



The Annie E. Casey Foundation

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LOW-INCOME RURAL FAMILIES WARNED ABOUT COMMON MONEY TRAPS

New Video Shows How Careful Planning Can Help Build Assets and Change Lives

Baltimore, MD—March 8, 2006—The Annie E. Casey Foundation today released a new documentary, **Avoiding the Money Trap**, which highlights financial problems that often ensnare low-income families in rural America, and gives practical advice on avoiding them. The documentary tells the real-life stories of several families, including:

- Sandra, an assistant to a university administrator, who accumulates thousands of dollars in payday loan fees, on top of other debts, after her husband loses his job.
- Dan, who has lost his truck to repossession. He can't afford a new car but can't commute to his job without one. When he buys a used car, he is stuck with a high interest-rate loan to finance a used vehicle with high mileage and possibly low reliability.
- Dina, a single mother who is raising two children on her earnings as a grocery store clerk, has poor credit and no savings. She goes back to school to improve her job prospects, and dreams of buying a home.

Avoiding the Money Trap is part of the Casey Foundation's approach to helping low-income working families in rural communities build economic security. "Our Rural Family Economic Success strategies are helping rural families across America to earn, save and grow their financial assets," said Miriam Shark, senior associate. "A critical piece of helping rural families to reach and sustain financial stability is helping them build savings and accumulate assets, which can provide something to fall back on when the unexpected happens. Money traps like those in the documentary can prevent them from moving forward, no matter how hard they work."

The financial challenges depicted in the video are typical of the struggles confronting low-income families across the country. Geographically isolated, and often lacking in financial education, rural families are especially vulnerable to predatory loans, high fees and other money traps. Many find it impossible to meet their current expenses and build a cash cushion for emergencies. Their needs are universal: to buy a home, purchase a car, save for education and retirement, and acquire assets that build equity.

An estimated 20 percent of American households do not have an account with a bank or credit union, so these families must pay high fees for basic services such as check cashing, bill paying, or sending money to other countries. Additionally, a growing number of fringe financial service companies target low-income customers and promote predatory practices such as payday loans, rapid refund loans, and high-fee check cashing. For example, more than five million borrowers are caught in payday loan traps each year, typically taking out eight to 13 payday loans, at an annual percentage rate of more than 400 percent. The average payday borrower pays \$800 to borrow \$325.

And customers who have poor credit—or lack a credit history—often end up with "subprime" loans for buying cars, appliances and other basic necessities. A subprime loan can charge 17 to 25 percent interest for a used car. In the case of a five-year, \$10,000 used-car loan, this means paying \$3,000 to \$4,000 more in finance charges than a borrower would pay under a prime-rate loan.

The documentary is intended to share information about what to look out for, and provide useful tools about how low-income workers can protect their financial resources. In addition to low-income families, other prime audiences include policymakers, community leaders, teachers and counselors, service providers and organizations that are helping rural families learn more about managing their finances. **Avoiding the Money Trap** is designed to be shown as part of a community or church event, town hall meeting, policymakers' forum, seminar, workshop or financial education class – and followed by a group discussion. It also may be shown to low-income families who are waiting to have their taxes prepared at a community tax assistance site, or in other waiting room venues.

The DVD includes the full-length (25 minutes) documentary in both English and Spanish, a shorter (14 minute) version in English, background papers on money trap issues, a list of resources, and a discussion guide. A printed copy of the discussion guide also is enclosed with each DVD. The guide poses discussion questions and suggests steps that community organizations, policymakers and others can take to help rural families build economic stability.

Copies of **Avoiding the Money Trap** may be ordered by contacting susan@avoidingthemoneytrap.com.

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The Annie E. Casey Foundation is a private charitable organization dedicated to helping build better futures for disadvantaged children in the United States. It was established in 1948 by Jim Casey, one of the founders of UPS, and his siblings, who named the Foundation in honor of their mother. The primary mission of the Foundation is to foster public policies, human-service reforms, and community supports that more effectively meet the needs of today's vulnerable children and families. In pursuit of this goal, the Foundation makes grants that help states, cities, and neighborhoods fashion more innovative, cost-effective responses to these needs. For more information, visit the Foundation's website at www.aecf.org.