



City of Austin's Annual Customer Assistance Program
AFFORDABLE ENERGY SUMMIT





Affordability Impact of Small Dollar Lending





What is your experience with payday and auto title lending?

- Do you know anyone or have you had a client who has used payday or auto title loans?
- Why do people use payday and auto title loans?
- What is a typical experience?

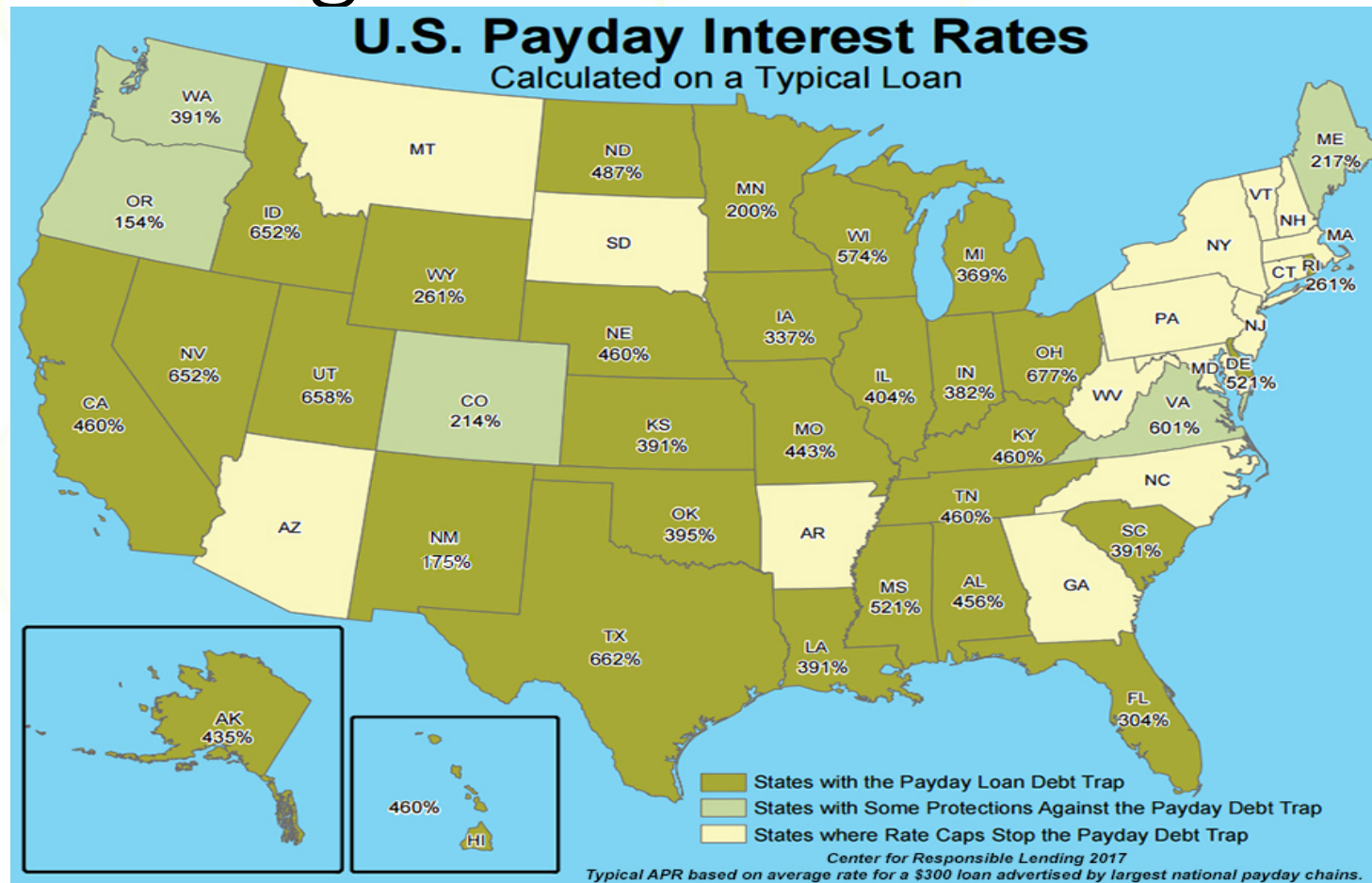


Financial Well-Being in Austin

- **22%** of Austin households has \$0 in net worth.
- **31%** of households are asset poor—without resources to cover basic expenses for three months with no income.
- **29%** of homeowners and **49%** of renters are housing cost burdened (spend more than 30% of income on housing. For those with low-incomes in Austin, **78%** are housing burdened.
- **37%** of adults have delinquent debt.
- **23%** are uninsured.



Payday Lending Across the U.S.

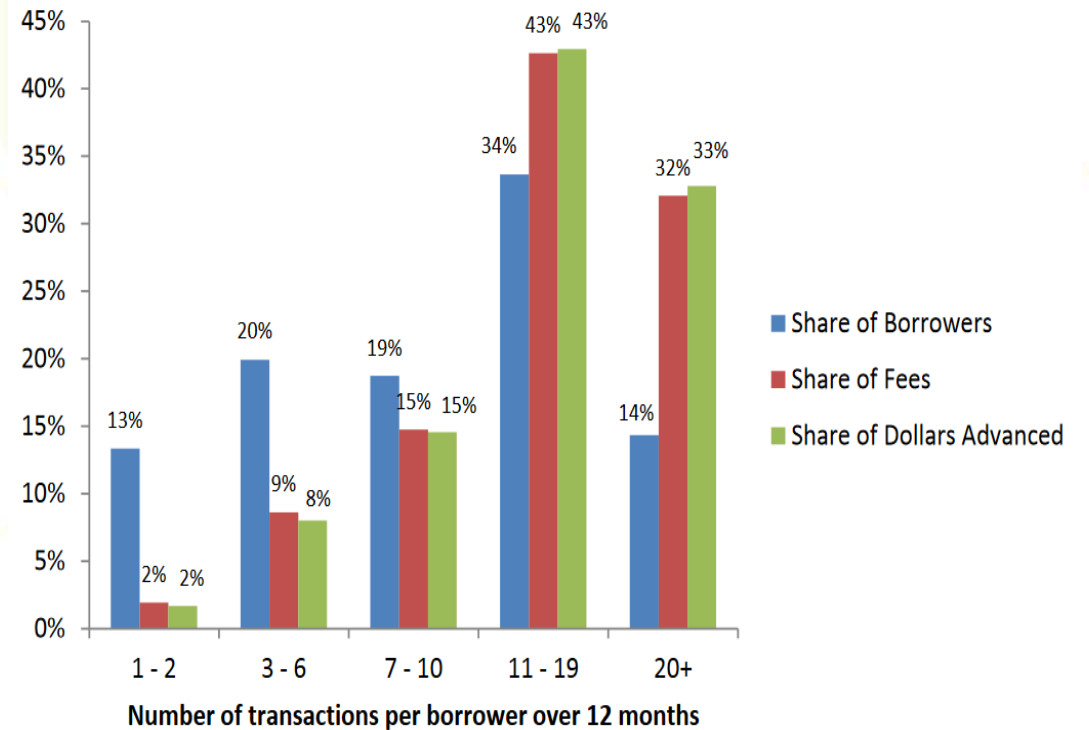
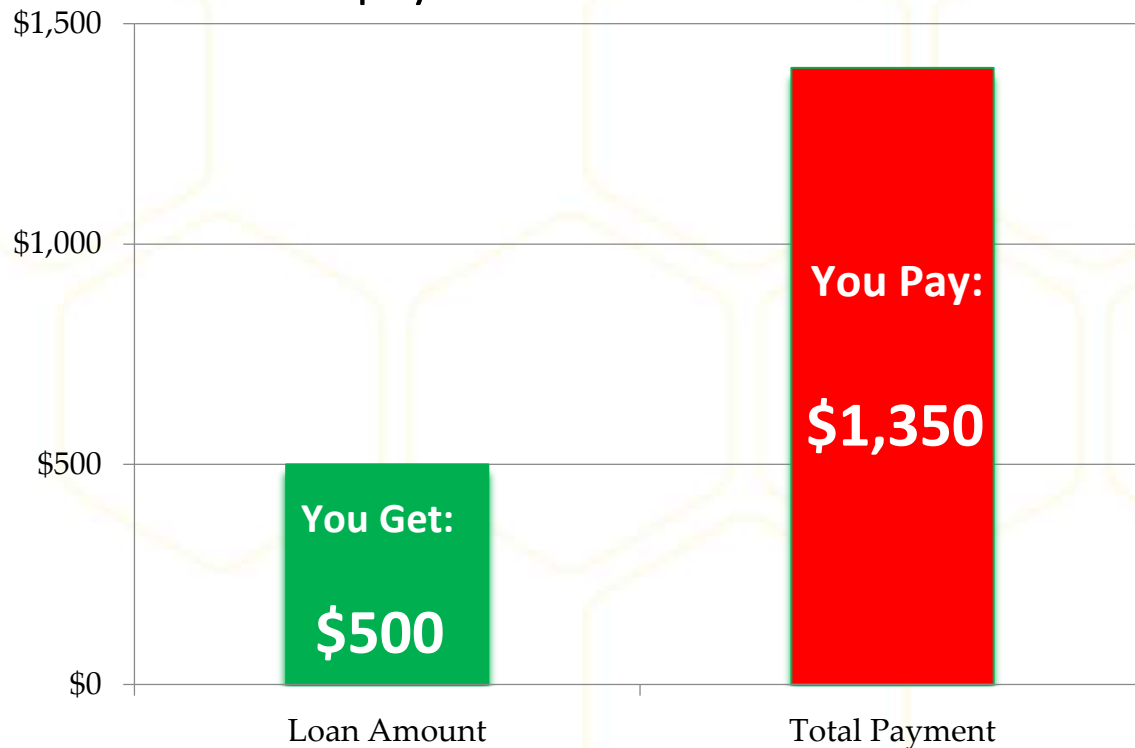




Why Payday Lending Hurts Families

In Texas, an average \$500 payday loan costs \$1.350 or more to repay

Nationally, 75% of fees generated by borrowers who use 11 or more loans in one year



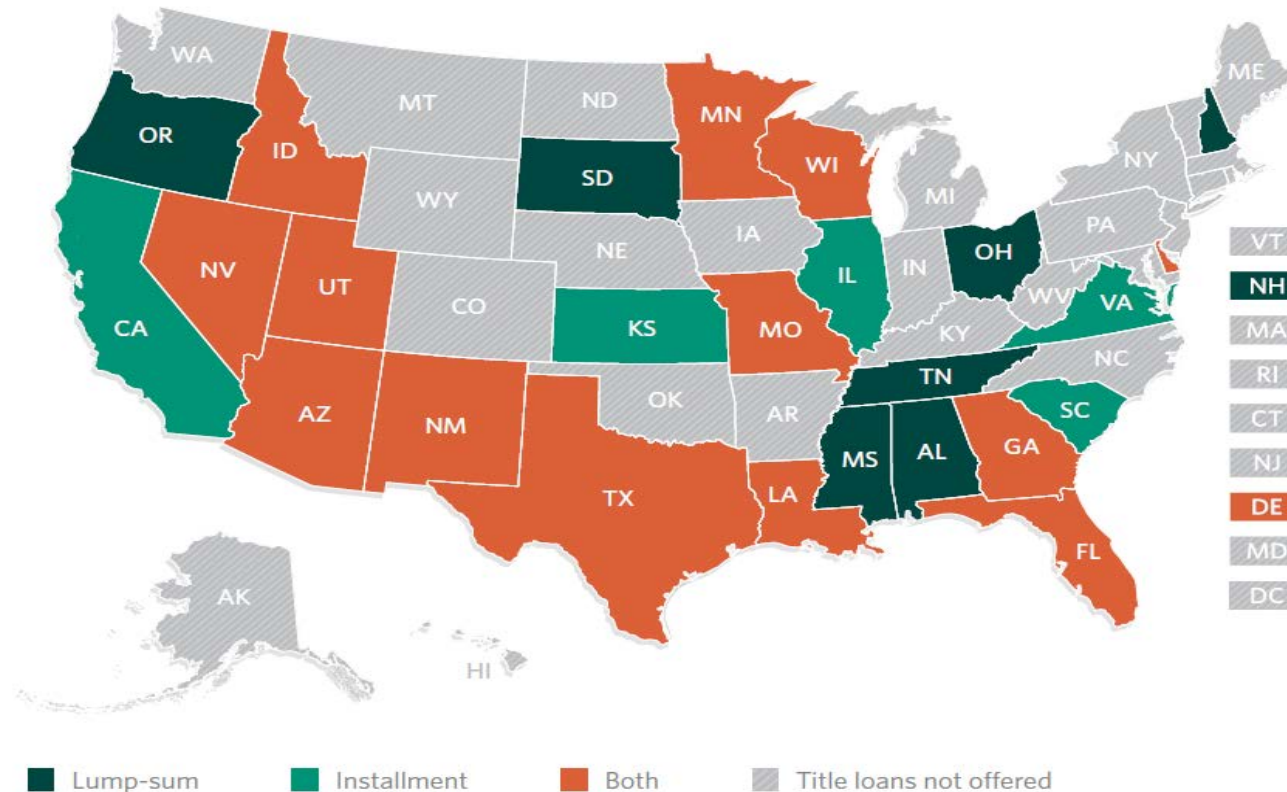
Source: Consumer Financial Protection Bureau, *Payday Loans and Deposit Advance Products*, at 22.(April 2013). Available at: https://files.consumerfinance.gov/f/201304_cfpb_payday-dap-whitepaper.pdf



Auto Title Lending Across the US

Auto Title Lenders Operate in 25 States

Types of title loans offered, by state





Why Auto Title Lending Hurts Families

High fees and refinances

- Austin MSA 2018

New Loans	Refinances & Fees
\$21,616,315	\$50,488,304

1 in 5 single payment borrowers lose their car

- 1,745 borrowers—34 per week—lost a car in the Austin MSA in 2018.



What Would You Do in a Desperate Moment?

You have:

- a small apartment,
- a 2001 Honda Accord, and
- a steady job that pays \$475 every two weeks.

Your budget is tight, but you make things work for your family.

You recently learned that your hours at work have been cut. Your employer says that it is only temporary and that you should be back to your regular hours in a few months.

As your financial situation has tightened, your decisions affect not only you, but also the two elementary aged children for whom you care.

Currently, you are only being paid \$375 every two weeks.

Texas Payday Lenders

We help you get easy money!



Fast Cars, Fast Money

Cash that's as fast as your car!



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Regulatory Responses:

Federal:

- Rulemaking pending at the Consumer Financial Protection Bureau

State:

- Has broad power but have done little so far to address this problem.

Local:

- Zoning and regulatory ordinances
 - Limits proximity of locations
 - Limits size of loans based on borrower income
 - Limits refinances
 - Requires 25% principal repayment with every payment to break cycle of debt.
 - Consumer Complaints can be filed with the City of Austin:
<https://austintexas.gov/online-form/credit-access-business-program-form>



Who Is RAISE Texas?

- RAISE Texas is the first 501(c)(3) state asset-building coalition in the country.
- We support and expand asset-building activities and financial empowerment tools in Texas, with a focus on low- and moderate-income families and communities.
- Our priority initiatives include:
 - Expanding access to fair and affordable loans products through the workplace and other access points.
 - Empowering families to reach financial resiliency through financial coaching;
 - Expanding savings for children and families through match





Important Terms

Financial Education: Information provided to client.

Financial Literacy: Able to understand the information.

Financial Capability: Financial capability is the combination of attitude, knowledge, and skills needed to make and exercise money management decisions that best fit the circumstances of one's life, within an enabling environment that includes, but is not limited to, access to appropriate financial services.

Financial Stability: A financial system that meets the needs of average families and businesses to borrow money to buy a house or a car, or to save for retirement or an education.



Major Challenges in Austin and Nationally

- Lack of Savings: most people do not have enough saved to cover an emergency, unexpected expense or decrease in income.
- Misconception that poor people cannot save -- need right products and services.
- Asset Limits discourage savings.



What Does It Take to Increase Savings?

- VITA and Tax-Time Savings Opportunities
- Financial Wellness Programs in the Workplace
- Financial Coaching Services
- Prize-Linked Savings Accounts
- Affordable Small Dollar Loan Alternatives
- The City of Austin could look for financial empowerment strategies to offer families in debt collection process.



Financial Coaching

- Financial Coaching is a client-driven process in which individuals and families work to reach personalized goals related to improving their financial well-being.
- In Austin implementing the Texas Statewide Financial Coaching Hub with training and huddle to provide on-going support for financial coaches and organizations providing these services.
- Next Huddle is September 7.



Prize Linked Savings

- State legislation passed in 2017 allows financial institutions to award prizes for opening a savings account and depositing additional funds (\$25 deposits) through State Credit Union League.
- In Austin A+ Federal Credit Union has joined “Save to Win.”



Local Options for Building Financial Resiliency

- Free financial coaching is offered through Foundation Communities and other local nonprofits.
- Work with clients to help them to start saving for an emergency or other goals
 - The Consumer Financial Protection Bureau offers free resources to develop a savings plan, build credit, and address debt.
- Encourage financial institutions, including credit unions, to offer low-cost small dollar loans that help build or rebuild credit.
- Support clients with payday or auto title loans that violate the city ordinance in the process of filing a complaint with the city for enforcement.



Contact Information

Woody Widrow, RAISE Texas
wwidrow@raisetexas.org

Ann Baddour, Texas Appleseed
abaddour@texasappleseed.net

