

The Micro Loan Program

Kosciusko Leadership Academy 2008-2009

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Project Summary/Scope

The micro loan program began with the vision of Kurt Carlson, President and Chief Executive Officer of the Bowen Center. He read a book, Creating a World Without Poverty by Muhammad Yunus. In the book, the author discusses the concept of a social business. A social business is a company that is cause-driven rather than profit-driven, with the potential to act as a change agent. In this book, the idea of a small dollar or “micro” loan was discussed. What the author discovered was that small opportunities could make a huge difference based on personal economic situations.

The Bowen Center has dedicated time and resources to the Enchanted Hills community in Kosciusko County. This community is an impoverished area where most residents are unemployed, and don't own their own home, and where juvenile delinquency was growing. Kurt met with Kevin Deardorff, Executive Vice President of Retail at Lake City Bank (“LCB”) to talk about how financial literacy could help break the chain of poverty. They created a partnership for a project; thus the idea of a Micro Loan program was born.

Both Kurt and Kevin are strong activists for the Kosciusko Leadership Academy (“KLA”). They met with the participants from their respective organizations to consider the possibility of creating a Micro Loan program at Enchanted Hills for their White Paper project.

The background regarding the residents of Enchanted Hills came from the Bowen Center staff. Bruce Cavell is the Program Manager (and Bowen Center employee) for the community center at Enchanted Hills. He has been instrumental in reaching the residents of Enchanted Hills and has taught “Getting Ahead” – financial literacy classes from funds received via a Helping Overcome Poverty’s Effects (“HOPE”) grant. This was a 15 week course with over 50 participants. As part of the incentive to participate, the grant paid the students \$10 for each class attended.

Our KLA team decided to incorporate this concept of paying the students to encourage participation into our Micro Loan program. The team also felt to truly create a program to assist those in poverty we needed a better understanding of this social condition. To accomplish this we all read the article “An Introduction to FDIC’s Small Dollar Pilot Program” as published in the Federal Deposit Insurance Corporation (“FDIC”) Quarterly. Amy and Lisa F. read the book Creating a World Without Poverty by Muhammad Yunus, and all of us read A Framework for Understanding Poverty by Ruby Payne. Michelle and Amy attended a two day workshop presented by Philip Devol on “Bridges out of Poverty” which was sponsored by the Kosciusko County Community Foundation.

In addition, a meeting was held with the residents of Enchanted Hills to get their perspective of what we could do to help them. What were they interested in learning more about? Would they take advantage of a loan if the opportunity was presented? What other services were they looking for? The residents were very open and shared their ideas. They asked for financial education including learning about foreclosures and how to start a business.

With our facts gathered, our KLA team began the laborious process of developing a Micro Loan program. The team met with Kevin Deardorff and Ralph Villalon, Community Reinvestment Act ("CRA") Development Officer for LCB. During this meeting we learned that each financial institution has goals and objectives that they need to meet as a federal banking requirement for community development. It was Lake City Bank's desire to create a program that will benefit not only the residents of Enchanted Hills, but could also be offered to a variety of non-profit agencies throughout Northern Indiana. We invited Laura Cooper from Combined Community Services to attend as well so that we could consider the needs of other non-profits. From her, we learned that the Individual Development Account ("IDA") program, which is a matched saving and investment account program for low income applicants, is so popular in Kosciusko County that there is a long waiting list for those wishing to participate.

Next we held a meeting with Anna Juarez. Anna was one of the guest speakers at the Education Summit held at Lakeland Christian Academy that all KLA members attended. Once we found out Anna was completing her internship at Wealth Education Collaboration Opportunity ("WECO") Fund, we knew she would have an abundance of information for us. The WECO Fund is a non-profit organization in Cleveland, OH that provides financial services and programs to low and moderate income individuals and families. They specialize in financial literacy, homeownership, starting a business and an IDA program.

From our research, contact with various non-profit agencies and others who deal with low income individuals, we discovered there is a definite need in Kosciusko county for financial literacy programs and the opportunity offered by micro loans.

We pulled together our research and resources and created a proposal program for Lake City Bank. We received our approval and started offering the program in January, 2009 at the Enchanted Hills Community Center.

Problem: Poverty Typically Results in Financial Illiteracy

Definition of Poverty

First, we needed to define Poverty. Poverty is the shortage of common things such as food, clothing, shelter and safe drinking water, all of which determine our quality of life. It may also include the lack of access to opportunities such as education and employment which aid the escape from poverty and/or allow one to enjoy the respect of fellow citizens.¹

Generally speaking, there are five causes of poverty: lack of education of the adult or parent in the family, the structure of the family that may include single parents or grandparents raising grandchildren, immigration and the barriers that are created in the

¹ "Poverty." Wikipedia The Free Encyclopedia Wikimedia Foundation. 3 Mar. 2009
<http://en.wikipedia.org/wiki/Poverty>.

lack of understanding of different cultures and languages, language or communication issues, and addiction issues of the adults or parent.²

There are two kinds of poverty: Generational and Situational.

Generational Poverty

Generational poverty is defined as having been in poverty for at least two generations. People in generational poverty exhibit certain ingrained patterns of behavior. These patterns are the result of having experienced the effects of poverty over time. The behaviors are part of an impoverished person's culture. For this reason, even though these individuals tend to have a much lower level of educational attainment, they do tend to have better coping and life skills than those in situational poverty.³

There are different mental models and hidden rules for those in poverty, for those in the middle class, and for the wealthy. What is taught and important to middle class may not be taught or important to people in poverty. Mental models are an internal picture of how the world works. These models exist below awareness, determine how we act, and can help or interfere with learning.⁴ Each model has its own hidden rules which are knowledge of the unspoken cues and habits of a group. One example of the hidden rules in each of the mental models pertains to food. In poverty one might ask, "Did you have enough?" because quantity is important. In middle class the question would be, "Did you like it?" because quality is important. In wealth the question would be, "Was it presented well?" because presentation is what matters.⁵

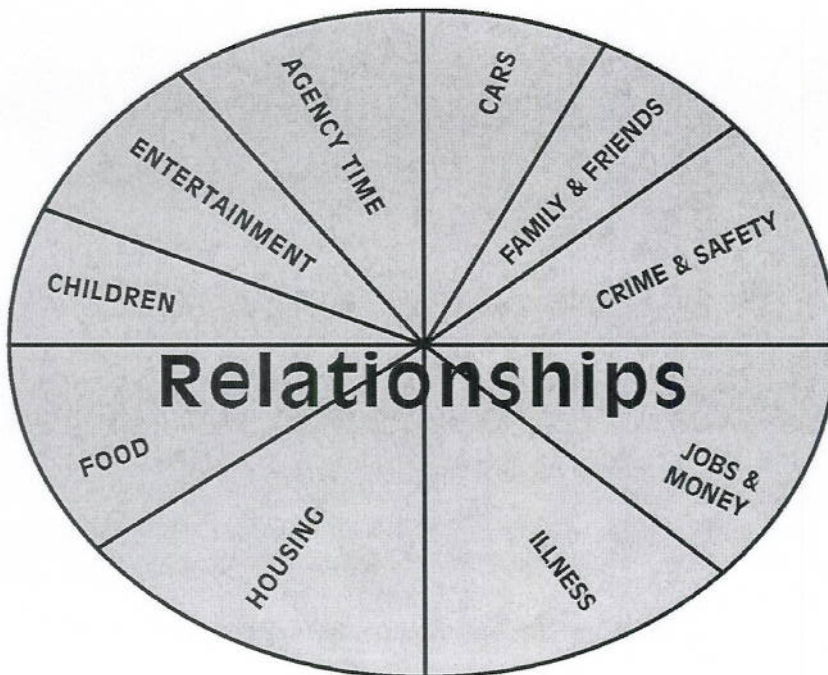
² McCormick, Kerri. "Generational vs. Situational Poverty and the Hidden Rules." Fact Sheet. Aug. 2003: 1-2. <http://www.ext.wvu.edu/cyfar/rut/hiddenrules.htm>

³ McCormick, Kerri. 2.

⁴ Devol, Philip, Ruby Payne and Terie Dreussi Smith. Bridges Out of Poverty: Strategies for Professionals and Communities Workbook. Highlands: aha! Process, Inc., 2006: 2+.

⁵ Payne, Ruby. A Framework for Understanding Poverty. Highlands: aha! Process, Inc., 2005: 37+.

Mental Model of Poverty



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The mental model for poverty focuses on relationships. If someone in middle class has a car break down, he/she would call AAA. Someone in poverty would call "Uncle Ray" – someone the person knew who could work on their car to just get it running again. If a person in poverty gets some money and is asked by one of his friends or family members for the money, the money is given to them – no questions asked. Otherwise, you may not be helped by others when you have a need.

Entertainment is something else that is especially important to those in poverty. They are problem solvers because they deal with problems all the time. TV and entertaining are ways to escape their problems if only temporarily. In uncertain, unstable lives, planning for the future becomes less important than survival. Those in poverty are not concerned with tomorrow because they are too busy surviving today.

⁶ Devol, Philip. Using the Hidden Rules of Class to Create Sustainable Communities. Highlands: Aha! Process, Inc., 2004: 3-5.

Mental Model of Middle Class



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The middle class focuses on achievement and saving money for future needs. Middle class can think about what life might be like in two weeks, a month, or five years. A good example that demonstrates the different models is when a person in poverty gets some money and buys a new TV providing much needed entertainment. Someone in middle class might respond to this purchase with, "Why didn't you save it or put it towards your education, home, or retirement?"

The mental model for the wealthy focuses on connections. For them, it's about who you know. Traditions and history are important. Most have resources and influence.

Only when we understand where people are coming from and what they deal with can we help them make any difference in their lives. People in poverty want to and need to be a part of the process of change. During the "Bridges Out of Poverty" workshop, Philip Devol explained that poverty is a community problem and a personal problem. He also explained that significant change only comes with significant relationship.

Education is key in getting out and staying out of generational poverty. Being in poverty is rarely about a lack of intelligence or ability. Individuals stay in poverty because they do not see a "choice", or if they do, they do not know how to access proper resources or people to get them to the point of actually "choosing" to organize themselves, complete assignments, behave respectfully, plan for the future, and communicate in a way that is

⁷ Devol, Philip. Hidden Rules. 5.

familiar to middle class. Educational facilities such as schools and adult education classes are really the only places where students can learn about the choices and rules of the middle class or have access to people who are willing and able to help them.⁸

Situational Poverty

Situational poverty, on the other hand, is the result of a change in circumstances – loss of a job, divorce, death of a spouse, etc. With situational poverty, the individual keeps the values and behaviors of the socioeconomic class from which they have come. These individuals often have more resources and are better connected with individuals who can provide assistance. They often have a higher level of education and therefore are more employable than those in generational poverty. But one of the greatest advantages is that these individuals know and understand the hidden rules of the middle class.⁹

Poverty Indicators

According to the U.S. Census Bureau, the 2008 poverty threshold for a single person under age 65 is just over \$11,000 annually. For a family of four, the threshold is just over \$22,000.¹⁰

In Indiana, more workers are earning poverty level wages. A total of 27% of Hoosier workers in 2007 earned wages that would not lift a family of 4 above the poverty level, a significant increase from 22% in 2000.¹¹

Kosciusko County Statistics:

In 2005, the poverty status for families in Kosciusko County was 8.6%.¹² In 2007, it increased to 13.9%.¹³

In December 2007, there were 1,733 households receiving food stamps in Kosciusko County. In December 2008 it increased to 1,752.¹⁴

In 2008-2009 school year, there are currently 5,827 free and reduced fee lunch recipients in Kosciusko County.¹⁵

⁸ Cleveland, Leona. "Chapter Four: Characteristics of Generational Poverty." Arkansas 21C Network. 2002. Yale University. 3 Mar. 2009 Summary of Ch 4 from Ruby Payne's book Understanding Poverty. http://www.yale.edu/21C/arkansas/pdf/payne_ch4.pdf

⁹ McCormick, Kerri. 2.

¹⁰ "Poverty Estimates of Weighted Average Poverty Thresholds for 2008." U.S. Census Bureau. Jan 2009. 3 Mar. 2009 CB http://www.census.gov/hhes/www/poverty/threshld/08_prelim.html

¹¹ Finzel, Rochell. "The Status of Working Families in Indiana: 2008 Update." Indiana Coalition on Housing & Homeless Issues. Nov. 2008: 6. <http://www.ichhi.org>

¹² "Kosciusko County In Depth Profile." Stats Indiana. 2009. Indiana University's Kelly School of Business. 3 Mar. 2009 www.stats.indiana.edu/profiles/pr18085.html

¹³ "American Community Survey, Kosciusko County, Indiana, S1702 Poverty Status of Families." American Fact Finder. 2007. U.S. Census Bureau. 5 Mar. 2009 www.factfinder.census.gov

¹⁴ "Indiana Fact, Kosciusko County." IN Family and Social Services Administration. Dec 2008. Office of Data Management. 16 Mar. 2009 www.in.gov/fssa

¹⁵ "Kosciusko County In Depth Profile."

Solution: Help is on the Way

Local Agencies

Several local agencies that provide services to low income persons in Kosciusko County have expressed a need and an interest in offering financial literacy classes and credit repair to low income persons.

1. The Beaman Home
2. The Bowen Center*
3. The Boys and Girls Club*
4. Combined Community Services*
5. Kosciusko Literacy Services
6. Medication Assistance
7. The Salvation Army*
8. SusAmigos

* indicates this organization has agreed to participate in Lake City Bank's micro loan program

Financial Literacy

Lack of financial education can result in unfamiliarity and perhaps distrust of banking institutions so that a person in poverty may not own a checking or savings account and does not establish any kind of credit history.

Three financial literacy classes for low income participants have been approved by LCB. They are: Getting Ahead in a Just-Gettin'-By World – aha! Process, Inc., FDIC Money Smart, and Financial Fitness – La Casa, Inc.

- The Getting Ahead class uses a workbook that shows how to use the hidden rules of class to build up financial, emotional, social, and other resources. Understanding the hidden rules of the middle class and choosing to use them can open doors to new relationships, new jobs, and higher resources. The workbook is designed to be used as an investigation tool by people working in groups with a trained facilitator. They explore the impact that poverty has had on them, investigate economic realities, complete a self-assessment of their own resources, make plans to build their own resources, and develop goals and action steps for themselves.
- The FDIC Money Smart class consists of ten different modules with one module taught every week. The modules focus on banking and other financial matters. The banking topics cover the introduction of banking services in general, balancing and keeping a checking account, and knowing the rights of the consumer. There is a module dedicated to types of savings and how to build assets through investments and retirement plans. There are several loan modules covering the use of credit cards,

personal loans, and mortgage lending and what home ownership is really all about. These modules are especially helpful for getting out of the cycle of predatory lending situations. There is a module on credit cards and how to use this type of credit responsibly. Most of the modules discuss the importance of credit and what to do if you need to repair or build credit.

- The Financial Fitness class is a program created by Deborah Fath of LaCasa Inc. The goal of this financial literacy course is to motivate people for behavioral change. Unlike other financial literacy courses, this one focuses on practical use. The participants identify their needs and set goals. The goals are put into writing to serve as a constant reminder. A “spending plan” is created rather than a “budget”. The students learn to track their spending by utilizing an easy to use worksheet. Some of the other topics covered include: money savings suggestions and energy efficiency tips, the danger signals of debt, how to select a credit card and how to understand a credit card statement, how to avoid identity theft, understanding common banking terms, and how to manage debit banking cards and internet banking. By incorporating both individual and group activities the students come out of these sessions with practical knowledge of the materials that they can put to use in real life.

Lake City Bank’s objective is to partner with local non-profit agencies to offer financial literacy and improvement to low income families. The Micro Loans are the building blocks or next steps for the participant after the financial literacy class. The benefits include the opportunity to build assets through savings, to receive financial assistance, and to create or repair credit history.

Eligible participants will be required to attend one of the approved classes offered in conjunction with a non-profit agency. A member from the non-profit agency or a volunteer employee from Lake City Bank will teach the class selected. LCB will provide the training materials needed for the FDIC’s Money Smart class. The other classes require the materials to be purchased and the cost will be incurred by the non-profit agency.

Lake City bank has committed \$25,000 to this program. LCB will pay each participant a maximum total of \$150, divided equally based on the number of classes included in the course. The participant receives \$10 on the day of attendance for a 15 week course, or \$15 on the day of attendance for a 10 week course. The participant must attend at least 80% of the scheduled classes to be eligible to participate in the Micro Loan. On the last day of the class, eligible participants receive a certificate of completion which enables the graduate to obtain a Micro Loan within one year of the date of issuance.

Why pay the participants? While it may seem odd to pay people to attend a class for their own benefit, providing incentives has been an effective means of encouraging attendance and recognizes that the participants’ time is valuable. The participants

would be able to choose to either take the money after each class or to save the money and receive it in a lump sum at the end of the course.

Micro Loans

There are two different types of Micro Loans available. The first is the Getting Ahead Loan and is for immediate assistance: education, home ownership/repairs, car, get out of predatory lending or debt, or start up a small business. Upon recommendation from the non-profit agency, the participant will be eligible for an unsecured loan. The non-profit will execute a loan guarantee with the bank. (The participant is not to be made aware of this fact in order to encourage responsibility.)

Getting Ahead Loan details:

1. Benefits include financial assistance and creating or repairing credit history
2. Loan Amount: minimum \$100; maximum \$1000
3. Term – Up to 18 months
4. Payment Option: Monthly payments from a free *LCB Checking Account; coupon book
 - *the checking account will not be eligible for a debit card or overdraft protection
5. Interest Rate - Fixed for the life of the loan at the prime rate published in the Wall Street Journal – this is currently 3.25 percent
6. No origination fees
7. No prepayment penalties
8. Simplified loan application taken during the second to last financial education class
9. Quick credit decision – loan closing will take place following the last financial literacy class
10. This loan amount is given upfront for immediate use
11. Purpose of loan would be for uses of:
Education, home ownership/repairs, car, to get out of predatory lending or debt, to start up a small business
12. Credit Criteria - Automatically approved if 80 percent (8 out of 10; 12 out of 15) financial literacy classes have been attended

13. Collateral - Unsecured

14. A prescreening is done by the non-profit agency for this one.

The second type is the Learn to Save Loan which puts the loan amount into a savings account. No money is given up front. The money is available after it is paid back for any purpose. This creates an opportunity to build assets through savings, create or repair credit history, and establish two credit lines on a credit report.

Learn to Save Loan details:

1. The goal is to teach participants how to save and budget
2. Loan Amount: minimum \$150; maximum \$450. The more money that is saved, the more they are eligible to borrow. This loan amount is put into a savings account. The money is not available until it is paid back to the bank. After the loan is repaid the participant may obtain a second loan using the same process. Here is an example of how it works.
 - a) If class participation dollars are saved, the borrower will have \$150 at the end of the course. They are eligible for a \$300 loan. A second \$450 loan will be available if the first loan is paid as agreed and they keep on saving. At the end of the second loan there could be \$900 in savings!
 - b) If the borrower can't afford to save the money earned during the literacy class, they can still borrow the minimum amount of \$150. A second loan of \$150 will be available if the first loan is paid as agreed to help keep on saving. At the end of the second loan there could be \$300 in the savings account!
3. Term – 6 to 12 months, based upon the amount borrowed; eligible for a consecutive loan if paid as agreed
4. Minimum loan payment \$25 per month
5. Payment Option: Monthly payments from a free *LCB Checking Account; coupon book
 - *the checking account will not be eligible for a debit card or overdraft protection
6. 0 percent Annual Percentage Rate (APR)
7. No origination fees
8. No prepayment penalties
9. Simplified loan application taken during the second to last financial education class

10. Quick credit decision - loan closing will take place following the last financial literacy class

11. Automatic savings component with no restrictions on the use of funds after the loan has been repaid

12. Credit Criteria - Automatically approved if 80 percent (8 out of 10; 12 out of 15) financial literacy classes have been attended

13. Collateral - Savings account at LCB

(Please refer to the appendix for all of the forms used by the bank for these loans.)

Financial Improvement

Again, there are many financial improvement benefits of this program. It provides a second chance for those who need an opportunity to repair their credit. It provides an opportunity to establish credit to those who have never used traditional means. It can help create a practice of savings which can be used for emergencies or to improve their quality of life. And it offers them an opportunity for higher education, home ownership/repairs, car, get out of predatory lending or debt, or even to start up a small business.

Targeted Area

Enchanted Hills, as mentioned in the introduction, was selected because it is an impoverished area where the Bowen Center has been actively involved through the community center. Volunteer employees from Lake City Bank offered the financial literacy class 'FDIC Money Smart' one evening and one afternoon a week for 10 weeks. Michelle Baker was the main instructor for the evening class. Lisa Fulton taught the four classes on different loans. Every member in our KLA group participated in two or more of the classes. Total participants in each class ranged from 15-25. The classes ended the week of March 16.

During the ninth session, Lisa Fulton presented the Micro Loan program to the participants. The two different loans were explained and offered: the Getting Ahead Micro Loan and the Learn to Save Micro Loan.

Since there were enough interested, on March 23, a commercial loan officer from LCB presented a class on how to start a business.

Enchanted Hills Results

- Number of students attending at least 80% of the Money Smart classes = 31 out of 34 committed students
- Number of students applying for Micro Loans so far = 5
- Number of students who saved their money from the classes = 13

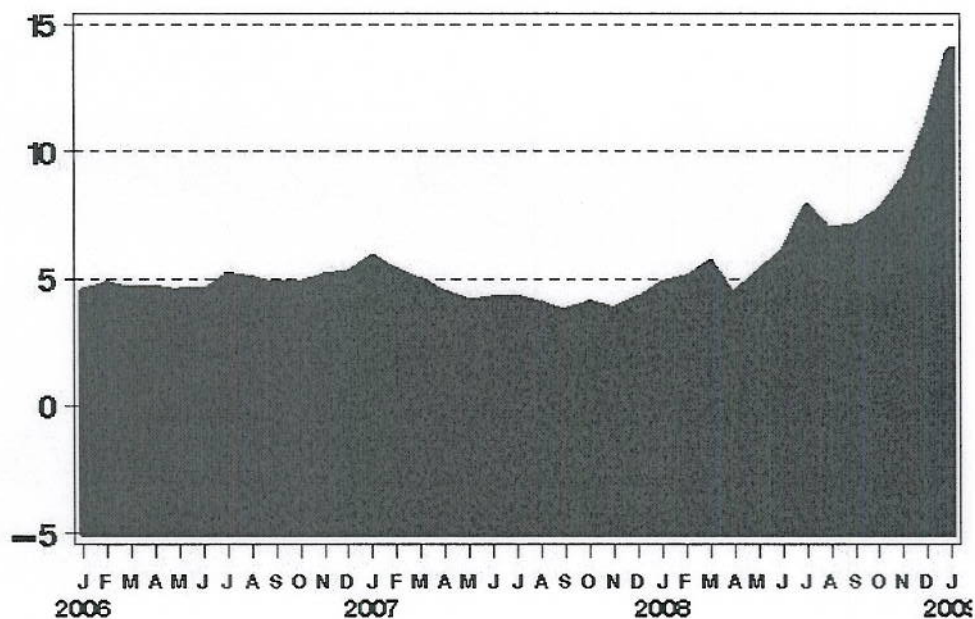
Success Stories

The following is from a participant in the Money Smart night class. "I want you to know how much I appreciate the work LCB put into the classes at Bowen Center. The hours, preparation and materials were extremely valuable for this area and I'm sure many will be helped from their effort. I believe that the rest of the Kosciusko County area would benefit from this class as well as Enchanted Hills did. I also was impressed with the Getting Ahead class taken last year and feel both of them would be a great asset to the community, especially in these times of our current economy."

The following is an excerpt from a letter of a participant in the Getting Ahead class taught by Bowen Center last year. "The thing I really grabbed onto was the thriving back and helping the community. It was great to find out some of the hidden rules. It takes a while to learn them and still learning them. I highly encourage anyone to take the classes. It was well worth the time and efforts. I met people in my neighborhood that I never knew, also people I had not seen in years. Thank you so much for everything you have to offer our community. It has brought so much success to families in our area....."

Future Vision

The reality of today is that the unemployment rate continues to grow and more people will be seeking help from area non-profit agencies. The following graph shows the unemployment rate for Kosciusko County since Jan. 2006. The rate is up to 14 percent in Jan. 2009.



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The future vision of The Micro Loan Program is to expand opportunities with more Non-Profit Agencies.

- Salvation Army – Kosciusko
- Combined Community Services – Kosciusko
- Sus Amigos – Kosciusko
- Boys and Girls Club – St. Joseph
- Center for the Homeless – St. Joseph
- LaCasa Inc – Elkhart
- Fort Wayne Urban Development League – Allen

Our KLA team was given the opportunity to learn about the reasons for poverty. We had the privilege of creating a program that taught financial literacy and provided Micro Loans. The Micro Loan program provides a stepping stone out of poverty. We hope this can be a way to break the cycle of generational poverty in our community. Should we have the privilege of winning the Northenor Award, we would use the money to help support the Getting Ahead Loan program by funding a guarantee for one of our local non-profit agencies.

¹⁶ "Business Indicators for Indiana Counties." Kosciusko Unemployment Rate. Ball State. 20 Mar. 2009
<http://www.bsu.edu/mcobwin/ibb/County/kosciusko/rug.htm>

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Appendix



MICRO LOAN PROGRAM



MICRO LOAN PROGRAM FORMS

- Micro Loan Agreement.....Signed by Nonprofit and returned to Bank
- Learn to Save Program Details.....Provided to Nonprofit for informational purposes
- Learn to Save Participant Fact Sheet.....Handed out to students during financial literacy
- Getting Ahead Program Details.....Provided to Nonprofit for informational purposes
- Getting Ahead Participant Fact Sheet.....Handed out to students during financial literacy
- Getting Ahead Qualification Worksheet.....Completed by student and given to non-profit for review
- Micro Loan Application.....Provided only to students qualifying for micro loan



Lake City Bank

Micro Loan Agreement

Name of Organization: _____

Physical Address of Organization: _____

Geographic area covered by Organization: _____

Purpose of Organization: _____

Financial Literacy Course

- FDIC Money Smart
- "Getting Ahead" - Building your reserves for a better life
- *Other – please describe _____

Micro Loan Option

- "Learn to Save"
- "Getting Ahead" – requires a private guaranty from the Organization

Who will teach the course?

- Employee/volunteer from organization
- Lake City Bank employee volunteer

Where will the classes be held? _____

When will the weekly classes be held?

Starting Date _____ Ending Date _____ Class Start Time _____

How many participants do you estimate will attend? _____

Our organization wishes to partner with Lake City Bank in the Micro Loan Program. We understand that Lake City Bank will pay each student a maximum total of \$150.00, divided equally based on the number of classes included in the course, and that the attendance fee will not be paid for classes not attended.

Our organization will identify participants, take a weekly attendance to support the attendance fee and supply Lake City Bank with a copy of those records. We have attached a copy of our mission statement for your files.

Organization Name

By: _____
Name/Title

Date: _____

*(must be approved by Lake City Bank)



Learn to Save Micro Loan Program Details

Objective: Lake City Bank's partnership with local non-profit agencies to offer financial literacy to low income families. Benefits include the opportunity to build assets through savings, create or repair credit history, and establish two credit lines on a credit report.

- Financial Literacy– Eligible participants will be required to attend a 10 week course (FDIC's Money Smart) or a 15 week course (Getting Ahead) offered in conjunction with a non-profit group. A member from the non-profit or a volunteer employee from Lake City Bank will teach the course selected. Lake City Bank will provide the training materials needed for the FDIC's Money Smart class. The Getting Ahead program requires materials to be purchased. This cost will be incurred by the nonprofit organization. Minimum class size of 5; maximum class size of 20.
- LCB will pay each student a maximum total of \$150, divided equally based on the number of classes included in the course. The participant must attend 80% of the scheduled courses to be eligible to participate in the Micro-Loan Program.
- If the participant saves their weekly class allowance and attends all classes, they could potentially have already saved \$150 at the completion of the course. They can elect to deposit the \$150 into a savings account at Lake City Bank (LCB). Through the Learn to Save Program, they can then obtain a loan for \$300, with the proceeds of the loan being placed in that savings account. This will bring their savings balance to \$450. (Although the account balance is \$450, LCB will only hold the loan amount of \$300 against withdrawal). A second loan in the amount up to \$450 will be available once the first loan has been repaid. The amount available for the second loan may vary depending on the amount in the savings account. (They may only borrow up to the amount they have saved). The proceeds from the second loan will be placed in savings, bringing their savings balance to a maximum of \$900. (Once again only the amount of the second loan will be held against withdrawal). At the end of the second loan they could have up to \$900 on deposit, two credit lines, and good credit repayment history. The client may be eligible to obtain traditional credit or join a homeownership program at that time.



Learn to Save Micro Loan Program – continued

- If the participant does not save their weekly class allowance they can still participate in the micro loan program if they have attended 80% of the classes. They can then obtain a loan for \$150, with the proceeds of the loan being placed in savings. A second loan in the amount of \$150 will be available once the first loan has been repaid. The proceeds from the second loan will be placed in savings, bringing their savings balance to \$300. (Only \$150 will be held at a time, to secure the loan outstanding). At the end of the second loan they will have a maximum of \$300 on deposit, two credit lines, and good credit repayment history. The client may be eligible to obtain traditional credit or join a homeownership program at that time.



"Learn to Save" Participant Fact Sheet

- Loan Amount: minimum \$150; maximum \$450. The more you save, the more you will become eligible to borrow! This loan amount is put into a savings account. The money is not available to you until you pay it back to the bank. No money is given to you up front. The money is available for you to take at the end of the loan repayments for any purpose or you can do a second loan using the same process. Here is an example of how it works.
 - Save your class participation dollars and you will have \$150 at the end of the course. You are eligible for a \$300 loan. A second \$450 loan will be available if the first loan is paid as agreed and you keep on saving!
 - At the end of your second loan you could have \$900 in savings!
 - Couldn't save right now? That's okay; you still can borrow the minimum amount of \$150. A second loan of \$150 will be available to you if the first loan is paid as agreed, and you keep on saving!
 - At the end of your second loan you could have \$300 in savings.
- Term – 6 to 12 months, based upon amount; eligible for a consecutive loan if paid as agreed
- Minimum loan payment \$25 per month
- Payment Option: Monthly payments from a free *LCB Checking Account; coupon book
 - *the checking account will not be eligible for a debit card or overdraft protection
- 0 % Annual Percentage Rate (APR)
- No origination fees
- No prepayment penalties
- Simplified loan application taken during the 2nd to last financial literacy course
- Quick credit decision - loan closing will take place following the last financial literacy course
- Automatic savings component with no restrictions on the use of funds after the loan has been repaid
- Credit Criteria - Automatically approved if 80% (8 out of 10; 12 out of 15) financial literacy sessions have been attended
- Collateral - Savings account at LCB



“Getting Ahead” Micro Loan Program Details

Objective: Lake City Bank’s partnership with local non-profit agencies to offer financial literacy to low income families. Benefits include financial assistance and create or repair credit history.

- Financial Literacy – Eligible participants will be required to attend a 10 week course (FDIC’s Money Smart) or a 15 week course (Getting Ahead) offered in conjunction with a non-profit group. A member from the non-profit or a volunteer employee from Lake City Bank will teach the course selected. Lake City Bank will provide the training materials needed for the FDIC’s Money Smart class. The Getting Ahead program requires materials to be purchased. This cost will be incurred by the nonprofit organization. Minimum class size of 5; maximum class size of 20.

- LCB will pay each student a maximum total of \$150, divided equally based on the number of classes included in the course. The participant shall receive \$10 on the day of attendance for a 15 week course, or \$15 on the day of attendance for a 10 week course. The participant must attend 80% of the scheduled courses to be eligible to participate in the Micro-Loan Program.

- Upon recommendation from the nonprofit organization, the participant will be eligible for an unsecured loan. Approved loan purpose include:

Education, home ownership/repairs, car, get out of predatory lending/debt, start up small business

- Disbursement checks will be made payable to both the nonprofit organization and the participant. The nonprofit organization will oversee that the proceeds are used for the purpose intended
- The nonprofit organization will execute a Loan Guarantee to Lake City Bank. Normal collection attempts will be made in conjunction with these loans. The guaranty will ensure that any losses incurred by Lake City Bank due to a loan default will be compensated by the nonprofit organization. This is a private guaranty between Lake City Bank and the nonprofit organization. The participant will not be aware of the existence.



"Getting Ahead" Participant Fact Sheet

- Loan Amount: minimum \$100 ; maximum \$1000
- Term – Up to 18 months
- Payment Option: Monthly payments from a free *LCB Checking Account; coupon book
 - *the checking account will not be eligible for a debit card or overdraft protection
- Interest Rate - Fixed for the life of the loan at the prime rate published in the Wall Street Journal – this is currently 3.25%
- No origination fees
- No prepayment penalties
- Simplified loan application taken during 2nd to last financial literacy course
- Quick credit decision - loan closing will take place following the last financial literacy course
- This loan amount is given to you upfront for you to use
- Purpose of loan would be for uses of:
Literacy, home ownership/repairs, car, get out of predatory lending/debt, start up small business
- Credit Criteria - Automatically approved if 80% (8 out of 10; 12 out of 15) financial literacy sessions have been attended
- Collateral - Unsecured



Getting Ahead Qualification Worksheet

Name of Applicant:

Did you take a financial literacy course? Yes No

If Yes, when did you take the class? _____

What class did you take? _____

How many classes did you attend? _____

Are you currently working? Yes No

If Yes, where do you work? _____

List your sources of income _____

Describe other loans you have had

Credit history _____

Purpose of loan _____

-----To be completed by the non-profit organization-----

Why are you recommending the applicant?

Organization Name

By: _____

Date: _____

Name/Title



Branch Choice: _____

Daytime Phone : _____

Micro Loan Credit Application			
Important: READ THESE DIRECTIONS BEFORE COMPLETING THIS APPLICATION			
<input type="checkbox"/> Check here if you are applying for individual credit in your own name and are relying on your own income or assets and not the income or assets of another person as the basis for the repayment of the credit requested.			
<input type="checkbox"/> Check here if you are applying for joint credit with another person and provide information about the joint applicant. We intend to apply for joint credit _____ Applicant _____ Co- Applicant _____			
<input type="checkbox"/> Check here if you are applying for individual credit, but are relying on income from alimony, child support, or separate maintenance or on the income or assets of another person as the basis for repayment of the credit requested, complete all Sections to the extent possible, providing information about the person on whose alimony, child support or income or assets you are relying.			
NON-PROFIT NAME/PROGRAM		THE BOWEN CENTER <input type="checkbox"/> Getting Ahead <input type="checkbox"/> Learn to Save	
Application Date:			
Amount Requested: \$		For How Long: (in months)	Purpose of Loan Micro Loan Program
Individual Applicant Information			
Name (First, Middle, Last)		Social Security No.	Birth Date
Address (City, State & Zip)		Own/Rent	Telephone No.
Employer (Company Name/Address)		How Long	
Business Phone	Occupation Type		Salary per month \$
Sources of Other Income: Alimony, child support, or separate maintenance need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.			Amount per month \$
Do you have existing accounts with Lake City Bank?		Type of accounts	
Joint Applicant Information			
Name (Last, First)		Social Security No.	Birthdate
Address (City, State & Zip)		Own/Rent	Telephone No.
Employer (Company Name/Address)		How Long	
Business Phone	Occupation Type		Salary per month \$
Sources of Other Income: Alimony, child support, or separate maintenance need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.			Amount per month \$
Do you have existing accounts with Lake City Bank?		Type of accounts	



Personal References			
Name	Relationship	Address	Phone No.
Name	Relationship	Address	Phone No.
Name	Relationship	Address	Phone No.
Name	Relationship	Address	Phone No.

Credit Application Disclosure

Privacy Policy Notice: *Nonpublic personal information collected about you from this application and other sources, including a credit report, may be disclosed to persons within this institution, or our affiliates, as permitted or required by law.*

Fair Credit Reporting Act Notices: If you prefer that we do not disclose nonpublic personal information about you to nonaffiliated third parties, you may opt out of those disclosures. That is, you may direct us not to make those disclosures (other than disclosures permitted by law). If you wish to opt of disclosures to nonaffiliated third parties, please check the following box:

- Applicant Opt Out
 Co-Applicant Opt Out

A copy of our privacy policy is available upon request. A consumer may obtain a copy of our privacy policy by visiting our financial institution during regular business hours or by calling our telephone number at (574) 267-9191.

You, as a consumer, have submitted an application for credit. You should know that Lake City Bank may not condition the extension of credit on either:

- Your purchase of an insurance product or annuity from Lake City Bank or any of its affiliates; or**
- Your agreement not to obtain, or a prohibition on you from obtaining, an insurance product or annuity from an unaffiliated entity.**

IMPORTANT APPLICANT INFORMATION: To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account.

What this means to you: When you open an account, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

Notice of Negative Information: We may report information about your account to credit bureaus. Late payments, missed payments or other defaults on your account may be reflected in your credit report.

Signatures: I certify that everything I have stated in this application and on any attachments is correct. You may keep this application whether or not it is approved by you. By signing below, I authorize you to check my credit and employment history and to answer permissible questions, under the Fair Credit Reporting Act, others may ask you about my credit record with you. I understand that I must update credit information at your request if my financial condition changes.

Applicant's Signature	Date	Co-Applicant's Signature	Date
_____ / _____	_____ / _____	_____ / _____	_____ / _____