A Toolkit for Cities

Increasing Access to Fair, Low-Cost Loans

Supplemental Resources

Texas
APPLESEED

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Supplemental Resources

August 2016

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Supplemental Resource: Strategy 1, Resource A

Filene Research Institute's Financial Services Incubator: Programs

Programs in the Filene Research Institute's Financial Services Incubator

Financial Institution	Program Name	Loan Amount	Loan Terms	APR	Underwriting Guidelines
Commodore Perry FCU	Employer Sponsored Small Dollar Loan (ESSDL)	Up to $1,500	Up to 12 months	16.9%	Active bankruptcy or has outstanding loss to CU. Employed for at least 12 months.
Cy-Fair FCU	ESSDL	Up to $1,500	Up to 12 months	18%	Active bankruptcy, bankruptcy in the last 12 months, or has outstanding loss to CU. Employed for at least 6 months.
Express Credit Union	ESSDL	Up to $1,000	9 months	18%	Active bankruptcy or has outstanding loss to CU. Employed for at least 6 months.
Georgia Heritage FCU	Life Line Loans	Up to $1,500	Up to 12 months	16.9%	Active bankruptcy or has outstanding loss to CU. Employed for at least 6 months.
Holy Rosary Credit Union	ESSDL	Up to $1,500	Up to 12 months	21%	Active bankruptcy or has outstanding loss to CU. Employed for at least 3 months.
Mercy Health Partners FCU	ESSDL	Up to $1,500	6 months	17.99 %	Outstanding loss to CU, OD with CU, can't be in the process of filing or be in proceeding for bankruptcy (Ch7), if in Ch 13 may allow if trustee gives approval letter, ability to repay (DTI 50%). Employed for at least 12 months.
Metrum Community CU	ESSDL	Up to $1,500	12 months	14.99 %	Active bankruptcy or has outstanding loss to CU. Employed for at least 6 months.
North Country FCU	Income Advance Program	Up to $1,500 (with 15 loans up to $3,000)	Up to 28 months (14 loans 34-54 months)	16.99 %	Employee in good standing and employed for the requisite time determined by each employer.
ProMedica FCU	ProMedica Income Advance Loan	Up to $1,500	Up to 12 months	15.99 %	Bankruptcy within a year or has outstanding loss to CU. Employed for at least 6 months.
Spring Bank	Employee Opportunity Loan	Up to $2,500	12 months	16%	Active Bankruptcy, Bankruptcy within last year and Chex Systems unless it was less than $100 and they can show they made good on it. Employed for at least 6 months.
Sun Federal FCU	ESSDL	Up to $1,000	Up to 12 months	16.49 %	Active bankruptcy or has outstanding loss to CU. Employed for at least 12 months.
Toledo Metro FCU	ESSDL	Up to $1,000	Up to 12 months	16%	Based on ability to repay. Active bankruptcy or has outstanding loss to CU. Employed for at least 3 months.
Toledo Urban FCU	ESSDL	Up to $1,500	12 months	16%	Outstanding loss to CU. Employed for at least 3 months.

Supplemental Resource: Strategy 1, Resource B

How Lucas County Started Employer-Sponsored Small-Dollar Loans in Less than a Year

Prelude

Megan slapped the table with her open palm and said, "Phil, I'm tired of talking! What can we do?" This happened at a meeting in December 2013 with Megan Vahey Casiere (Chief of Planning and Development for Lucas County, Ohio), Phil DeVol and I. We met to discuss how to apply Bridges Out of Poverty concepts to enhance workforce development and increase financial stability for families in Lucas County. That's when Phil first told us about Employer Sponsored Small Dollar Loans (ESSDL). Megan and I both loved the idea, and I immediately started researching to find out how it worked.

The Case Against Predatory Lending

Predatory lending practices harm individuals and communities. Most Americans with low family incomes are experiencing financial problems,[1] which makes them susceptible to predatory lending.[2] Employees who are working hard to make ends meet struggle to pay the loans back before the next payday, especially when charges and fees can equal interest rates of 400%. Employers deal with turnover, tardiness, and absenteeism as a consequence of employees' financial stress. Customers who are paying down debt don't have as much money to meet their family's needs and everyone suffers when money that would have been spent at multiple local businesses is siphoned out of the community. ESSDL's were first developed to increase community stability by providing an alternative to predatory lending.

What are ESSDL'S?

ESSDL's are based on an agreement between a specific business and a specific credit union. The roles and responsibilities of each party are detailed in a memorandum of understanding. Simply put, the credit union agrees to provide small dollar loans to employees of the business based on the word of the employer. A credit report is run, but the loan is not given based on the report, it is given because the employer has given the employee the designation of 'employee in good standing' based on their tenure at the employer site. If an employee has good credit, they have access to credit at market rates and don't need this program. ESSDL's are for employees who would not have otherwise qualified for a loan from a bank or credit union.

- ESSDL's range from $300 to $1,200 with interest rates ranging from 14-17%*
- Available to low-and-moderate-income working people
- A six-month payment term eases the burden on cash flow
- The loan payment is made to the credit union through automatic payroll deduction
- The loan payment is reported to the credit bureau so employees can build their credit score with successful repayment

Here's the icing on the cake. The automatic payroll deduction continues after the loan is paid back; the money gets deposited in a savings account unless the employee opts out. Most employees don't opt out. In order to stop saving, they have to remember that they are saving, decide to stop saving, make an appointment with HR department, visit the HR office, and complete the 'opt out' form. Most employees begin saving because it is the path of least resistance. ESSDL's are purposefully designed to establish habits of savings in people who might otherwise never acquire this tremendously stabilizing practice.

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[1] http://www.pewresearch.org/daily-number/many-americans-particularly-low-income-families-still-facing-financial-stress/

[2] http://www.cfsinnovation.com/Document-Library/Know-Your-Borrower-The-Four-Need-Cases-of-Smal-%281%29.aspx

How We Initiated ESSDL's

In December of 2013, I spoke with Lisa Falcone who is the Working Bridges Project Director for the United Way of Chittenden County and with staff from North Country FCU who have implemented ESSDL's in South Burlington, VT.[3] Lisa connected me with Cynthia Campbell from the Filene Research Institute. Filene received a grant from the Ford Foundation to create an incubator to test five financial service products.[4] The accessible financial services incubator grant funded a 30-month research project to benefit low and moderate income (LMI) and un/under-banked consumers in a profitable and sustainable way. The purpose of the incubator is to test, package, and scale innovative, viable products that provide alternatives to predatory products.

I didn't wait until I had all the answers before I started telling people about ESSDL's; I talked about them to anyone who would listen. The Lucas County Bridges Out of Poverty Steering Committee members were already engaged and the project had the support of the Lucas County Commissioners. However, we didn't have an official project team until Valerie Moffitt, Community Services Manager for Local Initiatives Support Corporation (LISC), Evelyn McKinney, Income Manager for the United Way of Greater Toledo, and I met in January 2014. We started 'high fiving' each other less than half way through the meeting! We felt confident and excited about increasing the stability of employees, families, and businesses by bringing ESSDL's to Lucas County.

When the Filene Research Institute selected Lucas County as an ESSDL incubator pilot site, Valerie, Evelyn and I added Cynthia Campbell from Filene as the fourth member of the ESSDL team. Cynthia started calling us the "Toledo Team." From February to July 2014, the Toledo Team created lists of contacts at credit unions, business, and other organizations. We held meetings and made phone calls to promote the project. By the end of July 2014, we had stimulated sufficient interest from employers and credit unions to move forward. The Lucas County Commissioners released a media alert and hosted a press conference. The United Way of Greater Toledo hosted an employer training to encourage participation in the program.

By August 2014, the project was mostly in the hands of the credit unions and employers. The Filene Research Institute supported the credit unions with boiler plate policies and sample marketing materials. The credit unions committed to provide regular reports to Filene to demonstrate return on investment including information on number of loans provided, dollar amount of loans, successful repayments, and changes in credit scores of loan recipients. The credit unions worked with the employers to institute policies and procedures necessary to provide the loans. The credit unions and employers finalized the memorandums of understanding to ensure that each organization understood its roles and responsibilities.

It takes time and effort to change organizational systems and get all the players on board with new initiatives. We found that this stage of the project has taken longer than anticipated. Some credit unions experienced delays and predict initiating loans in the first quarter of 2015, and others have not yet submitted reports. However, the first reports started arriving in January 2015. What follows it the Lucas County ESSDL status report as of December 31, 2014:

- Six credit unions and eight employers are participating
- Fifteen loans have been provided for a total of $15,700
- Average loan amount: $1,047

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[3] http://www.pbs.org/wnet/need-to-know/economy/need-to-know-april-5-2013-behavioral-economics/16637/

[4] http://filene.org/blog/post/five-products-enter-accessible-financial-services-incubator

Comments

The Toledo Team was confident that the ESSDL project would be successful. Surprisingly, it also felt like an easy project to accomplish! I'm not saying starting ESSDL's in your community won't require effort and diligence. On the contrary, there are multiple barriers and difficulties to be overcome. However, the Toledo Team always had an abiding sense that there was no possibility that the project would fail. Why did this project seem so easy?

I didn't realize the reason for this sense of ease until Phil DeVol and Mike Saccocio facilitated a Building Bridges to Sustainable Communities workshop in Toledo in September 2014. Mike presented the "Teach, Embed and Spread" mental model.[5] The purpose of Teach, Embed, and Spread is as follows. "Utilizing the Bridges Out of Poverty constructs as a foundation, organizations stabilize the environment, remove barriers, and build resources through dynamic programming and economic development leading to individual, organizational, and communitywide wellness, opportunity, and transformation."[6] For the model to be successful, the programs and procedures that are initiated need to solve concrete problems that the engaged sectors are struggling with. Without realizing it, this was the approach the Toledo Team took with ESSDL's in Lucas County. The project seemed easy because we were using a successful model.

The "Teach" phase of the ESSDL project was easy because there was already a broad consensus of understanding that pay day lending is harmful to the financial stability of our community. We didn't need to convince people that there was a problem, they already knew it. The "Embedding" phase referred to successful ESSDL programs (like the program in South Burlington, VT) that were already working. We didn't need to embed a program from scratch. We pointed to what was happening in Vermont, distributed the materials and research from Filene and said, "This is already working. Would you help us get this started in Lucas County?" We still had to embed ESSDL's locally, but it was much easier than it would have been if it had never been done before. As a result, the focus of the Toledo Team was on the "Spread" phase, which consisted of engaging credit unions and businesses to participate in ESSDL's. Again, this job was easier because we were proposing ESSDL's as a way to solve concrete problems. Businesses want stable, productive employees and credit unions want to achieve their mission and increase their membership. When we talked about ESSDL's to credit unions and businesses, we described problems they were aware of and provided the method for fixing them.

Conclusion

I have gleaned three major insights from the work on this project. The first insight is the strength of the Teach, Embed and Spread model as a grounded and reliable approach to increasing financial stability in communities. Again, I believe the use of the model by the Toledo Team was the reason for our confidence and sense of ease in accomplishing the project. The second insight is that sustainability is built into the project. Because ESSDL's are a mutually benefiting collaboration between employers and credit unions, I won't need to write a grant to keep the project going next year. As a career nonprofit and county employee, this point is particularly satisfying. And talk about sustainability! The third insight is rooted in the belief that ESSDL's are an example of the kind of 'low hanging fruit' that can be easily picked to improve the financial stability of communities. ESSDL's have profound and broad impact that helps everyone. The loans keep money in employees' pockets that can be saved or spent for their families benefit. Employees also build credit and establish relationships with financial institutions. Employers have more stable and productive employees. Credit Unions build their customer base and

[5] http://www.ethnn.org/uploads/1/4/0/3/14034592/bridges_approach-train_embed_spread.pdf.pdf
[6] Ibid.

can provide more loans. More money is spent in on goods and services from local businesses, which increases the financial stability of the entire community. How many other projects are yet to be discovered that will have broad, cross sector impact toward increasing community stability? What other low hanging fruit is ripe for the picking?

***Notes Concerning Interest Rates**
Interest rates on loans are established based on a number of factors, including anticipated charge offs. Currently, if a credit union member has a high credit score, the least they will pay in interest on an unsecured loan is 6.9%. If they have a poor credit score, they might pay as much as 15.49% interest on an unsecured loan.

The 14-17% interest rate for the ESSDL is in the ballpark relative to industry standards and is designed for employees who would not be given a credit union loan without it. More specifically, the only option for these employees would be to utilize the services of exploitive, predatory lenders whose interest rates are exponentially higher.

For example:

- With a payday lender, an employee who gets a $500 loan for three months can pay $450 in fees and interest (see ESSDL vs. Pay Day Loans attached). For people short on money, coming up with an extra $450 in 90 days creates big problems and lots of stress.
- With an ESSDL, an employee who gets a $500 loan for three months at 16.99% interest pays a maximum of $22. This $7 per month is not burdensome, especially given that it is $428 less than payday lending.
- A credit union member with an average credit score who gets a $500 loan for three months at 11% interest pays $14 in interest. This is only $8 less than ESSDL.

Supplemental Resource: Strategy 2, Resource A

Chicago Linked Small-Dollar Incentive Program

ORDINANCE

WHEREAS, the City of Chicago ("City") is a home rule unit of government under Section 6(a) of Article VII of the 1970 Constitution of the State of Illinois; and

WHEREAS, the City recognizes that payday loans are an exceptionally expensive way for individuals to borrow small amounts of money; and

WHEREAS, the Treasurer of the City of Chicago ("Treasurer's Office") now desires to establish a Linked Small-Dollar Loan Incentive Program ("Program"), which Program is set forth in Exhibit A, attached hereto and incorporated herein, (i) to provide an incentive for eligible lending institutions to establish small-dollar loan programs for their retail customers that can be an alternative to payday loans, and (ii) to fund special-purpose loan loss reserve accounts from interest earned by the City on certain City investments, which accounts will reimburse eligible financial institutions for not to exceed 10% of the dollar loss, if any, suffered by such institutions from defaulted or otherwise non-performing small-dollar loans; now, therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHICAGO:

SECTION 1. The Program is hereby authorized, including the expenditure of funds subject to appropriation therefor, if any, subject to revisions the Treasurer's Office may make to the Program from time to time, provided such revisions do not amend any essential terms of the Program.

SECTION 2. Because of the compelling public good offered by the Program, any part of the Investment Policy of the Treasurer's Office (Section 2-32-515 et seq. of the City's Municipal Code) that may conflict with the purposes of the Program is hereby waived solely for the purposes of and to the extent of the Program.

SECTION 3. Interest, if any, earned by the City's aggregate pool from its purchase of those Certificates of Deposit described in the Program is hereby appropriated from the City's Corporate fund, as such interest earnings are set forth in the Program description, to fund the special-purpose loan loss reserve accounts described in the Program and for other purposes set forth in the Program.

SECTION 4. Interest, if any, earned by the City from the monies placed from time to time in the special-purpose loan loss reserve accounts described in the Program is hereby appropriated, as such interest earnings are set forth in the Program description, to reinvest as additional funding of the special-purpose loan loss reserve accounts described in the Program and for other purposes set forth in the Program.

SECTION 5. If any provision of this ordinance shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such provision shall not affect any of the other provisions of this ordinance.

SECTION 6. To the extent that any current ordinance, resolution, rule or order is in conflict with the provisions of this ordinance, the provisions of this ordinance shall control.

SECTION 7. This ordinance shall be in full force and effect from and after the date of its passage and approval.

EXHIBIT A

Linked Small-Dollar Loan Incentive Program

[see attached]

Effective as of _____________, 2012, and
subject to modification from time to time
in the sole discretion of the Treasurer's Office

CITY OF CHICAGO

OFFICE OF THE CITY TREASURER

LINKED SMALL-DOLLAR LOAN INCENTIVE PROGRAM

The City of Chicago's Linked Small-Dollar Loan Incentive Program ("Program"), administered by the City of Chicago Treasurer's Office ("Treasurer's Office"), is designed to accomplish these purposes:

(i) the City will make certain investments in certain financial institutions from time to time, the interest of which will fund special-purpose loan loss reserve accounts that will reimburse eligible financial institutions for not to exceed 10% of the dollar loss, if any, suffered by such institutions from defaulted or otherwise non-performing small-dollar loans, and

(ii) as a condition of the deposit of City investments, certain financial institutions will create their own small-dollar loan programs to provide an alternative to payday loans for those banks' retail customers.

The Program is anticipated to run for a minimum of five (5) years, but this period may be extended or decreased in the sole discretion of the Treasurer's Office.

PARTICIPATING FINANCIAL INSTITUTION

"Participating Financial Institution" is any financial institution whose Program Application (defined below) has been accepted by the Treasurer's Office and that, at the time it begins participating in the Program, and for as long as it remains a Participating Financial Institution in the Program, is on the then-current list of Municipal Depository entities acceptable to the City.

BASIC PROCESS

Unless terminated by the City before the anticipated expiration date, the Program will proceed along these steps:

- Financial institution contacts Treasurer's Office, indicating interest in participating in the Program, and submits a Program Application ("Program Application Date") as set forth below

- Financial institution demonstrates to the sole satisfaction of the Treasurer's Office that it has already established a Small-Dollar Loan program (defined below) or, within six months of the Program Application Date, will establish a Small-Dollar Loan program and begin offering loans under it not later than six months after the Program Application Date

- The financial institution demonstrates to the sole satisfaction of the Treasurer's Office that its Small-Dollar Loan program has a LLLR Account (defined below)

- Once its Program Application is approved by the Treasurer's Office, the financial institution is deemed to be a Participating Financial Institution

- Using aggregate pool funds or City corporate funds not segregated for special purposes, the Treasurer's Office will then purchase one or more six-month Certificates of Deposit (each of which must pay interest at maturity) from the Participating Financial Institution as a means of generating LLLR Contributions (defined below)

- As each CD matures and its interest is calculated and readied for payment to the City, the Treasurer's Office will deem half (50%) of that interest earning as a City contribution (from City Corporate funds) ("LLLR Contribution") to the LLLR Account, and the Treasurer's Office and Participating Financial Institution will coordinate the deposit of that LLLR Contribution into the appropriate LLLR Account

- The total of LLLR Contributions into an LLLR Account shall not exceed $250,000 per Participating Financial Institution

- Interest earned by the City on monies in the LLLR Account is deemed to be additional LLLR Contributions to the LLLR Account

- During the operation of its Small-Dollar Loan program, the Participating Financial Institution may be reimbursed by the LLLR Account for Allowed Claims (defined below)

PROGRAM APPLICATIONS

Applications for participation in the Program shall be made by financial institutions on a Program Application form that will be prepared by the Treasurer's Office, which form may be amended from time to time

The Program Application form will seek the following information, at minimum:

- name of financial institution

- affirmation that the financial institution is, as of the application date, a Municipal Depository institution for City funds

- a detailed description of the Small-Dollar Loan program that will be offered at retail by the financial institution if the Program Application is approved by the Treasurer's Office, including:

  - underwriting criteria demonstrating that credit scores of prospective borrowers cannot be a criterion for acceptance
  - minimum and maximum individual Small-Dollar Loan amounts
  - Small-Dollar Loan terms, including payment schedules
  - unless prohibited by federal or state law to the contrary, affirmation that Small-Dollar Loan interest rates, including any fees, shall not exceed 36% per annum
  - affirmation that Small-Dollar Loans cannot be refinanced or otherwise rolled over
  - affirmation that each Small-Dollar Loan shall be held in portfolio and shall not be assigned or transferred
  - a pledge to make at least 25 new Small-Dollar Loans per calendar quarter
  - a pledge to make an average of at least 100 new Small-Dollar Loans in any given 12-month period under the Program
  - a reporting/monitoring system with the Treasurer's Office

- a detailed description of the LLLR Account that will be established by the financial institution if the Program Application is approved, including:

  - affirmation that it is interest-bearing
  - affirmation that the account will be held in portfolio and shall not be assigned or transferred
  - description of the mechanism for funding the account with LLLR Contributions
  - affirmation that the account will at all times retain maximum liquidity
  - description of the process for Treasurer's Office-approved release of monies from the account to the financial institution only when the institution has documented an Allowed Claim to the Treasurer's Office
  - affirmation that the financial institution will not assess any administrative or other fee against the account
  - description of the reserving technique (conforming to the requirements of this Program) that the financial institution will use to reserve monies in the account for potential Allowed Claims against loss within the Small-Dollar Loan program

- contact information for primary and secondary contacts for the Small-Dollar Loan program and the LLLR Account

Decisions on Program Applications shall be made solely by the Treasurer's Office. Once approved by the Treasurer's Office, a financial institution shall be deemed a Participating Financial Institution for purposes of this Program

PURCHASE OF CERTIFICATES OF DEPOSIT

Using aggregate pool funds or City corporate funds not segregated for special purposes, the

Treasurer's Office will purchase one or more six-month Certificates of Deposit (each of which must pay interest at maturity) from time to time under this Program

City shall not be required to purchase any CDs for any particular amount or interest rate, or any particular quantity of CDs

City has sole discretion to increase or decrease its purchase of CDs that are linked to this Program

If Program is terminated for whatever reason as to a particular Participating Financial Institution, then 100% of interest earned from those CDs thereafter is remitted to Treasurer's Office, not to the LLLR Account

<u>FUNDING OF THE LINKED LOAN LOSS RESERVE CONTRIBUTIONS INTO LINKED LOAN LOSS RESERVE ACCOUNTS</u>

Arise solely from 50% of the interest earned by the City from time to time on designated six-month CDs purchased by the Treasurer's Office from Participating Financial Institutions

All such funding, which otherwise would be returned to the City's Corporate fund or the aggregate pool, is deemed to be a grant of Corporate funds to the respective Participating Financial Institutions solely for depositing into the LLLR Account established by the Participating Financial Institutions as part of this Program

Interest earned by the City on monies in the LLLR Account is deemed to be additional LLLR Contributions to the LLLR Account

The total of LLLR Contributions shall not exceed $250,000 per LLLR Account

LLLR Contributions, once placed in the respective LLLR Account, may be withdrawn only for Allowed Claims (defined below) or for remitting back to the City as set forth herein

Funds in the LLLR Account will not be used to make Small-Dollar Loans or any other loans or uses other than as set forth in this Program

If the Program is terminated, or if the involvement of an Participating Financial Institution is terminated, the LLLR Contributions, if any, existing in a given LLLR Account at the time of termination shall be promptly remitted back to the Treasurer's Office

<u>SMALL-DOLLAR LOAN PROGRAM</u>

Each Participating Financial Institution must create and maintain its own Small-Dollar Loan program to maintain eligibility for participation in this Program. Each such Small-Dollar Loan program must contain, at minimum, the following features:

- must include the parameters set out in its Program Application for the Small-Dollar Loan accounts

- must be offered at retail

- must be publicized as an alternative to 'payday loans'

- may be offered to joint or single borrowers

- must be advertised as restricted to a borrower's 'emergency purposes,' including but not limited to rents, utilities, food, medical, and educational expenses

- must be limited to borrowers whose income is not in excess of 300% of the federal poverty level for the relevant household size, as demonstrated by borrowers' pay stubs, prior tax returns, federal proof of income, or similar evidence

- borrowers must be City of Chicago residents, as demonstrated by borrowers' pay stubs, utility bills or similar evidence

- may not take back a mortgage or lien of any kind on real or personal property, or otherwise be collateralized

- underwriting shall be determined by Participating Financial Institution pending approval of the City Treasurer (at minimum: cannot use borrowers' credit scores, may require borrower to open new checking account with direct deposit feature)

- principal amount per loan cannot be less than $100 or more than $1,000

- loan proceeds may be paid in cash to the borrower or to borrower's creditor(s) on behalf of borrower

- in the alternative, loan proceeds may be paid into an account at the Participating Financial Institution in the borrower's name, provided that such account complies with the Bank On Chicago account features and standards set forth under the City's Bank On Chicago program

- loan term per loan cannot be less than 90 days or more than six months

- unless prohibited by federal or state law to the contrary, interest rate and fees shall not exceed 36% per annum, inclusive of fees

- Small-Dollar Loan payment schedule shall be 'straight line' amortization (payable either weekly or monthly) over the entire loan term, and shall be described in clear language to the borrower

- Refinancing or any other rolling over of a loan shall not be available or offered. However, a new Small-Dollar Loan may be offered to a borrower upon the passing of not fewer than 45 days after the full repayment of a prior Small-Dollar Loan by the borrower

- Savings component is not required, but it is allowable

- Must place at least 25 new Small-Dollar Loans per calendar quarter, and at least 100 new Small-Dollar Loans per 12 months; provided, however, that during the first year a Participating Financial Institution participates in the Program, the minimums are one (1) Small-Dollar Loan per quarter and 40 new Small-Dollar Loans in 12 months

RESERVING WITHIN THE LINKED LOAN LOSS RESERVE ACCOUNT

Each Small-Dollar Loan, once closed and it begins performing, is simultaneously deemed to generate a reserve of a portion of the LLLR Account (which account must be set up and operated according to the parameters for it as set out in the Program Application), as follows:

- the LLLR Account will be deemed reserved at 10% of each dollar in Small-Dollar Loan principal for each such loan that is closed and performing

- Such reserving will proceed until the LLLR Account is fully reserved by any of: (i) reaching the upper limit of LLLR Contributions then in the LLLR Account, (ii) the deemed 10% reserving of outstanding and performing Small-Dollar Loans exceeds the current amount of money then in the LLLR Account, or (iii) reaching the LLLR Account maximum of $250,000

- Once the LLLR Account is fully reserved, each Small-Dollar Loan closed thereafter is deemed unreserved by the LLLR Account unless and until the reserve within the LLLR Account again becomes available, whereupon the oldest performing unreserved Small-Dollar Loan shall be deemed reserved, and so on

- For each Small-Dollar Loan that is fully repaid to the Participating Financial Institution, if the cumulative dollar value of all other then-outstanding and performing Small-Dollar Loans would be less than the current amount of money then in the LLLR Account, then each such fully repaid Small-Dollar Loan will be deemed to reduce the reserving of the LLLR Account in the amount of 10% of each dollar in Small-Dollar Loan principal so repaid

ALLOWED CLAIM

An Allowed Claim, once documented to the Treasurer's Office, is that dollar amount, when measured at 120 days after the last date the respective Small-Dollar Loan was performing, equal to 10% (i.e., one-tenth) of the sum of (i) the interest (but not future interest) on the Small-Dollar Loan then unpaid, plus (ii) the entire principal of the Small-Dollar Loan then unpaid, if any; provided that the Participating Financial Institution continues to follow its normal processes to maximize the collection of re-payment of said Small-Dollar Loan

PAYMENT FROM THE LINKED LOAN LOSS RESERVE ACCOUNT FOR ALLOWED CLAIMS

Participating Financial Institution shall promptly document, with a copy to the Treasurer's Office upon request within 5 (five) business days, any claim that seeks a payment from the LLLR Account. Such documentation shall include copies of the Small-Dollar Loan documents, any court orders then issued, collection attempt information, and a loan aging report.

Once an Allowed Claim is documented and approved by the Treasurer's Office as set forth above, the Participating Financial Institution shall promptly transfer the dollar amount of such Allowed Claim from the LLLR Account to the Participating Financial Institution

If and when an LLLR Account reaches $0 due to cumulative Allowed Claims exceeding the available balance of the LLLR Account and the influx of new LLLR Contributions and newly restored collections from recovery of delinquent loans, then the LLLR Account is deemed exhausted and subsequent Allowed Claims cannot be paid. Further, Allowed Claims that cannot be paid because the LLLR Account is exhausted cannot be rolled forward for payment, regardless whether the LLLR Account is later replenished from new LLLR Contributions.

The City of Chicago will not be held liable for any unpaid or unpayable Allowed Claims.

REQUIRED FURTHER COLLECTION EFFORTS

Participating Financial Institution shall continue to pursue all reasonable collection efforts against each delinquent Small-Dollar Loan, regardless whether an Allowed Claim has occurred with respect to such Small-Dollar Loan.

With respect to a given delinquent Small-Dollar Loan, if the Participating Financial Institution recovers funds after an Allowed Claim has occurred, then the Participating Financial Institution shall promptly restore to the LLLR Account an amount equal to 100% of that Allowed Claim, less the Participating Financial Institution's recovery costs (but only to the extent the Participating Financial Institution was not reimbursed by that Allowed Claim for recovery costs). At the same time, Participating Financial Institution shall notify the Treasurer's Office of the restoration and the dollar amount thereof, and will provide copies of supporting and collection documentation to the City.

REPORTS TO TREASURER'S OFFICE; COORDINATION WITH TREASURER'S OFFICE

Each Participating Financial Institution will confer periodically with the Treasurer's Office about the Program.

The Treasurer's Office will establish an on-line mechanism for use by Participating Financial Institutions for monthly, quarterly or other reporting.

Monthly during the operation of this Program, each Participating Financial Institution will provide to the City on the online portal:

- total number of Small-Dollar Loans made

- a statement affirming that each new borrower receiving a Small-Dollar Loan during that prior month met the conditions for being a qualified borrower stated hereinabove

- certify that each outstanding Small-Dollar Loan meets the conditions stated hereinabove

- the total initial principal and the total then-outstanding principal of each outstanding Small-Dollar Loan

- identity of those Small-Dollar Loans that are performing

- for each Small-Dollar Loan that is not performing, a brief written statement discussing its status

- for each Small-Dollar Loan that is in default, a brief written statement discussing its status and a non-binding estimate of the possible dollar amount of an Allowed Claim

- a report on the dollar amount of all Allowed Claims

- a current balance sheet for the LLLR Account

- a statement on how much of the LLLR Account is reserved

- a running report on all Allowed Claims paid out of the LLLR Account

Participating Financial Institution shall create and maintain comprehensive records about the Program for City audit or review purposes.

Participating Financial Institution will provide any additional information as reasonably requested by the Treasurer's Office about the performance of the Program.

COMPLIANCE

The City reserves the right to make random inspections of documents and program activities that are provided or undertaken by Participating Financial Institutions in connection with the Program.

DEFAULT AND REMEDIES

The Treasurer's Office may, but is not required, to declare a Participating Financial Institution in default under the Program if any one or more of the following occurs or fails to occur as required:

- the Participating Financial Institution's Small-Dollar Loan program is not operational within six months after the City's initial purchase of Program-related CDs

- if, starting six months after the City's initial purchase of Program-related CDs, the Participating Financial Institution's Small-Dollar Loan program fails to place at least 25 loans within a quarter, or at least 100 loans within any 12-month period of the Program

- Small-Dollar Loan program does not meet (or is changed to such an extent that it no longer meets) the City's requirements as set forth in this Program

- Participating Financial Institution drops off the Municipal Depository list

- the Participating Financial Institution fails to meet any of the other obligations and duties set forth under this Program

Remedies available to the Treasurer's Office for default include, but are not limited to:

- early termination (sale), without penalty to the Treasurer's Office, of one or more of the Participating Financial Institution's CDs then being held by the Treasurer's Office

- requiring the Participating Financial Institution to close its LLLR Account and remit the entire balance of same to the Treasurer's Office, notwithstanding that any or all of said LLLR Account is reserved

ANNUAL REVIEW OF PROGRAM; TERMINATION OF PARTICIPATING FINANCIAL INSTITUTION

The Treasurer's Office will conduct an annual review of the Program with respect to each Participating Financial Institution, typically to be held in advance of one or more CD purchases or CD renewals. At that time, the Treasurer's Office will review current outstanding Small-Dollar Loans and any Small-Dollar Loan defaults then in progress. In its sole discretion, the Treasurer's Office may choose to terminate the Program with respect to a Participating Financial Institution at that time.

TERMINATION OF PROGRAM

The Program may terminated by the City at any time. If so terminated, each Participating Financial Institution then participating in the Program shall, within 45 days thereafter, provide the City a full set of financial reconciliations of the LLLR Accounts and Program-related CDs and a full final set of reports.

GENERAL CONDITIONS, TERMS, AND LIMITATIONS

Each Participating Financial Institution shall, in connection with all publicity about its Small-Dollar Loan program, acknowledge that Treasurer's Office of the City of Chicago has supported it by funding a loan loss reserve pool.

Participating Financial Institution shall allow City to review and monitor information about the Small-Dollar Loans.

If the Program is terminated before the LLLR Account is deemed fully reserved (as set forth above), or if the Participating Financial Institution no longer participates in the Program, then any LLLR Contributions not then reserved shall be promptly refunded to the City.

No officer, director or employee of Participating Financial Institution (directly or indirectly), or any affiliate of Participating Financial Institution, is eligible to receive any payment from the LLLR Account.

Approximately five years following the date of this Agreement, the City shall review the Program, including a review of current outstanding Small-Dollar Loans and any Small-Dollar Loan defaults then in progress. The Treasurer's Office may invite commentary during the course of the review from the Participating Financial Institutions. A primary objective of this review will be to determine whether the incidence of Allowed Claims against the LLLR Accounts is sufficiently low to warrant the continuation or expansion of the Program.

Supplemental Resource: Strategy 4, Resource A

City of Austin Community Assistance Program Rates

Community Benefit Charge

Application:
The Community Benefit Charge recovers certain costs incurred by the utility as a benefit to Austin Energy's service area customers and the greater community. This charge shall be determined through the City budget process, and includes three specific programs and services provided to customers.

1. Service Area Lighting (SAL) recovers the cost of street lighting (other than lighting maintained by Texas Dept. of Transportation) and the operation of traffic signals located inside the city limits of Austin. Customers whose point of delivery is located outside the city limits of Austin are not subject to the Service Area Lighting component of the Community Benefit Charge.

2. Energy Efficiency Services (EES) recovers the cost of energy efficiency rebates and related costs, solar rebates, and the Green Building program offered by Austin Energy throughout its service area.

3. The Customer Assistance Program (CAP) funds projects that help qualifying low-income and other disadvantaged residential customers through bill discounts, payment assistance (Plus 1), and free weatherization services. Funding for CAP shall be provided through the CAP component of the Community Benefit Charge and unexpended and re-appropriated funds. Information regarding CAP shall be made available quarterly, including the number of residential customers enrolled automatically and through self-enrollment, the total and average amount of benefits provided, and the number of residential customers referred to the low-income weatherization program. With Council approval, funds unspent at the end of a fiscal year shall be rolled over to the next fiscal year's budget for the CAP program.

Effective Date November 1, 2015	**Service Area Lighting**	**Energy Efficiency Services**	**Customer Assistance Program**
Residential ($/kWh)			
Inside City Limits	$0.00093	$0.00289	$0.00172
Outside City Limits	$0.00000	$0.00289	$0.00118
Secondary Voltage < 10 kW ($/kWh)			
Inside City Limits	$0.00096	$0.00337	$0.00065
Outside City Limits	$0.00000	$0.00337	$0.00065
Secondary Voltage ≥ 10 < 50 kW ($/kWh)			
Inside City Limits	$0.00076	$0.00378	$0.00065
Outside City Limits	$0.00000	$0.00378	$0.00065
Secondary Voltage ≥ 50 kW ($/kWh)			
Inside City Limits	$0.00068	$0.00198	$0.00065
Outside City Limits	$0.00000	$0.00198	$0.00065
Primary Voltage < 3 MW ($/kWh)			
Inside City Limits	$0.00058	$0.00252	$0.00065
Outside City Limits	$0.00000	$0.00252	$0.00065
Primary Voltage ≥ 3 < 20 MW ($/kWh)			
Inside City Limits	$0.00054	$0.00049	$0.00065
Outside City Limits	$0.00000	$0.00049	$0.00065

Primary Voltage ≥ 20 MW ($/kWh)			
Inside City Limits	$0.00051	$0.00114	$0.00065
Outside City Limits	$0.00000	$0.00114	$0.00065
Transmission Voltage ($/kWh)			
Inside City Limits	$0.00045	$0.00146	$0.00065
Outside City Limits	$0.00000	$0.00146	$0.00065
Transmission Voltage ≥ 20 MW @ 85% aLF ($/kWh)			
Inside City Limits	$0.00000	$0.00000	$0.00065
Outside City Limits	$0.00000	$0.00000	$0.00065
Thermal Energy Storage, Secondary Voltage ($/kWh)			
Inside City Limits	$0.00068	$0.00198	$0.00065
Outside City Limits	$0.00000	$0.00198	$0.00065
Thermal Energy Storage, Primary Voltage < 3 MW ($/kWh)			
Inside City Limits	$0.00058	$0.00252	$0.00065
Outside City Limits	$0.00000	$0.00252	$0.00065
Thermal Energy Storage, Primary Voltage ≥ 3 < 20 MW ($/kWh)			
Inside City Limits	$0.00054	$0.00049	$0.00065
Outside City Limits	$0.00000	$0.00049	$0.00065
Customer-Owned, Non-Metered Lighting ($/kWh)			
Inside City Limits	$0.00048	$0.00000	$0.00065
Outside City Limits	$0.00000	$0.00000	$0.00065
Customer-Owned, Metered Lighting ($/kWh)			
Inside City Limits	$0.00081	$0.00000	$0.00065
Outside City Limits	$0.00000	$0.00000	$0.00065

Supplemental Resource: Strategy 4, Resource B

Austin Ordinance Deferred Payment Procedure

ORDINANCE NO. 20150623-001

AN ORDINANCE AMENDING CITY CODE CHAPTER 15-9 REGARDING DEFERRED PAYMENT ARRANGEMENTS FOR UTILITY ACCOUNTS AND APPROVING DEFERRED PAYMENT GUIDELINES.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

PART 1. City Code Section 15-9-144 is repealed and replaced with a new Section 15-9-144 that reads:

§ 15-9-144 DEFERRED PAYMENT AGREEMENT

(A) The City shall adopt uniform guidelines for collections and deferred payment agreements.

(B) The City may agree to allow a customer to make deferred payments on a utility service account. A deferred payment agreement shall allow a residential customer to make reasonable payments toward past due balances according to guidelines approved by the City Council.

(C) A customer with a past-due balance on an active account may apply to the City for a deferred payment agreement.

(D) A deferred payment agreement with a residential customer who participates in or qualifies for the City's customer assistance program shall not require a monthly payment that exceeds 5% of the U.S. Department of Health and Human Services poverty guideline for a single person household. The 5% maximum applies even if a qualified customer is denied access to the program because of a lack of funding.

(E) The utility shall renegotiate a deferred payment agreement if the customer can demonstrate a bona fide need for payment relief arising during the term of the agreement, such as:

(1) a serious illness or injury suffered by the customer or a member of the customer's household;

(2) loss of employment or deportation;

(3) economic loss due to natural disaster;

(4) domestic violence against the customer; or

(5) a commitment by an independent program to assist the customer with payment that requires terms other than those in the deferred payment agreement.

(F) The deferred payment terms and conditions set forth in this section are minimum standards to protect residential customers. This section does not prohibit the utility from providing different repayment terms if the customer consents to those terms.

PART 2. The deferred payment guidelines attached as Exhibit A are approved.

PART 3. This ordinance takes effect on July 4, 2015.

PASSED AND APPROVED

§
§
June 23, 2015 § ______________________
Steve Adler
Mayor

APPROVED: ______________________ **ATTEST:** ______________________ For
Anne L. Morgan — Jannette S. Goodall
Interim City Attorney — City Clerk

Payment Arrangement Procedure

Customers who are eligible for the CAP Discount are eligible for payment arrangements as stated in City Code § 15-9-144.

Payments for residential customers who receive historical debt transfers will be guided under separate procedures.

All other residential customers entering into a new payment arrangement after the effective date will be eligible for payment arrangements under the following three account statuses: Good Standing, Account Watch, and Subject to Disconnection.

A. Customers in "Good Standing" (Payment Arrangement No. 1)

When a customer pays the entire bill by the due date they are considered in Good Standing.

A customer with a past due balance may enter into a deferred payment arrangement subject to the following terms:

(1) Equal payment installments over a period of up to 24 months shall be presumed to be reasonable if a residential customer is unable to meet the payment arrangements as proposed under existing guidelines.

(2) The first equal installment under a deferred payment agreement shall be due as a down payment.

A customer with a deferred payment arrangement shall remain in Good Standing when the current monthly bill is paid in full by the due date and 100% of the deferred payment due is paid on or before the next bill due date.

A customer in Good Standing will not be subject to broken payment arrangement provision of payment arrangements or disconnection.

A customer who breaks a Good Standing payment arrangement falls into the Account Watch status.

B. Customers in "Account Watch" status (Payment Arrangement No. 2, and Bona Fide Payment Arrangement, if applicable)

A customer with a deferred payment arrangement who does not remain in Good Standing but whose current monthly bill is paid in full by the due date and whose arrearage is less than $1000, or an amount determined by the appropriate Customer Service staff member.

Within three business days from the date at which Austin Energy determines a customer falls in Account Watch status, a specially trained Customer Service staff member will contact the customer in Account Watch status regarding the status of the account and potential remedies to address the situation, and offer an appointment.

A customer in Account Watch status will be subject to the following payment arrangement terms:

(1) Equal payment installments over a period of 24 months shall be presumed to be reasonable if a residential customer is unable to meet the payment arrangements as proposed under existing guidelines.

(2) The first equal installment under a deferred payment agreement shall be due as a down payment.

(3) The utility shall renegotiate a deferred payment agreement if the customer can demonstrate a bona fide need for payment relief arising during the term of the agreement, such as but not limited to:
- a serious illness or injury suffered by the customer or a member of the customer's household;
- loss of employment or deportation;
- economic loss due to natural disaster;
- domestic violence against the customer;
- a commitment by an independent program to assist the customer with payment that requires terms other than those in the deferred payment agreement;

A customer who does not meet the terms of the Account Watch payment arrangements will be "Subject to Disconnection."

C. Customers in "Subject to Disconnection" status (Payment Arrangement No. 3)

A customer who is not in Good Standing status or who does not meet the criteria for Account Watch status will be placed in "Subject to Disconnection" status.

A payment arrangement requiring a 50% down payment of the total debt (due in 15 days) and a maximum of eight monthly installments. Customers may be required to sign a payment arrangement contract. If any of the terms of the payment arrangement are broken the customer will be subject to disconnection under the terms stated in City Code ARTICLE 7 – TERMINATION OF SERVICE.

D. Reporting

Austin Energy will meet with consumer groups and Council staff to identify performance measures for these proposed changes so that regular reporting on the payment arrangement metrics begins 60 days after adoption of the procedures and policy.

Supplemental Resource: Strategy 4, Resource C

Letter to El Paso from Texas Appleseed

Texas
APPLESEED

October 23, 2015

Sent via Email & Priority Mail

City Rep. Peter Svarzbein
300 N. Campbell
El Paso, Texas 79901
district1@elpasotexas.gov

City Rep. Larry E. Romero
300 N. Campbell
El Paso, Texas 79901
district2@elpasotexas.gov

City Rep. Emma Acosta
300 N. Campbell
El Paso, Texas 79901
district3@elpasotexas.gov

City Rep. Carl L. Robinson
300 N. Campbell
El Paso, Texas 79901
district4@elpasotexas.gov

City Rep. Dr. Michiel Noe
300 N. Campbell
El Paso, Texas 79901
district5@elpasotexas.gov

City Rep. Claudia Ordaz
300 N. Campbell
El Paso, Texas 79901
district6@elpasotexas.gov

City Rep. Lily Limón
300 N. Campbell
El Paso, Texas 79901
district7@elpasotexas.gov

City Rep. Cortney Niland
300 N. Campbell
El Paso, Texas 79901
district8@elpasotexas.gov

RE: City of El Paso Debtors' Prisons

Dear Members of the El Paso City Council:

As organizations dedicated to protecting the constitutional and civil rights of all Texans, we urge you to ensure that the El Paso Municipal Court modifies its policies and practices with respect to the collection of fines and court costs. The City must implement new Municipal Court procedures to end the repeated violations of state and federal law and to treat lower-income El Pasoans with fairness.

As you are aware, the online news outlet *Buzzfeed* recently published the results of its investigation into Texas municipal courts jailing people who are too poor to pay fines and court costs for petty misdemeanors, with a special focus on the El Paso Municipal Court.[1] Their investigation revealed that in many cases, El Paso Municipal Court judges were failing to follow well-established state and federal law. The Texas Code of Criminal Procedure explicitly requires a municipal court judge to make a written determination that a person is not indigent, and has failed to make a good faith effort to pay fines, before jailing that person for failure to pay his or her fines.[2] Yet the *Buzzfeed* reporters reviewed the case files of 100 individuals jailed for at least 5 days for nonpayment of fines by El Paso Municipal Court judges and did not find evidence of an ability to pay determination in *any* case file.

The El Paso Municipal Court gives people who are too poor to pay fines few options other than jail. Data from the Texas Office of Court Administration show that, of all Texas cities, El Paso has the second-highest number of cases in which fines are resolved through jail credit, with 38,970 fines or courts costs paid through jail stays in FY 2014. During that same year, fines were waived for indigency in only 14 cases, and satisfied through community service in only 233 cases.[3] With this lack of options, failure to pay fines is quite common. Data shows that approximately 77,000 El Paso residents—more than 11% of the city's population—currently have outstanding warrants for their arrest for nonpayment of fines or court costs to the El Paso Municipal Court.[4]

The Court also makes it very difficult for low-income defendants to even enter into a payment plan, requiring that an individual pay 25% of each fine up-front in order to obtain a payment plan, and requiring complete payment over the course of just 90 days.[5] Under these rules, an individual who owed $1000 would have to pay $250 up front, and $250 on a monthly basis for three months to resolve her fines—amounts that are completely impossible for many lower-income individuals.

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[1] Kendall Taggart & Alex Campbell, *Their Crime: Being Poor, Their Sentence: Jail*, BUZZFEED, Oct. 7, 2015, *available at* http://www.buzzfeed.com/kendalltaggart/in-texas-its-a-crime-to-be-poor#.bnmEG2Mao (hereinafter Taggart & Campbell).

[2] Tex. Code. Crim. Pro. Art. 45.046(a).

[3] Tx. Ofc. of Court Admin., Annual Statistical Report, FY 2014.

[4] Data obtained through open records request to the City of El Paso in October 2015. The data accounts for 318,155 warrants, representing 100,228 individuals, 77,076 of whom have El Paso addresses.

[5] *See* El Paso Municipal Court website, https://www.elpasotexas.gov/municipal-courts/fines-and-payments, *last visited* October 19, 2015 ("A 25% initial payment is required-per violation – prior to the issuance of the payment plan. You will have 90 days to pay your fine. If the amount is not paid in full by the end of the 90 day period, an arrest commitment will be issued, and you may be denied vehicle registration and the renewal of your driver's license.")

People who are too poor to pay ultimately wind up before a judge, and based on interviews given by El Paso Municipal Court judges to the *Buzzfeed* reporters, a denial of these individuals' rights under state and federal law is likely. Two El Paso Municipal Court judges quoted in the article displayed fundamental misunderstandings of the law, claiming that they were under no obligation to ask about a defendant's income before sentencing the defendant to jail.[6] Along with the Texas statutory requirement that judges conduct such an inquiry, the U.S. Constitution requires that judges inquire into a defendant's ability to pay before sentencing that defendant to jail for failure to pay a debt. The Supreme Court has held that jailing a probationer for failure to pay a fine, without any inquiry into the reasons for his nonpayment and ability to pay, "would be contrary to the fundamental fairness required by the Fourteenth Amendment." *Bearden v. Georgia*, 461 U.S. 660, 672-73 (1983). *Bearden* makes it clear that the court has an affirmative duty to inquire into ability to pay before sentencing anyone to jail for nonpayment. The Supreme Court has also held that a judge cannot impose a jail term, "even for a brief period," if the judge failed to appoint counsel at trial. *Argersinger v. Hamlin*, 407 U.S. 25, 33 (1972). To the best of our knowledge, counsel is not appointed to any individual facing jail time for unpaid fines in the El Paso Municipal Court.

Jailing people for unpaid fines, without any inquiry into their ability to pay and without appointing counsel, violates the Constitution and thereby exposes municipalities to liability pursuant to 42 U.S.C. § 1983. A flurry of lawsuits have recently been filed against cities across the United States based on such violations, some of which have already resulted in cities being forced to dramatically alter their policies and procedures around municipal court fine collection.[7] Other jurisdictions, in response to research uncovering similar practices, have voluntarily reformed their debt collection practices.

El Paso must take steps to address the ongoing constitutional violations in its Municipal Court. Aside from being inhumane and illegal, incarcerating indigent El Pasoans for not paying fines is wasteful and counterproductive. The City is paying an estimated

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[6] *See* Taggart & Campell ("'There's no requirement for us to ask' defendants if they have the money to pay, said Judge [Cheryl] Davis, who sentenced Lane. 'Unless they bring up the fact that they have no money to pay, or that they would rather go on to a payment plan, or they want to do community service, then it's not offered,' she said. . . . "El Paso city court Presiding Judge Daniel Robledo also said that judges were under no obligation to ask people about their finances — the onus was on defendants to raise the issue.")

[7] *See, e.g.*, *Jenkins v. City of Jennings*, 4:15-cv-252 (E.D. Mo. Sep. 16, 2015) (entering order for permanent injunction to overhaul municipal court processes); *Cleveland v. City of Montgomery*, 2:13-cv-732, *Watts v. City of Montgomery*, 2:13-cv-733 & *Mitchell v. City of Montgomery*, 2:14-cv-186 (M.D. Ala. Nov. 17, 2014) (entering injunction enforcement settlement agreement in which city agreed to overhaul court processes). *See also Fant v. City of Ferguson*, 4:15-cv-253 (July 13, 2015) (order denying motion to dismiss as to all counts); *Cain v. City of New Orleans*, 2:15-cv-4479 (E.D. La. Sep. 17, 2015) (motion for preliminary injunction pending); *Foster v. City of Alexander* 3:15-cv-647 (M.D. Ala. Sep. 8, 2015) (motion for preliminary injunction pending).

$375,000 to jail people for nonpayment of fines[8]—an amount that could surely be better spent. Moreover, El Pasoans who are already financially struggling may lose their employment, lose their housing, fail to pay their bills, and suffer other negative consequences when they are arrested and jailed, making it even less likely that they will be able to pay their fines or contribute to the tax revenue of the city in the future.

We urge the City Council to work with the Municipal Court to develop and adopt a new set of policies and practices for the collection of fines and court costs in the El Paso Municipal Court. As you consider this issue, we offer our expertise on existing legal requirements and best practices. We have attached a set of proposed practices, informed by constitutional principles and well-established law, that the City Council should consider implementing. This list is not intended to be exhaustive, but a starting point for a discussion about the changes that must be made to remedy the ongoing constitutional violations.

Please let us know when you are available to discuss these proposals further. In the meantime, please feel free to contact any of us with questions.

Sincerely,

Mary Mergler
Director, Criminal Justice Project, Texas Appleseed, Austin, TX
mmergler@texasappleseed.net

Ranjana Natarajan
Director, Civil Rights Clinic, University of Texas School of Law, Austin, TX
rnatarajan@law.utexas.edu

Rebecca Robertson
Legal and Policy Director, American Civil Liberties Union of Texas, Houston, TX
rrobertson@aclutx.org

Susanne Pringle
Senior Staff Attorney, Texas Fair Defense Project, Austin, TX
springle@fairdefense.org

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8 *See* Taggart & Campbell.

CC: Mayor Oscar Leeser
Mayor's Office
300 N. Campbell
El Paso, TX 79901
mayor@elpasotexas.gov

Hon. Daniel Robledo
Presiding Judge, El Paso Municipal Court
Municipal Court
810 E. Overland
El Paso, TX 79901

<u>Proposed El Paso Municipal Court Policies & Practices</u>
<u>For Fine Collection</u>

1) **Provide Defendants with Information about Their Rights.** The Court should provide defendants with written information, explained in simple terms understandable to non-lawyers, outlining their rights and their options in lieu of payment of the total fine.
    a. If the case is filed by complaint rather than ticket and a summons is mailed to defendant, this information should be provided with the summons.
    b. The Court should proactively advise defendants of this information before accepting a plea, upon sentencing, and at any subsequent appearance concerning enforcement or collection.
    c. For defendants who pay fines at the clerk's window, kiosk, or elsewhere without seeing a judge, the Court should clearly post this information and provide it in handout form. The information should also be available on the Court's website.

2) **Hold an Ability to Pay Hearing Before Setting the Fine Amount.** Before setting the fine amount, the judge should ask the defendant about her ability to pay.
    a. The judge should consider the defendant's income, dependents, and other significant expenses.
    b. The judge should presume that a defendant is entitled to alternative sentencing if she receives certain forms of governmental assistance, such as a Section 8 housing voucher, Medicaid, TANF or SNAP food benefits.
    c. The Court should provide written guidance to judges regarding ability to pay to ensure that income, dependents and expenses are considered appropriately.
    d. The Court should communicate all determinations of indigency to the Texas Department of Public Safety in cases that involve offenses for which surcharges attach, e.g., driving without a license, driving while license is invalid, and failure to maintain financial responsibility.

3) **Assess Alternative Sentences.** After determining defendant's income, the sentencing judge should offer specific alternative sentences for all defendants under a certain income level.
    a. The Court should provide written guidance to judges regarding waiver of fines, reduction of fines and alternative sentencing, based on ability to pay, and include guidelines according to household income and size, and the income level required for El Paso residents to meet their basic needs.

b. The judge should reduce fines to be proportionate to each defendant's financial resources.
c. The judge should waive court costs and fees as appropriate, based on defendant's circumstances and ability to pay. The Court's written guidance on ability to pay should include guidance on when such a waiver is appropriate.
d. The judge should offer community service in lieu of fines for a number of hours that defendant can reasonably complete given her employment, childcare obligations, transportation, disability, and any other factors substantially impairing her ability to perform community service. Before ordering community service, the judge should inquire into the defendant's ability to complete community service without undue hardship.
e. In order to make community service possible for individuals to complete, limits should be set on the amount of community service that an individual can be required to complete. These limits should include a maximum total number of community hours, a maximum number of community service hours per week or month (*e.g.*, 8 hours per week or 24 hours per month), and a maximum period for which the community service requirements can endure.
f. The judge should offer payment plans in lieu of immediate payment of total fines to persons who lack an ability to pay the full fine at that time. No amount should be required to be immediately payable in order to enter into a payment plan, nor should any additional amount be assessed as a penalty for entering into a payment plan, even if that amount is authorized by law. Payment plan amounts should be low enough so that defendant can still meet all basic needs in addition to paying the monthly installments. The Court should set a cap on monthly payment plan amounts based on household income and size.

4) **Make Compliance Simpler.** The Court should take steps to help people comply with its orders and avoid arrest and jail time.
   a. The Court should implement basic steps, like automatic phone calls or text messages, to remind defendants of their court dates.
   b. The Court should allow defendants to reschedule court appearances when necessary and to appear telephonically when possible.
   c. The City should implement a program, pursuant to Texas Code of criminal Procedure § 103.0025, enacted by the 84th legislature, that allows individuals who are arrested to pay outstanding fines by credit card or debit card to avoid being booked at the jail. Individuals should not be

booked if they pay a small percentage, e.g., no more than 10%, of the outstanding fines.

d. The cases of persons with a known inability to pay should not be sent to private collection agencies or law firms for collection. Before sending debts to private collection agencies or law firms, the Court should make a finding of willful failure to pay. Any fee added to a debt sent to collection (customarily 30% of the debt) should be automatically waived if a person is later determined to be indigent.

5) **Issue Fewer Warrants.** The Court should reduce its reliance on arrest warrants, and limit the issuance of warrants to situations in which the Court is aware that the failure to pay or comply is willful.

   a. If a defendant fails to appear in municipal court once, the Court should issue a summons for a new court date, rather than an arrest warrant and an additional criminal charge. Only after defendant has failed to appear in court twice should the Court even consider issuing a warrant.
   b. If defendant has requested a payment plan or community service in the past, or the Court has any other reason to believe that defendant may be indigent, and the defendant fails to make payment plan payments or complete community service, the Court should issue a summons and set a show cause hearing prior to issuing an arrest warrant. The summons should include information about proportionate fines, community service, and payment plans.
   c. The Court should permit defendants to clear arrest warrants by going to the courthouse and speaking to a clerk or judge to arrange a payment plan or alternative means of satisfying the fine. There should be no threat of arrest if a defendant comes to the courthouse to address or pay unpaid fines or court costs.
   d. The City should not participate in annual "Warrant Round-Ups" for individuals who have only been convicted of Class C misdemeanors and other traffic offenses.

6) **Respect the Right to Counsel.** The Court should not jail defendants who were not represented by counsel in their underlying criminal proceedings, or who did not knowingly, intelligently, and voluntarily waive their right to counsel.

7) **Respect the Right of Public Access.** All court proceedings, including jail magistrations, should be open to the public pursuant to the First Amendment of the U.S. Constitution.

8) **Impose Jail Terms Sparingly and Only After Complying with Constitutional and Legal Requirements**. The Court should dramatically reduce its reliance on jail as an enforcement mechanism.

   a. Jail should only be used as a last resort for those defendants who willfully refuse to follow the Court's orders.
   b. Individuals who are booked at the jail for unpaid fines should be brought before a magistrate as soon as possible. If the magistration will not occur within 8 hours of booking, the defendant should be released on a personal recognizance bond and an ability to pay hearing should be scheduled.
   c. The judge presiding over magistrations, or other judge whom the defendant appears before after being booked, should determine whether the defendant could have paid her fines and still met all her basic needs with her current income. This will require the judge to inquire into and document a defendant's income, dependents, and expenses. The Court's written guidance on ability to pay, referenced above, should inform decision-making on ability to pay. Any defendant under a certain income level, or receiving certain forms of government assistance, should be presumed indigent and unable to pay fines.
   d. Judges should not jail a defendant who is unable to pay her fines—the full amount or a payment plan installment—unless there has been a finding of willful failure to pay. In addition to income, judges should consider whether the defendant made a good-faith effort to pay the installments.
   e. Judges should not jail a defendant for failing to satisfy her debts through community service, unless the judge finds that (1) the defendant failed to make a good-faith effort to perform the service, and (2) it would not have been a hardship for the defendant to perform the community service.
   f. Judges should document their findings at these hearings and those findings should be part of any order entered.

Supplemental Resource: Strategy 5, Resource A

United Way Thrive Directory of Financial Products

United Way THRIVE

DIRECTORY OF FINANCIAL PRODUCTS

August 2016

Build savings

Increase income

Acquire assets

United Way

United Way of Greater Houston

Helping families **THRIVE**

United Way of Greater Houston | 50 Waugh Drive, Houston, TX 77007
www.unitedwayhouston.org | thrive@unitedwayhouston.org

Table of Contents

Car Loan

ON THE ROAD LENDING

www.ontheroadlending.org

Type of Product

Below-market car loans for people with weak credit

For more information, contact:

Bonnie Thomas

713-867-7753

Target Customer

- Low- to moderate-income working families
- Single women

Income Limits

No income requirements other than sufficient RESIDUAL income to afford a car loan (including insurance, fuel, and maintenance). We have made loans to people with incomes as low as $17,000 and as high as $55,000. We are seeking people who have about $500 left over after payment of rent, food, insurance, and utilities to dedicate to their transportation needs.

Loan Size

$15,000 on average

Loan Term

Typically 60 – 66 months

Interest Rate and Fees

9.75% for everyone, no fees

Loan Requirements

On the Road Lending works with clients who have weak credit (or no credit) obtain reliable, affordable transportation.

Poor credit is not a problem, but our clients must have sufficient income to afford a car loan. We require our clients to have been at the same job and residence for a minimum of six months.

Our organization is not a bank. Individuals in our community have made funds available for us to use to make loans. To ensure that we use those funds wisely, we require client-borrowers to get financial education and commit to working with our coaches, both before getting into their cars, and for the life of their loan. (Most of our clients find this to be a great bonus!)

We only make loans on newer cars with low miles that are fuel-efficient, reliable, and hold their value (such as Toyota Camrys and Corollas).

Loan Performance

Default rate of only 2%

Financial Education

We provide long-term, customized financial mentoring for our clients. We require they take financial education classes from a reputable source within their communities as a condition of receiving a loan.

Auto Loan

Promise Credit Union (PCU)

www.promisecu.org

Type of Product

Car Loan

For more information, contact:

Randy Martinez
832-239-8599 ext. 2104

Joseph Dominguez
832-239-8599 ext. 2103

Target Customer

Anyone who lives, works, worships, or attends school in 77036, 77074, 77081, 77003, 77011, 77020, 77023, 77034, 77502, 77504, 77587, 77033, 77061, 77087

Loan Size

Up to $35,000

Loan Term

Up to 72 months

Interest Rate and Fees

As low as 2.50%
As high as 18%
No fees unless back end products are selected

Loan Requirements

- Steady Employment
- 4 References (complete name, address and phone)
- Full Coverage auto insurance
- Income verification (last three check stubs with YTD and recent Tax Returns)
- Loan-To-Value ratios will apply based on vehicle's National Automobile Dealers Association Value and credit score

Loan Performance

Loan is approved based on overall application process of verifying employment, debt-to-income ratios, insurance, value of auto, references, and competed application.   Also must qualify based on member eligibility requirements.

Fig Emergency Loan

Fig Loan

www.figloans.com

Type of Product

Small Dollar/Emergency Personal Loan

For more information, contact:

Jeff Zhou	**John Li**	**General Inquiries:**
716-200-8541	267-252-8705	832-802-0344

Target Customer

Texas residents only

Loan Size	Loan Term	Interest Rate and Fees
$300-$500	4 months	10% interest, $40-75 service fee based on size of loan (service is higher for clients who apply without a THRIVE Partner referral)

Loan Requirements

- THRIVE partner finanical coach referral required to obtain service fee above
- Social Security Number (Contact us if applying with ITIN)
- Checking account with ACH and 3 months history of recurring income
- Online banking login (used to provide 90-day bank statement)
- 90-day bank statement must show they can pay off loan
- No prepayment penalty
- Payments are reported to credit bureaus

Financial Education

Encouraged to participate in financial coaching

Emergency Small Dollar Loan

Northwest Assistance Ministries

www.namonline.org

Type of Product

Small Dollar Personal Loan

For more information, contact:

Debbie Peterson

281-885-4555

Target Customer

- Must have a TX government identification and a social security card
- Clients who need to pay off a predatory loan

Loan Size

up to $500

Loan Term

- Depends on the client situation
- Max term amount is 6 months

Interest Rate and Fees

$5 sign-up fee: interest rates vary depending on client situation

Loan Requirements

- Must be able to show they can pay off the loan. Client is required to meet one-on-one with Debbie to assess eligibility
- Average approval time is one week
- Credit check is conducted to see if client is eligible for a regular or a secured loan
- Payments are reported to credit bureaus

Financial Education

Please call Debbie Peterson for information

Payroll Advance Loan (PAL)

Promise Credit Union (PCU)

www.promisecu.org

Type of Product

Small Dollar Personal Loan

For more information, contact:

Randy Martinez
832-239-8599 ext. 2104

Joseph Dominguez
832-239-8599 ext. 2103

Target Customer

- UW THRIVE Clients who live, work or worship in the following zip codes:
- Baker Ripley:77036, 77074, 77081
- Ripley House: 77003, 77011, 77020, 77023
- Cleveland Ripley: 77034, 77502, 77504, 77587
- Harbach Ripley: 77033, 77061, 77087
- If client resides outside of the designated zip codes, they must attend an introductory financial literacy class at one of our community centers

Loan Size

$250 or $500

Loan Term

- 6 months for $250
- 12 months for $500

Interest Rate and Fees

10%
$25 Application Fee* for $250 loan
$50 Application Fee* for $500 loan
*Application fee applied only if the loan is approved

Loan Requirements

- Debt to income ratio lower than 45%
- Savings account is required with PCU
- Employment verification: 4 most recent check stubs, W-2, or most recent tax year return
- Four references
- Must be employed 6 months for the $250 loan and 12 months for the $500
- Must be a current client with a UW THRIVE partner agency
- Any form of non-U.S. government issued I.D. accepted or ITIN. Two forms required
- No prepayment penalty

Loan Performance

Client is encouraged to pay on time each month to build their credit and to receive a small dollar loan with the credit union and avoid going to a predatory lender.

Financial Education

- Credit review and tracked: TransUnion and Experian
- Must be working with a financial coach for the duration of the loan (coaches are responsible for gathering and verifying loan information: employment, income, and references)
- Coaches will schedule the meeting with clients to sign the loan documents
- Encourage clients to sign up for direct deposit

Checking & Savings Accounts

Bank On Houston

www.bankonhouston.org

Type of Product

Affordable Checking & Savings Accounts

For more information, contact:

Denise Carpenter
(832) 393-3523

Target Customer

- Anyone in need of a checking or savings account, especially unbanked and underbanked
- "Second Chance" accounts available
- Alternative forms of U.S. and non-U.S. identification may be accepted
- Individuals living in the Greater Houston Area

Terms

- Free debit/ATM
- Online banking
- Mobile banking
- Wire transfers
- Spanish speaking staff
- No or low monthly service charges
- Accounts available through 27 BOH financial institution partners (banks and credit unions)

Customers can identify the financial institutions with account products that meet their needs by using the automated product/branch locator in the "*open a bank account*" button on the website, or by viewing the financial directory or matrix on the website.

Financial Education

- Account opening events
- How to select the right financial institution for you
- Benefits of banking
- BOH non-profit financial education partners, and many of the financial institution partners, offer free financial education and/or free financial coaching

LISC Twin Accounts™

Financial Opportunity Centers

www.lisc.org/our-initiatives/financial-stability/credit-building/

Type of Product

Credit Builder Loan

For more information, contact:

Any of the following Financial Opportunity Center Program Directors:

Alliance for Multicultural Community Services
Hiba Haroon
hharoon@allianceontheweb.org
713-776-4700 ext.143

Chinese Community Center
Kimberly Tang
ktang@cchouston.org
(713) 271-6100 ext. 204

SER Jobs for Progress
Paul Landa
paul.landa@serhouston.org
(713) 773-6000 ext. 148

Volunteers of America
Demetria Smith
dsmith@voatx.org
713-460-0781 ext. 3029

Wesley Community Center
Lucretia Jelks
LJelks@wesleyhousehouston.org
713-223-8131 ext. 244

For information on LISC TWIN ACCOUNTS™ National Program contact:

VanNhi Nguyen
vnguyen@lisc.org
713-334-5700 ext. 15

Laura D'Alessandro
LDAlessandro@lisc.org
212-455-9360

Target Customer

- Customers that are un-scored, low or bad credit score
- Participants must work with a LISC-supported financial counselor who is also a certified credit-building counselor at a participating Financial Opportunity Center
- All FOC clients have to be 18 or over
- Each FOC has a specific enrollment process, please contact the FOCs for further details
- Government issued identification is required

Loan Size

$300

Loan Term

12 months

Interest Rate and Fees

9% fixed for the term of the loan with the match paid at the end of the loan term

Loan Requirements

- Must want to build credit
- Have sufficient net income to cover the monthly loan payment
- Have few, if any, active credit cards or lines of credit
- Have either no credit score or a low credit score at program entry
- $12 closing fee to enroll paid by money order
- $26 month loan payment paid between the between 1st and the 15th of the month to qualify for the match funds.
- This can be paid by check, money order, or calling in the payment on a bank card

LISC Twin Accounts™ (continued)

Loan Performance

Since 2010, LISC has opened 500 LISC Twin Accounts. Of those, 67 have closed early. On average, participants who enter with a score will experience a 20 - 40 point increase. For those without a score, we see jumps as high as 720 as the ending score.

Financial Education

Encouraged to participate in financial coaching

Details

- Proceeds are transferred into a "locked" savings account and can be used in the following ways:
  A) funds will be transferred to an approved secured credit card
  B) toward paying off an existing debt
  C) pay an existing bill
- LISC matches each monthly payment – dollar-for-dollar – as long as payments are made on time
- At the end of the loan term, participants who make 12 on-time payments have $600 (savings+ match funds) and improved credit
- Monthly payments are only reported to Transunion
- Processing time is approximately 5-7 business days

Financial Opportunity Centers that offer this product include:

The product is available in 12 of the 13 states of the LISC FOC footprint

Credit Development Loan

Promise Credit Union (PCU)

www.promisecu.org

Type of Product

Credit Builder Loan

For more information, contact:

Randy Martinez

832-239-8599 ext. 2104

Target Customer

Client who wishes to start or improve their credit score

Loan Size	Loan Term	Interest Rate and Fees
$525	6 months	10%; $25 Application Fee

Loan Requirements

- $10 in savings account
- Two forms of ID (for account opening)
- Income Verification (last two check stubs)
- References
- $500 is placed in a Certificate of Deposit in members account

Loan Performance

Review credit at inception of loan and review credit score after 6 months and the loan is paid.

Financial Education

No required financial education other than one-on-one coaching with PCU representative.

Individual Development Account

Alliance for Multicultural Community Services

www.allianceontheweb.org

Type of Product

Matched Savings (Home, Education or Small Business)

For more information, contact:

Esther James

(713) 776-4700 ext 114

Target Customer

- 200% of the Federal Poverty Level*
- Must be 18 years or older
- Must reside in the Greater Houston Area
- Must be working for at least 6 months with the same employer
- Must have a social security card
- Must have less than $10,000 in total assets

Match Size

- Business and Home purchase: Client save $1,000 and are matched $4,000
- Education: Clients save $500 and are matched $4,000

Program Term

6 - 18 months

Fees

- Business or education: $20 non-refundable application fee
- Home-purchase: $50 non-refundable application fee

Program Requirements

- This is a matched savings program for clients wishing to purchase a home, start/expand their own business or pursue higher education
- Varies by asset purchase
- No penalty to withdraw: must repay within 3 months
- Allowed up to 3 emergency withdrawals: eviction, health and/or unemployment
- Although not promoted, clients can switch account types (education, business, home) while in the program if they are unable to purchase the asset for which they initially enrolled
- Repeat customers allowed and encouraged. Only one account per person per grant cycled allowed: August – July. We are currently not accepting applications as we have allocated the funding acquired for this year. We will let our community partners know once we are accepting applications
- Must have been employed for 6 consecutive months prior to opening account

Financial Education / Coaching

- All IDA clients meet with the financial coach prior to submitting an IDA application and while they are enrolled in the program
- All clients, prior to submitting an application, are required to attend a 2-hour financial literacy workshop. Once enrolled in the program, business-track clients complete a "Starting a Business" workshop, and home purchase clients complete an 8-hour first-time homebuyer's workshop

* See Appendix A for Area Median Income and Federal Poverty Level

Individual Development Account

Covenant Community Capital

www.covenantcapital.org

Type of Product

Matched Savings Account (Home or Education)

For more information, contact:

Education IDA: Alison Cory
832-879-2201
Alison@CovenantCapital.org

Home IDA: Paulina Serrano
832-879-2200
Paulina@CovenantCapital.org

Target Customer

- 200% of the Federal Poverty Level *
- Must be 18 years or older
- Must reside in the Greater Houston Area
- Must be currently working (part time or full time)
- Must have a social security card or ITIN Number
- Must have less than $10,000 in total assets

Match Goal

$2,000 (from earned income)

Match Rate

($1:$1)

Deposit Time/line in the IDA

- Minimum Saving Time Period: 6 Months
- Maximum Saving Time Period: 3 Years

Minimum Monthly Deposit

$20+

Program Requirements

- Varies by asset purchase (home or education)
- No withdrawal in the first six months after opening IDA account, authorized emergency withdrawals are: emergency medical expenses, following the loss of employment, payment necessary to prevent eviction.
- Up to two IDA accounts per household, no more than $4,000 in matching per qualified member of the household.
- Must be able to document yearly income (previous tax return) and proof of current earned income for all working members in the household

Steps to Success

1. Open a no-cost Individual Development Account (IDA)
2. Attend no-cost credit management and homeownership classes
3. Create a personalized savings, credit and home plan with the help from an Asset Coach at no cost to you.
4. Implement your plans and acquire your home with the help of an Asset Coach

Credit Builder

Covenant offers a no-cost $180 Credit Builder Loan to anyone who opens an IDA to help streghthen credit habits. The money is deposited into an escrow account through Wells Fargo bank. Client pays $15 over 12 months to Covenant. The payments are reported to bureaus.

* See Appendix A for Area Median Income and Federal Poverty Level

United Way SAVE

Promise Credit Union (PCU)

www.promisecu.org

Type of Product

Matched Savings

For more information, contact:

Randy Martinez

832-239-8599 ext. 2104

Target Customer

Anyone with an income of $58,000 or less

Savings Amount	Savings Term	Match
$100 - $1,000	1 year	25%

Requirements

- Must get taxes prepared at a Neighborhood Tax Center
- Repeat customers welcome
- No income limit for United Way affiliates
- Allocate a portion of tax refund to savings
- Savings account is opened at Promise Credit Union
- No penalty to withdraw
- Must keep money in account for one year for match
- 25% match is allocated toward the lowest balance in the account for the year
- Foreign government identification or ITIN accepted
- Customer can receive an ATM/Debit card and will have access to online banking

Free Tax Preparation

Neighborhood Tax Centers

www.freetaxcenters.org

Type of Product

Free Tax Preparation

For more information, contact:

Jose Perez

346-240-2465

Katherine Beckner

346-240-2467

Target Customer

Individuals and families with an income of $58,000 or less

Locations

12 sites throughout Houston (during tax season)

Service Term

January - April

Baker-Ripley is open January - November

Cost

$0

Requirements

- Current and prior year tax returns and amendments to 2010
- E-filing and direct deposit
- Applications for an Individual Taxpayer Identification Number (ITIN)
- Help with how the Affordable Care Act affects your taxes
- Matched savings programs available
- Friendly walk-in service
- Drop-off service available at participating sites
- Ayuda en español

Free Tax Preparation

Northwest Assistance Ministries

www.211texas.org

Type of Product

Free tax preparation

For more information, contact:

Eva Galloway

281 885-4601

Target Customer

Individuals and families with an income of $58,000 or less

Service Term	Cost	Location
February - April: Tuesday and Thursdays from 9 am	$0	Northwest Asistance Ministries

Requirements

- Bring photo ID
- Current and prior year tax returns and amendments
- Refunds by free e-filing and direct deposit
- Applications for an Individual Taxpayer Identification Number (ITIN)
- Help with how the Affordable Care Act affects your taxes
- Friendly walk in service- first come first served

Appendix A

2015 Federal Poverty Guidelines For The 48 Contiguous States

Household Size	100%	133%	150%	200%	250%	300%	400%
1	$11,770	$15,654	$17,655	$23,540	$29,425	$35,310	$47,080
2	15,930	21,187	23,895	31,860	39,825	47,790	63,720
3	20,090	26,720	30,135	40,180	50,225	60,270	80,360
4	24,250	32,253	36,375	48,500	60,625	72,750	97,000
5	28,410	37,785	42,615	56,820	71,025	85,230	113,640
6	32,570	43,318	48,855	65,140	81,425	97,710	130,280
7	36,730	48,851	55,095	73,460	91,825	110,190	146,920
8	40,890	54,384	61,335	81,780	102,225	122,670	163,560

2015 Area Median Income Guidelines

Household Size	80%
1	$37,350
2	42,650
3	48,000
4	53,300
5	57,600
6	61,850
7	66,100

Directory of Agencies

1. Alliance for Multicultural Community Services
6440 Hillcroft, Suite 411, Houston, TX 77081
Monday – Friday: 8:30 a.m. – 5:00 p.m.
Products: Individual Development Account & LISC Twin Accounts

2. Bank on Houston
901 Bagby, 10th floor, Houston TX 77002
Monday – Friday: 8:00 a.m. – 5:00 p.m.
Product: Affordable Checking & Savings Accounts

3. Chinese Community Center
9800 Town Park, Houston, Texas 77036
Monday – Friday: 9:00 a.m. – 5:00 p.m.
Product: LISC Twin Accounts

4. Covenant Community Capital
3300 Lyons Ave #203, Houston, TX 77020
Monday – Friday: 9:00 a.m. – 5:00 p.m.
Second Saturday of every month from 9:00 a.m. – 1:00 p.m.
Product: Individual Development Account

5. Family Houston
4625 Lillian, Houston, TX 77007
Monday – Friday: 8:00 a.m. – 6:00 p.m.
Product: Bridge Loan & Ways to Work Car Loan

6. Local Initiatives Support Corporation (LISC)
1111 North Loop West, Suite 740,
Houston, TX 77008
Product: LISC Twin Accounts

Neighborhood Tax Centers
For all locations visit: www.
FreeTaxCenters.org
Monday – Sunday: hours vary based on location
Product: Free Tax Preparation

7. Northwest Assistance Ministries
15555 Kuykendahl Rd, Houston, TX 77090
Monday – Friday: 8:00 a.m. – 5:00 p.m.
Product: Small Dollar Personal Loan & Free Tax Preparation

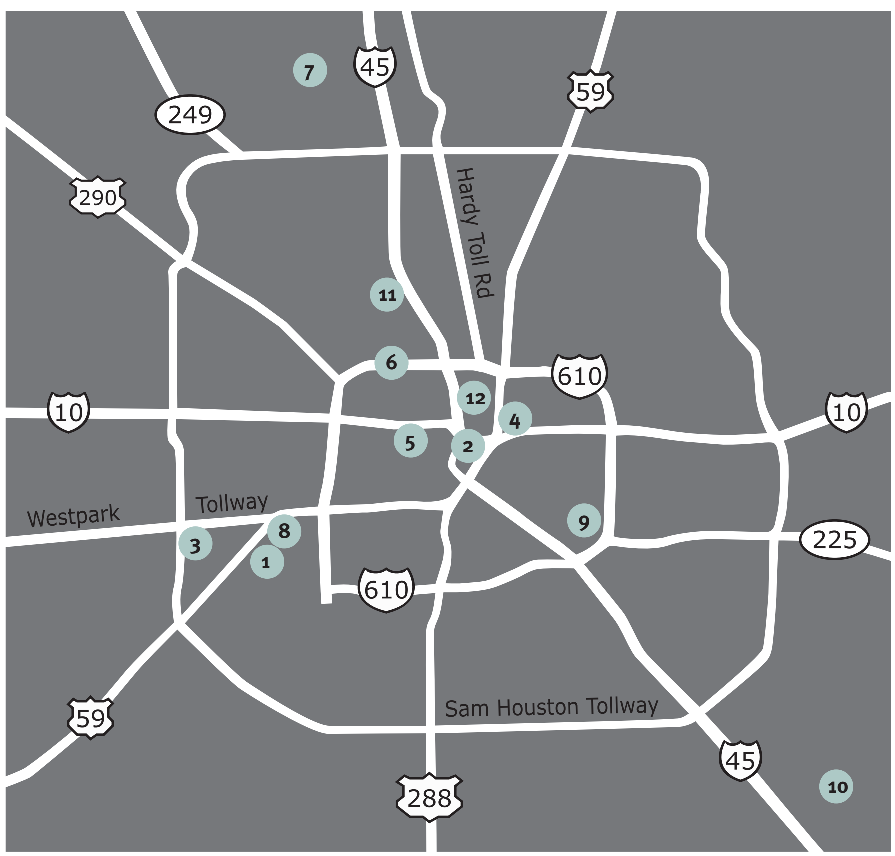
8. Promise Credit Union
6500 Rookin Street, Suite 109-C, Houston, TX 77074
Monday – Friday: 10:00 a.m. – 7:00 p.m.
Saturday: 9:00 a.m. – 1:00 p.m.
Products: Credit Builder Loan, Car Loan, Payroll Advance Loan, United Way SAVE

9. SER-Jobs for Progress
201 Broadway Street, Houston, TX. 77012
Monday – Friday: 8:00 a.m. – 5:00 p.m.
Product: LISC Twin Accounts

10. United Way Bay Area Service Center
1300 Bay Area Blvd, Building A, Houston, TX 77058
Monday – Friday: 8:00 a.m. – 5:00 p.m.
Product: LISC Twin Accounts

11. Volunteers of America
4808 Yale Street, Houston, TX 77018
Monday – Friday: 8:00 a.m. – 5:00 p.m.
Product: LISC Twin Accounts

12. Wesley Community Center
1410 Lee Street, Houston, TX 77009
Monday – Friday: 8:00 a.m. – 5:00 p.m.
Product: LISC Twin Accounts



Supplemental Resource: Strategy 5, Resource B

Bank On National Account Standards

FOR IMMEDIATE RELEASE

Media Contact:
Joel Moore
joel.moore@hkstrategies.com
212.885.0468

The Cities for Financial Empowerment Fund Launches Bank On National Account Standards, Grant Opportunities, at San Francisco Event

First-Time National Account Standards and Nationwide Capacity Grant Funding Opportunities Support Banking Access Programs Across the Country

Account Standards Emphasize Affordability and Safety, Including No Overdraft; Three National Banks Offer Products Satisfying New National Standards; Fourth Commits to Doing So By Mid-2016

October 27, 2015, San Francisco, CA – The Cities for Financial Empowerment Fund (CFE Fund) announced today the launch of new Bank On National Account Standards (2015-2016), designed to support local Bank On coalition efforts and expand access to safe and appropriate financial products and services to the over 65 million people outside of the mainstream financial system who rely on alternative, costly financial services. Low-cost, low-fee, no-overdraft financial products that meet these standards—including accounts at Chase, Citi, and Bank of America—are now available at almost 11,000 branches in 41 states across the country and Washington, DC; Wells Fargo has newly committed to do the same by June 2016 across its 6,200 nationwide branches. The CFE Fund also announced the opening of its Capacity Grant Fund for local Bank On coalitions.

"There are over 65 million adults outside the financial services mainstream, spending billions of dollars on routine transactions like paying bills and depositing and accessing their paychecks. Bank On coalitions across the country have long been working to address that costly and destabilizing second-class status, and today we are proud to announce strong new resources to assist these efforts," said **Jonathan Mintz, President and CEO of the Cities for Financial Empowerment Fund**. "Our Bank On National Account Standards offer local coalitions aspirational, yet attainable, guidelines for their financial institution partnerships, and our national Bank On Capacity Grant Fund will help their programmatic efforts to connect their residents to products that meet their needs."

The goal of Bank On is to ensure that everyone has access to safe and affordable financial products and services. The Bank On National Account Standards identify critical product features for appropriate bank or credit union accounts, making it easier for local coalitions across the country to connect consumers to accounts that meet their needs. Core account features include low costs, no overdraft fees, robust transaction capabilities such as a debit or prepaid card, and online bill pay. Nationally, Chase's *Liquid*℠ account, Citi's *Access Account*, and Bank of America's *SafeBalance Banking* account all meet these new national standards; Wells Fargo has committed to expand their *EasyPay*℠ Card to meet the Standards by June 2016. Local Bank On coalitions will be able to use these new national standards to identify other local and regional financial institutions, including both banks and credit unions, that offer accounts that meet the standards, or engage institutions to encourage them to do so.

The Bank On National Account Standards are informed by the experience of San Francisco and more than 50 other cities with local Bank On coalitions, the Federal Deposit Insurance Corporation (FDIC) Model Safe Accounts pilot, as well as consultations with a variety of stakeholders, including members of the Bank On National Advisory Board, local Bank On coalitions, municipal leaders, national and regional bank partners, and federal regulatory agencies.

The Chairman of the Federal Deposit Insurance Corporation, Martin J. Gruenberg, attended the San Francisco event, delivering remarks regarding the initiative.

The CFE Fund leads the national Bank On movement, supporting city coalitions working to connect individuals and families to the financial mainstream through partnerships between local governments, financial institutions, and community organizations. San Francisco first launched a Bank On program in 2006 and today is the first city to embrace the new Bank On National Account Standards. There are over 50 other local and regional Bank On coalitions across the country. Many have already started scheduling their own kick off events embracing the new Bank On National Account Standards, including Louisville, KY on November 10, and many others over the coming months.

“San Franciscans work hard, and we want to make sure they keep more of those hard earned dollars,” said **San Francisco Mayor Edwin Lee**. “Through the Bank On movement, we are ensuring our low income families and residents have the tools and resources they need to make smart financial decisions that will set themselves and their families up for success. We are proud San Francisco started the Bank On movement, and even prouder to be the first City to sign onto the national standards to help even more residents gain financial empowerment.”

“We launched Bank On nearly ten years ago to make sure that all San Franciscans had access to high quality, low cost financial services,” said **José Cisneros, Treasurer of the City and County of San Francisco**. “We have successfully worked to make accounts available at banks and credit unions of all shapes and sizes, and I am thrilled to stand with our national leaders today to celebrate the national standards.”

Today the CFE Fund also announced the opening of its Bank On Capacity Grant Fund, dedicated to supporting vibrant operations of existing and new local Bank On initiatives. The Capacity Grant Fund, supported by JPMorgan Chase Foundation, will support local coalitions’ efforts to partner effectively with national, regional, and local financial institutions and other key partners to connect their unbanked and underbanked residents to safe and appropriate mainstream accounts.

“It is critically important that consumers have access to safe and affordable banking,” said **Naomi Camper, head of JPMorgan Chase’s Office of Non-Profit Engagement**. “By building the capacity of local communities to support Bank On efforts, the CFE Fund will help millions of people gain access to mainstream banking products, including Chase Liquid, which meets the new national account standards.”

In addition, the CFE Fund provides resources to local coalitions in the form of the Bank On Innovation Fund, with seed support from JPMorgan Chase Foundation and additional support from the Citi Foundation. The Innovation Fund supports pilot programs and research that test new, replicable methods of reaching underserved markets through local government infrastructure. For example, the

Summer Jobs Connect initiative, funded by the Citi Foundation, leverages municipal Summer Youth Employment Programs to expand banking access and targeted financial education. Other Innovation Fund investments include efforts to expand banking access in rural communities, through public housing payments, through utility payments, and for people on parole.

"Investing in safe and affordable financial products that advance the financial capability and economic opportunities of the underbanked is mission critical. From Citi's Access Account – a digital checking and savings account with no overdraft fees – to the Kindergarten to College universal child savings program in San Francisco, from savings accounts for Grameen America micro-entrepreneurs to the Ways 2 Wealth web portal for Florida's low-income community, Citi has been committed to delivering appropriate products and services for those often outside the financial mainstream. By expanding financial inclusion to youth, immigrant and low-income communities, we can enable clients to manage their daily financial needs and long-term goals," said **Bob Annibale, Global Director, Citi Inclusive Finance** and member, FDIC Advisory Committee on Economic Inclusion.

"Our goal is to improve the financial lives of our customers. When individuals feel financially secure and are able to achieve their financial goals we all benefit. It may mean simply having more predictability in their everyday finances or getting useful information in moments that matter," said **Angie Lathrop, Community Affairs Executive, Global Corporate Social Responsibility at Bank of America**. "This is why we have listened to customers and worked with partners, including the Cities for Financial Empowerment Fund, to offer responsible products and services to meet all customers' needs."

"We are delighted to be a part of Bank On. One of our three pillars of corporate social responsibility is strengthening the economic viability of our communities, particularly for those who are underserved. Through the national roll-out of our new Wells Fargo EasyPay^{SM} Card, we will be able to further reach this important population and provide them with access to banking. We appreciate the work Bank On is doing, and our ongoing participation in this key initiative underscores Wells Fargo's commitment to strengthening individuals and families through services, products and philanthropy," said **Shelley A. Marquez, Senior Vice President/Community Development Manager, Wells Fargo**.

This announcement is part of an event held today at San Francisco's City Hall to promote the expansion of banking access for the underserved, and discuss the impact of the Bank On National Account Standards. The event features remarks by:

- Jonathan Mintz, President and CEO, Cities for Financial Empowerment Fund
- The Honorable Martin J. Gruenberg, Chairman, Federal Deposit Insurance Corporation
- The Honorable Ed Lee, Mayor, City and County of San Francisco
- The Honorable José Cisneros, Treasurer, City and County of San Francisco

Following the remarks, Treasurer Cisneros will moderate a panel discussion with:

- Naomi Camper, Head, Office of Nonprofit Engagement, JPMorgan Chase & Co.
- Robert A. Annibale, Global Director, Citi Community Development and Citi Inclusive Finance
- Angie Lathrop, Community Affairs Executive, Global Corporate Social Responsibility, Bank of America
- Shelley A. Marquez, Senior Vice President/Community Development Manager, Wells Fargo

- Steve Zuckerman, President, Self-Help Federal Credit Union
- Leigh Phillips, Chief Executive Officer, EARN
- Jose Quinonez, Chief Executive Officer, Mission Asset Fund
- Andrea Luquetta, Policy Advocate, California Reinvestment Coalition

To learn more about Bank On and the National Account Standards click here, or follow the conversation on Twitter @CFEfund #BankOn.

About the Cities for Financial Empowerment Fund (CFE Fund)

The CFE Fund supports municipal efforts to improve the financial stability of households by leveraging opportunities unique to local government. By translating cutting edge experience with large scale programs, research, and policy in cities of all sizes, the CFE Fund assists mayors and other local leaders to identify, develop, fund, implement, and research pilots and programs that help families build assets and make the most of their financial resources. For more information, please visit www.cfefund.org or follow us on Twitter at @CFEFund.

About Bank On

Bank On coalitions are locally-led partnerships between local public officials; city, state, and federal government agencies; financial institutions; and community organizations that work together to help improve the financial stability of unbanked and underbanked individuals and families in their communities. The Bank On national initiative builds on a grassroots movement of dozens of coalitions in cities across the country, offering national account standards, capacity grant support, pilot funding, and a learning community. These first-generation banking access programs have already connected hundreds of thousands of people to safe and affordable accounts. In addition to connecting unbanked individuals to accounts, Bank On programs raise public awareness, target outreach to the unbanked, and expand access to financial education. Visit www.cfefund.org/bankon for more information.

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