Economic Security Impact Brief

creating a better financial future for low-income people

$2.3 MILLION IN TAX CREDITS WERE RETURNED TO 1,557 FAMILIES

MORE THAN 2,200 HOMEOWNERS AND RENTERS RECEIVED COUNSELING AND LEGAL SERVICES.

OF THE 2,609 HOMEOWNERS FOR WHOM A WORKOUT REQUEST WAS SUBMITTED, 33% ELIGIBILITIES A LOAN WORKOUT AND WERE ABLE TO AVOID FORECLOSURE.

NOW HAVE ORDINANCES OR MORatoria ON PAYDAY LENDING:
- EAST PALO ALTO
- CAMPBELL
- ALISO VIEJO
- PACIFICA
- MENLO PARK
- SANTA CLARA
- SAN MATEO COUNTY
- COUNTY OF SANTA CLARA

THE CITY OF SAN JOSÉ PASSES AN ORDINANCE THAT CAPS PAYDAY LENDING STORES IN THE CITY AT THE CURRENT NUMBER (39), AND RESTRICTS WHERE THE STORES MAY BE LOCATED.

9 JURISDICTIONS

33% OF THE 1,609 HOMEOWNERS FOR WHOM A LOAN WORKOUT REQUEST WAS SUBMITTED RECEIVED A LOAN MODIFICATION AND WERE ABLE TO AVOID FORECLOSURE.

9 JURISDICTIONS

STATEWIDE BILLS WERE SIGNED INTO LAW

5 OUT OF 6

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About Silicon Valley Community Foundation

Silicon Valley Community Foundation makes all forms of philanthropy more powerful. We serve as catalysts and leaders for innovative solutions to the region’s most challenging problems and give more money to charities than any other community foundation in the United States.

SVCF leads from a position of influence, not management. As Silicon Valley’s leader of philanthropy, we provide thousands of individuals, families and corporations with simple and effective ways for giving locally and around the world.

Find out more at www.siliconvalleycf.org.

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background

Silicon Valley Community Foundation is committed to solving the region’s most challenging problems. One of the ways we do this is through our strategic grantmaking and by partnering with the most effective and innovative organizations to make a difference in four key areas: economic security, education, immigration, and regional planning. In addition to these areas, the community foundation has also made grants through its community opportunity fund, which focuses on time-sensitive issues, community and philanthropic leadership and regional innovation.

We understand that creating real impact does not happen by chance. Over the last two years we took a detailed look at the effectiveness of our grantmaking with the help of an independent, third-party evaluation conducted by LFA Group: Learning for Action. What this evaluation revealed is that with our partners, we made significant positive impact on the lives of individuals and families, institutions, and entire communities. We also learned a great deal about what works and what does not.

We are pleased to present this brief, which summarizes our results and our learning over a three-year period from 2010-2012.

the challenge

Silicon Valley is a region of stark economic contrasts. While great wealth is created here, many struggle to make ends meet and many suffered hard times even before the Great Recession. According to a 2008 study¹, more than one in five San Mateo and Santa Clara County residents were considered asset-poor meaning they did not have enough cash reserves or equity in their homes or businesses to meet basic needs for three months in case of unexpected financial hardship. At the same time, an increasingly complex financial landscape and reduced regulatory safeguards led to consumer confusion, poor financial decision-making and predatory lending practices, particularly within low-income communities and communities of color. The ensuing housing crisis affected the economic security of individuals, families and entire communities, with Latino and African American communities the hardest hit.

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We understand that creating real impact does not happen by chance. Over the last two years we took a detailed look at the effectiveness of our grantmaking with the help of an independent, third-party evaluation conducted by LPA Group. Learning for Action. What this evaluation revealed is that our partners, working in close partnership with the neighborhoods and families, institutions and for entire communities. We also learned a great deal about what works and what does not.

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our response

Since 2009, the community foundation has made strategic investments in programs that provide people with financial education as well as access to services to save, invest and protect family wealth. We also have made investments in programs that provide counseling and legal services for homeowners and renters at risk of foreclosure or eviction. And our grantmaking has focused on combating predatory lending by raising awareness of the extent of the problem and working on policy solutions to regulate it locally and statewide.

our impact

We have helped thousands of low- and moderate-income households make better financial decisions, increase their savings and build their assets, putting them on a path to greater financial security.

- $2.3 million in tax credits were returned to 1,057 families in San Mateo and Santa Clara counties who filed for the Earned Income Tax Credit with the support of SVP greenhouse. Our investments in this specific area of work was $450,000, which yielded a return in investment of more than 5 to 1. And because people can apply for EITC each year, our grantmaking achieves a multiplicative effect.

- More than 1,200 homeowners and renters received counseling and legal services from community foundation grantees in 2011 and 2012.
- 500 or 33 percent of the 1,503 homeowners for whom a loan workout request was submitted received a loan modification and were able to avoid foreclosure. This compares to slightly over 20 percent of homeowners in California who requested and received a loan modification. Even homeowners who went through the time-consuming loan modification process and made successful agreement gained other benefits including better understanding of their house values, alternative financial options if bankruptcy was elected, and alternative housing arrangements.

In addition to helping people build their wealth and create a better financial future, we have been working hard to ensure that progress is not marred by predatory lending practices, such as payday loans. Our own research shows that payday lending comes with a 400 plus annual percentage rate and create a debt trap is difficult to escape. Ultimately, SVP would like to see California enact a 26 percent interest rate cap, as California has 15 other states and the District of Columbia. This is an uphill battle. Therefore, it has been important for us to support a number of successful local and regional efforts that make the life of payday loans highly visible to the public and policymakers. We believe this will ease the way for greater state action.

- Nine jurisdictions in Silicon Valley that are home to one of 1,412,457 residents have told to an attack against payday lending by enacting moratoriums or limits to the number and location of payday lending establishments.
- The City of San Jose passed what is considered to be the gold standard of ordinances. It limits the number of payday lending stores operating in the city; makes it illegal for lenders to operate in any low-income census tracts and requires a quarter mile distance between payday lending establishments.
- With SVP support, five out of six statewide bills were signed into law to limit payday lending operations, increases consumer protections or expand access to responsible, small dollar loan alternatives.

**Revised June 11, 2013.**

(Endnotes)

1 Index of Silicon Valley, 2008. Joint Venture/Silicon Valley and Silicon Valley Community Foundation.
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