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Providing free legal services to the low-income and vulnerable in eastern and south central Kentucky



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Being Poor Ain't Cheap

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Poor people are cash cows.

It makes no sense, really. One would think that poor people, by virtue of being poor, would not be profitable customers. However, for many large corporations that target the poor and working poor, there's big money to be made on the backs of those who have no money.

At Dollar General Store locations, customers can get cash back on their purchases. This is not novel. In fact, most all retailers these days offer this option. Soccer moms get cash back so they can have lunch money for their children. Restaurant patrons can get money back to leave a cash tip for their servers. I sometimes get cash back at the grocery store so I can buy Girl Scouts cookies on the way out. It's a simple process. Click "yes" when the little screen asks for cash back, tap the \$20 icon, and the cashier hands you some bucks along with your receipt. We've all done it. For those who are poor and those of us who are not but who have limited retail options, however, there's often a sinister catch.

I noticed this a few years ago, first at Dollar Tree, then at Dollar General. There's a little asterisk after the standard "would you like cash back?" prompt. The footnote indicates that "a transaction fee may apply." The transaction fee is usually \$1 no matter the amount of cash back. If one opts to get \$10 cash back, one is charged a dollar. That's a ten percent fee, for a service that costs the retailer nothing. It's just another way for retailers like Dollar General to make a profit off of their customers, many of whom are very often living below the poverty line.

If an organic grocer or movie theater were charging a fee of this sort, I would likely be annoyed by it, but I wouldn't be so annoyed that I would write about it. However, the poorest members of our communities do not shop at Whole Foods, and they do not often get a chance to go see the latest blockbuster at the theater. They can afford neither. In fact, they likely do not have either organic grocers or first-run theaters in their neighborhoods. Instead, they have Dollar General. Dollar General's stores grow like kudzo in rural America. Even if there isn't a real grocery store in most tiny communities, there's probably a DG.

These ridiculous transaction fees are but one example of how corporations make billions of dollars by taking advantage of socioeconomically disadvantaged customers with few options. There are many other examples, though, and politicians continue to allow it at the expense of their poorest and most marginalized constituents.

Payday lending is one of the most sinister ways that large corporations exploit poor people. For those who are not familiar, payday lending goes something like this: People who are running short on money but who have a verified record of regular income (whether it be Social Security, SSI, payroll, etc.) are able to go to payday lenders and receive a cash loan to be repaid on payday. Often, borrowers are unable to repay their full loan balances and simply "roll over" their loan until a future payday, accruing all sorts of fees and additional interest. The annualized interest rate on these loans is often in the triple digits. Yes, that's right. Sometimes the annual interest rate is over one hundred percent.

In defense of this practice, many payday lenders and their high-dollar lobbyists argue that they are simply offering a service to poor borrowers that said borrowers cannot obtain anywhere else. This is partially true. The poorest members of society have no access to traditional forms of

credit. Some even lack access to checking accounts because of low credit scores or a history of financial missteps.

I know some people who make occasional use of payday lending because they genuinely have emergencies arise that they could not address without a short-term infusion of cash. I also know people, including members of my own family, who have been riding the high-interest payday loan merry-go-round for years, and who have paid thousands more back than they have borrowed yet still owe more. In debating the role of payday lending in our communities, it is essential that we take a nuanced approach. Some form of short-term credit is necessary for those mired in poverty. However, it is flat-out immoral that we regulate payday lending so loosely in many places that people end up feeling crushed under the weight of small high-interest loans that they have no hope of ever repaying. Taking out a \$1,000 payday loan should not mean a person becomes tied to tens of thousands of dollars in debt.

Another egregious example of corporations exploiting the poor is rent-to-own retailing. Companies like Aaron's and Rent-a-Center purport to offer a valuable service for the poor. Because those at the bottom of the socioeconomic spectrum are seldom able to save for big-ticket items like appliances or furniture, these retailers offer a pay-by-the-month scheme that often requires no credit check and no money down. The result is that customers pay as much as three times the retail price of the item, assuming they are able to make payments until the item is paid for. When they are not able to maintain the payments, the retailers simply show up to repossess the items.

Like payday lenders, rent-to-own retailers argue that they provide a valuable service to poor consumers. However, many observers, myself included, conclude that some rent-to-own practices are ethically questionable and tend to target vulnerable consumers who need immediate access to essentials like appliances and bedding. In many states, companies are not required to disclose the final price of the items. Instead, they simply tell customers the amount of the monthly or weekly payments. Because companies call the arrangement "rent-to-own," in many places they are not required to disclose the amount of "interest" customers will pay because it technically isn't interest. When consumers can no longer afford the payments and have to return the item, they often get no credit for payments they have made even if they have paid substantially more than the item is worth. Many customers never realize that they are paying as much as three times the retail price for their items. Those who do realize it likely have no choice apart from going without a bed or refrigerator.

In some instances, state attorneys general have successfully sued major rent-to-own retailers for violating usury and consumer protection laws. However, because these retailers are covered generally by state laws rather than by federal laws, there exists a hit-and-miss patchwork of regulations. Some consumers enjoy greater protections than others. The only determining factor is their location. Those states with more corporation-friendly attorneys general are unlikely to see any activity that might force retailers to behave more ethically toward their customers, because such enforcements will result in a drop in profitability for the retailers. Many major corporations spend good money to be sure that politicians protect their interests rather than the interests of consumers. Rent-to-own retailers and payday lenders are no exception. The poor, of course, can't afford lobbyists or political contributions.

There are some who will argue that the free market, not the federal government, is the best solution to corporations that exploit the poor. However, those at the bottom of the socioeconomic spectrum, especially the rural poor, do not live in anything resembling a free market. Also, it is important that we label the behavior of rent-to-own companies and payday lenders as what it is: exploitation.

In the hills of Appalachia, poverty is often the rule rather than the exception. One of the most poverty-stricken ZIP codes in the United States is Manchester, Kentucky. Manchester is located in Clay County, which has a population of just over 20,000 people. According to the most recent US Census data available, the per-capita income average between 2011 and 2015 was just \$13,802 (less than half the national average) and 46% of the population lives below the poverty line. In Manchester, Rent-a-Center is often the go-to option for poor people looking to buy appliances or furniture. The county has a Walmart, but the nearest discount appliance and furniture dealers are miles away, too far for many to drive. There are some locally-owned options, but few in Clay County are able to pay cash for major purchases given the high rate of poverty and the low rate of employment.

In addition to the rent-to-own retailers, Clay County also has no less than five payday lenders, but only two traditional banks. Conveniently, the primary shopping center in Manchester currently houses a Dollar General, a Rent-a-Center, and two payday lending branches, all within feet of one another.

In places like Manchester, rent-to-own and payday lending outfits thrive. They do so often to the detriment of the poor folks who frequent their businesses. Those promoting the so-called free market approach might argue that customers are not forced to do business with these types of companies. However, given their dire financial circumstances and lack of available options, poor people in Manchester have little choice. They are excluded from participating in the wider world of commerce, often because of forces beyond their own control.

Manchester is not a rare exception. Particularly in central Appalachia, rent-to-own retailers are often the only option for poor people, and payday lenders outnumber banks by large measure. In addition to being food deserts, many poverty-stricken communities are retail deserts. In the most isolated rural areas in Appalachia, Dollar General is one of the only available retail options. Within ten miles of our house in rural Jackson County, NC, there are four Dollar General stores,

and our community isn't even particularly isolated. Dollar General is the closest store to our home, and my wife and I tend to shop there by default because it is either that or a ten minute drive to the closest grocery store, or worse, a twenty minute drive into town. While we have the resources to go to town any time we want, many of our neighbors do not. The folks in the trailer park down the road often walk to Dollar General because they have few other options. This does not seem much like a free market driven by competition. Therefore, "free market" solutions simply do not work here.

Dollar General is, I believe, fully aware of the demographics of their shoppers. They know that there are often few ATMs near their locations, and their customers often lack access to traditional banking anyway and end up paying fees of three or four dollars to access their money at ATMs. Especially for people who depend on Social Security or SSI for their income, access to money is an important issue. Dollar General and similar retailers, it seems, understand this. Their solution is not to offer a resource for their customers but to profit from their customers' limited access to funds. It's cheaper than an ATM, but it's a fee more affluent shoppers never have to think about. While there is nothing illegal about this, it is certainly morally questionable.

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