

## Case Study: Grace Period, Inc.

In 2007, a small non-profit opened on the North Side of Pittsburgh; its mission “to end the need for predatory lending in the community” has guided its development.

Working in partnership with a local credit union, Grace Period offers loans up to \$500.

Grace Period is both the originator and guarantor of these loans.

The very simple concept...

Grace Period is a membership club

Members are approved for loans (maximum loan=one week’s pay)

As a condition of the loan, members must agree to begin building an emergency fund by authorizing 12 months of electronic debits (ACH) that occur on successive paydays. Members can repay the loan as part of these minimum transfers or as quickly as they desire

The club’s operation is supported by collecting member dues of \$12 per week

These dues are no longer collected when the loan is fully repaid and the member’s account begins building a credit balance

Members may “borrow” from their credit accounts without cost as they have need

Members with a credit balance in excess of \$100 then earn rebates of \$4 weekly as their transfers continue.

The club uses saving members’ funds to help yet other members begin their journey to financial independence from emergency borrowing.

The loan becomes free when members accumulate enough earned rebates to offset the total cost (dues) paid as a borrower. Three weeks of savings recoups the cost of one week of borrowing (3:1 recovery ratio)

### Results:

To date, more than 3,600 area residents have accessed low cost and even no cost loans

Grace Period is a self-supporting entity

Grace Period has successfully guaranteed repayment of every loan—never missing a single scheduled payment to its credit union partner (payments which are now in excess of \$110,000 monthly)

The most telling statistic... this year members will “borrow” more than \$600,000 from their own accounts