Overwhelmed & Overdue: Addressing Troublesome Debt in Black Communities

August 16, 2018 | 2:30-4:00 ET
Housekeeping

- This webinar is being recorded and will be shared within one week.
- All webinar attendees are muted to ensure sound quality.
- Ask a question any time by typing the question into the text box of the GoToWebinar Control Panel.
- If you experience any technical issues, email gotomeeting@prosperitynow.org.
Prosperity Now’s mission is to ensure everyone in our country has a clear path to financial stability, wealth and prosperity.
Getting the Most Out of Today’s Call

- Join from a **quiet space**
- Grab a **coffee** or snack and **settle in**
- **Engage!** Send us your **questions** and **comments** as you listen
- **Reflect** on ways to **apply what you learn today** to your own work

#CampProsperity
Today’s Agenda

✓ Welcome & introductions
✓ Overview of the debt challenge
✓ Research findings & partner reflections
✓ Policy strategies to address debt among Black communities
✓ Audience Q&A
✓ Closing & Next Steps
Today’s Speakers

Pamela Chan
Project Director, Human Insights
Prosperity Now

Emanuel Nieves
Sr. Policy Manager, Federal Policy
Prosperity Now

Spectra Myers
Sr. Research Manager, Applied Research
Prosperity Now
Today’s Speakers

Courtnee Biscardi
Sr. Vice President, Operations & Strategy
Urban League of Broward County

Althea Saunders-Ranniar
Director/Financial Coach & Advisor
Bon Secours Community Works

Donna Smith
Operations Manager
Brownsville Partnership
Thank you to MetLife Foundation for making the work of this Prosperity Now human insights research project possible
Poll Question

As an advocate, do you represent an organization or coalition?

Select all that apply

- Yes, I represent a coalition
- Yes, I advocate on behalf of my organization
- No, I advocate for myself
- I’m interested in advocacy, but haven’t started
- Other *(share more in the chat box!)*

*Use the Comment Box to let us know more!*
Overview of the Challenge

Pamela Chan
Project Director, Human Insights
Prosperity Now
About the Project

Purpose: Explore 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:

1. Field scan and background literature review
2. Discovery interviews
3. Initial program design
Debt & the Racial Wealth Divide
Disparities in the US Economy

<table>
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<tr>
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<th>Black Households</th>
<th>White Households</th>
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<tbody>
<tr>
<td>27% of households</td>
<td>60%</td>
<td>48%</td>
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<td>have been late</td>
<td>somewhat</td>
<td>somewhat</td>
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<tr>
<td>with debt payments</td>
<td>difficult to cover bills</td>
<td>difficult to cover bills</td>
</tr>
<tr>
<td>40% report good or very good credits</td>
<td>65% report good or very good credits</td>
<td></td>
</tr>
<tr>
<td>77% of households</td>
<td>78%</td>
<td></td>
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<td>have debt</td>
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Median Debt

<table>
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<tr>
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<tr>
<td>Black</td>
<td>$30,800</td>
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<tr>
<td>White</td>
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Median Net Worth

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<tr>
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<td>$17,600</td>
</tr>
<tr>
<td>White</td>
<td>$171,000</td>
</tr>
</tbody>
</table>

For more, check out Prosperity Now’s newest report on the state of the racial wealth divide

Sources: 2016 Survey of Consumer Finance; 2015 National Financial Capability Study; 2017 U.S. Department of Commerce
Unequal Return on “Good Debt”

• Lower returns on homes & post-secondary education

Disproportionate Impact of Troublesome Debt

• Plastic safety net
• Toxic credit
• Criminal justice debt
• Discriminatory collections practices

Biased Debt Relief Options

• More exposure to debt-related fraud
• Steered to costlier bankruptcy option

Exclusion from Wealth-Building Opportunities

• Employment & wage
• Homeownership opportunities
• GI Bill

Debt & the Racial Wealth Divide
A Mutually Reinforcing Cycle
Debt & the Racial Wealth Divide

Practitioner perspectives

Courtnee Biscardi
Sr. Vice President, Operations & Strategy, Urban League of Broward County

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Debt & the Racial Wealth Divide

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Donna Smith
Operations Manager, Brownsville Partnership

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Research Findings & Community Partner Reflections

Spectra Myers
Sr. Research Manager, Applied Research
Prosperity Now
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By the numbers

46 African Americans with low- to moderate-incomes in Brownsville, Baltimore and Ft. Lauderdale

AGE 19 TO 55 WITH A MEDIAN OF 30

2 OUT OF 3 INTERVIEWEES ARE WOMEN

MEDIAN ESTIMATED INCOME $27,378

3 OUT OF 4 HAVE SAVINGS (MEDIAN ESTIMATED SAVINGS OF $1000)
Debt and Past-due Bills

- Median estimated total debt + past-due bills: $32,981
- Min – Max: $205 to $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.*
The Feelings of Debt

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

JAYLA

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

TAYLOR

“I pay what is affecting my life most.”

ANTHONY

“I don’t play that debt game but I know building credit is important.”

MARY

“I don’t have enough to take out and give a company right now.”
Community Partner Reflections

Courtnee Biscardi
Urban League of Broward County
Barriers that Make Debt Daunting & Difficult to Address

**Behavioral Barriers** make it difficult for interviewees to start or complete an action related to managing debt.

**Knowledge Barriers** are missing information or a lack of conceptual understanding.

**Structural Barriers** impose difficulties on debt management by the very nature of an economy that produces disparate outcomes for people based on their identity.
Caleb’s Story

Structural barriers
Perpetually in low wage job
Obfuscated consequences

Behavioral barriers
Difficult payment decisions
Inattention to debt or bills

Knowledge barriers
Lacks key info on debt
Incomplete knowledge of how to manage debt
Community Members Want:

1. Detailed guidance to develop or optimize their debt repayment strategy:
   - Reduction in dollars owed
   - Reduction in emotional stress

2. Help negotiating with creditors to address mistakes, ensure the debt is legitimate and negotiate the best repayment plan
Approaches to Managing Debt Tested

- Financial Coaching
- Lending Circle
- Financial Advice App
- Debt Negotiators
- Credit Counseling
- Consumer Rights and Bankruptcy Assistance

- Peer Meetings
- Medical Bill Management
- Online Platform
- Borrow Save Loan
- Debt Management Plans
- Debt Consolidation Loan
There are significant gaps in almost all services experienced and reviewed by interviewees

1. Community members are hungry to better understand the dynamics that led to their financial situation

2. Many felt overwhelmed by the competing responsibilities in their financial life and sometimes overpowered by creditors

3. People don’t always intuitively see the benefits of products and services, like consolidation loans, that experts might see promise in and recommend

4. Community members are neutral on the platform for debt repayment guidance but hold high expectations for all online tools and platforms
Interviewees expect more debt management expertise than may be typically provided by coaches.

“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.”

~ Interviewee & financial coaching participant

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 one-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.
Implication for Innovation in Debt Management & Relief Services

1. Design to overcome feelings of stress and being overwhelmed
2. Reduce burden—especially at the beginning
3. Offer immediate and tangible relief
4. Listen to and help resolve debt legitimacy concerns
5. Include guidance for triaging situations without easy solutions
6. Consider a combination of strategies
7. Invest in exploring framing and language
8. Explore practices from other domains of racial inequality work for addressing debt
In the Works: Enhancing Debt Relief in LMI Black Communities

- **Design 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?

- **Strategies to test:**
  - **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.
Community Partner Reflections

Althea Saunders-Ranniar
Bon Secours Community Works

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What are some ways practitioners can reduce burden early in their engagement with community members?

*Share your thoughts in the Questions box!*
Policy Strategies to Address Debt Among African Americans

Emanuel Nieves
Sr. Policy Manager, Federal Policy
Prosperity Now
Drivers of Racial Economic Inequality

- **1790-1960s:** The exclusion of communities of color along with many others from immigrating and/or becoming citizens to soothe both the cultural and economic concerns of White Americans.

- **1934-1960s:** Federally sanctioned housing discrimination through the practice of “redlining”, which shut out households of color from the opportunity to purchase and invest in the largest driver of wealth in this country: a home.

- **1935:** The exclusion of farmworkers and domestic workers—who were predominately people of color—from coverage under the Social Security Act of 1935.

- **1938:** The exclusion of a number of tip-based professions predominantly held by Black workers—such as servers, shoe shiners, domestic workers and Pullman porters—from the first minimum-wage protections enacted as part of the Fair Labor Standards Act of 1938.

- **1944:** Biased distribution of G.I. Bill benefits by officials within the Department of Veterans Affairs, which resulted in an unequal distribution of benefits—such as low-cost home mortgages and tuition assistance—for service members of color.
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The Consequences of these Policy Choices Are Everywhere

- Lower Homeownership Rates, Home Values; Higher % Of Income Going To Pay For Housing
- Greater Rates Of Unemployment
- Income Inequality & Lower Returns On Income Earned
- Limited Ability To Weather A Financial Emergency
- Increased Exposure To Wealth-stripping Products And Services
- Lower Higher Education Attainment & Wealth Insulation
- Lower Entrepreneurship Rates & Business Values
- Non-existent Retirement Savings

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Policy Strategies to Address Debt among African Americans

- **State and Local Policy Solutions**
  - Establish Offices of Financial Empowerment (i.e. New York City and San Francisco) to support community financial education and capability building on issues of credit and debt management
  - Change fine and fee structures so that they are not disproportionately burdensome on the most economically vulnerable households
  - Take part in the Federal Trade Commission’s efforts to combat fraud in African American communities

- **Federal Policy Solutions**
  - Establish reforms that protect families against wealth-stripping practices
  - Provide more income opportunities for historically disadvantaged populations and create access to lifelong wealth-building opportunities are needed
    - Rainy Day Earned Income Tax Credit (EITC)
    - Rainy Day Savings Accounts at Work
  - Encourage the integration of financial capability services in areas that serve lower-income populations by offering workforce, housing and community health programs
Additional Resources
Additional Resources
Prosperity Now Advocacy Center—Sign Up Now!

Take these 4 simple steps to sign up today!

1. Visit https://prosperitynow.org/take-action

2. Scroll over “Take Action” and select “Advocacy Center”

3. Scroll down and enter your email address and click “Sign Up”

4. Enter the remaining contact information fields to make it easy to contact your legislator when you return!
Audience Q & A

What questions do you have?

Share them in the Questions box!
Stay in Touch!

**Spectra Myers** | Sr. Research Manager, Applied Research Research Manager, Applied Research
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**Donna Smith** | Operations Manager
Brownsville Partnership

✉️ bsmith@community.solutions
September 5 - 7, 2018  |  Gaylord National Resort & Convention Center  |  National Harbor, MD

Continue the conversation at the 2018 Prosperity Summit!

**Confronting Structural and Institutional Challenges Of Debt While Serving The Best Interests Of Our Clients In African American Communities;** Wednesday, September 5; 2:45-4 PM

Visit the Summit website at [summit.prosperitynow.org](http://summit.prosperitynow.org) to learn more and to register!
Registration for the 2018 Prosperity Summit is now open! Visit the Summit website at summit.prosperitynow.org to learn more and to register!
Use the Findings to Inform your Work
Bridging the Racial Wealth Divide

Racial Wealth Divide Initiative

https://prosperitynow.org/racial-wealth-divide-initiative

https://soundcloud.com/rwdpodcast

https://www.facebook.com/racialwealthdivide/
Thank you!

*Please complete our survey!*