

# ALICE Conversation Series

Innovation and Legislation

August 26, 2:00 – 3:30 PM



**HAWAI'I APPLESEED**  
CENTER FOR LAW & ECONOMIC JUSTICE



THE **PEW**  
CHARITABLE TRUSTS



CREATING  
CHANGE

**#togetherHI**

**Welcome**

**John Fink**

**Chief Executive  
Officer**

**Aloha United  
Way**

**The Pew  
Charitable  
Trusts**

**Gabriel Kravitz**

**Officer, Consumer  
Finance,  
Government  
Performance**

# Hawaii Wins Major Payday Loan Reform

## Aloha United Way ALICE Presentation

*August 26, 2021*

# Agenda

1. Small-Dollar Loan State Policy Developments
  - Who borrows and why?
  - 300%+ APRs or no credit?
  - Successful payday loan reforms that achieved access, affordability in Colorado (2010), Ohio (2018) and Virginia (2020)
  - **Hawaii's Transformational Reform (2021)**
2. Lessons from Hawaii's success
3. Other policy-relevant research from Pew's Family Economic Security portfolio

# Payday Lending Market

- 12 million borrowers per year
- Typical borrower makes \$30,000/year
- Borrowers must have checking account and lender can access it to collect
- 7 in 10 borrow to pay recurring bills (rent, mortgage, utilities, etc.)
- Average borrower pays \$520 in fees per year to repeatedly borrow \$375 in credit
- Typical loan takes 36% of borrower's paycheck
- Payday loans in 34 states

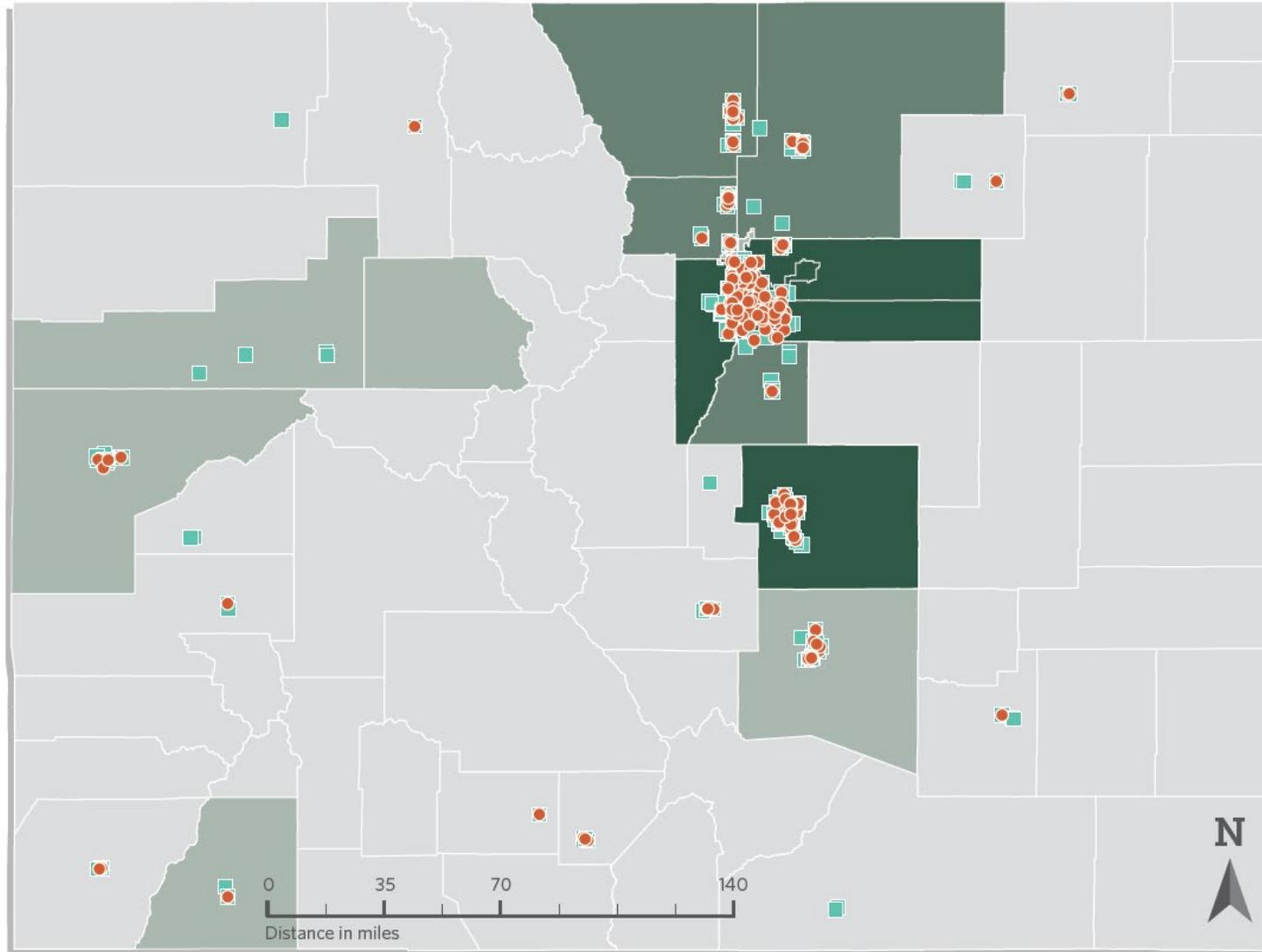
# The Debate in the 1990s and 2000s: 300%+ APRs or No Credit?

# Colorado case study

*2010:* Eliminated the conventional, 2-week payday loan  
Replaced it with a 6-month installment loan featuring:

1. Affordable payments (avg. 4% of paycheck, not 38%)
2. Amortizing loan with equal installment payments
  - Fees effectively spread over the life of the loan (avoids loan flipping)
3. Had lowest payday pricing in country
  - But still high: avg. APR 120% w/ interest and fees
  - Average loan of \$389 repaid in 3 months – cost: \$116
4. A ballot measure rescinded this law in 2018, but the same lenders still operate under a largely similar installment law in place today  
*(Colorado AG publishes extensive data)*

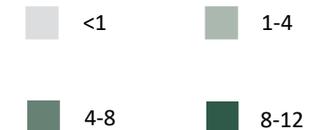
# Stores were widely available after CO law change



Percentage of Colorado's population that lived within 20 miles of a payday loan store:

- Before the law change: **93%**
- After the law change: **91%**

Percent of total population by county



# Evidence-based approach used to ensure access to credit

	Hawaii (Before Reform)	Colorado (2010-2018)
Cost to borrow \$300 for 5 months	\$529	<b>\$172</b>
Share of paycheck due for next loan payment	36%	<b>4%</b>
Loans widely available	Yes	<b>Yes</b>

# Hawaii Small-Loan Reform Law (2021)

- Requires licensing for storefront and online payday lending – Enhances enforcement powers; makes loans “void” if lender unlicensed
- All loans must be amortizing installment loans
  - Minimum term of 4 months, or 2 months if loan is less than \$500
  - Maximum 12 months
- Core pricing (loans up to \$1,500)
  - Up to 36% interest & \$35 maximum monthly service fee
  - Total cost capped at 50% of loan
- *Detailed summary of HB 1192 available on request*

# Hawaii Reform Law (HB 1192)

Cost to borrow \$500 for 4 months:

***BEFORE***

**\$700**

***AFTER***

**\$158**

*Effective Jan. 1, 2022*



# Family Economic Security Research

*Other policy-relevant research from colleagues at Pew include*

- Retirement savings
  - State auto IRA programs
- Home financing and supply research
  - Researching the barriers to accessing safe, affordable home financing, small-dollar mortgages and alternative arrangements
  - Land use policies, single-family zoning, residential segregation
- Student Borrower Success



# CFPB 2017 Payday Rule

*Focused almost exclusively on loans lasting 45 days or less*

- CFPB Ability-to-Repay Provisions
  - Strong safeguards for loans up to 45 days, with ability-to-repay guidelines or alternative compliance method, and limit of 3 consecutive loans
  - Don't apply to multi-payment loans of > 45 days
  - Not covered: pawn, rent-to-own, installment, LOC
- Payment provisions of minimal consequence
  - New authorization if 2 consecutive debits fail
  - Record-keeping and debit notification

# Payday Lenders Report Declining Volume

- Preliminary evidence of year-over-year decline
- Payday volume outstanding always declines during tax refund season
- Stock prices of publicly traded lenders declined far more than stock market early in the pandemic
- Unemployment benefits valid source of income for obtaining payday loans
- Implications of stimulus, lower consequences for inability to pay



# Ohio Reform Law (HB 123 - 2018)

Cost to borrow \$400 for 3 months:

**BEFORE**

**AFTER**

**\$400+**

**\$109**

*Licensing data and market analysis confirm:  
Credit still widely available after reform, with  
additional competition from new entrants*

# Virginia Reform Law (HB 789 / SB 421)

Cost to borrow \$500 for 4 months:

***BEFORE***

**\$480**

***AFTER***

**\$138**

*Lower-cost providers that previously avoided VA have stated intent to enter market*



[www.pewtrusts.org/small-loans](http://www.pewtrusts.org/small-loans)

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**Hawaiian  
Community  
Assets**

**Jeff Gilbreath**

**Executive  
Director**

# Agency Intro

Financial Opportunity Center to increase income and assets of ALICE and below households with financial counseling, income supports, and career coaching

Center targets ALICE and below households with a focus on families

HCA adopted a national, evidence-based model and replicated it on Oahu

# Successes and Achievements

- Established Oahu Financial Opportunity Center April 2019
- Expanded into nation's first-and-only Financial Opportunity Center network in January 2021
- **306 individuals served from Apr 2019-Jul 2021 with "bundled services"**
- **20% individuals increased their financial capacity (increased income/assets)**
- **\$3.8 million in public + private funds leveraged**
- Legislative Wins! Payday Loan Reform, Affordable Homeownership Revolving Fund, State Retirement Savings Task Force, DOE Standards for Financial Literacy (9-12 grades)

## FINANCIAL OPPORTUNITIES FOR FAMILIES

*Did you know childcare can cost up to one third of your income?*

Hawaiian Community Assets (HCA) announces its **Financial Opportunities for Families**. Our trusted professionals can assist in finding financial support and opportunities for your 'ohana.

Meet with a HCA team member to:

- Get a financial health check
- Access \$3,000 or more annually for each child
- Build a family spending and savings plan
- Receive a one time savings match of up to \$2,000 for childcare
- Apply for child care tuition assistance

HCA's certified counselors provide **free tools and training** to help folks qualify for financial assistance. Other free tools include career coaching, assistance with monthly budget planning, childcare finance match, and more to help your ohana.

Start today! Contact us toll free **866.400.1116** or visit **[www.hawaiiancommunity.net](http://www.hawaiiancommunity.net)**

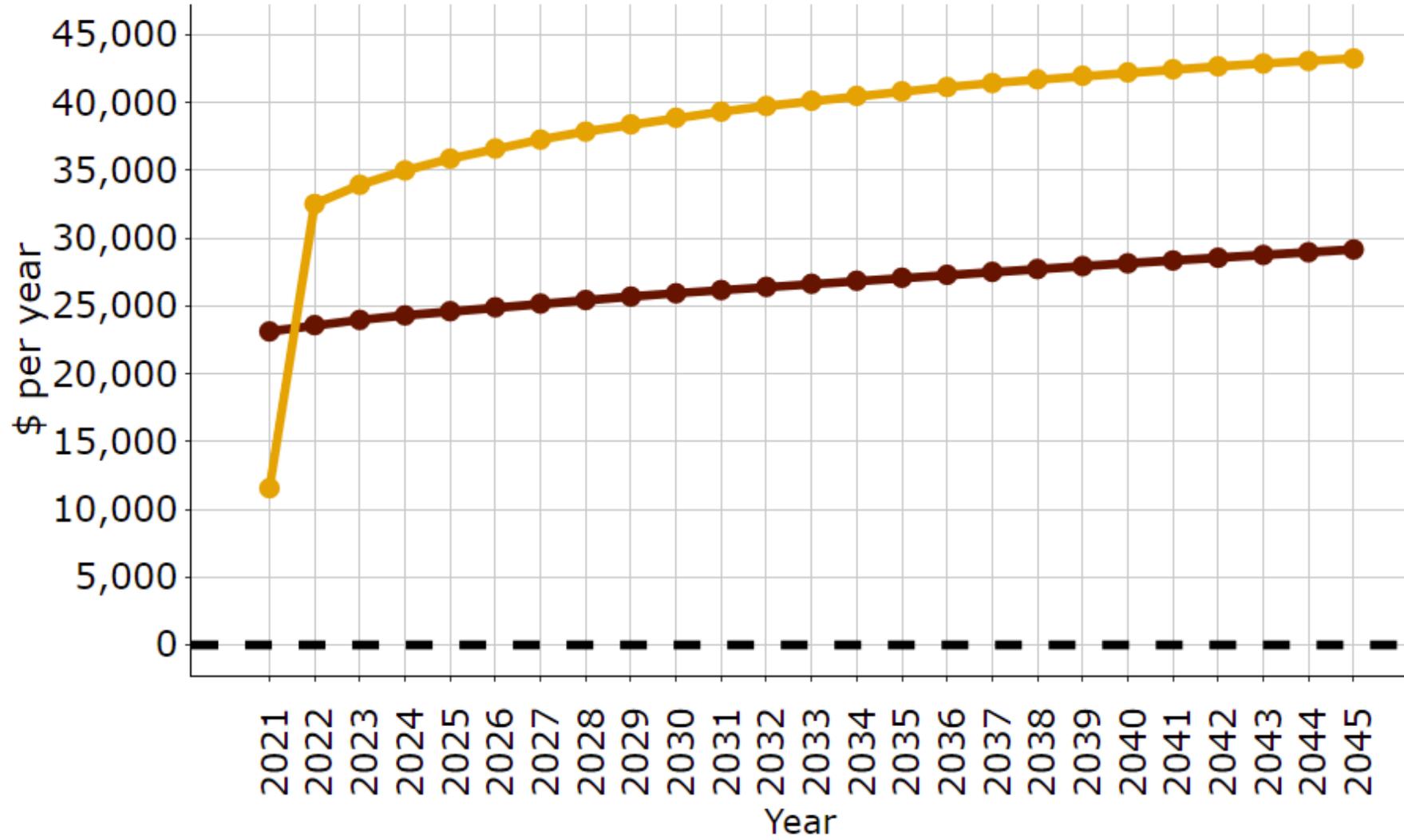


**What are  
your future  
agency plans  
to continue  
ALICE Work?**

HCA will:

- **Adopt and adapt new financial tools** tailored to needs of ALICE and below households (i.e. CLIFF tool)
- **Accelerate increases in income, asset wealth, and housing stability** for ALICE and below households with financial products (grants + loans)
- **Improve efficiency** through internal training and externally through collective impact partnerships

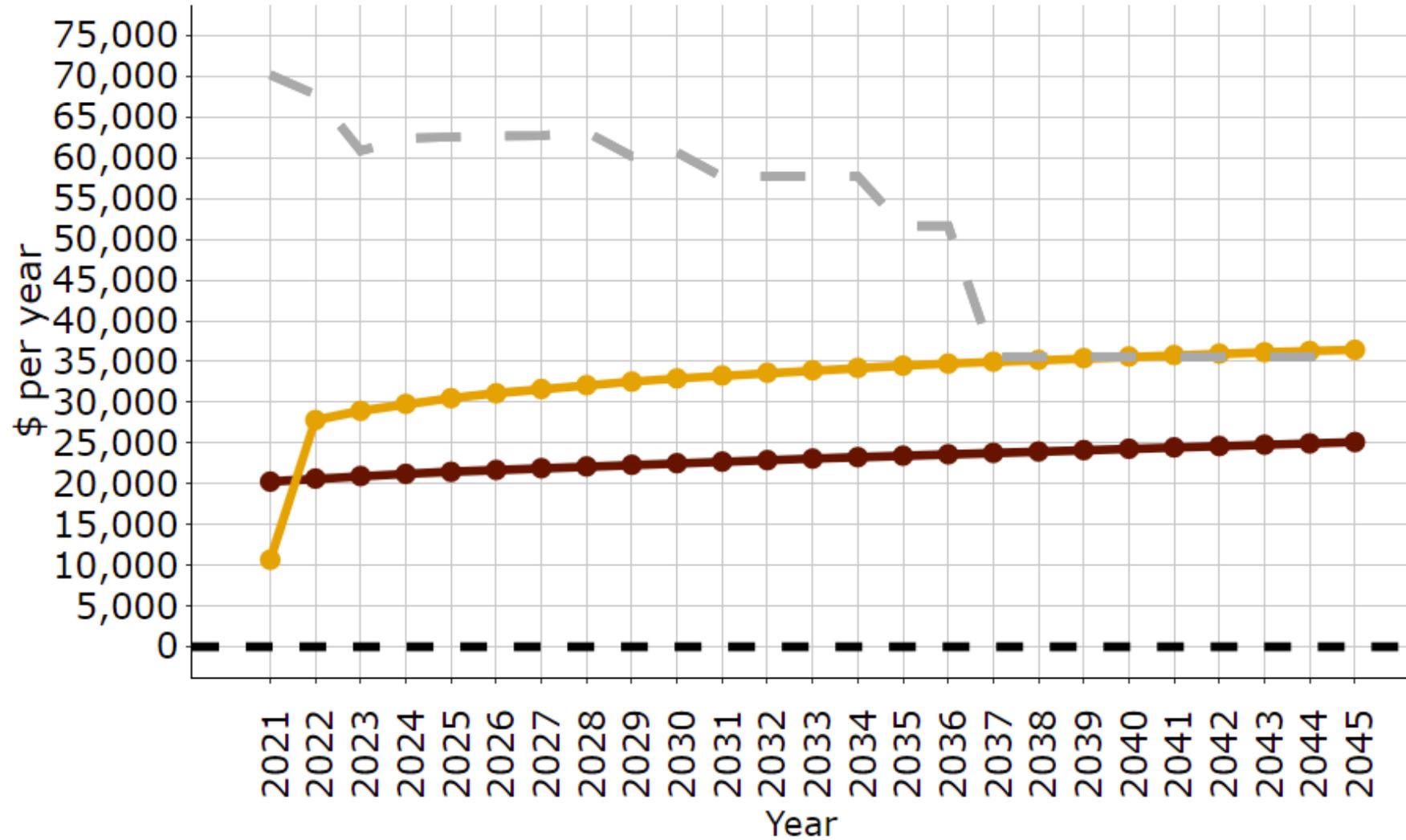
# Income Before Taxes



Honolulu County, HI

● Near-Minimum Wage Job ● Nursing Assistants

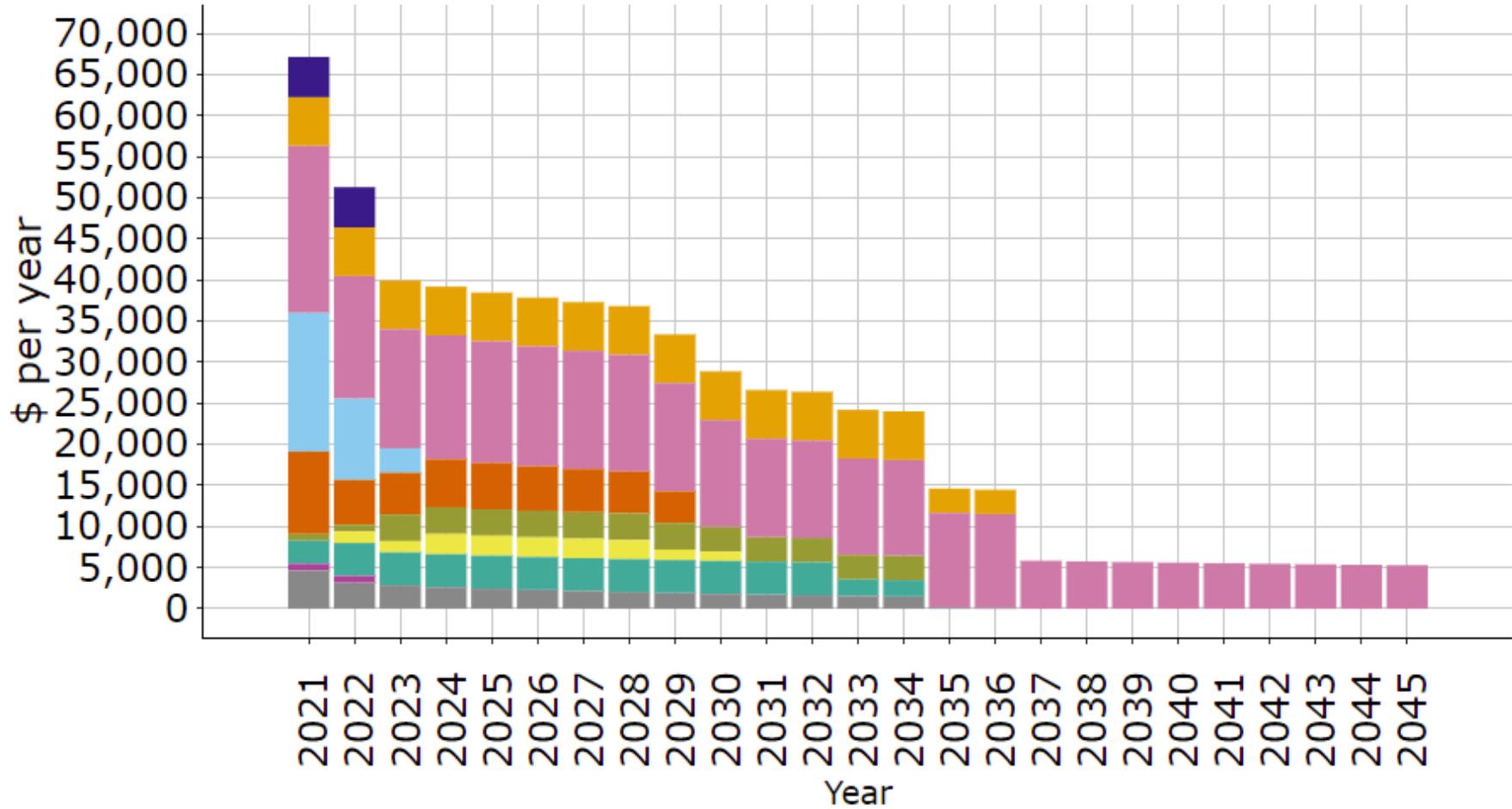
# Annual Family Take-Home Pay and Self-Sufficiency Target



Honolulu County, HI

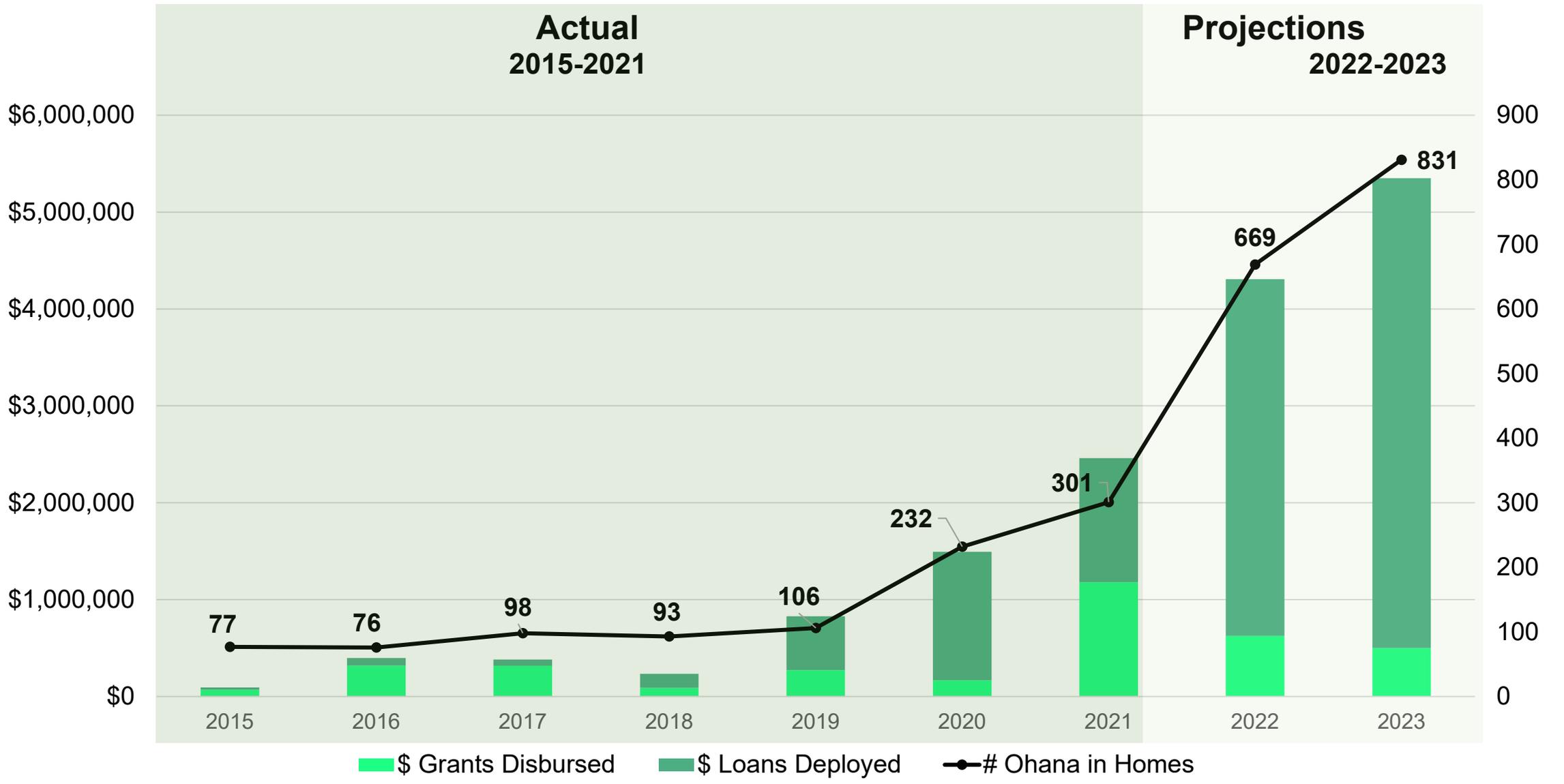
● Near-Minimum Wage Job ● Nursing Assistants — Self-Sufficiency Target

# Public Assistance on Chosen Career Path



Honolulu County, HI

- Medicaid for Adults
  Medicaid for Children/CHIP
  Housing Voucher
- Head Start/Early Head Start
  SNAP
- Free or Reduced Price School Meals
  CDCTC
  CTC
  WIC
  EITC



**What can the  
community  
support your  
agency with  
to continue  
the work?**

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**Use Our Free Financial Health Employee Benefit.** Refer staff and clients to Financial Opportunity Centers for financial counseling, income supports, and career coaching

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**Commit Financial Resources.** Dedicated, multi-year public and private funding for Financial Opportunity Centers is critical for on-going delivery

# Engagement

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Sustain sense of urgency that resulted from COVID pandemic

SHOW decision makers the need  
AND the solutions

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Pay community members to participate in the engagement activities

Consider giving your staff paid time off for engagement activities

# Mahalo Nui Loa for your time.

**Agency Contact:**

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Aloha United Way

CREATING  
CHANGE

**Hawai'i  
Children's  
Action Network**

**&**

**Hawai'i  
Appleseed  
Center for Law  
and Economic  
Justice**

**Deborah Zysman**

**Executive Director**

**&**

**Gavin Thornton**

**Executive Director**

# ALICE Policy Hui

August 26, 2021



HAWAII APPLESEED



Hawai'i  
Children's  
Action  
Network



Hawai'i  
Children's  
Action  
Network

# Vision

Hawai'i is the best place  
in the nation to raise a child.

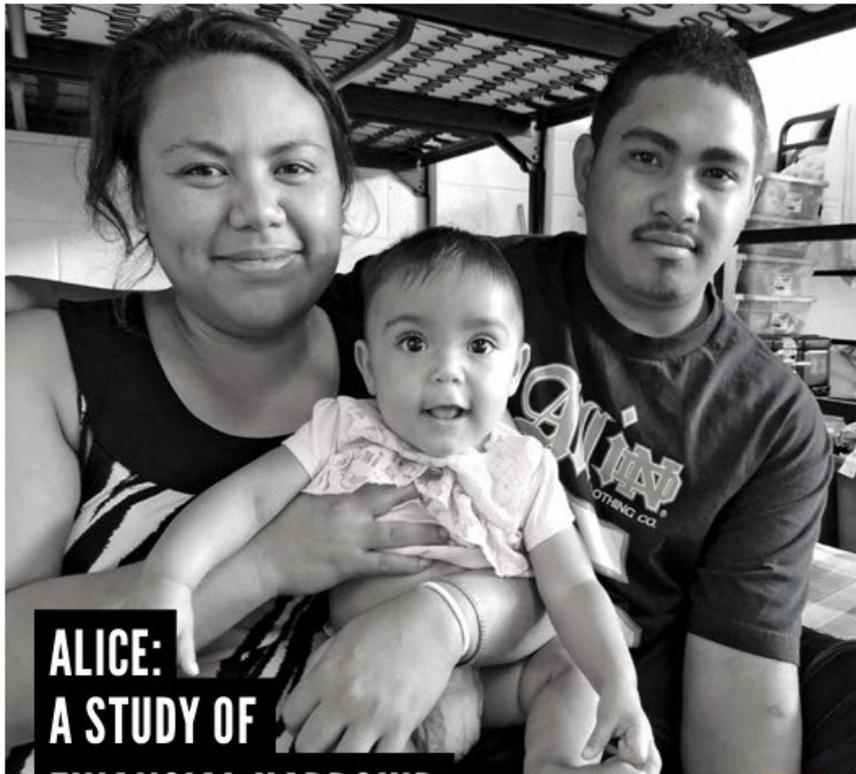
All keiki in Hawai'i are  
safe, healthy, and ready to learn.



HAWAII APPLESEED

# Vision

Everyone in Hawai‘i has an opportunity  
to achieve economic security  
and fulfill their potential.



**ALICE:  
A STUDY OF  
FINANCIAL HARDSHIP  
IN HAWAII**

LIVE UNITED

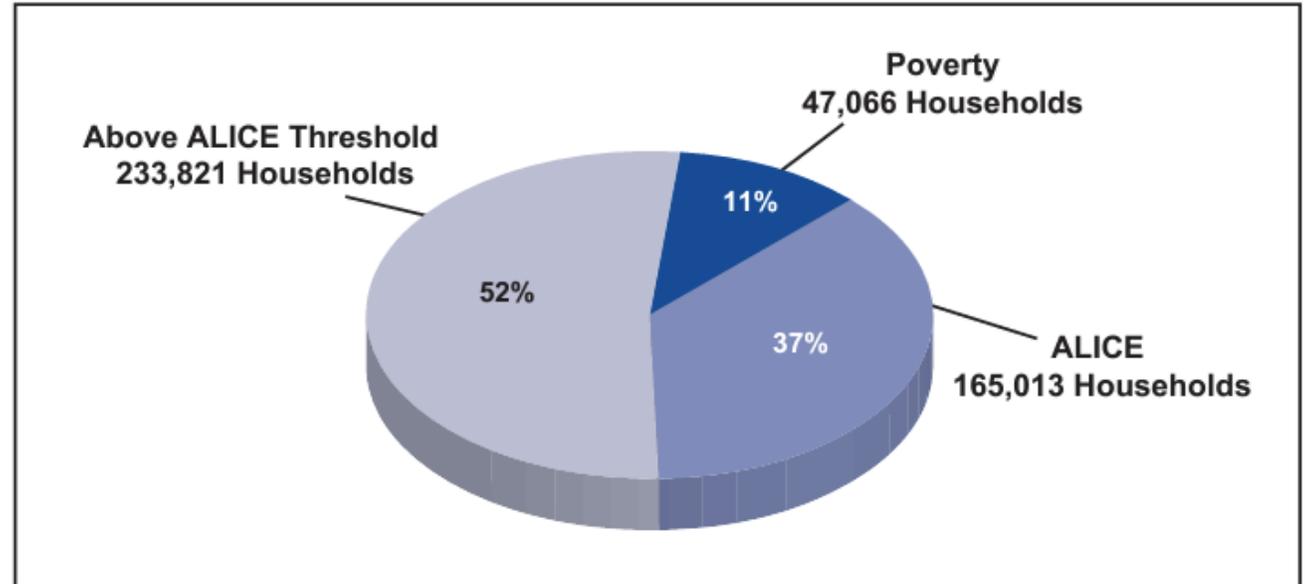
2017  
REPORT



ALICE® is an acronym for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mloyed. This is a project of United Ways in Connecticut, Florida, Hawaii, Idaho, Indiana, Iowa, Louisiana, Maryland, Michigan, New Jersey, New York, Ohio, Oregon, Virginia, Washington, and Wisconsin.



**Figure 1.  
Household Income, Hawai'i, 2015**



Source: American Community Survey, 2015, and the ALICE Threshold, 2015

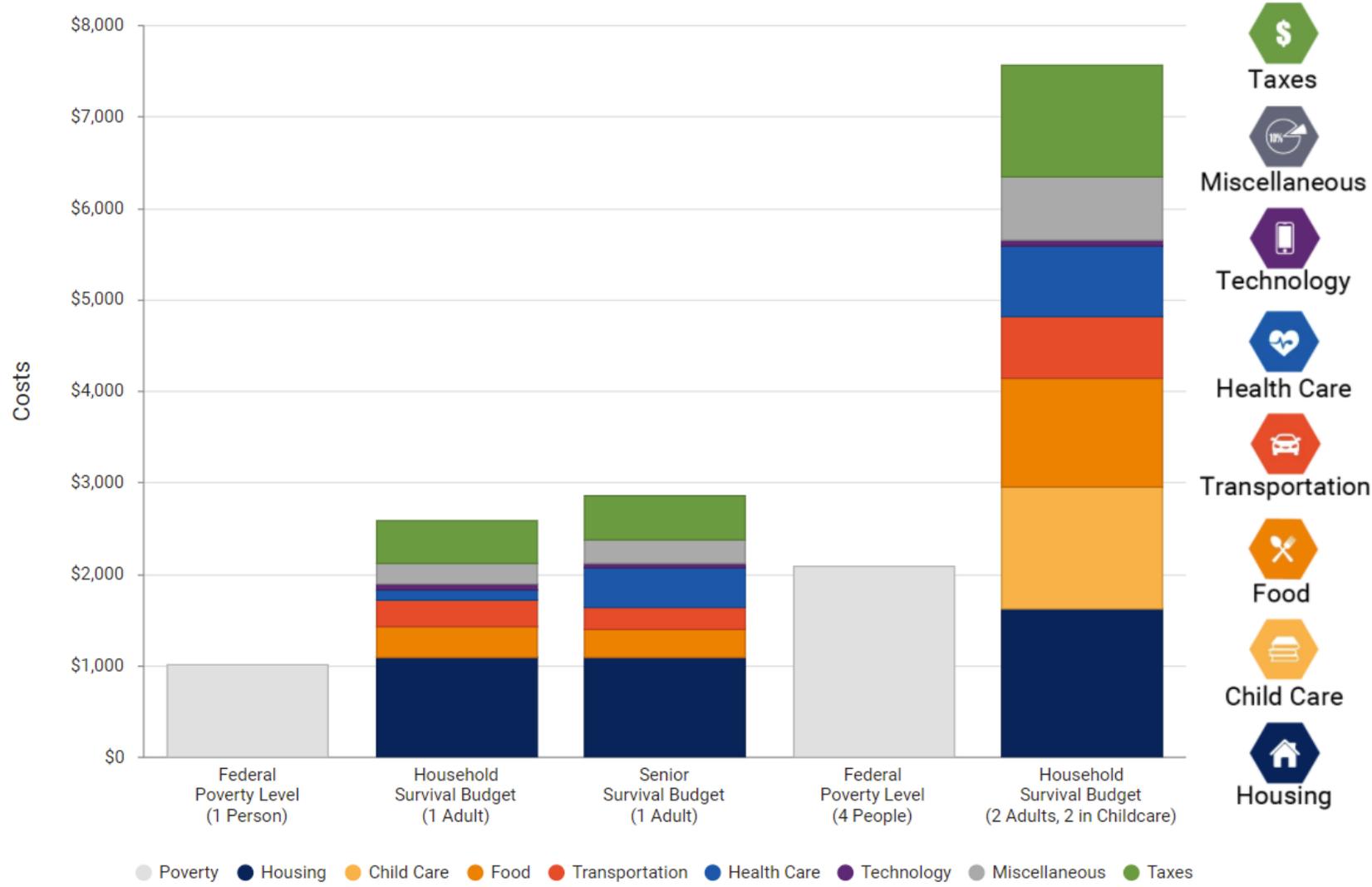
# Poll

How much do you think is a survival budget for a family of 4 in Hawai'i?

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# Monthly Budget Comparison, Hawaii, 2018



ALICE is a family of four with an income of **\$90,828**



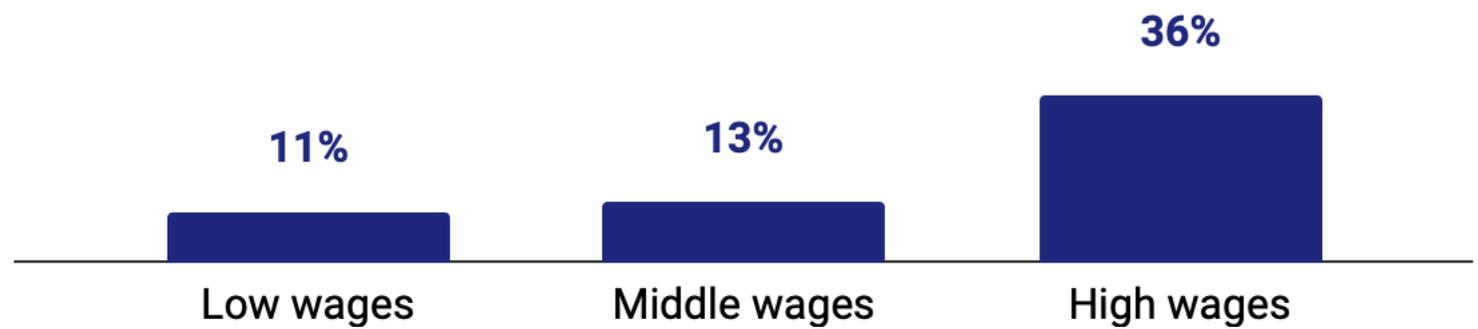


# For low- and middle-wage workers, earnings have not kept up with costs

Inflation-adjusted hourly wage increases



Inflation-adjusted per capita GDP gains compared to wage increases



Growth in inflation-adjusted annual rental housing costs and wages

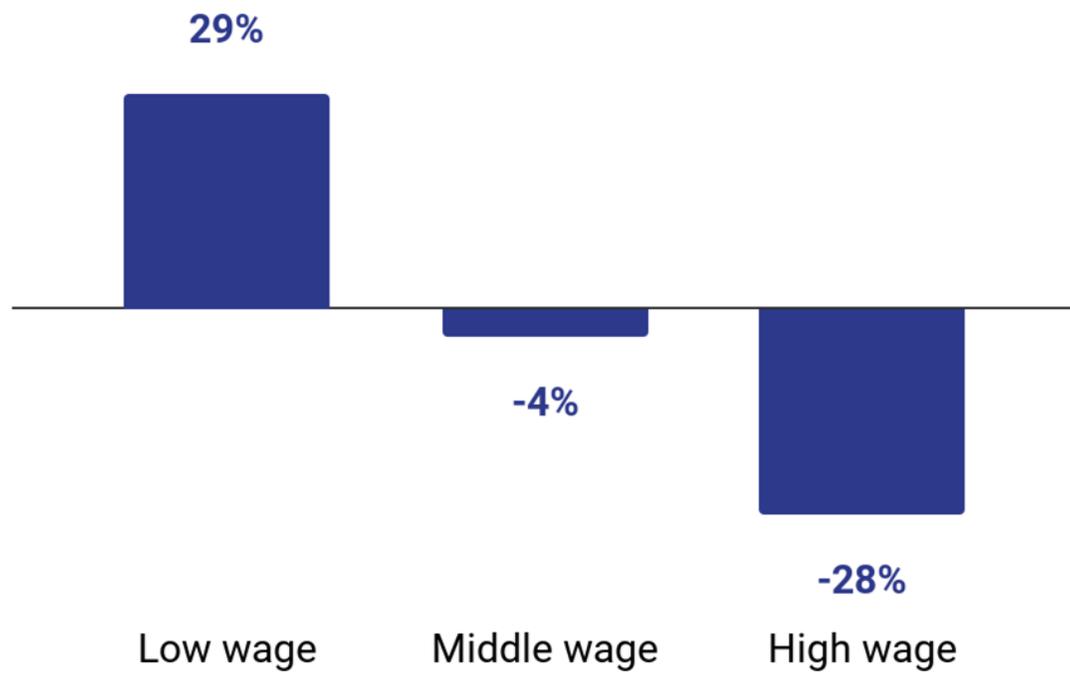


*In Hawai'i, between 1980-2018*

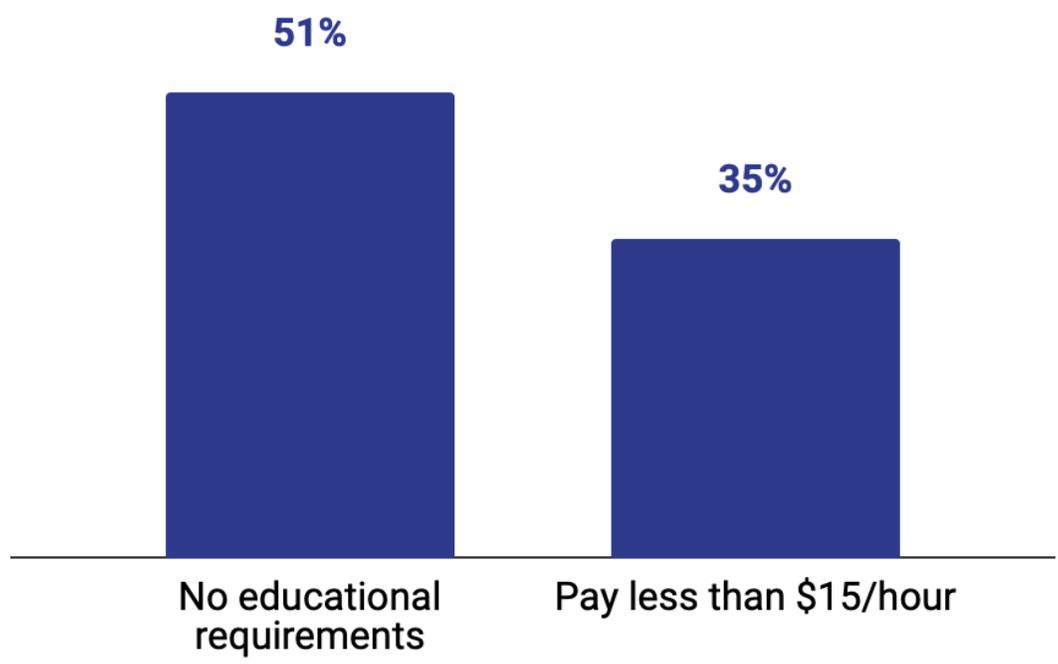


# Hawai'i job growth is centered around low-wage jobs with no educational requirements

Change in jobs, 2007-2018

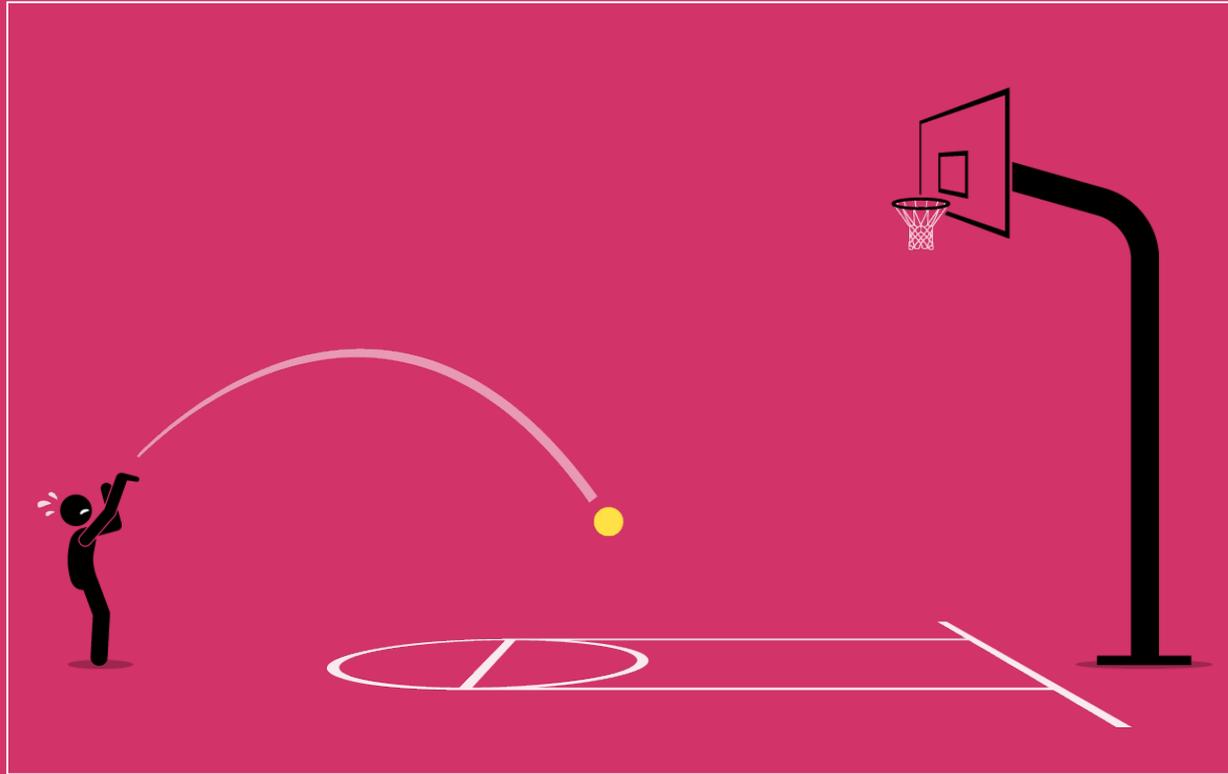


Top 20 growth occupations, 2016-2026

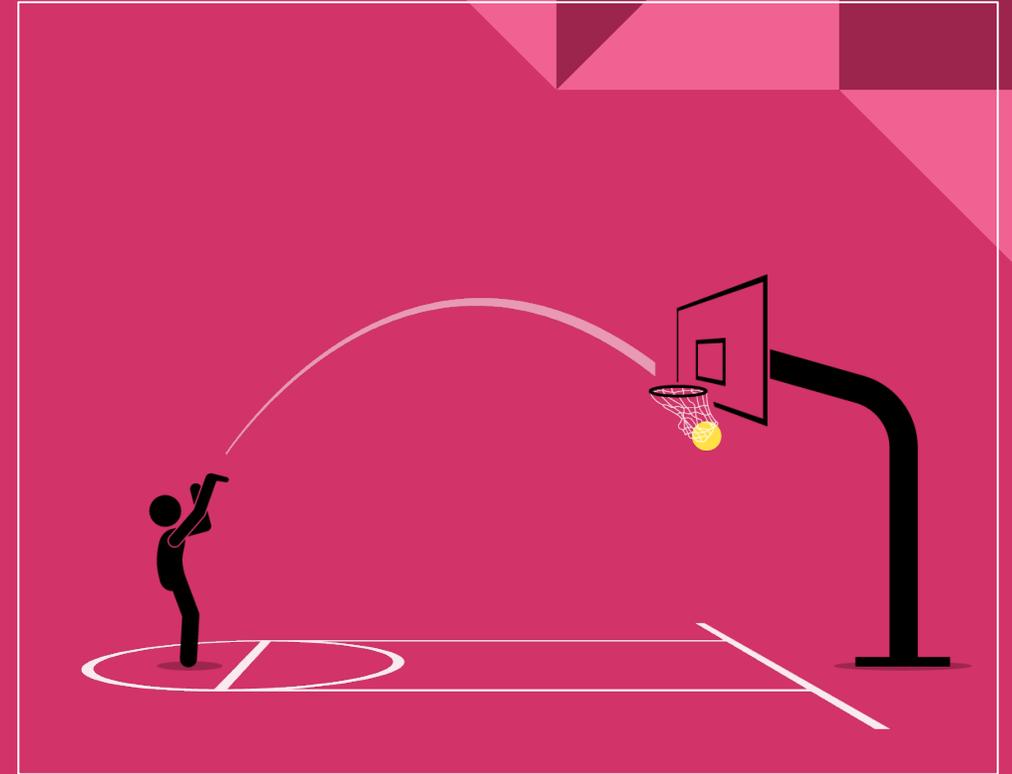




For high-income earners, their income has been increasing more than enough to meet increased expenses. **It's easy—a layup**



But too many residents are **starting too far away** and into an **increasingly tall basket**.



Everyone deserves an equal playing field—and an **equal shot at success**.



# ALICE Policy Hui



HAWAII APPLESEED



Hawai'i  
Children's  
Action  
Network



# Being left behind is a national problem

## 23rd

out of 43 countries

Public social  
spending as a  
percent of GDP

US: 19.3%  
OECD avg: 21%

## 16th

out of 42 countries

Households  
working but  
still in poverty

US: 11%  
OECD avg: 8.2%

## 9th

out of 42 countries

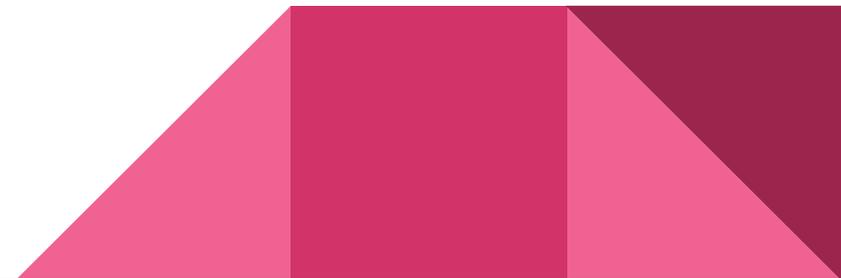
Level of  
income  
inequality





# Policies that help people thrive

- Early childhood development and nutrition interventions
- Universal health coverage
- Universal access to quality education
- Cash transfers to poor families
- Rural infrastructure – especially roads and electrification
- Progressive taxation





# ALICE Policy Priorities

- Affordable Early Learning and Quality Childcare
- Progressive Taxation
- Living Wages
- Cash supports (EITC/Child Credits/Universal Basic Income)
- Affordable Housing



# Poll

Which policies do  
you think would have  
the biggest impact?

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# EARLY CARE AND LEARNING IN HAWAI'I

Child Care Center for an infant	<b>\$14,354</b> per year	Family Child Care for an infant	<b>\$9,211</b> per year
Child Care Center for a 4-year-old	<b>\$9,406</b> per year	Family Child Care for a 4-year-old	<b>\$8,918</b> per year

## Early Care & Learning Workforce

*Hawai'i's current workforce size is around 4,200 people, but it is estimated that we would need the workforce to increase to 9,000 based on family need.*

## MEDIAN HOURLY WAGES

Adjusted for Cost of Living for Early Childhood Education Occupations in Hawai'i



Child Care Workers

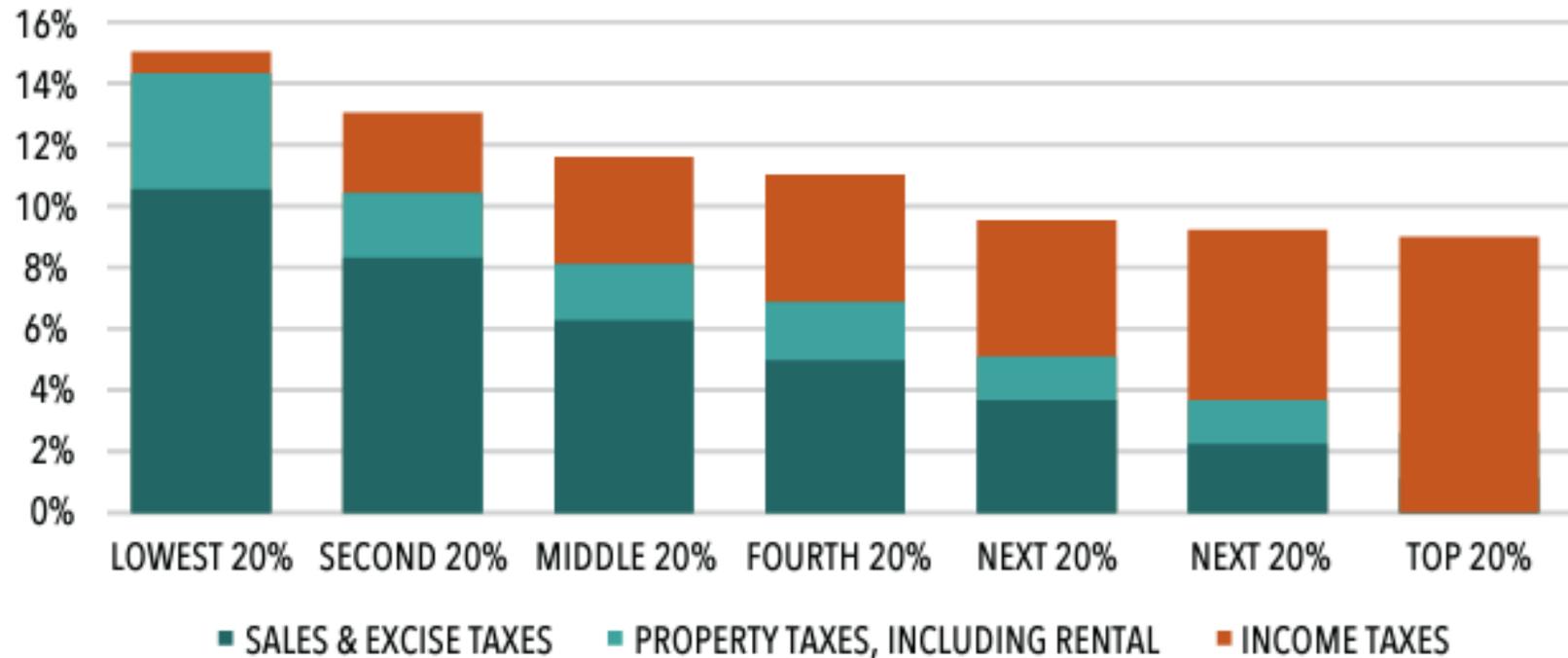


Preschool Teachers



## PERCENTAGE OF HAWAI'I HOUSEHOLD INCOME PAID IN TAXES, 2017

*Low-Income Households Pay Highest Proportion*



**Figure 4.** *Low-income families pay a larger percentage of their income in taxes than do households in the top tax brackets.<sup>13</sup> This is largely due to the general excise tax, which is applied to nearly every purchase and service. It disproportionately affects low-income families because they usually have to spend all their earnings, in contrast with higher-income households that have money for savings and investments.*

# Earned Income Tax Credit (EITC)



- Lifts children out of poverty
- Associated with increased birth weight
- Linked to higher test scores, graduation rates, and college enrollment
- Associated with increased earnings later in life



## EITC Next Steps

- Make Hawai'i's EITC Permanent
- Make it Refundable





## WE'RE BUILDING

A network of  
**8,000+**  
advocates for  
children

*Current: 6,500*

**100+**  
trained parent/family  
leaders

*Current: 83*

Strong  
**Community  
Champion**  
organizational members  
working together for  
change



HAWAI'I  
PARENT  
LEADERSHIP  
TRAINING  
INSTITUTE

Transforming parents who  
care into parents who **lead**



## Our work in January–June 2021

Grassroots emails  
to elected officials

**5,699**

Emails sent  
by **1,233**  
advocates

Media coverage

**15**

News articles  
and op-eds

Story collection

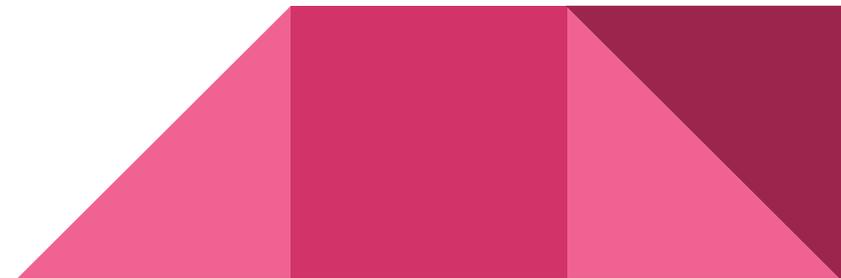
**71**

Contributions  
about the need  
to “invest in our  
‘ohana”

Legislative  
testimony

**1,616**

Testimonies in  
support of **18**  
priority bills





**What can you do?**  
[bit.ly/alicenextsteps](https://bit.ly/alicenextsteps)



**Aloha  
United  
Way**

**Lisa Kimura**

**Vice President of  
Community Impact**

# Aloha United Way Community Conversation Series

*ALICE: Innovation & Legislation*  
*August 26, 2021*





# Changing The Future of ALICE in Hawai'i





The ALICE® Fund invests in non-profit agencies developing and implementing impactful and scalable programs to help Oahu's ALICE population.



# Innovation through Collective Impact



# The 5 Conditions of Collective Impact

- 1 **Common Agenda**

  - Common understanding of the problem
  - Shared vision for change

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- 2 **Shared Measurement**

  - Collecting data and measuring results
  - Focus on performance management
  - Shared accountability

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- 3 **Mutually Reinforcing Activities**

  - Differentiated approaches
  - Coordination through joint plan of action

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- 4 **Continuous Communication**

  - Consistent and open communication
  - Focus on building trust

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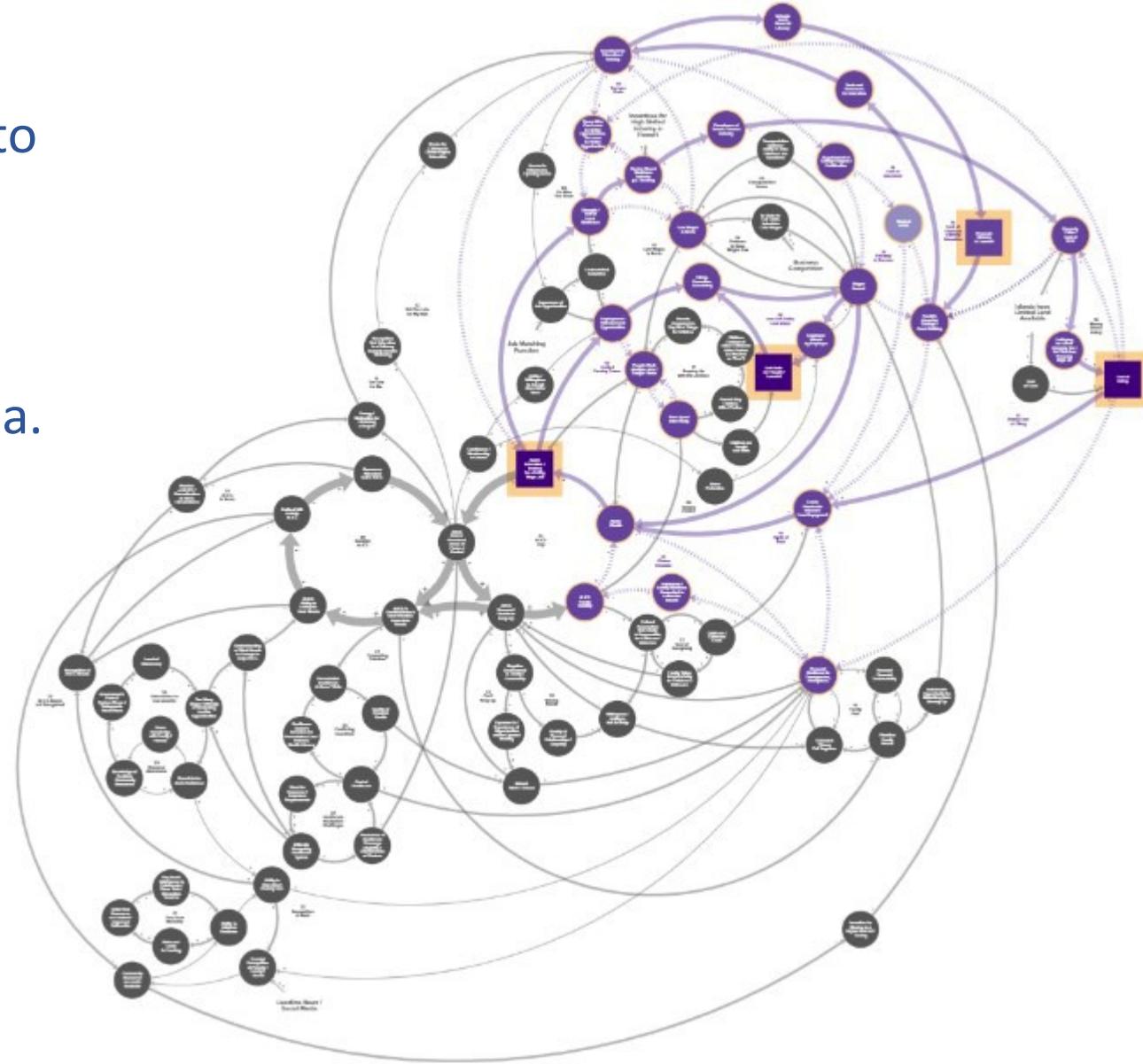
- 5 **Backbone Support**

  - Separate organization(s) with staff
  - Resources and skills to convene and coordinate participating organizations



# Collective Impact Theory

- Any one intervention alone is not enough to create sustained systems change.
- The various dynamics of the system are interrelated -- progress made in one area can be nullified or reversed by another area.
- Collectively, we have the potential to push the system across a tipping point.



# Collective Impact: We Are Stronger Together



# Focusing on ALICE Impact Areas



**Quality & Accessible  
Health Care Services**



**Safe & Affordable Housing**



**Improving  
Nutrition &  
Decreasing Food  
Insecurity**



**Access to  
Technology &  
Digital Equity**



**Financial Stability &  
Savings**



**Quality Childcare &  
Educational Opportunities**



**Continuing Education &  
Career Advancement**



**Join the  
movement!**



# How Can I Get Involved?





**Join us at the Table: Welcoming Participation**





## **We are seeking:**

Meaningful community engagement

Deeper engagement by a variety of system stakeholders

Trusted collaboration with local organizations and businesses

## **To help realize:**

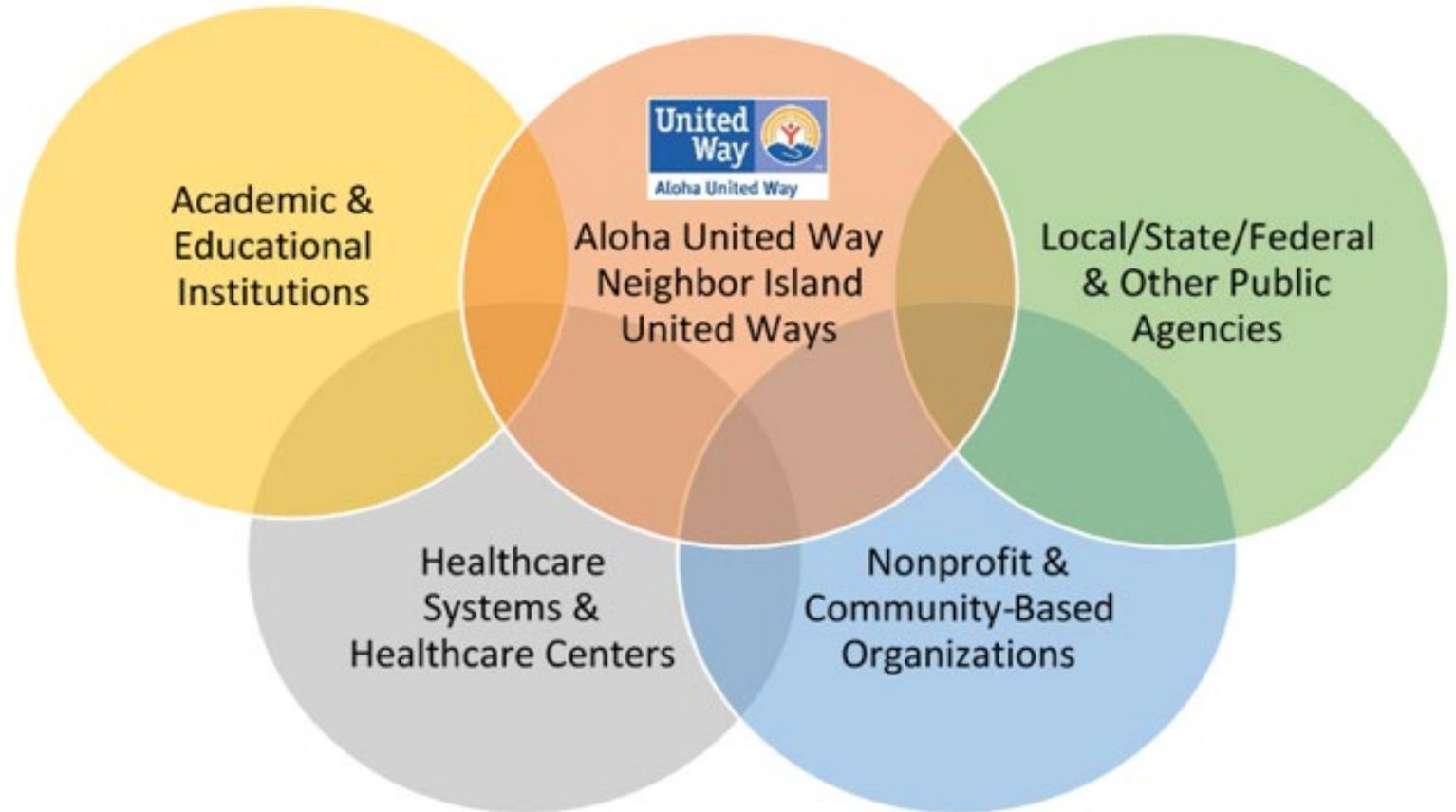
Collective Impact

Engaging audiences in new, equitable ways

Meaningful, measurable, lasting change

# Building the Table:

# Cross-Sector Participation



# 2021 ALICE Community Strategic Planning Goals

Engage	Community	Support	Increase	Focus	Make	Create
Engage residents and stakeholders statewide	Community-led process for strategic planning	Support participation in accessing “ALICE Loops” in the systems map	Increase engagement and participation opportunities	Focus activities with a lens on Diversity, Equity & Inclusion	Make participation opportunities accessible for all Hawaii residents, regardless of location statewide	Create compelling plan for actionable steps forward

**ALICE  
Collective:**

**Moving  
Forward**

# Build Sub-Committees

- Create quarterly multi-sector working groups/committees, supporting aligned activities to improve knowledge and logistical support among stakeholders.
- Committees will develop meaningful community solutions to collaboratively address local economic, health, housing, workforce, employment, education, and other critical needs.

**ALICE  
Collective:**

**Moving  
Forward**

## Develop Shared Measurements

- Collect data through surveys, dashboards, scorecards, and performance measurement systems.
- Analyze, monitor and evaluate the progress of program and system strategies and activities.
- Cultivate leaders with system leadership skills and use data to continuously learn, adapt and improve.

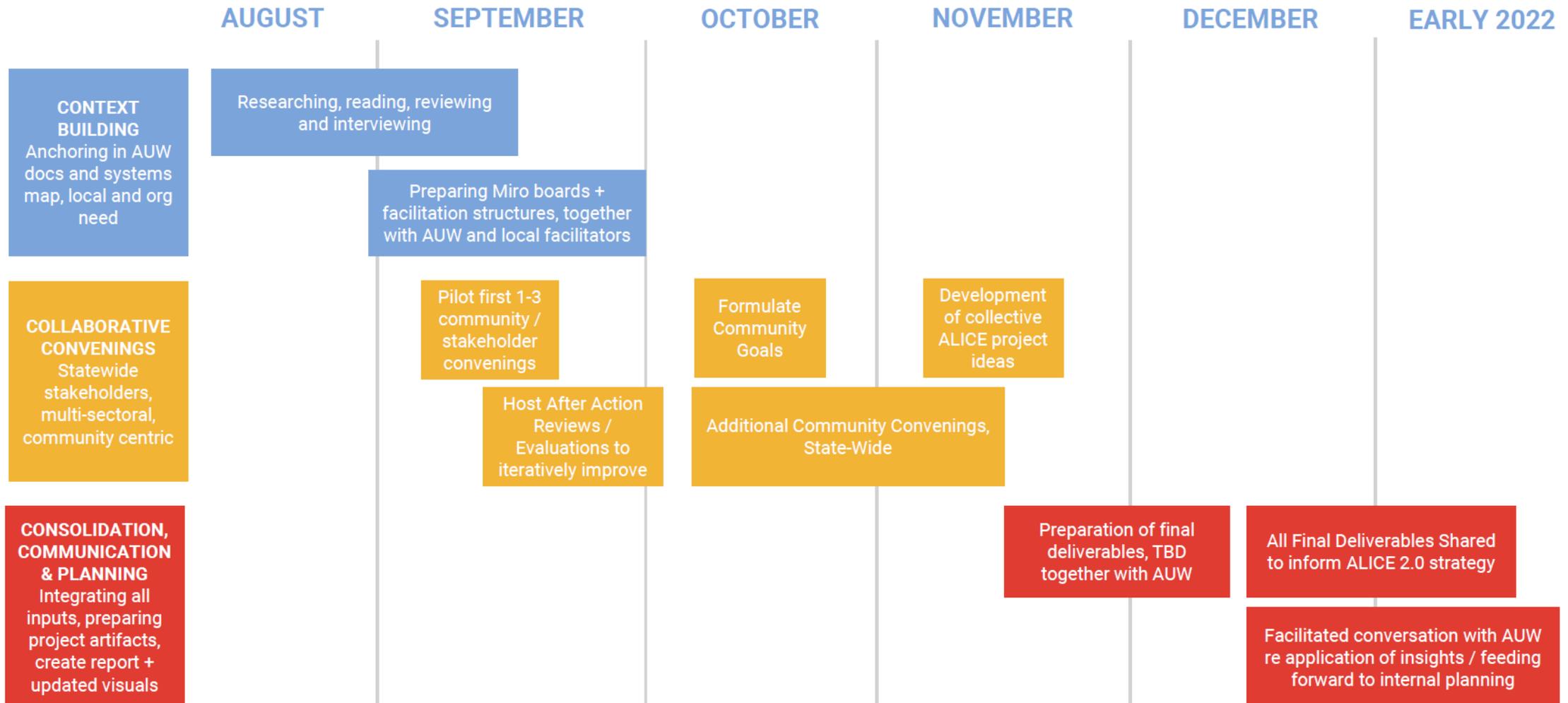
**ALICE  
Collective:**

**Moving  
Forward**

# Build Public Will for ALICE

- Develop training and educational opportunities that address economic, health, and social needs among ALICE households in Hawaii.
- Create presentations, webinars, conferences, or community listening sessions to engage policymakers, public agencies, educational and academic institutions, healthcare systems, non-profit organizations, and community members.

# Timeline



## Next Steps:

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Complete your post-event survey and indicate your interests

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AUW will invite you to join the work groups for each of the impact areas

# Thank you for joining the ALICE movement!



CREATING  
CHANGE

