Section 5:

# FINANCIAL MANAGEMENT EDUCATION AND ASSET BUILDING

# CREATING OPPORTUNITIES FOR FAMILIES THROUGH RESIDENT SERVICES: A PRACTITIONER'S MANUAL

Volume One: Implementing a Basic Resident Services Program
Revised and Expanded Edition

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# FINANCIAL MANAGEMENT EDUCATION AND ASSET BUILDING

*The unbanked are disproportionately represented among lower-income households, among households headed by African-Americans and Hispanics, among households headed by young adults and among households that rent their homes. Financial education combined with coaching are effective methods of helping families achieve financial independence and increased financial and personal assets.*

# INTRODUCTION TO FINANCIAL MANAGEMENT EDUCATION AND ASSET BUILDING

Understanding personal financial management is important to everyone, but especially those with limited resources. These families and individuals must exhibit financial discipline to ensure their bills are paid and their needs are satisfied. Too often, however, they have no experience with financial protocols or institutions, making it even more difficult for them to achieve long-term goals and enjoy life without worrying about money. Even though personal financial skills aren't secrets, few are ever taught them in school or at home, forcing many to manage their finances in improvised and often counterproductive ways.

For many families, moving into decent, affordable housing can be an important steppingstone to improve finances and enable members of the family to focus on other means of moving to self-sufficiency. Affordable housing-based services staff are well positioned to help resident families develop positive attitudes about money and learn money management skills. Staff can also empower residents to take actions to put them on the path to financial asset building. Affordable housing owners should invest in educating resident services teams about financial matters and build partnerships with institutions to provide financial counseling and financial services (e.g., banking, tax preparation, legal assistance).

Adult education and placement in good jobs with potential for advancement are also critical to financial asset building. Children who see their parents working and going to school to gain new skills for higher-paying jobs are more likely to achieve in school. If parents openly discuss the value of money, the benefits of getting a good education to earn a decent living and the importance of saving for long-range goals, they can build the foundation for their children's positive financial behavior for life.

Residents with stable employment and solid money management skills are more likely to pay their rents on time. And properties with mechanisms to support residents during times of economic stress (e.g., job loss, health crises, family challenges) can help families develop strategies to keep paying their rent while getting their lives and their finances under control. These family supports, when successful, will save the property money by reducing losses from unpaid rent and eviction and avoiding the costs of repairing and re-leasing the unit. Data analyses by the Pennsylvania Housing Finance Agency, Enterprise Community Partners - Mercy Housing and NeighborWorks America - Community Housing Partners have shown similar results on financial performance of properties with resident services compared to properties without resident services.

Resources in this section include:

- **Facts on the Financial Crisis and Financial Literacy in America**: The document offers facts and statistics on the economic dilemmas Americans face today. It also reviews the reasons why low- and moderate-income people often make choices or use services that seem risky or expensive.

- **Designing A Financial Asset-Building Strategy**: This section explains how affordable housing providers can create a "culture of success" among their residents by developing intentional strategies to celebrate and support economic stability.

- **Core Elements of a Financial Asset-Building Program**: This document describes the three components of a financial empowerment program--financial education, financial planning and financial coaching--for residents and outlines what each should include.

- **About the Earned Income Tax Credit**: The summary information provided in this EITC brief offers housing owners and resident services staff information about the EITC and resources to share with residents. Information is also included on how to partner with local EITC campaigns to bring tax preparation volunteers onsite to ensure that everyone in your properties and community can access the most significant tax credits available to working families. This information was current as of 2008 and should be updated annually.

- **Developing Asset-Building Plans and Tracking Financial Outcomes**: The best way to assess whether resident services staff's efforts to promote financial empowerment are effective is to track what happens with residents' incomes, debt, savings and asset building over time. This section describes how resident services teams can do that.

- **Financial and Life Skills Coaching: Helping Residents Help Themselves**: Financial and life skills coaching has become a popular tool in the business and nonprofit worlds to help people learn to manage change and adapt quickly to a world where nothing is certain. Resident services staff can offer coaching to residents and this document explains how.

- **Assessing Residents' Financial Literacy**: Merely teaching financial literacy skills to your residents will not ensure that they will put their new skills to use by making positive changes in their financial behavior. Use the two tests provided in this section to gauge residents' level of financial literacy and determine how they have actually changed their spending and saving behavior as a result of their financial literacy classes.

- **Best Practice: Linking to a Local Tax Aid Campaign:** AHC, Inc., a private, nonprofit developer of affordable housing in the Washington – Baltimore region, offers its residents a tax aid program to ensure that they not only can save money on tax preparation but also take advantage of the Earned Income Tax Credit (EITC), the Additional Child Tax Credit and the Child Care Tax Credit. This best practice article details the AHC program.

- **Building Financial Assets through Individual Development Accounts:** Savings are a critical component of family asset-building and moving to financial self-sufficiency. Individual Development Accounts (IDAs) provide strong financial incentives for people to save. This section describes IDAs and Assets for Independence (AFI), a federal program that provides grants to enable community-based nonprofits and state, local and tribal government agencies to implement IDA programs.

- **Best Practice: Helping Your Residents to Build Assets:** Foundation Communities, an affordable housing provider in Texas, was among the first housing groups nationwide to develop an Individual Development Accounts (IDA) program in 1997 as part of the American Dream Demonstration. It has 13 properties consisting of 2,163 units in both Austin and Dallas. This best practice article describes the program and its successes.

- **Best Practice: Dollars and Sense: Youth $ave in Portland:** In Portland, Ore., a group of young people, participants in REACH Community Development Corporation, is learning to budget and save, to open and use bank accounts, and to use credit and invest in long-term assets--some for the first time. Read this best practice summary to find out how the program works and its success at reaching young people with the importance of learning about money.

- **Resources for Financial Education, Management and Asset Building**: This document lists recommended money management tools such as budget worksheets, loan calculators, consumer tip sheets and savings and investment strategies available on the Web.

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# FACTS ON THE FINANCIAL CRISIS AND FINANCIAL LITERACY IN AMERICA

The dimensions of Americans' financial dilemmas are of such magnitude that few could argue with the need for a comprehensive set of solutions. Consider some statistics for the period before and just after the 2008-09 crisis:

- The average American household is saddled with nearly $8,400 of credit card and other revolving debt, according to Moody's Economy.com. As the jobless rate creeps past 9 percent, thousands of these cardholders will not be able to pay off their debt. Unlike in prior recessions, cardholders who recently lost their jobs are unlikely to be able to extract equity from their homes or draw down retirement accounts. That means borrowers who fall behind on their bills are more likely to default.
- Personal savings rates in the United States were at negative 1.2 percent in 2006 --- the lowest level in 70 years.[1]
- Studies indicate that the average American household has less than $10,000 in net financial assets - including retirement savings.[2]
- A 2008 study of the unbanked by the Center for Financial Services Innovation estimates that the U.S. underbanked population is 40 million households (106 million individuals)[3]
- Americans spend at least $10.9 billion on more than 324 million "alternative" financial transactions a year. Low-income families must often resort to these high-cost credit products, high-fee check cashers or payday loans, which can lead to a vicious cycle of increasing debt.[4]
- The Consumer Federation of America shows that people without savings are six times more likely to use such "alternative" products.[5]
- Nationally, one-quarter of those with medical debt have bills of $4,000 or more and more than three and a half million Americans are carrying more than $10,000 in medical debt. The prevalence of medical debt is even more severe for those with moderate incomes.[6]

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1 "Economic Inclusion, Reaching the Unbanked and Underbanked," March 27, 2007 PowerPoint, John F. Carter, FDIC Regional Director, San Francisco Region, FLEC Northwest Regional Conference, Seattle, Washington.

2 IBID.

3 The CFSI Underbanked Consumer Study Fact Sheet, June 2008, http://www.cfsinnovation.com/publications/article/330525.

4 Economic Inclusion, Carter, March 2007.

5 IBID.

6 "Hearing on Working Families in Financial Crisis: Medical Debt and Bankruptcy," Testimony submitted to the House Committee on the Judiciary Subcommittee on Commercial and Administrative Law, Mark Rukavina, Executive Director, The Access Project, http://www.accessproject.org/adobe/rukavina_testimony_July_2007.pdf. Medical debt for the insured and uninsured will continue to be a major struggle for low- and moderate-income Americans. To follow this issue, see http://www.accessproject.org

- A recent financial literacy survey found that 41 percent of Americans grade themselves as a C, D or F on personal financial knowledge; only 42 percent keep close track of their spending; and more than 25 percent say they do not pay their bills on time. Finally, 28 percent of mortgage holders admit that their mortgage terms have turned out to be different than expected when they took out the loan.[7]

## FINANCIAL SERVICES AND LOW- TO MODERATE INCOME PEOPLE

The financial crisis in America impacts various socio-economic groups in different ways. For low- and moderate-income people, financial insecurity and living paycheck to paycheck are a way of life. Many live in communities where historically mainstream financial institutions were scarce. Banks have been mistrusted for charging hidden fees and disliked because their environments were not welcoming—especially for minorities and recent immigrants. As a result, they have developed an internal financial decision-making logic and a set of behaviors to cope with these circumstances

Lower-income people who are disconnected from the mainstream financial services system are typically characterized in the marketplace as "unbanked" or "underbanked" consumers. Some "unbanked" people have never been connected to the formal banking system by choice or circumstance; the "formerly banked" had bank accounts at one time but lost or abandoned them; and some may have bank accounts but continue to use "fringe" financial services, such as check cashers, payday loans, pawn shops and rent-to-own stores which offer fast but very high-cost credit.

Despite the risks and high costs of these fringe services, they are often a rational choice for lower-income people. People living from paycheck to paycheck need their money immediately, and may need all of it to take care of a financial obligation. Check cashers and payday lenders offer immediate access to money—and unfortunately, they tend to be conveniently located in neighborhoods and open evenings and weekends when people have financial difficulties.

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7 Harris Poll, http://www.nfcc.org/NewsRoom/FinancialLiteracy/index.cfm

# DESIGNING A FINANCIAL ASSET-BUILDING STRATEGY

## A HOLISTIC APPROACH TO FAMILY ECONOMIC SUCCESS IN AFFORDABLE HOUSING

Affordable housing providers have a fiduciary interest in the financial stability of their residents. While many housing-based services programs help residents access services on demand, other housing owners are intentionally developing more comprehensive strategies to celebrate and support economic stability, creating a "culture of success" among their residents. Resident services and property management staff can reframe their interactions with residents and implement property management practices aligned with the belief and the goal that all families can achieve success.

Although this section will focus primarily on financial asset building services, we recommend a holistic approach to engage everyone in the family to increase their potential for success. The success of a comprehensive program is also affected by how effectively staff build trust with families and establish themselves as a place to come for support and information about quality services that are responsive to a family's particular needs and challenges.

There are certain services and supports that are best offered on site for the convenience of working families, such as child care, after-school education enrichment programs, English as a second language (ESL), GED and financial education classes. Certain service providers might be willing to offer services on site to reach the target population they need to serve. Also, service providers might recognize any of the following advantages to partnering with affordable housing providers:

- Residents referred to programs are stable in their housing, motivated and able to focus on school, jobs and asset building.
- Some resident services programs provide supportive services (help with child care, transportation, etc.).
- Resident services staff encourage program retention and completion – critical for improved outcomes.
- Resident services collect and share client outcome reports with partners (or vice versa).
- Housing developments provide free or low-cost space for programs and services.

A comprehensive service strategy should include programs and services that can support residents in achieving all of the following goals:

| Family Success Goals | Programs/Services to Support Families |
|---|---|
| Improve children's success in school | • Early childhood<br>• Parenting programs<br>• Kindergarten readiness<br>• After-school education enrichment<br>• Tutoring/mentoring |
| Improve adult literacy and education for better employment | • English as a second language<br>• Adult literacy<br>• GED<br>• Community college<br>• Vocational and technical schools |
| Increase incomes through better jobs and access to public income supports | • Early childhood<br>• Parenting programs<br>• Kindergarten readiness<br>• After-school education enrichment<br>• Tutoring/mentoring |
| Improve financial literacy and informed financial decision-making to increase savings and build family assets | • English as a second language<br>• Adult literacy<br>• GED<br>• Community college<br>• Vocational and technical schools |

In 2006, NeighborWorks America launched a pilot program to implement a comprehensive services paradigm, adapting principles from the Center for Working Families (CWF) initiative of the Annie E. Casey Foundation.[1] The pilot program sites fostered collaboration among service providers to help low-wage working families achieve economic stability. Four affordable housing providers participated in the pilot:

- AHC, Inc., Arlington, VA (begun in 2008)
- Common Bond, Minneapolis/St. Paul
- Foundation Communities, Austin, Texas
- South County Housing, Silicon Valley, Calif.

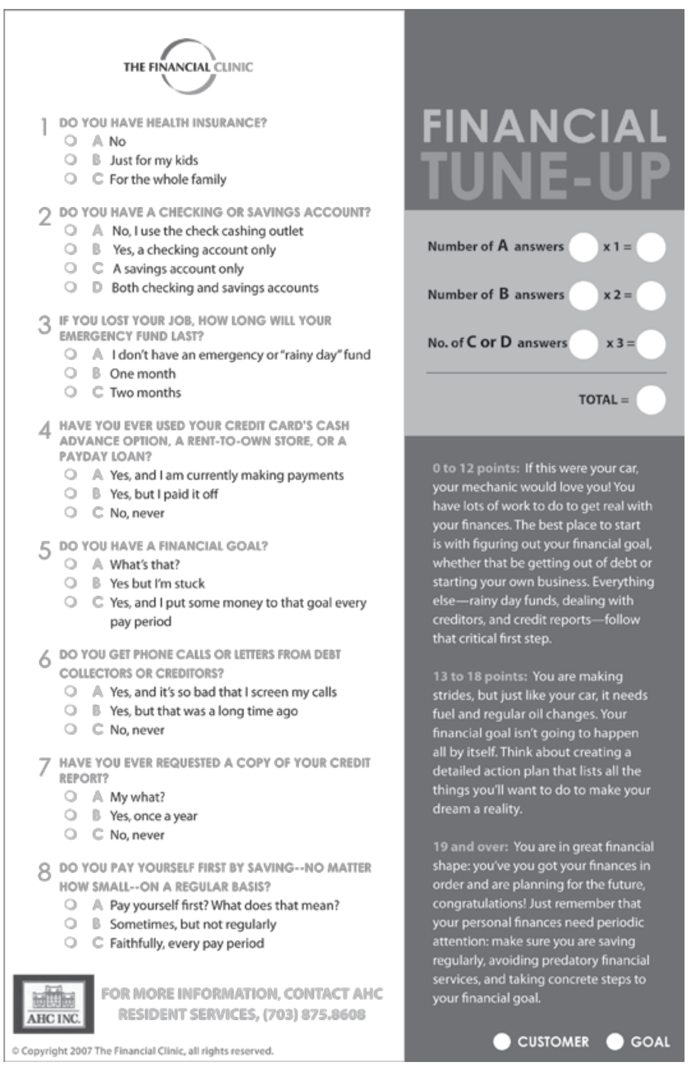
These sites have experimented with strategies to enhance service delivery and are contributing to an understanding of how stable housing can be a platform for families to improve their economic stability and promote stronger linkages between the fields of family asset building and affordable housing. The program elements in the comprehensive pilot model include: workforce services, financial education/counseling and public benefits screening—all focused on adults. In the NeighborWorks pilot, all sites already offered after-school programs for children and youth, and programs in least two of the core areas recommended by CWF. All sites developed a common set of outcome measures and tracking

1 See http://www.aecf.org

protocols for the pilot, and all enabled at least two staff to participate in a five-day financial coaching training program.

The following promising practices emerged from the three-year pilot:

1. **Develop marketing materials and recruitment strategies to encourage residents to take advantage of family economic stability opportunities at the property.**
    - In brochures and leasing materials, "sell" the property as a place where residents have opportunities to achieve economic success.
    - In brochures and leasing materials, "sell" the property as a place where residents have opportunities to achieve economic success.
    - "Sell" economic success opportunities by offering orientation events and including a brochure or flyer in orientation materials.
    - Reach out to families who have shown an interest in helping their children succeed. Parents of students in after-school programs should be invited to learn about saving for college.



THE FINANCIAL CLINIC

1 DO YOU HAVE HEALTH INSURANCE?
- A No
- B Just for my kids
- C For the whole family

2 DO YOU HAVE A CHECKING OR SAVINGS ACCOUNT?
- A No, I use the check cashing outlet
- B Yes, a checking account only
- C A savings account only
- D Both checking and savings accounts

3 IF YOU LOST YOUR JOB, HOW LONG WILL YOUR EMERGENCY FUND LAST?
- A I don't have an emergency or "rainy day" fund
- B One month
- C Two months

4 HAVE YOU EVER USED YOUR CREDIT CARD'S CASH ADVANCE OPTION, A RENT-TO-OWN STORE, OR A PAYDAY LOAN?
- A Yes, and I am currently making payments
- B Yes, but I paid it off
- C No, never

5 DO YOU HAVE A FINANCIAL GOAL?
- A What's that?
- B Yes but I'm stuck
- C Yes, and I put some money to that goal every pay period

6 DO YOU GET PHONE CALLS OR LETTERS FROM DEBT COLLECTORS OR CREDITORS?
- A Yes, and it's so bad that I screen my calls
- B Yes, but that was a long time ago
- C No, never

7 HAVE YOU EVER REQUESTED A COPY OF YOUR CREDIT REPORT?
- A My what?
- B Yes, once a year
- C No, never

8 DO YOU PAY YOURSELF FIRST BY SAVING--NO MATTER HOW SMALL--ON A REGULAR BASIS?
- A Pay yourself first? What does that mean?
- B Sometimes, but not regularly
- C Faithfully, every pay period

AHC INC.

FOR MORE INFORMATION, CONTACT AHC RESIDENT SERVICES, (703) 875.8608

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FINANCIAL TUNE-UP

Number of A answers ___ x 1 = ___

Number of B answers ___ x 2 = ___

No. of C or D answers ___ x 3 = ___

TOTAL = ___

0 to 12 points: If this were your car, your mechanic would love you! You have lots of work to do to get real with your finances. The best place to start is with figuring out your financial goal, whether that be getting out of debt or starting your own business. Everything else—rainy day funds, dealing with creditors, and credit reports—follow that critical first step.

13 to 18 points: You are making strides, but just like your car, it needs fuel and regular oil changes. Your financial goal isn't going to happen all by itself. Think about creating a detailed action plan that lists all the things you'll want to do to make your dream a reality.

19 and over: You are in great financial shape: you've you got your finances in order and are planning for the future, congratulations! Just remember that your personal finances need periodic attention: make sure you are saving regularly, avoiding predatory financial services, and taking concrete steps to your financial goal.

CUSTOMER GOAL

- Develop fun materials to attract people to come to financial education seminars. For example, AHC, Inc., uses a quiz about money to entice residents to learn more. See the example below.
- Develop strategies with property management to refer residents with lease problems to resident services for financial counseling when they can't pay rent or utilities. (See the sample eviction prevention protocol on page 136.)

2. **Design intentional strategies for bundling or integrating a set of core services residents may need to access as they work toward family economic stability.**
    - Bundling occurs in the process of coaching residents to think about their long-term goals and map their priorities and action steps to move forward in achieving them. It is likely that a family's goals will cross several family economic success areas:  getting a better job may require saving to pay for community college to obtain a skills certification.
    - Where programs are offered on site, bundling can involve breaking down program silos. For example, on-site adult literacy and ESL programs could teach participants about banking and money management in the course of their study. And, after-school programs could offer the parents of participants the chance to participate in financial programs to start savings for their children's college educations.

3. **Train staff and employ coaching as an essential skill for supporting family economic stability.**
    - Resident services coordinators are both concierges and coaches for residents in this model. Resident services teams already build trusting relationships with residents, collaborate with community-based service providers and refer residents to programs and services. Adding the coaching skill set empowers resident service coordinators to engage more deeply with residents to ask key, probing questions that will help them look at their whole family's barriers and opportunities to move toward economic success. By being on site, housing-based resident service coordinators have both formal and informal opportunities to use the coaching approach and engage with residents over time. Few families' trajectories follow a consistent, linear path; having resident services on site provides opportunities for coaches to help residents get back on their desired path when they are ready to tackle the next challenge.
    - Track both ultimate outcomes and intermediate progress indicators to hold everyone accountable for results.
    - NeighborWorks and its partners are developing a common set of intermediate and final outcome measures to track large and small achievements over time. Implementing a tracking system will provide data to validate that investments in resident services, financial asset building

and coaching are worthwhile, which will help affordable housing owners raise money to cover these expenses. Tracking also helps senior managers to hold staff accountable for outcomes and assess whether community service agencies are providing valuable services that help residents achieve their goals.

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# CORE ELEMENTS OF A FINANCIAL ASSET-BUILDING PROGRAM

Typically, people are motivated to work on their finances when they have a meaningful goal or a financial crisis. Every goal or crisis could lead to a variety of solutions, encompassing a number of strategies and referrals to community-based nonprofit agencies, educational institutions, banks and credit unions. The resident services staff, as coach, will help residents map out their strategies; as concierge, the team can help residents find the right agencies to get information and access services.

The growing field of financial empowerment[1] or financial development[2] includes a set of approaches to help families stabilize their financial lives. As defined by Cities for Financial Empowerment, "Financial empowerment programs promote increasing income by decreasing expenses, reducing debt and encouraging savings. By teaching people to manage their money and avoid bad debt, creating real strategies for saving and asset building and ensuring that everyone can access appropriate financial products and services, financial empowerment initiatives provide practical solutions which create real change in the lives of working families."

When resident services staff engage with residents about goals or crises, their coaching skills will help them guide residents to solutions and priorities that make sense in light of what else in happening in the family. For example:

**Crises – Not enough Money to Cover Expenses:**

- I can't pay my bills every month.
- I'm "in a hole" with payday loans.
- My credit card debt is out of control.
- I lost my job, how am I going to pay my rent and utilities?

**Solutions:**

- Increase income by seeking a better job or applying for public benefits.
- Work with family members to control spending.

1 Term used by Cities for Financial Empowerment, http://www.cfecoalition.org/
2 Term used by The Financial Clinic, New York City, http://www.thefinancialclinic.org

**Goals—Invest in a Major Asset:**

- Buy a home.
- Buy a car.
- Save for children's education.
- Start a business.
- Save for retirement.

**Solutions:**

- Develop long-range plan to increase income and control spending.
- Save regularly.
- Establish credit.
- Qualify for a loan.

Whether it's a crisis or a goal that motivates a resident to seek financial help, resident services teams should understand enough about finances to guide residents to seek help in all of the following areas, as described and illustrated by the work of The Financial Clinic, a New York City-based nonprofit:

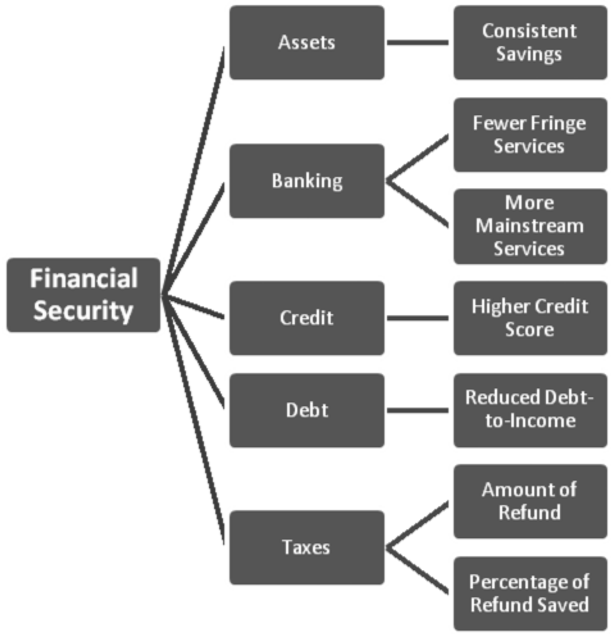
**Building Assets:** We build our customers' assets by creating and implementing plans for consistent savings. We increase their income by connecting them to employer-funded and publicly funded supports.

**Accessing Mainstream Banking:** We match customers to low-cost, mainstream banking services and help them lower their use of expensive fringe financial services.

**Improving Credit:** We boost customers' credit scores by addressing negative information on credit reports and building a reputable credit history.

**Reducing Debt:** We help customers reduce their debts through financial planning and advocacy with creditors.

**Accessing Tax Credits To Reduce Tax Liability:** We ensure that customers receive their earned income, child care and other tax credits and help them plan to save a portion of their refunds for long-term goals.




The Financial Clinic© All rights reserved.[3]

Financial development services are offered in three formats: financial education, planning and coaching, as described below.

**Financial education--often referred to as financial literacy (on site)**

Classes on topics such as budgeting, debt, credit, financial products and services and financing college education are often a good place to start the process at a housing site.

- Banks, credit unions, cooperative extension services and financial clinics are good places to look for partners with skilled staff to deliver financial education.
- If resident services staff will be trained as financial coaches for residents, consider also sending them to "train-the-trainer" courses to deliver the financial education classes. This will reinforce their position as "in-house experts" on finances.
- Free or low-cost financial education curricula are widely available. (see page 199 for a listing of recommended resources.)

**Financial planning  (on site)**

Residents work one-on-one with financial coaches to develop short- and long-term financial goals and plans.

- Residents who attend financial education classes are prime candidates to move on to financial planning.

3 For more information, see http://www.thefinancialclinic.org

- Residents who repeatedly request financial assistance for rent and utilities are also prime candidates for financial education, planning and coaching. Property management may want to require one-on-one work with a coach to avoid eviction proceedings for nonpayment of rent.

**Financial coaching (on site)**

In simple terms, coaching is the collaborative process between a coach and client to implement the steps of the plan, review and track progress and revise goals and plans as needed over time. (A more extensive discussion of coaching is included in Financial and Life Skills Coaching in this section.)

- Affordable housing owners can train resident services staff to perform the functions of a coach or can recruit skilled financial advisors from banks, credit unions, cooperative extension services, the Certified Financial Planners Association and community volunteers.

Most resident services teams build their capacity to deliver these services through a combination of resident services staff training and collaboration with outside organizations (formal or informal partnerships.) Some resident services teams develop financial education and financial coaching skills in-house. Foundation Communities, for example, operates a program offering free tax preparation, financial coaching, links to banks and credit unions and financial education for its residents and low- and moderate-income people throughout the city of Austin, Texas. AHC, Inc. in Arlington, Va., partners with a cooperative extension service and credit union for financial education, financial counseling and bank accounts. Its resident services teams do not have the resources or the time to manage these services themselves. Instead, their role is to host classes, market the services, coach residents to stick with their goals and track progress and outcomes.

Whatever roles are designed for resident services staff, it is important that all staff are encouraged to take advantage of the financial education and counseling services offered. Based on the experiences of the Centers for Working Families supported by the Annie E. Casey Foundation, staff at all levels of the organization can benefit from these services as much as the residents and will be more confident speaking about money if they have addressed their own financial issues first.

Whenever possible, financial programs and services should be offered on site at times and locations that are convenient and accessible. Past experience suggests that people simply don't take advantage of programs offered elsewhere unless they are extremely motivated. If resources permit, offering food and child care can facilitate participation and turn financial education classes and peer support meetings into opportunities for the whole family.

Personnel providing financial education, planning and coaching should be well versed in the financial issues that face your constituency and deliver services in a culturally sensitive manner. Classes and materials should be available in the languages spoken by your residents (or translation services provided.) Also, if considering partnerships with banks or credit unions, it is important that partners agree not to aggressively market their company's services in the course of their work with your residents.

## COMPLEMENTARY FINANCIAL EMPOWERMENT SERVICES (ON OR OFF SITE)

Financial empowerment encompasses everything about money, not just learning and planning. In classes and one-on-one coaching sessions, residents will learn new strategies to increase their incomes, manage their money, reduce debt and build credit. A critical responsibility of the resident services team is to identify resources in the community where residents can access the information, products and services essential to implementing the plan.

### Reviewing Credit Reports; Establishing or Repairing Credit

Credit may be the single most important factor in obtaining long-term assets, such as cars, homes, education, and capital to start a business. According to the Credit Builders Alliance, a national nonprofit, families with a good credit rating will save approximately $250,000 in interest throughout their working lives.[4]

Affordable housing providers can provide an important service to their residents by helping them download and review their credit reports. Checking one's credit report at each of the three credit reporting agencies once a year is critically important to prevent identity theft, which can lead to fraudulent credit card usage and serious financial troubles for the resident. Free credit reports are available at http://www.AnnualCreditReport.com or 1 (877) 322-8228. Residents can order a free report once every 12 months from each of the three credit reporting companies: Equifax, Experian and TransUnion.

Resident service teams may recruit other nonprofit organizations such as cooperative extension services, consumer credit counseling services and other agencies that offer financial education and counseling to work with residents on accessing their credit reports and scores and working on their credit. Resident service teams can also decide to take on this role by educating themselves about credit and debt. The Credit Builder's Alliance is an excellent resource for information and tools to help nonprofits help residents build, repair and maintain good credit.

If you decide to take on this responsibility in-house, the Alliance recommends that you educate staff on the following:

- Understand how and why the U.S. credit industry works.
- Integrate credit building into asset-building pathways.
- Recognize credit as an asset and not an obstacle or intrusion to asset work.

4 See http://www.creditbuildersalliance.org/toolkit

- Recognize how important good credit is in our financial culture and, by contrast, how debilitating bad credit is.
- Recognize how poor credit profiles keep families in a cycle of poverty.
- Explain the important cost-savings and asset-building opportunities that good credit brings.
- Understand the role of good credit in helping families move from un-banked and underbanked to bankable.
- Convey information about how to get good credit and how to safe-guard or improve credit if hard times hit.
- Encourage clients to invest in their credit future.
- Help clients make monthly deposits into savings and monthly pay-ments to reportable lines of credit.
- Implement an asset-based approach to credit building that recognizes that, while bad credit will not disappear overnight, good credit - just like savings - can begin today.

#### Assistance in Accessing Financial Products and Services

Over the past decade, there has been increasing interest in helping unbanked and under-banked consumers access mainstream financial products and services, including checking and savings accounts, consumer loans and mortgages. An analyst at the Federal Deposit Insurance Corporation (FDIC) reported that in 2007:

- Current estimates are 28 million unbanked and 44.7 million under-banked people in the United States--19.4 percent of all households.
- The combined un-banked and under-banked populations are estimated at 40 million households and **$1.1 trillion** in income.
- Low-income families must often resort to high-cost credit products, high-fee check cashers or payday loans, which can lead to a vicious cycle of debt.

According to a recent study by the Center for Financial Services Innovation (CFSI), there is no one financial strategy – whether based on using a traditional checking account, check cashing services or a prepaid card – that is right for all people.[5] Each of these services can be used relatively cost effectively, if the individual has access to low-cost providers. Consumers should evaluate their own cash flow needs, behaviors and preferences in order to choose the combination of products and services that is the best fit for them in terms of both price and functionality. It may be that factors such as convenience, accessibility, liquidity, simplicity and certainty are as important as price.

5 See: *One Size Does Not Fit All: A Comparison of Monthly Financial Services Spending*, Rachel Schneider, http://www.cfsinnovation.com, June 2009

Resident services staff and their financial education/coaching partners can provide information to residents that will help them avoid the predatory high-cost services of check cashers and payday lenders, as well as information about choosing banks and credit unions that offer products and services tailored to meet their needs. Some bank/credit union programs and services to look out for in your community:

- **Starter checking accounts** requiring no minimum balance and charging no fees for writing few checks.
- **"Second chance checking"** programs for people who have been denied accounts because they they have had accounts closed in the past five years and are listed in ChexSystems, a national database of consumer checking history. These programs often link starter accounts with required financial education courses and account monitoring to help consumers get on the right track.
- **Reloadable pre-paid cards:** Introduced in the early 1990s, reloadable prepaid cards function like electronic bank accounts without checks; consumers load funds on the card and can spend only what they load, limiting the risk of overdraft while providing immediate liquidity. Transaction costs are low, and many providers are adding features, including bill payment with credit reporting, money transfer, savings wallets and small-dollar lines of credit. These pre-paid cards are growing in popularity, as banking has become even less accessible to many due to higher minimum balance requirements on checking accounts, ever-increasing overdraft and other fees and rapidly rising credit card rates. According to a Center for Financial Services Innovation survey, more than one-third of the 40 million underbanked individuals in the United States would rather use a prepaid card than a checking account for basic financial transactions if costs were equal. Underbanked consumers say they appreciate the convenience, transparency and privacy of prepaid cards.[6]
- **Alternative payday loans:** A traditional payday loan is a short-term loan or cash advance made on a borrower's post-dated check. Payday loans carry hefty fees and often lead to chronic debt, as the loans are rolled over. Alternative payday loans retain the transactional qualities (fast cash, easy underwriting) while dropping the predatory aspects. Some banks and credit unions develop alternative payday loans in partnership with community-based organizations or employers.

6 For more information, see "A Tool for Getting by or Getting Ahead? Consumers' Views on Prepaid Cards" and "The Industry Forecast for Prepaid Cards, 2009," http://www.cfsinnovation.com

## PUBLIC BENEFITS SCREENING AND REFERRAL[7]

Many resident services teams are familiar with the public benefits their residents can access, and some have been trained to use online screening tools to simplify the application process. Staying abreast of public benefits and how to access them is an important way to help residents increase their incomes and could make the difference between poverty and self-sufficiency.

Low-wage workers across America cannot make ends meet on their earnings alone. One study of 10 cities conducted in 2004 found that, "on average, full-time work at the federal minimum wage covers just a third of a family's basic costs. Even at $12 an hour, workers' earnings still fall short, covering less than three-quarters of basic family expenses." Many cities and nonprofit organizations have developed extensive outreach and enrollment campaigns to facilitate easy access to benefits by working poor families.

The most significant work supports include:

**Tax Credits**: The most prominent tax credit for low- and moderate-income families is the federal Earned Income Tax Credit (EITC). Depending on a worker's family size and income, the EITC can refund some or all of the federal income tax that was taken out of the worker's pay during the year and may provide an additional refund of up to approximately $4,000.

In addition to the federal EITC, 18 states and two local governments offer their own versions of the EITC. Also, the Child Tax Credit can provide up to $1,000 per child for qualifying families and the Dependent Care Tax Credit can provide up to $720 to help with child care expenses for one child (or $1,440 for two children). Finally, the Saver's Credit helps low- and moderate-income families offset the cost of the first $2,000 in contributions to IRAs, 401(k)s and certain other retirement plans.

**Nutritional Benefits:** The federal Food Stamp Program provides low-income families with monthly allowances (through electronic benefit transfer cards) that can be used to purchase food. In addition, low-income pregnant and post-partum women, infants and children found to be at nutritional risk may qualify for support through the Women, Infants, and Children (WIC) program. WIC provides monetary support for supplemental foods, health care referrals and nutrition education.

**Free and Low-Cost Health Insurance:** Funded through a federal-state partnership, the Medicaid program is the largest source of funding for medical and health-related services for low-income people in the nation, but many eligible families do not know they qualify. Although eligibility varies from state to

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7 The information included in this section is drawn from a useful report describing public benefit screening tools, how they work and how to access them. The report also includes contact information for the various benefit screening tools on the market, and which cities' and states' benefits they cover. *Screening Tools to Help Families Access Public Benefits,* National League of Cities, Institute for Youth and Families, at: http://www.nlc.org/ASSETS/E2DF31BA4AFF4ADEB19BA434142B0545/iyefscreeningtools.pdf

state, all states must provide Medicaid coverage for children under age six and pregnant women whose family income is at or below 133 percent of the federal poverty line and children over age six with income below 100 percent of the federal poverty line. In addition, the State Children's Health Insurance Program (SCHIP)--which typically has a state-specific program name--provides free or low-cost health insurance to children in families with incomes that are higher than the Medicaid limit but still insufficient to cover health insurance costs. As with Medicaid, SCHIP eligibility also varies by state.

**Child Care Subsidies:** The federal Child Care and Development Fund provides money to states to support child-care subsidies. In addition, some states use Temporary Assistance for Need Families (TANF) funds to supplement these subsidies. Families generally apply for child-care assistance through a city, county or state department of social services or, in some cases, through a local child care resource and referral agency. (See the child care section in Volume II of this manual.)

**Energy Assistance:** Families who qualify for the federally funded Low-Income Home Energy Assistance Program (LIHEAP) can get help meeting their home heating and/or cooling needs. LIHEAP, which is operated through states, provides bill payment assistance, energy crisis assistance and weatherization and energy-related home repairs.

According to the National League of Cities report, the use of these public benefits is low for a variety of reasons. Some parents aren't aware they are eligible for benefits if they are working; others find the application procedures too difficult or inconvenient for working people. Research suggests that there are still many families that fail to take advantage of resources that could help them survive:

- Each year, 15 to 20 percent of those eligible for the federal Earned Income Tax Credit (EITC) do not take advantage of it.
- National estimates suggest that nearly four out of 10 eligible individuals are not participating in the Food Stamp Program.
- More than half of the nation's 7.8 million uninsured children are eligible for low-cost or free health coverage (through Medicaid or the State Children's Health Insurance Program) but have not been enrolled in one of these programs.

**Workforce Development Services:** Helping residents get jobs and improve their careers is one of the most important strategies for family asset building. For a complete discussion of employment services, see Volume II of this manual.

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# ABOUT THE EARNED INCOME TAX CREDIT

The Earned Income Tax Credit (EITC) for very low-income working families and individuals was established in 1975 to help offset the payroll taxes paid by working families and to encourage parents to work. If they qualify, they pay less federal tax or pay no tax at all. In some cases, eligible taxpayers receive a refund beyond the amount of tax withheld.

Research supported by the Annie E. Casey Foundation has shown that the EITC is responsible for lifting more children out of poverty than all other government supports. The EITC, which can provide as much $4,824 annually for a family of four, can help families save money, pay for work supports such as child care and transportation, increase personal assets by accessing higher education or job training and provide funds for homeownership.

Each year, hundreds of thousands of eligible families do not take advantage of the EITC funds, Child Care Tax Credits, and Additional Child Tax Credits to which they are entitled. And hundreds of thousands of others, together, waste billions of dollars on tax preparers when volunteers trained by the IRS could help them free of charge.

This EITC summary offers housing owners and services staff information about the EITC and resources to share with residents. Information is also included on how to partner with local EITC campaigns to bring tax preparation volunteers onsite to ensure that everyone in your properties and community can access the most significant tax credits available to working families. This information was current as of 2008 and should be updated annually.

## FACTS ABOUT THE EITC

- The EITC, available to both individuals and families, has become one of the nation's largest and most important anti-poverty programs.
- In 2005, 22 million federal applicants received $41.4 billion. In 2006, 22.4 million federal applicants received $43.7 billion.
- Twenty-four states, plus the District of Columbia, Montgomery County, Md., and New York City, have enacted a state or local Earned Income Tax Credit in addition to the federal EITC.
- Most EITC benefits are collected by suburban and rural residents, not city residents.
- Workers can file for tax credit refunds for the three years previous to their filing year. When they file their 2008 taxes in 2009, for example, people could still file for the 2005, 2006 and 2007 tax seasons.
- Workers have the option of filing for the Advanced Earned Income Tax Credit (AEITC), which allows certain taxpayers to receive their

EITC in installments throughout the year, instead of a lump sum during the following tax-filing season.

## WHO QUALIFIED FOR THE EITC IN 2008

| | Married Filing Jointly | Single Head of Household |
|---|---|---|
| No Children | $15,880 | $12,880 |
| One Qualifying Child | $36,995 | $33,995 |
| Two or More Qualifying Children | $41,646 | $38,646 |

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## MAXIMUM EITC RETURN FOR 2008

| | |
|---|---|
| No Children | $438 |
| One Qualifying Child | $2,917 |
| Two or More Qualifying Children | $4,824 |

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For updated information on both tables, please visit http://www.tax-coalition.org/

## IRS PROGRAMS AND TOOLS

**Volunteer Income Tax Assistance Program (VITA):** The VITA Program offers free tax help to low- to moderate-income (generally, $40,000 and below) people who cannot prepare their own tax returns. Certified volunteers sponsored by various organizations receive training to help prepare basic tax returns in communities across the country. VITA sites are generally located at community and neighborhood centers, libraries, schools, shopping malls and other convenient locations. Most locations also offer free electronic filing. To locate the nearest VITA site, call 1-800-829-1040.

**Tax Counseling for the Elderly (TCE)**: sponsored by the IRS, Tax Counseling for the Elderly (TCE) provides free tax help to people age 60 and older. Trained volunteers from nonprofit organizations provide free tax counseling and basic income tax return preparation for senior citizens. Volunteers who provide tax counseling are often retired individuals associated with nonprofit organizations that receive grants from the IRS.

As part of the TCE program, AARP offers the Tax-Aide counseling program at more than 7,000 sites nationwide during the filing season. Trained and certified AARP Tax-Aide volunteer counselors help people in the low-to-middle income category with special attention to those ages 60 and older.

For more information on TCE, call 1-800-829-1040. To locate the nearest AARP Tax-Aide site, call 1-888-227-7669 or visit http://www.aarp.org/money/taxaide/taxpreparation/a2004-01-22-findtheaarp.html

**Military Volunteer Income Tax Assistance Program (VITA)**: The Armed Forces Tax Council (AFTC) consists of the tax program coordinators for the Army, Air Force, Navy, Marine Corps and Coast Guard. The AFTC oversees the operation of military tax programs worldwide and serves as the main conduit for outreach by the IRS to military personnel and their families.

Marines, airmen, soldiers, sailors and guardsmen, and their families worldwide receive free tax preparation assistance and advice at offices within their installations. VITA personnel are trained and equipped to address specific military tax issues, such as combat zone tax benefits (find out more at http://www.irs.gov/newsroom/article/0,,id=107467,00.html) and the effect of the new EITC guidelines (find out more at http://www.irs.gov/individuals/military/article/0,,id=118866,00.html). The military tax programs generated over 287,644 electronic 2006 federal income tax returns.

Commanders support the program by detailing service members to prepare returns and by providing space and equipment for tax centers. The IRS supports these efforts by providing tax software and by training service members to prepare taxes at the military sites.

**Checking Social Security Numbers**: It is extremely important that each person use the correct Social Security Number (SSN). The most accurate information is usually located on the original Social Security card. Each year hundreds of thousands of returns are delayed in processing, or credit/ deductions are disallowed because names and Social Security Numbers do not match Social Security Administration records. To prevent processing delays in paper returns and rejected electronically filed returns, volunteers check the accuracy of each Social Security Number, as well as the spelling of the name associated with the number. If residents do not have a Social Security Number for themselves or dependents, they should complete Form SS-5, Social Security Number Application. This form should be submitted to the nearest Social Security Administration Office (find it at https://secure.ssa.gov/apps6z/FOLO/fo001.jsp).

If residents are not eligible to get a Social Security Number, they may need an Individual Taxpayer Identification Number (ITIN). For more information on the ITIN, go to http://www.irs.gov/individuals/article/0,,id=96287,00.html

## THE ADVANCE EITC

The Advance Earned Income Tax Credit is a refundable credit for certain qualified workers. It is intended to help offset some of the increases in living expenses and Social Security taxes. This credit reduces the amount of tax owed, if any, and may result in a refund to the taxpayer.

The AEITC allows certain taxpayers to receive their EITC in installments throughout the year, instead of a lump sum during the following filing season. Advance payments of the EITC allow people who work and expect to meet the following criteria to receive part of the credit in each paycheck, up to $1,750. AEITC can add to the employee's take-home pay year round.

### Qualifying for the Advance EITC

Residents that qualify can choose to get part of the credit in their paychecks, if:

1. They are working.
2. They expect their adjusted gross income (AGI) and earned income will fall within the income limits for the year.
3. They expect to have at least one qualifying child, and they expect to qualify for the EITC.

To see if they qualify, residents need to complete the five questions on the back of Form W-5 Earned Income Credit Advance Payment Certificate, available as a PDF at http://www.irs.gov/pub/irs-pdf/fw5.pdf or through their employers.

If they qualify, they must complete the bottom part of the Form W-5 and give it to their employers. Based on the employee's income, the employer adds additional money to the employees' take-home pay in each paycheck. Residents whose only income is from self-employment do not qualify for advance EITC payments.

For more information and resources on the EITC and the AEITC, visit the IRS webpage: http://www.irs.gov/individuals/article/0,,id=96515,00.html

## THE CHILD TAX CREDIT

This credit is for people who have a qualifying child as defined on this page. It is in addition to the credit for child and dependent care expenses (on Form 1040, line 47; Form 1040A, line 29; or Form 1040NR, line 44) and the earned income credit (on Form 1040, line 66a; or Form 1040A, line 40a).

The maximum amount that can be claimed for the credit is $1,000 for each qualifying child.

### Qualifying Child

A qualifying child for purposes of the child tax credit is a child who:

1. Is the taxpayer's son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister or a descendant of any of them (for example, a grandchild, niece or nephew).
2. Was under age 17 at the end of 2007.
3. Did not provide over half of his or her own support for 2007.

4. Lived with the taxpayer for more than half of 2007.
5. Was a U.S. citizen, a U.S. national or a U.S. resident alien.

For each qualifying child, the taxpayer must either check the box on Form 1040 or Form 1040A, line 6c, column (4); Form 1040NR, line 7c, column (4); or complete Form 8901 (if the child is not the taxpayer's dependent).

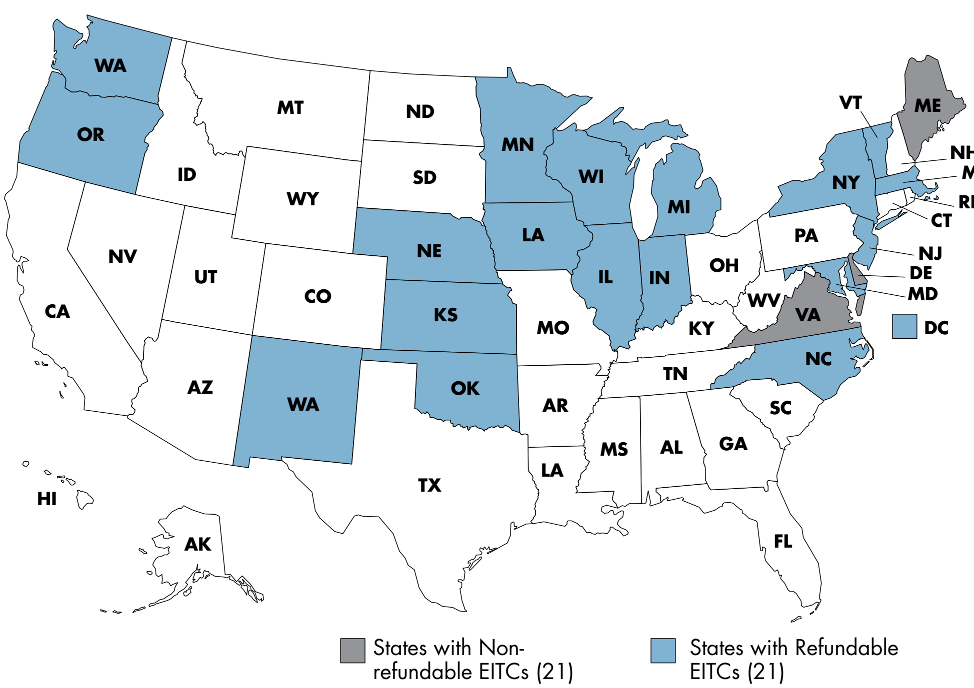
## STATE EARNED INCOME TAX CREDITS

Twenty-four states (counting the District of Columbia) have enacted an Earned Income Tax Credit (EITC), a tax reduction and a wage supplement for low- and moderate-income working families. State EITCs are based on the federal EITC, which a large body of evidence has shown to serve a number of important public policy goals. States that enact EITCs can reduce child poverty, cut taxes and increase the incentive to work for families struggling to make ends meet.

### Rising Number of States Offer EITCs

Since 2006, five states have enacted new EITCs — Washington in 2008, North Carolina, Louisiana and New Mexico in 2007, and Michigan in late 2006 — bringing the total number of states with an EITC to 24. Eight other states improved their credits: Illinois, Indiana, Iowa, Kansas, Nebraska, New Jersey, Oregon and the District of Columbia.

When these new and improved EITCs are fully implemented, nearly two out of five recipients of the federal EITC will live in a state with an EITC. Annual state EITC benefits will exceed $2 billion.



The 24 states with EITCs include 23 of the 42 states with broad-based income taxes — well over half. In addition, two local governments — New York City and Montgomery County, Md. — offer local EITCs. States without income taxes are also starting to offer them. In 2008, Washington became the first of the nine states without a broad-based income tax to enact a state EITC, setting an important precedent. Other states without income taxes are considering the EITC as an option.

State EITCs have received broad support. EITCs have been enacted by states with Republican, Democratic and bipartisan leadership. Business groups, labor groups, faith-based groups and social service advocates support the credits.

### How Does a State EITC Work?

State EITCs are simple to implement, administer and claim. They typically "piggyback" on the federal EITC, meaning that they are set at a fixed percentage — between 3.5 percent and 40 percent — of the federal credit. As a result, states can take advantage of the federal statutory structure and compliance apparatus, and filers need only multiply their federal EITC by the matching rate to determine their state credit. Most state EITCs therefore have the same benefit structure as the federal EITC.

**TABLE 1: STATE EARNED INCOME TAX CREDITS BASED ON THE FEDERAL EITC**

| State | Percentage of Federal Credit (Tax Year 2008 Except as Noted) | Refundable? | Workers Without Qualifying Children Eligible? |
|---|---|---|---|
| Delaware | 20% | No | Yes |
| District of Columbia | 40% | Yes | Yes |
| Indiana | 6% (to 9% in 2009) | Yes | Yes |
| Illinois | 5% | Yes | Yes |
| Iowa | 7% | Yes | Yes |
| Kansas | 17% | Yes | Yes |
| Louisiana | 3.5% | Yes | Yes |
| Maine | 5% | No | Yes |
| Maryland[a] | 25% | Yes | Yes |
| Massachusetts | 15% | Yes | Yes |
| Michigan | 10% (to 20% in 2009) | Yes | Yes |
| Minnesota[b] | Average 33% | Yes | Yes |
| Nebraska | 10% | Yes | Yes |
| New Jersey | 22.5% (to 25% in 2009) | Yes | Yes |
| New Mexico | 8% | Yes | Yes |
| New York[c] | 30% | Yes | Yes |
| North Carolina[d] | 3.5% | Yes | Yes |

| State | Percentage of Federal Credit (Tax Year 2008 Except as Noted) | Refundable? | Workers Without Qualifying Children Eligible? |
|---|---|---|---|
| Oklahoma | 5% | Yes | Yes |
| Oregon[e] | 6% | Yes | Yes |
| Rhode Island | 25% | Partially[f] | Yes |
| Vermont | 32% | Yes | Yes |
| Virginia | 20% | No | Yes |
| Washington | 5% (to 10% in 2010)[g] | Yes | Yes |
| Wisconsin | 4% — one child | Yes | No |
| | 14% — two children | | |
| | 43% — three children | | |

**Notes:** From 1999 to 2001, Colorado offered a 10 percent refundable EITC financed from required rebates under the state's "TABOR" amendment. Those rebates, and hence the EITC, were suspended beginning in 2002 due to lack of funds and again in 2005 as a result of a voter-approved five-year suspension of TABOR. Under current law, the rebates will resume in 2011, but a recent income tax cut that also depends on the rebates is likely to exhaust the funds, leaving the EITC unfunded.

[a] Maryland also offers a non-refundable EITC set at 50 percent of the federal credit. Taxpayers in effect may claim either the refundable credit or the non-refundable credit, but not both.

[b] Minnesota's credit for families with children, unlike the other credits shown in this table, is not expressly structured as a percentage of the federal credit. Depending on income level, the credit for families with children may range from 25 percent to 45 percent of the federal credit; taxpayers without children may receive a 25 percent credit.

[c] Should the federal government reduce New York's share of the TANF block grant, the New York credit would be reduced automatically to the 1999 level of 20 percent.

[d] North Carolina's EITC is scheduled to expire in 2013.

[e] Oregon's EITC is scheduled to expire at the end of 2013.

[f] Rhode Island made a very small portion of its EITC refundable effective in TY 2003. In 2006, the refundable portion was increased from 10 percent to 15 percent of the nonrefundable credit (i.e., 3.75 percent of the federal EITC).

[g] Washington's EITC is worth five percent of the federal EITC or $25, whichever is greater. When the matching rate rises to ten percent in 2010, the minimum value will raise to $50.

## FOR MORE INFORMATION

AARP Tax-Aide provides free tax preparation help to people with low- to moderate-incomes from February 1 to April 15. In fact, Tax-Aide is the nation's ***largest free tax assistance and preparation service*** in the United States — giving special attention to people over age 60. http://www.aarp.org/money/taxaide/

Annie E. Casey Foundation works with National Community Tax Coalition, CBPP and others to fund promotion and support for the EITC. The Annie E Casey Foundation has a number of reports and resources, including:

- A fact sheet on the EITC credit (find it at http://www.aecf.org/upload/PDFFiles/FES/fes_eitc.pdf)
- Resources on Family Economic Security (find it at http://www.aecf.org/Home/MajorInitiatives/FamilyEconomicSuccess/FESResources.aspx)
- An outreach kit available in English and Spanish (http://www.aecf.org/KnowledgeCenter/Publications.aspx?pubguid={BC6A9DE4-DE48-4A3C-BD96-F827A07308FD})

Brookings Institution offers policy context for the EITC both in local and national scales. In addition, Brookings offers several tools that allow users to access EITC data broken down by location and specific tax credit content between 1997 and 2005. http://www.brookings.edu/metro/EITC/EITC-Homepage.aspx

Center for Budget and Policies Priorities (CBPP) is one of the nation's premier policy organizations working at the federal and state levels on fiscal policy and public programs that affect low- and moderate-income families and individuals. The website offers information about the EITC in addition to flyers and VITA training to assist your outreach to the community. The Center also offers an EITC outreach kit (http://www.cbpp.org/eic2008/) and information for housing groups on how to promote the EITC (http://www.cbpp.org/eic2009/docs/10wayshousinggroups.pdf).

The IRS offers information on their VITA Volunteers program, Advance EITC, Child Tax Credit and the Education Tax Credit. VITA volunteers prepare basic tax returns for low-income taxpayers, including persons with disabilities, non-English speaking persons and elderly taxpayers. http://www.irs-eitc.info/SPEC/

National Community Tax Coalition is a national outreach program designed to help people find local tax aid resources. These include online resources, VITA sites, best practices and information on upcoming trainings. http://www.tax-coalition.org.

National League of Cities has an online EITC toolkit that gives a step-by-step timeline; instructions for starting your own EITC outreach program; and background information on EITC, benefits for cities, businesses and individuals, etc. http://www.nlc.org/IYEF/EITC

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# DEVELOPING ASSET-BUILDING PLANS AND TRACKING FINANCIAL OUTCOMES

The best way to assess whether your resident services staff's efforts to promote financial empowerment are effective is to track what happens with residents' incomes, debt, savings and asset building over time. By investing in tracking, affordable housing providers can demonstrate whether and how residents in properties with comprehensive services fare better than those in properties where there are none. Also, properties can assess whether their investments in staff training, on-site programs and partnerships with various service providers are yielding results. Finally, outcomes data is invaluable in making your case for funding residents services and required by most foundations and public agencies.

Consider the trajectory of Joan Smith, a client of the Our Money Place Center for Working Families (CWF) in Baltimore, who came into the center initially looking for a job. CWF staff helped her find that first job, and she took off from there, taking advantage of a number of services offered by the CWF and its partners. CWF staff tracked her progress regularly from 2004 through 2006. Here's what happened with her finances while accessing the noted services:

- Became steady worker earning $20,600 (workforce services)
- Received a $3,000 EITC, $1,400 child tax credit (using free tax preparation assistance) on her 2005 tax return
- Reduced debt from $3,900 to $0 (financial planning and coaching)
- Raised her credit score from 488 to 525 (financial planning and coaching)
- Saved $800 (financial planning and coaching; assistance in joining local credit union to open savings account)

**Bon Secours of Maryland Foundation Center for Working Families**

NeighborWorks America and the affordable housing providers who piloted a similar comprehensive services model, agreed that their tracking systems should have the capacity to capture residents' progress in moving toward economic success in any goal areas the residents might choose to pursue. While it is unrealistic for resident services teams to build their capacity to deliver programs in all of these areas, it is realistic for them to track the outcomes of residents they coach and those who participate in programs with partners. The four pilot sites also agreed to track progress indicators (milestones or intermediate outcomes) as well as final outcomes for each goal. When they tracked the significant final outcomes only, their reports showed few results in the six-month reporting periods, because of the lengthy time necessary for families to make significant changes.

Additional tracking recommendations offered by pilot sites:

- When your site begins its comprehensive services program, determine which residents staff are expected to track and how often. For example, consider tracking residents who are actively involved with the resident services team, such as those who are:
    - Enrolled in an on-site program.
    - Engaged with a resident services team member to work toward a goal (formal or informal coaching relationship).
    - Referred to resident services by property management for lease violations.

- Consider tracking progress for all residents actively involved with resident services every six months:
    - Is participant still active in the program?
    - Record all progress indicators achieved during the period.
    - Record all outcomes and status changes during the period.

- Encourage residents to report small or large outcomes as they occur; staff should record this information within three days of the encounter. It is also important not to track too many outcomes as this may become overwhelming and actually discourage tracking.

- Ask property management to report the following information from the annual income certification for all residents who have engaged with resident services:
    - Annual income
    - Lease status; lease violations during the previous year

- If possible, negotiate with on- and off-site partners to share progress and outcomes data on your residents every six months. You should reciprocate and report data that you have been able to collect during the period. Include reporting protocols and resident release form requirements in your memoranda of understanding.

## FAMILY ECONOMIC STABILITY MEASURES, GOALS, OUTCOMES AND PROGRESS INDICATORS

(Developed for the NeighborWorks America CWF Pilot, 2009)

| Family Success Goal | Outcomes | Progress Indicators |
|---|---|---|
| **Education Stability Measure: Achieve highest level of education to meet family goals.** | | |
| **Improve children's success in school.** | • Ready for kindergarten<br>• Advance to next grade level<br>• Earns C or better in all classes<br>• High school graduation | o Enroll and attend pre-school program regularly<br>o Enroll and attend after-school program regularly<br>o Attend school regularly<br>o Enroll and attend after-school, tutoring program<br>o Achieve satisfactory scores on state achievement tests |
| **Improve adult literacy and education for employment.** | • English proficiency<br>• Read and compute at minimum 8th grade level<br>• High school diploma or GED<br>• Technical certification<br>• Associate's degree<br>• College degree<br>• Advanced degree | o Enroll and advance in adult literacy<br>o Enroll and advance in ESL<br>o Enroll and attend GED program<br>o Enroll and attend technical school<br>o Enroll and attend community college, college, university |
| **Employment Stability Measure: Full-time employment with family self-sufficiency wage and employer health and retirement benefits.** | | |
| **Get a job.** | • Part-time job<br>• Full-time job<br>• Employer health insurance<br>• Employer retirement plan | o Develop resume<br>o Meet with career counselor<br>o Develop career plan<br>o Job readiness training<br>o Job search |
| **Retain job.** | • 30 days<br>• 60 days<br>• 90 days<br>• One year | o Same as above |
| **Advance in career.** | • Pay raise/promotion<br>• Increase hours of work<br>• Receive employer health benefits<br>• Establish 401(k) savings with employer contribution | o Same as above |

| **Family Success Goal** | **Outcomes** | **Progress Indicators** |
|---|---|---|
| **Financial Stability Measure: Earned income and public benefits sufficient to cover debt and expenses, to save for emergencies and to build assets.** | | |
| **Increase income with public benefits.** | • Earned income tax credits<br>• Child care tax credits<br>• Food stamps<br>• Unemployment insurance<br>• TANF<br>• Child care subsidy<br>• Children's health insurance<br>• Medicare/Medicaid<br>• Supplemental Security Income (SSI) | For each public benefit:<br>o Screen<br>o Apply<br>o Follow up on application<br>o Benefit received<br>o Benefit denied |
| **Increase other income.** | • Alimony<br>• Child support<br>• Business income<br>• Other | For each other income source:<br>o Identify means of support or income<br>o Develop plan to get support or income<br>o Advocate or carry out plan<br>o Obtain support or income |
| **Reduce expenses and debt.** | • Achieve debt reduction goal of $___<br>• Achieve expense reduction goal of $___ | o Collect income and expense data<br>o Develop budget goals and plan<br>o Track monthly income and expenses |
| **Save for emergencies (3-6 months living expenses recommended).** | • Open savings account<br>• Achieve monthly savings goal of $___/mo.<br>• Achieve emergency savings goal | o Collect income and expense data<br>o Develop budget goals and plan<br>o Track monthly income and expenses |
| **Establish credit; achieve credit score of 620 or higher.**[1] | • Get credit score first time<br>• Improve score by 30 points | o Apply for credit reports (annually)<br>o Review reports with financial counselor<br>o Contact creditors; correct errors<br>o Develop and implement plan to improve credit score |

| Family Success Goal | Outcomes | Progress Indicators |
|---|---|---|
| **Invest in family assets.** | • Education<br>• Computer<br>• Car purchase<br>• Car repair<br>• Home purchase<br>• Small business | o Research total cost of asset<br>o Set financial goals and plan (amount from savings; amount from loan; amount from IDA match)<br>o Track monthly progress |
| **Housing Stability Measure: Family pays no more than 30 percent of income for housing, maintains lease in good standing and obtains renters' insurance.** | | |
| **Stabilize housing situation.** | • Rent paid up in full<br>• Lease in good standing.<br>• Renters' insurance – current | o Develop plan to resolve lease violation<br>o Repay back rent of $___/mo. For __mos.<br>o Repay back rent of $____.<br>o Apply for emergency assistance<br>o Resolve lease violation |
| **Purchase a home.** | • Save $___ for downpayment<br>• Achieve credit score of 620 or higher<br>• Mortgage approved | o Enroll and complete home ownership training<br>o Develop home ownership plan and goals<br>o Save $___/mo for __ mos. for downpayment<br>o Improve credit score<br>o Apply for mortgage |

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1 A credit score of 620 or higher qualifies borrowers for conventional consumer and mortgage loans at non-predatory interest rates and fees.

# FINANCIAL AND LIFE SKILLS COACHING: HELPING RESIDENTS HELP THEMSELVES

Resident services coordinators who have been exposed to coaching believe that it is a critical skill set to strengthen their communication skills and impact in their work with residents. For rich and poor people alike, having financial knowledge and a financial plan does not necessarily lead to financial stability or success. Why?

> *People need to find the internal motivation to change their behavior and to take full responsibility for translating their visions and dreams into concrete actions.*

Financial and life skills coaching has become a popular tool in the business and nonprofit worlds to help people learn to manage change and adapt quickly to a world where nothing is certain. Coaching offers a set of skills for resident services staff that helps staff support residents to "articulate their visions, identify their defining values, set goals they feel passionate about and create plans for their own development."[1] Nowhere is the need for this kind of structured support more apparent than in low-income communities where the decks are stacked against success in so many ways.

In affordable housing where there is a commitment to family economic success goals, resident services staff can become concierges and coaches for residents, seeking out opportunities to engage them about family goals and helping them raise their visions about what is possible now that their families have stable affordable housing.

NeighborWorks America introduced coaching to resident services through its pilot Center for Working Families (CWF) initiative.[2] In its comprehensive, asset-building model, resident services staff fostered collaboration among service providers (workforce development, adult literacy and ESL, financial education and counseling, community college, after-school and mentoring programs for kids) and helped residents access services when they were ready for them.

Resident services staff participated in intensive five-day coaching training programs, which offer a mix of financial and basic life coaching skills. These exciting experiential trainings, provided by certified coach-trainers, give participants a chance to practice coaching with each other and provide some follow-up support to coaches when they start practicing with their residents.

Participating nonprofit resident services staff are integrating coaching into their work both informally (by using coaching skills in routine interactions with

1 Definition of coaching comes from Leadership That Works.

2 Find out more about the Center for Working Families initiative at http://www.aecf.org/MajorInitiatives/FamilyEconomicSuccess/CentersforWorkingFamilies.aspx

residents) and formally (by engaging in ongoing coaching relationships with residents who have committed to achieving goals). Among other benefits, the techniques help residents overcome limiting beliefs about money, such as "I'm poor," "I'll never have money," "I don't deserve money," "I can't save anything if I don't make enough money," "Investing is for rich people."

Coaching training should focus on the following skill sets.

| Basic Coaching Skills: Recommended for all coaches (Leadership that Works[3]) |
|---|
| **Asking powerful questions**: The coach asks open-ended questions to evoke clarity, insight and action. |
| **Creating trust:** The coach creates a safe space for the client to explore. |
| **Choosing curiosity:** The coach expresses curiosity and opens up possibilities for the client without doing the problem solving for the client. |
| **Focusing**: The coach pays attention to the client's desires and what matters most to the client. |
| **Identifying client's agenda:** The coach listens for what matters to the client, both in the big picture and in the moment. |
| **Reflecting empathically:** The coach listens and reflects back feelings, needs, values and vision, while matching the energy of the client. |
| **Self-managing**: The coach shares observations without offering judgment, opinions or advice. |
| **Visioning:** The coach helps the client explore the big picture or create a visual picture of a better future. |
| **Setting goals:** The coach helps the client set intentions for desired outcomes that are specific, measurable, attainable, relevant, time-bound and communicated. |
| **Planning:** The coach helps the client discover direction, goals and an action plan to ensure progress. |
| **Moving into action:** The coach helps the client choose actions that are aligned with his/her personal values. |
| **Establishing personal accountability:** The coach creates structures to verify the action plan is on track or to help the client to actively live his/her values, vision and goals. |

3 Leadership that Works offers coaching training to business, nonprofit and government leaders. For more information, see http://www.leadershipthatworks.com

| **Financial Skills: Recommended for all coaches[4]** |
|---|
| Clarify history and attitudes about money and how that impacts them today. |
| Clarify values about money. |
| Develop financial goals and action plan. |
| Understands when to refer resident to financial counselor or attorney for help. |
| Assists with budget development; able to teach use of tools to track income and expenses. |
| **Financial Skills: Optional for coaches; recommended that all resident services staff have these capacities in order to help residents.** |
| Download and review credit report; assist in clearing errors in report; understand strategies to improve credit score. |
| Advise on choosing and opening checking and savings accounts. |

## PROMISING PRACTICES FOR INTEGRATING FINANCIAL COACHING INTO RESIDENT SERVICES

The three years of the NeighborWorks America Center for Working Families (CWF) pilot program offer some insight into promising practices for integrating financial coaching into resident services. Thirteen resident services staff members from four sites and a few of their partners participated in three different training sessions, provided by TRIBE Coaching, the Central New Mexico Community College and New Mexico Project for Financial Literacy and Leadership That Works.

The resident services staff at all four sites were trained and assigned primary responsibility for building coaching relationships with residents. Three of the sites used banks, credit unions, cooperative extension services or nonprofit financial counseling agencies to deliver financial education and financial planning. The fourth site, Foundation Communities, operates its own full-service financial empowerment program that goes beyond its properties' residents to serve the City of Austin, Texas, and its suburbs.

These findings were developed as a result of the pilot program:

### Providing Financial Coaching to Residents

1. Several findings are helpful for designing coaching training and developing coaching skill sets.

4 Developed by J.E. Raffel & Associates, a consulting firm specializing in comprehensive community and economic development programs to alleviate poverty. For more information, contact: Jeraffel@ameritech.net

- Coaching skills training helped resident services teams develop "intentional" engagement with residents to encourage them to work toward economic stability.
- Coaching training cannot be successfully integrated into resident services without the full support of the organization. Pre-planning with management will help define what level of coaching is expected from resident services staff, partners and others. Post-training support will ensure that those who received coaching training are supported in practicing their skills and receiving additional clarification and training in challenging areas. Once formal training is completed, the new coaches are encouraged to meet regularly to share their successes and challenges, reinforce the practice and jointly develop the agenda for future work with the coach/trainer.
- Coaching training should develop skills in both general and financial coaching. The level of financial coaching will depend on the role of financial service partner(s). At minimum, we recommend that all resident services staff coaches develop skills to:
    - Help residents clarify their financial histories and values about money and how those histories impact financial decisions today.
    - Help residents develop budgets and track spending.
    - Review credit reports and improve credit scores.

2. Implementing tracking procedures to measure resident outcomes is very valuable, but also time-consuming and much more challenging than resident services staff had expected.

- The comprehensive list of outcomes should include short-term progress indicators to document the many small steps required over time to understand progress toward a significant outcome.
- Despite the attempts to tailor the measures for low-income people, the bar is set much higher than is attainable quickly for most residents. It could take several years for residents to attain even these basic financial security goals:
    - A family self-sufficiency wage
    - Savings equal to three to six months of living expenses for emergencies
    - Health insurance coverage for all family members

3. At sites where a partner agency provides financial education and planning with residents, it is important to distinguish between the role of resident services staff as "coach" v. financial counselor. For example, consider the following role distinctions:

- Coach establishes the conversation about finances; it is core to the coaching relationship.
- Coach will ask client to do homework--bringing in information to document monthly expenses.

- Coach and client review credit report.
- Coach suggests client meet with financial counselor as "expert" when financial issues require more technical skills and information—carefully consider how to "hand off" client to financial counselor (e.g., trust, confidentiality, other concerns).
- Financial counselor offers financial education classes to provide basic understanding of financial issues – can be a tool to recruit residents for a variety of financial empowerment activities.

### Resident Recruitment for Economic Empowerment Activities

1. Resident services teams in the Center for Working Families pilots have found that they have had some success recruiting residents for economic empowerment work as follows:

- Residents already committed to a goal: those who are looking for a job or have asked about community college or training programs
- Residents they know and have a relationship with, mostly through kids
- Residents who seem to have potential to achieve more in their lives, such as parents who are especially engaged in helping their kids achieve
- Families who are working on their career, finances, ESL, etc.

2. Recruitment strategies that have worked for resident services teams:

- Reach out to parents of kids in after-school program.
- Host a class or seminar on site – invite participants to sign up for a coaching appointment to learn more, e.g., financial planning, credit or debt seminar.
- Host a career development event; invite workforce providers and community college representatives to present their opportunities to residents (offer food and child care to make it easy and fun for people who come).
- Offer to host regular community college orientations for the whole community.
- Arrange for free tax prep on site—have your financial coach pull credit reports or do a "quick financial assessment" while they're waiting. A sample assessment on financial health is included in the Financial Management Education and Asset Building section.
- Resident services staff should be on hand at all financial education events to talk to residents, see who appears to be interested and schedule follow-up appointments to see if there's interest in working together towards a goal.

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# ASSESSING RESIDENTS' FINANCIAL LITERACY

## INSTRUCTIONS FOR RESIDENT SERVICES STAFF

Merely teaching financial literacy skills to your residents will not ensure that they will put their new skills to use by making positive changes in their financial behavior. Accordingly, you can use the two tests provided here to gauge residents' level of financial literacy and determine how they have actually changed their spending and saving behavior as a result of their financial literacy classes.

## ASSESSING FINANCIAL LITERACY TEST

This series of 10 multiple choice and true/false questions should be given to residents at the end of the financial literacy training. These questions are derived directly from teaching material in this section and cover all of the relevant topics. After completing the course, residents should be able to answer most if not all of the questions.

The correct answers are:

1. d
2. b
3. b
4. d
5. c
6. d
7. b
8. a
9. c
10. a

## ASSESSING FINANCIAL BEHAVIORS TEST

This series of 15 questions about financial behavior can be used to measure the impact your financial literacy program has had on residents. Questions 1 through 8 on this test are representative of good financial behavior and therefore higher scores are desired. Meanwhile, questions 9 through 14 describe poor financial management, making lower scores more desirable.

There are no right or wrong questions on this test. However, the goal of this assessment, and financial literacy training in general, is to see improvements in the personal finances of your clients. And in order to gauge such behavioral changes, it is best to administer the questionnaire to residents at the beginning of the class and then again six months to a year after they finish the class.

Comparing the two tests will show what, if any, changes they have made in their financial behavior. It is important that you assure residents that the information will be kept confidential to allay any fears they may have about answering honestly.

## ASSESSING FINANCIAL LITERACY

Below are 10 questions about personal financial management. Please circle the correct answer to each question.

1. Why is depositing your paycheck into a checking account better than taking it to a check cashing store?
   a. Money in the bank cannot be lost or stolen.
   b. Checking accounts make it easier to track finances.
   c. Using checks is cheaper than using money orders.
   d. All of the above

2. Withdrawing money from an ATM is always free.
   a. True
   b. False

3. What is the best way to make sure that you have money to pay your bills?
   a. Apply for several credit cards and use them to pay the bills.
   b. Create a spending plan based on your income and required expenses and follow it.
   c. Wait until the next paycheck, even if that means sending the payment in late.
   d. Take out a short-term loan from a local pawnshop.

4. Which of the following is NOT a step in creating a household budget?
   a. Identifying income
   b. Listing expenses
   c. Setting priorities and making changes
   d. Finding what to spend leftover money on

5. What is the best way to have enough money to retire comfortably?
   a. Buying lottery tickets and hoping to win
   b. Relying on children to support you
   c. Saving as much as you can as early as you can
   d. Counting on Social Security benefits

6. Which of these sources of money should you put into a savings account?
   a. Tax return
   b. Christmas/birthday gift
   c. Work bonus
   d. All of the above

7. Which of these types of accounts has the highest interest rates, allowing your money to grow the fastest?
   a. Savings account
   b. Mutual fund
   c. Certificate of deposit
   d. They are all the same.

8. Which of the following can lower your credit score, making it hard to get loans and credit?
   a. Late payment of bills
   b. Monthly income level
   c. Unemployment
   d. Your age

9. What is the cheapest way to buy something?
   a. Paying by credit card
   b. Renting-to-own
   c. Saving and paying up front
   d. They all cost the same

10. Identity theft can happen to anyone.
    a. True
    b. False

## ASSESSING FINANCIAL BEHAVIORS

Listed below are 15 statements about financial behavior. For each statement, decide whether or not it describes you and rate it accordingly.

1 - Never
2 – Rarely
3 – Sometimes
4 – Usually
5 – Always

| | |
|---|---|
| 1. I keep track of my expenses on a regular basis. | 1 2 3 4 5 |
| 2. I put money aside for future purchases or emergencies. | 1 2 3 4 5 |
| 3. I prepare a budget every month. | 1 2 3 4 5 |
| 4. I make goals for spending my money, and I discuss them with my family. | 1 2 3 4 5 |
| 5. I comparison-shop or buy things on sale. | 1 2 3 4 5 |
| 6. I earn more money than I spend. (I am not in debt.) | 1 2 3 4 5 |
| 7. I feel secure in my current financial situation. | 1 2 3 4 5 |
| 8. I feel confident about my financial future. | 1 2 3 4 5 |
| 9. I pay only the minimum amount due on my monthly bills. | 1 2 3 4 5 |
| 10. I pay my bills late. | 1 2 3 4 5 |
| 11. I receive past due notices or calls from collection agencies. | 1 2 3 4 5 |
| 12. I charge basic expenses on my credit card or take out loans for them. | 1 2 3 4 5 |
| 13. I pay more than one-third of my monthly income on debt, like credit card payments. | 1 2 3 4 5 |
| 14. I worry that I will be turned down for credit because of my credit history. | 1 2 3 4 5 |
| 15. I don't pay off one bill sometimes so that I can pay another bill. | 1 2 3 4 5 |

Assessments and introduction adapted from "Evaluating Your Financial Literacy Program: A Practical Guide," by Katy Jacob. Copyright ©2002, The Woodstock Institute. Adaptation of this material is permitted only for non-commercial purposes.

# BEST PRACTICE: LINKING TO A LOCAL TAX AID CAMPAIGN

AHC, Inc. is a private, nonprofit developer of affordable housing in the Washington – Baltimore region. For more than 30 years, it has been helping individuals find affordable rental housing, purchase affordable homes, renovate or repair homes and support their renters through resident services such as after-school programs, tutoring, adult workshops, senior workshops, ESL classes and many more. In recent years, it has added free tax aid to the list of services it offers residents.

Each year, nationwide, low-income people spend billions of dollars for tax preparers when there are resources throughout their communities that can help them to access free tax assistance. In addition to saving money on tax preparation, these free preparers make sure that eligible low-income individuals and families claim tax credits such as the Earned Income Tax Credit (EITC), which can provide as much $4,824 annually for a family of four, the Additional Child Tax Credit, and the Child Care Tax Credit.

AHC's tax aid began with a couple in the local community that volunteered their own hours and skills to AHC's residents. They set up their operation on-site and offered free tax assistance. However, over the years, the residents' needs grew, the IRS guidelines became more complicated and rigid and AHC began looking for different resources that could offer the assistance needed.

### CONNECTING WITH COMMUNITY TAX AID

Since 2004, AHC has been working with Community Tax Aid, a Washington, DC, tax preparation organization that provides year-round one-on-one assistance to low-income individuals and families in the DC area at no cost to taxpayers. They offer services to taxpayers looking for assistance in resolving outstanding issues, preparing amended returns, and preparing returns for prior years.

Community Tax Aid assists low-income individuals and families to claim tax credits for up to three years previous to their current tax-filing year. For example, in 2009, workers can file tax credit refunds for the 2005, 2006 and 2007 tax seasons.

Each year, Community Tax Aid serves over 2,800 low-income taxpayers at free tax preparation sites in Washington, DC; Prince George's and Montgomery Counties in Maryland; and in the City of Alexandria and Arlington County in Virginia.

### COMMUNITY TAX AID'S PARTNERSHIP

In Arlington, Va., Community Tax Aid had created a partnership with non-profit organizations working close by. The Department of Human Services provided the tax site locations; Community Tax Aid provided the volunteers, computers and tax aid services; and Virginia Tech offered other financial literacy programs and advising sessions for residents as they were waiting in line to get their taxes done. The tax site opened for two nights a week in late January/early February and ran through April 15.

## AHC'S OUTREACH

Because AHC had already offered tax preparation help over the years, residents were familiar with free tax aid. AHC prints monthly calendars, fliers and newsletters for its residents and uses those materials to promote the free tax clinics from February through April. In addition to the printed materials and discussions with residents about the free tax services, it offers shuttle services to residents living the furthest from the free tax preparation. AHC encourages residents to take advantage of the free tax service and the shuttle service.

Accessing a network like the one set up by Community Tax Aid made it very easy for a housing organization like AHC to publicize the network's services to its residents. AHC has helped a growing number of residents to file taxes, reduce their costs by accessing free preparers and receive money through tax credits for both current and previous years.

## FOR MORE INFORMATION

There are many organizations like Community Tax Aid nationwide. Nonprofit managers should review the resources in the EITC section of this manual to learn what community efforts are close to your organization. For more information about Community Tax Aid or AHC, visit their websites, http://www.communitytaxaid.org and http://www.ahcinc.org

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# BUILDING FINANCIAL ASSETS THROUGH INDIVIDUAL DEVELOPMENT ACCOUNTS

Savings are a critical component of family asset-building and moving to financial self-sufficiency. Individual Development Accounts (IDAs) provide strong financial incentives for people to save.

An IDA is a special savings account for people with low incomes. When a person saves in an IDA, the money is matched with donations. These accounts allow low-income families to save, build assets and enter the financial mainstream.

The match incentive--similar to an employer match for 401(k) contributions--is provided through a variety of government and private sector sources. Organizations that operate IDA programs often couple the savings match incentive with financial literacy education, training to purchase an asset, such as a house, and case management.

### WHY IS THE MONEY MATCHED?

Money is matched to encourage and help people to save enough to buy an asset, such as a house or business. While a paycheck helps to buy food and clothing and pay the bills each month, an asset provides financial security for the future. In the event of job loss or a pay cut, having an asset makes it easier to pay bills and meet household needs.

### WHERE DOES THE MONEY COME FROM?

Match dollars for IDAs come from different sources, such as government agencies, private companies, churches or local charities. Any individual, organization or business can contribute match dollars to IDAs. In most cases, donors receive a tax deduction for their contributions to IDAs. In Oregon, investors receive state tax credits.

### HOW DO IDAS WORK?[1]

IDAs are usually offered through programs that involve partnerships between local nonprofit organizations and financial institutions. These sponsors recruit participants for the IDA program, provide financial education classes and often provide one-on-one case management.

Each participant opens an account with the partnering bank or credit union. The bank or credit union handles all transactions to and from the IDA, just as

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they do with other types of savings accounts. Each month, IDA participants receive a report telling them how much money (individual savings + match + interest) has accumulated in their IDAs.

IDA programs can be as short as one year or as long as five. Participants are allowed to withdraw money as soon as they have reached their savings goals, but they must get approval from the IDA program sponsor.

Sometimes community-wide organizations, like the United Way, raise public or private funds and manage IDA programs that can be accessed by other community-based organizations. There are more than 500 IDA programs in the United States. Visit http://www.cfed.org/ida/directory/ to find the IDA program directory that lists programs by state.

## ASSETS FOR INDEPENDENCE PROGRAM

Assets for Independence (AFI) is a federal program that provides grants to enable community-based nonprofits and state, local and tribal government agencies to implement and demonstrate an asset-based approach for offering low-income families help out of poverty.

The Office of Community Services (OCS) within the U.S. Department of Health and Human Services administers the AFI Program. OCS offers five-year AFI project grants to several categories of organization and agencies:

- Nonprofit organizations, including faith-based and community organizations
- State, local or tribal government agencies applying jointly with a nonprofit
- Community development financial institutions that partner with a community-based antipoverty group
- Low-income credit unions that partner with a community-based antipoverty group
- Consortia of organizations and agencies that target multiple service areas

### AFI Project Activities

AFI projects assist client families in a number of ways. First and foremost, they help participants save earned income in special matched savings accounts (IDAs). Every dollar in savings deposited into an IDA by a participant is matched from $1 to $8 by the AFI project.

The IDA mechanism promotes saving and enables participants to acquire a lasting asset after saving for a few years. Clients use their IDA savings, including the match funds to acquire any of the following assets:

- A first home
- Capitalization of a small business
- Post-secondary education or training

### Services Required

To help clients with their IDA savings, all AFI projects are required to provide training and supportive services related to family finances and financial management. Services include:

- Financial education on issues such as owning and managing a bank account or credit card
- Credit counseling and credit repair
- Guidance in accessing refundable tax credits including the federal and state Earned Income Tax Credit (EITC), child tax credit and others
- Specialized training about owning a home, starting a business or attending post-secondary school

### Clients Served

Generally, AFI projects serve individuals and families with limited income and assets. Eligible participants include:

- Those who are eligible for Temporary Assistance for Needy Families (TANF)
- Those who are eligible for the federal Earned Income Tax Credit (EITC)
- Those whose income is less than two times the federal poverty line (approximately $40,000 for a family of four in 2007)
- Those with no more than $10,000 in net asset wealth when they enroll in the AFI project (not including one automobile and a home)

### Applying for an AFI Grant

Applicants can apply for up to $1,000,000 for five-year awards. The average AFI project grant is approximately $350,000 for the five-year grant period. Applicants must secure non-federal funds in an amount equal to or greater than their AFI project grant.

Visit the AFI website at http://www.acf.hhs.gov/programs/ocs/afi/applying.html to get information on application due dates, application forms and lists of current grantees.

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### OREGON STATE TAX CREDIT FOR IDA CONTRIBUTIONS

Oregon offers a tax credit for organizations or individuals who donate to the Neighborhood Partnership Fund. The Neighborhood Partnership Fund was selected by the state of Oregon to serve as the official designated entity to accept contributions for Oregon's IDA initiative.

- Contributor is eligible for 75 percent state tax credit.
- For each dollar donated, the contributor receives $0.75 tax credit, a $1,000 charitable contribution that cuts the donor's state tax bill by $750.
- This is true for donations up to $100,000.

Visit http://www.ida.tnpf.org/ for more information.

### FOR MORE INFORMATION

Corporation for Enterprise Development: Information in both English and Spanish, http://www.cfed.org

Assets for Independence: US Department of Health and Human Resources, http://www.acf.hhs.gov/programs/ocs/afi/

### IDA PROGRAM RESEARCH AND OUTCOMES

The Corporation for Enterprise Development (CFED) published a five-year IDA study (1997-2001) that looked at 14 IDA programs with a total of 2,364 participants. These findings came from the study:

- Poor individuals do save and accumulate assets.
- Assuming 2:1 match ratio, participants in the programs deposited an average of $19.07 per month, made a deposit in six of every 12 months, and accumulated approximately $700 per year in their IDAs.
- Average monthly net deposits were approximately 1.6 percent of monthly income.
- The average length of program participation was about 24.5 months.
- Approximately 32 percent of the participants made matched withdrawals during their enrollment in the program.
- Of those matched withdrawals, 28 percent were used for home purchases, 23 percent for micro-enterprise purposes, 21 percent for post-secondary education and 18 percent for home repair.

The Brookings Institution published a paper in July 2006 called *What Do Individual Development Accounts Do? Evidence from a Controlled Experiment.* Based on the American Dream Demonstration, it looked at 2,206 participants from 1998 to 2003. Some key findings were:

- IDA matching payments are independent of tax rates, and thus do not decline as income falls.
- Most frequent use of IDAs is to encourage renters to become homeowners.
- Including their own contributions and matching funds, members of the study could accumulate $6,750 for home purchase or $4,500 for other qualified uses.
- Outcomes varied by race:
  - For black renters at baseline, the IDA raised home ownership rates by almost ten percentage points over four years, but reduced financial assets and business ownership.
  - White renters experienced no home ownership effects, but business equity rose.

## LEARN ABOUT IDAS

Trainings for people interested in designing, improving or expanding IDA programs are periodically available as part of NeighborWorks America® Training Institutes. For upcoming trainings, visit http://nw.org/network/training/courses/default.asp?course=ucrsdetailAll1.asp?course=ED175. The IDA Course is called Designing and Implementing Individual Development Account Initiatives (ED175) and it is part of the Community Economic Development Track.

This two-day, highly participatory training covers a wide range of topics, including:

- Implementing strategies that increase account holder success during the savings period and after leaving the program.
- Finding adequate funding for both program operations and account match; the training will also cover some of the ins and outs of federal IDA funding.
- Negotiating with financial institutions to set up and manage the accounts.
- Linking IDAs with other asset-building strategies that create long-term and sustainable opportunities for IDA program participants.

The annual conferences of the Corporation for Enterprise Development also provide training on IDAs. For more information, go to http://www.cfed.org.

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# BEST PRACTICE: HELPING YOUR RESIDENTS TO BUILD ASSETS

Most low-income families dream of owning their own homes, being able to attend college or being able to start their own businesses but are daunted by the idea of saving all that money. The dream can often seem too big. Low-income families are not making much money to begin with; they are faced with the challenges of child care and healthcare, and they often lack a steady income.

In 1999, Assets for Independence (AFI) was created out of the American Dream Demonstration. AFI is a federal program that provides grants (as much as 1 million dollars per grant) to enable community-based nonprofits, and state, local and tribal government agencies to offer an asset-based approach for helping low-income families out of poverty. AFI offers the funds for groups to build and offer Individual Development Accounts (IDAs) to their residents.

An IDA is a special savings account for people with low incomes. When a person saves in an IDA, the money is matched with donations. These accounts allow low-income families to save, build assets and enter the financial mainstream.

Foundation Communities, an affordable housing provider in Texas, was among the first housing groups nationwide to develop an IDA program. It has 13 properties consisting of 2,163 units in both Austin and Dallas. It created its IDA program in 1997 as a part of the American Dream Demonstration. However, since the creation of AFI, it has been receiving grants for its IDA work. Newer members of Foundation Communities' staff received training on IDAs at NeighborWorks' Trainings.

## THE PROGRAM

Foundation Communities recruits residents through word of mouth. In the beginning, staff spent a great deal of time walking door to door, talking about the program during other program meetings and trying to spark interest in their residents. Though it got off to a slow start, residents soon began signing up. In 2008, with two staff members, the program had 140 participants.

Foundation Communities' three-year IDA program offers a 2:1 match system. It partners with Compass Bank, the financial institution where residents open their IDA savings accounts, jointly owned by Foundation Communities and individual participants.

Residents enter into a contract with Foundation Communities in which they agree to a minimum of six months participation. They are required to:

- Attend financial education classes (about 10 hours plus 2 ½ hours of counseling) within the first six months.

- Meet with the program director one on one to talk about their plans —what assets they are hoping to save for and their plans for doing it. As required by the AFI grant, this must be for a home, post-secondary education or a privately owned business.
- Attend secondary asset-specific training: a homebuyer's course, post-secondary education training onsite or training in how to start a business. Often these courses are free of cost; however, Foundation Communities does pay up to $100 per resident for any outside training.
- Make monthly deposits and contribute a minimum of $300/year each of the three years. Residents have a limit of a maximum annual contribution of $600/year. For each $600 contribution from the resident, Foundation Communities matches it with $1,200. Participating residents can save up to $1,800/year and at the end of the three years they can save up to ***$5,400***!

## GETTING THE GRANT

The application process is much like applying for any other federal grant--it's lengthy, time-consuming and requires many details. The AFI grant requires applicants to raise a dollar-for-dollar match of private funds to match the dollar grant amount they are requesting. Foundation Communities receives $500,000 in AFI funds. This means that they must also raise $500,000 privately in order to be awarded the AFI grant.

Foundation Communities, like so many nonprofits, has had some difficulty figuring out how to get the large amounts of private funding necessary in order to get a significant grant. IDAs are not as popular with investors as they once were. They have had some success by approaching their potential investors with a package of asset building programs. Foundation Communities also offers financial education, homebuyer's education, children savings accounts classes, financial coaching, college aid assistance and a free tax aid program. Investors see the high return of a comprehensive asset and financial building program and often give more, and give more generously.

Groups can apply for and be awarded one AFI grant per year. Grants are awarded in five-year cycles and it is possible to have more than one concurrently. Foundation Communities currently is receiving two AFI grants simultaneously. Since it has been using AFI grants for such a long time, it now has a template that staff hardly has to change from application to application. The first application process is always the most difficult, but the returns are huge.

## SUCCESSES

When recruiting residents for the program, Foundation Communities expects only about half to successfully complete the program and go on to purchase their assets. Some residents leave the program due to the fact that they leave the property and others due to family or financial emergency. Many residents complete the three years, but then decide that they are not yet ready to purchase a home or go back to school. Either way, they've still successfully saved a lot of money for a future asset investment.

In the 11 years that Foundation Communities has been running its IDA program:

- 87 families successfully saved for and bought homes.
- 70 families saved for and attended post-secondary education.
- 19 families saved for and opened small businesses.

Participation has also increased as residents witnessed their neighbors successfully saving.

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# BEST PRACTICE: DOLLARS AND SENSE: YOUTH $AVE IN PORTLAND

In Portland, Ore., one group of young people is learning new skills that transform them into savvy consumers, disciplined planners and consistent savers. They are learning to budget and save, to open and use bank accounts and to invest in long-term assets--some for the first time.

Who are these remarkable young people? These 9- to 18-year-olds are participants in the Youth$ave program operated by Portland's REACH Community Development Corporation.

## REACH COMMUNITY DEVELOPMENT CORPORATION

REACH CDC is a 25-year-old community-based nonprofit. Its mission is "to provide quality affordable housing and opportunities for individuals, families, and communities to thrive."

REACH owns and manages more than 1,100 units of rental housing in Inner Southeast and other parts of Portland. These single and multi-family homes range in size from studios to five-bedroom units and are affordable to households earning below-average incomes. REACH has developed resident services programs for adults and youth that help REACH families improve their circumstances and build stable futures.

## LAUNCHING YOUTH$AVE

In the late 1990's, Portland's public schools experienced budget cuts that resulted in increased student fees for certain athletic, artistic and academic activities. Many REACH residents, especially those whose incomes fell around 30 percent of the area's median, could not afford the summer camps, band trips, music lessons and art classes affordable to many other students across the city. REACH stepped in to help.

In 1998, REACH launched Youth$ave to serve their 10- to 18-year-old residents. The program's goals are to:

- Remove the financial barriers that made participation in extracurricular activities at school difficult.
- Encourage community service.
- Teach youth to set goals and to take personal responsibility for and manage their money.

The program has grown from 11 participants the first year to 26 in 2007. In addition, the program has expanded to include 9-year-olds. The group has remained small, in part, due to the program's small staff, which is comprised of a full-time supervising program manager and a part-time program coordinator.

Throughout the program year—roughly the same as a school year--these young people become educated consumers, learning to plan and save to make worthwhile purchases.

## SUCCESS OVER THE YEARS

Youth$ave was created to give youth from low- and moderate-income families access to extracurricular activities their families could not otherwise easily afford. But the program yielded benefits beyond those originally envisioned and, in many cases, enriched entire families and improved their long-term life prospects.

Youth$ave reached its original goal by helping dozens of youth pay for a variety of academic, artistic, athletic and entrepreneurial purchases. Grateful parents have acknowledged the program's critical role in helping their children pay for summer camp, lifeguarding lessons, babysitting classes, laptop computers and other many other purchases. The program's combination of learning and saving has armed the young people with new financial habits. Their new habits have earned them access to enriching activities or otherwise useful items.

## THE PROGRAM

At the start of each program year, Youth$ave staff meet with the program applicants and their parents, one family at a time, for orientation. Each participant identifies a savings target—the item or activity they will purchase once they have saved enough money. Together, they create an action plan that helps each young person understand the value of setting goals and planning a course of action needed to realize those goals. This new way of approaching their spending has carried over into other areas of life.

The youngsters begin to save money—many using commercial banks for the first time. Along with their own savings, they receive matching funds that are tied to the amounts they save and to the number of hours they volunteer for community service. Once the combined savings and matching funds equal the participant's savings goal, the youth makes the purchase and may begin again to save for yet another goal.

One Youth$ave parent reported that, "[My son's] new goal is to go to NYU for his dance career. It's nice he has a goal. I certainly didn't. Goal setting is part of the program. You think it just happens, but a lot of seeds are being planted: 'the future, the future, the future.' I never had any of that growing up."

### Learning To Save

Saving is the central element of the Youth$ave program. Young people are taught the importance of delaying some impulse buying and saving instead for more worthwhile—and usually more expensive—items or activities. Youth$ave maintains a partnership with Washington Mutual Bank, where the youth are required to open accounts. For many, this is the first bank account in their own names, and often the first account they have actively used themselves.

Youth$ave staff encourage young people to open their own accounts, make their own deposits and read and understand their account statements. Some of the young people found banking so helpful that they opened additional accounts and used them to save for other goals. They began to see goal setting, planning and saving as part of a new lifestyle.

#### Learning To Spend

Another benefit of the Youth$ave program is its emphasis on financial education. Young people learn the ins and outs of debt and credit and the importance of a good credit history.

Consumer education is a tool that helps the youth resist unbridled consumerism. As one participant said, "There's one class each year on advertising and who it targets, and that was actually really empowering to know how television targets the youth."

Parents have reported changes in the way their children have come to view advertising, now that they see the false promises and unrealistic expectations created by many advertising campaigns. This new understanding seems to reinforce the youngsters' decisions to set their own purchase goals and to forego the immediate gratification advertisers encourage. These young people have become smarter when it comes to spending their own money too. They look for good deals, weigh spending options and often forego the kind of impulse spending typical for their age. As one participant put it, "Before, if I had a dollar, I'd spend it on candy or a stuffed animal…but [I] do that much less now."

Program participants learn to value saving and to make good decisions about when to buy and when to save. As a result, a number of the youth have begun saving for higher education and other worthwhile long-term goals.

#### Volunteering Time

Youth$ave's helps its young people connect with and serve their communities; the program arranges regular community service projects. The program pays volunteers for their service, and the funds are added to the amount available when the time comes to make final purchase. Though some of the youngsters already have experience as volunteers, Youth$ave provides a wide variety of life-enriching activities through its community service projects. The youngsters enjoy the social aspect of these events and have come to see volunteering as a normal part of their lives.

### A BRIGHTER FUTURE

Youth$ave began as a tool that would give students from families with modest incomes a chance to have enriching academic and extracurricular experiences. Youth$ave and its participants have become so much more due to its focus on financial education combined with real-life experience. Youth$ave parents have said it well: "It gives me peace of mind that when he's out on his own, that he understands you can't spend more than you have." "When I think of Youth$ave, I think of it as an opportunity for my children to not be in poverty when they're adults." What better legacy could Youth$ave leave than a road out of poverty?

## FOR MORE INFORMATION

For more information on Reach CDC's Youth$ave program, go to http://www.reachcdc.org or http://www.practitionerresources.org/showdoc.html?id=65361&topic=Asset Building %26 Economic Development&doctype=Case Study to download a copy of *Youth$ave: Eight Years of Youth$ave 1998 – 2006*.

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# RESOURCES FOR FINANCIAL EDUCATION, MANAGEMENT AND ASSET BUILDING

Money management tools, such as budget worksheets, loan calculators, consumer tip sheets, savings and investment strategies abound on the web. They are good resources for resident services staff as well as residents.

http://www.Spendster.org: Spendster began as the brainchild of the National Endowment for Financial Education® (NEFE®) CEO, Ted Beck. NEFE®, which is a nonprofit organization, works to improve everyone's money management so that they are better able to reach their larger financial goals. This site offers stories of people trying to kick their spending habits and includes fun tips.

http://www.SmartAboutMoney.org: NEFE®'s website includes links to practical articles, worksheets, tips and valuable resources to help people understand and manage their money. The web site includes helpful background on credit, savings strategies, insurance and income taxes.

http://www.fdic.gov: This is the website of the Federal Deposit Insurance Corporation (FDIC), which recognizes the importance of financial education, particularly for people with little or no banking experience. It created Money Smart, a training program to help adults outside the financial mainstream enhance their money skills and create positive banking relationships. Money Smart is available in two versions: an instructor-led version and a computer-based instruction (CBI) version. Both versions consist of the same 10 modules.

Each of the 10 modules is structured in an identical manner and includes:

- A comprehensive, fully scripted guide for instructors, with everything necessary to start teaching the program, including easy-to-follow cues, scripts and interactive class exercises
- Overheads, in Word and PowerPoint format
- Take-home guide for participants

Each module takes between one and two hours of classroom time to teach. The modules may be taught in any order or combination. The computer-based instruction (CBI) version enables individuals to complete Money Smart at their own pace on a computer in English or Spanish. The CBI is available online at http://www.fdic.gov/consumers/consumer/moneysmart/mscbi/mscbi.html or can be ordered on CD-ROM. The FDIC provides the Money Smart curriculum to interested parties free of charge. A limited number of copies are available to each party; however, the materials are easily reproduced and have no copyright restrictions. FDIC staff is available to provide technical assistance. A staff directory can be found at http://www.fdic.gov/consumers/consumer/moneysmart/cao.html.

The FDIC's Money Smart for Young Adults curriculum helps youth ages 12-20 learn the basics of handling their money and finances, including how to create positive relationships with financial institutions. Equipping young people in their formative years with the basics of financial education can give them the knowledge, skills and confidence they need to manage their finances once they enter the real world.

Other federal bank regulatory agencies also have helpful websites for financial education including curricula for introductory and in-depth classes. In addition, individual banks often develop and deliver their own financial literacy curricula as part of their efforts to invest in communities where they do business.

http://www.freddiemac.com/creditsmart: Freddie Mac developed CreditSmart, a multilingual financial education curriculum (http://www.freddiemac.com/creditsmart/curriculum/) and consumer outreach initiative to help consumers build and maintain better credit, make sound financial decisions and understand the steps to sustainable homeownership. CreditSmart increases consumers' financial understanding by teaching life-long money management skills and showing consumers how to avoid costly mistakes. Nonprofits can access CreditSmart by registering at the CreditSmart website. Materials are available in five languages: English, Spanish, Chinese, Korean and Vietnamese. The following materials are available free of charge:

- Instructor guide
- Instructional tracks: CreditSmart organized the content into four tracks, each with its own suggested agenda, lesson plan, and related activities: All About Credit; Money Management; Steps to Homeownership (Meets first-time homebuyer education requirements in Freddie Mac's Home Possible mortgages); Foreclosure Avoidance
- Consumer workbooks and booklets
- Customizable promotional tools
- Workshop activities and reinforcers
- Workshop evaluation materials

## LOCAL FINANCIAL EDUCATION AND ASSET-BUILDING RESOURCES

There's no reason for resident services staff to reinvent the wheel or to mobilize an asset-building program when there may be a local effort underway that may be looking for new partners. The following resources are a good starting point:

http://www.Americasaves.org: America Saves is a nationwide campaign in which a broad coalition of more than 1,000 nonprofit, corporate and government groups help individuals and families save and build wealth. Through information, advice and encouragement, the campaign assists those who wish to pay down debt, build an emergency fund, save for a home, save for an education or save for retirement. To create or join a local "America Saves" affiliate, see the website.

http://www.liveunited.org: The United Way Financial Stability Partnership was created to strengthen communities by identifying and tacking the underlying causes of the financial hardship facing today's families. United Way brings partners together to help lower-income individuals and families achieve financial independence by empowering them with the tools and skills necessary to maximize their income, build savings and gain assets. Each local United Way develops its own specific strategies and links with local nonprofits and financial institutions to support families in their communities. Check with your local United Way to see if these resources are available to families in your properties.

http://www.nlc.org: In 2008, the National League of Cities' (NLC) Institute for Youth, Education, and Families (YEF Institute) launched the Bank On Cities Campaign to help families access free and low-cost bank accounts and loan products in their communities. The cities participating in the campaign include: Boston; Houston; Los Angeles; Miami; New York; Providence, R.I.; San Antonio; San Francisco; Savannah, Ga.; and Seattle. The following cities were expected to join the campaign in 2009: Bryan, Texas; Denver; Gaithersburg, Md.; Indianapolis; Louisville, Ky.; Newark, N.J.; Rapid City, S.D.; and St. Petersburg, Fla. Participating cities develop and implement initiatives that connect residents to non-predatory financial institutions' products and services. In addition, several cities are engaged in similar "Bank On" efforts or other financial stability initiatives: Brockton, Mass.; Philadelphia; Cleveland; Chicago; St. Louis; and Evansville, Ind. The YEF Institute has also published an action kit for municipal leaders on helping families achieve financial stability.

http://www.aecf.org: The Annie E. Casey Foundation works to help low-income families secure adequate incomes, stabilize their finances, accumulate savings and live in vibrant, economically viable neighborhoods through an approach known as building family economic success, or FES. The approach involves three key components that are described in more detail on the Foundation's website: asset building, family economic supports and workforce development. The Foundation supports local efforts throughout the country and its website provides links for programs it has supported, including Family Economic Success Initiatives, Making Connections and Centers for Working Families.

http://www.singlestopusa.org: SingleStop USA is a national effort to link low-income working families with public benefits and financial services. Typically, SingleStop partners with local community-based organizations to bring services directly to their constituents. Using a computerized benefits calculator similar to Turbo Tax, credit counselors help determine a family's eligibility for a wide spectrum of benefits and tax credits. The calculator takes about 15 minutes to complete. Clients learn which benefits they qualify for as well as how claiming one benefit may adversely affect another. Experienced counselors then use this information to provide individualized counseling to clients, guiding them through the process of applying for benefits, tax credits and other services. Those programs include health insurance, nutrition, federal and state subsidies for childcare, housing assistance, welfare-to-work initiatives and tax credits.

Expert legal counseling and financial planning advice are also available at SingleStop sites. As of 2009, SingleStop USA is building programs in New York, New Jersey, New Mexico and California.

## CONSUMER RESOURCES FOR FINANCIAL ASSET BUILDING

Given the rapidly changing laws and regulations relating to financial services, credit counseling, bankruptcies and related topics, the best way to stay current is to check any of the following web sites periodically.

http://www.nfcc.org: The National Foundation for Credit Counseling (NFCC), founded in 1951, is the nation's largest and longest-serving national nonprofit credit counseling organization. The NFCC's mission is to promote the national agenda for financially responsible behavior and build capacity for its members to deliver the highest quality financial education and counseling services. NFCC members help more than 3.2 million consumers annually through close to 850 community-based offices nationwide. For free and affordable confidential advice through a reputable NFCC member, call 1-800-388-2227 (en Español 1-800-682-9832) or visit http://www.nfcc.org.

Information resources available through NFCC's website include: how to find a counselor, credit counseling, consumer tools (budget worksheet, financial calculators, tip sheets) and financial education.

http://www.ftc.gov: The Federal Trade Commission offers several sections with useful information for assisting people with financial services, management and credit repair.

The FTC is charged with working for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or to get free information on consumer issues, visit http://www.ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters consumer complaints into the Consumer Sentinel Network, http://www.ftc.gov/sentinel, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the United States and abroad.

- **Important Questions to Ask When Choosing a Credit Counselor** (http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre38.shtm): It's wise to do some research when choosing a credit counseling organization. If your clients are in search of credit counseling to fulfill the bankruptcy law requirements, make sure they receive services only from approved providers for their judicial district. Check the list at http://www.usdoj.gov/ust/eo/bapcpa/ccde/cc_approved.htm.

- **The Federal Trade Commission's Bureau of Consumer Protection** (http://www.ftc.gov/bcp): This section offers a series of links to current information about consumer finance. It also includes links to state agencies that can help the consumer address problems when they do arise.

- **Money Matters** (http://www.ftc.gov/moneymatters): The Federal Trade Commission also developed a section of its website for people dealing with debt or trying to create a budget and save and spend wisely during these difficult economic times. Money Matters offers short, practical tips, videos and links to reliable resources for more information on topics like credit repair, debt collection, job-hunting and jobs scams, vehicle repossession, managing mortgage payments and foreclosure rescue scams.

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