Common Cents Conference

Finding a Path to Prime

September 12, 2017

Marla Bilonick, Executive Director, LEDC

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LEDC Background

- Latino Economic Development Center-LEDC
- Nonprofit CDFI (certified 2003) serving Latino and other underserved communities through asset building and preservation interventions in Housing and Small Business Development in DC, Maryland, and Virginia
- Founded in 1991 amidst police brutality and civil unrest during the Mount Pleasant riots
- Client demographic breakdown = roughly 60% Latino, 30% Black, 10% ‘other’
LEDC currently has over 320 small business loans outstanding and makes over 150 loans per year in Washington, DC; Maryland, and Virginia.

**FINANCIAL PRODUCTS**

**Small Business**
- Term loans for small businesses ($5-$50K)
- CED loans for restaurants (up to $100K)

**Housing**
- Down Payment/Security Deposit Assistance grants (up to $2,500)

**Financial Capability**
- Credit Builder loans ($1,000)
- Lending Circles peer-to-peer (up to $2,000)

**Other**
- Citizenship loans ($725/cost of application)
Finding a Path to Prime

There are two issues we are solving for:
1. No credit profile
2. Damaged credit

• 56% of consumers have subprime credit scores
• Many of LEDC’s clients don’t have a credit profile, making them “credit invisible”

“There the credit invisibles are disproportionately minorities, young adults and new immigrants...they can’t access attractively priced, responsibly delivered credit to start businesses or buy cars or homes...when they need quick cash they frequently have to pay exorbitant rates at check cashing operations or payday lenders”-NYT, 2014
Deeper Dive: Credit-Building Products

LEDC offers two core products to address clients with no or damaged credit:

- Lending Circles
- Credit Builder Loans
Lending Circles

- Engineered by Mission Asset Fund in San Francisco
- Scaled through national partnerships at the local level (over 50 nonprofit partners in 17 states & DC, including LEDC)
- Formalizes the practice of peer group rotating savings & credit associations (ROSCAs) with technology and reporting to credit bureaus
- Zero-interest loans of up to $2,000 over varied time periods (dictated by number of participants)
- Groups of 6-12 participants
- Required financial capability modules online
- 99.3% repayment rate as of 2015
- 5,455 social loans totaling over $5 Million in 2015
- Average credit score gain is 146 points for participants
LEDC Credit Builder Loans

- Piloted during FY17, now integrated product for LEDC
- $500-$1,000 to develop credit history and/or improve their credit scores
- 12 month term
- 9% interest rate (fixed)
- Fixed monthly payments
- Reported to credit bureaus
- Mandatory financial capability workshop at closing (prior to starting payments)
- Optional 2nd workshop after the loan is paid to review credit score
- No minimum credit score required
- Client must be current in all credit report accounts
Other/Non-Traditional Options

- Secured credit cards
- Alternative credit-building tools (e.g. RentalKharma and Rent Track use rent payment history)
- Credit builder accounts (e.g. Self Lender holds funds in a CD for 12 months while payments are made & then disburses the “loan” at the end of the loan term)
- Good habits!
LEDC

Come visit!
LEDC
641 S Street NW
Washington, DC 20001

Marla Bilonick
mbilonick@ledcmetro.org
@MarlaBilonick