

**Authors**

Brooke Berman

## Grantee Spotlight: Freedom First Credit Union

*This blog series highlights the US Household Finance Initiative's [Innovation Fund](#) grantees. The fund supports the development of scalable, market-tested products that help households make better financial decisions, escape cycles of debt, build assets and achieve financial resiliency.*

I just returned from a trip to Roanoke, VA where I met with some of the folks at Freedom First Federal Credit Union to learn more about the launch of their new microloan product in April, supported by the US Household Finance Initiative's Financial Products Innovation Fund. The new product, still unnamed, is based on the standard microloan the credit union currently offers, but with two key twists:

1. The product will offer people the option to wait five days for funds to be disbursed in exchange for an almost 5% reduction in their interest rate.
2. The product will offer people the option to sign up for a free line of credit that they can use for emergencies in the future. The offer and sign-up for the emergency line of credit is coupled with the loan itself, but to actually access funds from the line of credit, the individual will be required to jump through a small hoop: they'll have to go into one of the branches to request the funds in person and fill out a request form which asks them to explain why they need the funds and what they plan to use them for.

Both the delayed disbursement and the additional task required to access their new line of credit leverage the behavioral concept of "present bias" by incentivizing people (in the first case financially though a lower interest rate and in the second case through time and work) to act more in the interest of their future. This new microloan will bring a new alternative to a market dominated by payday lenders, and we hope that members will see this product as an incentive to plan even five days ahead and avoid falling into the payday loan trap.

For more information about Freedom First Federal Credit Union, [visit their website](#). Read about all USHFI partners [here](#).

March 16, 2012