



# What Would Help DC Residents Have Greater Financial Security?

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**Washington, DC, is a city of contrasts with respect to residents' financial security. While some residents are among the country's most financially secure, others find it hard to make ends meet. High housing costs, unequal opportunity, and economically segregated neighborhoods make it challenging for some residents to feel financially secure and to weather unexpected expenses and emergencies.**

The city has extensive resources to support residents, ranging from policies that protect consumers, to city-led programs to assist those in need, to deep nonprofit capacity to help residents improve their financial standing. But even in a city with strong supports for financial health, more can be done. To learn where gaps and opportunities exist in DC's financial landscape, we spoke with residents about their financial challenges, how they address financial crises, the financial services they like and use most, and what financial service needs are not being met. From this knowledge, better programs can be designed to help residents shore up their financial standing.

This brief describes the financial landscape for DC residents and the products and services that would help them most. Additionally, this brief is responsive to the city's concurrent and ongoing policy and program conversations. For one, the DC government is investigating whether a financial empowerment center—where residents can receive financial counseling—may be needed and for whom. For another, nonprofit and government stakeholders have been discussing small-dollar loan gaps, where residents seek emergency funds, and how best to address such needs. This brief is grounded in these conversations and related questions explored through six focus groups conducted in October and December 2018 with residents accessing financial programs through various DC nonprofit service providers. We conducted additional stakeholder interviews among leaders working within the DC

government and at area nonprofits who work with people with notable financial needs of potential interest for financial empowerment center programming. These people include returning citizens, immigrants, those transitioning off Temporary Assistance for Needy Families (TANF), and those transitioning out of homelessness.

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#### BOX 1

##### The Urban Institute's Collaboration with JPMorgan Chase

The Urban Institute is collaborating with JPMorgan Chase over five years to inform and assess JPMorgan Chase's philanthropic investments in key initiatives. One of these is financial capability, a multipronged effort to improve household and community financial health by identifying, supporting, and scaling innovative solutions that help low- and moderate-income families increase savings, improve credit, and build assets. The goals of the collaboration include using data and evidence to inform JPMorgan Chase's philanthropic investments, assessing whether its programs are achieving desired outcomes, and informing the larger fields of policy, philanthropy, and practice. In service of these goals, this brief illustrates the financial needs and goals of low-income DC residents to inform what needs a potential financial empowerment center in Washington, DC, might address and explore how a philanthropic effort to extend small-dollar credit to low-income residents could address certain financial goals.

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The findings reveal the financial service needs that programs are not meeting and potential avenues to better help DC residents move toward greater security.

Key findings include the following:

- **Distrust in financial institutions is prevalent.** Most residents in the focus groups were banked. But there was considerable distrust of large financial institutions because of negative experiences with banks and loans. Some residents reported switching banks or credit unions after bad experiences and reported pulling money out of their accounts.
- **Residents struggle to build up savings.** Most respondents reported that saving money for emergencies and long-term financial goals was difficult for such reasons as student loan payments, transportation expenses, financial disruptions, unpredictable employment, and consumer debt. Housing costs were frequently cited as the biggest expense and concern.
- **Credit access and understanding is limited.** Despite an interest in improving their credit scores, respondents did not necessarily have the correct information or know the best way to achieve this goal. In addition, not all residents have access to revolving credit, and its access is limited in less affluent areas.
- **Small-dollar loans could help.** Residents expressed a need for emergency cash assistance. There are few safe and affordable small-dollar loan products in DC, and none provide

immediate assistance, so expanding access could help. But residents are concerned about borrowing money and being locked into an inflexible payment cycle and schedule.

- **Many residents could be served well by a financial empowerment center.** This includes returning citizens, people transitioning off government assistance and housing programs, and immigrants. Financial counseling and coaching, loan products, and programs that target debt management and housing expenses could offer benefits.

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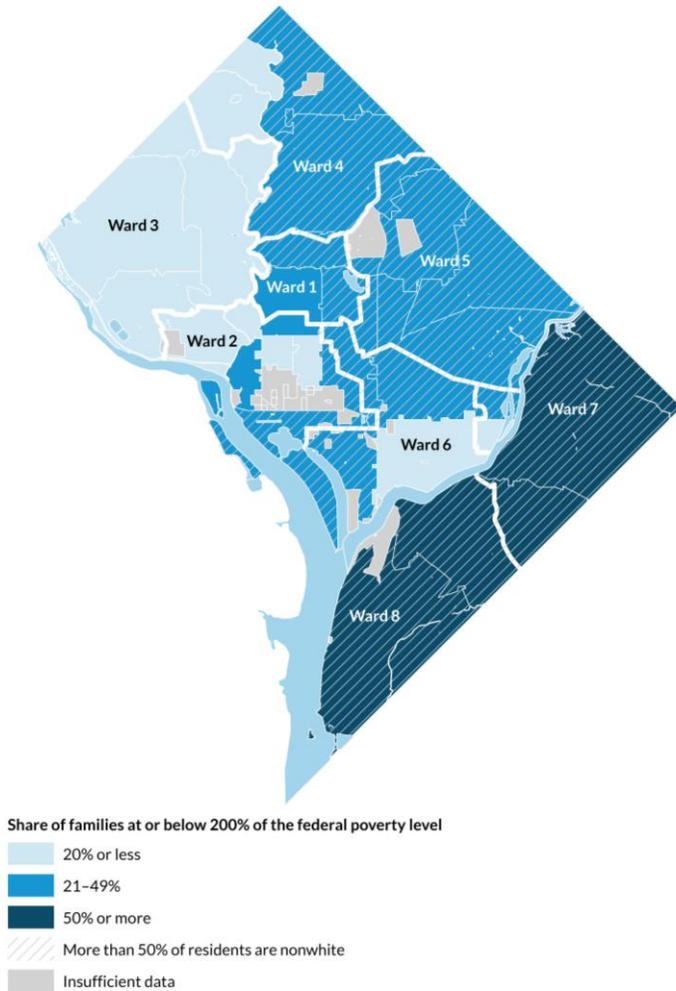
## BOX 2

### Description of Focus Groups

In October and December 2018, Urban Institute researchers conducted six focus groups among Washington, DC, residents who were seeking financial or employment services from three organizations: the Department of Employment Services, Housing Counseling Services, and the Latino Economic Development Center. Forty-three adults attended the focus groups. Participants were all black or Latinx, varied in ages and household and family arrangements, and represented seven of the district's eight wards (Ward 3 was not represented). The largest share of attendees lived in Ward 7.

In the District, financial insecurity is intertwined with poverty and race and a long history of structural barriers that have limited black wealth.<sup>a</sup> It also intersects with the city's historical residential patterns. Over the past half-century or more, the most economically vulnerable residents of color have lived east of the Anacostia River in Wards 7 and 8. Although there are financially insecure residents throughout the city, residents in Wards 7 and 8 may be especially in need of programs and assistance.

## Share at or below 200 Percent of the Federal Poverty Level and Share of Residents of Color



Source: Urban Institute analyses of 2012–16 American Community Survey data.

<sup>a</sup> Kilolo Kijakazi, Rachel Marie Brooks Atkins, Mark Paul, Anne Price, Darrick Hamilton, William A. Darity Jr., *The Color of Wealth in the Nation's Capital* (Washington, DC: Urban Institute, 2016).

## A Snapshot of DC Residents' Financial Security

The financial security landscape of Washington, DC, reveals that some residents are doing quite well, while others are struggling to keep pace. An analysis of the financial health of 60 cities found that DC and its peer cities—grouped by similarities in financial health metrics—are characterized by high shares of low- and moderate-income residents who are housing cost burdened.<sup>1</sup> Seventy-seven percent of low-income residents are housing cost burdened, spending more than 30 percent of their household income on housing (table 1).

Similarly, DC residents have considerable disparities in credit scores by race. Because credit data do not have demographic characteristics such as race associated with them, the closest proxy is to aggregate residents' credit scores and identify whether their neighborhood has a majority of white residents or a majority of residents of color. In DC, the median credit scores in areas with mostly white residents is 739 (well above a prime score), but in areas with majorities of residents of color, the median score is 618—below the national average—and not a prime score.<sup>2</sup> Data from the Consumer Financial Protection Bureau show that one in six adults in the District are credit constrained because they lack a credit history.<sup>3</sup> Similarly, the city is characterized by higher-than-average income inequality.<sup>4</sup> This suggests two different financial health experiences in the city—more stability among white and middle- and upper-income residents and less stability among low-income residents and residents of color.

**TABLE 1**

**Financial Security Metrics of Washington, DC; Its Peer Cities; and the US**

	Washington, DC	Peer group average	National average
Median credit score	671	685	675
Median credit score, areas with majorities of white residents	739	725	697
Median credit score, areas with majorities of residents of color	618	620	621
Share with delinquent debt	34%	29%	34%
Share of housing cost-burdened low-income households	77%	75%	61%
Share below 200% of the federal poverty level	31%	38%	33%
Gini index of income inequality	0.54	0.51	0.48

**Source:** Caroline Ratcliffe, Cary Lou, Diana Elliott, and Signe-Mary McKernan, “Financial Health of Residents: A City-Level Dashboard,” Urban Institute, accessed April 29, 2019, <https://apps.urban.org/features/city-financial-health/>.

**Notes:** The peer cities for Washington, DC, are Albuquerque, New Mexico; Boston, Massachusetts; Los Angeles, California; Minneapolis, Minnesota; New York City, New York; Oakland, California; Omaha, Nebraska; Portland, Oregon; and Sacramento, California. The Gini index ranges from 0 to 1, with 1 being perfect inequality.

Focus group participants—all of whom were seeking financial counseling or information from different organizations in the city—were equally likely to say they were financially secure or financially insecure. When asked what financial security meant to them, focus group respondents had modest answers—enough to pay their rent and bills and to have a little left over—and in some cases, enough money set aside to have an extra month’s rent in savings. Residents who felt secure did not worry about paying bills, while those who felt insecure were living paycheck to paycheck (if they were employed or receiving government assistance checks).

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*[Financial security, to me, means] I guess having a lot of money in the bank. Make sure your bills get paid on time and everything. Do some extra, to have that option. I guess more choices, that I want to [have] control.*

*–District resident*

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Insecurity often intersects with worries about employment (e.g., being un- or underemployed) and about housing costs. Residents were also concerned about other expenses (e.g., gas, car maintenance, public transportation costs, utilities) or future emergencies.

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*Whether you get a car with a loan or you buy a car outright, it's still expens[ive]. You got gas, you got insurance, you got maintenance, so even though I'm working right now, I can't afford the expenses of having a vehicle.... Maybe in a couple years, when I'm a little more financial[ly] secure in where I want to be, a little more stable and actually have some money in my savings account, then maybe [I'm] thinking I'll purchase a new vehicle.*

*–District resident*

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Similarly, when asked how much money in their bank accounts would cause participants to feel comfortable with their finances, responses ranged from \$0 because “more money only means more stress” to millions of dollars because “I’ll always want more.” But most people gave amounts they explained would help them achieve basic financial goals: to pay off debt, make rent, buy a car or house, invest in a business or save for retirement, and help their children or other relatives become financially established.

## What Are Opportunities for Helping DC Residents?

Discussions with DC residents who recently sought financial program assistance reveal the ways they could use help with their finances, as well as program elements that could discourage them from seeking help. We asked focus group participants about their access to and use of financial products and services, including banking, credit cards, alternative financial service providers, and employment-based loan products, as well as perceived barriers to using them. This section addresses focus group participants’ needs in their financial lives and the barriers that prevent them from achieving their goals.

## Financial Service Use and Distrust in Financial Institutions

Most DC residents in our focus groups were **banked**. Participants reported banking both online (e.g., through mobile apps) and at branches and valued both. Although online banking offers convenience, residents sometimes wanted face-to-face interactions. A few residents reported that banks either were not conveniently located or had inconvenient hours or wait times. But generally, access was not a barrier.

Banking trust, however, was a barrier for many respondents. There was considerable **distrust** of large financial institutions because of respondents' negative experiences with banks and loans. Consequently, participants switched banks or credit unions after bad experiences or pulled money out of their accounts to save it at home.

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*I'm saving my money at home, and I'm paying when I want to pay out. I don't have to worry about no second parties, third parties, none of them. It's just me. Who can you trust more than yourself?*

*—District resident*

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Some participants related anecdotes about frequent, unfair, and sometimes inaccurate fees incurred from banks, including overdraft charges related to reordering transactions to extract fees. Other participants reported negative experiences in personal interactions with tellers, managers, or customer service representatives, including perceived fraud and racism. Their perceptions of banks were also influenced by news stories about unfair or predatory practices. Multiple participants identified one local credit union as having a reputation as a good actor, especially for low- and middle-income consumers, and receiving high marks for its friendly and helpful customer service and affordable credit products. Residents were more likely to trust the DC government and nonprofits regarding financial assistance and information than large for-profit financial institutions.

When asked what would make them trust financial institutions more, residents valued competent and helpful customer service, reasonable and transparent fees, and secure banking. Residents often felt they were “treated like a number” and worried about fraud.

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*If you don't have \$100,000 in the bank, I still should get your undivided attention and some type of clarity about my money and how I'm managing my money.*

*—District resident*

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## **Challenges to Saving**

Most residents reported saving money for emergencies and long-term financial goals, but nearly all noted that it was a **struggle to save**. Most focus group members tried to save but noted that it was challenging to maintain savings. Respondents listed various reasons for this. **High housing costs** were especially hard on budgets, as were utilities, student loan payments, and transportation costs. Other respondents felt that a **lack of income** and unpredictable employment and hours were why they were living paycheck to paycheck.

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*All I see is after I pay my bills, I don't have anything. You know, a couple of hundred dollars is nothing, really. Because you're takin' that money and buyin' food. After you pay your utilities and your rent, it's like month to month that you're livin' just to live.*

*—District resident*

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Others still thought **financial disruptions**, such as unexpected car repairs, medical emergencies, housing disruptions, funeral expenses, and job loss, were why their savings had disappeared or were nonexistent. Such emergency expenses quickly depleted savings and hampered long-term goals. Some employers have introduced salary advances or small emergency loan programs, but none of our participants were aware of this or had used such programs.

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*At one point in time, I was proud that I was able to save money, because I had several family emergencies and situations. That the money I saved, even though it came out of my retirement plan, it was there.... I was able to take care of those situations.*

*—District resident*

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Others expressed regret about having **accrued consumer debt** by spending too much on nonessentials or shopping excursions and felt that their spending patterns were part of the reason for their low savings. Many respondents managed their spending with **prepaid cards**, or cards where money is loaded in advance. Although one resident once used a prepaid card as her primary bank account, others used them as budgeting tools (e.g., to separate their monthly allowance for “frivolous” purchases) or as backup funds.

**Friends and family** play an important role in many residents’ financial safety net—and they also use their own money to help loved ones with their financial emergencies. Many residents reported that in financial emergencies, they might go to relatives for help, and this was often their first option. But they also noted that family financial help comes with strings attached, so they preferred to avoid asking for help and preferred to repay borrowed money as quickly as possible. Some related bad experiences helping others in the past and did not want to engage in the future.

## Access to Credit, Credit-Building, and Credit Card Use

**Credit-building** was a frequently cited goal among residents in our focus groups, either for building a positive credit history or for repairing bad credit. This may have been influenced by our recruiting residents already seeking services from local nonprofits, but many participants knew their credit scores because they regularly used free online credit score estimators. Many saw improving their credit scores as an important step toward improving their financial well-being. Residents also expressed a desire for more financial literacy and education, particularly for credit-building.

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*As long as you clear that credit stuff up, it allows you room to grow. To achieve things that you’ve been trying to achieve, that’s been holding you back from getting what you get without that credit being there. Then, once you get that, you can do what you want to do.*  
—District resident

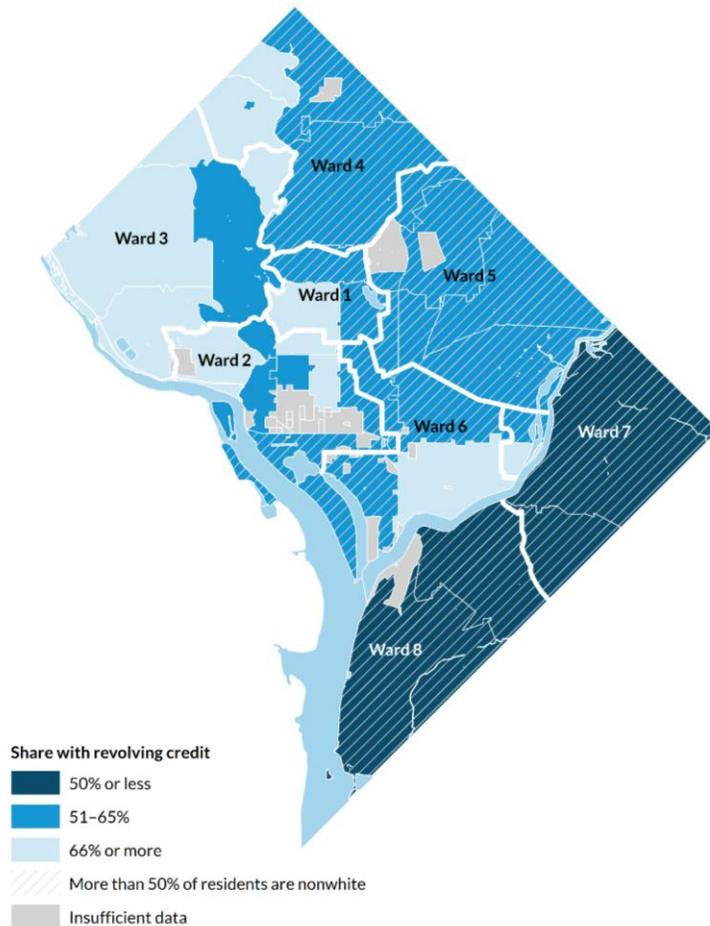
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Despite an interest in improving their credit scores, respondents did not necessarily have the correct information or know the best way to achieve this goal. Some respondents were confused or misinformed about closing credit cards, not dealing with delinquencies, or not taking on other loans or lines of credit. In part, this is because respondents said that owing money to others is stressful, particularly when living paycheck to paycheck. Taking on some debt or lines of credit and managing it responsibly, however, is how credit is built, but numerous myths about credit-building persist (Elliott and Lowitz 2018). A few participants previously had positive experiences with credit products, including low-interest credit-building loans, helping them build credit even when their credit was bad to start.

Another important consideration for DC residents is **access to credit cards**, which can supply short-term credit during emergencies. But not all residents have access to revolving credit (most often taken in the form of credit cards), and its access is more limited in less affluent areas. In the affluent Ward 3, most residents have access to revolving credit. Meanwhile, in Wards 7 and 8, less than half of residents have access to credit (figure 1).

More than half the focus group participants had a credit card, and even if they no longer did, many others had had a card in the past. Many participants expressed leeringness about using credit cards. Some reported previously falling into trouble when they got credit cards at a young age. Others did not like having one more bill to pay every month.

**FIGURE 1**  
Share of DC Residents with Revolving Credit, by Ward and Share of Residents of Color



Source: Urban Institute analysis of 2017 data from a major credit bureau and 2012–16 American Community Survey data.

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*I have a big regret...getting all these credit cards at a young age when they were just throwing them at me. And what happened was at the time I looked at the money that I had, and I beat myself up about what I could have did with it.*

*–District resident*

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Some saw secured credit cards as an important credit-building tool and a contingency for emergencies. Credit cards may not be appropriate for everyone as a form of emergency assistance, but for those who manage credit responsibly, it can help them navigate financial emergencies. For others, financial coaching and counseling may help them understand responsible credit card use and to advocate for better rates with credit card companies.

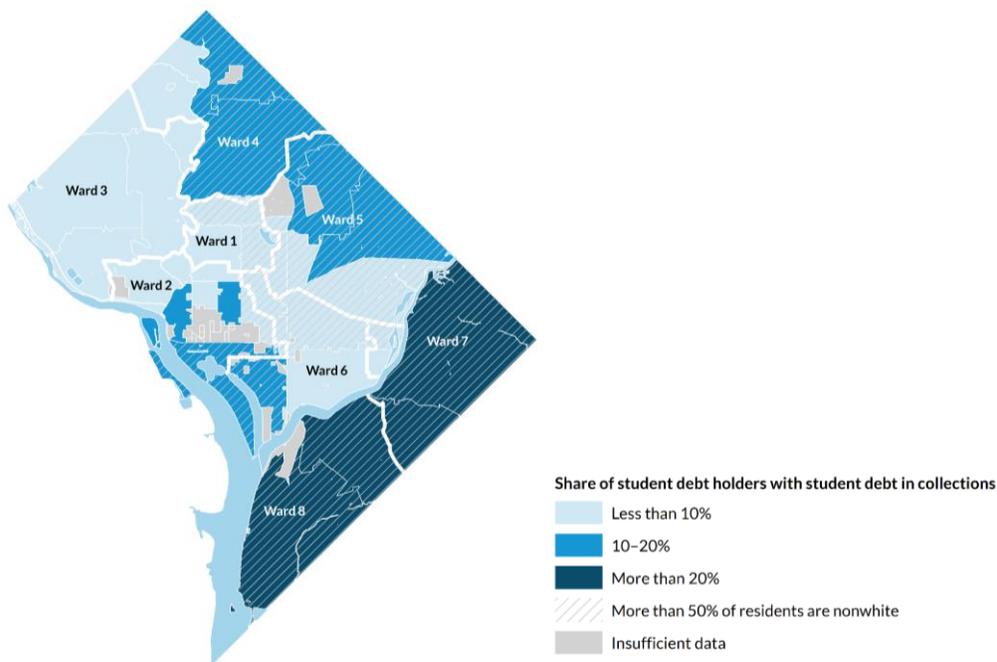
BOX 3

**Student Loan Debt Weighs on Some DC Residents' Finances**

Student loan debt arose spontaneously in conversations with DC residents, with a minority citing it as a significant burden. Focus group participants with student loan debt for themselves or family members reported that repayment schedules, despite deferment options, were insufficiently flexible to their employment, income, and other financial obligations. One participant with especially high student loan debt referred to it as her “first home.” A few residents wished they had been more educated about the implications of taking on student loan debt before they borrowed and felt they would have considered lower-cost schools or programs if they had understood the long-term costs of borrowing.

These findings are consistent with data on student loan debt in DC. Higher shares of residents with student loan debt in collections live in zip codes with higher shares of residents of color. In Wards 7 and 8, more than 20 percent of residents with student loan debt have at least some debt in collections. Tabulations of credit bureau data show that zip codes with higher shares of residents of color have lower median student loan debt (\$21,786 compared with \$31,822 in mostly white zip codes) but higher shares of borrowers with debt in collections (median balance of \$9,530). Among all borrowers in DC, the median monthly student loan payment of \$242 per month may be a challenge on top of other financial obligations.<sup>a</sup> A financial empowerment center in DC could be a resource for those seeking guidance about borrowing and repayment.

**Share of DC Student Debt Holders with Student Debt in Collections and Share of Residents of Color**



Source: Urban Institute analysis of 2017 data from a major credit bureau and 2012–16 American Community Survey data.

<sup>a</sup> Caroline Ratcliffe, Signe-Mary McKernan, Cary Lou, Hannah Hassani, and Caleb Quakenbush, “Debt in America: An Interactive Map,” last updated May 16, 2018, [https://apps.urban.org/features/debt-interactive-map/?type=student&variable=perc\\_stud\\_debt&state=11&county=11001](https://apps.urban.org/features/debt-interactive-map/?type=student&variable=perc_stud_debt&state=11&county=11001).

# What Do DC Residents Want in an Ideal Small-Dollar Loan Product?

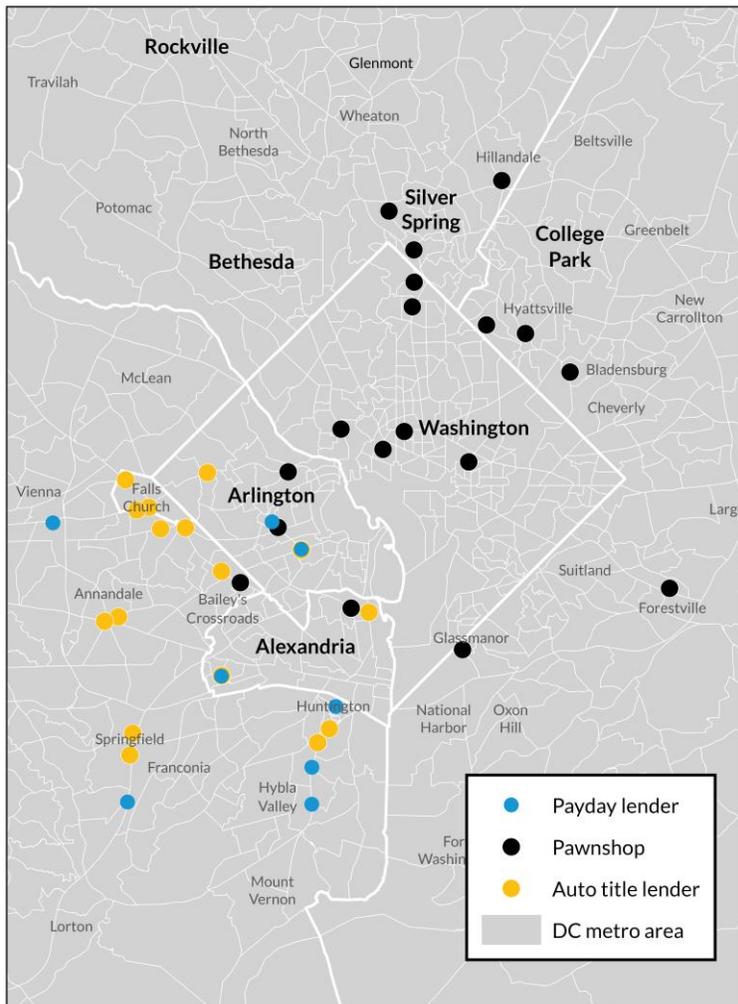
In DC, legislative, policy, and programmatic decisions have created an environment where (1) payday lenders have effectively disappeared, (2) governmental grant assistance is available (but often to only the neediest residents), and (3) nonprofit stakeholders fill a limited role in providing additional support in the form of education, programs, and assistance. Unmet needs remain among DC residents for small-dollar loans. Focus group participants identified what would benefit them the most from a small-dollar loan product.

## **The Small-Dollar Loan Landscape**

Payday and auto title lenders no longer exist in DC or in the nearby Maryland suburbs but continue to operate in the Virginia suburbs (figure 2). Pawnshops continue to operate in DC, Maryland, and Virginia.

FIGURE 2

Alternative Financial Service Providers in the DC, Maryland, and Virginia Area



Source: Urban Institute analysis of Google Maps locations of alternative financial provider services in 2018.

In 2007 and 2008, legislation effectively prevented payday lending from continuing in DC. The Payday Loan Consumer Protection Amendment Act of 2007 placed limits on check cashers offering payday loans at their businesses and reinforced that any lending had to subscribe to DC’s maximum allowable annual interest rate of 24 percent on all consumer loans.<sup>5</sup> In 2008, DC Code 26-319 passed to prohibit licensed businesses from “engag[ing] in the business of discounting of notes, bills of exchange, checks, or other evidences of indebtedness.”<sup>6</sup> Furthermore, the cap of 24 percent annual interest on consumer loans in DC may be too low to attract payday lenders (McKernan, Ratcliffe, and Quakenbush 2015; Pew Charitable Trusts 2015).

Maryland limits loans under \$6,000 to a 24 percent annual interest rate, effectively preventing payday lenders from operating in the state.<sup>7</sup> Virginia allows an annual interest rate of up to 36 percent, and for-profit payday lenders continue to operate there (BFI, n.d.). Similarly, auto title lenders are

prohibited in DC and Maryland but are still allowed in Virginia (CFA 2016). In the focus groups, few residents reported using alternative financial services such as payday loans, auto title loans, or pawnshops. Residents are aware that such services can be costly and result in more fees than initially stated (e.g., rollover and bank overdraft fees) and that payday loans are effectively illegal in DC.

Meanwhile, most banks and credit unions have been slow to introduce or expand payday loan alternatives (i.e., short-term small-dollar loans). Research recommends that consumers could feasibly pay up to 5 percent of their paycheck toward a loan. Furthermore, 70 percent of Americans would view their bank or credit union favorably if they made available a \$400 loan for three months for \$60 (Pew Charitable Trusts 2018). But few national financial institutions have explored creating such small-dollar loans.<sup>8</sup> The National Credit Union Administration's payday alternative loan, or PAL, product would make a maximum loan of \$2,000 available to consumers for up to one year of repayment, with no minimum time in a credit union required to access it.<sup>9</sup> Evidence shows, however, that the current PAL product does not fully address consumers' needs, nor is it sustainable for credit unions. One of the largest providers of the product lost \$21 for every loan it offered.<sup>10</sup> Alternatives may exist, and DC Credit Union does offer a payday advance loan product, but membership in the credit union is required.<sup>11</sup> Few participants in our focus groups had ever accessed such loans from their credit unions or banks, suggesting that both availability and awareness of such products is low.

Without a for-profit presence of payday and auto title lenders and with few available conventional banking options for small-dollar loans, nonprofit service providers and credit unions may address some of the gaps in short-term credit needs. We asked stakeholders to identify credit unions and nonprofit loan providers who may serve low- and middle-income DC residents. Although many options were presented to us to explore, not all of them (1) offer short-term loans or credit-building products or (2) are oriented toward a more general population rather than having restrictive membership or qualification criteria, with the caveat that we also feature small-business and entrepreneurship loans in this list. The following organizations are featured because of their accessibility and products that are more similar to small-dollar loans than what traditional financial institutions offer. But access to such programs and products may still be limited depending on people's credit and banking history, as well as the program or financial institution's available capital.

## Consumer and Credit-Building Loans

- **Capital Area Asset Builders** is a nonprofit focusing on expanding access to capital within the DC area, including financial education and coaching and matched savings programs. The nonprofit is exploring offering a combined small-dollar credit-building and savings product like ones Justine Petersen offers,<sup>12</sup> which, as envisioned, would have a minimum monthly payment of \$10 or \$25 reported to credit agencies. This would build over a year to provide a person his or her accrued savings.<sup>13</sup> This program has not yet been implemented.
- **DC Credit Union** is a cooperative credit union and a community development financial institution. Originally created in the 1950s to serve DC government employees, it now has a more expansive presence and now serves many employers, members of religious organizations,

and people served by community-based organizations and nonprofits that serve the unbanked and underbanked.<sup>14</sup> The credit union offers various loans, including traditional ones (e.g., vehicle loans, home equity lines of credit, home equity loans, and credit cards) and loans that cater to the needs of less financially secure residents (e.g., credit-builder loans, debt consolidation loans, payday advances, and citizenship loans). It also features a secured personal loan—where the account holder’s savings is used as a security toward a larger loan. Loan rates and amounts vary for the individual and type of loan offered but are reasonable for low-income borrowers.<sup>15</sup>

- The **Latino Economic Development Center (LEDC)** is a nonprofit that was started in 1992 to serve low- and middle-income Latino residents and other underserved DC residents to develop financially and to become community leaders.<sup>16</sup> Many of its programs focus on housing and small-business development, and credit-building is important for advancing these efforts. Consequently, LEDC offers a one-year credit-building loan for \$500 to \$1,000 with a fixed 9 percent interest rate and few participation restrictions. It is also accompanied by financial coaching. It also features the Lending Circles program.<sup>17</sup> Because these products are designed for building credit, they would not help people who need emergency funds.

## Small-Business Loans

- The **Enterprise Development Group** has its origins in the Ethiopian Community Development Council, which started in DC in the 1980s to support refugees and immigrants, and then evolved into a micro-enterprise development program in the 1990s to incubate and grow small businesses. It provides small-business loans from \$500 to \$50,000 and allows five years for repayment at a set interest rate.<sup>18</sup>
- The **Hilltop Microfinance Initiative** is a nonprofit in Ward 7 that offers small-business loans to entrepreneurs who might typically not be able to borrow through traditional financial institutions. The loans range from \$500 to \$10,000 with a 6 percent annual percentage rate (APR).<sup>19</sup>
- **Life Asset** is a nonprofit that provides microloans to entrepreneurs who might not ordinarily qualify for loans to incubate their businesses. The average loan is \$950 and is accompanied by a requirement to attend a six-week business training course and to participate in biweekly peer group support meetings.<sup>20</sup>
- The **Washington Area Community Investment Fund** is a nonprofit that was started in 1987 to assist and provide capital to low- and moderate-income entrepreneurs in underserved communities. It offers various small-business loans (from \$5,000 to \$150,000) with an APR of up to 18 percent to help entrepreneurs start, grow, or enhance their businesses.<sup>21</sup>

## Gaps and Potential Innovations in DC for Small-Dollar Loan Products

The DC landscape needs additional products, particularly consumer loans and credit-building products. Through our scan, we located few small-dollar loan options available to all DC residents—a credit-building loan and lending circles at LEDC and one credit-building loan in development at Capital Area Asset Builders—and such loans are not immediately available because people must save their own money over time with these products. Although DC Credit Union offers financially accessible products to its members, becoming a member could be a limitation for some residents. Consequently, no organization offers an accessible and immediately available consumer loan to DC residents. Thus, we identify the following **gaps** in the DC landscape:

- Few options exist for small-dollar consumer loans
- Available options have restrictions (e.g., no immediate money is available, membership may be needed to access the product, and creditworthiness may pose a limitation)
- Product awareness is limited

This presents an opportunity to introduce new programs and products to DC that may be offered elsewhere or to enhance existing products. We present five **innovations** that could address gaps and could be applied in DC. There are few safe and affordable small-dollar loan alternatives available nationwide and the following list reflects this.

- **Expanded access to employer-based loans.** Employer-based small-dollar loans for employees are rising in popularity, particularly as employers are increasingly aware of and affected by their employees' financial insecurity.<sup>22</sup> But employer-based loans are not offered at a large enough scale either nationwide or in DC. Considering that 25 percent of DC residents work for federal, state, or local government and that the federal government has typically been the largest employer of DC residents,<sup>23</sup> government employers would have to offer these loans for meaningful uptake among DC residents. An innovation available in 33 cities—including Austin, Dallas, and Houston, Texas—is safe and affordable small-dollar loans offered to city employees via the Community Loan Center of America.<sup>24</sup> In Houston, employees pay just 18 percent interest on a loan of up to \$1,000 for one year and can repay the loan via payroll deduction.<sup>25</sup> If such employer-based loans were offered to DC government employees, this would potentially fill in gaps in the city's current small-dollar loan market by offering another safe and affordable option, being accessible to a larger segment of the population, and providing money quickly.
- **Lending circles.** Lending circles have been pioneered and formalized in the US by Mission Asset Fund, a nonprofit based in San Francisco.<sup>26</sup> But lending circles originate in cultural practices worldwide. They are based on the idea that people may have informal arrangements with friends or family members to collectively source money, with the promise that everyone will get a share of the collective holdings at some point in the future. Mission Asset Fund's model organizes a lending circle of 6 to 12 members who are in a formalized arrangement for a set period, with loan amounts that range from \$300 to \$2,400. The total amounts vary according to the amount of money contributed each month and the number of participants. In other words, if

a person contributes \$100 a month with 10 members in the group over 10 months, she would receive a loan of \$1,000 at some point during that 10-month period. Furthermore, payments are reported to major credit bureaus. The Mission Asset Fund Lending Circle model has since been adopted by nonprofits in multiple states.<sup>27</sup> LEDC has also offered this in DC and could be expanded. This model could address some gaps in the DC small-dollar loan landscape by offering a promising alternative for unbanked and underbanked residents and consumers who are credit invisible, and the model is consistent with focus group members' preference to rely upon informal networks (i.e., family and friends) for financial help. However, members may have to wait several months for their share of the money, making the product less useful as an emergency loan.

- **Online peer-to-peer lending.** Online peer-to-peer lending is a new platform that allows investors to invest money in a community of potential borrowers and allows borrowers to get better rates and faster loans than might typically be possible through a bank or credit union. For-profit companies such as LendingClub and Prosper offer personal loans to borrowers of up to \$40,000 at fixed rates or installment loans for large purchases through their websites.<sup>28</sup> These companies are obligated to comply with DC's regulatory environment, but it has not limited them from operating in DC so far (Wolfe and Yoo 2017). DC residents who may need the services may not be aware of them, though. More affluent people are generally aware of the model, but once aware of it, those with credit needs are more likely to use it (Adams et al. 2017). A further caveat is that these companies do not serve subprime consumers,<sup>29</sup> which could limit the segment of DC residents most in need of access to loans. Boosting awareness of these services, coupled with financial education about the loan and its terms from a local nonprofit, could help some DC residents but is not likely to be as beneficial as other options because of credit score limitations.
- **Expansion of payday alternatives at DC credit unions.** The National Credit Union Administration has created the payday alternative loan to help credit unions provide a safe and affordable alternative to payday loans. PALs may be issued to members of credit unions, which offer them in amounts from \$200 to \$1,000 with a cap of 28 percent APR, an application fee of no more than \$20, and a borrowing term of one to six months.<sup>30</sup> The lower fees and APR mean that borrowers could get immediate assistance with a more reasonable repayment restructure than a payday loan typically offers. But only seven credit unions offered PALs as of 2018, and providers have struggled to design profitable products within the PAL parameters.<sup>31</sup> DC Credit Union offers a payday advance product, but it is unique in the area for offering this product. Addressing credit unions' needs to offer and expand such products in a sustainable way could fill the gap for some residents but will be limited to members of credit unions.
- **Unrestricted emergency assistance.** Government assistance programs are available to DC residents having trouble paying their rent (Emergency Rental Assistance Program) and those having trouble paying their utilities (Low Income Home Energy Assistance Program).<sup>32</sup> The DC Flex program is a pilot that offers unrestricted cash assistance but is available only to people who previously received housing assistance in the past and are low income.<sup>33</sup> No program offers

emergency assistance to a broad population of DC residents and is unrestricted in nature (i.e., could be used to help pay other hardships or expenses as they arise, such as day care providers, car repairs, or moving expenses), which could help with residents' long-term economic security and self-sufficiency. Modest Needs is a nonprofit that helps with such assistance.<sup>34</sup> It connects donors to vetted and approved low- and middle-income applicants to provide peer-to-peer assistance with emergency needs. Donors can elect to help people who have reasons and stories they find compelling. Although this assistance is not a product or a loan, some DC residents may not be able to pay off loans, and infrequent direct cash assistance—without the need for repayment—could keep residents from further distress.

## Interviewee and Focus Group Perspectives on Small-Dollar Loans

In focus groups with DC residents and interviews with nonprofit and government experts who help vulnerable residents, we explored whether an affordable small-dollar loan product could provide a meaningful financial backstop for residents and what features and considerations could make products effective for short- and long-term financial well-being. Many of the ideas raised in these conversations reflect previous research on desirable small-dollar loan product features, including flexibility and transitioning borrowers to savings (McKernan, Ratcliffe, and Quakenbush 2014). Below, we summarize key lessons and barriers uncovered from these conversations.

- 1. Small-dollar loan products have been or will be started in DC and may only need additional investments to help them reach more residents.** The financial assistance ecosystem in DC includes small-dollar loan products, though most are primarily designed for credit-building. As previously referenced, LEDC offers a one-year term loan between \$500 and \$1,000 that helps residents improve their credit scores and a separate product using Mission Asset Fund's lending circle platform for between \$500 and \$2,000.<sup>35</sup> Capital Area Asset Builders has proposed initiating a small-dollar loan product that helps residents save and build their credit through a \$10 monthly installment loan that culminates in \$120 saved at the end of the year and a year of reports to major credit bureaus. Those looking to introduce new products and services should consider how best to complement or invest in the current ecosystem, including increasing program and product awareness. Residents experiencing financial emergencies might need credit faster than credit builder loans can provide and might not be at the right moment or have immediate interest in building their credit. But if a nonprofit or financial institution develops relationships with consumers and understands their needs, it might be able to refer them to other local services that address the challenges they face. This is especially important for residents who might be chronically financial unstable and for whom many credit products might not be appropriate.
- 2. Reluctance to borrow and low trust in financial institutions pose barriers to credit product take-up.** Residents were more likely to trust a loan product if it was offered by a local nonprofit or the DC government. Financial institutions looking to offer a small loan product could provide

the underlying design and infrastructure for administering the loan but then make it available through a trusted organization.

**3. Reasons for seeking a loan will vary because of the diverse circumstances residents face.**

Designing a loan product for a specific purpose will not necessarily find success because focus group participants had diverse financial needs. We heard stories of unexpected eviction because of a weather event or fire damage, car accidents with uninsured drivers that created medical bills and legal fees, and unplanned funeral costs. Others shared their challenges saving money for security deposits or first-month's rent to obtain an apartment. A small-dollar loan product should be flexible rather than tied to a dedicated program or purpose.

**4. Residents prioritize flexibility in credit products.** Because residents' financial circumstances can vary from week to week, fixed payment amounts and increments are challenging, such as when reduced hours produce a low paycheck or other bills are due. Residents suggested several ways to achieve flexibility, such as allowing the payment amount to vary based on ability to pay, letting borrowers determine the length of time for repayment, and including a grace period (especially at the start of the loan, when borrowers are coping with the emergency). Participants voiced that having the payment schedule align with the timing of their paychecks would be helpful. The payment amounts residents felt comfortable with ranged from \$25 to \$200 per month or per pay period, but they wanted flexibility in determining what was reasonable for them to pay.

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*[I would like a loan] that you can pay them back every two weeks... Like, say you could borrow \$1,000, and say they can take a payment out of your paycheck every two weeks to help pay your loan.*

*—District resident*

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**5. A small-dollar loan product could be an entry point to financial counseling, credit-building, and regular savings, which furthers residents' financial goals.** Focus group participants acknowledged the financial advice they received from friends and relatives was incomplete at best, and they struggled to give answers when people they knew turned to them for advice. Many participants asked questions about how to improve their credit and indicated credit improvement was a key financial goal. Financial education can be especially effective when related financial choices are salient (CFPB 2013). Pairing loans with counseling that helps borrowers responsibly use and repay their loans and identify strategies to cope with financial emergencies could benefit residents. Reporting successful loan payments to credit bureaus for borrowers who appear ready (e.g., after a trial period of successful repayments) could help

them build or repair credit and establish access to more mainstream credit products. Upon repaying the loan, borrowers could be transitioned into an automatic savings account based on what they were paying on loan installments.

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*You gotta understand [credit]... Once I get my credit right...I wanna be able to go into the bank and be like, "I can get \$40,000, because I got my credit right." Once your credit [is] right, you're not going to try and mess it up.*

*—District resident*

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On the other hand, experts we spoke with noted that not all residents wanted or followed through on financial counseling or coaching as a condition of receiving assistance because it is time consuming and may be perceived as judgmental, or participants would rather not confront their fears about their financial situation. In these cases, providers could consider offering a second product with fewer strings attached (and lower expectations of repayment) and condition future loans on taking up financial counseling.

- 6. Providers must weigh trade-offs in setting appropriate loan amounts given residents' reluctance to borrow, their intermediate-term financial needs, and their interconnectedness with other financially insecure people.** Focus group participants expressed both reluctance to borrow and a laser-like focus on immediate financial emergencies. They would prefer to borrow low amounts if they needed to borrow at all. But experts we spoke with noted that financial emergencies can reflect bigger financial needs. Borrowing to make rent this week could leave little slack to pay utilities next week. A larger loan repaid over a longer period might create more slack for regaining one's financial footing. But borrowers with larger loans might feel pressure to use some of the loan to help friends or relatives facing financial crises, for which they might not be repaid.

## Select Populations of Interest for a Prospective DC Financial Empowerment Center

The DC city government is addressing residents' financial well-being through direct policy interventions. One example is Financially Fit DC, an online interface that allows residents to access advice and introduces them to concepts and programs to get them on track financially.<sup>36</sup> The city participates in the Bank On movement by offering programming designed to encourage residents who do not have a bank account to sign up for safe and affordable products.<sup>37</sup> The city has begun exploring how to start a financial empowerment center to help residents improve their financial well-being.

As part of the city’s exploration into starting a financial empowerment center, various groups have been identified as being of interest for receiving the center’s services. These include returning citizens, immigrants, and people transitioning off TANF or out of homelessness. As part of this project, we interviewed stakeholders to learn about the specialized financial needs of these groups and how a financial empowerment center could best help them.

## Returning Citizens

Returning citizens face many challenges as they transition out of the criminal justice system. DC has robust programming (information and resources) to support returning citizens through the Mayor’s Office on Returning Citizen Affairs (MORCA)—the only legislatively mandated office of its kind in the country.<sup>38</sup> Experts we interviewed stated that employment and housing are the biggest challenges for returning citizens, so MORCA’s programming connects returning citizens to paid work, and holdover financial issues can sometimes hamper these efforts.

Returning citizens find that following their time in jail or prison, their financial lives were either put on hold or continued without them. Some reenter society without a credit score, and if they had a bank account, it may have been overdrawn or closed. Others find that the debt they owe upon their return is overwhelming, including restitutions owed, government fines and fees that accrued (e.g., from cars being ticketed and towed while they were away), and back child support. MORCA has worked with returning citizens to address some of these issues. The “Clean Hands Law” prevents DC residents from obtaining a driver’s license, for example, if they owe more than \$100 to the Office of Tax and Revenue.<sup>39</sup> MORCA has helped returning citizens arrange settlements and payment plans with the Department of Motor Vehicles to clear up some of their government debt so they can get a license and apply for jobs.

DC has a “ban the box” law that levies penalties against employers who discriminate against returning citizens in hiring practices, but the path to employment poses challenges (OHR 2016). One of MORCA’s partnerships is with the Aspire program, which provides training and supports entrepreneurship for returning citizens so they can employ themselves.<sup>40</sup> Yet access to capital is a challenge for entrepreneurs and especially returning citizens, presenting a need for small loans and capital to be made available.

A city financial empowerment center could help returning citizens. Financial literacy and coaching programs would help returning citizens understand how to navigate the banking system, address debt and delinquencies, and establish or build credit, all of which can help them secure housing and employment. For example, rental companies and employers may require a credit report as part of an application, and employers may require a bank account to direct-deposit paychecks. Returning citizens often need a significant amount of up-front money to rent housing, including a security deposit, first-month’s rent, and last-month’s rent. Credit-building products, such as those that allow clients to pay small monthly installments—to be recorded with major credit bureaus—and build savings could help with these needs as well.<sup>41</sup> Finally, access to lines of credit or loans that help returning citizens put down payments on housing, fund small business needs, or pay for repairs to existing housing could all help address employment and housing challenges.

## People Transitioning out of Homelessness

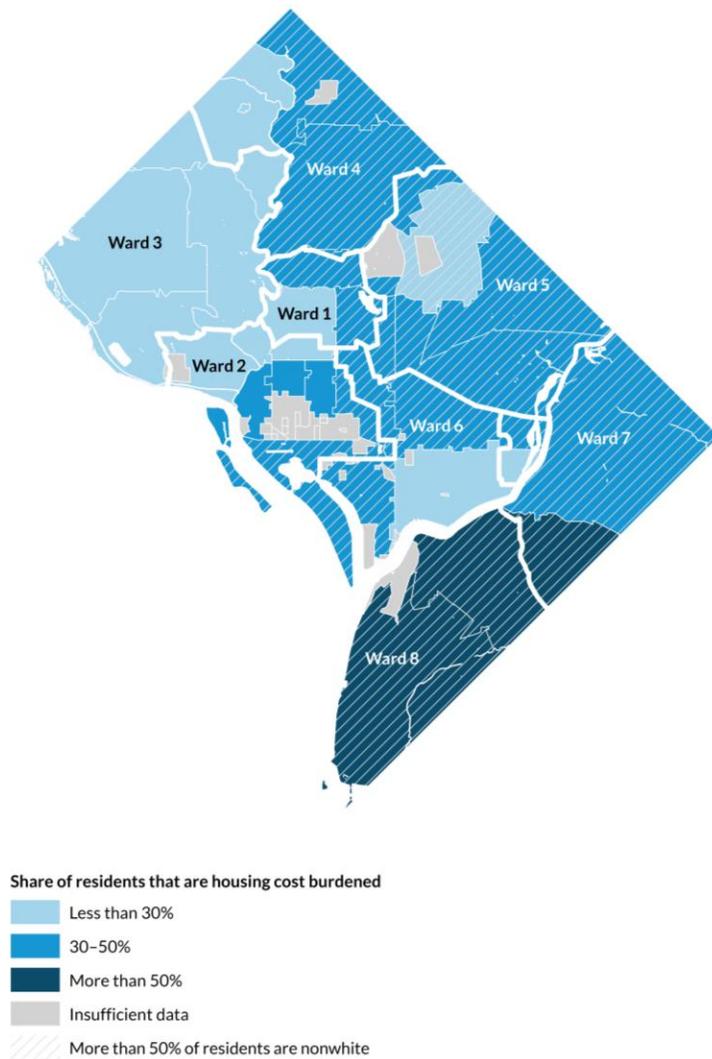
The transition out of homelessness is an hopeful yet financially fragile time. Nearly one in five return to an emergency shelter within 18 months after having been placed in rapid re-housing or transitional housing (HPRI 2018). Cities know that financial supports help families settle into their new home and avoid being displaced and becoming homeless again. DC has a permanent supportive housing program and rapid re-housing to help families transition into permanent housing and to stabilize them with additional supports.<sup>42</sup>

One of the challenges that persists in high-cost cities is that families may be able to transition to permanent housing, but rents continue to climb. In 2016, 77 percent of DC’s low-income households were housing cost burdened (table 1), spending more than 30 percent of their income on housing. In neighborhoods east of the Anacostia River, more than half of residents are housing cost burdened (figure 3). As we heard from participants in focus groups, who were primarily renters, housing costs are their biggest financial challenge. If they experience a financial emergency or if their work or family situation becomes unstable, they may miss their rent payment and face eviction.

One of the experts we spoke with emphasized that the transition out of homelessness may not be the most important time to help housing-insecure DC residents. In this expert’s estimation, DC residents need the most help with eviction prevention assistance, security deposit help, and rental assistance. This suggests that some people are not served well by current programs—people who are working but not making enough to pay high rents and associated fees and people at risk of losing housing.

One innovation to help these renters is the DC Flexible Rent Subsidy Program (DC Flex), which attempts to address housing insecurity before families become homeless.<sup>43</sup> The pilot program is testing whether “shallow subsidies” of \$7,200 a year (for up to four years) can help low-income working families who previously had applied for emergency housing or homeless assistance maintain their housing. Families can use as much or as little of the money as they need at any time to address financial and housing needs. It was originally conceived as a credit-building program, which would have benefited the focus group participants, but because of the regulatory environment, the program had to be designed as an escrow account. Although the program is still being evaluated, pilot families seem to be experiencing some financial stability from it, which can reduce the risk of future homelessness. But we do not know what families’ success will look like after more than one year in the program and if DC Flex will transition from a pilot to a full-fledged program for additional eligible families. Furthermore, it locks families into staying in DC, where rents may be higher than in surrounding areas.

**FIGURE 3**  
**Housing Cost Burden and Share of Residents of Color**



Source: Urban Institute analysis of 2012–16 American Community Survey data.

Experts suggest that there are generous grant and subsidy programs available (e.g., DC’s Emergency Rental Assistance Program and the Federal Short-Term Rent, Mortgage, and Utility Assistance for people with HIV/AIDS), but they target extremely low-income families.<sup>44</sup> Low-income working families are not always eligible for housing subsidies or help, but they have difficulty paying their rent. Rapid re-housing—which has an expectation of employment and unsubsidized rent payment by the end of its 12 to 18 months of support—may not offer enough time for families to earn and save enough, putting them at risk of homelessness again. For the low-income working families eligible for the few subsidies, experts suggested that loans could help them when they need a security deposit or down payment, particularly if it could help them transition to lower-cost housing. A program that could help

them borrow money to transition to a low-rent apartment could pay for itself in a few months. One expert suggested that renters in the Emergency Rental Assistance Program could be a potential target for financial empowerment programs, particularly if they are using the yearly rental assistance program as a repeated subsidy. Experts also suggested that accompanying financial education or coaching to help families understand how to adjust their budgets and manage expenses, including repaying such a loan, would be beneficial.

Another related issue an expert raised is eviction—the need to prevent it and help with the consequences following it. In DC, recently evicted tenants have seven days to reclaim their belongings before the landlord disposes of them. A short-term loan to help families rent a moving van and a storage unit could prevent further distress. For renters who are one or two months behind on their rent, a fund available from a trusted source (e.g., the DC government) to pay landlords and help prevent tenants from being displaced could prevent homelessness and related stress.

## Immigrants

Immigrants face financial challenges related to the foreignness of the American banking and credit systems. Immigrants sometimes lack credit histories, have little knowledge or awareness about the credit system, are unbanked, distrust banks and federal institutions (especially among undocumented immigrants), and face language barriers, racism, and a lack of cultural competence when dealing with banks or government offices.

The issues related to financial services that immigrants in DC face differ according to their legal status. Immigrants who are US citizens or who have permanent residency can secure a Social Security number, use federal safety net programs, and claim additional tax credits. Immigrants who do not have such status (those who are undocumented or in the US on visas) can secure an Individual Taxpayer Identification Number (ITIN) to work and pay taxes but do not have access to most federal assistance programs like Social Security and tax credits like the earned income tax credit. And despite eligibility, they face challenges opening bank accounts.<sup>45</sup> As one expert related, Social Security numbers are requested on applications for bank accounts, but bank employees are often unaware that they are not required. This expert said that it is hard for undocumented residents to feel comfortable walking into banks, and when they are turned away because of disinformation or a lack of cultural competence among bank employees, it prevents immigrants from being safely banked and decreases their trust in institutions. Another expert said there is tremendous demand for loans among people who have ITINs, and the supply of such loans is low.

Distrust of financial and governmental institutions may also originate from experiences in immigrants' home countries. As one expert said, if you arrive from a country where a bank could simply close and keep all your money without any notice, there is a deep distrust of banks that can be hard to change. Many immigrants also show a strong preference for using cash, which means they are not building credit and are absent from the credit and banking systems. This suggests a need for financial education—why the US is not solely a cash-based economy and the importance of credit-building and financial institutions generally. Another expert suggested education around tax payment may be

needed, particularly for immigrants with ITINs. If their legal status changes, having a history of tax payment helps families access federal programs and financial aid.

Following the Mission Asset Fund model, the Latino Economic Development Center offers Lending Circles, which are especially helpful for immigrants to build credit and save assets.<sup>46</sup> This model is often familiar to those in the immigrant community because other countries have similar practices. But lending circles do not necessarily help people who need immediate assistance. In these cases, other fast-turnaround loans may be needed, regardless of whether the potential recipient has a Social Security number or credit history.

Finally, experts said that the DC government can sometimes encourage distrust among immigrants, too. The DC government's "sanctuary city" designation reduces distrust—especially compared with the federal government—but immigrants sometimes face structural racism, language barriers, and a lack of cultural competence in city offices. About one-fifth of immigrant households in DC are "linguistically isolated households," where no one age 14 or older in the household speaks English well.<sup>47</sup> Experts recommended having the Mayor's Office of Latino Affairs be an intermediary with the Latinx community in DC efforts to develop the financial empowerment center because the office is a trusted and credible bridge between other governmental agencies.<sup>48</sup>

## People Transitioning off Cash Assistance

The transition off Temporary Assistance for Needy Families represents a progression toward higher wages and potentially greater self-sufficiency. Government assistance programs help families increase their earning power, income, and financial independence. Yet, in a high-cost city like DC, cash assistance is vital for many low-income families. In 2016, TANF families received about \$395 a month in supplemental help (Tatian et al. 2018).

But TANF is not the only program supporting working families, and it is part of a continuum of services provided to low-income families, including food assistance, child care, and Medicaid benefits. Income thresholds differ by program, but all programs matter for families' livelihoods. When families phase out of programs, recipients may experience a "benefits cliff" where, despite earning more from paid work, they have fewer means to support their families and may not have the incentive to earn more money (Hahn 2014).

Consequently, it is not enough to think only about families on TANF. The many other low-income working families in DC may need services from a financial empowerment center to address the high cost of living and the inability of earnings to cover those costs. Support could target the income points where families lose benefits, but housing subsidies, child care assistance, food assistance, and Medicaid could also help. Families at these different points along the benefits cliff continuum may need special interventions (e.g., grants and supplemental cash assistance) to help them make ends meet until their earning power rises to sufficiently cover daily expenses. Furthermore, financial coaching could help families navigate debt (e.g., back rent or consumer debt), particularly if the financial coach is adept at negotiating lower payments.

## Key Considerations for Serving These Groups

Current programs already help residents, so policymakers must determine how to integrate and expand what already exists. A family experiencing a housing crisis is likely experiencing other financial difficulties, and having a coach available to help with other aspects of their financial lives could be useful. The Cities for Financial Empowerment Fund calls this the “supervitamin” effect. Cities often see the best results for improving residents’ financial health when financial empowerment programming is integrated into existing services.<sup>49</sup>

Also, these groups overlap. Families transitioning off TANF and people returning from incarceration both experience housing insecurity. Recognizing the overlap paints a picture of the financial needs many of DC’s low-income residents have in managing the high cost of living on incomes that do not make ends meet.

## Conclusion

Data on financial security and credit indicate that the experiences residents in our focus groups shared are true for many of their neighbors in DC. Although most residents are banked and are familiar with credit, existing products and services leave many financial needs unmet, and distrust in financial institutions is common. Housing costs, poor credit, low or unstable wages or underemployment, transportation costs, debt, and financial disruptions are among many residents’ most pressing financial concerns and pose challenges to their long-term financial goals. Local nonprofits, financial institutions, and the DC government offer some supports and can play complementary roles to address many of these gaps, including offering additional flexible and affordable small-dollar loan alternatives that help residents build credit and cope with financial emergencies and connecting families to financial counseling and other services appropriate for their needs.

## Notes

- <sup>1</sup> Caroline Ratcliffe, Cary Lou, Diana Elliott, and Signe-Mary McKernan, “Financial Health of Residents: A City-Level Dashboard, Washington, DC,” Urban Institute, accessed April 25, 2019, <https://apps.urban.org/features/city-financial-health/city.html?city=washington-dc>.
- <sup>2</sup> A prime score is above 660. A subprime score is 660 or below. See Jim Akin, “What Are the Different Credit Scoring Ranges?” Experian blog, January 7, 2019, <https://www.experian.com/blogs/ask-experian/infographic-what-are-the-different-scoring-ranges/>.
- <sup>3</sup> See the District of Columbia fact sheet available at “Expanding Access to Credit,” Consumer Financial Protection Bureau, accessed June 3, 2019, <https://www.consumerfinance.gov/practitioner-resources/economically-vulnerable/expanding-credit-access/>.
- <sup>4</sup> Additional financial health metrics for DC are available at Ratcliffe et al., “Financial Health of Residents.”
- <sup>5</sup> For more information, see Thomas E. Hampton, “Deferred Deposit Check Cashing (Payday Lending),” DC Department of Insurance, Securities, and Banking bulletin to District-licensed check cashers and others engaged in payday lending activities and District consumers who use these services, November 15, 2007, [https://disb.dc.gov/sites/default/files/dc/sites/disb/publication/attachments/deferred\\_deposit\\_check\\_cashing\\_%28payday\\_lending%29.pdf](https://disb.dc.gov/sites/default/files/dc/sites/disb/publication/attachments/deferred_deposit_check_cashing_%28payday_lending%29.pdf).
- <sup>6</sup> See Code of the District of Columbia § 26–319, Limitations on business (2008), <https://code.dccouncil.us/dc/council/code/sections/26-319.html>.
- <sup>7</sup> “Payday Loans—Financial Regulation,” Maryland Department of Labor, Licensing, and Regulation, accessed February 11, 2019, <https://www.dllr.state.md.us/finance/consumers/paydayloans.shtml>.
- <sup>8</sup> Ann Carrns, “Banks Urged to Take On Payday Lenders with Small, Lower-Cost Loans,” *New York Times*, February 16, 2018, <https://www.nytimes.com/2018/02/16/your-money/banks-payday-loans.html>.
- <sup>9</sup> National Credit Union Administration, “NCUA Wants to Expand Payday Lending Alternatives for Credit Unions, Consumers,” news release, May 24, 2018, <https://www.ncua.gov/newsroom/news/2018/ncua-wants-expand-payday-lending-alternatives-credit-unions-consumers>.
- <sup>10</sup> Keith Sultemeir, “Comment on Proposed Rule for Payday, Vehicle Title, and High-Cost Installment Loans Docket No. CFPB-2016-0026: RIN 3170-AA40,” letter to Richard Cordray, director of the Consumer Financial Protection Bureau, October 4, 2016, <https://www.regulations.gov/document?D=CFPB-2016-0025-140775>.
- <sup>11</sup> Information about DC Credit Union’s payday advance loan was obtained by a phone call to the organization on May 1, 2019.
- <sup>12</sup> See the website for Justine Petersen at <http://www.justinepetersen.org/>.
- <sup>13</sup> This program has not yet been implemented, so there is no available information about it on the CAAB website.
- <sup>14</sup> See the website for DC Credit Union at <https://www.dccreditunion.coop/>.
- <sup>15</sup> See DC Credit Union rates for personal loans at “Personal Loans,” DC Credit Union, accessed May 2, 2019, <https://www.dccreditunion.coop/personal/personal-loans/>.
- <sup>16</sup> To learn more about LEDC and its mission, see “About,” Latino Economic Development Center, accessed May 2, 2019, <https://www.ledcmetro.org/about>.
- <sup>17</sup> “CrediFirst Loan,” Latino Economic Development Center, accessed May 2, 2019, [https://www.ledcmetro.org/credit\\_building](https://www.ledcmetro.org/credit_building).
- <sup>18</sup> See the website for the Enterprise Development Group at <https://www.entdevgroup.org/>.
- <sup>19</sup> See the website for The Hilltop Microfinance Initiative at <https://hilltopmfi.org/>.
- <sup>20</sup> “Our Programs,” Life Asset, accessed April 30, 2019, <http://www.lifeasset.org/our-programs/>.
- <sup>21</sup> See the website for the Washington Area Community Investment Fund at <http://wacif.org/>.

- <sup>22</sup> Yuka Hayashi, “New Workplace Perk: Loans for Low-Income Employees,” *Wall Street Journal*, November 2, 2017, <https://www.wsj.com/articles/new-workplace-perk-loans-for-low-income-employees-1509615001>.
- <sup>23</sup> For information about the share of DC residents employed in government, see Andy Kiersz, “Here’s How Much of Each US State’s Workforce Is Employed by the Government,” *Business Insider*, January 25, 2019, <https://www.businessinsider.com/percentage-workforce-employed-by-government-every-us-state-2019-1>. For information about the share in the federal government, see Jeff Clabaugh, “Exactly How Many Washingtonians Work for the Federal Government?” WTOP, February 19, 2018, <https://wtop.com/business-finance/2018/02/exactly-many-washingtonians-work-federal-government/>.
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- <sup>25</sup> For information about eligibility and terms for the Houston, Texas, government’s program for small-dollar loans via the Community Loan Center of Houston, see CLC (n.d.).
- <sup>26</sup> “Lending Circles,” Mission Asset Fund, accessed May 2, 2019, <https://missionassetfund.org/lending-circles/>.
- <sup>27</sup> For more information about the success of the Mission Asset Fund model, see Belinda I. Reyes and Elías López, “Social Lending: Improving Credit for the Underbanked,” *Communities and Banking*, winter 2016, 7–9.
- <sup>28</sup> See the website for LendingClub at <https://www.lendingclub.com/> and the website for Prosper at <https://www.prosper.com/>.
- <sup>29</sup> For information about who is served by LendingClub and Propser, see Amrita Jayakumar, “LendingClub Personal Loans: 2019 Review,” NerdWallet, February 21, 2019, <https://www.nerdwallet.com/blog/loans/lending-club-personal-loan-review/>, and Amrita Jayakumar and Steve Nicastro, “Prosper Loans: 2019 Personal Loan Review,” NerdWallet, January 2, 2019, <https://www.nerdwallet.com/blog/loans/prosper-personal-loans-review/>.
- <sup>30</sup> See the NCUA memo here for more information: Debbie Matz, “Permissible Loan Interest Rate Ceiling Extended,” letter to all federal credit unions, June 2015, <https://www.ncua.gov/files/letters-federal-credit-unions/LFCU2015-02.pdf>.
- <sup>31</sup> See more about the lack of access to PALs at Liz Weston and Amrita Jayakumar, “What Is a Payday Alternative Loan?” NerdWallet, June 7, 2018, <https://www.nerdwallet.com/blog/loans/payday-alternative-loan-pal/>.
- <sup>32</sup> See “Emergency Rental Assistance Program,” DC Department of Human Services, accessed May 2, 2019, <https://dhs.dc.gov/service/emergency-rental-assistance-program>, and “Receive Assistance with Your Utility Bills,” DC Department of Energy and Environment, accessed May 2, 2019, <https://doee.dc.gov/liheap>.
- <sup>33</sup> Mychal Cohen and Josh Leopold, “A New Flexible Rent Subsidy Program Aims to Help Working Families Afford Housing,” *Highlights* (blog), Urban–Greater DC, September 27, 2018, <https://greaterdc.urban.org/blog/new-flexible-rent-subsidy-program-aims-help-working-families-afford-housing>.
- <sup>34</sup> See the website for Modest Needs at <https://www.modestneeds.org/>.
- <sup>35</sup> “CrediFirst Loan,” Latino Economic Development Center. Information about lending circles at Latino Economic Development Center was obtained through personal correspondence.
- <sup>36</sup> See the website for Financially Fit DC at <https://www.financiallyfitdc.com/>.
- <sup>37</sup> For more information, see Bank On DC’s website at <http://cfefund.org/project/bank-on/>.
- <sup>38</sup> See the website for the Mayor’s Office on Returning Citizen Affairs at <https://orca.dc.gov/>.
- <sup>39</sup> “Clean Hands,” DC Office of Tax and Revenue, accessed April 25, 2019, <https://otr.cfo.dc.gov/page/clean-hands>.
- <sup>40</sup> “Aspire to Entrepreneurship,” DC Department of Small and Local Business Development, accessed April 25, 2019, <https://dslbd.dc.gov/service/aspire-entrepreneurship>.
- <sup>41</sup> Many organizations offer credit-building loans that help people with no or a limited credit history establish credit. One example is the credit-building loan from Justine Petersen, which helps people build credit through installments of savings over one year. See “Credit Building Tools,” Justine Petersen, accessed April 25, 2019, [http://www.justinepetersen.org/credit\\_building/credit\\_building\\_tools/](http://www.justinepetersen.org/credit_building/credit_building_tools/).

- <sup>42</sup> See “Solutions to Ending Homelessness,” DC Department of Human Services, accessed February 11, 2019, <https://dhs.dc.gov/service/solutions-ending-homelessness>.
- <sup>43</sup> Information about the DC Flex program is described at Mychal Cohen and Josh Leopold, “A New Flexible Rent Subsidy Program Aims to Help Working Families Afford Housing,” *Highlights* (blog), Urban–Greater DC, September 27, 2018, <https://greaterdc.urban.org/blog/new-flexible-rent-subsidy-program-aims-help-working-families-afford-housing>.
- <sup>44</sup> The Emergency Rental Assistance Program targets families below 125 percent of the federal poverty level. See DHS (2018). The Short-Term Rent, Mortgage, and Utility Assistance program targets renters earning below 80 percent of the area median income who have a documented HIV/AIDS status. See OHAH (2015).
- <sup>45</sup> See the IRS guidance and regulations on ITIN holders at “Individual Taxpayer Identification Number (ITIN) Reminders for Tax Professionals,” Internal Revenue Service, last updated October 3, 2018, <https://www.irs.gov/individuals/international-taxpayers/individual-taxpayer-identification-number-itin-reminders-for-tax-professionals>. See eligibility rules for ITIN holders for other programs at AIC (2018).
- <sup>46</sup> See “Programs That Build on the Strengths of Our Communities,” Mission Asset Fund, accessed April 25, 2019, <https://missionassetfund.org/programs/> for a discussion of some of Mission Asset Fund’s programs, and see “Lending Circles Is a Gateway to Empower Our Community,” Mission Asset Fund, accessed April 25, 2019, <https://missionassetfund.org/lending-circles/> for a description of the Lending Circle program.
- <sup>47</sup> See Andrew Giambrone, “DC Could Expand Welfare Program for Struggling Families,” *Washington City Paper*, October 25, 2016, <https://www.washingtoncitypaper.com/news/housing-complex/blog/20838153/dc-could-expand-cashassistance-program-for-lowincome-families>.
- <sup>48</sup> See the website for the DC Mayor’s Office on Latino Affairs at <https://mola.dc.gov/>.
- <sup>49</sup> See Jonathon Mintz, “How Financial Empowerment Can Save Cities Money: ‘The Supervitamin Effect’,” *Governing*, September 5, 2013, <http://www.governing.com/blogs/view/col-cities-financial-counseling-empowerment-supervitamin-effect.html>

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