Housing Best Practices Forum: Products, Programs, & Services for Minnesotans to Achieve Financial Stability.

Anna Li, Exodus Lending
Shannon Doyle, LSS Financial Counseling
Anne Leland Clark, Prepare + Prosper
Snapshot of financial insecurity

- 328,000 Minnesota households are financially underserved, either unbanked or underbanked, and can pay anywhere from $1,200 - $2,400 a year on interest and fees.

- 1 in 4 Minnesotans live in liquid asset poverty, meaning they don’t have enough liquid savings to cover 3 months.

- In 2018 more than 48,000 Minnesotans took out a payday loan with an average APR of 217%.

- In MN 7 out of 10 Seniors graduated with debt and the average per borrower was $31,734

- Of all hh’s that use credit cards, 38% carry an ave. balance of $16k → Imagine that with 15 – 20% interest. Paying only the minimum would take 70 yrs to pay off with $60k in interest.
What’s what in the continuum of financial care?

Financial Education
Transfer of knowledge and information

Financial Counseling
Topic specific advice for financial goals or challenges; access to resources

Financial Coaching
Goal and behavior exploration and alignment; client driven decision making

Financial Planning
Comprehensive approach to determine how an individual can meet life goals through the proper management of financial resources

Financial Inclusion
Access to affordable financial products and services that meet their needs and delivered in a responsible and sustainable way.

*Chart adapted from Sage Financial Solutions*
Helping Minnesotans Break the Cycle of Payday Loan Debt Trap

Anna E Li
Program Coordinator
Our mission is to help Minnesotans escape the cycle of debt caused by payday loans and other types of predatory lending. We help by refinancing these predatory loans at 0% interest.
Who we are:

- Started in 2011 when a payday loan store opened near Holy Trinity Lutheran Church in south Minneapolis
- Original focus on advocacy and legislation at the state level
- Began lending in 2015
Payday loans are small dollar loans that have extremely high interest rates. The average APR of loans refinanced at Exodus is 301%.

In addition to the high interest, the loans must be paid IN FULL on the borrower’s next payday.

Borrowers are often unable to pay the loan in full and end up re-borrowing the loan, paying only the interest and fees and leading to a cycle of debt.
In 2018 48,000 Minnesotans took out more than 323,000 payday loans.

On average they re-borrowed the loan 7 times with 59% re-borrowing at least 5 times and 10% re-borrowing at least 20 times.

Minnesotans for Fair Lending estimates that between 1994 and 2014 more than $110 million dollars was drained from our communities due to payday loans.

Our own analysis estimates than $9 million was spent in 2018 alone.
<table>
<thead>
<tr>
<th><strong>ANNUAL PERCENTAGE RATE</strong></th>
<th><strong>FINANCE CHARGE</strong></th>
<th><strong>Amount Financed</strong></th>
<th><strong>Total of Payments</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>The cost of your credit as a yearly rate.</td>
<td>The dollar amount the credit will cost you.</td>
<td>The amount of credit provided to you, or on your behalf.</td>
<td>The amount you will have paid after making all payments as scheduled.</td>
</tr>
<tr>
<td>293.67%</td>
<td>$28.16</td>
<td>$250.00</td>
<td>$278.16</td>
</tr>
</tbody>
</table>

Your payment schedule will be:

<table>
<thead>
<tr>
<th>Number of Payments</th>
<th>Amount of Payment</th>
<th>When Payment Is Due:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$278.16</td>
<td>05/03/2019</td>
</tr>
</tbody>
</table>
We also refinance predatory personal installment loans with interest rates above 36%.

These are widely available online and are harder to regulate.

Online lenders often exploit legal loopholes to get around existing regulations and can charge interest rates up to **1200.00% APR**.
## TRUTH IN LENDING DISCLOSURE

<table>
<thead>
<tr>
<th>Annual Percentage Rate</th>
<th>Finance Charge</th>
<th>Amount Financed</th>
<th>Total of Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>The cost of your credit as a yearly rate.</td>
<td>The dollar amount the credit will cost you.</td>
<td>The amount of credit provided to you or on your behalf.</td>
<td>The amount you will have paid after you have made all payments as scheduled.</td>
</tr>
<tr>
<td>120.45%</td>
<td>$4,000.50</td>
<td>$475.00</td>
<td>$4,975.50</td>
</tr>
</tbody>
</table>

### Your payment schedule will be:

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/10/2018</td>
<td>$238.75</td>
</tr>
<tr>
<td>10/24/2018</td>
<td>$173.50</td>
</tr>
<tr>
<td>11/7/2018</td>
<td>$165.25</td>
</tr>
<tr>
<td>11/21/2018</td>
<td>$157.00</td>
</tr>
<tr>
<td>12/5/2018</td>
<td>$148.75</td>
</tr>
</tbody>
</table>
We also refinance Title Loans

Title loans are illegal in Minnesota but are not illegal in Wisconsin

Similar payment structure to a personal installment loan with the added risk of losing your vehicle if you can’t pay
**DISCLOSURES REQUIRED BY FEDERAL TRUTH IN LENDING**

<table>
<thead>
<tr>
<th>ANNUAL PERCENTAGE RATE</th>
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<th>Amount Financed</th>
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</tr>
</thead>
<tbody>
<tr>
<td>The cost of your credit as a yearly rate.</td>
<td>The dollar amount the credit will cost you.</td>
<td>The amount of credit provided to you or on your behalf.</td>
<td>The amount you will have paid after all payments are made as scheduled</td>
</tr>
<tr>
<td>304.17%</td>
<td>$3,188.68</td>
<td>$1,412.00</td>
<td>$4,600.68</td>
</tr>
</tbody>
</table>

Your payment schedule will be:

<table>
<thead>
<tr>
<th>Number of Payments</th>
<th>Amount of Payment</th>
<th>Due on:</th>
</tr>
</thead>
</table>

Filing Fee: $12.00

Security: You are giving a security interest in the motor vehicle described above.
Prepayment: If you pay off this loan early, you will not have to pay a penalty.

Please see the remainder of this document for additional information about nonpayment, default, and any required repayment in full before the scheduled date.
These products are **PREDATORY**!

Lenders do not care about a borrower’s ability to repay the loan and have designed products that trap a lender in a cycle of debt.
We pay off a participant’s loan directly to their lender. We then work with the participant to create a fair repayment plan over the next 12 months with no added interest or fees. We report their repayment to the credit bureaus to help our participants build credit.
Eligibility Requirements

- Minnesota Resident
- Predatory Loan with a payoff under $1000
- Loan must be older than 30 days
- Steady source of income
Who we serve: (Our current loan program participants*)

63% are people of color
68% are women
86% live in the Twin Cities metro area
33% live in Minneapolis or St. Paul
30 counties served
$36,234 is the median income
44 years old is the average age
Program Process

1. Awareness and Contact Us
2. Make an Appointment & Intake
3. Loan Payoff
4. Make Payments
5. Graduate and Incentives
Program Stats: (Since we began in 2015*)

- 126 participants have repaid in full
- 184 current program participants
- $737 average refinanced per participant
- $254,897 total refinanced
- $768,161 total saved for participants
- 301% average payday loan APR
- >90% repayment rate
Contact us:

Visit our website exoduslending.org

Email info@exoduslending.org

Call 612-615-0067 ext 1
LSS Financial Counseling
Helping People Gain Control of Their Finances

Shannon Doyle
LSS Program Manager, Partnerships and Financial Education
ACHIEVING ECONOMIC HEALTH AND SECURITY FOR ALL

We believe people can conquer their debt, gain control of their finances, and achieve financial stability.

We equip and enable people in our communities with quality guidance, knowledge, and tools so they can achieve freedom from debt and worry about their finances.
Services Provided

- Credit & Budget Counseling
- Student Loan Repayment Counseling
- Housing Counseling
- Financial Education
- Financial Wellness Plans for Organizations

10 locations Statewide, 1 in WI for in-person counseling
Nationwide online and phone counseling
Multi-lingual services: English, Spanish, and Hmong
New Types of Debt:

- Payday loans
- Title Loans
- Online Loans / Lending Clubs
- Teaser Rates
- Debt Settlement Scams
Educational Debt: not just for young people

Source: https://www.credit.com/personal-finance/average-student-loan-debt/
Credit Card debt is a growing problem

Credit Card Debt By Age Group

Americans in their 70s hold more than one in nine dollars of credit card debt

- 24.1% 50-59
- 22.1% 40-49
- 18.0% 60-69
- 17.4% 30-39
- 11.6% 70+
- 6.8% 18-29

Source: New York Federal Reserve
Safe ways to pay off debts

**Self-Pay**
- Minimum Payment: $15,000
- APR: 18.9%
- Only Minimum Payment
- Time to pay off = 68 years!
- Interest repaid = $54,897

**Debt Management Plan**
- $15,000
- APR: 7.3%
- Fixed Payment (2%) = $300
- Time to pay off = 5 years
- Interest repaid = $2,786
Oversized impact of credit scores

MINNESOTA

Insurance Costs by Credit Score

Rates shown are the average new-customer premium for adult single drivers with a clean driving record and poor, good, or excellent credit. We compare these to the average premium for a driver with excellent credit and a driving while intoxicated (DWI) conviction.

- **Excellent Credit**: $1,036
- **Good Credit**: $1,233
- **Poor Credit**: $2,487
- **Excessive**: $1,451

Circle sizes are illustrative only and not to scale.

Got poor credit?
Affects how much you pay to borrow

660

30 year Mortgage $200,000
APR: 5.107%
Mortgage Payment: $1078
Total Interest paid: $191,233.59

60 month $25,000 Car Loan
APR: 11.119%
Payment: $545
Total Interest Paid: $7702

720

30 year Mortgage $200,000
APR: 3.745%
Mortgage Payment: $901
Total Interest paid: $133,238.98

60 month $25,000 Car Loan
APR: 3.332%
Payment: $453
Total Interest Paid: $2175

Monthly Difference in payments = $269
Clean up the past
✓ Pay off collections
✓ Dispute incorrect items
✓ Avoid credit “repair” claims

Take positive action
✓ Pay bills on time
✓ Keep balances low
✓ Apply for credit only as needed
✓ Check credit reports annually
How to contact us

We offer appointments in person, over the phone and online.

❖ To schedule an in person or phone appointment call 888.577.2227

❖ To complete an online appointment: www.debthelp.lssmn.org.
Questions?

Shannon Doyle
Shannon.doyle@lssmn.org
612-879-5210

888-577-2227
www.LSSFinancialCounseling.org
OUR MISSION

Prepare + Prosper and its volunteers work with low- to moderate-income people to build financial well-being through free tax preparation and financial services, products, and coaching, and by changing systems to create economic opportunity.
WHO WE ARE  (DATA AS OF 4.30.19)

635 volunteers give 27,078 hours filing 27,888 returns

12,492 received $23.9 million in refunds

$1.9 million saved by 1,322 people

166 people are reaching financial goals in financial coaching program

112 people are enrolled in 193 FAIR banking products
FREE TAX PREPARATION

• IRS-certified volunteers, who are passionate about taxes will help you get the maximum refund
• Appointments and walk-ins (and remote!)
• Multiple locations
• Open in summer/fall
DO YOU QUALIFY FOR FREE TAX PREP?

Annual income qualifications:

- Individuals = $35,000 or less
- Families = $55,000 or less
- Self-employed = $55,000 or less
## WHO MUST FILE

<table>
<thead>
<tr>
<th>If your filing status is...</th>
<th>AND at the end of 2018 you were...</th>
<th>THEN file a return if your gross income was at least...</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single</strong></td>
<td>Under 65</td>
<td>$12,000</td>
</tr>
<tr>
<td></td>
<td>65 or older</td>
<td>$13,600</td>
</tr>
<tr>
<td><strong>Married filing jointly</strong></td>
<td>Under 65 (both spouses)</td>
<td>$24,000</td>
</tr>
<tr>
<td></td>
<td>65 or older (one spouse)</td>
<td>$25,300</td>
</tr>
<tr>
<td></td>
<td>65 or older (both spouses)</td>
<td>$26,600</td>
</tr>
<tr>
<td><strong>Married filing separately</strong></td>
<td>Any age</td>
<td>$5</td>
</tr>
<tr>
<td><strong>Head of household</strong></td>
<td>Under 65</td>
<td>$18,000</td>
</tr>
<tr>
<td></td>
<td>65 or older</td>
<td>$19,600</td>
</tr>
<tr>
<td><strong>Qualifying widow(er) with dependent child</strong></td>
<td>Under 65</td>
<td>$24,000</td>
</tr>
<tr>
<td></td>
<td>65 or older</td>
<td>$25,300</td>
</tr>
</tbody>
</table>
WHO SHOULD FILE?

Taxpayers who...

- Had income tax withheld from their pay
- Qualify for the Earned Income Tax Credit
- Qualify for the Working Family Credit
- Qualify for the Additional Child Tax Credit
- Qualify for American Opportunity Credit
- Qualify for the K-12 Education Credit
- Rent or own a home
Click on the image to read the full SPARK article!

ONE’S ABILITY SHOULDN’T DETERMINE ACCESS

May 30, 2019
Roger is retired. He starts his day with a walk around the mall, a cup of coffee, and a crossword puzzle.

He broke his daily routine to come to Prepare + Prosper, where he files his taxes for free. Roger received a small tax refund this year that he’ll put it into savings, like usual.

At this point in his life Roger’s living off savings—money he’s glad he put aside when he was working as an electric repairman.

“My savings has been my mainstay,” he said. “I’m proud. I’m able to maintain my own.”
MONEY MENTORS

Participants work **one-on-one** with a volunteer financial coach to reach their financial goals and with a **peer group** to exchange resources and support.
DO YOU QUALIFY FOR MONEY MENTORS?

• Are you willing to make changes and invest time and energy to reach your financial goal?

• Is your income less than $65,000 for families or $35,000 for individuals?

• Are you able to pay your basic expenses and are not in immediate financial crisis?

• Can you meet monthly on either Saturday mornings or Tuesday evenings for six months or more and communicate with your coach?
LEARN MORE AND APPLY AT PREPAREANDPROSPER.ORG/MONEYMENTORS*

*Application does not guarantee acceptance to the program.
Check out a checking account made for you.
No overdraft fees. No monthly minimum balance.

Discover a smart savings solution.
Build more than just your account balance. Build a better tomorrow.

Work on building your credit score while you build your savings.
A new way to build for the future.
THE FAIR MODEL

- Trusted Distribution
- Consumer-focused Products
- Digital Access
- Coaching + Support
LEARN MORE OR MAKE AN APPOINTMENT AT FAIRFINANCIAL.ORG
STAY IN TOUCH

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Financial Capability + Learning Director
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651-262-2152
Q + A