Strategies to Build Assets Among Low-Income Families: Mapping the Field

Christianne Lind, with assistance from Pamela Friedman

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The FINANCE PROJECT

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Introduction

Broadly defined, assets are investments that appreciate over time. Assets can take various forms. They include investments that can be converted into cash, such as savings, equities, 401(k) accounts, and individual retirement accounts. Assets also include material possessions that hold monetary value, such as a house, an automobile, or a small business. Investments in nontangible property, such as education and training, also are assets.

To be economically secure, families need both income and assets. Regular income helps families pay for their daily living expenses. In contrast, families need assets to weather financial hardships and get ahead. Assets provide a safety net for coping with unanticipated expenses and emergencies (e.g., unemployment, accidents, and illnesses) that could otherwise cause significant financial hardship. Assets also help families build wealth and plan for the future by, for example, saving for retirement or investing in their children's education.

Despite the importance of assets, many families live without any type of financial safety net. More than 25 percent of U.S. households have insufficient resources to subsist—even at the poverty level—for three months without other support if their incomes were to end.[1] A lack of assets is particularly problematic among minority populations; 60 percent of African American families and 26 percent of Hispanic families have zero, or negative, net wealth.[2]

The lack of assets among low-income families is especially pronounced. Wealth inequality in the United States is greater now than it has been at any time during

[1] Corporation for Enterprise Development, *State Asset Development Report Card: Benchmarking Asset Development in Fighting Poverty* (Washington, D.C.: Corporation for Enterprise Development, 2002), 5, at http://www.cfed.org/publications/Final SADRC PDF.pdf.

[2] Charles Palmer, "Building Assets for Low-Income Families" (testimony before the Subcommittee on Social Security and Policy, Senate Finance Committee, April 28, 2005), at http://www.senate.gov/~finance/hearings/ testimony/2005test/cptest042805.pdf; and Rakesh Kochhar, *The Wealth of Hispanic Households 1996 to 2002* (Washington, D.C.: The Pew Hispanic Center, October 18, 2004), 2, at http://pewhispanic.org/files/reports/34.pdf.

the past 75 years.[3] The top 20 percent of households command 83 percent of the nation's wealth, while the bottom 40 percent possesses less than 1 percent of the nation's wealth.[4] In recent years, the wealth gap between the rich and poor has widened, as the top earners have vastly increased their assets and lower-income Americans have seen only modest changes.

Efforts to encourage asset building in the United States date back to the Homestead Act (1862) and the GI Bill (1944), but contemporary policies and programs have not benefited low-income families. In many cases, these policies operate through the tax system in the form of tax credits, deferments, or exemptions for investments, homeownership, and retirement accounts. Of the $300 billion in federal funds spent annually on tax credits related to asset development, more than 90 percent is provided to households with annual income levels above $50,000.[5] Because many low-income individuals do not have tax liabilities, they are excluded from, or have low participation rates in, current asset-building policies and programs.

This strategy brief aims to help practitioners, policymakers, and program developers understand how to expand asset-building opportunities for low-income families. Drawing from research and practice, it presents promising strategies and considerations for improving savings and investments among this population. It also lays out key areas for further work and investment to help guide decisionmakers in the public sector, business community, and foundation community as they seek to support activities that improve outcomes for low-income families and communities.

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[3] Linda Hoffman, *State Policy Options to Encourage Asset Development for Low-Income Families* (Washington, D.C.: National Governors Association Center for Best Practices, February 2006), 2, at http://www.nga.org/Files/pdf/ 06StatePolicyOptionstoEncourageAssetDevelopment.pdf.
[4] Ray Boshara, "Share the Ownership," *The Washington Post*, 8 February 2005.
[5] Michael Sherraden, "Inclusion in Asset Building" (testimony before the Subcommittee on Social Security and Family Policy, Senate Finance Committee, April 28, 2005), at http://www.senate.gov/~finance/hearings/ testimony/2005test/mstest042805.pdf.

Key Strategies to Improve Saving and Investment Among Low-Income Families

State and local leaders, including community- and faith-based organizations and coalitions, can develop innovative strategies to help low-income families build and protect their assets. These strategies include:

1. **Providing financial literacy education to low-income families;**
2. **Creating opportunities and incentives for them to save;**
3. **Improving their access to mainstream financial services;**
4. **Increasing or supplementing their earnings;**
5. **Curbing predatory lending practices; and**
6. **Expanding their access to insurance.**

In addition, leaders can take a more comprehensive approach by combining several different strategies to help low-income families achieve greater economic self-sufficiency.

The table "Key Strategies for Improving Saving and Investment Among Low-Income Families" shows decisionmakers what strategies are appropriate for use by state and local government leaders, including policymakers and public agency officials, as well as by community- and faith-based organizations and coalitions.

	Asset-Building Strategies				Asset-Protection Strategies	
	STRATEGY 1 Provide Financial Literacy Education	**STRATEGY 2** Create Opportunities and Incentives to Save	**STRATEGY 3** Improve Access to Mainstream Financial Services	**STRATEGY 4** Increase or Supplement Low Earnings	**STRATEGY 5** Curb Predatory Lending Practices	**STRATEGY 6** Expand Access to Insurance
Strategies that state and local leaders can use	• Provide financial literacy classes. • Link financial literacy classes to participation in other programs.	• Raise the asset limits for public assistance programs. • Offer individual development accounts. • Offer other vehicles for saving.	• Link public benefits to bank services. • Encourage banks to expand services for the unbanked. • Spur private-sector innovation.	• Establish a state or local earned income tax credit. • Increase the state or local minimum wage. • Raise the state or local income tax threshold for low-income families. • Connect families to supports and services.	• Enact state or local antipredatory lending laws. • Enforce fair lending practices. • Educate consumers.	• Improve outreach and education. • Encourage businesses to provide low-cost insurance. • Reduce or eliminate premiums for insurance. • Simplify application and renewal procedures. • Partially subsidize insurance coverage for low-income families. • Offer tax credits to businesses that provide affordable insurance. • Enact legislation requiring insurers to provide low-cost coverage to needy families.
Strategies that community- and faith-based organizations and coalitions can use	• Provide financial literacy classes. • Link financial literacy classes to participation in other programs.	• Offer individual development accounts. • Offer other vehicles for saving.	• Partner with financial institutions to provide services for low-income families.	• Carry out advocacy or ballot initiative campaigns to raise the minimum wage. • Connect families to supports and services.	• Monitor compliance with banking regulations and fair lending practices. • Educate consumers.	• Improve outreach and education. • Encourage businesses to provide low-cost insurance.

Strategy 1. Provide Financial Literacy Education and Training

Financial literacy education and training can improve individuals' and families' money management skills, make them less susceptible to predatory lending practices, and promote sound saving and investment practices. Financial literacy is important to help low-income individuals and families achieve greater financial security and success. Financial literacy education and training can encompass various topics, including:

- setting financial goals;
- budgeting;
- saving and investing;
- understanding credit reports;
- managing debt and bankruptcy;
- repairing poor credit; and
- planning for retirement.

Provide Financial Literacy Classes

State and local leaders, including community- and faith-based organizations and coalitions, can play a critical role in financing and providing financial literacy education and training for low-income families. In addition, groups with financial literacy expertise, experience in developing training and educational materials, or familiarity with the needs of particular audiences can help support these efforts. Schools, banks, businesses, credit unions, community colleges, national organizations, correctional facilities, and cooperative extension services are potential partners (see "Banking on Our Future: Financial Literacy Education for Youth").

Leaders can use or adapt a variety of financial literacy tools, programs, websites, and model curricula (see "Selected Financial Literacy Tools and Curricula"). Effective financial literacy education and training programs share these characteristics:[6]

- a clear mission and purpose;
- adequate resources;
- dynamic partnering;
- a strong, relevant curriculum that reflects participants' needs, experiences, and learning styles ; and
- rigorous evaluation.

In addition, programs that conduct marketing and outreach and provide incentives (e.g., child care, transportation reimbursement, meals and snacks, or a monetary stipend) can achieve higher participation rates. For more information, see *Providing and Funding Financial Literacy Programs for Low-Income Adults and Youth* at www.financeproject.org/publications/FESfinancialliteracy.pdf.

Access to financial literacy training can positively affect the savings patterns of low-income families and workers. Two studies by Rand and Moore et al. found that participants believed that financial literacy classes were useful and influenced their motivation to save.[7] Similarly, an evaluation of Financial Links for Low-Income People that tracked participants in both financial management training and individual development account (IDA) programs found that most participants changed the way they budgeted, tracked household expenses, or paid bills.[8] More research is needed, however, to assess the costs, the benefits, and the immediate and long-term effectiveness of financial literacy programs.[9]

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[6] Lois Vitt, Carol Anderson, Jamie Kent, Deanna Lyter, Jurg Siegenthaler, and Jeremy Ward, *Personal Finance and the Rush to Competence: Financial Literacy Education in the U.S.* (Middleburg, Va.: Institute for Socio-Financial Studies, 2000), at http://www.isfs.org/rep_finliteracy.pdf.

[7] Dory Rand, *Financial Education and Asset Building Programs for Welfare Recipients and Low-Income Workers: The Illinois Experience* (Washington, D.C.: The Brookings Institution, 2004), at http://www.brookings.edu/metro/ publications/20040413_doryrand.htm; and Amanda Moore, Sondra Beverly, Mark Schreiner, Michael Sherraden, Margaret Lombe, Esther Y. N. Cho, Lissa Johnson, and Rebecca Vonderlack, *Saving, IDA Programs, and Effects of IDAs: A Survey of Participants* (St. Louis, Mo.: Washington University, Center for Social Development, 2001), at http://gwbweb.wustl.edu/csd/Publications/2001/shortsurveyreport.pdf.

[8] Steven Anderson, Jeff Scott, and Min Zhan, *Financial Links for Low Income People (FLLIP) Final Evaluation* (Champaign, Ill.: University of Illinois Urbana-Champaign, School of Social Work, 2004), at http://gwbweb.wustl.edu/csd/policy/conf2005/Zahn.pdf.

[9] Government Accountability Office, *Highlights of a GAO Forum: The Federal Government's Role in Improving Financial Literacy*, GAO-05-93SP (Washington, D.C.: Government Accountability Office, November 2004), 14, at http://www.gao.gov/new.items/d0593sp.pdf.

Link Financial Literacy Classes to Participation in Other Programs

State and local policymakers and program administrators can also help create linkages between financial literacy education and training and other services for low-income families. For example, in many state Temporary Assistance for Needy Families (TANF) programs, cash assistance recipients can attend financial literacy education as part of their work requirements. Similarly, individual development account programs often require participants to attend classes relevant to their saving goals and objectives.

In addition, several states have incorporated financial literacy education into public school curricula. Pennsylvania, for example, hosts an annual seven-day residential summer program on a college campus to show K–12 teachers how to integrate financial education into the reading, writing, mathematics, science, and business content they are already teaching. In addition, the state department of education and office of financial education share a full-time staff person who oversees the integration of financial education throughout the school system. Similarly, Alabama, Georgia, Idaho, Illinois, Kentucky, New York, Texas, and Utah have enacted legislation that requires students to complete a personal finance course to graduate from high school.[10]

Considerations

- Although financial literacy education and training can be used as a stand-alone asset-building strategy, it is often used in combination with other strategies, such as individual development accounts. Controlling for other factors, Sherraden et al. found that financial education has positive effects on IDA saving outcomes.[11] There is no additional benefit beyond 10 hours of financial education, however, so policymakers should consider this threshold when designing IDA programs.[12]

- The Internet can be an efficient and cost-effective way for organizations to make financial literacy resources available to consumers.

[10] Hoffman, 12.
[11] Sherraden, McBride, Hanson, and Johnson, "The Meaning of Saving in Low-Income Households," *Journal of Income Distribution*, forthcoming.
[12] Michael Sherraden, "Saving and Asset Accumulation: Theory, Evidence, and Policy Implications" (presentation for the Asset Funders Network, New York, NY December 9, 2005).

Banking on Our Future: Financial Literacy Education for Youth

Operation Hope Inc.'s Banking on Our Future (BOOF) program began in 1996. BOOF provides year-round financial literacy education for youth ages 9 to 18 at no cost to school districts, and it focuses primarily on urban, underserved communities. Volunteer Hope corp members teach the program's four modules: (1) The Basics of Banking, (2) Checking and Savings Accounts, (3) The Power of Credit, and (4) Basic Investments. The curriculum breaks down knowledge of banking and credit into terms that youth can understand. BOOF's financial literacy instruction is provided through face-to-face classroom presentations and an interactive computer program, http://www.bankingonourfuture.org.

Currently, BOOF is being implemented in 18 cities nationwide: Anaheim/Orange County (Calif.), Arlington (Va.), Atlanta (Ga.), Baltimore (Md.), Boston (Mass.), Chicago (Ill.), Dallas (Texas), Denver (Colo.), Detroit (Mich.), Los Angeles (Calif.), New Orleans (La.), New York City (N.Y.), Oakland (Calif.), Philadelphia (Pa.), Pittsburgh (Pa.), Portland (Ore.), San Francisco (Calif.), and Washington, D.C. Operation Hope Inc., plans to expand the BOOF program to additional cities and youth across the nation soon.

BOOF works in partnership with local education departments, local school districts, the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve System, the U.S. Department of the Treasury's Office of Thrift Supervision, the District of Columbia Department of Banking and Financial Institutions, the New York Banker Association, the New York State Banking Department, the American Bankers Association, American Community Bankers, the Community Bankers Association, the California Bankers Association, and 75 other public and private partners to provide financial literacy education to thousands of youth annually. In addition, the program relies on more than 2,500 "banker-teacher" volunteers.

The annual operating budget for the program is just over $2 million. Funders of BOOF include E Trade Financial, Wells Fargo, Far East National Bank, Fremont Investment & Loan, PNC Bank, Citigroup, the William Jefferson Clinton Foundation, the Weinberg Foundation, and Bank of the West.

Since the program's inception, more than 186,000 youth have received BOOF instruction in almost 500 schools and 200 community-based organizations. In a 2004 formal evaluation of the BOOF program, researchers administered pre- and post-tests to a random sample of students in grades four to eight. They found that more than 50 percent of the students made significant gains in financial literacy skills and concepts.

For more information about BOOF, visit www.operationhope.org or contact Emily Ausbrook, vice president, at 415-282-8348 or emily.ausbrook@operationhope.org.

Selected Financial Literacy Tools and Curricula

The **Community Action Partnership**™ and the **National Endowment for Financial Education**® created a financial literacy website, *Changing Your Life Through Better Money Management*, that both individuals and caseworkers can use. It includes tips, resources, and worksheets on homeownership, financial goal setting, money management, employment ABCs, and individual development accounts. To view the website, visit http://www.managingmymoney.com.

Fannie Mae's *Growing Your Money* is a shorter curriculum, with sessions covering loans, credit, spending, banking, and savings. To view and download the curriculum's contents, visit http://www.fanniemaefoundation.org/programs/finance_tools.shtml. To order a free training toolkit and up to 20 participant guidebooks, call 1-800-943-5775.

The **Federal Deposit Insurance Corporation**'s *Money Smart* is a financial education program for adults that banks, government agencies, and community-based organizations can use. This curriculum includes information about free tax preparation, the Earned Income Tax Credit, the Child Care Tax Credit, and other tax credits for low- and moderate-income families. Money Smart is available in English, Spanish, Chinese, Korean, and Vietnamese. To obtain a copy of the curriculum, visit http://www.fdic.gov/consumers/consumer/moneysmart/index.html.

The Finance Project, with support from the Jim Casey Youth Opportunity Initiative, developed and tested *Building Assets for Your Future*, a specialized financial literacy curriculum for youth leaving the foster care system. The curriculum is structured around core competencies that are designed to change the financial behavior of youth and prepare them to manage their money responsibly. It includes modules on topics such as creating a financial plan, saving, and investing. For more information, contact Aracelis Gray at 202-628-4200 or agray@financeproject.org.

First Nations Development Institute and the **Fannie Mae Foundation** created *Building Native Communities: Financial Skills for Families*, a financial literacy curriculum developed specifically for Native American families. The curriculum is designed to help Native Americans build on their own knowledge and develop personal financial skills while embracing their peoples' traditions and values. It includes an instructor's manual and participant workbooks to provide 18 hours of training. To download individual sessions of the instructor's manual, visit http://www.fanniemaefoundation.org/programs/native_american.shtml. To request a free copy of the curriculum, call 1-800-659-7557.

Freddie Mac partnered with five historically black colleges, the National Urban League, and the Rainbow PUSH Coalition to create *CreditSmart*, a money management and credit improvement curriculum. The curriculum focuses on money management and is being offered by the five colleges and churches affiliated with the coalition. To view the curriculum's modules, examples, worksheets, and case studies, visit *http://www.freddiemac.com/creditsmart/*.

The **Security and Exchange Commission**'s *Get the Facts* is a web-based exercise to help people plan for saving and investing. The exercise includes interactive worksheets, but it is not designed for audiences with low literacy levels. To view the program, visit http://www.sec.gov/investor/pubs/roadmap.htm.

The **U.S. Financial Literacy and Education Commission**'s *MyMoney.Gov* website is dedicated to teaching all Americans the basics about financial education. It includes information from 20 federal agencies on the following topics: budgeting and taxes, credit, financial planning, home ownership, kids, paying for education, privacy, fraud and scams, responding to life events, retirement planning, saving and investing, and starting a small business. To view the website, visit http://www.mymoney.gov. To obtain a free copy of the "My Money" toolkit, complete the order form on the website or call 1-888-696-6639.

Strategy 2. Create Opportunities and Incentives for Low-Income Families to Save

Creating opportunities and incentives to save can be an effective way to promote asset building among low-income families. Findings from several demonstration projects show that low-income families respond positively to saving and investment opportunities and incentives.

Raise the Asset Limits for Public Assistance Programs

Asset limits seek to ensure that public assistance programs provide benefits only to those with too few resources to support themselves. However, asset limits can dissuade low-income families from saving because, in doing so, they risk losing their benefits.[13] Asset limits can force trade-offs between income and assets, but low-income individuals and families need both to achieve economic security and success.

[13] Henry Chen and Robert Lerman, *Do Asset Limits in Social Programs Affect the Accumulation of Wealth?* (Washington, D.C.: The Urban Institute, August 2005), at http://www.urban.org/UploadedPDF/311223_asset_limits.pdf.

State and local policymakers and program administrators can raise the asset limits for various public assistance programs to make it easier for recipients of public assistance to save and build wealth (see "Raising Asset Limits for Public Assistance Programs"). The Personal Responsibility and Work Opportunity Reconciliation Act gives states the discretion to set asset limits for several public assistance programs, including TANF, the Food Stamp program, and public health insurance programs. State and local leaders can raise asset limits by:

- increasing the maximum monetary value of allowable assets;
- indexing asset limits to inflation and cost-of-living increases;
- excluding certain assets from consideration, such as vehicles; and/or
- waiving asset tests altogether.

Although raising asset limits does not entail any direct costs, states and localities may bear indirect costs in the form of higher public assistance caseloads than they might otherwise have with stricter asset limits. However, savings in program administration costs may outweigh the costs of any additions to the caseload. For example, Oklahoma is spending $1 million less to administer its Medicaid program now that the asset test has been eliminated.[14]

Asset limits for public assistance programs can help improve asset building among younger, low-income, single mothers. Powers found that between 1978 and 1983, changes in the asset limits for Aid to Families for Dependent Children (AFDC) had a significant effect on low-income families' financial well-being. A $1.00 increase in the asset limit resulted in 25 cents of additional savings for households headed by a single mother between the ages of 24 and 34.[15] However, subsequent research by Hurst and Ziliak and Sullivan found little evidence that these effects hold for low-income single mothers more broadly.[16] Together, these findings suggest that some subgroups may be more responsive to changes in asset limits than other subgroups.

Asset limit policy changes can significantly increase vehicle equity among low-income individuals and families. Hurst and Ziliak suggest that every $1,000 increase in the asset limit increases the probability of poor households owning a vehicle by 13 percent.[17] Full vehicle exemptions have an even stronger effect on vehicle equity. Sullivan found that moving from a

[14] Leslie Parrish, Heather McCulloch, Karen Edwards, and Gena Gunn, *State Asset Building Policy Options* (Washington, D.C.: New America Foundation and Center for Social Development, June 2006), 20, at http://www.newamerica.net/Download_Docs/pdfs/Doc_File_3134_1.pdf.

[15] Elizabeth T. Powers, "Does Mean-Testing Welfare Discourage Savings? Evidence from a Change in AFDC Policy in the United States," *Journal of Public Economics 68*, no. 1 (April 1998): 33–53.

[16] Erik Hurst and James Ziliak, "Do Welfare Asset Limits Affect Household Saving? Evidence from Welfare Reform," *Journal of Human Resources 41*, no. 1 (winter 2006): 46–71; and James X. Sullivan, *Welfare Reform, Saving, and Vehicle Ownership: Do Asset Limits and Vehicle Exemptions Matter?* (Notre Dame, Ind.: University of Notre Dame, November 2004).

[17] Hurst and Ziliak, 6.

$1,500 vehicle exemption to a full exemption increases the probability of owning a car by 20 percent for low-educated single mothers relative to a comparison group.[18] The effect of asset limits on vehicle ownership has important implications for the well-being of low-income individuals and families, not only because vehicles account for a significant share of their total wealth, but also because car ownership can help welfare recipients transition to the labor force, retain their jobs, and work longer hours.[19]

Raising Asset Limits for Public Assistance Programs

Since 1996, many states have implemented more generous asset rules for public assistance programs. As of 2003, these policies were in effect.[20]

- **Temporary Assistance for Needy Families**. Thirty-nine states raised the asset limit for TANF cash assistance from $2,000 to $8,000. Two states—Ohio and Virginia—waived asset tests altogether.
- **Food Stamps**. Forty-six states applied TANF assistance program rules in determining food stamp eligibility, and seven states waived asset tests altogether.
- **Medicaid and the State Children's Health Insurance Program (SCHIP)**. Forty-four states waived asset tests for children under Medicaid and SCHIP, and 19 states also waived asset tests for parents.

[18] Sullivan, 1.
[19] Ibid, 8.
[20] Kinsey Alden Dinan, *State Policy Choices: Assets and Access to Public Assistance* (New York, N.Y.: National Center for Children in Poverty, October 2003), at http://www.nccp.org/media/afs03-text.pdf.

Offer Individual Development Accounts

IDAs are matched savings accounts designed to encourage participants to become regular savers. IDA holders make contributions to an account, which are then matched by public and/or private sources at a predetermined rate. Accounts are usually held at local financial institutions and administered by the public, private, and nonprofit sectors, in cooperation with the account holders. Typically, the savings generated in IDA accounts can only be used for specific purposes, such as paying for postsecondary education and training, starting a business, and buying a home, though many programs allow exemptions for emergencies. Approximately 500-1,000 IDA programs are operating nationwide; these programs are serving more than 20,000 people.[21]

When designing IDAs, key questions are:

- How should the IDA account be structured?
- What match rate will be offered to participants?
- What will be the allowable uses for withdrawals?
- What guidelines or rules should be implemented regarding participant deposits and withdrawals?
- Should financial education be offered as a voluntary or mandatory part of the program?

Information on the costs of IDA programs is limited. However, in the Community Action Project of Tulsa County, program costs were approximately $61 per participant per month (see "Individual Development Accounts in Tulsa, Oklahoma").[22] By comparison, in the American Dream Demonstration, self-reported program cost estimates for IDAs were about $70 per participant per month after startup, not including matching funds.[23] Experience suggests that costs tend to be the highest at startup and that economies of scale (e.g., achieve through experience in administering IDA programs and shared systems for managing client data) can reduce total program costs.

States and localities can use various funding sources to support IDAs. For example, federal TANF and state maintenance-of-effort welfare reform dollars can provide matching funds for IDAs. Currently, 34 states have used the flexibility in the 1996 welfare reform law to incorporate IDAs into their TANF plans, encouraging cash assistance recipients to save

[21] David Buchholz, "IDA Survey Provides a Glimpse into the Growing Field," *Assets an Update for Innovators*, no. 1: 1 (2005), at http://www.cfed.org/publications/assets/Assets%202005%20Number%201.pdf.

[22] M. Schreiner, *Program Costs for Individual Development Accounts: Final Figures from CAPTC in Tulsa* (St Louis, Mo.: Washington University, Center for Social Development, 2004), 4.

[23] The American Dream Demonstration was the first large-scale test of IDAs that ran between 1997 and 2001 in 14 programs across the United States. For more information on program costs, see Michael Sherraden, *Individual Development Accounts: Summary of Research* (St Louis, Mo.: Washington University, Center for Social Development, September 2002), at http://gwbweb.wustl.edu/csd/Publications/2002/SherradenResearchReport2002.pdf.

money and accumulate assets through the program.[24] States and localities can use other federal funding sources to support IDAs, such as the Community Development Block Grant, the Affordable Housing Homeownership Set-Aside Program, the HOME Investment Partnership Program, the Black Enterprise Awards Program, and competitive grants from the Office of Refugee Resettlement.[25] Private sources of funding for IDA programs include grants from foundations and donations from businesses and financial institutions.

IDAs can significantly improve savings and asset accumulation among low-income families (see "Resources on Individual Development Accounts"). Findings from the American Dream Demonstration indicate that participants who saved accumulated, on average, $2,755 per year, including matching funds, and used those funds for asset-building purposes such as purchasing a home, investing in a microenterprise, and financing postsecondary education.[26] However, to date, IDA programs have only been implemented and evaluated on a pilot basis. More research is needed to understand whether and how IDA programs can be successfully implemented on a larger scale.

Resources on Individual Development Accounts

- The Corporation for Enterprise Development's IDA program design web page, http://www.cfed.org/focus.m?parentid=374&siteid=374&id=391, has links to free resources and tools on program planning, program administration, population-specific information, accountholder communications, partnerships, policies and procedures, and recruiting.
- *Program Design Handbook: A Step by Step Guide to Designing an IDA Program* provides tips, tools, and advice for building an IDA program. For purchasing information, visit http://www.cfed.org/think.m?id=112&pubid=95.
- The Corporation for Enterprise Development's 2006 IDA directory enables practitioners, accountholders, and researchers to search for IDA programs using multiple criteria. It is available online at http://www.cfed.org/focus.m?parentid=31&siteid=374&id=599.
- For specific information on each state program as well as a complete list of state policies on IDA uses, visit the Center for Social Development's website at http://gwbweb.wustl.edu/csd/policy/index.htm.

[24] The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 authorizes states to use TANF block grant funds to create IDA accounts and to disregard money saved in IDAs in determining eligibility for all means-tested government assistance. For more information, see Warren and Edwards, *The Status of State-Sponsored and Implemented IDA Programs in 2005* (St. Louis, Mo.: Washington University, Center for Social Development, 2005), at http://gwbweb.wustl.edu/csd/Publications/2005/PR05-03.pdf.

[25] Michelle Miller and Debbie Gruenstein, *Encouraging Savings: Financing Individual Development Accounts* (Washington, D.C.: The Finance Project, October 2002), at http://www.financeproject.org/Publications/ida.pdf.

[26] Schreiner, Clancy, and Sherranden, *Saving Performance in the American Dream Demonstration: A National Demonstration of Individual Development Accounts* (St. Louis, Mo.: Washington University, Center for Social Development, 2002), at http://gwbweb.wustl.edu/csd/Publications/2002/ADDreport2002.pdf.

Individual Development Accounts in Tulsa, Oklahoma

In 1998, Tulsa, Oklahoma, was selected to participate as one of the 13 pilot sites for the American Dream Demonstration (ADD), a national demonstration of individual development accounts. The Community Action Project of Tulsa County (CAPTC) administered the IDA program in partnership with the Bank of Oklahoma, which provided special accounts with prevailing market interest rates and no service charges or minimum opening balances.

The IDA program provided financial education and matched savings accounts for low-income individuals. It served employed individuals with family incomes below 150 percent of the federal poverty level. Participants received 12 hours of basic financial education—four hours prior to opening an IDA account and eight hours of asset-specific training before making a matched withdrawal. Each year, participants were required to deposit at least $10 per month for nine months from their earned income. In addition, once a year, participants were encouraged to make a larger deposit from their federal Earned Income Tax Credit rebate.

The program matched participant deposits up to $750 per year for three or four years, depending on when the participant joined the program. The match rates varied from $2.00 to $1.00 for every dollar the participant saved. The four allowable uses for account withdrawals were homeownership/repair, education and training, microenterprise development, and retirement. The program cost approximately $61 per month per participant, excluding matches. A consortium of national foundations funded the ADD sites.

Between 1998 and 2002, the IDA program helped 981 clients accumulate more than $1.2 million. According to an experimental evaluation conducted by Abt Associates, the program contributed to significantly higher homeownership rates, home equity, enrollment in nondegree educational courses, retirement savings, and assets among participants.[27] The evaluation findings are available online at http://www.abtassociates.com/reports/Final_Eval_Rpt_8-19-04.pdf.

Offer Other Vehicles for Saving

State and local leaders can offer public housing residents and children other vehicles for saving to increase asset-building opportunities for individuals and families not eligible for IDAs. Family self-sufficiency (FSS) escrow accounts provide public housing residents with an opportunity and incentive to save. Under the FSS program, administered by the U.S. Department of Housing and Urban Development, public housing authorities can create escrow accounts to help boost the savings of recipients of federal housing assistance. By law, all recipients of public housing assistance are required to pay 30 percent of their adjusted

[27] Gregory Mills, Rhiannon Patterson, Larry Orr and Donna DeMarco. *Evaluation of the American Dream Demonstration: Final Evaluation Report* (Cambridge, MA: Abt Associates, August 2004), at http://www.abtassociates.com/reports/Final_Eval_Rpt_8-19-04.pdf.

income for rent or utilities. Under the FSS program, residents can set aside their earnings increases in a special interest-bearing escrow account, instead of having to use them to pay a greater proportion of their total rent or utilities. The escrow accounts can enable families to accrue meaningful savings over time. Families that are in compliance with the program rules and their personal action plans are able to cash in their escrow accounts upon program completion. Today, the Family Self-Sufficiency Program serves more than 75,000 households, including 67,000 recipients of Section 8 housing vouchers and 8,000 public housing residents.

In addition to enhancing savings opportunities for adults, state and local leaders can offer savings accounts for children. The Savings for Education, Entrepreneurship, and Downpayment (SEED) Initiative is a new, 10-year national demonstration project designed to give children matched savings accounts that can grow with age.[28] Once the child reaches age 18, the account can be used for specific purposes, such as pursuing postsecondary education, purchasing a home, or starting a small business. Currently, 12 community sites are establishing more than 1,250 accounts. The SEED sites vary by age groups, saving incentives, financial education approaches, and financial institution partners. The initiative includes rigorous evaluations that will assess SEED's costs, benefits, and outcomes.[29]

Considerations

- Strategies that create incentives and opportunities for low-income families to save entail costs in the form of matching rates or additional public benefit expenditures.

- Financial institutions can be important partners in setting up and administering IDAs and other vehicles for saving.

- Tax time provides a good opportunity to promote investment in IDAs and other vehicles for saving, because during this period low-income individuals and families may have more money than they need for daily expenses. Many low-income individuals and families receive substantial income tax refunds through the Earned Income Tax Credit (EITC), Child Care Tax Credit, over withholding, and other credits. For example, the average EITC credit was $1,747 in 2002.[30] Beginning in January 2007, the Internal Revenue Service will offer a new Form 888 that will give taxpayers the choice of splitting their direct deposit refunds among up to three different accounts, such as a checking, savings, or retirement account.

[28] A consortium of national foundations is funding the SEED initiative.
[29] For information about preliminary lessons learned, see *More than Fifty Lessons: Key Lessons from the SEED Research and Planning Effort*, at http://www.cfed.org/imageManager/_documents/MoreThanFiftyLessons.pdf.
[30] Jeff Zinsmeyer, "Refund Splitting and Savings: Test, Policies, and Opportunities" (presentation before the Grantmakers Income Security Task Force, Washington, D.C., November 2, 2005).

Strategy 3. Improve Access to Mainstream Financial Services

Many low-income families are not connected to mainstream financial services. Approximately 22 million U.S. households do not have a checking or savings account.[31] Instead, they depend on various high-cost, alternative financial service providers to meet their banking needs, including check-cashing stores, payday lenders, title lenders, rent-to-own stores, and tax preparers. A reliance on high-cost, alternative financial service providers undermines low-income families' ability to save and build assets. Although convenient, these providers typically charge significantly higher fees and interest rates than traditional banks, and they have payment plans that can trap users in a cycle of debt.

State and local leaders can undertake various strategies to improve access to and regulate financial services for low-income families. These strategies include:

- linking public benefits to bank services;
- encouraging banks to expand services for unbanked, low-income families; and
- spurring private-sector innovation to improve access to, and participation in, mainstream financial services.

By improving access to mainstream financial services, state and local leaders can enhance low-income families' financial security and success. Access to interest-bearing savings and

[31] Hoffman, 9.

checking accounts can provide a foundation for low-income families to begin accumulating assets. "Banked" households are better off financially and more likely to own assets than are their "unbanked" counterparts.[32]

Link Public Benefits to Banking Services

Leaders can also increase access to mainstream financial institutions by linking public benefits to banking services. In 1999, the U.S. Department of the Treasury initiated electronic transfer accounts (ETAs), low-cost, electronically based bank accounts for recipients of federal benefits. One goal of the program was to attract many of the unbanked to mainstream banking by keeping account fees low. Participating banks receive a one-time payment of $12.60 per account to compensate them for the costs of opening the accounts. As of spring 2002, nearly 600 banks and other financial institutions offered ETAs and more than 54,000 recipients of federal benefits opened accounts.[33] ETAs and similar approaches can help connect low-income individuals and families to mainstream financial services and afford them opportunities to increase their savings and assets.

Encourage Banks to Expand Services for Unbanked, Low-Income Families

The Community Reinvestment Act, which requires periodic evaluations of a financial institution's lending, investment, and service activities, has played an important role in connecting low-income households to mainstream financial services. Building on CRA's success, state and local leaders can take additional steps to encourage banks to expand services for unbanked, low-income families. State and local policymakers can enact legislation to monitor bank fees and, when appropriate, require publicly chartered banks to offer low-cost or free checking accounts, oftentimes called "lifeline banking accounts." State and local leaders, including community- and faith-based coalitions, can also encourage banks to offer these accounts voluntarily by emphasizing that these services can help banks achieve satisfactory CRA ratings.[34]

[32] Corporation for Enterprise Development, 118.

[33] Michael S. Barr, *Banking the Poor* (Washington, D.C.: The Brookings Institution, July 2003), at http://www.brookings.edu/metro/pubs/20041001_Banking.pdf.

[34] The Community Reinvestment Act was enacted in 1977 to prevent redlining as well as to encourage banks and thrifts to help meet the credit needs of all segments of their communities, including low- and moderate-income neighborhoods. It requires periodic evaluations of each depository institution's lending, investment, and service activities in these communities. Federal regulators—including the Office of the Comptroller of the Currency; the Board of Governors of the Federal Reserve System; the Federal Deposit Insurance Corporation; and the Office of Thrift Supervision—take performance on these evaluations into account when considering lenders' applications for charters or requests for approval of mergers, acquisitions, and branch openings.

To mitigate the barriers that many unbanked, low-income consumers face, these accounts should include these model provisions:[35]

- no credit check;
- flexible identification requirements;
- a $10 or less opening deposit requirement;
- no minimum balance;
- no monthly service fee;
- no teller charges;
- unlimited check writing;
- free withdrawals from bank-owned automatic teller machines; and
- promotion of direct deposit of paychecks and government benefits.

To date, seven states—Illinois, Massachusetts, Minnesota, New Jersey, New York, Rhode Island, and Vermont—have enacted legislation requiring banks to offer low-cost or free checking accounts to low-income families.[36]

Although large-scale evaluations of lifeline banking legislation have not yet been conducted, programs such as Bank One's Alternative Banking Program have enabled thousands of unbanked, low-income families—many with no credit history—to establish low-cost checking and savings accounts with mainstream financial institutions (see "Bank One's Alternative Banking Program").[37] Experience suggests that:[38]

- lifeline banking accounts are more effective when offered together with financial literacy training;
- partnerships with community groups, advocacy organizations, and community banks are essential to mounting programs that reach the unbanked population in meaningful ways;

[35] Marva E. Williams, "Developing Opportunities for Affordable Lifeline Banking for Lower-Income Consumers" (testimony before the Senate Committee on Banking, Housing and Urban Affairs, May 2, 2002), at http://www.woodstockinst.org/component/option,com_docman/ Itemid,0/task,doc_download/gid,244/.

[36] Joseph J. Doyle, Jose A. Lopez and Mark Saidenberg, "How Effective Is Lifeline Banking in Assisting the Unbanked?" *Current Issues in Economics and Finance*, vol.1 no.6, June 1998, at http://www.newyorkfed.org/research/current_issues/ci46.pdf#search=%22How%20Effective%20Is%20Lifeline%20Banking%20in%20Assisting%20the%22.

[37] Williams, "Developing Opportunities."

[38] Williams, "Developing Opportunities"; and Jaye Morgan Williams, "Bringing More Unbanked Americans into the Financial Mainstream" (testimony before the Senate Committee on Banking, Housing and Urban Affairs, May 2, 2002), at http://banking.senate.gov/02_05hrg/050202/jwlliams.htm.

- the marketing of lifeline banking products should include not only information on account features and advantages, but also address how these products are preferable to those offered by alternative service providers;
- banks need to train and offer incentives to staff to address the needs of low-income customers; and
- account disclosures should be stated in layman's terms and translated into other languages, as appropriate, so they are accessible to low-income consumers with different language and reading skills.

Bank One's Alternative Banking Program

In 1998, the Chicago Community Reinvestment Act coalition and the Woodstock Institute negotiated an agreement with Bank One to increase services to unbanked consumers. Working together with these groups, the bank developed the Alternative Banking Program (ABP) for consumers who do not meet Bank One's traditional credit scoring criteria. Through ABP, Bank One offered low-cost checking and saving accounts to unbanked customers with these features:

- a $10 opening deposit;
- low or no minimum balance;
- low or no service fee;
- unlimited check-writing ability;
- unlimited use of Bank One automatic teller machines;
- some free teller transactions; and
- free financial literacy training.

ABP accounts were designed to offer a safe, convenient, and inexpensive alternative to check-cashing and other high-cost alternative financial services. As of 2002, ABP accounts were available at eight branches in the city of Chicago. This has enabled thousands of consumers, many with no credit record, to establish checking and savings accounts. In addition, the bank marketed other products to ABP customers, including consumer loans, certificates of deposit, and installment loans.

Spur Private-Sector Innovation

State and local policymakers and program administrators can offer incentives to improve the quantity and quality of mainstream financial services available to low-income consumers. For example, they can fund grants for organizations to develop innovative financial services and marketing techniques tailored to this population. They can also offer incentives for financial institutions to open branch offices in underserved neighborhoods (see "New York's Banking Development Districts"), such as:

- property tax exemptions;
- low-interest loans;
- permitting assistance;
- real estate assistance;
- favorable Community Reinvestment Act consideration; and
- job credits.

New York's Banking Development Districts

In 1998, New York enacted legislation to authorize the establishment of banking development districts (BDDs) across the state. The program offers incentives for mainstream financial institutions to locate in traditionally underserved communities. Incentives can include sales and property tax exemptions, real estate assistance, favorable Community Reinvestment Act consideration, job credits, and municipal deposits at below-market rates. The New York State Banking Department is responsible for approving and overseeing new BDD designations.

The goal of the program is to increase access to financial services for low-income families as well as stimulate economic development in distressed neighborhoods. To receive a BDD designation, banks need to partner with a local government entity and detail the programs and amenities they will bring to the community, such as extended hours of operation, multilingual staff, special products and services tailored to the community, workforce development programs, and financial education programs and outreach. Currently, there are 24 BDDs.

New York is the only state to have this type of program. According to the annual report, each BDD branch made an average of more than $6 million in loans and opened an average of 920 accounts in 2005. Most financial institutions also provided financial literacy training and introduced new services and products in 2005, including new automated teller machines, free application assistance for the federal Earned Income Tax Credit, and extended hours. For more information, visit http://www.banking.state.ny.us.

Considerations

- Strategies to improve access to mainstream financial services are best pursued in partnership with banks and other financial institutions.

- These strategies do not entail significant costs for state or local leaders. Financial institutions bear most of the costs in the form of foregone profits. However, banks may be able to successfully market other products and services to low-income families that generate additional revenue.

Strategy 4. Increase or Supplement Low Earnings

Low earnings are a significant barrier to savings and asset building among low-income families. Families working in the low-wage labor market often struggle to make ends meet, and they have limited resources to build savings. One in four working families—25 percent or 9.2 million—does not earn enough to cover its basic living expenses. According to a study on the cost of living for working families in 10 communities across the United States, on average, full-time work at the federal minimum wage covers just a third of a family's basic costs.[39]

Efforts to increase or supplement low earnings can make families more financially secure as well as free up some of their income for savings and asset accumulation. State and local leaders can implement various initiatives, including establishing a state or local earned income tax credit, increasing the state or local minimum wage, and raising the state or local income tax threshold.

Establish a State or Local Earned Income Tax Credit

The federal Earned Income Tax Credit, a refundable tax credit for low-income workers enacted in 1975, has been credited with enhancing financial stability among low-income families. EITC lifts more than 4 million people—roughly half of them children—out of poverty each year. Interviews with credit recipients show that many use their EITC refunds to make

[39] Diana Pierce, *Coming Up Short: A Comparison of Wages and Work Supports in 10 American Communities* (Washington, D.C.: Wider Opportunities for Women, July 2004), at http://www.wowonline.org/docs/dynamic-CTTA-43.pdf.

investments that can enhance economic security and promote economic opportunity, such as paying off debt, investing in education, and securing decent housing.[40]

Building on the more than 30-year success of the federal EITC, state legislatures can enact a state earned income tax credit to augment the impact of this credit for low-income working families. In tax year 2006, 17 states and the District of Columbia offered a state EITC.[41] A few locally administered EITCs have sprung up as well in San Francisco, California, Montgomery County, Maryland, and New York City, New York; an EITC in Denver, Colorado, was suspended in 2004.[42] (See "San Francisco Working Families Credit.") Many states and localities structure their EITCs similar to the federal credit; they use federal eligibility rules and set the credit at between 5 percent and 43 percent of the federal credit.[43] Piggybacking a state EITC on the federal credit can reduce the administrative burden for states and make it easier for families to understand and claim the credit.[44]

Creating an EITC can entail substantial costs or foregone revenue for states or localities. The cost of an EITC varies depending on whether it is refundable, how many of the target population are claiming the credit, and how much families are eligible to receive.[45] The Center on Budget and Policy Priorities has developed a methodology for estimating the cost of a refundable state earned income tax credit that is set at a percentage of the federal credit. The three-step process is to:[46]

1) estimate the total amount of federal EITC claims in a given state for a future fiscal year, using Internal Revenue Service data on the amount of federal EITC claims filed by residents of each state and U.S. Department of the Treasury projections of the cost of the federal EITC in future years;
2) multiply federal claims by the percentage at which the state credit is to be set; and
3) adjust the estimate for the fact that not all federal EITC claimants will claim the state credit in the first few years.

States and localities typically use a combination of general funds, the federal TANF block grant, state maintenance-of-effort welfare reform dollars, and private contributions to pay for the refundable portion of the credit.

[40] Ami Nagle and Nicolas Johnson, *A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty in 2006* (Washington, D.C.: Center on Budget and Policy Priorities, March 2006), 2, at **http://www.cbpp.org/3-8-06sfp.pdf**.
[41] The District of Columbia and these states have enacted EITCs: Colorado, Delaware, Illinois, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts, New Jersey, New York, Oklahoma, Oregon, Rhode Island, Vermont, Virginia, and Wisconsin.
[42] Steve Holt, *The Earned Income Tax Credit at Age 30: What We Know* (Washington, D.C.: The Brookings Institution, February 2006), at **http://www.brookings.edu/metro/pubs/20060209_Holt.pdf**.
[43] Nagle and Johnson, 28.
[44] Ibid, 27.
[45] Ibid, 30.
[46] For more information, see Center on Budget and Policy Priorities, *Estimating the Costs of a State Earned Income Tax Credit* (Washington, D.C.: Center on Budget and Policy Priorities, April 2003), at **http://www.cbpp.org/11-11-99sfp.pdf**.

San Francisco Working Families Credit

San Francisco is piloting a local version of the federal Earned Income Tax Credit called the San Francisco Working Families Credit (WFC). The WFC is designed to put more money in the pockets of working families living in a high-cost city, help low-income families connect to saving and asset-building opportunities, and increase the take-up rate of the federal EITC in San Francisco.

Beginning in 2003, a coalition of public, private, and nonprofit actors pushed for the creation of a local version of the EITC in San Francisco. Their ideas won the support of the mayor, who launched the two-year WFC pilot program January 13, 2005. The program was subsequently extended indefinitely.

The WFC is a locally administered tax credit for employed low-income tax filers with children who qualify for the federal EITC and live in the city of San Francisco. The city office uses data supplied by the Internal Revenue Service to confirm applicants' eligibility for the WFC. Qualifying families receive a check from the city and county of San Francisco equal to a percentage of their federal EITC. They can also access free or discounted banking services, free tax preparation services, and a financial counseling hotline. The WFC is funded by the city's general fund ($3 million); grants and donations from H&R Block, Wells Fargo, Citibank, and Bank of America ($1.55 million), and in-kind support from the private sector (approximately $412,000) and the media (approximately $118,000). Several foundations, including the Annie E. Casey Foundation, Evelyn & Walter Haas, Jr. Fund, Friedman Family Foundation, and Walter & Elise Haas Fund, have provided funding to support program evaluation.

The city treasurer's office, in partnership with numerous public, private, and nonprofit organizations, is responsible for administering the WFC. The office handles all aspects of the program, from processing applications, to fielding customer service inquiries, to disbursing funds. Supporting community outreach and awareness-building efforts are the media, community organizations, professional service firms, and other city departments (e.g., the human services agency and the mayor's offices of neighborhood services and community development). In addition, H&R Block, Wells Fargo, Bank of America, United Way of the Bay Area, and the Association of Community Organizations for Reform Now (ACORN) offer free or discounted banking services and free tax preparation services to applicants.

To date, there have been two evaluations of the WFC pilot. One was conducted by the D2D Fund, Inc., and the other by Daniel Schneider and Peter Tufano of the Harvard Business School. The WFC pilot mailed checks—equal to 10 percent of applicants' EITC, averaging $220—to nearly 10,000 San Francisco families in 2005.

For more information, see Tim Flacke and Tiana Wertheim, *Delivering a Local EITC: Lessons Learned from the San Francisco Working Families Credit* (Washington, D.C.: The Brookings Institution, May 2006), at http://www.brookings.edu/metro/pubs/20060516_sfworks.pdf.

Increase the State or Local Minimum Wage

Raising the minimum wage can increase the pretax earnings of low-wage workers to help them meet their basic needs. The federal minimum wage was established by the Fair Labor Standards Act of 1938. It was raised to $5.15 per hour in 1997, but this wage amount has failed to keep pace with inflation and the rising cost of living.[47]

States and localities can establish higher minimum wages within their jurisdictions. Alternatively, community- and faith-based coalitions can carry out advocacy or ballot initiative campaigns to raise the minimum wage.[48] As of April 2006, the District of Columbia and 18 states—Alaska, California, Connecticut, Delaware, Florida, Hawaii, Illinois, Maine, Maryland, Massachusetts, Minnesota, New Hampshire, New Jersey, New York, Oregon, Rhode Island, Vermont, and Washington—had enacted minimum wages that exceed the federal standard, ranging from $5.25 per hour to $8.50 per hour.[49] Like the federal wage and hour law, state laws often exempt particular occupations (e.g., farming), industries (e.g., hotels, motels, restaurants, and retail businesses), or employers (e.g., small businesses) from the minimum wage standards.

When designing minimum wage requirements, key questions are these:

- What should the minimum wage level be?
- Should it be automatically indexed to inflation?
- Should it be applicable across all occupations, industries, and employers?

A mandatory minimum wage can entail some additional costs for affected businesses. However, employers may be able to absorb some of the costs of a wage increase through higher productivity, lower recruiting and training costs, decreased absenteeism, and increased worker morale.

Raise the State or Local Income Tax Threshold

The income tax threshold is the lowest income level at which a resident in a particular state or locality has to pay taxes. Higher income tax thresholds enable poor families to keep more of their limited income, increasing their potential for saving.

States and localities can raise the income tax thresholds so they exempt a greater proportion of low-income families from tax liabilities. Of the 42 states that levy income taxes, 26 states

[47] Daphne Lamson Hunt and Sandra Venner, *Minimum Wage: Creating an Asset Foundation* (Waltham, Mass.: Institute on Assets and Social Policy, December 2005), at http://www.assetinstitute.org/pdfs/Minimum%20Wage.pdf.

[48] For information about advocacy and ballot initiative campaigns and examples of efforts in states, visit the Ballot Initiative Strategy Center at http://www.ballot.org.

[49] U.S. Department of Labor, Employment Standards Administration, *Minimum Wage Laws in the States* (Washington, D.C., 2006), at http://www.dol.gov/esa/minwage/america.htm.

[50] Jason A. Levitis and Nicholas Johnson, *The Impact of State Income Taxes on Low-Income Families in 2005* (Washington, D.C.: Center on Budget and Policy Priorities, February 2006), at http://www.cbpp.org/2-22-06sfp.pdf.

have thresholds above the federal poverty level for single-parent families with three children; 23 states have thresholds above the federal poverty level for two-parent families with four children. California currently has the highest income tax thresholds in the nation, at $40,500 and $42,700, respectively.[50]

Similar to creating an EITC, raising the income tax threshold can entail substantial costs in the form of foregone revenue for states or localities. The costs will vary depending on the level of the income tax threshold and how many families have incomes below the threshold.[51]

Connect Low-Income Families to Supports and Services

Another way to increase the economic security of low-income families is to ensure they have access to the public benefits for which they are eligible. Federal and state governments provide critical supports and services to assist low-wage workers, including earned income and child care tax credits, food stamps, child care subsidies, and energy, housing, and transportation assistance. These benefits can help supplement families' earned income and meet their basic needs. Yet many low-income families do not know they are eligible for these benefits and do not know how to apply for them. Each year, between 15 percent and 20 percent of those eligible for the federal EITC do not take advantage of the credit. National estimates suggest that nearly 4 out of 10 eligible individuals are not participating in the Food Stamp Program.[52] These benefits can help low-income families bridge the gap between wages and living expenses and give them the opportunity to put some of their earned income toward savings and investments.

State and local leaders can improve low-income families' access to supports and services by:[53]

- partnering with schools, businesses, service providers, and others to provide outreach, public education, and application support (see "Indiana's Earned Income Tax Credit Campaign");
- using screening tools to give families a sense of the benefits they are eligible for and the financial impact these benefits could have on their budgets;
- improving agency access for working families by, for example, extending operating hours or making forms available on the Internet;
- coordinating supports and services for low-income individuals through one-stop centers and service co-location; and
- simplifying application and recertification procedures.

[51] Nagle and Johnson, 30.

[52] Sean Coffey, Abbey Hughes Holsclaw, and Julie Bosland, *Screening Tools to Help Families Access Public Benefits* (Washington, D.C.: National League of Cities, June 2005), 1, at http://www.nlc.org/content/Files/IYEF%20Screening%20Tools.pdf.

[53] Nanette Relave, *Work Supports for Low-Wage Workers: The Promise of Employer Involvement* (Washington, D.C.: The Finance Project, 2005), 26, at http://www.financeproject.org/Publications/worksupports.pdf.

Indiana's Earned Income Tax Credit Campaign

Indiana implemented an earned income tax credit campaign in early 2002. The state's family and social services administration (FSSA) worked with former Governor Frank O'Bannon to initiate the campaign. One strategy that FSSA has relied on is providing information to various community-based service providers, including domestic violence centers, emergency shelters, and Healthy Families and Head Start programs, to encourage them to promote the tax credit to program participants. A second strategy that FSSA has used is to directly target likely EITC-eligible individuals. For example, notices promoting the EITC along with information on how to apply were mailed to all TANF recipients, with information provided in English and Spanish. Information was also printed on child support payments throughout the 2003 tax season. Finally, FSSA has used different public information activities to promote the EITC, including media events and meetings with newspaper editorial boards. In addition, FSSA mailed letters to 350 state legislators, universities, and community-based organizations asking them to educate their employees, clients, and community residents about the benefits of the EITC. FSSA has also developed a website at http://www.IN.gov/fssa/eitc that includes EITC outreach kits available in both Spanish and English. Local outreach efforts have been initiated in Indianapolis, Ft. Wayne, and Lafayette. For more information, visit http://www.IN.gov/fssa/eitc or contact Kari Kritenbrink at 317-234-0464 or KKritenbrink@fssa.state.in.us.

Considerations

- The feasibility of increasing the minimum wage or income tax threshold will depend, in part, on economic and political conditions. To the extent that minimum wage increases raise employment costs, they may contribute to less hiring or fewer jobs among low-wage workers; greater outsourcing, subcontracting, and automation of activities performed by low-wage workers; and increases in the costs of services and goods. For these and other reasons, businesses, consumer groups, and other key stakeholders may oppose minimum wage increases. Similarly, income tax thresholds may result in foregone revenue for a state or locality, which could fuel economic and political opposition, particularly if policymakers look to expenditure cuts or tax increases to offset these costs.

Strategy 5. Curb Predatory Lending Practices

Predatory lenders aggressively market financial products and services to low-income families. These products and services can hold significant risks and hidden costs and can contribute to debt, financial hardship, and a loss of assets. Predatory lending practices include excessive points and fees, balloon payments, higher interest rates than are warranted by the risk, high prepayment penalties, loan flipping, and excess foreclosures.[54] The growth of subprime lending institutions and products in recent years has made low-income families vulnerable to various exploitative practices. Legislation, enforcement efforts, and public education can play an important role in protecting low-income families from becoming victims of such practices.

Enact State or Local Antipredatory Lending Laws

Research and practice have shown that many predatory lenders aggressively exploit federal regulatory gaps. Under federal lending laws—including the Equal Credit Opportunity Act (ECOA), Fair Housing Act (FHA), Truth in Lending Act (TILA), and Home Ownership and Equity Protection Act (HOEPA)—several federal banking and regulatory agencies are authorized to examine and take enforcement action against banks and savings and loan holding companies, FDIC-insured institutions, and their subsidiaries and affiliates.[55] However, federal agencies have limited jurisdiction over most subprime lenders and nonbank mortgage lenders, the chief institutions that demonstrate predatory lending practices.[56]

To help fill the federal regulatory gaps, state and local leaders can enact stronger antipredatory lending laws that ban abusive practices in their jurisdictions. For example, these laws can establish:

- limitations on fees, prepayment penalties, and balloon payments;
- restrictions on practices that lead to loan flipping;
- prohibitions against loans that do not take into consideration borrowers' ability to repay; and
- requirements for additional disclosures to consumers of the risks of high-cost loans and of their right to credit counseling and other consumer protections.

Usually, the state attorney general and/or state banking agencies are charged with enforcing state and local lending laws and regulations.

[54] Corporation for Enterprise Development, 167; and Gregory D. Squires, "Predatory Lending: Redlining in Reverse," *Shelterforce Online*, no. 39 (January/February 2005), at http://www.nhi.org/online/issues/139/redlining.html.

[55] Reed Smith, L.L.P., *Federal Lending Update: The "Spitzer Effect" on Administrative Fair Lending Enforcement* (Washington, D.C.: Reed Smith, L.L.P., June 6, 2005).

[56] Allen Fishbein, "State Anti-Predatory Lending Laws and Federal Preemption" (presentation at the Predatory Lending Conference, Metropolitan Washington Council of Governments Council, Washington, DC, April 27, 2006.

In 1999, North Carolina became the first state to pass an antipredatory lending law. Its law became a model for other states and localities (see "North Carolina Antipredatory Home Lending Law"). Since then, at least 25 states and 11 localities have enacted antipredatory lending laws.[57] Evaluations have shown that antipredatory lending laws can reduce abusive lending practices.

North Carolina Antipredatory Home Lending Law

In 1999, North Carolina became the first state to pass an antipredatory lending law. The law aims to protect the equity that homeowners have invested in their homes by curbing abusive lending practices. The law includes several prohibitions for all home loans:

- no prepayment penalties for home loans of $150,000 or less;
- no "flipping," where a lender repeatedly refinances an existing home loan with up-front fees; and
- no financing of up-front, single-premium insurance.

The antipredatory lending law also restricts the terms of high-cost home loans of $300,000 or less as follows:

- no financing of up-front fees or insurance premiums;
- counseling is required for borrowers prior to closing;
- no balloon payments, where the borrower owes a large lump sum at some point during the loan;
- no loans with negative amortization, where the loan amount increases because the monthly payments do not cover the costs of the loan; and
- no lending without consideration of the consumer's ability to repay the loan.

High-cost home loans are defined as having one or more of these characteristics: fees of 5 percent or more, the interest rate is 10 percent more than the Treasury bond rate, or the prepayment penalty is longer than 30 months or more than 2 percent of the amount prepaid.

A recent evaluation found the law significantly reduced the number of subprime loans and refinancing loans in North Carolina between 1999 and 2002. For more information, see Roberto Quercia, Michael Stegman, and Walter Davis, "Assessing the Impact of North Carolina's Predatory Lending Law," *Housing Policy Debate*, vol 15, no. 3 (2004): 573–600, Fannie Mae Foundation, Washington, D.C.

[57] Ibid.

Enforce Fair Lending Practices

State and local officials can play a key role in enforcing federal, state, and local fair lending practices. Federal lending laws create a multitiered system to investigate and address allegations of discriminatory lending conduct, including referrals to a wide array of certified regional, state, and local agencies. In addition, state attorneys general offices and/or state banking agencies can enforce state and local antipredatory laws within their jurisdiction. Enforcement activities can include:

- investigating and documenting allegations of federal, state, and local discriminatory lending practices;
- referring suspected violations of federal lending laws to the U.S. Departments of Justice or Housing and Urban Development; and
- initiating state or multistate lawsuits against entities that violate local fair lending laws.

In 1999, the New York State Banking Department reached a $3-million settlement for the first fair lending enforcement claim brought by a state.[58] In recent years, several states and coalitions of states have filed suits against banks, lenders, and brokers for unfair and deceptive lending practices. Many of these cases have yielded consumer protection settlements that have included:[59]

- compensation for consumers;
- compensation and funds for consumer education programs in affected states; and
- lending practice reforms (e.g., caps on loan fees and points, changes in personnel incentives and appraisal practices, and full disclosures of loan terms).

For example, in 2002, attorneys general and/or financial regulators from 19 states and the District of Columbia coordinated a multistate investigation into the lending practices of Household Finance Corporation, which led to a record-breaking $484-million nationwide settlement agreement and company reforms.[60] Similarly, earlier this year, Ameriquest Mortgage Company, the nation's largest subprime lender, agreed to pay $295 million to customers and $39 million to 49 states and the District of Columbia as well as to reform its lending practices as a result of a multistate investigation coordinated by 25 state regulators and attorneys general (see "Multistate Investigation into Ameriquest's Predatory Lending Practices").[61]

[58] For more information, refer to New York City Mayor's Office, "Governor Pataki Announces Historic $3 Million Settlement with Roslyn Savings Bank on Fair Lending Laws," Press Release, February 17, 1998.
[59] Ibid.
[60] New Jersey Office of the Attorney General, Department of Law and Public Safety, "Household Settlement" [online], http://www.nj.gov/lps/householdsettlement [accessed August 2, 2006].
[61] North Carolina Office of the Attorney General, "Ameriquest to Pay $325 Million, Improve Lending Practices, Announces AG Cooper," General Press Release, January 23, 2006.

In addition, community- and faith-based organizations can help facilitate fair lending actions taken by both individuals and states and localities. Under ECOA and FHA, an individual who believes he or she has suffered credit discrimination may seek relief directly from the courts. In recent years, fair housing and civil rights agencies have become more active in helping initiate and support lawsuits, settlements outside court, and complaints made to federal, state, and local enforcement agencies.[62]

Multistate Investigation into Ameriquest's Predatory Lending Practices

In 2004, 25 state regulators and attorneys general launched an investigation into Ameriquest Mortgage Company's lending practices after receiving complaints from hundreds of consumers across the nation. Consumer complaints included the company's unfair disclosure of prepayment penalties, its influenced and inflated appraisals, and its encouragement of consumers lying about income or employment to obtain loans.

Ameriquest Mortgage Company is the nation's largest subprime lender and primarily makes refinancing loans to homeowners hoping to save money on monthly payments by consolidating credit card and other debt into a new home mortgage. These subprime loans often carry higher interest rates or costs over the life of the loan.

The multistate investigation led to a settlement agreement under which Ameriquest will pay $295 million to consumers and $30 million to 49 states and the District of Columbia to cover their costs and fund consumer education and consumer protection enforcement programs. In addition, Ameriquest will make extensive changes to its lending practices. It will:

- provide the same interest rates and discount points for similarly situated consumers;
- stop paying sales personnel incentives to include extra fees or penalties in mortgages;
- fully disclose interest rates, discount points, prepayment penalties, and other loan terms to consumers;
- overhaul its appraisal practices;
- stop encouraging prospective borrowers to falsify income sources or levels; and
- stop soliciting consumers to refinance their mortgage during the first 24 months of a loan, unless the borrower is already considering refinancing.

This is the second largest settlement agreement reached to date related to predatory lending practices, after the Household Finance Corporation settlement. For more information, see North Carolina Office of the Attorney General, "Ameriquest to Pay $325 Million, Improve Lending Practices, Announces AG Cooper," General Press Release, January 23, 2006.

[62] John R. Walter, "The Fair Lending Laws and Their Enforcement," *Economic Quarterly 81*, no. 4 (fall 1995): 61–77, at http://www.rich.frb.org/publications/economic_research/economic_quarterly/pdfs/fall1995/walter.pdf.

Educate Consumers

State and local leaders, including community- and faith-based organizations and coalitions, can develop or promote educational campaigns and materials to steer customers away from predatory lenders (see “Don’t Borrow Trouble® Antipredatory Lending Campaign”). They can also offer counseling services to help predatory lending victims refinance their loans on more equitable terms.[63]

Don’t Borrow Trouble® Antipredatory Lending Campaign

Freddie Mac is supporting a major consumer awareness campaign, *Don’t Borrow Trouble*®, to help individuals avoid predatory lending practices. Mayor Thomas M. Mead and the Massachusetts Community and Banking Council pioneered the campaign in Boston, and Freddie Mac is now expanding the campaign to communities nationwide.

The campaign combines public education and counseling services to tell people how to identify and avoid predatory lending practices. It includes brochures, posters, transit ads, television commercials, and public service announcements. With on-site training from the National Consumer Law Center, local groups also answer questions from potential borrowers and provide assistance to consumers who have already taken out a loan.

Since 2000, Freddie Mac has provided seed funding, a bilingual media toolkit, project coordination, marketing consultant services, and on-site training from the National Consumer Law Center to help expand the campaign nationwide. As of May 2006, the campaign had been introduced in 30 states and 42 cities. For more information, visit http://www.dontborrowtrouble.com.

Considerations

- Federal preemption could potentially weaken the effects of state and local antipredatory lending laws and enforcement efforts. The Supremacy Clause of the Constitution states that federal law supersedes contrary state or local laws. The question of whether state and local antipredatory lending laws can be applied to federally chartered lenders and their operating subsidiaries is being vigorously debated, and this issue may ultimately have to be resolved by the courts.[64]

[63] Squires.
[64] Fishbein.

Strategy 6. Expand Access to Insurance

Many low-income families lack insurance to protect them against unexpected costs, risks, and liabilities. A lack of insurance coverage can deplete low-income families' limited savings and assets and negatively affect their credit. For example, as many as 29 million uninsured Americans, or 14 percent of all adults, are in serious medical debt. A recent study of 1.458 million personal bankruptcies in 2001 found that 326,411 were directly caused by illness or injury to a family member, while substantial medical bills were a contributing factor in 267,575 cases.[65]

Access to affordable insurance can help protect low-income families against unexpected expenses and liabilities, without requiring them to deplete their assets or assume debt. Various forms of insurance, including health insurance, life insurance, automobile insurance, and homeowner insurance can play an important role in safeguarding families' savings and assets. (See "New York's Facilitated Enrollers for Health Insurance," "Kansas' Refundable Tax Credit for Employer-Based Health Insurance," and "California's Lifeline Auto Insurance Program.")

[65] David Himmelstein, Elizabeth Warren, Deborah Thorne, and Steffie Woolhandler, Illness and Injury as Contributors to Bankruptcy (Cambridge, Mass.: Harvard Medical School, December 2004), at http://www.demos.org/pubs/Harvard_MedDebtFeb05.pdf.

Public and private-sector leaders can implement several innovative approaches to help low-income families access affordable insurance, including:

- improving outreach and public education on affordable insurance policies;
- making a business case for employers and corporations to provide low-cost insurance;
- reducing or eliminating premiums for public and private insurance;
- simplifying the application and renewal process for insurance by offering applications online, extending agency hours so services are more accessible for working families, and offering passive renewal options (e.g., automatic renewal unless there are eligibility changes);
- using state and local funds to partially subsidize insurance coverage for low-income families;
- offering businesses tax credits as an incentive to provide affordable insurance; and
- enacting legislation to require insurers to provide low-cost coverage to needy families.

New York's Facilitated Enrollers for Health Insurance

New York State funds a community-based network of "facilitated enrollers" to help families apply for the state's various health care programs. In operation since 2000, the program enables workers to apply for benefits during evening and weekend hours, eliminating the necessity and costs of taking time off from work. Facilitated enrollers provide various forms of assistance, including conducting outreach on public health insurance programs, screening individuals for the appropriate program, helping them complete their application, collecting the required documentation, and transmitting the completed application to the appropriate entity in a timely manner. These counselors are available in more than 100 community-based agencies, including schools, churches, libraries, YMCAs, town halls, food pantries, community centers, and boys and girls clubs. Facilitated enrollers are culturally and linguistically representative of the populations they serve, and these counselors provide services in more than 40 languages. Since the program's inception, more than 600,000 children and adults statewide have been enrolled in Medicaid, Child Health Plus, Family Health Plus, the Special Supplemental Nutrition Program for Women, Infants, and Children, and the Prenatal Care Assistance Program. For more information, visit the website of the New York State Department of Health at http://www.health.state.ny.us.

Kansas' Refundable Tax Credit for Employer-Based Health Insurance

Since 1999, Kansas has provided a refundable tax credit to cover a portion of the expenses of businesses that purchase health insurance coverage for their employees. Eligible employers include those who contribute to health insurance premiums or offer workers the opportunity to participate in health savings accounts. Any small business that has been in existence for less than two years, that employs between 2 and 50 workers, and that has contributed to a health insurance premium on behalf of an employee or made health savings account contributions in the previous two years is eligible for a tax credit of $70 per month per eligible employee. The refund amount phases out over three years, and the tax credit is not available after year three. Since initial implementation in 2000, the number of participating employers has steadily increased. During the first four years of the program, 228 employers participated, claiming nearly $380,000 in credits. For more information, contact Kathleen Smith at 785-296-3909 or Kathleen_smith@kdor.state.ks.us.

California's Lifeline Auto Insurance Program

Since 1999, California has operated a Lifeline Auto Insurance Program that seeks to provide low-income drivers with access to affordable automobile insurance. The program is the result of a California law (SB 171) sponsored by the Foundation for Taxpayer and Consumer Rights. Under SB 171, all insurance companies selling auto insurance in the state are required to sell a certain percentage of Lifeline policies. The Lifeline policies cost approximately $400 per year and are available to families whose household income is less than 250 percent of the federal poverty level—$24,500 for a single person, $33,000 for two people, and $50,000 for a family of four. The program started on a pilot basis in Los Angeles and San Francisco Counties. It has subsequently been expanded to a total of 16 counties in the state. Since the program's inception, more than 25,000 auto insurance policies have been issued to qualifying, low-income families. For more information, call the Lifeline Auto Insurance hotline at 1-800-622-0954.

A Multistrategy Approach to Asset Building

In addition to the specific strategies, state and local officials as well as community- and faith-based organizations and coalitions can develop more comprehensive approaches to building assets among low-income individuals and families. Comprehensive approaches combine multiple strategies to create an integrated network of resources and protections that enable low-income individuals and families to more easily save and acquire wealth.[66] These efforts could involve:[67]

- convening forums for representatives of public entities, community- and faith-based organizations, and other service providers to identify unmet needs and initiate change;
- crafting shared public-private initiatives to provide leadership and broaden the financial support for asset-building programs;
- establishing governance bodies, such as councils or task forces, to plan and design programs and services, allocate funds, and oversee service delivery systems (see "Pennsylvania's Task Force for Working Families");
- coordinating diverse asset-building policies and programs from the public, private, and nonprofit sectors; and
- creating technical assistance opportunities to share knowledge, skills, and technical resources among service providers.

[66] Hoffman, 2.
[67] Relave, 35–36; and Barbara Hanson Langford, *State Legislative Investments in School-Age Children and Youth* (Washington, D.C.: The Finance Project, June 2001), at http://www.financeproject.org/publications/oststatepaper.pdf.

Pennsylvania's Task Force for Working Families

In April 2004, Pennsylvania Governor Edward G. Rendell established a Task Force for Working Families to identify strategies to build the incomes and assets of working families, promote financial education and literacy, and curb predatory lending practices. The task force is composed of more than 60 stakeholders from the public, private, and nonprofit sectors. In 2004, it hosted public roundtable discussions throughout the state to solicit citizen input. In January 2005, the task force released a report with recommendations for improving asset building, including:

- establishing a financial education clearinghouse (www.moneysbestfriend.com);
- integrating financial education into the K–12 curriculum;
- helping employers provide financial education in the workplace;
- launching a pilot program to offer financial education to state employees;
- encouraging financial professionals to provide voluntary training in the community;
- enhancing EITC outreach;
- increasing the scale of the state's Family Savings Account program;
- increasing asset limits under the TANF program; and
- helping improve access to mainstream financial institutions.

The report also includes a blueprint for action that outlines steps each state agency can take to enhance asset-building efforts and create a comprehensive support system for working families. The governor and state agency officials subsequently implemented many of the task force's recommendations.

For more information on the Task Force for Working Families, visit http://www.banking.state.pa.us/banking/cwp/view.asp?a=1354&q=547319&bankingNav=|32150|32185.

Key Directions for Further Work

Assets play a crucial role in the long-term economic stability and success of low-income and low-wage families. Although the nation's understanding of asset accumulation has increased in recent years, further work is needed in several key areas. These areas include:

- identifying the causes and consequences of asset poverty;
- documenting promising policies and practices;
- evaluating the effects and effectiveness of asset-building strategies;
- researching the costs, financing, and sustainability of asset-building programs; and
- improving public and private-sector leaders' access to tools, information, and technical assistance resources.

Continued advances in understanding are essential to help policymakers, program administrators, service providers, advocates, and others develop, finance, and sustain effective asset-building programs for low-income and low-wage families.

Identifying the Primary Causes of Asset Poverty

Low-income and low-wage families face multiple barriers to growing their savings and wealth. These barriers include low earnings, limited opportunities and incentives to save, a lack of understanding about the importance of asset building, and a reliance on high-cost financial services. Additional research is needed to understand what the most significant barriers to asset building are among low-income families. Such research can foster a better understanding of the primary causes of asset poverty and how these factors could be addressed.

Assessing the Consequences of Asset Poverty

Additional research is also needed to shed light on the consequences of asset poverty. Key questions include: Does a lack of assets increase the likelihood that families will experience significant financial hardship, poverty, or welfare dependence? What are the long-term consequences of asset poverty on the economic well-being of low-income families and children? Answers to these questions could lead to a greater appreciation of the need for engaging in asset-building efforts.

Documenting Promising Policies and Practices

Additional research is warranted to provide specific information about promising asset-building policies and practices. Detailed profiles can contribute to a more comprehensive understanding of a particular strategy and approach by providing useful information about its design, implementation, history and development, funding sources, key partners, and results. This information can help leaders better appreciate the nuances of a particular policy or practice and its potential for adaptation or replication elsewhere.

Evaluating the Effects and Effectiveness of Asset-Building Strategies

Federal, state, and local leaders have developed and tested different innovative strategies and approaches to promote savings, investment, and financial security among low-income individuals and families. Additional research and evaluation on these approaches can yield useful information about what works and why. Key questions are these:

- Which strategies are the most effective in improving low-income families' savings and investments?
- What are the key factors that can be attributed to their success?
- Drawing on the lessons learned, what are the opportunities for further enhancing the effectiveness of asset-building strategies?

This information is essential to help inform decisionmaking and investments to expand asset-building opportunities among low-income families.

Researching the Costs, Financing, and Sustainability of Asset-Building Programs

Knowledge of the costs, financing, and sustainability of asset-building programs is very limited. Policymakers, program administrators, and budget officials need better information to decide how to allocate scarce resources to support asset building among low-income families. Key questions are these:

- What are the costs, cost elements, and cost variations of various asset-building strategies and programs?
- Which strategies or programs are the most cost-effective?
- What federal, state, local, and private funding sources can support particular asset-building programs?
- How can state and local leaders, including community- and faith-based coalitions, enhance the sustainability of asset-building efforts?

Improving Access to Tools, Information, and Technical Assistance Resources for Public and Private-Sector Leaders

Increasing asset-building opportunities for low-income families will require new ways of doing business and new collaborative relationships. To build their capacity to design and implement asset-building programs, public and private-sector leaders need better access to tools, information, and technical assistance resources. This could include:

- improved access to information, such as online clearinghouses and publications, that synthesizes what is known about various asset-building strategies and promising policies and practices;
- the development of needs assessment, marketing, and other tools that policymakers and practitioners can use; and
- customized technical assistance and support to assist local asset-building initiatives, such as guidance on program design, service delivery, financing, and sustainability issues.

Conclusion

Assets play an essential role in helping low-income families achieve greater economic self-sufficiency and success. However, low-income families face real barriers to saving and investing. During the past few decades, federal, state, and local policymakers and program administrators have developed innovative strategies to help low-income families build and preserve assets, and these strategies can serve as ideas or examples for others. Further work is needed, however, to support informed decisionmaking and investment in asset-building programs so more low-income families can benefit.

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Resources on Asset Building

Publications of The Finance Project

Friedman, Pamela. *Banking the Unbanked: Helping Low-Income Families Build Financial Assets*. Washington, D.C.: The Finance Project, September 2005. Available at http://www.financeproject.org/publications/FESunbanked.pdf.

Friedman, Pamela. *Encouraging Asset Development for Low-Income Workers*. Washington, D.C.: The Finance Project, April 2002. Available at http://www.financeproject.org/publications/encouragingassetdevelopmentRN.htm.

Friedman, Pamela. *Microenterprise Development: An Employment Option for Welfare Recipients*. Washington, D.C.: The Finance Project, January 2001. Available at http://www.financeproject.org/publications/microenterpriseissuenote.htm.

Friedman, Pamela. *Providing and Funding Financial Literacy Programs for Low-Income Adults and Youth*. Washington, D.C.: The Finance Project, September 2005. Available at http://www.financeproject.org/publications/FESfinancialliteracy.pdf.

Gruenstein, Deborah. *Using the Community Reinvestment Act to Help Finance Initiatives for Children, Families, and Communities*. Washington, D.C.: The Finance Project, April 2002. Available at http://www.financeproject.org/Publications/CRA.pdf.

Miller, Michelle, and Deborah Gruenstein. *Encouraging Savings: Financing Individual Development Accounts*. Washington, D.C.: The Finance Project, October 2002. Available at http://www.financeproject.org/publications/ida.pdf.

Other Resources

Corporation for Enterprise Development. *State Asset Development Report Card: Benchmarking Asset Development in Fighting Poverty*. Washington, D.C.: Corporation for Enterprise Development, 2002. Available at http://sadrc.cfed.org/SADRC-CFED.pdf.

Hoffman, Linda. *State Policy Options to Encourage Asset Development for Low-Income Families*. Washington, D.C.: National Governors Association Center for Best Practices, February 2006. Available at http://www.nga.org/Files/pdf/06StatePolicyOptionstoEncourageAssetDevelopment.pdf.

Parrish, Leslie, and Heather McCulloch. *State Policy Options for Building Assets*. Washington, D.C.: New America Foundation, June 2006. Available at http://www.assetbuilding.org/AssetBuilding/Download_Docs/Doc_File_1493_1.pdf.

Organizations

Asset Funders Network is an informal network of foundations supporting policies, programs, and strategies that enable low-wealth individuals to accumulate assets. Visit http://www.gistfunders.org/AssetFunders.htm.

The *Center on Budget and Policy Priorities* conducts research and analysis on proposed budget and tax policies, with particular emphasis on the impact of various budget choices on low- and moderate-income families. The center has done extensive work on federal and state EITC policies and has the largest sustained private-sector EITC outreach campaign with more than 6,000 participants from nonprofit organizations and government agencies. Visit http://www.cbpp.org.

The *Center for Social Development* at Washington University is the leading academic center of theory and research on asset building for low-income families and communities. The center leads primary research in the asset-building field, and it is also leading state individual development account and international assets policy efforts. The center partners with the Corporation for Enterprise Development in the American Dream Demonstration and Savings for Education, Entrepreneurship, and Downpayment demonstration programs and plays a key role in these programs' design and evaluation. In addition, the Center for Social Development has created a management information system for IDA programs that helps practitioners with day-to-day operations while helping researchers with data collection. Visit http://gwbweb.wustl.edu/csd.

The *Corporation for Enterprise Development* helped pioneer the field of asset building for the poor, especially policies and community-based programs for individual development accounts. Visit http://www.cfed.org.

The *Institute on Assets and Social Policy* seeks to broaden and refine the concept of asset development and familiarize the public and policymakers with its potential to help people move out of poverty. To fulfill this mission, the institute publishes an Asset Index with state-by-state comparisons on asset-building indicators, produces publications, and hosts various events on asset building-related topics. Visit http://www.assetinstitute.org/.

The *National Community Reinvestment Coalition* (NCRC) seeks to increase fair and equal access to credit, capital, and banking services and products by providing resources, knowledge, and skills to build community and individual net wealth. The second edition of NCRC's Anti-Predatory Lending Toolkit reviews the state of the fair housing law; how predatory lending manifests itself; case developments; the relationship among civil rights, the Community Reinvestment Act, and predatory lending; and proposed and enacted state and local laws. Visit http://www.ncrc.org/consumerresources/fairLending.php.

The *National Conference of State Legislatures* (NCSL) serves state legislators and staff and provides research, technical assistance, and opportunities for policymakers to exchange ideas on pressing state issues. NCSL's work on family economic success issues has looked at state policy choices and options to support individual development accounts and earned income tax credits. Visit http://www.ncsl.org.

The *National Governors Association Center for Best Practices* helps governors and their policy staff develop and implement innovative solutions to challenges facing their states. The social, economic, and workforce programs division focuses on best practices, policy options, and service delivery improvements across various supports and services for low-income families. Its recent report, State Policy Options to Encourage Asset Development for Low-Income Families, highlights state policy options and practices to improve asset building among low-income families. Visit http://www.nga.org/center.

The *New America Foundation* maintains AssetBuilding.Org, an online clearinghouse of information on asset ownership and policies. The site includes the theory, rationale, and evidence for asset-building policies, provides links to key research and policy centers in the assets field, and catalogs key articles, op-eds, books, testimonies, and commissions on asset-based policy. Visit http://www.newamericafoundation.net.

The *U.S. Conference of Mayors* represents U.S. cities with populations of 30,000 or more. It provides information, analysis, training, and technical assistance to mayors, city officials, and their staff on issues facing U.S. cities. The conference played a key role in developing a national public education campaign on the Earned Income Tax Credit. Visit http://usmayors.org.

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