Prepaid Cards & Financial Services in Low Income Communities

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NEDAP is a resource and advocacy center that works with hundreds of NYC groups to:

- Promote community economic justice
- Eliminate discriminatory economic practices that harm communities and perpetuate inequality and poverty
HIGH-COST & FRINGE SERVICES
NEDAP OUTREACH & EDUCATION
Absence of Bank Branches in Communities of Color

New York City (2009)

Number of Bank Branches per 10,000 Residents - By Zip Code

- Population > 50% Black or Hispanic
- < 1
- 1 - 2
- 2 - 3
- 3 - 4
- 4 or more

(2009 National average: 3.24 branches per 10,000 residents)

Sources: FDIC Summary of Deposits (2009), Census 2000

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Fees Paid for Refund Anticipation Loans
New York City (2008)

Total Fees Paid for RALs, by Zip Code*

- $0 - $250,000
- $250,001 - $500,000
- $500,001 - $750,000
- $750,001 - $1,000,000
- More than $1 million

Population > 50% Black or Latino

Total fees paid for RALs: $52,840,043

* Dollar amount estimate based on average tax preparation and RAL cost of $292, and 85% RAL application approval rate.

Sources: IRS - SPEC database (tax returns filed in 2008); U.S. Census (2000)
HIGH-COST LOANS MADE - 2007
New York City

No. of Loans in NYC = 12,406
No. of Loans in Bronx = 1,844
No. of Loans in Brooklyn = 3,795
No. of Loans in Manhattan = 514
No. of Loans in Queens = 4,923
No. of Loans in Staten Island = 1,330

*Refers to first-lien home purchase or refinance loans on owner occupied 1-4 family homes with APRs of 3% or more than Treasury securities of comparable maturity.

Sources: HMDA (2007); Census 2000
Foreclosure Patterns - 2009
New York City

- Foreclosure Action Filed
- Population > 50% Black or Latino

Foreclosure Actions Filed in:
- Queens: 5,767
- Brooklyn: 4,397
- Bronx: 2,227
- Staten Island: 1,820
- Manhattan: 42
- NYC: 14,253

*based on lis pendens of mortgage default filings on 1-4 family homes
Sources: First American CoreLogic (2009); U.S. Census (2000)
Rent-A-Center Store Locations
New York City

- Red: Rent-A-Center Location
- Light Brown: Low or Moderate Income Census Tract

Sources: U.S. Census (2000); Rent-A-Center, 14 Jan 2009 <www.rentacenter.com>
Low or Moderate Income (LMI): Census tract median income = 60-80% of all metropolitan area median income.

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Debt Buyer Lawsuits in Communities of Color
New York City

- One Person Sued by a Debt Buyer*
- Population > 50% Black or Latino

*Based on a stratified sample of 365 debt buyer lawsuits filed between 2006 and 2008. 81.4% of the lawsuits resulted in default judgments.

Data Sources: NYC Civil Court Records; U.S. Census (2000)
Percent of Individuals in New York City Zip Codes with a Credit Score Below 620
(June 30, 2009)

- Woodstock Institute
Financial Institutions
Bushwick, Brooklyn

- Bank Branch
- Pawnshop
- Check Casher
- Brooklyn Cooperative FCU

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Sources: FDIC Summary of Deposits (2009); NYS Banking Department (July 2009); NYC Dept. of Consumer Affairs (June 2009)
Concerns about Prepaid Debit Cards

- Consumer Protection – Reg E, FDIC Insurance
- High, Hidden, Unfair Costs
- Transparency
- Poor customer service
- Equity
- Choice
- Steering – young people, immigrants, poor
- Payday lending through cards
- No continuum of needed services, information
- Bank Accountability
- Community Reinvestment
- Shifting costs to workers, benefits recipients
Concerns about Prepaid Debit Cards (cont’d)

- Are prepaid cards a payment tool, or an equitable substitute for bank/credit union accounts?
- Are prepaid cards bringing people into a mainstream, regulated system, or reflecting and reinforcing inequities?
- What is the starting point: How to reform a flawed product or how to best meet people’s needs?
- Is it ok for banks to offer prepaid cards to low income customers and traditional accounts to others?
- How many of us are ready to close our accounts and switch to prepaid cards?
- Have we given up on holding banks accountable to low income people and communities?