

Broke, USA

How the Working Poor Became Big Business

When

July 20, 2010

12:15 pm - 1:30 pm

Where

New America

740 15th St NW #900

Washington, D.C. 20005

On Tuesday, July 20, the Asset Building Program at the New America Foundation invited author and journalist Gary Rivlin to discuss his recently published book *Broke USA: From Pawnshops to Poverty Inc. How The Working Poor Became Big Business*. Alejandra Lopez-Fernandini, Senior Policy Analyst in the Asset Building Program provided commentary on the book and on the state of the alternative financial sector in light of the recently passed financial reform bill and pending establishment of the Consumer Financial Protection Bureau. Reid Cramer, Director of the Asset Building Program moderated the discussion.

Broke USA provides an overview of what Mr. Rivlin calls “Poverty Inc.,” the big businesses that make money off of the working poor. Mr. Rivlin gave highlights from *Broke USA* including discussions with “fringe banking” sector business owners ranging from small pawnshop brokers to payday loan moguls. He also spoke about his interviews with consumer advocacy groups, the customers of these lenders and those on the frontlines of the battle for stronger consumer financial protection. Intermixed with stories of industry giants and working families alike, Mr. Rivlin

touched on the public policies and current events over the past 20-odd years— issues of deregulation, the subprime lending crisis, and broad economic decline, that have allowed “Poverty Inc.” to flourish.

Ms. Lopez-Fernandini gave a brief reaction to the book and detailed specific aspects of the payday loan industry that are the most problematic for consumers— policies that trap clients in the cycle of payday loan debt. She went on to highlight broader policy issues that keep many low- and moderate-income households dependent on payday loans and other services offered by the non-bank sector including the shortage of products in the mainstream financial industry that meet the needs of working families. Ms. Lopez-Fernandini spoke about the importance of emergency savings, commenting that having a savings account with as little as \$500 can help families avoid expensive short-term credit products when a financial emergency inevitably arises. Ms. Lopez-Fernandini stressed the need for product innovation and the development of savings models and banking products suited to the lives of working households.

Mr. Rivlin echoed Ms. Lopez-Fernandini in stressing that savings can help working families avoid dangerous alternative financial products like payday loans. Audience questions and the discussion that followed focused on the aggressive marketing and lending practices of the alternative financial sector and ways in which the soon-to-be-established CFPB could work to develop and promote safer consumer financial products and services. Mr. Cramer used the examples from *Broke USA* to highlight the connection between Wall Street and Main Street making the case for the importance of re-regulation of both industries.

Participants

Featured Speaker

Gary Rivlin

Author, *Broke, USA*

Discussant

Alejandra Lopez-Fernandini

Senior Policy Analyst, Asset Building Program

New America Foundation

Moderator

Reid Cramer

Director, Asset Building Program

New America Foundation

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