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The Skanner Newspaper, established in October 1975, is a weekly publication, published each Wednesday by IMM Publications Inc., 415 N. Killingsworth St., P.O. Box 5455, Portland, OR 97228. Telephone (503) 285-5555. E-mail: info@theskanner.com World Wide Web site: <http://www.theskanner.com> Fax: (503) 285-2900

The Skanner is a member of the National Newspaper Publishers Association and West Coast Black Publishers Association.

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Blacks, Latinos: the Under-Banked

More than 37 million American households were either unbanked or under-banked in 2011, according to a new report by the Federal Deposit Insurance Corporation (FDIC). African-American households represent 34 percent of all under-banked consumers, the highest percentage among demographics surveyed.

When under-banked African-American and Latino households are combined, these two communities of color comprise more than 60 percent of the nation's under-banked households.

Unbanked Hispanics households use alternative financial services (AFS) more actively than any other racial or ethnic group.

FDIC defines a household as "unbanked" if no one in the family has a checking or savings account. "Under-banked" households are those that have a checking or savings account but rely on AFS to transact personal business.

Another new FDIC finding is that the use of prepaid debit cards is growing, particularly among those who have never banked and the previously banked. From 2009 to 2011, use of prepaid debit cards by consumers who have never



RESPONSIBLE LENDING

Charlene Crowell

held bank accounts nearly doubled from six to 11 percent. Previously banked consumers' usage grew from 19 to 27 percent.

Beyond racial disparities,

either did not make small-dollar loans or the consumers did not qualify.

More than half of 2011's under-banked consumers felt purchasing non-bank money orders or using a non-bank check-cashing service was more convenient than bank services. Unbanked consumers agreed by more than 29 percent.

On a state-by-state basis, FDIC's analysis found the highest incidence of unbanked consumers in the South: Alabama, Arkansas, Louisiana, Mississippi, Oklahoma

consumers were: Austin, Texas; Baltimore, Md; Kansas City, Mo.; Little Rock, Arkansas; New Orleans, and Rochester, N.Y.

Uriah King, vice-president for state policy at the Center for Responsible Lending (CRL), said, "Payday loans are no easy fix. Borrowers have to take out loan after loan just to stay afloat."

Earlier CRL research found that payday loans lead to long-term debt. The payday industry's \$27 billion annual loan volume is largely derived by "loan churning," the practice of taking out a new loan in order to pay an earlier one. Payday loans' debt cycle generates \$3.5 billion in fees alone each year, and the typical borrower is in debt most of the year – 212 days.

Other CRL research on overdraft fees found that most debit card transactions were triggered by an average expenditure of \$20, but the typical fee charged for each overdraft is \$34 per transaction. As a result, each year overdraft fees cost consumers \$23.7 billion.

"Usurious payday loans and overdraft fees are clearly predatory products," King said. "No wonder so many consumers simply opt out completely."

Payday loans' debt cycle generates \$3.5 billion in fees alone each year

unbanked and under-banked consumers find that AFSs are more convenient, easier to access, and present lower barriers to qualification than traditional banking. Ease of access was most often mentioned by consumers as the deciding factor in their choices. The second most frequent reason unbanked and under-banked consumers chose AFS was that banks

and Texas. Of those states, the highest percentage of unbanked consumers live in Mississippi (more than 15 percent.)

FDIC's metro area data revealed that Texas' most populous city, Houston, had the highest percentage of under-banked consumers (more than 28 percent). Other metro areas with 20 percent or higher numbers of under-banked

Games Played in Fiscal Cliff Showdown

It should be embarrassing enough that President Obama and House Republicans postponed making tough fiscal decisions by kicking the can down the road to New Year's Day – when certain automatic budget cuts will go into effect unless they act to avoid what is called a fiscal cliff. Instead of moving quickly to solve their self-created problems, both sides continue to misrepresent basic facts.

For example, House Speaker John Boehner [D-Ohio] has criticized the Obama administration for refusing to give list of specific cuts. He said the administration "put \$400 billion worth of unspecified cuts that they'd be willing to talk about."

FactCheck.org stated flatly <http://factcheck.org/2012/12/dueling-fiscal-cliff-deceptions/> : "Boehner is wrong." It explained, "The president's deficit-reduction plan, as proposed to Congress in September 2011, itemizes 'nearly \$580 billion in cuts and reforms to mandatory programs, of which \$320 billion is savings from Federal health programs such as Medicare and Medicaid.' Those proposals are also listed in the president's fiscal 2013 budget proposal in a section, beginning on page 23, titled 'Cutting Waste, Reducing the Deficit.'

"The Medicare proposals, for example, are a mix of reduced payments to certain providers, including teaching hospitals and post-acute care facilities – as well as the higher premiums and new fees for certain beneficiaries..."

FactCheck.org, an organization that holds public officials accountable, also noted that Republican are running a numbers game.

"In a Dec. 3 letter to the presi-

THE CURRY REPORT

George E. Curry



dent outlining the GOP counter-proposal for deficit reduction, Boehner and other GOP leaders said there is 'four times as much tax revenue as spending cuts' in the president's proposal," the organization recalled. "The GOP

Republicans' spending cuts-to-tax hike ratios is that Republicans do not count the \$1 trillion in discretionary spending cuts agreed to in the Budget Control Act of 2011," FactCheck.org states. "The White House argues those are part of the ongoing negotiations to resolve a deficit crisis. Nor does the GOP include the \$800 billion 'saved' from ending the wars in Iraq and Afghanistan."

President Obama and Secretary of Treasury Timonty Geithner overstate exaggerate the amount of spending cuts in the president's plan, according to FactCheck.org. "On NBC's 'Meet the Press,'

Amid the word and numbers games, the public is clear about what should be done, even if Washington isn't

math works like this: Obama's proposal includes \$1.6 trillion in new tax revenue and roughly \$400 billion in spending cuts. In an email to us, Boehner spokesman Brendan Buck said that 'when Sec. Geithner made his proposal to us, the number he used – repeatedly – was \$400 billion.' However, as we mentioned earlier, on several Sunday talk shows, Geithner said the total savings comes to \$600 billion over 10 years."

Both Republicans and Democrats are playing being selective in their choice of words.

"In part, the discrepancy is a matter of language. Republicans are saying 'spending cuts' while Democrats are saying 'savings,' 'reforms' and 'spending cuts.' But the more substantial difference between the Democrats' and

Geithner said, 'We have laid out a very detailed plan of spending cuts, \$600 billion dollars in spending in mandatory programs over 10 years.' The president made the same claim in a Dec. 4 interview with Bloomberg News, saying his proposal has '\$600 billion in additional cuts in mandatory spending.'

"It's true that there's nearly \$600 billion in estimated savings from mandatory programs: \$326 billion in health programs, including Medicare and Medicaid, and \$254 billion in other programs, such as farm subsidies. But not all of these are 'spending cuts,' and the administration's own deficit-reduction plan doesn't label them as such – instead calling them a combination of 'cuts and reforms.' "There are tens of billions in

new fees and surcharges and increased premiums in Medicare alone. Table S-10 of the revised fiscal 2013 budget proposal outlines numerous other new and higher fees under the section titled 'Mandatory Initiatives and Savings.'"

Amid the word and numbers games, the public is clear about what should be done, even if Washington isn't.

A Gallup poll in November found, "Forty-five percent of Americans now say they favor reducing the federal budget deficit with an equal balance of tax increases and spending cuts, up from 32% last year. At the same time, the percentage favoring an emphasis on spending cuts is now 40%, down from 50% last year, while the percentage in favor of reducing the deficit primarily through tax increases is unchanged at 11%."

A Washington Post-Pew Research Center poll conducted Nov. 29-Dec. 2 found that a majority of Americans – 53 percent – would blame Republicans in Congress if Washington fails to reach a deal in deficit talks to avoid the fiscal cliff.

The survey found that only 27 percent would fault President Obama would if negotiations between the executive and legislative branches of government fail, 12 percent would split the blame equally between the two sides and 2 percent have no opinion.

Like Ronald Reagan, this could be Obama's "make my day" moment.

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