

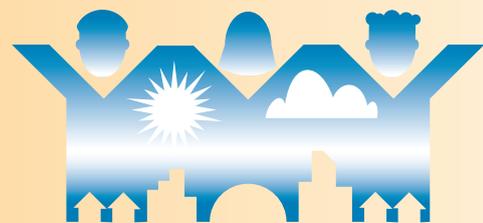


National League of Cities

Helping Families Achieve Financial Stability

Issue #9

Action Kit for Municipal Leaders



Institute for Youth, Education, and Families

Dear Municipal Leader:

This kit was created not just for you, but for the children, youth, and families in your community. It is based on the latest research and best practices from across the nation and offers a wide-ranging menu of opportunities for municipal leadership to make children, youth, and family issues a community-wide priority. Whether you are ready to launch a major initiative or are just getting started, the ideas in this kit will help you move forward.

NLC's ongoing series of action kits for municipal leaders, published by the Institute for Youth, Education, and Families, address each of the Institute's five core program areas: education and afterschool; youth development; early childhood success; the safety of children and youth; and family economic success. The goal is to give you and other municipal leaders throughout the country the ideas and the tools you need to take action on these all-important issues for the future of our cities and towns.

Mayors and city councilmembers across America know that our communities' success depends on the health and well-being of the nation's children, youth, and families. Now is the time to act on this knowledge. As a municipal leader, you have the ability to focus the attention of your community on the needs of children, youth, and families. Working with your colleagues in local government, you can strengthen municipal policies, support effective programs, and bring diverse partners to the table in order to make things happen.

NLC and its Institute for Youth, Education, and Families are eager to assist you in these vital efforts. We encourage you to use this action kit to get started, and we hope you will contact us whenever we might be of assistance. Institute staff are readily available to provide additional information about the strategies highlighted in each of the action kits and to help you identify steps that make sense for your community.

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About the National League of Cities:

The National League of Cities is the nation's oldest and largest organization devoted to strengthening and promoting cities as centers of opportunity, leadership and governance. NLC is a resource and advocate for more than 1,600 member cities and the 49 state municipal leagues, representing more than 218 million Americans.

About NLC's Institute for Youth, Education, and Families:

The Institute for Youth, Education, and Families, a special entity within the National League of Cities, helps municipal leaders take action on behalf of the children, youth, and families in their communities. NLC launched the Institute in January 2000 in recognition of the unique and influential roles that mayors, city councilmembers, and other local leaders can play in strengthening families and improving outcomes for children and youth.

As a national resource to cities and towns across America, the Institute provides guidance and assistance to municipal officials, compiles and disseminates information on promising strategies and best practices, builds networks of local officials working on similar issues and concerns, and highlights the importance of municipal leadership. NLC's Council on Youth, Education, and Families guides and oversees the Institute's work.



Financially Stable Families as a City Priority

Millions of families in cities and towns across America live on the financial edge, just one unexpected setback – whether an illness requiring hospitalization or the breakdown of a family car – from a major financial crisis. For low-income families already struggling to meet basic needs, such common occurrences can trigger a devastating chain of events that leads to unemployment, homelessness, and even family dissolution.

A host of factors contribute to family financial stability, including parental education, employment and training opportunities, affordable housing, and child care and other work supports. This action kit highlights one key area in which municipal leaders can make an immediate difference: helping families build and protect financial assets that will enable them to handle unanticipated expenses or a temporary loss of income.

Far too many families have no significant savings or reserves to help stabilize their futures. For example, one in five Americans do not possess enough assets to meet their basic needs (as defined by the federal

poverty threshold) for a period of just three months. An estimated 28 million Americans do not have a bank account – the basic mechanism to conduct personal financial transactions and the “on-ramp” to the financial mainstream.

The problem of inadequate assets is not limited to the nation’s poor. More than half of all Americans are estimated to lack sufficient liquid assets to put a down payment on a home, invest in two years of attendance at a community college, or start a business.

City leaders are increasingly aware that access to financial services, the ability to accumulate and protect savings or other financial assets, and steps to avoid bad credit or unmanageable debt are keys to both family financial stability and the broader economic vitality of cities. By developing a focused strategy to promote asset building, mayors and city councilmembers can help families save and become more economically secure. In the process, they can strengthen the fabric of the entire community and create a more durable foundation for local economic growth and development.

Low- and moderate-income families face numerous obstacles to achieving financial stability. Faced with unstable or low-wage jobs, the high costs of housing, transportation, child care, and other necessities, and disconnection from mainstream financial services, many families find it difficult to avoid burdensome debt and save for future investments and unpredictable expenses.

Municipal leaders can play a pivotal role in building pathways toward financial stability for local residents while simultaneously helping them avoid predatory practices that saddle them with debt. As a guide for municipal leaders, this action kit describes four key components of a successful asset-building agenda:

❖ *Providing financial education*

Cities can connect residents to programs that teach financial literacy, covering topics such as budgeting, saving, preparing for homeownership, using bank services, and accessing and understanding credit scores. Municipal officials can publicize the availability of existing financial education classes, require these classes as a prerequisite for participation in city incentive programs, or connect financial education providers with city agencies and community groups.

❖ *Promoting homeownership*

Purchasing a home is one of the most important financial decisions a family will make, and home equity represents the greatest proportion of a typical household's wealth. Municipal leaders can expand access to homeownership counseling to help families avoid predatory mortgage

loans and understand the process of buying a home. Offering incentives such as down payment assistance can also give residents the opportunity to overcome a significant hurdle to homeownership.

❖ *Expanding access to savings and benefits*

Residents who do not have access to bank accounts and other mainstream financial services pay the price in the form of diminished savings and reliance on high-fee, high-interest alternative financial services such as payday lenders and check cashers. Some steps that cities can take include encouraging local banks to offer free or low-cost products that encourage low-income residents to save and coordinating or leading outreach efforts to ensure that residents take advantage of these options.

❖ *Protecting financial assets*

Victims of predatory lending are prone to financial disaster as they incur spiraling debt, damage their credit records, or risk bankruptcy or foreclosure. Municipal officials can help families protect their financial assets by restricting the activity of predatory lenders through zoning ordinances, developing campaigns to educate consumers, sponsoring free tax preparation sites that help residents keep more of their tax refunds, or connecting families with trustworthy credit counselors.

In each of these four areas, this action kit describes a range of practical steps that mayors and city councilmembers can take to enhance the financial stability of families in their communities.

Many cities already have programs that help residents achieve financial stability. The challenge is to move from isolated programs to a more comprehensive strategy that utilizes all of the community's resources and responds to the full range of local opportunities and needs. Because families' situations vary greatly, effective city efforts provide various entry points for residents to access a diverse set of services. Initial steps for municipal leaders to consider include:

Spearhead efforts to rally the community and create a shared vision.

Local elected officials have a unique “bully pulpit,” which enables them to capture the attention and focus the energies of local residents. By enlisting the help of employers, civic organizations, faith-based groups, schools, nonprofit agencies, and financial institutions, city leaders can also help craft a vision and goals for future work that ultimately yield stronger outcomes for families and the larger community.

Assess resident needs and community resources.

A key step in developing an asset-building agenda is to assess residents' needs and identify services or resources in the community that can help meet those needs. For example, city officials can map the locations of both mainstream and alternative financial institutions across neighborhoods. A closer examination of data on poverty, income, and foreclosure rates can lead to a deeper understanding of major problems and challenges as a local initiative moves forward.

Inform the public about available services.

Local officials can highlight services that improve families' financial stability through the city Web site, flyers in city offices, supermarkets, and other local stores, or at community events. City leaders can also raise awareness about the importance of savings through public service announcements, billboards, and “envelope stuffers” sent with utility bills.

Link asset building to free tax preparation assistance.

Federal Earned Income Tax Credit (EITC) refunds – often the largest income gain a family receives at one time – can be a launching pad for saving and building assets. Data from the Internal Revenue Service (IRS) can help city leaders find out how many families are claiming the EITC or using costly refund anticipation loans. Cities can encourage taxpayers to save a portion of their EITC refund and open a bank account. Local EITC outreach coalitions can be natural allies in all of these efforts.

Target a specific population to serve.

In developing a comprehensive asset-building agenda, it may be useful to begin with an underserved neighborhood or specific population. This approach allows the city to test different strategies while providing important services initially to residents with the greatest need.

Partnerships are crucial to cities' success in helping families achieve financial stability. A municipal asset-building agenda will have the greatest impact when all sectors – including local government, financial institutions and other businesses, and community- and faith-based organizations – are engaged in the effort and work toward a common goal.

Mayors and city councilmembers are well positioned to convene diverse stakeholders and build consensus regarding the importance of family financial stability. To establish wide-ranging partnerships, city officials must think creatively about how family financial stability aligns with the objectives of key partners.

Given the wide array of programs and services that can contribute to local asset-building efforts, city leaders should consider inviting a broad range of potential partners to the table. Common allies may include:

Local Coalitions

Many communities have asset-building or EITC coalitions. These collaborations serve as vital resources for understanding current efforts, and knowledgeable coalition partners can inform the development of a city agenda.

Community-Based Organizations

Community-based organizations and neighborhood groups that represent specific populations, such as immigrant communities or people with disabilities, can be a tremendous asset. Specifically, a local United Way, chamber of commerce, or community action agency can provide resources and access to residents in need of services, while serving as a trusted liaison to these segments of the community.

Financial Institutions

Local banks and credit unions can provide invaluable perspectives on asset building, especially when city leaders seek to improve residents' access to mainstream financial services. These entities

are often looking to reach new markets. Helping these institutions reach out to potential customers in a way that is sharply focused on residents' financial stability can reap important benefits for families and the entire community.

Faith-Based Entities

Faith-based institutions are trusted messengers in most communities, making them particularly effective in reaching out to local residents. Faith leaders can also organize volunteers, donate space, and serve as champions for particular neighborhoods or populations.

Local, State, and Federal Human Service Agencies

Human service agencies regularly come into contact with families in need. City officials can encourage their participation in designing local agendas and programs. In addition, because these entities often determine eligibility and manage applications for public benefit programs, they can be key allies if city leaders are interested in identifying ways to simplify or streamline those programs.

Local Employers

Local businesses that employ low-income workers are another important point of access for city leaders that want to help residents save and build assets. Business champions can garner additional support for a city-led asset-building agenda, engage other business leaders, and help craft a message about how family financial stability strengthens the local and regional economy.

Schools

City officials can work with school district leaders to encourage financial education in schools. Because schools are a common gathering place for parents, they may also serve as a useful location for adult financial education classes.

Every day, families face choices that could either move them toward a better financial future or trap them in a sea of debt and ruined credit. Many Americans do not have a solid understanding of basic personal finance and banking principles. Furthermore, today's marketplace contains many complicated financial options, including numerous debt traps and predatory lenders.

Residents need strong financial skills and access to sound financial advice to avoid high-cost borrowing, maximize savings, and build a strong credit record. Unfortunately, financial education is not offered in most schools or workplaces, nor is it readily available in many lower-income neighborhoods. Municipal leaders can help connect local residents with important financial education and advice by taking the following steps:

Highlight the importance of building and protecting assets.

City leaders can communicate with residents about the importance of saving and avoiding predatory practices through public service ads, council district newsletters, and the city government Web site. These messages are relevant for all residents, regardless of their socioeconomic status. Municipal officials can also work with local media, community-based organizations, the faith community, and other partners to warn residents about predatory schemes and encourage them to participate in savings programs, open bank accounts, and access key benefits.

Example: The City of Charlotte, N.C., Housing Authority and Department of Neighborhood Development are key partners in Charlotte's Family Financial Literacy Coalition. This Coalition, which has identified free tax preparation, education and outreach, asset building, and financial literacy as its main priorities, reaches out to low-income workers by engaging employers and educating them about the benefits of the EITC. The Coalition also hosts an annual event called Moneyfest that brings together housing and credit repair agencies, community organizations, the IRS, and workforce agencies to help residents access local financial information and services. Councilmember Susan Burgess, who chairs the city's Housing and Neighborhood Development Committee, is a key champion of these local asset-building efforts.

Publicize and link financial education opportunities.

Many residents may not be aware of free or low-cost classes and programs that could help them become more financially savvy. Through the city's Web site, information hotline, community calendar, and public access channel, local elected officials can serve as trusted sources of information to help families learn about reputable financial education providers. City officials can also encourage providers to build linkages to other programs, thereby creating a more effective continuum of services for residents. In Indianapolis, for example, former Mayor Bart Peterson created a network of financial educators that spawned the development of a community resource guide and referral system.

Make the city a model employer.

Local elected officials can ensure that city government serves as a model for other businesses by offering free financial education classes to all city employees. In collaboration with local financial institutions, these classes can explore a range of topics, such as banking, budgeting, mortgage loans, and retirement savings. City human resource departments can be strong allies in developing on-site programs for employees. Cities can also offer use of municipal facilities (e.g., public libraries or recreation centers) when private employers or organizations choose to adopt a similar approach.

Use city leverage to increase participation.

Municipal leaders can adopt city policies that expand the number of community organizations and businesses promoting financial education. One effective strategy is to require human service agencies receiving contracts from the city to offer or promote financial education for their clients. In addition, cities can require financial education classes for residents interested in local homeownership incentives or matched savings programs. For example, the City of Rapid City, S.D., requires residents to take financial education classes before they can participate in the city-funded Individual Development Account program.

Homeownership is the primary route through which most families in America build wealth. It can increase family stability, educational attainment, and civic participation. However, homeownership remains out of reach for many low- and moderate-income families because of high costs and a low supply of affordable housing.

As illustrated by the recent wave of foreclosures nationwide, the push to increase homeownership rates also carries serious risks. Families that fall prey to predatory or unscrupulous lenders may lose their homes – and whatever savings they had accumulated – when their mortgage payments skyrocket. A “subprime” loan or a home purchase that leaves a family without adequate reserve funds in a future crisis can propel that family into a cycle of debt, bad credit, and foreclosure with devastating consequences.

City officials can support homeownership counseling and incentive programs that help residents decide if homeownership is right for them, navigate the process of purchasing a home, and assist targeted groups in meeting down payment requirements. Specifically, city leaders can:

Create a homeownership center to inform residents.

While many cities and community-based organizations offer homeownership counseling, down payment assistance, and other incentives, residents are often unaware of or unable to access such services. Cities can develop “one-stop” homeownership centers that offer a comprehensive list of programs, incentives, and nonprofit resources. For example, Boston and Baltimore both support homeownership centers that serve as one-stop shops for information about city benefit programs, eligibility, counseling, mortgage lenders, and local neighborhoods.

Develop and promote down payment assistance programs.

Municipal leaders can develop and promote city-funded down payment assistance programs while encouraging businesses to sponsor similar efforts. These programs often go beyond assistance for first-time homebuyers to include incentives for special populations and public servants, such as teachers, firefighters, or police officers. For instance, New York City offers down payment

assistance and low-interest financing for police. Cities can also work with key partners to connect EITC recipients with homeownership opportunities, thereby maximizing participation.

Require homeownership counseling within incentive programs.

Requiring residents who benefit from city-administered homeownership programs to participate in pre- and post-purchase counseling helps protect them from predatory lenders and enhance their knowledge about homeownership.

Increase the stock of affordable housing.

Working through city planning and zoning departments, local officials can analyze their communities’ housing stock and offer developers special incentives to build affordable housing in targeted neighborhoods. For instance, the City of Coldwater, Mich., used federal HOME Investment Partnership Program funds and city general funds to purchase a vacant 9.5 acre site, and then sold it for one dollar to a developer who created 32 single-family homes. Eighteen of the homes were sold to low- and moderate-income families, with a total of \$540,000 in subsidies made available to reduce the cost of each home.

Tap state and federal funding sources.

Local officials can seek diversified funding that supplements efforts to expand homeownership for low-income residents. To offer homeownership incentives and increase the supply of affordable housing, local leaders can creatively combine and leverage federal resources with city, county, state, and private funding – including federal HOME funds, Community Development Block Grants, Family Self-Sufficiency Program resources, and Social Services Block Grants as well as state housing trusts.

Example: The City of Waco, Texas, requires homebuyers seeking city housing subsidies to attend an approved homebuyer education class taught by one of the city's three nonprofit partners. This requirement ensures that potential homebuyers get the necessary information to choose the right loan, build savings, and learn about credit and the home-buying process.

Many barriers prevent families from saving and stretching their limited incomes. According to the Center for Financial Services Innovation, 28 million Americans are “unbanked” and more than 44 million are “underbanked,” spending approximately \$11 billion annually on alternative financial services such as those provided by check cashers, payday loan outlets, and pawn shops.

Unbanked residents turn to alternative financial services for numerous reasons, including past money management challenges and the failure of mainstream financial institutions to meet their needs. Lack of appropriate banking products and services, inconvenient hours, and inaccessible bank branches all contribute to the isolation of residents from traditional banks and credit unions and sharply limit their ability to save and build credit.

City officials can connect low-income families to mainstream financial services, thus helping them save and avoid the high-cost “fringe” financial sector or predatory lenders.

Launch a campaign to promote banking and savings.

Local officials can work with financial institutions to make it easier for residents to save through conveniently located branches and free or low-cost checking accounts that avoid unnecessary service fees. For example, San Francisco Mayor Gavin Newsom and Treasurer José Cisneros launched Bank On San Francisco, persuading area banks to offer no-fee or low-cost products and then launching an aggressive outreach campaign that encourages residents to open checking or savings accounts instead of using high-priced check cashing services. In Cleveland, Ohio, city officials support the Cleveland Saves program – modeled after the national America Saves initiative – by hosting events at City Hall, distributing savings information to municipal employees, and dedicating staff to support the campaign.

Connect residents to key public benefits.

One way to help families save is to make sure they receive all of the public benefits for which they are eligible. City leaders can combine outreach for the EITC with other federal, state, and local benefits such as food stamps, free and low-cost health insurance, child care subsidies, and energy assistance. For example, San Antonio, Texas, officials are working with community organizations to implement the Benefits Enrollment Network (BEN), a software tool to screen residents’ eligibility for multiple benefits.

Help families save for education and retirement.

City officials can increase awareness of various tax-advantaged savings programs such as 529 College Savings plans, employer-sponsored retirement accounts, and Individual Retirement Accounts (IRAs), as well as federal student aid. Officials can also encourage city employees to contribute to municipal retirement plans and persuade businesses to encourage employees to opt into retirement plans and maximize employer contributions.

Support other innovative savings options.

Municipal leaders can expand homeownership, microenterprise lending, and educational attainment by supporting or creating innovative savings programs, such as Individual Development Accounts (IDAs) that help families save for these key investments. Another way to magnify a city’s commitment to children is to create savings accounts for all children at birth. Such accounts often include a financial education component and are restricted for education, health care, or homeownership expenses.

Raise awareness through city agencies and services.

Creating an accessible directory of financial stability programs is another way to maximize existing resources. A city’s Web site, public information channel, or public resource hotline (311 or 211) can lead residents to various programs. For example, officials in Louisville, Ky., created an asset-building directory that catalogued existing services in the community, distributed it to community partners, and posted it on the Louisville Asset Building Coalition’s Web site.

Example: The “Financially FIT (Freedom to Invest in Tomorrow)” initiative launched by the City of Avondale, Ariz., includes free tax preparation and a first-time homebuyer program. This program provides down payment assistance through Individual Development Accounts that offer a 3:1 match for low-income residents saving for a home. The city also sponsors a one-day Youth Financially FIT Symposium with sessions on budgeting, saving for college, and entrepreneurship.

As families save, it is important to ensure that they do not lose their hard-earned gains to unscrupulous lenders. Check cashing outlets and payday lenders meet the needs of many low-income residents by offering convenient services and short-term loans – but at a very high price. Predatory practices in car financing and mortgage lending steer residents toward high-fee, high-interest loans that trap them in debt, damage their credit, and drain savings. High-cost refund anticipations loans (RALs), car title loans, and overdraft loans also strip low-income families of precious financial assets.

Although municipal leaders cannot directly change state and federal laws to limit the activities of predatory lenders, city officials can take numerous steps to curtail their growth and restrict their activities.

Inform residents about predatory lending practices.

Consumers are often unaware of and unable to identify predatory terms in their mortgage or car loans, such as pre-payment penalties, ballooning interest rates, and hidden fees. City campaigns can educate and alert consumers about predatory practices. The Indianapolis, Ind., financial educators network designed an “Indianapolis Asset-Building Path,” which includes a list of predatory lending traps for families to avoid and local resources to help them build financial assets.

Support free tax preparation sites.

Many low-income families pay tax preparation services to file their income taxes, despite the availability of free services at local Volunteer Income Tax Assistance (VITA) sites. City officials can steer families toward these sites and away from costly and sometimes unnecessary services offered by paid tax preparers, such as RALs. In Boston, Mayor Thomas Menino and a local EITC Coalition hosted 24 VITA sites that served almost 9,000 residents and brought \$15 million in total refunds to residents, including those with disabilities.

Example: In Phoenix, Ariz., the city's EITC outreach campaign includes distribution of a flyer advising residents of "pitfalls to avoid," such as payday loans, RALs, currency exchanges, and rent-to-own contracts for home furnishings or other products. The flyer also offers advice on saving and opening a bank account.

Connect families in crisis to credit counseling and legal services.

Many residents do not understand that their credit score is used not only to determine interest rates for loans, but also for employment background checks, insurance rates, and other purposes. Since these residents may not know where to turn for help, municipal officials can direct them to trustworthy credit counseling and debt reduction services in the community. For example, Burlington, Vt., Mayor Bob Kiss hosts free credit score days in City Hall where residents can review their credit scores and receive free advice on how to improve them. Through Chicago's Homeownership Preservation Initiative, families having trouble paying their mortgage can connect with a credit counselor by calling the city's 311 information number.

Promote alternatives to high-cost financial products.

Unbanked workers can easily pay thousands of dollars every year to check cashing outlets and incur high interest rates when loans are not paid in full. City leaders can help families avoid these costs. For example, San Antonio has collaborated with a local credit union to offer a low-fee, no-interest refund anticipation loan to residents while also depositing half of a ten-dollar application fee into new savings accounts for applicants.

Work to ban or restrict predatory lending.

City leaders can pass land use restrictions to prevent new predatory businesses from opening in low-income and minority communities. For example, Oakland, Calif., passed a zoning ordinance to restrict new check cashers and predatory lending institutions from opening near existing payday lenders, parks, and schools. More recently, Sacramento passed a moratorium on all new stores. Officials can also pass resolutions in favor of reforming state and federal laws, provide testimony to share victims' stories, and build community support for specific legislation.

Encourage financial institutions to locate in distressed areas.

Local officials can encourage banks to locate branches or services in low-income or underserved neighborhoods and offer free or low-cost bank accounts at neighborhood fairs, VITA sites, and community resource centers. Through zoning, land use, and redevelopment policies, cities can make certain neighborhoods more attractive for bank branch locations.

Baltimore, Maryland (Pop. 651,154)

Twice a year, the city hosts Buying into Baltimore, a home-buying fair to provide families with incentives to buy a home in Baltimore. Attendance is free, and residents who participate in trolley tours through featured neighborhoods are eligible for down payment assistance. By local ordinance, the city requires that all potential homebuyers receive homeownership counseling before receiving assistance. Live Baltimore Home Center, a one-stop shop of information and services related to purchasing a home, hosts the fair and provides residents with access to educational seminars on home financing, budgeting, and maintenance.

Burlington, Vermont (Pop. 38,889)

The City of Burlington's CASH (Creating Assets, Savings, and Hope) Coalition hosts "Free Credit Score Days" twice per year. The events enable residents to access their credit scores, receive one-on-one attention from credit counselors, and attend free workshops on homeownership, budgeting, saving, and maintaining checking accounts. The city has also developed a matched savings pilot program with required financial education to help residents pay off debt.

Caguas, Puerto Rico (Pop. 133,447)

The City of Caguas offers a savings account for every child at birth whose parents are city residents. City general funds, maintained in a trust fund, pay for the program. When an eligible child is born, the parents receive a certificate allowing a bank to transfer \$250 from the trust fund into the individual account. Low-income families receive an additional \$25 deposit. To access the account, financial education is required by the parent and child (when appropriate). Parents and friends can contribute to the account after the initial deposit, and the city makes an additional deposit when the child turns ten years old.

Irving, Texas (Pop. 191,615)

The City of Irving operates a Housing Rehabilitation Program, which provides funds to help low-income residents repair, renovate, or build houses. Repairs range from foundation, electrical systems, heating and air systems, plumbing systems, as well as other repairs that affect the health and safety of residents. The city also helps eligible residents with down payment and closing costs.

Itta Bena, Mississippi (Pop. 2,208)

Under the leadership of Mayor Thelma Collins, the City of Itta Bena hosts community housing fairs in partnership with the Mid-Delta Empowerment Zone Alliance, Inc., and other sponsors, including local banks, radio stations, small businesses, and larger companies such as Coca-Cola. The fairs raise residents' awareness about the benefits of homeownership while offering the tools and resources to access safe, decent, and affordable housing. Participants can speak with mortgage lenders, review their credit reports for free, and sign up for homeownership education classes.

Louisville, Kentucky (Pop. 692,910)

Louisville-Jefferson County Metro Government encouraged Jefferson County Public Schools to team up with the national nonprofit Junior Achievement to offer financial education to all area fourth and seventh graders. Students are required to attend one day of financial education at Junior Achievement's off-site campus each year. Through a \$25 million dollar GE Foundation grant to help the school district improve math and science skills, the district has made financial education classes part of the regular curriculum. GE volunteers are also on hand to provide instruction during the days in which students attend these classes.

Miami, Florida (Pop. 362,470)

Seeing that too many low-income working families were choosing paid tax preparation services over the city's free Volunteer Income Tax Assistance sites and falling prey to high-interest refund anticipation loans (RALs), the city negotiated with H&R Block, the city's most popular paid income tax-preparer. H&R Block agreed to offer reduced services to the city's low-income clients, stop promoting RALs, and remove window-front light boxes advertising that product.

New York, New York (Pop. 8,008,278)

Concerned about persistent poverty, Mayor Michael Bloomberg formed a Commission for Economic Opportunity. The Commission developed the city's Office of Financial Empowerment (OFE), which in its first year negotiated with eight financial institutions to provide safe, no-fee bank accounts to families participating in Opportunity NYC, the mayor's conditional cash transfer program. These families can receive an initial program deposit of \$50 into an Opportunity NYC or other existing account.



Orlando, Florida (Pop. 185,951)

The City of Orlando has implemented a comprehensive initiative that targets resources and services to residents in the low-income Parramore neighborhood. For example, the Parramore Heritage Homebuyer's Club requires a two-year commitment from participants and provides homeownership education with an emphasis on saving, budgeting, and credit repair. Club members sign a contract and agree to attend homebuyer classes and one-on-one counseling sessions with a homeownership counselor. Members also have access to an IDA program where their savings are matched on a dollar-for-dollar basis.

Phoenix, Arizona (Pop. 1,321,045)

The City of Phoenix holds financial education classes for adults, youth, and young children in neighborhood recreation centers and other city facilities, offering free meals to participants and their families. The program offers incentives to retain participants such as nightly drawings for \$50 savings bonds. Classes focus on topics such as credit, homeownership, and savings.

Radford, Virginia (Pop. 15,859)

Radford officials have partnered with Beans and Rice, Inc., a nonprofit community development group, to help low-income residents set financial goals, build savings, and establish credit. The city promotes an IDA program by distributing information at City Hall, as well as through the local utility company, public service announcements, and the public access channel. Participants can use these matched savings accounts for a down payment on a home, post-secondary education, or to start or expand a small business. In order to participate, residents must take part in a financial education program funded by federal Community Development Block Grant dollars.

San Antonio, Texas (Pop. 1,144,646)

To help families access affordable, reliable transportation, San Antonio leaders partnered with two local credit unions to launch the Automobile Refinance Program. This car ownership initiative helps residents refinance subprime auto loans. Participants have experienced a reduction in payments of \$50 to \$250 per month. In partnership with the Ford Motor Company, the city has also sponsored a matched IDA program to help low-income families save for the purchase of new or certified, pre-owned vehicles. Finally, San Antonio has joined with a local credit union to offer interest-free refund anticipation loans while also opening new savings accounts for program participants.

San Francisco, California (Pop. 776,733)

In a joint effort by the mayor, city treasurer, and the Federal Reserve Bank of San Francisco, the city launched Bank On San Francisco, with a goal of connecting 10,000 of the city's 50,000 unbanked residents with free or low-cost bank accounts at mainstream financial institutions. The city has encouraged area banks to develop low-cost products for low-income clients, accept alternative forms of identification to eliminate barriers for recent immigrants, and reach out to residents in underserved neighborhoods. The program also includes financial education classes taught by volunteer bank staff. To date, participating financial institutions have opened over 11,000 Bank On San Francisco accounts.

Savannah, Georgia (Pop. 131,510)

Under the leadership of Mayor Otis Johnson, Savannah's Asset Building Coalition joined forces with the city's Step Up Poverty Reduction Initiative to support free local tax preparation. Through the tax preparation sites, the city links residents to financial education classes and an IDA program supported by a grant from the local United Way. In addition, Savannah is encouraging local employers to connect eligible employees with the EITC, food stamps, health care, and other means-tested benefits.

Seattle, Washington (Pop. 563,374)

The PeoplePoint Bridge to Benefits electronic tool helps city staff screen low-income residents' eligibility for key public benefits through a one-stop model that offers access to the EITC, city-funded preschool programs, utility assistance, and food stamps. The estimated value of enrollments into the various benefit programs through PeoplePoint was approximately \$8.25 million in 2006, an increase of 70 percent in two years. Seattle uses PeoplePoint at the downtown city library and other locations to connect families to employment assistance, homeownership services, financial education programs, and credit and debt counseling.

Washington, D.C. (Pop. 543,213)

To address the high interest charged by local payday lenders, the Washington, D.C., City Council passed legislation requiring payday loan stores to charge the same annual percentage rate as banks and credit unions. The law requires payday lenders to adhere to a 24 percent cap on the annual percentage rate charged on a loan. Under this cap, the maximum interest charge on a two-week loan would be about 92 cents per \$100.

Key Facts:

Financial Education

- ❖ Adults who had an allowance, bank account, or investment as a child generally saved an average of 36 percent, 108 percent, and 40 percent more of their incomes, respectively.
- ❖ There is a strong link between financial education and retirement saving. One study found that employees who attended workplace financial education classes had 20 percent more in retirement savings than those without such education.
- ❖ Low-income women were more likely to save, budget their money, and decrease their debt and use of payday lenders after attending a 12-hour financial education course. More than one-third of these women opened bank accounts, started retirement savings, and applied for and received public benefits they did not receive before the class.

Homeownership

- ❖ Approximately 47 percent of African Americans and 50 percent of Latinos own their own homes compared with more than 75 percent of whites.
- ❖ Over four million homeowners who earn less than \$30,000 per year pay higher interest rates for their mortgages than those with higher incomes.
- ❖ An estimated 2.4 million borrowers with subprime home loans originated between 1998 and 2006 have already lost or will lose their homes to foreclosure.

Savings and Debt

- ❖ In 2005, the U.S. had a negative personal savings rate for the first time since the Great Depression.
- ❖ Among lower-income households, more than 23 percent do not have a checking account, while another 64 percent do not have a savings account.
- ❖ Approximately 40 million Americans who have bank accounts still continue to rely on high-cost alternative financial services, such as check cashers.
- ❖ Each year, more than \$30 billion in public benefits go unclaimed, often because of confusion regarding eligibility requirements and lengthy application processes.
- ❖ The average American has \$9,000 in credit card debt, contributing to a total U.S. credit card debt of \$800 billion.
- ❖ One out of three households report using credit cards to cover basic living expenses – including rent, groceries, and utilities.
- ❖ One in every 60 households – approximately two million people – filed for bankruptcy in 2005. The leading causes of bankruptcy are job loss, medical debt, and divorce.

Protecting Assets

- ❖ Most people who use check cashing services earn less than \$30,000 a year.
- ❖ The payday lending industry has grown exponentially from a few hundred locations in the early 1990s to nearly 23,000 locations nationwide. There are now roughly the same number of payday lending establishments as there are McDonald's and Starbucks locations combined.

- ❖ There are more than 26,000 non-bank businesses providing check-cashing services in the U.S. Most are concentrated in low-income neighborhoods.
- ❖ Low-income tax filers are nearly three times more likely than higher-income filers to use refund anticipation loans. These advance payments are accompanied with interest rates ranging anywhere from 70 to 1,800 percent.
- ❖ A city can lose up to \$20,000 per year in property taxes and other costs for every property abandoned by foreclosure. With an estimated 2.2 million foreclosures, that translates into a loss of \$44 billion.

Sources: American Bank Institute, Brookings Institution, California Reinvestment Coalition, Center on Budget and Policy Priorities, Center for Financial Services Innovation, Center for Responsible Lending, Consumer Bank Project, Demos, Internal Revenue Service, National Community Investment Fund, National Governors Association, New America Foundation, United Way of America, U.S. Census Bureau, and U.S. Department of Commerce.

Resources:

NLC's Institute for Youth, Education, and Families (YEF Institute) helps municipal leaders take action on behalf of the children, youth, and families in their communities. The YEF Institute has a variety of resources on asset-building strategies, including *Maximizing the Earned Income Tax Credit in Your Community: A Toolkit for Municipal Leaders* (available at www.nlc.org/iyef/eitc), an action kit for municipal leaders on *Helping Working Families*, and a report on *Screening Tools to Help Families Access Public Benefits*. For more information, contact Heidi Goldberg at (202) 626-3069 or goldberg@nlc.org. www.nlc.org/iyef

Additional resources and information about family financial stability are described below.

The Aspen Institute's Economic Opportunities Program (EOP) advances promising strategies that connect the poor and underemployed to the mainstream economy. The program operates on the premise that alleviating poverty requires changing systems and transforming an individual's relationship to money, work, and assets. EOP produces research and policy and program ideas on helping low-income individuals and communities gain access to mainstream financial services. www.aspeninstitute.org

Brookings Institution is a nonprofit public policy organization that conducts independent research on a range of topics. Brookings' Metropolitan Policy Program conducts research on topics of importance for metropolitan areas, including research documenting the high prices that low-income families pay for basic goods and services and policies that can lower prices, expand financial literacy, and make markets work for low-income families and communities. Brookings also publishes IRS data on local EITC use in a user-friendly online tool. www.brookings.edu

Center on Budget and Policy Priorities (CBPP) analyzes fiscal policy and public programs that affect low- and moderate-income families and individuals. CBPP is a valuable source of information about the EITC and its importance for the economic well-being of families. An EITC toolkit is available on the CBPP Web site to help community organizations develop EITC outreach campaigns. www.cbpp.org



Center for Responsible Lending (CRL) is a nonprofit, nonpartisan research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices. The organization focuses on issues concerning predatory lending, the subprime market, credit card debt, and other abusive lending practices. www.responsiblelending.org

CFED seeks to expand economic opportunity by helping Americans start and grow businesses, go to college, own a home, and save for their children's and their own economic futures. CFED focuses on helping states promote IDAs, entrepreneurship, savings accounts for children and education, and other asset-building efforts. Each year, CFED produces the Assets and Opportunity Scorecard, which examines and rates state policies and programs designed to help families achieve financial stability. www.cfed.org

Consumer Federation of America (CFA) is a nonprofit consumer organization that seeks to advance consumer interests through research, education, and advocacy. CFA manages America Saves, a campaign to help individuals and families save and build wealth. CFA also created Payday Loan Consumer Information, a resource with facts and research about payday loans. www.americasaves.org and www.paydayloaninfo.org

Demos is a nonprofit research and advocacy organization that offers publications on key asset- and wealth-building topics. Demos' asset-building work concentrates on two topics: building the middle class and debt. The organization has published comprehensive analyses on credit card debt in America and how it affects certain populations. www.demos.org

The Finance Project is a specialized nonprofit research, consulting, technical assistance, and training firm for public and private sector leaders nationwide. Finance Project publications offer suggestions for financing and sustaining asset-building programs, such as expanding access to mainstream banking, providing financial education, and promoting work supports. www.financeproject.org

The Internal Revenue Service (IRS) Stakeholder Partnerships, Education, and Communication (SPEC) helps communities connect families to the EITC and asset-building opportunities stemming from EITC refunds. SPEC staff work with local EITC coalitions across the country to help connect partners and develop and implement Volunteer Income Tax Assistance sites for low-income taxpayers. www.irs-eitc.info/SPEC

Jump\$tart is a national nonprofit organization working toward the day every child in America enters school prepared to succeed. Through a national coalition of organizations dedicated to improving the financial literacy of youth, Jump\$tart strives to prepare youth for lifelong, successful financial decision-making. The organization's Web site operates a clearinghouse of resources related to financial education. www.jumpstartcoalition.org

KnowledgePlex.org contains a wealth of resources and information about community development through an online portal. An asset-building section includes papers on strategies to create and increase personal wealth, financial security, and financial assets. www.knowledgeplex.org

National Community Tax Coalition seeks to improve the economic well-being of low- and moderate-income individuals, families, and communities by increasing access to tax credits, benefits, and asset-building opportunities. The Coalition operates a listserv on these issues and hosts an online resource library. www.tax-coalition.org

NeighborWorks America is a national nonprofit organization created to provide financial support, technical assistance, and training for community-based revitalization efforts. NeighborWorks America conducts research on topics related to homeownership and community revitalization, and conducts training programs for community development leaders. The NeighborWorks Center for Foreclosure Solutions includes a foreclosure hotline, a Center for Homeownership Education and Counseling, and a Financial Fitness education curriculum. www.nw.org

MyMoney.gov is a Web site hosted by the U.S. Financial Literacy and Education Commission of the U.S. Department of the Treasury. The site provides information on budgeting, credit, financial planning, and a free MyMoney toolkit. It also offers information on the federal government's foreclosure assistance hotline – (888) 995-HOPE. www.mymoney.gov

New America Foundation, a nonprofit, nonpartisan public policy institute, sponsors an Asset Building Program to significantly broaden savings and asset ownership in America. The Foundation hosts assetbuilding.org, an online clearinghouse for asset-building ideas, research, and policy information. www.newamerica.net and www.assetbuilding.org

United Way of America has local affiliates in 1,350 communities across the country working to help children succeed, strengthen and support families, promote self-sufficiency, and create safe and vibrant neighborhoods. The organization's Financial Stability Partnership (FSP) is a national initiative to empower low- and moderate-income people in achieving long-term financial stability by increasing income, building savings, and gaining and maintaining assets. Through a partnership with Nets to Ladders, FSP is helping local United Ways implement Benefits Enrollment Network (BEN) software to help residents access public benefits. www.unitedway.org/fsp

Abby Hughes Holsclaw, program director for early childhood and family economic success at NLC's Institute for Youth, Education, and Families, served as the primary author of this action kit. Heidi Goldberg and Sarah Bainton Kahn conducted research and drafted substantial portions of the action kit's text. Michael Karpman provided helpful comments and editorial support, and Clifford M. Johnson, the Institute's executive director, provided overall editorial direction. Susan Gamble was responsible for the action kit's design and layout.

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