

# Avoiding Payday Loans

Apps that Provide Alternatives to Payday Loans  
*(and can help people avoid overdraft fees and late fees)*

Webinar of March 22, 2018



# Who We Are



## Isaiah Goodman

- Owner & Financial Advocate
- Becoming Financial
  - “Developing your financial character with dynamic planning and empowerment”
- Website: [becomingfinancial.com](http://becomingfinancial.com)
- Minneapolis, MN

# Who We Are



Mary Hughes

- Sr. Payments Consultant
- Federal Reserve Bank of Minneapolis
  - The Federal Reserve has a wide-ranging participatory role in the U.S. payments system, helping to ensure efficiency, integrity and accessibility
- Website: [minneapolisfed.org](http://minneapolisfed.org)

# Disclaimer

The apps and tools described in this webinar are intended to serve as examples. This webinar is not intended to promote or advocate a specific action or product. Potential users of each product should do their own research and determine if the product is right for them.

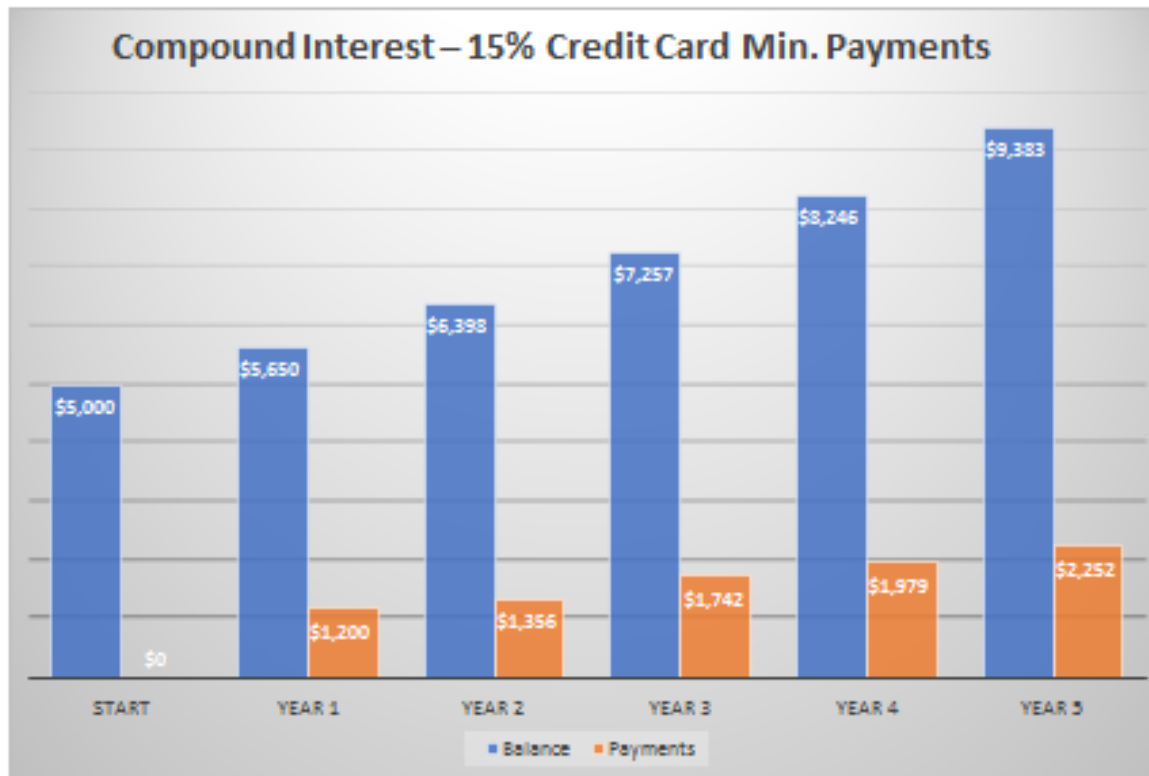
Views expressed are not necessarily those of, and should not be attributed to, the Federal Reserve Bank of Minneapolis or Becoming Financial.

# Today's Agenda

1. Background and goal of webinar
  - a. Tutorial on Compound Interest
2. Featured apps
3. Questions



# What You Need to Know about Compound Interest



15%  
Interest

Min  
Payment  
~ 2%

5 Years

**\$5,000 Starting  
Balance**

**\$8,529 Paid**

***\$9,383 Balance Remaining***

# Examples

## Featured today:

- PayActiv
- Daily Pay
- Earnin
- Dave
- Loanable
- Credit Unions Payday Loan Alternatives (PALS)

## Other apps (see Appendix):

- EVEN
- True Connect
- Instant
- FlexWage

Research was performed by Charleston Clarke, Federal Reserve Bank of Minneapolis



# PayActiv

- An employee financial wellness benefit that lets employees take a pay advance before payday
- Holistic financial wellness platform
  - Enables employers to provide their workers instant relief from their between-paychecks financial headaches
- Real-time access to earned wages
  - Zero debt or interest for employees

## Cost & Fees

- Use of PayActiv as a benefit is **free** through employers that offer the platform/service

## Availability:

- Signup on PayActiv website
- App available to download on iOS app store or Google Play store

## Requirements/Qualification:

- Only employees of businesses that offer PayActiv can enroll



### Card Load

Whether it's a prepaid, debit, or PayActiv card, employees can deposit their funds wherever they'd like with our card load service.



### Bank Transfer

Employees can transfer their accessed wages directly to their bank or send it to another bank account.



### Savings Tool

Employees can take their financial health to the next level with our revolutionary savings tool. Saving for a rainy day just got easier.



### Financial Counseling

Employees need financial guidance? They can sign up through the app to get connected with a financial counseling professional.



### Cash Access

Whenever a financial emergency comes up, employees can access their earned-but-unpaid wages instantly with PayActiv.



### Bill Pay

Employees can easily pay their bills through the platform with automatic bill pay, helping further avoid overdraft and late fees.

<https://www.payactiv.com/>





# More on PayActiv

## Reviews

**Business established:** 2013

**Risks:** Offering up/jeopardizing personally identifiable information

**Security:** We use certain physical, managerial, and technical safeguards that are designed to improve the integrity and security of information that we collect and maintain.

**Target Market:** Employees and employers looking to avoid financial emergencies

"PayActiv has been a fabulous addition to our benefits package for our teachers and staff. They've been very grateful for and enthusiastic about the opportunity and resource to access their earned pay to address short term, unanticipated financial situations. Implementation and ongoing support have been incredibly simple and required virtually no administrative effort on our part. Given the low cost and highly positive impact of the PayActiv service, I believe that every company would be wise to adopt it for their staff and absolutely, highly recommend PayActiv."

-Paul Zengilowski, Executive at Heartworks and Renaissance Schools, Inc.



Ashley's Story

Had a bank account in the past, but paid too many overdraft fees

Ashley is the sole provider for 3 kids. She's been working since she was 16 and has often had to depend on prepaid cards but hates the fees.

Ashley uses PayActiv for rent deadlines. She also likes that she can't withdraw more money after a transaction until the deduction cleared



Will's Story

Regularly needs money for prescription medicines

Will, 65 years old, is a grandfather. He uses PayActiv to get medicine for him and his wife when the prescription runs out.

"I used PayActiv to get my wife her medicine on time. She depends on me."



John's Story

It's rough to pay back payday loans; they keep calling you

John, 57 years old, is the head of his household and has worked 30+ years. He doesn't have credit cards or use prepaid ones.

"I think you have a fair cost. I'd rather deal you with all instead of going to a payday lender. Last year was the last time I went to one—I've never been back. I stopped when I had PayActiv."



Google Play Store



iOS App Store



# DailyPay

- Financial benefit that is an add-on to existing payroll system, allowing employees to access their earned but unpaid wages before payday
- **AutoNow** feature allows daily money transfers from Available Balance to personal bank account at 5:30 p.m. EST
- **Text emojis** feature allows users to request pay from account by texting DailyPay emojis – each emoji being worth \$20 (can receive up to \$100 with \$2.99 transfer fee for instant transfers)

## Cost & Fees:

- **Free** benefit for both employers and employees
- Small transfer fee when your earned wages are transferred (\$1.25 for next business day transfers)

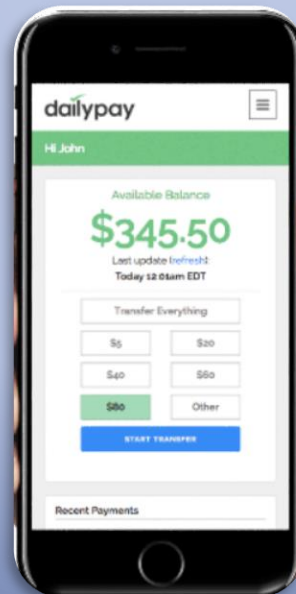
## Availability:

- Signup online through DailyPay website

## Requirements/Qualification:

- Must be employed by employer that offers DailyPay benefit
- Must have checking account/debit card

<https://www.trydailypay.com/>



### What is DailyPay?

DailyPay partners with best-in-class companies to give their employees active control over when they get paid.



### How does it work?

For each active work hour, you build an available balance. Transfer these earned but unpaid wages any time and receive it instantly.



### What happens on payday?

It's even simpler than you imagine. Instant payments come out of your paycheck. Nothing to pay back. Nothing to do differently.

# More on DailyPay



**Business established:** 2015

## **Risks:**

- Linking bank account information

## **Security:**

- Uses bank-level **256-bit SSL encryption**  
Protecting the privacy and security of information

## **Target Market:**

- Employees of select employers looking to avoid fees and predatory lending
- Employers looking to reduce employee turnover

## **Reviews**



DailyPay is helping The Maids maintain its competitive edge and reduce turnover cost while improving the lives of our valued team members.

*weapet2*



**ASHLEY WILLIAMS**

General Counsel & Head of  
HR, The Maids



We brought on DailyPay to improve the lives of our employees, while the company benefits from those employees staying longer.

*while the company benefits from those employees staying longer*



**BETH BOYCE**

Chief Financial Officer, MT.  
Olympus



Where I grew up, paying bills was always a problem because of waiting for payday. It's good people can get paid sooner so they can make ends meet.

*can make ends meet*



**DONTARI POE**

Defensive Tackle,  
[Atlanta Falcons](#),  
Proud DailyPay Angel  
Investor





# Earnin

## Cost & Fees:

- Free app & service with no fees or interest, relying on tips as pay

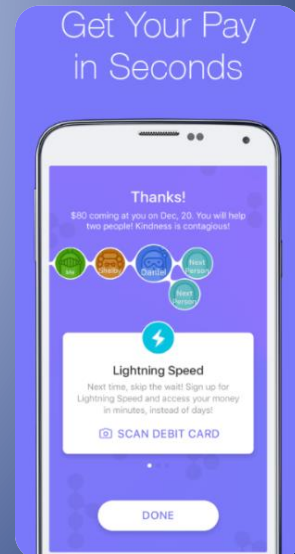
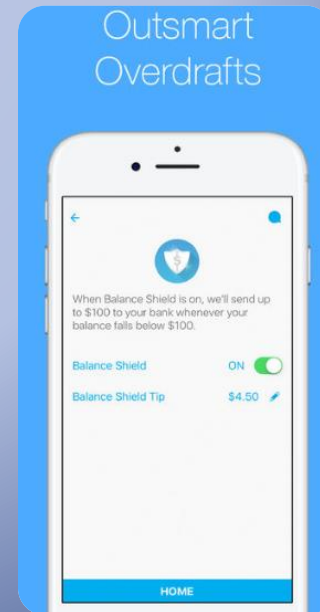
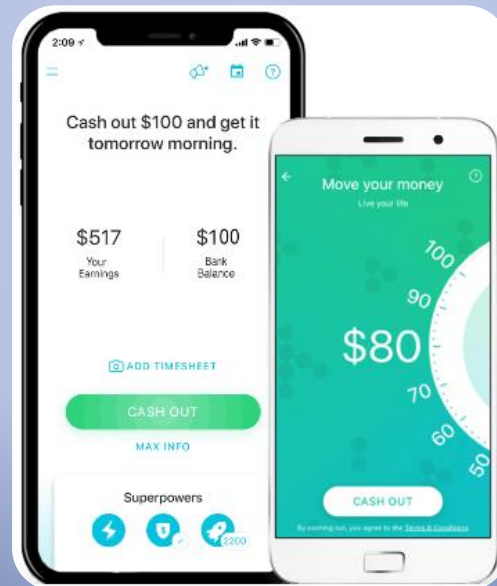
## Availability:

- Available on iOS and Android devices
- Download on iOS app store and Google Play store

## Requirements/Qualifications:

- Must be employed
- Paycheck must come as direct deposit to bank account

- Get your paycheck anytime you want for the hours you have worked
- Share electronic timesheet of time worked
- Cash out and deposit current earnings
- Access up to \$100/pay period, of money already earned
- “Lightening Speed” feature– immediate cash out (if bank qualifies) if not, receive money in 1 business day
- “Balance Shield” feature– automatic cash out up to \$100 when bank balance falls below \$100



<https://www.earnin.com/>

# More on Earnin



## Business established: 2014

- Mobile in 2017

## Risks:

- Linking app to bank/checking account
- Providing Social Security Number

**Security:** uses **256-bit encryption** to protect the privacy and security of your information

## Target Market:

- Hourly workers looking to receive pay before payday



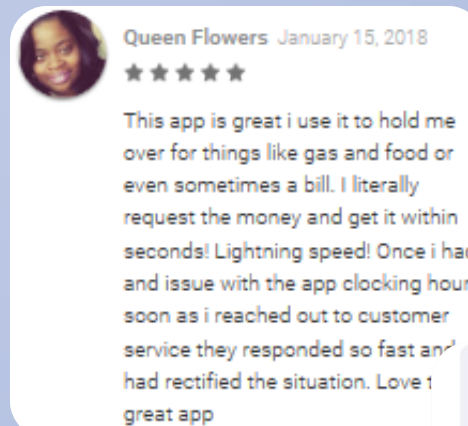
Google Play Store



iOS App Store

## Reviews

- “Earnin helped me keep up with expenses while my fiancé was out of work for a month after having surgery  
-Eric M.



### Best app/idea



Dec 7

Uhlaynuh12345

Takes some time to set up and get going with it which is understandable all information has to be confirmed but once you start using regularly this is a lifesaver for any small amount emergency fund needed! Many people don't have time or the money or good enough credit to do payday or personal loans so being able to get on this app and push a few buttons for \$100 available in my bank account immediately with an interest charge I choose is something I'd say was too good to be true if I didn't know any better! Love this app, the idea, everything about it. I have been using this for 4 months now and will continue using forever and I recommend this to everyone I know who mentions needing money before payday!

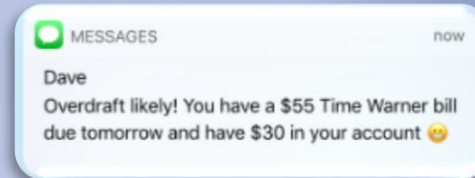




# Dave

“Outsmart Overdrafts & Borrow with 0% interest”

- For people who want to avoid overdraft fees and predatory loans
- Alerts of upcoming bills and potential overdrafts



- Advances up to \$75 at 0% interest until payday
- Tip what's “fair” & a % of each tip goes to plant a tree

## Cost & Fees:

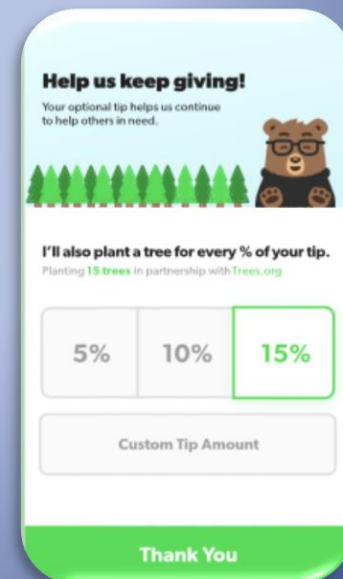
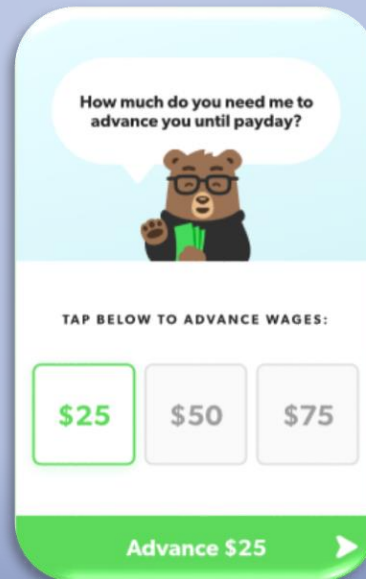
- \$1/month after 30 day free trial
- Tip what you think is fair

## Availability:

- Available on iOS and Android devices
- Download on iOS app store and Google Play store

## Requirements/Qualification:

- Paying job
- Directly deposited income to checking account
- Consistent paycheck of at least \$200



# More on Dave



**Business established: 2017**

## **Risks:**

- Linking app to bank/checking account
- Providing Social Security Number
- Providing phone number

**Security:** Uses latest military-grade  
**128-bit SSL encryption technology** –  
keeps bank info safe and secure

- Data center monitored around the clock by security personnel

## **Target Market**

- Individuals looking to avoid harsh overdraft fees and predatory lending



Google Play Store



iOS App Store

## **Reviews**

- "I invested in Dave because I got crushed by overdraft fees in my 20s. For anyone who wants to be successful, I always advise to cut down on useless expenses and save money. Overdraft fees are the definition of useless."
  - **Mark Cuban**, Investor and Entrepreneur



**Awesome**



Jan 9  
cali-gasser

Worked seamlessly - Dave sent me an alert that I had a pending charge that was going to overdraft my account. I opened the app, requested an advance and had money in my account within minutes. The alert and speed with which the advance arrived in my account helped me avoid a ridiculous overdraft charge. GREAT PRODUCT!



# Loanable

## Cost & Fees

- Fee on loan agreements
  - Single Loan - \$29.99
  - 20 loans - \$99
- Annual service charge fee - \$5

## Availability:

- Available through Loanable website (Mobile and PC)

## Requirements/Qualification:

- Lender and borrower must have bank accounts to link for repayments

- For students/individuals trying to avoid high interest rate loans or want to refinance their loans
- Platform to create custom, legal friends and family loans online and repay them with auto-draft
- Provides **loan calculator** to help structure agreement terms
- Formalizes loan request process and enables small, specific requests from a select group of supporters
- **Auto-Draft Repayment** feature facilitated by Dwolla to transfer funds

The 'CREATE' form is titled 'Friends and Family Loans Made Simple'. It contains fields for Borrower First Name, Borrower Last Name, Borrower Email, Lender First Name, Lender Last Name, Lender Email, Principal, Term, and Interest Rate. A 'SEND' button is at the top right.

The 'FUND' form is titled 'Send an Personalized Invitation'. It includes a 'MESSAGE' field and a 'SEND' button. Below the message field, there is a small text area with a 'SEND' button.

The 'REPAY' form is titled 'DWOILA' and 'Repayment Setup'. It explains the process of setting up auto-draft payments from the borrower's bank account to the lender's bank account. It includes a 'Setup Auto Draft' button.

<https://loanable.io/>

# More on Loanable

**Business established:** 2017

**Risks:** Connection to lenders' and borrowers' bank accounts through 3<sup>rd</sup>-party processor

**Security:** High-level encryption through Amazon

**Target Market:** Students and other individuals who want to avoid high interest rate loans or are seeking to refinance their loans

## **Reviews**

“Loanable is a friends and family lending platform that helps borrowers pay less interest and enables their friends and family to earn that interest instead of the bank. Loanable guides borrowers through each step of the process, allowing users to set and negotiate their own terms, formalize those terms in a legal agreement and schedule auto-pay, a simple monthly payment that gives borrowers and lenders peace of mind.”

-NC IDEA Foundation (after awarding Loanable a seed grant in 2017)



# Credit Unions'

## Payday Alternative Loans (PALS)

- Interest rate is capped at 28% to members
- Loan amounts are between \$200 and \$1,000
- Application fee is capped at \$20
- Repaid fully after one to six months of installments; no rollovers allowed
- Provided to borrowers one at a time; borrowers may not receive more than three PALS within a six-month period
- Credit Unions have reported that since they have begun offering PALS, the financial IQ of their borrowers has improved
  - Some financial guidance is given along with the loan

PALS are low-risk loans that provide aid to members, which is ultimately the mission of a Credit Union

Regulated by the  
National Credit Union Administration



# Conclusions

- These apps should be thought of as temporary fixes: financial self-sufficiency is the ultimate goal
- Plan on attending our next webinar in June featuring cool apps that help people save money and build their own emergency fund



Other apps that offer alternatives to payday loans

# APPENDIX

# EVEN

“The money app that plans so you don’t have to”

- For employees of select employers looking to avoid fees and predatory lending
- Even Plus – available through select employers you may request up to 50% of your then available net earned wages once per pay cycle through an **Instapay** transaction
- **Instapay** gives you access to wages you have earned but have not yet been paid

## Cost & Fees

- Even Basic is FREE
- Even Plus is dependent upon employers offering of service

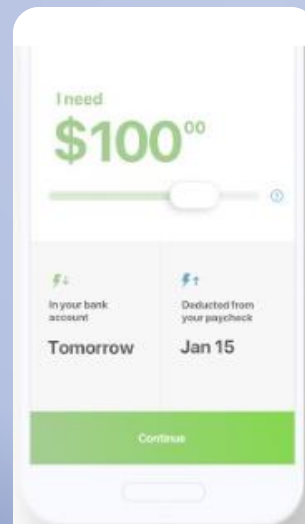
## Availability:

- Available on iOS and Android devices
- Download on iOS app store and Google Play store

## Requirements/Qualification:

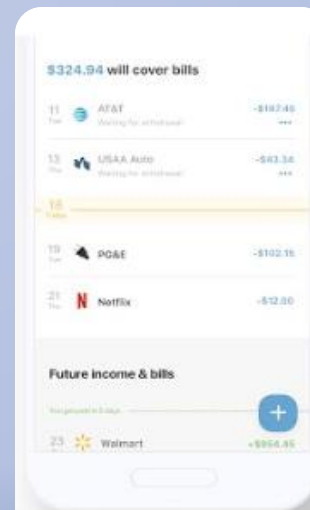
- Must be employed by employer that offers Instapay service

<https://even.com/>

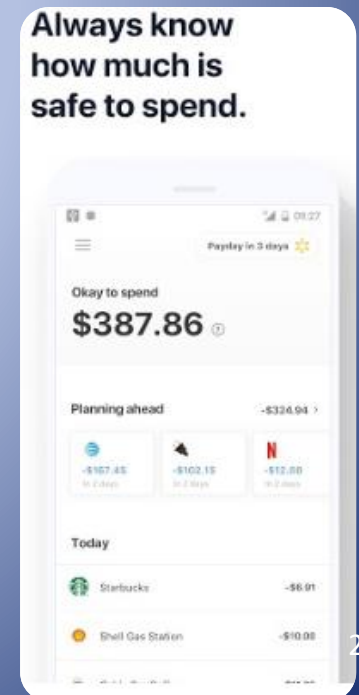


**Get paid early,  
with just a tap.**

\* Available only for select employers



**Plan for your  
upcoming bills,  
automatically.**



# More on Even



Business established: 2014

## Risks:

- Linking app to bank/checking account

Security: uses bank-level 256-bit SSL encryption

- Holds an “A” rating with the Better Business Bureau and has passed strict security/privacy compliance audits

## Target Market:

- Individuals that struggle to stay within their budget



Google Play Store



iOS App Store

## Reviews

Continues to get better

★★★★★

Mon  
JTaylor12

At first, I was not sure about this app. Certain information it was quoting about my bills seemed incorrect. However, the longer I use the app, the more spending habits it has to learn from, and it truly does seem to learn. My advice if you have a bumpy start is to give it time. Now, the app is able to more properly quote my bills and judge more accurately how far I'm behind or ahead monetarily. Also the instapay is a great feature. Instead of juggling around bills to suit my paydates, I just use instapay. I'm able to receive my payment the following business day, enabling me to pay that bill immediately.

K

Kelly Vincent January 8, 2018

★★★★★

I love this app. Its great for people that need a little bit of xtra money right before payday. It makes it to where i dont have to borrow from other people and that feels great.

Love this app

★★★★★

Dec 11  
Kath19534

I just downloaded and received an advance on my paycheck in three days. Sometimes things come up before payday and it's nice to know this is available. I also like how it tracks your bills.





# True Connect

“Employee Loans Made Easy”

- Program employers offer to help employees get emergency loans
- Patented method of making and repaying small payroll loans (up to \$3,000)
- Money loaned is available in one business day
- Repay through small, automated payroll deductions spread out over a FULL YEAR
- Provides an automated technology platform in cooperation with a leading CDFI bank to provide safe loans to employees.

## Cost & Fees

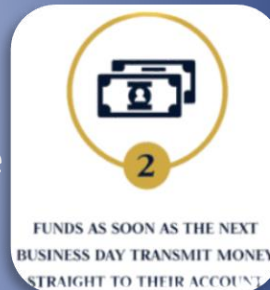
- Free for employers to set up (voluntary employee benefit)

## Availability:

- Available through True Connect website (Mobile and PC)

## Requirements/Qualification:

- Must be employed by employer that offers benefit/service
- Loan amounts depend on income and tenure



# More on True Connect



**Business established:** 2015 by  
Sunrise Banks

**Risks:** none

**Security:** Funded by Sunrise Banks N.A., a  
federally chartered, OCC regulated and CDFI  
certified bank

**Target Market:** Employees facing  
unexpected financial emergencies

## Reviews

“ Thank you for making this  
loan program a possibility for  
those that truly DO need the  
help and are embarrassed to  
go to another source for that  
help. It's greatly appreciated!

- EASTERN MUNICIPAL WATER DISTRICT  
EMPLOYEE,  
Perris CA

“ I'm the only wage earner in  
my home, so it helped bring  
Christmas to my child and  
help put food in my house.  
Times like this, these loan  
opportunities are wonderful.  
Thank you!

- LUTHERAN SOCIAL SERVICES EMPLOYEE,  
Duluth MN

“ It definitely came in handy.  
My family and I were  
struggling to pay bills on time  
and TrueConnect rescued us!

- WORKPLACE IMPACT EMPLOYEE,  
Cleveland OH



## Cost & Fees:

- **Free** benefit for both employers and employees

## Availability:

- Signup online through Instant website
- Instant Financial app available on iOS app store and Google Play store

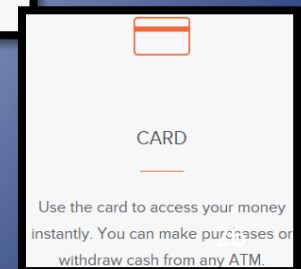
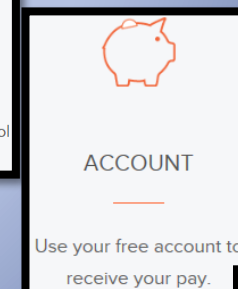
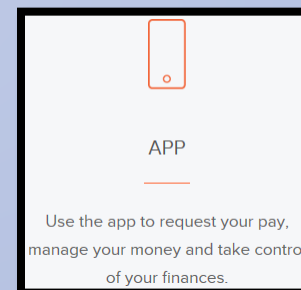
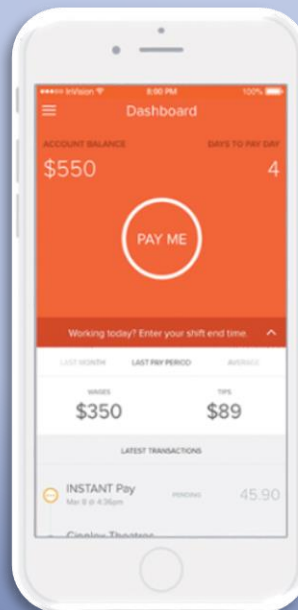
## Requirements/Qualification:

- Must be employed by employer that offers Instant benefit
- Must have bank account

# Instant



- Program employers offer to help employees get paid before payday for hours worked
- Financial wellness platform that gives “Instant” access to earned pay, without fees, after every shift
  - Breaks the link between Pay and Pay Periods
- Instant pay automatically deducted from next pay check
- **Instant card** – prepaid MasterCard card that can be used like a debit card to make purchases or ATM withdrawals
- Puts employees in control of their own cash flow



<https://www.instant.co/>

# More on Instant



Business established: 2015

## Risks:

- Linking bank account information

## Security:

## Target Market:

- Employees of select employers looking to avoid fees and predatory lending
- Employers looking to reduce employee turnover



Google Play Store

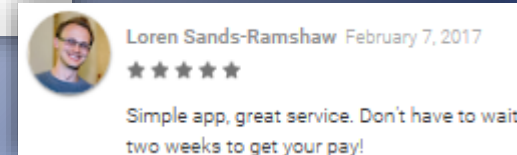


iOS App Store

## Reviews

“We see INSTANT Financial as a disruptive technology that puts financial control into the hands of service industry employees while providing great value to employer.”

—Real Ventures General Partner JS Cournoyer



*“It's great for staff who don't have the privilege of taking cash in their pocket home at the end of their shift!”*

- Leah, Server -





# FlexWage

“Taking Employee Financial Services to a powerful new level”

- For employees who want access to accrued funds before payday
- **Wagebank** is an employer-sponsored financial wellness benefit for employees
- **On Demand Pay:** cash flow acceleration technology
  - Provides employees managed access to accrued wages within the pay cycle, before payday
  - Funds accessed are deducted from payroll – no interest, no loan, no stress
- **FlexWage payroll card:** reloadable debit card funded each pay period with employee's payroll
  - Replaces paper checks - acts as a Direct deposit alternative
  - Ideal for employees unable to take advantage of direct deposit

## Cost & Fees

- On Demand Pay is a **Free Benefit** through employers that offer it

## Availability:

- Available through Flexwage website, iOS app store or Google Play store

## Requirements/Qualification:

Must be employed by employer that offers benefit/service

<http://flexwage.com/>



**On Demand Pay**  
Increase Employee Productivity



**Payroll Cards**  
Save Time and Money



# More on FlexWage



**Business established:** 2010

**Reviews**

**Risks:** Offering up/jeopardizing personally identifiable information

"They seem on the surface to be a tool that helps people keep up with their expenses better than they might have done when they had to wait for a paycheck," says Bruce McClary, spokesperson for the National Foundation for Credit Counseling. "It's encouraging if you have someone who is unbanked and the product requires them to open a bank account or participate on some level."

**Security:** Standard techniques such as firewalls, encryption, intrusion detection and site monitoring

**Target Market:** Employees facing unexpected financial emergencies



Google Play Store



iOS App Store