

NATIVE COMMUNITY FINANCE



**Your Financial Lending & Education
Institution**

13 Rodeo Drive Bldg. B, PO Box 176 Laguna, New Mexico 87026 Tele: (505)552-7050 FAX: (505)552-9409



UNBANKED & UNDERBANKED PREDATORY LENDING

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UN-BANKED & UNDER-BANKED Circumstances shaping their choices

- ❖ Living paycheck to paycheck due to limited and unstable income.
- ❖ Past experiences with banks were negative, and the perceived benefit and relevance of a bank relationship was not clear.
- ❖ Consumer misinformation about bank services and products is a significant barrier to their usage.
- ❖ Family and friends support borrowing and savings.
- ❖ Retailers are easier to use than banks.
- ❖ Individuals have a need for control of and immediate access to their money. They do not believe banks will meet their needs.



UN-BANKED & UNDER-BANKED Strategies Used to meet Financial Needs

- Cash & Money Orders: Transactions are final with no risk of additional charges such as overdraft or insufficient funds fees.
- Participants manage on a cash basis using low-cost convenient transaction providers such as Walmart, grocery stores and convenience stores.
- Saving and borrowing money: Use trusted family members, friends or loan pools to address these needs.
- Alternative Lenders: Payday Lenders, pawn shops and title loans are used. Charges are upfront and clear so they know all charges. These are businesses that strip assets and wealth from the community.





SIGNS OF PREDATORY LENDING

While many lenders conduct honest business, some do not. Predatory lending is unfair, deceptive, or fraudulent practices of some lenders ...

- Applicants are offered loans with high interest rates, questionable fees, or unnecessary charges.
- Predatory lenders often target low and moderate income persons, people of color and the elderly.
- High pressure sales tactics and steering.
- Flipping of loan—new loan, additional fees, higher payments and loan balance.
- Asset-based lending without regard to ability to repay.



SIGNS OF PREDATORY LENDING

MORTGAGES:

- ✓ Interest rates not justified by your credit history.
- ✓ High fees or points over 2% of loan amount.
- ✓ Fees folded into loan—JUNK FEES.
- ✓ Excessive closing costs.
- ✓ Inflated appraisal costs.
- ✓ Extra recording fees.
- ✓ Single premium credit insurance.
- ✓ Monthly payment does not cover accrued interest.
- ✓ Unpaid interest added to principal balance.
- ✓ Higher amount due at end of loan than at the beginning.
- ✓ Lump sum balloon payment unaffordable—must refinance to cover

Advertisements saying-- **“Need money? Bad Credit? No Credit? No Problem!”** followed by promises of easy money, **WATCH OUT!!**



PREDATORY LENDING

AVOID PREDATORY LENDERS

Shop around

Ask Questions.

If you don't understand the loan terms, talk to someone you trust or look at the loan documents for you.

Refuse loan offers from unsolicited telephone calls or uninvited door to door solicitations.

Be wary of high pressure sales pitches, such as claims that an offer is good for a limited time.

Talk to local nonprofit housing or consumer credit counseling agency first for your consolidation needs.



PREDATORY LENDING

Avoid loans that includes extras you don't need.

Never sign an agreement that you do not clearly understand, and do not take a lender's word that an agreement is "standard."

Fill in all the blanks spaces.

Investigate current interest rates. Interest rates vary depending on the financial institution, the type of loan, your credit history, and your ability to repay.



ASSET BUILDING

Asset building is the process of assimilation and development of all types of assets then maintaining of the asset whether existing or one being developed. This process is normally targeted to the low-moderate income levels but can be beneficial to all levels of income.

In Indian Country, assets are normally held for the benefit of the community. Today we need to look at the benefits for the community as well as the individual and the family.

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Tribal communities continue to have the challenge of assets, primarily money, which comes into the community then spent outside of the community.

Asset building creates the situation where the assets circulate within the community.

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HOW DOES NCF HELP COMMUNITY MEMBERS WITH ASSET BUILDING?

FINANCIAL EDUCATION

- Homebuyers Education
- Money Management
- One-on-One Budgeting
- Credit Counseling

MORTGAGE ASSISTANCE SERVICES

- Assist with obtaining Title Status Reports from BIA
- Assist with obtaining NEPA documents from BIA
- Develop Lease agreement for Tribal Council
- Assist with Loan Documents
- Assist with locating contractors, surveyors and other services



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VITA/TCE SERVICES (Tax Preparation)

Elders 60+ (no income limits)

Low Income (must make \$49,000 or less for 2009)

IDA (Individual Development Accounts)

Area Low income limits (200% of federal poverty guidelines)
4 to 1 match on savings (up to \$1,000, match amount would
be up to \$4,000)

For Homeownership

Post Secondary Education

Business

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COMMUNITY ORIENTED LOANS

- Mortgages (future)
- Construction Loans (future)
- Rehabilitation
- Manufactured (on perm foundation)
- Credit Repair
- Anti-Predatory
- Consolidation
- Home Repair
- Consumer Durables
- Signature Loans
- Business Loans



**VOLUNTEER INCOME TAX ASSISTANCE
TAX CONSULTING FOR THE ELDERLY**

RESULTS OF SITE: VITATCE

2008 RETURNS:

291 FEDERAL /STATE	\$108,605
EIC	\$ 14,840
Total	\$123,445

2009 RETURNS:

386 FEDERAL/STATE	\$182,622
EIC	\$ 34,187
TOTAL	\$216,809

2010 Returns:

674 FEDERAL/STATE	\$413,185
EIC	\$ 94,928
TOTAL	\$508,113

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WHY A VITA/TCE SITE:

- ◆ Help prevent predatory lending (Refund Anticipation Loans “RALs”)
- ◆ Help prevent income tax return charges
- ◆ Make sure clients receive maximum refunds (EITC)
- ◆ Keep money in community

FEES SAVED WITH FREE TAX PREP (VITA/TCE):

US Average for RALS -----\$100 per return

US Average for Tax Prep--\$150 per return

\$250 X 291 (2008 returns) = **\$72,750**

\$250 X 386 (2009 returns) = **\$96,500**

\$250 X 674 (2010 returns) = **\$168,500**

Laguna Average \$350 per return

\$350 X 291 (2008 returns) = **\$101,850**

\$350 X 386 (2009 returns) = **\$135,100**

\$350 X 674 (2010 returns) = **\$235,900**

CHARGES HAVE BEEN REPORTED AS HIGH AS \$450

AND/OR

SCRIPT OR STORE CHARGE CARDS FOR REFUND



COMMUNITY ORIENTED LOANS

Currently 43 loans for a total of \$283,171.85 with a balance of \$209,074.95

1 Loan is currently late on their payment

1 Loan was defaulted (client is deceased)