

The Kansas City Star: Local nonprofits help people trapped in a cycle of debt

By Katherine Knott | June 9, 2016

Amy Keaton thanked Catholic Charities.

When Keaton, of Spring Hill, Kan., told her story to officials from the Consumer Financial Protection Bureau on June 2, she gave credit to the nonprofit organization that helped her get out of the debt burden that affects [millions of Americans](#) a year.

Keaton took out a \$200 loan a year ago. She said the lenders eventually expected a payment of \$297, and in return she would receive \$250 to pay her bills. She is expecting to be debt free in September thanks to the help of Catholic Charities.

"Catholic Charities and the other social organizations in the area have paid my rent, have paid my electric bills and have kept me alive," Keaton said after her public comments.

Payday loans — loans of less than \$500 and expected to be repaid within two weeks — were the subject of a hearing last week in Kansas City at the Music Hall in Municipal Auditorium. The bureau [announced new rules](#) regulating payday lenders and protecting consumers from debt traps.

For those who find themselves in a debt trap, there are ways out. Kansas City nonprofits offer emergency assistance and classes on personal finance. Abhi Dutt, an employee at Catholic Charities, said there are a lot of misconceptions about finances, which is one reason people find themselves in debt.

Keaton told the crowd in the Music Hall that she turned to payday loans as a last resort, a common theme during the public comment part of the hearing.

"I took out a payday loan last year because I was struggling desperately to meet my basic needs — my rent and my electricity," Keaton said.

That's why Catholic Charities offers emergency assistance for people in need of money for rent, a utility payment or transportation.

El Centro, an organization geared toward the needs of the Hispanic community, has a similar program. At both organizations, it's typically a one-time payment paired with financial education.

Catholic Charities

Catholic Charities of Kansas City-St. Joseph handed out \$1,309,521 in emergency assistance from July 2015 to April 2016, according to marketing and communications director Lisa Tulp. More than half of that went toward helping people pay rent.

"Making rent is one thing that drives people to payday lenders," Tulp said.

The Catholic Charities help is essentially a gift. Tulp said it's an investment in "people who are working to break the cycle of poverty."

The program is funded by grants and individual donations, along with help from United Way of Greater Kansas City and United Way of Greater St. Joseph. Tulp said former emergency help recipients also contribute.

Catholic Charities offers weekly financial literacy classes on topics such as budgeting and credit repair. The classes are at 4 p.m. Mondays and are open to the public.

"They've taught me about budgeting and working with money and how to avoid spending more than I should," Keaton said.

Dutt started working at Catholic Charities in February. During the class, people are asked to share their loan stories.

"We hear about people who have been in need of a couple hundred dollars for their rent payment, utility payments," Dutt said. "They were not able to pay that off in the two-week pay period. They keep paying the fees without paying anything toward the principal amount. The cycle keeps going and going."

Only a few people attended Monday's session. Dutt walked the group through sample credit reports, fielding questions about how credit works and tackling myths.

Tulp said the exact approach by Catholic Charities varies case by case. For Keaton, the organization helped her get into a more manageable debt situation.

For those who return week after week, Dutt said, he'll make a budget with them and figure out where they can curb expenses.

"I've experienced small success with the program," Dutt said.

El Centro

Cielo Fernandez, chief program officer for El Centro, sees the financial education as an obligation to the community.

"We owe it to them," she said.

El Centro's help, much like Catholic Charities, goes beyond the one-time payment. The nonprofit encourages people to attend the monthly classes that provide "the basics of surviving in the financial world," [according to the website](#). The classes are offered at El Centro's main office at 650 Minnesota Ave. in Kansas City, Kan.

For those who want emergency help, a four-hour class on budgeting is required.

Overall, Fernandez said she has seen the classes work.

"Through education efforts, we've seen that people tend to not return (for emergency assistance)," she said.

El Centro takes a holistic approach toward financial education, meaning the focus goes beyond finances and looks at employment and lifestyle. Fernandez said the goal is stability.

Fernandez said she wishes El Centro had more money so it could help more people. Last year, the organization served 77 people in Wyandotte County and 173 people in Johnson County. More than \$34,000 was handed out, an average of about \$137 per person.

Fernandez said El Centro helps more people in Johnson County because it has more resources there. The United Way of Greater Kansas City provides funding for their office in Olathe.

Fernandez said she will also refer people to other organizations that can help. Most important, she said, she is an advocate.

"We help to keep a roof over their head and keep them warm in their home," she said.

Other places to find help

For people looking for aid, the United Way of Greater Kansas City has [a database of community resources](#). You can also dial the 2-1-1 hotline for help.

The Prosperity Center, a partner of Catholic Charities on Rockhurst University's campus, provides free financial and employment coaching.

Next Step KC offers free tax preparation, financial education and a small-dollar loan program. Those loans are expected to be repaid in four to nine months, [according to its website](#). You have to be referred to the program to participate.

The Kansas City Public Library offers [financial education workshops](#) that are free and open to the public. The classes revolve around banking, budgeting, credit and identity theft.