



# From Poverty, Opportunity:

## Putting the Market to Work for Lower Income Families in San Francisco

Public and private leaders in San Francisco have a substantial, and widely overlooked, opportunity today to help lower income families get ahead by bringing down the inflated prices they pay for basic necessities, such as food and housing. This brief summarizes the evidence of this opportunity, which was collected for the 2006 Brookings Report titled **From Poverty Opportunity: Putting the Market to Work for Lower Income Families**, available online at [www.brookings.edu/metro](http://www.brookings.edu/metro).

### Key findings for San Francisco include:

#### Lower income families tend to pay high prices to cash checks and buy short-term loans.

In the metropolitan area, high-priced check cashers and alternative loan providers are very densely concentrated in poor areas. In 2005, there was about one of these establishments in a lower income neighborhood for every 5,899 residents of these neighborhoods, compared to one establishment in the highest income neighborhoods for every 74,456 residents of those neighborhoods.

#### Most lower income tax filers pay to have their taxes prepared for them.

In the metro area, about 55% of low-income tax filers paid for tax preparation services in 2003.

#### Lower income tax filers buy high-priced refund anticipation loans.

In 2003, 6% of low-income filers bought high-priced refund anticipation loans in the San Francisco metro.

#### Tax preparation firms are densely concentrated in San Francisco's lower income neighborhoods.

There is about one of these establishments for every 2,282 residents of a low-income neighborhood, compared to one for every 3,375 residents of the highest income neighborhoods.

#### Lower income families tend to pay higher than average prices for auto loans.

No data specific to San Francisco is available, but a 2004 Federal Reserve survey indicates that lower income households pay an average APR of 9.2%, compared to 7.4% paid by all other households.

#### Lower income families tend to live in the most expensive neighborhoods to insure cars in.

In a sample of quotes obtained from three insurance companies, drivers in lower income neighborhoods in the metropolitan area paid an average, annual premium of \$604, while drivers in the highest income neighborhoods paid an average of \$496.

#### Lower income families are more likely than other households to buy high-priced mortgages.

In 2004, about 11% of the mortgages originated to lower income households in the San Francisco metropolitan area are defined by the Federal Reserve as high-cost mortgages, compared to 6% of mortgages originated to the highest income borrowers.

#### High-priced rent-to-own stores are densely concentrated in San Francisco's lower income neighborhoods.

In 2005, there was about one rent-to-own establishment in a lower income neighborhood for every 120,940 residents of these neighborhoods, compared to one establishment in the highest income neighborhoods for every 446,734 residents of those neighborhoods in the metro area.

#### Higher priced, small grocery stores are concentrated in San Francisco's lower income neighborhoods.

In 2005, the average grocery store size in a low-income neighborhood is 13,594 sq. ft., compared to an average store size of 14,277 sq. ft. in a non-low-income neighborhood.

To lower these prices, public and private leaders must reduce the higher business costs that drive up prices for poor families, pass new laws and more rigorously enforce existing laws that curb market abuses, and third, and most importantly, invest in giving lower income consumers the know-how to avoid bad deals and find the lowest possible prices. Together, these strategies will give lower income families a powerful tool to lift themselves out of poverty.