

**TESTIMONY**  
**SUBCOMMITTEE ON DOMESTIC POLICY**  
**COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM**  
**March 21, 2007**

Good afternoon, my name is Rita Haynes, and I am Manager and CEO of Faith Community United Credit Union and I am honored to have been asked to provide this testimony before this Subcommittee on Domestic Policy.

Faith Community United Credit Union, popularly known as "Faith," is a community development credit union chartered in the State of Ohio to serve anyone who lives, worships, or works in Cuyahoga County.

In the credit union's fifty-five years of operation, Faith has been in the forefront of creating and implementing financial products and programs that assist lower income residents build wealth. One of the more successful of these products is the Faith-developed "**GRACE LOAN**". The Grace Loan is an alternative to the predatory payday loan, initiated in 1999 to combat the flow of our membership to predatory payday lenders who moved into our area when most banks vacated the inner city.

In our research, we found that members needed a product that was fast, simple and a convenient way to obtain cash when an emergency or the need for extra cash arose. We named our product a "**GRACE LOAN**" because it is "unmerited favor" and therefore, no credit report is required. Payday lenders require a pay stub and a postdated check. Since our electronic records are detailed, we can verify the members income source with their application and no check is required. This shortens the time and simplifies the process. Furthermore, we teach against the use of postdated checks in financial literacy training.

The "**GRACE LOAN**" requires that the resident have a share account of at least \$50.00 and an electronic deposit to their transaction or savings account for three months or more before they can apply for a Grace Loan.

Whereas the payday lenders charge an Application Fee of from \$17.50 - \$22.00 per hundred dollars, we charge a flat \$15.00 application for up to \$500.00, which they must pay in advance. By not financing the application fee, the member receives the total amount they borrow.

After explaining to them that they are saving from \$72.50 - % 95.00 on fees, we get their commitment to save \$10.00 with the repayment of the loan that must remain in the savings account for a year.

The "**GRACE LOAN**" must be repaid in full in a month with interest of 17% APR, which averages around \$7.00 for the 30 days on \$500.00. Payments can be paid in one to four payments within the month, depending on their pay cycle.

We will allow up to twelve loans a year but try to wean them from the product by a lower monthly amount or skipping months and truly using in case of emergency. After a year of positive history, members can qualify for a regular loan at a lower interest rate or an "**AMAZING GRACE LINE OF CREDIT**", which requires less paperwork. The member's credit history is reported the credit bureau in either case.

**In 2006 we made 2,023 Grace Loans totaling \$ 697,755.00, and charged off 7 loans totaling \$1,922.53.**

**Here's what some of our members have said about the program:**

"I've saved money without even using checks and also improved by credit with Faith's Grace Loan."

"When it came to repairing my car to get to work, I had no choice but to borrow before payday. I'm so glad the Grace Loan was available."

"It was worth using my Grace Line when I ran short, to pay my mortgage on time, avoiding the \$55.00 late charge and damaging my credit."

**Thank you for this opportunity to testify before your committee. I would be happy to answer any questions you may have.**