Endnotes

1. Author's analysis of the 2004 Survey of Consumer Finances. In this report, low-income households are defined as all households that earn less than $30,000 a year, and lower income neighborhoods are defined as any neighborhood with a median income less than $30,000. The empirical reasoning for this definition is reviewed in the methods section of this report.
2. See, for instance, David Caplovitz. 1967. *The Poor Pay More.* New York: The Free Press.
3. Pamela Loprest. 2003. "Fewer Welfare Leavers Employed in Weak Economy." Washington: Urban Institute; Gary Burtless. 2000. "Can the Labor Market Absorb Three Million Welfare Recipients?" Washington, DC: The Brookings Institution; Rebecca M. Blank and David Card. 2000. *Finding Jobs: Work and Welfare Reform.* New York: Russell Sage Foundation; Bruce Katz. 2004. "The Evolution of American Neighborhood Policy and What It Means for the United Kingdom." Washington, DC: The Brookings Institution; Alan Berube. 2006. "The New Safety Net: How the Tax Code Helped Low-Income Working Families During the Early 2000s." Washington, DC: The Brookings Institution; Audrey Singer. 2005. "The Rise of New Immigrant Gateways." Washington, DC: The Brookings Institution.
4. Matt Fellowes. 2006. "Credit Scores, Reports, and Getting Ahead in America." Washington, DC: The Brookings Institution. Other important changes in the financial service industry over the past decade include automated underwriting systems and automated account management systems.
5. William Fulton, Rolf Pendall, Mai Nguyen, and Alicia Harrison. 2001. "Who Sprawls Most? How Growth Patterns Differ Across the U.S." Washington, DC: The Brookings Institution.
6. Keith R. Ihlanfeldt and David L. Sjoquist. 1998. "The Spatial Mismatch Hypothesis: A Review of Recent Studies and Their Implications for Welfare Reform." *Housing Policy Debate,* 9: 849-93. Also see: Michael A. Stoll. 2005. "Job Sprawl and the Spatial Mismatch between Blacks and Jobs." Washington, DC: The Brookings Institution.
7. Bureau of Transportation Statistics. 2005. *Transportation Statistics Annual Report.* U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics.
8. We borrow this language of the world flattening from: Thomas Friedman. 2005. *The World Is Flat: A Brief History of the Twenty-First Century.* New York: Farrar, Straus and Giroux.
9. Lawrence Mishel, Jared Bernstein, and Sylvia Allegretto. 2005. *The State of Working America.* Washington, DC: The Economic Policy Institute.
10. Balloon mortgages are those where the monthly payment substantially increases after a pre-determined set of time.
11. For instance, please see: Matt Fellowes. 2006. "Grounds for Competition: The Basic Financial Service Infrastructure in Low-Income Neighborhoods." Presented at the 2006 Louis L. Redding Public Policy Forum, University of Delaware. Available at: **http://www.brookings.edu/metro/speeches/20060317_financialserv.htm** [accessed April 2006].
12. For an interesting assessment of these changes please refer to: Nicolas P. Retsinas and Eric S. Belsky, eds. 2005. *Building Assets, Building Credit: Creating Wealth in Low-Income Communities.* Washington, DC: The Brookings Institution, and Cambridge, MA: Center Joint Center for Housing Studies, Harvard University.
13. See, for instance: Robert Berner. 2006. "Wal-Mart's Urban Renewal." *Business Week,* April 4, 2006.
14. See, for instance, the numerous studies by Social Compact, which point to unmet market demand in lower income neighborhoods: **www.socialcompact.org**.
15. See annual survey administered by Providian Financial and the Consumer Federation of America; or GAO, "Credit Reporting Literacy: Consumers Understood the Basics but Could Benefit from Targeted Educational Efforts" GAO-05-223 (2005); and Kathryn Gwatkin and George McCarthy. 2003. "A Critical Examination of Financial Literacy Education." Presented at the 2003 Building Assets, Building Credit: A Symposium on Improving Financial Services in Low-Income Communities.
16. For these upper and lower bound estimates, please refer to: Wei Li and Keith S. Ernst. 2006. "The Best Value in the Subprime Market: State Predatory Lending Reforms." Washington, DC: Center for Responsible Lending; M. Hudson and E.S. Reckard, More Homeowners with Good Credit Getting Stuck with Higher-Rate Loans. *Los Angeles Times:* A-1 (October 24, 2005).
17. Certainly, this has at least something to do with the fewer number of choices in some lower income neighborhoods. But, it also has to do with real behavioral differences among consumers.
18. For instance, see: Ephraim S. Leibtag and Phil R. Kaufman. 2003. "Exploring Food Purchase Behavior of Low-Income Households: How Do They Economize?" AIB-747-07, USDA, Economic Research Service.
19. U.S. Census Bureau, 2004 American Community Survey, and the Decennial Census for the Hartford metropolitan area population count. We chose these areas because they represent a diverse sample. Several are also areas where the Annie E. Casey Foundation, which generously supported this project, has heavily invested in neighborhoods.
20. The ACCRA cost-of-living metro index is available at **www.accra.org** [accessed April 2006]. Also see: Leah B. Curran, Harold Wolman, Edward W. Hill, and Kimberly Furdell. 2006. "Economic Wellbeing and Where We Live." Washington, DC: The Brookings Institution.
21. Author's analysis of data from the Bureau of Labor Statistics.
22. Author's analysis of the 2004 Survey of Consumer Expenditures.
23. For instance, see: Ephraim S. Leibtag and Phil R. Kaufman. 2003. "Exploring Food Purchase Behavior of Low-Income Households: How Do They Economize?" AIB-747-07, USDA, Economic Research Service.
24. The NAICs definition used by InfoUSA for grocery stores is: "This industry comprises establishments generally known as supermarkets and grocery stores primarily engaged in retailing a general line of food, such as canned and frozen foods; fresh fruits and vegetables; and fresh and prepared meats, fish, and poultry. Included in this industry are delicatessen-type establishments primarily engaged in retailing a general line of food." Note that this definition DOES NOT contain convenience stores. For more information, please refer to the Census webpage on NAICs: **http://www.census.gov/epcd/www/naics.html** [accessed April 2006].
25. In some states there was also public, license data. These data are not always available in electronic format, the data are not always updated, and it can be unclear whether businesses licensed to sell a service sell that service in all of their establishments. Also, these

data are not always available across states. For all of these reasons, we use private data in this report to assess the population of establishments. Importantly, the InfoUSA data is also different from state license data because it categorizes establishments by their primary and secondary business service, and not all of the business services they sell. This means, for instance, that a gas station that sells gas as its primary business, food as its second business, and check-cashing services as its third, will not be listed in the InfoUSA database as a check-cashing business. Both public and private data consequently have limitations.

26. Evidence suggests that smaller stores charge higher prices than larger stores. Since low-income neighborhoods generally have much less access to larger stores than higher income neighborhoods, we can infer that food is, on average, more expensive in lower income neighborhoods. For evidence of the relationship between store size and price see the results section of this report, and: Phillip R. Kaufman and Charles R. Handy. 1989. "Supermarket Prices and Price Differences: City, Firm, and Store-Level Determinants." United States Department of Agriculture, Economic Research Service, Technical Bulletin Number 1776; and Howard Kunreuther. 1973. "Why the Poor Pay More for Food: Theoretical and Empirical Evidence." *Journal of Business.* 46:368-83.

27. Mari Gallagher. 2005. "Chain Reaction: Income, Race, and Access to Chicago's Major Player Grocers. Chicago: Metro Chicago Information Center.

28. For other examples of grocery baskets used in this line of research see: Lashawan Richburg Hayes. 2000. "Do the Poor Pay More? An Empirical Investigation of Price Dispersion in Food Retailing." Industrial Relations Section Working Paper #446. Princeton University; Phillip R. Kaufman, James M. MacDonald, Steven M. Lutz, and David M. Smallwood. 1997. "Do the Poor Pay More for Food? Item Selection and Price Differences Affect Low-Income Household Food Costs." Agriculture Economic Report Number 759. Washington, DC: U.S. Department of Agriculture, Economic Research Service; Trinity Center for Neighborhoods. 2002. "Food Pricing in Hartford, Connecticut: Supplement to the Self Sufficiency Study."

29. The strength of this method is that it yields a very large, cross-store comparison. The important downside, however, is that we delimit the range of the products considered. This is important because large stores generally use the large floor space to sell a greater diversity of products than smaller stores.

30. This means, for instance, that we compared the price of a six-pack of Coke across each of these 3,000 grocery stores. The product categories represented by these 132 products include: eggs, milk, cheese, coffee, canned tuna, margarine, frozen potatoes, frozen poultry, carbonated beverages, frozen dinners, and cereal.

31. U.S. Census Bureau, 2004 American Community Survey.

32. There may be other types of higher auto-related costs, like the cost of gasoline and the cost of maintaining a car. Gas may cost more in lower income neighborhoods because of the higher costs of security and because they are more likely to be located in urban neighborhoods. Maintaining a car may be more expensive because lower income households are much more likely to drive a used car than higher income households. Unfortunately, we were unable to find data on these costs.

33. Fiona Scott Morton, Florian Zettelmeyer, and Jorge Silva-Risso. 2001. "Consumer Information and Price Discrimination: Does the Internet Affect the Pricing of New Cars to Women and Minorities?" Working Paper 8688, National Bureau of Economic Research. Also see: Ian Ayers and Peter Siegelman. 1995. "Race and Gender Discrimination in Bargaining for a New Car." *The American Economic Review,* 85:304-21; and David W. Harless and George Hoffer. 2002. "Do Women Pay More for New Vehicles? Evidence from Transportation Price Data." *The American Economic Review,* 92:270-79.

34. For more information about direct, indirect, and total effects, please see: Rex Kline. 1998. Principles and Practice of Structural Equation Modeling. New York: The Guilford Press.

35. But, for a local market assessment see: Anne Kim. 2002. "Taken for a Ride: Subprime Lenders, Automobility, and the Working Poor." Washington, DC: Progressive Policy Institute.

36. For more information about this survey, please refer to: Brian K. Bucks, Arthur B. Kennickell, and Kevin B. Moore. 2006. "Recent Changes in U.S. Family Finances: Evidence from the 2001 and 2004 Survey of Consumer Finances." Federal Reserve Bulletin. vol. 92 (February 2006), pp. A1-A38.

37. For instance, a 2003 report by the Washington Office of the Insurance Commissioner found that driver income is significantly related to credit scores—one variable considered by some insurance companies. In particular, they "concluded that credit scores, and consequently, insurance premiums, improve as income rises." For more information, see: Washington Insurance Underwriting and Pricing." Submitted to the State Legislator in December 2003.

38. According to the Insurance Information Institute, Allstate has about 10 percent of the auto insurance market, Progressive has about 7 percent, and Geico has about a 6 percent market share [accessed April 2006: **http://www.iii.org/media/facts/statsbyissue/auto/**]

39. We did this because we wanted as conservative an estimate as possible. A downside, however, is that these estimates should not be compared across the metropolitan areas in our analysis, since we consider a different amount of insurance across each of these areas. For a comparable assessment of average prices, please see publications by the National Association of Insurance Commissioners, or data available from the Insurance Information Institute [**www.iii.com**, accessed April 2006].

40. Insurance quotes were not available for all of the ZIP codes in these areas. We also dropped any ZIP codes with a population less than 500 in these metropolitan areas.

41. This methodology is derived from a series of studies that have analyzed price variance across ZIP codes. See for instance: Scott E. Harrington and Greg Niehaus. 1998. "Race, Redlining, and Automobile Insurance Prices." Journal of Business. 71(3): 439-69; R. Klein. 1995. "Urban homeowners insurance markets: Problems and possible solutions." Working Paper. National Association of Insurance Commissioners; and Missouri Department of Insurance. 2004. "Affordability and Availability of Personal Lines Insurance in Underserved Communities."

42. The Washington Office of the Insurance Commissioner, Texas Department of Insurance, the Michigan Office of Financial and Insurance Services, and the Missouri Department of Insurance have all undertaken analyses to estimate the relationship between credit scores and driver income. A forthcoming Federal Trade Commision analysis of this issue promises to be a generalizable assessment of this issue.

43. For instance, see: Albert B. Crenshaw and Caroline E. Mayer. 2006. "Geico's Risk Criteria Challenged: Insurer Denies That Education and Occupation Are Used to Discriminate" *Washington Post:* D01, March 21, 2006.

44. Credit cards and debit cards are two other financial service products often thought of as "basic," but no data is available to compare prices for these products.

45. For instance, please see: www.banking.pennslyvania.gov.

46. In some cases public license data is also available, but we chose not to use these for a number of reasons: these data are not always available in electronic format, the data are not always updated, it is sometimes unclear

whether businesses licensed to sell a service do so in all of their establishments;these data are not always available across states, and these data are not compatible with the InfoUSA data. Importantly, the InfoUSA data is also different from state license data because it categorizes establishments by their primary and secondary business service, not all of the business services they sell. This means, for instance, that a gas station that sells gas as its primary business, food as its second business, and check-cashing services as its third, will not be listed in the InfoUSA database as a check-cashing business.

47. Please see previous note for an explanation of the pros and cons associated with different data sources.

48. But, see evidence of systematic differences in tax assessments: Matt Fellowes and Bruce Katz. 2005. *The Price is Wrong: Getting the Market Right for Philadelphia's Working Families.* Washington, DC: The Brookings Institution.

49. Robert B. Avery, Glenn Canner, and Robert E. Cook. 2005. "New Information Reported Under HMDA and Its Application in Fair Lending Enforcement." *Federal Reserve Bulletin,* Summer 2005.

50. For more information about this comparison please refer to Keith S. Ernst and Deborah N. Goldstein. 2005. "Comment on Federal Reserve Analysis of Home Mortgage Disclosure Act Data." Center for Responsible Lending, CRL Comment #1.

51. James M. Lacko, Signe-Mary McKernan and Monoj Hastak. 2000. "Survey of Rent-to-Own Customers." Federal Trade Commission, Bureau of Economics Staff Report.

52. For instance, see: Iceland, John (Rapporteur). 2005. *Workshop on Experimental Poverty Measures.* Washington, D.C.: National Academy Press. Also see: Gary Burtless. 1999. "Political Consequences of an Improved Poverty Measure," *The LaFollette Policy Report,* Vol. 10, no. 1, Spring/Summer 1999

53. Neighborhood is defined in this report as a census tract. When using the 2004 Survey of Consumer Finance data this represented about 71 percent of the median household income (and about 44 percent of the mean income). When using the 2000 Census for median neighborhood income estimates in our sample of 12 metropolitan areas, our measure of lower income neighborhoods represented about 16 percent of the 14,903 neighborhoods in our analysis.

54. HUD estimates that the median income in 2006 is $59,600. For more information please see: **http://www.hud.gov/local/shared/working/localpo/xestmedinc.cfm?state=us** [accessed May 2006].

55. For instance, a family in Atlanta with a net annual income of $30,000 earned from one salaried worker can pay $1,500 over the course of a year to cash checks at a check casher. If they also occasionally took out a payday loan or a pawnshop loan, in addition to paying for a tax preparation service and refund anticipation loan, this family would pay at least $2,000 in fees for all of these basic financial services.

56. We jointly analyze these companies because an increasing number of establishments that serve one service, also sell the other service. For evidence of this market trend, please refer to Patrick Bolton and Howard Rosenthal (eds). 2005. *Credit Markets for the Poor.* New York: Russell Sage Foundation. Also, see: Sheila Bair. 2005. "Low Cost Payday Loans: the Opportunities, the Obstacles," Report prepared for the Annie E. Casey Foundation.

57. For instance, a family in Atlanta with a net income of $30,000 a year earned from one salaried worker can pay $1,500 to cash checks from a private company if they lived and worked in Atlanta. If they also occasionally took out a payday loan or a pawnshop loan, in addition to paying for a tax preparation service and refund anticipation loan, this family would pay at least $2,000 in fees.

58. John P. Caskey. 2002. "Check-Cashing Outlets in a Changing Financial System." Working Paper #02-4. Federal Reserve Bank of Philadelphia; John P. Caskey. 2002. "The Economics of Payday Lending." Monograph. Madison, WI: Filene Research Institute; and Robert W. Johnson and Dixie P. Johnson. 1998. "Pawnbroking in the U.S.: A Profile of Customers." Washington, DC: Georgetown University Credit Research Center. Please keep in mind that the income values here all reflect the year that these surveys were conducted.

59. See discussion of overdraft fees in this section for an example of an exception to this trend.

60. For a full listing of current state regulations please refer to the "Check Casher Fee Schedule," maintained by the Financial Service Centers of America, Inc. – a trade association for the industry. Note that these regulations were compiled in September 2005.

61. Colorado and Washington, two states whose regulations determine policies in two of our sample cities, have no specific regulations governing these fees, making it difficult to know exactly how much is charged in these states. Also, research has found that most establishments raise prices to the maximum amount allowed under state law, defying traditional price pressures engendered by competition. See, for instance: Mark Flannery and Katherine Samolyk. 2005. "Payday Lending: Do the Costs Justify the Price." FDIC Center for Financial Research. Working Paper. No. 2005-09.

62. Mark Flannery and Katherine Samolyk. 2005. "Payday Lending: Do the Costs Justify the Price?" FDIC Center for Financial Research Working Paper No. 2005-09.

63. Jane J. Kim. April 2, 2006. "Banks sweeten promotions for new checking customers; rates creating profit pressures—bounced-check fees, other penalties rising.

64. William Streeter and Steve Cocheo. April 2006. Deposit battle: "Winning at a zero-sum game." ABA Banking Journal, American Bankers Association.

65. Author's analysis of the 2004 Survey of Consumer Finances; and Sheila Bair. 2005. "Low-Cost, Payday Loans: Opportunities and Obstacles." Baltimore, MD: The Annie E. Casey Foundation.

66. Results from a 2004 survey administered by the Center for Financial Services Association, cited from Sheila Bair. 2005. "Low-Cost, Payday Loans: Opportunities and Obstacles." Baltimore, MD: The Annie E. Casey Foundation

67. Importantly, though, payday lenders in many of these states can legally avoid these limits by renting the charter of a bank located in another state. State limits should often be interpreted as rough guides to the very high prices these payday loan establishments charge. All federal regulatory agencies ban or strongly discourage banks from engaging in this practice.

68. For more information, please see: **http://www.ncsl.org/programs/banking/paydaylend-intro.htm** and **www.paydayloaninfo.org** [accessed May 2006]

69 John P. Caskey. 2005. "Fringe Banking and the Rise of Payday Lending," in Patrick Bolton and Howard Rosenthal (eds), *Credit Markets for the Poor.* New York: Russell Sage Foundation; author's analysis of the 2004 Survey of Consumer Finances.

70. Glen Tenney. 2004. The Effects of Government Regulation on Competition and Supply in the Pawn Industry: A Quantitative and Qualitative Study. Touro University International Doctoral Dissertation. P2—202. Amanda Quester and Jean Ann Fox. 2005. "Car Title Lending: Driving Borrowers to Financial Ruin." Washington, DC: Consumer Federation of America. Note that these compilations of state regulations are at least one year old.

71. Amanda Quester and Jean Ann Fox. 2005. "Car Title Lending: Driving Borrowers to Financial Ruin." Washington, DC: Consumer Federation of America.

72. Mark Flannery and Katherine Samolyk. 2005. "Payday Lending: Do the Costs Justify the Price?" FDIC Center for Financial Research Working Paper No. 2005-09. Also see: Michael A. Stegman and Robert Faris. 2003. "Payday Lending: A Business Model

That Encourages Chronic Borrowing." *Economic Development Quarterly.* 17: 8-32. Also, for an informative consumer profile and assessment of this industry, please see: Washington State Department of Financial Institutions. 2006. "Payday Lending Report Statistics & Trends 2004." Washington State Department of Financial Institutions, Division of Consumer Services.

73. San Francisco Consumer Action. 2005. "2005 Credit Card Survey."; Chase Bank [**http://mortgage02.chase.com/pages/homeequity/hefaqs.jsp**], accessed April 2006.

74. Late payments on a credit card can also exceed the APR charged by these alternative short-term loan companies.

75. For instance, see: Sheila Bair. 2005. "Low-Cost, Payday Loans: Opportunities and Obstacles." Baltimore, MD: The Annie E. Casey Foundation; Jean Ann Fox and Eric Halperin. 2005. New Study: Most Big Banks Level High "Courtesy Overdraft" Loan Fees Without Consumers' Permission. Washington, DC: The Consumer Federation of America; and Lisa James and Peter Smith. 2006. "Overdraft Loans: Survey Finds Growing Problem for Consumers." Center for Responsible Lending, Issue Paper No. 13.

76. Quoted from: Dean Foust. 2005. "Banks: "Protection" Racket?" Business Week, May 2, 2005.

77. Quoted from: Dean Foust. 2005. "Banks: "Protection" Racket?" Business Week, May 2, 2005.

78. In this section only, we use a different definition of "lower income" because of data limitations. In particular, we use all households with an income that qualifies them for the earned-income tax credit, or an income less than or equal to 34,678 in 2003. These data come from unpublished data from Alan Berube, a fellow at the The Brookings Institution's Metropolitan Policy Program.

79. Alan Berube, The Brookings Institution, unpublished data.

80. Alan Berube, Anne Kim, Benjamin Forman, and Megan Burns. 2002. "The Price of Paying Taxes: How Tax Preparation and Refund Loan Fees Erode the Benefits of the EITC." Washington, DC: The Brookings Institution.

81. Illinois, Office of the Attorney General, **http://www.ag.state.il.us/consumers/rals.html** [accessed April 2006]; California, Office of the Attorney General, February 15, 2006 Press Release, "Attorney General Lockyer Files Lawsuit Against H&R Block for Illegally Marketing and Selling High-Cost Loans as 'Instant' Tax Refunds." Chi Chi Wu and Jean Ann Fox. 2006. "Refund Anticipation Loans: Updated Facts and Figures." Washington, DC: The Consumer Federation of America.

82. Bendixen and Associates. 2004. State by State Survey of Remittance Senders: U.S. to Latin America. Coral Gables, Florida.

83. We are not aware of comparable, metropolitan-level information.

84. Dr. Manuel Orozco. 2004. "The Remittance Marketplace: Prices, Policy and Financial Institutions." Washington, DC: Pew Hispanic Center Report.

85. Also see: Marrianne A. Hilgert et. al. 2005. "Banking on Remittances: Increasing Market Efficiencies for Consumers and Financial Institutions." Federal Reserve Community Affairs Research Conference; and the Multilateral Investment Fund, Remittances as a Development Tool Project.

86. We jointly analyze these companies because an increasing number of establishments that offer one service, also sell the other service. For evidence of this market trend, please refer to Patrick Bolton and Howard Rosenthal (eds). 2005. *Credit Markets for the Poor.* New York: Russell Sage Foundation.

87. Audrey Singer. 2005. "The Rise of New Immigrant Gateways." Washington, DC: The Brookings Institution.

88. Author's analysis of the Survey of Consumer Finances.

89. This assessment was provided on background.

90. For instance, see: Anna Paulson, Audrey Singer, Robin Newberger, and Jeremy Smith. 2006. "Financial Access for Immigrants: Lessons from Diverse Perspectives." The Brookings Institution and The Federal Reserve Bank of Chicago. Also, see publications by the Center for Financial Service Innovation.

91. For instance, see annual survey administered by Providian Financial and the Consumer Federation of America; or GAO, "Credit Reporting Literacy: Consumers Understood the Basics but Could Benefit from Targeted Educational Efforts" GAO-05-223 (2005); Elizabeth Bell and Robert Lerman. 2005. "Can Financial Literacy Enhance Asset Building?" Washington, DC: The Urban Institute; Lois Vitt, Gwen Reichbach, Jamie Kent, and Jurg K. Siegenthaler. 2005. "Goodbye to Complacency: Financial Literacy Education in the U.S. 2000-2005." Washington, DC: AARP; and Marsha Courchane and Peter Zorn. 2005. "Consumer Literacy and Credit Worthiness." Paper presented at the 2005 Federal Reserve System Community Affairs Research Conference, Promises & Pitfalls: As Consumer Finance Options Multiply, Who Is Being Served and at What Cost?

92. Anna Paulson, Audrey Singer, Robin Newberger, and Jeremy Smith. 2006. "Financial Access for Immigrants: Lessons from Diverse Perspectives." The Brookings Institution and The Federal Reserve Bank of Chicago.

93. In New York, for instance, it costs nearly $1,000 more every year, on average, to insure the exact same car and driver in lower income neighborhoods than in a moderate-income neighborhood, with a median income between $30,000–60,000. This does not include all of the other higher costs reviewed in this section, which can make this premium even higher than we report here.

94. Fiona Scott Morton, Florian Zettelmeyer, and Jorge Silva-Risso. 2001. "Consumer Information and Price Discrimination: Does the Internet Affect the Pricing of New Cars to Women and Minorities?" Working Paper 8688, National Bureau of Economic Research. Also see: Ian Ayers and Peter Siegelman. 1995. "Race and Gender Discrimination in Bargaining for a New Car." *The American Economic Review,* 85:304-21; and David W. Harless and George Hoffer. 2002. "Do Women Pay More for New Vehicles? Evidence from Transportation Price Data." *The American Economic Review,* 92:270-79.

95. Taken from: Matt Fellowes and Bruce Katz. 2005. *The Price is Wrong: Getting the Market Right for Philadelphia's Working Families.* Washington, DC: The Brookings Institution.

96. This average was generated by taking the average of all auto loans reported in the Survey of Consumer Finances for each household. For instance, for a household with three auto loans, we considered the average APR charged across all three loans.

97. For instance, see Albert B. Crenshaw and Caroline E. Mayer. March 21, 2006. "Geico's Risk Criteria Challenged," *The Washington Post,* p D01;

98. Author's analysis of the 2004 Survey of Consumer Finances.

99. Ian Ayers and Peter Siegelman. 1995. "Race and Gender Discrimination in Bargaining for a New Car." *The American Economic Review,* 85:304-21.

100. Bureau of Transportation Statistics. 2005. *Transportation Statistics Annual Report.* U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics.

101. Providian Financial and the Consumer Federation of America. See also: GAO, "Credit Reporting Literacy: Consumers Understood the Basics but Could Benefit from Targeted Educational Efforts" GAO-05-223 (2005).

102. This estimate includes the combined results of both the first and second mortgages carried on a home.

103. The Survey of Consumer Finances asks a sequence of questions to determine the number of loans a person has taken out using their primary residence as collateral. The first question inquires whether the respondent has a loan on the primary resi-

dence; the second asks if there is an additional mortgage; and then a third asks if the respondent has any other loan that uses the property as collateral. Approximately 5.6 percent of respondents who initially indicated they had a mortgage answered the second question by stating that they have a second loan.

104. These loans are defined by the Federal Reserve Board as three percentage points above comparable Treasury notes for first liens and 5 percentage points above for junior liens. In using this definition, the Board estimated they would capture over 95 percent of the sub prime market. For more information, please refer to: Robert B. Avery, Glenn Canner, and Robert E. Cook. 2005. "New Information Reported Under HMDA and Its Application in Fair Lending Enforcement." *Federal Reserve Bulletin,* Summer 2005. But, please note that recent comparisons of private sector data with these public data suggest that the Federal Reserve's definition of "high cost" mortgages misses a large proportion of this market. For more information about this comparison please refer to Keith S. Ernst and Deborah N. Goldstein. 2005. "Comment on Federal Reserve Analysis of Home Mortgage Disclosure Act Data." Center for Responsible Lending, CRL Comment #1.

105. For instance, see Albert B. Crenshaw and Caroline E. Mayer. March 21, 2006. *The Washington Post,* p. D1; Matt Fellowes. 2006. "Credit Scores, Reports, and Getting Ahead in America." Washington, DC: The Brookings Institution; and Washington Office of the Insurance Commissioner. "Washington Insurance Underwriting and Pricing." Submitted to the State Legislator in December 2003.

106. James M. Lacko, Signe-Mary McKernan and Monoj Hastak. 2000. "Survey of Rent-to-Own Customers." Federal Trade Commission, Bureau of Economics Staff Report. But, see The Association of Progressive Rental Organizations [**http://www.rtohq.org**, accessed April 2006], for an industry perspective on its customer base.

107. State of Wisconsin, Department of Financial Institutions, **http://www.wdfi.org/wca/consumer_credit/credit_guides/rent-to-own.htm** [accessed April 2006].

108. State of Maryland, Office of the Attorney General, **http://www.oag.state.md.us/consumer/edge109.htm**

109. State of Wisconsin, Department of Financial Institutions, **http://www.wdfi.org/wca/consumer_credit/credit_guides/rent-to-own.htm** [accessed April 2006].

110. According to one recent survey, the average credit card APR was 12.6 percent in 2004 across 146 different credit card products. For more information, see: San Francisco Consumer Action. 2005. "2005 Credit Card Survey."

111. Matt Fellowes. 2006. "Credit Scores, Reports, and Getting Ahead in America." Washington, DC: The Brookings Institution. Also see: Alan Berube, Matt Fellowes, Mia Mabanta. 2006. "Low-Income Credit Roadblocks," forthcoming.

112. Wei Li and Keith S. Ernst. 2006. "The Best Value in the Subprime Market: State Predatory Lending Reforms." Washington, DC: Center for Responsible Lending; M. Hudson and E.S. Reckard, More Homeowners with Good Credit Getting Stuck with Higher-Rate Loans. *Los Angeles Times:* A-1 (October 24, 2005).

113. The Center for Responsible Lending has a number of excellent studies that address these issues. Please refer to their homepage for more information: **www.responsiblelending.org**.

114. Please refer to the previous section, and the evidence from the Wisconsin Department of Financial Institution's and the Maryland's Attorney General Office, in particular.

115. Susannah Fox. 2005. *Digital Divisions: There are clear differences among those with broadband connections, dial-up connections, and no connections at all to the internet.* New York: Pew Internet and American Life Project.

116. For instance, see **http://www.lendingtree.com** [accessed April 2006].

117. For instance, see: **http://www.overstock.com, http://www.shoplocal.com, http://www.smartshopper.com, http://www.shop.com, http://www.pricescan.com** [accessed April 2006].

118. Please refer to the methodology section of this report for the NAICs definition of grocery stores that we use in this analysis.

119. Please refer to the section that reviews our methodology for information about these products.

120. For access to this report, and more information, please refer to: **http://www.thefoodtrust.org/php/programs/super.market.campaign.php#3** [accessed May 2006].

121. Robert P. King, Ephraim S. Liebtag, and Ajay S. Behl. 2004. "Supermarket Characteristics and Operating Costs in Low-Income Areas." Agricultural Economic Report No. AER839.

122. Please refer to their homepage to view these studies, www.socialcompact.org

123. Robert Berner. 2006. "Wal-Mart's Urban Renewal." *Business Week,* April 4, 2006.

124. Author's analysis of the 2004 Survey of Consumer Finances.

125. Author's analysis of the 2004 Survey of Consumer Expenditures. See also William D. Passero. 1995. "An Examination Of Spending Patterns Of Families Receiving Forms Of Public Assistance." Washington, DC: Bureau of Labor Statistics.

126. The Center for Financial Services Innovation assists the financial services industry in meeting this market opportunity. They have excellent, in depth, resources available on their webpage at: http://www.cfsinnovation.com.

127. For an excellent assessment of recent efforts by banks and credit unions to compete against high-priced alternative short-term loan providers, please see: Sheila Bair. 2005. "Low Cost Payday Loans: the Opportunities, the Obstacles," Report prepared for the Annie E. Casey Foundation.

128. As quoted in Clint Riley, March 21, 2006, "New York uses banks to kick-start renewal." *Wall Street Journal;* See also community efforts in Seattle and San Francisco to provide profitable alternatives to high-priced financial services.

129. For an assessment of the feasibility of basic financial service delivery in lower income neighborhoods, please see: Daniel M. Leibsohn. 2005. *Analysis of the Business Models and Financial Feasibility of Fringe Banking Institutions.* New Hampshire: Community Economic Development Press. Note, though, that recent research by the FDIC found that the high fixed costs of operating payday loan establishments partially explains why these loans are so expensive. This suggests that taking advantage of the massive existing infrastructure of banks and credit unions in lower income neighborhoods may be a more cost-effective way to bring mainstream, lower-priced basic financial service products into lower income neighborhoods. Please see: Mark Flannery and Katherine Samolyk. 2005. "Payday Lending: Do the Costs Justify the Price." FDIC Center for Financial Research. Working Paper. No. 2005-09.

130. National Economic Development and Law Center, Low Income Car Ownership (LICO) Clearinghouse. [www.nedlc.org, accessed February 2006].

131. The auto insurance quotes from California presented in the results section of this report were open-market quotes, and do not reflect the substantial cost savings available through this program.

132. Matt Fellowes. 2006. "Credit Scores, Reports, and Getting Ahead in America." Washington, DC: The Brookings Institution. See also: Nichola P. Retsinas and Eric S. Belsky. 2005. *Building Assets, Building Credit: Creating Wealth in Low-Income*

Communities. Washington, DC: The Brookings Institution; Patrick Bolton and Howard Rosenthal. 2005. *Credits Markets for the Poor.* New York: the Russell Sage Foundation.

133. New York's Department of Insurance. 2002. Consumer Shopping Guide for Homeowners and Tenants Insurance. Albany: New York Department of Insurance.

134. See, for instance: Tony Proscio. 2006. *Food, Markets, and Healthy Communities: How food stores accelerate local development and enrich residents' lives.* New York, New York: Local Initiatives Support Corporation.

135. Shutting down all the check cashers will not help poor families if they have nowhere else to go to conduct their financial business. In fact, without also pairing these regulatory efforts with aggressive campaigns to connect lower income consumers to mainstream businesses, these efforts could even raise prices by reducing competition for lower and moderate-income consumers.

136. For evidence of this point, please refer to the Washington Office of the Insurance Commissioner study cited in the results section of this report.

137. Wei Li and Keith S. Ernst. 2006. "The Best Value in the Subprime Market: State Predatory Lending Reforms." Washington, DC: Center for Responsible Lending; M. Hudson and E.S. Reckard, More Homeowners with Good Credit Getting Stuck with Higher-Rate Loans. *Los Angeles Times:* A-1 (October 24, 2005).

138. For an excellent, careful review of these bills, and the effect that they have had on the market, please see Wei Li and Keith S. Ernst. 2006. "The Best Value in the Subprime Market: State Predatory Lending Reforms." Washington, DC: Center for Responsible Lending.

139. As with most empirical research, outstanding questions remain. One important issue here is that there is no true, null alternative; although this analysis very reasonably assumes that states without these provisions can serve as a proxy.

140. Susannah Fox. 2005. *Digital Divisions: There are clear differences among those with broadband connections, dial-up connections, and no connections at all to the internet.* New York: Pew Internet and American Life Project.

141. The assessment of the efficacy of financial education programs has been stunted by a number of methodological problems, including selection bias (i.e., recipients of financial education may self-select, and thus be systematically different non-recipients) and by validity (i.e., there are so many outlets for financial education, it is difficult to generalize findings based on an assessment of a single program. Still, available evidence does suggest a positive impact. For more information, please refer to: Elizabeth Bell and Robert I. Lerman. 2005. "Can Financial Literacy Enhance Asset Building?" The Urban Institute, Opportunity and Ownership Project, No.6; and Saundra Braunstein and Carolyn Welch. 2002. "Financial Literacy: An Overview of Practice, Research, and Policy." *Federal Reserve Bulletin,* November 2002.

142. See, for instance: Kathryn Gwatkin and George McCarthy. 2003. "A Critical Examination of Financial Literacy Education." Presented at the 2003 Building Assets, Building Credit: A Symposium on Improving Financial Services in Low-Income Communities.

143. Elizabeth Bell and Robert I. Lerman. 2005. "Can Financial Literacy Enhance Asset Building?" The Urban Institute.

144. Douglas B. Bernhein, Daniel M. Garret, and Dean M. Maki. 2001. "Education and Savings: The Long Term Effects of High School Financial Curriculum Mandates." *Journal of Public Economics.* Volume 80, p435-65.

145. For an excellent review of state laws related to mortgage lending, as well as an assessment of the impact of these laws, please refer to: Wei Li and Keith S. Ernst. 2006. "The Best Value in the Subprime Market: State Predatory Lending Reforms." Washington, DC: Center for Responsible Lending.

146. The Bernhein et. al. paper is an excellent example of a very well designed assessment of a public education curriculum – one, potentially important delivery point for financial education.