

PROMISING PRACTICES



Program proves to be a 'goodChoice' for individuals in financial crisis

Many economically at-risk families rely on high-cost, short-term loans to get by, according to the University of Virginia's Weldon Cooper Center for Public Service. The [Undermining Economic Security: Use of Alternative Financial Services in Virginia](#) study found that more than 40 percent of the state's households that used short-term loan services—such as payday lenders, pawnshops, and similar financial services—did so to meet basic living expenses.

"Most families are already in or near financial crisis when they turn to these products," the study's author, Rebecca Tippet, said. "While alternative financial services may help families address immediate financial crises, the cost of using these products can result in large financial losses or recurring cycles of need."

To help break the cycle that traps borrowers into repeated reliance on payday lenders, [Goodwill, Serving Hampton Roads and Central Virginia](#) partnered with St. James's Episcopal Church of Richmond and the Virginia Credit Union to create the goodChoice program.

For many years, Goodwill, Serving Hampton Roads and Central Virginia (formerly Goodwill Industries of Central Virginia) had been in the business of helping individuals with barriers to employment gain the job training and support they need for successful employment. The organization, which serves 39 cities and counties throughout Hampton Roads and Central Virginia, recognized a pressing need to assist its clients—many with credit issues that precluded them from obtaining more

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Volume 7, Issue 9
November 2012

About the ECS Promising Practices newsletter series

An organization receiving exemplary recognition in its CARF survey report stands out because of its professional and strategic response to a service or business need. CARF presents these ECS Promising Practices articles to encourage dialogue among service providers and to offer examples of creative solutions for improving service quality.

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Issues are categorized by topic: Business Practices, Community Services, and Employment Services.

traditional types of personal loans—in managing their earnings.

The goodChoice program provides borrowers with a short-term loan that mirrors many of the appealing features of a payday loan but with important distinctions to help borrowers transition from a dependency on predatory lending:

- goodChoice loan fees are about half of a leading payday loan company's charges.
- The goodChoice loan term can be up to 45 days, three times longer than a typical payday loan.
- goodChoice borrowers are offered financial education to help them gain financial skills and access to more traditional, lower cost lending products. The financial education program includes six hours of coursework supplemented by one-on-one sessions with a financial coach. Successful completion of the program qualifies borrowers for an incentive grant to reduce their debt. Most important, borrowers acquire fundamental skills needed to better manage their finances in the future.

A recent [CARF](#) survey report observed, "By recognizing the growing hold that predatory lenders have on people with limited successful credit experience, Goodwill is commended for bringing this conversation to the forefront and offering a healthy and positive choice for people who find themselves in a short-term financial bind."

In less than a year and a half, the goodChoice program has served more than 900 customers with a loan, and more than 275 individuals have participated in the financial education program. To date, 77 percent of the borrowers who completed the education program no longer use a traditional payday lender.

Individuals who participate in the goodChoice program become more responsible in their spending and less dependent on payday lending.



Above: A mother and her daughter participate in the goodChoice program at Goodwill, Serving Hampton Roads and Central Virginia.

For more information about the goodChoice program, contact Rachel Shultz, program manager at Goodwill, Serving Hampton Roads and Central Virginia, (804) 971-1379. The organization's website is at www.goodwillvirginia.org, including highlights of the [goodChoice program \(PDF\)](#).

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