

KOSCIUSKO LEADERSHIP ACADEMY

MICRO LOAN PROGRAM

“BUILDING A BRIDGE TO A BRIGHTER FUTURE”



TEAM PARTICIPATION

- Michelle Baker – Lake City Bank
- Amy Eberly Baumann – Bowen Center
- Lisa Fulton – Lake City Bank
- Lisa McCoy – Dalton Foundries

WHY MICRO LOAN PROGRAM?

- To fulfill an identified need for financial literacy and improvement in poverty situations.
- To create a program that could be offered to many non-profit agencies throughout Kosciusko and surrounding counties...regardless of the unique missions of these agencies.

DEFINITION OF POVERTY

- **Poverty** is the shortage of common things such as food, clothing, shelter and safe drinking water, all of which determine our quality of life.

**GENERATIONAL
VS
SITUATIONAL**

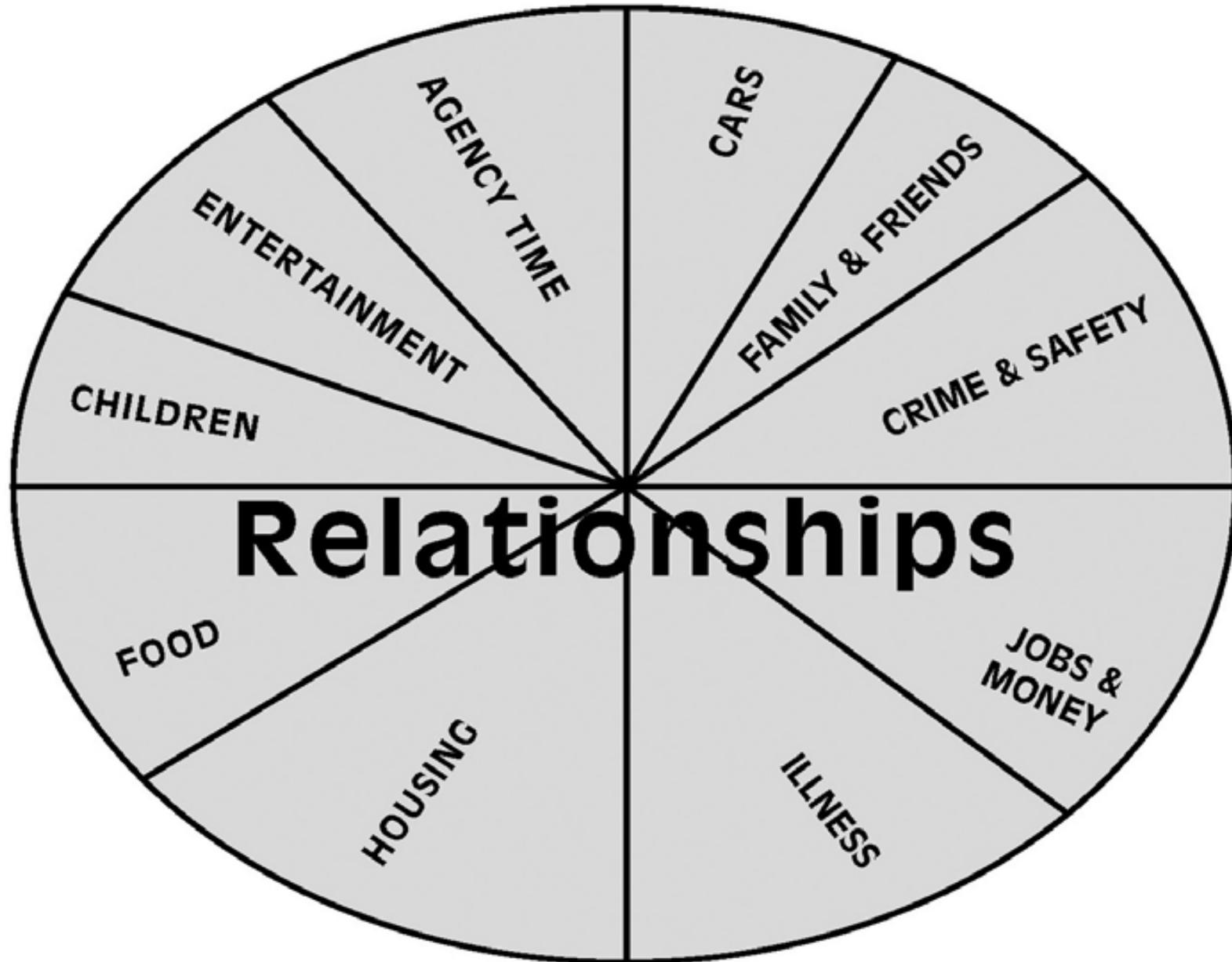
GENERATIONAL PROVERTY

- In poverty for at least two generations.
- Exhibit certain ingrained patterns of behavior due to experiencing the effects of poverty over time.

MENTAL MODELS

- Internal picture on how the world works.
- Each model has its own hidden rules.

Mental Model of Poverty



Mental Model of Middle Class



Education is key

- Education is key in getting out and staying out of generational poverty.
- Education facilities such as schools and adult education classes are really the only places where students can learn about the choices and rules of the middle class or have access to people who are willing and able to help them.
- Being in poverty is rarely about a lack of intelligence or ability.
- Individuals stay in poverty because they do not see "choice", or if they do, they do not know how to access proper resources or people.

SITUATIONAL POVERTY

- Situational poverty is the result of a change in the following circumstances:
 - Loss of job
 - Divorce
 - Death of spouse
- These individuals often have more resources, higher level of education and better connected with others who can provide assistance. They know and understand the hidden rules of middle class.

POVERTY INDICATORS

- U.S. Census Bureau – 2008 annual poverty threshold for single person under age 65 is just over \$11,000 and family of four is just over \$22,000.
- In Indiana, more workers are earning poverty level wages. A total of 27% of Hoosier workers in 2007 earned wages that would not lift a family of four above poverty level, a significant increase from 22% in 2000.

POVERTY INDICATORS

- Kosciusko County Statistics:
 - In 2005, the poverty rate in Kosciusko County was 8.6%. In 2007, the poverty rate increased to 13.9%.
 - In December 2007, there were 1,733 households receiving food stamps. In December 2008, it increased to 1,752.
 - Did you know that in our schools we have 5,827 free lunch recipients?

HELP IS ON THE WAY



NON-PROFIT AGENCIES

- We have identified several agencies in Kosciusko that could benefit from the micro loan program:
 - The Beaman Home
 - The Bowen Center
 - The Boys and Girls Club
 - Combined Community Services
 - Kosciusko Literacy Services
 - Medication Assistance
 - The Salvation Army
 - SusAmigos

FINANCIAL LITERACY

- Getting Ahead in a Just-Gettin'-By World - aha! Process, Inc.
- Money Smart - FDIC program
- Financial Fitness - LaCasa, Inc.

MICRO LOAN PROGRAM

- Lake City Bank's partnership with local non-profit agencies to offer financial literacy and improvement to low income families.
- Benefits include the opportunity to build assets through savings, financial assistance, create or repair credit history.

MICRO LOAN PROGRAM

- Financial Literacy is the key to our program.
- Participants will be required to attend at least 80% of one of the three financial literacy classes in order to be eligible for the Micro Loan program.

MICRO LOAN PROGRAM

- Lake City Bank has committed \$25,000 to this program.
- LCB will pay (Yes Pay) each student \$150.
- The participant receives their money on the day of attendance.

GETTING AHEAD LOAN

- Loan Amount: minimum \$100 ; maximum \$1000.
- Term - Up to 18 months.
- Interest Rate - Fixed for the life of the loan at the prime rate published in the Wall Street Journal - this is currently 3.25%.

GETTING AHEAD LOAN

- No origination fees.
- No prepayment penalties.
- Purpose of loan would be for uses of:
Education, home ownership/repairs, car, get out of predatory lending, debt, start up small business.

GETTING AHEAD LOAN

- Credit Criteria - Requires the non-profit agency's approval.
- Collateral - Unsecured.
- Guarantee – Non-profit agency will execute a private guarantee with the Bank.

LEARN TO SAVE LOAN

- Loan Amount: minimum \$150; maximum \$450.
- Collateral - Savings account at LCB.
- Term - 6 to 12 months, based upon amount.

LEARN TO SAVE LOAN

- Minimum loan payment \$25 per month.
- 0 % Annual Percentage Rate (APR).
- No origination fees.

LEARN TO SAVE LOAN

- No prepayment penalties.
- Automatic savings component with no restrictions on the use of funds after the loan has been repaid.
- Credit Criteria - Automatically approved regardless of credit history.

FINANCIAL IMPROVEMENT

- Providing a 2nd chance for those who need an opportunity to repair their credit.
- Provide an opportunity to establish credit to those who have never used traditional means.
- Create a practice of savings which can be used for emergencies or to improve their quality of life.
- Offer an opportunity for higher education, home ownership/repairs, car, get out of predatory lending, debt, start up small business.

**TARGETED
IMPOVERISHED
AREA**

ENCHANTED HILLS

- Employee volunteers from Lake City Bank offered the financial literacy class 'FDIC Money Smart' one evening and one afternoon a week.
- During the 9th session, the Micro Loan program was presented to the participants.
- Sessions lasted 10 weeks ending on March 19th.

ENCHANTED HILLS RESULTS

- Number of students eligible for certificates
31 out of 34 committed students.
- Number of students applying for a Micro Loan
5 for now...
- Number of students who saved their money
13 of the 31 eligible students.

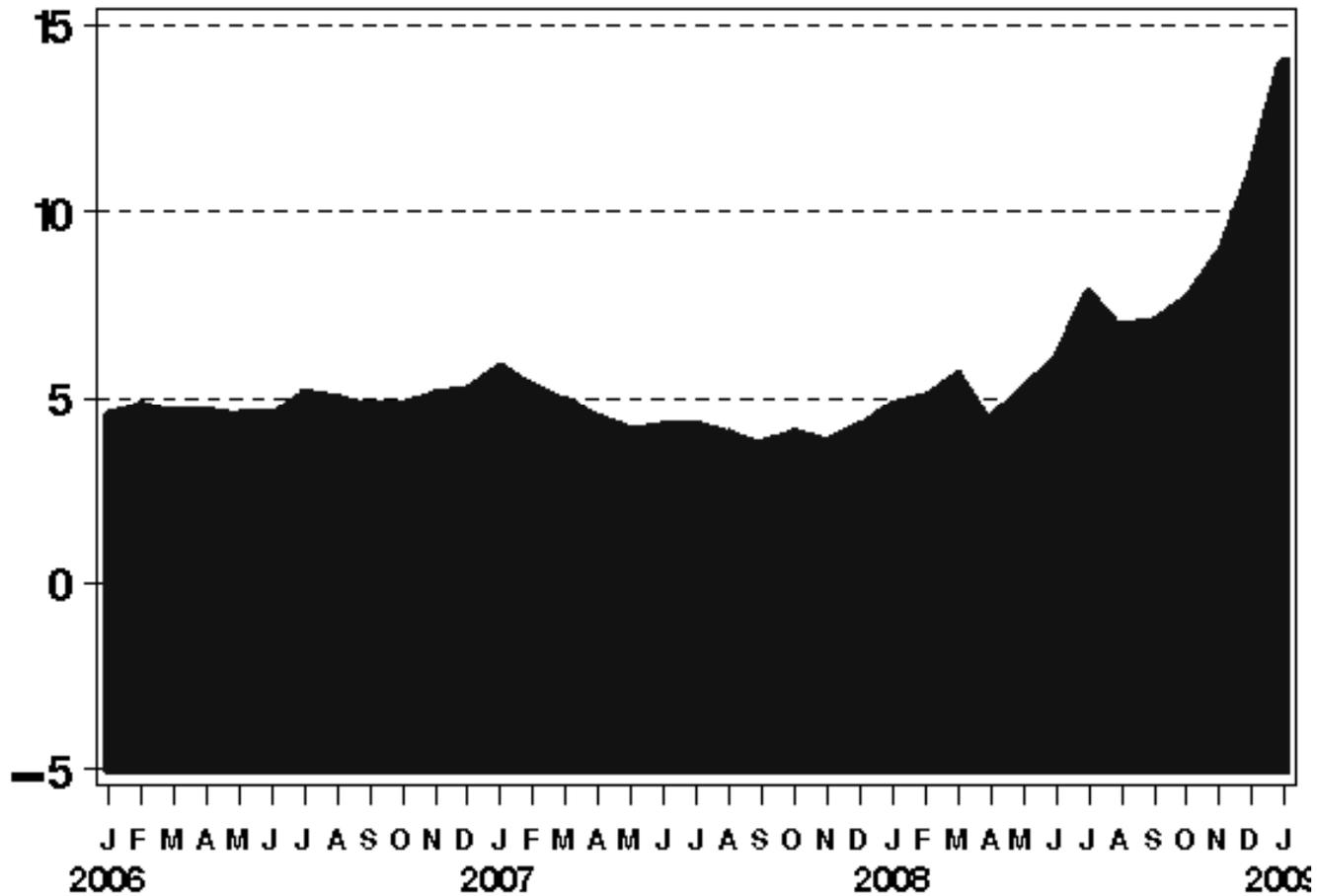
AHA MOMENT

- “The thing I really grabbed onto was the thriving back & helping the community. It was great to find out some of the hidden rules. It takes awhile to learn them and still learning them. I highly encourage anyone to take the classes. It was well worth the time and efforts. I met people in my neighborhood that I never knew, also people I had not seen in years. Thank-You so much for everything you have to offer our community. It has brought so much success to families in our area” Excerpt from letter of participant attending the “Getting Ahead” class taught by Bowen Center last year.

AHA MOMENT

- “I want you to know how much I appreciate the work Lake City Bank put into the classes at Bowen Center. The hours, preparation and materials were extremely valuable for this area and I’m sure many will be helped from their effort. I believe that the rest of the Kosciusko County area would benefit from this class as well as Enchanted Hills did. I also was impressed with the Getting Ahead class taken last year and feel both of them would be a great asset to the community especially in these times of our economy”Excerpt from participant attending the Money Smart night class.

KOSCIUSKO COUNTY UNEMPLOYMENT RATE IS 14%



FUTURE VISION

- Expanding Opportunities with more Non-Profit Agencies:
 - Salvation Army - Kosciusko
 - Combined Community Services - Kosciusko
 - SusAmigos - Kosciusko
 - Boys and Girls Club - St. Joseph
 - Center for the Homeless - St. Joseph
 - LaCasa Inc - Elkhart
 - Fort Wayne Urban Development League - Allen

IN CONCLUSION

- Through our efforts our KLA team gained an awareness of poverty. We had the privilege of creating a program that teaches practical financial skills and offers financial improvement.

Thank you!