



Questions to Ask About Online Marketplace Lending

Advances in technology and data availability are changing the way consumers and small businesses are securing financing. Online marketplace lending, originally referred to as “peer-to-peer lending,” has emerged as an industry offering faster credit for consumers and small businesses. The U.S. now has over 160 marketplace lending companies, Lending Club and Prosper being the two largest. However, this quick and easy lending format comes with trade-offs.

Borrowers and lenders are matched through an online “marketplace,” allowing borrowers access to funds more quickly and easily than traditional financial institutions. While marketplace lending sounds attractive, it is a fairly new industry that is quickly evolving. Although federal regulation is in the works, marketplace lenders don’t face the same regulations as banks and credit unions, so it’s important for borrowers to be informed before heading online.

Here are some things to consider:

- **Do you fully understand the loan terms?** Loan terms may not be transparent. Be sure to examine your interest rates, as well as the lending and repayment terms. Typically, marketplace lenders only service loans until they become delinquent. At that point, the loan is outsourced to collection agencies. This makes it difficult for a person, who is late on a payment, to work out a repayment schedule to become current.
- **Is there an underlying financial concern?** While marketplace loans can help consolidate loans or give you cash fast, they are often a quick fix to an underlying issue, and can often make your situation worse. Michelle Beasley, from Telcoe Federal Credit Union, has been seeing an increase in the number of members turning to marketplace loans. “I’ve seen members consolidate with these companies, and end up with very high interest rates, monthly payments and fees,” she said. “We would rather see members come to us first so we can help them find their best option and refer them to Accel if they need additional financial education and resources. We have

spoken to members that regret the marketplace loan, and the large monthly payment leaves them applying for new credit cards just to pay for regular monthly expenses.”

- **Does the marketplace loan require an electronic withdrawal for payment?** Unlike traditional financial institutions, that offer electronic withdrawals as an option, marketplace lenders typically make it the only payment option. Moody’s notes that automatic withdrawals makes it more likely that “strapped borrowers” would pay their marketplace loans ahead of other expenses.
- **Is your information being shared with third parties?** Marketplace lenders are building their own models for measuring creditworthiness based on non-traditional sources, such as utility bills, social media sites, and online search histories. The Federal Trade Commission has raised concerns over who this data is being shared with and how it is being stored. Be sure you are aware of how your information is being used and stored before applying.

Although marketplace loans are quick and easy to get, they are currently not as regulated as traditional loans. They can be risky if loan terms are not fully understood. If you are considering a marketplace loan, whether it be to make a large purchase or for debt consolidation, be sure to contact your credit union to review your options. Accel is also here to assist you before applying for any loan.

Contact an Accel financial expert at 877-332-2235, or visit www.accelservices.org, if you are interested in improving your financial health.



U.S. Household Income Increases in 2015 – Putting That Extra Money To Work

The U.S. Census Bureau recently reported that median 2015 US household income rose 5.2 percent, or \$2,798, over 2014. This is the first annual increase in median household income, since 2007.

At GreenPath, we always encourage people to review their budgets whenever income increases, to ensure the new income can be put to work positively, instead of simply spending more.

For example, as we start to look towards the holidays, this is an appropriate time to start saving for gifts and other expenses.

It is great news that household income is up. One of the best things to do now is use that income strategically.

GreenPath has put together five simple tips, in the form of the acronym **PRIDE**:

1. **Preserve** – Putting more money away is always a good idea. Whether it's towards retirement, paying for college or building an emergency fund (see #2), preserving that bottom line, a bit more, can really add up. Make these deposits automatically from your paycheck, so that you are paying yourself first with the new income.
2. **Reserve** – Depositing \$20 a week in an emergency reserves fund will mean over \$1,000 cash in a year, for that new set of tires or to replace that broken hot water heater. Keeping these expenses off your credit card will give you peace of mind (and help you steer clear of interest expense, if you don't pay off the balance in full each month.)



3. **Invest** – Now may be the time to up your workplace contributions towards retirement. Examine limits and company matches to make sure you're maximizing your investment. If you receive an annual salary increase, adjust your withholdings to put that extra money into savings or retirement, instead of spending it.
4. **Donate** – Charities always need our help, especially as the holiday season approaches. If you have a cause near and dear to your heart, consider sending them a small donation. It will not only help the charity, but gives you an emotional benefit, too, in knowing that you are helping out someone in need.
5. **Evaluate** – What's your priority? If you've been putting off necessary home or auto repairs, look at your budget, to see if you can afford the repair. Do you have credit card balances? Paying down credit card debt can help your overall bottom line.

If you have additional questions, or would like to review your budget with Accel, give us a call at 877-332-2235 or visit www.accelservices.org.

Kristen Holt
GreenPath President and CEO

As a member of SECU, you can take advantage of the **Accel**, a program of GreenPath, Inc. Accel is a **free** financial education and counseling service. For more information, call 1-877-33ACCEL (332-2235) or visit us on the web at www.accelservices.org.

