



Expanding Small-Dollar Credit through Employer-Based Programs

A Case Study of the Community Loan Center Small Dollar Loan Program

Brett Theodos, Iliina Mitra, Amanda Hermans, Miranda Santillo

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For households without adequate savings, affordable small-dollar credit can be a lifeline in times of financial need. Credit is essential for bridging temporary cash flow gaps or for weathering short-term emergencies. Thirty-seven percent of households would struggle to cover an unexpected \$400 expense with cash or an equivalent, instead needing to borrow money or sell belongings to cover the cost (Board of Governors of the Federal Reserve System 2024). The lack of emergency savings underscores the financial vulnerability many American households face.

Low minimum wages and stagnant wages for the lowest earners have exacerbated these financial hardships for many Americans (Theodos et al. 2025). In addition, rising consumer prices are crunching household budgets—as of 2024, 65 percent of households report increased financial strain attributable to rising prices of regular household expenses (Board of Governors of the Federal Reserve System 2024). Low-wage workers in particular can struggle to manage cash flows between paydays. And access to affordable credit remains a significant challenge.

Several financial products are emerging to increase access to credit, such as small-dollar loans and earned wage access, which allows employees to receive a portion of their wages before scheduled payday. This brief examines one such program—the Community Loan Center (CLC) Small Dollar Loan Program—using program data, credit data, and insights from program participants, employers, and participating financial institutions. Through the program, employers facilitate loans to employees of up to \$1,000. We examine the successes and challenges of administering and participating in the program for financial institutions, employers, and participants, as well as the program’s impact on participants’ financial well-being. In brief, we find the following:

- The CLC Small Dollar Loan Program provides easy and affordable access to credit for borrowers who might have a difficult time obtaining credit through alternative means.

- Many borrowers use the program more than once. The average employee used the program three times (median of two) over the study period.
- By running the program as an employer-based benefit and setting up payments as automatic paycheck deductions, the program has identified and made available a relatively low-risk loan product to otherwise credit-challenged borrowers. The overall charge-off rate for the program is 6.2 percent, with most individual franchises ranging from 3 to 10 percent.
- Most participating employers found the CLC Small Dollar Loan Program simple to set up and offer to employees. The program has faced challenges recruiting both lender franchises and employers to participate.

Background on Small-Dollar Credit

Credit cards are the default option for many households who need small-dollar loans. Approximately half of cardholders carry a balance from month to month at least once, with around 25 percent indicating in 2023 that they did so consistently throughout the previous year (Board of Governors of the Federal Reserve System 2024). The average credit card balance for Americans was \$6,415 in April 2025 (TransUnion 2025). Credit cards with the most preferable terms require a prime credit score. For consumers with subprime credit scores (below 620), effective interest rates are as high as 23 percent for general-purpose credit cards, compared with 18 percent for prime borrowers and 9 percent for superprime borrowers (Consumer Financial Protection Bureau 2023).

Other people do not have access to, or prefer not to use, credit cards. And they might lack savings or the ability or inclination to borrow from family or friends. Such individuals often turn to alternative financial services, such as payday lenders, which can undermine their long-term financial health. Without affordable or accessible alternatives, payday loan borrowers can end up paying nearly \$400 in interest or fees for a \$550 emergency loan over three months, for an effective annual percentage rate (APR) of 391 percent (Elliott and Granetz Lowitz 2018). And many payday loan borrowers cannot pay off their balance in the short loan terms (typically 14 to 30 days), leading many to renew or quickly reborrow, accruing additional fees and interest. Indeed, one study found that 63 percent of borrowers who had taken out a payday loan in the previous six months still owed money on a payday loan at the time of the survey (Fulford and Shupe 2021). This can exacerbate the financial burden placed on those with limited access to affordable credit.

Another rapidly growing alternative to credit cards, “buy now, pay later” (BNPL) services such as Klarna and Afterpay, allow customers to pay for purchases in interest-free installments instead of all at once. These might make financial burdens feel more manageable—BNPL users have fewer liquid assets and lower credit scores compared with nonusers (Stavins 2024). But these services might also encourage financially vulnerable consumers to spend more than they can manage, resulting in late fees or the need to dip into emergency savings.¹

In response to the challenges low-wage workers and those with limited access to affordable credit face, a growing landscape of financial products and services has emerged to support financial well-being. Earned wage access products have been expanding in response to the mismatch between payday schedules and the timing of regular expenses many families face. These products provide workers access to funds before their payday, helping them manage cash flow challenges. These products appear to meet a need, as the market and the share of workers who regularly use earned wage access products continues to grow (Khanna and Kaushal 2021). Despite the potential benefits, these products have associated costs: Workers often pay high fees for relatively small transactions, averaging \$106 per loan.² In addition to these fees, the typical employer-sponsored loan carries an APR of over 100 percent, which can place a financial burden on workers who are already struggling with limited resources.

Other resources and tools are also emerging. Congress, through the Setting Every Community Up for Retirement Enhance 2.0 Act of 2022, has taken steps to increase access to emergency funds by allowing workers to withdraw up to \$1,000 from their retirement savings without incurring a penalty. But this is optional for employers, so the benefits to employees are not guaranteed. Workers have the option to repay the amount within three years to restore their retirement balance. Once a payment is taken out, no additional emergency withdrawals are allowed during the three-year repayment window unless the first withdrawal is fully repaid (IRS 2024). This change is intended to provide workers a financial cushion in unexpected emergencies. But not everyone has access to retirement savings, particularly low-income workers or those in jobs without employer-sponsored plans. Even among those with accounts, balances might be too low to provide meaningful emergency support.

Traditional banks, including many of the country's largest, have also started to offer small-dollar loans to existing customers.³ And these programs are expanding. One bank announced it had made 1.1 million \$500 loans in 2023, while another issued 100,000 within the first five months of offering the product (Aryee et al. 2024). In 2019, the National Credit Union Administration Board approved a rule to allow federal credit unions to offer payday alternative loan options to members.⁴ Credit unions participating in the National Credit Union Administration's Payday Alternative Loan program originated \$310 million in 2024, up from \$271 million in 2023 (National Credit Union Administration 2025). These programs provide affordable alternatives to payday loans. The average cost to borrow \$400 for three months from a payday lender is \$360, while the typical bank or credit union's small-dollar loan program would charge no more than \$24 for the same loan.⁵

Employers have also become more involved in supporting their employees' financial well-being by offering various financial capability services as a part of employee benefits packages. These include financial education, coaching and counseling, incentivized savings, credit building, public benefits enrollment, and tax preparation. But a growing number of employers are also directly partnering with financial institutions to offer employees small-dollar loans to enhance financial stability. Often designed as cash advances, these loans help low- and moderate-wage workers manage monthly expenses and short-term financial emergencies. The loans, sometimes referred to as employer-sponsored small-dollar loans, can provide an affordable and manageable alternative to payday loans, credit cards, overdrafts, and retirement account withdrawals. And employer-sponsored small-dollar loans often align with

established guidelines for small-dollar credit, including fast and low-barrier application processes, safeguards against unmanageable debt, and interest rates below 36 percent (Hahn et al. 2020).

Community development financial institutions (CDFIs) have been increasingly active in the small-dollar space, looking to meet capital needs. And this has been reflected in expanded federal supports, including via the CDFI Fund launching the Small Dollar Loan Program in 2021. The program provides grants and support to CDFIs that establish and maintain programs for small-dollar loans under \$2,500.⁶ To date, 184 CDFIs have received a total of \$40.2 million in funding from the Small Dollar Loan Program.⁷ But the CDFI Fund has placed some limits on the types of loan products CDFIs can offer, such as limiting refinancing before at least 80 percent of a loan principal has been paid (CDFI Fund 2021).

As the landscape of employer-sponsored financial well-being programs grows, employer-sponsored small-dollar loans appear to be a potentially effective tool for enhancing employees' financial resilience while minimizing financial risk. But research in this area remains underdeveloped. This brief examines one program model that has emerged to help workers meet their short-term financial needs: the Community Loan Center Small Dollar Loan Program.⁸

BOX 1

Methodology

To understand the scope of the CLC Small Dollar Loan Program and its outcomes, we used both qualitative and quantitative data sources and methods.

Program data. Although the program began issuing loans in 2011, complete loan records were available only from 2015. We received deidentified data for 35,411 borrowers who obtained 117,441 loans between 2015 and 2023. The data include loan attributes such as loan amount, interest rate, term, origination date, and charge-offs. CLC also provided borrower economic and demographic information, including employment, income, and self-reported race, ethnicity, and gender.

Qualitative data. We interviewed program administrators, franchises, employers, and employees participating in the program. We sought to understand the need for the program, the process of implementing it for new franchises, uptake and usage patterns among employers and borrowers, and perceived effects on borrowers' financial well-being. Interviews were semistructured, ranging from half an hour to an hour, and were conducted virtually. We spoke with five program staff members, five franchises, eight employers, and five employees. Interviewees represented the geographic coverage of the program, and employer interviewees varied in terms of size and sector.

Credit data. We purchased deidentified person-level data from a large credit reporting firm for borrowers under the program. Using a random unique ID, we matched the deidentified credit and deidentified program data. We received data from each six-month period from July 2021 to January 2024. Metrics included credit scores (Vantage), balances on loans by loan type, delinquencies, and other attributes. We analyzed credit outcomes for small-dollar loan borrowers who received their first loan between December 2021 and October 2023, which included 7,636 borrowers. We defined a loan as a "first" loan if the borrower did not receive a previous loan between January 2019 and November 2021.

What Is the CLC Small Dollar Loan Program?

The CLC Small Dollar Loan Program came out of a desire to provide borrowers an alternative to high-cost or payday loans. In the wake of the 2008 financial crisis, come dream. come build. (cdcb), a nonprofit community development organization that serves the Rio Grande Valley area of Texas, and its associated CDFI, the Rio Grande Valley MultiBank (RGVMB), noticed more home loan applicants with payday loans in their credit history, which made it difficult for the applicants to secure home financing. In response, leaders began coordinating a marketing campaign warning consumers about the risks of payday loans. The market campaign, called “Don’t Borrow Trouble,” was to be financed by Freddie Mac. But the leaders quickly realized that what was really needed to move consumers away from high-cost loans was a lower-cost way to access credit. To fill this gap in the market, leaders at cdcb and RGVMB set out to offer an alternative small-dollar financing option that could give favorable terms to borrowers and be sustainable for lenders. When their search for an existing credit product turned up no options that met all their priorities, they opted to design one themselves. After a year and a half of planning, RGVMB launched its subsidiary, the Community Loan Center of The Rio Grande Valley, with the help of a \$350,000 award from the CDFI Fund in 2011. In 2014, the CLC expanded to a franchise model, with the first two franchises in Dallas and Brazos Valley, Texas.

We felt like we needed to put a product on the ground that really competed with those payday lenders...we’re just trying to make [clients] able to wake up in the morning and feel better about [their] finances.

—Program administrator

The Design of the Employer-Sponsored Small Dollar Loan

The small-dollar loan is offered only through participating employers. Employers sign up with a franchise lender to make this loan product available to their employees. Employers agree to verify a potential borrower’s employment status and income. Employees are eligible to participate in the program if they have worked at a participating employer for at least three months, are over 18 years old, have a checking account, and can provide required identification. Employees can borrow up to \$1,000 at a time, or 50 percent of their gross monthly wages, whichever is lower. They pay down the loan automatically via a payroll deduction processed through the employer. Borrowers are typically charged an 18 percent interest rate and a \$20 origination fee. This results in an APR of roughly 22 percent, much lower than for a typical payday loan. For example, in Texas, where most CLC small-dollar loans have been made, payday loans can reach effective APRs of higher than 500 percent (Liang and

Horowitz 2022). Once a borrower pays down half their loan, they can reborrow the balance (up to the \$1,000 limit) at any time.

To provide a competitive alternative to payday loans, the small-dollar loan product is designed to be easy to access. The application, which borrowers who work at participating employers can fill out through their local franchise lender, does not require a credit check or the disclosure of a reason for requesting the loan. Instead, its primary requirements are a valid ID, income information, and a few references. Once an application is submitted to the lender, the lender will ask the employer to verify the income information and the employee's identity. Once verified, borrowers typically see the loan reach their account within two business days. The employer will then set up the payroll deduction to begin the repayment process, but beyond that, employees interface directly with the lender to manage their loan, which allows employers to invest minimal time administering the program.

To manage loans from across multiple franchises in a central system, cdc and RGVMB quickly discovered that an off-the-shelf software was not going to do the job. Instead, they developed a proprietary online software as a service system that allows for central management, servicing, reporting, and accounting of applications and loans from all franchises. This system allowed the small-dollar loan program to expand and is what enabled the ability to deploy a franchise model. Through the central software, CLC can reduce administrative costs and share resources across franchises.

It was just easy, fast, no headache, no stress. And not having to provide all kinds of documents, because [it] was easy for them to verify through my job. I didn't have to do anything but put in the application.

—Participating borrower

The CLC Small Dollar Loan Program Has Grown Steadily since Inception

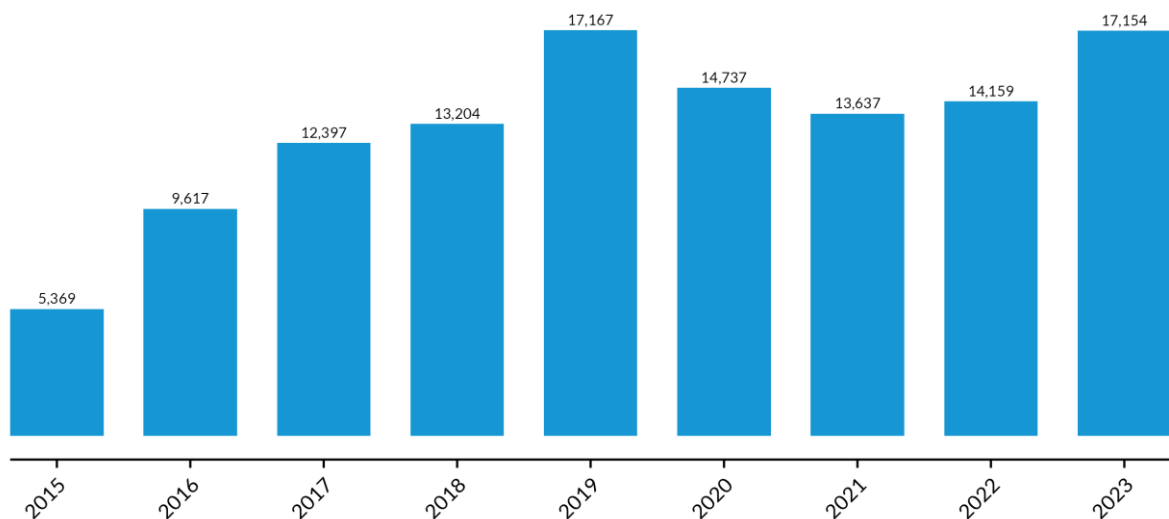
Since the program began in 2011, RGVMB has been working to spread its small-dollar loan model across the country, both by recruiting employers to participate in its own CLC branch, CLC of the Rio Grande Valley, and by recruiting additional financial institutions (primarily mission-driven organizations and CDFIs) from across the country to open new franchisees and bring the Small Dollar Loan Program to their area.

Loan volume increased steadily to a peak of more than 17,000 in 2019 (figure 1). Lending dipped from 2020 through 2022 in response to the COVID-19 pandemic but recovered to nearly 2019 levels again by 2023.

FIGURE 1
Loan Volume, 2015–23

Annual loan volume has increased steadily since inception and recovered after a dip during the COVID-19 pandemic

Number of loans



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Source: Authors' analysis of Community Loan Center program data.

Of the approximately 117,000 loans issued from 2015 through 2023, almost 99,000, or 84 percent, were for the maximum allowable amount, \$1,000. In comparison, many states cap payday loans at \$500 (Liang and Horowitz 2022). This likely indicates that the extent of borrowers' financial needs requires the full loan amount available to ease financial stress. The average loan amount is \$966, and loan terms are one year.

Establishing a Model That Allows for Local Focus

To expand the program's reach, program staff members chose to adopt a local franchise model. They believed that local lenders would have the best perspective on the local employer landscape. Shortly after the advent of the program, RGVMB brought on Texas Community Capital (TCC), a CDFI operated by the Texas Association of Community Development Corporations and the Texas State Affordable Housing Corporation, as a partner with the main role of recruiting new franchises to establish their own community loan centers. TCC conducts outreach and recruits potential lenders. The first franchise was opened by RGVMB—CLC of the Rio Grande Valley—and TCC has recruited an additional 23 CLC franchises across the country, though not all have remained operational. As of 2024, 20 franchises were active. Once established, each franchise is responsible for raising lending capital and identifying and establishing partnerships with employers. Loan servicing is centralized for a fee at RGVMB through its

proprietary software as a service system for all CLC franchise lenders, reducing the burden of loan servicing for franchises.

Texas has had the most CLC franchises (10), including many of the early locations. But additional CLC franchises now exist in 10 other states. Indiana and Missouri each have three franchises, while eight additional states (Arizona, Colorado, Idaho, Maryland, Michigan, North Carolina, South Carolina, and Tennessee) each have one franchise. Some franchises serve the entire state (e.g., the CLC of Arizona), while others serve regions or metropolitan areas (e.g., the CLC of Greater Houston).

Although many franchises are CDFIs or community development corporations, TCC has also had success signing on nontraditional organizations when they cannot find a suitable or willing CDFI or community development corporation in a community. For example, the Goodwill branch in Waco, Texas, stepped up at the local government's request to become a successful small-dollar lender. In addition, several NeighborWorks organizations—traditionally housing developers—have become franchises. So too have local councils of governments. In 2024, the first traditional bank—the International Bank of Commerce—signed up to lend through the CLC in San Antonio, Texas.

Bringing in organizations who see high-cost consumer lending in their market as a problem and giving them a product that they can [use to] respond to [that problem] for their neighbors and their friends and their community—it's good for them both financially and reputationally.

—Program administrator

On the other hand, some financial organizations face barriers to becoming franchisees because of the way the program is structured. Credit unions, for example, have not been good fits because they are designed to lend only to their members.

Franchises we interviewed reported they felt the program fit into their goals and values as a method for providing accessible credit and an alternative to high-cost lenders. And they valued the loan program as a path for attracting new clients to engage with other services, such as financial coaching.

I do see it as a wealth-building opportunity for [borrowers]. They can financially change their behavior around money, their habits around money, their attitude around money, which is the core to how we teach financial education. It's exciting to see a product to help support that.

—Participating franchise

Despite the successes that TCC and RGVMB have had in growing the program's franchise base, recruiting franchises has remained challenging. To get organizations signed on, TCC staff members have had to cast their net wide. One staffer explained, "For every 100 people we touch, we get 10 follow-ups. And then from every 10 follow-ups, we might get 1 application." In many cases, TCC has faced challenges convincing potential partners in a risk-averse industry that the program model can be financially viable. Program administrators also point to a potential structural barrier: Many CDFIs are reluctant to engage in retail lending, with small-dollar loans to individuals viewed as too resource intensive, particularly when compared with the higher return and lower administrative burden of larger loans to businesses.

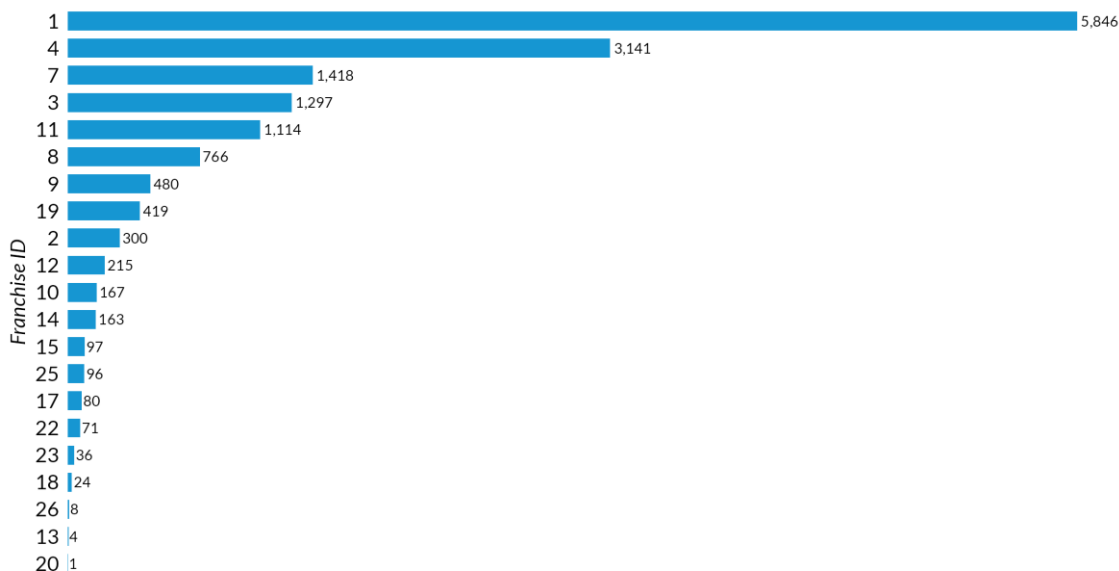
Sustainable Franchisees Require a Broad Borrower Base

In interviews, franchisees noted that the CLC Small Dollar Loan Program was simple to implement. TCC is a resource for franchisees during setup and can help navigate licensing, state regulation, and set-up costs. Franchisees pay a \$2,500 annual franchising fee. They pay about \$10 of each \$20 origination fee for software upkeep. And they pay a monthly fee of 0.45 percent on outstanding loan volume. Those fees are split between RGVMB and TCC to cover the costs of running the program. Franchisees then keep the remaining interest on the loan and the other half of the origination fee. Some of these details vary slightly from state to state. For example, North Carolina franchisees charge a 15.9 percent interest rate and a \$35 fee because of regulations around payroll deductions. The higher fee balances out the lower interest rate to give the franchisees a similar return.

Franchisees must raise capital to get the program up and running—at least \$50,000 in initial capital as a starting point for taking on borrowers. (In some cases, TCC and the RGVMB have lent this capital to new franchisees.) And they must recruit employers to build out a borrower base.

For the program to become profitable, most franchisees report needing a portfolio of 1,500 to 2,500 active loans, though they also report that the program stops being a drain on resources at the 500-to-1,000-loan mark. Franchisees can achieve this by expanding their portfolio of employers, targeting larger employers, and increasing employee utilization rates of existing employers. Employee utilization rates tend to be around 10 percent (though it varies by employer). By this math, most franchises are looking for an employer base of approximately 20,000 total employees.

FIGURE 2
Average Annual Loan Volume (2019–23), by Franchise
Most franchises make less than 1,000 loans each year



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Source: Authors’ analysis of Community Loan Center program data.

Note: Includes loans starting from 2019.

Developing an Employer Base Requires Time and Effort

Recruiting employers to participate in the program is not without challenges. Franchisees faced differing levels of difficulty getting employers to sign on. Some franchises have signed on one or two large employers initially to build a sustainable borrower base, while others have spread their nets wider from the start, signing on the most interested and willing employers of any size.

One franchise noted that small employers were easier to sign on than larger employers, which generally had more bureaucratic processes to navigate. Another franchise adapted its outreach strategy for larger employers by conducting more thorough up-front research to tailor their pitches and offering additional accommodations, such as taking on more administrative responsibilities, to increase the likelihood of securing commitment and ensuring the program integrates smoothly within their existing systems.

Across the board, franchisees noted the biggest recruitment challenge comes from convincing employers of the use case for the CLC Small Dollar Loan Program. Franchises report employers often naturally believe their employees do not need the program and that some employers feel defensive about the wages or other benefits they already offer. Other employers might not see it as their responsibility to help, or they might not understand that other credit options could be difficult for their

employees to access. Still others are open in theory but do not see this as a priority, given other responsibilities. In those cases, franchisees report engaging employers over time to keep the loan program in mind for when they are able to sign on. One franchise in a state where payday loans are outlawed noted that it can be hard to make the case for the program when the full extent of payday loans usage is not known, even if employees in those states might be taking out online payday loans from another state or turning to other high-cost sources of capital.

Recruiting employers takes time and persistent effort. Franchisees noted that it was essential to have staff time dedicated to recruiting employers. In many cases, it has taken months or years to get an employer to sign on to offer the program. Several franchisees described the employer outreach role as a sales job, which franchise staff members might not have experience with. For many, it has become a numbers game, requiring outreach to multiple employers before securing a single commitment—in some cases making it difficult to stay motivated in the face of repeated rejections.

The main thing we're looking for is that (1) [franchises] will make this one of the top three things that they need to do and (2) that their mission is to improve the financial lives of the people in their community. This can't be a second-rate thing that you're doing, because you won't succeed.

—Program administrator

Participating Employers Are Diverse

When choosing employers to recruit to their portfolios, franchises look for employers with relatively low employee turnover rates and with low to moderate wages. In particular, CLC encourages franchises to focus first on public-sector employers, such as school districts, cities, counties, and public housing authorities. Because loans are paid off through a payroll deduction, franchisees are looking to reach borrowers who have a generally lower likelihood of leaving the job during the loan term but who might need a small-dollar loan. Once a franchise establishes a foundation of stable public-sector partners, they might expand to smaller, less stable employers.

Beyond these first few employer traits, franchisees have few requirements for the employers in their portfolios. They recruit a wide variety of employers in terms of sector and size. They span the public and private sectors in such fields as government, health care, and construction trades. And indeed, employers range from small businesses with a couple dozen employees to health systems and metropolitan governments with nearly 20,000 employees. Some franchisees have had more success recruiting public and nonprofit organizations, which they attribute to those organizations' mission-

driven orientation and their being more likely to consider providing additional benefits or resources to employees. But other franchisees have had success with small for-profit businesses.

Most Employers Report Ease of Implementation

Once employers signed on to offer the program, many commented on the low-lift nature of running it. The biggest effort came early as they set up the payroll deduction in the organization's payroll system. But employers shared this was similar to other payroll deductions, such as health insurance or transportation benefits, and within their expertise.

Employers noted some benefits of offering the program. Some employers shared that offering this program reduces requests for payroll advances or withdrawals from retirement accounts, which can reduce administrative burden for human resources departments. Additionally, the program might result in higher employee satisfaction and retention. One franchise surveyed borrowers and found that more than 9 in 10 respondents reported that the program made them more likely to stay with their employer. Other employers shared that the program fits well with other financial well-being benefits, such as financial coaching, creating a well-rounded suite of financial resources available for employees.

It's a high-value program. It's easy to implement, it's easy to facilitate, and the money is funded within 24 to 48 hours, so it works for the people who need the money. It's been great; we've had nothing but good feedback from it.

—Participating employer

Franchisees sometimes receive pushback from human resources or payroll staff members at potential employers, who have the impression the program will be difficult or time consuming to set up. This is more common among small employers whose departments might have only one or two employees and might see any new administrative burden as a barrier. In these cases, franchises might have to spend more time with employers walking through program setup.

Once employers sign on and get the payroll deduction system set up, employers' primary ongoing responsibilities are verifying the identity and income information on employees' applications and reporting payroll deductions back to their franchisees. This is done all through CLC's proprietary software as a service system. They also need to notify franchisees if an employee with an outstanding balance leaves the employer, so that the franchise can recover the balance. Employers are not responsible for any outstanding balance in the case of employee separation.

Employers share information about the CLC Small Dollar Loan Program with their employees to varying degrees and in several ways. Most often, program information appears alongside the rest of the employers' benefits, via an intranet page, email newsletters, benefits fairs, orientation materials for new hires, presentations during open enrollment, and town hall meetings. Many might also invite the CLC franchise to present about the program, often annually. Some employers provide program information only by specific requests from employees, who might be inquiring about financial assistance such as a payroll advance.

But we also heard that beyond these steps, most employers do little to encourage employees to take out a CLC small-dollar loan. Employers and employees alike noted that the most common way for new borrowers to find out about the program was through word of mouth. Employees who previously used the program and had positive experiences spread the word to their coworkers.

When people are free of financial worry, they can do better at their job. It is just a load off.
—Participating employer

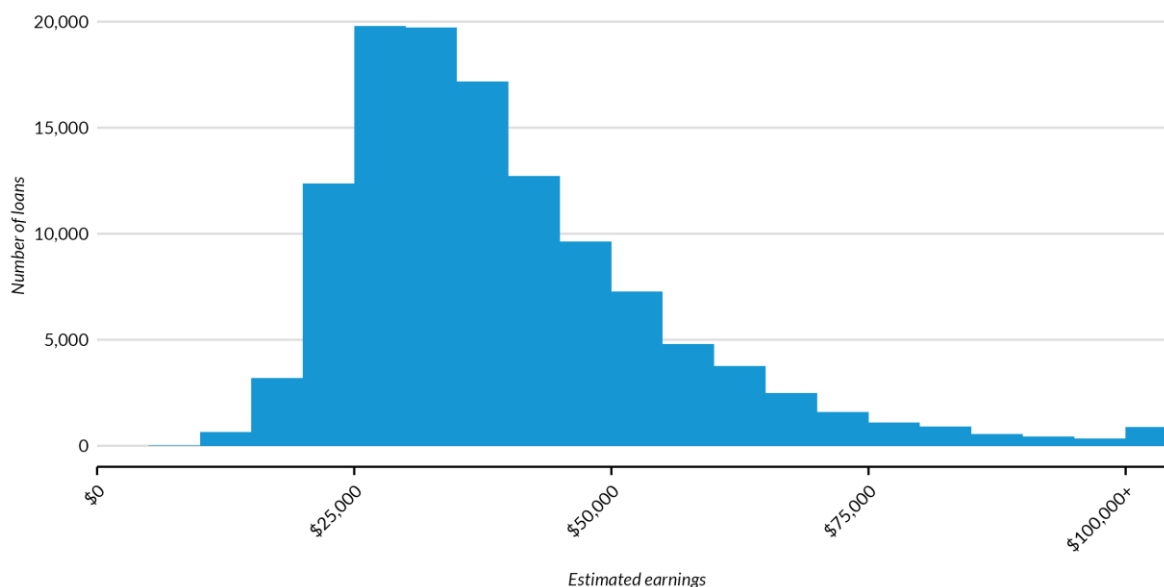
Who Uses the CLC Small Dollar Loan Program?

The CLC Small Dollar Loan Program has a diverse borrower base, owing to its broad availability to any qualified employee at a participating employer and no requirements for the nature of the need for a loan. This broad eligibility criterion aligns with the program's goal of providing an accessible, low-cost borrowing option for employees across various financial situations. Some employers report that their hourly, low-wage workers are more common applicants; others report seeing borrowers across the income spectrum. Most loans were issued to borrowers who earn less than \$50,000 annually, and less than 4 percent of loans went to borrowers with average annual incomes above \$75,000 (figure 3).

FIGURE 3

Loan Amounts, by Borrowers' Estimated Earnings

Borrower annual earnings are diverse, but most loans go to borrowers making less than \$50,000



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Source: Authors' analysis of Community Loan Center program data.

Notes: Outliers under \$100 and above \$250,000 were removed. Data for estimated earnings were provided for only a sample of borrowers. Earnings are estimated at the time of loan.

The program's geographic reach is highly concentrated in Texas, with nearly 88 percent of loans issued to borrowers residing in the state. The program serves a diverse range of borrowers in terms of race and ethnicity: 40 percent of loans were issued to Hispanic or Latino borrowers, 18 percent were issued to Black non-Hispanic borrowers, and 8 percent were issued to white non-Hispanic borrowers, with 1 percent or less going to borrowers who were two or more races, American Indian, Alaska Native, Native Hawaiian, Pacific Islander, or Asian. (Roughly one-quarter of loans did not have information on the borrower's race or ethnicity.) Borrowers are also more likely to be women: 60 percent of loans went to women. In addition, 44 percent of loans went to borrowers who rented their homes.

Table 1 presents borrowers' financial characteristics before receiving a loan. Almost all borrowers are credit visible with an existing credit history. Their credit scores are 590 at the average and 585 at the median. In the US overall, 82 percent of adults have a credit card (Board of Governors of the Federal Reserve System 2024), but only 58 percent of CLC borrowers had one. And of those who did, their utilization (debt relative to credit limit) averaged 66 percent. Many borrowers had some experience with other loan types. Nearly half had an auto loan, and about a third had an installment loan and student loan, respectively. Only 13 percent had mortgage balances. Two-thirds of borrowers had debt in collections, and 1 in 10 borrowers had an active credit account that is delinquent; those delinquent debt levels were \$2,765 at the median and \$15,445 on average.

TABLE 1

Baseline Borrower Credit

Credit attribute	Share with account or attribute	Mean (among those with)	Median (among those with)
Credit visible	96%		
Credit score	96%	590	585
Balance on all open credit accounts	83%	\$55,371	\$25,973
Balance on all open credit accounts without mortgage	82%	\$33,531	\$21,850
Mortgage balance	13%	\$140,250	\$120,631
Auto loan balance	49%	\$24,364	\$19,739
Student loan balance	30%	\$34,995	\$19,999
Installment loan balance	33%	\$7,024	\$2,947
Credit card balance	58%	\$4,402	\$2,051
Utilization rate on credit cards	57%	66%	68%
Number of debts in collections	66%	3.6	3
Number of delinquent accounts	21%	1.7	1
Balance on all delinquent accounts	10%	\$15,445	\$2,765

Source: Authors' analysis of borrower credit attributes.

Notes: Includes credit attributes for 7,636 borrowers who received their first loan between December 2021 and October 2023.

We define a loan as a "first" loan if the borrower did not receive a previous loan between January 2019 and November 2021.

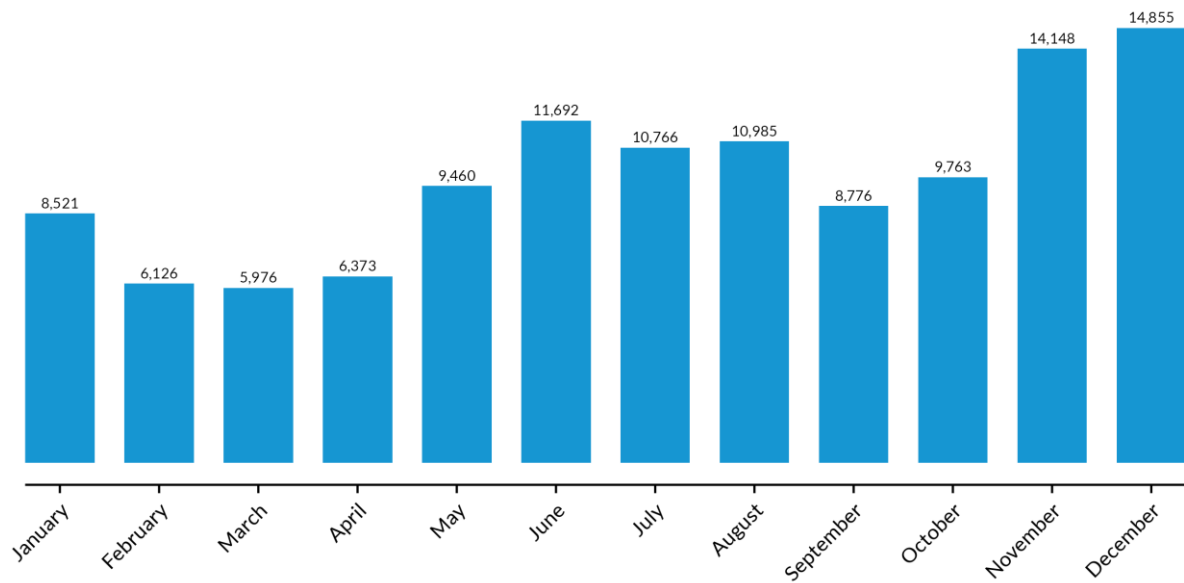
Means and medians are calculated among those with that type of attribute.

Borrowers Seek Loans to Serve a Variety of Needs

Borrowers do not need to disclose their use of the loan to be approved, which is a hallmark feature of the program that makes it easy to access. But based on interviews with employees, employers, and franchisees, borrowers use the loan program for a broad range of reasons. Although some borrowers face unexpected emergencies or crises, a significant portion use the loans to manage routine financial pressures or to bridge gaps in their regular expenses. Common reasons for borrowing included addressing housing needs (e.g., rental and utility costs), handling transportation issues (e.g., car repairs), meeting other basic living expenses, managing financial emergencies, covering back-to-school or other child-related expenses, travel and entertainment, and funding gifts and celebrations for birthdays and holidays. The diverse range of borrowing purposes underscores the program's role in providing financial relief to employees facing economic pressures.

There is a clear seasonality to the small-dollar borrowing under the program (figure 4). Lending levels are lowest in the first third of the year, when many people have received tax refunds and have more savings. Borrowing increases over the summer as many consumers incur travel, entertainment, and back-to-school expenses, before dipping in the fall. Lending levels are highest in November and December, reflecting hosting, travel, holiday, and other end-of-year expenses. Of course, family and financial circumstances can change at any time during the year. This means the program is used year-round for a variety of reasons.

FIGURE 4
Total Number of Loans, by Month, 2015–23
Program use increases during the summer and the holiday season



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Source: Authors' analysis of Community Loan Center program data.

Reborrowing and Repayment

Many Borrowers Borrow More Than Once

A unique feature of the small-dollar loan program is that borrowers can reborrow up to the \$1,000 limit once they have paid off half their outstanding debt. For example, if a borrower took out \$1,000 and paid off \$500, they could reborrow that \$500.

Although some borrowers access the program only once in the face of a specific need, many others access it more than once, sometimes regularly. On average, employees took out 3 loans (median of 2) over the study period, while some repeat borrowers took out as many as 10 to 20 loans. But repeat borrowing rates are not as high as other employer-partnered earned wage products. For example, the average worker who used earned wage products had 27 earned wage transactions per year.⁹

Some employees noted that they use the reborrowing feature to meet regular financial constraints (e.g., taking out \$1,000 around the holidays) and reborrowing the balance during the summer for back-to-school supplies, once they have paid off half the initial loan. The prevalence of repeat borrowing suggests employees might be facing ongoing economic challenges, such as insufficient income. But it might also reflect a comfort with accessing credit via the program.

Being a single parent, [this program is] life changing. I work all the time, and the prices for everything are going up. It's hard to factor in school supplies, Christmas, birthdays, holidays.... When you're in a bind, [the CLC Small Dollar Loan Program] gets you out of that bind.

—Participating borrower

Repayments Are Typically Made over 12 Months

In an analysis of borrower repayment patterns, we find minimal variation in time to repayment across employees, regardless of loan type (a new loan or a reborrow). Most borrowers who do not reborrow took the full 12 months of the loan term to repay their loan. This is likely driven by the program's payroll deduction feature. By design, the loan is set up to be repaid passively over one year with an approximately \$40 deduction from the borrower's paycheck each pay period (if payments are made biweekly). This means that if borrowers want to pay off the loan faster, they need to reach out to their franchise to make additional payments. Employees who were interviewed noted that the automatic nature of the repayment was one of the program's appealing features. But some borrowers were able to repay their loans in as little as six months, indicating at least some borrowers repay their loans more quickly than required.

This has been a life saver for a lot of people that I work with that use it because it's so easy and it's quick and you're not denied based on your credit rating or whatever else because it's coming out of your paycheck.

—Participating borrower

Loan Performance

Franchises reported that delinquencies are generally not a major issue, likely because of the paycheck deduction structure of repayment—once it is set up, payments are made automatically. Most delinquencies are driven by employment separation. If an employee quits or is fired with an outstanding loan balance, it is the burden of the franchise, not the employer, to track them down for repayment. To help manage this risk, the loan servicer, RGVMB, seeks authorization from the borrower at loan origination to initiate an electronic funds transfer from borrowers' personal bank accounts in the event of job separation.

Charge-offs occur when a loan is 120 days past due, at which point the loan is written off as a loss. The total charge-off rate for the CLC Small Dollar Loan Program over the study period stands at 6.2 percent, with most franchises seeing rates between 3 and 10 percent.¹⁰ Most cases of delinquency or charge-offs occur during employment separation. Since 2018, the number of charge-offs has remained relatively stable, despite changes in loan volume, hovering at approximately 1,000 each year.

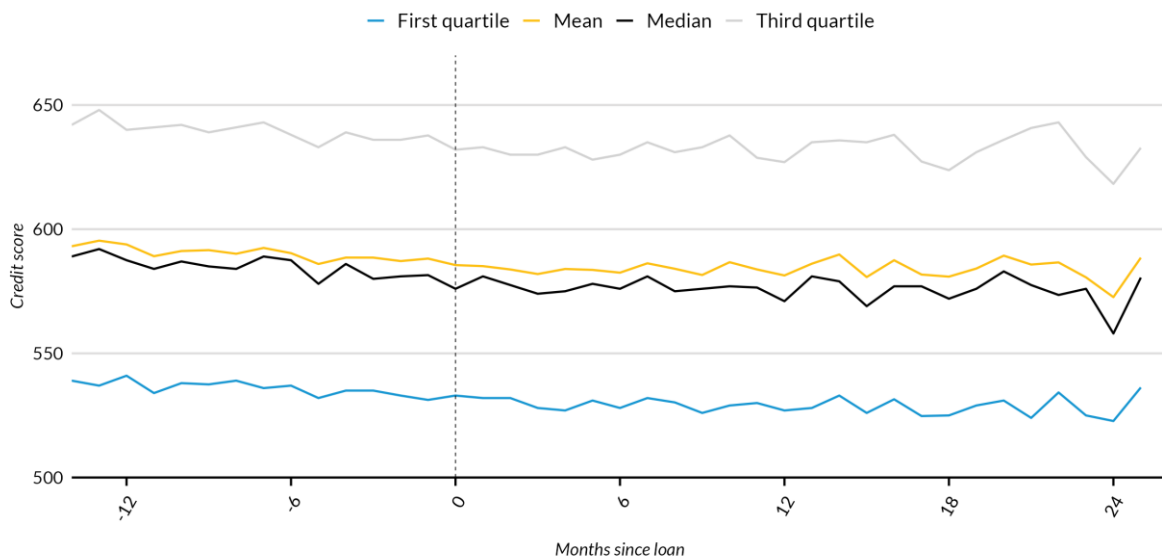
Borrower Credit Rating

To better understand the impact of these small-dollar loans on borrowers' financial health, we looked at their credit attributes over the two-year period following their loan. (Although it is not required, CLC franchises can report payments on these small-dollar loans to credit bureaus.)

Generally, credit scores remained steady for borrowers in the months after receiving a small-dollar loan (figure 5). Many borrowers saw their scores decrease in the year before they received the loan. This might reflect a financial challenge or even a crisis that motivates borrowers seeking the CLC loan.

FIGURE 5
Borrower Credit Scores, by Time since Loan Receipt

Borrower credit scores remained steady after receiving a loan



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Source: Authors' analysis of Community Loan Center program data and borrower credit attributes.

Notes: Includes credit attributes for 7,636 borrowers who received their first loan between December 2021 and October 2023. We define a loan as a "first" loan if the borrower did not receive a previous loan between January 2019 and November 2021.

Other credit attributes also remained relatively steady over the pre-loan period (table 2). There was a modest increase in credit card balance and credit utilization (from an average of 66 percent and

median of 68 percent to an average of 72 percent and a median of 78 percent). This could indicate that borrowers relied on some level of credit beyond what the \$1,000 CLC loan can provide.

Total balances on open credit accounts increased over time, though increases were less sizable after removing mortgages. Auto and student loans remained relatively stable, while installment loan balances dropped immediately after the CLC loan but then returned to pre-loan levels after two years, indicating that the CLC loan might have temporarily replaced the need for installment loans for some borrowers. Delinquent balances saw increases over the study period, though the average number of debts in collections decreased.

TABLE 2
Borrower Credit Attributes over Time

Average attributes, with medians in parenthesis

Credit attribute	Pre-loan	Post-loan 1	Post-loan 2	Post-loan 3	Post-loan 4
Credit visible	96%	98%	98%	98%	99%
Credit score	590 (585)	584 (577)	585 (577)	583 (575)	583 (573)
Balance on all open credit accounts	\$55,371 (\$25,973)	\$55,868 (\$26,535)	\$56,526 (\$26,173)	\$58,268 (\$27,087)	\$63,133 (\$28,231)
Balance on all open credit accounts without mortgage	\$33,531 (\$21,850)	\$33,181 (\$22,464)	\$32,678 (\$21,999)	\$33,197 (\$23,014)	\$34,781 (\$23,944)
Mortgage balance	\$140,250 (\$120,631)	\$146,634 (\$125,864)	\$152,850 (\$137,157)	\$156,368 (\$141,171)	\$162,925 (\$151,409)
Auto loan balance	\$24,364 (\$19,739)	\$25,323 (\$21,111)	\$25,446 (\$21,362)	\$25,762 (\$21,638)	\$26,223 (\$22,124)
Student loan balance	\$34,995 (\$19,999)	\$35,084 (\$20,460)	\$34,624 (\$20,360)	\$35,511 (\$20,916)	\$33,381 (\$20,908)
Installment loan balance	\$7,024 (\$2,947)	\$5,699 (\$1,607)	\$5,719 (\$1,842)	\$6,439 (\$2,482)	\$7,262 (\$2,652)
Credit card balance	\$4,402 (\$2,051)	\$4,835 (\$2,337)	\$4,761 (\$2,247)	\$4,717 (\$2,187)	\$4,981 (\$2,119)
Utilization rate on credit card	66% (68%)	72% (78%)	71% (75%)	70% (76%)	72% (78%)
Number of debts in collections	3.63 (3)	3.12 (2)	3.03 (2)	2.96 (2)	2.83 (2)
Number of delinquent accounts	1.73 (1)	1.98 (1)	1.91 (1)	1.92 (1)	1.99 (1)
Balance on all delinquent accounts	\$15,445 (\$2,765)	\$18,515 (\$3,513)	\$19,017 (\$4,583)	\$21,184 (\$3,661)	\$20,425 (\$3,518)

Source: Authors' analysis of borrower credit attributes.

Notes: Includes credit attributes for 7,636 borrowers who received their first loan between December 2021 and October 2023. We define a loan as a "first" loan if the borrower did not receive a previous loan between January 2019 and November 2021. The pre-loan period is defined as 4 to 9 months before the loan, post-loan 1 is 4 to 9 months after the loan, post-loan 2 is 10 to 15 months after the loan, post-loan 3 is 16 to 21 months after the loan, and post-loan 4 is 22 to 26 months after the loan. Means and medians are calculated among borrowers with that type of attribute.

Overall, these results suggest that the small-dollar loan program's direct benefit might be in helping people navigate a financially challenging period. Most borrowers did not see large improvements in credit outcomes in the two years following their loan, but they also did not find themselves in a substantially worse situation. This might suggest that this program is helping borrowers stay afloat. This tracks with anecdotal evidence from borrowers, many of whom mentioned that the program helped

them get through sticky financial situations without needing to resort to more expensive forms of credit, such as payday loans. Although direct impacts on credit outcomes might be modest, program staff members see the small-dollar loans as a solution for improving borrowers' financial stability and helping them avoid other, more costly forms of capital that can lead to negative credit impacts.

We understand it's not the magic bullet for everybody, and probably not even for all of our borrowers, but it's certainly better than the alternative.

—Program administrator

Recommendations

In considering recommendations that would strengthen the CLC Small Dollar Loan Program, interviewees suggested potential technology changes, amendments to the loan product, and the need for greater advocacy around alternative loan products.

Systems and Technology

The CLC Small Dollar Loan Program's effectiveness relies on the usability of several banking and reporting platforms, and franchisees, employers, and employees alike pointed out opportunities for improvement.

- **An upgraded interface.** Franchisees cite other financial technology services with sleek, visually appealing, and user-friendly interfaces—such as apps that allow users to check balances on the go—that have set the standard for what users expect in their financial experiences. A user-friendly interface that allows borrowers to check their balances and repayment schedules without going through their employer or franchise might lead to higher engagement rates and fewer borrower pain points.
- **Streamlined marketing and branding.** Enhanced user platforms could offer an increased ability for franchisees to streamline marketing and branding strategies. This would allow for consistent language to be used across geographies and play a role in strengthening interfranchise relationships. At the same time, some franchises pointed out the need to keep their unique brands visible alongside the CLC brand because they are already recognized and trusted in their communities.
- **Universal credit reporting.** It is encouraged, but not required, for CLC franchises to report small-dollar loan activity to credit bureaus; about a quarter of franchises currently do such reporting. Universal credit reporting across all franchises could help borrowers, who, on

average, have challenged credit, build their credit score and repayment history. But franchises might face costs or technical challenges associated with reporting.

- **Automated program management and reports.** Most employers verify employment and confirm payroll deductions to their franchises by hand. Streamlining this process by enabling more automated reporting could improve efficiency and ease of program implementation.

Raising the Borrowing Limit

Some franchisees, employers, and employees previously expressed a desire to raise the borrowing limit above \$1,000, citing several factors:

- economic pressures, such as increasing inflation, rent, and insurance costs, mean that \$1,000 might not be as impactful as it was at the program's start
- the potential for increased engagement, particularly among high-income borrowers
- opportunity for more substantial benefit for employees' financial lives

At the time interviews were conducted, some franchisees mentioned \$1,500, \$2,000, or even \$3,000 as viable new limits. In response to borrower and franchisee feedback, franchises are now permitted to raise the borrowing limit to \$2,000. As of 2025, a few franchises have explored this option, but other franchises, employers, and borrowers have expressed concerns about raising the limit—primarily because of franchise cash flow constraints and concerns that it might stretch borrowers' repayment capacity. To alleviate the repayment burden of a higher limit, interviewees suggested extending the repayment term to 18 or 24 months or implementing a tiered system in which only borrowers with a proven repayment history on a \$1,000 loan qualify for higher limits. Although a tiered system presents implementation challenges, it offers a more nuanced approach to risk management.

Integrating Supports

Recognizing that small-dollar loans alone will not advance employees' financial well-being, CLC franchises are required to offer financial coaching themselves or in partnership with organizations that offer counseling. Some franchises are still experimenting with how best to integrate the program with financial coaching and other services, such as companion emergency savings programs. But many noted a desire to take a more comprehensive approach to financial well-being, aiming to address the root causes of financial instability and provide sustained benefits. Franchises should continue to consider how best to support CLC borrowers and learn from successes and lessons from other franchises.

Conclusion

The CLC Small Dollar Loan Program helps borrowers facing credit challenges. Employees frequently cite the program's ease of use, lack of credit score requirement, and automatic payments through payroll deductions as attractive qualities that make the program stand out against payday loans and

other alternatives. The high frequency of repeat borrowers also exemplifies the need for the program and highlights its potential to replace more-expensive products when borrowers have a small-dollar credit need.

The CLC Small Dollar Loan Program’s franchise and employer-based model has faced some challenges—namely, in its ability to recruit franchises and employers—where offered, but it has largely seen strong take-up and strong loan performance. The program enables local lenders to operate a turnkey program in their own community, bringing in their understanding of community context and the local employer landscape. And by running the program as an employer-based benefit, lenders can reduce their risk by taking on borrowers who have low credit scores but steady employment.

Although direct credit outcomes have been modest, program staff members see the small-dollar loan not as a silver-bullet solution for low wages but as a low-cost source of liquidity that provides flexibility in a time of need and can help workers avoid wealth-stripping high-cost loans. And indeed, many borrowers have used the small-dollar loan to maintain their financial stability, successfully managing loan repayment when unexpected or emergency costs come up. A small-dollar loan does not transform low- and moderate-income workers into high-income or high-wealth individuals, but it can help them manage their cash flow needs. And this might help not only with financial needs but reduce stress and provide a better sense of power over one’s financial life.

Ultimately, the CLC Small Dollar Loan Program provides a compelling example of how to get much-needed small-dollar credit to new borrowers. With additional public-sector or philanthropic support, the program can continue to cover the start-up costs of expanding to new markets and thereby help affordably priced capital reach communities across the US.

I think the bottom line is that the folks that engage in this program, as opposed to, you know, payday loans or title loans or any type of predatory loan, are going to come out ahead with more money in their pockets and less debt.

—Participating employer

Notes

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About the Authors

Brett Theodos is the practice area lead for mission finance and community and economic development at the Urban Institute.

Iliana Mitra is a research analyst at the Urban Institute.

Amanda Hermans is a research associate at the Urban Institute.

Miranda Santillo is a policy program manager at the Urban Institute.

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500 L'Enfant Plaza SW
Washington, DC 20024
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