

Southwest Arizona Futures Forum 2015

Poverty

Introduction

Arizona is a diverse state facing many challenges to its economic stability. Arizona's poverty rate is 18.6%, which ranks the state as 43rd worst and Arizona's child poverty rate is 26%, which ranks Arizona as 41st worstⁱ. Arizona's 6.6% unemployment rate continues to lag behind the national 5.5% unemployment rateⁱⁱ.

Communities across the state continue to struggle with poverty and unemployment. Because of Arizona's size and its diverse geography, each community faces unique challenges that require innovative solutions. When tackling poverty, what works in northern Arizona may not work in southern Arizona. And what works along the New Mexico, Utah, and California borders may be different from what works along the Mexico border. As such, each Arizona community must develop unique solutions that reflect the diversity and uniqueness of each community.

This report examines poverty in southwest Arizona. Most of the report primarily focuses on Yuma County, the city of Yuma, and the surrounding area. The report is designed to highlight poverty challenges that are unique to the Yuma area. If Yuma County is to end poverty, decisive steps must be taken to curb the root causes of poverty in Yuma County. This report is designed to serve as a starting point for the Southwest Arizona Futures Forum on poverty. The focus areas addressed in this report are:

- Unemployment and Underemployment
- Wages
- Finances
- Education
- Housing
- Seniors
- Transportation
- Internet
- Predatory Lending

This report explores how each focus area presents an obstacle to ending poverty in southwest Arizona. If southwest Arizona is to end poverty, each challenge must be addressed fully with an eye towards the interconnection of the obstacles in this region.

Unemployment and Underemployment

In February 2015, the US unemployment rate dropped to 5.5%, the lowest it's been since May 2008.ⁱⁱⁱ At the height of the recession, the US unemployment rate was 10.2%.^{iv} Arizona, because of its heavy reliance on banking and home construction, was hit especially hard by layoffs and unemployment during the recession and its unemployment rate has consistently stayed higher than the national rate. At the height of the recession Arizona's unemployment rate was 11.2% and currently stands at 6.6%.^v Jobs simply are not returning to Arizona at the speed needed to keep pace with the rest of the country. Not coincidentally, the growth of the Arizona economy lags behind the national economy's growth and has all but stagnated over the last two years.^{vi}

Yuma County's unemployment picture over the last decade has not been encouraging. With unemployment percentages that have been significantly higher than the national average, even during

the economic boom of the mid-2000s, Yuma County was unfortunately positioned to bear a severe employment hit during the recession. At the height of the recession, close to 1 out of every 3 persons in Yuma County were unemployed.^{vii} And while Yuma County's unemployment has dropped as the economy has recovered, Yuma's unemployment rate is still dismal at 21.5%.^{viii}

Yuma's high unemployment rates are attributed to a number of factors including: seasonal agricultural workers, proximity to the border and migrant populations, and tourism/seasonal residents.^{ix} While the unemployment numbers are discouraging, some Yuma leaders note that the numbers are overblown and the reality is skewed by the seasonal nature of Yuma County jobs.^x

Another key indicator for economic stability is the underemployment rate. Underemployment measures the percentage of jobs that correspond to the percentage of workers that have the skill set to work those jobs. For example, a high underemployment rate means that there is a surplus of high-skilled workers in an area with not enough high-skill jobs to go around. In areas with high underemployment, workers take jobs that are below their skill sets. This results in lower pay and/or the need to work extra hours or extra jobs to cover the difference in income. As more high-skill workers take low-skill jobs, low-skill workers are further pushed into poverty. When it comes to underemployment, Yuma is actually on the other end of the spectrum. Yuma's underemployment rate is -13.6%.^{xi} This means that there are not enough high-skill employees to fill the high-skill positions available. As a result, job openings stay open and unemployment remains high because the workforce seeking employment lacks the skills to fill the available jobs. The result is stalled growth in the economy and a discouraging environment for business growth. Businesses do not grow if they cannot find the help that they need to sustain the growth. Also, businesses do not relocate to areas where they will not be able to find a workforce with the skill sets needed to support their business model.

Correcting for underemployment is difficult and is linked to other factors. In order to have a high-skill set workforce, a community must invest in education and it must work to retain that talent in the community. This can present a catch-22 for communities as they need businesses that require high-skill sets in the community to keep high-skill set workers in the community. But those businesses will not come to the community if they cannot find a solid workforce. Therefore communities must find other reasons to attract businesses to their communities. Arizona has a long history of lucrative tax cuts to businesses to bring them to communities. Unfortunately, these tax cuts undermine the tax base needed to invest in education, thus decreasing the quantity of high-skill workers needed to staff the businesses granted the tax cuts. In this catch-22, decreasing unemployment becomes very difficult.

Wages

In the US, 25% of people work in low-wage jobs where pay is at or below what a full-time worker needs to earn to stay out of poverty^{xii}. The US has one of the highest proportions of low-wage jobs among developed nations and these jobs are increasingly dominating the US market^{xiii}. During the Great Recession, 3.6 million high-wage jobs were eliminated from the US economy and only 2.6 million of these same jobs have since returned^{xiv}. On the other hand, low-wage industries eliminated 2 million jobs during the same time period but 3.8 million jobs returned to the sector during the recovery^{xv}.

Unfortunately, the outlook for many Americans is an economy where companies are increasing their profit margins by paying their employees less. Not coincidentally, the US also has one of the highest poverty rates among developed nations—17.4% compared to an 11.1% average in other similar countries^{xvi}. Between 2008 and 2012, the high US poverty rate resulted in 66% of working families using public assistance because their wages did not meet their basic needs^{xvii}. This assistance cost \$243.5 billion (approx.) in federal funding for the Medicaid, CHIP, EITC, SNAP, and TANF programs^{xviii}.

PULLING APART

INCOME INEQUALITY HAS GROWN IN ARIZONA

A Lost Decade for Arizona's Low- and Middle-Income Households

-9.9%

Change in income by household income group, late 1990s to mid-2000s

Poorest 20% Middle 20% Richest 20%

The average drop in incomes among the bottom 20 percent of households over the last decade.

1.4%

6.5%

-9.9%

Inequality Worsening Since the 1970s

Change in income by household income group, late 1970s to mid-2000s

Poorest 20% Middle 20% Richest 20%

59.0%

16.1%

-4.6%

Incomes of Arizona's Richest Households Dwarf Those of Its Poorest

After decades of widening inequality, Arizona's richest households have dramatically bigger incomes than its poorest households.

The richest 5 percent of households have average incomes 17.0 times as large as the bottom 20 percent of households and 5.0 times as large as the middle 20 percent of households.

\$16,200

\$54,600

\$274,700

Poorest 20%

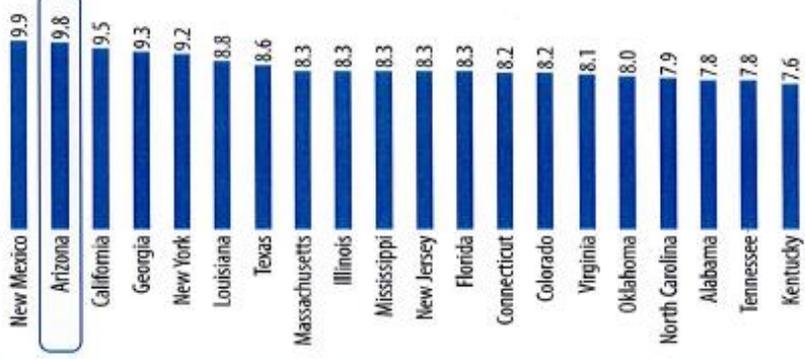
Middle 20%

Richest 5%

Source: Economic Policy Institute-Center on Budget and Policy Priorities analysis of U.S. Census Bureau data. Income is post-federal tax and includes the value of the ETC and the value of food stamps and housing subsidies. Income is adjusted for inflation (to 2009 dollars) and for household size. Changes shown are significant at the 90% level. For more detail, see Pulling Apart: A State-by-State Analysis of Income Trends, November 2012.

Arizona Among States with Highest Income Inequality

Ratio of average household income for the richest 20% of households to the poorest 20% of households, 2008-2010



Locally, Arizona has one of the largest percentages of low-income, working families and some of the highest rates of poverty and income inequality in the country. Low wages directly contribute to these numbers. At \$8.05/hour, Arizona's minimum wage cannot meet the needs of working families. To make ends meet, families forgo regular health checkups and sacrifice nutritious food options. Families spend more time on the job and more of their income on daycare. Families live in housing that increases their health risks and stretch every dollar simply to meet their basic needs. In many cases, families cannot stretch their income and are forced to rely on predatory lending institutions, such as pawn shops, on-line payday loans, and auto-title loans^{xx}. As a result, poverty takes its toll mentally and physically as stress levels rise and relief is nowhere in sight.

The trends outlined above are exacerbated in Yuma County by several factors:

- Yuma County was particularly hard hit by the Great Recession and experienced drastic job losses, unemployment, and poverty
- Large percentages of available jobs in the low wage service and tourism industries
- Seasonal employment issues linked to the farming industry and the large influx of winter visitors

Traditional social service models aim to alleviate the effects of poverty and often devise strategies that work within a consistent set of parameters designed to supplement or stretch an individual's inadequate income. While programs like the EITC, SNAP, and rent and utility assistance are critical in preventing additional individuals and families from falling into poverty, the parameters within which each program operates does not address the lack of a sufficient income that pushes individuals and families into poverty in the first place. In order to truly address the link between wages and the continuation of poverty we must begin to look at solutions that address the root cause; living wages, re-training and employment in high wage industries, and creating an economic environment that supports those across all income sectors.

Finances

Difficult choices are the natural outcome of jobs that pay low wages. Often these choices limit an individual's or family's ability to develop assets and save for a rainy day. Poverty is most often addressed as an income metric. However a great deal of work is being done to explore and understand asset poverty and its long-term implications. For this discussion we will look at:

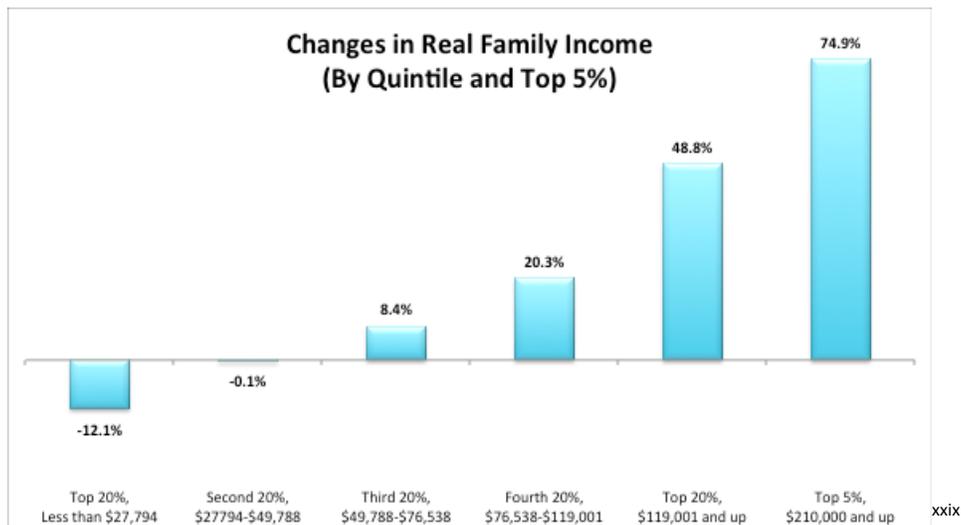
- **Asset Poverty:** the percentage of households without sufficient net worth to subsist at the poverty level for three months in the absence of income.
- **Liquid Asset Poverty:** the percentage of households without sufficient liquid assets to subsist at the poverty level for three months in the absence of income. Liquid assets are those that are held in cash or can be liquidated quickly: bank accounts and other interest-earning assets; equity in stocks, mutual funds and retirement accounts. Liquid assets exclude equity in businesses, vehicles, homes and other real estate^{xxi}.
- **Extreme Asset Poverty:** the percentage of households with negative net worth, owing more than it owns; its household debt is greater than its financial assets. These households have no financial cushion to help them weather a financial crisis.

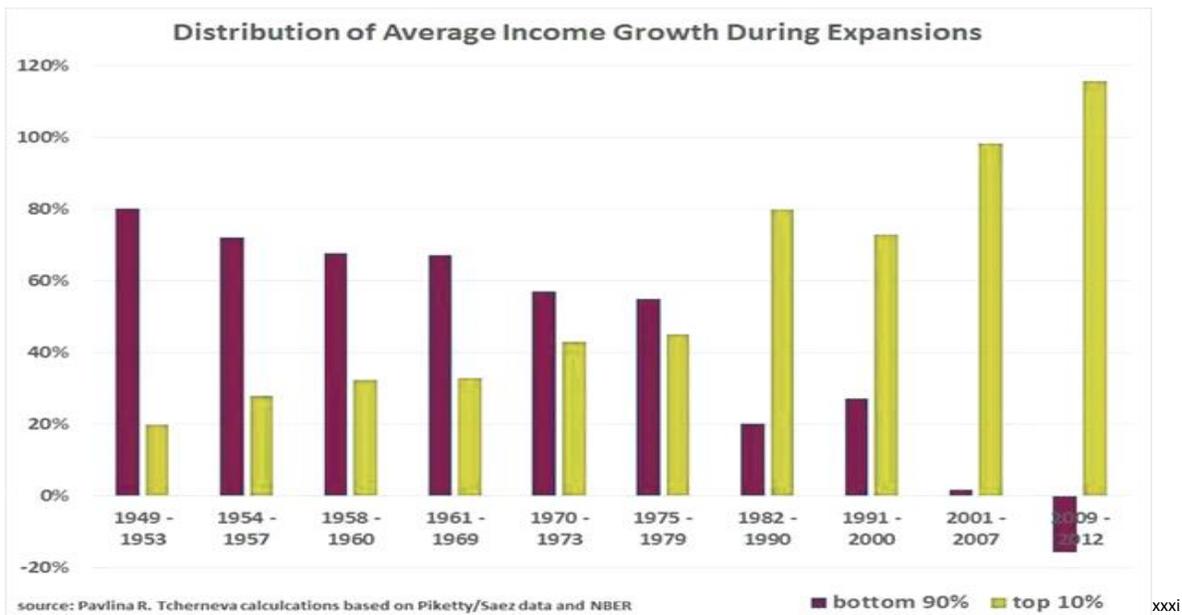
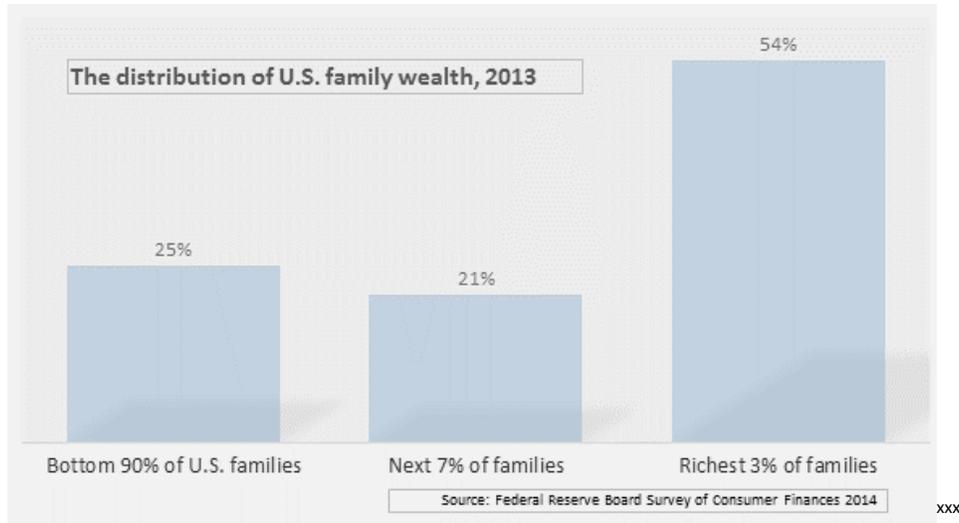
Asset Poverty in Arizona is 32%, with rates of 25.2% and 33% for Yuma County and Yuma Metro area respectively^{xxii}. This illustrates that a significant number of people are struggling to make ends meet and will be in severe crisis if they suffer any significant setback. And while overall these numbers are of serious concern, for households of color, asset poverty is 1.7 times higher than for white households^{xxiii}. The numbers for Liquid Asset Poverty are equally disturbing. Liquid Asset Poverty in Arizona is 45.7%,

with rates of 54.1% and 52.3% for Yuma County and Yuma Metro area respectively. Extreme Asset Poverty in Arizona sits at 21.3%^{xxiv}.

The long term implications of asset poverty for the Yuma community includes an ongoing reliance on public assistance programs, food banks, faith support, and other family members in order to survive. Opportunities to get ahead are rare unless household income can be increased and access to savings and wealth building opportunities can be fostered. The good news is that there are a number of organizations providing support and working to help families. Their programs include skill development, earned income tax credit and child tax credit for working poor families, emergency assistance, financial education classes, and access to traditional financial institutions.

Asset Poverty also correlates to the growing income inequality facing Arizona and the United States. In Arizona the richest 20% of households in Arizona make 4.8% times as much income annually as the poorest 20%^{xxv}. The 400 richest Americans have more wealth than the bottom 150 million combined^{xxvi}. In 2013, compensation of CEOs of major US corporations was an average 331 times higher than the average US worker^{xxvii}. The average annual compensation of the richest 5% of Arizonans is \$274,700 and the poorest 20% is \$14,200. Arizona has the 2nd highest income inequality rates in the country. Here in Arizona, we see an average wage difference of more than \$260,000 between the most affluent and the poorest^{xxviii}. While low-income workers struggle to make daily ends meet, we are witnessing a dramatic rise in wealth and income inequality 30 years in the making. The majority of Americans do not share in America’s wealth.





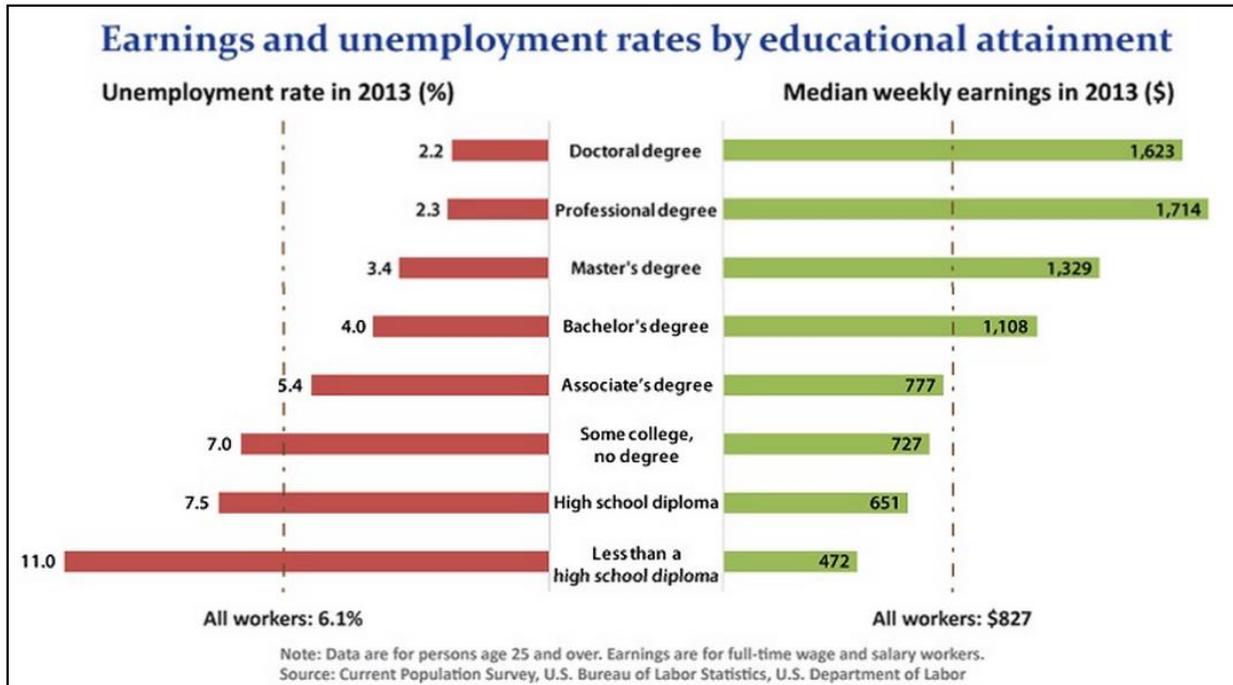
Education

Education is impacted by numerous factors outside of the classroom. A student who is hungry cannot focus on learning and a student who comes from a “bad” neighborhood will prove difficult to be taught. A student who is stricken with poverty will be challenged to complete school. Education—especially higher education—remains elusive in southwest Arizona. Cuts to K-12 funding have tightened school districts’ budgets across the state, especially in the rural counties that rely heavily on state funding. If Yuma County is to be sustainable and competitive in the state – let alone the global economy – it must prioritize all levels of education.

The U.S. Census Bureau reports that Yuma County, AZ has an estimated population of 201,201^{xxxii}. Within the total population, 147,535 – 73.3 percent – are adults 18 years and over^{xxxiii}. It has become the social norm in the United States to attend and graduate from college after high school, usually done after the age of eighteen. Data obtained from the U.S. Census Bureau’s *2013 America Community*

Survey for Yuma County does not reflect that norm. There exists a large gulf between those with a high school diploma or less and those with a bachelor's degree or higher. Approximately 53% of the adult population has obtained an education level of a high school graduate or less; 12% has obtained a bachelor's degree or higher^{xxxiv}. Further, 8.3% of the adult population is currently enrolled in college or graduate school^{xxxv}. Higher education pays off in the long-run by having an effect on future earnings and employment.

Studies have shown that the return on education pays off. The graphic below, provided by the Bureau of Labor Statistics, illustrates earnings and the unemployment rates by educational attainment in the United States.



Not only are those with a higher education earning more, they are also not facing the high rates of unemployment of those with a high school diploma or less. As the economy continues to recover from the recession and wage gains remain flat for low-income jobs, education literally continues to pay.

The poverty gap is a reality in Yuma County. The current minimum wage of \$8.05/hr is what a majority of Yuma County residents are relying on to provide for their families. The 2015 living wage for Yuma County is \$12.44/hr^{xxxvi}. This is an unsustainable situation which will require further use of public benefits to supplement a family's income. In order to close the gap and lift families out of poverty, Yuma County must make a commitment to providing a strong K-12 education that strives to graduate its students out of high school and urges them to pursue a higher education, whether that be college or a trade/technical school. Further, the county must diversify its economy from its predominantly agricultural state. Poverty can be ended in Yuma County by educating its future workforce.

Housing

Housing is one indicator of a community's health. Within this section, particular components of housing are described to provide a better understanding of the current needs of Yuma County residents. While reviewing housing in Yuma County it is essential to review affordability and needs unique to key household populations.

Affordability/Accessibility: Income is closely connected with housing affordability and the amount of money an individual or family can contribute to their housing will impact their selection. Affordable is defined as no more than 30% of gross income being spent on housing costs (including mortgage/rent and utilities), anything greater is considered a cost burden to the homeowner or renter^{xxxvii}. Challenges may arise when individuals or families have a housing cost burden, making it difficult to maintain self-sufficiency.

Homeowners: In Yuma County, homeowners account for about 70% of the housing community and the remaining 30% are renter-occupied units^{xxxviii}. Arizona was one of the hardest hit states during the foreclosure crisis and though conditions have improved for homeowners, Yuma County is still recovering. In 2010, there were over 75 foreclosures a month; in comparison, 2014 the monthly average was 32 foreclosures a month^{xxxix}. Though foreclosure rates are declining the further we distance ourselves from the Great Recession, homeowners continue to experience a cost burden. For Yuma County homeowners, median monthly housing costs are about \$715 a month. 26% of homeowners experience a cost burden and may be unable to afford their current mortgage along with other reoccurring housing expenses.^{xi}

Renters: Those who rent in Yuma County may also find it difficult given the discrepancy between the cost of an apartment and wages earned. In order to afford a two bedroom apartment in Yuma County at fair market rate (average monthly rent \$812), a renter would need to earn an hourly wage of \$15.62. The estimated hourly wages of renters is \$10.29 an hour, meaning an affordable rent would fall closer to \$535 a month. There is a \$277 difference between the actual cost of rental housing in Yuma County and what would be affordable given the hourly wage earnings of many renters.^{xii}

While Yuma County is home to a diverse community, below are highlights of unique populations that may experience greater barriers in housing.

Female Head of Household: Families with a single, female head of household are more likely to experience a greater level of poverty when compared to families with two parents present. The average yearly earnings of a female living in Yuma County is \$30,000^{xlii}. Female head of households make up 14% of owner-occupied units and 22% of renter-occupied units^{xliii}. Limited income, in addition to high housing cost burden, may make it difficult for female head of household to maintain stable housing conditions.

Elderly: Within many communities are populations such as the elderly and individuals with physical or developmental disabilities that may impact housing needs. Based on a 2010 Needs Assessment, individuals over the age of 65 who own their homes are less likely to experience a cost burden when compared to their counter parts who are renting^{xliv}. This may be due to the rental rate in Yuma County, layered with the moderate levels of poverty experienced among this population (over 25% of seniors in Yuma County are at or below 150% of the poverty level)^{xlv}. Elderly home owners and renters may also have specific needs when it comes to home accessibility improvements, community resources, and home assistance which may not be needed among other populations.

Individuals with Special Needs: Individuals with a disability account for over 10% of the Yuma County population and may also require specific housing needs^{xlvi}. This population may experience greater cost burdens if their homes require greater maintenance or individuals are relying on a fixed income. Individuals may also experience higher levels of cost burden, substandard living, and overcrowding due to housing availability and affordability^{xlvii}.

Seniors

Seniors account for 16.8% of Yuma County’s population, totaling about 31,000 of the 200,000 people in Yuma County. Social security and Supplemental Social Security income have played key roles in reducing senior poverty. Between 1959 and 1974, senior poverty in the U.S. fell from 35% to 15%, largely due to increases in Social Security Benefits.^{xlviii} Currently, 23,870 seniors receive Social Security payments in Yuma.^{xlix}

Poverty rates for seniors (age 65+) are shown in Table 1. Yuma County ranks 11th worst in the state for senior poverty.ⁱ In a senior needs assessment conducted by the Western Arizona Council of Governments, 27.7% of survey participants responded that their monthly household income was less than \$833 a month;ⁱⁱ this equates to less than \$10,000 a year.

Table 1: Seniors in Poverty, 2009-2013

Geographic Area	Seniors	Seniors in Poverty	Senior Poverty Rate
Yuma County	31,594	3,688	11.7%
Arizona	920,266	76,391	8.3%
United States	40,544,638	3,793,577	9.4%

Data taken from U.S. Census: American Community Survey 5 year estimates

Nutrition and healthcare play major roles in maintaining the physical, mental, and social health of aging adults. Yuma County suffers from a 24.3% of food insecurity.ⁱⁱⁱ According to the U.S. Department of Agriculture, food insecurity occurs when “consistent access to adequate food is limited by a lack of money and other resources at times during the year.” Compared to food secure seniors, food insecure seniors are:

- 60% more likely to experience depression
- 53% more likely to report a heart attack
- 52% more likely to develop asthma
- 40% more likely to report an experience of congestive heart failure^{liii}

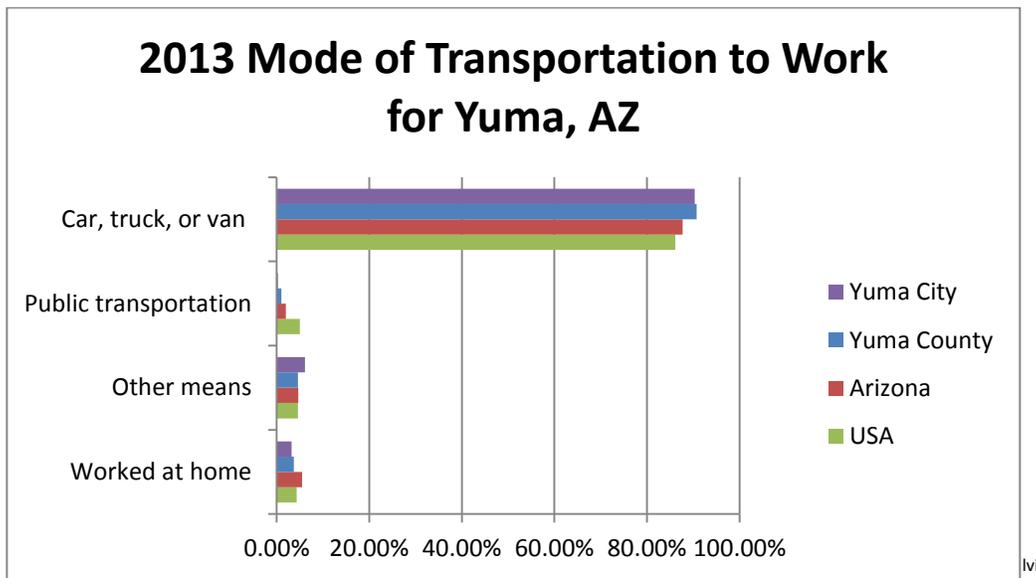
SNAP, the Supplemental Nutrition Assistance Program, formerly known as food stamps, is a social program that can help low-income seniors purchase more food to supplement their diet. In January 2015, 4,160 seniors (ages 60+) in Yuma County received SNAP benefits. Average benefits throughout the state in January were \$119.98 per person.^{liv} Though seniors can apply for and receive food stamps, there is a low participation rate of eligible seniors on SNAP. Another program that helps the elderly address needs is the Commodity Supplemental Food Program (CSFP), which delivers healthier and more nutritionally focused food to seniors.

High health care costs can also cause excessive burdens on elderly households. In 2012, 26,074 seniors were receiving Medicare. Many seniors also supplement Medicare with AHCCCS coverage. In January 2015, out of the 1,593,669 Arizonans receiving AHCCCS medical coverage, 90,911 were seniors.^{lv} The Kaiser Family Foundation estimates that in 2009, half of seniors spent at least 16% of their income on health care.^{lvi}

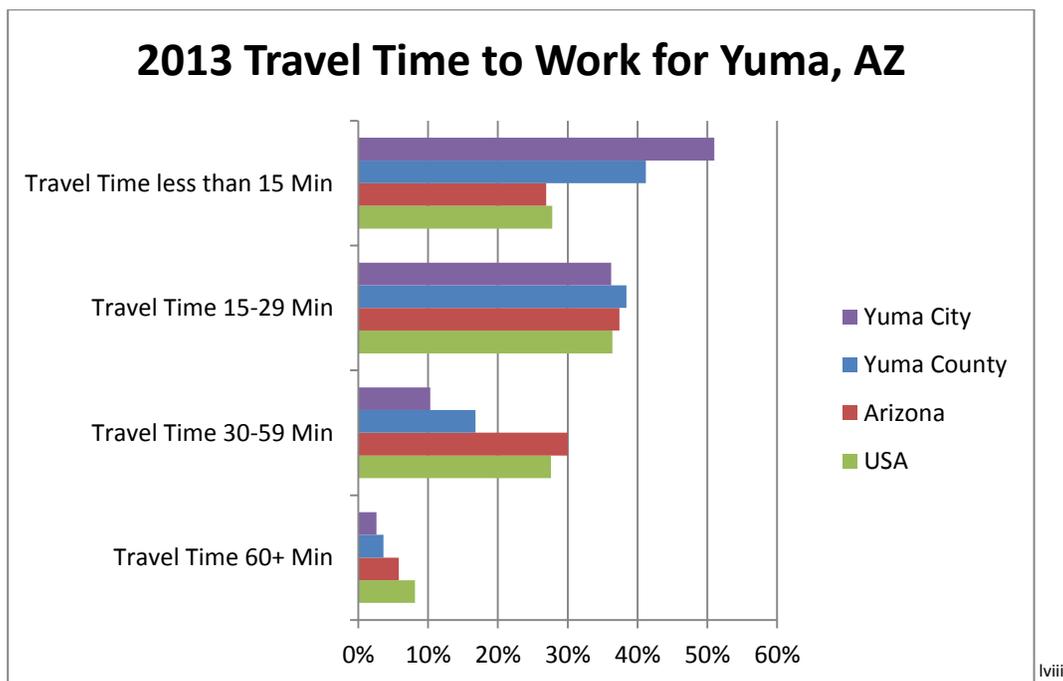
Transportation

Yuma is a natural transportation hub, due largely to its location at the intersection of two countries and four states of those countries. An overwhelming majority of Yuma residents use a car, truck or van to travel to work. About 3% of Yuma residents work from home, less than one percent use public

transportation, and about six percent use some other form of transportation to get to work. Yuma residents are more reliant on cars, trucks, and vans than the rest of Arizona or the USA on average, and typically fewer work from home or take public transit than their fellow residents in Arizona and the USA.



Nearly half of Yuma residents travel less than 15 minutes to work, and the majority travel less than 30 minutes for their commute. About twelve percent of Yuma resident travel between a half hour and an hour to work, and less than three percent of residents travel more than an hour for work. Yuma residents have comparatively shorter commutes than their fellow Arizonans and Americans, with the latter travelling a half hour or more than an hour at much higher frequencies than Yuma citizens.



Public transportation is an important part of a community's ability to provide transportation to and from work and to services throughout the community. Public transportation is provided by Yuma County Area Transit (YCAT) system, whose services are administered and funded by the Yuma Metropolitan Planning Organization, and operated by a private contractor, First Transit. In July 2010, the Yuma City Council voted to end all financial support of YCAT and Dial-A-Ride (DAR) services for the year due to lack of available funding and the city's desire to conduct an independent review of YCAT's funding, structure, ridership, routes and alternatives. In the past, the city had funded its share of the cost of operating YCAT through a lottery fund earmarked for transit systems. However, the State Legislature in its efforts to balance the state budget in 2010 eliminated that fund^{lix}. Fortunately, the city of Yuma has rejoined YCAT and participates financially. Today, a total of 10 routes operate Monday through Saturday on a fleet of 18 large fixed route buses, 3 trolley vehicles and 9 small cutaways and vans. In addition, YCAT Vanpool operated by vRide and Enterprise provides a network of vanpools to employment areas in Yuma County not served by YCAT^{lx}.

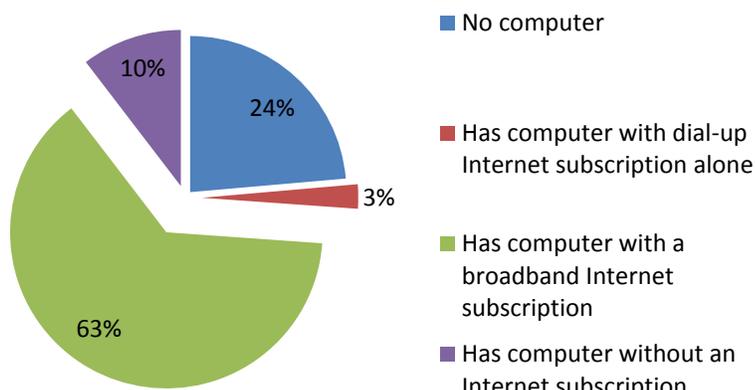
In addition to public transportation, there are programs to provide transportation to people in unique situations. One such organization is Saguario Transportation Service, which offers transportation to people seeking jobs. If clients are elderly, disabled, or low income and are seeking employment, free transportation is available for interviews, job training, and trips to and from a new job for up to 60 days^{lxi}. Saguario Transportation Services is also able to provide transportation for individuals with disabilities and others with special accommodation needs. The collaboration of public and private interests is vital in ensuring vulnerable community members can get where they need to go.

In connecting transportation to transportation-based employment, recently the Yuma Private Investment Council (YPIC) participated in a Community-Based Job Training Initiative to establish sustainable capacity to train workers for skilled positions in the transportation industry. The program would build a pipeline of workers to enter the field through the K-12 and public workforce systems, developing career awareness and entry-level internship programs. As a result of this initiative, Yuma was instrumental in training more than a hundred students in CDL transportation, distribution and logistics degrees and certificates. Transportation workers in Yuma saw a wage increase of 23% in the previous decade, highlighting the value of providing training for eligible community members to achieve quality employment^{lxii}.

Internet

Internet access has increasingly gone from being a luxury to a necessity. With the prevalence of online-only job applications and online education opportunities, lacking internet access can put someone at a significant disadvantage. Additionally, internet access can save consumers thousands of dollars through price comparisons, group purchasing, and higher-quality information^{lxiii}. Unfortunately, this access is far from universal. One in five uninsured Americans do not use the internet, preventing them from accessing online health exchanges^{lxiv}. In a 2012 survey, nearly 50% of survey responders in Yuma indicated they did not have regular internet access. Those numbers have improved in recent years, but internet access remains difficult for far too many Southwestern Arizonans. Of those people not accessing the internet, the group is disproportionately made up of communities of color, elderly populations, rural communities, and low-income individuals.

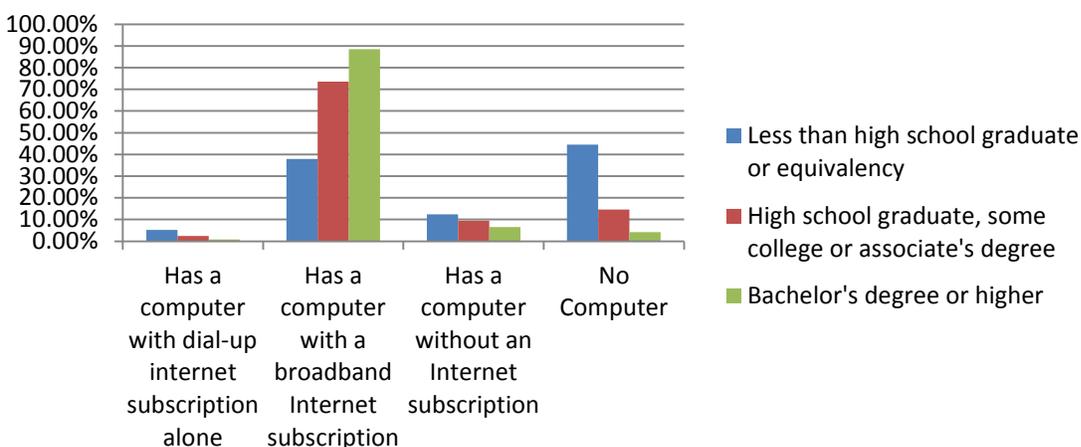
Internet Connectivity in Yuma



lxv

One of the strongest patterns indicating internet use is age group: 44% of Americans ages 65 and older do not use the internet, compared with 17% of the next-youngest age group (adults ages 50-64)^{lxvi}. With one-sixth of Yuma County's population 65 or older, this presents a significant challenge with ensuring access to the information stored on the internet^{lxvii}. There exists a racial disparity as well, with 24% of Hispanics offline and 28% of African Americans without either broadband access or a smartphone^{lxviii}. Also, 20% of rural residents say they do not use the internet, significantly more than those living in urban or suburban areas (14%). Another strong indicator is level of education; nearly 90% of Yuma residents with a Bachelor's degree or higher have a computer with a broadband connection, while half of residents with less than a high school education or equivalent have either no computer or no internet subscription.

Yuma Internet Access by Education



lxix

Compared to the national average, Yuma lags behind in both computer ownership for individuals and high-speed internet use by individuals, totaling more than a 5% deficit compared to the national average^{lxx}.

Mobile devices are enhancing connectivity, especially among lower-income populations. On average, 31% of cell internet users do most of their online browsing on their phones, while 43% of households

making less than \$30,000 primarily access the internet via a smart phone or device^{lxxi}. This has opened up activities such as online banking, social media, and accessing health information to a group of people previously prevented from accessing such knowledge. Mobile devices have also created new ways of connectivity.

In addition to new technology, programs are available to provide access to the internet and computer technologies to use it. One such program is Everyone On. Everyone On is a national campaign to shrink the digital divide and increase access to technology through low-cost computers, discounted high-speed access, and digital literacy training^{lxxii}. Its flagship program, Connect2Compete, provides low-cost internet access to K-12 students and families whose children are eligible or enrolled in the National School Lunch Program. Everyone On distributes internet access and technology by collaborating with partners^{lxxiii}. Corporate partners provide necessary donations, hardware, and educational materials to ensure the necessary tools are available. Enrollment partners, who can be school districts, nonprofits, or other community organizations, can prequalify clients for discounted internet access and computer offers, as well as collaborate with a national network to share techniques, best practices, and highlight success in the effort to bridge the digital divide.

Predatory Lending

It is expensive to be poor in America and Yuma County is no exception to this reality. Individuals and families who have never developed relationships with traditional financial institutions (banks and credit unions) are often low income, working poor and vulnerable. One of the challenges for developing these relationships is that those who struggle with poverty often do not have enough income to get through a month of expenses, much less save money. Often these households are under-banked or unbanked and often they rely on subprime credit, predatory lenders, and credit cards to manage their finances.

Those who are unbanked have no checking or savings account. The under-banked have a bank account but continue to rely on alternative financial services for their financial needs. The alternatives include (but is not limited to) check cashing services, rent-to-own agreements, auto-title lenders and pawnshops. Unbanked households spend large sums of money on check cashing and money orders, do not have access to low cost loans for college or purchasing a home, have no safe place to keep the money they do have, and have no way to remotely access money in the event of a natural disaster or personal crisis. The use of alternative financial services in place of traditional banking services can escalate into a prolonged or even permanent debt trap.

In Arizona, 12.8% of households are unbanked. This places Arizona 49th out of 50 states and the District of Columbia. In Yuma County and the Greater Yuma Metro area, 12.7% and 24.1% of households are unbanked respectively^{lxxiv}. In Arizona, 17.6% of households are under-banked. And in Yuma County and the Greater Yuma Metro area, 22.5% of households are under-banked^{lxxv}.

Frequently, households with no access to financial institutions turn to subprime credit alternatives. According to the Corporation for Enterprise Development, "Credit is an important asset, and good credit opens the door to safe and affordable capital, which helps consumers weather emergencies, build assets and climb the economic ladder. Without good credit, consumers pay higher interest rates than other consumers on everything from credit cards to car loans to mortgages. Credit scores also play a major role in setting home and auto insurance premiums and are increasingly checked as part of applications for jobs and rental housing^{lxxvi}." Many of the subprime credit alternatives available to Arizonans are severely predatory in nature. In 2012, the FINRA Investor Education Foundation found that 36% of Arizonans had utilized non-bank borrowing methods at some point over the last five years^{lxxvii}. These methods included auto title loans, short-term payday loans, pawnshops, rent-to-own stores, and tax-refund advances. The rates of use are higher in Arizona than the national average^{lxxviii}.

Payday loans often are used to cover recurring basic expenses and essentials, such as mortgages, utilities, or groceries. These short-term loans can result in triple-digit interest rates, locking borrowers in a cycle of debt. The typical payoff term for auto title loans is 30 days and interest rates can be as high as 204%^{lxxxix}. Payday loans were outlawed in Arizona by a voter approved proposition in 2010. However, a bill is currently being considered in the 2015 Arizona State Legislature that would bring payday lenders back in the form of Flex Lenders. Flex loans charge an APR of 36%, which is the legal limit in Arizona, but would include “customary charges” for things like calling and asking for the loan balance or even having a question about the loan. With the interest rate and “customary charges” the loans charge the equivalent of an APR of 218%. It is also important to note that this product requires no demonstration by the borrower of an ability to repay the loan nor does it require the lenders to disclose the fees to be charged. The loans constitute a debt trap for borrowers.

Predatory lending goes beyond payday loans. The 2007 housing market collapse was built on predatory subprime lending practices that especially targeted underserved and vulnerable populations – including people of color – who once were systemically denied credit^{lxxx}. As the U.S. Department of Treasury notes, “Many of those served by the subprime market are creditworthy borrowers who are simply stuck with subprime loans or subprime lenders because they live in neighborhoods that have too few credit or banking opportunities^{lxxxi}.” Hundreds of thousands of African-American and Hispanic borrowers were steered into subprime or higher-fee loans as a result.^{lxxxii, lxxxiii}

Many Arizonans are still reeling from the Great Recession. To get through those tough times, many people overextended their credit, while others were laid off or lost work due to the tough economic climate. Now, as they attempt to improve their financial stability, their credit past has become a significant and unnecessary impediment. Rarely does a poor credit score indicate that a person will perform poorly at a job^{lxxxiv, lxxxv}. And yet, people looking for work with poor credit are often rejected because of the information in their credit report^{lxxxvi, lxxxvii, lxxxviii}. To complicate the matter, credit reports are often inaccurate, with one in five containing incorrect information^{lxxxix, xc}. Also of note, victims of domestic abuse often have their credit ruined by their abuser,^{xc, xcii} and people with disabilities have often overextended their finances to cover costly medical procedures. Because of the use of credit scores to weed out potential employees, those with poor credit histories are often pushed into a cycle of borrowing and increased debt. Demographic research suggests that incorporating credit scores into employment decisions may result in racially biased practices, since many Latinos, Blacks and Native Americans are considered at high risk. This practice may perpetuate systems of racism, oppression, and segregation that have created historic financial instability in among these communities.^{xciii}

The availability of loans has been a principle avenue for families to secure financial stability, acquire goods and education, and, through mortgages, accumulate wealth. Predatory lending is counter to these positive outcomes. Without systemic change, reform and increased regulation, the financial sector will continue to profit off of vulnerable populations.

Conclusion

This report has considered the impact of poverty on communities in southwest Arizona. If southwest Arizona is to end poverty, each challenge must be addressed fully with an eye towards how the focus areas intersect to complicate traditional solutions to ending poverty. Ending poverty will require intentional, concentrated solutions designed and implemented in ways that include participants from across southwest Arizona. Together, the communities of southwest Arizona must unite to end poverty and strengthen their community.

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