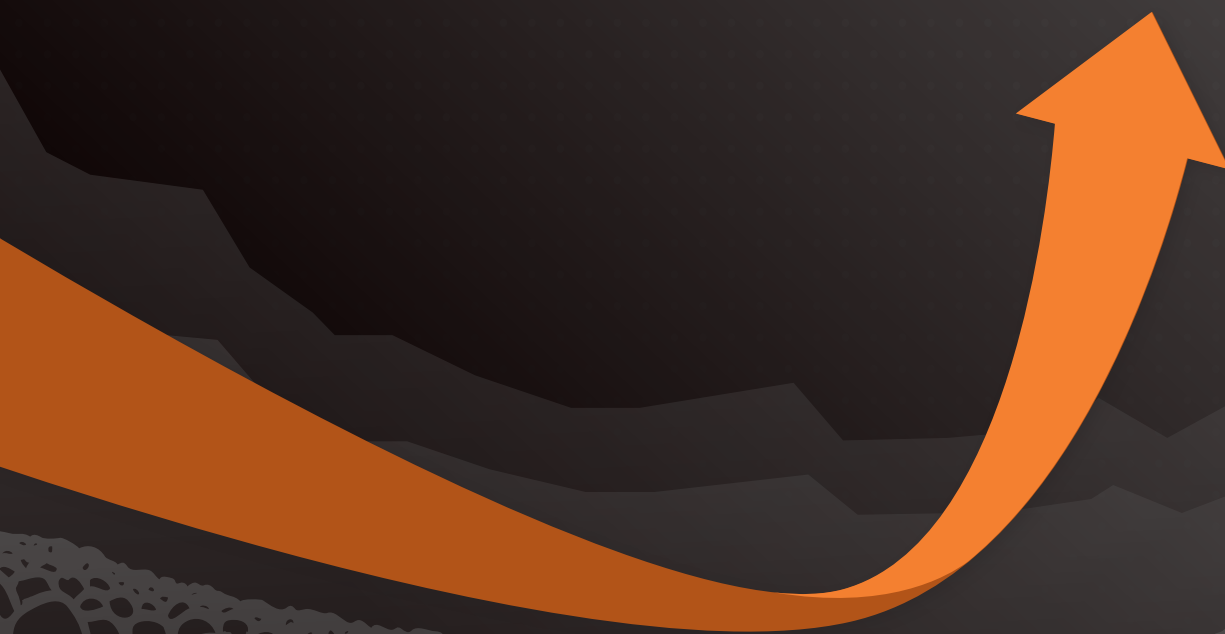


Excluded from the Financial Mainstream:

How the **Economic Recovery** is
Bypassing Millions of Americans



Findings from the 2015

ASSETS & OPPORTUNITY
SCORECARD

Excluded from the Financial Mainstream:

How the Economic Recovery is Bypassing Millions of Americans

Findings from the 2015 Assets & Opportunity Scorecard

By Jennifer Brooks, Kasey Wiedrich, Lebaron Sims, Jr. and Solana Rice

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ABOUT THE SCORECARD

The *Assets & Opportunity Scorecard* is a comprehensive look at Americans' financial security today and their opportunities to create a more prosperous future. It assesses the 50 states and the District of Columbia on 135 outcome and policy measures, which describe how well residents are faring and what states are doing to help them build and protect assets. The *Scorecard* enables states to benchmark their outcomes and policies against other states in five issue areas: Financial Assets & Income, Businesses & Jobs, Housing & Homeownership, Health Care, and Education.

<http://scorecard.cfed.org>

#CFEDScorecard

Unemployment is down, stocks are up and stability is returning to the housing market. So, the economy is improving ... right?

If all these indicators are moving in the right direction, why do so many Americans see so little evidence of economic recovery in their own lives? CFED's 2015 *Assets & Opportunity Scorecard* offers some answers.

Recent research from the Consumer Financial Protection Bureau¹ concludes that to have a sense of financial well-being, people need to:

- Have control over day-to-day, month-to-month finances.
- Have the capacity to absorb a financial shock.
- Be on track to meet their financial goals.
- Have the financial freedom to make the choices that allow them to enjoy life.

The *Scorecard* data illustrate that many Americans are struggling on measures related to these concepts. The reality is that millions of families and individuals still have little opportunity to take charge of their financial lives, let alone to plan for a more prosperous future.

Here's the picture that emerges from the *Scorecard* data:

- *Control over day-to-day, month-to-month finances.* Millions of families have insufficient income to meet basic needs: for the third straight year, the household income poverty rate remained unchanged at 14.7% (\$23,850 for a family of four). Although fewer people are unemployed than in previous years, the percentage who are underemployed remains high at 12.5%. One-quarter (25.1%) of jobs are in low-wage occupations—a substantial 4.1% increase from the previous year. Across the board, average annual pay in 2013 stagnated at \$49,808—\$203 less than in 2012.
- *Capacity to absorb a financial shock.* More than 50 million households are on a financial precipice without enough savings to sustain themselves for just three months if faced with a job loss, medical emergency or other major unforeseen expense. Forty-four percent of American households are “liquid asset poor,” meaning they have less than three months’ worth of savings (approximately \$5,963 for a family of four, or three times monthly income at the poverty level). This group includes many who would consider themselves middle class; fully one-quarter (25%) of those earning between \$56,113 and \$91,356 annually have less than three months of savings.
- *On track to meet financial goals.* Whether the goal is to buy a home, go to college or save for retirement, with little emergency savings, longer-term financial goals are out of reach for many Americans. Nationally, the homeownership rate continued its downward trend to 63.5% in 2013, a nearly 20-year low. Although more people are going to college, the overall attainment rate remains low (29.6% for a four-year degree) and students are leaving school shouldered with significant debt. In 2013, 71% of college graduates left with student loans averaging \$28,400. Fewer than half (45.8%) of workers are saving for retirement in an employer-based plan.

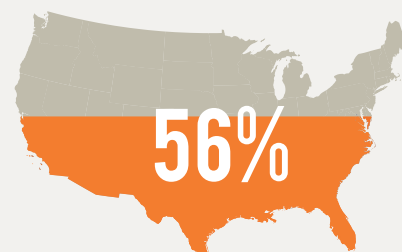


THE HOUSEHOLD INCOME POVERTY RATE



REMAINS UNCHANGED AT

14% [\$23,850 FOR A
FAMILY OF 4]

 **1 in 4**
JOBS IN THE US
IS LOW WAGE



OF CONSUMERS HAVE SUBPRIME
CREDIT SCORES

61% 
OF HOUSEHOLDS OF COLOR
& **4 in 5** 
OF THE POOREST HOUSEHOLDS
ARE LIQUID ASSET POOR

- *Financial freedom to make choices.* When jobs don't pay enough to consistently cover expenses and when savings aren't enough to cover emergencies or longer-term needs, families have little opportunity to make choices that will enhance their lives. Adults can't afford to go back to school and learn the skills needed to find good jobs. They can't buy a new car that will provide them with reliable transportation to jobs and school. And they can't provide their children with the basic building blocks of a stable middle-class life—quality child care and education, a safe neighborhood, and access to activities that will allow them to grow and thrive.

DEGREES OF EXCLUSION FROM THE FINANCIAL MAINSTREAM

Millions of Americans are being excluded from the economic recovery. However, for some, the degree of exclusion is more profound. Not only are these households not reaping benefits of an improving economy, they are living outside the economic mainstream, relegated to using fringe—often high-cost—financial services and products that trap them in a cycle of debt and financial insecurity.

One in five households regularly rely on fringe financial services to meet their needs. Nationally, 55.6% of consumers have subprime credit scores, meaning they cannot qualify for credit or financing at prime rates. Outside the financial mainstream, high-cost predatory loans are often the only way to bridge the gap between income and the cost of meeting basic needs.

Among certain populations, financial exclusion is even more common. African-American, Latino and Native American households are substantially more likely to be unbanked.² Low-income, younger and unemployed households are also

less likely to have a bank account. Additionally, according to research conducted by the Board of Governors of the Federal Reserve System,³ more than half of Latino consumers (58%) and more than three-quarters (78%) of African-American consumers have subprime credit scores, compared with about one-third (35%) of non-Hispanic whites.

Households of color and low-income households are less likely than their white and higher-income counterparts to have emergency savings. Two-thirds (61%) of households of color are liquid asset poor, as are four out of five (78%) of the lowest-income households (those earning less than \$18,193). Communities of color also have lower rates of homeownership, business ownership and college degree attainment.

Financial exclusion is also more pervasive in certain parts of the country. Across all the indicators in the *Scorecard*, nine of the 10 worst-faring states are in the South or Southwest: Mississippi, Georgia, Alabama, South Carolina, Tennessee, New Mexico, Arizona, Louisiana and Arkansas.

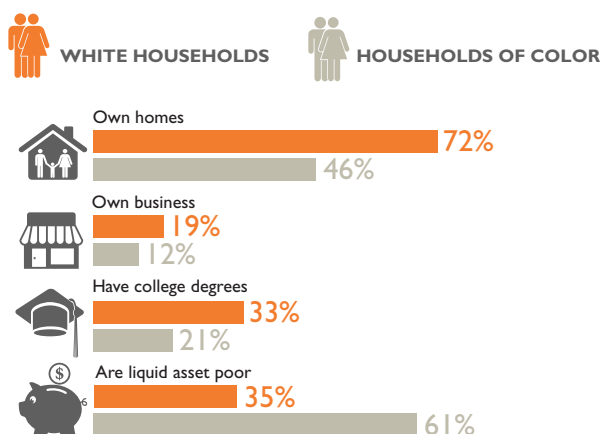
WHAT DIFFERENCE DOES POLICY MAKE?

How much can targeted policies make a difference in increasing the financial well-being and decreasing the financial exclusion of American families? The short answer: plenty. Last year, for the first time, the *Assets & Opportunity Scorecard* highlighted the impact of policies by ranking states on both outcome and policy measures. We continue that approach this year, ranking states on 67 outcome measures spanning five issue areas—Financial Assets & Income, Businesses & Jobs, Housing & Homeownership, Health Care and Education—while also assessing and ranking states on 68 policies.

The results this year, like last year, make it clear that policies aimed at decreasing poverty and helping more families enter the financial mainstream can have an enormous impact. In fact, in some states, it is possible to draw a clear line between the policies a state has adopted and outcomes for families. For example, Minnesota, which has adopted the 10th-highest number of policies vital to family financial security, has the 8th-best outcomes for families; Vermont, tied for 10th place for policies, ranks 2nd for outcomes; and Colorado has the 9th-best policies and 13th-best outcomes.

On the flip side, several states with poor outcomes lack adequate policies to help struggling families. Mississippi, which ranks dead last for outcomes for families, also comes in near the bottom (48th) for the low number of policies adopted by the state. Similarly, Alabama ranks 47th for the number of policies adopted and 49th for outcomes, and Nevada ranks 38th for policy adoption and 48th for outcomes.

DISPARITIES BY RACE



Of course, policies alone are not the only drivers of outcomes. Policies help level the playing field, and encourage or discourage certain behaviors. However, even very strong policies may not be enough to counteract other factors that make improving outcomes particularly challenging in some states, including high levels of income inequality, a high cost of living and substantial demographic diversity. These factors come into play in states like New York, New Jersey, Maryland, Connecticut and Rhode Island, which all have policy rankings in the top 10 and outcome rankings that trail by 20 or more places. What's more, policies adopted to respond to a particular problem can take substantial time to show up as improved outcomes. For example, in 2014, in response to low retirement savings, Illinois became the first state to offer state-run automatic Individual Retirement Accounts to workers who do not have access to an employer-sponsored plan. Once the policy is fully implemented, we expect to see retirement plan participation to significantly increase and the state's rank to improve. However, in this year's *Scorecard*, despite technically having a policy on the books, it ranks in the bottom half of states.

Finally, states with low costs of living, comparatively low income inequality, homogenous populations and strong economies (often fueled by abundant natural resources) have an easier time achieving strong outcomes, even in the absence of strong policies. These characteristics, which are often coupled with a libertarian outlook that resists government intervention, explain why states like Wyoming, Alaska and South Dakota show comparatively better outcomes for families despite adopting few policies that promote economic security.

Every child, whether she lives in New York City or in rural Alabama or on the South Dakota plains, should have a chance to build a better life for herself. Without effective policies, those starting at the bottom of the economic ladder will have very little opportunity to climb higher. Those in the middle are likely to see their prospects stagnate or fall without savings and assets to help them weather the rough times and invest in a more prosperous future. The nation's widening wealth gap is economically unsustainable for our nation and morally unacceptable for America's families. It should be met with a strong and sustained policy response.

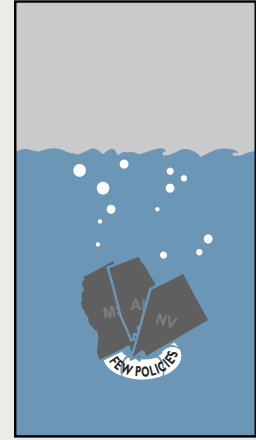
Policies can impact outcomes



**GOOD
OUTCOMES**



**BAD
OUTCOMES**



... but they are not the only drivers



**GOOD
OUTCOMES**



**BAD
OUTCOMES**



HOW THIS REPORT IS ORGANIZED

This report summarizes the key findings from the 2015 *Assets & Opportunity Scorecard*. The following sections offer a deeper look at the outcome and policy data trends over time and across states in the *Scorecard*'s five issue areas: Financial Assets & Income, Businesses & Jobs, Housing & Homeownership, Education and Health Care. The report also includes an infographic of the overall adoption of the 68 *Scorecard* policies across the states, which allows you to see at a glance which states have adopted the most policies and which policies have been adopted by the most states.

FINANCIAL ASSETS & INCOME

In the past year, much has been said about income inequality and its troubling consequences. However, less has been said about the relationship between income inequality and the ability to build savings and wealth.

One of the *Scorecard's* key indicators, **liquid asset poverty**, measures the percentage of a state's population that has less than three months' worth of savings. The most recent data available show that 44% of households nationally are living without a basic personal safety net.⁴ New in this year's *Scorecard* is a state-by-state assessment of **income inequality**. Income inequality is a measure of exclusion from economic opportunity that shows the distance between earners at the bottom and those at the top. Nationally, those in the bottom quintile earned one-fifth the income earned at the top quintile (\$21,159, compared to \$106,196).

Looking at these two measures together shows a troubling relationship between income inequality and financial resilience. The *Scorecard* shows that states with some of the highest levels of income inequality also have high rates of liquid asset poverty. The states fall into two groups: poor states in the South and Southwest, and states with high costs of living on the East and West coasts. Both of these groups have high populations of color. Alabama, for example, ranks 46th for income inequality and 39th for liquid asset poverty; California ranks 43rd for income inequality and 25th for liquid asset poverty.

The relationship between these two indicators also adds detail to the portrait of those who are excluded from the financial mainstream; with neither sufficient income to cover day-to-day expenses, nor the emergency savings to deal with bumps in the road, families must borrow to make their budgets work. Yet, more than half of consumers nationally (55.6%) have credit scores that put reasonably priced, short-term loans out of reach. In many parts of the country, high-cost, often predatory, loans are the only option. Unfortunately, these loans end up deepening families' indebtedness, creating a quagmire that is difficult to escape and that ultimately reinforces their financial exclusion.

States can help families climb out of their financial quicksand by adopting policies that increase income and the ability to save, and decrease indebtedness.

Raising the floor on wages is one part of the solution, as is discussed in the Businesses & Jobs section. However, additional policies like the **Earned Income Tax Credit** (EITC) are proven to increase income and lift families out of income poverty. Twenty-five states and the District of Columbia have adopted EITCs that range from 3.5% to 50% of the federal credit. In 21 states and the District of Columbia, the credit is at least partially refundable, which allows those with very low incomes to benefit.

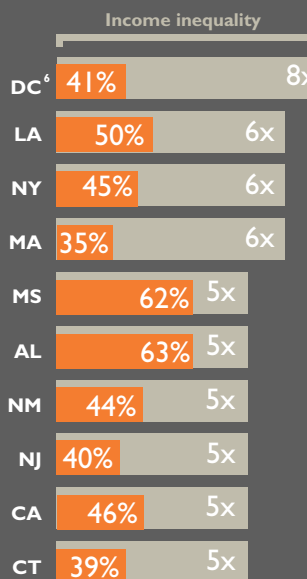
Helping families save is another important strategy. Families with savings are more likely to move out of poverty. Research on economic mobility finds that a person born in the lowest income quintile who has \$10,000 in liquid savings is 6.5 times more likely to move up the income ladder than someone with only \$1,000 in liquid savings.⁵ In addition to increasing income, the EITC also creates an opportunity for saving. For many families, the EITC is the largest



BOTTOM QUINTILE EARNED

1/5th AS
MUCH AS
TOP QUINTILE

LIQUID ASSET POVERTY RATES IN
10 WORST STATES
FOR INCOME
INEQUALITY



Liquid asset poverty

Income inequality is expressed as the number of times more the top income quintile earns compared to the bottom income quintile (e.g., 6x more).

lump-sum payment they receive all year. Especially with assistance from supportive community tax preparation service providers, families can use their EITC payment to start saving for emergencies and the future.

Removing asset tests from benefits program eligibility requirements is another important policy change that both increases income and facilitates saving by very low-income families receiving public benefits. These asset limits, which can be as low as \$1,000 in savings, are a relic of entitlement policies that in some cases no longer exist. Thirty-five states and the District of Columbia have eliminated their asset tests for the Supplemental Nutrition Assistance Program, 39 states and the District of Columbia have removed the test for the Low-Income Heating and Energy Assistance Program, and eight states have removed the test in the Temporary Assistance for Needy Families Program.

States can also fix the debt trap for financially excluded families by **regulating the interest rates and other terms for short-term loans**. Seventeen states and the District of Columbia have capped interest rates on payday loans, 29 states and the District of Columbia have capped rates on auto-title loans, and 20 states and the District of Columbia have capped rates on short-term installment loans. States can also curb abusive practices in the debt settlement industry, which offers to settle debts on behalf of customers for a fee. Many debt settlement companies, however, engage in fraudulent, abusive and deceptive practices. Twenty-five states protect consumers from these predatory debt settlement practices.

2014 STATE EITC VICTORIES



Ohio doubled the state's Earned Income Tax Credit from 5% to 10% of the federal credit. The state EITC is not refundable.



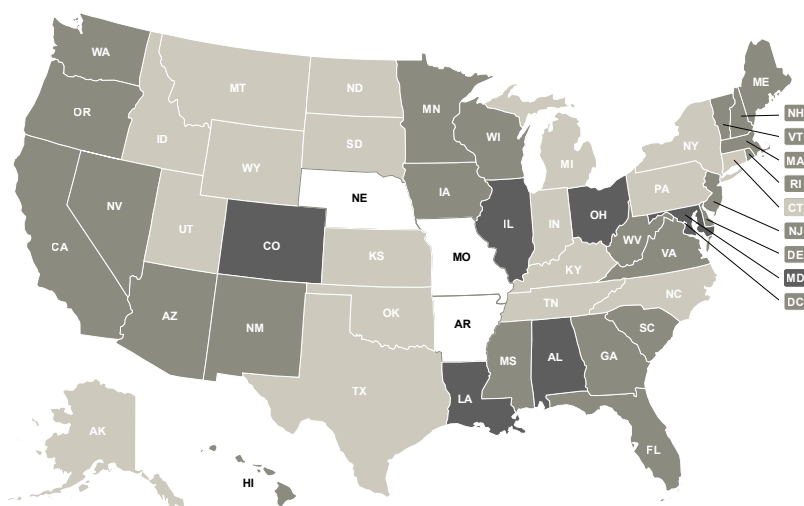
Maryland increased the state's refundable Earned Income Tax Credit from 25% to 28% of the federal credit by 2018.



Minnesota aligns provisions of the state's Working Family Credit with the federal EITC, resulting in a 25% increase in the credit.

47

STATES & DC HAVE ELIMINATED ASSET LIMITS FROM AT LEAST ONE PUBLIC BENEFIT PROGRAM



NUMBER OF PROGRAMS WITHOUT ASSET LIMITS

THREE TWO ONE ZERO

States can eliminate asset limits from three public benefit programs:

Supplemental Nutrition Assistance Program (SNAP)

Low-Income Heating and Energy Assistance Program (LIHEAP)

Temporary Assistance for Needy Families (TANF) Program

- 35 STATES & DC HAVE ELIMINATED ASSET LIMITS FROM SNAP
- 39 STATES & DC HAVE ELIMINATED ASSET LIMITS FROM LIHEAP
- 8 STATES HAVE ELIMINATED ASSET LIMITS FROM TANF

BUSINESSES & JOBS

Few indicators point as clearly to an improving economy as a falling unemployment rate—down nationally to an annual rate of 6.5%, compared with 7.6% a year ago.⁷ While this is cause for celebration, it hides another important reality: for some groups of workers and in some parts of the country, the job market still is not producing the number or quality of jobs necessary for a widely shared economic recovery.

Nationally, the **unemployment rate for workers of color** is four percentage points higher than it is for white workers (10% compared to 6%, respectively). In some states, the gap is even more extreme. In South Dakota and North Dakota, for example, the unemployment rate for white workers is below 3%, but for workers of color it is 11.7% in South Dakota and 8.4% in North Dakota.

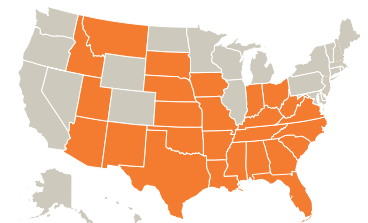
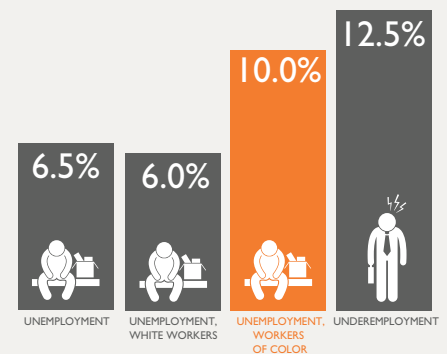
The **underemployment rate** is a measure of workforce participation that includes not only the unemployed, but also part-time workers looking for full-time work and discouraged workers who have stopped looking for work. This measure adds nuance to our understanding of exclusion from the economic recovery. Nationally, 12.5% of the workforce wanted a job or one with more hours in 2014. In Nevada, California and Arizona, for example, the underemployment rate was above 15%.

The **quality of available jobs** helps explain why many people are not benefitting from the recovery. Fully one-quarter (25.1%) of jobs are in low-wage occupations, a four percentage-point increase over the prior year. These jobs are disproportionately held by women and workers of color.⁸ Across the board, average annual pay nationally continued nearly a decade of stagnation and actually fell between 2012 (\$50,011) and 2013 (\$49,808).

These trends led policymakers across the country and in Washington, DC, to propose laws to increase wages, resulting in 14 states and the District of Columbia adopting policies in 2014 to raise the **minimum wage**. Currently, two states and the District of Columbia have a minimum wage that will reach at least \$10 per hour by 2016, and ten states index their minimum wage to inflation. Numerous jurisdictions now have minimum wages above \$10 per hour, and in Seattle, the minimum wage is \$15 per hour. At the federal level, President Obama signed an Executive Order that increased the minimum wage for federal contractors to \$10.10 per hour. Unfortunately, not all momentum was forward: Oklahoma, for example, banned its cities and counties from setting local minimum wage standards. Overall, however, the policy trend in 2014 favored raising wages for the lowest-wage workers.

During the recession, we saw a small uptick in rates of **business ownership**—somewhat unsurprising given the lack of jobs. In this year's *Scorecard*, 16.6% of the labor force owned a microenterprise (defined as businesses with fewer than five employees), which matches the highest rate during the recession. This trend suggests that workers excluded from the financial mainstream continue to use microenterprise ownership to patch together enough income to make their budgets work. Recognizing that small business development is another way for unemployed workers to get back into the economy, three states—Mississippi, New Hampshire and Rhode Island—joined Delaware, New York, Oregon and Washington in **providing financial assistance equivalent**

ANNUAL UNEMPLOYMENT



26 STATES W/
MORE THAN

1 in 4 JOBS
LOW-WAGE



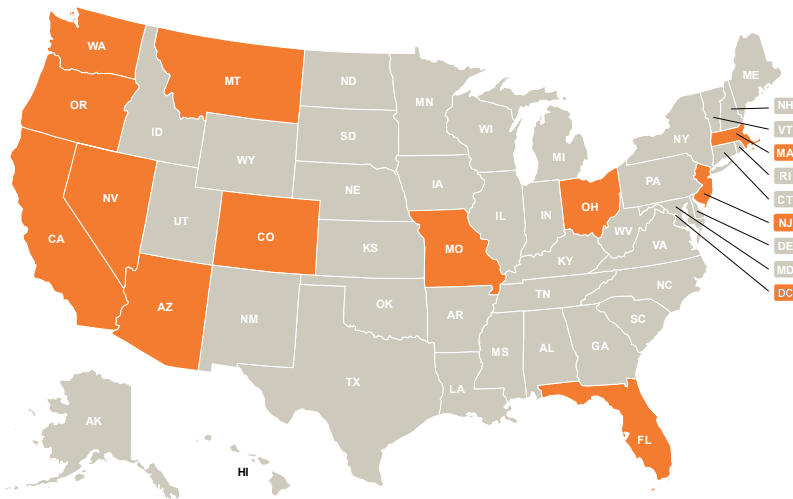
JOBS IS LOW WAGE IN

WEST VIRGINIA, MISSISSIPPI, ARKANSAS,
ALABAMA, SOUTH DAKOTA, LOUISIANA,
SOUTH CAROLINA & NEW MEXICO.

to **unemployment compensation** while laid-off workers establish a small businesses.

For both self-employed and wage workers, saving at work is an important way to prepare for retirement. Although the participation rate in **employer-sponsored retirement plans** increased from 44.2% in 2012 to 45.8% in 2013, the overall trend has been declining rates for more than a decade. With policy advances at the national and state levels, however, the trend may turn upward in future years. The U.S. Department of the Treasury's new **myRA** program makes it safe, simple and affordable for employees without an employer-sponsored retirement plan to save through a Roth IRA. Illinois became the first state to adopt a similar program. Millions of Illinois workers without an employer-sponsored plan will now be able to enroll in the **Illinois Secure Choice Program**, which will automatically enroll them into an Individual Retirement Account.

12 STATES & DC HAVE STRONG MINIMUM WAGE POLICIES



STATES PROTECT UNEMPLOYMENT BENEFITS FROM UNFAIR BANK FEES

Most states now deliver unemployment benefits via prepaid debit cards or direct deposit into a bank account. The advantage of prepaid cards for unbanked workers is that they can avoid high-cost check cashers. Unfortunately, the fees on these cards—including ATM withdrawal and balance inquiry fees—can take a sizable bite out of the unemployment benefit, reducing the amount available to pay for basic needs like food and housing.



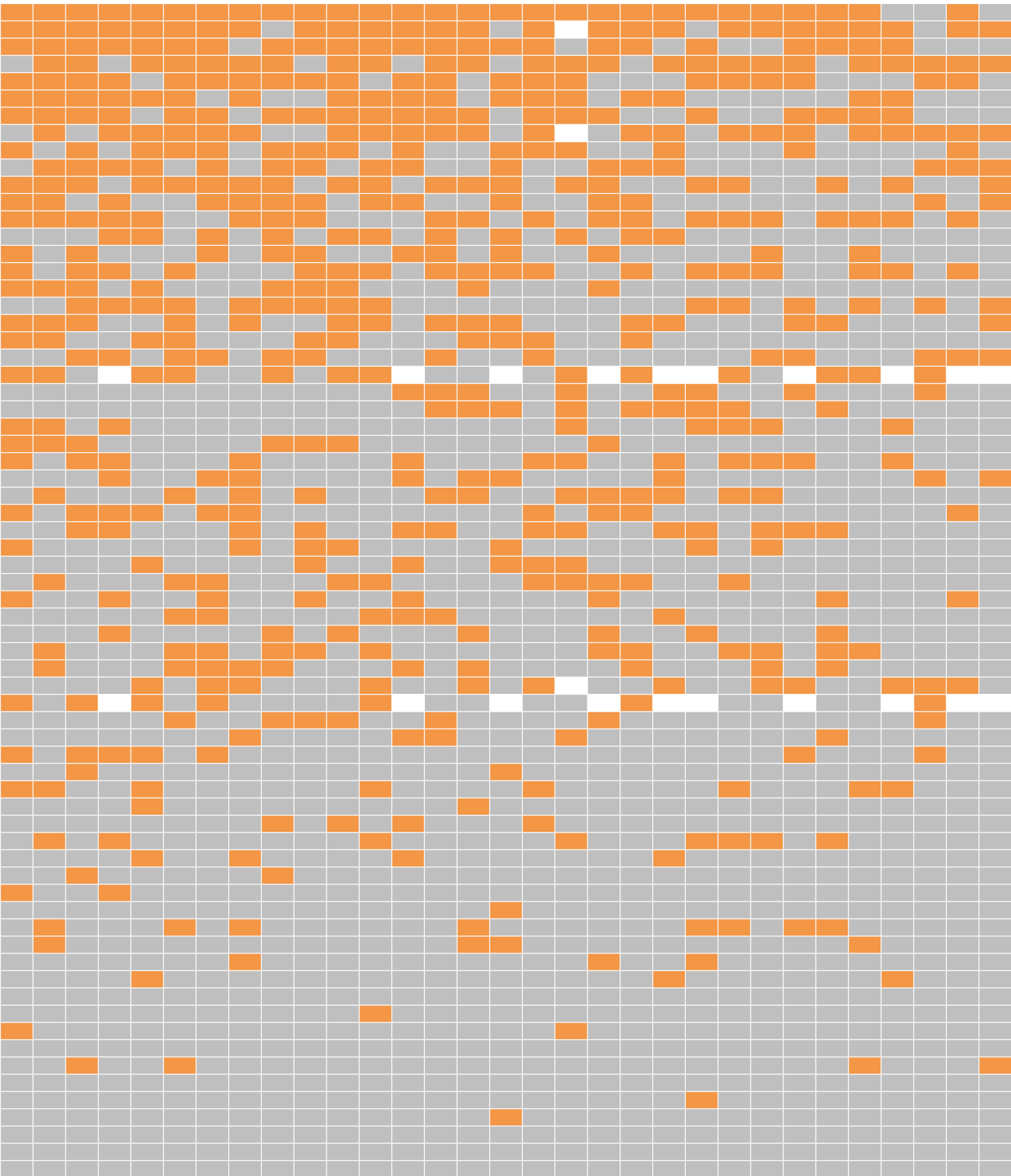
In 2014, six states—**Alaska, Colorado, Iowa, Michigan, Texas** and **Wisconsin**—reduced the fees banks can charge on these cards, bringing the total to 23 states and the District of Columbia that offer low-fee unemployment insurance prepaid cards.

* No data available

POLICIES ADOPTED BY THE FEWEST STATES

← STATES ADOPTING THE MOST POLICIES STATES ADOPTING THE FEWEST POLICIES →

OK LA WI ND DE GA PA FL MI NE NM WV MT AZ VA HI SC NV IN KY NH UT TN TX ID MO AL MS AK SD WY



HOUSING & HOMEOWNERSHIP

The housing market is unquestionably more stable today than it was during the recession. Foreclosure and delinquent mortgage loan rates declined in 2014 compared to the previous year and were dramatically lower than in 2010 when the housing crisis was at its worst. However, the housing market is far from healthy.

Nationally and in 36 states, the **homeownership rate** continued its downward trend; 63.5% of households nationally owned homes in 2013, a nearly 20-year low. **High-cost mortgage loans**—one of the main culprits responsible for the housing boom and bust—are on the rise: the percentage of homebuyers with high-cost mortgages is higher nationally and in 42 states than it was in 2010. Even without the dangers of a bursting housing bubble, high-cost mortgages can still put homeowners at greater risk of foreclosure and loss of home equity.

In addition, in many parts of the country and for financially excluded populations, the housing market continues to stagnate. For example, high-cost states such as New York, California, Hawaii and the District of Columbia, along with hard-hit states like Nevada, still have homeownership rates well below the national average, ranging from 40.7% in the District of Columbia to 56.2% in Hawaii. Likewise, although the number of people in danger of losing their homes **to foreclosure** has dropped to 2.5% nationally, ten states saw their **delinquent mortgage loan rates** increase between 2013 and 2014.

Households of color continue to own homes at strikingly lower rates than white households; 45.2% compared to 71.1%, respectively. In 34 states, the **gap in homeownership** between households of color and white households actually widened. Of the 10 states where the gap is the greatest, five are in the Northeast (Rhode Island, New York, Massachusetts, Connecticut and New Jersey) and four are in the Midwest (Wisconsin, South Dakota, North Dakota and Minnesota). (The 10th-worst state is Kentucky.) The gap in homeownership between those with low and high incomes is even greater than between households of color and white households: only 38.4% of the poorest 20% of households own their homes, compared to 85.7% of the richest.



32 STATES

HAVE TAKEN SOME POLICY ACTION
TO PREVENT FORECLOSURES OR
PROTECT HOMEOWNERS DURING
FORECLOSURE PROCESS

21 STATES



REQUIRE A THIRD-PARTY
REVIEW FOR FORECLOSURES

19 STATES

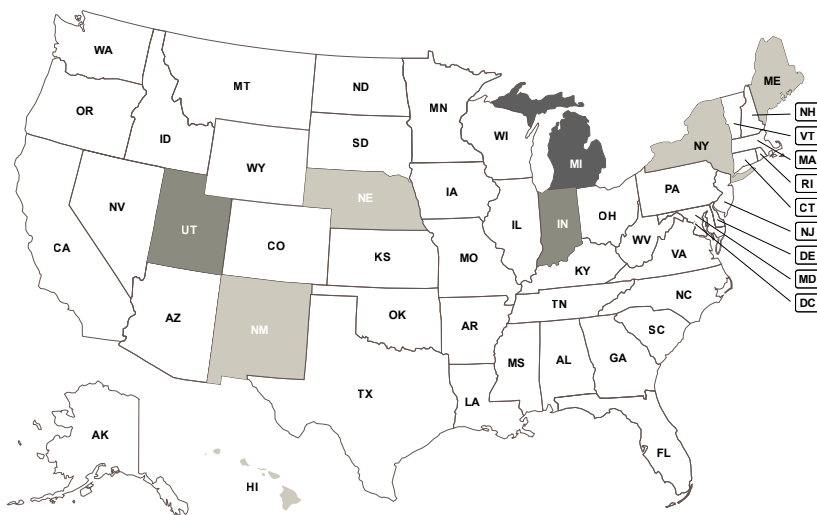


REGULATE MORTGAGE
SERVICERS

Although homeownership remains the primary way most Americans build wealth, policymakers are doing relatively little to help low-income households and households of color realize this critical path to long-term financial security. Even more troubling, eight states cut their support for programs intended to help low- and moderate-income families own homes. Six states (Indiana, Maine, Michigan, Nebraska, New York and Utah) cut their **homeownership counseling** programs, three (Hawaii, Michigan and Utah) cut their **downpayment assistance** and three (Indiana, Michigan and New Mexico) cut their **direct lending programs**. Michigan stands out for cutting all three programs in the face of a steadily declining overall homeownership rate and the 35th-worst gap between households of color and white households.

8

STATES CUT SUPPORT FOR FIRST-TIME HOMEBUYERS



NUMBER OF PROGRAMS CUT

THREE TWO ONE ZERO

MICHIGAN CUTS FIRST-TIME HOMEBUYER ASSISTANCE



Despite a steady decline in its homeownership rate since the start of the housing crisis, **Michigan** has removed three vital policies – homeownership counseling, downpayment assistance and direct lending – intended to help support first-time homebuyers. This decision could have far-reaching consequences for several groups that have historically been excluded from the housing market:

35th **Michigan** ranks 35th nationally in homeownership by race. The state's households of color have seen a larger decline in homeownership than white households since the crash.

49th **Michigan** is 49th in the nation in the percentage of homebuyers taking out high cost mortgage loans, with a rate (6.6%) nearly double the national average (3.4%). Research has shown that low-income and households of color are often targeted for high-interest loans, regardless of credit score.⁹

EDUCATION

Educational attainment is critical to achieving financial stability and moving up the income ladder. While graduation rates have steadily increased nationally and in most states, these positive trends are offset by large gaps in attainment by race and income and rising student loan debt.

On-time high school graduation rates increased in 36 states and the District of Columbia between 2012 and 2013. Nevada saw the biggest increase, jumping from a 63% to a 71% graduation rate. In 2013, a total of 32 states saw at least 80% of students graduating within four years. During that same time period, eight states improved their **systems for teacher evaluations and retention**, influenced in part by federal programs such as No Child Left Behind and Race to the Top.

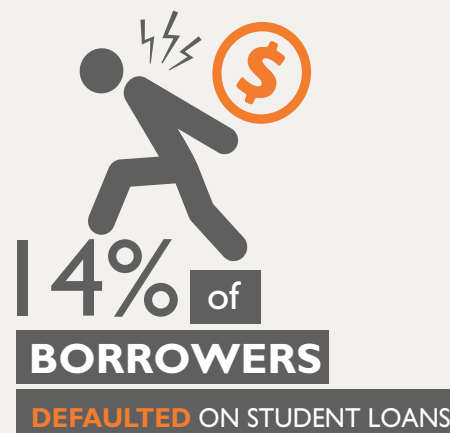
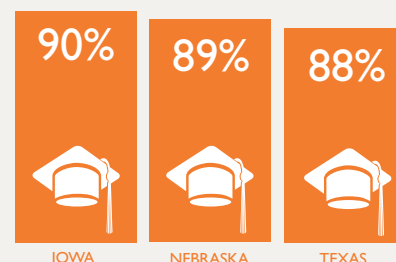
College degree attainment also rose, with increases in both two-year and four-year degrees. These trends were driven both by higher enrollment in college during the recession and improvements among colleges in graduating students.¹⁰ In 2013, 37.7% of adults had at least two-year degrees and 29.6% had four-year degrees, up 2.8 and 2.1 percentage points, respectively, from the start of the recession in 2007. Every state and the District of Columbia saw higher rates of college attainment except for Alaska, Arkansas, Mississippi, Montana, New Hampshire, North Dakota and Vermont.

College attainment for people of color and low-income individuals increased as well, but these increases did little to nothing to close gaps between people of color and their white counterparts, or between lower-income and their higher-earning counterparts. A 12 percentage-point gap remains between the rate of attainment for adults of color (21%) and white adults (33%). Meanwhile, the four-year degree attainment rate for those in the bottom income quintile (12%) is less than one-fourth of the four-year degree attainment rate for those in the top income quintile (54%).

These gains in attainment also come at the cost of higher **student loan debt burdens**—stemming from higher college costs and fewer family resources. The majority (71%) of college graduates are leaving school with student loan debt, and the average debt of those graduates is \$28,400. While the **student loan default rate** has dropped slightly since the 2014 *Scorecard*, 14% of borrowers nationally who are entering repayment go into default within three years. The default rate varies substantially between states—from a low of 6% in North Dakota to a high of 21% in New Mexico.

HIGH SCHOOL GRADUATION RATES INCREASED IN 36 STATES & DC

TOP 3 GRADUATION RATES

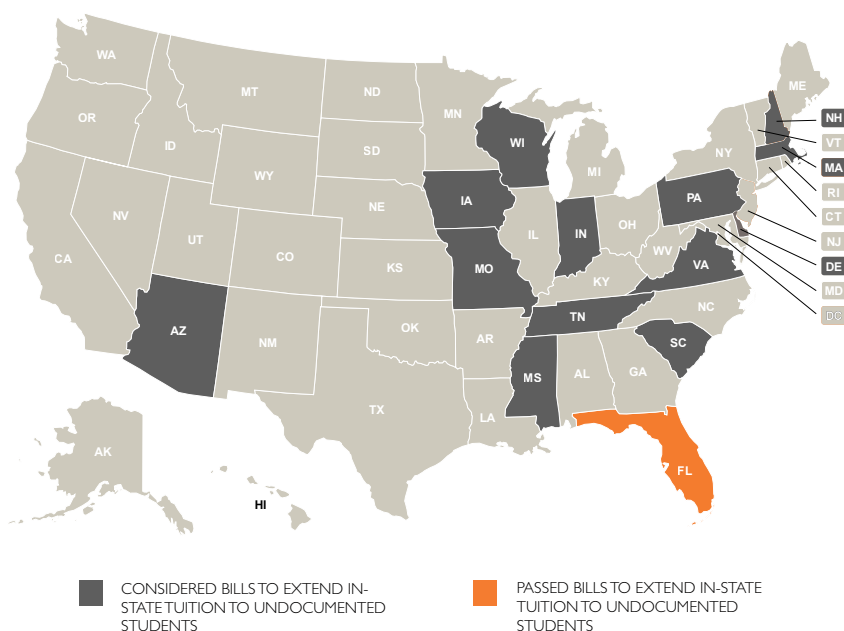


YOUNG PEOPLE DISCONNECTED FROM THE ECONOMIC MAINSTREAM

The 2015 *Scorecard* includes a new measure: the percentage of those aged 16-24 who are neither in school nor employed. The nearly 14% of youth who are disconnected from work or school are left out of data trends showing increased educational attainment and decreased unemployment. Disconnected youth lack the credentials and skills to succeed in a workplace in which competition for even entry-level and low-skill jobs remains fierce.

To make postsecondary education more affordable, states have a number of policy tools at their disposal, including adequately funding public education institutions, protecting students from abusive practices by for-profit schools and offering families incentives to save for college. Unfortunately, **funding for public colleges and universities** decreased as a percentage of the overall state budget in 31 states; only 26 states allocated at least 10% of their budgets to higher education. At least 13 states considered bills that would extend **in-state tuition to undocumented students**, but only Florida was successful in adopting the policy. In a more positive trend, five states—Rhode Island, Tennessee, Connecticut, Maine and Nevada—launched or expanded children’s savings or college savings programs.

13 STATES CONSIDERED BILLS TO EXTEND IN-STATE TUITION TO UNDOCUMENTED STUDENTS



2014 MATCHED COLLEGE SAVING PROGRAM EXPANSIONS



Announced in December 2014, all children born into or adopted by **Rhode Island** families on or after January 1, 2015, will be eligible to receive a \$100 grant to be used for higher education under the new CollegeBoundbaby Grant.



In September 2014, **Tennessee** implemented an up to 4-to-1 match for low-income families contributing to their children’s account in the TNStars College Savings Program.



Connecticut launched the CHET Baby Scholars program, which provides every child with a savings account seeded with \$100 up to a year after birth. The state will match the first \$150 families contribute within three years of opening the account.



Maine became the first state to offer a truly universal, opt-out matched college savings program. It automatically enrolls every newborn into the state 529 plan and jump starts saving with a \$500 grant (funded with private dollars).



Nevada expanded its College Kick Start program to include every public school kindergartner, establishing for each of these students a college savings account with an initial deposit of \$50 on their behalf.

HEALTHCARE

In the final year before full implementation of the Affordable Care Act (ACA), the percentage of Americans lacking insurance continued to tick downward nationally and in 29 states. While we expect the 2014 data to show a more dramatic drop in the percentage of individuals without insurance, the gap in coverage between individuals of color and white individuals remains troubling. The uneven expansion of Medicaid is the primary culprit.

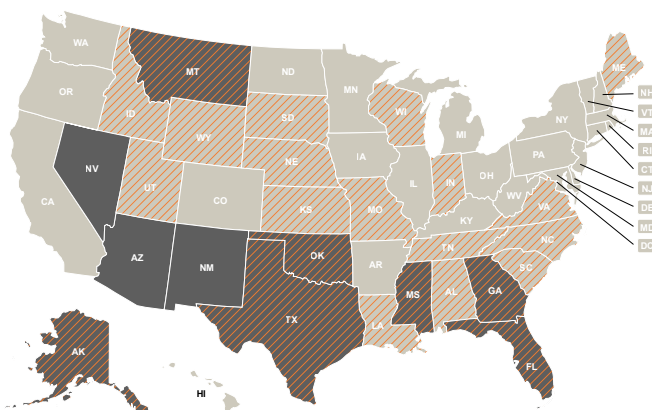
In 2013, individuals of color were twice as likely to be **uninsured** as their white counterparts (24.3% versus 12.3%, respectively). The Urban Institute projects the ACA will close some of this gap, reducing the uninsured rate for Native Americans and Latinos by more than 12 percentage points and for African-Americans and Asian/Pacific Islanders by 8.3 points. These numbers compare to a 6.8 percentage-point rate drop among white households nationally.¹¹

However, the decision by some state policymakers not to **expand Medicaid** is leaving millions of financially insecure Americans without health insurance. Of the 10 states with the highest rates of uninsured residents, seven have not expanded Medicaid. This number includes Texas and Florida, the two states with the highest uninsured rates in the nation.

According to preliminary data analyses conducted by the Kaiser Family Foundation, nearly four million low-income Americans are caught in the ACA's "coverage gap," meaning their household income is too high to qualify for Medicaid at the states' income threshold, but too low to qualify for health care marketplace subsidies. The majority (86%) of these four million people live in the South and nearly half (42%) of those reside in Texas and Florida. Individuals of color are disproportionately affected; Latino and African-American adults account for half of the coverage gap.¹²

In addition to narrowing the **gap in insurance rates between individuals of color and white individuals**, the ACA will likely increase health insurance coverage among other groups as well. In 35 states and the District of Columbia, the percentage of employers offering health insurance continued to drop in 2013. We expect that the ACA will insure many of those who are no longer covered by their employers.

7 of 10 STATES WITH HIGHEST UNINSURED RATES HAVE NOT EXPANDED MEDICAID



■ STATES WITH THE HIGHEST UNINSURED RATES

▨ STATES THAT HAVEN'T EXPANDED MEDICAID

STATES THAT EXPANDED OR MOVED TO EXPAND MEDICAID IN 2014



EXPANDED



New Hampshire initiated a pilot program that uses Medicaid funds to provide health insurance to 50,000 low-income adults.



Pennsylvania received approval from federal regulators for a Medicaid expansion plan that went into effect January 1, 2015, and will cover an estimated 500,000 people.



MOVED TO EXPAND



Indiana has submitted a proposal to federal regulators to expand Medicaid. The "Healthy Indiana Plan" would cover 559,000 individuals.



Tennessee, Utah, Wyoming and Virginia all have plans that have been debated in their respective legislatures.



CONNECT TO OTHERS WORKING TO IMPROVE OUTCOMES FOR FAMILIES

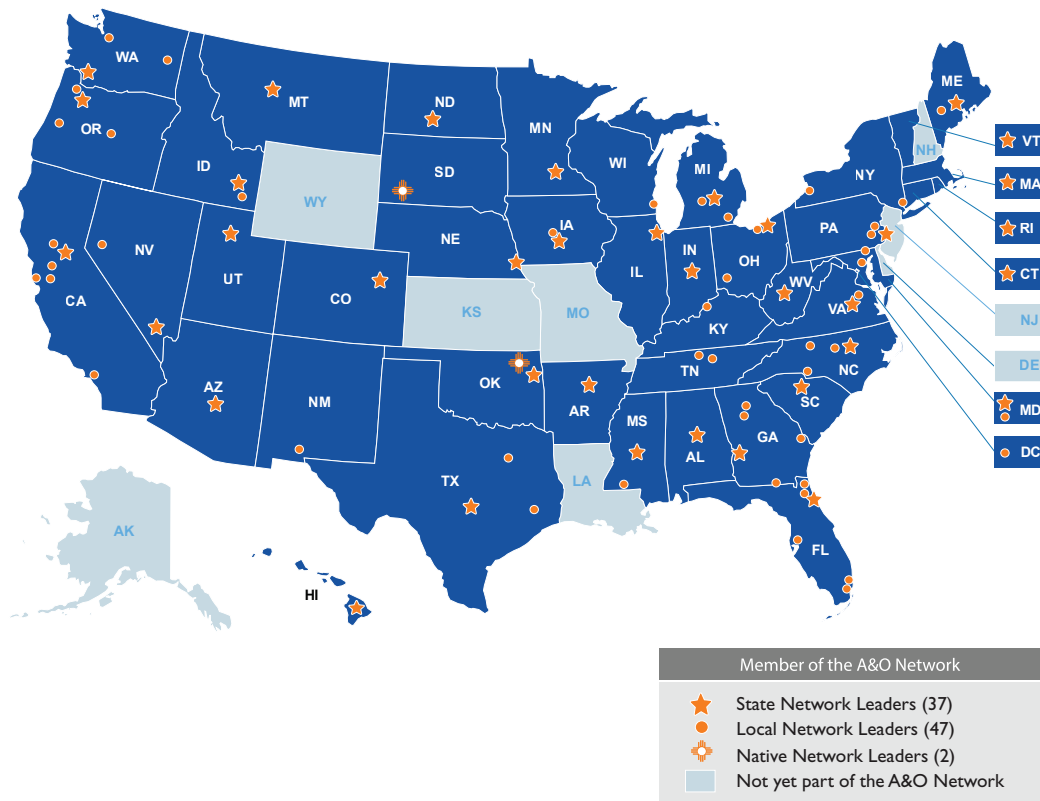
Across the country, advocates, service providers and others in the assets field are working to improve the financial security of families by strengthening policies and programs. The Assets & Opportunity Network leverages the combined experience, power and potential of these stakeholders to speed up the diffusion of innovative financial security and asset-building strategies and to create an effective constituency that can advocate for policies that expand economic opportunity.

The Network is guided by a nationally-representative Network Steering Committee and convened locally by Network State, Local and Native Leaders, many of which host statewide or local asset coalitions. More than 1,700 General Members who are committed to collective action to create social change also directly participate in the Network.

As a learning community, the Assets & Opportunity Network engages the assets field via a virtual infrastructure and in-person events in national conversations about asset-building solutions and spreads knowledge of innovative and effective approaches to service delivery through learning groups, webinars, workshops, and regular updates on policy and practice. As an advocacy community, the Network creates opportunities for members to participate in the policy process and builds their capacity through advocacy training and education on policy issues. The Network also builds the communications capacity of members to raise awareness of asset issues with the media, policymakers and allies, and expands resources available to the assets field through funder education and fundraising capacity-building for members.

To join the Assets & Opportunity Network, visit <http://assetsandopportunity.org/network>.

ASSETS & OPPORTUNITY NETWORK LEAD STATE & LOCAL ORGANIZATIONS



To connect with the Lead Organization in your area, visit http://assetsandopportunity.org/network/network_leaders/.

ENDNOTES

¹ *Financial Well-Being: The Goal of Financial Education* (Washington, DC: Consumer Financial Protection Bureau, 2015). To conduct the research on financial well-being, the CFPB partnered with an external research team led by CFED, including the University of Wisconsin-Madison Center for Financial Security, the Urban Institute, ICF International and Vector Psychometrics.

² *2013 FDIC National Survey of Unbanked and Underbanked Households* (Washington, DC: Federal Deposit Insurance Corporation, 2014), <https://www.fdic.gov/householdsurvey/2013report.pdf>.

³ Robert B. Avery, Kenneth P. Brevoort & Glenn Canner, *Credit Scores, Race and the Life Cycle of Credit: Evidence from Credit Records* (Washington, DC: Board of Governors of the Federal Reserve System, 2008), <http://www.uta.edu/economics/workshop/Credit%20Scoring%20Paper%201%20for%20UTA.pdf>.

⁴ The liquid asset poverty data in the 2015 *Scorecard* has not been updated from the 2014 *Scorecard* because the data source, the U.S. Census Bureau's Survey of Income and Program Participation, did not release new data in 2014.

⁵ *Moving On Up: Why Do Some Americans Leave the Bottom of the Economic Ladder, But Not Others?* (Washington, DC: The Pew Charitable Trusts, 2013), <http://www.pewtrusts.org/~media/Assets/2013/11/01/MovingOnUp.pdf>.

⁶ CFED calculates liquid asset poverty rates for the states using data from the Survey of Income and Program Participation (SIPP). However, the SIPP's limited sample size in smaller states and the District of Columbia make reliable estimates of liquid asset poverty in these areas impossible to generate. In order to produce estimates for these geographies, CFED has created an alternative estimation methodology based on both household wealth data from the SIPP and demographic data from the American Community Survey. These estimates are not published in the *Scorecard* but can be found in the Assets and Opportunity Local Data Center. For this methodology's full technical documentation, visit the Local Data Center's methodology page at <http://localdata.assetsandopportunity.org/methodology>.

⁷ CFED uses the most recently available annual unemployment rates in the *Scorecard*. Thus, this year's *Scorecard* unemployment rates include the fourth quarter of 2013 and the first three quarters of 2014.

⁸ Lawrence Mishel, Josh Bivens, Elise Gould and Heidi Shierholz, *The State of Working America: An Economic Policy Institute Book* (Ithaca, NY: Cornell University Press, 2012), 192-194.

⁹ Jacob W. Faber, "Racial Dynamics of Subprime Mortgage Lending at the Peak", *Housing Policy Debate* 23, no.2 (2013): 328-349.

¹⁰ *Digest of Education Statistics, 2013* (Washington, DC: U.S. Department of Education, 2013), http://nces.ed.gov/programs/digest/2013menu_tables.asp.

¹¹ Lisa Clemans-Cope, Matthew Buettgens and Hannah Recht, *Racial/Ethnic Differences in Uninsurance Rates under the ACA* (Washington, DC: The Urban Institute, 2014), <http://www.urban.org/uploadedpdf/2000046-Racial-Ethnic-Differences-in-Uninsurance-Rates-under-the-ACA.pdf>.

¹² Rachel Garfield, Anthony Damico, Jessica Stephens and Saman Rouhani, *The Coverage Gap: Uninsured Poor Adults in States that Do Not Expand Medicaid – An Update* (Washington, DC: The Henry J. Kaiser Family Foundation, 2014), <http://kff.org/health-reform/issue-brief/the-coverage-gap-uninsured-poor-adults-in-states-that-do-not-expand-medicaid-an-update/>.

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ABOUT CFED

CFED empowers low- and moderate-income households to build and preserve assets by advancing policies and programs that help them achieve the American Dream, including buying a home, pursuing higher education, starting a business and saving for the future. As a leading source for data about household financial security and policy solutions, CFED understands what families need to succeed. We promote programs on the ground and invest in social enterprises that create pathways to financial security and opportunity for millions of people. Established in 1979 as the Corporation for Enterprise Development, CFED works nationally and internationally through its offices in Washington, D.C.; Durham, North Carolina, and San Francisco, California.

<http://scorecard.cfed.org>
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