

VIP

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Loan Access for Service Members

By Tom Holcom, President

Imagine you're a 25-year-old Army E-5 and you need money for a family emergency. Because of your pay grade and highly mobile occupation, your FICO® credit score may be too low for a bank loan. Many of your friends with similar credit histories have payday loans, so you try them too. Unfortunately, you'll pay an interest rate somewhere in the stratosphere, with an Annual Percentage Rate (APR) starting at 400 percent or more in most instances.

This is the reality faced by the military community today: a continuum of loan products based on risk, where choices may seem limited.

Credit scores and the military

Reviewing creditscoring.com, a number of experts agree: A credit score below 600 indicates a higher-risk borrower, and anything under 550 is considered "awful." This is why those with lower scores pay higher rates.

As the chart below shows, the interest on a secured auto loan can vary significantly based on credit score. Unsecured loans are typically more costly since the lender's decision is based on ability to repay, instead of the value of collateral.

FICO Score	APR
720-850	7.584%
690-719	8.282%
660-689	10.063%
625-659	12.342%
590-624	16.130%
500-589	17.062%

Source: www.myfico.com

The military lifestyle, however, often leads to a misleadingly low credit score for most military families—frequent moves, relatively low pay, and other factors can give a service member a lower credit score even though he or she may not truly be a high-risk borrower.

Unfortunately, lower scores mean that military families often can't qualify for a bank loan, so they go to other sources, such as payday lenders that do not take into account credit scores, debt ratio or ability to repay.

To solve this problem, military families need to have alternative forms of credit available to them. These alternatives should be priced fairly, take into account a service member's credit history, and factor in risk. But what is risk-based pricing? And are there companies that take into account the unique lifestyle and circumstances military families face?

Risk-based pricing

Loan pricing, much like auto insurance, is typically based on risk. One basic way to understand risk-based pricing is to look at how insurance companies underwrite automobile insurance coverage for novice drivers. At age 16, auto insurance is very expensive due to inexperience. This leads to more risk for the insurance company since there is a higher probability of a claim. When drivers prove that they are safe (no tickets, accidents, etc.), then they can expect to be rewarded with lower insurance costs.

On the other hand, if the driver gets a number of tickets or has multiple accidents, the insurance will remain expensive or could even be cancelled.

In lending, the ticket or accident correlates to late payments, delinquent accounts or charge-offs. And a bankruptcy is similar to a DWI, which eliminates most options. Basically, both insurance and lending are similar because it takes time to prove your ability to handle responsibility.

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Twelve Quick Tips for Online Borrowing

By Joe Freeman, Chief Lending Officer

When it comes to borrowing money online, a customer needs to be educated and ready to ask key questions regarding the transaction. There are several quick and easy steps you can take to ensure that your transaction goes smoothly, and that the money you need today won't come back to haunt you tomorrow.

1. Is it a "real" company, or just a Web site?

Legitimate companies and sites will have an actual physical address. This "real life" contact information (a physical address and/or telephone number) should be easily found on their site. But don't just take their word for it—call the number or check online yellow pages to ensure that it's not fake.

2. Location, location, location

Even if the company has a real address, make sure the company is incorporated within the United States. Doing so allows you to take advantage of the appropriate federal (and even state) lending laws and legal protections.

3. Does the lender conform to the Truth in Lending Act?

Always make sure that the lender tells you what your interest rate and Annual Percentage Rate (APR) will be before finalizing the agreement. Since all rates should be based on your credit history, the rate should not automatically be the same for every borrower. If the lender does not tell you the rate—or does not disclose it clearly—it is always best to walk away and find a more upfront and honest lender.

4. Protect your privacy

The company's privacy policy should be offered on their site, and easily accessible, even before you start the application process. Of course, such information is only useful if you actually read it, so take the few minutes and find out how the company will use, share, and protect that information before entering into any agreement.

5. Does the company offer paying by allotment?


Paying by allotment is easier, faster, and prevents you from losing or forgetting a bill during a

move. It is, however, illegal for a lender to make it a requirement and should never factor into a loan decision. Just remember that if given the option, it can be a great benefit.

6. Make sure the site is safe and secure

There are two ways to tell if the site you are using is secure once you begin the application process: 1) There should be a yellow "padlock" icon at the bottom of your browser window that indicates you are on a secure connection; 2) the Web address should start with "https" instead of just "http." Also, depending on the browser you are using, you should get a "warning" window informing you that you are using a secure Web page.

7. Check for the Better Business Bureau (BBB) online program

If the Web site has a "BBB Reliability Program" logo on its Web site, click the  logo and see if it takes you back to the BBB site, since the logo can easily be copied and pasted into any random site. While you're there, spend a few minutes and search using the company's name to see if any complaints have been filed and if they were resolved.

8. Does the lender make sure you can repay the debt?

Any company you borrow money from should be worried about giving you more debt than you can handle. If they don't factor your debt ratio (how much you owe vs. how much you earn), then they probably are not worried about your ability to repay the debt. It is up to you to pay the loan back, so make sure you are dealing with a lender that won't get you in over your head.

9. Look for a satisfaction guarantee

Any company confident in its product will offer some type of no-questions-asked satisfaction guarantee. Lending should be no different, especially when you consider the impact a bad borrowing decision can have on your finances.

10. Beware of peer-to-peer lending

There has recently been a growth online in what is called "peer-to-peer" borrowing, where one person loans money at an agreed upon rate to



another person. But those sites are based upon trusting an individual you don't know, who may or may not have your best interests in mind, and may not use your information in a legal and ethical way. They also don't have to conform to federal lending laws, so be cautious if you ever consider using such a site.

11. Does the site make financial education information readily available?

Legitimate lenders want consumers to make smart long-term financial decisions. By making financial information and educational materials readily available on their site, these lenders recognize the importance of protecting not only potential customers, but themselves as well.

12. Protect your credit report

Whatever online lender you use should report your *positive* payment history to at least one of the major credit reporting companies (Experian, TransUnion and Equifax). This is important because some lenders will only report negative items. If possible, ask the company what their reporting policies are by phone, or even by live chat if offered. Beware of companies who do not do any credit reporting at all.

While these tips are in no way all-inclusive, they are easy to follow and can help secure your transaction. Using the Internet to borrow money is a very convenient option that has many benefits. It is important, however, to do some simple homework to ensure that you are dealing with a reputable company. Doing so can not only get you the money you need, but also start a long and beneficial relationship between you and your lender. And all from the comfort of your own home.



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Mission

VIP's mission is to provide information to audiences who share the vision of improving operational readiness through education and services that enhance the quality of life and financial independence for military families.

With more than 70 years in the financial industry, 21 office locations and online services, Pioneer Services offers financial education programs, loans and insurance products, and supports military families and communities through a variety of partnerships, programs and sponsorships.

Pioneer Services also publishes *WestWord*, a quarterly informational and educational tool for its associates.

Loan Access (cont'd)

The spectrum of options

When it comes to borrowing, consumers have a spectrum of options. At one end are the lenders like banks and credit unions that serve low-risk customers. These would be where borrowers with credit scores of 700 or higher can expect single-digit interest rates.

At the other end is where payday lenders, pawn shops, and cash and title loans reside. Here, borrowers with credit scores below 600 can expect to pay double—and in some cases, triple—digit interest rates.

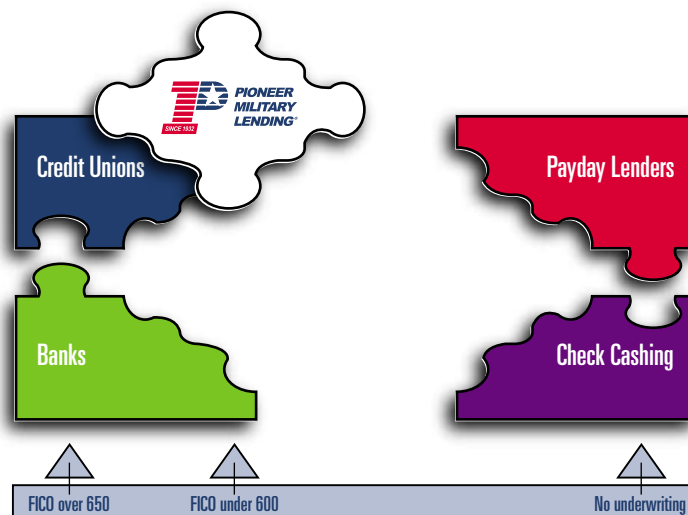
Military families often find themselves between these two options—unable to get the best rate, but deserving of a better rate than the triple-digit ones offered by some lenders.

Filling the gap

Pioneer Military Lending (PML) fills this gap between banks and payday lenders, providing installment loans that are priced according to risk while still factoring in a customer's debt ratio and ability to repay. The company can do so because of its proprietary Military Scoring Model (MSM)sm, a unique underwriting methodology that takes into account the unique lifestyle of military families.

The scoring model used by PML allows them to make "riskier" loans. A review of 50,000 recent PML loans shows that 45 percent of those loans were to customers with FICO® scores of 549 and below. And while those loans have higher rates and APR, none has an APR exceeding 36 percent APR.

The company also provides a number of specialty loan products that help solve a variety of needs confronting military families. For example, the HELP loan is a low-cost alternative to payday loans that features a \$500 amount, a four-month payback period, \$25 in total fees and interest, and allows no rollovers. PML introduced this product



in 2004, and banks and credit unions are starting to offer similar products as states introduce limits on payday lenders.

Short-term needs, long-term benefits

Options such as the HELP loan are absolutely essential for military families in need of emergency funds. Almost every family will have an unexpected bill, and loans from companies such as PML can provide long-term benefits.

As customers make payments and prove they can handle debt, they can steadily increase their FICO score with each successful payment. And when they learn how to better manage their money through education—how to budget, ways to save for retirement, choosing debt wisely—they can set themselves up for future financial success.

For more information on the products and services provided by Pioneer Military Lending, or its partners at Pioneer Services, please visit www.pionermilitarylending.com or www.pioneerservices.com.

Unique benefits for unique associates

By Mark Dye, Public Relations copywriter

Having worked with the military community for more than two decades, Pioneer Services has a unique insight into the lives of military families. This insight has led to some great honors: a Department of Defense Freedom Award in 2005; a Conspicuous Service Medal from the Governor of Missouri; and being named a Great Place to Work two out of the last three years.

But more importantly, it's why they continue to offer innovative benefits to associates serving in the military. Deployments can be a trying time for a military family, and it's only right that we take care of those in the Pioneer Services family.

Pioneer Services associate Gerald Henderson was stationed in Iraq for the past year, serving as a hospitality noncommissioned officer. Henderson returned to work at Pioneer Services Dec. 4, 2006.

"During my deployment, my family and I received a lot of support, like e-mails, phone calls, and care packages," said Henderson. "They gave my wife a webcam, and that was great—it really made things easier to see her face. I didn't have a lot of time, but every message and

package I got was a huge lift. It means a lot to work for a company that cares so much."

In its September 2006 issue, *Inc. Magazine* spotlighted the company's unique benefits. *Inc.* noted that the company pays the differential in salary for up to two years, as well as for Internet access and cell phones. The company also offers 40 hours of paid time off prior to deployment, and has created *Pioneer Partners*, a group that offers support to employees whose spouses are deployed.

"We spoke to military spouses and former service members to find out what they required," said Tom Holcom, president of Pioneer Financial Services. "The most important thing was taking care of our military associates, letting them know we were there for them, and doing everything we could to make the whole experience easier on the families left behind."

More recently, Holcom was saluted for his support of Pioneer Services associates serving in the National Guard and Reserve with the United States Army *Freedom Team Salute* award. Richard



Gov. Mark Sanford, S.C., (left) visits with Kansas Army National Guard Spc. Gerald Henderson, a collection specialist with Pioneer Financial Services, on the back patio of the Joint Visitors' Bureau in Iraq. Henderson returned to his job at Pioneer Services Dec. 4, 2006.

McNorton, a Pioneer Services representative and lieutenant colonel in the U.S. Army Reserve who recently returned from Iraq, presented the award with U.S. Army Reservist Colonel Bryan W. Wampler of the 3rd Brigade, 95th Division.

"It is my pleasure being able to come and spend time with true patriots," said Wampler. "We often hear about organizations that support their employees, coworkers or colleagues in the military, but Pioneer goes the extra mile. Pioneer Financial Services truly supports the Soldiers and their families when they're mobilized."



Online financial education for college credit

Pioneer Services supports Park University education program for service members and their families

By Grabam Moyer, AFC - Education Specialist

So many people live paycheck to paycheck, paying off debts and not saving or investing any money for the future. This can be especially true for service members and their families who have to deal with the unique challenges of being in the military. A lack of financial literacy in the military can affect more than just individual service members—money problems create a critical job distraction, which affects the military's operational readiness and our national security.

Several recent studies of the military community show that comprehensive financial education can dramatically improve the financial security of service members and their families. But it can be difficult to deliver education to this group with frequent deployments, training, and relocation. While there are many programs that provide information about personal finances, the military needs a tool that can deliver the information consistently with measurable results and incentives to complete.

To help provide a solution, Pioneer Services is supporting a new online education program from Park University: the *Personal Finance for Military Families* certificate program. This program is intended to educate service members and their families on the basics of personal finance—such as creating a budget, saving for emergencies, understanding credit, planning for retirement, and more. Education is delivered through a series of self-paced online course modules, so students can learn about managing money on their own time from any computer with Internet access.

The best part is that students can complete the program to earn three undergraduate credit hours from Park University. Service members and their families will receive education credentials to enhance their careers while learning about how to improve their financial quality of life. And since the program is offered for college credit by a fully accredited university, service members can apply for military tuition assistance to pay for the

program—a great way to learn about money!

Personal Finance for Military Families will be available for enrollment in early 2007. To learn more about the program, contact Park University at pioneer@park.edu or visit www.park.edu/pioneer.

Park University is a fully accredited institution of higher learning, founded in 1875. The university offers undergraduate and graduate degree programs online, and at more than 40 campus centers nationwide, nearly all of which are located on U.S. military installations. The *U.S. News and World Report* recently ranked Park University as the second largest online degree-granting program.



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