



COVID-19 RESPONSE EMERGENCY LOAN PROGRAM

Need

Across the Northwest, people are looking for financial solutions to help address the economic impact they are experiencing due to COVID-19. With millions of Americans out of work, the pandemic is impacting peoples' ability to pay bills and put food on the table. Low-wage, traditionally underrepresented and non-citizen workers face additional challenges, as they often work in industries hit hardest by COVID-19 and are less likely to qualify for or access unemployment and federal relief dollars.

According to Financial Health Network's 2019 Financial Pulse data, prior to COVID-19, 47% of the population did not have enough liquid (cash) savings to cover three months of living expenses. And the oft-cited Federal Reserve data is especially alarming in our current circumstances—an estimated 40% of Americans would struggle to come up with \$400 for an unexpected expense.

Credit unions across our region are stepping up to help their members. From expanded skip-a-pays, fee waivers, loan relief and more, credit unions are standing by their members during these unprecedented times. The need for safe and affordable access to credit is growing as people continue to look for solutions.

Funding

The Northwest Credit Union Foundation received several contributions from private funders interested in helping people across the Northwest gain access to affordable capital. Contributions were made with the intent to seed further investment from credit unions and other private funders to grow loan pools across the region. With each loan pool, participating credit unions would be able to deploy safe and affordable emergency loans to people economically impacted by COVID-19. Funds from the loan pools will be geographically restricted and will only be eligible to borrowers who reside within the designated counties of the loan pool.

Collaboration among credit unions coming together as both investors and participants in this effort is paramount. While some credit unions might be poised to deliver this just-in-time emergency loan product to individuals, others might see the role as financial contributor more appropriate. Additionally, credit unions interested investing in the fund pool *and* helping deploy loans are encouraged to do both.

NWCUF is urgently seeking credit union investments to increase the loan funds to at least \$100,000 and up to \$500,000. These pledges are incredibly time sensitive and NWCUF is looking to secure additional funds from both credit union and private funders. Additionally, to help people in need, NWCUF is looking for credit union partners interested in deploying loans out to individuals impacted by COVID-19.

Within the credit union system, it will take both investors and participating credit unions to successfully demonstrate that credit unions are *the* go-to partners in helping individuals access save and affordable credit.

NWCUF Fund Details and Reporting

Through the COVID-19 Emergency Loan Program, credit unions will rapidly deploy safe and affordable credit to impacted workers. Credit unions will provide 0% emergency loans with a 90-day deferred first payment and a 24-month repayment term. NWCUF holds the regional guarantee pool and coordinates roll-out.

Fund Details

Credit unions will be reimbursed \$125 for each loan they issue—to help cover underwriting costs. Additionally, NWCUF will maintain a loan loss reserve fund for each participating credit union to make reimbursement claims to upon a loan defaulting. The loan loss reserve fund will have two risk categories: 75% loan loss coverage for high-risk loans and 25% loan loss coverage for all other eligible loans. To be eligible for an emergency loan, a borrower must demonstrate that they are experiencing a hardship as a result of COVID-19. A loan qualifies as high-risk if a borrower meets at least one of the following criteria:

- ITIN borrower
- Credit rating of 629 or lower/no score
- Income at or below 75% AMI
- For those with established credit, a debt-to-income ratio over 50%
- Unbanked/underbanked

At the launch of a loan fund, each credit union will be given a ‘cap’ on what the fund will cover for that credit union based on funds available. If funds remain after two weeks, NWCUF will redistribute remaining funds and provide new cap amounts to each participating credit union to deploy.

Reporting

Initially, credit unions will provide a weekly detailed accounting to NWCUF that identifies:

- Number of loans
- Total loan dollars deployed
- Risk category of loans (75% or 25%)
- Debt-to-income of borrower
- Credit score of borrower
- Income of borrower
- County of residence of borrower
- Age of borrower

After all loan funds are deployed, credit unions will provide quarterly reports of loan status and any claims for loan loss reimbursement.