

# Oklahoma ABLE Tech



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# what we will cover:

- AFP program model
- Funding structure
- Sustainability plan
- Financial products and services
- Policies and procedures
- Successes and lessons learned



# History of the CBO and Banking Partner relationship development...



# The partners:

- **Oklahoma Assistive Technology Foundation (OkAT)**
  - The community based organization that operates the State Financing Program utilizing federal funds.
- **BancFirst of Oklahoma**
  - The participating lender that provides all banking responsibilities.
- **Oklahoma ABLE Tech / Oklahoma State University**
  - The AT Act that provides personnel to facilitate the daily management of the program.



# OKAT Board

**OkAT Board of Directors** is made up of community members who bring an expertise, and as a majority, are individuals with a disability, or have a family member with a disability, that contribute unique skills, knowledge, and experience, which include (but not limited to):

- Attorney
- Banker
- Business professional
- Procurement officer
- CFO of a community based organization
- Director of University Sponsored Programs
- Work with or represent individuals with a disability

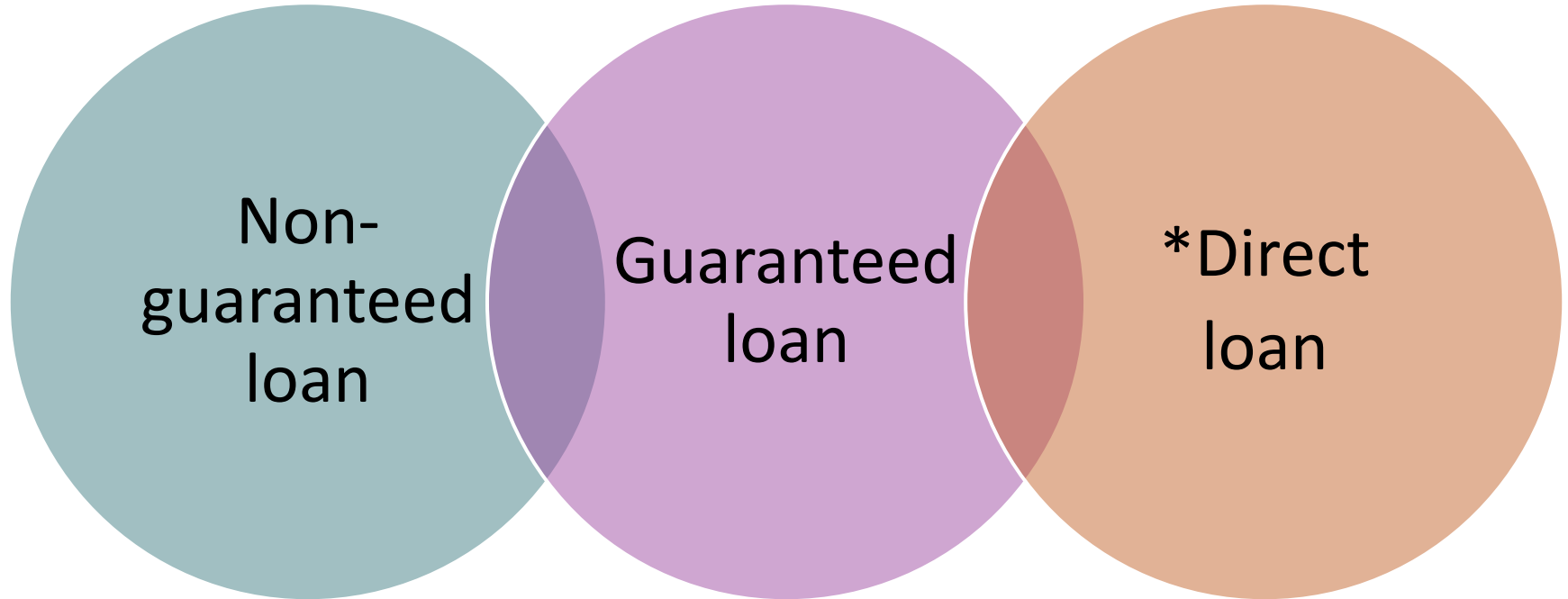
# Purpose of the bank loan

To provide specialized low interest bank loans to people with disabilities so they can purchase the assistive technology devices and services they need and want to be more independent.

- \*AT devices
- \*AT services
- \*AT repair
- \*Durable Medical Equipment
- \*Employment related equipment



# Highlights of bank loan program



# Non-guaranteed loans:

Loans that qualify under the banking partner's consumer loan program

Applicant qualifies for standard bank consumer loan

Loan term up to 3 years

Funds are paid directly to the vendor

Bank loan closing fees, credit report fees, etc. apply

OkAT buys down the interest rate to 6%



## Guaranteed loans:

Loans are secured either by collateral (i.e. lien) or OkAT is guarantying the loan

OkAT guaranties the loan with available funds

Loan terms up to 5 years

Funds are paid directly to the vendor

Bank loan closing fees, credit report fees, etc. still apply

OkAT buys down interest rate to 5%

## **\*Direct loans:**

Low dollar value loans that are processed in house, without banking partner's support

OkAT board reviews and approves the same a guarantee loan

Maximum loan \$1500

Fixed interest rate of 5%

Loan terms up to one year

Funds are paid directly to the vendor

No closing fee

Credit report fees apply

# Process of application

## Application

- Consumer has identified the AT
- Completes credit application
- Credit report and application are reviewed

## Decision

- Approved - closes as a non-guaranty loan
- Payment made to vendor
- OkAT buys down interest

### Considerations for initial bank denial:

- Poor lending history
- Low credit score
- Limited income
- Collections or bankruptcy



# Denied by the bank: Consider Guaranty loan

## OkAT application

- Bank documents are released to OkAT
- Consumer is asked to complete OkAT documents:
  - Monthly household expenses and income
  - Considerations / explanations

## Considerations

- Proof of correcting any adverse credit concerns
- Evidence they are able to make the monthly payment
- Other considerations: PASS, business plan for employment

## Decision

- Loan coordinator confirms and verifies information
- Quorum of board members meet via conference call
- Decision is made within 7 days

### OkAT criteria for approval:

- Income to debt ratio 50% (regardless of level of income)
- Credit score greater than 500
- Bankruptcy OK
- Collections related to medical OK



# Direct loan: similar to OkAT guaranty process

## Application

- Loan application and credit report are reviewed loan coord.
- Consumer completes OkAT documents:
  - Monthly household expenses and income
  - Considerations / explanations

## Considerations

- Proof of correcting any adverse credit concerns
- Evidence they are able to make the monthly payment
- Other considerations: PASS, business plan for employment

## Decision

- Loan coordinator confirms and verifies information
- Quorum of board members meet via conference call
- Decision is made within 7 days

### OkAT criteria for approval:

- Income to debt ratio 50% (regardless of level of income)
- Credit score greater than 500
- Bankruptcy OK
- Collections related to medical OK



# Additional Support – ways to help the consumer be successful:

- Refer to other programs that might be more feasible:
  - OKDMERP
  - DRS, DRS cost share
  - VA
  - ABLE Tech
  - other private funding sources
- Cost share with other programs –
  - DRS
  - Grants
  - insurance co-pays

# Success Story – Non-guaranty loan



George is a long friend of ABLE Tech's, utilizing several components of our services. He has consulted ABLE Tech for AT demonstrations, he has borrowed several devices to determine what is going to meet his needs best, has been a recipient of our specialized smoke alarm and alert devices for individuals with hearing loss. His sister (pictured) purchased a modified vehicle for transportation for George previously, allowing George to be a co-applicant, and as a result helping George gain a credit score and credit history. He came to ABLE Tech again for a bank loan for hearing aids this last year. Due to his successful payment history, and improvements on his credit score, he was able to qualify for the non-guaranty loan under the bank's terms, at 6% interest rate, for 3 years.

Loan request: \$2,496.75  
Income: \$1401; Expenses: \$479  
Income to Debt Ratio: 34%  
Credit Score: 777  
Monthly payments: \$76.13

# Success Story – Guaranty Loan



Steven came to ABLE Tech to apply for a power bariatric wheelchair and lift for his vehicle. He qualified for VA services, but was frustrated with the process. He tried searching the reuse program, but the size of chair he needed was not available.

“This program has changed my life dramatically. I am now able to go places alone that I haven’t gone to in years. I can shop for myself and go out to eat...I went to Golden Corral all by myself for the first time in years. I feel a lot better about myself not having to depend on others for my daily life tasks. I feel like a huge weight has been lifted off my shoulders and I feel free for the first time in many years...”

Loan request: \$5,600

Income: \$4,539; Expenses: \$3,371

Income to Debt Ratio: 54%

Credit Score: 506

Monthly payments: \$110



## Success Story – Guaranty *exceptional circumstance*



Loretta came to ABLE Tech in Dec. 2014 to apply for funding for a modified vehicle for her son. He was in a car accident, that resulted in severe head injury and multiple injuries. He has specific needs that required a full size van. She originally applied for \$28,000, but due to her instability of income and debt to income ratio was not in OkAT policy compliance. She was denied, but the board encouraged her to reapply once she was able to show more stability in her finances. In January of this year, she reapplied, was able to get the price of the van down to \$25,000, and a recent bonus allowed her to put \$10,000 down. This significantly decreased her income to debt ratio and reconsideration of the board resulted in an approved guaranty loan.

Loan request: \$15,000  
Income: \$8,978; Expenses: \$4,945  
Income to Debt Ratio: 40%  
Credit Score: 569  
Monthly payments: \$285

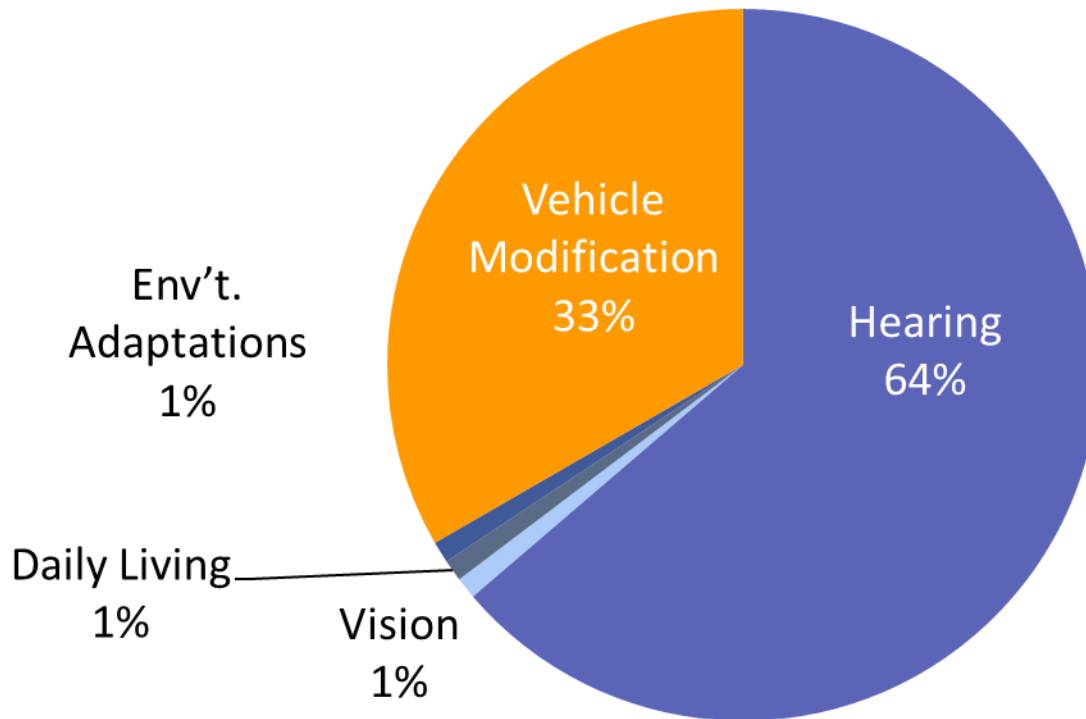
Loretta says, “I have been denied so much in the past...with our old van, I was afraid to get too far from home, but now we are planning our first vacation...to have my son in my home is truly a blessing...I got a little discouraged after being denied the first time, but after saving a little, we were able to re-apply”.

# Successes to date

- FY 2014 loans made
  - **46** bank loans
  - **\$298,290.41** value of loans
  - **\$173,665.60** guaranteed loans
  - **\$124,624.81** non-guaranteed loans
- Since conception
  - **878** loans made
  - **\$5,025,140.18** value of loans
- Of those total loans:
  - **255** guaranty loans
  - **\$1,807,819.51** total value guaranteed loans
- Today
  - **89** Guaranteed loans outstanding balance **\$300,259.15**

# AT Purchased

***96% Paid in Full***



# Loan Management

## Past due

Loan coordinator works actively with any guaranty loan or direct loan that is showing past due to determine reasons why. On a case by case basis, determination is made for consideration of:

- Rescue payment
- Consumer counseling
- Modify loan terms temporarily or for the life of the loan

## Collections and Repossession

If payment or coordination of payment has not been made, loan coordinator considers defaulting the loan. Potential actions include:

- Send a series of “attempt to collect” certified letters
- Report to collection agency
- Consider repossession if based on equipment, amount owed, value of equipment, and cost of repossession.

# Sustainability Plan

OkAT maintains a sustainability plan to ensure permanence of the program, latest version updated October 2012. Components of the plan include:

- **Investment of funds** - OkAT maintains separate operating account, money market account, and invested CDs of varying monetary value and term dates to maximize interest earned
- **Portfolio performance** – the board may determine at any time to research better investment possibilities to ensure the highest rate of return on investment
- **Policies and procedures** to ensure a standard for guaranty loan qualifications – utilize board approved loan policy that guides the decision making process to qualified borrowers, minimizing loan defaults

# Sustainability Plan – Leverage Funding

- **BancFirst** provides non-guaranty loans to qualified borrowers. This model eliminates any OkAT risk if a default occurs for non-guaranteed loans. Over the last four years, 77% of all loans were non-guaranty. BancFirst also provides:
  - Assigned trained personnel, who accept and process all loan applications
  - Secretarial support to loan officers, ABLE Tech personnel and bank loan customers
  - Monthly loan guaranty and non-guaranty loan reports
  - Assigned loan officer support to all BancFirst branches across the state.
  - Facilities, phone, fax, toll free lines, internet and marketing support and collateral.

# Sustainability Plan – Leverage Funding cont. 2

- **ABLE Tech** contractually provides:
  - Personnel (.5 FTE) to manage and coordinate OkAT daily operations
  - Facilities and office support to OkAT to facilitate daily operations, eliminating the expense of rent, phone, internet, general office supplies, copying, faxing, etc.
  - ABLE Tech personnel coordinates all board meetings, teleconference calls, bank reports, interaction with applicants and borrowers, manages checking accounts, coordinates with accountant and auditor, reports to DRS, RSA, and ABLE Tech Consumer Advisory council members.
  - Alternate funding sources and resources for applicants

# Sustainability Plan – Leverage Funding cont. 3

- **OkAT** board members are volunteers who receive no compensation for their time and expertise. The organization relies on its members to review and determine approval or denial of each guaranty loan request, policy oversight, and all financial statements, audits, reports, and investments. Board members are provided a small stipend for travel expenses to quarterly board meetings.
  - No meeting expense
  - Centrally located meeting location
  - Utilize conference calls for application review



# Sustainability Plan – Leverage Funding cont. 4

- **State funds** provided through Department of Rehabilitation Services (DRS)
  - Initial funds from DRS were utilized as the mandatory state match for each grant year award. DRS has continued to support the bank loan program since 2002 through a contract with ABLE Tech to provide ongoing financial support that covers a portion of needed personnel expenses to operate the AFP / ATF.
- **Seek other grant opportunities**
  - Past – AgrAbility activity
  - Current – FEMA Fire Safety Grant

# Sustainability Plan – Leverage Funding cont. 5

- **2015 update:** position OkAT to be eligible to apply for CDFI funds by adding direct loans
  - The Community Development Financial Institutions Fund's (CDFI) mission is to increase economic opportunity and promote community development investments for underserved populations and in distressed communities in the United States.
    - To promote economic development, to develop businesses, to create jobs, and to develop commercial real estate
    - To develop affordable housing and to promote homeownership
    - **To provide community development financial services, such as basic banking services, financial literacy programs, and alternatives to predatory lending**
  - Many state financing programs already participate in CDFI – we want to position ourselves to create the same opportunity

# Sustainability Plan – Leverage Funding cont.

- **Expenses covered by the consumer:**
  - Credit report fees
  - Lien entry and FCC fees
  - Late charges for late payment
  - Loan closing fees

# Marketing Strategies

- **Publish success stories and testimonials**
- **BancFirst assists in making program accessible state wide through multiple locations across the state**
- **Develop informational materials, brochures, and fact sheets**
- **Partner efforts with state DRS agency, and other ABLE Tech partners and Advisory Council Members**
- **Targeted audience: vendors, professionals, consumers, and referring agencies**
- **Target unserved counties: press releases, posters, and outreach to targeted audiences in those areas**
- **Provide public presentations and attend statewide conferences targeted to diverse audiences**

## Conclusion:

- ✓ High performing / low cost model which has performed well since its inception
- Ranked 15<sup>th</sup> out of 33 in total funds received from title 3, totaling \$1.7 million
- Ranked 3<sup>rd</sup> in loans reported on RSA 572 for FY13

Questions?

# Thank you!

## Oklahoma ABLE Tech



[www.okabletech.okstate.edu](http://www.okabletech.okstate.edu)

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