



**For Immediate Release**  
April 14, 2017

**Contact:** Michael Shalley, Member Services Director  
O: 517-679-6403, [mshalley@michigancommunityaction.org](mailto:mshalley@michigancommunityaction.org)  
C: 517-643-1136, [michigancommunityaction.org](http://michigancommunityaction.org)

## **Michigan Community Action partners with Texas-based nonprofit to provide low-income borrowers alternative to payday loans**

Low-income residents throughout Michigan will have an alternative to high-cost payday loans, thanks to a partnership between Michigan Community Action (MCA) and a Texas-based nonprofit corporation.

Michigan Community Action – the state association for the 29 local Community Action agencies that serve all areas of the state – will act as statewide coordinator for the Community Loan Center of America’s Affordable Small Dollar Loan Program.

MCA will build a network of local lenders that will in turn provide consumers with a lower-cost alternative to short-term payday loans, which carry high interest rates and fees.

“Affordable, low-cost lending solutions are often the difference between a household remaining in poverty or moving forward,” says MCA Executive Director **Kate White**. “MCA’s partnership with Community Loan Center of America ensures that our network of agencies as well as local non-profit and other community lenders can provide fairly priced credit to households that will help put them on the path to self-sufficiency.”

MCA will work to build a network of local lenders that will engage employers in their communities to offer loans to employees at no cost to the employer. Each local lender will need to secure capital to make loans.

The Affordable Small Dollar Loan Program will offer employees of participating employers the opportunity to borrow up to \$1,000, repayable over a one-year term, at 18 percent interest and a \$20 administrative fee that is rolled into the loan. Borrowers repay the loan through payroll deductions or electronic funds transfers.

Community Loan Center of America's terms are far more favorable than those offered on payday loans, which are also referred to as cash or check advance loans. They are short-term cash loans in which the borrower's personal check is held for future deposit. Borrowers write a check for the amount borrowed plus the finance charge and receive cash.

In Michigan, payday lenders can extend loans for up to 31 days. Because the payday loan is short-term, the service fee translates into a triple-digit annual percentage rate, the Michigan Attorney General's Office notes. It offers this example: A customer who borrows \$100 for two weeks and is assessed the maximum \$15 service fee is effectively paying an annual percentage rate of 391 percent.

Community Loan Center of America is operated by Texas Community Capital, a nonprofit lending intermediary that provides loan products and development services to community development organizations.

It has built a network of Community Loan Centers throughout Texas, where affiliates have lent out more than \$15 million and saved borrowers more than \$13 million compared with traditional payday and auto title loans.

Texas Community Capital began exporting the Community Loan Center concept to other states in 2016 and selected MCA as its partner in Michigan.

*Founded in 1975, MCA serves its 29 member agencies throughout Michigan to strengthen their capacity to alleviate the causes and circumstances of poverty.*

###