



## StretchPay<sup>SM</sup>

a credit union salary advance alternative

### Overview

*StretchPay – The Credit Union Salary Advance Alternative* is a special loan program designed to help members who need a small-dollar loan to carry them over until they receive their next regularly-scheduled income check. StretchPay is designed to be an alternative to expensive for-profit payday lenders that often charge \$15 per \$100 up to \$800 for two to four weeks.

StretchPay is a special line-of-credit loan designed to make it easy and less expensive for members to obtain affordable short-term credit. StretchPay is set up with one important difference to traditional lines-of-credit: a borrower must repay their entire outstanding balance (plus interest) before subsequent advances are permitted. Thus, if a borrower takes a \$250 advance on their StretchPay line of credit, they must pay off the entire balance before borrowing again.

StretchPay is significantly less expensive than a traditional payday loan. Borrowers pay a \$35 annual fee (for a \$250 line of credit) and an interest rate of around 18% APR on their advances. The annual fee may be taken out of their first advance during a 12-month period.

A borrower who uses StretchPay for 12 advances on a \$250 line of credit during a 12-month period will pay approximately \$77 for 12-months' access to the loan. A borrower who uses a traditional payday lender may pay more than \$400 for the same amount of credit.

Each time your credit union collects an annual fee from a StretchPay borrower, you forward the fee to Credit Union Outreach Solutions, Inc. (See boxed text for explanation.) In turn, CUOSI helps your credit union offset any credit losses sustained under the program. This way, you are able to offer members an alternative to expensive payday lenders without incurring the credit risk sometimes associated with small-dollar, minimally-underwritten loans.

StretchPay is offered to your members using minimal underwriting criteria. Members must be 18 years old, an established member of your credit union for at least 60 days, and not delinquent on existing loans or negative in any share account. Members must have verifiable income, not be in the process of filing for bankruptcy under any chapter of the bankruptcy codes, and must not have caused a loss to the credit union.

*A credit union offers the StretchPay credit union salary advance alternative in association with a not-for-profit organization called **Credit Union Outreach Solutions, Inc.** (CUOSI). CUOSI, headquartered in Ohio, is a non-profit cooperative organization formed to fuel credit union outreach and community commitment initiatives.*

Specifics of the StretchPay loan include:

- Credit limits/minimum advances of \$250 (with an annual fee of \$35) or \$500 (with an annual fee of \$70);
- 30-day repayment term;
- Advances must be paid in full prior to new/additional advances;
- No more than 18% APR (or the state usury rate, whichever is applicable);
- Payroll deduction is encouraged, but not required;
- Borrowers must be at least 18 years old and a member of your credit union for at least 60 days.

### ***Benefits of StretchPay***

*For Your Member:*

- StretchPay is significantly less expensive than for-profit payday lenders.
- StretchPay helps build a positive credit history when a borrower repays their loan on time.
- StretchPay keeps your members aligned with their credit union, giving you the chance to offer financial education and counseling – breaking them free of the payday loan debt treadmill.
- The annual participation fee may be taken from the first StretchPay loan advance during a 12-month period.

*For Your Credit Union:*

- Allows you to offer a credit union payday loan alternative at low cost and without significant financial risk.
- Gives you the opportunity to work with and educate members regarding budgeting and other personal financial management skills.
- Provides interest income at up to 18% APR with a minimum of credit risk.
- Demonstrates how credit unions make credit and other financial services affordable and accessible to the nation's consumers.

### ***Summary of Implementation Steps***

Credit unions should follow these steps to implement the StretchPay loan program. Each step is covered in detail later in the StretchPay Implementation Guide:

1. Obtain approval from your Board of Directors.
2. Join Credit Union Outreach Solutions, Inc.
3. Adopt a StretchPay Line of Credit policy and procedure.
4. Set StretchPay up on your data processing system.
5. Set up StretchPay documents.
6. Train employees on the StretchPay program.
7. Set up the monthly accounting system for fees and loss recovery.
8. Address collections efforts.
9. Develop a marketing plan.
10. Begin offering StretchPay – the credit union salary advance alternative.

### ***Contact Information***

If you have general questions about offering StretchPay at your credit union, please contact:

Becky Hart, V.P., Public Affairs or  
Laura Busque, Outreach Manager  
Danise Spencer, Administrative Support Specialist  
Ohio Credit Union League  
(800) 486-2917  
[rhart@ohiocul.org](mailto:rhart@ohiocul.org), [lbusque@ohiocul.org](mailto:lbusque@ohiocul.org) or  
[dspencer@ohiocul.org](mailto:dspencer@ohiocul.org)

Please direct operational questions about the program to:

Danise Spencer, Administrative Support Specialist or  
Chris Predieri, Senior Accountant  
Ohio Credit Union League  
(800) 762-0047  
[dspencer@ohiocul.org](mailto:dspencer@ohiocul.org) or [cpredieri@ohiocul.org](mailto:cpredieri@ohiocul.org)



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