Income Advance: From My Business to Yours

As a business owner, I understand the power of business and its potential for social impact – and the link between employee wellbeing and business success. I also understand the challenges of implementing sound workplace practices that both effectively address employees' financial needs and work efficiently for HR and Finance. Finally, I get the undeniable importance of the bottom line.

At Rhino Foods, we were losing some of our best people because of something as simple as a car breaking down with a $500 repair bill that they couldn’t afford, creating absentee problems, and ultimately leading to their dismissal. Like many business owners, I took an ad-hoc approach to helping employees in financial jams, lending money when I could on a discretionary basis. It wasn’t until I attended an event hosted by our local United Way in 2007 that I fully began to understand the lack of good options my employees had when they encountered a financial emergency. That’s when I decided to do something about it. We co-created the Income Advance program with North Country Federal Credit Union and since then, the program has helped over 1,000 Rhino Foods employees access approximately $1,000,000 in emergency funding, build credit, and start saving for the future.

Meanwhile, productivity and employee retention have increased, and the business has grown to a point where it’s now widely recognized as a prime example of how an employee-centered business can succeed both financially and as a force for good. Income Advance is the simplest thing you can do for the biggest return for your employees and your business.

The Rhino Foods Foundation has prepared this guide to help you and your employees share in these gains. If there is any other way we can support you along your journey, please don’t hesitate to reach out.

Ted Castle
President, Rhino Foods & Rhino Foods Foundation

What is Income Advance?

Income Advance provides employees with easy access to an emergency loan when they encounter unexpected difficulties. Rather than running a credit check, the key data point used to underwrite these emergency small dollar loans is the borrower’s stable employment. As a result, these loans are often referred to as Employer Sponsored Small Dollar Loans (ESSDL). While the ESSDL is the cornerstone of the Income Advance program, not all ESSDLs meet what the Rhino Foods Foundation considers the minimum standards of a good Income Advance program. Income Advance loans should
get emergency funds to an employee within 24 hours, are paid back via payroll deduction, have an interest rate of 20% or less, a loan maximum of $2000, and a payback period of at least 6 months. A gold standard program also includes a mechanism through which payroll deductions continue into a savings account after the loan is paid off, so long as the borrower does not opt out.

Income Advance helps employees build credit and encourages savings for the long-term. For employers, Income Advance provides a solution to a real and practical employee need and supports productivity and retention of your greatest asset: your employees. Income Advance can also strengthen employee engagement. When paired with other benefits at your organization, it can enhance your culture and management practices.

**Getting Started**

This guide is designed to walk you and your business through the process of establishing Income Advance for the employees of your organization. In this guide you will learn how to:

- Understand the value of Income Advance and be able to articulate the goals of the program.
- Collaborate with employees to understand their distinct needs and determine how you will adapt your program to cater to those needs.
- Identify, approach, and build a partnership with a financial institution.
- Activate your Income Advance program utilizing what you learned from collaborating with stakeholders.
- Gather feedback from your employees and brainstorm how you can build on the program.
PHASE 1: ENGAGE YOUR STAKEHOLDERS

In this phase, you'll get ready to pitch key stakeholders and decision-makers inside and outside your organization. You'll make your value proposition clear to company leadership, learn how to engage and partner with a financial institution, think through the details and terms of loans, create a plan for engaging employees, and customize Income Advance to your business.

**Leadership**

- Map the stakeholders from whom you’ll need buy-in and any internal approval processes that you will need to navigate.
- Consider the interests and concerns of your stakeholders and tailor the pitch to these stakeholders.
- Determine who will spearhead Income Advance at your organization to drive implementation forward.

**The seven-point pitch for Income Advance**

1. There’s a need in our company: It’s why people are late. It’s why good employees end up leaving. It’s why they don’t bring their best selves to work. It’s the quiet enemy: financial distress.
2. We’re already trying to address it in informal ways.
3. We can do more.
4. We can empower employees to create stability in their lives.
5. Meet urgent needs practically.
6. It’s better for employees:
   - It’s a friendlier loan (interest and loan repayment terms) than payday lending and is provided by a community-focused financial institution.
   - Employees will be able to access cash the same day. It’s easy to set up and simply deducts from their future paychecks.
   - It helps them build credit and improves their credit score.
   - When employees repay the loan, payments automatically convert to deductions to a savings account, so they have resources for future emergencies and retirement.
7. It’s better for employers:
   - Income Advance is easy and inexpensive to set up.
   - These loans are made through a local financial institution rather than the employer carrying the financial and operational burden of executing the loan, providing support, and ensuring repayment. It also reduces administrative issues and costs for payroll advances or loans.
Questions to be Prepared to Answer:

Why should we consider offering this benefit to our employees?

- The desire for long-term financial wellness is one of the key reasons people show up for work each day.
- According to the 2022 PwC employee financial wellness survey:
  - 56% of employees are stressed about their finances.
  - Retention: Financially stressed employees are twice as likely to look for a new job and 76% of employees who are stressed about their finances are attracted to another company because they believe that employer would care more about their financial well-being.
  - Mental Health: Among financially stressed employees, 49% said that money worries had a severe or major impact on their mental health in the past year. This has the potential to directly impact the employer’s bottom line in key areas like productivity, retention, attendance, and overall engagement.
  - Productivity: 76% of stressed employees say financial worries have had a negative impact on their productivity and 25% of this group say the impact has been severe or major. 55% of stressed employees who are distracted by their finances at work spend three or more hours each week at work dealing with their finances.

We pay our employees the market rate, what makes you think we need this program?

- The rising cost of living coupled with inflation has made it difficult for many Americans across income brackets to cover basic costs of living and prepare for unexpected expenses. These trends continue to disproportionately impact communities of color.
- A June 2022 study conducted by PYMNTS.com found that 33% of consumers earning less than $50,000 and 17% of consumers earning between $50,000 and $100,000 were living paycheck to paycheck with issues paying their monthly bills.
- According to the same study, pay-check-to-paycheck consumers with issues paying their bills saw their average amount in savings cut by nearly half in the past year.
- The Federal Reserve Board’s 2021 Survey of Household Economics and Decision making (SHED) found 32% of adults could not cover a $400 emergency expense exclusively using cash or its equivalent and 20% of adults had major, unexpected medical expenses in the prior 12 months, with the median amount between $1,000 and $1,999.

What does it mean to be Low or Moderate Income (LMI)?

- An LMI person is defined as a person in a family or an individual with annual income equal to or less than 80% of an area’s median family income adjusted for household size.
- Research conducted by the Brookings Institute in 2019 found that LMI households are more likely to report extremely low levels of financial well-being while the general population was more likely to report moderately high financial wellbeing.
- LMI jobs in the United States include carpenter, elementary school teacher, event planner, farmer, graphic designer, hairstylist, home health aide, human resources administrator, HVAC technician, IT support specialist, line cook, manufacturing worker, mason, nanny, office manager, preschool director, restaurant manager, retail sales associate, social worker, staff accountant, and warehouse associate.
How much will Income Advance cost our business?

- The cost will depend upon the arrangement with your financial institution partner.
- Many financial institutions offer the program to employers for free or charge a small fee between $150-$200 annually.

Will the business have any financial responsibility for the loans?

- No! The financial risk associated with offering the loan is held by the lending partner. Your role as the employer is simply to facilitate the relationship between your employees and the financial institution and confirm the prospective borrower’s income and that they are an employee in good standing.

How much company time and human resources will it take to implement the program?

- Someone at your organization should coordinate setting up Income Advance. The coordinator works with multiple stakeholders in the organization and understands the various roles to move them forward quickly through the process.
- Once the program is up and running, there should be a point person, likely in HR, who serves as the operational backbone of the program, fielding requesting and submitting applications. This should not be a significant portion of this person’s job responsibilities and should instead alleviate time formally spent issuing paychecks off schedule or internal loans.

How will we know that the funds are being used appropriately?

- Income Advance is about trust. That means that there needs to be trust that employees will use loans to support their financial wellness in ways that best serve their needs.
- The Filene Research Institute conducted a feasibility study examining employee sponsored small dollar loans and found a 2-3% loss rate for banks, meaning very few employees defaulted on loans.
- Supporting employees with financial counseling and education is a best practice that employers often pursue in addition to offering Income Advance.
How will Income Advance complement existing benefits?

- Financial wellness involves many aspects of an employee’s financial life. But it’s hard to do long-term financial planning when there’s an emergency in front of you. That’s why Income Advance is a bridge to other, integrative financial wellness programs.

Why not just continue issuing small dollar loans through payroll advances or internal loans?

- According to the Consumer Financial Protection Bureau (CFPB), approximately 10% of American adults are “credit invisible”, meaning they have no credit history. Data released by FICO in 2019 revealed that an additional 11% of the U.S. population has a credit score ranging between 300 and 549. Partnering with a financial institution allows employees to access and build credit, accumulate savings, and cultivate a relationship with a bank through their loan, some for the first time.

- From an employer’s perspective, the partnership lifts weight off your shoulders in terms of capacity, administrative work, and liability. A financial institution partner will manage the operational responsibilities of lending, including processing the loan, managing, and transferring funds, and managing and tracking repayment. The financial institution also assumes the risk of loan default and financial losses.

Why are the interest rates so high? Is this really a better product than what our employees might otherwise have access to?

- The Rhino Foods Foundation advocates that the interest rate for an Income Advance or ESSDL loan is capped at 20%. This will probably feel too high to anyone that has access to mainstream loan products through a bank or other financial institution, but it is important to give these numbers a bit of context. The first concept to be clear on is APR or Annual Percentage Rate. APR is communicated as a percentage and includes interest but also includes any fees or additional costs associated with the loan. APR is the actual yearly cost of the funds over the term of the loan and therefore a critical tool in comparing loan products and lenders. It is important to note that APR does not take compounding into account.

- Someone with very good or excellent credit can expect to pay somewhere between 6% and 9% APR on a personal loan. The same individual could expect a fixed APR of roughly 5% for an auto loan and 6.5% for a 15-year fixed mortgage. In this context, interest rates of 20% do seem unusually high – even predatory but it is important to consider three critically important factors: 1) the size of the loan, 2) the term of the loan, and 3) the other available options.

- First, let’s look at the size and term of the loan.

<table>
<thead>
<tr>
<th>Loan Purpose</th>
<th>Loan Amount</th>
<th>APR</th>
<th>Loan Term</th>
<th>Total Cost of Loan Over Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage</td>
<td>$250,000</td>
<td>6.5%</td>
<td>15 years</td>
<td>$141,998.31</td>
</tr>
<tr>
<td>Car Loan</td>
<td>$30,000</td>
<td>5%</td>
<td>5 years</td>
<td>$3,968.22</td>
</tr>
<tr>
<td>Personal Loan</td>
<td>$1,000</td>
<td>6%</td>
<td>1 year</td>
<td>$32.80</td>
</tr>
<tr>
<td>Income Advance Loan</td>
<td>$1,000</td>
<td>20%</td>
<td>1 year</td>
<td>$111.61</td>
</tr>
</tbody>
</table>

From the above table you’ll note that the loan principal amount and term are central to contextualizing the loan APR. Despite having an APR 400% higher than a car loan, the actual cost of the income advance loan is approximately 3% of the actual annual cost of the student loan.

- Despite the relatively low cost of the Income Advance loan at an APR of 20% as opposed to a car loan at an APR of 5%, the cost of an Income Advance loan is still higher than what a person with good credit can
expect to pay. With that said, the other important consideration is the other available options to someone who has no credit or low credit. The table below illustrates the difference.

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Loan Amount</th>
<th>APR</th>
<th>Loan Term</th>
<th>Total Cost of Loan Over Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payday Loan</td>
<td>$500</td>
<td>391%</td>
<td>2 weeks</td>
<td>$162.92</td>
</tr>
<tr>
<td>Income Advance Loan</td>
<td>$500</td>
<td>20%</td>
<td>6 months</td>
<td>$29.57</td>
</tr>
</tbody>
</table>

- It is also important to note that consumer groups cap interest rates at 36% as a rate that is feasible for lending institutions and not usurious. Income Advance loans fall well below this cap while payday loans far exceed it.

**Will we have to establish a relationship with a new financial institution?**
- Potentially. Despite the benefits, not every financial institution will be interested in offering Income Advance. The financial institutions that will likely want to explore this with you are credit unions, socially responsible banks, and community banks that are committed to sustaining low and affordable interest rates.
- Another important factor to consider may be physical proximity. You can work with a bank to consider the needs of your employees to determine if banking in person, online, or a combination of both methods will work best.
- You can also consider working with a FinTech provider to facilitate a tech-based relationship between your employees and a lending institution. There are a few platforms out there currently providing access to ESSDLs although FinTech solutions do fall short of achieving the gold standard Income Advance model.

**How long will it take to implement the program?**
- Income Advance can be set up in as little as one month!
- The amount of time it takes you to get up and running will depend on the complexity of your internal approval processes and the financial institution you partner with. If your business has an existing relationship with a progressive credit union, moving forward can take a matter of weeks. If you need to identify a lending partner and pitch the concept, how long it takes to move forward will depend in part on their availability and interest.
Financial Partner

☐ Determine if your company’s current financial institution offers employer-sponsored small-dollar loans or if offering such a program is aligned with their mission. If not, scan local financial institutions to assess if any are already offering such a program or may be interested in doing so based on their stated mission.

☐ Identify a target lending partner based on this initial assessment.

☐ Assess if it makes sense to approach this financial institution as an individual employer or with a coalition of other interested local businesses.

☐ Present Income Advance to the target financial institution if they are not already active providers and confirm their commitment.

☐ Begin a discussion on loan terms that make sense for the lender, employees, and your local regulatory environment.

☐ Determine if it makes sense to work with a local financial institution like a credit union or to pursue a FinTech solution.

Banks, Community Banks, and Credit Unions – What’s the difference and does it matter?

As you explore partnership opportunities with a lender, you might find yourself asking these questions.

At its simplest level, a bank is a financial institution that is licensed to accept checking and savings deposits and make loans. Banks provide a safe place for consumers and business owners to keep their money and a source of loans for personal and business uses. In turn, the banks use the cash that is deposited to make loans and collect interest on them. Banks can also provide related services such as individual retirement accounts (IRAs), certificates of deposit (CDs), currency exchange, and safe deposit boxes. The banks you typically encounter are retail banks and commercial banks. Retail banks offer their services to the public whereas commercial or corporate banks tailor their services to business clients – larger commercial banks often offer retail services as well.

There is not a consensus definition of what a “community bank” refers to. Instead, it is an informal designation for a traditional bank, often smaller, that does business in a specific geographic area. Community banks are typically locally owned and managed and tend to emphasize relationships when making lending decisions rather than focusing exclusively on qualitative data like credit scores and income.

Most current ESSDL providers are credit unions. Credit unions are nonprofit financial cooperatives that provide traditional banking services to their members. Because offering ESSDLs is largely viewed as a good thing to do, but not a profitable thing to do, you are generally looking for a financial institution that is “mission aligned.” Credit unions are created, owned, and operated by their participants and can be formed by large corporations, organizations, and other entities. Members pool their money to provide loans, demand deposit accounts, and other financial products and services. Any income generated is used to fund projects and services that will benefit the community and the interests of its members. To do any business with a credit union, you must join it by opening an account, making you a member and partial owner. Like banks, the business model of a credit union is predicated on their ability to attract deposits. What sets credit unions apart is their need to generate only enough income to fund daily operations. A narrower operating margin means that credit unions can pay higher interest rates on deposits, while also charging lower fees for other services, such as checking accounts and ATM withdrawals. The small size of some credit unions, however, can mean tradeoffs in breadth of services, technology, and accessibility.
Brick and Mortar versus FinTech Solutions
For the Rhino Foods Foundation, partnering with a local bank or credit union is the gold standard. Partnering with a local financial institution not only facilitates the ESSDL loan but establishes a relationship of trust between your employees who may be unbanked, underbanked, or have poor perceptions of banks and the lender. Partnering directly with a bank or credit union will also facilitate the possibility of setting up an automatically deducted savings contribution after the end of the loan repayment period. This is a critical, frictionless tool for building emergency savings.

If you cannot develop a partnership with a local financial institution, then a financial technology (aka FinTech) solution may be a feasible option for you. With the relative explosion of the FinTech marketplace, this approach requires some level of caution. There are a variety of products currently on the market that advertise small dollar emergency lending that do not come close to meeting the Income Advance program’s minimum standards. It is important to carefully consider varying product designs and loan terms and evaluate whether the product meets the needs of you and your employees.

Pitching Income Advance to a Financial Institution
The Filene Research Institute conducted an 18-month feasibility study to demonstrate that ESSDL programs like Income Advance provide a practical way for financial institutions and employers to help low-to moderate-income wage earners obtain affordable credit. The findings of the study are important to highlight with potential partners.

- All participants found that the ESSDL was easy to launch and manage.
- 7 of 11 participating credit unions determined that the ESSDL was profitable during the test period because (1) employers pay a nominal fee based on the number of employees participating in the program and (2) underwriting costs were significantly reduced.
- ESSDL outperformed financial projections, with reported loss rates ranging from 2 to 3% during the first two phases of product testing.
- Participating credit unions reported that the program is seen as a valuable community service.

What else is in it for your financial partner?
- Participating in the ESSDL program is a way to expand existing small-dollar loan program offerings.
- Offering Income Advance helps financial partners establish relationships and trust with new customers who are interested in establishing new financial habits and improving their credit profile. These individuals may be interested in and eligible for additional products that the bank or credit union offers in the future such as savings accounts, auto loans, or mortgages.
- Income Advance offers a way to assist existing members with subprime credit.
- Participating often helps to advance the social mission or corporate social responsibility agenda of the financial institution.

What guidance exists for banks looking to introduce an ESSDL program?
To complement their feasibility study, the Filene Research Institute and the FINRA Investor Education Foundation created an implementation guide which provides details on program design features, guidance on compliance issues, ways to measure success, and supplemental documents including a sample memorandum of understanding between a credit union and an employer, a loan application, employer and member surveys, and a performance tracker. These resources are geared specifically toward financial institutions and will help to support your lending partner if they are new to offering ESSDL.
Establishing the Loan Terms
While your financial institution and local regulatory environment will largely dictate the loan terms, it’s important to consider the terms from your employees’ perspective as well. An initial, high-level conversation about the parameters of the loan will be further adapted based on the feedback you receive from employees. Ultimately, decisions you make with your financial institution partner in Phase 1 will shape the employee application process and loan experience.

The key elements of Income Advance loan terms are:
1. **Loan maximum:** Typically, we recommend establishing the loan maximum between $1,000 and $2,000.
2. **Disbursement Turnaround:** A key feature of an Income Advance loan is getting emergency cash into the hands of employees as quickly as possible – this can and should be accomplished within 24 – 48 hours.
3. **Interest rates:** Interest rates are determined by your financial institution. We endorse an APR cap of 20%. This contrasts with traditional payday lenders who typically charge 300% to 400% APR.
4. **Repayment length:** Automatic deductions typically begin the next pay period after the loan is disbursed and are deducted from the employee’s paycheck every week or two weeks. An employer can set a minimum amount per week or per pay cycle. Most employers set loan repayment terms at six to 12 months.
5. **Number of loans permitted:** This is often determined by the employer and represents the number of loans you will allow your employee to take out each year and whether you offer early payout (offering an additional loan to them while they are still paying off previous loans).
6. **Savings:** Including an “opt-out” feature where automatic payroll deductions continue and are deposited into a savings account after the loan is fully paid helps your employees prepare for future emergencies.

Other important terms to look at are:
- **Early payout and late fees:** It’s important to ensure that there are no hidden or unexpected fees associated with the loan that will be passed on to your employees.
- **Employer fee (typically there is a setup fee and sometimes a delinquency-based fee at the end of the year):** This type of fee is generally limited to a few hundred dollars annually and may be an inducement to the financial institution to participate in the program, particularly as you advocate to eliminate other fees for your employees.

Tracking your Metrics
Be sure to clarify with your financial institution what information they will share with you about the program, such as the number of employees applying for loans, the number of loans disbursed, and the average loan amount. Financial institutions should all track this information, but the cadence with which you receive the information is something to discuss.
Employees

- Determine what you want to learn from your employees to shape your program.
- Create a list of questions you want to ask.
- Determine a plan for how you will engage your employees.
- Interpret what you learn – how do they relate to the four customization areas (eligibility & terms, communications, operational, additional support)?

It’s All About Trust

Trust between employers and employees is essential to brokering successful relationships between employees and financial institutions.

The type of financial insecurity that your employees are facing might be different than what you have experienced. It’s important to acknowledge and empathize with the specific context of your employees’ circumstances. Equally important is to acknowledge that you don’t know what you don’t know. If you have never experienced the circumstances your employees are living in, it may be difficult to truly understand the fears and hesitations employees hold. This is one of the reasons that building trust between employers and employees is so important. That helps ensure when you present a solution to an emotional and challenging problem that you may not have lived, employees trust that the solution was created with their best interests in mind.

Financial hardship is scary. It can be an emotional and vulnerable situation. Employees must trust that if they come to you for help, they will have confidentiality, will not put their job at risk, and will be able to count on you being on their side to support them. Cultivating mutual trust is the most important factor in building successful employer/employee relationships. Trusting relationships can lead to a more productive workforce and higher retention rates.

At the same time, you cannot assume trust. The different mindsets employees bring to work might mean that they approach institutions – including yours – without foundational trust. Institutions have served you well in the past, or at the very least not hindered your success, your trust in them may be implicit but bear in mind that many of your employees do not share this experience. A 2019 Pew Research study found that, “The more education Americans have, and the greater their household income, the greater the likelihood they are high on the personal trust spectrum. Those with less income and education are markedly more likely to be low trustees” and that “the share of whites who show high levels of trust (27%) is twice as high as the share of blacks (13%) and Hispanics (12%).” And for good reason, particularly when it comes to financial services providers. A 2021 Brookings analysis found “strong evidence that banks in LMI communities and, particularly, banks in majority minority communities require higher account balances to avoid maintenance fees and charge higher fees. These fee differences are compounded for communities that are both LMI and majority minority.”

Income Advance can build that trust when you, as an employer, show that you want to support your employees to live healthy lives through the benefits you offer at work and that their voices and lived experience will be at the center of your program’s design.

Customizing for Employee Needs

Identifying your employees’ needs doesn’t have to be difficult. In fact, the key is listening. What happens outside work affects how employees show up to work. Financial stress is disruptive and costly in the workplace. You can prevent and remediate the issues associated with financial stress by designing your benefits programs to meet the unique needs of your employees.
Addressing needs directly can increase productivity, reduce turnover, and improve overall employee wellness. Employee-centered design is good for your people – and for business. Employee-centered design will help you uncover details about your employee’s needs that will affect how you implement and communicate your benefits programs.

**Begin by reflecting on your organizational culture**

Perhaps you have a formal human resources environment and you have set channels for employees to provide their feedback (reviews, listening groups, interviews, etc.) Reflect on the ways those feedback channels may be biased or influenced. For example, if you have your employees complete feedback surveys and their responses are not anonymous, how might people’s feedback change?

Or maybe your human resources context is informal – you and your managers have more casual conversations with employees about their financial wellness needs. Again, reflect on the ways those feedback channels may be biased or influenced. For example, are you hearing from the same people consistently and not from others?

Assumptions can be like defects in the hull of a ship that you can’t see because they are below the waterline. While every business is different, here are two assumptions that are sure to sink any newly launched Income Advance ship:

- Employees are comfortable discussing financial needs and trust the person of first contact enough to go to them (oftentimes, it’s embarrassing).
- Employees are familiar with banks and trust financial institutions (for example, they have a bank account, feel comfortable going to a bank, feel comfortable taking out loans).

**Listening can be simple**

If your organization has a more formal organizational culture, you can utilize individual employee interviews, group feedback discussions, and anonymous surveys to see what kind of financial needs exist in your workforce. If you have a more casual or informal organizational culture, find time to listen in existing forums – at the water cooler, while walking the floor, or during team meetings. Keep notes on what you’re hearing.

**Confidentiality**

It’s important to note that there are limits to how far you can delve into an employee’s personal financial situation. It could feel abrupt and disrespectful to broach the topic of Income Advance without prior communication or a foundation for the discussion. Because you represent the organization that employs them, employees can feel obligated to answer your inquiries. Avoid situations where someone may feel pressured.

**Leverage Managers**

You may find that you have work to do to cultivate open communication. If you’re feeling like your employees can’t speak candidly, find other respectful ways of listening. Talking to managers, using anonymous feedback methods, or simply observing are all forms of listening that can build trust.

Direct managers might know your employees’ deepest needs best. Their experience can provide unique insights during this listening and customization phase. Additionally, managers can serve as invaluable “first contacts” once your program is up and running, we’ll cover this in-depth in Phase 3.
Model good listening with your managers and supervisors. Depending on your organization’s size and culture, you may need to direct some of these questions to them, rather than directly to your employees.

Useful Questions for Employees
As you’re preparing to talk with employees about their financial wellness, consider the following:

1. Always start by connecting with the person. You may want to ask how they are doing, about their family, or about a work-related topic that you’ve discussed before.
2. Provide context! You can share something like “We’re thinking about ways we can support people at the organization when they face emergency situations. We’re also thinking about how we support their financial wellness more broadly, including things like budgeting, building savings, building credit, and planning. I wanted to get your thoughts on this topic.” Remember, it’s best to ask general questions that relate to the whole workforce rather than asking about their personal financial life.

Here are a few questions you may ask:

- Have you seen your teammates taking advantage of some of the financial wellness programs we offer like...?
- What advice would you give someone if you heard that they had a financial need that was hurting their ability to focus on work?
- If you had a financial crisis outside of work, would you feel comfortable sharing that with someone from HR? Or someone else (i.e., co-worker, supervisor)?
- What kinds of emergency needs do you think employees could use help with? Like car issues, medical payments, etc.
- Have you learned about any new practices towards managing your finances during your time here?
- What kinds of challenges do you see in trying to support employees here to achieve their financial goals?
- Do you think employees would benefit from a loan program for emergency situations? Why or why not?
- What other ideas do you have to help support people at the organization towards their financial goals?

Four Ways to Customize Income Advance
You’ve taken the time to listen to your employees. How will you apply what you’ve learned? Our experience implementing Income Advance programs has taught us that these are the four most pertinent customization areas to consider as you think through what you heard from employees:

1. Eligibility and term customizations
   - What specific loan eligibility and term needs do your employees have? This could include the size and length of the loan, repayment, and refinancing terms.

2. Communication customizations
   - What needs to be communicated about the loan for your employees to take advantage of it? For example: Who is the loan for? How will it be used? Why can employees trust it?
   - What concerns do your employees have around confidentiality? What would make you/them feel comfortable?
3. Operational customizations
   • Are there existing systems for loans in your company?
   • What logistical needs need to be accounted for around the loan? This could include physical proximity, language of the application, who employees must interact with when submitting, and how they receive access to loan funds.

4. Additional support customizations
   • What additional support should be considered to ensure the success of your Income Advance program?

Think about what you heard and what might be going unsaid. Here are a few examples of what you may have heard, what it might mean, and how you could address the underlying issue with customizations to your Income Advance program:

<table>
<thead>
<tr>
<th>If you heard...</th>
<th>Then it might mean...</th>
<th>Employers have taken these steps to overcome these barriers...</th>
</tr>
</thead>
</table>
| “I don’t really like to take out loans.” | An employee may have a preconceived notion about debt (who takes out debt, the risk it poses) or what it means about them if they take out a loan. It could also mean they’re already in a lot of debt, they have been denied loans, or have had bad experiences with loans already. | Communication customizations
Build in education about positive debt and the different options for debt.

   Additional support
Train managers to champion Income Advance. When they hear an everyday problem, they can suggest the employee talk with human resources about Income Advance. |
| “I don’t talk with others at work about my finances.” | People don’t feel comfortable or safe expressing financial needs to their peers/supervisors/colleagues, or potentially they may not trust the organization at large. | Operational customizations
Set up processes to apply for a loan where the employee must have very little communication with anyone other than the human resources representative. |
| “I think tools like that are for people who are really in extreme financial distress.” | An employee may not be ready to accept the difficulties they face. | Communication customizations
Present the tool, both in informal and formal marketing, as something not for the extreme poor but for everyday people. |
<table>
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<th>If you heard...</th>
<th>Then it might mean...</th>
<th>Employers have taken these steps to overcome these barriers...</th>
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| “I don’t think a small loan could help with my needs.” | An employee might not see the value in taking out a small loan if it only covers a portion of a cost they’re dealing with. | Eligibility and term customizations  
Work with the financial institution to offer a higher loan limit and evaluate the average loan size employees take out once they launch the program. Allow more than one loan a year and refinancing options.  
Communication customizations  
Clearly communicate the additional benefits that the income advance loan program can have like building credit over time and creating a savings account. Ask, “what could help address your needs?” |
| “Loans are complicated and not worth the trouble.” | Employees perceive Income Advance loans to be complicated or risky and might not understand how a small loan could adapt to meet their needs. Or perhaps they may also have been tricked/manipulated by lenders in the past, with overly complicated rules and stipulations. | Communication customizations  
Make the presentation of the loan process as simple as possible. 1) Request the loan. 2) Go to the bank. 3) Pay back the loan through auto-deduction.  
Build in education about positive debt and the different options for debt. |
PHASE 2: ASSEMBLE YOUR PROGRAM

We are now entering the second phase of setting up Income Advance: assembling your program. Below is a checklist of the tasks you’ll complete during this phase. Once complete, you will be ready to pilot your Income Advance program.

When it comes to the mechanics of how your program works, what follows is an explanation of the most “low-tech” version of the program possible. Depending on your own technological savvy and that of your lending partner (particularly if you decide to go with a fin-tech solution) some of the processes outlined below can be automated so be sure to discuss the possibility of streamlining and simplifying internally and with partners to create a program that feels right for your company culture, your employees, and your partner.

- Finalize your loan terms.
- Establish eligibility requirements.
- Prepare and sign an MOU with the financial institution partner identifying roles and responsibilities, key points of contact for both institutions, and program parameters.
- Set up auto-deduct option in payroll.
- Develop an internal Income Advance application that will be used at your company to convey all the necessary preliminary details to the lending institution to trigger them to reach out to the employee to complete the process. Make sure the financial partner confirms that this application is in line with their needs and expectations.
- Communicate
  - Determine who will be the point person(s) in human resources for Income Advance requests.
  - Notify key stakeholders, like management, so they can be first points of contact when employees express a need.
  - Design the basic talking points about the program for first touchpoint with employees.

Finalizing Loan Terms and Establishing Eligibility Requirements

Take time to consider the feedback you’ve received from your leadership, lending partner, and employees to finalize your loan terms. Remember that the most important decision points to negotiate are the maximum loan amount, the interest rate, disbursement turnaround, loan term, number of loans permitted, and the availability of a direct deposit savings account.

Note that the number of loans an employee is eligible to take through the program is determined by the employer, not the financial institutions. Some employers have strict guidelines (for example, the employee can take a maximum of three loans a year and a minimum of 75% of the loan must be repaid before a new loan is issued).

Now that you have a better understanding of your employees’ needs and the risk tolerance of your lending partner, you can also determine which employees are eligible for your program. Typically, there are three aspects of eligibility:

- **Tenure**: How long has the employee been at the company?
- **Good standing**: Has the employee been on probation for any reason in the past six months?
• **Full-time/part-time:** Some employers choose to offer Income Advance only to full-time employees, while others offer it to part-time employees at a specific level of hours. Generally, we recommend that Income Advance programs be made available to all employees and contractors. Part-time and long-term contractors can be the most financially vulnerable individuals. Imagine what can happen if you provide an avenue for these individuals to grow into dependable employees who will serve the organization long-term.

**Prepare and Sign MOU with Lending Partner**
Drafting and signing a Memorandum of Understanding (MOU) with your lending partner is an important step in solidifying your program. While not a legally binding document, the MOU will give an official framework to your agreement around how the Income Advance program will be delivered by your respective institutions.

A sample MOU is provided along with this guide. Your organization’s MOU will be drafted by the program lead. Whether you use the template included or not, we recommend that your MOU outlines your common understanding of both parties’ roles, responsibilities, and expectations concerning the following:

- Eligibility requirements for participation in the program
- Loan approval criteria
- Process for loan application through the program
- Loan terms including APR
- Repayment process
- Data tracking
- Employer fees if applicable
- Absolution of responsibility for loan default
- Process through which the agreement can be terminated

The MOU should be signed by the lender as well as a representative of your company, kept on file for your records and circulated to appropriate members of your leadership team.

**Payroll Provider Auto Deduction**
To secure repayment that works for both parties, the employer will initiate an auto-deduction from the employee’s paycheck in their payroll system for each pay cycle (refer to your payroll provider for your process). You will need to collect information from the lender to provide to the payroll provider including the employee’s direct deposit information, the amount due at each pay period, and the date the first payment is due. These details should be communicated to you when the employee secures the loan.

After the loan is repaid, future payments will be withdrawn into a savings account – unless the employee explicitly asks to stop or hold on the process. One of the biggest benefits of an Income Advance loan is what happens after the loan is repaid: the savings account. A rainy-day fund accumulates so that employees will have savings to address needs instead of taking another loan.
Your Internal Application and the Lender’s Corresponding Application

While employees will complete a formal loan application with the partner financial institution, you need to create an internal program application as well. The internal application captures basic information for the financial institution and serves as a formal notice to the financial institution that the employee has been approved as eligible by your human resources department.

Once an employee is proven eligible for the loan based on your company’s requirements, human resources sends the internal employer application and notifies the financial institution of the new request. Included in this notification is the information needed to set up a basic bank account and get a loan application (including contact information, Social Security number, and an existing account number if there is one).

The application should also provide options for the employee around how they will receive the loan money, either by check or a direct deposit into their account. This is when proximity to the financial institution becomes an important factor. In some instances, employees are close enough to walk to the financial institution during or after work. In instances where the financial institution is farther away and there isn’t a remote process option, it can be helpful to plan with employees how they will travel to the financial institution to receive the loan.

This is also the point in the process when you’ll want to explain the savings component of the program and offer your employees the option to opt-out of continued payroll deductions into a savings account.

Upon receiving the application, the financial institution acknowledges receipt of the internal application from the employer. The financial institution then puts the employee’s information into its system and reaches out to the employee to complete any information gaps. Lastly, the financial institution will provide the employee with a simple loan application and follow-up. The employee will fill out the application for the bank.

Once the loan application is approved, the financial institution initiates the formal closing process, either by email or in person at the bank with the employee. The financial institution will send a cover sheet with pertinent loan information, such as amount, first pay amount, first day pay, and last due date to the employee.

Consider Communication

Imagine this scenario: an employee presents their challenge to you, a manager, or another employee. The main things that they need to know are:

- The employer has a solution to help with these types of problems.
- It’s easy and much better than other options like a personal loan, paycheck advance, or payday loan.
- He or she should go talk with human resources and take advantage of this benefit.

The best approach for interacting with employees about Income Advance will depend on whether your human resources culture is formal or informal. Determine which feels most authentic to your organization and document it as part of your process.

- The employee could informally ask a colleague for a paycheck advance or loan or could tell a manager about a need. The manager or colleague could commence to manage the loan request on behalf of the
employee by speaking with human resources in person, by sending an email, or by sending them directly to human resources.

- The employee could approach human resources through a **formal request process**, either online or by filling out and dropping off a form. Alternatively, if there is an open-door policy at human resources, they could come directly to human resources to start the process of getting a loan.

Once the employee visits human resources. Think about this experience.

1. What did you learn in Phase 1 when you listened to your employees?
2. What process will employees use to signify their interest in an Income Advance loan? How will you need to help reinforce trust?
3. What communication customizations, operational customizations, and additional resource customizations did you consider will affect your first meeting with them?
   - Who will field their request?
   - What main talking points will you use when meeting with them?

### SAMPLE HUMAN RESOURCES MEETING AGENDA

You should consider the main things you'll need to quickly discuss with employees when they first visit human resources. You'll be presenting the core process and setting their expectations.

Here's a sample agenda:

1. Determine if they meet eligibility requirements.
2. Explain the process to them.
   - Fill out internal application. Their application will quickly be approved or denied based on a few simple eligibility requirements.
   - The employee will either go to the financial institution or the financial institution will call the employee to solicit a few more pieces of information, such as the financial institution’s loan application.
   - The employee will determine how he or she will receive funds.
   - Employee should have the funds in 24 hours.
3. Explain the loan terms.
   - Loan maximum – employee can select how much he or she wants to borrow.
   - Six-month repayment term.
   - Refinancing terms.
4. Explain the basics of repayment via paycheck auto-deduction.
   - Auto-deduction continues after the loan is repaid unless the employee notifies human resources to stop auto-deduction.
   - Employee selects auto-deduction amount – typically a minimum of $50 per deduction.
5. Explain the benefits over alternatives.
6. Have the employee fill out the application.
7. Let the employee know that the financial institution will reach out shortly.
Again, Income Advance is all about trust. A traditional big rollout can increase skepticism in people who already may be apprehensive toward institutions. Imagine you’ve had a terrible experience with a bank and then you hear about this program – you might feel like the institutions involved don’t have your best interest in mind, show you respect, or care about your needs. The key is to build trust by demonstrating that the program works and then grows programmatically. A small rollout also gives you the opportunity to work out any operational kinks – a process we all know is normal for a new benefits program but one that can seriously undermine trust.

Soft Benefits Rollout

Option 1: Word of mouth

- **Step 1:** Let your human resources team, payroll team, and managers know you are trying the program, so they can refer employees to you if they hear a need.
- **Step 2:** Conduct a small pilot of the program for several months through your human resources channels, allowing the program to spread by word of mouth.
- **Step 3:** Evaluate the pilot’s successes and challenges and make necessary changes.
- **Step 4:** Inform your supervisors and managers that Income Advance is going to go live.
- **Step 5:** Update your employee handbook to include Income Advance.
- **Step 6:** Make a company-wide announcement about Income Advance.
- **Step 7:** Mention Income Advance as a resource to new employees in their onboarding.

Option 2: Start with a small group

- **Step 1:** Identify a department that you think could benefit most from Income Advance, either because you think there is a good amount of trust, or the employees could most benefit from immediate access to Income Advance.
- **Step 2:** Let your human resources team, payroll team, and managers know you are trying the program. Note: Even if you’re piloting with just one department, it can be helpful if all managers are in the know, in other departments learn about the program through word of mouth.
- **Step 3:** Schedule time with managers and employees together to talk about the launch of Income Advance in a more intimate setting. This also will serve as an opportunity to “break the ice” of talking about financial stress with colleagues.
- **Step 4:** Evaluate the pilot’s successes and challenges and make necessary changes.
- **Step 5:** Inform your supervisors and managers that Income Advance is going to go live.
- **Step 6:** Update your employee handbook to include Income Advance.
- **Step 7:** Make a company-wide announcement about Income Advance OR continue to rollout Income Advance by department.
- **Step 8:** Mention Income Advance as a resource to new employees in their onboarding.
**Educate your team about Income Advance**
Even at the early phases of a soft rollout, you need to inform your human resources team, your payroll team, and your managers that you are trying out this program. This way, they can start sending employees to you early.

Training managers to be champions of Income Advance is crucial to the success of your program. It’s important to help managers build understanding and empathy around employee needs.

**Defining Success and Improving Your Program**

Like any program, maintaining quality standards ensures a successful launch and sustained success. This holds true for both your pilot and for when you expand the program.

Good key performance indicators (KPIs) to track include:
- Number of employees accessing Income Advance loans
- Number of loans taken out each year
- Average size of loans taken out
- Number of defaults on loans
- Percent of borrowers that have money roll into savings account
- Percent of borrowers that take repeat loans

You also may want to consider tracking other metrics you believe will measure success as you’ve defined it.

Many financial institutions will provide you with a quarterly report of the above metrics and more. Having the financial institution track the data and report quarterly will help you course correct in a timely manner. It also reduces the burden on your organization to monitor the program.

Remember that qualitative feedback is just as important as quantitative data. It can provide insight into employees’ habits and trends. For instance, you may look at the data and find that employees aren’t using Income Advance. Upon speaking to a few of them, you could discover that employees need a larger maximum on their loan size or a smaller repayment amount over a longer period. Without utilizing both qualitative and quantitative data, you may not have gained this insight.

**Improving on Your Income Advance Program**

**Evaluating your Pilot and Program Customizations**
As you evaluate how your program, here are some questions to consider:
- Are people taking advantage of the loan program?
- Who in your organization is taking advantage of the loan program? Are some segments of employees taking more loans than others? Why?
- Are they repaying their loans?
- How are they repaying the loans?
- Has the loan helped them plan for the long term at all?
• Are they taking advantage of their savings accounts? Why or why not?
• What general trends exist in defaults?
• What other support are they seeking in terms of their financial wellness?

Making Adjustments

**Step 1:** Do more listening and see if you can uncover the reasons why these employees are less likely to seek out the program.

**Step 2:** Reconsider the four areas of customization that we introduced in Phase 2 and decide if the customizations need updates or changes. Here are some questions to consider for each area:

- **Eligibility and term customizations:** Are there eligibility terms or other practical policies you want to change?
- **Operational customizations:** Is there anything you want to change about who manages the program or how they manage it, or how employees access their application or their loan from the bank? Is the financial partner you’ve worked with working for your organization and employees? Are they easy to work with, timely, and accessible?
- **Communication customizations:** Is there anything you want to change about how you communicate the value of the program? Are there ways you want to communicate the benefits of this program more broadly to your organization? How does it complement broader messaging about how you support your employees?
- **Additional support customizations:** Are there any additional support steps you want to take in the program? Are there other programs that you want to add that will complement Income Advance?

**Step 3:** Engage your managers and a few employees with the new changes you are proposing. Do they resonate with them?

We’ve said it before, your Income Advance program should evolve to meet employee needs. Come back to these customizations on an ongoing basis as you monitor and evaluate the program.

Expanding the Reach of Your Program

When you’ve piloted Income Advance and adjusted the program based on your evaluation, you’ll want to make your program more broadly available.

We’ve found the most effective way to spread Income Advance is through human channels: word of mouth and in-person meetings (such as company gatherings or departmental meetings). Take stock of the key people in your organization who are positioned to be in-person advocates for the program and make sure that they are up-to-speed and on the lookout.

Here are a few other practical ideas to get the word out:
1. **Integrate Income Advance into your employee handbook**
   Income Advance is a benefit and should be treated as such. The formality of embedding Income Advance into your handbook is significant. It lets employees know that this resource is here to stay and puts it on par with other formal benefits.

2. **Integrate Income Advance into employee on-boarding, training, and welcome packets**
   It’s important to make sure that all new employees are trained about Income Advance and its benefits, so they know where to go for help and feel comfortable taking advantage of the program when they are eligible. New employees also can be a catalyst to start new conversations and new perspectives about the program.

3. **Have materials physically available in the human resources office and in departments**
   Employees will want to consume information in different ways, and some may feel most comfortable learning about Income Advance on their own. Have information readily accessible for employees who want to learn about Income Advance before talking with someone. Think about where this information should be. A logical idea is in the human resources office, but what if an employee isn’t ready for human resources to know they’re thinking about a loan? Make information available in an accessible, neutral place. Consider making online versions of the information openly accessible as well.

4. **Consider bringing in an outside resource to talk about Income Advance**
   We talked about how Income Advance is about trust – between employers and employees as well as with institutions. If employees are skeptical about working with a bank, consider inviting someone from the bank to come in to have office hours with employees. If employees seem to feel uncomfortable talking about financial stresses at work, you might consider bringing in a third party to help support employees, like a resource coordinator. Consider the conversations that a third party could help facilitate and how those conversations will help build trust.

5. **Incorporating Income Advance into company-wide communications**
   Once there is a level of familiarity with the program at the organization, there are several different ways you can incorporate Income Advance into your company-wide communications. Consider writing about it in company newsletters or talking about Income Advance in an all-hands meeting or annual employee summit.
Beyond Income Advance: Creating a Culture of Stability

Thank you so much for your drive to implement Income Advance at your organization and for using this guide to help you in the process. If you’ve gone through the phases of this guide to engage your stakeholders, learn how to assemble Income Advance, and think through the process of rolling out, evaluating, and continuously improving your program, you are ready to implement Income Advance.

Financial wellness involves many aspects of an employee’s financial life. But it’s hard to do long-term financial planning when there’s an emergency in front of you. That’s why Income Advance is a bridge to other, integrative programs that create financial wellness and, ultimately, stability in the lives of your employees and your workforce. By using this guide to set up Income Advance, you’ve also learned to listen to and engage your employees around their needs. Take these lessons forward to consider what else you can do to support your employees in creating a culture of stability.

We’d love to hear from you during your journey. Let us know how implementing Income Advance has gone at your organization, if you need support, and how we can improve this guide to make the process even easier for future employers.

With gratitude, onward!