

## Small Dollar Loan Pilot Participant Interview Guide

*[Prepare a packet on each institution with the original and current points of contact, the number and dollar value of loans made by the institution during the pilot; institution summary, including its compliance and safety and soundness rating; pilot product information (e.g. name of product), etc.]*

Hello *[respondent name]*. Thank you for agreeing to this interview. My name is [ ] and I am in the *[branch]* in the Division of Depositor and Consumer Protection at the FDIC. We are conducting a follow-up survey with all financial institutions that participated in the 2008 FDIC Small Dollar Loan Pilot.

*[Name of respondent]*, did you participate in the 2008 pilot or are you familiar with your institution's participation in the pilot? Y/N\_\_\_\_\_

*IF NO (or somewhat familiar):*

In February 2008, the FDIC began a two-year pilot project to review affordable and responsible small-dollar loan programs in financial institutions. The pilot was a case study designed to illustrate how banks can profitably offer affordable and feasible small-dollar loans as an alternative to high-cost credit products, such as payday loans and fee-based overdrafts. The small-dollar loan pilot concluded at the end of 2009 and resulted in a template of product design and delivery elements. The template considers loans of \$2,500 or less and recommends a term of 90 days or more, an APR (including fees) of 36% or less, streamlined underwriting so that a loan decision can be made within 24 hours, and an optional savings or financial education component. Over the two-year pilot period, *[name or financial institution]* made *[number]* of loans valued at *[\$\$\$]*.

*IF YES:* Great...As you likely recall, *[name of bank]* participated in this two-year pilot, beginning in February 2008 and offered *[specific product info if we have it]* small dollar loans of \$2,500 or less with a term of 90 days or more, an APR (including fees) of 36% or less, streamlined underwriting, and an optional savings or financial education component. Over the two-year pilot period, *[name or financial institution]* made *[number]* of loans valued at *[\$\$\$]*.

The purpose of this survey is to learn whether your institution still offers small dollar loans, what factors have been important to this decision, and whether your institution has future plans to offer small dollar consumer loans. The information you will be asked to provide will be used to inform FDIC efforts to expand access to mainstream financial services and may be summarized in a supplement to the FDIC Small Dollar Loan Pilot Report. In no event will your name or the name of your organization be linked to any of your responses in any publication. Do you have any questions before we begin?

(ANSWERS TO QUESTIONS POSED TO RESPONDENT)

**Background Information**

Let's begin with some background information

Start skip

Name: [prepopulated] \_\_\_\_\_

Title: [prepopulated] \_\_\_\_\_

Financial Institution: [prepopulated] \_\_\_\_\_

End skip

How many years have you been with this financial institution? \_\_\_\_\_

How long have you been involved in small dollar consumer credit or other consumer lending at your institution? \_\_\_\_\_

**Small Dollar Loan Product**

Does your organization still offer the same product offered during the pilot [*product name if we have it*] or a similar uncollateralized small dollar loan product? (Y/N)

*IF YES* go to **Small Dollar Loan Product – Product Offered by Financial Institution** document.

*IF NO*, go to **Small Dollar Loan Product – Product Not Offered by Financial Institution** document.

## Small Dollar Loan Product – Product Offered by Financial Institution

### Product Features and Availability

We would like to establish a basic understanding of the product. So, in this first part of our conversation, we'll ask you some basic questions about the product and its availability.

Is it an installment loan? An open end line of credit? Other?

*[If the product is an open-ended line of credit, then verify whether or not a closed end uncollateralized small dollar credit product similar to the pilot is also offered. If not, go to **Small Dollar Loan Product – Product Not Offered by Financial Institution.**]*

Could you describe the features of this product? For example, what is the dollar range of credit offered on this loan product?

[Interviewer content guidelines]

- What is the average loan size?
- What interest rates or APRs are offered? *(Clarify whether response is for interest rate or APR, which can include fees)?* Average?
- Are there any fees? *[If so]*
  - What are these fees?
  - How much is the *[each]* fee?
  - What is the average total fee for each loan application and approval?
- What are the maximum and minimum terms? Average?
- What is the amortization process?
  - Are there prepayment penalties? *[If so]* What is the amount of this penalty?
- Is financial education offered in conjunction with the product?
- Is opening or maintaining a savings account linked to this product?

Is there any other aspect of the product that you think helps distinguish it from other consumer credit offerings?

Is the product available in a majority, or all, of your bank's service areas?

Are there any stipulations about who may apply for the product? For example, is the product available to individuals who do not have an account relationship with the bank?

## Marketing and Customer Profile

Thank you for helping us understand the product and its availability. We would now like to ask about any marketing that is being undertaken and the profile of customers who use this small dollar loan product.

Can you tell us how consumers find out about the product?

[Interviewer content guidelines]

- Does your bank conduct any marketing specifically for the small dollar loan product? [*e.g. direct mail, email, social media advertising*]
- [*If Yes*] How long has your institution marketed this product to consumers?
- Are walk-in inquiries important to the take up?
- Are third-party relationships (*e.g. community-based organizations or government agencies*) leveraged to market this product?

How would you describe the profile of typical customers who use this product [*e.g. income, credit worthiness, employment status, or banking history*]? Are there other aspects of this customer base that are notable in your mind? Would you say these customers are fairly representative of accountholders at your bank or are they substantially different as a group?

Do you have a sense of some typical reasons that motivate customers to seek the loan? What other credit alternatives might be available to borrowers of this product? Do you perceive those alternative products to be available from banks, credit unions, or non-depositories?

## Application Process

During the small dollar loan pilot, financial institutions were asked to streamline the proof needed to validate the borrower's identity, address, and income as well as the borrower's credit report to determine the loan amount and repayment ability so that the loan decision could be made within 24 hours.

Could you please describe the current application process for the small dollar loan product?

[Interviewer content guidelines]

- How may the application be made? [*e.g. online, in the branch, on the phone, mobile app*]
- What information is collected?
  - From the applicant?
  - Other data providers (such as credit reporting agencies)?
  - The bank's own records (*e.g., account balance or standing*)?
- Are there minimum qualifications for approval [*e.g. minimum credit score, Chexsystems, minimum length of relationship with the institution*]?
- How long does it typically take to make a decision on the application?
- If the loan is approved, how long does it typically take for the borrower to receive the loan funds?

About what proportion of applicants is approved for a loan?

What are the most common reasons for an application to be denied?

About what proportion of approved applicants accepts the loan?

### **Production, Performance, and Costs**

We are also interested in asking you about your institution's expectations for the product and some specifics about the production, performance, and costs associated with the product. We understand that precise data might not be readily available and would ask you, whenever possible, to provide answers that you believe fairly characterize your bank's experience.

In general, what are your goals for the product? [*e.g. standalone profitability, customer acquisition, customer service, community relations, etc.*]

Overall, would you say this product has met the bank's expectations?

How would you describe the typical monthly, quarterly, or annual production associated with this loan in dollars and/or number of loans? Has this production been about the same, increasing, or decreasing since the pilot?

Over the next year, do you expect this trend (about the same, increasing, or decreasing) to continue? If not, what are your expectations and why?

Approximately what share of loans made in this program would you expect to default? Approximately how much, on average, would you say your bank recovers from loans that default? Have you identified any strategies that improve consumer performance [*e.g. financial education, community partnerships*]?

Currently, what types of costs are involved in offering this product [*e.g. customer acquisition, underwriting, servicing*]?

[Interviewer content guidance]

- Ask the respondent which of the costs described are most important or the largest.

Are any actions being taken or considered to lower the cost of offering this product [*e.g. technology, advanced underwriting, managing charge off costs*]? Are you covering costs on this product? Is the product profitable on a standalone basis?

### **Future Plans**

Thanks for discussing the production, performance, and costs of your organization's small dollar loan product. We now have a few questions about future plans for the product.

Are you aware of any plans to discontinue this product over the next several years?

[*IF YES*] What factors contributed to this decision?

Is there another small dollar credit product expected to replace this one? [*IF YES*] How will this product be different than the one currently available to consumers?

Does your bank have future plans to make changes either to the small dollar credit product or in the way the product is brought to the marketplace? *[IF YES]* Could you describe these plans?

### **Conclusion**

At this point, we've asked you a wide range of questions related to your small dollar loan product. Is there anything else you can tell us that you think would increase our understanding of your bank's experience with this product?

Thinking back about this product and any changes or adjustments your institution may have made, what aspects of this product do you believe made it the most successful? What were the greatest challenges?

Do you have any advice for other banks considering offering this product? Have you identified a set of best practices?

We would like to conclude by thanking you for taking the time to speak with us. If you have additional information you would like to share, you can reach me at [provide telephone number], my name again is [state name].

DRAFT

## Small Dollar Loan Product – Product Not Offered by Financial Institution

What were the main reasons for discontinuing this product?

### Future Plans

Looking forward, does your institution have plans to offer some type of uncollateralized, closed end consumer small dollar credit product?

[IF NO] What are the primary reasons for not moving into this consumer loan space? [Go to Conclusion]

[IF YES]

### Product Features and Availability

We would like to learn more about the product features and its potential availability. Can you please describe the small dollar credit product(s) you are considering?

[Interviewer content guidelines]

- What is the average loan size?
- What interest rates or APRs are offered? (*Clarify whether response is for interest rate or APR, which can include fees*)? Average?
- Are there any fees? [If so]
  - What are these fees?
  - How much is the [each] fee?
  - What is the average total fee for each loan application and approval?
- What are the maximum and minimum terms? Average?
- What is the amortization process?
  - Are there prepayment penalties? [If so] What is the amount of this penalty?
- Is financial education offered in conjunction with the product?
- Is opening or maintaining a savings account linked to this product?

### Marketing and Customer Profile

What types of marketing activities are being considered to bring this small dollar credit product to market?

[Interviewer content guidelines]

- Will your institution conduct any marketing specifically for the small dollar loan product? [*e.g. direct mail, email, social media advertising*]
- Will walk-in inquiries be important to the take up?
- Will you leverage third-party relationships (*e.g. community-based organizations or government agencies*)?

How would you describe the profile of customers that you expect to use this product [*e.g. income, credit worthiness, employment status, or banking history*]? Are there other aspects of this consumer market that are notable in your mind?

Do you have a sense of some typical reasons that would motivate customers to seek this loan? What other credit alternatives do you see as potentially available to borrowers of this product? Do you perceive those alternative products to be available from banks, credit unions, or non-depositories?

### **Application Process**

Could you please describe the expected application process?

[Interviewer content guidelines]

- How may the application be made? [*e.g. online, in the branch, on the phone, mobile app*]
- What information will be collected?
  - From the applicant?
  - Other data providers (such as credit reporting agencies)?
  - The bank's own records (e.g., account balance or standing)?
- Will there be minimum qualifications for approval [*e.g. minimum credit score, Chexsystems, minimum length of relationship with the financial institution*]?
- How long do you anticipate it will take to make a decision on the application?
- If the loan is approved, how long do you anticipate it will take for the borrower to receive the loan funds?

### **Conclusion**

Is there anything else you would like to tell us that you think would increase our understanding of your bank's experience with or consideration of this product?

Do you have any suggestions for banks considering offering a small dollar loan product?

We would like to conclude by thanking you for taking the time to speak with us. If you have additional information you would like to share, you can reach me at [provide telephone number], my name again is [state name].