

We all pay note on house of cards

Everyone bears tab of financial failures

You've probably heard that Memphis is the bankruptcy capital of the country.

What you may not have heard is that you're paying for it.

The American Bankers Association figures that the record number of bankruptcies in 2002 "causes American families to pay an additional \$400 a year in increased costs of goods and services."

That's a national average. Imagine what the cost is in the Memphis area.

The level of bankruptcies not only puts an unseen tax on each household, it also costs us as we try to recruit new companies and high-performing employees here to build our local economy.

And bankruptcy filings aren't the only financial problem our community has.

Our friends, colleagues at work, neighbors – too many of them are vulnerable to financial schemes that will cost them dearly in the future but seem to be a good deal at the time. They can get a mailbox full of pre-approved credit applications without fully understanding the cost of the interest rate, the number of years it will take to pay the balance if they make minimum monthly payments, or what their credit score is.

Predatory lending, foreclosures, credit card debt and bad credit are serious issues that affect our society. Contrary to popular belief,

these problems are not caused by unbridled spending. Research shows that the majority of people caught in such situations are hard-working people who are trying to build a life for themselves and their families. The set of forces they are up against is only now being uncovered and better understood.

The Memphis-DEBT collaborative is a citizens group that has been focusing on such problems for about two years. It has more than 80 members who represent a wide variety of organizations and individuals from the public, private, for-profit, nonprofit and government sectors.

The collaborative operates under the auspices of the RISE Foundation and received early funding through grants from the Fannie Mae Foundation and the Assisi Foundation. It has been doing research into many facets of the financial situation of our community, and its work is far enough along now to start taking the program to the public.

First Tennessee Bank has such a strong commitment to this effort that it has asked the First Tennessee Foundation to step up in a major way to underwrite the collaborative's work as Memphians fight back.

Education is part of the answer. Another part is continuing the research to form a clear picture of the processes that operate in our midst and make some of our neighbors unable to build wealth.

Earlier this year, Michael Barr of the Brookings Institution, an independent research organization in Washington, D.C., issued a report on banking and poor households. He concluded: "Out of necessity, these households



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gravitate to largely unregulated alternative financial services providers, such as check cashers and payday lenders. The high costs of these services inhibit the ability of these families to become homeowners, save for college or build assets in general."

Showing people how to save, no matter how small or large their income level, is the key. The RISE Foundation has demonstrated through its core program, Save Up, that Memphis public housing residents are able to save at a rate of 6 to 8 percent on average annual incomes of \$12,000. The rest of us save on average about 2 percent.

AmericaSaves.org estimates that you can cut your soft drink consumption by one liter a week and save \$6 a month. That doesn't sound like much? It will when you add it to all the other ways you'll find to cut spending by preparing a budget and sticking to it.

The MemphisDEBT collaborative is committed to:

- Reducing the number of bankruptcies and foreclosures in Memphis and Shelby County;
- Increasing citizens' awareness and understanding of credit and debt;
- Increasing personal wealth accumulation for ourselves and our neighbors.

Collaborative members have developed a Web site, www.memphisdebt.org, as a practical resource. We will concentrate on pushing for K-12 financial education, developing tools to improve personal financial management, conducting research to understand the trends that undermine financial well-being, and spreading the word with credit and bankruptcy messages to bring the community together in this crucial work.

We need to switch Memphis's reputation from "bankruptcy capital" to "wealth-building capital" – and we can. If the community comes together, we can raise financial literacy for our children, our neighbors and our own future.

The fewer people in financial distress we have, the better our city's economic health.

Right now, you're paying.

Join the battle and help our community start saving.