

PROFILE OF A NONPROFIT LENDER

The Fountain Fund

OVERVIEW	The Fountain Fund's Reentry Loan
Amount	\$300-\$4400* <small>*There is no cap on loan amount. This is the range of amounts provided thus far.</small>
Interest Rate	5%
Term	36 months typically
Fees	\$25 late fee \$25 bounced payment fee
Eligibility & Underwriting Criteria	<ul style="list-style-type: none">■ Ability to repay/Adequate prospective income■ Substantiation for use of funds (must be used to help the individual achieve greater self-sufficiency)■ Formerly incarcerated
Loan Loss Reserve	N/A
Charge off Rate	0%

Organizational Background

The [Fountain Fund](#), based in Charlottesville, Virginia, provides loans to formerly incarcerated individuals with the goal of empowering individuals and their families, reducing recidivism, and creating safer and more productive communities for everyone. The Fountain Fund began offering loans in May 2017. Borrowers can use the loans to:

- repay court-imposed fees, costs, restitution or other obligations, or pay back child support;
- purchase specialized equipment necessary for particular jobs;
- start small businesses; or
- cover other costs that support returning citizens to settle into the community and achieve financial independence.

Loan Design

The Fountain Fund's board and staff worked together to design the loan. The only fees charged are late payment and bounced payment fees (to cover the costs of bank charges). The five percent interest rate was set by taking into account industry standards, potential earnings to the organization, and the cost to borrowers. The program director reflected that when they compared earnings from a five percent versus ten percent interest rate, the difference to the organization seemed marginal, so they prioritized terms that would be the most favorable to the borrower.

The average loan is \$3000 and is used to pay back court fees and fines. There is no cap on the loan amount, but The Fountain Fund must balance borrower requests with their ability to continue lending to others. The Fountain Fund disburses all checks directly to the court or vendor, no monies are given directly to the client.

Loan Implementation

Referrals, Application and Loan Closing

The Fountain Fund works within a network of partners, as one service of many that supports returning citizens. Partner organizations refer clients to The Fountain Fund, and The Fountain Fund connects their clients to the additional services of their partners. The program director also reflected that many of their clients come through word of mouth, "Our clients support each other a lot. Once the word got out among them, we started getting a lot of phone calls."

When clients call or visit The Fountain Fund, staff provide education on navigating the court process to repay legal financial obligations, as well as information on what to expect from the loan program. As a condition of receiving the loan, applicants must attend financial education training (provided in-house and through partners). Along with creating a budget and reviewing their credit report with the program manager, applicants must substantiate the use of their loan funds and provide references. The Fountain Fund's staff spend a lot of time working with individuals during the application process. They also work with the courts to help the individual set up payment plans where the loan funds are used as a starting "down payment" or lump sum payment, or to reduce interest charges.

Currently, the board approves all loan applications but The Fountain Fund is in the process of developing a separate loan review committee.

Servicing and Repayment

More than half of The Fountain Fund's borrowers make auto-debit payments. Borrowers that rely on the cash economy, or live paycheck to paycheck, typically pay using money orders. So far, The Fountain Fund has only had one late payment.

Throughout repayment, The Fountain Fund staff often remain involved in the borrower's life by attending relevant court appearances or assisting them with other administrative processes (such as the Department of Motor Vehicles). The program director says, "We become a partner to our clients in the residual criminal justice process. This strengthens our relationship with them and they see that we are invested in their progress."

Since The Fountain Fund's operation is relatively small, staff currently use spreadsheets to track loans. As they grow, they will shift to a loan management software.

Other Services

In addition to providing financial education, The Fountain Fund is working to establish partnerships with local banks to increase borrower's access to mainstream financial products. They are also exploring a peer-mentoring component, which matches loan recipients with individual "sponsors" who have successfully returned to communities following periods of incarceration.