

Senate Finance
04/29/2022 Upon Adjournment
HB22-1359 Colorado Household Financial Recovery Program
Typed Text of Testimony Submitted

Name, Position, Representing	Typed Text of Testimony
Mike Johnston For Gary Community Ventures	<p>I am writing to share our support for HB-1359. As Colorado continues to focus on ways to help households recover from the COVID-19 pandemic and address many of the structural challenges that inhibit that recovery, ensuring affordable access to capital is essential to helping families save money and recover financially.</p> <p>We have seen in the past how public dollars can be used as a catalyst for innovation and collaboration with the philanthropic and private sectors. This is particularly true as we aspire to provide Coloradans with financial tools and lending solutions that can help them achieve financial stability and well-being. One such powerful solution is a publicly funded risk-reduction pool that will result in low-cost debt consolidation options as well as responsible alternatives to predatory lending products. Such products would be a game-changer for low-income Coloradans, and help create a pioneering new model for responsible, high-impact financial products created with the help of public dollars.</p> <p>Our organization, as a philanthropic entity, has incubated many such solutions that have grown to be statewide institutions creating long-term systemic change. We believe that HB-1359 will spur a movement towards responsible lending that is unlike anything currently available in the market, and we are excited to be playing a critical role along with other stakeholders in making this a reality.</p> <p>We look forward to the passage of HB-1359 and, with it, the creation of a new resource in our state that will ensure a more equitable recovery and economic future for our state.</p> <p>Please let us know if we can answer any questions about the types of solutions we believe this fund can enable.</p>

Good afternoon, Madam Chair, and members of the committee. My name is Melissa Mejía, and I am the Director of State and Local Policy for the COVID-19 Eviction Defense Project. I appreciate the opportunity to share our support for HB1359 to create the Colorado household financial recovery program and make sure all families in the state have access to the resources they need to stay stable and healthy.

CEDP is a nonprofit organization working to keep Coloradans housed. Our teams provide rental assistance and free legal aid and guidance to tenants facing eviction and housing insecurity. At CEDP our lawyers and advocates help numerous clients who have debts, bills, and expenses that are beyond the scope of the rental support we're able to offer. In so many cases, when clients are behind on rent, they are also dealing with other debts or expenses that are still going unpaid and are often growing.

When our clients have bills that aren't covered by existing support programs, they turn to high interest payday loans to stay afloat. These loans are usually for relatively small amounts, but the high interest rates mean families who were already facing financial instability now have even more debt to deal with tomorrow in order to keep their family safe and healthy today. Having to turn to these high-cost loan products, especially for those who are un- or underbanked and don't have other options- serves to perpetuate cyclical debt for lower income families and keeps them from stabilizing enough to move past housing and overall economic insecurity.

HB 1359 creates a program that offers families struggling to keep up with payments a lower cost alternative to one-time funds to deal with financial emergencies or get back on their feet. We know that a big reason resources often go underutilized is not just because people don't know they exist, but because the programs are not designed or administered by organizations that are known and trusted by the communities they seek to serve. The partnerships created by HB1359 will help ensure that these funds are actually reaching the people who need them through the organizations they already trust.

Families who are housing insecure or facing enormous debt are rarely dealing with only one type of hardship. Colorado has already made significant efforts to keep Coloradans housed in the near future with rental assistance. Let's make that stability long term by offering financial solutions that reduce working families' reliance on predatory payday lending and programming that connects them to resources and supports that will keep them healthy and housed.

HB1359 is an opportunity to use one-time funds to create long term change through programming that will serve the most economically marginalized Coloradans and help to stabilize thousands of families. I urge your support for HB1359 to establish the household financial recovery program to support our state's continued recovery for all residents.

Bell Talk Points:

Colorado needs low cost lending alternatives to high interest forms of credit that create long-term cycles of debt and poverty.

By using one-time funds to seed a new small dollar loan fund, we can make transformative change that helps the private market better meet the credit needs of Coloradans

Even before COVID-19, 20 percent of Coloradans were un or underbanked. Many of these individuals who need debt refinancing, or who are looking for affordable short term credit, currently have few options

One time dollars can make a HUGE difference by creating a new source of lending capital that can revolve, be leveraged, and make a lasting impact for many years to come

- Eleven percent of vulnerable Latino households in Colorado used high-cost loans during the economic downturn. Rates were even higher along the western slope.
- Whether measured by the percentage of adults with debt in collection (23 percent) or the percentage of those unable to afford a \$400 expense (12 percent), a range of indicators suggest a continuous level of financial insecurity for many Coloradans.

Unfortunately, we know nearly 20 percent of Coloradans—residing in all corners of our state—are un or underbanked. This means these individuals aren't connected to traditional financial institutions and are more likely to turn to high-cost loans when they fall on hard times.

An inability to repay these expensive loans on time can lead to collection lawsuits, wage garnishment, late fees, and other penalties, all of which can exacerbate a borrower's financial struggles

"Recover from financial emergencies"

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Small dollar loan products offered at Bank On Denver

Each of these programs was designed to get individuals, families, and small businesses back into the financial banking institutions so that they could confidently walk into any bank or credit union should they find themselves in need of a bridge loan. In fact, that was the name of the first loan product “A bridge to a bridge”.

We created a partnership with MiCasa, Guarantee Bank and Bank On Denver three years ago in order to assist small minority businesses with access to capital coupled with financial empowerment. We loaned out approximately \$300,000 and had less than a 1 percent default rate. This programing was designed to assist those that do not fit neatly in an eligibility application at any banking institution. This service was coupled with a business coach and a financial coach to assist them with their business and personal finances. This programing has been replicated with NEWSED, Alpine Bank and Bank On Denver.

During COVID we utilized CRF – Community Reinvesting Funding to assist individuals, families, and small businesses to access grants for those financially impacted by COVID. This too was coupled with one on one financial coaching and a business coach if needed in order to assist them in moving out of crisis mode and into stabilization.

Why is this service offered and how has it helped the folks that have used it?

The OFEP in partnership with Bank On Denver had observed that LMI – low to moderate income business owners, individuals and families needed access to capital or a bridge loan in order to help them grow and develop their businesses, maintain their current assets, and continue their financial journey through safe and affordable banking products.

While many of the businesses were able to sustain and grow, one went from a food truck to 5 bricks and mortar locations and creating at least 20 jobs in the process.

For others, a solid understanding of the banking market, credit scores, the importance of creating a savings and reducing debt, be it in their personal or business finances.

For individuals and families, it literally kept a roof over their heads, cars operational, utilities active, including employed. You just cannot put a price on access to capital and financial coaching.

What are the biggest challenges with providing these services?

Capacity - We have more need than we have resources in the community to serve all those individuals, families and small businesses who need access to capital and financial coaching.

Buy-In – We need all businesses and legislators to understand that financial scarcity is a real issue in our communities and that financial scarcity impacts the productivity for their employees and ultimately impacts the businesses bottom line. A small investment in this type of programing allows individuals, families and business to operate at optimum level while reducing the need for other government sponsored benefits.

Alvin Tafoya