

Rockbridge Area Credit Study 2010

A broad assessment of financial issues facing low-income individuals in Rockbridge County and recommendations for new policies and practices



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About the Study

Initial Goals (As of January 1, 2010)

This study seeks to identify the most significant financial issues facing low-income individuals in Rockbridge County and to suggest solutions that can be implemented to solve the problems identified. We have compiled data outlining the key problems and have created a central list of financial services available to both individuals and organizations. Ultimately, we have established recommendations for implementation and further work. Washington and Lee students and local organizations have expressed strong interests in assisting with community financial issues in the future, and we hope to provide a strategic outline for the project and the services that students can offer to the community.

Purpose

This project originated through a series of conversations following Melissa Caron's and Chris Martin's presentation of the 2008 Rockbridge Poverty Assessment. This study did not focus specifically on credit and personal finance issues, but these topics are of direct importance when examining poverty in Rockbridge County. A need for such an investigation was made clear in order to pinpoint more specifically personal financial issues and recommendations to meet precise needs. We began the process by seeking to understand what individuals face credit issues, what specific issues they face, what jeopardizes their access to credit, and what alternatives exist. These questions remain significant, yet additional concerns presented in initial discussions relate more closely to broader personal finance problems. By compiling and assessing data from surveys and conversations, we identify the financial problems most salient to low-income residents and offer recommendations to overcome them.

Methodology

In order to accurately reflect the needs of Rockbridge County, we sought a holistic approach in speaking directly with community leaders, agency and organization leaders, individuals in the banking sector, as well as low-income residents of Rockbridge County. Our information gathering consisted of interviews with and surveys distributed to community members and low-income residents of Rockbridge County. We gained background knowledge pertinent to specific issues in the County using more traditional theoretical research in published sources on general lending to low-income persons.

In addition to conversations with many local agency leaders and four individual low-income residents, we created and distributed surveys to each of these groups. Blank copies of these surveys are included in Appendices B and C. We received ten responses to our resident survey providing insightful information into the specific personal finance issues that people face and supplementing responses from agency leaders. We were disappointed with the low survey response rate, but because of confidentiality issues and regulations, we depended heavily on the distribution by local agencies and willingness of local residents. As with most surveys, we must take into account biases based on respondents and overall sample size. It is difficult and imprudent to make general assumptions based on a sample size of ten, which we acknowledge in reporting our results. Further, there may be a bias in our survey sample because the people willing to speak with us are likely individuals more aware of or concerned about their finances and spending habits.

We conducted research and data collection in five phases:

Phase 1	Compilation of general background information
Phase 2	Conversations and interviews with agency leaders Distribution of surveys to agency leaders
Phase 3	Conversations with individuals in the banking sector
Phase 4	Conversations and interviews with low-income individuals Distribution of surveys to low-income individuals
Phase 5	Data compilation and preparation of recommendations

Timeline

The following chart outlines key dates and project milestones:

January 11	Project Start Date
February 8	Completion of Agency Leader Interviews Begin Banking and First-hand Individual Interviews
February 15	Distribute Surveys to Agency Leaders
March 15	Final Collection Date for All Surveys
April 16	Completion of Final Assessment and Key Recommendations
May 21	Completion of Policy Review and Plan for Future W&L Students

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List of Local Organizations

We reference the following local organizations in our paper because leaders and members of these organizations assisted significantly in our community research. This list gives a brief description each of the organizations with excerpts from their respective websites or mission statements.

CornerStone Bank

“CornerStone Bank N.A. was established from a desire to provide the Rockbridge County area with a locally owned and managed bank. Grounded in ethical and transparent business practices, CornerStone has created a philosophy of operation that prides itself on being fiercely independent, leveraging leading-edge technology and serving customers with an accessible and caring approach.”¹ The bank offers various types of checking accounts, home equity loans, personal loans, and mortgages at fixed and adjustable rates as well as a range of additional services.

English Speakers of Other Languages (ESOL)

“The mission of the English for Speakers of Other Languages Program is to facilitate communication within the increasingly diverse population in Rockbridge County. Although ESOL has focused on the Latina/o community, the program works with speakers of all languages. We offer formal ESOL classes and one-on-one tutoring arrangements, Spanish classes for adults, free translation of documents (Spanish-English/English-Spanish), and a hotline to provide immediate interpreting services.”²

Habitat for Humanity

The local Habitat for Humanity provides new homes for partner families who qualify under their terms as high-risk. “Rockbridge Area HFH is a locally run affiliate of Habitat for Humanity International, a nonprofit, ecumenical Christian housing organization. Habitat for Humanity works in partnership with people in need to build and renovate decent, affordable housing. The houses then are sold to those in need at no profit and with no interest charged.”³ In order to qualify, families must display (1) a vital need for housing, (2) an ability to pay back a zero-interest mortgage, and (3) a promise to fulfill a “sweat equity” component. Habitat follows Rockbridge County income guidelines, according to which a family of four must have a combined annual income of \$14,375 to \$34,500 in order to be eligible.

¹ *CornerStone Bank - Lexington, Rockbridge, Buena Vista, Virginia*. Fiserv WebSolutions, 2009. Web. 15 Mar. 2010. <<http://www.cornerstonebankva.com/about.htm>>.

² *English for Speakers of Other Languages (ESOL)*. Washington and Lee University. Web. 16 Mar. 2010. <<http://esol.wlu.edu/index.htm>>.

³ *Rockbridge Area Habitat for Humanity - Home*. Web. 15 Mar. 2010. <<http://www.rockbridgehabitat.org/>>.

Maury River Senior Center

“Maury River Senior Center provides social, recreational, educational, health and advocacy activities for Rockbridge area residents age 60 or older. Our services are not income-based, although some programs have a small fee or require completion of short forms mandated by funding sources.”⁴

People’s United Methodist Church

Through a comprehensive personal finance program, Danta Thompson, pastor at People’s United Methodist Church, provides money management assistance to residents around the county. Ms. Thompson is mainly focused on adjusting the mindset of individuals as a way to break the cycle of poverty. Initially, Ms. Thompson looks at her clients’ reasons for money management to determine strengths and weaknesses, and then takes action from there. In order to create long-term change, she focuses on how her clients envision their lives for the next six to twelve months.⁵

Project Horizon

“Project Horizon is dedicated to reducing domestic, dating, and sexual violence in the Lexington, Buena Vista, and Rockbridge County area through crisis intervention services and prevention programs. This non-profit agency began in 1982 as a grass roots effort to provide confidential services free of charge to battered women in the Rockbridge County area.”⁶

Rockbridge Area Community Services

“It is the mission of Rockbridge Area Community Services to help prevent and treat mental illness, developmental disabilities, and substance abuse, and to enhance the quality of life of individuals who experience these conditions in the Cities of Buena Vista and Lexington and the Counties of Rockbridge and Bath, Virginia by providing individualized treatments, establishing and expanding programs and support systems, and promoting integration into the community.”⁷

Rockbridge Area Rental Assistance

The Rockbridge Area Rental Assistance Office, administered by the **Virginia Housing Development Authority (VHDA)**, helps low-income families find and pay for affordable housing through the Housing Choice Voucher (HCV) Program.⁸ VHDA helps struggling families by “making mortgage loans that usually have below-market rates or special features to break down the barriers of owning a home.”⁹

⁴ "New Page 1." *Maury River Senior Center*. Web. 15 Mar. 2010. <<http://www.mauryriversc.org/slideshow/AboutUs.htm>>.

⁵ Danta Thompson

⁶ "Project Horizon." *Rockbridge Global Village*. Web. 15 Mar. 2010. <<http://organizations.rockbridge.net/projecthorizon/>>.

⁷ "Rockbridge Area Community Services About Us." *Rockbridge Area Community Services Home*. 2005. Web. 15 Mar. 2010. <<http://racs.org/pages/aboutus.asp>>.

⁸ "Renters." *Virginia Housing Development Authority*. 2010. Web. 15 Mar. 2010. <<http://www.vhda.com/Renters/Pages/renters.aspx>>.

⁹ Virginia Housing Development Authority. *Making Homeownership a Reality*. Virginia Housing Development Authority, 2003. Print.

Total Action Against Poverty (TAP)

TAP is a Roanoke-based organization with local branches throughout southwestern Virginia that helps people “to escape poverty and become self-sufficient. TAP helps people disenfranchised from our society to become part of the American dream.”¹⁰ Programs and services offered by TAP include Housing and Community Development, Families in Transition with a women’s resource center and transitional living center, Head Start childcare, This Valley Works offering educational and vocational classes, Supervised Visitation and Safe Exchange Program, TAP Business and Financial Services, and Energy Conservation and Housing Rehabilitation.

United States Department of Agriculture (USDA) Rural Development

The USDA Rural Development seeks to enhance “the ability of rural communities to develop, to grow, and to improve their quality of life by targeting financial and technical resources in areas of greatest need through activities of greatest potential.”¹¹ The local USDA Rural Development branch provides Direct Lending loans, Guaranteed Financing loans, and grant options in order for low- to moderate-income individuals to secure safe housing options.

Wachovia

The local Wachovia operates as a branch of the larger financial institution now a part of Wells Fargo. Because of experience with Lexington residents and knowledge of local needs, the local branch operates similarly to a community bank.

¹⁰ *Total Action Against Poverty Roanoke*. 2008. Web. 15 Mar. 2010. <<http://www.tapintohope.org/about/>>.

¹¹ "USDA Rural Development Virginia ~ Home ~ Programs ~ Welcome to Virginia USDA Rural Development!" *USDA Rural Development Home Page*. Web. 15 Mar. 2010. <<http://www.rurdev.usda.gov/VA/index.htm>>.

Executive Summary

We began this study by analyzing key factors that jeopardized credit availability for low-income individuals in Rockbridge County. We quickly learned that there are a multitude of broad factors related to personal finance that hinder the possibility of attaining good credit and further perpetuate the cycle of poverty. When analyzing key financial issues, we begin by discussing the current macroeconomic environment as the recent downturn has affected people, businesses and financial institutions alike. In this environment credit has effectively “dried up,” and certain regulations have increased requirements for credit approval and have decreased availability for low-income individuals. More positively, as liquidity in the market has decreased, the prevalence of credit cards has diminished and low-income people are less likely to accumulate credit card debt that they are unable to repay, decreasing harm to their credit score.

After conversations with community agency leaders, bank leaders, and Rockbridge County residents, we identified numerous financial issues that contribute to an individual’s access to credit or perhaps are prioritized above credit in personal importance and overall survival. These nine issues are as follows:

- Effects of current economic downturn and unavailability of credit
- Unstable employment and a lack of job opportunity in Rockbridge County
- Basic deficiency in income where an individual’s expenses outweigh revenues
- Difficulties overcoming bad credit once it is incurred
- Use of predatory lenders as a short-term solution for “quick cash”
- Lack of savings and the ability to save money over extended periods of time
- Debt due to non-recurring, unexpected expenses
- Poor prioritization and lack of budgeting
- Common mismanagement of money
- Little financial education in schools and in adult education or counseling

We end the broad “key financial issues” section by addressing issues that affect specific populations differently, including victims of domestic abuse, immigrant populations, and elderly individuals. Following this analysis, we compile a list of services available in Rockbridge County for people suffering from many of the indicated problems. The study concludes with suggestions and recommendations for both county leaders and Washington and Lee students in order to alleviate financial difficulties in the low-income population. Throughout the paper, we reference four low-income residents with which we interviewed as Participants A, B, C and D. In depth summaries of our findings from each interview are located as case studies in Appendix A.

Key Financial Issues:

The following section discusses ten key financial areas (in no particular order) that prove to be pertinent to Rockbridge County in addition to issues relevant to specific populations. While these may not be the only issues inhibiting individual access to credit and personal finance, we believe they are key priorities that need to be addressed.

1. The Current Economic Environment and Unavailability of Credit

In the following section we discuss the availability of and process for low-income individuals obtaining “loans.” With the term “loans,” we are referring to both small consumer loans and modest mortgages (each defined below) as opposed to any sort of business loan.

Consumer or Personal Loan: “A loan that establishes consumer credit that is granted for personal use; usually unsecured and based on the borrower's integrity and ability to pay”

Mortgage Loan: “A loan on real estate that is usually secured by a mortgage”
(<http://www.dictionary.com>)

According to individuals at local banks and community agencies, the past year and a half has been a most difficult time financially, especially in terms of lending. People with a strong credit history who, would have previously qualified, can no longer gain approval for loans because credit has “dried up.” Credit has tightened to some degree even for banks with previously high liquidity. A good credit score is one of the most important criteria for receiving a loan, and while a low credit rating previously fell in the 620 range, scores closer to 680 or 700 are now minimums, according to bank standards. The debt-payment-to-income ratio requirement, representing the amount of debt someone carries measured against her level of income, has also become more stringent. Previously, individuals were allowed a ratio close to 50 percent (essentially tying up half of their income in paying back debt), but now in many cases this ratio has been reduced to 35 percent. Furthermore, the process for obtaining a loan has become much more prolonged, with a stronger focus on cash flows. Cash flows are effective in accurately measuring individuals’ actual revenues or cash inflow against their expenses or cash outflow. The overall process is much more paper intensive as well, adding to the obstacles that banks must overcome to approve a loan.¹²

Credit Market Failure

Low-income individuals and families are not the only segment of the population in debt; however, the lack of credit resources available makes it exponentially more difficult for them to overcome indebtedness and creates a market failure. An article published in New York University’s Law Review explains this market failure and reasons why low-income communities do not have fully functioning credit markets.

¹² Shomo, Randy. Personal INTERVIEW. 12 February 2010.

Economic theories predict that low-income communities generally would have lower access to capital than they would in a fully functioning market because of market failures, in addition to discrimination. For example, information externalities, which prevent lenders from fully recapturing the costs of gathering information and developing expertise in lending to low-income borrowers, may have impeded the formation or full development of credit markets in low-income communities...More recently, “subprime” lenders have provided more capital in low-income areas. Consumer advocates have argued, however, that the increased flows of credit have, in some cases, been accompanied by “predatory” or abusive lending practices targeted at minorities, the elderly, and other segments of the population.¹³

With this market failure, individuals often turn to predatory lenders to ease their credit troubles. These lenders look for individuals who cannot receive traditional loans because of their bad credit history. They offer fast cash to ease liquidity pressures but attach high interest rates in return. This alternative to traditional credit and its relevance to the Lexington community will be explained further.

This excerpt also discusses the **costs that banks incur by taking a deeper look into an individual’s credit worthiness.** The closer scrutiny is beneficial for an individual if, instead of simply pulling a credit report and judging loan approval from this incomplete document, the banks examine each source of revenue and expense to better understand their financial situation. However, this process is more expensive and time consuming for banks, and they are often unable to recapture these costs with loans that they approve.¹⁴ Therefore, when banks like Wachovia go through the in-depth credit analysis process that they do for each loan applicant, especially when they go so far as to offer credit consolidation or general financial advice, they are providing a beneficial service to community members. Local community banks like Cornerstone Bank also look carefully and extensively into the financial situation of each loan applicant, following its motto that “Cornerstone Cares.” Cornerstone Bank in particular examines the “5 Cs of credit” which consist of capacity, collateral, credit history, conditions and character, with credit history and character being two of the most important.¹⁵

Additional changes in the past few years include a reduction in previously liberal mortgage programs. When credit was readily available, there were loan programs on the mortgage side that involved more flexible income verification and down payments, which hurt both the consumer and the industry as a whole.¹⁶ **However, current mortgage programs have returned to more conventional standards with previous verification requirements.** In addition, banks are more likely to question income documents that individuals present in order to ensure validity and a capacity to pay back a loan.¹⁷ According to Randy Shomo Vice President of the local Wachovia branch, most of the bank process is performed through a computer where a loan

¹³ Barr, Michael S. “Credit Where It Counts: The Community Reinvestment Act and Its Critics”. New York University Law Review. Vol. 80:513. pp 513 – 652. Copyright 2005. Electronic <http://www1.law.nyu.edu/journals/lawreview/issues/vol80/no2/NYU202.pdf>.

¹⁴ Shomo, Randy.

¹⁵ Grist, David. Personal INTERVIEW. 19 February 2010

¹⁶ Shomo, Randy.

¹⁷ Shomo, Randy.

officer will not only pull an individual's credit report, but will also go through each debt or expense that loan applicants regularly incur. Mr. Shomo also explained that if the bank is unable to provide a loan initially because they do not meet the necessary qualifications, Wachovia will provide counseling or suggestions for improving credit quality and increasing the likelihood of obtaining a loan in the future. David Grist, President and CEO of Cornerstone bank described similar counseling that his employees give and even stated that Cornerstone will "never turn people down;" they instead tell them what they need to do to get a loan.¹⁸

This counseling could be beneficial not only to individuals not approved for loans, but also for those who are approved. Receiving a bank loan does not simply mean that individuals have an increased level of disposable income; they are also burdened with regular interest payments in addition to the final principal payment at the end of the loan term. Failure to account for these additional liabilities can harm individuals' credit and diminish their chances of obtaining a future loan. **Mr. Grist articulately summarized the situation claiming that money is available for low-income individuals to borrow if they borrow responsibly.** He expressed concern that credit can often be a disservice to people, and banks should not lend money when they know that those people will have trouble repaying the loan.

Social Distance between Banks and Low-Income Individuals

Other more theoretical evidence suggests that many low-income individuals are in fact credit worthy, but are unfortunately overshadowed by those persons whose banks see them as risky and undependable.¹⁹ For banks, the trouble lies in who to trust and who not to trust. When low-income individuals possess few assets to use as security or cannot show any credit history, banks (in order to minimize risk) assume they are not dependable. William H. Simon notes, in *The Community Economic Development Movement*, that "these facts may reflect discrimination, but they may also reflect the difficulty lenders and employers have in distinguishing these people from superficially similar applicants."²⁰ **Social distance created between banks and low-income communities perpetuates this distrust.** This distance makes assessing the creditworthiness and determining value of collateral extremely difficult.²¹

For low-income individuals, the "intimidation factor" of simply walking into a bank can decrease their propensity to open a bank account or utilize services, increasing the chances that they turn to more predatory forms of financial services. Mr. Grist says that he tries to close this social distance by taking steps to make clients feel welcome, particularly those who often come in with their head down. He has observed a noticeable difference, as many clients now appear more comfortable about coming into the bank, decreasing this "social distance."

¹⁸ Grist, David.

¹⁹ Simon, William H. *The Community Economic Development Movement: Law, Business, and the New Social Policy*. Durham [N.C.]: Duke UP, 2001. Print. Skyline Manor Manager. Telephone interview. 25 Mar. 2010.

²⁰ Simon 44

²¹ Simon 27-28

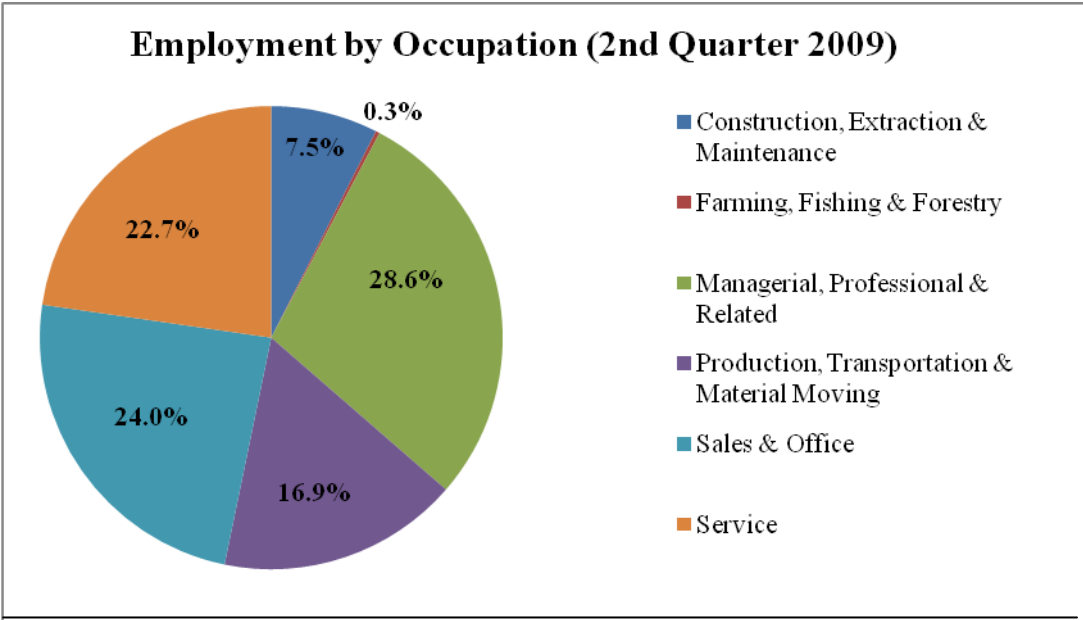
2. Unstable Employment

Defining “The Poor”:

Credit availability is an issue for the “near poor” or working poor in addition to those who fall below the federal poverty threshold. According to the 2009 Poverty Guidelines published by the U.S. Department of Health and Human Services, the poverty threshold for a family of four is \$22,050. Certainly households near, yet slightly above, this threshold still suffer through many of the financial issues outlined further in this paper, therefore it is important to define the broader population to which we refer. Many of these “near poor” families also fall into the category of “the working poor” defined as individuals who are economically disadvantaged despite the fact that they are employed. The following section will provide additional information regarding who these people are in Rockbridge County.

We have found that Rockbridge County has a lack of low-skilled work available for low-income job seekers. Employment is a direct factor of a person’s ability to pay bills on time and maintain good credit standing, and is also directly correlated to an individual’s socioeconomic status. Of those individuals employed in Rockbridge County, only 4.7 percent fall below the poverty line. However, 41.1 percent of unemployed individuals fall below the poverty line, with females comprising a large portion of the unemployed.

According to the Virginia Economic Development Partnership, **the unemployment rate of Rockbridge County as of December 2009 was a high 7.7 percent as compared to a statewide rate of 6.7 percent.** The following chart illustrates the breakdown of employment in Rockbridge County by occupation in the second quarter of 2009, with a total of 12,725 individuals employed.



The next figure lists mean wage and annual salary by occupation for Rockbridge County. Many occupations do not pay more than \$15 per hour and many area residents receive an annual salary between \$20,000 and \$30,000 per year. Individuals falling into this category are not considered

to be in poverty according to the 2009 poverty guidelines; however, they likely still suffer through many financial problems because of their income level.

Estimate Earnings (May 2008)		
<i>Occupation</i>	<i>Mean Wage</i>	<i>Mean Salary</i>
Packers and packagers, hand	\$11.66	\$24,253.89
Laborers and freight, stock, and material movers, hand	\$12.14	\$25,246.96
Industrial truck and tractor operators	\$13.64	\$28,380.73
Truck drivers, light or delivery services	\$11.54	\$24,013.45
Truck drivers, heavy and tractor-trailer	\$17.66	\$36,736.44
Maintenance and repair workers, general	\$16.23	\$33,766.39
Construction laborers	\$12.02	\$24,998.73
Carpenters	\$16.63	\$34,598.76
Office clerks, general	\$12.41	\$25,805.99
Stock clerks and order fillers	\$12.42	\$25,843.70
Shipping, receiving, and traffic clerks	\$13.04	\$27,128.09
Customer service representatives	\$14.39	\$29,935.39
Bookkeeping, accounting, and auditing clerks	\$14.72	\$30,627.54
First-line supervisors/managers of office & admin support workers	\$21.56	\$44,840.40
Sales reps, wholesale & manufacturing, ex technical & scientific products	\$27.43	\$57,056.80
Nursing aides, orderlies, and attendants	\$10.93	\$22,729.49
Teacher assistants	\$8.97	\$18,664.21
Teachers and instructors, all other	\$17.28	\$35,945.39
Secondary school teachers, except special and vocational education	\$23.11	\$48,068.52
Elementary school teachers, except special education	\$21.75	\$45,240.30

Source: Virginia Economic Development Partnership²²

Many local organizations shared rough estimations of the breakdown of employed clients versus unemployed clients in Rockbridge County. Wendy Morgan at Rockbridge Area Community Services estimated that approximately 40 percent of her clients are employed versus 60 percent that are unemployed.²³ According to Rob Wilson at USDA Rural Development, an estimated 90 percent of individuals seeking direct lending services are unemployed and on social security, disability, or other government assistance. On the other hand, about 90 percent of clients looking for a guarantor to underwrite a formal bank loan are employed in manufacturing type jobs.²⁴ Of the four low-income residents with whom we spoke directly, none is currently employed, but all four had been previously employed.

²² Virginia Economic Development Partnership. Web. 30 Mar. 2010. <<http://virginiascan.yesvirginia.org/communityprofiles/SearchResults.aspx>>.

²³ Morgan, Wendy and Wilson, Laura Jane. Personal INTERVIEW. 20 January 2010

²⁴ Wilson, Rob. Personal INTERVIEW. 22 January 2010

Those fortunate enough to have a job are often not stably employed as many jobs in the Lexington area are seasonal, so people find themselves unemployed at certain times of the year for reasons they cannot control.²⁵ This seasonality becomes a factor in individuals' ability to gain credit and generate savings as they only receive an income during a portion of the year, and budgeting is a difficult task that we will tackle further in this paper. One local resident, Participant B whose story is told more fully in Appendix A, described how her husband was laid off around Thanksgiving of 2009 and has remained on "layoff status" since that time. His unemployment meant that they were unable to secure a bank loan in January because they couldn't submit current paychecks as part of the bank authorization process.

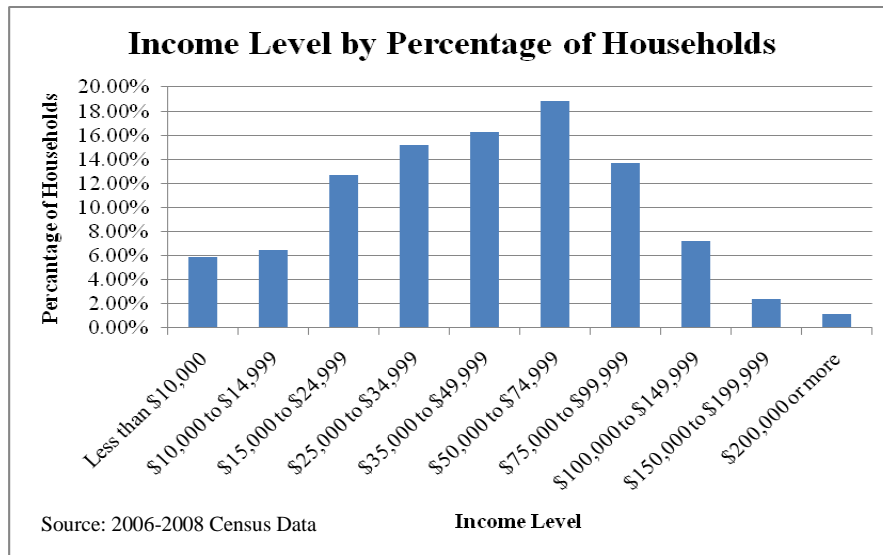
Many leaders of local organizations discussed the issue of poor childcare availability as directly related to a female's ability to actively seek employment and ultimately to enter the workforce. In order to avoid sacrificing children's development by placing them in inadequate childcare, many women find they must stay at home with young children. If they are able to leave children in some sort of childcare arrangement, worker productivity is usually decreased because of the instability of many childcare options.²⁶ According to Melissa Caron and Chris Martin's 2008 Rockbridge Poverty Assessment, which references W&L's Task Force on Child Care, households in Rockbridge County with the local median annual family income of \$58,529 would have to spend 35 percent of that income to place two children in licensed child care. In Lexington, the number falls to 25 percent, but still represents an extremely significant portion of their annual income. For lower income families, spending this high of a percentage of annual income is not feasible when essential expenses such as housing, food, transportation and medical bills consume most, if not all, of the household's income.

²⁵ Coats, Holli and King, Nicole. Personal INTERVIEW. 27 January 2010

²⁶ Caron, Melissa and Martin, Chris. "Rockbridge Poverty Assessment 2008."

3. Deficient Income

According to many community leaders, one of the largest causes of bad credit is not behavioral spending or lack of financial literacy, but simply deficient income. Because of the current economic recession, Rockbridge area residents find it harder to secure and hold onto jobs. From December 2008 to December 2009 the unemployment rate in Rockbridge County increased from 6.4 percent to 7.1 percent.²⁷ The following chart illustrates the percentage of households which fall under specific income levels. A total of 25.1 percent of Rockbridge County's population has a household income of less than \$24,999 per year.



This deficiency in income results when justifiable personal expenses surpass household income. In many instances, shown in the chart below, low-income residents do not have an adequate paycheck to cover necessary expenses. The majority of survey respondents who do have some amount of income receive this income through disability insurance.

ID #	Do you Receive A Regular Paycheck?
1	Yes (husband)
2	Yes
3	No
4	No
5	Yes (disability)
6	Yes (housekeeping)
7	Yes (disability), husband on layoff status
8	Yes (disability)
9	Yes (disability)
10	No

²⁷ "Unemployment by County in Virginia." U.S. Bureau of Labor Statistics. Mid-Atlantic Information Office, 4 Feb. 2010. Web. Mar. 2010. <<http://www.bls.gov/ro3/valaus.htm>>.

Many low-income residents cite housing and basic needs as their largest personal expenses. Several community agency leaders believe that rent is the largest expense for their clients, especially as the cost of housing continues to rise. Ms. Thompson discussed how a majority of her clients move two or three times per year because of inordinate rental fees. One Rockbridge County resident also pointed out that the cost of rent in many areas of Buena Vista has become astronomical.

Dan Walz, Executive Director of Habitat for Humanity, agrees that it is no longer solely peripheral expenses that push residents into debt, but also essential expenses such as mortgages and basic living needs. Due to a fall in income levels, Mr. Walz has experienced an increase in incomplete payments on mortgage notes for Habitat houses. Mr. Walz states that “it’s not that [low-income individuals] have increasing access to all sorts of credit. It is the inability to pay the core credit they have.”²⁸ Many Rockbridge area residents struggle to find full-time jobs that will cover their basic needs. While some may have steady jobs, hours have been cut and earnings have diminished. Overall, without a steady, sufficient income, residents have increasing difficulty paying mortgage loans and other necessary expenses. As an example, one survey respondent said that simply “making enough to survive” is her biggest financial burden.

When asked what their largest expense is, participants A, B, C and D each quickly responded that paying the mortgage and paying house expenses is the highest. Their responses parallel Mr. Walz’s claim that “essential” costs alone, as opposed to peripheral expenses, drive people into poverty. These responses differ somewhat from responses from several community agency leaders regarding poor prioritization of finances. We address this claim in Section 8.

The following chart outlines the greatest personal expenses and largest financial burdens reported by ten low-income residents of Rockbridge County.

ID #	Largest Personal Expense	Biggest Financial Burden
1	Transportation (gas)	Making enough to survive
2	Basic needs	Not working enough hours
3	Basic needs, hospital bills, home	House, worry a lot about not having an income right now
4	Home, gas, food	Needs to help a child who is sick
5	Hospital bills	Hospital bills and the inability to get credit
6	Food, clothes, transportation [^]	Paying bills with not much work ^{^^}
7	Mortgage	Paying bills with husband laid off since Thanksgiving
8	Mortgage	Paying off bills and loans
9	Mortgage	Having money in bank account to pay home expenses first
10	Bills and basic needs	Not having enough money is very stressful

[^]Coming out of domestic violence and trying to pay bills and raise 2 small children on a smaller income

^{^^}Trying to pay bills when work “hasn’t been much”; it’s finally picking up now but only pays \$7.25/hour; constantly stressed out

²⁸ Walz, Dan. Personal INTERVIEW. 8 February 2010.

As an attempt to lower the percentage of income that people spend on housing, Vicky Agnor at the Rockbridge Rental Assistance Agency stated that her clients can put no more than 40 percent of their monthly adjusted income toward rent. This regulation allows her clients to maintain a level where they can afford both housing and other necessary expenses. However, with the current increase in unemployment and with a decreasing trend in income levels, finding housing that meets this criterion can be difficult.

4. Difficulty Overcoming Bad Credit

One key issue is a lack of knowledge about the repercussions of building up poor credit early. Kitty Brown at Rockbridge Area Relief Associated (RARA) cited that approximately 90 percent of RARA clients have poor credit ratings. People may not realize that they are hurting their credit score with late bill payments and by taking advantage of credit cards that they receive in the mail and that these decisions will harm opportunities in the future. **One bank leader discussed that many individuals do not understand that how they handle their bills today can have a huge impact on their financial capabilities in the future.** Among the low-income residents of Rockbridge County with whom we spoke, the major reason for bad credit is the build-up of credit card debt. Participant D, whose story is developed further in Appendix A, received two credit cards in the mail, built up several hundred dollars of debt on one and close to two thousand on another, and is still working to pay them off now. She says that she does not know what effect this is having on her credit score, though it is likely harming her capacity to receive bank loans in the future. Even if she is able to secure formal loans, they will likely have higher interest rates attached. Another resident, Participant A, received a credit card in the mail and used it once. She has not been able to repay the small balance and receives regular notifications about the increasing amount of debt that she is accruing. **She knows that this is hurting her credit score; however, she says that she must choose between paying her mortgage and paying her credit card bill, and paying the mortgage, “keeping her house,” is a higher priority.** Of the ten Rockbridge County residents surveyed (chart listed below), only two incurred credit card debt. Others say that they do not have credit cards at all, some citing that they are proactively trying to be responsible with their finances by using a debit card instead.

ID #	Credit Card Debt?
1	No
2	No
3	Yes
4	No
5	No
6	No
7	No
8	Yes
9	No
10	No

Having a poor credit score means that securing a formal bank loan is certainly more difficult, if not nearly impossible. As mentioned earlier, a credit score that previously fell into an acceptable range for receiving a consumer loan from a bank is often no longer high enough. While a low credit score used to be something in the 620 range, banks now require minimum scores closer to 680 or 700. Furthermore, having a co-signor no longer increases your chances of being approved for a loan.²⁹ In previous years, someone with a poor credit score could ask a friend, relative or outside organization with strong credit to co-sign or guarantee her loan. In the event that the primary loan recipient defaulted, the bank could then go to the co-signor to receive

²⁹ Shomo, Randy.

a portion or all of the payments due. However, banks no longer accept this model. One bank leader mentions that it is now harder for someone to stand on their feet again if they have had past credit trouble.

Incurring bad credit, or having no credit at all, can also lead to difficulty finding adequate housing. Even low-income housing units look at individuals’ credit before allowing them to become a tenant. Jeri Schaff and Laurie Lamont of Maury River Senior Center observed that their clients frequently find themselves in terrible, overpriced housing because a housing unit pulls a credit report, sees that the individual has bad credit, and automatically disregards their application.³⁰

We contacted several low-income housing buildings to investigate what sort of credit analysis is performed when looking at housing applicants. People working at several apartment buildings, including Mountain View Terrace Apartments and Green Hills Apartments, said that they do pull an applicant’s credit history and that it is an important factor in the ability to secure an apartment unit. Multiple others confirmed that they check both the credit history and criminal record. Only two apartment complexes seemed to be more flexible, explaining that they examine credit history to a certain point, but applicant’s shouldn’t “let it stop [them]” from applying. However, Ms. Lamont also mentioned that some housing units may be more flexible than others because there are certain clients in subsidized housing whom she knows have very low credit ratings. For example, Skyline Manor makes every effort not to turn away potential residents because of low credit scores. The Manager of Skyline Manor stated that many of the apartment complex’s residents are elderly and on a fixed income, so credit issues are often unavoidable. When an applicant presents credit issues, Skyline Manor requires the applicant to clarify the situation, and in most cases, the credit issue will not hinder the applicant’s acceptance.³¹

The following chart includes rough estimates regarding the number of individuals turned away from apartment housing due to poor credit.

Apartment Complex	Individuals turned away due to low credit scores within the last year (estimated)
Lexington House	fewer than 10
Greenhills, Valley View, and Willow Springs Apartments	25-32% of applicants
Hunt Ridge Apartments	10, 3% of applicants
Skyline Manor	2, attempt to never turn away
Vista Apartments	6

³⁰ Lamont, Laurie and Schaff, Jeri. Personal INTERVIEW. 15 February 2010.

³¹ Skyline Manor. Phone INTERVIEW. 27 March 2010.

One potential option for reestablishing credit is to consolidate an individual's debt so that it is easier to repay. As stated earlier, if banks are unable to approve a loan for one of their applicants, they will make suggestions for improving his or her financial situation and increasing the likelihood of future loans. These suggestions often include examining whether or not debt consolidation would be beneficial for the individual. In addition, for \$59.99 per month, **Preferred Credit Repair (PCR)**, located in Buena Vista, assists individuals with the removal of any inaccurate negative items on a credit report. While PCR does not perform credit counseling, it does refer clients to counseling agencies in Roanoke and Staunton when clients need such resources.³² The lack of local resources introduces a need for local credit counseling accessible for low-income individuals, a need we will discuss further.

³² McCoy, Chris. Preferred Credit Repair. Phone Interview. 26 March 2010.

5. Predatory Lenders

Basics of Payday Loans

In order to receive a payday loan, the borrower first must write a personal, post-dated check for the loan amount in addition to any fees incurred. For example, if a borrower is looking for a \$300 loan, (s)he will write a check for \$350, with lending fees accounting for the additional \$50. The borrower receives immediate cash in return, and the lender holds onto the check until the borrower's next payday. At the next payday, the borrower will return to the lender to repay the loan, continue to borrow for another term, or the lender will cash the original check written to them. This potentially instigates a second form of debt as a borrower's bank account may not have sufficient funds to cover the amount of the check, and the borrower incurs overdraft bank fees in addition to the costs of the loan.³³

If the borrower is unable to pay back the loan by the next payday, (s)he enters into what is commonly referred to as the "debt trap." According to the Predatory Lending Association, an organization (whose existence is nothing less than outrageous) that is "dedicated to extracting maximum profit from the working poor by increasing payday loan fees and debt traps"³⁴, 90 percent of lenders' profits come from borrowers who are not able to pay off their loan initially and are forced into this debt trap. Further, an average borrower will take out nine loans per year at exorbitantly high rates.³⁵ These rates are often around 15 to 30 percent, typically for a two-week loan, which is roughly equivalent to annual percentage rates (APR) ranging from 390 to 780 percent. Because the loans begin as a short-term solution to liquidity issues, borrowers typically do not realize the high rates they are being charged, especially as additional fees are incurred with failure to repay on time.

According to the Consumer Federation of America (CFA), a licensed payday lender must provide each prospective client with a pamphlet that explains his or her rights and responsibilities before entering into any transaction.³⁶ While informative, this pamphlet is quite dense. It includes information that needs to be understood before transaction, but could be considered difficult to understand fully. A copy of the required pamphlet can be found on the CFA website (10VAC5-200-30 Notice and payday lending pamphlet).³⁷ In April 2008, the Virginia State Legislature passed a new law stating that payday lenders cannot place an annual interest rate higher than 36 percent on small consumer loans. In addition, the new law requires recording of each payday loan transaction in a statewide database in order to regulate reoccurring usage.³⁸ Though regulations do limit the rate that payday lenders can charge, a 36 percent interest rate, in addition to other loan fees, is still extremely exploitative.

³³ "Payday Lending Basics." *Center for Responsible Lending*. Web. Mar. 2010.

<<http://www.responsiblelending.org/payday-lending/tools-resources/payday-lending-basics.html>>.

³⁴ *Payday Loans - Predatory Lending Association (PLA)*. Web. Mar. 2010.

<<http://www.predatorylendingassociation.com/>>.

³⁵ *Payday Loans - Predatory Lending Association (PLA)*. Web. Mar. 2010.

<<http://www.predatorylendingassociation.com/>>.

³⁶ "LIS Administrative Code 10VAC5-200-30." *Legislative Information System 2010 Session*. Web. Mar. 2010.

<<http://leg1.state.va.us/cgi-bin/legp504.exe?000+reg+10VAC5-200-30>>.

³⁷ "LIS Administrative Code 10VAC5-200-80." *Legislative Information System 2010 Session*. Web. Mar. 2010.

<<http://leg1.state.va.us/cgi-bin/legp504.exe?000+reg+10VAC5-200-80>>.

³⁸ "Virginia Payday Loan Laws & Legislation." *Payday Loan Laws Cash Advance Laws & Legislation State, US, Canada, Australia & More*. Web. Mar. 2010. <<http://www.paydayloanlegislation.com/virginia.html>>.

The Path to Predatory Lending

An article published by the Vermont Development Credit Union articulately describes the factors that lead low-income individuals toward predatory lenders.

In our complex modern economy, where full participation requires the ability to finance major assets such as education, vehicles, and homes, the ability to borrow well has become an essential component of wealth building. Bank modernization, with its high fees and computerized credit scoring, increasingly cuts off people of low wealth from market rate credit. This drives them into the arms of the exploding predatory lending industry, where high interest rates and loan fees structured so as to make repayment impossible drag families into a downward spiral of negative wealth, anxiety, and hopelessness.³⁹

This excerpt mirrors some of the responses that we received when discussing predatory lending habits with community agency leaders in town: the poor use payday lenders when they need quick cash and are not aware of, or do not have, other alternatives.

Payday Lenders in Rockbridge County

Many of the individuals we spoke with cited payday lenders as a problem among their clients, but the issue is largely a recent development. **The payday lending services in Rockbridge County are relatively new in the area and are beginning to take hold among their target clients. In particular, the Predatory Lending Association cites Lexington as a “recommended payday location” because it has a “high concentration of working poor with few existing lenders.”**⁴⁰ This working poor population includes those employed in sectors outlined in section two, who may not fall below the poverty threshold of \$22,050 but suffer financially because of low wages and an inability to cover necessary expenditures.



During our research, we visited the payday lenders in the area hoping to ask questions to fully understand the process in Rockbridge County. The payday employees appeared hesitant and nervous with our presence and quickly followed protocol by forwarding our questions on to their district office. We were able to grab pamphlets available to the public, which have helped us grasp a better idea of the local payday lender environment. **Check Into Cash** does not provide any information about responsible use of payday lenders upfront to its potential customers, but does give them a pamphlet on its five key services: (1) cash checks, (2) provide loans up to \$500, (3) provide money orders and money transfers worldwide, (4) assist with phone, gas, water, and

³⁹Bullard, Antonia and Stewart, Caryl. "Credit and Homeownership: Vermont Development Credit Union. Web. March 1020. http://www.pew-partnership.org/pdf/03_credit.pdf.

⁴⁰ "Working Poor Finder - Predatory Lending Association." *Payday Loans - Predatory Lending Association (PLA)*. Web. Mar. 2010. <<http://www.predatorylendingassociation.com/working-poor-locations.shtml>>.

other bill payments, and (5) provide a Visa reloadable prepaid card.⁴¹ While all of these services seem tempting, each comes along with significant interest payments. We are happy to see that **Advance America** does provide information on responsible usage of payday advances upfront through an easy-to-read pamphlet created by the Community Financial Services Association of America (CFSA). The pamphlet includes suggestions on safe procedures for using payday lenders and answers to questions such as when to use payday advances, what to do if one is having a hard time paying back loans, and how to know if a payday loan provider “adheres to CFSA’s best practices.”⁴²

Agency leaders at Maury River Senior Center cited predatory lending as especially exploitative of their clients and gave a particular example. This client has an income of about \$1200 per month, lives in subsidized housing, and uses the local food bank. She, like many low-income individuals, has difficulties prioritizing needs and wants and will buy seemingly unnecessary consumer items despite having unpaid medical bills. This individual visited a payday lender a couple of years ago to subsidize her spending habits and eventually became involved with three local payday lenders. Once a month she would take the Rockbridge Area Transportation System (RATS) to each of these three places and eventually got to a point at which she was deeply in debt and unable to repay these short-term, high-rate loans. This client also claimed that there were numerous people who used the payday lending services in the same way that she did. Maury River Senior Center found that these predatory lenders were violating a recently enacted law and sent their client to Legal Aid who has tried to convince the payday lenders to cease using intimidation tactics to pressure the client to pay. Everything was assumed to be settled, until they learned that the client was still receiving threatening letters from one of the payday loan locations as of January 2010.

When asked if payday lenders are an issue for her program participants, **Ms. Thompson at People’s United Methodist Church replied with an overwhelming, “Oh my goodness, yes.”** She sees clients who seek immediate cash in receiving loans from Cash Advance, American General, or Rent-A-Center in both Buena Vista and Lexington. Ms. Thompson described clients who go to Rent-A-Center when they do not want to wait to save money for items like a TV or living room chair. Rent-A-Center requires a very low payment on a weekly basis. However, this low amount carries per month about four times what it should in addition to interest expense, so by the time they pay off an item like a washer and dryer, they could have “bought three of them at Lowe’s, sold two, and made a profit.”⁴³ Ms. Thompson tries to show this model to participants to provide an example of both avoiding exploitation and reaping the benefits of shifting to a more long-term mindset.

⁴¹ Check into Cash. *Check into Cash, Your One Stop Money Shop*. Print

⁴² Community Financial Services Association of America, ed. *Your Guide to Responsible Use of Payday Advances*. Alexandria, VA, 2008. Print.

⁴³ Thompson, Danta. Personal INTERVIEW. 10 March 2010.

The following chart outlines the number of people surveyed in Rockbridge County who have used the services of a local payday lender:

ID #	Used payday lender?
1	Yes (couldn't get loan anywhere else)
2	No
3	No
4	No
5	No
6	Yes (needed money quickly)
7	Yes (last resort)
8	No
9	No
10	No

One Rockbridge County resident, Participant B referenced in Appendix A, spoke with us about her experience using a payday lender. She described how she “basically lived there” and knew that she had to get out of it but just couldn’t at the time. Participant B said that she went to the payday lender in the first place because she needed money quickly, largely because of the economic downturn and high gas costs incurred from driving on the highway. She prays that she never has to use the service again; it becomes a habit despite the fact that it starts as an option of last resort. Participant B seemed very knowledgeable about the repercussions of using a payday lender; she did not go there out of ignorance, but considered it to be out of necessity. She told us that some of her friends also use the services of payday lenders, but that it is something people are ashamed of and rarely speak about to each other. She gave us the analogy of payday lenders being like cancer: it’s like an abnormal cell that grows and takes over you, but people do not like to talk about it.

6. Low Savings

Bank Accounts and Savings Level in Rockbridge County

Most of the community agency leaders with whom we spoke reinforced the fact that their clients have not managed to put any income into savings, and we found this claim to be accurate after speaking with local low-income residents. Bringing up the issue of savings tends to beg the question: how can I save money when I hardly (or do not) have enough money to cover my bills and necessary expenses? This is a question that we have struggled with ourselves, and this section outlines what leads to low savings, the repercussions, and suggestions for starting to save.

Underutilization of Bank Accounts

Through interviews with Rockbridge County residents as well as leaders of various community organizations in the area, we have learned that the majority of low-income individuals suffer from a lack of savings. Some people do not have a bank account at all, and those who do have a bank account typically receive a fixed income that is deposited regularly into their account, but no savings is put aside for future expenses. According to our survey, three out of ten residents responded that they do not have a bank account, and seven responded that they do. Of those seven, at least four receive disability insurance and opened accounts so that this fixed income can be directly deposited.

ID #	Do You Have A Bank Account?
1	Yes
2	Yes
3	No
4	Yes
5	No *
6	No
7	Yes
8	Yes
9	Yes
10	Yes

*Unable to get checking account because of credit, but has a savings account

Not having a bank account also means that individuals are subject to the high cost of cashing checks to pay bills. However, there are also certain costs for low-income individuals directly related to obtaining a bank account. Any sort of fixed fee has a disproportionately larger effect on the poor than it would for any middle or upper income individual opening an account. Additionally, without savings built up, most low-income individuals have very low account balances and are frequently subject to overdraft fees, which increase their level of debt. Several community agency leaders cited examples of clients continuing to write checks for money not in their account and incurring high fees as a result. Ms. Thompson explained how one of her program participants accumulated close to \$800 in bank fees off of a \$100 overdraft check that (s)he was unable to repay. Participant B also described how overdraft fees have been a problem

for her family. She mentioned that small, forgettable charges, such as those incurred from using an ATM of another bank, add up unexpectedly, and it is often difficult to time their deposits and withdrawals with automatic withdrawals from the insurance company.

Despite these costs, theoretical studies suggest that individuals' propensity to save money is directly and positively influenced by whether or not they have a bank account.⁴⁴ In particular, the study titled "A Behavioral-Economics View of Poverty," published in *The American Economic Review*, illustrates behavioral savings benefits that result from possession of a bank account.

Mental accounting studies suggest that unlabeled and easily available money will be spent more freely than money that is "accounted for," leading to very low saving rates among the un-banked, who may then resort to negative-interest saving vehicles, such as lay-away plans or rent-to-own, which are immediately available and less subject to the adoption barriers that come with bank accounts...Policies that encourage the take-up of bank accounts may naturally lead to improved savings and budgeting in general. For example, the opening of a checking account can provide access to services such as automatic electronic payments that may help reduce the occurrence of neglected bills. Furthermore, as has been documented among the nonpoor, an increased utilization of saving accounts, partially as commitment devices, can increase savings.

We have found that these theoretical trends prove to be true in Rockbridge County and believe that the low usage of bank accounts can be a direct factor contributing to low savings.

Effect of Unexpected Costs to Families without Savings

According to an economic model outlining the "vicious cycle of poverty," low savings is a significant factor keeping individuals in poverty as people aren't able to protect against large one-time expenses or unexpected job loss, which will be discussed in the following section. These one-time expenses build up and put individuals further into debt, even if they do have a steady paycheck. Similarly, a lack of savings exacerbates problems associated with losing a job or having a car break down.

Starting to Save

Danta Thompson's financial management program encourages clients to use a designated envelope to put away \$2 to \$5 per paycheck depending on where their mindset and capabilities lie at that time. She counsels them to get into the habit of saving money informally without "biting off more than they can chew." Additionally, savings matching programs such as the VIDA program, outlined in more detail in a later section, provide incentive for low-income households to save by matching the money they are able to put away 2:1. There are various stipulations involved; however, we think that the fundamental model of matching dollars saved as an incentive to start saving could initiate positive changes. Some of these changes could include more responsible patterns of spending as people realize the direct benefits of saving.

⁴⁴ Bertrand, Marianne, Sendhil Mullainathan, and Eldar Shafir. 2004. "A Behavioral-Economics View of Poverty." *American Economic Review*, 94(2): 419–423.

7. No Defense against Unexpected Expenses

The prevalence of low savings that we have found among individuals in Rockbridge County indicates that there is no defense against unexpected, often non-recurring expenses.

Without a bank account with some level of savings to provide a “safety net” for unanticipated expenses, individuals can quickly drown in insurmountable levels of debt. Speaking with individuals in community organizations, it appears that both chronic debt and large one-time expenses are key problems in Rockbridge County. Laurie Lamont at the Maury River Senior Center cited the lack of a financial “cushion” as the biggest problem when people are surviving paycheck to paycheck, which we know from the previous section is a significant portion of the area’s poor.

One-Time Medical Expenses

Medical issues and hospital bills can send a family deep into debt because of circumstances frequently beyond their control. A Harvard study conducted in 2005 reported that medical issues attributed to close to 50 percent of all bankruptcy filings, and over 75 percent of these individuals had insurance at the time of their illness. Dr. David Himmelstein, leading Harvard’s study, claims that “unless you’re Bill Gates you’re just one serious illness away from bankruptcy.”⁴⁵

Jeri Schaff at the Maury River Senior Center provided an example from her work at the United Way of unanticipated medical expenses pushing households into debt. She received a telephone call from a man who was employed for forty years and had been donating money to United Way every one of those years. Despite the fact that he had been steadily employed for a majority of his life, he and his wife had little saved for the future. One day, he called Ms. Schaff at United Way asking for his donated money back because his wife was on dialysis and in a wheelchair, and he didn’t have \$400 to build a ramp for her.

Home Maintenance

Agency leaders in Rockbridge County also mentioned that the prevalence of debt may exist because individuals don’t account for infrequent home maintenance costs when spending money on other goods. Agency leaders cited examples of overwhelming home expenses such as a home furnace breaking, for which people don’t budget because they are non-recurring costs. It is difficult to show the benefits of regularly saving a fixed amount of money to account for these expenses when individuals have trouble simply covering immediate costs. Furthermore, with new environmental laws, people must replace their air conditioning unit if they have to replace their furnace, which adds even further costs certainly not factored into a consistent monthly budget.⁴⁶ Another example illustrating the “snowball” effect that can occur with unanticipated events and non-recurring expenses is a porch roof collapsing onto the washer and dryer.⁴⁷ The cost of replacing the appliances on top of the cost of roof repair can be overwhelming.

⁴⁵ "Top 5 Reasons People Need Debt Relief Or Reduction." *Debt Settlement - Debt Negotiation - Debt Relief - Debt Reduction - Avoid Bankruptcy - Bankruptcy Alternative*. Web. Feb. 2010.

⁴⁶ Walz, Dan.

⁴⁷ Lamont, Laurie and Schaff, Jeri.

8. Budget Allocation and Prioritization

According to many community leaders, the way in which Rockbridge County residents decide to spend their money has greatly perpetuated debt and financial issues. **While some residents may have the right intentions of creating a budget, agency leaders say that they often fail to account for arbitrary or minimal expenses that can aggregate into a significant portion of a budget.** For example, Dan Walz of Habitat for Humanity pointed out that when he assists his clients in creating a budget, many of them forget about some of the smaller, but necessary expenses such as home repair, toiletry items, gifts for special occasions, haircuts, etc.⁴⁸

Two community leaders stated that some residents choose to prioritize their budget in such a way that they can be pushed into debt and financial difficulty. One community leader mentioned that many of his/her clients struggle to give up certain material items. For example one client refused to forego his car to save for his mortgage even though the car took up over 60 percent of his budget. It's arguable that a car is an essential possession, especially in Rockbridge County with very few local transportation alternatives; however, the community leader suggested that this was a superfluous expense for the individual. Another community leader referenced a resident who uses food stamps, but also manages to pay for a top-end cell phone. Organization leaders suggested that some individuals choose to prioritize less necessary items like a fancy cell phone or cable TV over more necessary items such as housing because of the instant gratification they receive through those less important items. It is certainly true that some entertainment is nearly essential for normal functioning or considered to be a natural part of our culture, so there can be a fine line between necessary and excessive expenditures. However, many leaders of community agencies lean closer to the claim that this is an example of misspending, an issue which will be further discussed in section nine.

After interviewing the leaders of many community organizations within the area, we have discovered that most of these organizations already assist their clients in budgeting, but all of the community leaders we have talked to believe that their help is not enough. Budgeting and prioritization issues start long before clients seek their help and go way beyond what each organization is individually capable of addressing. A one-time tutorial on budgeting is usually not enough to break poor budgeting and prioritization habits.

While budget allocation and prioritization may be a leading cause of financial trouble in the case of some residents, it certainly is not the case in all. Many of the Rockbridge County residents we interviewed have expressed that even when correctly prioritizing their expenses, it can be extremely difficult to find the money to finance the most necessary items such as shelter and food. For example, Participants A, B, C and D say that they believe that paying their mortgage is their main concern and largest expense. Participant C says that even with her chosen prioritization, she worries frequently about having enough money in her bank account to pay her home expenses each month before buying groceries and other basic necessities, which ties back to our earlier discussion of deficient income.

⁴⁸ Walz, Dan.

9. Behavior of Spending

Many individuals develop poor spending habits at an early age due to many outside forces. **As early as in middle school, children are exposed to “simple” ways of spending money without seeing the consequences. The instant gratification of buying on credit can easily push individuals to unnecessarily spend money.** Two community agency leaders explained that buying the Playstation or skate board you always wanted, or even buying an extra candy bar through “plastic money” appears to have no consequence when you cannot physically see the cash disappearing. They believe that the idea of setting aside your money in a piggy bank to save up for something you *really* want or need is not as engrained in society as it used to be. Again, it is difficult to distinguish between excess expenditures on luxury goods and spending on items necessary for normal functioning that perhaps aren’t viewed as essential, and the outside spending environment perpetuates this confusion. The influence of external forces contributes to previously discussed issues of deficient income and inability to save, which can severely limit a low-income family, especially in times of emergency.

Many organization leaders see the problem of low employment perpetuating the cycle of poverty as young people grow up seeing parents without jobs and think that this is normal or acceptable. Children can often witness parents spending beyond their means and lose a sense of how expensive certain amenities are and how expenses should be prioritized. Their understanding of the difference between a necessity and a luxury becomes distorted. These spending patterns are hard to break and often affect subsequent generations because children may be raised without knowledge of how to handle finances. Harmful spending patterns point directly to the need for early education in responsible spending and consumption. We will discuss this further in our education recommendations.

Of course, while the misbehavior of spending may prove to be a leading cause of personal finance issues in some cases, it is certainly not true in all cases. As we mentioned in the previous section, many of the local residents we have interviewed seem to be constantly aware of their own spending behavior, claiming that they must know how to prioritize and wisely spend their money in order to survive. It is important also to acknowledge here that there may be a bias in our survey sample because the people willing to speak with us are likely to be people who are more aware of or concerned about their spending habits.

David Grist, CEO and President of Cornerstone Bank mentioned that in many cases, it is too late for him to help some residents immediately because they are already caught up in the vicious cycle of credit exploitation and misspending. Mr. Grist discussed regulatory models in other countries and explained that Japan has a limit of two credit cards per individual. By limiting its citizens to two credit cards, the Japanese government is counteracting the behavioral trend of unnecessary credit exploitation.⁴⁹ The United States could benefit from implementing similar limitations.

Pop Culture and the Media

External contacts, such as pop culture and the media, overwhelmingly support this overspending behavior. In current society, children watch TV shows with thirteen-year-old actors holding

⁴⁹ Grist, David.

expensive cell phones and wearing high-end clothing. Commercials convince them that it is easy and fun to buy vacations on credit cards. Tempting models of excessive spending are inescapable and also contribute to poor spending habits.

10. Lack of Financial Education

Middle and High School Education

Community leaders have indicated that some Rockbridge residents fall into perpetual cycles of debt and bad credit, simply due to a lack of financial awareness and education. High school students already discuss getting credit cards, but many do not understand the consequences of overusing credit.⁵⁰ In an informative conversation, Wendy Morgan and Laura Jane Wilson at Rockbridge Area Community Services expressed the importance of financial education starting in the middle school and continuing through high school.

Financial education extends further than saving and consumption strategies. To function in society, individuals must understand the basic background on banking and credit. What is credit and how do you use it? How do you establish credit? What are the consequences of a low credit score? What is a bank loan? How do payday lenders operate? Rockbridge County High School will begin requiring its students to enroll in personal finance classes starting next year with the class of 2013.⁵¹ Required courses such as this ensure inclusivity and do not depend on volunteer enrollment. However, merely offering the course is not enough; high quality teaching is crucial toward positive development, and we discuss this further in our recommendations.

Some seminars have been offered at Rockbridge County High School in the past. For example, last October, Wachovia assisted in a small classroom financial seminar at the Rockbridge County High School.⁵² Randy Shomo, Vice President of the Wachovia branch in Lexington, stated that the high school students seemed very intrigued by the topic and asked insightful questions. CornerStone Bank also participated in a similar program at Rockbridge County High School.⁵³ This leads us to believe that there is a need and desire for financial education at local high schools and possibly even in the local middle schools.

Furthermore, many adolescents of all socioeconomic statuses lack positive financial role models within their homes. **Any education provided in school must be supplemented in the home through constructive examples in order for lasting change to be made.** If children are not learning how to handle their money at home or in school, how can they be expected to make good financial decisions when they become independent in the near future? Educating children on responsible spending in addition to the financial basics is important. After-school programs could also help fill this need for early financial education, which we expand on in our recommendations.

Adult Education/Credit and Budget Counseling

Once an individual enters the cycle of debt and bad credit, he often cannot determine the next step. **For the most part, community organization leaders believe that these individuals have no access to, or are unaware of the counseling resources available to them.** As a result, they tend to fall deeper into debt and struggle to stay afloat. Many community leaders are also unaware of any counseling services in the area and do not know where to direct clients in need;

⁵⁰ Morgan, Wendy and Wilson, Laura Jane.

⁵¹ Rockbridge County High School. Phone INTERVIEW. 5 March 2010.

⁵² Shomo, Randy.

⁵³ Grist, David.

however, there are various organizations that offer credit counseling programs of which those in need should be aware.

Certain counseling programs have proven successful due to their long-term behavioral focus. The financial and family management programs run by Ms. Thompson are good examples. Her agency differentiates itself by focusing on an individual's mindset as a way to break the cycle of poverty, and this begins by assessing that individual's "vision" for the next six or twelve months. This also includes asking questions about how participants feel about debt and why they think they are now lacking financially. By focusing on an individual's strengths, weaknesses and internal needs, the program seeks to sustain long-term changes among participants. **Ms. Thompson explains that if you deal only with an individual's external needs, such as food, housing, clothing, and transportation, it is short-lived because the focus is not on what has gotten them into their situation initially and what will get them out of it.** The program boasts a number of success stories including the fact that all of the single parents who have gone through the family management program have graduated from nursing school or a four-year college.

One struggle with a program such as this is that it requires a high level of commitment from participants. It is not unusual for an individual to attend one or two sessions and discontinue participation after those initial meetings. Ms. Thompson describes that there should be a higher demand for financial management programs, but once you start talking to a person about the differences between wants and needs, you start to weed out people who are not completely committed to the program. In addition, certain individuals may feel uncomfortable seeking counseling from a religiously affiliated organization. Because of previous success, Ms. Thompson is currently working on separating her counseling services from the church.

11. Issues Facing Specific Populations

Battered Women and Lack of Control

Victims of domestic abuse experience somewhat separate financial issues in terms of debt and bad credit. An estimated 40 percent of clients at the local Project Horizon in Lexington are unemployed, and many of the 60 percent employed clients have seasonal or unstable jobs.

Women often stay at home raising children, so when they leave their husbands or go to a shelter like Project Horizon and are forced to begin looking for work, they lack the skills or necessary work experience critical in gaining employment. Furthermore, many victims of domestic violence must raise children by themselves, making it even harder to find time to work or be trained to work. Widowed women whose husbands acted as the main source of income or took care of every piece of financial information encounter similar issues.⁵⁴

Similarly, these women often have bad credit that is not a result of their personal actions. If a husband or partner has previous bad credit and is unable to get a credit card as a result, it is likely that the household credit card is under the woman's name despite the fact that she may not be the one incurring charges.⁵⁵

In order to mitigate these issues, Project Horizon discusses financial concerns when they perform intakes and include a budget sheet and budget planning information in its welcome packet. They have also joined with Wachovia to offer an enrichment program at the shelter. Though these efforts do have some positive effects, it is difficult to sustain lasting results because these women have developed bad habits or have never learned financial management skills. Furthermore, when an individual endures a crisis such as domestic abuse victimization, she has many other issues that maintaining or gaining a good credit score is not typically a priority.⁵⁶ However, Project Horizon provides effective personal finance support and credit assistance for clients in these situations.

Senior Citizens

Because of a common change in mental capacity as one ages, elderly residents of Rockbridge County are at a major disadvantage when dealing with personal finances.

While this is certainly not always the case, age can sometimes rob a person of their financial acuity. Ms. Schaff and Ms. Lamont at Maury River Senior Center (MRSC), see clients facing financial issues daily.

Ms. Schaff and Ms. Lamont see a “worry-about-it-tomorrow” trend within their clients, similar to leaders of other organizations around the area. When overwhelmed with complicated and confusing financial issues, some clients will ignore the problems, hoping they will disappear. Because of a diminished mental capacity, balancing checkbooks, maintaining steady bank balances, and keeping up with current financial systems becomes more difficult as one gets older. Some other clients will depend on the assistance of family members or friends who are often incapable of helping or don't have the others' best interest in mind. Ultimately, many senior citizens in Rockbridge County lack the resources necessary to avoid preventable financial problems.

⁵⁴ Coats, Holli and King, Nicole. Personal INTERVIEW. 27 January 2010

⁵⁵ Coats, Holli and King, Nicole.

⁵⁶ Coats, Holli and King, Nicole.

Typical financial problems within the elderly population in Rockbridge County include both chronic debt from living paycheck-to-paycheck and large one-time expenses.⁵⁷ Many residents spent most of their lives living day to day with nothing to fall back on. Minimal savings has left many senior residents with no cushion and no retirement plan. When troubled with costly expenses such as medical bills, residents are unable to pay, resulting in a never-ending cycle of bad credit and financial trouble.

Even after living a moderate lifestyle, spontaneous medical expenses can greatly affect the financial stability of a senior citizen. Unexpected, unavoidable large expenses affect Rockbridge County senior citizens daily. The example used earlier of the man who held a steady job for 40 years, lived a moderate middle class life, maintained a savings account, and even donated annually to the local United Way shows the reality of the issue. Even with the savings he had created through his steady job, the man's financial situation was not substantial enough to address his wife's needs. The man attempted to get a loan from a local bank, but was refused, leaving him stranded.⁵⁸

Ms. Schaff explained that as we age it becomes harder to keep track of every aspect of our lives. At a certain point, many senior citizens must depend on others to care for them and their finances. In some cases, it is not always the senior citizen's actions that instigate financial trouble. **Family members and friends can take advantage of the diminished mental and physical capacity of the elderly resulting in senior residents who are burdened with their children, grandchildren, or non-relative's financial troubles.**⁵⁹ Ms. Schaff used an example of a granddaughter who uses her grandmother's phone to receive collect calls from her incarcerated boyfriend. In this case, the grandmother only discovered the effects of her granddaughter's calls when she received her excessively high phone bill.

MRSC has offered both group and individual financial counseling and instruction covering topics such as how to set up a budget and differentiate between needs and wants. While initial interest levels are high, many individuals choose not to return for the second course.⁶⁰ Improving personal finances can be intimidating, frustrating, and time consuming and requires a certain level of commitment that many are not willing to put forward.

Immigrant Population

While only 1.1 percent of the Rockbridge County population is of Hispanic or Latino origin,⁶¹ this relatively small population is equally and differently burdened by personal finance and saving issues. Rebecca Beeson, co-chair of the student run English Speakers of Other Languages (ESOL) program, stated that a vast majority of her clients are greatly affected by a lack of access to credit. ESOL works to "facilitate communication within the increasingly diverse population of Rockbridge County" through English/Spanish classes, one-on-one tutoring, free translation of

⁵⁷ Lamont, Laurie and Schaff, Jeri.

⁵⁸ Lamont, Laurie and Schaff, Jeri.

⁵⁹ Lamont, Laurie and Schaff, Jeri.

⁶⁰ Lamont, Laurie and Schaff, Jeri.

⁶¹ "Rockbridge County QuickFacts from the US Census Bureau." *State and County QuickFacts*. US Census Bureau, 2008. Web. Feb. 2010. <<http://quickfacts.census.gov/qfd/states/51/51163.html>>.

documents, and an interpretation hotline.⁶² Ms. Beeson and her co-chair, Natalie Bunnell both explained that since most of the ESOL clients reside in Rockbridge County “unofficially” and hold jobs within the informal economy, formal access to credit is non-existent. **In many cases, financing a new home or the startup of a new business could only be done through informal lending, such as lending from friends or family.** Ms. Beeson also mentioned that many of the ESOL clients plan ultimately to return to their home countries, so they are less occupied with borrowing money or establishing good credit in Rockbridge County. An estimated 75 percent of ESOL clients currently live paycheck-to-paycheck and any surplus of money is typically sent to family in their home country.⁶³ Other than savings sent home, ESOL client’s largest expenses include housing and medical expenses since the majority do not have medical insurance.⁶⁴

Because many of the immigrant population ultimately plan to save their earnings and return home to their families, an increase in credit counseling and financial education may not be of relative importance to this specific population. On the other hand, Ms. Beeson does believe her clients could benefit from an ability to open savings accounts. However, without a social security number, increased access to savings accounts may prove to be impossible.

⁶² <http://esol.wlu.edu/>

⁶³ Beeson, Rebecca and Bunnell, Natalie. INTERVIEW. 26 March 2010.

⁶⁴ Beeson, Rebecca and Bunnell, Natalie.

Compilation of Services Available in Rockbridge County

Housing Assistance:

United States Department of Agriculture (USDA) Rural Development (RD)

Through its Guaranteed Rural Housing Loan Program, the USDA Rural Development office (funded by Congress) provides an opportunity for low to moderate-income individuals to qualify for mortgages even without a down payment. In order to be eligible, applicants must (1) have a steady, dependable income, (2) legally live in the United States, (3) not exceed moderate-income limits established for Rockbridge County, (4) demonstrate through credit history a reasonable willingness to meet payment obligations, and (5) have sufficient repayment ability. The mortgages provided are 30-year fixed rate at market interest rates.

The local Rockbridge County USDA RD offices provide two main types of loans: a Direct Lending 502 loan and a Guaranteed Financing 504 loan. The **Direct Lending loan** is a subsidy type loan that is more forgiving than other programs when dealing with credit issues. A credit score is not required, but three other methods of confirming repayment ability are necessary. Examples include but are not limited to rental, cell phone, car and utilities payments. After candidates pass the pre-qualification repayment ability check, they must fill out an application including a detailed budget form and mortgage form. The local USDA office works hard to guide applicants through the entire process. Rob Wilson and area specialists will sit down with the applicants to help work through budget allocation and research all payment possibilities. The USDA office also requires clients to attend homeowner education classes offered in Roanoke and provides homebuyers with information packets on home buying tips.

The second type of loan offered by the local USDA office, **Guaranteed Financing loan**, is a home improvement loan given directly through a bank to clients who exceed the USDA income limits for Rockbridge County, but do not meet regular requirements for bank loans. USDA assists the new homeowner by acting as a guaranteed underwriter for a certain percentage of the loan. In order to qualify, a family of four can earn up to \$73,600. According to Rob Wilson, current demand for Guaranteed Financing loans has skyrocketed due to the economic downturn, but local bank leaders have indicated that guaranteed underwriter loans are less likely to pass because of the current banking crisis. Banks are still encouraged to make loans, but must also remain conservative and meet higher regulations.

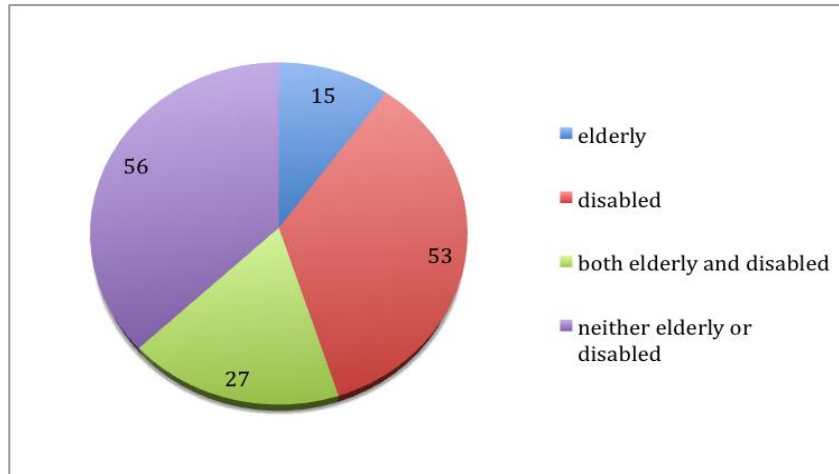
The local USDA office also provides a **grant option** for eligible applicants 62 years and older. If the candidate has a positive income cash flow, they are eligible for a \$7,500 grant (lifetime limit) to improve the safety of their home. Unfortunately, the USDA has a limited amount of available grants, which are disbursed quickly, leaving many qualified residents without help.

Rental Assistance Office

The Rockbridge Area Rental Assistance Office, administered by the **Virginia Housing Development Authority (VHDA)**, helps low-income families find and pay for affordable long-term housing through the Housing Choice Voucher (HCV) Program.⁶⁵ VHDA helps struggling families by “making mortgage loans that usually have below-market rates or special features to break down the barriers of owning a home” (VHDA packet). The Rental Assistance Office in

⁶⁵ <http://www.vhda.com/Renters/Pages/renters.aspx>

Lexington also develops strong relationships with landlords in order to combine efforts to create affordable rent payments for low-income residents. The VHDA website also provides many resources for renters and homeowners including online classes, tips, and easy-to-use financial calculators. From July to September of 2009, the Rental Assistance office helped a total of 151 clients. Demographics of clients can be seen in the graph below. Currently, there are 52 applications on the rental assistance waiting list and applications are not currently being accepted.⁶⁶



Primary Education:

Rockbridge County High School

Rockbridge County High School offers a semester-long personal finance class for tenth through twelfth grade students. The high school also offers a special-education version of the class. While students are encouraged, they have not been required in the past to take the course. Starting with this year’s freshman class (class of 2013) and moving forward, this personal finance class will be a requirement.⁶⁷

Rockbridge Middle School

Rockbridge Middle School offers a Civics class to seventh grade students that covers personal finance in one section of the course. Personal finance is also touched on in a Consumer Science class that is open to sixth, seventh, and eighth grade students.⁶⁸

Financial counseling:

Community Organizations

Many local community organizations provide a form of informal financial counseling to their clients through their services. For example **Project Horizon** has a joint program with Wachovia to assist their clients with banking and saving. **USDA Rural Development** and **Cornerstone Bank** send their clients to financial counseling in Roanoke through **Total Action Against Poverty (TAP)**. While the availability of this service is helpful, driving from Rockbridge

⁶⁶ <<http://www.vhda.com/Renters/Pages/renters.aspx>>

⁶⁷ Rockbridge County High School. Phone INTERVIEW. 5 March 2010.

⁶⁸ Rockbridge Middle School. Phone INTERVIEW. 5 March 2010.

County to Roanoke is expensive and time-consuming. A local financial counseling organization would be beneficial when considering time and finances. **Habitat for Humanity** and the **Rental Assistance Office** offer guidance and counseling to their clients as they move forward in their programs. These organizations mainly help with budgeting and creating a savings plan. **Maury River Senior Center** has provided their senior citizen clients with formal financial counseling classes in the past, but attendance after the first session has proven to be an issue.

Preferred Credit Repair, Buena Vista

In May 2009, Preferred Credit Repair, LLC (PCR) opened a new national call center in Buena Vista, located in the old Food Lion plaza on 29th Street. In a news release from Buena Vista Director of Economic Development Tim Reamer, PCR business owner Russell Tompkins stated, "PCR will assist consumers through the maze of credit institutions and clean up personal credit reports and assist to settle disputes with creditors that hamper the consumer's present and future ability to borrow money, lease equipment, buy insurance or mortgage real estate."⁶⁹ According to a local WSLs news article published in May 2009, 70 to 80 percent of credit scores are initially reported inaccurately. Tompkins states, "It takes 15 letters per item per client on average, to get the information correct between creditors and [the big three credit reporting agencies]."⁷⁰ PCR employers work with lawyers and contact creditors to help remove inaccurate negative items from credit reports, including late payments, collections, bankruptcies, repossessions, liens, judgments, and foreclosures.⁷¹ While PCR assistance can make a significant difference in credit score and can ultimately alter an organization's decision about an individual, this assistance is not free. According to David Grist at CornerStone Bank, clients must be willing to pay a set fee per month fee, which many low-income residents cannot afford. While PCR does not perform credit counseling, they do refer their clients to other local agencies when they are in need of such resources.

People's United Methodist Church

Through a comprehensive personal finance program, Danta Thompson, pastor at People's United Methodist Church, provides free money management assistance to residents around the county. Ms. Thompson is mainly focused on adjusting the mindset of individuals as a way to break cycle of poverty. She has had great success with her program and has made a crucial difference in many of her client's lives. Initially, Ms. Thompson looks at her clients' reasons for money management to determine strengths and weaknesses, and then takes action from there. In order to create long-term change, she focuses on how her clients envision their lives for the next six to twelve months. In her family management program, Ms. Thompson is currently assisting ten families who she meets with on a weekly basis. The size of her financial management program varies, but currently has fifteen participants. Ms. Thompson mentioned that all of her clients have found her strictly through word of mouth and she depends heavily on the help of volunteers. In the future, Ms. Thompson wishes to develop her program into an independent program with a separate 501(c)(3) status that depends less on the financial assistance of People's

⁶⁹ "Preferred Credit Repair Creates 100 New Jobs in Buena Vista." *WSLS News*. WSLs, 29 May 2009. Web. Mar. 2010.

www2.wsls.com/sls/news/local/article/preferred_credit_repair_creates_100_new_jobs_in_buena_vista/36375/.

⁷⁰ www2.wsls.com/sls/news/local/article/preferred_credit_repair_creates_100_new_jobs_in_buena_vista/36375

⁷¹ Bradbury, Tim. "About Us - Preferred Credit Repair." *Credit Repair Service / Preferred Credit Repair*. Preferred Credit Repair, 2009. Web. Mar. 2010. <<http://www.creditrepairservicecenter.com/about-us.html>>.

United Methodist Church. Because of the success of her program, Ms. Thomson would ultimately like to set up a working model that others can follow.

Other Financial Assistance:

Rockbridge Area Relief Association (RARA)

Based in Lexington, “RARA has been serving residents of Rockbridge County and the cities of Lexington and Buena Vista, VA since 1972.”⁷² Any individual struggling with finances may contact RARA by telephone to apply for assistance in the payment of various expenses including food, utilities, shelter, heating fuel, medications, and transportation. In some cases, RARA will collaborate with other agencies around the area to provide as much assistance as possible, including Total Action Against Poverty (TAP), Valley Program for the Aging Services (VPAS), Rockbridge Area Transportation System (RATS), the Salvation Army, and area churches.⁷³

Virginia Individual Development Accounts (VIDA)

The Virginia Individual Development Accounts (VIDA) program is a state funded program that supports and encourages low-income individuals to develop quality savings habits. For every \$1 a participant contributes to their VIDA savings account (located at Wachovia or BB&T), the program will match \$2, allowing the participant’s account to triple. In order to be eligible for the program, individuals must meet income guidelines based on household size (200 percent of the federal poverty limit). The matching funds are limited to \$4,000 and must be used within 2 years for only three expenditures: (1) Buying a first home, (2) Starting a business, or (3) saving for a family member’s education. This savings or program improves the financial situation of the participant and simultaneously increases our nation’s capital investment. VIDA program participants also receive “mandatory financial literacy training specific to their savings goal, budget training, and help locating and preparing to purchase their asset.”⁷⁴ To qualify, individuals must be employed United States citizens that meet certain income requirements. Participants must also save a minimum of \$25 per month or more.

Beacon Credit Union

A credit union currently exists in the county, but out of the residents we have surveyed, none have mentioned its use. Beacon Credit Union is a full-service financial institution with a branch in Buena Vista. Residents of Rockbridge County can become members by opening a \$25 account. The organization operates as a nonprofit, and any profits made are transferred into higher dividends paid to members or lower into rates charged on various loans.⁷⁵

⁷² "About RARA." *Index*. Rockbridge Area Relief Association. Web. Mar. 2010. <<http://raralex.com/about.aspx>>.

⁷³ <http://raralex.com/about.aspx>

⁷⁴ "Virginia Individual Development Account (VIDA)." *Virginia Department of Housing and Community Development*. Virginia Department of Housing and Community Development. Web. Feb. 2010. <http://www.dhcd.virginia.gov/HomelessnessToHomeownership/Virginia_Individual_Development_Account_VIDA.htm>.

⁷⁵ Beacon Credit Union. Phone INTERVIEW. 5 April 2010.

Key Recommendations for Implementation

After extensive research and discussions with Rockbridge County community leaders and residents, we offer the following recommendations for implementation. In the upcoming academic year, we hope to extend our project to other Washington and Lee students in order to take action according to these recommendations. The list of key recommendations is separated into six categories: schools, agencies, banks, individuals, government policy, and W&L students. We believe that in order to address the current personal finance and credit issues within the County in the most effective way, all six categories of involvement must work together to coordinate improvements. Each category must play its part to influence change.

1. Schools

Gaining personal finance skills begins with education and awareness. We conclude that this education should start at a young age and should be built upon throughout the teenage years and continue into adulthood. Children will benefit from savings tutorials starting in elementary school and personal finance lessons starting in middle school, as long-term solutions are necessary for long-term changes. Through positive examples of savings and prioritization in their classes, children will develop a basic knowledge to build on. We suggest that schools implement financial education in stages aligned with development and grade level. For example, middle schools should direct focus toward consumption and spending habits, explaining the differences between necessity and luxury. High schools should then increase the range of financial topics by covering credit and banking.

Middle School

Because of the strong influence that pop-culture and entertainment have on savings behavior in addition to a possible lack of financial education in the home, an awareness of financial reality should be reinforced starting in middle school. We suggest that all grade levels cover topics such as smart savings and consumption patterns. By starting this early, schools can provide children with a basic understanding of the importance of saving. Early personal finance education could also prevent children from initially forming poor saving and spending habits. While an extensive yearlong course may not be necessary, students could greatly benefit from periodic seminars consistently throughout their three years in middle school. In addition, educating teachers about these critical issues will increase sensitivity to and awareness of the subject. Teachers will then be able to weave financial education into their individual course curricula.

High School

As stated earlier, all high school students at Rockbridge County High School will be required to enroll in a one-semester personal finance class starting in August 2010. We reemphasize the fact that these classes be of high quality and be engaging. The classes should focus primary attention on savings, credit, and information about other banking topics such as loans and mortgages. High school students have already shown interest in personal finance in one-class seminars by local banks.⁷⁶ The community should capitalize on this interest by offering more seminars by bank leaders and other financial role models in the area. College students that are trained and knowledgeable in personal finance could potentially be of service at the high school as well.

⁷⁶ Shomo, Randy

Again, it is important that these programs be long-term and regularly occurring in order to bring about long-term change. Again, if these topics are woven into the curricula of more conventional classes, rather than be treated independently, students would have more constant exposure to the issues.

Career Days

A positive example of financial management and personal savings could also be implemented through career days in every level of education. An annual career day could work as a great tool for both parent and community school involvement. Students could listen to positive role models explain how they reached their current success.

After School programs

Another opportunity to educate children on personal finance and credit outside of the classroom is through after school programs. Through one-on-one tutoring or in a classroom style, current after school programs could develop a series of lessons starting with saving/spending education and possibly ending with credit awareness depending on the age group. Local banks, other organizations, and students could also participate in this education. Many students already volunteer at the local afterschool programs and have created close relationships with the children and agencies, so basic personal finance education could be a simple addition.

2. Agencies

Increased Coordination

Because of the assortment of existing resources, we suggest that local agencies compile their efforts to create joint programs. While many organizations provide their own form of credit counseling, it may be more efficient and more beneficial to create one universal program to fill the need of all local residents. By increasing communication and coordination, agencies could cut back on overlapping programs and utilize each other's knowledge and resources.

Apartment Complex Seminars

Vicky Agnor from the Rental Assistant Agency recommended that seminars be provided at each of the local apartment complexes in the area. These seminars would be open and free to the public. By hosting the seminars at each complex we would hope to reach a broad group of residents within the area. If residents are unable to attend the seminar in their area, they would be welcome to attend one at another location. Seminars would likely cover topics such as general personal finance tips, the truth about payday lenders, how to improve a credit score, and available resources in the area. Additionally, the seminar would end with a question and answer session in which residents could have their personal questions answered. Community leaders, banks, and W&L students could all get involved in the seminars to provide many different outlooks and answers to all of their questions. By providing such classes, the community would be investing valuable time and effort into spreading awareness of and solutions to prevalent financial issues.

Support Groups

We believe it may be beneficial for local individuals experiencing similar personal finance issue to find support through each other. Both community leaders and local residents mentioned in interviews that they believe many people do not realize they are not alone in times of hardship

and stress. We suggest that a community agency provide structured support groups on personal finance issues. While possible effective in the long run, a support group may not initially prove to be successful because of the sensitivity of the topic.

Credit union

Rockbridge County would benefit in the long run with an increase in the use of an organization similar to a credit union. By definition, “a credit union is a member-owned, member-controlled, not-for-profit cooperative financial institution formed to permit groups of persons to save, borrow, and obtain related financial services and to participate in its management. Member ownership and control are what make credit unions unique.”⁷⁷ Individuals purchase shares of the organization and become members, and this money is used to provide loans to members. In order to qualify for a loan, an individual must be a member of the cooperative. Credit unions must also follow a list of cooperative principles including open membership, democratic control, cooperation, promotion of education, and a concern for community.⁷⁸

Despite our limited information about its success and popularity within the community, we believe the existing Beacon Credit Union in Buena Vista may be currently underutilized. Its services provide a non-exploitative alternative within the community where individuals can access loans. An increase in use of the Beacon Credit Union or a creation of another similar organization will fill a gap as many residents currently feel that they must resort to payday lenders when they are incapable of receiving a bank loan. A cooperative or credit union owned and operated by a group of individuals for their mutual benefit creates more personal involvement and promotes rating on an individual basis. In addition, the concept of joint investment through membership will increase accountability for each borrower.

The National Credit Union Administration (NCUA) provides an extensive list of documents that discuss how to go about forming a credit union.⁷⁹ In particular, the “Chartering and Field of Membership Manual” outlines the steps that a group looking to form a credit union must undergo. This is an initiative that could be undertaken largely by Washington & Lee students; however, there would need to be a community member able and willing to take on the role of CEO and president of the organization. Further, students would need to market the initiative and rally support among community members because there are regulations surrounding the number of people required for formation.

3. Banks

Counseling at the Point of Transaction

In order to create clear communication and decrease credit issues, we suggest that banks in Rockbridge County increase counseling and communication at the point of each transaction, including opening a bank account, receiving a credit card for the first time, and lending and

⁷⁷ “Chartering and Field of Membership Manual.” The National Credit Union Administration. Web. 31 Mar 2010. <http://www.ncua.gov/Resources/RegulationsOpinionsLaws/charter_manual/Chartering%20&%20Field%20of%20Membership%20Manual%20.pdf>

⁷⁸ “What Is a Credit Union?” *America's Credit Unions: Where People Are worth More than Money*. Credit Union National Association, Inc., 2009. Web. 26 Mar. 2010. <http://www.creditunion.coop/what_is_a_cu.html>.

⁷⁹ “How to Start a Credit Union.” The National Credit Union Administration. Web. 31 Mar. 2010. <<http://www.ncua.gov/Resources/CreditUnionDevelopment/Start.aspx>>.

borrowing. With increased communication and guidance, local banks can help their clients avoid easily preventable mistakes, ultimately benefitting both the individuals and the banks. This will also promote closer relationships between the banks and their clients.

Weekly Counseling Open House

Throughout our research process, we have found that many Rockbridge Area residents would use counseling if they knew of available resources. We suggest that banks set a consistent weekly time slot in which individuals can come in for quick questions and answer sessions. Not only will this help fill the demand for counseling and credit awareness, but it will also promote a more positive relationship between the banks and local residents. Currently, some individuals fear seeking guidance from, or even walking into a bank. Open counseling sessions would create a more approachable environment and decrease the social distance of banks.

Lending Regulations on an Individual Basis

Overall, we acknowledge that due to the current economic situation, changes in lending qualifications are impractical at this time, but we recommend that banks increase the weight of individual, case-by-case situations when considering an individual for a loan. Many local residents are aware of the repercussions of using payday lenders, but are forced into transactions in desperate times as a last resort. Because of the increasingly strict regulations on loans, receiving a loan from a bank proves to be almost impossible for low-income individuals. Even with a good credit score, a temporary two-week unemployment period can prevent an individual from qualifying for a loan.⁸⁰ By truly understanding a potential borrower's personal situation by using a model similar to the "5 Cs" that Cornerstone uses, banks can more clearly and reliably determine their qualification for a loan and could prevent the downhill spiral of payday loan usage as a last resort. The local banks with whom we spoke do proactively seek to understand an individual's credit worthiness, but this is just a small sample of the banks in Rockbridge County.

4. Individuals

Important things to know about credit and personal finance:

1. Avoid payday lenders
Although they are often used only as a last resort, payday lenders charge extremely high interest rates and can put individuals into debt further than where they were initially.
2. If you must use a payday lender, be sure to understand all terms and regulations prior
Payday lenders are required to provide information on all rights and regulations for all clients, but the information can often be difficult to interpret. Be sure to understand your rights and the regulations of your loan beforehand.
3. Use debit cards over credit cards to avoid debt
Overcharging credit cards with expenses that you are unable to repay will harm your credit score and affect your ability to do things like buying a house, renting a housing unit, or obtaining a bank loan. Debit cards won't allow you to spend money that you do not have.
4. Try to begin saving, no matter how little

⁸⁰ Participant B

Saving even a couple of dollars per paycheck will add up in the future and provide a small cushion for unexpected expenses. Savings matching programs also provide an opportunity to multiply the amount you are personally able to put away.

5. There are services available for you
Though most programs require a certain level of commitment, various local agencies offer credit counseling and financial management classes to educate people about relevant issues.
6. Stay committed to credit counseling or financial management programs
If you do enroll in available programs, they require long-term commitment in order to have long-term benefits. The programs are only effective if attended regularly and for an ongoing period of time.
7. Immigrant population: Use the services of ESOL instead of similar ones with high rates.
The services of ESOL are dependable and free of charge. Other local translating services may be more costly.

5. Government Policy

Payday Lending Regulations

While current state regulations have tightened legislation on payday lenders within the past few years (mentioned specifically in section five), we believe improvement in enforcement is necessary. Before each transaction, payday lenders should be required to assure that their potential clients are fully aware of their rights, government regulations, and, most importantly, the repercussions attached to a payday loan. While payday lending in some states has been completely forbidden by legislation, we believe Rockbridge County should not dismiss the role of payday lenders in the area without filling its place with a better alternative for last-resort lending.

Savings program similar to VIDA

While the VIDA program does offer great benefits for low-income families, its stipulations may be too limiting for Rockbridge area residents because the money saved must be spent on first-time home buying, business upstarts, or education. Frequently, low-income individuals who struggle to pay off their core debt must prioritize their expenditures in such a way that the three options for using the money saved (buying your first house, starting a business, or saving for a family member's education) are unrealistic at that point in time. Though it may not benefit our nation's capital investment as directly, broader limitations on types of expenditures could drastically increase the number of potential participants and allow low-income individuals to more effectively allocate their matched savings. For example, participants could use the additional savings to pay mortgages and medical expenses, or buy necessities such as food, etc. Consequently, we recommend that the government implement a similar savings program for low-income individuals that entails less strict limitations. A program similar to VIDA will promote responsible savings and help individuals avoid a downward spiral of credit issues.

6. W&L Student Involvement

Student Financial Services (SFS)

Throughout our research we have been excited about the possibility of taking action on the Washington and Lee campus. We suggest that a group of dedicated students initiate a new student-run organization (possibly named Student Financial Services) to tackle local personal finance issues. Ideally, the organization would contain separate divisions that fall under a larger umbrella. We suggest that students ultimately focus on four key services: (1) host financial education seminars, (2) provide support for agencies, (3) provide credit counseling, and (4) create a savings matching program. Students should initially focus on credit counseling and/or a savings matching program because we believe these two services will have the most positive impact on the personal finance problems of local residents. While credit counseling maybe more feasible, a savings matching program would have a larger impact on the root of the issues at hand.

Prior to participating in the organization, students would benefit from undergoing a training program consisting of lessons from both Professor Beckley on the basics of poverty and from a Professor like Adam Schwartz who has expertise in the field of personal finance. The program would provide background information on the two factors at hand: poverty and general personal finance. Students seeking to participate in the organization should also be required to read this study in addition to other possible assigned readings. The goal of this training is both to provide relevant information and to increase student sensitivity to residents' individual circumstances.

Below, we elaborate on each suggested service by explaining their significance, strengths and possible shortcomings:

Hosting Financial Education Seminars

Financial education seminars, like those held by several local bank branches, are beneficial for a wide range of people. Seminars in middle school or high school that teach students about the basics of credit and personal finance can supplement classes offered by schools or provide a building block for schools to continue this education. Another potential target audience includes tenants of low-income housing units in the area who may also lack basic knowledge of personal finance issues directly affecting them. W&L students and/or professors knowledgeable in the field have the capability and resources to provide such basic education.

Agency Involvement

Many of the local agencies with whom we spoke have a lack of human resources and a need for volunteers. First, many agency clients face a multitude of financial issues that the agency employees are not equipped to handle. There is thus an opportunity for business students to volunteer with local organizations to coordinate personal finance assistance with the services offered by the agency in order to provide more comprehensive services. Secondly, there are various credit counseling or financial management programs, such as the one run by Ms. Thompson at People's United Methodist Church, that do focus directly on financial issues but need more volunteers in order to increase their client capacity.

W&L Credit Counseling Service

We also recommend an opportunity for Washington and Lee students to develop a student-run program that will provide personal finance and credit counseling. Currently, counseling services in the area do exist, but cannot meet the demand.

According to the chart below, seven out of ten survey respondents said that they would visit a credit counseling service if it was available to them.

ID #	Would you visit a credit counselor if the service was available to you?
1	Yes
2	Maybe
3	Yes
4	Yes
5	Yes (if free)
6	Yes
7	
8	Yes
9	Yes
10	N/A

Many community organizations will send their clients to the Total Action against Poverty (TAP) office in Roanoke for counseling services. Because driving forty-five miles to and from Roanoke is both expensive and time consuming, we believe that a significant number of Rockbridge County residents would benefit from a more convenient service. With proper training, Washington and Lee students could be capable of filling this need. In addition, a W&L credit counseling program would be a great chance to utilize student knowledge while creating an avenue for students to become more engaged in the local Rockbridge community.

One obstacle that must be considered is the possible inability for W&L students to fully relate to potential clients. In order to provide effective services, the students and clients must have the capability to build a strong sense of trust between and respect for each other. Without this positive relationship, a student credit counseling service will not thrive. The training program mentioned above in the Student Financial Services section could help alleviate this issue. If an inability to build a strong positive relationship still persists, the student organization could focus its efforts more on linking local residents to the existing community programs and resources that each individual would find most beneficial.

We have identified six initial steps suggested for implementing such a program:

1. Create a business plan

Prior to raising support among students, faculty, and community members, it is important to have a business plan in order to establish an organizational mission, statement of purpose, and goals. In addition, standardized procedures for dealing with clients should be set in place in order to maintain standards of consistency.

2. Raise faculty support – find an advisor

Preferably, two faculty advisors should be committed to the organization (one from the Williams School along with one from the Shepherd Program). These faculty members will provide essential guidance, as well as validate support from the University.

3. Raise community support

This step is twofold. First, finding one or two specific community agency leaders to advise the organization could prove helpful in building support outside of the university. Secondly, raising awareness among low-income residents through existing organizations builds an initial client base for the program.

4. Raise student support and participation

Many business, economics, and accounting students at Washington and Lee wish to find a way to get involved with the local community, but find it hard to discover an opportunity to link their service to their studies. By promoting the organization through each department and creating awareness through tabling and advertizing, students would see the impact the organization could have on both the community and their education. Participation will in no way be limited to Williams School majors. The organization may also intrigue students in other departments (particularly the Shepherd Program) who could contribute their own talents and abilities.

5. Student training program – learning basics of credit and how to come out of bad credit

We introduced the concept of a student training program at the beginning of this section. Students working to create a credit counseling program should undergo this training in its entirety with two goals in mind: first, to learn the basics of debt and credit, and second, to become aware of and increase sensitivity toward important poverty-related issues.

6. Advertise within community

In addition to finding client base through existing community organizations, participating students should advertise through many channels in order to cover a broad range of residents. For example, students could post fliers in the library, in local low-income housing complexes, and in restaurants.

Savings Matching Program with Grant Support

The concept of developing an independent savings matching program not associated with any government organization could be a more effective alternative to the VIDA program described above. Reducing the stipulations surrounding the use of savings could increase the value and helpfulness of the program. This is one of the more difficult recommendations to implement, but perhaps one of the most effective. Low savings among individuals is a difficult financial issue to overcome because of its seeming impossibility, but through a large savings incentive, it could be achievable and could potentially initiate great change. We suggest that a new club or organization on campus apply for grant support to receive matching funds. The organization could identify individuals in need of savings who show an interest in and propensity for truly saving money and assist them through a 2:1 savings program in addition to guidance and counseling throughout the process.

We have identified ten initial steps suggested for implementing such a program. Many of these steps are similar to the Credit Counseling Service steps stated above. Consequently, students could easily act upon the two services simultaneously:

1. Create a business plan

Prior to raising support among students, faculty, and community members, it is important to have a business plan in order to establish an organizational mission, statement of purpose, and goals. The founding members will likely want to get feedback from faculty and community members, but the strategic plan should be completed prior to marketing and raising support for the organization.

2. Raise faculty support and find a faculty advisor to the program

The faculty advisor(s) will provide insightful guidance throughout the process of founding the organization.

3. Raise student support and participation

4. Student training program

Students working to create a savings matching program should undergo the training program mentioned above in its entirety to become aware of and increase sensitivity toward important issues.

5. Raise community support

Again, this step is twofold. First, finding one or two specific community agency leaders to advise the organization could prove helpful in building support outside of the university. Secondly, raising awareness among low-income residents through existing organizations builds an initial client base for the program.

6. Raise grant support

Without outside funds, the operations of a savings matching program will not be possible. Founding members should research and identify foundations, agencies, and government organizations that support the program's mission. Writing grant applications would be a critical portion of the start-up process.

7. Create "screening" process for participants

Once the organization is prepared to begin looking for and selecting program participants, there must be a standardized process for doing so. Organization members must agree on what standards or qualities they are seeking in participants including income level, purpose of savings, and long-term vision or financial goals.

8. Process for tracking participant savings

Similar to above, the organization's members will want to establish a standardized process for tracking an individual's level of savings and where they stand with their initial goals.

9. Research regulatory constraints

Organization members should be aware of various regulatory constraints that exist in creating financial programs and utilizing grant money in addition to liabilities associated with working with community members as a sort of business entity.

10. Advertise within community

Find clients and begin work!

Altruistic Payday Lender

Similar to the programs listed above, we think that Rockbridge County would benefit from the services of an “altruistic payday lender.” This would fulfill residents’ recurring need for immediate cash without the repercussions of high interest rates and financial exploitation that ensues. This organization would charge a 0-1 percent interest on short-term loans and would operate with grant financing so that all loans are considered to be “sunk costs” for the organization. If borrowers are unable to repay their loan after the loan term, the organization would require alternative repayment through community service or other means.

The steps to implement such a program would parallel those of the savings matching program.

Appendix A

Case Studies

The following four individuals are residents of Rockbridge County who invited us into their homes and volunteered to speak with us about their financial situation and specific issues that they are facing.

*For convenience and readability, each of the participants are referred to as “she” whether or not they are in fact female.

Participant A

Participant A is a previously employed, low-income homeowner. She lives in a two bedroom house and is currently behind on her mortgage payments, which her mother, grandfather, and son have begun to help out with. She is currently going through the process of applying for disability insurance and hopes to go to court in Roanoke soon in order to receive authorization for this money. Participant A wishes that she had known more about the insurance programs available to her when she bought her house and says that she would have saved her money if she had known about some of these programs earlier. She receives regular fuel assistance, but this isn't enough to cover heating expenses. She also visits the food pantry and the Rockbridge Area Relief Association (RARA) regularly. RARA has paid two or three of her housing payments; however, they can only help once per year. Participant A had a credit card, but wishes that she had never gotten it. She says that she was “tricked” into getting one not realizing that there were interest payments. After making one charge, she was unable to repay and still receives regular notifications about the outstanding debt. Participant A knows that this has hurt her credit score; however, she acknowledges that there is no other choice because making her housing payments is much more important to her than having a good credit score.

Participant B

Participant B is married, previously-employed and currently receives disability payments for rheumatoid arthritis. She held numerous jobs before it became too difficult and painful to work with her hands; however, it took three years to receive disability. Her household's financial situation has changed over the past year as a result of dire economic times and her husband's layoff status at work. Participant B does have a bank account opened at a local bank and has incurred large overdraft fees as a result of overdrawing small amounts of money and of poor timing when the insurance company removes money directly from the account. Participant B is very knowledgeable about repercussions of financial decisions and chooses not to use a credit card because of the risk of accruing large amounts of debt and harming her credit score. She has borrowed money from a family member, knowing that this could quickly turn into a bad idea. She borrowed from a sibling who was not the best off financially in the family, but who she felt most comfortable asking for money. Participant B has used the services of a payday lender as a last resort in need of money quickly. She says that she “basically lived there” and knew that she had to get out of it, but it is extremely difficult. She initially went to the payday lender because of the current economic situation as gas prices were high and they needed the money. She prays

that she never has to use it again. Participant B explains that payday lending services can become a habit even though it starts as a last resort option. She also describes how people are ashamed of needing to use it and do not like to talk about it with others. Participant B uses the analogy of payday lenders being like cancer: it is like an abnormal cell that grows and takes over you, but people do not want to talk about it. Overall, participant B was an extremely energetic and positive person looking to enjoy the most out of life. She explained to us that she is not poor by any means and is richer than most people in life, citing examples of dancing, enjoying the company of friends and family, and being happy with the simple things in life.

Participant C

Participant C says that paying her mortgage is her biggest financial burden, and she worries frequently about having enough money in her bank account to make sure that she can pay her home expenses each month before buying groceries and other basic necessities. She receives a regular fixed income from disability and her husband supplements this with his paycheck, though it tends to be inconsistent. She has a bank account open into which her fixed income is deposited and says that the bank is good about warning her about potential overdraft problems, but she still incurs overdraft fees sometimes. Participant C says that she has never used the services of the payday lender, nor has she considered borrowing money from a friend or family member. She says that she has never needed to use informal sources of lending because she has always simply gone to the bank and been able to get loans from them. Participant C is aware of the repercussions of accruing large amounts of credit card debt and chooses to use strictly a debit card instead. She believes that there is a definite need for local services to help people take care of their debt, and she would visit a credit counselor to increase her financial knowledge if it was available to her. If these services do exist, they need to be made more well-known and available to the people they are trying to target.

Participant D

Like the other participants with whom we spoke, Participant D cites her mortgage as her largest personal expense and biggest financial burden. Like participants B and C, she receives regular disability payments, and she was employed prior to receiving her disability insurance. Participant D described the process of applying for disability as frustrating and time consuming saying that she had to get a lawyer in order to successfully complete the process. She does have a bank account into which her disability payments are deposited, but says that merely having a bank account does not lead to a higher level of savings. She says that it's nearly impossible to begin saving money when she is barely able to pay the necessary expenses and has credit card debt to pay off as well. Participant D says that she has two credit cards; one has \$800 of debt accrued and the other had \$2000 previously, but she has paid it down to \$1000. She received these credit cards in the mail and doesn't know how this debt is affecting her credit score. Participant D is also knowledgeable about the negative consequences of using a payday lender and is very happy that she has refrained from using these services. Overall, she thinks that there is a demand for credit counseling assistance, but doesn't think that she personally needs or would use these services.

Appendix B

Agency Surveys

Hello,

Thank you in advance for your participation in our survey. We are reaching out to you as a leader of a local agency that seeks to help disadvantaged populations in the Rockbridge Area. If you are not familiar with our study, we are analyzing financial issues that low-income individuals in Rockbridge County face, specifically what obstacles certain people might face in trying to obtain credit. This survey should take no longer than thirty minutes, and you are not required to answer any questions that you do not want to. You are also free to end the survey at any time without penalty. There are no direct risks in participating in our study, but you may refuse to answer any questions if you wish.

With this study, we hope to analyze financial issues pertaining to Rockbridge residents and to develop a strategy for combating these issues.

Please don't hesitate to contact either of us at any time.

Kate Donnelly
Donnelly11@mail.wlu.edu
(281) 782-3738

Katie Harris
harrisk10@mail.wlu.edu
(804) 690-7296

If you have questions about your rights as a research volunteer, please contact Dr. Wythe Whiting at 460-0369 or whitingw@wlu.edu.

Survey for Community Leaders

Name _____

Title _____

Email Address _____

Phone Number _____

Agency Name _____

Services Provided by the Agency _____

1. In your opinion how prevalent is the issue of poor credit to your clients? (Please rank on a scale from 1 to 5, with 1 being the least prevalent and 5 being the most prevalent.)

1 2 3 4 5

2. In your estimation what percentage of your clients are:

- (1) Unemployed
- (2) Employed
- (3) On a fixed income

3. In your estimation, what percentages of your clients live paycheck-to-paycheck?

4. In your estimation, what percentages of your clients maintain some sort of savings?

5. What do you think are the largest expenses your clients incur? (Please rank in order from highest % to lowest %)

- a. Medical bills
- b. Rent or mortgage expense
- c. Consumptive goods (ex: food, clothing, and other amenities)
- d. Education
- e. Home expenditures (ex: water and electricity)
- f. Entertainment

6. In your opinion, what is the most frequent cause of debt in your clients (ex: one-time medical expenses, misspending, lack of access to credit and loans)?

7. To your knowledge, do your clients use local credit counseling? If so, what percentage?

8. On a scale from 1 to 5, how effective would increased financial education be to your clients?

1 2 3 4 5

9. What other services, if any, do you think would be beneficial to improving credit issues in Rockbridge area?

10. To your knowledge, do your clients use local payday lenders? If so, what percentage?

Appendix C

Resident Surveys

Dear Rockbridge County Resident,

We are conducting a study looking at financial issues that individuals in Rockbridge County face. In our study, we are gathering information from community leaders, individuals, and local banks regarding current financial concerns in the area. Through our study we hope to gain a comprehensive outlook on the areas needs develop recommendations to best address these specific needs. We need your help! As a local resident your input is vital. We have compiled the following questions for you to answer at your convenience.

Also, we would love to meet with you directly to talk about your opinions regarding financial issues in Rockbridge County. We can bring dinner, or provide a \$25 gift card to a local restaurant.

Please note that you are not required to answer any questions that you do not want to. You are also free to end the survey at any time. All of your information will be confidential and protected. Your name will not be linked with any of your responses, and we (Kate Donnelly and Katie Harris) will be the only ones exposed to your responses.

There are no direct risks in participating in our study, but some questions may be sensitive (such as information about income or bank accounts), and you can refuse to answer if you wish. Please don't hesitate to contact either of us at any time.

Kate Donnelly
Donnelly11@mail.wlu.edu
(281) 782-3738

Katie Harris
harrisk10@mail.wlu.edu
(804) 690-7296

Alternate Local Contact Number (Shepherd Office at W&L – messages will be forwarded to us)
(540) 458-8784

If you prefer to submit responses by mail, you can send them to the following address:

Kate Donnelly and Katie Harris
4 Frank Parsons Way
Lexington, VA 24450

Rockbridge County Resident Survey

Age:

Number of adults in household:

Gender:

Number of children in household:

1. What is your largest personal expense? What do you spend the majority of money on? (basic needs, hospital bills, transportation, entertainment, cell phone, etc)

2. What is your biggest financial burden/problem? How does this burden affect your daily life?

3. Do you receive a regular pay check? If so, what is your occupation?

YES NO Occupation: _____

4. Do you have a bank account opened at a local bank? If not, why do you choose not to use a bank?

YES NO Reason, if no _____

5. Have you used the services of a payday lender? If yes, why did you use these services? (lack of alternative resources, needed money quickly, don't see anything wrong with it)

YES NO Reason, if yes _____

6. Have you borrowed or considered borrowing from a family member or friend? Why? Does this prospect worry you?

YES NO Reason, of yes _____

7. Do you use a credit card balance or balances to manage your debt?

YES NO

8. If you do not have a plan to for how to take care of the debt, do you wish there were services available that do not presently exist?

YES NO What services? _____

9. Would you visit a credit counselor to increase your financial knowledge if it was available to you?

YES NO

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