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Bob Johnson backs Texas alternative to payday lending

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RLJ Cos. founder Bob Johnson is rolling out a campaign to promote a new payday loan alternative that aims to be the Aflac of subprime consumer lending.

Johnson helped Fort Worth, Texas-based Think Finance develop the product, which relies on employers to make short-term loans available as a supplemental benefit, similar to how Aflac Inc.'s supplemental insurance products are offered. Employees agree to share their salary information with Think Finance, which offers them short-term emergency loans of up to \$1,000 based on how much they make. Any loan payments would come directly out of employees' paychecks.

The product, which caters to people who don't qualify for traditional short-term financing like credit cards, has been in test mode for about six months and is now called MySalaryLine. The name will probably change when it goes live, likely around August, said



Think Finance CEO Ken Rees.

Johnson and Think Finance hope MySalaryLine will help bridge the gap between traditional forms of short-term credit and payday loans.

"Nobody likes payday lending. The consumers don't like it. The elected officials don't like it," Johnson told me. "One elected official said to me, 'I

don't like payday lending, but you've got to provide me with a real alternative. If we shut it down, people will go to loan sharks, and that's worse.'"

As it happens, Think Finance has been an online payday lender for more than a decade through its PayDay One brand. But it is winding down that portfolio and exiting the business over the next couple of months, Rees says.

So how is MySalaryLine different from payday lending? Payday loans have a typical equivalent annual percentage rate of about 400 percent, while MySalaryLine loans will come in around 115 percent (though that number is still in flux). That's still very expensive money — about eight times the typical credit card rate of 15 percent, as published by Bankrate.com.

Also, MySalaryLine borrowers have longer to pay off the debt. Payday loans must be either repaid in full in two weeks (which few borrowers can afford to do) or renewed at a substantial fee. MySalaryLine loans, on the other hand, are repaid within five pay periods.