



“Paycheck Poverty” - The Dangers of Payday Loans

Despite working hard, many families live paycheck to paycheck, struggling to meet day-to-day expenses or to build a cash cushion for emergencies. Geographically isolated and often lacking financial background, they are vulnerable to money traps such as payday loans, a quick growing form of predatory lending in rural America. **Payday loans do not come cheap.** Because these loans are small, short-term transactions, the Annual Percentage Rate (APR) is typically quite high. **Interest rates and fees typically run between 650% or 780% APR** (Consumer Federation of America – CFA, 2004). The average loan ranges from \$100 to \$500. A typical \$500 two-week loan will cost the borrower \$650 to repay. At these rates, if a \$500 two-week payday loan were rolled over for just three months, it will cost the borrower over \$900 in fees and interest – for an entire year it would cost \$3,900.

Here’s how payday loans work:

- You fill out an application and provide the lender with items such as paycheck stubs and a photo ID.
- You sign a loan agreement, write a postdated check to the lender, and receive your money. The signed loan agreement is a legal document that obligates the borrower to repay the loan.
- On his/her next payday, the borrower must deposit enough money to cover the check. The lender then deposits your check – unless you have replaced the check or have already repaid the loan.

The loan agreement that you are required to sign is a legal document that obligates you to repay the loan. If you cannot or do not repay the loan, the lender can seek a money judgment against you for the face amount of the check and court costs; and, if they were disclosed in the contract, any late charges, interest after maturity, and non-sufficient fund (NSF) fees. Once a money judgment is obtained, a lender may attempt to garnish your wages. Many lenders also list past due accounts with the credit bureau. This may affect your ability to get credit in the future. If you pay the loan in full prior to its due date, you are entitled to a partial refund of the finance charge. If you are married and your spouse does not sign the loan agreement, the lender is required to give your spouse a written notice that you obtained the loan.

According to one study, 91% of payday loans are made to repeat customers, cash-strapped workers who fall into a debilitating cycle of high-cost debt. Unable to repay their loans when their next paycheck arrives, borrowers roll over their payday loans and incur a new round of fees and interest charges. These repeat borrowers often pay far more in interest and fees than they ever received in cash advances.

Why are the disadvantageous, high-cost loans attracting so many borrowers? For many, the answer is urgent need. Because they lack savings, few low- or moderate-income families are financially prepared for setbacks like a lost job, family breakup, illness, or injury. Another key factor has been

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Crawford, La Crosse, Monroe, and Vernon Counties.*

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Couleecap's Sparta Food Pantry Thanks You!

Thank you to all Monroe County-Sparta area residents, schools, organizations, churches, businesses for your generous non-perishable food item donations and monetary donations made to the Sparta Couleecap Food Pantry over the holiday season. Your generosity continues to assist many area families through difficult times.

We would also like to take this opportunity to thank all individuals who donated throughout the year through food drives sponsored by various organizations, businesses and activities including area schools, Butterfest Parade, area post offices, Boy and Girl Scouts, 4H groups, and Holiday in the Park visitors.

A special thank you to the Wayside Tavern and its customers, who throughout 2006 collected monetary donations which resulted in a generous monetary gift to the Couleecap food pantry.

Always remember, every dollar and can of food donated by individuals to the Couleecap food pantry is greatly appreciated.

Thank You!

The Board and staff of Couleecap, Inc. thank the people of the Coulee Region for all of your donations of:

- Food
- Clothing
- Money
- Assistance to programs
- Volunteer time

Thanks to your generosity, over 10,000 Coulee Region people benefited from the valuable services of Couleecap in 2006.

Our thanks goes out to all who contributed to help our local families improve their lives.



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THE COULEECAP NEWSLETTER IS PUBLISHED FOUR TIMES A YEAR. CONTRIBUTIONS OF ITEMS OF INTEREST TO THE GENERAL POPULATION, ESPECIALLY THOSE RELATING TO ISSUES IMPACTING ON DISADVANTAGED PEOPLE, ARE ENCOURAGED. ADDITIONS TO THE MAILING LIST OF THOSE WHO WISH TO RECEIVE CAPSULES WILL BE MADE UPON REQUEST.

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COULEECAP, INC., IS A PRIVATE NOT-FOR-PROFIT CORPORATION SERVING THE INTERESTS OF THE RESIDENTS OF CRAWFORD, LA CROSSE, MONROE, AND VERNON COUNTIES WITH SPECIAL EMPHASIS ON HELPING PEOPLE TO OVERCOME CONDITIONS OF POVERTY. COULEECAP, INC. IS AN EQUAL OPPORTUNITY EMPLOYER AND SERVICE PROVIDER.

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intensive salesmanship by lenders. The Department of Defense found that soldiers, sailors, and aviators are as many as four times more likely to be victims of payday lenders. These lenders cluster around military bases, make it easy to roll over a loan and discourage borrowers from paying off the principle, maximizing the interest and fees collected.

Startling Trends

- **More than 100:1** - Ratio of “payday lending” outlets currently operating nationwide versus the number of these outlets operating in the early 1990’s.
- **488** - Number of Payday lending locations in Wisconsin; 24 locations in Couleecap’s four county service area of Crawford, La Crosse, Monroe, and Vernon counties. Visit www.wdfi.org/fi/lfs/licensee_lists/ to view listing.
- **470%** - Average annualized interest rate of a payday loan.

Advocacy, winter 2005

The Department of Financial Institutions (DFI) is a state agency that licenses and regulates companies that make consumer loans in Wisconsin where the interest rate is over 18% per annum. Wisconsin lenders (other than banks and credit unions) must obtain a license from the Department of Financial Institutions (DFI) Division of Banking in order to charge interest greater than 18% APR. There is no statutory maximum on the interest rates or fees charged by these licensed lenders. This includes the payday loan companies.

During the summer of 2000, the DFI conducted a review of 17 Wisconsin payday loan operations to determine how they were used and who used them. For loan applicants reporting net income, the average was \$18,675 annually. For those who reported gross income, the average was \$24,673. Renters constituted more than 60% of loan applicants in the study. DFI determined that the average loan length among those reviewed was 14 days, and that the average disclosed annual percentage rate of all reviewed loans was 542.2%.

The DFI also licenses and regulates adjustment service companies, commonly referred to as debt counselors or consumer credit counselors. These companies’ help debtors set up and keep on a budget. You can contact DFI Licensed Financial Services at 608-261-9555 for the name of the service company nearest you. Another resource is Money Smart Wisconsin, a public awareness initiative designed to help better manage finances and provide awareness of financial education programs available on topics such as budgeting and using credit wisely. Their website can be found at www.moneysmartwi.org.

Across the country, financial institutions are working to bank the unbanked and under banked by providing products and services that address low-income families’ immediate needs for cash and their long-term need for savings. Innovative examples include an Asset-Builder Loan of up to \$3,000 at 15% interest,

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*“The purpose of life is not to be happy - but to matter, to be productive, to be useful,
to have it make some difference that you have lived at all.”*

~Leo Rosten

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offered by ASI Federal Credit Union in Harahan, Louisiana. Borrowers deposit \$15 into an interest-bearing savings account, accumulating savings for themselves while paying the loan, and there's no weekly fee. ASI also offers a Payday Rebuilder Loan of up to \$2,500 at 15% interest, designed to help people pay off payday lenders over a period of up to 18 months. Borrowers must take a financial education class. Stretch Loans-part of a broader package called the Stretch Plan, which costs \$4 a week; include overdraft protection, a free refund anticipation loan at tax time, inexpensive money orders, free life insurance, and a free checking account. Although financial institutions risk losing money on a payday-type loan because of defaults, to minimize defaults, only members with a six-month history of direct deposit participate. The loans are easily renewable and require little service. The result is a win-win situation. Members get affordable help managing between paychecks and ASI Federal Credit Union increases loans with minimal cost.

Payday loans are not an effective solution for your monetary needs. If you already have one payday loan outstanding, you may find it very difficult to pay the required finance charge payments, much less paying all or a portion of the amount financed when the loan comes due. If you need a larger, longer-term loan, you should seek other, more traditional, lending sources.

Couleecap, Inc. is a private non-profit 501(c) 3 charitable organization created in 1966. Our four-county service area includes Crawford, La Crosse, Monroe, and Vernon counties in Wisconsin. For more than 40 years, we have been helping low-income people build on their strengths and become more self-sufficient. We operate over 30 programs in the areas of housing, family and youth services, and emergency services. For more information regarding Couleecap, Inc. and its programs go to www.couleecap.org, or visit our State association at www.wiscap.org.

Presented by Kay Mueller, Planner, Couleecap, Inc. Westby, WI. 54667 December 2006

References: [Eight Ways Unscrupulous Businesses Strip Cash from Rural Families](http://www.aspeninstitute.org), Compiled by Aspen Institute Community Strategies Group, June 2006 www.aspeninstitute.org
 Advocacy; [Strengthening Rural Families](http://www.aecf.org); The Annie E. Casey Foundation www.aecf.org
[Strengthening Wisconsin's Financial Future](http://www.wdfi.org), State of Wisconsin Department of Financial Institutions, www.wdfi.org
[Regulation of Payday Loan Providers](http://www.legis.state.wi.us), Wisconsin Briefs, Brief 04-9, May 2004 www.legis.state.wi.us
www.responsiblelending.org

Special Thanks to Paula Hammes – Coulee State Bank in La Crosse, and Carrie Templeton – Department of Financial Institutions, for their assistance in preparing the final draft of this paper.

*“Dare to reach out your hand into the darkness,
to pull another hand into the light.”*

~Norman B. Rice

Eastern Star Members Share Their Gifts

Western Stars Area Club officers, Rhonda Roalkvam, President, Phyllis Eklov, Secretary/Treasurer, along with Helen Wheeler, Worthy Grand Matron of Wisconsin, are pictured presenting a check to Sue Rahr, representing the Sparta Couleecap food pantry. The Western Stars Area Club, which includes members of Eastern Star Chapters in Viroqua, Sparta, Mauston, Tomah, La Crosse, Onalaska and Wisconsin Rapids, were pleased to donate a check to Couleecap food pantry in lieu of exchanging gifts at their Christmas party.



Pictured from left to right: Phyllis Eklov, Sue Rahr, Rhonda Roalkvam, and Helen Wheeler.

The Sparta Couleecap Food Pantry serves an average of 750 individuals per month. The pantry relies heavily on monetary donations such as this from the local Western Stars Area Club in order to maintain

adequate food items for our pantry.

Eastern Star is a fraternal organization for men and women and is a part of the family of Freemasonry. It is dedicated to Charity, Truth and Loving Kindness.

Eastern Star along with all Masonic charities gives \$2.5 million a day. Eastern Star members actively support and donate to many worthy charities including the American Heart Association, Cancer Research, Knights Templar Eye Foundation, as well as ESTARL (Eastern Star

Training Awards for Religious Leadership) which is a scholarship fund for persons going into full time religious service, Alzheimer's Research and HIKE (Hearing Impaired Kids Endowment). Eastern Star is also pleased to help support local area charities as well.

Pulling Together for Prevention

Girl Scout Troupe #198 created and recorded public service announcements in support of the American Cancer Society's Great American Smokeout day on November 16th. To help increase awareness on the harmful effects of smoking, the students created and recorded messages of



Back Row-Left to Right: Samantha Felde, Abbey Melcher, Rachel Feltes, Alyson Hornby, Cammy Speck, Tiffany Voss, Neca Stussy, and Gary Gilbertson.
Front Row - Left to Right: Brittany Young and Alex Springborn.

encouragement for smokers to take the first step toward quitting for a lifetime by starting with just one day, starting on November 16th. The students partnered with WVRQ Radio Station, the American Cancer Society, Couleecap, and the Vernon County Partnership Council. "Pulling Together for Prevention."

*"The greatest good you can do for another is not just to share your riches,
but to reveal to him his own."*

~Benjamin Disraeli

Carbon Monoxide — Got It? Get Rid Of It!

Winter is here. It's time to close the windows and turn up the heat. Gas, oil, and wood heat are great ways to stay warm, but remember to protect yourself. Combustion appliances provide the heat we need, and can produce the carbon monoxide that we don't want. Ignoring the maintenance of your heating system can cost you \$ and could cost you your life.

Carbon monoxide (CO) is a colorless, odorless, and tasteless poison. It is the number one cause of poisoning in the United States. There are about 2100 unintentional deaths from CO every year in the U.S. according to the American Medical Association. An additional 10,000 injuries occur annually from CO. If you have any gas, oil, wood or coal burning appliances in your home, you need to be aware of the potential dangers of carbon monoxide.

CO is the product of incomplete combustion from any fuel burning appliance. Furnaces, gas stoves and dryers, wood or gas fireplaces, gas water heaters, and auto exhaust from attached garages are potential sources of CO. Clogged chimneys or flue pipes, un-vented space heaters, and generators are other potential risks. And the risks are high. Inhaling large levels of CO can lead to impaired judgment and memory, breathing difficulties, brain damage, coma, and death.

Can you tell if you are being poisoned? Perhaps. Typical symptoms are similar to the flu. Headaches, dizziness, fatigue, nausea, irregular breathing, and sleepiness are all possible signs of CO poisoning. Can you protect yourself?

Yes – carbon monoxide detectors.

Have you got one? NO? – Get one. YES? – Remember to test. Install CO alarms in central locations outside each sleeping area of your home. Since CO is heavier than air, install the alarm closer to the floor. Always test your CO alarm at least once a month and remember to replace the battery at least once every year.

There are other ways to protect yourself from CO:

- If you need to warm a vehicle, remove it from the garage immediately after starting it. Don't ever run a vehicle, generator, or other fueled engine indoors, even if the garage doors are open to the outside.
- When using a fireplace, be sure the flue is open to the chimney.
- Have all fuel-burning heating equipment and chimneys inspected by a professional every year.
- Never use a gas oven to heat your home.
- Only use barbecue grills outdoors. Never use them in your garage or home.
- When purchasing new cooking or heating equipment, look for products that have been tested and labeled by an independent testing laboratory.
- When camping, only use battery-powered heaters and lights in tents, trailers, and motor homes.
- When purchasing an existing home, have a qualified technician inspect all heating and cooking appliances, and the connection between house and garage.
- Seal any gaps around doors and windows that open between the house and garage.
- CO alarms are not substitutes for smoke alarms. Install smoke alarms on every level of your home, and near all sleeping areas.
- Know the difference between the sound of your

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“One must be poor to know the luxury of giving.”

~George Eliot

Couleecap's Family First Resource Center Covers All The Bases with Families in Need

Providing children with a safe and nurturing environment, investing in their health and education, and promoting secure families are all critical to children's sound development and ability to learn. The Families First Resource Center's programs have grown and changed throughout the years. Programs and services are based upon the needs of the participants, which also change. Our focus is on strengthening families and building self-esteem and confidence within families. All parents need help at some time, but not all parents need the same type or intensity of support, so we have to be flexible with our activities and support groups.

In 2006, the Couleecap Families First Resource Center (FFRC) served over 2000 individuals with parenting support and education. Activities through the FFRC have included: toddler play groups, book exchange tables, family literacy activities, Turn-Off-TV Week activities, nutrition education, family fun nights, child development days and car seat safety education.

The FFRC library offers a wide variety of resources: everything from puppets, puzzles, videos, to books on potty training, single parenting, discipline and cooking. The FFRC also has a community computer with internet access and assistance on resume writing, job searching, child development, and home safety. Community

resources such as day care listings, food pantries and affordable housing are also available.

In December 2006, the FFRC was able to help 18 Vernon County families have a better Christmas. All 18 families were referred from social workers, case managers or school personnel. Through private donations, the FFRC was able to assist every request that was placed. Community members have been very charitable and helped to fulfill a need that was apparent to many.

Activities and resources offered at the FFRC are funded by Vernon County Department of Human Services Safe and Stable Families, the Child Abuse Prevention Fund, and through private donations. This is the only resource center available in Vernon County. The community is important to Couleecap, Inc. and we understand the importance of offering these very important resources to families in the county.

The Couleecap Families First Resource Center has two locations: 212 Airport Plaza in Viroqua, hours are 10-3pm Monday through Friday and in Room 121 of the Viroqua Elementary School on Tuesdays and Thursdays from 8-10:30am. Interested persons can also contact Marina Abt, Resource Center Coordinator, at 608-637-6518 or by e-mail at: marinaa@couleecap.org.

Carbon Monoxide — Got It? Get Rid Of It!

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- smoke alarms and the sound of your CO alarms.
- If your CO alarm sounds, the first thing to do is get all people and pets out of the house. Call the appropriate fire dept. non-emergency phone number to report the situation. Before re-occupying your home, call a qualified technician to inspect all equipment.

One of the most preventable causes of poisoning in America is from carbon monoxide. Purchase and install a good quality CO detector today. The \$40 - \$50 expense is nothing compared to the potential cost of life.

Submitted by Erik Schoenemann, Energy Auditor, Couleecap, Inc. Westby, WI.

"It's easy to make a buck. It's a lot tougher to make a difference."

~Tom Brokaw

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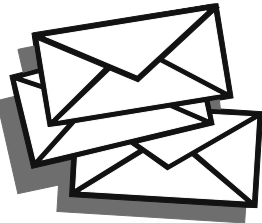
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Kind Words from Couleecap's Program Participants

*"Just a note to thank all the people at Couleecap for the energy saving things you did for us in our home.
Your whole team of people were all very nice and professional. Please thank them all for us."
- La Crosse County Client*

*"I wish to thank all of you, from the people in the office, to the workers who installed all the materials.
You did a great job and I feel very blessed to have received these helpful energy saving items."
-Vernon County Client*

*"We just wanted to let you know how much we appreciate all the work you and your crew did for us.
Everyone who worked here was friendly and polite. Most of all our energy bill has gone down.
Thanks again, we are grateful."
-La Crosse County Client*