

PROMISES & PITFALLS

As Consumer Finance Options Multiply,
Who Is Being Served and at What Cost?



APRIL 7-8, 2005 • THE CAPITAL HILTON • WASHINGTON, D.C.
The Federal Reserve System's Fourth Community Affairs Research Conference

“Sound analysis and open discussion in meetings like these are essential to furthering our understanding of financial markets and how they serve the diverse financial needs of our populace.”

Alan Greenspan

Chairman, Board of Governors of the Federal Reserve System

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The Community Affairs officers of the Federal Reserve System invite you to attend a conference presenting current research on trends and innovations in consumer financial markets, with particular emphasis on low- and moderate-income consumers and on underserved populations.

This fourth biennial research conference brings together a diverse audience from academia, financial institutions, community organizations, foundations and government to learn about current research on consumer finance. Consumer financial markets channel trillions of dollars of credit to households of varying income levels through a wide range of intermediaries operating in many markets. How efficiently do these markets operate, and how well are consumers' needs being met?

Papers selected for presentation examine:

- behavioral economics and consumer financial decision-making;
- financial literacy;
- immigrant populations;
- subprime and predatory lending;
- consumer debt burdens, loan foreclosures, loss mitigations and bankruptcies; and
- trends and innovations in consumer finance.



Promises & Pitfalls provides a unique opportunity to hear and discuss original studies about new products, new players and new threats to access to credit and capital for low- and moderate-income consumers. Emerging markets will also be discussed. This conference will be of interest to:

- financial institutions' executives, lenders, compliance and community development officers;
- leaders and staff of community and economic development organizations;
- policy-makers in community and economic development; and
- scholars of economics, finance and banking, and urban studies.

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DAY 1 **Thursday** **April 7, 2005**

7:30 a.m.	Registration and Continental Breakfast
8:30 a.m.	Opening Remarks
9:00 a.m.	Alternative Financial Services, Session 1
10:15 a.m.	Break
10:30 a.m.	Alternative Financial Services, Session 2
Noon	Luncheon Speaker Eldar Shafir <i>Professor of Psychology and Public Affairs, Princeton University</i>
1:45 p.m.	Consumer Behavior, Session 1
3:30 p.m.	Break
3:45 p.m.	Consumer Behavior, Session 2
5:30 p.m.	Reception

DAY 2 **Friday** **April 8, 2005**

7:30 a.m.	Continental Breakfast
8:00 a.m.	Opening Remarks
8:15 a.m.	New Markets, New Products, New Tools, Session 1
10:00 a.m.	Break
10:15 a.m.	New Markets, New Products, New Tools, Session 2
11:45 a.m.	Call to Action
12:15 p.m.	Break
12:30 p.m.	Luncheon Speaker Alan Greenspan <i>Chairman, Board of Governors of the Federal Reserve System</i>
2:00 p.m.	Adjourn



PAPERS TO BE PRESENTED

THURSDAY, APRIL 7



Alternative Financial Services

Are nondepository financial service providers household friends or foes? Do they provide badly needed services in underserved markets, or do they prey on the uninformed? In particular, what effects do subprime lenders have on individuals and neighborhoods?

Credit, Capital and Communities:
Industry Structure Perpetuates Dual Market

Allegra Calder, Washington Mutual

Payday Lending: Do the Costs Justify the Price?

Mark Flannery, University of Florida, and Katherine Samolyk, Federal Deposit Insurance Corp.

DISCUSSANTS

Sheila Bair, University of Massachusetts, and George McCarthy, Ford Foundation

BREAK

Mortgage Brokers and the Subprime Market

Amany El Anshasy, George Washington University; Gregory Elliehausen, Georgetown University; and Yoshiaki Shimazaki, George Washington University

Neighborhood Patterns of Subprime Lending

Paul S. Calum, LoanPerformance; Jonathan Hershaff, Board of Governors of the Federal Reserve System; and Susan M. Wachter, University of Pennsylvania

Subprime Lending, Foreclosures and Neighborhood Impacts

Dan Immergluck, Grand Valley State University

DISCUSSANTS

Patricia McCoy, University of Connecticut; Raphael Bostic, University of Southern California; and J. Michael Collins, PolicyLab Consulting Group

LUNCHEON SPEAKER

Eldar Shafir, Professor of Psychology and Public Affairs, Princeton University

Professor Shafir's work focuses on descriptive analyses of inference, judgment and decision-making, and on issues related to behavioral economics. His research focuses primarily on how people make judgments and decisions in situations of conflict and uncertainty. What strategies do people employ in arriving at their decisions? Do these strategies lead to systematic biases and predictable errors? And what do they tell us about the way the mind processes the relevant information?

Consumer Behavior

In what ways are consumers affected by aspects of their environment that they cannot control, such as tax policies and unemployment? Can consumers also engage in strategic behaviors and be strategically influenced by the actions of lenders?

A Financial Services Survey
of Low-Income Households

Christopher Berry, University of Chicago, and Shelly
Herman and Darice Wright, MetroEdge/ShoreBank

Household Response to the Earned
Income Tax Credit: Path of Sustenance
or Road to Asset-Building

Sherrie L.W. Rhine and Sabrina Su, Federal Reserve
Bank of New York; and Steven Y. Lee, Community
Food Resource Center

Borrowing during Unemployment:
Unsecured Debt As a Safety Net

James X. Sullivan, University of Notre Dame

Measuring Negative Effects of Personal
Bankruptcy Filing: Reduced Credit Option
and Lost Option Value

Cheryl Long, Colgate University

DISCUSSANTS

Michael Barr, University of Michigan; John Caskey,
Swarthmore College; and Wenli Li, Federal Reserve
Bank of Philadelphia

BREAK

A Re-Examination of the Role of Relationships
in the Loan-Granting Process

Sugato Chakravarty and Tansel Yilmazer,
Purdue University

Observing Unobservables: Identifying
Information Asymmetries with a
Consumer-Credit Field Experiment

Jonathan Zinman, Federal Reserve Bank of New York,
and Dean Karlan, Princeton University

DISCUSSANT

Ed Nosal, Federal Reserve Bank of Cleveland

PAPERS TO BE PRESENTED

FRIDAY, APRIL 8



New Markets, New Products, New Tools

What is on the horizon in consumer finance? Have we learned better methods of educating low-income households? Do recent immigrants bring special challenges, but also present new opportunities? How are financial service providers adapting?

Consumer Literacy and Creditworthiness

Marsha Courchane, Welch Consulting,
and Peter Zorn, Freddie Mac

Cost-Effectiveness of Credit-Card Early Intervention
Education and Counseling Programs

Richard M. Todd, Federal Reserve Bank
of Minneapolis; Kevin Rhein, Wells Fargo;
and Kimberly Gartner, consultant

Credit Counseling and Mortgage Termination
by Low-Income Households

Valentina Hartarska, Auburn University, and
Claudio Gonzalez-Vega, The Ohio State University

Moving From Unbanked to Banked:
Evidence from the Money Smart Program

Angela C. Lyons, University of Illinois

DISCUSSANTS

Michael Staten, Georgetown University, and
Steven Brobeck, Consumer Federation of America

BREAK

Financial Assimilation of Immigrants in the U.S.

Anna Paulson, Federal Reserve Bank of Chicago

Banking on Remittances: Increasing Market
Efficiencies for Consumers and Financial Institutions

Jeanne Hogarth, Board of Governors
of the Federal Reserve System

Stored-Value Cards: Challenges and Opportunities
for Reaching Emerging Markets

Katy Jacob, ShoreBank Advisory Services

DISCUSSANTS

Manuel Orozco, Georgetown University,
and Geoff Smith, Woodstock Institute

CALL TO ACTION—Credit, Capital and Communities:
New Roles Present Community-Based Organizations
with New Opportunities

William Apgar, Joint Center for Housing Studies,
Harvard University

LUNCHEON SPEAKER

Alan Greenspan, Chairman, Board of Governors
of the Federal Reserve System

CONFERENCE REGISTRATION



Date: April 7-8, 2005

Location: Capital Hilton Hotel • 1001 16th St. N.W. (corner of 16th and K streets)
Washington, D.C. 20036

Cost: \$375 for individual registration received by March 11
\$425 for individual registration received after March 11

Cancellations: Refunds, less a \$100 processing fee, will be made if cancellation notice is received by March 24. No refunds will be made after that date.

HOTEL RESERVATIONS

A block of rooms has been reserved for conference attendees at the Capital Hilton Hotel. You must register by **March 13** to get the special rate of \$209 per night for single occupancy or \$229 for double occupancy (plus tax). We encourage you to reserve a room quickly. The availability of hotel rooms in Washington is limited, and accommodations may not be available after the block of rooms is filled.

To reserve a room: Please contact the hotel at:
Hilton National Hotel Reservations
Phone: 1-800-445-8667

To receive the special rate, mention that you will be attending the Board of Governors of the Federal Reserve conference.

Parking: Valet parking by the hotel is available. The rate is \$26 per day for overnight guests. This includes in and out privileges.

REGISTRATION FORM FOR PROMISES & PITFALLS CONFERENCE

You can register three ways:

1. **Online** at www.federalreserve.gov/communityaffairs/national
2. **Fax** the form to (202) 736-1900
3. **Mail** your check and registration form to:

Board of Governors of the Federal Reserve System
Division of Consumer and Community Affairs
Mail Stop 803, 20th & C streets, N.W., Washington, D.C. 20551
Attn: Capria Mitchell-Scott

Name (and name for badge if different).....

Title.....

Organization.....

Address.....

City..... State..... ZIP.....

Phone..... Fax.....

E-mail address.....

Please indicate the conference fee you will be paying:

- \$375 Individual registration received by March 11, 2005
- \$425 Individual registration received after March 11, 2005

Refunds, less a \$100 processing fee, will be made if cancellation notice is received by March 24. No refunds are available after that date.

You may pay by check or credit card:

Enclosed is a check for \$..... payable to the Board of Governors of the Federal Reserve System.

Charge to Visa MasterCard Discover

Card number..... Expiration date.....

Authorized signature.....

