



**IMPLEMENTATION GUIDE**

# **Employer-Sponsored Small-Dollar Loan**



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# Introduction

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The Employer-Sponsored Small-Dollar Loan helps credit unions, employers, and other community partners work collaboratively to help hardworking employees meet immediate financial needs and improve individual and family financial stability. This guide outlines key considerations and provides tools and resources to help financial institutions achieve turnkey implementation of this simple, safe, and affordable loan product.

Evidence is building that small-dollar loans with principled terms can make a big difference in the lives of hardworking people with limited access to credit. The Employer-Sponsored Small-Dollar Loan (ESSDL) was designed by a credit union, in partnership with employers, to help low- and moderate-income wage earners avoid the high cost of alternative borrowing, establish or repair credit, and begin to save.

Through the ESSDL program, loans of up to \$2,000 are made available to the employees of participating companies based on the borrower's ability to repay (as evidenced by length of employment in good standing). The application process is simple, and the money is typically ready within 24–48 hours. Loans are repaid through payroll deduction, and repayment is reported monthly to credit bureaus. After the loan is repaid, a deduction in the amount of the loan installment continues on an opt-out basis and is deposited into the participant's savings account. Borrowers may have only one loan at a time, with terms that range from 90 days to 12 months, and interest that ranges from 15.99% to 17.99% as an annual percentage rate (APR). (By contrast, payday lenders favor two-week terms, with costs and fees that equate to an APR of nearly 400%.<sup>1</sup>)

Participating employers pay a small fee (based on the number of employees) to help offset the cost of administering the program. Employers also agree to market the program through company channels, confirm applicant eligibility, set up payroll deductions, and inform the lender if a borrower is separating from the company. Employers do not underwrite the loans and bear no responsibility for defaulted loans.<sup>2</sup> At the same time, employers benefit by reducing both the cost of administering pay advances and the number of requests for loans from company-sponsored retirement plans. Employers in the ESSDL testing phase also credited the loan with reducing unplanned employee absences and staff turnover.

Credit unions and other financial institutions that offer the ESSDL reduce the risk of small-dollar lending by working with employers to implement loan repayment through payroll deduction. They also benefit by leveraging employer communication channels to recruit new members and through

recognition (by local businesses and customers alike) as the provider of a valuable community service.

This guide provides the information and resources necessary for credit unions to achieve turnkey implementation of the ESSDL program, including the following:

- A detailed description of the product design.
- Operational considerations.
- Sample operating documents.
- Professionally designed and customizable communication and marketing materials for use in outreach to employers and their employees.



# Implementation Guide: Employer-Sponsored Small-Dollar Loan



## Background

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In 2007, the United Way in Chittenden County, Vermont, convened a group of employers to facilitate the development and implementation of workplace supports to improve employee productivity, retention, advancement, and financial stability.<sup>3</sup> Among the needs identified by the new Working Bridges employer collaborative was a way to help the growing number of employees requesting pay advances or quitting their jobs to gain access to retirement funds. To address the challenge, Working Bridges employers partnered with NorthCountry Federal Credit Union to design a small-dollar loan to help their employees gain access to emergency cash, avoid the high cost of payday lenders, establish or repair credit, and begin to save.<sup>4</sup> The ESSDL was piloted at Rhino Foods, a specialty food manufacturer in Burlington, Vermont, and gained national attention in 2013 when it was featured on

the PBS news and public affairs show *Need to Know*.<sup>5</sup> By 2016, the loan was available to the employees of nearly 50 employers in Vermont, through two credit unions, with loans generated in excess of \$1.5 million (M).

In April 2014, the Filene Research Institute and the Ford Foundation partnered to test the ESSDL within Filene's Accessible Financial Services Incubator.<sup>6</sup> During the 18-month test the loan was replicated and implemented in eight states by 13 financial institutions that worked with 48 employers. Over 1,000 loans were generated for a total volume of \$1.2M. Many employees continued to save after loan repayment, putting away some \$42,000. The average loan was \$1,173 with average savings of \$152. The typical borrower was 39 years of age with an average income of \$36,474 and an average credit score of 554.<sup>7</sup>

The Filene Research Institute and the Financial Industry Regulatory Authority (FINRA) Investor Education Foundation formed a partnership in early 2016 to create tools and materials based on findings from the incubator to help credit unions and other financial institutions with implementation of the ESSDL program. Filene and the FINRA Foundation are also conducting ongoing research, in partnership with six credit unions that participated in the initial testing, to examine the long-term impact of the ESSDL on consumer savings behavior and credit scores.

## Market Opportunity

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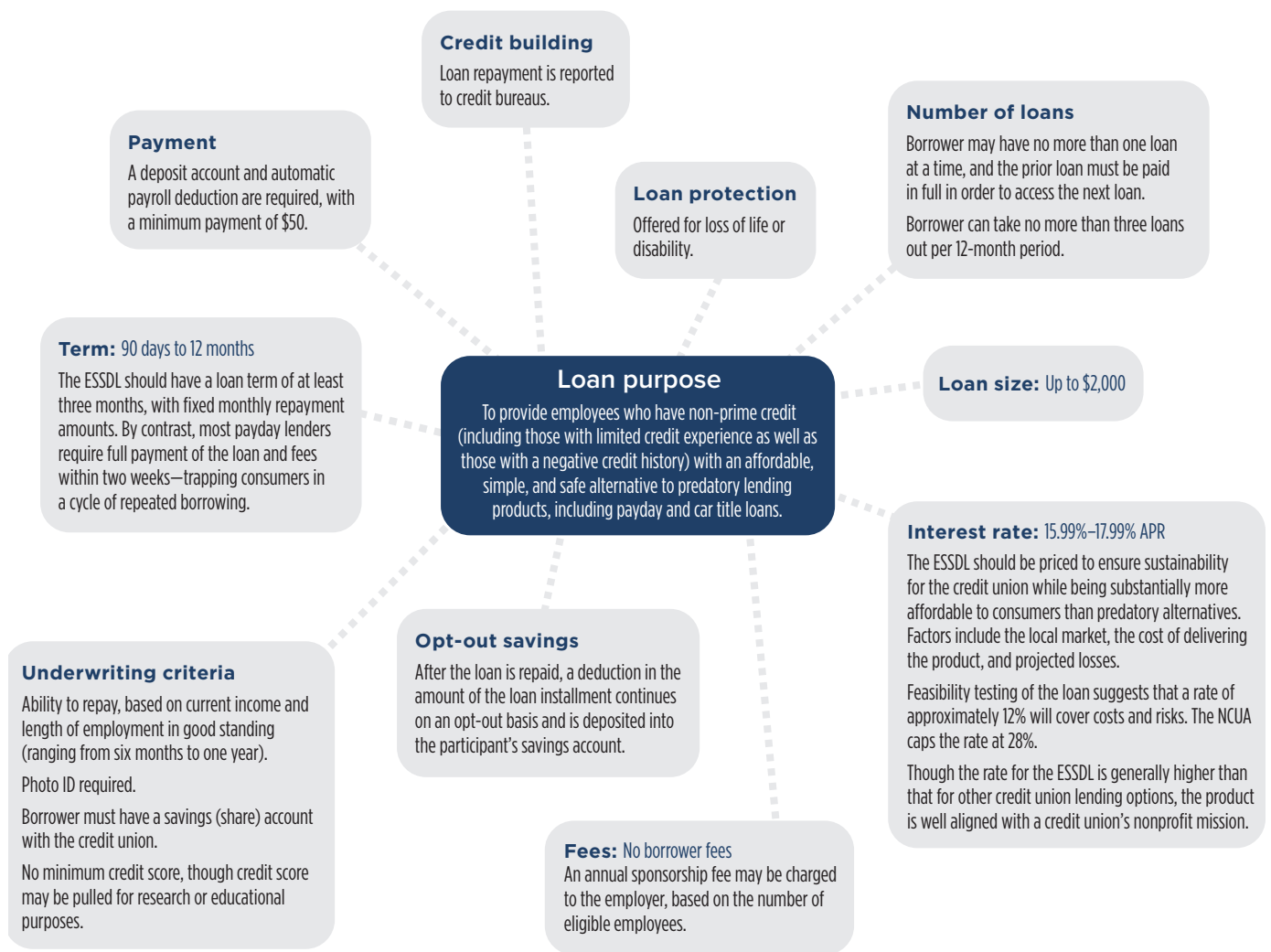
A 2016 Federal Reserve Board study showed that nearly half of all Americans (46%) could not afford an unexpected \$400 expense unless they borrowed money or sold assets.<sup>8</sup> Similarly, over a third of respondents (34%) in the FINRA Investor Education Foundation's National Financial Capability Study said they probably or certainly could not come up with \$2,000 if an unexpected need arose in the next month.<sup>9</sup>

In spite of this need, the small-dollar credit market is dominated by high-cost alternative lenders. In 2014, banks and credit unions made approximately 170,000 small-dollar loans, compared with more than 100 million payday loans. The ESSDL provides a practical way for financial institutions and employers to work together to help underserved workers obtain access to safe and affordable credit.

# Program Design

The ESSDL is designed to meet important needs for borrowers, employers, and financial institutions alike. It is a practical, simple, safe, and affordable way for credit unions and employers to help low- to moderate-income wage earners avoid predatory lenders and handle unexpected financial emergencies.

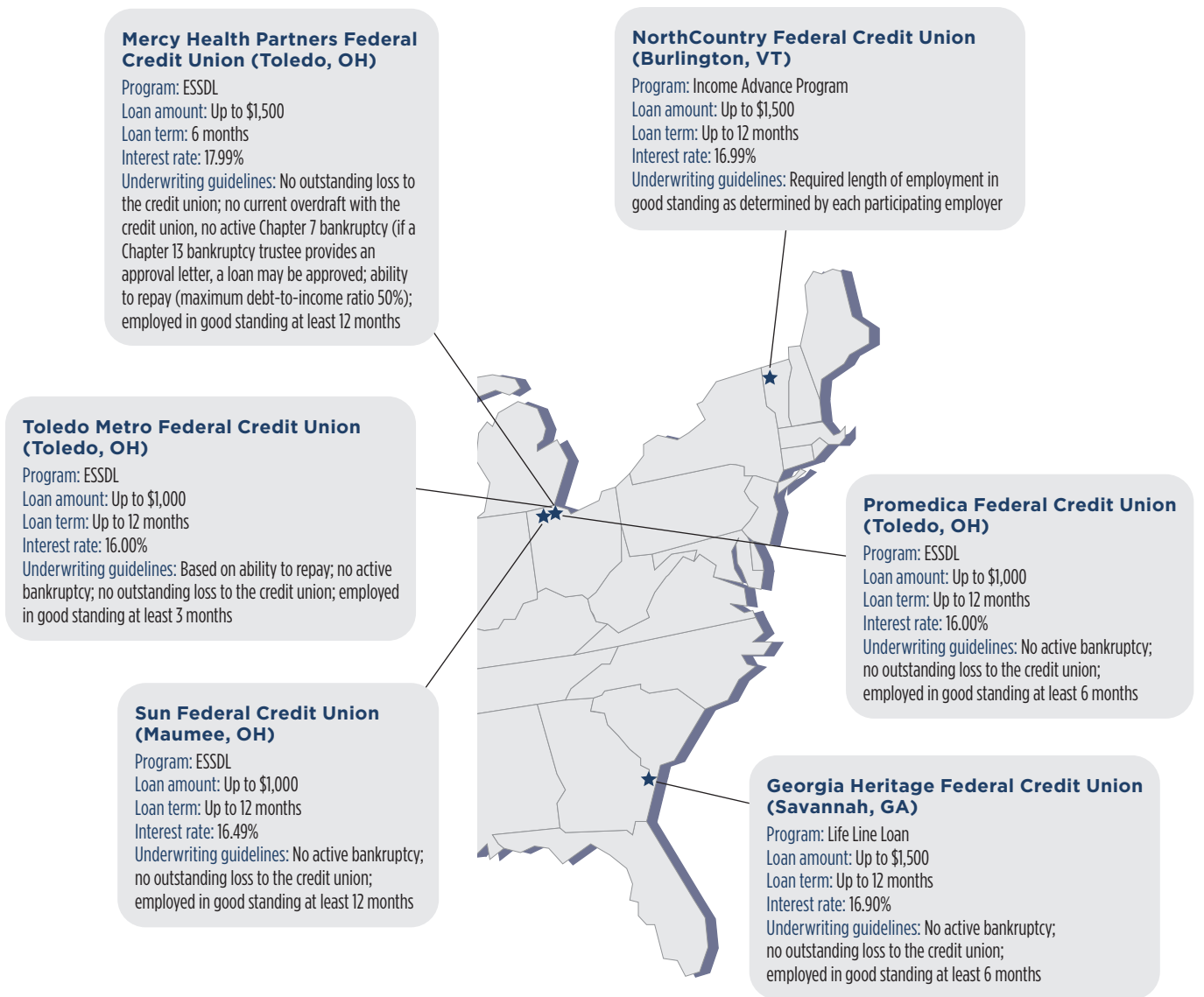
Financial institutions participating in ESSDL testing identified the following as the optimal program parameters:



# Customization

The ESSDL’s minimal underwriting requirements are intended to reduce the time and expense associated with more extensive underwriting and create the fewest possible barriers for employees seeking loans. During testing of the loan, several credit unions successfully customized the basic underwriting requirements to make them more compatible with their existing loan policies. Lenders also renamed and branded the loan to better appeal to the local market. Figure 1 illustrates ways in which the ESSDL program parameters have been customized by credit unions successfully implementing the program.

**FIGURE 1**  
**CUSTOMIZED LOAN PARAMETERS**



# Regulatory and Legal Considerations

The ESSDL, like all financial products, is subject to a complex framework of state and federal laws, rules, and regulations that are subject to change. Regulatory and legal considerations are discussed in this guide for educational purposes only. Credit unions and other financial institutions should seek competent regulatory and legal advice before developing an ESSDL program.

During the ESSDL feasibility test, a review of the program design was conducted by compliance officers at COMPASS (Compliance Assistance for Credit Unions) in consultation with compliance experts at the Credit Union National Association (CUNA) and several state leagues/associations. COMPASS identified and reviewed the following applicable federal regulations, and offered a few specific compliance notes:

- Truth in Lending Act (Reg Z)
- Truth in Savings Act (NCUA part 707)
- Equal Credit Opportunity Act (Reg B)

Note: To avoid allegations of discrimination, participating employers should take care not to discourage any employees from applying for the ESSDL, and should insure that all eligible loan applications are passed through to the credit union. Credit unions should be careful to avoid disparate impact caused by employer sponsorship or administrative fees.

- NCUA Part 701.21, Loans to Member
- NCUA Part 740, Advertising Notice and Insured Status (does not apply if there is no insurance)
- Electronic Funds Transfer Act (Reg E)

Note: Regulation E prohibits mandatory repayment via preauthorized electronic transfer from a “consumer asset account.” However, a payroll allotment, whereby the payment is deducted from the borrower/employee’s salary and paid directly to the loan (without first being routed through checking or savings) is permissible in most states.

- Dodd-Frank Wall Street Reform and Consumer Protection Act—Unfair, Deceptive, or Abusive Acts or Practices (UDAAP)
- Telephone Consumer Protection Act (TCPA)

In addition, the Military Lending Act restricts the use of military allotments for loan repayments.



After conducting a legal review of state employment and labor laws, the Kaplan Law Firm, PLLC, in Austin, Texas, determined that the ESSDL can be made compliant in all 50 states and Washington, DC. Summary recommendations and a state-by-state review of relevant statutes are included in Appendix 1.

While no insurmountable legal or regulatory challenges with the ESSDL program were identified during feasibility testing, the regulatory and legal implications of offering or altering the ESSDL program are complicated and subject to change. Credit unions and other financial institutions should seek competent regulatory and legal advice during the development of an ESSDL program.

Figure 2 compares National Credit Union Association (NCUA) small-dollar loan parameters with the recommended design of the ESSDL.

**FIGURE 2**

**A COMPARISON OF NCUA SMALL-DOLLAR LOAN REGULATORY REQUIREMENTS WITH THE ESSDL**

	NCUA	ESSDLs
Interest rate	Up to 28%	Between 15.99 and 17.99%
Fees	Up to \$20	None for borrower*
Terms	30 days to 6 months**	90 days to 12 months
Amounts	\$200–\$2000	\$300–\$2000
Rollovers	None	None
Maximum loans/ 12-month period	3	3
Credit reports	Not required	Research purposes only
Required savings	N/A	After the loan is repaid, a deduction in the amount of the loan installment continues on an opt-out basis and is deposited into savings
Financial literacy or coaching	Not required	Available and offered

\*According to NCUA regulations, fees charged are excluded from the finance charge calculation. These are not included in the APR. Fees can be charged on a per-loan or an annual basis. If, however, fees are charged and then refunded based on a member’s usage of the product, these fees would have to be included as a finance charge. An administrative fee may be charged to a participating program employer, but this does not impact compliance with NCUA guidelines.

\*\*While the NCUA specifically prohibits rollovers, federal credit unions are permitted to extend the term of a short-term small loan, provided that certain conditions are met.

# Employer Engagement

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The Consumer Financial Protection Bureau (CFPB) offers ample evidence of the connection between the need for affordable financial help for employees and the interests of employers<sup>10</sup>:

- Across workers of all generations, 24% admitted their personal finances have been a distraction at work. Among workers who are concerned about their finances, 39% spend at least three hours of each workweek either thinking about or dealing with financial problems.<sup>11</sup>
- Four in 10 employees reported that they want help in achieving financial security—and that number is much higher (about 8 in 10) for workers saying financial problems have affected their productivity.<sup>12</sup>
- Sixty-one percent of human resources professionals reported that financial stress is having some impact on employee work performance. Twenty-two percent agreed that worries over personal finances have a “large impact” on employee engagement, while 57% agreed that financial education boosts productivity.<sup>13</sup>
- Despite the challenges financial issues present for employee engagement, only 6% of employees strongly agreed that their organization provides training or resources to help them manage their finances more effectively.<sup>14</sup>
- Among more than 92,000 employees studied over a three-year period, those reporting high stress were \$413 more costly in healthcare spending per year on average than workers who were not at risk from stress. Since financial problems are an important stress factor, employers may be paying a high cost for employee financial stress through increased healthcare expenses.<sup>15</sup>

The ESSDL responds to this need and provides employers of low- and moderate-income wage earners with a low-cost and highly valued employee benefit. During testing, the program was successfully offered by employers with 10 to 16,000 employees, including manufacturing firms, hospitals, construction companies, home health agencies, grocery stores, and retail stores, among others.

Participating employers do not guarantee the loans and bear no responsibility for employee default. During testing, some credit unions charged employers an annual fee to help offset the cost of administering the program, while others waived an employer sponsorship fee to eliminate it as a possible barrier to employer participation. Still others chose to hold off on establishing an employer participation fee structure until they gained an understanding of program loan volume and the associated charge-offs.

To participate as an ESSDL sponsor, employers agree to market the program through company channels, train designated staff members to confirm applicant eligibility, set up

payroll deductions, and inform the lender if a borrower is separating from the company. Once the process is in place, the application process for employees is simple:

- The employee submits a simple loan application to the designated employer representative (usually someone in the human resources or finance department).
- The employer representative completes a loan application worksheet, providing verification of the employee's length of employment in good standing and other necessary information, and submits the application to the credit union.
- Upon receipt of the application, the credit union contacts the applicant (usually within 24–48 hours) to complete the closing process.
- At closing, the employee shows identification and opens an account (if the employee is not already a credit union member), and the loan is closed and disbursed.
- The credit union contacts the employer representative to coordinate the payroll deduction process. Repayment typically starts one pay period after the loan date with repayment terms to be made biweekly with payroll.

Sample documents, including loan policies and a memorandum of understanding between a credit union and an employer, are included in Appendix II.

## Operational Considerations

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### Technology

The ESSDL is easily integrated into standard financial institution reporting systems. In most cases, minor programming is necessary to identify the ESSDL within an existing system using a unique type code, purpose code, and general ledger number.

### Tracking and Reporting

ESSDLs are audited like any other consumer loan and do not require special recordkeeping. To gauge the effectiveness and long-term impact of the loan—on both business and consumer outcomes—financial institutions should track the following data:

- About individual borrowers:
  - Name
  - Age
  - Income

- Employer
- Credit score (not used for underwriting purposes—used for research to understand consumer impact)
- Number of loans
- Dollar amount of loans
- Interest rate
- Loan term
- Payment history
- Amount saved

➔ About the ESSDL portfolio:

- Total number of loans: total number of loans for the analysis period
- Average loan amount: average principal balance of a single loan
- Average loan outstanding: average outstanding balance of a single loan, using an amortization calculation formula
- Portfolio balance: principal balance of loans during the analysis period
- Interest rate: APR charged, not including fees
- Term: average term (in months) of loans originating during the analysis period
- Actual losses: the value of the total unpaid balance charged off
- Actual losses per loan: actual losses divided by the total number of loans originating during the period
- Cost of funds: interest rate paid for the use of funds (e.g., direct deposits) lent to borrowers
- Delinquency incident rate: frequency with which loan repayment was delinquent
- Late fee: fee charged for late payment on a loan
- Interest paid on savings portion
- Servicing cost per loan: a pro rata share of the loan servicing expense for the entire loan period
- Fixed expenses per loan: fixed expenses including the sum of operating expenses. Fixed expenses for the loan type's portfolio reflects the total dollar value of the portfolio as a percentage of the institution's total average assets for the analysis period. Fixed expenses per loan is the quotient of fixed expenses per loan divided by the number of loans.

- Personnel cost per loan: a function of personnel cost per hour (salary, benefits, training) multiplied by the number of personnel hours spent per loan, multiplied by the number of loans
- Application fee: \$0 for ESSDL borrowers
- Employer fees: fees paid annually by employers to join the ESSDL program

A sample quarterly data tracker and a product profit-and-loss report are included in Appendix III. Another tool, the Alternative Small Dollar Loan Calculator, provided by the Illinois Asset Building Group, helps financial institutions generate profitability reports. The calculator can be found at [illinoisassetbuilding.org/resource/alternative-small-dollar-loan-calculator/](https://illinoisassetbuilding.org/resource/alternative-small-dollar-loan-calculator/).

## Personnel Resources and Training

Little staff training is required prior to launching the ESSDL because the product is simple to administer and easy to explain to borrowers. Staff members who interact with borrowers should be trained to:

- ➔ Understand the goals of the program, the target market, and the established loan underwriting criteria
- ➔ Understand the benefits of the ESSDL over high-cost predatory alternatives
- ➔ Identify opportunities to support ESSDL borrowers with credit counseling or other financial stability services
- ➔ Identify opportunities to provide ESSDL borrowers with less expensive products and services as their financial circumstances improve
- ➔ Understand the role of employers in marketing the ESSDL and the benefits to employers of offering the loan
- ➔ Understand the credit union's service to the community through the provision of the ESSDL

At the conclusion of the incubator program, several participating financial institutions suggested that a phased rollout (adding one or two employer partners at a time) helped the staff become more familiar with the loan and helped the financial institution monitor the impact on operations. None of the financial institutions that participated in the testing program added staff in order to launch the ESSDL, but some did assign specific staff to the program. When assigning specific staff to the program, credit unions should be sure to take steps to make sure the program does not experience a loss of momentum in the case of staff turnover.



## Managing Risk

The risks of making and servicing loans with limited underwriting and without regard to credit scores are typically greater than the risks associated with standard loans. However, the ESSDL program is uniquely strengthened through the prescription of loan repayment through payroll deduction. The feasibility study found a low charge-off rate for the ESSDL of between 3% and 5%.

Credit unions offering the ESSDL should put procedures in place to measure, monitor, and control standard lending risks. For example:

- Create and periodically review internal procedures.
- Adopt standards to control the use of renewals based on the borrower's willingness and ability to repay the ESSDL.
- Review and adjust the credit union's capital and allowances for loan losses, in accordance with generally accepted accounting principles and regulatory guidelines.
- Ensure that credit union employees and agents are trained and adhere to established underwriting guidelines.
- Guard the credit union's reputation by ensuring that loan fees are reasonable.
- Create a compliance management program to identify, monitor, and control ESSDL compliance activities.

## Collections

Defaults on ESSDLs generally only occur when a borrower separates from a participating employer. After several unsuccessful attempts to contact the borrower, the credit union should cut the expenses of further collection activity and prepare the loan for charge-off.

## Marketing Strategies and Materials

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To develop employer partners, credit unions may offer the ESSDL to members of Select Employer Groups (SEGs) or to business owners and human resources managers known through business groups. Credit unions and nonprofit organizations participating in ESSDL testing identified community-minded employers and those known to support employee wellness programs as the most likely early adopters of the program.

## Community Partners

The ESSDL was created through a partnership that included a credit union, a nonprofit organization, and a coalition of employers seeking to meet the needs of low- and moderate-income workers in Burlington, Vermont. Nonprofit partners were also instrumental in engaging credit unions in Savannah, Georgia, and Toledo, Ohio, to replicate the ESSDL under the Filene incubator program. These nonprofit partners met with employers and employee groups to explain the program and its benefits, served as a convening organization for employer work groups, and provided additional workplace financial stability services—including financial education workshops, free tax preparation, one-on-one strategies including financial counseling and coaching, and referrals to community resources.

## Marketing Materials

Collateral materials to support the marketing of the ESSDL to employers and their employees are included in Appendix IV. These include the following:

- Employer recruitment brochure and PowerPoint presentation
- Trifold brochure
- Payroll stuffer
- Break room flyer
- Poster
- Employee email
- Web banner for credit union website

These materials may be used free of charge by nonprofit organizations. They are designed to be customized with credit union, employer, and nonprofit partner agency logos and contact information, and are available at [filene.org/employer-sponsored-small-dollar-loan/](http://filene.org/employer-sponsored-small-dollar-loan/).

## Measuring Success

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Credit unions and other financial institutions that implement an ESSDL program should periodically evaluate the success of the program relative to implementation plans and projections. The following questions are provided to help credit unions identify the effect of the ESSDL program on the credit union itself, borrowers, employers, and the community:

1. Is the ESSDL understood by staff and has it been successfully introduced and implemented?

2. Is the ESSDL sustainable? Has the credit union met its projected income goals? If not, are there ways to increase volume to reach the income goals?
3. Are the losses as projected? Does the credit union need to change its collections strategies?
4. Has the credit union helped members avoid high-cost alternative lending products?
5. Have borrowers improved their credit scores?
6. Have borrowers accumulated savings?
7. Has the ESSDL brought new members into the credit union? Has it improved member retention? Has it moved credit union members along the financial security continuum?
8. Are employers satisfied with the ESSDL? Have they reported a decrease in turnover, absenteeism, and employee distraction due to financial hardships?
9. Has the credit union moved borrowers into other, less expensive and longer-term credit union products?
10. Has the credit union cultivated new community partners?
11. Has the mission of the credit union been well served?

Sample documents in Appendix III include an employer evaluation survey and a member (employee borrower) evaluation survey.

# Appendix I: State-by-State Legal Review

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The Kaplan Law Firm, PLLC, in Austin, Texas, conducted a legal review of state employment and labor laws that may affect the ESSDL program and determined that the ESSDL can be made compliant in all 50 states and Washington, DC.

## Scope

The firm researched the labor code of each state for two issues: (1) whether payroll deductions are permissible for credit union loan payments and (2) whether the state's final paycheck law prohibits the proposed savings component of the ESSDL.<sup>16</sup>

## Method

The firm reviewed the ESSDL report and the current proposed ESSDL application and disclosure addendum. The firm reviewed relevant wage and final paycheck statutes, searched for precedent regarding relevant provisions, reviewed relevant cases on Lexis Advance, and confirmed findings against both the Wolters Kluwer Tax and Labor Law Library and a 50-state survey performed by the Society for Human Resource Management. The firm also reviewed administrative regulations and agency direction regarding the relevant statutes in each state.

Detailed findings are shown in Figure 3, which includes citation to the relevant statutes and an overview of the language included in those statutes.

## Recommendations

Kaplan recommended the following considerations for nationwide ESSDL implementation:

1. Implement an authorization form signed by both employer and employee that contains the amount of and the reason for the deductions, and states that the employee consents freely to each deduction and that the deduction is for the employee's benefit (see, e.g., Indiana, Michigan, North Carolina).
2. Provide guidance that the employer should issue an itemized statement of deduction with each payroll (see Montana, New Mexico).

3. Consider procedures for withdrawal of deductions before the loan is paid off:
  - North Carolina: “employee must be given a reasonable opportunity to withdraw the authorization.”
  - New York: “authorization for any and all wage deductions may be revoked in writing at any time.”
  - Illinois: publishing withdrawal procedures is evidence that employee’s consent is “given freely.”
  - Utah: “deduction must terminate upon the written revocation of the authorization.”
4. Avoid any deduction that reduces the employee’s earnings per hour below minimum wage or below the agreed wage in a collective bargaining agreement (see Kentucky, Michigan, California). In Indiana, review the specific maximum deduction (25% of employee’s disposable weekly earnings, or the amount by which the employee’s disposable earnings for the week exceed \$217.50).
5. Consult with the state’s labor commission to approve proposed ESSDL forms (see Connecticut).



FIGURE 3

STATE EMPLOYMENT AND LABOR LAWS THAT MAY AFFECT ESSDL IMPLEMENTATION

State	Relevant Statute(s)	Application of Statute(s)	State Wage Deduction Laws	Major Provisions of Statute(s)	Employee Authorization Required?	Are Deductions Permissible for Credit Union Loan Payments?	Are Deductions Permissible for Credit Union Savings Accounts?	Final Paycheck	Additional Comments
Alabama	Ala. Code 36-1-4.4	State Employees	Silent	For state employees, new authorizations shall be permitted on a monthly basis according to procedures to be established by the state Comptroller.	Yes—written authorization	Yes	Yes	Silent on deductions from final paychecks.	Silent on private Employees.
Alaska	Alaska Admin. Code tit. 8, §15.160	All Employees	No prohibition from deduction from earnings based on written agreement	The AAC “does not limit the right of an employer and employee to enter into a written agreement to provide for deductions of monetary obligations of an employee.” It requires the employee’s authorization to be in writing, and the deduction cannot reduce the employee’s wage rate below minimum wage.	Yes—written authorization	Yes	Yes	Silent on deductions from final paychecks, and silent on any requirements for final paychecks.	
Arizona	Ariz. Rev. Stat. Ann. §§ 23-352; 23-353	All Employees	No prohibition if employer has prior written authorization	An employer can only withhold or divert wages if the employer has prior written authorization from the employee. An employer shall not withhold wages under a written authorization from the employee past the date specified by the employee in a written revocation of the authorization, unless the withholding is to resolve a debt or obligation to the employer or a court orders otherwise.	Yes—written authorization	Yes	Yes	Ariz. Rev. Stat. Ann. § 23-353—allows final pay checks to be paid via direct deposit. Final wages must be paid within 7 days of termination. Silent on deductions.	
Arkansas	Ark. Code Ann. §§ 19-4-1602, 11-4-405	State Employees	Silent for non-state employees. Allowed for state employees if specifically authorized by law.	Authorizes an employer to deduct from a state employee’s wages for payments to employee’s credit unions. Deductions authorized by this section shall be made in compliance with rules, regulations, and procedures established by the Chief Fiscal Officer of the State.	Not specified	Yes	Yes	Ark. Code Ann. § 11-4-405—final wages must be paid in within 7 days of termination. Silent on deductions from final paychecks.	Silent on private Employees.

State	Relevant Statute(s)	Application of Statute(s)	State Wage Deduction Laws	Major Provisions of Statute(s)	Employee Authorization Required?	Are Deductions Permissible for Credit Union Loan Payments?	Are Deductions Permissible for Credit Union Savings Accounts?	Final Paycheck	Additional Comments
California	Cal. Lab. Code §§ 224, 201, 202, 203	Private Employees	No prohibition if expressly authorized in writing	Authorizes an employer to deduct when employee gives written authorization for a deduction that does not constitute a rebate or deduction from the standard wage arrived at by collective bargaining or pursuant to wage agreement or statute, or when a deduction to cover health and welfare or pension plan contributions is expressly authorized by a collective bargaining or wage agreement.	Yes—written authorization	Yes	Yes	Cal. Lab. Code § 201, 202, 203—These sections handle requirements for final paychecks, but silent on deductions.	Employees subject to collective-bargaining agreements (e.g., in unionized workplaces) or subject to a wage agreement or statute (e.g., construction industry employees) may not join ESSDL if deductions constitute those guaranteed wages.
Colorado	Colo. Rev. Stat §§ 8-4-102(2); 8-4-105(b); 8-4-105(e)(2); 8-4-109(c)(2). Colo. Code Regs. § 1103-3.2; 1103-(a)(1)(B)	Private Employees	Deductions allowed but must be revocable	Employer authorized to deposit wages due or that become due in an account in any bank, savings and loan association, credit union, or other financial institution authorized by the United States or one of the several states to receive deposits in the United States if the employee has voluntarily authorized such deposit in the financial institution of the employee's choice. 8/4/105(b)—authorizes wage deductions for loans, advances, goods or services, and equipment or property provided by an employer to an employee pursuant to a written agreement between such employer and employee, so long as it is enforceable and not in violation of law. Cannot deduct below the minimum wage	Yes—written authorization	Yes	Yes	Colo. Rev. Stat. § 8-4-109(c)(2)—allows an employer to set off deductions owing by the employee from the final pay check.	

(continued)

State	Relevant Statute(s)	Application of Statute(s)	State Wage Deduction Laws	Major Provisions of Statute(s)	Employee Authorization Required?	Are Deductions Permissible for Credit Union Loan Payments?	Are Deductions Permissible for Credit Union Savings Accounts?	Final Paycheck	Additional Comments
<b>Connecticut</b>	Conn. Gen. Stat. §§ 31-71e; 31-71(c)	All Employees	No prohibition if expressly authorized in writing on a form approved by the commissioner	An employer may withhold wages if the employer has written authorization from the employee for deductions on a form approved by the commissioner, or the deductions are authorized by the employee, in writing, for medical, surgical or hospital care or service, without financial benefit to the employer and recorded in the employer's wage record book.	Yes—written authorization	Yes	Yes	Conn. Gen. Stat. § 31-71(c)—discusses payment upon end of employment. Doesn't discuss deductions.	Statute states deduction authorization form must be authorized by CT commissioner of labor.
<b>Delaware</b>	Del. Code Ann. tit. 19, § 1107, 1103	Private Employees	No prohibition if signed authorization	Authorizes an employer to withhold wages if the employer has a signed authorization by the employee for deductions for a lawful purpose accruing to the benefit of the employee, except that the Department, upon finding that it is acting in the public interest, may, by regulation, prohibit such withholding or diverting for such purpose.	Yes—written authorization	Yes	Yes	Del. Code Ann. tit. 19, § 1103—statute discussing payment after separation. Doesn't mention payroll deductions from final paychecks.	
<b>District of Columbia</b>	DC Wage Payment and Collection Law	Silent	Silent	Silent	Silent	Silent	Silent	D.C. Code § 32-1303—discusses final paycheck requirements. Doesn't discuss the viability of deductions from final paychecks.	
<b>Florida</b>	Fla. Stat. § 110.114	State Employees	Silent for non-state employees. Specifically allowed for state employees.	Authorizes any state department, bureau, commission, or officer to make wage deductions at the request of a state employee and to pay the sum deducted as directed by the employee; the Dept' of Fin. Servs. must concur with the deduction. Employer must keep records of the employee's requests and authorizations for deductions.	Yes	Yes	Yes	Silent	

State	Relevant Statute(s)	Application of Statute(s)	State Wage Deduction Laws	Major Provisions of Statute(s)	Employee Authorization Required?	Are Deductions Permissible for Credit		Additional Comments
						Union Loan Payments?	Union Savings Accounts?	
Georgia	Title 34—Labor and Industrial Relations	Silent	Silent	Silent	Silent	Silent	Silent	Silent
Hawaii	Hawaii Rev. Stat. §§ 388-6; 388-3	Private Employees	No prohibition if written authorization	Authorizes an employer to deduct from employee wages with written employee consent.	Yes—written authorization	Yes	Yes	Hawaii Rev. Stat. § 388-3—details requirements for a final paycheck, but doesn't discuss deductions.
Idaho	Idaho Code Ann. §§ 45-609; 45-606	All Employees	No prohibition if written authorization	Authorizes an employer to withhold wages with written authorization from the employee, and if the deduction is for a lawful purpose.	Yes—written authorization	Yes	Yes	Idaho Code Ann. § 45-606—requirements for final paychecks. No discussion on deduction from final paychecks.
Illinois	820 Ill. Comp. Stat. 115/9, 115/5, 115/4; Ill. Admin. Code tit. 56, § 300.720	Private, local gov't, and school employees	No prohibition if written authorization, if given freely at the time the deduction is made	Authorizes an employer to deduct from employee's paycheck only if they have express written consent, given freely, at the time of the deduction, or if deduction is to the benefit of the employee. 300.720—When a deduction is to continue over a period of time and the written agreement provides for that period of time, provides for the same amount of deduction each period and allows for voluntary withdrawal for the deduction, the agreement shall be considered to be given freely at the time the deduction is made.	Yes—written authorization	Yes	Yes	820 Ill. Comp. Stat. 115/5—requirements for final pay check. Doesn't discuss deductions from final paychecks. Although ESSDL is likely to the "benefit of the employee, may consider adding express language to the application stating authorization is given freely, or consider language permitting voluntary withdrawal of the deduction.

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State	Relevant Statute(s)	Application of Statute(s)	State Wage Deduction Laws	Major Provisions of Statute(s)	Employee Authorization Required?	Are Deductions Permissible for Credit Union Loan Payments?	Are Deductions Permissible for Credit Union Savings Accounts?	Final Paycheck	Additional Comments
<b>Indiana</b>	"Ind. Code §§ 22-6-2, 22-6-4(c), 22-2-5-1"	All Employees	Allowed if assignment is written, signed, and revocable at any time	Authorizes an employer to deduct from wages if: in writing; signed by the employee personally; by its terms revocable at any time by the employee upon written notice to the employer; and agreed to in writing by the employer; An executed copy of the assignment is delivered to the employer within ten (10) days after its execution; and is for: Amount of a loan made to the employee by the employer and evidenced by a written instrument executed by the employee subject to the amount limits set forth in section 4(c) of this chapter; Payment to any credit union, nonprofit organizations, or associations of employees of such employer organized under any law of this state or of the United States. 4(c)—limits the amount to: (A) Twenty-five percent (25%) of the employee's disposable earnings for that week; or (B) The amount by which the employee's disposable earnings for that week exceed thirty (30) times the federal minimum hourly wage prescribed by 29 U.S.C. 206(a)(1) in effect at the time the earnings are payable. [now \$7.25]. In the case of earnings for a pay period other than a week, the earnings must be computed upon a multiple of the federal minimum hourly wage equivalent to thirty (30) times the federal minimum hourly wage as prescribed in this section.	Yes—written authorization	Yes	Yes	Ind. Code § 22-2-5-1—details how final paychecks are to be made for employees who voluntarily leave employment. Doesn't discuss deductions from final paychecks	Employer must agree to the deduction in writing and deliver an executed copy to employee within 10 days of execution. Also—see caps on deductions.
<b>Iowa</b>	Iowa Code § 91A.5, 91A.4	All Employees	No prohibition if written authorization	Authorizes an employer to deduct from a paycheck if the employer has written authorization from the employee to so deduct for any lawful purpose accruing to the benefit of the employee.	Yes—written authorization	Yes	Yes	Iowa Code § 91A.4—allows lawful deductions to final paychecks.	
<b>Kansas</b>	Kan. Stat. Ann. §§ 44-319, 44-315	All Employees	Silent	An employer is allowed to deduct from wages with a signed authorization by the employee, that is for a lawful purpose that benefits the employee.	Yes—written authorization	Yes	Yes	Kan. Stat. Ann. § 44-315—final paycheck requirements. Doesn't discuss deductions.	Deductions cannot lower the employee's earnings below minimum wage under federal or Kansas law—both currently \$7.25/hr.



State	Relevant Statute(s)	Application of Statute(s)	State Wage Deduction Laws	Major Provisions of Statute(s)	Employee Authorization Required?	Are Deductions Permissible for Credit Union Loan Payments?	Are Deductions Permissible for Credit Union Savings Accounts?	Final Paycheck	Additional Comments
Kentucky	Ky. Rev. Stat. Ann. §§ 337.060, 337.055	All Employees	NOT ALLOWED	Does not authorize deductions unless: a deduction is expressly authorized in writing by the employee to cover insurance premiums, hospital and medical dues, or other deductions not amounting to a rebate or deduction from the standard wage arrived at by collective bargaining or pursuant to wage agreement or statute.[1]	Yes—written authorization	Yes	Yes	Ky. Rev. Stat. § 337.055—final paycheck requirements. Doesn't discuss deductions to final paychecks.	It appears ESSDL would fall under "other deductions not amounting to a rebate" and would be permissible.
Louisiana	La. Rev. Stat. Ann. §§ 23:635, 42:456, 23:631	State and Parish Employees	No prohibition if written authorization. Must be voluntary	State employees must provide written authorization and may only have deductions for limited purpose, including credit unions.	Yes—written authorization	Yes	Yes	La. Rev. Stat. Ann. § 23:631—requirements for final pay checks. Doesn't discuss deductions.	
Maine	Me. Rev. Stat. tit 26, § 629(f)	Private Employees	No prohibition of deduction for a payment of a loan	No prohibition unless the loan is made a condition of securing or retaining employment. In that case, the statute authorizes an employer to have part of that compensation returned to the employer only if it is for the payment of a loan, debt or advance made to the person, or for the payment of any merchandise purchased from the employer or for sick or accident benefits, or life or group insurance premiums, excluding compensation insurance, that an employee has agreed to pay, or for rent, light or water expense of a company-owned house or building and has been agreed to by an oral, written, or implied agreement.	Yes	Yes	Yes	Silent	
Maryland	Md. Code Ann., Lab. & Empl. §§ 3-503, 3-502, 3-505	All Employees	No prohibition if written authorization	Authorizes an employer to deduct from wages if: ordered by a court of competent jurisdiction; authorized expressly in writing by the employee; allowed by the Commissioner because the employee has received full consideration for the deduction; or otherwise made in accordance with any law or any rule or regulation issued by a governmental unit.	Yes—written authorization	Yes	Yes	MD. Code Ann. Lab. & Empl. § 3-505—discusses final pay check requirements. Doesn't mention deductions.	

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State	Relevant Statute(s)	Application of Statute(s)	State Wage Deduction Laws	Major Provisions of Statute(s)	Employee Authorization Required?	Are Deductions Permissible for Credit Union Loan Payments?	Are Deductions Permissible for Credit Union Savings Accounts?	Final Paycheck	Additional Comments
Massachusetts	Mass. Gen. Laws ch. 149, § 8; ch. 149 §§ 178B, 148	All Employees	No prohibition	Deductions of wages are not prohibited if used for labor or trade union or craft dues or obligations, or making deposits in, purchasing shares of, or for the repayment of any loan from any credit union established under the laws of the commonwealth or of the United States, or deposits in any savings bank, trust company, national banking association or co-operative bank. 178B—specifically authorizes deductions from public employees with employee authorization.	Yes—for public employees	Yes	Yes	Mass. Gen. Laws, ch. 149, § 148—deals with when final pay must be given, but doesn't discuss deductions.	
Michigan	Mich. Comp. Laws §§ 408.477, 408.475	All Employees	No prohibition if written authorization	“Authorizes a deduction for the benefit of the employer with written consent, as long as the cumulative deduction does not lower compensation farther than the minimum wage.”	Yes—written authorization	Yes	Yes	Mich. Comp. Laws § 408.475—final payment requirements. Doesn't discuss deductions.	Statute explicitly addresses deductions that are for employer's benefit.
Minnesota	Minn. Stat. §§ 181.06, 181.13-14	Private Employees	Allows for “contributions to credit unions”—no specific mention of loan payments	Permits an employee to authorize payroll deductions for expressly enumerated purposes including “contributions to credit unions.” Must have a written contract between employee and employer authorizing the deduction.	Yes—written authorization	Yes	Yes	Minn. Stat. §§ 181.13, 14—silent on deductions from final paychecks.	There are separate provisions that address deductions from state employee paychecks; they do not expressly allow or prohibit deductions for loan repayment.
Mississippi	Miss. Code Ann. Title 71 Ch. 1—wage payment	Silent	Silent	Silent	Silent	Silent	Silent	Silent	Silent

State	Relevant Statute(s)	Application of Statute(s)	State Wage Deduction Laws	Major Provisions of Statute(s)	Employee Authorization Required?	Are Deductions Permissible for Credit Union Loan Payments?	Are Deductions Permissible for Credit Union Savings Accounts?	Final Paycheck	Additional Comments
Nevada	Nev. Rev. Stat. §§ 608.110, 608.02, 608.030; Nev. Admin. Code § 608.160	All Employees	No prohibition if written authorization	Ch. 608 does not prevent an employer from withholding a portion of wages for specifically enumerated purposes, including deductions authorized by the employee; deduction must be for a specific purpose, pay period, and amount. Employee must authorize the withholding by written order.	Yes—written authorization	Yes	Yes	Nev. Rev. Stat. §§ 608.020, 608.030—silent on deductions from final paychecks.	
New Hampshire	N.H. Rev. Stat. Ann. §§ 275:48, 275:44, 275:47; N.H. Code Admin. R Ann. § 803.02	Private Employees	No prohibition if written authorization	Allows withholding for any purpose on which the employer and employee mutually agree that does not grant financial advantage to the employer; when the employee has given his or her written authorization and deductions are duly recorded.	Yes—written authorization	Yes	Yes	N.H. Rev. Stat. Ann. §§ 275:44, 275:47—silent on deductions from final paychecks.	
New Jersey	N.J. Stat. Ann. §§ 34:11-4.4, 34:11-4.3, 34:11-4.5; N.J. Admin. Code § 12:55-2.1	Private Employees	Allows for payment into employee personal savings accounts only	Allows withholding for “payments into employee personal savings accounts, such as payments to a credit union.” Employee must authorize deductions and employer must approve.	Yes	Yes	Yes	N.J. Stat. Ann. §§ 34:11-4.3, 34:11-4.5—silent on deductions from final paychecks.	
New Mexico	N.M. Stat. Ann. §§ 50-4-2, 50-4-4, 50-4-5 “	Private Employees	No prohibition if written authorization	Requires an employer to pay wages in full, “less lawful deductions and less payroll deductions.”	Yes	Yes	Yes	N.M. Stat. Ann. §§ 50-4-4, 50-4-5—silent on deductions from final paychecks.	Employer must provide an itemized listing of all deductions.

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State	Relevant Statute(s)	Application of Statute(s)	State Wage Deduction Laws	Major Provisions of Statute(s)	Employee Authorization Required?	Are Deductions Permissible for Credit Union Loan Payments?	Are Deductions Permissible for Credit Union Savings Accounts?	Final Paycheck	Additional Comments
Missouri	Mo. Rev. Stat §§ 3103, 290.110	State Employees	Silent for non-state employees. State employees' deductions must be warranted by the commissioner of administration for "the purchase of shares in a state employees' credit union in Missouri."	Allows deductions by state employers for listed options in the statute, including the purchase of shares in a state Employees' credit union in Missouri with the warrant of the commissioner.	Yes	Yes for private employees, maybe for state	Yes for private employees, maybe for state	Mo. Rev. Stat. § 290.110—no deductions allowed on final paychecks.	
Montana	Mont. Code Ann. §§ 39-3-101, 39-3-204, 39-3-205	Private Employees	Silent	Requires an employer to provide an itemized statement of deductions, including deductions for "state and federal income taxes, social security, or any other deductions"; allows an employer to make deductions for "board, room, and other incidentals supplied by the employer, whenever the deductions are a part of the conditions of employment, or as otherwise provided for by law."	Silent	Yes	Yes	Mont. Code Ann. § 39-3-205—expressly allows deductions to cover the value of items taken by an employee discharged for theft; silent as to all other deductions.	Considering the statute and Montana Dep't of Labor guidance, it appears deductions would be permissible as a benefit for the employee as "other incidentals." Recommend an itemized statement of deductions as well as written deduction authorization.
Nebraska	Neb. Rev. Stat. §§ 48-1230, 48-224, 48-1230, 48-1230.01	All Employees	No prohibition if written authorization	Allows an employer to deduct, withhold, or divert a portion of an employee's wages. PUBLIC EMPLOYEES—Allows an employer to withhold wages for any employee who wants to voluntarily participate in a credit union. Must execute an order authorizing the amount to be withheld and the payment of that amount to the credit union.	Yes—written authorization	Yes	Yes	Neb. Rev. Stat. §§ 48-1230, 48-1230.01—silent on deductions from final paychecks.	

State	Relevant Statute(s)	Application of Statute(s)	State Wage Deduction Laws	Major Provisions of Statute(s)	Employee Authorization Required?	Are Deductions Permissible for Credit Union Loan Payments?	Are Deductions Permissible for Credit Union Savings Accounts?	Final Paycheck	Additional Comments
New York	N.Y. Lab. Law § 193 N.Y. Comp. Codes R. & Regs., tit. 12 § 195-4.5	Private Employees	No prohibition if written authorization	Allows deductions for the benefit of the employee. Statute specifically lists permissible deductions including, “similar payments for the benefit of the employee;” but state regulations prohibit deductions for “repayments of loans, advances, and overpayments. Employee must voluntarily authorize deductions in writing; authorization can only be given after the employee receives written notice of all terms/ conditions of the payments and the manner in which deductions will be made. The total aggregate amount of deductions for each pay period shall be subject to the following limitations: (i) such aggregate amount shall not exceed a maximum aggregate limit established by the employer for each pay period; (ii) such aggregate amount shall not exceed a maximum aggregate limit established by the employee, which limit may be for any amount (in ten dollar increments) up to the maximum amount established by the employer under subparagraph (i) of this paragraph; (iii) the employer shall not permit any purchases within these categories of deduction by the employee that exceed the aggregate limit established by the employee or, if no limit has been set by the employee, the limit set by the employer; (iv) the employee shall have access within the workplace to current account information detailing individual expenditures within these categories of deduction and a running total of the amount that will be deducted from the employee’s pay during the next applicable pay period. Information shall be available in printed form or capable of being printed should the employee wish to obtain a listing. No employee may be charged any fee, directly or indirectly, for access	Yes—written authorization	Yes	Yes	Statutes do not address final paychecks at all.	NYCRR § 195-4.4 defines “similar payments for the benefit of the employee” as a non-exclusive list including pension and savings benefits, and charitable benefits. See statutory provisions regarding limits, revocation, and note that the authorization to deduct shall be kept on file on the employer’s premises for the period during which the employee is employed by the employer and for six years after such employment ends.

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State	Relevant Statute(s)	Application of Statute(s)	State Wage Deduction Laws	Major Provisions of Statute(s)	Employee Authorization Required?	Are Deductions Permissible for Credit Union Loan Payments?	Are Deductions Permissible for Credit Union Savings Accounts?	Final Paycheck	Additional Comments
New York (continued)				to, or printing of, such account information. With the exception of wage deductions required or authorized in a current existing collective bargaining agreement, an employee's authorization for any and all wage deductions may be revoked in writing at any time. The employer must cease the wage deduction for which the employee has revoked authorization as soon as practicable, and, in no event more than four pay periods or eight weeks after the authorization has been withdrawn, whichever is sooner.					
North Carolina	N.C. Gen. Stat. §§ 95-25.8, 95-25.7, 13 N.C. Admin. Code § 12.0305	Private Employees	No prohibition if written authorization. Must be signed prior to first deduction and include reasons for and actual dollar amount of deduction(s)	Allows an employer to withhold/divert a portion of an employee's wages; if the deduction is for the convenience of the employee, the employee must be given a reasonable opportunity to withdraw the authorization; regulations clarify that "deductions for the convenience of the employee" include credit union installments. Employee must give written authorization; authorization must be signed on or before the payday(s) for the pay period(s) from which the deduction is to be made and indicate the amount of and reason for the deduction.	Yes—written authorization	Yes	Yes	N.C. Gen. Stat. § 95-25.7—silent on deductions from final paychecks.	Employee must be given reasonable opportunity to withdraw the authorization.
North Dakota	N.D. Cent. Code §§ 34-14-04.1, 34-14-03	Private Employees	Silent	Allows an employer to make deductions for specifically enumerated purposes including "a recurring deduction authorized in writing,"	Yes—written authorization	Yes	Yes	N.D. Cent. Code § 34-14-03—silent on deductions from final paychecks.	
Ohio	Ohio Rev. Code Ann. § 4113.15	Private Employees	No prohibition if authorized by employee. No specific requirement that it be in writing.	Allows for "employee authorized deductions," which include "repayment of a loan or other obligation."	Yes	Yes	Yes	Statutes do not address final paychecks at all.	

State	Relevant Statute(s)	Application of Statute(s)	State Wage Deduction Laws	Major Provisions of Statute(s)	Employee Authorization Required?	Are Deductions Permissible for Credit Union Loan Payments?	Are Deductions Permissible for Credit Union Savings Accounts?	Final Paycheck	Additional Comments
Oklahoma	Okla. Admin. Code § 380:30-1-7; Okla. Stat. tit. 62, § 34.70, tit. 40 §§ 165.3, 165.3.a	All Employees	Loan payments not found in list of permissible payroll deduction, but not specifically excluded. It says "including deductions for the following purposes:" but does not say deductions are limited to those listed	PRIVATE/LOCAL GOV'T EMPLOYEES—Allows an employer and employee to voluntarily enter into a payroll deduction agreement for specifically enumerated purposes; the list does not include loan repayment. Payroll deduction agreement must be in writing and signed by the employee before any deduction is made. STATE EMPLOYEES—Allows a state agency to make deductions to any credit union with an office in the state.	PRIVATE/LOCAL GOV'T EMPLOYEES Yes—written authorization STATE EMPLOYEES Yes	Yes	Yes	Okla. Stat. tit. 40, §§ 165.3, 165.3.a—requires an employer to pay wages in full "less offsets and less any amount over which a bona fide disagreement exists;" silent on authorized payroll deductions.	The OK statutes are silent on the types of permissible deductions, but § 40-165.2 requires the employer to issue an itemized statement of payroll deductions.
Oregon	Or. Rev. Stat. §§ 652.610, 652.140, 652.150, 652.190	All Employees	No prohibition if written authorization	Allows an employer to make deductions for "any other item, provided that the ultimate recipient of the money withheld is not the employer," and must be recorded in the employer's books.	Yes—written authorization	Yes	Yes	Or. Rev. Stat. §§ 652.140, 652.150, 652.190—silent on deductions from final paychecks.	
Pennsylvania	34 Pa. Cons. Stat. § 91; 43 Pa. Stat. Ann. § 260.5	Private Employees	Allows for payment into personal savings at a credit union, and for repayment to the employer of bona fide loans	Allows deductions for "repayment to the employer for bona fide loans."	Yes—written authorization	Yes	Yes	43 Pa. Stat. Ann. § 260.5—silent on deductions from final paychecks.	
Rhode Island	R.I. Gen. Laws §§ 28-14-10, 28-14-4, 28-14-6	Private Employees	No prohibition if written authorization	Clarifies that nothing in Ch. 28-14 prohibits wage deductions for specifically enumerated purposes, including, "amounts to be credited to a share, deposit, or loan account in any credit union."	Yes—written authorization	Yes	Yes	R.I. Gen. Laws §§ 28-14-4, 28-14-6—silent on deductions from final paychecks.	

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State	Relevant Statute(s)	Application of Statute(s)	State Wage Deduction Laws	Major Provisions of Statute(s)	Employee Authorization Required?	Are Deductions Permissible for Credit Union Loan Payments?	Are Deductions Permissible for Credit Union Savings Accounts?	Final Paycheck	Additional Comments
<b>South Carolina</b>	S.C. Code Ann. §§ 41-10-30, 41-10-40, 41-10-50	All Employees	May be permitted if employer provides itemized statement of deductions each pay period.	Prohibits an employer from withholding or diverting any portion of wages unless the employer gives the employee notice that the deduction will be made. Employer must provide the employee written notice of the amount and terms of the deduction at the time the employee is hired.	Yes—written authorization seven days in advance of deduction	Yes	Yes	S.C. Code Ann. § 41-10-50—silent on deductions from final paychecks.	Section 41-10-30(A) requires seven-day notice prior to deduction, and Section 41-10-40(B) requires “[a]ny wage deposited by an employer shall entitle each employee to at least one withdrawal for each deposit, free of any service charge.”
<b>South Dakota</b>	Silent	Silent	Silent	Silent	Silent	Silent	Silent	S.D. Codified Laws §§ 60-11-10, 60-11-11—silent on deductions from final paychecks.	
<b>Tennessee</b>	Silent	Silent	Silent	Silent	Silent	Silent	Silent	Tenn. Pub. Acts § 50-2-103—silent on deductions from final paychecks.	
<b>Texas</b>	Tex. Lab. Code Ann. §§ 61.018, 61.014 40 Tex. Admin. Code § 821.28; 821.22	Private but not State employees; TAC § 821.4 excludes political subdivisions of the state from the definition of employer	No prohibition if written authorization	Employee must give written authorization specifying the lawful purpose for which employee has accepted liability and must include the amount to be withheld. § 155.001, Local Gov’t Code specifically allows the County Commissioner’s Courts to make deductions for “payment to a credit union” at the request of a county employee.	Yes—written authorization	Yes	Yes	Tex. Lab. Code Ann. § 61.014, 40 Tex. Admin. Code § 821.22—silent on deductions from final paychecks.	
<b>Utah</b>	Utah Code Ann. §§ 34-28-3, 610-3-18, 38-2405	Private Employees	No prohibition if written authorization	Allows for deductions authorized by employees; regulations expressly authorize deductions for “payments, repayments, contributions, deposits, to a credit union, banking, savings, loan, trust or other financial institution.” Employee must authorize the deduction in writing and deduction must terminate upon the written revocation of the authorization.	Yes—written authorization	Yes	Yes	Utah Code Ann. § 38-24-5—silent on deductions from final paychecks.	



State	Relevant Statute(s)	Application of Statute(s)	State Wage Deduction Laws	Major Provisions of Statute(s)	Employee Authorization Required?	Are Deductions Permissible for Credit Union Loan Payments?	Are Deductions Permissible for Credit Union Savings Accounts?	Final Paycheck	Additional Comments
Vermont	Silent	Silent	Silent	Silent. But Vermont Department of Labor FAQ has concerning language: "The only deductions that may be made from employees' wages are those, which are permitted or required by law. Those would include taxes, Social Security, etc. and, with the employee's written authorization or sufficient employer documentation, cost of goods or services provided by the employer to the employee for which repayment was intended. Lacking a statutory provision, which would require or permit employers to do so, employers may not deduct or withhold wages for such things as: An employee's refusal or inability to provide or sign documents such as I-9 forms, tax withholding forms; An employee's refusal to provide a notice of or reason for termination; An employee's refusal to sign a document written by the employer; An employee's inability or refusal to accept the wages in person (postal delivery is an acceptable means for the employer to comply with the timely payment of wage law); An employee's inability or refusal to accept the wages in person (postal delivery is an acceptable means for the employer to comply with the timely payment of wage law); The maintenance of uniforms; Poor job performance; Alleged shortages, bad checks or credit cards; Destruction of or missing property." <a href="http://labor.vermont.gov/unemployment-insurance/wage-hour/can-my-employer-do-that/">http://labor.vermont.gov/unemployment-insurance/wage-hour/can-my-employer-do-that/</a>	Silent	Silent	Silent	Silent	Probably permissible, but note the language from Vermont's Department of Labor FAQ.
Virginia	Va. Code Ann. §§ 40-1-29, 40-1-29	Private Employees	No prohibition if written authorization	Prohibits an employer from making payroll deductions unless authorized by the employee.	Yes—written authorization	Yes	Yes	Va. Code Ann. § 40-1-29—silent on deductions from final paychecks.	

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State	Relevant Statute(s)	Application of Statute(s)	State Wage Deduction Laws	Major Provisions of Statute(s)	Employee Authorization Required?	Are Deductions Permissible for Credit Union Loan Payments?	Are Deductions Permissible for Credit Union Savings Accounts?	Final Paycheck	Additional Comments
Washington	Wash. Rev. Code §§ 49.52.060, 41.04.230 49.48.010	Private Employees and State Employees	No prohibition if authorized orally or in writing. Must be recorded in employer's books or records	PRIVATE—Clarifies that § 49.52.050 does not prohibit an employer from withholding or diverting a portion of wages for a lawful purpose accruing to the benefit of the employee. STATE—Allows any official of the state authorized to disburse funds in payment of salaries and wages of public officers or employees to make specifically enumerated deductions, including credit union deductions; At least 25 employees at a single state agency or a total of at least 100 employees of several agencies must all authorize such a deduction for payment to the same credit union; allows an agency to establish a minimum participation requirement of fewer than 25 employees.	Yes—written authorization	Yes	Yes	Wash. Rev. Code § 49.48.010—expressly authorizes deductions from final paychecks that are agreed by the employee and employer orally or in writing.	
West Virginia	W. Va. Code §§ 21-5-1, 21-5-3, 12-3-13b, 21-5-4, 21-5-8a W. Va. Code R. §§ 155-3-6.2, 42-5-13	Private Employees and State Employees	Silent for non-state employees. Deductions for officers and employees of the state must be made on a form provided by the auditor of the state of West Virginia.	Defines “deductions” to include “amounts required by law to be withheld, and amounts authorized for union or club dues, pension plans, payroll savings plans, credit unions, charities and hospitalization and medical insurance”; clarifies that the prohibitions affecting the assignment of wages does not affect the right of the employer and employees to enter into agreements regarding payroll deductions. Employer and employee must enter into an agreement about the deduction; does not specify if the agreement must be in writing. STATE—allows for voluntary deductions “as approved and authorized by the auditor” and made “in accordance with rules proposed by the auditor;” employee chooses whether deductions are made monthly or bimonthly; employee must complete and sign an authorization form created by the State Auditor; authorization may be revoked at any time 30 days prior to the date on which the deduction is regularly made and on a form to be provided by the State Auditor.	Yes—written authorization	Yes	Yes	W. Va. Code §§ 21-5-4, 21-5-8a, W. Va. Code R. § 42-5-13—silent on deductions from final paychecks. for employees if the commercial organization has at least 50 employees from at least 2 agencies; “commercial organization” is defined as an “organization or company that offers services to an employee for a premium or fee.”	STATE—Auditor has adopted a rule allowing voluntary deductions for payments to a commercial organization to cover premiums for employees if the commercial organization has at least 50 employees from at least 2 agencies; “commercial organization” is defined as an “organization or company that offers services to an employee for a premium or fee.”

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Wisconsin	Wis. Stat. §§ 103.457, 109.03	All Employees	Silent	Requires an employer to clearly state in writing the amount and reason for each paycheck deduction made except "such miscellaneous deductions as may have been authorized by request of the individual employee for reasons personal to the employee."	Yes	Yes	Yes	Wis. Stat. § 109.03—silent on deductions from final paychecks.	Should provide itemized statement of payroll deductions.
Wyoming	Wyo. Stat. Ann. § 27-4-104	Silent	Silent	Silent	Silent	Silent	Silent	Wyo. Stat. Ann. § 27-4-104—Doesn't expressly authorize or prohibit deductions but specifically allows an employer to offset the amount due by "any sums due the employer from the employee which have been incurred by the employee during his employment."	

# Appendix II: Sample Documents

## Mercy Health Partners Federal Credit Union Internal ESSDL Policy for the Credit Union Lending Team

<b>TITLE:</b>	<b>EMPLOYER-SPONSORED SMALL DOLLAR LOANS</b>	<b>POLICY NUMBER: 7219</b>
Author:	CEO Manager	Effective Date: 4/2015 Revision Date: 1/2016
Applies to:	Lending	Date of Review: Date of Next Review:
Authorized By:	Management/per BOD approval on 9/23/14	

### General Policy Statement:

Employer-Sponsored Small Dollar Loans (ESSDL) were developed for the purpose of providing small dollar loans as an alternative to potentially predatory payday lenders. Through a partnership with Mercy, our Select Employer Group, the Credit Union will provide these loans to Mercy employees with emergent financial needs in order to provide relief from financial stress and its impact on workplace performance.

The program is structured based on policies and procedures that were developed by North Country Federal Credit Union and the Filene Research Institute, a credit union and consumer-finance think tank. In developing a successful ESSDL program, the Credit Union will consider how the program will help benefit a member's financial well-being while considering the higher degree of risk associated with this type of lending. This policy outlines this loan program.

### Guidelines:

#### 1. FEATURES

- A. **Loan Purpose.** The Credit Union will limit ESSDL loans to applicants with emergent financial needs. (See Appendix A for more information.)
- B. **Interest Rate.** The Credit Union will charge an interest rate of 17.99% APR.
- C. **Principal.** The principal of the loan is not less than \$300 or more than \$1500.
- D. **Maturity.** The loan has a minimum maturity term of one month and a maximum maturity term of six months (twelve months on exception).
- E. **Minimum Payment.** The payment will not be less than \$50 per pay period.
- F. **Loan Limits.** The Credit Union does not allow more than three ESSDLs in any rolling six-month period to any one borrower and will make no more than one ESSDL at a time to a borrower.
- G. **No Roll-Over.** The Credit Union does not roll-over any ESSDL; however, the prohibition against roll-overs does not apply to an extension of the loan term within the maximum loan term (above), provided the Credit Union does not charge any additional fees or extends any new credit.
- H. **Full Amortization.** The Credit Union fully amortizes the loan.
- I. **Minimum Length of Membership.** The Credit Union will not set a minimum length of membership requirement; however Credit Union membership is required before an ESSDL is disbursed.
- J. **Application Fee.** The Credit Union will waive an application fee to individuals applying for an ESSDL. Instead, Mercy will pay an annual fee to help offset expenses and losses.
- K. **Savings Component.** The Credit Union will make an effort to assist its members by encouraging deposits to savings. Borrowers will be required to utilize payroll deduction to repay the loan; after loan repayment, this automatic deduction will be redirected to a savings account, unless stopped by the borrower.

2. **REFERRAL PROCESS.** Employees can learn about an ESSDL from the following:

- A. Credit Union
- B. Human Resources
- C. Employee Assistance Program
- D. Mercy's Hardship Programs
  - i. Mercy Fund (MSAH)
  - ii. Family Fund (MSCH)
  - iii. Marguerite D'Youville Fund (MSVMC)
  - iv. Mercy Care Fund (MTH & MWH)
- E. Department managers and supervisors

Applications should be forwarded to the Credit Union using the following methods:

- A. In person at any MHPFCU branch
- B. Via secure email to [mhpfculending@mercy.com](mailto:mhpfculending@mercy.com)
  - i. Application must be signed and scanned
- C. Via fax to 555-555-5555

3. **UNDERWRITING.** The Credit Union will adhere to minimum underwriting standards that account for an applicant's need for quickly available funds, while also adhering to principles of responsible lending. The steps in the underwriting process will generally occur in the following order:

- A. **Review Applicant for Emergent Financial Hardship.** Since it is the intent of both the Credit Union and Mercy to offer a service that truly assists Mercy employees, ESSDLs will be limited solely to applicants with emergency financial needs or hardships. Granting loans to applicants without sufficient income to repay the debt, or granting loans for what is perceived as more frivolous reasons, may create further stress for the applicants and will be more likely to result in a loss to the Credit Union. Since one of the intended purposes of the ESSDL Initiative is to assist individuals who are caught in a cycle of debt with predatory lenders, a request to pay off a payday lender will qualify as an emergent financial hardship.

**B. Minimum Employment.**

- i. ESSDLs are limited to individuals who have been actively employed by Mercy for at least twelve (12) months.
- ii. Unlike other Credit Union loans, which are available to all Credit Union members, ESSDLs are limited solely to employees of Mercy. (See Appendix B for more information.)

**C. Employee in Good Standing.** In order to reduce risk of charge-off, these loans will only be available to applicants with stable employment. As such, loans will be approved only for individuals with employment in good standing.

The Credit Union will rely on the expertise of Mercy's Human Resource professionals to render a decision on whether an applicant meets this criterion. (In order to protect applicants' rights to privacy, Human Resources will not divulge further detail.)

**D. Credit.** Loan decisions will not be based on credit, although a credit report will be pulled in order to determine ability to repay. Applicants with the following will generally not be eligible for an ESSDL:

- i. Pending bankruptcy case/proceeding
  - 1. Exceptions may be considered for applicants in an approved Chapter 13 Plan, providing the Trustee presents a signed letter of approval.
- ii. Active judgment/s
  - 1. Defined as any unpaid judgment/s totaling more than \$500<sup>1</sup>

**E. Minimum Income.** There is no minimum income requirement, providing the applicant has the ability to repay.

**F. Proof of Income.** Applicants will be instructed to include a copy of their most recent paystub with the initial loan application. In lieu of a paystub, the Credit Union may rely on oral verification from the Human Resources or Payroll Departments.

**G. Ability to Repay.** ESSDLs will only be granted to individuals with the financial ability to repay, which will be determined by calculating a debt-to-income ratio.

- i. In most cases, providing additional debt to individuals who are struggling to repay existing obligations will not be a benefit, and ultimately, it may worsen their financial condition and increase the likelihood of loan default.

**H. Maximum Debt-to-Income Ratio.** This ratio will generally be limited to a maximum of 50% (using gross income and 100% of debt).

**I. MHPFCU Membership.** - In accordance with federal regulation, the Credit Union only grants loans to members of the Credit Union. If an applicant is not already a member, an account must be opened before loan proceeds are disbursed. The Credit Union will allow the initial opening deposit (\$5) to be funded from the loan proceeds. The Credit Union will adhere to its normal account opening procedures.

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<sup>1</sup> Subject to change by management

- J. **MHPFCU Activity Requirement.** Unlike the Credit Union's Payday Alternative Loan Program (PAL), there are no previous account activity requirements for ESSDLs.
  - K. **JOINT BORROWERS.** Joint borrowers are allowed only when both are Mercy employees. In the event that both meet the qualifications, it may be possible for each of them to get a separate loan of up to \$1500.
  - L. **PAYDAY ALTERNATIVE LOAN (PAL).** A borrower with an open PAL is not eligible for an ESSDL, and vice versa.
4. **VERIFICATION PROCESS.** The Credit Union will contact Human Resources to verify the following:
- A. Length of employment
  - B. Income
  - C. Employment in good standing
- Verification will be effected by:
- A. Email (preferred method)
    - i. Contact the individual who has been designated for each hospital or group
  - B. Phone call
    - i. Same as above
5. **FORMS.**
- A. Loan Application
  - B. Marketing Brochure
  - C. Payroll Deduction Authorization Form
    - i. Direct Deposit Authorization for locations not set up for payroll deduction
  - D. Disclosure Addendum
    - i. Authorization to resume deduction in the event borrower stops it on his/her own before loan is paid in full
    - ii. Authorization to offset loan balance from final paycheck, in the event of employment separation, providing final pay is not reduced below the applicable minimum wage rate for that pay period
    - iii. Reference
  - E. Closed-end Loan Contract
  - F. Credit Insurance Application/Optional Credit Insurance Form
    - i. Required by State of Ohio
6. **MARKETING.** Information about the ESSDL Initiative will be communicated via word-of-mouth, primarily through the following channels:
- A. Credit Union
  - B. Human Resources
  - C. Employee Assistant Program

- D. Mercy's Hardship Programs
  - i. Mercy Fund (MSAH)
  - ii. Family Fund (MSCH)
  - iii. Marguerite D'Youville Fund (MSVMC)
  - iv. Mercy Care Fund (MTH & MWH)

E. Manager Forums at each hospital

After program launch, other methods of communication may be used, if needed

7. **FOLLOW-UP REPORTING/TRACKING.**

A. **Credit Union.**

- i. Each month, the Credit Union will provide a list of active borrowers to Human Resources for the purpose of tracking borrowers who separate from Mercy employment.
- ii. Each month, the Credit Union will report to the Filene Research Institute, using a data tracking sheet of their design
- iii. The Credit Union manager will monitor the ESSDL portfolio and report to the Board of Directors each month.

B. **Mercy Human Resources.** In the event of employment separation before an ESSDL is paid in full, Mercy Human Resources will enact steps to withhold to funds from the borrower's final paycheck, providing the final net income is not reduced below Ohio minimum wage requirements.

C. **Borrower.** Borrowers will be asked to complete a questionnaire provided by Filene Research Institute

8. **OTHER.** Hardship financial counseling will be available for employees who wish to learn more about minimizing the occurrence or impact of financial emergencies.

A. Employee Assistance Program

B. Mercy's Hardship Programs

- i. Mercy Fund (MSAH)
- ii. Family Fund (MSCH)
- iii. Marguerite D'Youville Fund (MSVMC)
- iv. Mercy Care Fund (MTH & MWH)

9. **LOAN DEFAULT.** The Credit Union will follow its standard collections procedures, including the right to turn the defaulted ESSDL over to a collection attorney or agency.

Default will not have any adverse impact on the borrower's employment; however, since borrowers employed by Mercy will be required to maintain payroll deduction until the loan is paid in full, it is unlikely that the loan will default while the borrower is still employed by Mercy.

10. **CONCENTRATION LIMITS.** The board of directors will establish reasonable and prudent concentration limits for the Credit Union's ESSDL lending activities.

A. **Aggregate Dollar Limits.** The Credit Union includes, in its written lending policies, a limit on the aggregate dollar amount of loans made under this program to a maximum of 20% of net worth and implements appropriate underwriting guidelines to minimize risk.



11. **REPORTS.** Credit Union management will provide the board of directors with ESSDL lending activity reports. These reports will address issues such as: loan volume, delinquency, performance, audit information, and information concerning compliance with applicable Federal and state law.
12. **RISK ASSESSMENT.** Credit Union management will create procedures to measure, monitor, and control the following ESSDL lending risks.
- A. **Credit Risk.** Management will create and periodically review internal controls to minimize its credit risk in the following areas:
    - i. **Borrower's Credit History.** The Credit Union will establish guidelines to address borrower's financial capacity. Credit history will be used only for the purpose of determining ability to repay and to verify that there is not a pending bankruptcy proceeding.
    - ii. **Renewals.** The Credit Union will adopt standards to control the use of renewals based on the borrower's willingness and ability to repay the ESSDL loan.
    - iii. **Capital and Allowances for Loan Losses.** Management will review and adjust the Credit Union's capital and allowances for loan losses in accordance with generally accepted accounting principles and regulatory guidelines to account for the added credit risks associated with ESSDLs.
  - B. **Transaction Risk.** ESSDL loans pose high levels of transaction risk, given the large volume of loans and documents, frequency of renewals, and add-ons. The Credit Union will ensure that its employees and agents adhere to its established underwriting guidelines for ESSDL loans.
  - C. **Reputation Risk.** The Credit Union will ensure that loan fees are reasonable, especially for loans that are frequently rolled over, to combat the perception of high fees that may cause loss of community, member, and business support. (Note: Since borrower fees will be waived, this should not be a factor.)
  - D. **Compliance Risk.** The Credit Union will create a compliance management program for its ESSDL lending activities to identify, monitor, and control the risks associated with its ESSDL lending program at all points in the process, recognizing the following compliance requirements of fair lending, consumer protection laws and regulations, and applicable provisions of state usury and deceptive practices law (as applicable):
    - i. Equal Credit Opportunity Act and (Regulation B).
    - ii. Truth in Lending and (Regulation Z).
    - iii. Fair Credit Reporting Act.
    - iv. Fair Debt Collection Practices Act.
    - v. Electronic Fund Transfer Act (Regulation E).
    - vi. Unfair, Deceptive, or Abusive Acts or Practices (UDAAP)

### **Appendix A –Loan Purpose**

ESSDLs are primarily for individuals experiencing an episodic financial need and not for those with chronic financial needs.

The following shows purposes that may be acceptable:

- I need a new furnace
- My car needs repairs (especially if it is a car that is used to get to work)
- I need a new stove or refrigerator because mine broke
- I recently divorced and need help catching up with some bills
- I had a medical emergency and need help catching up on some bills
- My child needs braces, but I need to come up with the downpayment first
- I have a payday loan that I can't get paid off (this purpose could potentially fall under the chronic category, but one of the goals of this program is to get people out of these types of loans)
- I just did my taxes and found out that I owe IRS. Usually I get a refund, so I didn't expect this.
- I recently returned from a medical leave of absence and need help catching up on some bills

These loans are not meant to be used for non-emergent needs, such as money for vacations or holiday spending. These requests are more of an "I want" rather than an "I need."

Generally, these loans will not be approved for individuals with chronic financial problems due to insufficient income compared to debt. Loaning more money to individuals who cannot afford to pay their monthly obligations only exacerbates their financial problems. This is why debt ratios (comparing monthly debt to monthly income) will be a part of the Credit Union's underwriting process. The maximum debt ratio (based on gross income) will be 50%, which means that not everyone will be approved.

# Mercy Health Partners Federal Credit Union

## ESSDL Policy Created for Employer to Share with Eligible Employees

**MERCY**  
Toledo, Ohio

**TITLE: Employer Sponsored Small Dollar Loan      POLICY NUMBER:**

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Effective Date: April 13, 2015

Department: Administration  
Prepared By: Regional Director, Executive Communications

Revised: July 2016  
Date of Review:  
Date of Next Review:

Authorized by:

\_\_\_\_\_

Applies to: All Employees

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### **PURPOSE**

The purpose of the Employer Sponsored Small Dollar Loan (ESSDL) is to provide help to employees who are experiencing an episodic and emergent financial hardship that might jeopardize the quality of their work and could ultimately impact their continued employment with Mercy.

### **POLICY**

It is the policy of Mercy to provide assistance to employees for financial hardships that may affect their attendance, concentration and productivity at work. ESSDL assistance is provided through a partnership between Mercy and the Mercy Health Partners Federal Credit Union (MHPFCU).

### **PROCEDURE**

1. The ESSDL is designed to offer small dollar loans of \$300 to \$1,500 to Mercy employees as an alternative to potentially predatory payday lenders. Through the Mercy and MHPFCU partnership Mercy employees with episodic and emergent financial needs may qualify for an ESSDL in order to provide relief from financial stress and its impact on workplace performance.
2. The benefits of ESSDL are available to all employees who have completed at least twelve (12) months of service and are in good standing.
3. Mercy further recognizes that the ESSDL program offers help to employees who are caught in the cycle of predatory lending establishments where loan interests often reach 400 percent or more. Therefore, Mercy managers, supervisors, EAP counselors, Human Resource managers, and counselors of Mercy's hardship programs (Marguerite D'Youville Program, Mercy Fund, Mercy Care Fund, and Family Fund) are prepared to inform employees who are facing an episodic and emergent financial hardship of the ESSDL program available through the MHPFCU.

*(continued)*

**TITLE: Employer Sponsored Small Dollar Loan POLICY NUMBER:**

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Continued – Page 2

4. Mercy employees who seek insight to address their financial hardship can also benefit from expert EAP and hardship program guidance regarding finance-related counseling, resources and services in addition to the ESSDL. The employee will be responsible for cost of treatments not covered by his/her insurance benefits.
5. ESSDL applications are available through EAP, Human Resources, the Marguerite D'Youville Program, Mercy Fund, Mercy Care Fund, Family Fund, and the MHPFCU. Completed applications are submitted only to MHPFCU.
6. The decision to seek assistance, apply for an ESSDL, and contract with the MHPFCU for an ESSDL is solely the responsibility of the employee.
7. In accordance with federal regulation, the MHPFCU only grants loans to its members. If an applicant is not already a member, an account must be opened before loan proceeds are disbursed. The MHPFCU will allow the initial opening deposit (\$5) to be funded from the loan proceeds. The MHPFCU will adhere to its normal account opening procedures.
8. In addition to MHPFCU underwriting standards that include sufficient income and ability to repay the debt, Mercy employees qualifying for an ESSDL loan have also been actively employed by Mercy for at least twelve (12) months; are employed in good standing, defined as not at either a progressive discipline level of suspension or on a Performance Improvement Plan. Confirmation of income, duration of employment, and employment in good standing will be provided by Mercy Human Resources.
9. The MHPFCU is solely responsible for ESSDL approvals and denials.
10. Employees agree to repay the loan through a per-pay-period payroll deduction over a six-month period. Should employment with Mercy end before the employer sponsored small dollar loan is repaid, the employee agrees that the remaining amount due for the loan to be considered paid in full will be satisfied through the employee's final payroll check.
11. Additional benefits of the ESSDL include potentially improving the employee's credit rating, and building savings for future financial needs by continuing payroll deductions after the loan has been paid in full, unless expressly discontinued by the employee.
12. As a participant with MHPFCU in the Filene Research Institute study to address the future of consumer finance and credit unions, Mercy agrees to participate in questionnaires that address implementation of the program, and to support distribution of a survey to employees for feedback on access to and utilization of the ESSDL.
13. Mercy agrees to pay the agreed upon annual fee to the MHPFCU to provide this service to Mercy employees.

# Mercy Health Partners Federal Credit Union

## ESSDL Memorandum of Understanding with Participating Employers

### Mercy Health Partners Federal Credit Union & Mercy

#### Employer Sponsored Small Dollar Loan Memorandum of Understanding of Agreement

1. Mercy [hereafter referred to as "the Company"] will support criteria review processes toward the identification, application and approval of employees with at least 12 months of service who may benefit from an Employer Sponsored Small Dollar Loan (hereafter referred to as "ESSDL") from Mercy Health Partners Federal Credit Union (hereafter referred to as "Credit Union").
2. All referred employees who meet defined criteria will be approved for this service based on their ability to repay regardless of their credit history. Criteria includes but is not limited to:
  - At least 12 months of service to the Company
  - Are identified by the Company's Human Resources Department as an employee in good standing
  - Are experiencing an emergent episodic financial hardship.
3. To initiate a referral, the Company will enlist the above criteria in identifying employees who may benefit from an ESSDL. Employees will receive an ESSDL brochure and application to complete to submit to the Credit Union in person, via email to [mhpfculending@mercy.com](mailto:mhpfculending@mercy.com), or faxed to 419-251-3840.
4. After the Company certifies that the employee meets the above defined criteria, the Credit Union will make loan eligibility decisions based upon its standard loan underwriting processes.
5. If the employee request meets all eligibility criteria, the Credit Union will schedule an appointment for the employee to open an account and close on the ESSDL of up to a maximum of \$1,500. The employee must furnish photo identification and open a regular share account with a minimum balance of \$5. The \$5 can be funded through the employer sponsored small dollar loan.
6. The employee will be required to complete and sign all required loan documents, including a commitment to repay the loan through payroll deduction.
7. During the closing, the Credit Union will attempt to identify other opportunities to help the employee financially.
8. After the loan has closed, the Credit Union will contact the Company's Payroll Department to set up a payroll deduction from the employee to the Credit Union with detail on the weekly payment amount and the first payment's due date. On a monthly basis the Credit Union will provide to the Company's Human Resources Department payment details and names of employees with an outstanding ESSDL.
9. The Credit Union will track at a minimum, the number of closed employer sponsored small dollar loans, amounts, and defaults. The Credit Union will schedule check-in meetings with the Company to monitor the program's progress and make modifications as agreed upon by both organizations.
10. The Company agrees to collect and share feedback via a questionnaire from employees who have used the ESSDL.
11. The Company agrees to pay to the Credit Union the fee of \$3,750 for the 2015 calendar year for providing this service with the goal of the first year's response rate providing a baseline for establishing an annual fee to be agreed upon by both parties.
12. The Company is absolved of any responsibility for default loans.
13. Either party may terminate this agreement immediately upon delivery of written notice.

\_\_\_\_\_  
Credit Union's Representative Printed Name

\_\_\_\_\_  
Employer's Representative Printed Name

\_\_\_\_\_  
Credit Union Representative Signature

\_\_\_\_\_  
Employer Representative Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

Last revised 4/3/17

# Mercy Health Partners Federal Credit Union

## ESSDL Loan Application



### Employer Sponsored Small Dollar Loan Application

FAX 419-251-3840

#### Contact Information:

Name	
Street Address	
City ST ZIP Code	
Home Phone	
Work Phone	
Cell Phone	
E-Mail Address	
Social Security Number	
Date of Birth	
Employer (Mercy Location)	
Start Date (of employment)	
Employer ID (PeopleSoft #)	
Rent/Mortgage Payment	

#### Attachment:

Please attach a copy of your **most recent paystub** along with this application.

#### Loan Request:

How much would you like to borrow, from \$300 up to \$1,500, based on your ability to repay?

Amount: \$	Purpose (be specific):
Repayment Amount (from each payroll):	Maximum Loan Term: 6 months Annual Percentage Rate: 17.99%
<input type="checkbox"/> \$50 (cannot be less than \$50)	
<input type="checkbox"/> \$75	
<input type="checkbox"/> \$100	
<input type="checkbox"/> \$125	

#### Authorization:

Through an agreement with Mercy Health Partners Federal Credit Union, Mercy provides employees with access to an Employer Sponsored Small Dollar Loan. This is a guaranteed advance of up to \$1,500 based on the applicant's ability to repay to help employees with emergency/unplanned needs. The advance is repaid through payroll deductions. Employees will be charged interest for the loan at a competitive rate and there are no other fees. To be eligible, employees must be actively employed in good standing with a minimum of 12 months of service and must not have an active judgment or pending bankruptcy proceeding. Employee gives Mercy Health Partners Federal Credit Union consent to run a credit report to determine ability to repay and to identify other opportunities to help the employee financially. The loan is based on ability to repay, not credit score. After the loan is repaid, a deduction in the amount of the loan installment continues on an opt-out basis and is deposited into the employee's savings (share) account.

Employee Signature	Date
<input type="text"/>	<input type="text"/>

For Credit Union Only Purposes:

Member #:	Loan Repayment Begins:
<input type="text"/>	<input type="text"/>

Credit Union membership is required before utilizing any product and/or service by establishing a savings account with \$5.00. Certain restrictions, terms and conditions apply. Contact us at 419-251-5181 for full details.

This credit union is federally insured by the National Credit Union Administration.

# Mercy Health Partners Federal Credit Union

## ESSDL Disclosure Addendum



2213 Cherry St. ♦ Toledo, OH 43608 ♦ PH: 419-251-4706 ♦ FAX: 419-251-3840  
www.mhpfcu.org

Account: Account #

Name: Name

### DISCLOSURE:

I acknowledge and agree that Mercy Health Partners Federal Credit Union (MHPFCU) has provided me with a loan in the amount of \$1195.99 to be repaid with 17.99% **APR\***. As a condition of receipt of this loan, I agree that and authorize my Employer to make regular deductions from my payroll check in the amount of \$106.00 to be applied toward my loan until such loan is paid in full. I further understand and agree that if I leave my employment with the Employer, voluntarily or involuntarily, and any loan amount remains outstanding at the time of my separation of employment, my Employer may deduct from my final paycheck the maximum amount permitted by law to apply toward any outstanding loan balance amount (principal plus accrued interest) that may exist. In the event I leave employment and a loan balance continues to be outstanding, after applicable deductions, I acknowledge and agree that I remain responsible and liable for any such remaining outstanding balance until paid in full to MHPFCU, and that MHPFCU may pursue all legal recourse to recover such loan balance.

I also agree that I will not take any action to stop my automatic payroll deduction payment until the loan is paid in full. In the event that the deduction is stopped before full repayment, I authorize MHPFCU and Mercy payroll to reinstate the agreed-upon biweekly payment.

\_\_\_\_\_  
Signature of Borrower

\_\_\_\_\_  
Date

### REFERENCE:

Name and Address of Nearest Relative Not Living With You:

\_\_\_\_\_  
Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
Relationship

\_\_\_\_\_  
Home Phone

\_\_\_\_\_  
Cell Phone

\*APR – Annual Percentage Rate

CREDIT UNION LOCATIONS AT:  
MERCY HEALTH CARE CENTER    MERCY ST. VINCENT MEDICAL CENTER    MERCY ST. CHARLES HOSPITAL

# Appendix III: Tracking and Evaluation

## ESSDL Profit and Loss Tracker

Year Month	2016 June	2016 July	2016 August	2016 September	2016 October	2016 November	2016 December	2017 January	2017 February	2017 March
Amount outstanding of: loans in the program You may enter comments here:										
Interest income from loans in the program										
Cost of funds (interest expense) You may enter comments here:										
Estimated or expected credit losses (e.g., provisions) You may enter comments here:										
Actual credit losses (net charge offs) You may enter comments here:										
Non-interest income (e.g., fees) You may enter comments here:										
Employee compensation (salaries, benefits, etc.) You may enter comments here:										
Marketing expenses You may enter comments here:										
Operations (IT or third-party expenses) You may enter comments here:										
Other non-interest expenses You may enter comments here:										
Total non-interest expenses You may enter comments here:										







# Employer Evaluation Survey

## EMPLOYER-SPONSORED SMALL-DOLLAR LOAN EMPLOYER SURVEY

Thank you for partnering with the credit union to meet your employee's needs for a safe and affordable employer-sponsored small-dollar loan (ESSDL). To help us maintain the highest service standards, please complete this brief survey about your experience to date with the ESSDL program. Thank you!

Company Name	Main Contact's Name	Main Contact's Role	Contact Information
			Phone: Email:
Total Number of Employees	Employees who are full-time (% or # - circle one, an estimate is fine)	Employees who make minimum wage (% or # - circle one)	Full-time employees who make less than \$15,000 annually (% or # - circle one)
Company's Primary Industry/Service Sector			
<input type="radio"/> Accommodation and Food Services <input type="radio"/> Administrative and Support, or Waste Management or Remediation Services <input type="radio"/> Agriculture, Forestry, Fishing and Hunting <input type="radio"/> Arts, Entertainment, and Recreation <input type="radio"/> Construction <input type="radio"/> Educational Services <input type="radio"/> Finance and Insurance <input type="radio"/> Health Care and Social Assistance <input type="radio"/> Information <input type="radio"/> Management of Companies and Enterprises <input type="radio"/> Manufacturing <input type="radio"/> Mining, Quarrying, and Oil and Gas Extraction <input type="radio"/> Professional, Scientific, and Technical Services <input type="radio"/> Public Administration <input type="radio"/> Real Estate and Rental and Leasing <input type="radio"/> Retail Trade <input type="radio"/> Transportation and Warehousing <input type="radio"/> Utilities <input type="radio"/> Wholesale Trade <input type="radio"/> Other _____			
How did you market this program to your employees?			
Does your company highlight the small-dollar loan program as a benefit when recruiting new employees?			
How does the number of employees who have actually used the Employer-Sponsored Small-Dollar Loan program compare to the number you expected would use the program?			
MANY MORE use it than expected <input type="radio"/>	SOMEWHAT MORE use it than expected <input type="radio"/>	ABOUT AS MANY use it as expected <input type="radio"/>	SOMEWHAT FEWER use it than expected <input type="radio"/>
			A LOT FEWER use it than expected <input type="radio"/>
			I don't know <input type="radio"/>

1

(continued)

Have you seen a decrease in turnover, absenteeism, and employee distraction due to this product offering? (Please provide statistics to support if possible.)

What do your employees have to say about this product?

How easy is the onboarding and ongoing management of this product on your team?

How does the amount of time your company members have spent managing/administering the ESSDL program compare to the amount of time you expected would be necessary?

MUCH MORE time than expected <input type="radio"/>	SOMEWHAT MORE time than expected <input type="radio"/>	ABOUT AS MUCH time as expected <input type="radio"/>	SOMEWHAT LESS time than expected <input type="radio"/>	A LOT LESS time than expected <input type="radio"/>	I don't know <input type="radio"/>
---	--	---	--	--	---------------------------------------

What are some specific success stories, if any, you can share?

What challenges or obstacles, if any, did you encounter?

Does your company receive good value for the administrative fees you pay to participate in the ESSDL program?

Do you offer payroll advance loans for your employees? If so, has the ESSDL program had an impact on the number of payroll advance loans requested by employees?

Do you offer 401K loans for your employees? If so, has the ESSDL program had an impact on the number of 401K loans requested by employees?

What would you change in the future?

Place a checkmark below for each of the following statements.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
We would refer this program to another employer.					

# Employee Evaluation Survey

## Employer-Sponsored Small-Dollar Loan Survey

Thank you for choosing your credit union to meet your needs for an employer-sponsored small-dollar loan (ESSDL). To help us maintain the highest service standards, please take a few minutes to complete this confidential survey and return it to the credit union in the prepaid and pre-addressed envelope. The information and opinions you provide in this survey will only be used to improve our service, and your individual responses will not be shared with your employer. Thank you!

<b>Full Name</b>	<b>Phone Number</b>	<b>Email</b>	<b>Best Time to Reach You (Circle One)</b>
			Morning    Afternoon    Evening
<b>Mailing Address</b>			<b>I would be willing to talk further with a credit union employee about my experience with the ESSDL product. (Circle One)</b>
_____ City _____ State _____ Zip Code _____			

Place a checkmark below for each of the following statements.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
The ESSDL program helped me meet an emergency need.					
The ESSDL product was fairly priced.					
My financial position improved because of the ESSDL program.					
I have had to take out a payday loan since using the ESSDL program.					
Without the ESSDL program I would not be able to perform my best at work.					
I would take out another ESSDL if the need arises in the future.					
I am more loyal to my credit union after participating in the ESSDL program.					
I would recommend the ESSDL program to my co-workers.					

Why did you take out an ESSDL?

\_\_\_\_\_

\_\_\_\_\_

If you could change anything about the ESSDL program, what would it be?

\_\_\_\_\_

\_\_\_\_\_

What kind of an impact did the ESSDL program make on your life?

\_\_\_\_\_

\_\_\_\_\_

# Appendix IV: Marketing Materials

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## Employer-Sponsored Small-Dollar Loan Marketing Collateral

- Employer presentation (PDF file for printing and PowerPoint file for presentations)
- Tri-fold brochure (including loan application, 8.5" x 11")
- Break room flyer (8.5" x 11")
- Poster (22" x 28")
- Employee payroll stuffer (8.75" x 3.75", double-sided)
- Employee email (PDF intended as a concept, contact your IT department for best implementation practices)
- Web banner (600px x 1100px)

### Tips for Use:

All collateral is provided in a vector file format to allow for logo, text, images and document sizing to be customized. (Individual credit unions are responsible for any customization).

Available at <https://filene.org/employer-sponsored-small-dollar-loan>

All print images are presented at 300dpi (for high resolution printing) with a .125" bleed.

The employer presentation may be printed as a brochure or used as a PowerPoint presentation.

The web banner and employee email "Apply Today" boxes should be linked to the appropriate webpage or online application.

The photos appearing in the marketing material are fully licensed through a stock photo company, Shutterstock.com, under their standard license agreement. Provided the photos are not altered, digitally customized or used for any other purpose beyond the Employer-Sponsored Small-Dollar Loan campaign, they are authorized for use.

When marketing material content and verbiage is edited or customized, an independent compliance review is recommended.



**Solution**

Employer-sponsored small-dollar loans help steer people away from high cost predatory products.

The loans are up to \$2,000 and require an automatic payment taken from the employee's paycheck each payday.

Once the loan is paid off, the same payment continues to fund a savings account.

These loans are underwritten by the credit union on the basis of borrowers' ability to pay, not their credit scores.

Employers contribute a nominal annual fee for the program.

**Compare Rates, Fees and Features**

<b>\$500</b> Employer-Sponsored Small-Dollar Loan	<b>\$500</b> Payday Lender Loan
17.99 APR* with no application fee	Fees and interest equal to \$15 per every \$100 borrowed every 14 days
Total cost for 90 days: \$15	Total cost for 90 days: \$450
Builds borrower's credit score	Does not build borrower's credit score
Strengthens savings for the future	Does not build savings

\*APR = Annual Percentage Rate. Rates are subject to change. Speak with your credit union representative for current rates.

**Business Application Process**

When the HR department completes the application worksheet, that provides the employee with the necessary information to apply for an employee loan.

At the time of the loan application, the borrower contacts the applicant to complete the application. The employee shows the employee's credit union account is opened and the employee is not already a credit union member. The loan is closed and the borrower contacts the payroll department to coordinate the payroll deduction process.

**Getting Started is Easy**

1. The HR department completes the application worksheet, that provides the employee with the necessary information to apply for an employee loan.

2. At the time of the loan application, the borrower contacts the applicant to complete the application. The employee shows the employee's credit union account is opened and the employee is not already a credit union member. The loan is closed and the borrower contacts the payroll department to coordinate the payroll deduction process.

**Contact Information**

Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
 Home Phone: \_\_\_\_\_ Work Phone: \_\_\_\_\_  
 Cell Phone: \_\_\_\_\_ Email: \_\_\_\_\_  
 Daytime: \_\_\_\_\_  
 Borrower Signature: \_\_\_\_\_  
 Employer Signature: \_\_\_\_\_ Title: \_\_\_\_\_

**Loan Request**

How much would you like to borrow?  
 \$500    \$600    \$700    \$800    \$900

Payment amount from each paycheck (maximum \$500)  
 \$50    \$60    \$70    \$80    \$90

**5 Steps to Getting Started**  
 Step 1: Complete Application Worksheet  
 Step 2: Contact HR Department  
 Step 3: Complete Loan Application  
 Step 4: Open Credit Union Account  
 Step 5: Coordinate Payroll Deduction

Employer Presentation (printed sample shown here)

## Compare Rates, Fees and Features

\$500 Employer-Sponsored Small-Dollar Loan	\$500 Payday Lender Loan
17.99 APR* with no application fee	Fees and interest equal to \$15 per every \$100 borrowed every 14 days
Total cost for 90 days: \$16	Total cost for 90 days: \$450
Builds borrower's credit score	Does not build borrower's credit score
Strengthens savings for the future	Does not build savings



\*APR = Annual percentage rate. Rates are subject to change. speak with your credit union representative for current rates.

## The employer-sponsored small-dollar loan is designed to be quick, easy and helpful.

To qualify you will need:

- Current employment in good standing for at least 12 months
- Valid photo ID
- No active bankruptcies or judgments
- To establish payroll deduction

### We've all experienced it

The furnace goes out, your car needs repairs, an unexpected medical bill comes up. Whatever the situation, our small-dollar loan is a smarter way to help with some of the expected and unexpected events that require more cash than you might have available.

- Loans up to \$2,000
- Repayment terms from 90 days to 1 year
- Bi-weekly paycheck deductions

## Getting Started is Easy

Through an agreement with ABC Credit Union, XYZ Company provides employees with access to an ABC Credit Union small-dollar loan. This is a loan up to \$2,000 to help employees with emergency/unplanned needs. This loan is repaid through payroll deductions. Employees will be charged interest for the loan at a competitive rate. There are no other fees. After the loan is repaid, a deduction in the amount of the loan installment continues on an opt-out basis and is deposited into the employee's savings (share) account.

To be eligible, employees must be actively employed in good standing with a minimum of 12 months of service. This information will be verified by an XYZ human resources representative. The loan will be approved by ABC Credit Union. The employee must furnish photo identification and open a regular savings (share) account with a minimum balance of \$25.00. This is required before the loan will be disbursed. The loan proceeds will be disbursed in an ABC Credit Union savings (share) account. If the employee has filed for bankruptcy, the bankruptcy must be discharged a minimum of one year to be eligible for this loan.

### Contact Information

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_ Apt. # \_\_\_\_\_

Home Phone \_\_\_\_\_ Work Phone \_\_\_\_\_

Cell Phone \_\_\_\_\_ Email \_\_\_\_\_

Social Security # \_\_\_\_\_ DOB \_\_\_\_\_

Occupation \_\_\_\_\_ Annual Income \_\_\_\_\_

Date of Hire \_\_\_\_\_ Employee Number \_\_\_\_\_

Borrower's Signature \_\_\_\_\_ Date \_\_\_\_\_

Employer Signature \_\_\_\_\_ Date \_\_\_\_\_

### Loan Request

How much would you like to borrow?  
(up to \$2,000)

Repayment amount from each paycheck:  
(cannot be less than \$50.00)

\$50    \$100    \$150    \$ \_\_\_\_\_

Tri-Fold Brochure 8.5" x 11" (inside)



## A Smarter Small-Dollar Loan



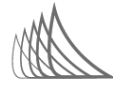
are partnering to help you achieve financial success.

- Get funds quickly for emergency expenses**
- Start building positive credit**
- Create savings for your future**

Stop paying predatory rates and fees. The employer-sponsored small-dollar loan is repaid through your paycheck, building your credit with each payment. Once the loan is paid off, the payroll deductions continue as direct deposits into your savings account.

**It's Cash,  
It's Savings,  
It's a Smarter Way!**

Apply Today



EMPLOYER  
LOGO · HERE

Contact your  
HR team to get started.

**Human Resources  
888-555-6666**



Credit Union  
Name Here

**Main Branch Location  
888-555-6666**

**Branch Location  
888-555-6666**

**Branch Location  
888-555-6666**

**Branch Location  
888-555-6666**

NCUA

## Borrow Now. Prepare for Tomorrow.

Get the money you need now while creating tomorrow's financial security.



Tri-Fold Brochure 8.5" x 11" (outside)



# Borrow Now. Prepare for Tomorrow.

Get the money you need now while creating tomorrow's financial security.





are partnering to help you achieve financial success.

- ✓ Get funds quickly for emergency expenses
- ✓ Start building positive credit
- ✓ Create savings for your future

**It's Cash,  
It's Savings,  
It's a Smarter Way!**

**A Smarter Small-Dollar Loan**

Stop paying predatory rates and fees. The employer-sponsored small-dollar loan is repaid through your paycheck, building your credit with each payment. Once the loan is paid off, the payroll deductions continue as direct deposits into your savings account.



**Apply Today**

Contact your HR team to get started.

**Human Resources  
888-555-6666**

Break Room Flyer - 8.5" x 11"

# Borrow Now. Prepare for Tomorrow.

**A Smarter Small-Dollar Loan**  
Get the money you need now  
while creating tomorrow's  
financial security.



are partnering to help you  
achieve financial success.

**Apply Today**

Contact your HR team  
to get started.

Human Resources  
888-555-6666

**NCUA**

Poster 22" x 28"



# Borrow Now. Prepare for Tomorrow.

Get the money you need now while creating tomorrow's financial security.



## *We've all experienced it*

The furnace goes out, your car needs repairs, an unexpected medical bill comes up. Whatever the situation, our small-dollar loan is a smarter way to help with some of the expected and unexpected events that require more cash than you might have available.

- Loans up to \$2,000
- Repayment terms from 90 days to 1 year
- Bi-weekly paycheck deductions



## A Smarter Small-Dollar Loan



are partnering to help you achieve financial success.

- ✓ **Get funds quickly for emergency expenses**
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Stop paying predatory rates and fees. The employer-sponsored small-dollar loan is repaid through your paycheck, building your credit with each payment. Once the loan is paid off, the payroll deductions continue as direct deposits into your savings account.

## It's Cash, It's Savings, It's a Smarter Way!

### Apply Today

Contact your HR team to get started.

**Human Resources**  
**888-555-6666**



Employee Payroll Stuffer 8.75" x 3.75" Double-sided

# Borrow Now. Prepare for Tomorrow.

Get the money you need now while  
creating tomorrow's financial security.



are partnering to help you  
achieve financial success.



Apply Today

## A Smarter Small-Dollar Loan

- ✓ Get funds quickly for emergency expenses
- ✓ Start building positive credit
- ✓ Create savings for your future

Stop paying predatory rates and fees. The employer-sponsored small-dollar loan is repaid through your paycheck, building your credit with each payment. Once the loan is paid off, the payroll deductions continue as direct deposits into your savings account.

**It's Cash,  
It's Savings,  
It's a Smarter Way!**

Contact your  
HR team to get started.

**Human Resources**  
888-555-6666



Employee Email

A photograph of a man with short, curly hair smiling broadly and looking up at a baby who is laughing joyfully. The man is on the left, and the baby is on the right, leaning towards him. The background is bright and out of focus.

# Borrow Now. Prepare for Tomorrow.

**A Smarter Small-Dollar Loan**  
Get the money you need now  
while creating tomorrow's  
financial security.

[Apply Today](#)

Web Banner 600px x 1100px

# Endnotes

- <sup>1</sup> Consumer Financial Protection Bureau, “Ask CFPB/Payday Loans,” [www.consumerfinance.gov/askcfpb/1589/what-costs-and-fees-could-i-expect-payday-loan-html](http://www.consumerfinance.gov/askcfpb/1589/what-costs-and-fees-could-i-expect-payday-loan-html).
- <sup>2</sup> Credit unions that participated in ESSDL pilot tests tailored the program model to meet their needs. For example, some credit unions did not charge employers a fee to participate. Others undertook some additional underwriting beyond confirming employment in good standing.
- <sup>3</sup> In April 2016, United Way of Chittenden County merged with Franklin–Grand Isle United Way to form United Way of Northwest Vermont.
- <sup>4</sup> The Employer-Sponsored Small-Dollar Loan is marketed as the Income Advance Loan in Vermont.
- <sup>5</sup> “Working Bridges,” by William Brangham, *Need to Know*, PBS, April 5, 2013. [www.pbs.org/wnet/need-to-know/economy/need-to-know-april-5-2013-behavioral-economics/16637/](http://www.pbs.org/wnet/need-to-know/economy/need-to-know-april-5-2013-behavioral-economics/16637/)
- <sup>6</sup> The Filene Accessible Financial Services Incubator sought to demonstrate that mainstream financial institutions can help the underserved gain access to affordable credit and other essential financial products without compromising their own profitability. Over two years, Filene collaborated with 42 credit unions to test five products, including the ESSDL. Ultimately, this portfolio housed nearly 12,000 accounts with over \$100M in loan volume and nearly \$1M in savings.
- <sup>7</sup> George Hofheimer, Cynthia Campbell, and Corlinda Wooden, *Accessible Financial Services Incubator* (Madison, WI: Filene Research Institute, 2016), [filene.org/research/report-unlocked/accessible-financial-services-incubator](http://filene.org/research/report-unlocked/accessible-financial-services-incubator).
- <sup>8</sup> Board of Governors of the Federal Reserve, *Report on the Economic Well-Being of U.S. Households in 2015* (Washington, DC: Board of Governors of the Federal Reserve, 2016), [www.federalreserve.gov/2015-report-economic-well-being-us-households-201605.pdf](http://www.federalreserve.gov/2015-report-economic-well-being-us-households-201605.pdf).

- <sup>9</sup> Among these “financially fragile” respondents, nearly half (46%) were employed. Over 76% of those who were financially fragile and employed were earning less than \$50,000 per year. FINRA Investor Education Foundation, *2016 National Financial Capability Study* (Washington, DC: FINRA Investor Education Foundation), [www.usfinancialcapability.org](http://www.usfinancialcapability.org).
- <sup>10</sup> Consumer Financial Protection Bureau, *Financial Wellness at Work: A Review of Promising Practices and Policies* (Washington, DC: Consumer Financial Protection Bureau 2014), [files.consumerfinance.gov/f/201408\\_cfpb\\_report\\_financial-wellness-at-work.pdf](http://files.consumerfinance.gov/f/201408_cfpb_report_financial-wellness-at-work.pdf).
- <sup>11</sup> PricewaterhouseCoopers, *Employee Financial Wellness Survey*, April 2014, [www.pwc.com/us/en/private-company-services/publications/assets/pwc-employee-financial-wellness-survey-2014-results.pdf](http://www.pwc.com/us/en/private-company-services/publications/assets/pwc-employee-financial-wellness-survey-2014-results.pdf), cited in Consumer Financial Protection Bureau, *Financial Wellness at Work: A Review of Promising Practices and Policies* (Washington, DC: Consumer Financial Protection Bureau, 2014).
- <sup>12</sup> MetLife, *10th Annual Study of Employee Benefits Trends: Seeing Opportunity in Shifting Tides*, 2012, [benefitcommunications.com/upload/downloads/MetLife\\_10-Annual-EBTS.pdf](http://benefitcommunications.com/upload/downloads/MetLife_10-Annual-EBTS.pdf), cited in Consumer Financial Protection Bureau, *Financial Wellness at Work*.
- <sup>13</sup> Society for Human Resource Management, *SHRM Research Spotlight: Financial Education Initiatives in the Workplace*, 2012, [www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/Documents/Financial-Education-Flier\\_FINAL.pdf](http://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/Documents/Financial-Education-Flier_FINAL.pdf), cited in Consumer Financial Protection Bureau, *Financial Wellness at Work*.
- <sup>14</sup> Jennifer Robison, “The Business Case for Wellbeing,” *Gallup Business Journal*, June 9, 2010, [businessjournal.gallup.com/content/139373/Business-Case-Wellbeing.aspx-3](http://businessjournal.gallup.com/content/139373/Business-Case-Wellbeing.aspx-3), cited in Consumer Financial Protection Bureau, *Financial Wellness at Work*.
- <sup>15</sup> Ron Z. Goetzel et al., “Ten Modifiable Health Risk Factors Are Linked to More Than One-Fifth of Employer-Employee Health Care Spending,” *Health Affairs* 31, no. 11 (2012): 2474–2484, cited in Consumer Financial Protection Bureau, *Financial Wellness at Work*.
- <sup>16</sup> The scope of the firm’s research was limited to each state’s labor code and related regulations; other providers reviewed the ESSDL for financial regulatory compliance.



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The FINRA Investor Education Foundation and the Filene Research Institute gratefully acknowledge the vision and commitment of the nonprofit and business leaders who created and were instrumental in the successful replication of the ESSDL, including Jeff Smith, director of credit administration, NorthCountry Federal Credit Union; Ted Castle, owner and president, Rhino Foods; Lisa Falcone, director, Working Bridges; Robby Glore, vice president of operations, Georgia Heritage Federal Credit Union; Richard Reeve, director of financial education, Consumer Credit Counseling Service of Savannah; Robyn Wainner, asset building and financial empowerment director, Step Up Savannah; Cheryl Dorman, treasurer-manager, Mercy Health Partners Federal Credit Union; Evelyn McKinney, community impact income manager, United Way of Greater Toledo; Stephen MacDonald, Bridges Out of Poverty coordinator, Lucas County Family and Children First Council; Valerie Moffitt, program officer, Local Initiatives Support Corporation; and Brittany Ford, project manager, Board of Lucas County Commissioners.

We also thank the team at Wooden Consulting for their ongoing efforts to provide technical assistance to participating credit unions in testing and research, and for their support in creating both the feasibility study and the implementation guide.

Finally, special thanks to the leadership and staff at all the credit unions that participated in testing the ESSDL through Filene's Accessible Financial Services Incubator as well as those that participate in ongoing research about the longer-term impact of the ESSDL on consumers' financial stability.

Financial Institution	Location	Asset Size
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*Initial Testers from Filene's Accessible Financial Services Incubator from 2014 to 2015*

Commodore Perry FCU	Oak Harbor, OH	\$34M
Cy-Fair FCU	Houston, TX	\$200M
Express CU	Seattle, WA	\$11M
Georgia Heritage FCU	Savannah, GA	\$83M
Holy Rosary CU	Kansas City, MO	\$18M
Mercy Health Partners FCU	Toledo, OH	\$20M
Metrum Community CU	Centennial, CO	\$61M
NorthCountry FCU	Burlington, VT	\$455M
ProMedica FCU	Toledo, OH	\$40M

Financial Institution	Location	Asset Size
-----------------------	----------	------------

*Initial Testers from Filene’s Accessible Financial Services Incubator from 2014 to 2015*

Spring Bank	Bronx, NY	\$117M
Sun Federal CU	Maumee, OH	\$471M
Toledo Metro FCU	Toledo, OH	\$40M
Toledo Urban FCU	Toledo, OH	\$5M

*Subsequent Testers with the FINRA Investor Education Foundation and Filene from 2015 to 2017*

Georgia Heritage FCU	Savannah, GA	\$83M
Mercy Health Partners FCU	Toledo, OH	\$20M
NorthCountry FCU	Burlington, VT	\$455M
ProMedica FCU	Toledo, OH	\$40M
Sun Federal CU	Maumee, OH	\$471M
Toledo Metro FCU	Toledo, OH	\$40M

## About This Report

The Filene Research Institute and the Financial Industry Regulatory Authority (FINRA) Investor Education Foundation formed a partnership in early 2016 to publish the Employer-Sponsored Small-Dollar Loan Feasibility Study and to create tools and materials based on the findings to help credit unions and other financial institutions with turnkey implementation of the ESSDL program. Filene and the FINRA Foundation are also conducting ongoing research to understand the long-term impact of the ESSDL on consumer saving behavior and credit scores.



## About the Filene Research Institute

The Filene Research Institute is an independent, consumer finance think and do tank dedicated to scientific and thoughtful analysis about issues affecting the future of credit unions, retail banking, and cooperative finance. Founded over 25 years ago, Filene is a 501(c)(3) nonprofit organization. For more information visit [www.filene.org](http://www.filene.org) and [@fileneresearch](https://twitter.com/fileneresearch).



## About the FINRA Investor Education Foundation

The FINRA Investor Education Foundation supports innovative and educational projects that give underserved Americans the knowledge, skills, and tools necessary for financial success throughout life. For details about grant programs and other FINRA Foundation initiatives, visit [www.finrafoundation.org](http://www.finrafoundation.org).

(6/2017)