OVERDUE: ADDRESSING DEBT
IN BLACK COMMUNITIES

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PROSPERITY NOW

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Prosperity Now (formerly CFED) believes that everyone deserves a chance to prosper. Since 1979, we have helped make it possible for millions of people, especially people of color and those of limited incomes, to achieve financial security, stability and, ultimately, prosperity. We offer a unique combination of scalable practical solutions, in-depth research and proven policy solutions, all aimed at building wealth for those who need it most.

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MetLife Foundation was created in 1976 to continue MetLife’s long tradition of corporate contributions and community involvement. Since its founding through the end of 2017, MetLife Foundation has provided more than $783 million in grants and $70 million in program-related investments to organizations addressing issues that have a positive impact in their communities. In 2013, the Foundation committed $200 million to financial inclusion, and our work to date has reached more than 3.5 million low income individuals in 42 countries. To learn more about MetLife Foundation, metlife.org.
Introduction

While leveraging debt can help stabilize a household in crisis and even unlock opportunities in education and housing, for many Black Americans, debt is instead threatening financial stability and limiting wealth development. Overwhelmed and stressed, community members are doing their best to manage complex debt and past-due bill portfolios with little support. Efforts to address the disparately negative affects of debt on Black communities are long overdue. This story of debt in Black communities starts with three statistics:

1. Black households hold lower levels of debt than White households ($30,800 vs. $73,800).\(^1\)
2. Over one in four Black households report they have been late with debt payments compared to 15% of White families.\(^2\)
3. Only 40% of Black households report good or very good credit compared to 65% of White households.\(^3\)

The reason Black Americans have less debt but more trouble making payments is the legacy of discrimination that has left Black Americans with few assets. Locked out of homeownership opportunities and shunted into low-paying jobs across generations, few Black Americans benefit from intergenerational wealth transfers that protect against troublesome debt. Without assets like savings, homes and cars to tap when experiencing financial pressure, many Black Americans are turning to costly debt, struggling to pay it back and seeing their credit scores plummet. Troublesome debt clearly affects borrowers’ lives and their ability to accumulate assets.

But numbers don’t tell the whole story. Every individual has a unique relationship to debt, and hearing different experiences reveals important information that statistics cannot capture. To deepen our understanding of how debt is experienced by Black Americans with low and moderate incomes (LMI), we interviewed community members in three cities: Baltimore, New York City and Ft. Lauderdale. We heard about how debt affects their lives, how they manage debt and their feedback on potential debt management and debt relief services that could be offered in their communities. These conversations helped us better grasp the complexity of the barriers related to debt and can help inform opportunities to strengthen support for LMI Black Americans with debt.

This report summarizes what we learned from the interviews. From community members, we hear about how overwhelmed and stressed people feel as they try to manage their debt, their desire for support and how existing services largely fail to meet their expectations. The interviews allow us to identify four distinct segments of community members (described on pages 7-8) struggling with debt served by nonprofits and offer implications for innovation in debt management and relief services within LMI Black Communities.

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\(^2\) Ibid.
About the Project

Prosperity Now has been exploring ways to reduce the cost of credit and debt in low- and moderate-income African American communities. The project has included three phases of work:

Field scan and background literature review

To identify and prioritize challenges related to credit and debt, our team consulted with subject matter experts, learned about different services and strategies to combat credit and debt challenges, and reviewed available research reports and national surveys on credit and debt challenges. We learned that debt impacts consumers negatively when payments are difficult to manage and that consumers—even those in LMI communities—often hold a complex portfolio of debt. While we started with a focus on LMI communities of color broadly, we quickly learned that Black Americans disproportionately experience troublesome debt and that debt is perpetuating the racial wealth divide. We decided to center this project around the experiences of African Americans and our work in this phase culminated in a report, *Forced to Walk a Dangerous Line: The Causes and Consequences of Debt in Black Communities*.

Discovery interviews

Once we identified debt in Black communities as the key focus of our project work, we developed partnerships with three community-based nonprofits: Bon Secours Community Work (Baltimore, MD), The Brownsville Partnership (New York, NY) and Urban League of Broward County (Ft. Lauderdale, FL). With these partners, Prosperity Now conducted in-depth qualitative interviews with community members in neighborhoods served by the organizations. These interviews provide a unique window into the experiences of 46 people in three very different communities grappling with debt and their views on potential programs, products and services that could make a difference. This report shares findings from this research.

Initial program design

Based on interviews with community members and a convening with subject matter experts, lenders, and debt management and relief service providers, Prosperity Now and our partner organizations envisioned a new debt relief program that is specifically designed for people in LMI Black communities. The program is described on page 22 of this report and will be piloted in communities served by partner organizations in 2019.
ABOUT OUR RESEARCH

In the summer of 2017, Prosperity Now conducted interviews with African American community members in debt at local nonprofit organizations in Baltimore, New York and Ft. Lauderdale.¹

SUMMARY CHARACTERISTICS OF INTERVIEWEES

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<th>THE COMMUNITIES⁵</th>
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<td><strong>Baltimore, MD</strong></td>
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<td>Partner Organization</td>
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<td># of Members Interviewed</td>
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<td>Median Estimated Income</td>
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**TOTAL NUMBER OF INTERVIEWS** 46

**AGE**
- Median: 30
- Range: 19-55

**GENDER**
- Male: 33%
- Female: 67%

**EMPLOYMENT**
- 57% work full-time
- 25% work part-time
- 8% are self-employed
- 10% were either unemployed, not doing any work for pay (homemaker, student or have disability)

**INCOME + WEALTH**
- Median income: $27,378
- Range: $5,760 - $58,000
- Median savings + value of assets: $2,150
- Range: $0 - $540,000

**DEBT + PAST-DUE BILLS**
- Median total debt + past-due bills: $32,981
- Range: $205 - $489,729

**MOST COMMON DEBT + PAST-DUE BILL TYPES**

- Credit Card Debt: 36
- Student Loan: 33
- Past-due phone, cable, internet or utility bills: 32
- Past-due medical bills: 27
- Auto/vehicle loan: 21
- Family/friend: 19
- Legal Judgement/Expenses: 12
- Alternative financial services: 9

*See appendix for additional debt and past-due bill types along with median, minimum and maximum amounts held.

¹ Partner organization staff recruited community members that fit the following profile: African American, U.S. Citizen or Permanent Resident, incomes below 80% of the Area Median Income, currently hold debt, report either making at least one late payment in the past year or having stopped payment of an existing debt, report they do not regularly borrow because their general living expenses are consistently more than their income.

² Interviewees shared their best recollection of their income, assets, debts and past-due bills. Figures are not based on a review of financial documents or credit reports. A breakdown of types of debt and amounts held is shared in the appendix.
Debt Is Stressful & Overwhelming

Debt and past-due bills cause much stress, frustration and worry amongst community members interviewed. As one Baltimore interviewee explained, “I’m not going to say I lose sleep at night, but it is something that weighs down on your conscience because you know, sometimes you might want to get up and you want to apply for other things or try your hand at other stuff, and it kind of like haunts you when you try.”

The pressure of debt brings up many feelings. For some, these feelings also impact their personal relationships. One interviewee in Ft. Lauderdale shared that the exhaustion she felt around debt negatively affected her relationship with her husband, saying, “You have this plan, and then something else comes up or you know, it’s like just—it’s exhausting... that’s the only word I can think of. I mean sometimes I was telling him, the biggest thing I think that hurt our relationship is just that.”

“I feel like once I pay the debt off, there’s always something else—another debt behind it coming up.”

Baltimore Interviewee

The Feelings of Debt

Community members often conveyed how their experiences with debt made them feel. Here are words they used to express themselves.

Debt may be evoking strong emotions for community members because it has implications for their futures. In surveys completed during interviews, 58% of community members reported that the statement “Because of my situation, I feel like I will never have the things I want in life” describes their situation completely or very well.6

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AISHA’S STORY

Aisha* got a credit card at age 19 and quickly became stuck in what she described as a cycle of troublesome debt that included maxed out credit cards and garnishment of her bank account when she stopped being able to make her car payments. While she returned the car, she ended up with over $10,000 in debt on that and one other vehicle. Now in her early 30s, she thinks back on her situation and wishes she had asked for help addressing debt much earlier: “When my issues were fixable, possibly I was ignoring them terribly . . . I was embarrassed. I don’t know why. Like I’m early 20’s. I’ve got my own place. I go to work every day, but I was still embarrassed.” Like many people struggling financially, Aisha thought she would be able to fix the problems herself but, without a college degree, she said her income never rose and there have always been pressing bills to pay to cover basic needs for herself and two children. Aisha said that she would love to own a home but that “credit-wise” she isn’t anywhere close to achieving that dream.

*The names of community members interviewed have been changed in this report to protect their privacy.
Community Members Experience a Spectrum of Situations

Although the emotional experience of being in debt was similar across interviewees, some differences among the interviewees began to emerge in other domains that appeared relevant for program design and innovation around debt and past-due bills. These differences centered around interviewees’ obligations, debt and past-due bill profiles, and—most importantly—“financial slack” or “cushion”, which includes money left over at the end of the month, savings and other options to cover expenses.

We developed four personas to illustrate these differences. Developing these personas helped our team—including our nonprofit partners—think systematically about the different programs, services and products that may be needed to help each audience reach its immediate and long-term financial goals.

What Is a Persona?

A persona characterizes an archetypal user that provides an example of the type of person who might interact with a program, service or product. These are profiles of fictional characters but they are based on combinations of real people we met during our interviews. Personas help us identify potential audiences for different programs, services or products and note gaps in experience or perception where innovation is needed.

JAYLA

Jayla has incurred a lot of debt and has a few past-due bills. She is making progress on paying down her debts, often paying more than the minimum on her credit cards. Now she’s focused on tackling the bigger debts, like her student loans. Jayla has savings and might be able to cover her expenses for a while in case of an emergency. She can also ask family to help her out a little financially. Jayla makes a moderate but steady income, which helps support her family.

CHARACTERISTICS

- Has financial slack
- Lots of incurred debt
- Some past-due bills
- Attempting to strategically pay down debt
- Low to moderate income
- May support children and/or other adults

“I really want to get this debt down as soon as possible so it won’t be hanging over my head.”
TAYLOR

Taylor has incurred a lot of debt and past-due bills as she’s worked to stay on top of her regular expenses: rent, utilities, food, transportation. A lot of people count on Taylor so sometimes she must make painful trade-offs when making payments. Taylor has put larger debts to the side, and her financial goals feel more like dreams. Her income often varies, and there are little to no financial guardrails in savings or from family financial resources.

CHARACTERISTICS
• Has limited financial slack
• Lots of incurred debt (including debt from alternative financial service providers)
• Many past-due bills
• Juggling debt to make ends meet

“I pay what is affecting my life most.”

ANTHONY

Anthony has avoided taking out loans in the past, including credit cards. He has, however, struggled some with past-due bills for services such as cable and phone. He’d like to establish or improve his credit as he knows credit is important for financial success. Anthony is also interested in savings and thinking about long-term financial goals. He has a very low income but does not have as many financial obligations to dependents.

CHARACTERISTICS
• Has some financial slack
• Very limited incurred debt
• Some past-due bills
• Focused on credit building

“I don’t play that debt game but I know building credit is important.”
MANAGING DEBT INVOLVES DIFFERENT TACTICS & TRADEOFFS

Community members struggle to pay down many competing debts and respond to their situations with a variety of tactics and coping mechanisms. Across persona groups, many have taken the same actions: cutting back on expenses, using cash windfalls like bonuses or an Earned Income Tax Credit refund to pay down debt, and reaching out to creditors to resolve mistakes or asking for extra time to pay. A few tried paying for services that promised debt relief and credit repair. Many more tried to learn about managing finances but often felt overwhelmed by the complexity of the decisions involved.

What stood out is that interviewees in situations like Jayla’s often have enough financial slack to make strategic repayment possible. These interviewees could pay on-time and in-full on most of their debt. Those in Mary or Taylor’s situation are less likely to have that option. In their cases, debt juggling or ignoring the debts are coping strategies to deal with overwhelming bills and little to no financial slack. While these are important differences, it is worth noting that interviewees may vary their approach depending on the debt type, immediate financial circumstances, other responsibilities and their perception of the debt.

Prior research tells us that the ability to pay and the rational calculation of how to reduce debt are not the only factors driving decisions about how to manage one’s debts. Debt management strategies are also influenced by how the debt is perceived. Debts that are thought of as part of making ends meet or supporting a financially responsible identity are prioritized while debts perceived as unfair are often ignored or rejected. Community members interviewed for this project often said they had put student loan debt “to the side” because it felt either overwhelming, unfair or fraudulent. Medical debt was often similarly categorized as a mistake or illegitimate. While strategically ignoring debts may have psychological benefits, it can also have negative consequences for credit ratings and total debt balances.

BRANDON’S STORY: MANY TACTICS, LIMITED RESULTS

In every interview, people talked about the many ways they are trying to address debt in their lives, and how they are getting limited results. The seeming futility of managing debt underlies the feelings of being overwhelmed and stressed that was experienced across personas.

Brandon is a 29-year-old dad in Florida with three kids. He’s got two sons and a two-year-old daughter that’s clearly the apple of his eye. With pride, he describes her as being, “Very, very colorful. She’s a different breed. Like, I have never seen nothing like this before.” He’s got a steady job making $45,000 a year as a logistics manager, but with $65,000 in debt, it’s not enough. His debt portfolio includes: $20,000 in an auto loan, $13,000 in a personal loan, $10,500 in student loans and $10,000 in credit card balances carried over from one month to the next. There are also some smaller debts: past-due cell phone, internet and medical bills. He describes the effects of debt as “a constant confusion. You don’t know which way to turn. Like, whenever you think things can start brightening up or looking better for you, there’s always...my credit history—it’s like herpes. When you don’t want it, it just exposes itself every time.”

Brandon has done a lot to manage his debts. He’s tried contacting creditors to contest and negotiate debt, leveraged a personal loan to consolidate multiple loan payments and prioritized payments to ensure the most critical debts are paid. He’s also taken financial education classes and self-educates by watching videos online. Unfortunately, he’s still not able to clear it all out. He views the student loan as particularly problematic and potentially fraudulent. He explained that he acquired the loan with an expectation that he would receive a weekly check while in school. But he never received those checks. He called the student loan company to tell them, “I don’t owe you anything,” and offered to settle for $500 just to get them off his back and off his credit. But the company said they wanted $1,500 and he declined to pay—so the debt remains on his record.

For now, the two debts he is actively paying are the auto and personal loans. The auto loan costs him a total of $520 each month. As he explains, “I mean you need a car...It’s something that’s needed, just like your house.” The personal loan costs him $600 each month. The money was needed about two years ago. At that time, he was unemployed and his daughter was about to be born. “Money was scarce,” and he had reached the limits of his credit cards. So, to pay back all the credit cards, he took out a $10,000 loan from a reputable online lender. Taking out the personal loan helped to pay out the maxed-out credit cards, but as he says, “Everything was clear. But, in comes life, and now my credit cards are back up to ten grand. I mean, I really can’t find a way out. Like I think I do, but it doesn’t work. It doesn’t.”
“[Debt]’s like a constant confusion…Like, whenever you think things can start brightening up or looking better for you, there’s always…my credit history.

-Brandon
Many Barriers Make Debt Daunting & Difficult to Address

In analyzing interviewees’ challenges with debt, many barriers related to managing debt emerge. We sorted the barriers into three categories: knowledge barriers, behavioral barriers and two types of structural barriers: socio-economic and financial systems. It’s important to note that this list only includes barriers that can be cited by community members. While community members often talk about problems with debt in terms of their own choices and behaviors, it can be difficult for any individual to speak to the larger systems and institutional barriers. These barriers, identified in other research, are explained in the box on the final page of this section, Hidden Barriers: Systemic Issues and Unspoken Symptoms.

Knowledge Barriers

Knowledge barriers make debt difficult to address through missing information or a lack of conceptual understanding among interviewees. Knowledge barriers identified in the interviews are:

- **Lacking key information about a credit and debt situation:** When an interviewee says that they don’t know key details about debt accounts like who the creditor is, how much they owe or interest rates.
  
  **EXAMPLE SYMPTOM** | Ft. Lauderdale interviewee knows he used to take cash advances on a weekly basis to get by. He stopped paying on one and knows he’s in collections for the loan, but cannot remember the name.

- **Incomplete or incorrect knowledge on how to remedy debt:** When an interviewee indicates they do not know all the steps necessary to remedy debt.
  
  **EXAMPLE SYMPTOM** | New York interviewee says she knows people who plan and allocate money for their different bills, but she doesn’t do that. Instead, she waits for the due date to come and then she pays them as they come along. She would like a “schedule” of her own, but doesn’t know how to develop one.
Behavioral Barriers

Behavioral barriers make it difficult for interviewees to start or complete an action related to managing debt. Behavioral barriers from the interviews include:

- **Difficult payment decisions:** When an interviewee makes an intentional decision to skip or make a partial payment on a debt because it seems to be the best available option at the time.
  
  **EXAMPLE SYMPTOM** | Ft. Lauderdale interviewee has student loans. He knows that to pay them off, he needs to cut down some of his expenses, but said he hasn’t started to do that yet. He has too much going on at the moment.

- **Hassle factors that are difficult to overcome:** When an interviewee encounters cumbersome steps or small inconveniences, it takes them off the path of actions necessary to manage debt.
  
  **EXAMPLE SYMPTOM** | New York interviewee received financial advising as a benefit from her job. They met once to diagnose her financial situation. However, after the first session, she couldn’t contact the financial advisor. After attempting a few times, she gave up and still needs help to figure out how to manage her debt and credit situation.

- **Deliberate ignorance of debt or bills:** When an interviewee notes they are actively ignoring a debt or bills and forgoing strategic decision-making about payments.
  
  **EXAMPLE SYMPTOM** | Ft. Lauderdale interviewee says he doesn’t care about medical bills that have come up on his credit report because they “hold no harm.”

- **Inattention to debt or bills:** When an interviewee has forgotten about or is not paying attention to a debt or missed potential opportunities to pay it down.
  
  **EXAMPLE SYMPTOM** | New York interviewee pawned a piece of jewelry for $150 and began to make payments. He said he started making payments but then, at some point, just forgot and never made the final payments.

Structural Barriers

Structural barriers impose difficulties on debt management by the very nature of an economy that produces disparate outcomes for people based on their identity (such as their race, gender or class). Structural barriers are also built into the financial system and the marketplace. The symptoms described below and their underlying barriers are difficult to address at an individual level, but they are important to acknowledge because they create the context in which an individual operates.

**SOCIO-ECONOMIC BARRIERS:**

- **Perpetually in low wage jobs:** When an interviewee reports they’ve always had a low-wage job and have been unsuccessful at finding a job with higher pay.
  
  **EXAMPLE SYMPTOM** | Ft. Lauderdale interviewee has a bachelor’s degree in supervision, management and criminal justice. She currently works at a doctor’s office, but feels there’s no growth potential in her position. She aspires to help the elderly as a case manager, but it’s hard to get on that path.

- **Prolonged decreases in income:** When an interviewee reports they had a higher-paying job in the past, but have not been able to get their household income back to the same level because of changes in the labor market.
  
  **EXAMPLE SYMPTOM** | Ft. Lauderdale interviewee used to make $85,000 a year, but she explained her company downsized three years ago and now she makes only $15,000 a year working in customer service.

- **Change in finances:** When an interviewee experiences changes in income and/or expenses from a life event such as temporary job loss in the household, illness, eviction, car issues or legal judgements. This also occurs when an interviewee has highly variable wages.
  
  **EXAMPLE SYMPTOM** | Baltimore interviewee provides home healthcare to an elderly woman with frequent hospital visits. She isn’t paid when her client is in the hospital.
• **Prolonged increase in expenses:** When an interviewee reports growing expenses with no end in sight such as the birth of a child, an illness, the beginning of student loan payments, housing or transportation situation changes.

  **EXAMPLE SYMPTOM** | New York interviewee used to be able to save more, but his budget is much tighter after having a kid last year.

• **Few financial resources in family:** When an interviewee reports that family members are in similar or worse financial situations and are, therefore, unable to provide financial support.

  **EXAMPLE SYMPTOM** | Ft. Lauderdale interviewee is the most financially stable person in her extended family. She is often asked to lend money to relatives but does not have anyone she could ask for $300. Her back-up option is credit from alternative financial services.

**FINANCIAL SYSTEMS BARRIERS:**

• **Lender and collector mistakes:** When an interviewee reports a mistake related to billing in their debt. This may be perceived or real, but it is often very hard to tell because the system related to billing is complex. This debt or past-due bill was often “invisible” to interviewees until they checked their credit report, tried to open a new account or otherwise achieve a goal.

  **EXAMPLE SYMPTOM** | New York interviewee says her car was stolen and because she was just moving from a shelter into an apartment, she didn’t automatically transfer over her information. The thief racked up tickets on the car and she got a bill of $1,100.

• **Obfuscated consequences:** When an interviewee conveys that the structure of credit makes it near impossible to weigh potential consequences upfront. The responsibility of anticipating consequences is currently placed on the individual borrower versus the lender.

  **EXAMPLE SYMPTOM** | Ft. Lauderdale interviewee wishes now that he knew how to manage credit cards earlier. He “just used them, and didn’t pay them.”

• **Distrust of the financial system:** When an interviewee reports they avoid engaging with financial institutions or other sources of potential assistance because of concerns about legitimacy.

  **EXAMPLE SYMPTOM** | Baltimore interviewee said he would be hesitant to share his financial information with a service provider for fear of them using it to see if he had resources worth taking through a scam.

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**Hidden Barriers: Systemic Issues & Unspoken Symptoms**

Our research for this project is based on what community members share in interviews. This method of inquiry helps us understand how community members experience debt from their own perspective, but it can leave out dynamics that not easily recognized and articulated by most individuals.

As a result, there are some hidden barriers that likely exist, but did not emerge from this set of interviews. Examples of hidden barriers include the impacts of limited intergenerational wealth, legacies of exclusion and discrimination in the financial system, and disproportionate exposure to costly debt.

An earlier paper from this project, *Forced to Walk a Dangerous Line: The Causes and Consequences of Debt in Black Communities*, explores more of these hidden barriers. It looks at how the historical exclusion of Black Americans from wealth-building opportunities—such as the labor market and homeownership—largely prohibits them from reaping strong returns on “good debt,” while simultaneously exposing them to troublesome debt (e.g. high interest loans, criminal justice debt) at disproportionately high rates. Understanding the context is essential to recognizing hidden barriers in debt.
A Complex Web of Barriers

All community members’ stories include encounters with multiple barriers that are related to each other. Our exploration did not extend into understanding causality, but the narratives clearly demonstrate relationships between all three categories of barriers that are difficult to untangle.

CALEB’S STORY & BARRIERS DIAGRAM

Caleb is a budding photographer who also works part-time at a local non-profit earning a little over $12,000 last year. He’s got about $1,500 in debt with the majority ($1,000) owed as outstanding balances to several credit card companies. He thinks he might have three credit cards, but doesn’t really know. He also might have an old card from a department store that could be paid off. Currently, he pays $25 each month to credit card companies. He doesn’t know if that covers his monthly balances or minimum payments, but he prioritizes making payments each month because his mother told him he’ll have good credit as long as he pays something. The payment amount is based on an intuitive estimate of what he can afford. He prioritizes paying rent and his phone bill. In fact, he and his partner are trying to overpay in rent so that they can accrue two months in pre-paid rent. The hope is that they can take a vacation at some point in the future and not have to worry about the rent while gone—a goal potentially incompatible with his desire to “just be out of debt.”

Barriers Diagram

- **Perpetually in low wage job:** Doesn’t feel like he has the skills to get a higher-paying job.
- **Obfuscated consequences:** Not currently experiencing severe consequences of having debt; only hearing about potential upside of building credit.
- **Difficult payment decisions:** Can’t afford to pay all bills; prioritizes overpaying rent (in hopes of taking a vacation in the future) in favor of paying off debt.
- **Lacks key info on debt:** Doesn’t know how many credit cards he has or owes money on.
- **Incomplete knowledge of how to manage debt:** Doesn’t talk about how payment strategy affects debt balance.
- **Inattention:** Not paying attention to bank and store credit card balances; he hasn’t received calls.
Addressing Debt in Black Communities—Research Findings

A Complex Web of Barriers

All community members' stories include encounters with multiple barriers that are related to each other. Our exploration did not extend into understanding causality, but the narratives clearly demonstrate relationships between all three categories of barriers that are difficult to untangle.

Caleb’s Story & Barriers Diagram

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Inattention: Not paying attention to bank and store credit card balances; he hasn’t received calls about it.
A Desire for Support in Managing Debt Is Clear

Community members voiced a consistent desire for help with managing their debt. They are looking for guidance on how to prioritize bills and financial decisions, gain insights into expenses, income and obligations. What they often want from this guidance is tangible relief in lowering the burden of debt—both in terms of dollars owed and the emotional stress.

There is also recognition that having more income would help better manage debt, but it’s coupled with a sense of resignation from some community members that it’s not realistic in the near term. This may be a factor in the calls for debt forgiveness we heard from some community members, especially those with student loans that had not lead to meaningful increases in their incomes.

The unmet need for support in managing debt is keenly felt by community members. There are few sources of help and little guidance within their networks. A segment of community members in situations like Jayla’s discussed receiving monetary support from family, but this option wasn’t available to many as they explained that their extended families also struggle financially. One interviewee from Florida said, “I don’t really have family that I can call and say loan me $300 or $400. My options would be the stores. Like the check-cashing store.” Many looked online for guidance on issues or mentioned watching videos from celebrities or others offering advice, but few find useful sources they returned to regularly.

A few participated in government programs addressing debt and financial issues (particularly around homeownership). Others had participated in financial capability services offered by our partner organizations on the project or other nonprofits. In these programs, community members often learned about credit reports, budgeting and goal-setting but very few received strategic guidance on managing debt. For example, we spoke with a community member in Florida participating in financial coaching who found it valuable but noted that it did not go far enough saying, “It doesn’t help you with your debt, but it shows you how to control your spending and your habits and to work on what you need to be more responsible.”

Very few mentioned financial institutions as a source of support in managing debt beyond providing the ability to check accounts regularly to monitor bill payments. Some interviewees talked about for-profit companies such as credit repair services, bankruptcy services, debt consolidation programs and debt settlement companies. These were usually viewed with suspicion but were appealing, for some, although few could afford to retain these services.

The importance of addressing debt is not lost upon community members. There is widespread recognition that debt is preventing them from achieving their financial goals. They told us that having debt and past-due bills stopped them from buying a car, getting an apartment and saving for the future. Many of the interviewees dreamed of homeownership and explained that debt was getting in the way of pursuing that goal. A community member in Baltimore explained, “I know the more collection accounts you have look bad for a long time afterwards and it can affect not only your credit score but your eligibility for buying a house and getting a new car and stuff like that.”

Others hoped to continue their education but were reluctant to add to their debt burdens. A few people told us that their debt had led to low credit scores which disqualified them from employment opportunities and increased their worries about how they might survive if they lost their job.
The existing landscape of debt management programs, services and products includes offerings from nonprofits, financial institutions and financial technology providers. We tested 12 of these offerings using qualitative concept testing (described in the box on the page 24).

We found that some of these programs, services and products appeal to African American community members struggling with debt, but there are significant gaps in almost all services experienced and reviewed by interviewees. Themes that emerged from reactions across the concepts included:

1. **Community members are hungry to better understand the dynamics that led to their financial situation.** They often asked if there was anything they could do differently and some wondered if their income supported their expenses. Features that promised detailed guidance to develop or optimize their debt repayment strategy were highly appealing.

2. **Many felt overwhelmed by the competing responsibilities in their financial life and sometimes overpowered by creditors.** With little savings or assets to fall back on, they see advice as only taking them so far. They want help negotiating with creditors to address mistakes, ensure the debt is legitimate and negotiate the best repayment plan.

3. **People don’t always intuitively see the benefits of products and services, like consolidation loans, that experts might see promise in and recommend.** Complexity combined with vaguely articulated benefits and little guidance on how likely an individual community member is to qualify and benefit were some of the things that got in the way. These services will have to overcome significant mistrust, relevance and accessibility barriers.

4. **Community members are neutral on the platform for debt repayment guidance but hold high expectations for all online tools and platforms.**

There were a couple major differences in how our two main persona groups reacted to the financial advice app and lending circle concepts. Community members like Jayla find apps more appealing. Those in Taylor’s situation are interested in lending circles although the offering may not be the best fit for their financial situation.

**Community member reactions to each program, service and product are detailed in the appendix.**
Implications for Innovation in Debt Management & Relief Services

Our interviews with community members not only illuminate their experiences with debt, they also offer guidance for debt management and relief services. We offer design principles for program and service developers interested in making debt management and relief options more in tune with the experiences of our interviewees.

1. **Design to overcome feelings of stress and being overwhelmed**: The experience of feeling stressed and overwhelmed was dominant in the interviews. We believe program developers and service designers should pay special attention to reducing financial stress and improving perceptions of financial well-being as outcomes of debt management and relief offerings. One way to put this design principle into practice is to measure financial stress and well-being when conducting tests and evaluations. The Consumer Financial Protection Bureau offers a financial well-being scale which can be used for this purpose. Researchers at the Urban Institute have developed helpful questions to evaluate financial coaching programs such as:

   • On a scale of 1 to 7, where 1 is no stress and 7 is overwhelming stress; level of financial stress today?
   • On a scale of 1 to 7 with 1 being never and 7 being all the time; how often do you want to go out to eat, go to a movie or do something else and don’t go because you can’t afford to?
   • On a scale of 1 to 7, where 1 is fully satisfied and 7 is very dissatisfied; how satisfied are you with your present financial situation?

2. **Reduce burden—especially at the beginning**: Given that the number of hassles associated with cleaning up one’s credit report and negotiating with creditors are a barrier to interviewees in managing debt, it would likely help if nonprofit staff might reduce those burdens—especially at the beginning of the process when they might be feeling extremely stressed and overwhelmed.

3. **Offer immediate and tangible relief**: Some of our interviewees called for more “tangible relief”, noting that strategic guidance may not be enough to address their debt and past-due bill issues. They want support that can make a difference right away, so exploring any options for debt forgiveness or shifting some of the burden for implementing repayment strategies from consumers to other actors in the system may be particularly important.

4. **Listen to and help resolve debt legitimacy concerns**: African Americans are disproportionately victims of debt-related fraud and struggle with debts that, even if “legal”, feel very unjust. It is important that providers listen closely to legitimacy concerns, affirm the concern and experience, and find ways of helping community members assess their debt, resolve mistakes and bring grievances to levels where change can occur.

5. **Include guidance for triaging situations without easy solutions**: Our interviews revealed a spectrum of situations amongst community members. For those in the “Mary” persona, addressing debt in the current moment would be extremely challenge given that they are currently incurring debt to meet basic needs and do not have any financial slack. For someone in this situation, immediate access to income supports and other services to limit additional debt maybe the most important strategy. Understanding this suggests that debt management and relief options offered should have a path for community members with this profile and a way to triage them into programs that will more directly support their situation.

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6. **Consider a combination of strategies**: The complex web of barriers shared by each interviewee reinforce how complex and entrenched challenges associated with managing debt are for community members. Recognizing the complexity of these challenges should push us to ensure there are multi-pronged solutions. This could mean offering “hybrid-products” or establishing programs with a suite of services offered (i.e. offering a loan with financial coaching, bundling a financial advice app with debt negotiation). Identifying ways for community members to increase their incomes would also be highly valued.

7. **Invest in exploring framing and language**: Interviewees often reacted differently to similar concepts when framed in different ways. For example, in our qualitative concept test, when an infusion of cash was described as a “consolidation loan”, there were more negative reactions than when described as a “lending circle.” This is just a reminder that associations with words and descriptions matter to community members and warrant a deeper exploration into how to match them with community members’ perceptions and values.

8. **Explore practices from other domains of racial inequality work for addressing debt**: This final principle comes indirectly from the interviews, as they often mentioned a desire to know that others are experiencing similar challenges. Those patterns, while not always visible to the individual, are likely important for organizations to raise up and tackle with community members. As debt experienced in Black communities is rooted in historic discrimination and economic marginalization that impacts many other domains, it is worth exploring how strategies in those areas might be applied in debt management and relief programs. For example, one study found that traditionally marginalized youth who believe that individual merit is always rewarded show a decline in self-esteem and an increase in risky behaviors during middle-school years. This research recommends that educators ensure that youth understand the historical context of American society and reflect on systemic race inequality in their own lives. Exploring how financial capability practitioners and other providers identify and initiate these conversations about systemic racial economic inequality is worth exploring further.

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In the Works—Enhancing Debt Relief in LMI Black Communities

Prosperity Now and our nonprofit financial coaching partners plan to test new program elements that support Black community members seeking relief from troublesome debt. Selected elements are based on interviews with community members and promising practices from research in debt relief and seeks to answer the challenge:

How might we support community members in optimizing their debt management strategy so debt doesn’t stand in the way of greater financial goals?

What Will It Include?

We seek to test program elements that will equip financial coaches with tactics informed by the principles in the previous section to support clients in optimizing debt management strategies for their situation and additional financial services that help make debt management less overwhelming and more sustainable. Through these efforts, we hope to learn more about community member reactions to:

- **Financial coaching** with personalized advice on debt management, budgeting, goal-setting and accountability.
- **Debt negotiation and consumer rights services** where dedicated staff will review and dispute mistakes on credit reports, negotiate with creditors and offer tips on legal issues like dealing with creditors or filing for bankruptcy.
- **A financial advice app** that complements financial coaching, allowing participants to manage their budget, savings and debt.
- **Debt consolidation loans** from a reputable lender that allow participants to pay off existing debts in a lump sum amount.

Who Would Benefit?

Most benefits would go to community members who have regular household income, but struggle to consistently pay all their debt obligations, in full, each month. Though their financial situation is likely tight or on edge, they are not in an immediate crisis where a basic need is lacking or under threat (i.e. homeless or under threat of eviction). They recognize debt impedes their financial goals and see prioritizing managing debt as a near-term goal. Their story might be like Jayla’s or Taylor’s. We will work with our partners to refine their intake processes to ensure community members like Anthony receive credit building support and that Mary receives stabilization support and employment assistance.

What Results Do We Expect?

By participating, we expect community participants will see improvements in their credit scores, reported financial well-being and savings activity. As these outcomes will likely take a year or more, the testing will focus on the potential positioning of each element, services take-up, reported satisfaction, engagement with activities, increases in knowledge and confidence related to managing debt and decreases in debt-related stress, missed debt payments and delinquent debt.

Our project will also be a success if we can change how financial coaching, fintech and lending organizations engage Black consumers in low- and moderate-income (LMI) communities around managing debt.
Addressing Debt in Black Communities at a Systemic Level—Implications for Policy

While this report focuses on how we can improve supports for LMI Black communities on debt at an individual level, the complex nature and historical factors for debt in Black communities suggest systemic policy changes are also required. According to Devin Fergus, a historian at the University of Missouri, “Governments were once regarded as a major source of debt relief, whether through a jobs program, tax policies, or other forms of public investment. This has changed. In recent decades governments have had a hyper-visible role in exacerbating the debt experience.”

How might the government become a source of debt relief for Black communities once again? Based on our exploration, it would be ideal to see policy actions highlighted below to complement innovations in programs and services.

State and Local Policy Ideas

• Cities and counties can establish Offices of Financial Empowerment to support financial education and capability-building on issues of credit and debt management.11
• Cities and counties can change public sector fines and fee structures so they are not disproportionately burdensome on the most economically vulnerable households.12
• Municipal agencies can support resident repayment with financial capability services following the lead of the National League of Cities’ Local Interventions for Financial Empowerment Through Utility Payments (LIFT-UP).13
• States can set interest rate caps or prohibit predatory small dollar loans. Cities can set prohibitions and restrictions as well.14
• State policies can limit abusive debt collection practices by restricting lenders from collecting assets to pay off debts.15
• Anyone—states, local governments, community organizations, individuals, etc.—can take part in the Federal Trade Commission’s efforts to combat fraud in Black Communities.16
• States can limit the percentage of wage garnishments allowed in debt collections so that borrowers can have the means to repay strategically.17

Federal Policy Ideas

• Encourage lenders to take proactive steps to help customers who are making low repayments over time.18
• Expand funding for public colleges and universities and increase access to need-based financial aid packages for low-income students.19
• Integrate more financial capability services (especially around credit and debt) into workforce, housing and community health programs in lower-income communities.20
• Leverage existing channels (i.e. workplace, Earned Income Tax Credit) to build and incentivize emergency savings among LMI families.21

11 For more on these efforts, see, the Cities for Financial Empowerment Fund’s Financial Empowerment Center Replication and Consumer Financial Protection Initiatives: http://cfefund.org.
15 Ibid.
16 Combating Fraud in African American and Latino Communities: The FTC’s Comprehensive Strategic Plan (Federal Trade Commission: June 15, 2016).
17 No Fresh Start: How States Let Debt Collectors Push Families into Poverty (National Consumer Law Center: September 2013).
APPENDIX 1

WHAT IS QUALITATIVE CONCEPT TESTING?

Qualitative concept tests are a practice drawn from the world of market research to understand community members’ responses to services and find opportunities for innovation. For the qualitative concept tests in this project, each program, product or service was written up with about five or six bullet points that described how the offering works generally, along with key features of the program or service. The concepts had no branding or graphic design and we did our best to make them as consistent as possible in presentation.

During our interviews, each person reviewed three to four randomly selected concepts except for the medical bill management service, which was only shown to interviewees with medical debt. Each concept was seen by at least ten interviewees. Our team then asked questions to gauge interviewees’ reactions to the concept. We tried to understand the appeal of the concept, features liked and disliked by interviewees, its potential to address debt and any gaps between expectation and typical product or service delivery.

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Financial Coaching

One-on-one consultations with a trained financial coach to achieve financial goals

Overall Reaction
Most interviewees found the concept appealing with few dislikes. However, some expected more debt management expertise than may be typically provided by coaches.

Top Likes
• Working with someone on-on-one for expertise, trust or efficiency
• Support to set, refine and reach goals
• Potential for long-term support and accountability

Top Dislikes
• Worried about coaches being overbearing or invasive
• Lack confidence that coaching will help solve debt and underlying income issues

Insights into Community Expectations
• The level of demand for financial coaching suggests community members would like to see it offered more in their communities.
• Community members are looking for directed guidance about debt management strategies (i.e. what debts to pay first) from coaches.
• Coaches without expertise in debt management are far less appealing.
• Staff must be prepared to help community members resolve immediate issues in bill payment, garnishment and collections.
• As community members are already overwhelmed and stressed by their debt, expecting clients to drive the coaching relationship and set action plans will likely add more burden than support.

Thoughts on Cost
• Many preferred financial coaching be offered for free but most were open to a small per session fee.

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EXPECTATIONS FOR GUIDANCE

“Don’t let me lead the way because I’m the one that needs help...I want somebody that’s going to know how to maneuver.”

APPEAL OF LONG-TERM GOAL-ORIENTATION

“Financial coaching gives you an understanding of what you need to do and how you can prosper in the long run. I don’t want to just pay off my debt. I want to become more stable financially.”
Lending Circles

A rotating savings and loan program offered by non-profits to build savings, pay down debt and build credit

Overall Reaction

Most viewed the concept as appealing but not always for debt reduction. Several already had some familiarity with lending circles. We noted that while interviewees with financial situations like Taylor’s were often very interested in the lending circle concept, these community members were unlikely to qualify due to high debt-to-income burden.

Top Likes

• Payout perceived to give flexible funds for debt repayment or for other needs
• Creates a forced savings habit that can’t be tapped into like a savings account
• Payments reported to credit bureaus to boost credit score

Top Dislikes

• Some are concerned about people dropping out of the circle and the security of their funds.
• A few thought the payout might not be large enough to make any sizable difference to reduce debt.
• Making monthly payments could become a challenge.

Insights into Community Expectations

• Community members likely have incorrect assumptions about how and who lending circles can help. They seem to think lending circles can help with troublesome debt, even though their focus is on savings and credit-building.
• Making contributions to a lending circle may stretch budgets while waiting for needed cash infusion.
• Community members may need additional assurances about payment security and program policies around late or non-payment of other participants.

Thoughts on Cost

• Lending circles typically do not charge participants. Instead some interviewees commented on the expected contribution amount with a few noting greater comfort with payments of $25 to $50 a month.
Financial Advice App

Phone app that helps manage budgets, savings and debt with recommendations and a savings feature

Overall Reaction
Most viewed as appealing or potentially appealing, with very little rejection of the concept. Many believed the app would help manage their debt. Some viewed the app as most beneficial when used alongside another concept like financial coaching. Interviewees like Taylor often found the app less appealing noting that they felt it would be another thing to manage. Interviewees like Jayla expressed more interest in the app.

Top Likes
• Convenience—can be used virtually anywhere
• Identifies saving opportunities
• Gives advice and recommendation to prioritize debt

Top Dislikes
• Security of financial information
• Sense that help staying organized wouldn’t address debt

Insights into Community Expectations
• Community members expect an advice app to know their capacity to repay, not just the ideal repayment order.
• They also want expense and income monitoring and alerts for overspending but may not be able to link accounts or may not have easily linkable online accounts.
• Simply providing organized data is not enough to generate interest from community members. They want insight and advice on their finances.
• Community members want help making on-time debt payments but worry about automation because they prefer to choose whether to make payments by mail or submit electronically.

Thoughts on Cost
• The advice app tested was described to participants as free and most found this appealing. Interviewees shared some openness to purchasing an app in a few conversations.

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THE PROMISE OF CONVENIENT ADVICE

“I’m learning on the go now as I go. With this, I guess it would probably give me some type of some more insight so it gives you tips on what you can do and what you should do.”

HIGH EXPECTATION OF ADVICE

“…If you could tell how much money I have in my account and you recommend, you have enough left over to pay a little bit on the phone bill, that would be something nice.”
Debt Negotiators

Nonprofit staff who help negotiate debt and repair credit currently offered ad hoc but envisioned as a structured offering.

Overall Reaction
Most found the concept appealing or potentially appealing, with only a few rejecting the concept. Some interviewees read more into the concept than was presented, thinking of it also as financial coaching or education.

Top Likes
• Lower or suspended payments, waived late fees or reduced fees related to their debt
• Third party negotiates with lenders with a higher perceived skill level
• Buffer between client and lender to reduce power difference/stress

Top Dislikes
• Only a few dislikes that varied widely such as the possibility of paying a fee or lack of additional support offered

Insights into Community Expectations
• Community member expectations for this service may be high both in terms of potential benefits and the skill level of staff.
• The level of demand suggests community members would like to see debt negotiations offered more in their communities. Nonprofit staff should be trained with the ability to negotiate debt with creditors.
• Services without complementary support from coaching or financial education are less appealing to community members.
• Lifting the burden of negotiating debts is likely preferred to prioritizing skill-building in communicating with creditors.
• For-profit providers (including Lexington Law) are more visible, according to some interviewees.

Thoughts on Cost
• Most preferred debt negotiation be offered for free but most expressed some openness to paying a small fee.
Credit Counseling

One-on-one consultations on managing debt and past-due bills from a certified, non-profit credit counseling agency

Overall Reaction
Most found the concept potentially appealing and noted the debt management benefits. Although there was little rejection of the concept, many assumed that credit counseling would include financial coaching, education or advising approaches not detailed in the concept.

Top Likes
• Helping create and stick to a budget
• Setting realistic financial goals
• Helping improve credit score

Top Dislikes
• Some with unstable incomes see budgeting as challenging.
• A few were unclear about the value of the concept, sensing the focus would be on credit instead of debt, they would receive advice they were already familiar with or would not last long enough to make a difference.

Insights into Community Expectations:
• Community members struggle to differentiate high-quality credit counseling from scams and expensive for-profit services.
• Community members want tangible support and relief, but budgets and action plans place a burden on clients when they are already overwhelmed.
• Expectations for this service include a deeper engagement by providing more coaching and educational resources.

Thoughts on Cost
• Most preferred that credit counseling be offered for free but many acknowledged that some cost might be reasonable.

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HELP BREAKING DOWN COMPLEX STEPS
“I think it would help because it has step-by-step and what to do.”

GOING BEYOND ADVICE
“...I’m tired of talking to people. You can have somebody talk to you—well, you need to save which we all know, and it’s so simple. You have to do it. And it’s not as simple as you make it seem.”
Consumer Rights and Bankruptcy Assistance

Legal assistance to address debt and past-due bill issues

Overall Reaction
Appeal is mixed with bankruptcy services relevant to just a few. The appeal of legal assistance and consumer rights support is strong but few have any awareness of these services.

Top Likes
- Help deal with harassing creditors
- Education about how to advocate for yourself

Top Dislikes
- Many felt the bankruptcy service wouldn’t benefit their situation.
- Some dislike the hotline idea for fear of fraud or lack of respect.

Insights into Community Expectations
- Community members have limited knowledge about the benefits of legal assistance related to debt.
- Community members who would seek legal counsel feel the need for quick access to counsel or advice, but experience long wait times for appointments.
- Consumer legal assistance is not a standard offering from legal aid organizations and thus not available in all communities.

Thoughts on Cost
- Most preferred legal services be offered for free with only a couple open to flat fee for service
Peer Meetings on Debt

Facilitated groups that share experiences and advice on managing debt

Overall Reaction
Appeal for the concept is mixed, with some embracing and some rejecting the concept. Many believed it would help with managing debt by sharing tips and resources. Some felt it would work best in conjunction with other concepts such as coaching or lending circles.

Top Likes
- Encouragement, which shows that you aren’t the only person struggling with debt
- Opportunity to share tips, resources
- Coordination by a peer leader to provide advice

Top Dislikes
- Many were skeptical of the benefit of “just talking” without additional resources or support to take action.
- A few worried about embarrassment from sharing personal issues.

Insights into Community Expectations
- The appeal of this concept varies widely as group exposure may cause embarrassment for some and further avoidance for others because of the perception of peer scrutiny.
- Community members want support to follow through on advice and some worry that more talking won’t help.
- While peers can provide accountability and good ideas, community members still seek expertise to deal with complex financial issues from trained staff.

Thoughts on Cost
- Most preferred peer meetings be offered for free with only a couple open to a small fee.

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YOU ARE NOT ALONE

“It’s the moral support. That would make me feel better. Honestly like me as a person just knowing that I’m getting help, that people are caring to help me and I am not the only one in the boat will make me feel better.”

WORRIED TALKING WITH OTHERS WON’T PROVIDE NEEDED GUIDANCE

“If you’re in debt already and you’re trying to hold a meeting with other people that are in debt, it’s not going to work. What could you tell me if you’re in debt and I’m in debt?”
Medical Bill
Management Service

Services to eliminate medical overcharges and billing errors and claim reimbursement for covered out-of-network care

Overall Reaction
Mixed appeal with a few embracing the concept and a few rejecting the concept. Many feel that their medical debt is not big enough to be an issue, is unlikely to be due to error or out-of-network, or is just not a high priority. Some were also confused by the service’s pricing structure of taking a percentage of money saved.

Top Likes
- Identifying errors to save money
- Save time/hassle
- Expertise from a medical specialist to ensure everything is correct

Top Dislikes
- Medical debt not a priority for many
- May not help Medicare/Medicaid recipients; may not help with debt in collections
- Security of health information

Insights into Community Expectations
- Mixed appeal indicates that while some of the features are valued by community members, the scope of the service is too limited given priorities around other debt types (student loans, auto loans and credit cards).
- Community members are looking for solutions that will address their most pressing debt. Medical overcharges and billing errors are not the pain point for most.
- Community members value expertise and ways to save time and hassles to resolve debt.

Thoughts on Cost
- Some interviewees were open to trying the medical bill management service perceiving little risk if no savings were found. However, others struggled a little to understand in what circumstances they would be charged by the app.

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Value Expertise on the Complexity of Billing
“The medical field could be confusing...some people might charge you like $150 and some might charge you $300. That $300 you might think is cool, is okay because you don’t really know that’s overpriced. This right here actually helps you [with] the savings and help you identify like if they overcharge anybody.”

Medical Debt Often Seen as Unfair or Low Priority
“I just would say it’s the least important because you can always have medical—you can always be covered for medical...it’s important to me, but it’s the least important.”
Online Loan Management Platform

An online site or phone app that syncs payments with income and identifies savings opportunities

Overall Reaction

Mixed appeal with only a couple fully embracing the concept. Some thought it might help them with their debt, some felt it could be helpful to others but not themselves. Some saw it as being useful if combined with another service such as credit counseling or financial coaching.

Top Likes

- Automates payments to make debt management easier
- Helps avoid overspending

Top Dislikes

- Automated payments could backfire, lead to overdrafts
- Security of financial information

Insights into Community Expectations

- Overall, community members’ expectations for this service may not match what is available as sites like the platform shown in the concept do not deliver the following expectations.
- Community members assume that the platform’s algorithms optimize payments (as opposed to setting their own payment schedule).
- Expectations are that the platform will work with all loan and past-due bill types, not just credit cards and personal loans from banks, which appear to be the focus.
- Community members are looking to optimize payments and avoid any shortfalls. An analysis of cash flow and capacity to repay is expected.

Thoughts on Cost

- Some interviewees thought the listed price of $9.95 a month was fair for an online loan management platform while others said they would use it only if offered for free.

EXPECT PLATFORM TO KNOW REPAYMENT CAPACITY

“It syncs the payments with your income. So based on your income, it can tell you like how much you should pay for things. It’s pretty neat.”

WORRIED AUTOPAY WILL BACKFIRE

“I don’t like that it’s automatically withdrawing because I don’t like autopay because I kind of live paycheck to paycheck in a sense. To autopay would ruin my life if something is withdrawing at a time that my check is not in the account.”

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>Maybe</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

Total 12
**Borrow and Save Loans**

**Personal loans through a credit union with a built-in savings account**

**Overall Reaction**

Viewed as unappealing by most, with a few finding the concept potentially appealing. Many were confused about how the concept would work overall or how it could help with debt.

**Top Likes**

- Helps build savings
- Helps build credit
- Potentially available to consumers with low credit

**Top Dislikes**

- Interest rate on the loan of 12%-28% perceived as too high
- General aversion to taking out another loan, or “debt to pay off debt”

**Insights into Community Expectations**

- Community members need help evaluating offers. They are often not familiar with the interest rate on their existing debt and do not easily make cost comparisons.
- While the option to build savings is appealing, how those funds accrue and pay out within a larger loan framework needs to be communicated very clearly to community members.
- Loans designed to build credit are unlikely to meet the needs of those trying to manage troublesome debt. Customized products for their situation are needed.
- Greater openness to those with low credit scores can inadvertently signal a predatory product in messaging.

**Thoughts on Cost**

- Many described the listed interest rate on the borrow and save loan of between 12% and 28% as too high and a couple struggled to understand how the savings feature worked.
Debt Management Plans

A way to pay down debt through one monthly payment to a credit counseling agency

Overall Reaction
Most found the concept less appealing, with only one embracing the concept. Some community members found the concept confusing. Many saw it as unhelpful because it wouldn’t cover their specific debt types.

Top Likes
- Putting debts into a single payment
- Would stop collection calls
- Agency would negotiate with lenders on clients’ behalf

Top Dislikes
- Paying a fee to participate, especially the set-up fee
- Lack of coverage for student loans, auto loans and mortgage payments

Insights into Community Expectations
- Community members find a single payment very appealing but were disappointed when the service did not include student loans and other priority debts.
- While single payments are appealing there is still a need for flexibility as many must juggle debt payments with other bills. The lack of flexibility in the offering hurts its appeal.
- Community members need to trust that the provider will follow through on the agreement to make payments, but some struggled to differentiate the debt management plan from for-profit offerings with negative reputations.
- Of note, credit counselors only offer debt management plans to those who qualify, which excludes many people with low- and moderate-incomes.

Thoughts on Cost
- Some interviewees were open to paying a small fee to participate in debt management plans but the set-up fee was largely perceived as unappealing.
Debt Consolidation Loans

Loans with a lower rate and better terms than current loans offered through a bank, credit union or online source

Overall Reaction

Viewed as unappealing by many, with some finding the concept potentially appealing. Some think it would be helpful with debt, but only if the interest rate was improbably low.

Top Likes

- Low interest rate (most mistook transfer fee of 1%-5% as the rate)
- Might raise credit score
- Could simplify managing finances

Top Dislikes

- Using a loan to pay off existing debt
- Skepticism about interest rate being lowered enough to help
- Paying a balance transfer fee

Insights into Community Expectations:

- Community members want simplified payments but lack knowledge of how to assess consolidation loans’ rates and terms and make an informed decision.
- Existing loan structures are unlikely to provide relief and serve consumers’ long-term best interests.
- Non-transparent, variable pricing based on lender assessments is unappealing as it violates some consumers’ sense of privacy and fairness.

Thoughts on Cost

- A few were interested in knowing the interest rate on the debt consolidation loan while a couple interviewees were skeptical they would receive an interest rate low enough to save money. A couple of people did not like the idea of paying a balance transfer fee.
APPENDIX 2

FINANCIAL COACHING
One-on-one consultations with a trained financial coach on achieving your financial goal

How it works:

1. Contact a nonprofit organization that offers coaching to set up an appointment.
2. Appointments take place in-person, online and/or over the phone.
3. Set out your goals with your coach so that they can provide support and accountability.
4. Your coach will listen, ask informed questions and help you refine your goals, objectives and strategies.
5. Financial coaching is typically structured as a long-term relationship.
6. It is typically free or offered for a fee

LENDING CIRCLE
A rotating savings and loan program offered by nonprofits to build savings, pay down debt and build credit

How it works:

1. Join a lending circle by filling out an online application, taking online financial education and completing a survey.
2. All participants make the same monthly contribution to the group pot ranging from $50 to $200.
3. The first month, one participant receives the full pot. Each month after that, the next in line receives the pot until everyone gets a chance.
4. Use this “zero-interest loan” or “savings” to pay down loans or past-due bills, or avoid taking on new ones.
5. Payments are reported to credit bureaus to build your credit and you receive monthly emailed statements.
6. Participation in the program is typically free.
FINANCIAL ADVICE APP
An phone app that helps you manage your budget, savings and debt with recommendations and a savings feature

How it works:
1. Connect your accounts (bank, credit cards, loans and investments) to the app.
2. The app analyzes your finances and makes recommendations such as repaying credit card debt with a low-interest loan, getting renter’s insurance or lowering credit card fees.
3. Take action on the recommendations in the app through partnerships with financial institutions.
4. The app identifies how much money you can save each week and transfers it into a free account.
5. You can turn savings on or off at any time and withdraw funds as needed.
6. The app is free.

DEBT NEGOTIATORS
Nonprofit staff help you negotiate your debt and repair your credit

How it works:
1. Set up an appointment with the nonprofit for an in-person or phone consultation.
2. Nonprofit staff review your debts to identify disputed items options for more favorable repayment terms.
3. Staff will negotiate with lenders to divide payments into smaller amounts, forgive some of your debt, suspend payments, lower payments and waive late fees.
4. Continue on your own to make payments on the modified debts.
5. Support from nonprofits is typically free or offered for a fee.

CREDIT COUNSELING
One-on-one consultations on managing debt and past-due bills from a certified, non-profit credit counseling agency

How it works:
1. Contact a credit counseling agency to make an appointment with a certified credit counselor.
2. Appointments take place in-person, online and/or over the phone.
3. Together you will develop a budget and discuss your financial goals.
4. The counselor will make recommendations, share financial tips and connect you to other resources.
5. Financial counseling is typically structured as a short-term relationship.
6. It is typically free or offered for a fee.
CONSUMER RIGHTS AND BANKRUPTCY ASSISTANCE
Legal assistance to address debt and past-due bill issues

How it works:
1. Call a legal assistance hotline to speak with an intake officer.
2. Hotline staff will refer you to consumer rights or bankruptcy staff depending on your situation.
3. The staff will provide legal advice and representation if debt collectors are misrepresenting their rights to collect a debt, harassing you or suing with no proof of the underlying debt.
4. If bankruptcy is appropriate, staff or volunteers prepare and file petitions and you typically represent yourself through the remainder of the process.
5. The officer can also tell you about your rights under The Fair Debt Collection Practices Act.
6. It is typically free or offered for a fee.

PEER MEETINGS
A facilitated group to share experience and advice on managing your debt

How it works:
1. Attend meetings at a local nonprofit or online to learn about budgeting, managing debt and planning for the future.
2. Led by a peer coordinator, the group is made up of people struggling with debt or past-due bills.
3. Share ideas, encouragement, resources and connections, and hold each other accountable.
4. Peer meetings are free or offered for a fee.

MEDICAL BILL MANAGEMENT
Service to eliminate medical overcharges and billing errors and claim reimbursement for covered out-of-network care

How it works:
1. Create an account and upload, text or email your medical bills to the company. You can also connect your insurance to the platform to have the app review claims.
2. The app automatically identifies potential savings from overcharges or unclaimed out-of-network reimbursements.
3. A medical billing specialist negotiates on your behalf.
4. If they find savings, the service fee is 10% to 20% of what you save—capped at $99 per medical visit. If you don’t save money, the service is free.
ONLINE LOAN MANAGEMENT PLATFORM
An online site or phone app that syncs payments with your income and identifies savings opportunities

How it works:
1. Create an account online and enter your loans into the system.
2. The online site breaks down your monthly loan expenses into bite size withdrawals that are automatically deducted from your checking account each time you’re paid.
3. On payday you can be sure that the money left in your account is yours to spend, with all your loan payments already budgeted for.
4. Over time, the online account may find ways to help you get out of debt faster.
5. You can manage your account online, by email, phone or text message.
6. The program costs $9.95 per month or may be offered for free by credit counseling agencies, financial institutions or other groups.

BORROW AND SAVE LOAN
A personal loan through a Credit Union with a built in savings account

How it works:
1. Take out a loan between $300 and $1,000 with an interest rate of between 12% and 28%.
2. The loan can be used to avoid high-interest products, consolidate other loans or past-due bills, or to build credit.
3. Prior membership and minimum credit score are not required.
4. Between 25% and 50% of the amount borrowed is set aside in an interest-bearing savings account until the borrower pays down the loan.
5. Repay the loan in monthly installments from 90 days to one year.
6. Access the savings and dividends once the loan is repaid to pay down additional debt or meet other financial goals.
7. The program costs $9.95 per month or may be offered for free by credit counseling agencies, financial institutions or other groups.
DEBT MANAGEMENT PLAN (DMP)
A way to pay down your debt through one monthly payment to a credit counseling agency

How it works:

1. After meeting with a credit counselor, you may be recommended a DMP if your income supports repayment within five years.
2. Make one monthly payment, then the agency pays your unsecured debts (mortgages, home equity loans, auto loans and student loans are not included).
3. The agency may be able to work with creditors to reduce or waive finance charges, fees, and stop collection calls.
4. You may have to agree not to apply for—or use—any additional credit while you’re participating in the plan. If you miss or are late making payments, your creditors may drop your accounts from the debt management plan and remove all associated benefits.
5. When one debt is paid off, the DMP payment are split up between remaining accounts. This accelerates debt payoff.
6. Credit counseling agencies charge a monthly fee along with an initial set-up fee.

DEBT CONSOLIDATION LOAN
A new loan with a lower rate and better terms offered through a bank, credit union or online source

How it works:

1. Apply for a consolidation loan offered through a bank, credit union or online source.
2. Use funds from the single loan to repay your outstanding debts, such as credit card bills or loan payments, and past-due bills.
3. Depending on the interest rate and the loan terms, consolidating your loans may save you money.
4. Pay an origination or balance transfer fee of between 1% to 5% of the loan.
### APPENDIX 3

**INTERVIEWEE ESTIMATED DEBT AND PAST-DUE BILL TYPES AND AMOUNTS**

<table>
<thead>
<tr>
<th>Debt and Past-Due Bill Types</th>
<th>Count</th>
<th>%</th>
<th>Median</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit card debt</td>
<td>36</td>
<td>78%</td>
<td>$1,500</td>
<td>$100</td>
<td>$59,300</td>
</tr>
<tr>
<td>Student loan/education debt</td>
<td>33</td>
<td>73%</td>
<td>$25,000</td>
<td>$600</td>
<td>$130,000</td>
</tr>
<tr>
<td>Past due phone, cable, internet or other telecommunications bill(s)</td>
<td>29</td>
<td>64%</td>
<td>$403</td>
<td>$45</td>
<td>$3,000</td>
</tr>
<tr>
<td>Past due medical bills</td>
<td>27</td>
<td>60%</td>
<td>$1,500</td>
<td>$15</td>
<td>$80,000</td>
</tr>
<tr>
<td>Auto/vehicle loan</td>
<td>21</td>
<td>47%</td>
<td>$20,000</td>
<td>$5,500</td>
<td>$50,000</td>
</tr>
<tr>
<td>Family/friend</td>
<td>19</td>
<td>41%</td>
<td>$510</td>
<td>$5</td>
<td>$10,000</td>
</tr>
<tr>
<td>Legal judgement or legal expenses (restitution, attorney’s fees, traffic fines, etc.)</td>
<td>12</td>
<td>26%</td>
<td>$2,025</td>
<td>$150</td>
<td>$128,000</td>
</tr>
<tr>
<td>Other past-due bills (auto insurance, school fees, gym membership, homeowners’ association)</td>
<td>9</td>
<td>20%</td>
<td>$300</td>
<td>$200</td>
<td>$3,500</td>
</tr>
<tr>
<td>Retail/store credit</td>
<td>9</td>
<td>20%</td>
<td>$820</td>
<td>$200</td>
<td>$5,000</td>
</tr>
<tr>
<td>Other loans (401k loan, cash advance, and negative bank balance)</td>
<td>8</td>
<td>18%</td>
<td>$700</td>
<td>$200</td>
<td>$10,000</td>
</tr>
<tr>
<td>Past due utility bills</td>
<td>8</td>
<td>18%</td>
<td>$238</td>
<td>$88</td>
<td>$6,000</td>
</tr>
<tr>
<td>Payday loan</td>
<td>6</td>
<td>13%</td>
<td>$643</td>
<td>$350</td>
<td>$12,000</td>
</tr>
<tr>
<td>Past due taxes or tax lien</td>
<td>5</td>
<td>11%</td>
<td>$1,539</td>
<td>$105</td>
<td>$2,800</td>
</tr>
<tr>
<td>Other consumer or personal loan or line of credit</td>
<td>5</td>
<td>11%</td>
<td>$1,360</td>
<td>$350</td>
<td>$10,000</td>
</tr>
<tr>
<td>Mortgage or home equity loan</td>
<td>4</td>
<td>9%</td>
<td>$170,000</td>
<td>$93,500</td>
<td>$409,000</td>
</tr>
<tr>
<td>Past due rent</td>
<td>4</td>
<td>9%</td>
<td>$509</td>
<td>$40</td>
<td>$900</td>
</tr>
<tr>
<td>Pawnshop loan</td>
<td>2</td>
<td>4%</td>
<td>$725</td>
<td>$450</td>
<td>$1,000</td>
</tr>
<tr>
<td>Automobile title loan</td>
<td>1</td>
<td>2%</td>
<td>$400</td>
<td>$400</td>
<td>$400</td>
</tr>
<tr>
<td>An unlicensed lender or private individual</td>
<td>1</td>
<td>2%</td>
<td>$8,000</td>
<td>$8,000</td>
<td>$8,000</td>
</tr>
<tr>
<td>Home equity line of credit</td>
<td>0</td>
<td>0%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**NOTES** | Median, min and max based on interviewees who held that type of debt. N=46