CUSTOM RESEARCH

Employer-Sponsored Small-Dollar Loans:
Helping Employees Access Affordable Credit & Improve Financial Wellness

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Introduction & Overview

Since 2007, Employer-Sponsored Small-Dollar Loan (ESSDL) programs have helped credit unions and other financial institutions work collaboratively with employers to help employees meet immediate financial needs, avoid high-cost borrowing alternatives, establish or build credit, and begin to save. **Early ESSDL programs balanced practical loan terms with employee-friendly features designed to reduce borrowing barriers, prevent debt cycles, and support financial well-being.** Such features include the following:

Loan size
Up to $2,000.

Interest rate
ESSDLs should be priced to ensure sustainability for the credit union or other financial institution while being substantially more affordable to consumers than predatory alternatives. Factors influencing the rate include the local market, the cost of delivering the product, projected losses, and regulatory rate caps.

Fees
No hidden borrower fees.

Automatic repayment
A deposit account and automatic payroll deduction (or similar automatic payment arrangement) are required, with a minimum payment of $50.

Term
90 days to 12 months. ESSDLs have a loan term of at least three months, with fixed monthly repayment amounts. By contrast, most payday lenders require full repayment of the loan and fees within two weeks.

Credit building
Monthly repayment reporting to credit bureaus.

Underwriting criteria
No minimum credit score, though a credit score might be pulled for research or educational purposes; length of employment in good standing (typically ranging from six months to one year); photo ID; borrower must have a savings (share) account with the credit union; sometimes ability to repay based on current income.

Loan decision & payout
Ideally within one business day.

Opt-out savings
After loan repayment, a deduction in the amount of the loan installment continues on an opt-out basis and is deposited into the participant's savings account.

Lending limits
One loan per borrower at a time.
No rollovers, and no more than three loans to any borrower within a rolling six-month period.[1]

In some instances, participating employers pay an administrative fee (based on the number of employees) to help offset the cost of operating the program or pay for access to the loan as part of a larger program. Employers do not underwrite the loans and bear no responsibility for defaulted loans. They agree to market the program through company channels, confirm applicant eligibility, set up payroll deductions, and inform the lender if a borrower is separating from the company.

In 2014, the Filene Research Institute (Filene) and the Ford Foundation partnered to test the ESSDL model. During the 18-month study, the ESSDL program was replicated and implemented in eight states by 13 financial institutions working with 48 employers. **More than 1,000 loans were generated totaling $1.2 million. Borrowers who completed loan repayment during the test saved nearly $48,000.**

Findings from the test included the following:

- An ESSDL program meets important needs for both employers and employees. The program was perceived by employers as a low-cost, highly valued employee benefit.
- Competition for an ESSDL program is minimal and often predatory for borrowers. Small-dollar lending is dominated by alternative lenders offering high-cost products such as payday loans.
- ESSDL programs are viable and beneficial for financial institutions. They are easy to implement, outperform financial projections, and are recognized as a valuable community service.
- While some employers offer the ESSDL as a stand-alone benefit, collaboration with nonprofits providing additional employee supports appears to enhance program uptake and implementation.[2]

Despite the widespread introduction of the ESSDL over a decade ago, the pace of implementation by credit unions and other financial institutions has been slow. By contrast, the small-dollar lending market has grown rapidly—fueled by financial technology among other factors—but it remains **dominated by high-cost alternative lenders offering products that provide only temporary relief while failing to address borrowers' long-term financial needs and well-being**.

Concurrently, employers increasingly recognize the **significant impact that employees' financial wellbeing has on workplace productivity, engagement, and job satisfaction**. This awareness is driving a shift in corporate benefits strategies, with more employers expanding their financial wellness programs beyond traditional retirement planning to include financial education and coaching, emergency financial assistance, and other financial well-being initiatives.

This study examines the current ESSDL landscape to understand the need and demand for ESSDLs; lessons learned and promising practices about the feasibility, implementation, and marketing of ESSDLs by credit unions and other financial institutions; and the experiences and outcomes of participating employers and employee borrowers.

To accomplish these objectives, the research team:

- Conducted a field scan and literature review
- Audited credit union websites
- Collected aggregate data from credit unions
- Interviewed credit union leaders and employer representatives
- Surveyed borrowers and nonborrowers employed by companies offering an ESSDL as an employee benefit

Existing Research

U.S. Workers and Financial Stress

A 2023 survey found that finances were the top source of stress for 57 percent of U.S. workers, while 59 percent said their compensation was not keeping pace with living expenses. Among workers indicating financial stress, 44 percent said that this stress is a distraction at work.[3] Similarly, the 2024 FINRA Foundation National Financial Capability Study (NFCS) found that **over half (52 percent) of employees spend at least one hour a week at work thinking about their financial problems**.[4]

The NFCS also revealed that financial distress was most pronounced among workers with household incomes under $50,000: In 2024, only 27 percent were able to cover expenses without difficulty, and only 32 percent had emergency savings. Compared to workers with incomes $50,000 and above, these workers were **45% more likely to have used high-cost payday loans**. Another study found lower-wage workers experiencing expense shocks (for example, unexpected car repairs) and/or income shocks (for example, reduced work hours) were more likely to face negative cash flow and difficulty paying bills.[5] For these employees, **access to safe and affordable emergency cash can prevent cascading financial problems that might impact their ability to maintain employment.**

Employee Financial Wellness Benefits

Workplace benefits continue to diversify and expand as employers recognize the nature of employees' financial struggles.[6] Many now address employees' immediate and near-term financial needs by offering financial wellness products and services (such as financial coaching, savings programs, and access to credit or pay advances) that differ from traditional benefits like retirement plans.[7]

However, access to these benefits remains limited. For example, only 54 percent of employees at large companies and 32 percent at small companies report that their employers offer financial wellness benefits.[8] Access to personal loans is especially scarce: **One study found that only 10 percent of employees had access to such loans,[9] while another found that just 7 percent of low-wage employees had loan access.**[10]

This gap represents a significant opportunity for employers to partner with credit unions and other financial institutions to expand ESSDL access and provide workers with an affordable credit option for managing financial emergencies and meeting other needs.

ESSDLs and other financial wellness benefits may prove increasingly important for employee attraction, retention, and engagement. Research shows that financial health is associated with employees' intention to remain in their jobs[11] and that **employees who are optimistic about their financial future demonstrate greater loyalty, motivation, and dedication**.[12]

ESSDL Benefits for Workers, Employers & Credit Unions

Research has demonstrated that ESSDLs effectively expand access to affordable credit for financially vulnerable workers while offering straightforward implementation and measurable benefits for financial institutions and employers. **These workplace-based lending programs provide a viable alternative to high-cost credit products while maintaining low institutional risk.** Notable findings from existing research include:

Benefits for Workers[13, 14, 15]

- ESSDL programs appear attractive to financially vulnerable workers.
- ESSDLs can have a positive financial impact for borrowers.
- ESSDLs offer a lower-cost alternative to predatory lending products.

Benefits for Credit Unions and Other Financial Institutions[16]

- ESSDL programs present minimal implementation barriers for financial institutions.

- ESSDL institutional risk is comparable to traditional consumer lending.
- ESSDL programs deliver strategic business benefits for financial institutions.
- Loan parameters fit well within the current regulatory environment.

Benefits for Employers[17]

- Employers report satisfaction with ESSDL programs as an employee benefit.
- Employers report benefits to the bottom line.

ESSDL Customization and Trade-Offs

While the ESSDL terms and parameters detailed above (see Overview) offer guidance to financial institutions and employers, financial institutions have successfully customized ESSDLs using loan terms and product features that align with their existing lending policies and other practices. **Although principled compromises to the standard ESSDL terms might facilitate institutional adoption, program stakeholders should understand the potential trade-offs associated with various customizations.**

For example:

- Credit score-based underwriting might exclude employees who would benefit most from accessing loans.
- Barriers to rapid fund disbursement, such as requiring financial education or coaching before loan approval, might disadvantage ESSDLs compared to the quick payout of payday loans.
- Online loan platforms might streamline the lending process but eliminate opportunities for borrowers to develop relationships with financial institutions.

Leading the Field in Vermont: The Income Advance Loan

In 2007, the United Way in Burlington, Vermont, convened a working group of local employers to develop workplace supports aimed at improving employee productivity, retention, advancement, and financial stability. Building on this initiative, NorthCountry Federal Credit Union (NCFCU) partnered with Rhino Foods, a specialty food manufacturer, and others to create and pilot an ESSDL program named the Income Advance Loan. This program helps working families meet immediate financial needs while building long-term financial stability. The loan terms, parameters, and implementation standards have offered other employers and credit unions guidelines for implementing an ESSDL program.

Since its inception, NCFCU has expanded the program to dozens of employers, disbursing over $12 million in loans to nearly 10,000 workers. Borrowers have saved $2 million collectively and qualified for $20 million in subsequent loans after repaying their Income Advance Loan and improving their creditworthiness. Additionally, 38 percent of borrowers opened checking accounts. The program maintains an average annual charge-off rate of 3.7 percent—comparable to the 2–3 percent rate for all consumer loans over the past five years.

The Income Advance Loan has achieved nearly statewide availability in Vermont, with three credit unions and one community bank offering it to more than 111 participating companies in 2025.

The Rhino Foods Foundation was established in 2018 to expand access to ESSDLs. Employer resources, including an Income Advance B2B Guide and an Income Advance e-Learning Guide, are available at *rhinofoodsfoundation.org/resources*.

- Digital-only loan platforms might lack the capability to transition borrowers to savings accounts following loan repayment.
- Larger loan amounts might not align seamlessly with existing regulatory frameworks like NCUA-approved Payday Alternative Loans (PAL).

Any customizations to a small-dollar loan program should be evaluated against the program's core objectives. The accepted best practices for employer-sponsored lending distinguish loans designed to provide benefits to employees from those in which employers are essentially financial institution marketing partners.

Nonprofit Community Implementation Partners

Since the development of the first ESSDL program, nonprofit organizations have played an important role in the adoption and sustainability of ESSDL programs across the country. For example:

- **Local nonprofit community agencies** such as United Way affiliates, land grant university extension programs, and other organizations are delivering comprehensive fee-for-service workplace financial wellness programs that provide onsite financial education and coaching and connect employees with community resources. Many of these programs have recruited local financial institutions to add ESSDL programs to their service offerings.
- **The Community Loan Center of America** recruits organizations such as Community Development Financial Institutions (CDFIs) and Community Action Agencies as franchisees to offer ESSDLs to employer partners using a support package that includes software, marketing materials, and loan processing and servicing.
- **The Community Impact Fund (CIF)** partners with credit unions across the U.S. to administer interest-free charitable loans of $500 to $3,000 to employees facing financial hardship on behalf of its partner organizations. With CIF serving as an intermediary, loan participants remain anonymous to their employers. Loan participants can earn savings incentives to establish emergency funds and have access to financial coaching and education through CIF's national partners, Neighborhood Trust and GreenPath Financial Wellness.

Building Savings and Credit in Buffalo, New York

NBT Bank (formerly Evans Bank) in Buffalo, New York, offers an ESSDL (known locally as the Loan and Savings Program) to 13 area employers, reaching nearly 3,000 employees as part of the United Way of Buffalo & Erie County Work/Life Solutions program.

To help borrowers develop healthy savings habits and build emergency funds, this ESSDL requires a minimum savings deposit of $10 per month in addition to the loan repayment. After the loan is fully repaid, the repayment amount automatically rolls over into the borrower's savings account on an opt-out basis.

NBT Bank also provides philanthropic support for the Work/Life Solutions program and offers the program as a benefit to bank employees. Beyond the ESSDL, Work/Life Solutions connects employees with financial coaching, financial education, and onsite resource coordinators who help employees navigate personal and financial challenges through workplace benefits and community service referrals.

As of June 2024, the program has provided 900 loans to employees, with 300 borrowers accumulating $112,000 in savings. The bank found that, from a sample of 226 loans, 26 percent of borrowers access more than one loan. Those who successfully repaid two or three loans experienced average credit score increases of 106 and 164 points, respectively.[18]

Credit Union Perspectives

Credit Union ESSDL Variations

The research team requested information from credit unions participating in this study concerning their ESSDL programs. Similar to prior research, credit unions reported variations from established ESSDL standards. ESSDL design variations include:

- **Underwriting criteria:** The most common eligibility and underwriting criteria observed included: job tenure (3–12 months minimum with the participating employer) and "good standing" (not on probation or undergoing corrective action). In a number of instances, credit unions reported including a discussion about the reason for borrowing not as a barrier to loan access, but as part of a conversation with would-be borrowers to ensure the loan was the best option.
- **Loan size:** The loan size ranges up to $2,500. Some credit unions offer the opportunity to borrow a larger loan amount after an initial loan is repaid.
- **Term:** Term length ranges up to 24 months. Some credit unions offer different terms depending on the loan amount (for example, five months to repay a $500 loan vs. 12 months to repay a $1,000 loan). Others include stipulations on the duration related to employment (for example, the loan term cannot exceed the current length of employment).
- **Interest rate:** Some credit unions offer discounted rates if certain criteria are met (for example, a 14.99 percent rate, discounted to 9.99 percent upon completing a financial counseling meeting).
- **Fees:** Most credit unions charge no ESSDL fees for borrowers. If present, typical fees include an application fee ($20–$25) or late payment fees (for example, $30 after a 10-day grace period).
- **Payment:** In states that do not allow loan repayment through payroll deduction, an alternative path has been established through direct deposit into a savings account from which the loan is automatically repaid.

Though funding a loan loss reserve has never been part of the "employer-sponsored" nature of this loan, two credit unions participating in this study used grants obtained through their CDFI status to cover financial losses. And still others agreed to split losses with employers once losses cross a certain threshold. **Flexibly working with employer partners on how to approach losses was seen as essential to the early momentum and success of ESSDL programs.**

Why Offer an ESSDL?

The language used by credit unions to market and describe ESSDLs is as diverse as the credit union industry itself. **A review of over 4,200 US-based credit union website domains showed no consistent terminology used by credit unions to identify ESSDLs.** Further, as a product that, by definition, is offered through employers, credit unions do not necessarily advertise ESSDLs to the general public, or even publicize the offering on their websites. This aligns with how ESSDLs were characterized by credit union leaders in interviews.

Credit unions do not expect the ESSDL to be a major source of new business or member enrollment. Even credit unions managing the most successful ESSDL programs tended to **view the loan as a unique product dependent on personal relationship-building, not the centerpiece of the institution's business**. Respondents repeatedly expressed that the loan would never be a "moneymaker" or even profitable. Most stated their expectation for the product was simply to break even, and they intentionally designed their interest and fee structures to match potential losses.

Credit union leaders framed their main motivations for offering ESSDL products in terms of social impact: "giving back" to the community, and a commitment to the credit union cooperative ethos of "people helping people." The financial interests of the credit union, either in terms of building membership or turning a profit, were secondary (if they were expectations at all). **The ESSDL, in other words, aligns with and advances the credit union's core values.**

For that reason, it is perhaps unsurprising that the language of "empowerment" is prominently featured on credit union websites that contain employee and workforce content. This is perhaps illustrative of a mindset that exists across the industry: **Members' attitudes matter, and positively framing credit access in terms of freedom and growth can be beneficial**.

Credit union leaders' descriptions of the ESSDL similarly characterize the loans as a **long-term investment in their networks and the financial health of their community**. One leader cautioned against expecting immediate gains: *"I think if a credit union is just trying to kind of add business, like if it's more transactional, that's short-term thinking. That might feel great and look good at the start, but it's super hard to maintain that."*

Though credit union respondents were familiar with the format of other ESSDL programs, they did not believe that models developed elsewhere were easily transferrable to their community. *"It really is a slow process,"* one credit union CEO cautioned. *"But if you're looking at it long term, it's not about that loan, really. It's about long-term effects of that loan."*

Unlike PALs (Payday Alternative Loans), which can be offered directly to members through the credit union, ESSDLs require forming and fostering a working relationship with the employer-sponsor(s). This relationship comes with advantages, including **reduced marketing costs, low or no underwriting fees, potential risk sharing with employers, and the opportunity to foster goodwill in the community**.

Importantly, most credit union leaders expressed a need to reflect on how to tailor ESSDLs to their specific context and potential employer partners to be successful, which **requires time and an investment in building relationships with like-minded businesses and nonprofits.** Rather than seeing the loan as a quick way to generate new business, respondents felt that developing ESSDL programs is a way to "sow seeds" for relationships to build over time, gradually fortifying borrowers' financial health, the credit union's reputation as a trusted financial services provider, and stronger community partnerships (with employers, and in some instances nonprofits).

Credit Union ESSDL Implementation Experience

Successes & Success Factors

Credit unions expressed a positive view of ESSDLs as broadly beneficial at the borrower, credit union, employer, and the community levels and saw no significant downsides to offering the product (aside from losses, which most described as "immaterial").

Respondents described the loan as a "lifeline" for borrowers, and noted the following benefits:

For the borrower:

- Affordable access to credit
- A pathway out of predatory lending cycles
- Builds savings
- Access to other member products and services (especially financial counseling, but also basic banking offerings like checking, savings, and mobile banking)
- Emotional relief

For the credit union:

- Talent retention (creates a sense of efficacy and community engagement for credit union employees)
- Provides a "training ground" for lenders[19]
- An opportunity for experimentation with a new product, stretching the skills and imaginations of credit union employees

- Enables cross-selling (particularly auto lending)
- Builds membership and can cement the credit union as a Primary Financial Institution (PFI)[20]

For the employer:

- A unique benefit to attract and retain workforce talent
- (For those informally lending to employees already) alleviates financial risk
- Provides insight into employees' well-being

For the community:

- Strengthens partnerships among likeminded businesses
- Surfaces and addresses unmet needs in the community

Credit union leaders advised those interested in developing ESSDL programs to **have a spirit of experimentation and prioritize active communication with their partners**. *"Financial institutions—no matter how creative they may be—are very structured and routinized,"* one leader explained. "*This is stepping into space that is harder for them to wrap their heads around and manage in a way, because it's different. Different isn't always bad and scary. It's what you remain open to."* Other tips included:

- Conduct a realistic risk assessment.
- Build on already strong community partnerships and network through them.
- Communicate transparently with your board about what the product is and expectations for its performance.
- Gather testimonies from employers to help generate new partnerships and make the product legible.
- Approach the product as a pilot, and don't be afraid to cut your losses and move on when an employer partnership isn't working.

Lessons Learned & Opportunities

Overall, ESSDLs have many potential benefits, but credit unions did encounter some challenges, including: lack of employer enthusiasm; conflicting opinions about the role the employer should play; and lack of data quantifying the impact of ESSDLs.

Employer Partnership and Promotion: Many respondents noted that there must be an advocate within the employer, a person who is empowered to make decisions and will work to champion the product among employees. *"You've got to have somebody there at the employer talking this up and making sure that people are aware of it,"* a former CEO noted. Three of four credit unions where programs were discontinued (or went dormant) lacked such advocates. Of those, two credit unions have revived or are reviving the ESSDL program.

Delineation of Employer and Credit Union Roles: Several credit unions held conflicting attitudes toward the role of employers as intermediaries in the lending process. Some credit unions saw this collaboration as mutually beneficial for both borrowers and the credit union. ESSDL programs could create a trusted network for guidance and financial support for borrowers (in this instance, the employer serves as a trusted intermediary for borrowers), while working with an employer could help de-risk unsecured lending for credit unions (i.e., the employer operates as a trusted intermediary for the credit union). Other credit unions felt that having their relationship with members mediated by employers could create barriers to access or even bias.

Lack of data to prove ESSDL impact: Most credit unions have not collected systematic data on the impact of ESSDLs, either for the employers or the borrowers, which can lead to haziness around the true impact and cost of an ESSDL program. To the extent that data is collected, it tends to be for the functional purposes of administering loans, not studying their effects on credit, savings, or other financial wellness indicators. For some, data collection is simply not a priority. For others, anecdotal evidence of the program's impact is sufficient justification to continue it. However, several credit unions noted that they are beginning to implement more systematic data analytics programs to track impact on borrowers' financial well-being and credit.

Other challenges to successful implementation noted by credit union respondents included:

- Pitching the product in a way that is clear and understandable to employers
- Limited capacity within the credit union, particularly at smaller institutions, to do the necessary networking, marketing, and customization work
- Employee reluctance to approach HR to apply for the loan
- Reluctance of some employers to "favor" particular financial institutions

These challenges point to opportunities for evolving ESSDL programs. Challenges with creating employer enthusiasm for the program, as well as discussions around the delineation of roles between employers and credit unions, point to a need to have up-front discussions on the ESSDL program framework. **Lack of impact data associated with ESSDL implementation can similarly be mitigated by creating a metrics and data collection plan** when first formulating an ESSDL program. These opportunities are discussed in more detail in the Recommendations section at the end of the report.

Employer Perspectives

Employer Characteristics

The nine employers interviewed for this study operate in a variety of industries—from manufacturing to education to community support services—with workforces ranging from under 100 employees to nearly 7,000. What unites them is a commitment to offering support for their employees beyond basic benefits. Characteristics of the employers interviewed include:

Industries:

- Manufacturing
- Retail
- Nonprofit, Supportive Services
- Education
- Caregiving

Number of Employees:

- Min: 78; max: 6,972; median: 886

Percentage of Frontline or Entry-level Employees (mode):

- 50 percent or more

Years ESSDL Offered:

- Min: 2; max: 18; median: 5

Percentage of Employees Using Loans (estimate):

- Min: 0.50%; max: 30%; median: 13%

Loan Access:

- HR Department
- Fintech platform
- Credit union branch (in-person)
- "Financial Navigator" provided by credit union

ESSDL Program Pathways

While most of the loan programs offered by the employers interviewed for this study (eight out of nine) are less than a decade old, the NorthCountry Federal Credit Union Income Advance Loan (as it is known locally) was first designed and offered in partnership with Rhino Foods (a specialty foods manufacturer) approximately 18 years ago. In the intervening years, little has changed from this successful program.

That said, and despite the availability of existing ESSDL programs to model from, unique experiences at their own workplace informed many employers' ultimate product design. **The final iterations of ESSDL products took on many characteristics, but two primary groupings of loan programs emerged:**

- **Loan Only:** Employees access loans by approaching an employer's HR representative, who then signs off and connects the employee with the credit union. Some employers provide access to their loan programs more directly. At one company, loans are accessed by employees through the TrueConnect fintech app.
- **Loan with Consultative Process:** Employees access the loan through an initial conversation with an external intermediary such as a financial navigator or resource navigator (also known as a resource coordinator) who, in addition to the loan, might offer financial planning and education or linkages with community services. In one model, employees apply for a loan directly via the credit union, which also offers financial education and resources. In another instance, the employer seeks to strike a balance between the immediate need for funds and educational aims. In this case, employees access the loan through an HR representative, and the loan is quickly initiated by the credit union partner. The credit union then circles back to employees after the immediate crisis is resolved to offer financial education.

Measuring ESSDL Impact: Beneficial Yet Anecdotal

Employers value having the ESSDL available as a tool to retain valued employees. One employer put it simply: *"I kept good people."* Another shared, *"There's a sigh of relief when this is shown as another option."* **Several employers reported that the loan gave them an advantage with regard to employee recruitment and differentiated them as a choice workplace.**

When asked to estimate the percentage of employees that have used ESSDLs, numbers varied widely from employer to employer, from less than 1 percent up to 30 percent. **Employers observed that employees tended to take out the full loan amount available and used the loans in situations that fall into five categories:**

Transportation: Car downpayment, major car repairs, winter tires or replacement tires, and recovering a car from repossession.

Housing: Rent payment, moving expenses (apartment downpayment, relocation closer to work, or relocation to a more affordable location), and home repairs (especially furnace repair).

Medical: Health crisis, dental work, and veterinary care.

Financial: Catching up on bills, paying taxes, building credit history and improving credit score (including post-incarceration), rate shopping (avoiding credit card or payday loan use), preserving savings, and support through loss of other family income.

Quality of life: Gift-giving at key life stages (holidays, graduation, birthdays) and vacations.

In addition to the inevitable unexpected expenses that arise, employers noted a cyclical escalation in loan use around the end of the calendar year due to holiday spending and seasonal weather-related expenses (for example, higher heating bills, furnace repairs, winter tires, etc.). Regarding repeat borrowers, some employers speculated that employees were using the loans as cash flow assistance on a regular basis, while others noted that some employees *"may be having something they feel like is a financial emergency every year."*

Overall, ESSDLs appear to have a beneficial impact on employee financial well-being, based on anecdotal evidence from employers. Employers reported that these loans have helped employees avoid financial crises, including eviction, vehicle repossession, or job loss due to financial distress. **They help employees avoid payday loans and other higher-cost borrowing methods that can trap them in a cycle of debt, while also helping them avoid borrowing from their retirement funds.** Even in cases where the loan product was discontinued, employers described the ESSDL as a "valued benefit" for which employees felt "grateful." Employers identified several other positive outcomes, including:

- Improved quality of life (living closer to work or in a more affordable area, addressing health concerns, stress reduction, a sense of pride and jubilation)
- Credit building
- Sense of loyalty to employer and credit union
- Access to other financial products

Beyond the anecdotal, employers in the study stated they had limited or no formal outcomes data because it had simply not been collected, they did not have access to it, or it was too early in the process of offering ESSDLs to track outcomes such as changes to credit scores.

Improved data collection could offer insights into how ESSDLs are being used, as well as the consequences for employee financial wellness and stability. Additional data could help build organizations' understanding of whether repeat loan usage indicates that employees are regularly augmenting their income to close everyday cash flow gaps, regularly experiencing unforeseen financial emergencies, or using loans to strengthen their financial situation through building credit and/or savings.

Scaling ESSDL Programs

Employers identified word-of-mouth and contextually tailored communications as vital for ESSDL uptake among employees. Breakroom conversations are a powerful form of marketing. As one employer put it, *"The conversation is out there amongst employees."* That said, employers noted that ensuring communications are appropriately tailored for the workplace context is important. For example, an email blast might be appropriate for an office setting, while text messaging might work better in a manufacturing setting. Leveraging technology where appropriate—such as permitting employees to communicate with community navigators or HR directly through text—can simultaneously foster a sense of privacy and accessibility.

Although word of mouth appears to drive loan uptake at the level of individual employers, for ESSDL programs to scale across multiple employers, a mezzo-level partner with a regional understanding is vital. Nonprofit-led employee financial wellness programs have been effective partners in scaling up a number of ESSDL programs, not only because of their broader understanding of the local economic constraints employees are operating under, but also because of their **ability to implement models for consultation, education, and credit union partnerships with multiple employers.**

Successful ESSDL programs require what one employer described as thoughtfulness about "caretaking" relationships—not just with employees but also among employers, credit unions, and other third-party partners—nurturing connections through communication that is sensitive to the vulnerability of disclosing financial struggle.

Lessons Learned and Opportunities

Despite the overall positive reception ESSDLs received from employers interviewed for this study, there were several challenges employers at times found difficult to navigate.

1. **Creating a Sense of Employee Responsibility for the Loan:** One ESSDL program this study examined was designed to be offered online. The employer speculated that this led to

confusion about employees' obligation to pay after employment ended. Contrast this approach with that taken by another employer: *"Once [the paperwork] is signed, [employees] go to the branch themselves. We decided to make that part of the process so there's a sense of ownership and responsibility with the employee understanding what they're doing. They can get desensitized if we're just doing it all at work."* In this instance, several employees who left the organization are all still making loan repayments.

2. **Balancing Data Collection with Privacy:** Although many employers intend to begin more systematic data collection around ESSDL outcomes, achieving this must be balanced with the need to preserve borrowers' privacy. It is important to note that being "taken out of the process" was part of the appeal of the ESSDL product for many employers. *"We don't ask a lot of questions, and our involvement is pretty minimal. We don't manage a lot of it,"* one employer stated. Not having to do a lot of management or becoming enmeshed in employees' struggles was seen as a benefit of the loan. As employers implement plans for data collection, ensuring they strike the right balance among privacy, simplicity, and understanding impact will be key.

3. **Situating the Loan in the Process of Furthering Financial Wellness:** Employers are negotiating complex beliefs around the causes of financial instability, the role of the employer, and the intended purpose of the loan. Some employers identified perceived financial mismanagement (such as not saving for emergencies) as driving the need for the loan. *"I want to help people if they want to help themselves,"* one employer explained. In this approach, the loan is seen as best used for "true emergencies," and the built-in accountability of consultation and repayment frame the loan as a corrective learning opportunity. Other employers observe the "web" of resources employees thread together just to get by in life. These employers view the ESSDL as part of a support system that is best coordinated by a financial navigator and that may address broader "quality of life" issues.

Other challenges for employers include:

- Not receiving regular data from credit unions (notification of when the loan is closed out, data on impact, etc.)
- Reluctance from other leaders to get involved in employee financial matters (fear of cost, fear of default, institutional risk aversion, and "optics")
- Communication errors or administrative mistakes
- Adapting to turnover (credit union employees, financial navigator position, etc.)
- The need to establish greater trust between the employee and HR/the employer

Future Directions

Many of the employers in this study are still in the pilot stage of establishing ESSDL products. For some, even getting the loan off the ground felt like a substantial step forward. **With a program established, or an experimental pilot under their belts, employers expresseda desire to take things "to the next level" in three key ways:**

- **First, employers aim to increase consistent and robust data tracking around loan usage and impact.** Most expressed a desire for quantitative data collection, and some also shared an interest in conducting qualitative interviews to demonstrate "ROI" (or return on investment) to skeptics.
- **Second, employers hope to increase the breadth and availability of financial education**

that accompanies the ESSDL. Employers expressed a desire not simply to serve as an emergency resource for employees (though the value and necessity of emergency funds is certainly appreciated), but to empower employees to help themselves, too.

- **Finally, employers are considering ways to expand employer-based lending programs to meet the needs of more of their employees.** In particular, some expressed an interest in offering larger loans to higher income workers who might have more costly financial goals: car purchases, first time homebuying, and educational expenses.

Borrower Perspectives & Experiences

A total of 240 employees completed a survey about ESSDLs, financial behavior, and financial health, including 111 borrowers and 129 non-borrowers. Borrowers included persons who currently were repaying an ESSDL or who had used an ESSDL in the past. Non-borrowers were individuals who worked for the same companies but had not used an ESSDL and were surveyed to assess differences with borrowers concerning demographic characteristics, financial behavior, and financial health.

Key Findings

Among borrowers:

- 37 percent took out more than one ESSDL.
- The majority (75 percent) said loan payments were not at all difficult to afford.
- Over half said the ESSDL made it easier to pay for basic needs, manage debt, and improve credit.
- Less than half had access to financial counseling or coaching in addition to the loan.
- 81 percent were interested in rolling over loan payments to savings deposits.

Compared to non-borrowers, borrowers reported:

- Lower incomes
- Lower levels of educational attainment
- Greater likelihood to be single and identify as people of color
- More use of short-term credit products such as Buy Now Pay Later and payday loans
- Lower subjective and objective financial health

ESSDL Borrower Experiences

Borrowers were asked different questions about the loans they took and the experiences they had with these loans. Among all borrowers, most (70 percent) had loans actively in repayment. The overall rate of reborrowing among current and prior borrowers was 37 percent, and 17 percent of all borrowers previously had three or more loans. The vast majority of borrowers (91 percent) took out loans of $1,000 to $2,999, while 84 percent had payments of less than $200 per month and most made payments on a weekly basis.

More than half of borrowers (57 percent) were happy with the amount they borrowed, but 41 percent wished they had been able to take out larger loans. Very few (2 percent) felt they borrowed too much money. When asked what other options they considered, borrowers thought in roughly equal terms of taking on debt (43 percent) and increasing income (44 percent).

Among the survey respondents, borrowers revealed that loan uses were largely driven by a combination of a lack of savings and an immediate financial crisis or the need to cover large, seasonal, or irregular expenses.

The most common use of loans was to cover current expenses (47 percent), followed by major purchases or repairs (17 percent), reducing debt (12 percent), and improving credit (10 percent). A small percentage used loans for "discretionary spending" (6 percent).[21] Borrowers also provided specific purposes for which they used an ESSDL, including:

- "Bought a set of winter tires"
- "Christmas presents"
- "Get a security gate installed"
- "Help with winter heating"
- "Lawyer for custody issues"
- "To help out my kids. When they get in a pinch."
- "Veterinarian bill"
- "Help pay property tax"

Workplace Financial Wellness Benefits

Less than half of borrowers said they were offered financial counseling or coaching in addition to their loan. Of this group, about a quarter said they used this service. The primary reason for not using it was perceived lack of need.

The majority of borrowers (81 percent) were interested in rolling over their loan payments to savings deposits at loan maturity. Of this group, two-thirds were interested in saving the same amount as their loan payments, and the other third said they wanted to save, but at a lesser amount than their loan payments.

Sources of Personal Finance Information

Employees might turn to various sources of information to better understand a range of personal finance issues. Understanding where borrowers are seeking personal financial information and content can help credit unions consider ways to offer financial education and counseling with ESSDLs. Sources ESSDL borrowers and non-borrowers used for financial information were generally similar, though borrowers depended more on their credit union and/or employer, while non-borrowers depended more on financial professionals, websites and social media (most often YouTube, Instagram, or Facebook), and family members or friends. It is notable though that family members or friends was the leading source of information for both groups.

TABLE 1: SOURCES OF PERSONAL FINANCIAL INFORMATION

Source	Borrowers		Non-Borrowers	
	n	%	n	%
Family members or friends	54	26%	96	31%
My credit union	32	15%	33	11%
Financial advisor, counselor, or coach	23	11%	49	16%
Online articles from a website	23	11%	48	16%
Coworkers	17	8%	23	8%
Social media	14	7%	19	6%
My employer	13	6%	9	3%
Self-help books	13	6%	12	4%
Other	13	6%	6	2%
Financial education in my community	7	3%	7	2%
Place of worship	2	1%	3	1%

Financial Health

Borrowers and non-borrowers were asked several questions about their financial health, starting with the following question: *"When you think about planning your financial future, which of the following words or phrases best describe how you feel?"* Answers to this question reflect subjective financial health—how people perceive and feel about financial situations that might affect their financial behaviors and financial stress.

Overall, negative feelings about all respondents' financial futures outpaced positive feelings by a ratio of nearly 2:1. Nearly three in four borrowers (72 percent) felt negatively about their financial futures compared to a little more than half of non-borrowers (59 percent).

Survey respondents were asked a series of questions regarding objective financial health, such as the ability to cover expenses, debt management, and saving. To compare the financial health of borrowers and non-borrowers to that of the general population, we included results from the FINRA Foundation's 2024 National Financial Capability Study (NFCS), which provides a representative sample of the U.S. adult population.

Table 2 shows results for various indicators of household spending and ability to cover basic needs. **Compared to non-borrowers and to the overall U.S. population, greater percentages of ESSDL borrowers reported spending that exceeded their income and problems affording basic needs.** For example, 20 percent of borrowers said it was very difficult to cover their basic expenses, compared to 4 percent of non-borrowers and 14 percent of U.S. adults overall. These results suggest that workers using ESSDLs are those who need financial help. The results are consistent with the finding that 47 percent of borrowers use their ESSDLs to cover basic expenses.

TABLE 2: ABILITY TO COVER EXPENSES

	Borrowers	Non-Borrowers	Overall U.S. Adult Pop.[2]
Household spending***			
Spending is less than income	24%	40%	38%
Spending about equal to income	38%	43%	34%
Spending is more than income	33%	12%	26%
I don't know	5%	5%	2%
Ability to cover basic expenses***			
Very difficult	20%	4%	14%
Somewhat difficult	57%	39%	41%
Not at all difficult	23%	57%	45%
Past due medical bills***			
Yes	37%	10%	22%
No	56%	94%	74%
Not sure	7%	6%	3%
Cannot afford healthcare*** [1]			
Yes	41%	19%	22%
No	57%	81%	76%
Not sure	3%	1%	2%

*Notes: *** Statistically significant at the p < .001 level.*

[1] ESSDL survey respondents were asked, "During the past 12 months, was there any time when you needed medical care, dental care, and/or prescription medication but didn't get it because you couldn't afford it?" NFCS survey respondents were asked, "In the last 12 months, was there any time when you had a medical problem but did not go to a doctor or clinic because of the cost?"

[2] Data drawn from the 2024 State-by-State National Financial Capability Study.

Table 3 shows results for various indicators of credit health and ability to manage debt. **Compared to non-borrowers, borrowers are as likely to check their credit scores, but their scores are lower[22] and they are more likely to have problems managing debt.**

TABLE 3: CREDIT & DEBT

	Borrowers	Non-Borrowers
Checked credit score in prior 6 months		
Yes	76%	74%
No	20%	19%
I can't remember	5%	5%
I don't know what a credit score is	0%	2%
Credit score* [1]**		
720 or higher	30%	69%
660 to 719	14%	17%
620 to 659	20%	7%
580 to 619	12%	3%
Less than 580	20%	0%
I don't know	4%	4%
Behind on current credit or loan payments* **		
Yes, one	19%	12%
Yes, two	7%	2%
Yes, three	4%	1%
Yes, four	1%	0%
No	69%	85%
Ever behind on credit or loan payments or loan sent to collections* [2]**		
Yes	48%	23%
No	52%	77%

*Notes: *** Statistically significant at the p < .001 level.*

[1] NFCS: Respondents rated their "current credit record" as follows: 38% Very Good; 21% Good; 19% About Average; 13% Bad; and 4% Very Bad.

[2] NFCS: 20 percent of respondents had been contacted by a debt collection agency in the past 12 months.

The findings in Table 3 suggest that ESSDLs are effective in reaching borrowers who otherwise might have difficulties accessing credit that does not come with high interest rates or has other unfavorable terms. Yet these findings also suggest that, **compared to non-borrowers, ESSDL borrowers might be at greater risk for loan delinquency and default,** though the automatic (typically via payroll deduction) repayment structure of ESSDLs mitigates this risk.

As seen in Table 4, borrowers have less in emergency savings and are more likely to dip into their retirement savings to meet near-term financial needs compared to non-borrowers and U.S. households generally. These findings suggest **the savings component to an ESSDL program might help borrowers save as they are repaying their loans**, or begin saving once their loans have been paid off.

TABLE 4: SAVINGS

	Borrowers	Non-Borrowers	NFCS
Any emergency savings* **			
Yes	34%	76%	–
No	66%	24%	–
Duration of emergency savings* **			
Less than 1 month	34%	7%	–
1 to 2 months	24%	20%	–
3 months or more	32%	66%	46%
I don't know	11%	6%	2%
Hardship withdrawal[3] from retirement account* **			
Yes	24%	5%	9%
No	76%	95%	91%
Loan[4] from retirement account* **			
Yes	26%	3%	10%
No	76%	97%	90%

*Notes: ***Statistically significant at the p < .001 level.*

[3,4] Among those who have a retirement account.

However, the differences shown in Tables 2–4 might be due to other factors that affect financial health and that differ between borrowers and non-borrowers, such as household income. Therefore, we ran a series of Probit regression models to assess whether borrower and non-borrower differences remained after controlling for age, household income, gender, race/ethnicity, having a spouse or partner, and number of children in the home.

In Table 5, we show the likelihood of various financial health indicators for borrowers and non-borrowers after accounting for these factors. We also explore whether statistically significant differences remain between borrowers and non-borrowers after considering these factors. With the exception of affording health care, all differences between borrowers and non-borrowers remained statistically significant, indicating that borrowers had poorer financial health. These findings suggest that **factors other than income account for the differences in financial health** between the two groups.

TABLE 5: PREDICTED PROBABILITIES OF FINANCIAL HEALTH INDICATORS

Indicator	Borrowers	Non-Borrowers	p
Income is more than spending	70%	84%	*
Not at all difficult to cover expenses	26%	62%	***
Past due medical bills	31%	12%	**
Problems affording health care	30%	22%	ns
Prime credit score (660 and higher)	51%	94%	***
Problems making credit and/or loan payments	31%	8%	**
Have any emergency savings	35%	76%	***
Retirement account withdrawal	23%	5%	**
Retirement account loan	23%	4%	**

*Note: p represents whether the comparison between borrowers and non-borrowers from Probit regression models was statistically significant after controlling for factors such as age and household income where * means the difference had less than a 5% probability of being due to chance, ** a less than 1% probability, and *** a less than 0.1% probability.*

Benefits of Using ESSDLs

Despite having worse financial health than non-borrowers and U.S. households generally, most ESSDL borrowers cited positive outcomes from loans with respect to covering basic expenses, managing debt, and improving credit scores (Table 6). **Nearly half (47 percent) said ESSDLs help them reduce late fees and interest.** Lower proportions of borrowers said the loans made it easier for them to save and/or pay for healthcare and/or childcare. Very small proportions of borrowers (<10 percent) said the loans made it harder to accomplish various financial goals.

TABLE 6: BENEFITS OF USING ESSDLS

	Easier	Neither	Harder
Manage debt	71%	23	5%
Pay for basic needs like food and housing	69%	26%	5%
Reduce late fees and interest	67%	29%	4%
Improve my credit score	63%	31%	6%
Save for emergencies	44%	46%	10%
Pay for health care	42%	55%	3%
Pay for childcare	39%	53%	8%
Save for retirement	33%	61%	6%

Note: Responses of "not applicable" were excluded. "Not applicable" responses might reflect that responses were not concerned about the financial issue or felt it was not relevant to their situation.

The findings in Table 6 suggest that, from the perspective of borrowers, ESSDLs are net positive when it comes to financial behaviors that promote financial health. Loan proceeds might give borrowers a cash infusion that they can use in multiple ways to address a range of financial needs. That so few borrowers said their **loans made it harder to do things like save and manage debt suggests that borrowers can handle ESSDLs without sacrificing other financial needs.**

Conclusions & Recommendations

Employer-sponsored small-dollar loans are an important option for employees who are experiencing financial challenges, especially those with sub-prime or no credit who might otherwise be forced to turn to high-cost borrowing. ESSDLs might establish or increase credit standing along with regular savings, which in turn can be used for future financial emergencies. **ESSDLs can also be an important part of employers' financial wellness programs and can help employees gain access to the full array of financial products and services offered by credit unions.**

Credit union representatives participating in this study view ESSDLs as an easy-to-operate product that aligns with their mission to serve the community by offering safer, more affordable short-term credit options. Credit unions view ESSDLs as an opportunity to strengthen their relationships with employers and recruit new customers. Most credit unions did not express concerns about loan losses. **Automatic, payroll-deducted loan payments mitigate risk, yet credit unions acknowledged that employee separation is the key risk factor.**

Employer representatives were equally positive about ESSDL programs, reporting that **employees seem grateful to have ESSDLs as a benefit. Employers also regard ESSDL programs as supportive of employee retention.** Employers view loan usage to be driven by a combination of a lack of savings and an immediate financial crisis or the need to cover large, unexpected expenses. This aligns with findings from the borrower survey. Some employers expressed concern about employees experiencing ongoing cash-flow support.

Credit unions and employers were closely aligned on three issues in particular:

- ESSDL borrowers can benefit from access to financial education and coaching to build positive financial habits yet being careful to avoid unnecessary friction in disbursing funds. Financial education and/or coaching should not be a condition for receiving a loan as loan delays or denial could lead the borrower to turn towards higher-cost options like payday loans.
- ESSDL programs should be flexible and adapt to the needs and circumstances of employees and the operational context and capacity of credit unions and employers.
- More information and data are needed concerning ESSDL effectiveness, especially longitudinal data on employee outcomes.

The employee survey revealed four key findings about borrowers:

- Workers using ESSDLs tend to report higher financial need, suggesting these loans are used by employees facing greater financial challenges. ESSDLS might offer an alternative to high-cost credit and other means of coping with financial distress.
- A large majority of borrowers are able to afford their loan repayments without difficulty.
- Borrowers used their loans for a variety of purposes, with a majority indicating that ESSDLs made it easier to cover their basic living expenses (such as housing and food), manage debt, and improve credit scores.
- Borrowers struggle with saving and retaining retirement savings, though nearly a third and a fifth said receiving an ESSDL made it easier to save for emergencies and retirement, respectively. Eight in ten borrowers were interested in having their loan repayments convert to savings deposits once the loan is paid off.

Considering all perspectives, ESSDL programs are well regarded though seen as just one way to help promote employee financial well-being. **Good pay and benefits, stable and predictable work hours and schedules, and access to other financial well-being benefits such as financial education and coaching are needed to move beyond crisis resolution to promoting employees' financial capability and well-being.**

Recommendations

For credit unions and employers that offer or interested in offering an ESSDL program, we provide the following recommendations:

1. **Be mindful of potential barriers to accessing ESSDLs.** Credit unions should avoid creating barriers to accessing ESSDLs among employees by conducting credit checks, considering borrowing reasons, charging fees, and mandating financial education and/or counseling lest employees trying to resolve an immediate financial challenge turn to high-cost and riskier credit options that might exacerbate financial distress. It is critical to consider product design and weigh operational needs against potential barriers to access.

2. **Design an impactful savings component.** It is important that workers build short-term savings to reduce the need for future short-term borrowing. The standard opt-out savings feature of ESSDLs is advantageous because employees will have had a chance to adjust their spending to a reduced paycheck and automatic savings is an effective approach to building financial assets.

3. **Offer ESSDLs as part of a broader financial wellness program.** Employees can benefit from access to other services such as financial education and coaching or community resource navigation given that financial distress typically cannot be resolved solely through a short-term loan.

4. **Encourage mindful borrowing.** Applicants should be encouraged to consider the purposes for which they need the ESSDL and whether they can afford loan repayments based on their household budgets. If a credit union is using a third-party interface (online or nonprofit partner), these reflective questions can be built into programming.

5. **Evaluate the ESSDL program.** Consider the following borrower indicators when assessing ESSDL effectiveness: repayment, credit score changes, and amounts saved. Credit unions could also survey borrowers after they finish paying their loans to assess how they used their loans, whether they felt they could afford repayment, and different ways the loan did (or did not) affect their financial well-being. Borrowers could also be interviewed to offer greater detail about whether and how the loans helped them resolve financial challenges and about their experience in applying for and repaying the loan. Care should be taken to maintain employee privacy in sharing survey and interview results with employer partners. Credit union indicators to track include charge-off rates and amounts, new account openings, and increased deposits. Periodically assessing program performance and implementation challenges and successes with credit union staff and employer partners allows opportunities for mid-course corrections. Employee indicators to track include satisfaction with benefits offered and the degree to which employees feel their employer cares about them and their well-being. Insights derived from these evaluation efforts could be used to continuously improve the ESSDL program and to help employers assess the value the program could bring to employees.

6. **Talk to employer partners about risk.** Automatic loan payments and employer partnerships help lower default risk, but the key risk exposure to credit unions is employee separation. Most credit unions expect interest and fees to cover program losses. Yet it may be important to talk with the employer partner about additional options to cover losses or reduce risk like ensuring that employees understand their borrowing obligations and how default would affect their credit health.

7. **Position ESSDLs as a safe, lower-cost credit option.** Without access to an ESSDL, employees facing unexpected financial needs might have no choice but to resort to high-cost predatory lending products that have been shown to trap borrowers in cycles of debt. Marketing communications should emphasize the ESSDL as a responsible, more affordable credit option for managing unexpected financial situations rather than promoting general loan usage. Financial institutions and employers must exercise caution when scaling ESSDL programs. Broad expansion efforts might inadvertently encourage employees to assume debt levels beyond their repayment capacity, leading to unintended financial hardship.

8. **Consider a digital platform.** Some ESSDL programs use a digital platform so that employees can apply for loans using a mobile device or website without having to approach their HR department. A digital platform might also streamline the process of setting up payroll-deducted loan repayments. To offer a human touch, the digital workflow could be designed to include a check-in with a resource navigator or financial coach to assess borrowing needs and other options and to ensure that employees understand their borrowing obligations, including a responsibility to repay the loan upon separation.

Endnotes

1 These terms and parameters closely parallel the small-dollar loan template created as a result of the FDIC's small-dollar loan pilot program, which concluded in 2009.

2 *https://p.widencdn.net/c6qb0a/ESSDL_FeasibilityStudyReport*

3 *https://www.pwc.com/us/en/services/consulting/business-transformation/library/employee-financial-wellness-survey.html*

4 *https://finrafoundation.org/sites/finrafoundation/files/2025-07/NFCS-Report-Sixth-Edition-July-2025.pdf*

5 *https://csd.wustl.edu/25-48/*

6 *https://www.pwc.com/us/en/services/consulting/business-transformation/library/employee-financial-wellness-survey.html*

7 Despard, M., et al. (2020). Employee financial wellness programs: Promising new benefit for frontline workers? Compensation and Benefits Review, 52(4), 156-174.

8 *https://newsroom.bankofamerica.com/content/dam/newsroom/docs/2025/2025%20Workplace%20Benefits%20Report%20_%20FINAL%2008.26.25%20_%20RPT-02-25-0242_f_ADA.pdf*

9 *https://finhealthnetwork.org/wp-content/uploads/2025/08/Essential-Benefits_A-New-North-Star-for-Wage-and-Benefit-Design.pdf*

10 *https://csd.wustl.edu/25-37/*

11 *https://finhealthnetwork.org/wp-content/uploads/2025/08/Essential-Benefits_A-New-North-Star-for-Wage-and-Benefit-Design.pdf*

12 *https://www.edelman.com/sites/g/files/aatuss191/files/2024-09/2024%20Edelman%20Trust%20Barometer%20Special%20Report%20Trust%20at%20Work_Final.pdf*

13 *https://csd.wustl.edu/small-dollar-lending/*

14 *https://openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1010&context=spi_research*

15 *https://p.widencdn.net/c6qb0a/ESSDL_FeasibilityStudyReport*

16 *https://p.widencdn.net/c6qb0a/ESSDL_FeasibilityStudyReport*

17 *https://p.widencdn.net/c6qb0a/ESSDL_FeasibilityStudyReport*

18 *https://finrafoundation.org/sites/finrafoundation/files/2025-01/fwaw-2025-work-life-solutions.pdf*

19 One credit union noted that the ESSDL is a great place for new lenders to learn the basics of originating a loan on a product without all the standard underwriting criteria.

20 One credit union called the ESSDL a "gold mine of partnerships," explaining that (once established) it can passively funnel new members and business to the credit union without all the typical expenses associated with marketing. However, most credit unions reported modest gains in membership through the program. Though some reported additional business and greater member engagement through the ESSDL, others felt it was hard to leverage the product into becoming a member's PFI, because it was difficult to differentiate the credit union from the employer.

21 Respondents were only asked about paying for an event, recreation, and/or vacation. It is possible this figure could be higher if respondents were asked about other types of discretionary spending, such as eating out and buying non-necessities.

22 These results are based on self-report via survey responses and not actual credit reports and thus might not be entirely accurate; however, the results might offer a general sense of respondents' perceptions of their credit health.

Methodology

This study explored what borrower, credit union, and employer experiences tell us about the effectiveness of ESSDLs. To answer these questions, we used the following methods:

1. Field scan and literature review. As part of the field scan, 13 individuals representing think tanks, nonprofit organizations, government agencies, academia, and advocacy groups participated in key informant interviews to share perspectives concerning ESSDLs as a strategy to improve credit access and financial well-being among workers. Additionally, a third-party service was used to 'crawl' all publicly available credit union websites across the U.S. Additional ad-hoc manual reviews of websites further supplemented this research.

2. Credit union and employer requests for information and interviews. Credit union and employer experiences were assessed through a request-for-information (30 credit union respondents and 11 employer respondents). In addition, a total of 22 interviews were conducted. For credit unions, 11 interviews were conducted with respondents representing 12 credit unions that have a perspective on ESSDLs. Each of the credit unions either offers ESSDLs (7), has offered ESSDLs in the past (3), or is significantly involved in developing new pathways for employer-credit union partnerships (1). Respondents were generally executive-level managers or held management positions in the lending division of their credit unions. For employers, a total of 11 interviews were conducted with respondents representing 9 employers, 1 nonprofit that assists employers with ESSDLs, and 1 nonprofit that seeks to advance employee-centered workplace practices. The interviews focused on the history of each organization's ESSDL product, the motivations for offering it, technical aspects of the loan, and its perceived effects.

3. Borrower and non-borrower survey. A 52-question survey designed to understand borrowers' experiences with ESSDLs and assess borrower and non-borrower financial behaviors and well-being was administered to 240 adults, including 111 borrowers and 129 non-borrowers. To recruit a convenience (non-probability) sample of borrowers and non-borrowers, credit unions were asked to share the survey through their employer partnerships. The Community Impact Fund, a nonprofit ESSDL provider, sent the survey to borrowers as well. Non-borrowers were employees of companies that offered an ESSDL benefit but who had never used an ESSDL. To examine differences between borrowers and non-borrowers, descriptive and multivariate analyses were conducted. The latter included Probit regressions, with results presented as predicted probabilities.

This study has a few key limitations to note: We were unable to estimate the number and percentage of credit unions that offer ESSDLs. The credit unions choosing to participate in this study might not accurately represent the perspectives and experiences of all credit unions that offer ESSDLs. The borrower survey sample is small and is not representative of all ESSDL borrowers. The results from the borrower survey are only descriptive and do not indicate whether ESSDLs impact borrower financial well-being.

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