

Financial Programs For Our Workers

The Ultimate Return on Investment

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COVID-19 exacted a toll not just on our physical health but our financial well-being as well. In some cases, the pain hit close to home, leaving health care workers doubly stressed. Some faced the fear of contracting the virus at work while unable to pay bills at home. To stay afloat, they had little option but to turn to short-term, high-interest loans. But through multiple expansions of an existing microlending fund and participation in an innovative advance paycheck program, Franciscan Missionaries of Our Lady Health System (FMOLHS) has helped some members of its workforce gain—or regain—financial footing.

The system laid the foundation for financial assistance in 2018, when Our Lady of the Lake (LOL) Regional Medical Center partnered with Catholic Charities Diocese of Baton Rouge to establish The Faith Fund. To help individuals overcome their reliance on high-interest payday loans, The Faith Fund offers lower interest rates as well as free financial counseling. This holistic approach enhances financial literacy to help prevent financial instability, establish financial recovery and create financial stability. It can help people out of a vicious cycle, where they may take out loans but then struggle to pay them back due to the fees and interest they're charged through sometimes predatory practices. (See Figure 1 on the next page.)

Following an initial \$50,000 grant from the LOL Team Member Assistance Fund, the program received 70 applications in October 2018 for assistance with payday loans. By December 2018, 398 loans had been approved with a total of \$142,528 borrowed. By year's end, our paid and contract employees had avoided \$263,953 in fees and interest payments—money they could invest

in themselves and their families.

All Faith Fund applicants meet with a volunteer financial adviser to complete a financial assessment. Though not all loans are approved, all applicants are offered financial education and one-on-one coaching on budgeting and money management. If approved, borrowers participate in mandatory financial education sessions led by a certified community partner where they develop a budget and sustainability plan. FMOLHS is committed to paying fair and just wages, and has a timeline for moving employees up to a minimum of \$15 an hour, but it continues to recognize it can assist with financial need and counseling.

Since its inception, the fund has evolved its assistance programs to meet the individual needs of the team and the times. When the pandemic began, the health system was forced to make tough decisions on layoffs, furloughs and reduced (32-hour) work weeks. The Faith Fund responded quickly and established the COVID-19 Faith Fund emergency income stabilization loan program. Through the program, FMOLHS team members could apply for up to \$500 a pay period for six,



two-week pay periods. Loan payments had to begin within 90 days of receipt and be paid in full within one year at a 5.9% interest rate. The Faith Fund was created by and had solely supported team members at OLOL, the system’s flagship hospital. The pandemic not only inspired an additional option for financial aid to The Faith Fund portfolio; it also expanded and standardized the availability of financial aid resources to the system, which includes eight hospitals in Louisiana and Mississippi.

During this time of rapid expansion, Faith Fund analysts recognized a troubling trend: many team members also relied on high-interest rate credit cards and car loans. The Faith Fund responded by approving a Freedom Loan product to help team members escape these predatory situations. The following story was shared by a financial counselor, with the client’s permission, during a recent Faith Fund Board of Directors meeting. It demonstrates the power of this opportunity:

“Over two years ago, an employee of Our Lady of the Lake heard about The Faith Fund and reached out to us for help with payday loans. Throughout the years, she has turned to us for help with multiple financial challenges such as auto repairs, paying off high-interest loans, and even requesting help at the beginning of the pandemic. We have completed multiple financial counseling sessions with her and helped her get through some very difficult times. Recently, she reached out again because she had contracted COVID-19 and her husband’s cancer had returned. She was so overwhelmed. She had fallen back into payday lending debt out of fear that we wouldn’t help her out any more than we had already. She had accessed

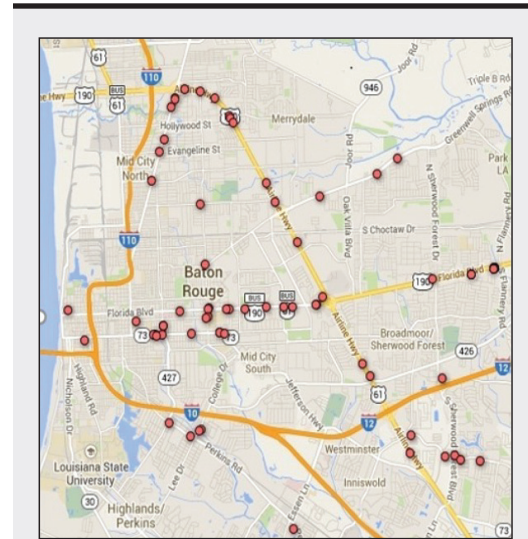


FIGURE 1
BATON ROUGE PAYDAY LOAN MARKET DATA

- Lenders are concentrated in low-income and majority minority communities.
- Payday loans are taken out for rent, utilities, food and other necessities.
- Borrowers take out loans against their next paycheck.
- The average borrower takes out nine loans/year at about \$350 a loan.
- Borrowers have no other options.
- Lenders argue they are keeping people in their homes and providing a needed service in a competitive market, so why regulate it?

SOURCE: Includes information from the Louisiana Budget Project, www.labudget.org.

TABLE 1
FAITH FUND UTILIZATION 2019-2021

	2019	2020*	2021 March YTD
Number of people served	289	423	47
Number of loans provided	250	398	30
Amount borrowed	\$753,505	\$882,198	\$208,327
Impact	\$1,538,921	\$2,208,920	\$267,196 YTD

* Includes COVID-19 Faith Fund Emergency Loans

multiple loans through The Faith Fund in the past and thought that was all we could do for her. She had several payday loans again and was embarrassed. But no need to fear, The Faith Fund is here! Because she had established a relationship with us and she had paid all her loans on time, we were able to consolidate all her loans. We paid off all her payday loans, her 401(k) loans and [money owed to] other third-party lenders. This increased her cash flow by over \$994 monthly. She now looks forward to her paydays. She has money left over and has begun putting money into her savings account each payday. This team member calls The Faith Fund weekly to give her thanks. She said without someone so caring and willing to help, she does not know what she would have done or how she would have survived.”

In the fall of 2020, The Faith Fund underwent another evolution with the opening of a lending center in North Baton Rouge. Through the Franciscan Ministry Fund, FMOLHS provided The Faith Fund with an unrestricted \$50,000 annual grant to support the opening of a storefront on Plank Road, an area with multiple payday lending businesses. This brick-and-mortar presence extends the ministry to those most in need, brings community awareness to predatory lending and establishes an accessible solution in an at-risk community. As illustrated in Table 1 on the previous page, The Faith Fund has helped many.

The initial \$50,000 investment sits in reserve to pay off defaulted team member loans. The delinquency rate runs between 1.17% and 2%,

while the charge-off rate runs between 3% and 4.6%. (Charge-off rate is the percentage of a lender’s debt outstanding that is delinquent or bad debt.) During the pandemic, The Faith Fund saw delinquency rates rise as high as 12%, but this has since normalized to 5%. FMOLHS also committed to re-seeding The Faith Fund whenever the account balance falls below \$35,000. This account is funded with unspent funds remaining in the Dependent Care and Medical Spending Accounts of employees. After an audit, the unspent funds are transferred to this team member assistance fund, allowing unused dollars to be used for employee support programs and resources.

The Fund did not require additional funding until April 2021, when FMOLHS reinvested \$23,468.80.

The Faith Fund’s microloans have proven to be a wise investment, but the work is far from finished. FMOLHS is now incorporating proactive and preventative measures to the financial aid portfolio. For example, financial data indicates that team members often feel compelled to secure payday loans between pay periods. To counter this need, in January 2021, mission leaders across the system partnered with human resources to bring PayActiv to our portfolio of financial support services. Known as an earned wage access provider, PayActiv works with such companies as IBEX, Walmart, Amazon and Tesla, allowing employees to receive payment at the time work is completed, rather than at the end of the pay period.¹

In its first four months, PayActiv has helped eliminate the need for predatory payday loans for nearly 500 team members (see Table 2). The ability to access earned income when needed, with-

TABLE 2
PAYACTIV UTILIZATION 2021

	January	February	March	April
Number of team members enrolled	210	421	474	488
Percent of population accessing funds	1%	3.1%	3.4%	3.4%
Average amount of funds accessed	\$129	\$140	\$143	\$142
Total amount accessed to date	\$10,000	\$82,000	\$155,806	\$230,949



out having to ask for an advance, fosters dignity in work and respect for team members.

FMOLHS plans to monitor use of PayActiv and The Faith Fund to determine whether these proactive investments enhance not only the team's financial health, but also the fund's overall sustainability.

Our system mission calls us to be a healing and spiritual presence to each other as well as the communities we serve. Applied across a health system that employs more than 18,000 team members, these investments are significant. Team members are an extension of the healing ministry, and there is no greater asset than the return gained from investing in human capital.

Suppose a brother or sister is without clothes and daily food. If one of you says to him, "Go, I wish you well; keep warm and well fed," but does nothing about his physical needs, what good is it? In the same way, faith by itself, if it is not accompanied by action, is dead. (James 2:15-17, NIV)

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NOTE

1. "Helping Low-Income Workers Stay Out of Debt," *Harvard Business Review*, Nov. 2020, <https://hbr.org/2020/11/helping-low-income-workers-stay-out-of-debt>.

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