Understanding the Impact of Debt in Communities of Color

February 26, 2020
2:00 – 3:30 PM EST
Welcome

Anju Chopra
Senior Policy Manager
Prosperity Now
Housekeeping

• This webinar is being recorded and will be mailed to registrants and available online within one week

• All webinar attendees are muted to ensure sound quality

• Ask a question or share your thoughts anytime by typing into the text box of your GoToWebinar Control Panel

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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
Prosperity Now’s mission is to ensure everyone in our country has a clear path to financial stability, wealth and prosperity.
Today's Agenda

✓ Welcome and Housekeeping
✓ Practitioners’ Panel
✓ Group Discussion and Q&A
✓ Next Steps & Close
Today's Speakers

Devin Fergus
Arvarh E. Strickland Distinguished Professor
University of Missouri

Jennifer Lee
Senior Policy Analyst, Higher Education
Georgia Budget & Policy Institute

Amber Stewart
Program Associate
South Carolina Association for Economic Development (SCAED)

Emanuel Nieves
Associate Director, Policy
Prosperity Now
Poll Question #1

What are the most common kinds of debt your clients are grappling with? (Select all that apply)

- Predatory loans
- Student loans
- Medical debt
- Criminal justice fines and fees
- Credit card debt
Poll Question #2
Which forms of debt counseling do you believe are most impactful for alleviating debt burdens (Select all that apply)

- Debt consolidation and reduction
- Credit repair / building
- Financial Coaching / counseling / budget management
- Loan forgiveness programs
- Cap on interest rates
Devin Fergus
Arvah E. Strickland Distinguished Professor
University of Missouri
DEBT DISPARITIES

Though the proportion of Black and White Households with debt are similar, proportionally more Black Household experience difficulties with debt and bill payments. Troublesome debt is a symptom of the racial wealth divide and perpetuates discrepancies in wealth development.

27% of Black Households have been late with debt payments

15% of White Households have been late with debt payments

60% Find it somewhat or very difficult to cover bills

48% Find it somewhat or very difficult to cover bills

40% Report good or very good credits

65% Report good or very good credits

77% Of Black Households have debt

78% Of White Households have debt

Median Debt

$30,800

$73,800

Median Net Worth

$17,600

$171,000

Employment Discrimination, 1900-2000 Labor Force Nonparticipation, Persons over Eighteen Years

1940 - BLACK MEN MADE 52% LESS THAN WHITE MEN
1979 - BLACK AMERICANS MADE 18% LESS THAN WHITE AMERICANS
2000 - BLACK AMERICANS MADE 22% LESS THAN WHITE AMERICANS

Homeownership Gaps, 1870-2007

SOURCE | William Collins and Robert Margo, Race and Home Ownership from the Civil War to the Present (2011)
Subprime Lending as a Percentage of State, Regional and U.S. Markets, by Demographics, Income and Location, 1998

<table>
<thead>
<tr>
<th>Subprime Lending as a Percentage of…</th>
<th>South</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Total Lending Market</td>
<td>16.60%</td>
<td>10.70%</td>
</tr>
<tr>
<td>% of African American Market</td>
<td><strong>27.80%</strong></td>
<td>18.60%</td>
</tr>
<tr>
<td>% of White Market</td>
<td>12.80%</td>
<td>9.90%</td>
</tr>
<tr>
<td>% of Low-Income Market</td>
<td>27.50%</td>
<td>13.20%</td>
</tr>
<tr>
<td>% of High-Income Market</td>
<td>10.50%</td>
<td>5.80%</td>
</tr>
<tr>
<td>% of Rural Market</td>
<td>18.20%</td>
<td>N/A</td>
</tr>
<tr>
<td>% of Urban Market</td>
<td>9.50%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Disparate Exposure to Costly Credit

**Has used the one or more alternative financial credit product in the last 5 years**
- Black: 39%
- White: 21%

**Used costly credit card borrowing in the past year**
- Black: 56%
- White: 35%

**SOURCE** | 2015 National Financial Capability Study
*Includes non-bank borrowing methods such as pawn shops, short-term payday loans, rent-to-own stores and auto-title loans
**Includes experiences that are likely to generate sizeable interest or fees such as paying only minimum payment, carrying a balance or taking a cash advance.
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Panel Discussion

Jennifer Lee  
Senior Policy Analyst, Higher Education  
Georgia Budget & Policy Institute

Amber Stewart  
Program Associate  
South Carolina Association for Community Economic Development (SCACED)
Jennifer Lee,
Senior Policy Analyst,
Higher Education
jlee@gbpi.org

A fair and inclusive Georgia where all people prosper
Most Colleges Serve Students with Below Median Family Incomes

Median Family Income = $68,000

- Atlanta Metropolitan State College: $17,572
- Fort Valley State University: $23,359
- Savannah State University: $25,348
- Clayton State University: $25,526
- Albany State University: $25,949
- South Georgia State College: $30,909
- Georgia State University: $30,996
- East Georgia State College: $31,399
- Gordon State College: $31,527
- Georgia Gwinnett College: $31,802
- Middle Georgia State University: $34,595
- Abraham Baldwin Agricultural College: $34,762
- College of Coastal Georgia: $35,872
- Columbus State University: $37,465
- Georgia Highlands College: $38,186
- Dalton State College: $39,745
- Valdosta State University: $39,809
- Georgia Southwestern State University: $43,375
- University of West Georgia: $45,114
- Augusta University: $47,154
- Kennesaw State University: $54,125
- Georgia Southern University: $56,423
- University of North Georgia: $62,404
- University of Georgia: $100,976
- Georgia College & State University: $110,059
- Georgia Institute of Technology: $120,878

Source: University System of Georgia, 2017–2018

GEORGIA BUDGET & POLICY INSTITUTE GBPI.org
Students from Lower-Wealth Families Are More Likely to Take Out Student Loans

Share of undergraduates who borrowed in 2017-2018, by race and ethnicity

<table>
<thead>
<tr>
<th>Race/Group</th>
<th>Median Net Worth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian</td>
<td>$146,580</td>
</tr>
<tr>
<td>Latino</td>
<td>$16,610</td>
</tr>
<tr>
<td>White</td>
<td>$127,390</td>
</tr>
<tr>
<td>Two or More Races</td>
<td>NA</td>
</tr>
<tr>
<td>Black or African American</td>
<td>$8,050</td>
</tr>
<tr>
<td>Total</td>
<td>$79,826</td>
</tr>
</tbody>
</table>

Source: GBPI analysis of University System of Georgia data, Prosperity Now Scorecard
South Carolina Association for Community Economic Development (SCACED)

Mission

Through our network of members and partner organizations, SCACED strives to improve the quality of life for low-wealth families and communities by advancing community economic development and public policy in South Carolina.

Amber Stewart
Program Associate

SCACED: Innovative & sustainable solutions for low wealth communities in S.C.
Disparities in South Carolina

Prosperity Now Scorecard

Saved for Emergencies
South Carolina: 57.8%
Households of Color: 42.8%

Underbanked Households
South Carolina: 19.4%
Households of Color: 32.3%

Fell Behind on Bills
South Carolina: 14.4%
Households of Color: 25.3%

Access to Resolving Credit
South Carolina: 66.9%
Households of Color: 25.3%
Predatory Lending

The Issue

• **Car title loans** - Interest rate cap on loans under $600. No cap on loans over $600. Can roll over loan 6 times.
• **Payday Lending** - 391% APR on a two-week loan.
• Short term loans are misleading because they are disguised with fees.
• Advance America - headquartered in Spartanburg, SC
• Predatory lenders target lower income and communities of color

Combatting Predatory Lending

• Alternative loans that help build credit
  • CommunityWorks
  • Credit Starter Loans
  • Fresh Start Consolidation Loans
• Laws to Protect Consumers
  • H.4749 - Introduced by SC State Representative JA Moore.
  • Would cap annual percentage rates at 36%
• Financial Education
Policy Solutions

Emanuel Nieves
Associate Director, Policy
Prosperity Now
Policy Solutions

High-Cost Debt
- No authorization for payday/auto-title lending
- Prohibit predatory payday and auto-title lending
- Enact a 36% rate cap for payday lending

Student Debt
- Provide tuition-free two-year college
- Provide students with non-educational support
- Create/Expand state student loan forgiveness and repayment programs
- Providing students with support to refinance private student loans
- Leveraging state tax codes to support students
Policy Solutions

Fines and Fees
- Require pre-established standards/hearings to determine “ability-to-repay”
- Collect and make public court-imposed fines/fees cost and revenue data
- Create a fines/fees system that is responsive to a person’s “ability-to-repay”
- Establish standards to limit inappropriate incentives/conflicts of interest by state/local government to issue/use court-imposed fines and fees
- End driver’s license suspensions for nonpayment.

Medical Debt
- Expand hospital-based financial assistance
- Strengthen debt collection practices related to medical debt
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Next Steps

▪ Visit our *Advocacy Center* to stay up to date with advocacy efforts.

▪ Please *complete the survey*!

▪ Sign up for other *Networks and Campaigns* to stay in the know about issues you care about

▪ Let us know your *suggestions* for future call topics
Plug into the Prosperity Now Community

Sign up for listservs and working groups, volunteer to facilitate peer discussions, serve in a leadership role and more!

- Financial Coaching Network
- Racial Wealth Equity Network
- Affordable Homeownership Network
- Financial Coaching Network
- Adult Matched Savings Network
- Taxpayer Opportunity Network
- Campaign for Every Kids Future — Children’s Savings Accounts
- Medical Financial Partnerships (Health/Wealth)
- Innovations in Manufactured Housing (I’M HOME) Network
Take action with Prosperity Now Campaigns!

Sign up to stay informed about the latest developments and opportunities to take action by joining one of our four federal policy campaigns.

HOMEOWNERSHIP

Homeownership is key to building wealth. Together, we will advocate for products and policies that provide more affordable homes to more people.

CONSUMER PROTECTIONS

Consumer protections create fairer, more transparent financial markets. Together, we will ensure consumers keep the safeguards they deserve.

FINANCIAL SECURITY

Safety net programs help protect vulnerable individuals and families from falling deep into poverty. Together, we will protect programs like SNAP, IDAs and more to help those in need when they need it most.

TURN IT RIGHT-SIDE UP

The vast majority of tax incentives go to those at the top, not to those who need it most. Together, we will turn our upside-down tax code right-side up.

Visit any of the Campaigns above at https://prosperitynow.org/take-action to learn more and join.
Thank You!

Please complete our survey!