

# Alternative Loan Program for Success ALPS



## Criteria

ALPS applicants need to meet the following criteria to be considered:

- Payday loans, unsecured loans, title loans and personal loans totaling less than \$2000.
- Income 5% greater than expenses (expenses would include applicant's reduced loan payments based on refinancing with the State Credit Union loan).
- Application and budget fully completed.
- Oconee County resident.
- Proof of employment by the same organization over the past 60 days, or proof of income from government/company benefits over the past 6 months.
- Must join State Credit Union and pay back the SCU loan through automatic monthly bank debit or payroll deduction.
- Complete a credit check through Credit Karma, or one of the three credit bureaus (Equifax, TransUnion, or Experian) and give it to ALPS.
- Willing to have monthly contact with sponsoring organization and/or an ALPS representative.
- Sponsor organization believes the applicant has a clear path forward to financial stability.

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**Who We are:** ALPS is a faith based option for payday loan borrowers, who are Oconee County residents and meet ALPS eligibility requirements, to replace their high interest rate loans with a low interest rate loan from S.C. State Credit Union (SCU) that is backstopped with ALPS funds.

**Need for Alternative Loan Program:** Payday loans, title loans and other high interest loans (sometimes called predatory loans) can charge annual percentage rates of 400% or more, and trap people in a cycle of debt. These loans are often the only option for low-income earners with poor credit ratings when an unexpected expense arises or a financial emergency occurs. While predatory loans offer an immediate source of money, extricating oneself from the debt can be difficult. Data shows that half of payday borrowers take out at least 10 subsequent payday loans, with the average payday loan consuming 1/3 of the borrower's paycheck. In the case of title loans, about 20% of these borrowers end up losing their car, often leading to loss of employment since they can no longer get to work.<sup>1</sup>

**The Process:** A sponsor organization will identify, or be assigned to, potential candidates, help them fill out an ALPS application and budget, and then contact an ALPS representative. An ALPS team will interview the candidate to determine whether they will forward them to SCU to apply for a low interest rate loan. If ALPS refers the applicant to SCU, they will go to SCU and fill out an SCU loan application form. SCU will approve, or deny, the applicant's loan and set the interest rate. SCU provides the loan and handles all the administrative work. The borrower would need to join SCU at a cost of \$5, and agree to pay back the SCU loan through an automatic monthly bank debit or payroll deduction. The sponsor organization will have monthly contact with the borrower over the life of the loan. All loans will be for \$1000 and will be paid back over a twelve month period. The anticipated monthly payment by the borrower will be approximately \$90 a month.

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<sup>1</sup> Data from Pew Charitable Trust or Center for Responsible Lending