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You have to be rich to be poor.

That's what some people who have never lived below the poverty line don't understand. The poorer you are, the more things cost. More in money, time, hassle, exhaustion, menace. This is a fact of life that reality television and magazines don't often explain.

So consider this a primer on the economics of poverty.

"The poor pay more for a gallon of milk; they pay more on a capital basis for inferior housing," says Rep. Earl Blumenauer, D-Ore. "The poor and 100 million who are struggling for the middle class actually end up paying more for transportation, for housing, for health care, for mortgages. They get steered to subprime lending. . . . The poor pay more for things middle-class America takes for granted."

Like food: You don't have a car to get to a supermarket, much less to Costco, where the middle class goes to save money. You don't have three hours to take the bus. So you buy groceries at the corner store, where a gallon of milk costs an extra dollar. A loaf of bread there costs you \$2.99 for white, \$3.79 for wheat. At a Safeway in suburban Bethesda, Md., the wheat bread costs \$1.19, and white bread is on sale for \$1.

Prices in urban corner stores are almost always higher, economists say. And sometimes, prices in supermarkets in poorer neighborhoods are higher. Many of these stores charge more because the cost of doing business in some neighborhoods is higher.

According to the U.S. Census Bureau, more than 37 million people live below the poverty line. The poor know these facts of life. These facts become their lives.

Time is money, they say, and the poor pay more in time, too.

When you are poor, you don't have the luxury of throwing a load into the washing machine and then taking your morning jog while it cycles. You wait until Monday afternoon, when the laundromat is most likely to be empty, and you load a cart with laundry from your kids and drag it to the corner.

"If I had my choice, I would have a washer and a dryer," says Nya Oti, 37, a food-service worker at a laundromat in Washington, D.C. The four loads will take her about two hours.

She talks about other costs of poverty. "My car broke down this weekend, and it took a lot of time getting on the bus, standing on the bus stop. It was a waste of a whole lot of time, waiting,

[for] the transfer to the different bus."

"When you are poor, you substitute time for money," says Randy Albelda, an economics professor at the University of Massachusetts at Boston. "You have to work a lot of hours and still not make a lot of money. You get squeezed, and your money is squeezed."

## **PAYDAY ADVANCES**

The rich have direct deposit for their paychecks. The poor have check-cashing and payday loan stores, which cost more time and money.

Payday advance companies say they are providing an essential service to people who most need them. Their critics say they are preying on people who are the most economically vulnerable.

"The poor pay more for financial services," Rep. Blumenauer says. "A lot of people who are 'unbanked' pay \$3 for a money order to pay their electric bill. They pay a 2 percent check-cashing fee because they don't have bank services. The reasons? Part of it is lack of education. But part of it is because people target them. There is evidence that credit-card mills have recently started trolling for the poor. They are targeting the recently bankrupt."

Outside the ACE check-cashing office on Georgia Avenue in Washington, Harrison Blakeney, 67, explains a hard financial lesson of poverty. The check-cashing store charges 10 percent to take Blakeney's money and send his payment to the phone company. That 10 percent becomes what it costs him to get his payment to the telephone company on time.

Ten percent is more than the cost of a stamp. But, Blakeney says, "I don't have time to mail it. You come here and get it done. Then you don't get charged with the late fee."

Blakeney is a retired auto mechanic who lives on a fixed income. "We could send the payment ahead of time, but sometimes you don't have money ahead of time. That's why you pay extra money to get them to send it," Blakeney says.

He has no criticism for the check-cashing place. "That's how they make their money," he says.

Just then, an angry Lenwood Brooks walks out of the check-cashing place. "They charged me \$15 to cash a \$300 check," he says.

You ask him why he didn't just go to a bank. But his story is as complicated as the various reasons people find themselves in poverty and in need of a check-cashing joint. He says he lost his driver's license and now his regular bank "won't recognize me as a human. That's why I had to come here. It's a rip-off, but it's like a convenience store. You pay for the convenience."

Then there's credit. The poor don't have it. What they had were places like First Cash Advance in Washington, where a neon sign once flashed "PAYDAY ADVANCE." Through the bulletproof glass, a cashier explained what you needed to get an advance on your paycheck -- a pay stub,

a legitimate ID, a checkbook. This meant you were doing well enough to have a checking account, but you were still poor.

### **APR: 806 PERCENT**

And if you qualified, the fee for borrowing \$300 was \$46.50.

That was not for a year -- it was for seven days, although the terms could vary. How much interest would this payday loan cost you? In simple terms, the company charged a \$15.50 fee for every \$100 that was borrowed. On your \$300 payday loan -- borrowed for a term of seven days -- the effective annual percentage rate was 806 percent.

But now the payday advance place has closed. After the D.C. government passed a law requiring payday lenders to abide by a 24-percent limit on the annual percentage rate charged on a loan, many such stores in the District closed.

Now, advocates for the poor say other businesses are extending loans in exchange for car titles.

### **EMOTIONAL DRAIN**

All these costs can lead to a collective depression. Douglas Besharov, resident scholar at the American Enterprise Institute, says, "There are social costs of being poor, though it is not clear where the cause and effect is. We know for a fact that on certain measures, people who are poor are often more depressed than people who are not."

The poor pay in other ways, too. "You pay rent that might be more than a mortgage," Reed says. "But you don't have the credit or the down payment to buy a house."

Plus, "the cheaper housing is in more dangerous areas," Reed says.

Then there is the particular unpleasantness when you make too much money to fall below the poverty line, but not enough to move up and away from it.

At the Thrift Store on Georgia Avenue, Marie Nicholas, 35, is picking through the racks.

"People working who don't make a lot of money go to the system for help, and they deny them," Nicholas says. "They say I make too much. It almost helps if you don't work."

### **WORKING POOR**

She says she makes \$15 an hour as a certified nursing assistant. She pays \$850 for rent for a one-bedroom that she shares with her boyfriend and child. She pays \$300 a month for child care for her 11-year-old son, who is developmentally delayed. She was told she makes too much money to put him in a subsidized child-care facility. "My son was not chosen for Head Start because I wasn't in a shelter or on welfare. People's kids who do go don't do nothing but

sit at home."

"I ride the bus to get to work," Nicholas says. It takes an hour. "If I could drive, it would take me 10 minutes. I have to catch two buses." She gets to the bus stop at 6:30 a.m. The bus is supposed to come every 10 or 15 minutes. Sometimes, she says, it comes every 30 minutes.

That's another cost of poverty. You wait in lines. You wait at bus stops. You wait on the bus as it makes its way up Georgia Avenue, hitting every stop. No sense in trying to hurry when you are poor. When you are poor, you wait.