

Payday Lenders:

- Payday lenders offer short-term cash loans to customers.
- There are only three requirements to get a loan:
 1. Identification
 2. Proof of Income
 3. Checking Account
- The borrower writes a personal check with a future date, usually for two weeks. The payday lender holds the check until the borrower's next payday when the check will be cashed.
- The customers get money the same day they apply for a loan; if they write the check for \$300, they get \$255 in cash because they are paying a \$45 fee for the loan.
- That fee translates to over 400% APR, which is incredibly high when you think about credit card APRs (12% to 25% APR), and mortgage loans, which are at 5% APR right now.
- Payday Lenders are usually located in specific neighborhoods, mostly low-income neighborhood and communities of color and around military bases.



Customers:

- They are usually moderate-income to low-income.
- Usually want a small loan under \$300.00.
- They lack of access to mainstream financial institutions (banks and credit unions) due to:
 - Bank and Credit Unions not located in their community or too far away from them.
 - Unable to open an account due to high minimum requirement.
 - Not having the proper documentation to open an account.
- Unable to get a loan at a mainstream financial institution due to:
 - No credit or bad credit.
 - Amount requested might be too small for banks to process
- Borrowers typically roll over their loan 6 times, meaning they pay the \$45 fee six times for the same loan. Some borrowers have several loans from different lenders at once.



Other Key Facts About Payday Lenders:

- The Payday loan APR is **25 times higher** than the average loan APR of 18%.
- There are more payday lenders in California than McDonalds and Starbucks combined.
- The federal government has enforced a payday loan 36 % rate cap to protect military personnel and their families, yet has not done anything to protect the rest of us.
- 16 States in the U.S. have banned triple digit interest rates of payday lenders.
- In California, the maximum annual interest rate allowed for these loans is 459% APR.

To further learn about Payday Lenders and fringe outlet concentration, New ERA walked on Mission Street from 16th Street to 23rd Street, the neighborhood most impacted by fringe services in all of San Francisco. Through their community mapping, youth leaders kept track of the following:

- # of banks and credit unions
- # of fringe services (payday lenders, check cashers and pawn shops)
- ATM's
- Ethnic background of people, age and languages spoken
- How safe they felt walking
- Types of living spaces, access to basic needs, such as food and transportation



HIGHLIGHTS FROM NEW ERA'S COMMUNITY MAPPING WALK:

Financial Institutions and Fringe Services-

- 6 Banks
- 24 Payday Lenders / Check Cashers
- 4 Pawn Shops—some offered payday loans
- 11 ATM's



Most of the banks are located where commuters pass by, such as on 16th Street and between 22nd to 24th Streets. Walking along Mission Street, it seems that the Mission is inundated with payday lenders, about 3-4 per block. There were many pawn shops as well, filled with people's stuff (i.e. musical instruments, home appliances, jewelry and gardening equipment).

Ethnic Background-Latino, African American and White

Age-Most of the people seen to be in their 30's.

Language-English and Spanish

Feeling Safe- Walking through Mission Street felt comfortable for most of the youth because they have grown up in the neighborhood. Some youth mentioned they would avoid walking in some areas at night. They have noticed that parts of the Mission Corridor seem safer than others, as well as cleaner. There seem to be a lot of new businesses and condos being built. *For example:* Between 16th and 17th Streets youth did not feel safe because it seems people were just hanging out of cars and in front of businesses. Between 17th and 18th Streets seemed cleaner youth noticed new restaurants.

Living Spaces- There seems to be apartments, condos and motels.

Access to basic needs- There were many grocery stores and a lot of restaurants. There is access to buses; it is a high transit street.



In partnership with four youth from United Playaz, New ERA did some community mapping in lower 24th Street and Market Street between 8th Street and 5th Street. Market Street has pockets of fringe services in areas lacking access to mainstream services. Through their community mapping, youth leaders kept track of the following:

- # of banks and credit unions
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HIGHLIGHTS FROM LOWER 24TH STREET:

Financial Institutions and Fringe Services-

- No Banks or Credit Unions
- 6 Payday Lenders
- 2 Pawn Shops
- 3 Check Cashers

Walking down lower 24th Street youth leaders saw only fringe services, despite seeing a vibrant community filled with families, young people and mid 30's adults.

Ethnic Background- Latino and White

Age- Most of the people seem to be in their 30's.

Language- Spanish and English

Feeling Safe- For the most part there are a lot of people, families buying their groceries and people walking on the street. Yet, in some parts there were people drunk or homeless sleeping on the ground.

Living Space - Apartments mostly

Access to basic needs- There were many grocery stores and a lot of restaurants. There is access to buses, it a high transit street.

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HIGHLIGHTS FROM 5TH TO 8TH STREETS ON MARKET:

Financial Institutions and Fringe Services

- 2 Banks
- 4 Payday Lenders/ Check Cashers
- 1 Pawn Shops

Banks were located on 8th Street, near the San Francisco Public Library, yet between 8th and 5th Streets there was only access to fringe services. Youth leaders from United Playaz mentioned that most of the people living in that area are low-income residents living in motels and low-income housing.

Ethnic Background- White and African American

Age- Most of the people seem to be in their 30-40's.

Language- English

Feeling Safe- During the community mapping there were a lot of people walking around. Youth leaders saw a lot of people in the corner of 7th and Market hanging around in front of a payday lender. Also on Market street and Jones street there were people selling drugs in front of a payday lender. It seems like the streets were clean throughout Market Street. Youth leaders noticed there was a change between those streets and the rest of Market Street in either direction.

Living Space- Motels mostly and there were many office spaces.

Access to basic needs- There were mostly fast food places and restaurants. Market Street is full of transportation with various bus lines, metro and BART.



LOCAL, STATE AND FEDERAL GOVERNMENT RECOMMENDATIONS:

Local, state and federal governments should become more strict on payday lenders:

Oversight:

- Better oversight of payday lenders to make sure they are following the rules.
- Enforce the San Francisco ordinance to prohibit new payday lender licenses.
- Look into other places giving short-term loans at high rates.

New Rules:

- Require payday lenders to lower their APR and/or cap their rates at 36% like 16 other states and the Department of Defense have already done.
- Increase of amount of taxes they need to pay and/or make sure they are paying taxes.
- Require payday lenders to pay a mitigation fee for the harm they cause and use the money collected to help families and youth learn how to save and manage their money.
- Warning label in Payday Lender contract to show the real cost as an APR so consumers have the real information, like credit card companies had to do with their minimum payments on consumer statements.

New Opportunities and Resources:

- Offer free financial planning to San Francisco residents.



FINANCIAL INSTITUTION RECOMMENDATIONS:

Banks and credit unions can create more savings opportunity through:

- Lowering minimum initial deposit and balance requirements to make it affordable for people to open accounts and make it easy for people to access services.
- Offering easy to set up "Rainy-Day" or Emergency Fund savings accounts.



YOUTH AND FAMILY SUPPORT AGENCY RECOMMENDATIONS:

Youth and family support agencies can make sure they are tapping into the financial resources and opportunities:

- Participate in existing efforts, like MY Path, Payday Plus SF, Bank on San Francisco, K2C to get more children, youth and families accessing financial services and education.
- Ensure all youth that are receiving stipends or wages have access to accounts and financial education to ensure they understand their options and can develop money management and saving habits before they transition to adulthood.
- Make sure all staff know about these resources for their own benefit to manage their money well and set a good example for youth and families.

RECOMMENDATION FOR ALL OF US: SPREAD THE WORD!!

- Support New ERA's community campaign to raise awareness about dangers of using payday using a Warning Label Campaign (like cigarettes, alcohol and poison have warning labels) and help spread the word!

Alternatives to Using Payday Lenders: How To Be Ready For Unexpected Expenses

New ERA RECOMMENDATIONS FOR CONSUMERS

1. Budgeting: It is necessary to keep track of our money so we spend it wisely. If we don't, we might spend the money we needed to pay the bills without even noticing. A good way to do it is add up the income you receive and then subtract all the expenses. If you get a positive number, you are spending *less* than you make, which is good. If you have a negative number, you are spending *more* than you earn. You should probably revise your spending and see where you can cut back.



2. Working on Payment Plans with Creditors: The best alternative to payday loans is for consumers to deal directly with their debt. Many creditors will negotiate partial payments if a payment plan is in place. Working out a payment plan with creditors can allow the consumer to adjust billing to pay off bills over a longer period of time.



3. Advances from Employers: Some employers grant paycheck advances to employees. Because this is a true advance, and not a loan, there is no interest and the advance is therefore cheaper than a payday loan.



4. Emergency Assistance Programs: San Francisco offers various programs to help its residents pay for rent, bills, healthcare and other fundamental necessities. This could be a way to cut bills and make life more affordable.



5. Credit Union Loans: Many credit unions offer small, short-term loans to their members. Some credit unions also offer free financial counseling and a savings plan to help members get back on their feet. Many other credit unions offer very low interest rate loans (prime to 18% annual



interest) with quick approval on an emergency basis. Unlike payday loans, these loans give the borrowers a real chance to repay with longer payback periods and smaller payments.

6. Cash Advances on Credit Cards: Credit cards offer cash advances to customers. Once an advance is used it will be reflected in the credit card monthly statement. A customer could manage their payment as they would any other charge in their statement. This is a better option since the interest rate is usually more affordable than a payday loan.

7. Savings Account: It is a good idea to start a savings account so that our money is in a secure place and can gain some interest. It is good to have some money put away for unexpected expenses or situations like being without a job and income. It can also help in saving up for a major purchase such as a car, home, or vacation. It is even good to help plan for your future retirement.

8. Borrow from a friend/family member: It never hurts to ask a person we trust if they have any extra cash they can let us borrow. This is more convenient because most times, these people will lend us the money without charging interest. We will also have the support and understanding of that person so that we don't stress about paying back on time.

9. Hold a sale: Often we have things we don't even need or use, so why not hold a garage sale? You can also go around selling something you made, for example it can be food, artifacts, or even a lemonade stand.