

Loan resolution & financial stability program funding provided for a character-based innovative loan program.

### **What is character-based lending?**

It is the practice of issuing loans based on the borrower's involvement in and ties to the community instead of relying heavily or exclusively on financial criteria, like one's credit score, for underwriting. Character-based lending puts the power into the hands of community-based organizations to overcome systemic obstacles and create pathways to credit for financially excluded communities.

## **THE CREDIT ACCESS GAP**

**Due to a history of economic exclusion and a lack of access to small-dollar credit options, many Minnesotans of Color have low or no credit scores, limited savings, and/or a distrust of banking.**

- Minnesota ranks #1 in the nation for median credit scores (746), but there is a 100-point disparity between the median credit score for Black Minnesotans (651) and white Minnesotans (749).<sup>1</sup>
- 50% of residents of color, 37% of Black residents, and 46% Hispanic residents have at least \$2k in emergency savings compared to 77% of their white counterparts.<sup>2</sup>
- 73% of Black households and 54% of Latino households live in liquid asset poverty and don't have sufficient liquid assets to subsist at the poverty level for three months without income.<sup>3</sup>
- 10% of white households are financially underserved (unbanked or underbanked), as compared to 39% of Minnesota households of color.<sup>4</sup>

**Oftentimes, financial institutions use credit scores to determine if they will provide money and at what additional cost. Many financially excluded Minnesotans often do not meet minimum standards for these services and, as a result, turn to high-cost lending options like payday loans.**

- 69% of first-time borrowers used payday loans to cover a recurring expense (like rent or mortgage) and 16% used them for an unexpected expense (like a car repair).<sup>5</sup>
- Since 2016, licensed short-term lenders in Minnesota have stripped nearly \$46 million in interest and fees from over 184,000 Minnesotans by charging annual interest rates averaging 200%.

## **WHY INVEST IN EXODUS LENDING?**

A direct appropriation will address the credit gap by creating pathways to long-term financial well-being in Minnesota through a character-based small-dollar loan program.

- \$200,000 in lending capital to provide an initial 200 loans.
- \$150,000/year to build staffing and operational capacity to expand the Resiliency Loan Program.

1 & 2: Urban Institute 2022 Financial Health and Wealth Dashboard

3 & 4: Prosperity Now Scorecard

5: [https://www.responsiblelending.org/payday-lending/research-analysis/Pew\\_Payday\\_Lending\\_Exec\\_Summary.pdf](https://www.responsiblelending.org/payday-lending/research-analysis/Pew_Payday_Lending_Exec_Summary.pdf)



# EXODUS

## LENDING

### WHAT DOES EXODUS LENDING DO?

Exodus Lending is a nonprofit dedicated to helping Minnesotans break free from predatory debt and move toward financial stability. Our programs fill the credit gap by helping smooth the impacts of income volatility and unexpected financial emergencies, constructing the foundation needed to enable generational wealth building, and keeping money where it belongs: in our communities. We report payments to the credit bureaus and anchor our underwriting around the affordability of a monthly payment, ensuring each participant's monthly payment is around 4% of their income.

#### REFINANCING PREDATORY DEBT

Exodus Lending provides zero-interest, no-fee refinancing of high-interest auto-title, pawn, payday, and personal loan debt to any Minnesota resident with up to \$1,500 of predatory debt and a demonstrated ability to repay.

#### OFFERING AN EQUITY-CENTERED SOLUTION

We are piloting a zero-interest, no-fee Resiliency Loan product that borrowers can use to meet their credit needs instead of turning to expensive and exploitative products. For this pilot, we lend up to \$1,200 to any eligible Minnesota resident with a referral from one of our community partners and a demonstrated ability to repay.

### PARTNERS

Our pilot Resiliency Loan Referral partners include:  
The Dignity Center, Northside Residents Redevelopment Council (NRRC), & CAPI USA in Minneapolis, Lakes & Prairies Community Action Partnership (CAPLP) in Moorhead, & Neighbors Inc. in Dakota County.

#### SINCE WE BEGAN IN 2015\*

**39** counties served

**380** participants have repaid in full

**\$829** average refinanced per participant

**\$515,592** total refinanced

**\$1,604,025** total saved for participants

**311%** average payday loan APR

**\$12,816** total personal "resiliency" loans

#### OUR ACTIVE PROGRAM PARTICIPANTS\*

**116** active program participants

**59%** are people of color

**66%** are women

**\$41,800** is the median income

**43** years old is the average age

\*as of 02/23/2023

### QUESTIONS?

Contact Anne Leland Clark, Executive Director of Exodus Lending  
at 612-615-0067 x1002 or [director@exoduslending.org](mailto:director@exoduslending.org).