

SALARY ADVANCE LOANS for VIRGINIA EMPLOYEES (SALVE)
PARTNERSHIP FOR GROWTH WITH FORT BELVOIR FCU

LENDING PARTNER PROPOSAL

July 2007

OVERVIEW

- ❑ VAPL is an organization dedicated to instituting fair lending practices in the Commonwealth of Virginia
- ❑ VAPL is seeking to partner with banks and credit unions to develop an open-end loan program as a low cost alternative to payday lenders.
- ❑ VAPL will invest financial, technical, and service resources to facilitate the development and implementation of a core loan program that can be easily integrated into the portfolio of loan products offered by banks and credit unions.
- ❑ VAPL is seeking partners to cooperate in the development of the **SALARY ADVANCE LOAN For VIRGINIA EMPLOYEES (SALVE)** that will be a “free-for-use” open-ended loan product that will combine financial support, counseling, and incentives to create a positive environment for the financial and personal advancement of the borrower and the profitability of the lender. Specifically, SALVE will:
 - Deploy capital in a profitable but non-predatory manner.
 - Provide financial counseling services to assist borrowers in establishing a positive credit history.
 - Provide access to other services (faith based, social services, other) to assist borrowers as their specific needs dictate.
- ❑ VAPL would like to expand on existing HW/SW platforms, processes and procedures in the development of SALVE with the stated objective of making SALVE available to be used by lending partners in the Commonwealth.

FORT BELVOIR FCU

- ❑ Fort Belvoir FCU (FTBFCU) developed and implemented the Advance Pay Loan in January 2005 as an alternative to high cost payday loans.
- ❑ In addition to providing a low interest loan FTBFCU members receive free financial counseling as well as free financial seminars.
- ❑ VAPL would like to expand on the FTBFCU product by:
 - Expanding the customer base that has access to the FTBFCU Advance Pay Loan product.
 - Enhancing the “portability” and “operability” of the Advance Pay Loan product so that it can be easily incorporated into the loan products offered by banks and other credit unions.
 - Expanding the functionality of the Advance Pay Loan product as part of **SALVE** that will be a “free-for-use” open-ended loan product
 - Augmenting the financial literacy aspect of the program to include counseling, financial planning, savings, and cash management
- ❑ What is the benefit to FTBFCU?
 - Improvements and enhancement of the Advance Pay Loan product will directly benefit and will be owned by FTBFCU
 - VAPL will work to expand the FTBFCU membership and deposit base
 - Opportunities for partnerships and alliances in other areas of the FTBFCU product offerings

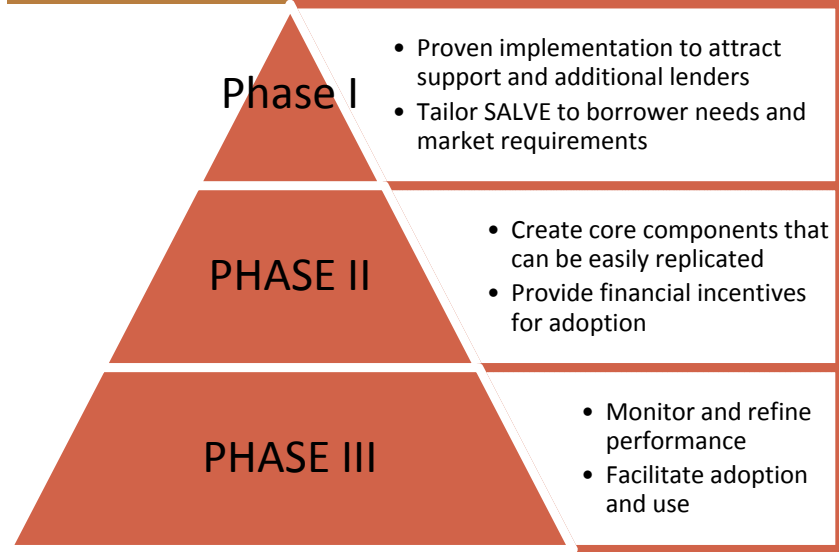
PHASE I - GETTING STARTED

- ❑ FTBFCU and VAPL formalize a working relationship for the investment of development capital and the sharing of resources and technical know-how
- ❑ Capital investment provided by VAPL provides funding for the enhancement of the Advance Pay Loan Product that is the basis for SALVE
- ❑ FTBFCU provides existing HW/SW platform, process and procedures and well as technical resources and “lessons learned” for SALVE
 - FTBFCU resources combined with 3rd party resources (funded by VAPL) enhance the portability and functionality of the Advance Pay Loan product
 - The resulting product – SALVE - is available to all users for a nominal fee
 - VAPL applies its financial literacy resources to augment the educational aspects of SALVE
- ❑ FTBFCU has the opportunity to expand the application of its Advance Pay Loan product to expand its membership and deposit base
- ❑ FTBFCU receives direct ownership in any improvements and enhancement of the Advance Pay Loan product
- ❑ FTBFCU has access to opportunities for partnerships and alliances in other areas of the FTBFCU product offerings

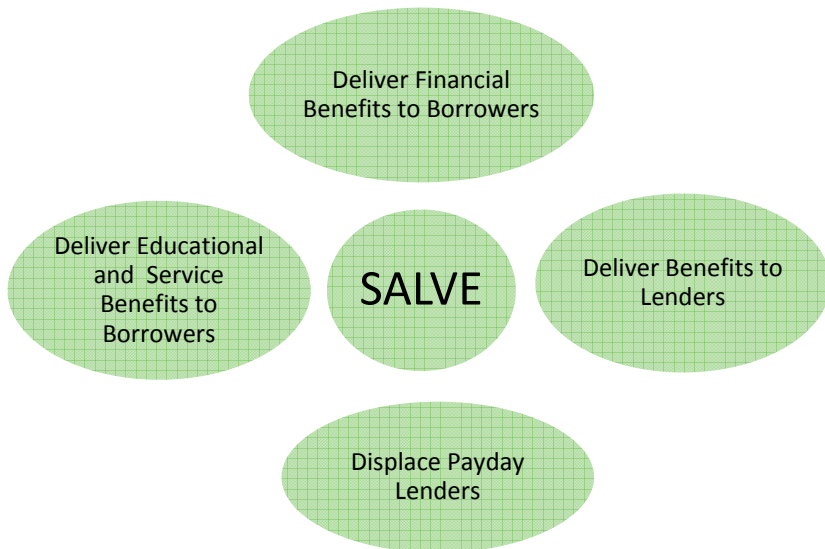
PHASE II – PLATFORM DEVELOPMENT OBJECTIVES

Repeatability	Functionality	Profitability
<ul style="list-style-type: none"> • HW/SW can be re-used by other lenders • Open access to processes and procedures • Template can be tailored to meet user requirements • Accessibility to “lessons learned” and enhancements 	<ul style="list-style-type: none"> • Integrate loan product, savings product and direct deposit • Provide financial literacy services to borrowers • Provide access to related financial and counseling services 	<ul style="list-style-type: none"> • Provide acceptable return to lending institution • Provide non-predatory lending rates to borrowers • Eventually fully integrated into lender platform

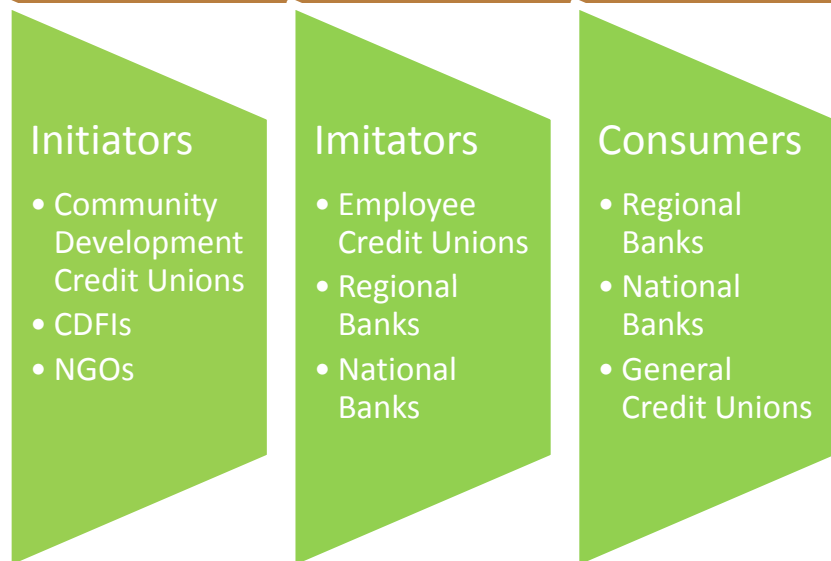
PHASE III OBJECTIVES



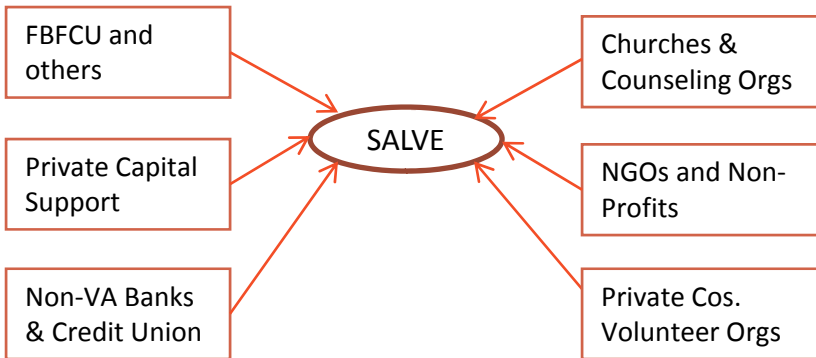
PHASE II – PLATFORM DEVELOPMENT STRATEGY



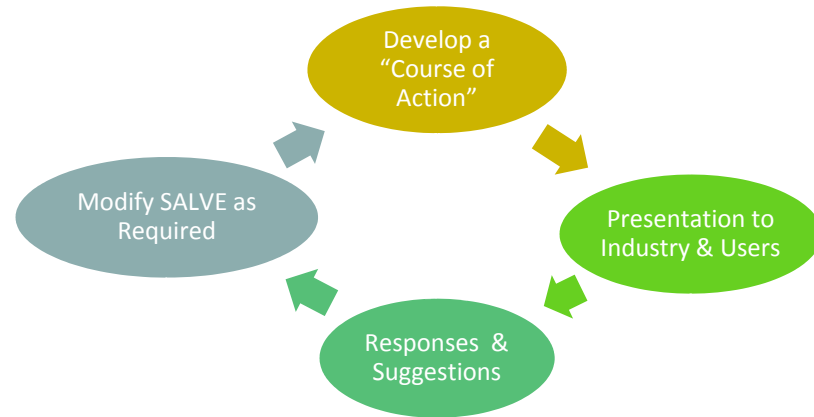
PHASE III STRATEGY



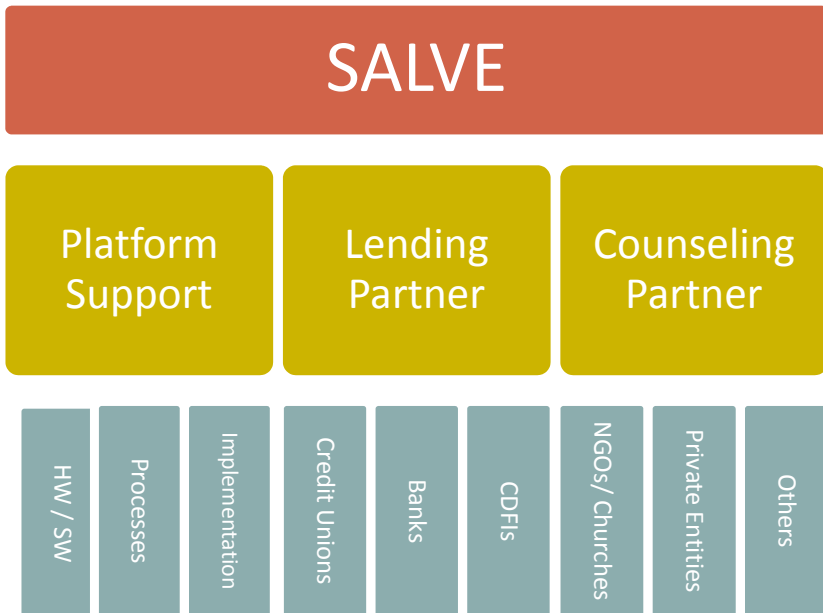
EFFECTIVE USE OF AVAILABLE RESOURCES WILL BE CRITICAL



INCORPORATE FEEDBACK IN REAL-TIME TO MINIMIZE ERRORS



INTEGRATION OF PEOPLE / PROCESSES / SYSTEMS



SUMMARY

- There is no “silver bullet” for an alternative lending program – a phased roll out is required based on lending partners that are willing to develop/implement a profitable platform
- SALVE must be an open-ended lending platform that can be replicated in multiple financial institutions at a low cost and in a short time period.
- Use of existing alternative lending programs is critical to reduce costs and capture lessons learned.
- Capital support for development and loan loss will be important to attract a “first mover” lending partner (Credit Union, Regional Bank, or Nationwide Bank).
- Involve churches and community organizations to create momentum and attract resources.
- Implement a mandatory savings program to build borrower funds.
- Focus on countering arguments raised by Payday Lenders