

DRAFT

Small Dollar Loan

One Bank's Attempt to Counteract Payday Lending – One Loan at a Time

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History

- Lake Forest Bank & Trust opened North Chicago branch (North Chicago Community Bank in March 2007) - Directly across the street from the branch is a Payday Lender
- CRA Officer joined Lake Forest in August 2008
- Suggested to internal CRA Committee to establish “pilot” Small Dollar Loan program at North Chicago branch

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Small Dollar Loan (SDL) Product

- Quick Approval & Closing
- Relaxed Credit Guidelines
- Affordable repayment terms
- Interest rate same as other bank loans

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SDL Marketing

- Frequent
- Utilize non-traditional community media
- Different than other bank marketing
- Spanish/English

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Small Dollar Loan Results

- Total Dollar Amount of Loans \$49,900.00
- Total Loans Approved 65
- Total Applications 122
- Average Loan Amount \$ 770.00
- Charge-offs 4 6% \$
Total \$ 2,750.00
- Late-pays (over 30 days) 4
- Approved ratio 53%
- Denied ratio 47%

SDL Best Practices

- Removed Credit Score Requirement
- Focused on previous 12 month credit history
- Limit product to Assessment Area of bank
- Community Growth Loan – partner and/or alternative to SDL

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SDL Best Practices – cont.

- Past Due Letters
- Thank you Letters for Paid Off loans
- Require new account be opened – checking or savings

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SDL Loans

- Develop partnership with nonprofits (ex. A Safe Place – a DV program servicing Lake County IL – also includes on-site financial education provided by bank staff)
- Constant/continual oversight

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Contact Information

- Further information:
 - Casandra Slade
 - Vice President/CRA Officer
 - Lake Forest Bank & Trust
 - 727 North Bank Lane
 - Lake Forest, IL 60045
 - 847.295.4258
 - cslade@lakeforestbank.com