific examples of ways that many different types of SDC lenders can implement small changes in their product offerings to incentivize positive customer behavior.

We plan to capture more innovative installment lender practices in future iterations of this report. In the meantime, we hope this assessment incentivizes more lenders to take action to meet the guidelines that characterize high-quality, small-dollar installment lending.
Appendix

Rating Methodology

While lenders were evaluated on the examples from the guide, ratings were given at the practice and guideline level. The practice and guideline ratings represent qualitative and quantitative interpretations of a low, medium, or high degree of adoption by the survey sample. A straightforward quantitative analysis was insufficient to produce accurate ratings because the Compass Guide to SDC is not designed to be a checklist of examples to be necessarily adopted by all lenders. Therefore, it was necessary to consider a subjective element in our process and to adjust ratings based on qualitative considerations. CFSI industry expertise and judgment were used to weight recommendations according to their relative importance and to generate ratings that captured the true meaning of a certain recommendation.

Survey Instrument

The questions below were asked of each lender surveyed for this report. All data for this assessment was collected during telephone surveys with participating lenders from August 2014 to February 2015. Using this questionnaire, our researchers asked the same questions in all interviews. Interview findings were reorganized according to the structure of the Compass Guide to Small-Dollar Credit.

Product offering
» What consumer small-dollar loan products (<$5,000 per loan) do you offer?
» Please describe your application process.
» What is your annual loan volume? Could you estimate your market size or share?

Underwriting
» How do you assess a borrower’s ability to repay?
» Please describe your loan approval process.
» What is the income and credit profile of your typical borrower?
» How do you assess a borrower’s ability to repay?
» What information is shared with a prospective borrower with their loan offer?

Funding and Payments
» How can borrowers receive their loan funds?
» How are default payments structured?
» How can borrowers make payments?
» Please describe the borrowing experience (i.e. available tools, communications, alerts, etc.).
» Please explain your repayment policies (i.e. rescheduling, extensions, and grace periods).
» What is your fee and penalty structure?

Borrower Performance
» What is your refinancing policy?
» Can borrowers take out multiple loans?
» How do you monitor a borrower’s performance with a loan product?

Borrower Support
» What support and advice do you provide to borrowers?
» How do you help borrowers build their credit?
» Do you provide any products or processes that support borrowers with their personal financial management?
» Please describe the dispute resolution process.
» In what languages are your business services available?
<table>
<thead>
<tr>
<th>Guideline</th>
<th>Practice Level</th>
<th>Practice</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Core</td>
<td>Use the best available underwriting techniques to ensure a borrower’s ability to repay without re-borrowing and while still meeting basic needs and financial obligations</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Do not make loans that rely solely on collateral for repayment</td>
<td>High</td>
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<tr>
<td></td>
<td></td>
<td>Offer an appropriate loan product and amount based on each individual borrower’s financial situation and the lender risk</td>
<td>Medium</td>
</tr>
<tr>
<td>2</td>
<td>Core</td>
<td>Design repayment timing and other product features to support and encourage successful on-time repayment</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Create meaningful safeguard to prevent harmful misuse or overuse of the product</td>
<td>Medium</td>
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<tr>
<td></td>
<td></td>
<td>Provide support to borrowers when they have trouble repaying</td>
<td>Medium</td>
</tr>
<tr>
<td>3</td>
<td>Stretch</td>
<td>Allow flexibility in setting repayment schedules that match income schedules</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Allow borrowers to customize the amount borrowed, loan term and payment amount up front in order to design a loan that fits their budgets, within ranges that underwriting suggests the borrowers can afford</td>
<td>Medium</td>
</tr>
<tr>
<td>4</td>
<td>Core</td>
<td>Price loans to incentivize and reward positive behavior, lowering costs and/or increasing benefits for the borrowers as they demonstrate creditworthiness over time</td>
<td>Low</td>
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<tr>
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<td>Do not rely on penalty fees and interest rates or fees earned from refinancing as profit drivers</td>
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<td></td>
<td></td>
<td>Ensure borrowers receive the most appropriate and lowest-priced loan for which they qualify</td>
<td>High</td>
</tr>
<tr>
<td>5</td>
<td>Next Generation</td>
<td>Provide customizable alerts and tools that help borrowers manage their debt responsibilities effectively</td>
<td>Low</td>
</tr>
<tr>
<td>6</td>
<td>Core</td>
<td>Help the borrower leverage successful repayment into better credit opportunities in the future</td>
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<td>If a borrower does not qualify for a loan today, provide actionable and specific advice that can help him or her work towards qualifying in the future</td>
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<td>Leverage teachable moments to provide guidance about how to use the product successfully</td>
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<tr>
<td>4</td>
<td>Stretch</td>
<td>Provide borrowers with the information about their credit reports and credit score at key moments over the life of the loan so they can observe in real-time how repayment behavior affects their credit profiles</td>
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<td>5</td>
<td>Core</td>
<td>Disclose the full cost of the loan to the borrower in simple, clear, and easy-to-understand language, with no hidden fees, industry jargon, misleading information or fine print</td>
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<td>Provide borrowers with information about the loan product in a manner and language they can understand so that they can make better and more informed decisions</td>
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<td></td>
<td>Stretch</td>
<td>Clearly illustrate to borrowers in real time how much the loan will cost and how long it will take to pay off given actual or anticipated payment behavior</td>
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<td>6</td>
<td>Core</td>
<td>Make loan decisions in a timely fashion balancing the borrower’s desire for quick access to funds with the lender’s commitment to responsible underwriting</td>
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<td></td>
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<td>Ensure that loan application, decision, disbursement and servicing processes are convenient and culturally relevant</td>
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<td></td>
<td>Stretch</td>
<td>Use nontraditional delivery channels to increase access for the borrower, facilitate timely loan approval and minimize risk to the lender</td>
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<td>Ensure that borrowers can obtain customer support easily and are treated respectfully and helpfully</td>
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<td>Design dispute resolution and collection practices that are reasonable and fair to the consumer</td>
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Summary of findings, ordered by adoption rating.

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<td>1</td>
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<td>Offer an appropriate loan product and amount based on each individual borrower’s financial situation and the lender’s risk</td>
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<td>Create meaningful safeguards to prevent harmful misuse or overuse of the product</td>
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<tr>
<td>3</td>
<td>Next Generation</td>
<td>Provide additional benefits to borrowers who demonstrate positive behavior</td>
<td>Medium</td>
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<tr>
<td>Guideline</td>
<td>Practice Level</td>
<td>Practice</td>
<td>Rating</td>
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<tr>
<td>4</td>
<td>Core</td>
<td>Help the borrower leverage successful repayment into better credit</td>
<td>Medium</td>
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<tr>
<td></td>
<td>Stretch</td>
<td>opportunities in the future</td>
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<tr>
<td>5</td>
<td>Stretch</td>
<td>Provide borrowers with the information about their credit reports and</td>
<td>Medium</td>
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<tr>
<td></td>
<td></td>
<td>credit score at key moments over the life of the loan so they can observe</td>
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<td></td>
<td></td>
<td>in real-time how repayment behavior affects their credit profiles</td>
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<td>6</td>
<td>Core</td>
<td>Clearly illustrate to borrowers in real-time how much the loan will cost</td>
<td>Medium</td>
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<td></td>
<td></td>
<td>and how long it will take to pay off given actual or anticipated payment</td>
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<tr>
<td></td>
<td>Stretch</td>
<td>behavior</td>
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<td>7</td>
<td>Stretch</td>
<td>Ensure that loan application, decision, disbursement and servicing</td>
<td>Medium</td>
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<tr>
<td></td>
<td></td>
<td>processes are convenient and culturally relevant</td>
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<tr>
<td>2</td>
<td>Stretch</td>
<td>Use nontraditional delivery channels to increase access for the borrower,</td>
<td>Medium</td>
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<td></td>
<td></td>
<td>facilitate timely loan approval and minimize risk to the lender</td>
<td></td>
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<tr>
<td>3</td>
<td>Core</td>
<td>Ensure that borrowers can obtain customer support easily and are treated</td>
<td>Medium</td>
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<tr>
<td></td>
<td></td>
<td>respectfully and helpfully</td>
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<tr>
<td>2</td>
<td>Next Generation</td>
<td>Allow flexibility in setting repayment schedules that match income</td>
<td>Low</td>
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<td>schedules</td>
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<tr>
<td>3</td>
<td>Core</td>
<td>Price loans to incentivize and reward positive behavior, lowering costs</td>
<td>Low</td>
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<td></td>
<td></td>
<td>and/or increasing benefits for the borrowers as they demonstrate</td>
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<td>creditworthiness over time</td>
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<td>4</td>
<td>Core</td>
<td>Price loans to incentivize and reward positive behavior, lowering costs</td>
<td>Low</td>
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<td>and/or increasing benefits for the borrowers as they demonstrate</td>
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<td>creditworthiness over time</td>
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<td>4</td>
<td>Next Generation</td>
<td>If a borrower does not qualify for a loan today, provide actionable and</td>
<td>Low</td>
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<td></td>
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<td>specific advice that can help him or her work towards qualifying in the</td>
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<td>future</td>
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<tr>
<td>7</td>
<td>Core</td>
<td>Design dispute resolution and collection practices that are reasonable and</td>
<td>Low</td>
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<td>fair to the consumer</td>
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