THE HATFIELD PRIZE 2020

The Child Care Crisis and Its Impact on Hispanic Families

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Predatory Lending and the Need for a Healthy Financial Ecosystem

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The Invisible Homeless: Families and the Permanent Supportive Housing Model

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THE CENTER FOR
PUBLIC JUSTICE

TABLE OF CONTENTS

WITH THANKS

This research was funded by the Annie E. Casey Foundation and the M.J. Murdock Charitable Trust. We thank them for their support, but acknowledge that the findings and conclusions presented in these reports are those of the authors alone and do not necessarily reflect the opinions of these foundations.

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ABOUT THE HATFIELD PRIZE

The Hatfield Prize is awarded annually to three student-faculty pairs from Council for Christian Colleges & Universities (CCCU) schools. Recipients conduct research on social policies that impact vulnerable children, families, and communities, and explore the impact of these policies in their local communities. This semester-long research project culminates in three policy reports that make recommendations for both government and civil society institutions in contributing to policies that promote flourishing communities. The Hatfield Prize is named in honor of the late Senator Mark O. Hatfield, who served as a United States senator from Oregon for three decades, and was known for his principled Christian faith and for his commitment to working across difference to find common ground.

ABOUT SHARED JUSTICE

Shared Justice, the Center for Public Justice's initiative for 20- and 30-somethings, exists to equip the next generation of leaders with a hopeful vision and framework for Christian engagement in public life. Through its online publication, SharedJustice.org, CPJ has published hundreds of articles written by college students and young adults committed to pursuing justice for their neighbors through political engagement. Shared Justice also offers a variety of programs and resources, including The Hatfield Prize, books and resources such as *Unleashing Opportunity: Why Escaping Poverty Requires a Shared Vision of Justice,* and campus speaking engagements. Visit www.sharedjustice.org to learn more.

ABOUT THE CENTER FOR PUBLIC JUSTICE

The Center for Public Justice (CPJ) is an independent, nonpartisan organization devoted to policy research and civic education. Working outside the familiar categories of right and left, conservative and liberal, we seek to help citizens and public officeholders respond to God's call to do justice. Our mission is to equip citizens, develop leaders, and shape policy in pursuit of our purpose to serve God, advance justice, and transform public life. Visit www.cpjustice.org to learn more.

THE CENTER FOR PUBLIC JUSTICE

FOREWORD

I am thrilled to introduce the Center for Public Justice's 2020 Hatfield Prize reports. When our student-faculty recipients met in Washington, D.C. for orientation in January, we could not have anticipated how the world would change in just a few short months. COVID-19 has triggered dual public health and economic crises that are unprecedented in modern history and that will have long lasting impacts on families and communities. In May, George Floyd's death at the hands of police officers in Minneapolis, Minnesota, rocked the nation and world, resulting in months of protests calling for justice. Floyd's death was not an isolated incident, but it brought collective attention to the issue of systemic racism that continues to pervade government and civil society institutions.

COVID-19 has already taken a disproportionate toll – both in terms of health outcomes and economic impacts – on people of color and on under-resourced communities. This year's reports explore three policy issues that also disproportionately impact people of color and under-resourced communities: child care deserts, predatory lending, and chronic family homelessness.

The student-faculty pairs researched access to child care for Hispanic families in Sioux Center, Iowa; predatory payday lending in greater Chicago, Illinois; and family homelessness in greater Azusa, California. Each report explores the scope of the issue on both a local and national level, highlights racial, ethnic and socioeconomic disparities, and frames solutions in the context of both government policies as well as the vital contributions of faith-based organizations, churches, and other civil society institutions.

Each report is divided into three sections — Discover, Frame, and Engage — that are designed to provide a framework for understanding each issue within a federal, state, and local context.

- **Discover** introduces readers to a specific social policy in the United States and examines the current response of the federal government in addressing the issue and its impact on individuals and families facing economic hardship.

- Recognizing that not all of what contributes to human flourishing is government's task, **Frame** articulates the normative Christian principles which support the social safety net and considers the unique responsibilities and contributions of government and civil society institutions.

- **Engage** brings Discover and Frame to life, telling the stories of impacted individuals and the communities in which they live. This section features original reporting by the student-faculty pairs in Iowa, Illinois, and California.

The research teams were well into their research and writing when the pandemic dramatically altered life as we knew it. While the reports do not specifically address COVID-19, it's more urgent than ever that the issues of child care, predatory lending, and family homelessness are addressed. COVID-19 only exacerbates challenges for families already impacted by these issues, as well as for families who will now face them due to increased economic hardship. The Hatfield Prize reports can be accessed online at www.sharedjustice.org/hatfieldprize2020.

With thanks,

Katie Thompson

Katie Thompson
Program Director, Shared Justice
Center for Public Justice

THE CHILD CARE CRISIS AND ITS IMPACT ON HISPANIC FAMILIES

By Katie Bogle and Abby Foreman, Ph.D.

DISCOVER

Angelica Lopez, a single mother, lives in a small town in the Midwest. Every morning, she wakes her two-year-old daughter Camila up at 5:30 a.m. in order to drive the 25 miles to the nearest child care center. More than a third of her paycheck goes to child care, but in this rural community, it's her only option. She drops off Camila and spends the next 12 hours working a factory shift during the day and waitressing in the evening to provide for her daughter. The daycare closes at 6 p.m., and Angelica's mother or sister, each of whom have also worked all day, pick Camila up and watch her until her mother returns home. Angelica's work schedule varies from week to week, making child care scheduling an ongoing challenge. She arrives home exhausted and wishing she had more time to spend with her daughter.

While Angelica's story is a fictional account, this picture of fatigue and limited options due to a lack of affordable and accessible child care is reality for many families. Quality, affordable child care in the United States is out of reach for many families, especially for parents who do not have the option to stay home with their children because of financial constraints. More than half of American families currently live in a child care desert, meaning that there are more than three times the number of children as licensed care providers within an area.[1] Researchers refer to this lack of available, affordable child care as the "child care crisis," as years of increasing care costs and barriers to accessibility have put strains on families and child care providers.[2]

While the child care crisis has touched nearly every corner of America, impacting families of diverse racial, cultural and socioeconomic backgrounds, this report will examine its impact on the Hispanic community. With a population of 59.9 million, Hispanics are the largest minority population in the United States and contribute to the rich and diverse fabric of American life.[3] The U.S. Office of Management and Budget defines Hispanic as "a person of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin regardless of race."[4] Hispanic families in the United States, made up of both immigrants and native-born citizens, disproportionally lack access to a varied array of affordable child care providers.[5] Nearly 60 percent of Hispanic families reside in a child care desert.[6]

Quality, affordable child care in the United States is out of reach for many families.

Child care is especially important for families for whom having both parents in the workforce is not a choice, but a necessity. As of 2018, 15.5 percent of Hispanic families were living in poverty. Hispanic children make up one-fourth of all children in the U.S. and yet are more than twice as likely to be living in poverty as compared to their non-Hispanic peers.[7] Hispanic workers are disproportionately represented in low-wage jobs, and more than half of Hispanic workers are employed at workplaces with irregular or non-standard work schedules.[8] This presents significant challenges for parents with young children who must remain in the workforce, but are limited in their ability to afford the rising costs of child care. Even when child care is affordable, non-standard work schedules often leave families constantly putting together a patchwork of care. Irregular and non-standard work schedules combined with low wages can make it difficult for families to grow and develop, and can hinder a family's long-term economic mobility.

Child Care in America

Child care within this report is defined as care for children ages zero to five that is provided by an adult who is not the child's parent or legal guardian. This definition includes for-profit center-based care, nonprofit and faith-based center-based care, licensed in-home providers, and informal care provided by a friend or family member.[9] This report will explore the child care needs and preferences of Hispanic families with children ages zero through five years old, with a focus on government-subsidized care available to low-income families.

Nearly 60 percent of Hispanic families reside in a child care desert.

High-quality child care refers to a healthy and safe environment in which children are encouraged to learn and grow in a developmentally appropriate manner. It promotes positive socialization for children under the supervision of competent, qualified care providers.[10] The United States Department of Health and Human Services defines affordable child care as care that is seven percent or less of a family's total annual income.[11] However, the average cost of child care in the United States is between 9 to 15 percent of a family's income and can be as much as 35 percent for those living at or below the poverty line.[12] Available child care is defined within this report as care providers with open slots, meaning a family will not have to be put on a waiting list, and that are in reasonable geographic proximity to the families in need of care.

However, the quality, cost, and availability of care are not the only factors that should be considered when evaluating the landscape of care. The diversity or range of providers within a given region, as well as the cultural competency of providers, must also be examined. Cultural competency is defined here as not only an awareness of cultural differences, but as ongoing and intentional efforts to ensure that programming is attentive to and informed by cultural norms and preferences of those served.
Every family has unique needs and preferences for child care, and necessarily, the landscape of child care options in America is diverse. This report will discuss child care within two broad categories: government-subsidized and non-government subsidized child care. Subsidized child care includes for-profit centers, secular and faith-based nonprofit centers, and licensed in-home care providers. Non-government subsidized care includes any kind of care not subsidized by government, whether in a for-profit or nonprofit (secular or religious) center, in-home care providers, or informal care by relatives or friends.

Government-Subsidized Child Care

The federal government, through the Child Care and Development Block Grant, supports child care for low-income families through two mechanisms: vouchers (or certificates) given directly to families to use for subsidized care at the provider of choice, and grants or contracts awarded directly to child care providers to provide subsidized care. The Child Care and Development Block Grant (CCDBG), administered by the Office of Child Care within the Administration for Children and Families at the United States Department of Health and Human Services, provides funding to state governments which then administer funding to families and child care providers.[13] In 2018, an average of 1.32 million children received CCDBG-funded child care each month.[14]

The CCDBG prioritizes vouchers over grants and contracts to promote diversity and parental choice, and the majority of federally subsidized care is paid for via vouchers. Eligible families can apply for and use vouchers to subsidize their child care costs at the child care provider of their choice, including secular and faith-based centers as well as in-home care providers. Child care providers are also eligible to receive direct federal funding through the CCDBG via grants or contracts. This allows providers to subsidize the cost of care for families.

Secular and Faith-Based Nonprofit Providers

While some families choose for-profit center-based care options, other families may prefer to use secular or faith-based nonprofit child care in their community. Faith-based child care is defined as care that is affiliated with or housed within a church, synagogue, temple or other faith-based organization, or that provides explicitly religious instruction and programming.[15]

Some nonprofit care providers are privately funded; however, many receive funding either directly or indirectly through the Child Care and Development Block Grant.[16] Families are able to use a voucher at faith-based and nonprofit child care centers, which helps increase the diversity of affordable child care providers available to families.[17] Faith-based organizations may compete for direct funding via grants or contracts to enable them to offer subsidized child care to low-income families. However, as a condition of accepting such direct funding (rather than being paid through a voucher or certificate brought by an eligible family), faith-based organizations must remove their faith-based practices, programming, and environment from the care being provided. This essentially disqualifies many faith-based organizations who view their faith-identity as inherent to their mission and care provided.

Licensed In-Home Care Providers

Licensed in-home child care centers provide care within a home setting. These providers are registered with the state and are required to follow health and safety guidelines.[18] This form of child care is preferable for many families because it mimics a home setting and often offers more flexible hours of care. Families are able to use vouchers at in-home care providers, which helps to contribute to the diverse landscape of providers. It is estimated that nearly 25 percent of all vouchers are used on in-home care providers.[19] Providers of subsidized in-home care, like providers of center-based care, may also receive federal support via the U.S. Department of Agriculture's Food Reimbursement Program, which reimburses child care programs for healthy meals and snacks.[20]

Headstart and Early Headstart

Headstart and Early Headstart are two government programs that provide eligible low-income families with subsidized early childhood education, and, as part of that, child care. Early Headstart serves families with children ages infant to two years and Headstart serves three to five years olds. These programs operate out of local child care centers, schools, nonprofits, and churches, and receive funding through the Headstart Act, which is reauthorized each year by Congress and administered by the Department of Health and Human Services.[21] The Headstart and Early Headstart programs also provide other services, including education and mentoring for new mothers and bilingual in-home consultation programing. In 2017, the Headstart programs served approximately one million low-income children.[22]

Non-Government Subsidized Care

While the government subsidizes a diverse range of child care providers, many families also use non-subsidized child care options. Unsubsidized child care providers supply care that is either entirely paid for by other sources, such as the parents or a church, or through unlicensed care from a friend or family member.

Informal Child Care

Informal child care, sometimes called kinship care, is defined within this report as consistent care provided by friends, neighbors, or relatives for more than five hours per week. This type of care is very common but is generally exempt from licensing by state governments. Because many of these care providers are not officially licensed with the state, families do not have access to state resources, and there are no state regulations on quality of care. In the U.S., an estimated 42 percent of families consistently use an informal child care provider.[23] Informal child care is often more affordable, mimics an in-home care setting, and has flexible hours, making it preferable for many families.[24]

Hispanic Families and Child Care Barriers

The child care preferences of the Hispanic community are unique and should be considered when looking at the utilization of and barriers to care. Research shows that Hispanic families tend to rely more heavily on informal care provided by a family member or friend as opposed to formal, center-based care options.[25] It may appear that the Hispanic community utilizes informal child care options simply because that is their preference due to cultural, religious or other reasons, and for some families this may be true. However, a National Survey of Early Childhood conducted in 2016 found that Hispanic families look just as favorably on center-based child care as their non-Hispanic peers.[26] This suggests that the lack of center-based child care utilization within the Hispanic community may be due to other factors and barriers in place, rather than a choice based on preferences.

Low-income Hispanic families face several key barriers to high quality, affordable child care. Cost, convenience of location, availability of child care during irregular hours, inadequate information, and a lack of cultural competency within the care system all contribute to the child care crisis among Hispanic families.

Cost

Parents face many barriers to accessing child care for their children, but cost is often the most significant of these barriers. Child care is one of the leading household expenses in the U.S. for families with children under five years old.[27] The Center for American Progress developed a 50-state cost model for center-based care that considered the cost of licensure, adult to child ratios, salaries, and benefits for employees. This study found that the average cost of running a licensed child care facility is approximately $15,000 annually for just one child.[28] As a result, child care centers must charge high rates to be able to continue operating. In many parts of the country, child care costs as much as three times the amount that a family pays on rent or a mortgage.[29] A national study by the National Women's Law Center in 2017 concluded that over one-third of families have reported that child care has caused financial problems.[30] This situation is in part due to the fact that the cost of child care in the U.S. has more than doubled in the last 20 years, while wages have remained fairly consistent.[31] The lack of affordable child care is especially common in rural and low-income urban areas where fewer child care providers mean fewer available openings.

Geographic Location and Child Care Deserts

Geographic location can also affect the availability of child care options within a community. Rural and low-income urban communities often have fewer child care resources available. Hispanic families are more likely than any other minority group to live in a child care desert: more than 60 percent of the Hispanic population lives in such an area.[32]

Employment in jobs with non-standard schedules, common among low-income Hispanic families, also presents challenges. Over half of Hispanic parents work irregular or non-standard hours.[33] Many government-subsidized care options offer limited hours of care. These hours cater towards families working a standard nine to five schedule on weekdays and leave out families who are working non-standard or unpredictable hours.[34] This reality has caused families to find alternative methods of care, such as leaving children with older siblings, relatives, neighbors or babysitters during the interim times when formal care is unavailable.[35] This type of unpredictable and inconsistent patching together of child care providers makes scheduling care a perpetual challenge.[36]

Underutilization and Inadequate Cultural Competency Among Providers

Historically, Hispanic families have underutilized government assistance, often due to cultural or religious preferences. Within the context of child care, only eight percent of eligible Hispanic parents are currently utilizing child care subsidies through CCDBG.[37] Only one-third of children enrolled in Headstart are Hispanic, despite more Hispanic children living in poverty than children of any other race or ethnicity.[38] While some families may have preferences that limit their utilization of assistance, for others, a lack of clear information contributes to low take-up rates. Many families may not know they are eligible or may not know how to access available subsidies. Vouchers through the CCDBG are available to immigrant families living in the U.S. and eligibility is dependent on the immigration status of the child.[39] If a family has legally immigrated to the U.S., the child was born in the U.S., or the child is protected by the DREAM Act, then the child is eligible for federal child care assistance.[40] They may also be unaware of the range of providers, including faith-based and in-home centers, that vouchers can be used at.[41]

Language can also be a barrier for families seeking high quality and affordable child care.[42] Applications for the voucher program and child care centers often have very technical language that is difficult to understand for families whose primary language is not English. Even when there is translated paperwork available, many child care centers, including Headstart, require an interview as a part of the acceptance process which presents a challenge for families trying to access care through a center that does not have bilingual staff.[43]

Looking Ahead

In today's society, work and family often compete instead of complement one another.[44] For many Hispanic families, high quality, affordable, and culturally competent child care is a necessity, but is too often out of reach. Communities should strive to maintain a diverse range of high quality child care providers, including subsidized secular and faith-based care, that are both culturally competent as well as representative of Hispanic families themselves.

FRAME

Family is the most basic of human institutions from which all growth and development begins. Flourishing families provide children with the support needed to grow into contributing members of society.[45] For families to thrive, parents must be able to fulfill their responsibilities as both workers and caregivers. For low-income parents for whom work is a necessity in order to provide for their families, work and child care is a precarious balance. However, many single parents or two-parent households are unable to afford child care. In these instances, both government and civil society play a role in helping eligible working families access high quality child care.

For families to thrive, parents must be able to fulfill their responsibilities as both workers and caregivers.

Diverse and varied, every family has unique preferences, desires, and needs for child care. Parents bear primary responsibility for the growth and development of children – the family is where children are nurtured – and as such, parents must be at the center of child care decisions.[46] Part of both government and civil society's responsibility, then, is to prioritize support that respects parental choice and aligns with familial preferences. A diversity of child care providers must exist – from for-profit center-based care, to government-subsidized center-based care offered by secular and faith-based organizations, to in-home care centers. The ability for parents to be in the workforce depends upon child care, and child care depends on the family being able to afford and access it.

To meet the varied needs, values, and preferences of families, it is important to work towards a child care landscape that includes a diversity of providers. As Christians, we recognize the importance of both work and family. Both are significant and should complement one another; however, these two essential things are often in conflict.[47] We also believe that all people are made in the image of God and affirm the inherent worth and dignity that all possess. To honor this dignity, it is important to recognize and affirm diversity of families as well as the diversity of civil society institutions that comprise the child care landscape.

The first five years of a child's life are critical to their overall cognitive, physical, social, and emotional development.[48] Child care is designed to be a place where children can grow, develop and explore in an age-appropriate manner, and care providers play an important role in this process. Child care has the ability to either help or hinder the development of a child by providing or denying the child a safe, stimulating and developmentally appropriate environment in which they can grow and learn. Child care also impacts families as it allows parents to stay in the workforce. Many families do not have the option of having a parent stay home to care for the children, so a safe, affordable child care provider is vital to the health of the family.

To meet the varied needs, values, and preferences of families, it is important to work towards a child care landscape that includes a diversity of providers.

The Hispanic community is disproportionately impacted by inadequate access to high quality and affordable child care. A public justice perspective suggests that there is a role for both government and civil society in promoting policies that lead to flourishing for all families. Government has a responsibility to promote human flourishing through just public policy. At the same time, government has a responsibility to create space for civil society institutions, including secular and faith-based nonprofits, houses of worship, and businesses, to make their distinct contributions to the common good.[49] Ensuring nurturing child care for Hispanic families will have a long-term impact on the well-being of families and communities.[50]

Recommendations for Government in Addressing the Child Care Crisis

Goverment has a responsibility to uphold a healthy public commons in which the great diversity of human activities is maintained for the well-being of everyone. According to the Center for Public Justice's Guideline on Family, "Government should recognize and protect the family as an essential expression of its responsibility to uphold a just society." The Guideline continues, "Government's policies should aim to uphold the integrity and social viability of families, which do not exist in a social, economic, or political vacuum. Public policy should, therefore, take carefully into account the ways that other institutions and the dynamics of society impact families positively and negatively from the earliest stages of family formation."[51]

For families for whom child care is a necessity, not a luxury, government can support and promote strong families by providing basic assistance for care. At the same time, government also has a responsibility to honor the diversity of caregiving preferences, informed by religious or cultural convictions. To do this, government must support the flourishing of a diversity of child care providers, including faith-based providers.

The Child Care and Development Block Grant

The Child Care and Development Block Grant (CCDBG) is the federal government's primary mechanism for subsidizing child care for low-income families. Most states use certificate funding, which means that parents receive a voucher (also known as a certificate) to use at their provider of choice, including faith-based or licensed in-home care. Vouchers positively promote parental decision-making regarding the care of their children.

However, as discussed earlier, many eligible families do not utilize child care vouchers. In the United States, Hispanics are less likely than other racial or ethnic groups to participate in government-funded assistance programs. According to a report by the National Research Center of Hispanic Children and Families, "Although the reasons for this are not fully understood, we do know that Hispanic families, and particularly immigrant families, face a number of unique obstacles to accessing public assistance, including limited English proficiency, less familiarity with government programs and how to navigate them, residency and citizenship status eligibility requirements, and fear of deportation or other immigration-related concerns."[52]

A public justice perspective suggests that there is a role for both government and civil society in promoting policies that lead to flourishing for all families.

It's important to both recognize barriers for eligible families as well as honor cultural or religious preferences that may make a Hispanic family unlikely to seek assistance. However, government should address these barriers and make child care assistance as accessible as possible for families who choose to use services.

Local Child Care Resource and Referral (CCR&R) agencies, which connect families with information about local child care options, should continue to provide clear information about eligibility, the application process, and eligible care providers. This includes information about which providers offer Spanish-language services as well as faith-based care. All materials should be available in Spanish, and information should be available at trusted community institutions like community centers, libraries, schools, churches, doctors' offices, and Hispanic-owned businesses. As the National Research Center on Hispanic Children and Families report notes, "[trusted community institutions] may be more accessible and less intimidating to prospective applicants, especially those worried about issues related to legal status or citizenship."[53]

All subsidized providers should receive cultural competence training from the local CCR&R. The agency should also actively recruit and train Hispanic center-based or in-home care providers, whether faith-based or secular. While cultural competence training is important for non-Hispanic providers, local agencies also should invest in supporting Hispanic care providers through things like training and technical assistance, thereby ensuring that care options better represent the community that is being served.

Federally Subsidized Care by Faith-Based Organizations

Nearly 80 percent of Hispanics in the U.S. identify as Christian, and 84 percent identify religion to be either somewhat or very important in their lives.[54] This trust and involvement with the Church is a strength that should be magnified in the landscape of child care. Faith-based child care providers are unique in their ability to meet the needs of families who desire faith-based care for their children. Currently, about one in every six child care centers are housed in a religious facility, and some of the largest networks of child care centers are religiously based.[55]

Faith-based providers have equal access to direct funding (grants or contracts) and indirect funding (vouchers), though direct funding carries some limits to the nature of the provider's religious activity. The CCDBG requires states to prioritize the use of vouchers as opposed to grants and contracts. This allows for a greater diversity of providers, including faith-based organizations. Because vouchers go directly to parents to use at their provider of choice, faith-based providers can accept the federal funding without having to remove their faith-based practices, mission, or programming. Although voucher funding is prevalent in most states, in many localities there may not be care options that reflect the Hispanic community or meet cultural or religious preferences. At minimum, it's important that there are multiple faith-based providers that are culturally competent. However, recruiting and training Hispanic networks to develop qualified care providers should also be prioritized. Local communities can advocate that the county or regional child care agency recruit and train providers that are more representative of the populations being served. A network of local churches, Hispanic and non-Hispanic, could work together to identify needs among the congregations and develop qualified providers.

Currently, faith-based organizations are able to receive funding via grants and contracts through the CCDBG, however, that funding has restrictions attached. Federal and state funding cannot be used to fund any explicitly religious activities, but it can be used to fund the child care related services provided by the organization. Additionally, organizations receiving funding from grants and contracts must comply with federal and state quality standards, including education of staff and regulation of child care facilities.[56] These organizations must also comply with federal nondiscrimination policies, meaning that

For families for whom child care is a necessity, not a luxury, government can support and promote strong families by providing basic assistance for care.

they cannot discriminate against children or staff based upon religious reasons.[57] While this funding is available for faith-based organizations, the pressure to strip an organization of religious activities that comes with the funding limits families' ability to make decisions about the type of care they want to utilize.

Headstart and Early Headstart

Headstart and Early Headstart are government programs that subsidize child care for low-income families. While this program serves about one million families annually, the reality remains that there is still not enough care available to meet the need.[58] Headstart and Early Headstart receive $10.6 billion in federal funding, however, only 31 percent of eligible children have access to these programs.[59] While some eligible parents may choose to access different types of care, many others find that there are not enough available openings in which to enroll their children.[60]

Through legislation, Congress should consider changing Headstart and Early Headstart program statutes to be more inclusive of faith-based providers. Approximately five percent of Headstart Centers operate out of faith-based organizations, including houses of worship. However, the statutes of the Headstart and Early Headstart programs prohibit religious hiring and explicitly religious activities. Allowing faith-based organizations to provide religious programming would support a more diverse range of affordable child care for families to choose from.

Throughout its history, Head Start's effectiveness has often been questioned. Standardizing child care requirements across the U.S. cannot account for the unique needs of individual communities. Ensuring that these programs are meeting national standards of safety and quality is important, however, allowing them the autonomy to make decisions based on the needs and strengths of the community may help improve the access and effectiveness of the program as a whole. This could be accomplished by providing Headstart development and cultural competency training to local child care providers and then using the Headstart funding to help support and grow local child care programs instead of placing the traditional Headstart programs into a community.

Government is taking steps to help ease the child care burden through CCDBG funding in the form of vouchers and grants, as well as through programs like Headstart and Early Headstart. Government should continue to sustain a diversity of child care providers, recognizing that certain providers may be better suited than others in meeting a family's unique preferences.

Licensed In-Home Care

Supporting families also requires supporting a diverse range of providers. Licensed in-home care providers have the ability to provide care in a home-based setting with flexible hours for parents. However, there are unique challenges to this kind of care.

The National Association of Child Care Resources and Referral Agencies works with over 700 state and local agencies to provide education and resources for all child care providers, including licensed in-home care providers.[61] These agencies provide information on state care regulations, expected child development timelines, and best practices for caring for children. They can also inform providers of potential grant opportunities for which they may be eligible, such as funding to cover healthy snack foods or diapers for children. Improving awareness of and accessibility to these services would help improve the overall quality and safety of child care, as well as equip these caregivers with the resources they need to succeed. The agencies can also do more to provide cultural competency training and resources, as well as prioritize recruiting and training Hispanic center or home-care providers.

Additionally, these agencies can also directly support Hispanic families seeking care. They may help connect these families with available in-home care providers and assist with translation services if needed. Agencies can also provide information about whether a center or in-home provider is Spanish speaking or faith-based, for example. Making this sort of information available at trusted institutions such as doctors' offices, community centers, Hispanic-owned businesses, and libraries is important.

Employer Recommendations

Employers also have a unique role to play in supporting families. Some employers may have the resources to provide their employees with child care subsidies or on-site care. However, the majority of employers are unable to do this. Employers can, however, maintain fair and consistent scheduling practices. Hispanics are over-represented in low-wage jobs that typically have non-standard schedules.[62] These factors contribute to the increase in child care challenges for the Hispanic community. Employers could consider things like two-week advance schedule change notice, providing minimum guaranteed hours, and giving workers more control over their schedule through technology that allows co-workers to swap shifts if needed. These types of practices promote stability and allow for parents to make child care decisions more aligned with their preferences.

Informal Care Recommendations

If a parent prefers informal care, government and civil society should seek to equip and support these caregivers. Community organizations, such as local libraries or advocacy organizations, can support providers by making information on safety guidelines and suggested best practices available. Disseminating this information at community institutions such as libraries, schools, houses of worship, and community centers may increase access to information.

Supporting local Child Care Resource and Referral Agencies in providing free or low-cost consultations regarding safety and childhood development in a home setting would also allow these caretakers to provide more confident and competent child care. Civil society institutions, such as local child welfare nonprofits and health and human service agencies, can provide trained staff members who are able to go into a home and work with the caregivers to provide recommendations. Currently, Early Headstart provides similar services by working with new parents to provide training, education, and recommendations. However, expanding these services to include other informal child care providers would improve quality and provide needed support. Additionally, community institutions, such as family centers, churches and community centers, can create opportunities for these providers to support one another by meeting in groups, such as play groups for children or support groups for caretakers. Such meetings would also be spaces for the children's socialization, and would give children a place to learn and grow together.

Towards Family Flourishing

As discussed at the outset, family is foundational. Healthy families contribute to healthy communities. However, not all families have the same access to child care when they need it. Low-income, working Hispanic families, in particular, face significant barriers to child care. Government should seek to honor parental choice in child care decisions and ensure that families have access to affordable, culturally competent care. Civil society institutions like child care providers and employers also have a significant responsibility in promoting more stability for families balancing work and care. Hispanic children are part of the next generation of citizens, leaders, parents, and educators, and society has a responsibility to support and promote their well-being from their earliest years.

ENGAGE

Josefina Martinez* is a young Hispanic mother living in Sioux Center, Iowa. She is married and has two young children ages two and five. She desires to be a part of the workforce and to help support her family. However, without available child care that fits her family's needs at this time, she stays home to care for her children. This has posed a financial hardship for her family, as well as inhibited her from pursuing a career. Josefina shared her experience with child care in an interview which has been translated to English for this report.

"I have looked for some kind of child care here in town, but the only available one I could find was a woman giving in-home day care," Josefina said. "But she didn't speak any Spanish, and I don't speak any English." Josefina also expressed her desire for her children to be in a child care setting where they can learn in both English and Spanish so that they are prepared to enter the public school system.

"In an ideal world I would be able to find a child care center with people who speak both English and Spanish," Josefina said.

Josefina's story is just one account of the child care challenges faced by Hispanic families in Sioux Center, Iowa, however, it is representative of the experiences of many families.

Sioux Center, a small, rural community in Iowa, is home to approximately 7,450 people.[63] The nearest large city, with over 100,000 residents, is Sioux City, approximately 40 miles away.[64] Sioux Center's economy centers around agriculture, and much of the land is used for cattle and hog farming, as well as corn, soybeans, and various other crops. In addition to agriculture, Sioux Center houses several pork harvesting and packing plants, with more than 250 employees.[65] The agricultural and pork harvesting industries, in conjuncture with the education and health system, make up the largest employment opportunities in Sioux Center.[66]

The number of Hispanic families in Sioux Center has more than doubled since 2000, contributing to the cultural tapestry of this area by forming churches, creating businesses, and shaping other important community institutions.

Within this community, approximately 10.5 percent of the population is Hispanic. The vast majority (85%) of residents are white.[67] In the early 1990s, Hispanic workers began migrating to Iowa because of the large number of open factory and agricultural job opportunities.[68] These workers moved from all over the United States, with many moving from California, Illinois, New York and Texas.[69] With the job opportunities and a relatively low cost of living in Iowa, immigrants began moving directly to Sioux Center, with the majority in this community coming from Mexico.[70] The number of Hispanic families in Sioux Center has more than doubled since 2000, contributing to the cultural tapestry of this area by forming churches, creating businesses, and shaping other important community institutions.[71]

The growing Hispanic community in Sioux Center has inspired the creation of several local nonprofits which seek to work alongside and serve this population. One such organization is the Center for Assistance, Service and Advocacy (CASA) in Sioux County, which was started in 1999.[72] CASA's mission is to promote "healthy, diverse communities through empowerment, education, and advocacy." They hope to see the northwest Iowa communities "welcome, empower, and celebrate people from all cultures."[73] Over the past 20 years, CASA has worked with other institutions to provide ESL classes, immigration lawyers, food assistance, and programs that support Hispanic young adults in their educational and professional goals.[74] CASA seeks to recognize and magnify the strengths of the Hispanic community in Sioux Center while also addressing unique needs.

Child Care in Sioux Center

Hispanic workers are often employed by hog and dairy farms and local manufacturing plants.[75] The National Bureau of Labor Statistics found the average wage of someone working in the meatpacking or slaughterhouse industry in Iowa to be approximately $15.36 per hour.[76] At this wage, the annual income for a family of four with no other income hovers right above the national poverty line of $25,750.[77] Low wages, in conjuncture with the demanding work hours often required in agricultural and industrial work settings, makes quality, affordable child care for the Hispanic community a necessity.

The primary options for child care in Sioux Center include Kidzone, a church-based, afterschool child care center for children ages five to 10 years, Headstart and Early Headstart, the Early Childhood Center and in-home care providers. Families are able to use vouchers at the Early Childhood Center and at licensed in-home providers. Each of these child care providers, with the exception of Kidzone and in-home providers, are also federally subsidized through grants and contracts.

Even with these child care options, there are still not enough care opportunities to adequately meet the need. Currently 68 percent of families with children under six years old in Sioux County, in which Sioux Center is located, have both parents working outside of the home. This means that nearly 2,000 children in this community are in need of some child care.[78] However, a survey of all child care centers, including registered in-home care providers, shows that there are only 1,619 registered child care slots.[79]

In 2015, Sioux Center conducted a Community Health Needs Assessment Report (CHNAR) and identified child care as a top priority need. The report cited "lack of available spaces and limited after-hour care" as two of the biggest needs within the local child care system.[80]

"Even though we live in such a small community, child care is a huge problem in this area, especially for [the Hispanic population] and the waiting list is very long," Martha Draayer, teacher and consultant for the Northwest Area Education Agency, said.

The lack of available care has limited options for families. This absence of sufficient care coupled with the growing Hispanic population has led to an increased demand for culturally competent child care that providers are struggling to meet.

Barriers to Child Care in Sioux Center

The child care needs of families in Sioux Center are diverse, however, there are three clear barriers to accessing care that stand out in this community: availability of child care slots, affordability, and cultural barriers.

Availability

As previously mentioned, one of the biggest challenges to child care in Sioux Center is the lack of available child care options. There are simply not enough options for families to choose from when it comes to making child care decisions. This takes away the autonomy of the family to decide what is best for their children.

When asked about the biggest needs in the community, Amy Zebroski, Director of Kidzone, a local faith-based, child care agency, said, "More. We just need more child care, more availability, and more people willing to work with children."

Kidzone was created by First Reformed Church in order to provide high quality, affordable, after school care to all children ages kindergarten through fourth grade. It is funded almost entirely by the local church, with some funding supplementary funding coming from Dordt University and the local public elementary school. Parents desiring to send their children to Kidzone can do so at no cost. However, Kidzone is only offered two days per week and is not available for non-school aged children.

Melissa Juhl, regional director of Northwest Iowa's Child Care Resource and Referral Agency (CCR&R) within the Iowa Department of Health and Human Services, discussed the problem of a lack of available child care, and said that care providers in Sioux Center have a difficult time retaining employees because the wages and benefits are not competitive with other local industries.

In northwest Iowa, the median child care worker's wage is $9.50 per hour and maxes out at $12.40 per hour.[81] According to Juhl, this low wage range means that many community members are not seeking jobs in this field, which further limits the amount of child care that a community can provide. Unemployment is incredibly low in Sioux Center, reaching only 2.7 percent in November of 2019.[82] This shortage of workers is causing centers to be understaffed and unable to care for more children.

Child care providers across all types of care are also struggling to generate profit or cover expenses.

"Exponentially what is happening across the state of Iowa and across the nation is the people who are doing child care are realizing that there is a certain dollar amount that their families cannot afford to pay any more than for child care," Juhl said. "This amount is different depending on whether a community is in a city, suburb or rural, but the cost of running a child care in each of the places remains the same…Child care providers are charging true cost or even below true cost of care because they realize that families cannot afford to pay a higher price."

But even with government subsidies, many of these care providers do not find it profitable enough to remain open and are faced with the difficult decision of charging their families more for care or closing their doors and cutting off that opportunity for care altogether.

The shortage of available child care is often exacerbated within the Hispanic community because of the language barrier.

"The fact that there is limited availability is an issue, but then there is also the problem of having access to an application because of the language barrier," Draayer said. "Many families don't even know how to get signed up for child care."

While the local Child Care Resource and Referral Agency has resources and staff members available to help families overcome this language barrier, many families are unaware of these services.

Limited access to translated documents and bilingual caregivers who are able to work alongside these families provides yet another set of steps that inhibits this community's ability to access the limited number of available child care slots in Sioux Center.

Affordability and Underutilization of Vouchers

Because of the insufficient access to available child care and the high cost of sustaining a child care center, finding affordable child care is another challenge for many Hispanic families in Sioux Center. The average cost of child care for both centers and home-based care in Sioux Center is approximately $1,352 per month.[83] In contrast, the median household income in Sioux Center is $63,476, which means that a family paying for full-time care without financial assistance would spend approximately 25 percent of its income on child care.[84] This is not feasible for many families, especially those families living at or near the poverty line. Currently, 11.7 percent of Hispanic residents in Sioux Center are living at or below the poverty line.[85]

"You also have the barrier for child care for the Hispanic community being financially unaffordable, and at this time many of the subsidies are not available," Draayer said.

Because CCDBG funding given to providers in order to subsidize care costs is already used up or maxed out, families are facing the challenges of finding available child care at an affordable price.

"[Vouchers and certificates] are not utilized in Sioux Center…" Draayer said. "None of the families that I have worked with have ever even known about them."

This underutilization of available funding plays an important role in perpetuating the cost barrier within this community. While there is little research that concludes the exact reason for the underutilization of vouchers in Sioux Center, there are some clear contributing factors. One of these factors is the social stigma associated with receiving federal aid in small, conservative communities. Families in Sioux Center may be hesitant to pursue federal aid for child care because of the general attitude of disapproval towards government assistance. The "pull yourself up by the boot-straps" mentality is seen as a way of life in this area and asking for help of any kind can be perceived as a weakness.[86] In addition to the social stigma, Hispanic families may face increased fear of receiving government assistance because of immigration policy. Fear of accessing government assistance combined with social stigmas attached to receiving aid and compounded by difficult application procedures makes the underutilization of the voucher system common in this area.

A final reason for the underutilization of vouchers in this community is a lack of information about where the vouchers can be used.[87] Because the number of center-based child care providers in Sioux Center is limited, many families choose to use in-home child care options. Research shows that the Hispanic community is more likely to choose this form of care over a center-based child care.[88] However, due to a lack of available information, many of these families are not aware that child care vouchers can be used for non-center based child care. This further limits these families' access to affordable child care options that align with their unique needs and preferences.

Quality Child Care

A final concern with child care in Sioux Center is ensuring that all families have access to high-quality child care options.

"Quality is of major importance to the families and to us as workers," Kendra Rensink, regional director of Headstart and Early Headstart, said.

Melissa Juhl of CCR&R echoed this, saying that ideally all child care providers would register with the Department of Health and Human Services.

"Iowa allows non-registered care for providers caring for five children or less, which makes it difficult to get resources and information out, and they are not being annually inspected for safety," she said.

Juhl explained that CCR&R works with child care providers, families and communities to try to fill needs and "support each of these three populations to the best of our ability."

Through CCR&R, child care providers have access to trainings and consultants who go on-site and evaluate how to improve the quality of care to help facilities meet the state's standards, as well as national best-practice standards. CCR&R also has resources that are available to families which help them find available child care openings. The online services are offered in both English and Spanish, and translators are available to help Hispanic families utilize any in-person or telephone resources. CCR&R staff members also receive cultural competency training to help them understand the child care preferences of diverse populations.

The Future of Child Care

Josefina's story, told earlier, portrays a mother who is committed to providing for her children. However, her desire to be a part of the workforce and help to support her family is hindered by her inability to access child care that fits her family's needs. She is not alone.

In Sioux Center and in communities across the country, families must make difficult decisions related to work and child care. Many families live in child care deserts where any care providers, let alone ones that meet the preferences of families, are scarce. Hispanic families disproportionately reside in child care deserts nationwide and face unique barriers to care. Sioux Center offers a useful case study for how local institutions, in coordination with state and federal government, might begin to effectively address the child care crisis and promote the flourishing of all families.
◆

**Name has been changed to protect the identity of this individual.*

PREDATORY LENDING AND THE NEED FOR A HEALTHY FINANCIAL ECOSYSTEM

By Anna Cole and Timothy W. Taylor, Ph.D.

DISCOVER

It all started with a flyer advertising "Cash Today!". Dave, a young, divorced father of two, just needed $200 to get extra groceries because it was his weekend with the children. He was working full-time as a sales representative, but an unexpected car repair had recently drained his savings account. His bank didn't offer loans below a $1,000 minimum and the application process would take several weeks – time he didn't have. He worried that his poor credit score might disqualify him anyways. Dave noted the address listed on the flyer and walked into a payday loan storefront a few hours later. He was greeted warmly and approved for a loan within 30 minutes of entering the store. All he had to do was provide proof of employment.

Two weeks later, the full $200 plus $30 in interest and fees were due, and Dave simply didn't have the money. The lender encouraged Dave to just pay the fees and interest and "roll over" the loan for another two weeks. This happened 11 more times before Dave was able to pay off the original loan. In the end, he paid $530 for those $200 groceries, which amounted to a 165 percent interest rate. During this time, Dave fell behind on his rent payments, creating an additional source of financial stress and leading him to take out another short-term loan.

Though Dave's story is a fictional one, it represents the experience of millions of families across the United States. Over 12 million Americans take out a payday loan each year.[1] Payday loans are small dollar (typically $500 or less), short-term, high-interest loans, with an average annual percentage rate (APR) of 400 percent.[2] The loans, including interest and fees, are typically expected to be repaid in two weeks – at the borrower's next payday – and all that is required to obtain a loan is a pay stub. The borrower's ability to repay the loan is rarely assessed, and lenders are granted direct access to a borrower's bank account through a post-dated check or an electronic ACH authorization.

Payday lenders are only profitable when borrowers are unable to repay the original cost of the loan plus interest and fees – in other words, when borrowers fail.

However, payday lenders are only profitable when borrowers are unable to repay the original cost of the loan plus interest and fees – in other words, when borrowers fail. When borrowers are unable to repay the loan in the original two-week window, they are often encouraged by lenders to "roll over" or "flip" the loan, meaning that they either pay a fee to extend the loan window another two weeks, or they take out a new loan to cover the cost of the first.[3] One in four loans are rolled over nine times or more.[4] While borrowers continue to pay interest and fees, their principal remains the same. On average, borrowers will pay $520 in fees for what originated as a $375 loan.[5] As borrowers take out multiple loans to repay the original cost of the loan, plus continue to incur all other regular expenses, they become stuck in what's known as a debt trap.

In 2017, there were roughly 14,350 payday loan storefronts in the United States.[6] By comparison, McDonald's has roughly 14,000 locations nationwide.[7] While marketed as a stop-gap between an immediate need and a coming paycheck, payday loans are often utilized to cover basic, recurring expenses rather than meeting a one-time need, indicating that most borrowers are already financially vulnerable. Five groups are significantly overrepresented among payday loan borrowers: home renters; African Americans; borrowers with an annual income below $40,000; borrowers without a four-year college degree; and single parents, either separated or divorced.[8] Payday lenders are disproportionately concentrated in low- and moderate-income communities of color, which contributes to the overrepresentation of these groups.[9]

Prior to the 1980s, states had usury laws that capped interest on small dollar loans at 36 percent. However, in the 1980s and 1990s, state legislatures began to amend and loosen these laws. This allowed for the payday loan industry to emerge and begin exploiting borrowers through predatory practices like deceptive marketing, failure to assess a borrower's ability to repay, repeated flipping of loans, and strategic concentration in communities where families experience significant financial hardship.

Short-Term Cash, Long-Term Consequences

There is a significant body of literature detailing the detrimental short-term and long-term impacts of payday loan usage. Payday loans negatively impact long-term financial health, as borrowers often end up diverting a significant amount of household income to paying back the loan. On average, payday loan borrowers are in debt for 212 days out of the year.[10] The average borrower earns $31,000 in annual household income, so this burden places additional strain on households that are often already financially stretched thin.[11] The long-term effects are clear: payday loan usage is correlated with nearly doubled bankruptcy rates.[12] The stress created by payday loans can lead to absenteeism at work, further exacerbating economic hardship on stretched households.[13]

The impact of payday loans on borrowers is not limited to financial hardship: physical health also suffers when families are trapped in a cycle of debt. A recent research study from the University of Washington found that the use of short-term, high cost products like payday loans is linked to a 38 percent higher prevalence of poor or fair health, as self-rated by borrowers in the nationally representative Current Population Survey.[14] Borrowers are more likely to delay receiving medical and dental care, as well as prescription drugs, due to the financial burden of debt servicing.[15] These consequences are not unique to payday loan debt, as unsecured personal and household debt is also strongly correlated with increased rates of stress, depression, high blood pressure, and worse self-reported general health.[16]

The psychological stress and shame generated by the payday loan debt trap can lead to strained marriages and relationships.[17] Debt is directly linked to increased marital conflict, which can lead to divorce.[18] Households that use payday loans are 10 percent less likely to make child support payments, as debt servicing diverts normal cash flow.[19] Additionally, the debt trap created by payday loans poses a particular threat to domestic violence survivors, 99 percent of whom have also experienced financial abuse like blocked access to personal bank accounts or the intentional destruction of a victim's credit. As a result, survivors often lack access to mainstream credit.[20] Falling into the debt spiral of payday loans leaves victims of domestic abuse vulnerable to further physical violence as the borrower can lose economic independence.[21]

The debt incurred as a result of payday loans not only affects individual borrowers, it also impacts entire communities. Geographic analysis demonstrates that payday lenders concentrate in under-resourced communities of color.[22] Payday lenders both perpetuate and exacerbate existing housing and economic inequality by draining vital capital from neighborhoods through exorbitant fees and loan rollovers.

The Legislative and Regulatory Landscape

The detrimental effects of payday loans on the financial, social, emotional, and physical health of individuals are well documented, and yet predatory lenders continue to operate in many communities across the United States. In recent years, though, government has taken some steps to curtail lenders' abilities to extend these loans.

At a federal level, only Congress has the ability to enact a rate cap that would limit the interest rate payday lenders are able to charge. In 2006, Congress enacted the Military Lending Act, which caps interest rates at 36 percent for payday loans made to active duty military service members.[23] In November 2019, the bipartisan Veterans and Consumers Fair Credit Act was introduced in Congress by Representatives Jesús "Chuy" García (D-IL) and Glenn Grothman (R-WI). The legislation would extend the 36 percent interest rate cap to all consumers, not only military service members. The bill remains in the House Committee on Financial Services and has yet to be passed out of the committee.[24]

The Consumer Financial Protection Bureau (CFPB), the federal agency responsible for consumer protection, also has the ability to curtail some of the practices of payday lenders described earlier. While it is not authorized to enact a federal rate cap, the CFPB has rulemaking authority, meaning it can issue legal directives on how federal laws should be interpreted and implemented.[25] In 2017 the CFPB finalized its "Payday, Vehicle Title, and Certain High-Cost Installment Loans" rule.[26] The rule, among other things, includes an ability-to-repay provision, which requires lenders to assess a borrower's ability to repay the loan by verifying the borrower's net income, living expenses, and financial obligations before extending the loan. However, before it could go into effect, the CFPB, under new leadership, announced in January 2019 its plans to rescind the ability-to-repay requirement and also released a final, weakened rule in July 2020.[27]

Despite this, in response to what is recognized as a growing debt crisis, some states have passed legislation to limit the predatory practices of payday lenders under their jurisdiction. As of 2019, 17 states and the District of Columbia effectively banned payday loans by passing legislation that limits annual interest rates to 36 percent or below.[28] The payday loan business model relies on short-term loan structures, rollover fees, and exorbitant interest rates to cover operating costs. A 36 percent annual interest rate cap – based on a 100-year historical precedent as well as widespread acceptance at the state and federal level prior to the

1980s – essentially prohibits payday loans by making the business model inoperable because lenders can't make a profit.[29] Much of this change has come through ballot initiatives: citizens recognizing the negative repercussions of payday loans and voting to make a difference. In South Dakota, for example, a 2016 rate cap initiative overwhelmingly passed with 76 percent of the vote. Two years later, South Dakotans still showed strong, continued support for the 36 percent rate cap.[30]

Addressing the Root Issues

While legislation and regulation of predatory practices is necessary, it's important to also consider underlying conditions – such as chronic financial instability and a lack of access to traditional credit – that lead borrowers to turn to payday loans in the first place.

According to a 2019 report from the Federal Reserve, roughly 40 percent of Americans would be unable to cover a $400 emergency expense using cash, savings, or a credit card paid off at the next statement. This chronic financial instability, coupled with inaccessible traditional forms of credit, puts families in a precarious position. Indeed, 33 percent of Americans are either unable to pay their bills at the end of the month or would be unable to if an unexpected expense arose.[31] The issues contributing to financial instability, such as the lack of a stable income or living wage, a lack of savings, and poor financial literacy, must be recognized and addressed in tandem with the development of accessible, low-to-moderate interest credit and government regulation of predatory lending.

Access to credit is essential in the modern economy. Yet 8.4 million Americans are unbanked, meaning that they do not have access to a checking or savings account.[32] An additional 24.2 million are underbanked, reliant on alternative financial services such as non-bank check-cashing services and pawn shops, despite having access to a checking or savings account. Low cash reserves contribute to this issue: according to the 2017 Federal Deposit Insurance Corporation (FDIC) National Survey of Unbanked and Underbanked Households, 52 percent of unbanked households reported that they "do not have enough money to keep in an account" as a reason for not opening a bank account.[33] The unbanked and underbanked are often unable to build their credit rating, making mainstream personal credit products like credit cards and bank loans virtually inaccessible. Locked out of the mainstream credit market, borrowers often turn to payday loans in times of financial need.

However, rather than pulling borrowers out of a temporary financial crisis as promised, one payday loan often leads to another, due to the short-term loan structure combined with high interest rates that make it difficult to pay off on time.[34] Simultaneously, payday loans fail to contribute to borrowers' credit records, regardless of whether or not they are paid off on time. Since payday loans don't build credit, borrowers are further shut out from the financial mainstream. Payday lenders typically require no demonstration of ability to repay the loan, only proof of employment. Lenders claim to stand in the existing credit gap, but end up trapping consumers in vicious debt cycles.

A Healthy Ecosystem for Responsible Lending

Addressing the root causes and harms of predatory lending requires a healthy ecosystem of responsible financial practices that empower rather than entrap. This ecosystem is comprised of a network of institutions that includes government, lenders committed to offering responsible credit, and secular and faith-based nonprofits, including houses of worship, that assist borrowers in escaping the debt trap and equip them to establish and build credit for long-term financial stability. Each of these institutions has a unique role and responsibility to address predatory lending in communities, the details of which will be explored in the following section. As families begin to build credit and enter the financial mainstream, whole communities will benefit from their increased well-being and financial security.

FRAME

Most Americans can agree that payday loans, with interest rates that often creep into the triple digits, are harmful financial products. Data demonstrates that payday loans most often leave borrowers worse off. In fact, a payday lender's business model cannot succeed unless borrowers are trapped in a cycle of debt, relying upon the borrowers failing to repay their loans and taking out subsequent loans.[35]

Despite this, arguments for payday loans persist. Many insist that payday lenders provide a necessary service: they provide short-term credit to those who need it. Without access to a payday loan, some argue, a borrower will be worse off – they may turn to a loan shark, for example. Others argue that government regulation of payday lenders infringes upon a free market, curtailing the freedom of both lenders and borrowers.[36]

How ought people of faith respond? The need for short-term credit among low-income and working families is a reality. Are payday lenders truly the "least bad" option?

Addressing the root causes and harms of predatory lending requires a healthy ecosystem of responsible financial practices that empower rather than entrap.

To begin to respond, Christians can first look to their own faith tradition. Historically, orthodox understandings of Christianity have condemned usury, the practice of charging exorbitant interest rates. This is based in strong injunctions in Scripture against usury and inextricably linked to the Bible's consistent call for just treatment of the poor.[37] Central theologians in the Protestant Reformation – Martin Luther, John Wesley, and John Calvin – preached against usury.[38] Catholic social teaching, beginning with Thomas Aquinas, has long argued that usury violates an understanding of humanity as made in the image of God.[39] Pope Francis has spoken strongly against usury on several occasions, calling it a "grave sin" that "humiliates and kills."[40] Condemnation of usury is not limited to the Judeo-Christian faith tradition: Buddhism, Hinduism, and Islam all prohibit charging exploitative interest rates in various religious texts.[41] The Islamic banking industry, based on Sharia law, goes so far as to prohibit interest altogether.[42]

Christians rightly recognize the image of God in every person. The physical, emotional, and spiritual harm inflicted on a person trapped in a cycle of debt degrades this dignity. A healthy financial ecosystem that contributes to the flourishing of borrowers should be championed. Within this ecosystem, a free market ought to be a just market. Under these conditions, working families can work towards meeting unexpected or recurring expenses without reliance on short-term credit, more families can access mainstream credit, and social networks that act as a support system in times of crisis can be strengthened.

In the long-term, a healthy ecosystem can contribute to reducing racial inequality in the United States, as people from all racial and ethnic backgrounds have access to fair interest rates and financial products. It will also aid in closing the ever-widening income gap: when lower-income families are no longer focused on getting out of debt, they will be able to shift their attention to other financial goals. A healthy financial ecosystem will promote intact families and physical health, in comparison to the detrimental physical and social effects that payday loans currently have on American families.

Beyond individuals and families, a healthy financial ecosystem has implications for all of society. The elimination of payday loan debt can free citizens to be more active and contributing members of society. This freedom could increase innovation and greater investment in community institutions such as local government and service organizations. Financially and socially, all communities stand to gain from the social and material capital that will be reinvested into the economy rather than going to debt servicing.

In order to create a healthy ecosystem of lending in communities across America, government and civil society, including houses of worship, financial institutions, and nonprofit organizations, bear a responsibility to curtail predatory lending, address the root causes of financial instability, offer responsible credit options, and promote financial stewardship. This approach targets the immediate impact of payday lenders on both borrowers and communities while also addressing the social and political structures that enable payday lenders to remain an option. This section will examine the roles each of these sectors play in building a healthy financial ecosystem that enables human flourishing.

Government's Role in Promoting a Healthy Financial Ecosystem

Government has a responsibility to uphold public justice, which includes protecting citizens from domestic injustice and supporting a healthy public commons that enables human flourishing.[43] Fulfilling this mandate in the context of payday lending requires that government use its legislative and regulatory authority to protect borrowers from predatory financial products. While some argue that curtailing the payday lending industry would infringe on the personal freedoms of both payday lenders and borrowers, this view neglects the reality that the payday loan debt trap severely restricts borrowers' financial freedom. As scholars Dr. Steven Graves and Dr. Christopher Peterson write, "characterizing usury law as a constraint on freedom overlooks the fact that predatory lending itself is a form of tyranny."[44]

Government bears a responsibility, then, to prohibit usury and predatory lending practices in order to protect the freedom of American citizens and contribute to a healthy financial ecosystem. At the federal level, Congress should extend the protections of the Military Lending Act, including a 36 percent interest rate cap, to all Americans.

The Veterans and Consumers Fair Credit Act, introduced in 2019 by Congressmen Jesús "Chuy" García (D-IL) and Glenn Grothman (R-WI), is an example of federal legislation that would extend a 36 percent interest rate cap to all consumers. As noted, many states have already taken steps to prohibit payday lending. In states without protections, state legislatures should enact a state rate cap of 36 percent or lower.

Outright prohibition of payday lending through usury laws and annual interest rate caps of 36 percent or less have been shown to effectively shut down storefront payday lenders. Arizona, for example, enacted a 36 percent interest rate cap as a result of citizens striking down a ballot proposition that would have empowered the payday lending industry. This led to two major payday lending companies closing all stores in the state, and other payday lenders either closing or changing their licenses to provide different loans.[45] States with similar restrictions have seen an 88 percent reduction in payday loan usage as the number of payday lenders in the state dramatically decreases after rate caps are introduced.[46]

Some research shows that states with rate caps at 36 percent or below appear to have decreased property crime, increased access to traditional credit sources, and improved community health due to decreased access to payday lenders.[47] However, other research has shown that borrowers may simply shift to other forms of high-interest, short term credit, or – in the case of borrowers who are banked – rely on bank overdrafts or bounced checks to meet their short-term credit needs.[48] Demand for easily accessible small dollar loans remains even as legislation seeks to curb predatory payday lending.[49] Further, the payday lending industry is remarkably adaptive and often finds legislative loopholes to reenter states following restrictive payday loan legislation. In Arizona, for example, many payday lenders shifted to offering predatory auto title loans: in 2019, over a third of the licensed auto title lender locations – which require a borrower's car title as collateral for a loan – were originally licensed as payday lenders.[50]

While government has a responsibility to curtail predatory lending practices, it should also seek to support human flourishing by promoting access to responsible credit options and empowering civil society to help provide them. This can be accomplished in part by making it easier for financial institutions and nonprofits to provide low-interest loans. In December 2019, the National Credit Union Administration (NCUA), which regulates and supervises all federal credit unions, implemented its "Payday Alternative Loan II" rule. This rule empowers credit unions to provide low-interest loans of up to $2,000 to individuals who might fail to qualify for other forms of traditional credit.[51] These loans are intended to serve as a meaningful alternative to payday loans, and, as described by NCUA chairman Rodney Hood, they help borrowers "address immediate needs while working towards fuller financial inclusion."[52] Similar government action directed specifically at non-governmental financial institutions could encourage civil society organizations to either begin or expand existing small dollar loan initiatives.

Government also plays a key role in the continued success of Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs). CDFIs are financial institutions committed to providing responsible and affordable loans to underserved communities. In 1994, the U.S. Department of the Treasury established the Community Development Financial Institutions Fund, which provides both financial and technical assistance to CDFIs and also facilitates connections with the private sector.[53] MDIs are financial institutions that are either primarily owned and directed by a person of a minority population or serve in predominantly minority communities. The Federal Reserve has committed to supporting the establishment and growth of MDIs through its Partnership for Progress program, which hosts leadership forums, provides direct technical assistance, and commissions research on the impact of MDIs, among other initiatives.[54] Federal support of MDIs and CDFIs is a clear example of how the government can empower civil society to develop responsible credit options that advance both racial and economic equity within underserved communities.

Financial Institutions and Responsible Lending

Responsible lenders also play a critical role in developing a healthy financial ecosystem. Aware of the needs of borrowers, responsible lenders are committed to extending fair and inclusive credit, as well as ensuring that borrowers are fully informed about the ramifications of their financial decisions. When setting interest rates, responsible lenders consider borrowers' ability to repay a loan over a reasonable timeframe without trapping them in a cycle of debt. This practice enables families to build credit and capital without accruing additional debt. Responsible credit options empower families to build formal credit, increase financial literacy, and establish long-term financial stability without relying on credit for recurring expenses.

A free market and the ability to make profit is necessary for lenders to flourish. But a free market must also be a just market, in which the needs of both borrowers and lenders are respected. In the absence of just market principles, the exploitation of borrowers by lenders who seek to maximize their profits at any cost will ultimately damage the integrity of the market. The financial sector has a key role to play in this area by offering fair and responsible small dollar loans. This sector includes traditional lending institutions such as banks and nonprofit credit unions, which function similarly to banks but are member-owned.

Small dollar loans currently available through the financial sector include both unsecured loans – backed by a borrower's credit history rather than collateral – offered by banks and peer-to-peer lending platforms as well as payday alternative loans offered through nonprofit credit unions. Payday alternative loans (PALs) have a maximum annual percentage rate of 28 percent, do not allow rollovers or additional hidden fees, and are regulated by the National Credit Union Administration. They provide consumers with a longer repayment window, ranging from one to 12 months. Other loans provided by credit unions include savings loans, dedicated purpose loans, and deferred access loans. All of the aforementioned options help consumers build credit without charging exorbitant interest rates.[55]

Personal unsecured small dollar loans are primarily accessible through banks and online peer-to-peer (P2P) lending platforms. Banks have long offered unsecured personal loans while P2P lending is a fairly new option for borrowers with credit scores that disqualify them from bank loans. Apps like SoLo connect lenders and borrowers without charging a transaction fee.[56] Lenders can choose whether to provide loans based on individual borrowers' credit scores, history on the app, and amount requested. Interest rates range from six percent to 36 percent for banks and from seven percent to 39 percent for P2P platforms.[57]

As mentioned previously, Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs) also play a vital role in this landscape. CDFIs address financial exclusion by providing small personal loans and business loans to underserved communities. They commonly offer financial literacy counseling in conjunction with credit-building programs, and these supportive programs are critical in helping their members ultimately enter the financial mainstream. MDIs combat financial exclusion by providing mainstream financial services to minority communities. In comparison to three percent of white households, 16.9 percent of Black households and 14 percent of Hispanic households were unbanked in 2017.[58] Much of this disparity is due to minority communities being underserved by traditional financial institutions, and MDIs are critical in addressing this gap.

The payday lending industry undermines human dignity, and the faith community has been quick to call this out and work against the injustice it creates.

While unsecured personal loan options are available through traditional financial institutions, borrowers still turn to payday loans for a variety of reasons. Payday lenders are often more widely recognized and accessible as a source for quick money. Often open late into the night and advertised with neon signs, they promise a hassle-free experience. All of the aforementioned options, while less dependent on credit history than loans offered by many banks, still consider a borrower's credit history when deciding whether to provide a loan. Payday lenders don't take that into consideration. Many nonprofit credit options also require that borrowers be committed to developing long-term financial literacy and responsibility. For those seeking a quick solution to an emergency expense, payday loans are still the easiest and most accessible option.

Secular and Faith-Based Nonprofit Organizations

The nonprofit sector is also a key actor in a healthy financial ecosystem. For faith-based organizations and houses of worship in particular, their work towards creating this ecosystem is an expression of theological commitments including human dignity and justice. The payday lending industry undermines human dignity, and the faith community has been quick to call this out and work against the injustice it creates.

Community-based nonprofits are oftentimes better equipped to recognize and address certain community needs than the government. Their ability to be on the ground in communities gives them a valuable platform from which to enact a "both-and" approach to mitigating the harms of predatory payday loans while equipping borrowers to be healthy members of the financial mainstream. Within the nonprofit sector, innovation can also flourish, as there is space for prototyping creative initiatives in debt alleviation and responsible credit. Every nonprofit has a unique mission and capacity, and some can seek to address the immediate needs of borrowers, helping them to get out of debt and access responsible short-term credit, while others might provide the tools borrowers need to stay out of debt and build credit in the long run. Nonprofits can also contribute to policy solutions and build momentum around creating systemic change.

Nonprofits, including faith-based organizations and houses of worship, currently offer a variety of programs designed to help clients achieve financial health and stability. Components of these include debt refinancing, the extension of zero or low-interest loans, financial literacy courses, and collaboration with community partners ranging from churches to credit unions and banks.

One example of nonprofit innovation is a loan pool, a reservoir of money typically funded by banks, local government, and private foundations that can be used to provide small dollar loans and affordable mortgages. Loan pools aim to help build wealth and revitalize local economies. The Kansas Loan Pool Project run by Catholic Charities, for example, offers loan refinancing at six percent interest and requires clients to participate in a financial education series and work with a case manager monthly until the loan is repaid.[59] This program helps borrowers get out of payday loan debt while also beginning to build credit and financial literacy at the same time.

Born out of a church in Minneapolis, Exodus Lending runs a similar program: participants qualify for loan refinancing at zero percent interest, after which they enroll in a 12-month program to pay the loan back. To date, 169 individuals have graduated from the program, and Exodus Lending has refinanced $321,731 in loans. Their loan repayment plan is paired with a savings program, addressing one of the root causes of financial instability that often leads to taking out a payday loan.[60]

Lending circles, a common loan alternative offered by nonprofit organizations, also help families increase their credit scores, create savings plans, and pay off outstanding debt.[61] Located in San Francisco's Mission District and centered around helping low-income borrowers build credit, Mission Asset Fund based their lending circles program on tandas, informal rotating savings pools between family and friends that originated in Latin America. Their primary clientele are recently arrived immigrants seeking to enter the mainstream American financial system. By formalizing tandas, in which some clients have previously informally participated, they enable clients to build credit and gain access to zero-interest loans. Each lending circle consists of six to 12 individuals, each of whom contributes a set amount of money to the loan pool each month. Every month, one individual takes the entire pool home. The loan contract, signed beforehand, ensures that clients are committed to continuing to contribute to the loan pool, even when it is not their month to receive the loan.[62] Participants in Mission Asset Fund's initiatives, on average, see a credit score increase of 168 points and a decrease in debt of $1,000.[63]

The Unique Role of the Church

Churches and other houses of worship also play a vital role in a just financial ecosystem. The Church can teach and model responsible financial stewardship while also providing holistic support to borrowers.[64] This not only involves individual churches managing their financial resources well and empowering members to do the same, but also necessitates advocating for systemic change at a city, state, and federal level. Faith for Just Lending, a coalition of diverse faith-based institutions that work together to end predatory lending, is one example of this kind of advocacy. Together, they have met with and organized letters to Congress and the CFPB, organized educative community events, and provided a platform for individuals to share their stories and voice their support for policy change.[65]

While the Church is not primarily a financial institution and has different responsibilities from that of a bank, churches and other houses of worship can help provide direct, immediate relief to borrowers saddled with payday loan debt when necessary, as well as connections to organizations like Exodus Lending and Mission Asset Fund. Through the Jubilee Assistance Fund, for example, local churches can establish an account at the United Methodist Credit Union and offer low-interest, small dollar loans to congregants.[66]

Better Business Practices: The Role of the Private Sector

The majority of payday loan borrowers are working Americans, so employers also have a role to play in creating a healthy financial ecosystem. Employers should consider enacting business practices that enable employee flourishing and encourage responsible saving and spending habits. Recognizing that limited cashflow before a payday can make covering unexpected expenses difficult, some businesses have begun to provide the option of cashing out part of a paycheck in advance of payday. Indeed, payday loans were initially created to lend borrowers a little extra cash to float them between pay periods. In Atlanta, 44 Wendy's franchises, under the slogan "Start Today, Get Paid Tomorrow," allow employees to withdraw up to 50 percent of their pay daily through the tech company Instant Financial. Administrative costs are absorbed by Glenn Varner, the director of operations for the franchises, who sees it as a worthwhile investment for higher employee retention rates.[67] Apps like DailyPay and PayActiv simplify the process of pay withdrawal for a flat transfer fee for a wide variety of companies including Burger King, Vera Bradley, and Walmart.[68] While this may not be possible for all employers – particularly smaller ones – businesses with the operational and fiscal means to provide this option should consider it.

Unique Communities, Unique Needs

There is no one-size-fits-all solution to addressing the need for responsible credit options. Every community has a unique set of social, economic, and geographic factors to consider in the development of responsible credit options. While some communities will prefer to rely more heavily on informal lending systems, whether due to cultural or religious norms, others may require the structure that a more formalized system can provide. Rural and urban communities also have very different needs, for example, and rural communities in particular often face a dearth of mainstream credit options which leaves the lending market open for predatory lenders.[69]

In all of these contexts, it is essential to prioritize local voices in developing initiatives and public policy. This includes the voices of financial institutions and nonprofits, churches that serve members of the community in financial distress, and importantly, current or former payday loan borrowers themselves.

A healthy financial ecosystem – sustained by the joint efforts of diverse institutions – is critical to the maintenance of a healthy public square that promotes human flourishing.

As the United States' financial ecosystem becomes more inclusive and more just, it will send ripple effects throughout all of society. Financially secure individuals are healthier family members, better employees, and more invested community members. People of faith must continue to champion the vision of human dignity and justice that lies at the center of a healthy financial ecosystem.

ENGAGE

On a Tuesday night in the Lower West Side of Chicago, a group of 12 sit in a circle in the middle of a bare-walled classroom, tables pushed to the sides. Financial coach Sandy Guzman leads the group in a discussion about their financial goals. They check in with one another about their savings plans, chatting about how the past month went in terms of meeting their individual goals.

This is a typical scene at The Resurrection Project, a faith-based financial counseling and home ownership-centered nonprofit organization in Chicago. Through programs like Lending Circles – the one just described – The Resurrection Project equips community members to establish healthy financial practices and address factors that often lead borrowers to resort to taking out a payday loan.

Over 12 million Americans take out a payday loan each year. However, payday loan usage varies greatly by state, as restrictions have effectively driven out payday lenders in some states, while others remain completely unregulated. In the last decade, Illinois has been a battleground over payday lending and provides a helpful case study for examining the factors that hinder or promote a healthy financial ecosystem.

Illinois has the fourth highest payday loan interest rates in the nation, with an average APR of 406 percent.[70] Payday lenders in the state annually collect close to $240 million in fees.[71] This comes in spite of the fact that the Illinois state legislature has placed numerous restrictions on the payday lending industry over the past two decades.

In 2005, then-Governor Rod Blagojevich signed into law the Payday Loan Reform Act (PLRA), which included, at the time, some of the tightest restrictions on payday lenders nationwide. This law limited interest rates to $15.50 per $100, set a cap on the total loan amount to $1,000 or 25 percent of a borrower's monthly salary, and prevented borrowers from having payday loans for over 45 consecutive days.[72] In 2011, the Act was amended: new restrictions were placed on loan rollovers, and all payday lenders were required to evaluate a consumer's ability to repay loans through consulting a payday loan database hosted by the Illinois Department of Financial and Professional Regulation (IDFPR).[73]

However, these legislative actions have failed to protect borrowers from predatory payday loans in the state. Tom Feltner, Executive Vice President and Director of Research at the Center for Responsible Lending, said that this is due to an industry that is "highly adaptive to regulatory restrictions." Feltner recounts how in the early 2000s, the state legislature prohibited loans of 30 days or less, after which "you immediately saw every payday lender in the state start to issue 31 day loans."[74] With each new law or regulation, Feltner said, payday lenders have found new ways to evade restrictions designed to protect borrowers.

One of the ways that payday lenders in the state evade restrictions is by shifting from balloon payment payday loans, which require the full amount of principal plus interest to be paid back after two weeks, to high-cost installment payday loans, in which borrowers pay back the initial loan through a set number of payments. By breaking loan repayment into several installments, payday lenders can mask triple-digit interest APRs and bypass interest rate restrictions. In 2011, total fees for installment loans were higher than the amount of principal borrowed: $232.5 million in interest and fees versus $223.1 million in principal.[75]

Payday lending disproportionately impacts under-resourced communities of color.

As a result, the annual number of payday loans in Illinois has increased by over 42 percent over the past seven years.[76] Feltner argues that before lower cost, responsible credit options can flourish in the state, a 36 percent rate cap is needed. This annual interest rate cap would close many of the loopholes currently utilized by payday lenders.[77]

"Because these are borrowers who are in distress, who are seeking quick cash to meet an immediate financial need, the path of least resistance in states that authorize payday lending always takes you to a payday lender," he said. "It becomes very difficult to outcompete a lender who will make a loan without consideration of a borrower's ability to repay."

But the state has been slow to enact such legislation, which is perhaps partly due to the payday lending industry's financial support of many state representatives' political campaigns – both Democratic and Republican.[78] The National Institute on Money in Politics found that payday lenders contributed over one million dollars to Illinois political campaigns between 2016 and 2020.[79]

Despite this, there is reason to be hopeful. Congressman Jesús "Chuy" García (D-IL) represents Illinois' 4th district. In November 2019, he and Congressman Glenn Grothman (R-WI) introduced the bipartisan Veterans and Consumers Fair Credit Act, which would extend the Military Lending Act's 36 percent rate cap to all consumers. In a press release announcing the bill, García said that until legislation is passed, Illinois residents will "remain vulnerable to payday loans, debt collection, vehicle repossessions and more." He insists predatory loans are "trapping families in a cycle of debt."[80]

Promoting Financial Stability in the Lower West Side

It is not surprising that this concern for ending predatory lending would come from the 4th district. As discussed previously, payday lending disproportionately impacts under-resourced communities of color. In the Chicago neighborhoods that make up the 4th district, the Latino immigrant community is disproportionately impacted by predatory lending. The Lower West Side of Chicago composes a sizable part of Representative García's district, and 80 percent of its 33,000 residents identify as Hispanic or Latino. Residents have a median income of $42,500.[81]

Immigrant households are more likely to

be unbanked or underbanked than native-born households. While 7.7 percent of U.S. households are completely unbanked, a startling 34.9 percent of U.S. households that only speak Spanish are completely unbanked.[82] These same households also more likely to access alternative financial services, such as payday lenders.[83] In the Lower West Side, however, nonprofits, churches, and financial institutions are collaborating to find creative solutions that protect all residents from the harms of predatory loans.

Founded 30 years ago, The Resurrection Project is a household name in the Lower West Side of Chicago, especially in the Pilsen, Little Village, Back of the Yards, and Melrose Park neighborhoods. Their mission is to assist families in building wealth, primarily through financial education and home ownership. The Resurrection Project serves predominantly Latino communities, and roughly 80 percent of its clients are undocumented.[84]

"What we've been advocating for is an opportunity for the undocumented to have access to financial products," Lizette Carretero, Manager of Financial Wellness at The Resurrection Project, said. "It's really hard to actually build credit because there really isn't a lot of opportunity in the traditional banking industry."

The Resurrection Project works closely with community partners such as financial institutions that provide traditional credit products, and it also provides one-to-one financial coaching and financial literacy courses. Their Lending Circles program, described earlier, is a collaboration with Chase Bank and Mission Asset Fund, and it empowers clients to both build credit and create a savings plan. A group of 12 participants each sign a contract to deposit a set amount of money — typically $100 — into a loan pool each month. Each member draws a number that assigns them a particular month, and on that month, they receive the full amount of money from the loan pool. The Resurrection Project reports each on-time monthly payment to a credit bureau, thus establishing a credit history and improving participants' credit scores.

To ensure all participants in the Lending Circle program are able to withdraw the full amount, Chase Bank guarantees all payments. Lending Circles participants are also required to meet with The Resurrection Project's financial coaches to develop plans for reaching their long-term financial goals.[85] On average, participants in The Resurrection Project's financial coaching have seen a 29.7-point credit score increase.[86]

Carretero believes that financial literacy plays a critical role in breaking the cycle of payday loan debt and can help borrowers to develop financial habits that reduce the need for short-term, high-interest loans.

"We help our clients understand the interest they're paying," Carretero said.

She said that she explains to clients how payday loans are structured and that that they could "end up paying twice as much" in the end. Instead she encourages clients to build credit in case of future crises. Through the Lending Circles program, community partnerships, and their financial coaching services, The Resurrection Project addresses some of the underlying conditions that drive borrowers to payday lenders: in particular, a lack of access to traditional credit, limited financial literacy, and insufficient savings for emergency expenses.

The Role of Financial Institutions

The Resurrection Project's work is intertwined with Second Federal Credit Union, a community development credit union that makes affordable financial services available to underserved and underbanked communities. Their relationship is symbiotic: The Resurrection Project refers families to Second Federal in order to participate in their credit building and mortgage programs. In turn, Second Federal refers clients to The Resurrection Project when they recognize that a client needs in-depth financial counseling or is facing a financial crisis like eviction.

Second Federal deliberately locates its branches in neighborhoods that are underserved by traditional financial institutions, combatting structural inequities created by lack of geographic access to mainstream banks. Rudy Medina, President of Second Federal Credit Union, notes that a critical part of fulfilling Second Federal's mission to "serve the underserved" is understanding the communities in which they work. Second Federal is committed to hiring employees from the community, including immigrants or family members of immigrants that understand the culture. This builds trust with the surrounding community and enables Second Federal to tailor its financial products to be accessible and useful to local families.

For unbanked or underbanked immigrant families, building a credit score can be difficult. To address this issue, Second Federal accepts alternative credit in order to qualify for a loan. This can look like proof of paid monthly expenses, such as utilities, insurance, or subscription services. For clients with no previous credit history, Second Federal's Fresh Start loan program can also help members establish credit and begin a savings account. After meeting with a financial coach to discuss their financial goals, members take out a loan that is then placed in a savings account as collateral. Over a predetermined amount of time, members pay off the loan, then receive the full amount of money back, plus dividends.

The Role of Faith-Based Nonprofits and the Church

The Resurrection Project grew out of a coalition of six local churches and continues to work closely with the faith community in Chicago through their community organizing department. Connected with roughly 50 churches across the city, churches refer clients to The Resurrection Project – often from independent, church-run loan pools – and The Resurrection Project facilitates financial coaching and empowerment workshops at churches and schools in the community.

Second Federal also works closely with local churches and faith-based organizations. Medina, in fact, sits on the board of Catholic Charities Chicago's Southwest Regional Office. Catholic Charities' mission is to "provide service to people in need, to advocate for justice in social structures, and to call the entire church and other people of good will to do the same."[87] In Chicago, they serve as a liaison between the faith community and other nonprofits and financial institutions, like Second Federal.

Marilu Gonzalez, Director of the Southwest Regional Office, says that Catholic Charities' work towards economic justice is all focused on "the dignity of the human person." This philosophy, she says, "is a part of Catholic social teaching, where our reality is that if you want to work for justice, you have to look at the person. . . There is one body, one God, and what we do to our neighbor will also reward us."

Catholic Charities' Mujeres Floreciendo savings circle program emerged as a response to female clients' desire for greater financial literacy and empowerment. The program operates similarly to The Resurrection Project's Lending Circles Program: participants deposit a set amount of money monthly into a loan pool, and one participant is able to withdraw money from the pool each month. This money is often used for entrepreneurial endeavors, and participants meet weekly to discuss financial goals and concerns. Second Federal provides a bank account for the program funds, giving the program greater legitimacy and the women more control over their personal finances.

"It's not only about saving the money, it's about feeling empowered," Gonzalez said. "It's about understanding that their work is valued."

The faith community also has a part to play in working towards systemic change. Don Carlson is the Executive Director of Illinois People's Action (IPA), a Bloomington-based interfaith community organization. He believes payday lending is a critical justice issue that needs to be addressed by the faith community, since "a prophetic view of religion has always been about defending the needs of what Scripture calls 'the least of these' - the poor and the powerless."

Carlson sees faith-based community organizing as part of the solution in efforts to end predatory lending. In his work, he emphasizes that congregations and people of faith need to "address the causes of injustice rather than the symptoms." IPA's work has contributed to policy change at the city level – in Decatur and Peoria, for example, new zoning ordinances limited the growth of the payday lending industry.

The work of IPA provides a model of how individual congregations might engage with the issue of payday lending. While not neglecting to care for individuals as needs arise, churches can also advocate for policy change in their communities.

Looking to the Future: Equity in the Lower West Side

Although Illinois still faces an uphill battle against payday lenders, hope can be found in the joint efforts of government officials, secular and faith-based nonprofits, financial institutions, and the Church, particularly those in the Lower West Side. Each of the institutions highlighted recognizes that achieving financial equity will be impossible without a "both-and" approach: addressing the societal and political structures that enable payday lending to flourish while increasing access to the financial mainstream. This approach requires collaboration between diverse sectors of society, each of which has a unique role to play.

A healthy ecosystem for responsible lending enables communities and families to flourish. Within this ecosystem, households have equal access to fair credit products in the financial mainstream as well as financial literacy that enables them to make informed decisions about saving and spending habits. Predatory lenders are prohibited from taking advantage of people in their times of desperate need. And borrowers live without fear of getting trapped in a spiraling debt burden, instead shifting their energy to planning for the future.

THE INVISIBLE HOMELESS: FAMILIES AND THE PERMANENT SUPPORTIVE HOUSING MODEL

By Daniel Montoya and Anupama Jacob, Ph.D.

DISCOVER

Jacqueline, a single mother of two young children, has watched her family's life drastically shift from one of relative stability and safety to a world of unknowns filled with high stress and instability. A year and a half ago, Jacqueline was working a full-time, minimum wage job at a grocery market downtown. Though finances were tight, she made enough money to put food on the table and pay rent for a small, cozy one-bedroom apartment. Jacqueline was unable to afford child care beyond what was provided at her children's after-school program and was glad that her employer offered a schedule that made it possible for her to clock out in time to pick her children up from school.

Everything changed when Jacqueline's manager told her that the market was closing its doors and that she would soon be out of work. Extremely limited savings combined with no regular income meant that Jacqueline could no longer afford rent and she soon lost her apartment. With no family nearby for support, for the last year and a half, Jacqueline and her children have lived in various emergency shelters while she continued her search for a new job that would make it possible for her to afford her own apartment again. A few years prior to experiencing homelessness, Jaqueline was also diagnosed with major depressive disorder. Her experience with family homelessness over the past year and a half have made her depressive symptoms increasingly difficult to manage, despite the use of prescribed medication.

This fictional account gives voice to an experience familiar to thousands of homeless families in the United States.[1] Families experience different types of homelessness. Temporary homelessness refers to a brief period of homelessness that may be due to factors such as eviction, loss of employment, domestic violence, or natural disasters. Chronic homelessness, on the other hand, describes a period of homelessness of at least one year, or three episodes of homelessness within one year, accompanied by a qualifying physical disability, mental health diagnosis, or substance use disorder.[2] Families, like Jacqueline's, are considered chronically homeless if an adult or minor head of household meets the definition of a chronically homeless individual.[3]

Family homelessness is not always visible or obvious.

The United States Department of Housing and Urban Development (HUD) defines a family as "a group of individuals, with or without children, seeking assistance together as a family, irrespective of their age, relationship, marital status, gender identity, sexual orientation, or whether or not a member has a disability."[4] Family homelessness is not always visible or obvious. Family homelessness is defined by HUD as the lack of "a fixed, regular, adequate nighttime residence or as living in a place not suitable for human habitation; or as living in a publicly or privately operated shelter designed to provide temporary living arrangements (including emergency shelters, transitional housing, hotels and motels funded by federal, state, local, and private programs).”[5]

Though many studies examine family homelessness in the U.S., there is limited research on housing interventions for families with young children experiencing chronic homelessness. This report will focus on families comprised of at least one parent and one young child under the age of 18.

Why Do Families Experience Homelessness?

On a single night in 2019, an estimated 171,670 individuals in families experienced homelessness across the United States. This HUD annual point-in-time count captures all family households with or without children under the age of 18, based on HUD’s definition of family, and includes both sheltered and unsheltered families experiencing temporary or chronic homelessness. Approximately 14,779 of individuals within these families were sleeping on the street or in other places not meant for human habitation.[6] However, it is difficult to complete an accurate point-in-time count for families experiencing homelessness because HUD only includes families living on the streets or shelters and does not count families who are living in “doubled-up” households, where families of one or more adults live with “at least one additional adult— in other words, a person 18 years or older who is not enrolled in school and is not the householder, spouse, or cohabiting partner of the householder.”[7]

The typical homeless family in America is made up of a single mother and two young children.[8] As of 2017, women represented over three-quarters (77.6%) and children five years and younger represented almost half (49.6%) of people experiencing family homelessness.[9] Further, 30 percent of families with children experienced HUD’s definition of chronic homelessness in unsheltered locations, meaning that they lived in places not meant for human habitation: a vehicle, an encampment, or on the street for at least one year.[10] As of 2019, African American families represented 52 percent of all homeless families, and the combination of other racial and ethnic minorities accounted for 12.9 percent. By contrast, 35.1 percent of all homeless families are white.[11]

The reasons families experience homelessness are varied and complex.

The reasons families experience homelessness are varied and complex. Factors contributing to temporary homelessness among families include unexpected expenses, layoffs, or evictions. Many families live paycheck to paycheck, and one-fifth of all U.S. jobs do not pay enough to keep a family of four above the poverty line of $26,200 in household income.[12] Roughly 40 percent of American households report that they would be unable to cover a $400 emergency expense.[13] One unexpected crisis or setback can result in the loss of a family’s place of security — their home. Economic challenges such as high rent costs, low wages, and a shortage of affordable housing all contribute to this reality.

Chronic homelessness among families consists of long-term or multiple episodes of homelessness requiring more intensive support to address health and social barriers.

Key factors contributing to chronic family homelessness include lack of affordable housing, low socio-economic status, domestic abuse, and poor mental and physical health conditions.[14]

Short- and Long-term Impacts of Homelessness on Children and Families

Homelessness has a dramatic impact on both parents and children, affecting health, educational opportunities for children, and family stability. For children in particular, trauma experienced as a result of family homelessness can have negative effects on their physical, social, and mental health well into adulthood. These impacts are experienced disproportionately by Black families, who are overrepresented in the population of homeless families.[15]

Health

Mothers within homeless families are at a higher risk for experiencing a decline in their physical and mental health. A study examining the characteristics and needs of 220 sheltered homeless mothers in Worcester, Massachusetts, found that 22 percent of women reported having chronic asthma, 20 percent reported chronic anemia, and four percent reported having chronic ulcers. These reported physical illness cases are up to 10 times more than the general population rate.[16] Homeless mothers also experience a variety of mental health conditions. Depression is very common among homeless mothers, along with higher lifetime rates of post-traumatic stress disorder, major depressive disorder, and substance use disorders than the general female population.[17] Fathers within homeless families also experience physical and mental health challenges. A study exploring parenting styles of homeless fathers found that they were at greater risk of psychological distress because of the challenges to provide for their family with their limited financial resources.[18]

Homelessness has a dramatic impact on both parents and children, affecting health, educational opportunities for children, and family stability.

The most vulnerable members of homeless families, children, can experience high rates of poor chronic health, hospitalizations, developmental disabilities, and behavioral and emotional problems.[19] A study examining the psychological state of 159 homeless children in comparison with a sample of 62 low-income children living at home in Minneapolis, Minnesota, found that homeless children experience twice as many stressors as children in poor families, leading to higher levels of stress that are associated with mental health and behavior problems.[20] Research also suggests that homeless children have more difficulty with internalizing behaviors (e.g., anxiety, withdrawn behavior, somatic complaints) than children in poor families.[21] When children internalize their behavior, they are at a higher risk of developing psychological disorders, suicidal behavior, and behavioral problems, especially within adulthood.[22]

Educational Opportunities for Children

It is incredibly difficult for students to focus at school when they don't know where they will sleep that night. A stable home is a significant factor contributing to the educational success of children and youth, and conversely, homelessness contributes to poor educational outcomes for children and youth.[23] State Educational Agencies (SEAs) currently review policies and practices that are considered potential barriers to the educational success of homeless children and youth.[24] SEAs reported that there were over 1.3 million homeless students enrolled in public school systems during the 2016-17 school year in the U.S. This number only provides a glimpse of children experiencing homelessness as it is limited to those enrolled in public school districts.[25] Children experiencing homelessness are more likely to be chronically absent or to change schools frequently. Studies suggest that children experiencing homelessness have higher rates of stress than poor children who remain housed, which can have a negative impact on their school performance.[26] Across age levels, homelessness impacts children's academic achievement, including their reading, spelling, and mathematics scores, which are more often below grade level compared to their housed peers.[27]

Economic Mobility and Family Stability

Homelessness exacerbates family instability. Adults within families experiencing homelessness tend to have lower educational attainment and limited job skills, making it difficult to secure and maintain stable employment.[28] The time and energy parents spend seeking employment and permanent housing can overpower their ability to parent and maintain family routines, negatively impacting a family's sense of stability.[29] There is nothing more detrimental to family stability than parent-child separation. A study examining the extent and characteristics of family separations in families experiencing homelessness across the U.S. found that recurrent and longer shelter episodes among families experiencing homelessness predicted child welfare service involvement, potentially leading to parent-child separation.[30]

Addressing Family Homelessness through Permanent Supportive Housing

Homelessness is detrimental to every member of a family as well as to society as a whole. The factors that contribute to family homelessness are varied. In order to address family homelessness, a strong social safety net must exist. The social safety net is a network of government programs, secular and faith-based nonprofit organizations, houses of worship, and businesses that aid the most vulnerable in society by helping them meet their basic needs during their time of need.

The United States Department of Housing and Urban Development, the federal agency responsible for overseeing and addressing the country's housing needs, provides various streams of funding to state and local governments as well as to nonprofits to assist homeless individuals and families. This is coordinated at a local level by a Continuum of Care (CoC), which is responsible for "allocating HUD funding for homeless services, county health and social service departments, local public housing authorities, and zoning and permitting authorities."[31]

Homeless families with children have distinct needs from homeless individuals and often require more tailored and holistic wraparound services. This is especially true for parents who struggle to maintain housing due to things like chronic mental illness or substance use. The provision of affordable housing alone is not sufficient for such individuals who require additional supportive services to help them maintain their housing.

Beginning in the 1980s, the supportive housing model, which provides housing combined with on-site services for individuals with chronic mental or physical health needs, emerged as an effective housing strategy for individuals requiring additional support. Some supportive housing programs are temporary, while others are permanent. The supportive housing model is informed by the Housing First approach, which emerged as an alternative to the linear models in which homeless individuals were required to first participate in short-term residential and treatment programs (e.g. thirty-day intensive substance treatment program) and demonstrate that they were "ready" for housing before they were offered permanent, affordable housing. While the Housing First approach seeks to provide a permanent home to homeless families without requiring completion of programming first, critics argue that it does not prepare families with special needs to live independently or enter the private housing market.[32]

Despite critiques, supportive housing continues to be recognized as an effective housing strategy. As of 2019, the HUD Continuum of Care Housing Inventory Count reports a total of 43,199 family PSH units available for occupancy throughout the country.[33] Currently, local Public Housing Agencies (PHAs) who assist families with affordable housing use waiting lists to target housing assistance to the most vulnerable families experiencing chronic homelessness. Some PHAs have had to close their waiting lists due to the long list of applicants that may reach several years.[34] Unfortunately, this means that many families are not offered a PSH opportunity due to the currently extremely limited availability of PSH units that is not sufficient to support the number of families who are in need and eligible. This report focuses on Permanent Supportive Housing (PSH), in which residents typically lease subsidized housing units without limits on their length of stay along with optional community-based supportive services that tenants may require.

Key Features of the Permanent Supportive Housing Model

The permanent supportive housing model has several key characteristics related to housing, service provision, and choice. Currently, individuals and families who have a qualifying disability and are experiencing chronic homelessness under HUD's definition are eligible for PSH; however, PSH must prioritize chronically homeless individuals with the longest history of homelessness and most severe service need.[35] PSH provides permanent and affordable housing; tenants pay up to a maximum of 30 percent of their adjusted gross income towards rent, and the remaining balance of rent is paid through a rental subsidy or housing voucher. For individuals without a current income, rental subsidies can typically cover 100 percent of a family's total rent and adjust once they acquire employment. Individuals can remain in their rental unit as long as they remain good tenants (e.g. meeting landlord/community expectations, following rules and expectations of the designated complex).

While PSH housing is "permanent" in that there is no time limit for families, the goal of this program is to ultimately help families move towards greater degrees of independence, for example, lower utilization of supportive services as appropriate, increasing their ability to maintain permanent housing. It is important to recognize that a family member within

PSH lives with a disability that limits the individual's ability to live completely independently; therefore, these are families who will likely always need some form of support or service.

PSH is provided as single-site housing or scattered-site housing by government agencies or nonprofit organizations providing homeless services. Single-site housing is a designated PSH housing complex with on-site supportive services, while scattered-site housing provides affordable rental units in the private market accompanied by supportive services offered through off-site community-based agencies and nonprofit organizations.[36] PSH prioritizes the respect for family autonomy – parents can often choose between single or scattered site housing, and while supportive services are strongly encouraged, they are not required as a condition for receiving housing.[37]

The supportive services offered within PSH are holistic and varied, ranging from mental health treatment and employment services to housing oriented services (i.e. help tenants maintain their ability to remain in the housing they have received). These services are typically coordinated by a case manager in order to help tenants address factors contributing to their homelessness and connect them to resources needed to address their unique needs.[38] Supportive services offered through PSH include, but are not limited to, case management, substance use treatment, mental health counseling, health care, support groups, life-skill training, community activities, and employment assistance.[39]

Funding for PSH is complex and consists of both public and private funding streams.[40] PSH providers at the state and local level often receive funding from federal agencies including HUD, the Department of Health and Human Services, and the Centers for Medicare and Medicaid Services. The Low-Income Housing Tax Credit, one of the most critical programs for creating affordable housing, provides incentives for developers to build affordable rental housing.[41]

A Way Forward: A Healthy Ecosystem for Families Experiencing Homelessness

The case management available to families through PSH promotes family stability by serving as a bridge to supportive services that address complex needs (e.g. mental health counseling, physical therapy, employment assistance).[42] The U.S. Interagency Council on Homelessness reports that 80 to 90 percent of families remain housed within PSH and are much less likely to return to homelessness compared to families experiencing homelessness who did not receive PSH.[43] A literature review of housing and services for families by Bassuk and Geller (2006) found evidence to suggest that homeless families who received housing subsidies combined with case management services were more likely to remain housed following a one to two-year period.[44]

Few studies research outcomes beyond housing stability, contributing to the limited literature on PSH and chronic family homelessness. One 2011 study of chronically homeless families who received PSH in Washington state found that families had fewer service needs and better mental health outcomes such as lower levels of moderate to severe anxiety six months after they originally entered PSH.[45] PSH has also demonstrated success in keeping families together and maintaining family stability. A study examining PSH provided to families involved in the child welfare system and family reunification in New York City (2010) found that over 60 percent of open child welfare cases among families were closed an estimated four months after they entered PSH. Children who were placed in foster care with a goal of reunification were all reunited with their families. Additionally, reports of child abuse and neglect declined within these families.[46]

While stable housing is essential for families to thrive, housing alone cannot address the holistic needs of families experiencing homelessness. PSH plays an important role in this regard by providing affordable housing combined with supportive services to help families in need. The following section will explore the ways in which the PSH model can be strengthened to better meet the needs of families as well as the unique roles, responsibilities, and contributions of civil society institutions, including houses of worship, secular and faith-based nonprofits, and developers in promoting flourishing and stability for families experiencing homelessness.

FRAME

When examining family homelessness and the appropriate responses of both government and civil society in promoting stability and flourishing — it is important to begin by asking: Why does helping families find stable housing matter? What is at stake?

Families, designed by God, are the most fundamental of human institutions.[47] Every individual within a family is created in the image of God, has inherent dignity and worth, and possesses unique talents and gifts.[48] Within healthy families, children grow, develop, and are nurtured. Healthy families develop within the home, which acts as the hub of family activity. A stable home provides a foundation for academic success, stable employment, and positive community engagement.

When a family experiences homelessness, they lose this safety and stability. Without a consistent and stable home, it is difficult for parents to find or maintain employment. If they are employed, it can be difficult to focus at work when consumed with worry about their situation. Likewise, children struggle in school: experiencing trouble focusing and lacking the opportunity to complete assignments or study. Additionally, if the family moves frequently, the student may also be chronically absent. All of these things set the child behind peers. A homeless family is also at greater risk of family fragmentation. The stressors associated with homelessness may contribute to parents separating or may result in children being separated from their families.

Homelessness undermines the family and also weakens the social fabric of communities.

Homelessness undermines the family and also weakens the social fabric of communities. Healthy families play, work, worship, and practice their citizenship within the community. Homelessness inhibits an active participation in community life. These families are often “invisible” to the rest of the community, lack social capital, and struggle to meet the most basic of needs. Without a stable home, it is difficult for families to build wealth over time, engage in civic life, or participate regularly in the institutional life of houses of worship or school. Children lack the same opportunities as their peers who are not homeless, setting them behind in academics and extracurricular activities, which may limit their opportunities later in life.

All families should have the opportunity to flourish and to contribute to the well-being of their communities. For this to be a reality, families cannot be consistently homeless. Both government and civil society have a role to play in helping families find a home that affords them the ability to grow and develop. Public justice is the guiding principle for government's work and insists that government is an institution authorized by God to promote what is good for human flourishing. Government, through its policies and practices, can contribute to the well-being of children and families.[49] At the same time, public justice also insists that the government make space for the diverse range of civil society institutions to make their distinct contributions to human flourishing. Families need support beyond just a roof over their head – and civil society institutions are often best equipped to meet the mental, emotional, social, and spiritual needs of parents, children, and families. Permanent supportive housing (PSH) is a promising model for meeting the needs of homeless families during their time of need. It offers families a home to heal and strengthen in and prepares them to transition back to the mainstream of American life. The sections below will explore the ways that government and civil society can strengthen their responses to family homelessness.

The federal government has the funding, breadth, and scale to provide substantive support for homeless families and organizations dedicated to serving them.

Government's Unique Contribution

Homeless families are among society's most vulnerable members. Economic hardship challenges their access to a basic human need: housing. As part of its responsibility to promote what is good for human flourishing, government should provide assistance to house homeless families, connect them with needed support and services, and prepare them to eventually enter the private housing market to participate fully in community life.

The federal government has the funding, breadth, and scale to provide substantive support for homeless families and organizations dedicated to serving them. As discussed, the United States Department of Housing and Urban Development provides funding to both state and local governments and nonprofit organizations that serve homeless families.

The issue of homelessness and a model like PSH highlight the importance of collaboration and partnership between government and civil society institutions like houses of worship, secular and faith-based nonprofit organizations, and businesses. Government's response to homelessness demonstrates a recognition of the important ways that civil society institutions – especially secular and faith-based nonprofit organizations – serve homeless families. Sometimes these organizations are funded privately, but often they receive government funding to do their work in the community.

PSH delivers a stable, permanent home along with supportive services that improve the overall physical, psychological, social, and spiritual well-being of tenants. It is designed for homeless families, over time, to move to less intensive support, reduced emergency-service utilization, and increased overall strength and resilience. PSH provides stable, affordable housing with families paying up to 30 percent of their income, allowing them to manage other financial responsibilities within the family unit. Some homeless families may not be able to successfully obtain permanent housing independently within their lifetime due to a lack of affordable housing, job skills, mental health challenges, and essential family resources. PSH has the ability to promote family stability and give children the opportunity to grow and develop until they leave the home. There are several ways that PSH can be strengthened to better serve homeless families and help them reintegrate into society.

Eligibility Criteria

To receive PSH, HUD requires that the head of household must be experiencing chronic homelessness and have a qualifying disability. While PSH serves many families, the current model leaves out families living in doubled-up housing.[50] Doubling up, as defined earlier, refers to when a family shares the housing of other family or non-relatives due to loss of housing or significant economic hardship. Doubled up housing arrangements have been shown to cause psychological distress, interpersonal tension, and adverse effects on children's socioemotional development.[51] However, doubled-up families remain a hidden group experiencing homelessness based on HUD's current eligibility criteria. Therefore, HUD should consider reevaluating and expanding PSH criteria to include families that have lived in doubled-up housing for at least one year, or three or more times in a given year, because of their inability to secure independent affordable housing. Homeless families with young children are among those who would greatly benefit from a model that provides permanent housing and supportive services. Residential stability combined with needed supportive services promotes healthy physical, psychological, and social development within families with young children, and promotes family well-being and economic mobility over time.[52]

If eligibility criteria are expanded to include doubled-up families, additional funding for PSH will be required to meet the housing and supportive services needs of families. As discussed earlier, funding for PSH is complex and consists of both public and private funding streams. The federal agencies that provide funding to PSH providers should consider increasing current funding to enable PSH providers to expand supportive services offered to families with young children.

Provision of Services

PSH programs should regularly evaluate if they are meeting the unique needs of children and families. Services should be tailored to meet the needs of families and address the trauma that many homeless families, especially children, experience.[53] Children living within PSH should have access to comprehensive, family-centered services that are developmentally appropriate and tailored to meet their needs based on age group (i.e. toddlers, preadolescents, teenagers).[54] Currently, PSH supportive services focus on individuals living with disabilities (such as a severe mental health diagnosis or a substance use disorder based on HUD's criteria). Supportive services should also focus on both the parent and child's needs, addressing needs like adequate child care, essential life skill training that promotes independence (e.g. budgeting, parenting groups, mentorship opportunities), and coordinated case management aimed at nurturing family flourishing and well-being.

To better tailor services to families and encourage participation in them, agencies offering PSH should seek increased collaboration with secular and faith-based nonprofits to provide and coordinate supportive services.[55] This includes partnering with institutions of trust within the community that are already serving homeless individuals and families. In many cases these institutions, often embedded in the community, have already established relationships of trust and may be able to more effectively connect families with the services they need. Families living in PSH may be more likely to participate in supportive services if they know or recognize the nonprofit or house of worship providing the services.

Civil Society's Unique Contribution

While government has an important role in addressing family homelessness, it is not the sole contributor to family flourishing. A diverse and robust civil society contributes to the social fabric of our communities. For hundreds, and even thousands, of years the Church has served the homeless. Institutions like the Church and nonprofits, especially faith-based organizations, have been and continue to address homelessness in communities. They are often recognized as experts in the field and have shaped how the government responds to the issue of homelessness. As such, it is important that they have an active role in providing insights and services for supporting homeless families.

Secular and Faith-Based Nonprofits

Secular and faith-based nonprofit organizations are key actors in the provision of services to those experiencing homelessness. Faith-based organizations (FBOs) currently serve as the foundation of emergency shelter service for individuals and families and often lead local communities' response to family homelessness.[56] They play a critical role in service delivery to those in crisis, providing things like recovery/rehabilitation centers and homeless ministries that provide supportive services (e.g. intensive job training), housing, and spiritual care.[57] In addition to supportive services, FBOs provide a significant portion of PSH units to families experiencing homelessness. A study found that in 2016, FBOs provided a total of 9,485 PSH units to families.[58]

One such FBO, Union Rescue Mission, currently serves homeless individuals and families in downtown Los Angeles's Skid Row. The Union Rescue Mission recognizes the restoration and stability faith communities can provide. They developed action steps for faith communities to follow in which they offer marriage counseling, financial counseling, parenting classes, and fatherhood initiatives to strengthen families.[59] Following this model, FBOs can connect homeless families with congregations who have the ability to provide supportive services such as job skill training, employment assistance, and access to affordable child care that provides long-term stability as opposed to temporary relief (such as food, clothing, and hygiene kits). Nonprofit organizations are also one of the key providers of PSH. One such nonprofit is Los Angeles Family Housing (LAFH), which fosters long-term housing stability by providing individuals and families experiencing homelessness with affordable housing accompanied by supportive services.[60] LAFH currently partners with various landlords, property managers, and developers to identify affordable housing options for families.[61] In addition, they have built PSH units to help address the lack of affordable housing in LA. Other nonprofits can similarly consider including PSH development as a part of their homeless services programming.

LAFH believes the key to housing stability is the provision of supportive services, and the organization frequently assesses and engages with families to develop individualized support plans that help them remain within their homes. Nonprofits can continue to play a critical role in providing supportive services by developing partnerships with PSH providers to ensure the unique needs of families are met, promoting family flourishing and housing stability.[62]

Schools

Schools have an influential role in supporting children experiencing homelessness, and educators are often the first to observe the impact of homelessness. Schools should collaborate with the supportive services component of PSH to provide children with more opportunities to participate in afterschool programs. These programs provide child care, a space for children to grow and play with peers, and for older children, a structured environment to do homework and socialize with other students.[63]

School districts currently track homeless families living within a doubled-up household through the McKinney Vento Act based on data from self-reported questionnaire forms. This allows school districts to identify potential needs of their students and to receive funding from the U.S. Department of Education to supply resources such as hygiene kits, clothing, and school supplies.[64] While the supportive services component of PSH captures the needs of homeless families living with life-impeding disabilities, many families living in doubled-up households remain hidden and fall through the cracks of receiving the quality care and services they need. Therefore, school districts should consider collaborating with local CoCs and HUD to collect data on doubled-up families living within the district. This would provide a clearer sense of the extent of homeless families living within doubled-up households locally and the unique needs of such families.

Developers

Developers of housing properties should consider development of PSH projects as their significant contribution to improving the well-being of many families with young children who are in dire need of a safe and stable living environment. It is important that families who have completely slipped through the cracks into homelessness as a result of complex social, economic, and/or health barriers have the ability to reintegrate into society through the stability of PSH and supportive services.

Currently, developers work with various local zoning and developmental regulations that increase building costs and limit the development of PSH units.[65] Local zoning, building codes, and permitting procedures can make the development of affordable housing challenging.[66] New construction of PSH is very difficult to receive approval for, as exclusionary zoning policies restrict multifamily housing to a limited number of locations within a jurisdiction and require approval of local elected officials.[67] Local governments could consider tax incentives, permit fee waivers, and density bonuses (i.e. ability to build more units if a specific amount are set aside for PSH) to encourage PSH development.

As discussed at the outset, family is foundational. To thrive, families need a stable and secure home. A home is the center of family activity, and without one, parents and children will struggle to succeed in work, school, and other activities. Homelessness also increases chances of family fragmentation. Yet we know that when families thrive, communities thrive. Permanent supportive housing offers a promising model for supporting homeless families during their time of need. Both government and civil society have a role to play in this work and should strive for communities in which no family is homeless.

ENGAGE

Los Angeles County, California, is known for its celebrity culture, professional sports leagues, and warm climate. However, its immense wealth is contrasted with significant economic hardship. While many see Los Angeles' "rich and famous", families experiencing homelessness remain largely invisible.

Stephanie Alvarez*, a single mother of two young children in L.A. County, lost her apartment as a result of a 30-day eviction notice. The property did not provide her with a clear explanation regarding the eviction, and for the last 17 months after being evicted, she has had no choice but to transition between living in a low-cost motel and emergency shelters. With a minimum-wage job, minimal work experience, and lack of child care services, Stephanie's options are limited. Stephanie's children have been staying with their grandparents, as she cannot imagine how she would properly care for her children without an available kitchen and adequate space for her children to play and do their homework. However, Stephanie has not been staying at her parents due to her poor relationship with them. She did not want her children to experience the stress of their unstable housing situation, leading to her decision to leave them with their grandparents. Without a car, and with the nearest affordable motel and emergency shelter located two hours away from her parents' home via public transportation, Stephanie's ability to remain employed and remain present with her children is difficult. Stephanie and her two young children represent one of many homeless families who would benefit from PSH and family supportive services.

While many see Los Angeles' 'rich and famous', families experiencing homelessness remain largely invisible.

On a single night in 2019 within L.A. County, an estimated 25 percent of people experiencing homelessness were identified as members of a family unit, with nine percent identified as children.[68]

One of the largest homeless services shelters in the nation — Union Rescue Mission — is located on Skid Row, a 50 square block area of concentrated poverty and homelessness in Los Angeles. Union Rescue Mission (URM), a Christian nonprofit established in 1891, provides support to men, women, and children experiencing homelessness so that they can transition from living on the streets and into a stable home. URM provides services such as food, shelter, education, counseling, and long-term recovery programs for those experiencing substance use disorders.[69] URM also offers housing services that include short-term and emergency shelter for individuals and families, transitional housing for children and women, and permanent housing for older women. Due to the high demand of housing support requested from families experiencing homelessness, and limited space, there is a 90-day limit of how long a family may stay at URM's emergency shelter or short-term housing.[70]

Lisa Cox, Program Director of Family Emergency Services at URM, notes that there are many factors that contribute to family homelessness.

"We serve many families who struggle with an immediate history of domestic violence, a lack of work experience, untreated mental illness, and those impacted by generational poverty whose parents have struggled to keep a roof over their head," she said.

According to Joy Flores, Vice President of Programs at URM, the rising cost of rent in L.A. County is a key factor contributing to family homelessness. In 2020, the average monthly rent for a one bedroom and one bath was $2,524 in L.A. County.[71]

"Sometimes families need about two to four sources of income to have the ability to provide stable housing for their household," Flores said.

URM uses a holistic approach in their programming to help families address their needs in order to help them gain stability, independence, and promote family flourishing. Families are assessed by a multidisciplinary team of providers through the L.A. County Departments of Public Social Services, Mental Health, and Public Health in order to connect them to the most appropriate housing and supportive services offered through URM and at the county level.

While some local faith-based organizations like the Salvation Army's Alegria program, for example, provide PSH for homeless families affected by substance use disorders and those living with HIV/AIDS, Cox underscored that throughout the County, permanent supportive housing is still very scarce for families.

"It is much easier to house single individuals," she said. "Unless a family member has a qualifying, verifiable mental illness or a chronic disability such as HIV or paralysis, they do not qualify."

Both Cox and Flores emphasized the importance of supportive services and believe that homeless families would benefit from PSH. They both shared the importance of expanding supportive services such as child care because many families are not able to obtain full-time employment as a result of a lack of affordable child care options.

"The homeless families we serve may not have a disability, but they would highly benefit from having the opportunity to receive therapy, job training, and parenting courses through PSH," Flores said. "The supportive services aspect of PSH should structure its model to the current needs of the family unit."

URM recognizes the importance of partnership between government and civil society, including secular and faith-based nonprofit organizations. URM partners with the Los Angeles Homeless Services Authority (LHSA) as well as local organizations like Family Solutions Center which provides mental health services, employment support, and permanent housing options, as well as Volunteers of America who provide early intervention services such as parenting skills classes and family reunification services to help reunite parents with children when appropriate. URM regularly collaborates with other organizations to determine how they can improve their service delivery strategies and determine what approaches are effective and ineffective in addressing the root cause of family homelessness.

Another nonprofit serving homeless families in L.A. County is Los Angeles Family Housing (LAFH).[72]A core principle of LAFH's service is that each family has a unique life experience that determines the types of supportive services they may require and the type of housing that best supports their needs.[73]

Kris Freed, the Chief Programs officer of LAFH, explained that there are a range of topics related to family homelessness that need to be addressed, including identifying homeless families, educational outcomes for children, and the availability of PSH units.

Freed said that it can be difficult to identify chronic homelessness among families specifically. As described earlier, chronic homelessness refers to a period of homelessness of at least one year, or three episodes of homelessness within one year, accompanied by a qualifying physical disability, mental health diagnosis, or substance use disorder.[74]

Freed said that families may remain in an emergency shelter or motel voucher program and HUD criteria counts that time spent within those places of residence as "homeless;" however, transitional housing does not fall under this category as it is a type of bridge housing that is offered through LAFH where families work with case managers with the end goal of acquiring permanent housing.[75]

In L.A. County, there are an estimated 29 percent of children within the K-12 system experiencing homelessness as of 2018.[76] "Children who experience homelessness and lack stability within their family unit typically experience poor educational outcomes," Freed said. "We have worked with a child who by age was considered an eighth grader but had the educational level of a student in second grade." She believes that the supportive services offered to families as part of PSH should be expanded to address the educational gap experienced by homeless children.

Freed reports that LAFH's permanent supportive housing program has a long wait list for families awaiting an available unit for occupancy. A significant portion of LAFH's funding is used to provide motel vouchers to homeless families for longer periods of time in order to keep them housed prior to transitioning them into a permanent setting once housing is available and/or affordable for the family.

"Children living within these motel environments need clinical support," Freed said. "They are very impacted within their living conditions and do not have an adequate space to come home to in order to focus on activities such as homework."

Based on her more than 20 years of experience working in the field, Freed understands how the public sector needs to begin shifting land-use policies if PSH development is to increase. Freed encourages community members to consider affordable housing development for homeless populations and low-income households, including PSH. Her recommendation brings awareness to the "not in my backyard" response that many communities throughout the country express when affordable housing development is proposed.[77] This response commonly exists even when housing providers reuse existing housing property or agree to make payments as opposed to using city taxes to support local housing development.[78]

A Closer Look at Azusa, California

L.A. County is expansive and to understand the issue of family homelessness at a more local level, the city of Azusa provides a useful case study. Azusa, a small town located in L.A. County in the heart of the San Gabriel mountains and home to a private Christian college, Azusa Pacific University, has considered PSH development within its city.

As reported in the 2019 Greater Los Angeles Homeless Count, in a geographic region that includes Azusa and 30 additional cities in the San Gabriel Valley, 36 percent of the residents experiencing homelessness were members of a family unit.[79] While there are many strategies and services for addressing family homelessness, permanent supportive housing has emerged as a promising solution to promote housing stability and family flourishing. In Azusa, there are currently no PSH units. According to the 2019 Housing Inventory Count by the Los Angeles Homeless Services Authority (LAHSA), there were a total of 16,464 PSH units for families within the Los Angeles County Continuum of Care.[80] Currently the availability of PSH does not match the need and demand in Azusa, or in L.A. County as a whole.

According to Azusa City Mayor Joe Rocha, family homelessness is becoming more visible within the community because of rent spikes after the California Tenant Protection Act (AB 1482) went into effect in January 2020. This Act provides an annual rent increase cap of five percent, including the rate of consumer price inflation within the city where the rental unit resides.[81] As a result, Rocha said, property owners of complexes across the city increased rents before the new law went into effect. This has led many families who are experiencing rent increases within the city to reach out to Rocha for a solution, one that is not easy to provide.[82]

For children and families to thrive, a place to call home is essential.

"In the city, I predominantly see an influx of homeless children, mostly high school-aged, sleeping in our parks," Rocha said. "Many of them do their best to remain hidden within the shrub area of the park, but we are highly aware of this issue within the area."

Rocha expresses the complexity surrounding the reasons for children experiencing homelessness within the city, including unaccompanied minors, family abandonment, separation, and untreated mental illness due to homelessness.

"How can our children focus on academics, social activities, and maintain healthy development if they can't even find a safe place to sleep?" he said.

Currently, the city of Azusa does not have any affordable housing developments in place. However, Rocha reports that the city has developed a proposal, Measure H, that would lead to a permanent supportive housing development project.

"We have the land available to build permanent supportive housing within the city," Rocha said. "However, funding and obtaining subsidies is our city's biggest barrier."

According to Rocha, funding provided through Measure H only totaled an estimated $117,000, an amount that is far below the minimum needed to develop PSH in the city of Azusa.

Rocha hopes that a combination of funding streamlined from state homeless initiatives and the support of the Azusa community can lead to PSH development in the near future. The city currently has the support of multiple faith-based organizations in the area that provide a variety of resources such as food and clothing to those experiencing poverty and homelessness. Rocha believes that in addition to these basic resources, "homeless children would highly benefit from supportive services that help them address their psychological stress as a result of family homelessness" because "they deserve to turn the page, turn the page into a positive outlook for their future."

Family homelessness is primarily tracked through the Azusa Unified School District (AUSD). The school district identifies family homelessness by surveying families based on the McKinney-Vento Act at the beginning of each school year. AUSD uses HUD's criteria, including additional factors identified through the McKinney-Vento Act such as families living within doubled-up housing or those living within a motel or hotel setting to identify family homelessness.[83]

Alicia-Torres Sharp, the Student and Family Support Specialist for AUSD, reports that, "Approximately 750 of 6500 [nearly 12 percent] enrolled students in Azusa are identified as homeless under the McKinney Vento Act." The school district makes referrals to LAHSA and local nonprofits that assist families in accessing mental health services, employment, and permanent housing. Sharp works to connect families with secular and faith-based nonprofits that provide rent and utility fund support to families who are struggling to pay their bills, while also providing resources such as clothing, food, and school supplies. Currently, the school district offers motel vouchers funded by donors and a grant through the California Department of Education, but funds and accessibility to this program are extremely limited.

"A family must exhaust every possible resource before they are granted a motel voucher," Sharp said. "Once they receive one that provides them with one week of shelter, they are not able to receive one again."

Sharp continues to discuss funding limitations of AUSD in assisting families with acquiring permanent housing. "We receive funds from Title I, the Los Angeles County Office of Education, and the California Department of Education — all of which are very minimal and cannot be used for housing purposes," Sharp said. "Currently, our district is only able to use those funds on school supplies."

Sharp reports that many families who qualify as homeless under the McKinney-Vento Act do not come forward, as stigma and fear weigh heavily on the families due to their circumstances. “In our district, we have seen the impact that homelessness has made on our school children,” Sharp said. “Factors such as poor grades, fear of attending school due to embarrassment, social isolation, depression, and the development of psychological health issues that may stem from their fear of one day living on the streets account for our student’s potential inability to succeed.”

As described earlier, family homelessness has a significant impact on children’s academic, social, and emotional well-being. Many families are experiencing homelessness for reasons other than mental illness and substance abuse, the criteria that HUD uses to determine chronic homelessness. Sharp noted that many families who have reported homelessness to AUSD experience job loss, chronic illness, divorce, eviction, or a significant loss in the family that has led to their inability to maintain permanent housing. According to Sharp, these families would benefit not just from permanent housing, but also supportive services such as family therapy, childcare, and employment support.

AUSD also maintains partnerships with other districts to strategize how to more effectively address family homelessness. Sharp reiterated the city’s lack of funding for housing development within the Azusa community as a barrier. The rise of homeless families through the district reveals the critical need for PSH accompanied by supportive services that uniquely address each family’s needs. The current support system in place for families in Azusa is very limited and may represent how other cities within L.A. County similarly struggle to address the needs of homeless families with young children.

Towards Family Flourishing

The city of Azusa offers a useful case study for a community in which families experience homelessness, often in the shadows. In addition to other services, many of these families would benefit from permanent supportive housing and supportive services that promote stability, independence, and healthy childhood development. For children and families to thrive, a place to call home is essential. Permanent supportive housing is a promising model, both in L.A. County and across the country, that can contribute to making family flourishing a reality.
◆

**Name has been changed to protect the identity of this individual.*

ABOUT THE AUTHORS

THE CHILD CARE CRISIS AND ITS IMPACT ON HISPANIC FAMILIES

Katie Bogle is a senior social work and Spanish major at Dordt University, and intends to pursue her master's of social work upon her graduation in 2021. She completed her research for The Hatfield Prize during her junior year. She participates in athletics, musical theater and instrumental ensembles. Having lived abroad for three years, Katie's passions lie in advocating for under-served and minority populations.

Abby Foreman, Ph.D., received her bachelor's in social work from Dordt University, her master's in social work from the University of Michigan and a Ph.D. in political science and public administration from the University of South Dakota. Prior to her current work as Professor of Social Work at Dordt University, she worked with senior citizens and as an organizer around hunger issues with church and campus groups. Her current research interests focus on nonprofit organizations and advocacy, contract-for-services relationships, and how church, state and communities respond to need in their communities. She currently teaches in Social Work and Public Administration programs and serves as Co-Director of the Kuyper Honors Program at Dordt University.

PREDATORY LENDING AND THE NEED FOR A HEALTHY FINANCIAL ECOSYSTEM

Anna Cole is a senior at Wheaton College in Illinois, where she is pursuing a double major in international relations and music. She completed her research for The Hatfield Prize during her junior year. Cole is the student chair and co-founder of Voices in the Near East (VINE), a student organization committed to furthering interfaith relationships and reframing campus conversation surrounding the Near East. She was a fellow with Neighborly Faith and presented on VINE at the Neighborly Faith Conference in 2019. Her research and undergraduate experiences have focused on the intersection of music and migration - she interned at a refugee resettlement agency in her hometown, Colorado Springs, taught music workshops and violin lessons to refugee students in Germany and Turkey, and received competitive grant funding to conduct independent research on Syrian musicians in Istanbul over the summer of 2019. She has also worked as a research assistant in Wheaton's International Relations and Anthropology departments.

Timothy W. Taylor, Ph.D., is a professor of politics and international relations at Wheaton College, where he enjoys teaching classes ranging from International Political Economy to East Asian Politics. His research, which includes the effects of foreign trade agreements upon national elections, has been published in both academic journals, as well as outlets such as Christianity Today and the Huffington Post. Taylor was awarded the Rothchild Memorial Research Award, and in 2015, was appointed as a fellow at Ateneo de Manila University's Center for Asian Studies. He earned his MA and Ph.D. from the University of California, Davis, where he was a Bilinski Fellow from 2015-2016. After living and traveling abroad, Taylor and his wife now reside in Wheaton, IL with their four children.

THE INVISIBLE HOMELESS: FAMILIES AND THE PERMANENT SUPPORTIVE HOUSING MODEL

Daniel Montoya will graduate in December 2020 with a bachelor's of social work from Azusa Pacific University (APU) in the city of Azusa, California. He completed his research for The Hatfield Prize during his senior year. Montoya was the Vice President of the Latin American Student Association for the 2019-2020 academic year, an ethnic organization at Azusa Pacific University that offers a forum for fellowship, education, and dialogue to encourage the appreciation of cultural diversity. Simultaneously, he was an intern serving individuals living with chronic homelessness and severe mental illness. Montoya also provides mentorship as a TRiO: Upward Bound Academy leader to first-generation high school students surrounding professional development, academic success, and emotional wellness. A proud Azusa native, Montoya takes pride in his community and has a passion for serving his local school district demonstrated through his mentorship opportunities and previous tutoring experience through the AVID program. Following the completion of his BSW, his goal is to further his education and pursue a master's of social work.

Anupama Jacob, Ph.D., is an associate professor in Azusa Pacific University's Bachelor of Social Work program, and served as APU's interim director of undergraduate research in fall 2019. Jacob earned a Ph.D. in Social Welfare from the University of California, Berkeley. Her research interests center on issues related to poverty and inequality, particularly in the United States. Prior to starting her Ph.D. program, Jacob worked as publications manager at the Center for Social Development, a research and policy center based at Washington University in St. Louis. Her academic experience includes adjunct teaching in the undergraduate social work program at San Jose State University, and teaching assistant positions at the University of California, Berkeley. Jacob is also a commissioner on the Council on Social Work Education's Commission on Research.

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PREDATORY LENDING AND THE NEED FOR A HEALTHY FINANCIAL ECOSYSTEM

By Anna Cole and Timothy W. Taylor, Ph.D.

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THE INVISIBLE HOMELESS: FAMILIES AND THE PERMANENT SUPPORTIVE HOUSING MODEL

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