



arkansascomm.org



# How Institutions & Policies Keep Arkansans in Debt

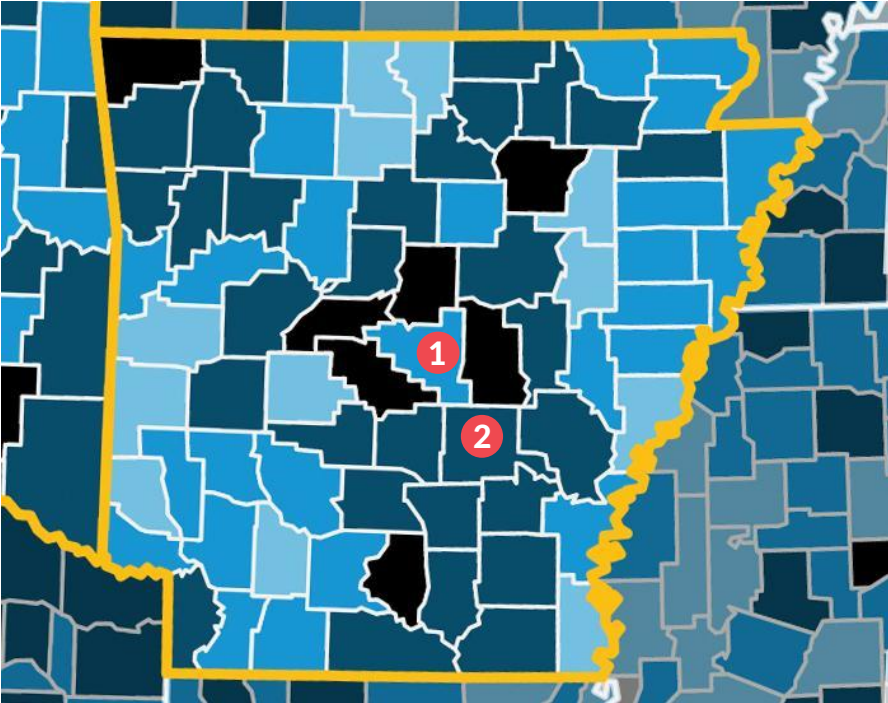
A report commissioned by the Arkansas Community Institute and compiled by Neil Sealy, Acadia Roher and Wonder Lowe. The Arkansas Community Institute is a partner in the Southern Partnership to Reduce Debt.

# ABOUT THE SOUTHERN PARTNERSHIP TO REDUCE DEBT

Launched in 2017 by the Annie E. Casey Foundation, the Southern Partnership to Reduce Debt (SPRD) is a multi-year, multi-state effort to close the racial-ethnic wealth gap and bring financial security to households of color. The effort involves several national organizations including—the Aspen Institute, National Consumer Law Center, National League of Cities, Prosperity Now, and the Urban Institute —and more than 20 nonprofit organizations working in seven southern states. These partners are primarily focusing on four kinds of debt: high-cost loans (pay-day loans, auto loans); fines and fees; medical bills; and student loans.

The Arkansas Community Institute was founded in 1987 and works with low- to moderate-income communities in Arkansas to win greater economic and civic power through leadership development, research, education and organizing.

# FACING DEBT IN PULASKI COUNTY & JEFFERSON COUNTY



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	White	Non-
<b>Pulaski County</b>		
Debt in Collections:	30%	59%
Average Income:	\$90,795	\$48,566
<b>Jefferson County</b>		
Debt in Collections:	40%	54%
Average Income:	\$68,182	\$40,149

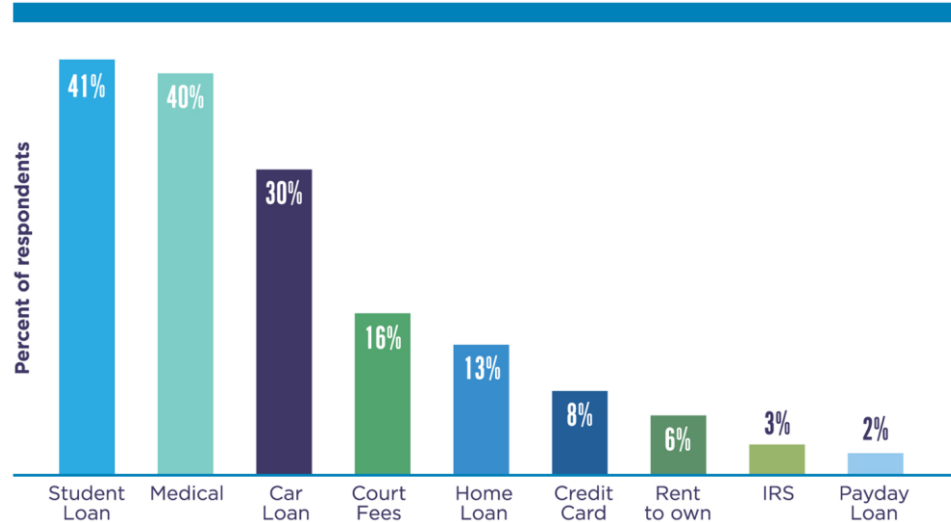
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# TYPES OF DEBT HELD BY RESPONDENTS

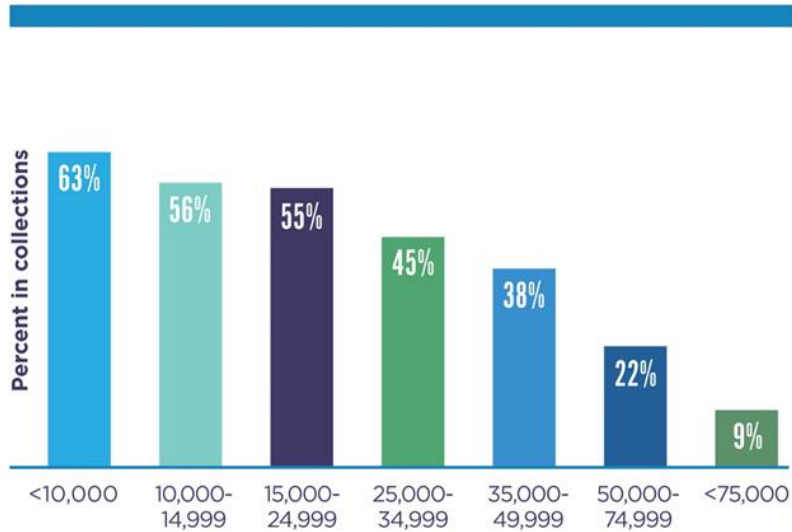
1,845 Survey Respondents

1,210 (66%) with Debt

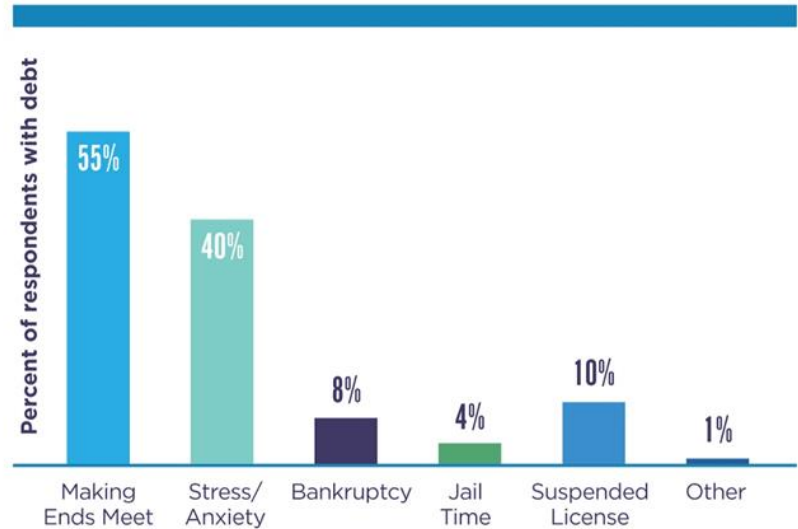
516 (43%) with Debt  
in Collections



## % OF PEOPLE REPORTING DEBT WHO ALSO REPORT DEBT IN COLLECTIONS BY INCOME

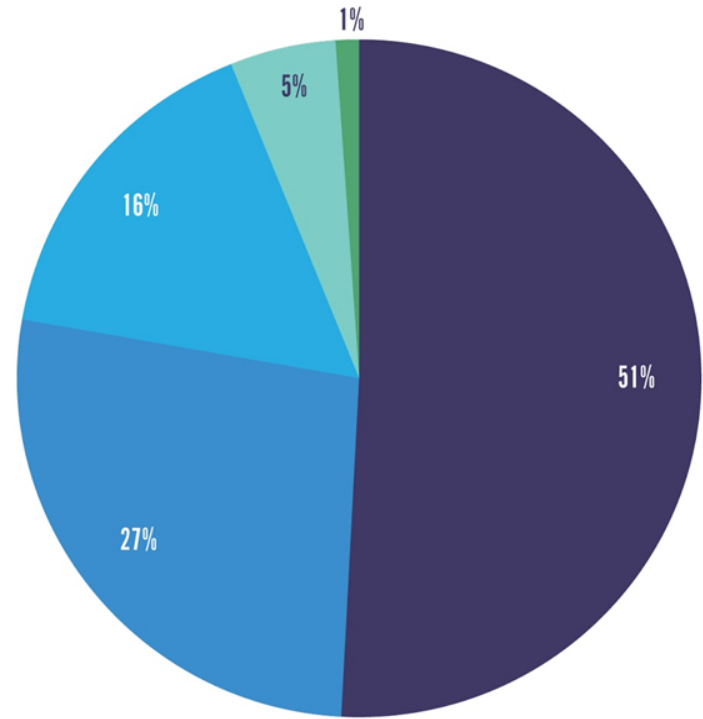
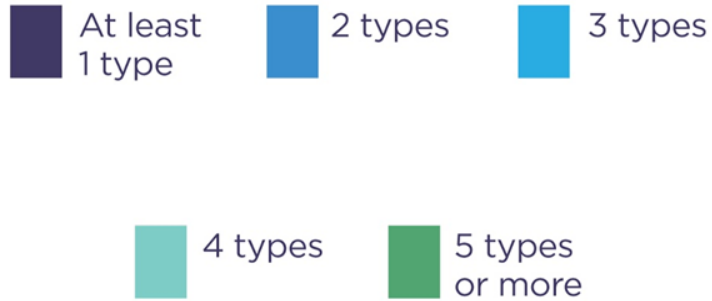


## PROBLEMS DEBT CAUSES FOR ARKANSANS



# RESPONDENTS WITH MULTIPLE TYPES OF DEBT

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# STUDENT LOAN DEBT



## United States

45 million Americans owe more than \$1.5 trillion in student loan debt.

10.1% of these loans are in default

68% of seniors graduating from college in 2018 had an average debt of \$29,200

A study by the American Association of University Women reports that women hold almost two-thirds of student loan debt. According to the same report, 57% of black women struggle with repayment compared to 30% of white women.

## Arkansas

359,900 Arkansans hold \$11.5 billion in student loan debt.

The default rate is 10.4%.

One school in Arkansas has a default rate of 35.6%.

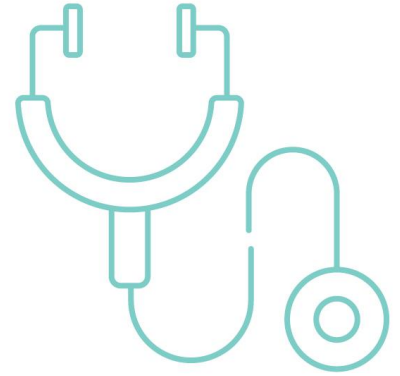
# MEDICAL DEBT

The Consumer Financial Protection Bureau reports that medical debt is the top reason why consumers are contacted by debt collectors.

Medical Debt is a major cause of bankruptcies.

Medicaid expansion cut Arkansas's uninsured rate in half, but more than 80,000 people have been cut from the rolls since 2016.

While non-profit and public hospitals are supposed to inform patients of hospital based assistance in paying bills, many do not inform their patients.





# CRIMINALIZATION OF POVERTY

District judges in Arkansas should ask about a person's ability to pay a fine or a fee before sentencing, but many, if not most, do not.

A district judge can suspend someone's driver's license for a failure to appear in court or failure to pay a fine.

Non-payment of rent in Arkansas is a criminal offense.



# RECOMMENDATIONS

## **Student Loan Debt**

Forgive student loan debt and overhaul the federal student loan system.

Free tuition at all all public two colleges in Arkansas.

Provide in-person financial counseling for all students both before and while attending college.

Establish hardship funds and services for low- to moderate-income students with expenses they cannot pay.

# RECOMMENDATIONS

## **Medical Debt**

End the work requirement and other red tape in the Arkansas Works program that takes health care away from Arkansans.

Pass state laws to regulate and expand hospital based assistance to patients.

Enact stronger state protections for people from abusive practices by debt collectors.

Enact state laws providing protections for consumers from surprise medical bills.

# RECOMMENDATIONS

## **Criminalization of Poverty**

No suspension of driver's licenses for a failure to appear or a failure to pay.

Develop a statewide and comprehensive procedure for determining the ability to pay fines and fees.



**Triege Hussey**



**Magdelyn**



**Derrick Templeton**



**Ms. Murry**



**Samella Wright**



**Synthia Jackson**

Special thanks to the community members who shared their stories for this report:

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