

# **The 2007-2008 Assets and Opportunity Scorecard**

**Statewide Conference on Financial Education and Asset-Building**

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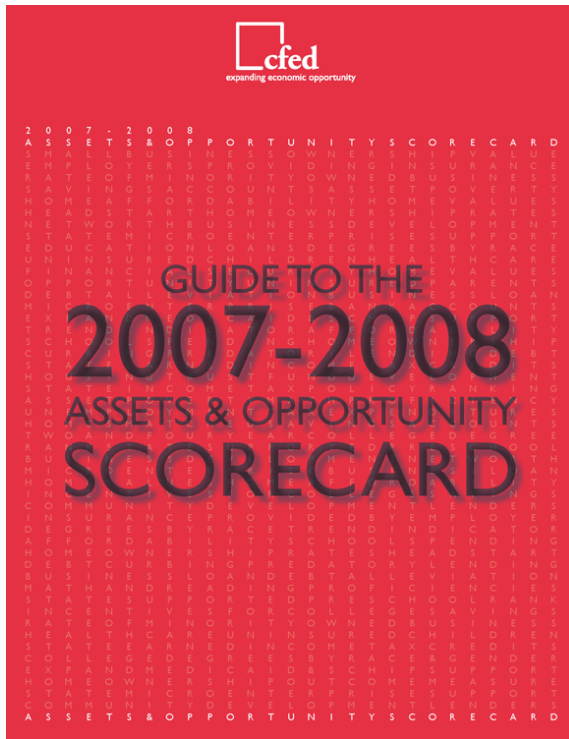
**Lucy Gorham, EITC Carolinas**

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# CFED

- CFED works to expand economic opportunity by helping more people save and invest, own homes, succeed as entrepreneurs, contribute to and benefit from the economy.
- CFED's special expertise is to connect public policy, private markets, and community practice to bring effective approaches for building wealth and financial security to scale at the local, state and national levels.

# Assets and Opportunity Scorecard



- Most comprehensive tool measuring ownership and financial security at state level
- Provides assessment of how well states support efforts of residents to build and protect their assets
- Focus on assets is essential for lower-income Americans to enter the economic mainstream and build wealth

# Assets and Opportunity Scorecard

Measures how different types of assets combine to promote economic opportunity. Organizes data in 5 categories that define how to build and protect wealth in today's economy:

- Financial security
- Business development
- Homeownership
- Health care
- Education

Framework underscores need to integrate asset development, asset protection and social insurance to advance financial security for all Americans

## New and Improved in 2007-2008

- Presents both quantitative data on 46 performance indicators and qualitative measures on 38 policies for each state and DC
- For the 1<sup>st</sup> time, the Scorecard:
  - Includes proprietary data on debt
  - Expands analysis of data by race, gender, income
  - Highlights 12 core policies with demonstrated effectiveness in asset development & protection

# Assets Across America: The National Picture

- Good news in net worth since the 2005 Scorecard:
  - Median household net worth rose 26% to \$65,150
  - Rose 77% to \$48,500 for women; 114% to \$11,640 for minorities
  - Caution: gains driven primarily by increasing home values, which may not be sustainable
- Yet, foundation that undergirds asset base is fragile:
  - 15.5% of all households have zero or negative net worth
  - 21% of middle-class households are asset poor—i.e., could not survive at poverty level for 3 months if income interrupted

# Assets Across America: The National Picture (cont.)

- Further, substantial economic disparities endure:
  - For every \$1 of net worth in white household, minority household has only 13 cents
  - For every \$1 of net worth in male-headed household, female-headed households have only 59 cents






# Grading

- Grades
  - Based on ranked outcome measures
  - Distributed on a curve (see right)
- Policy Ratings
  - Based on *Scorecard* criteria for strong, effective policy

## Grade distribution

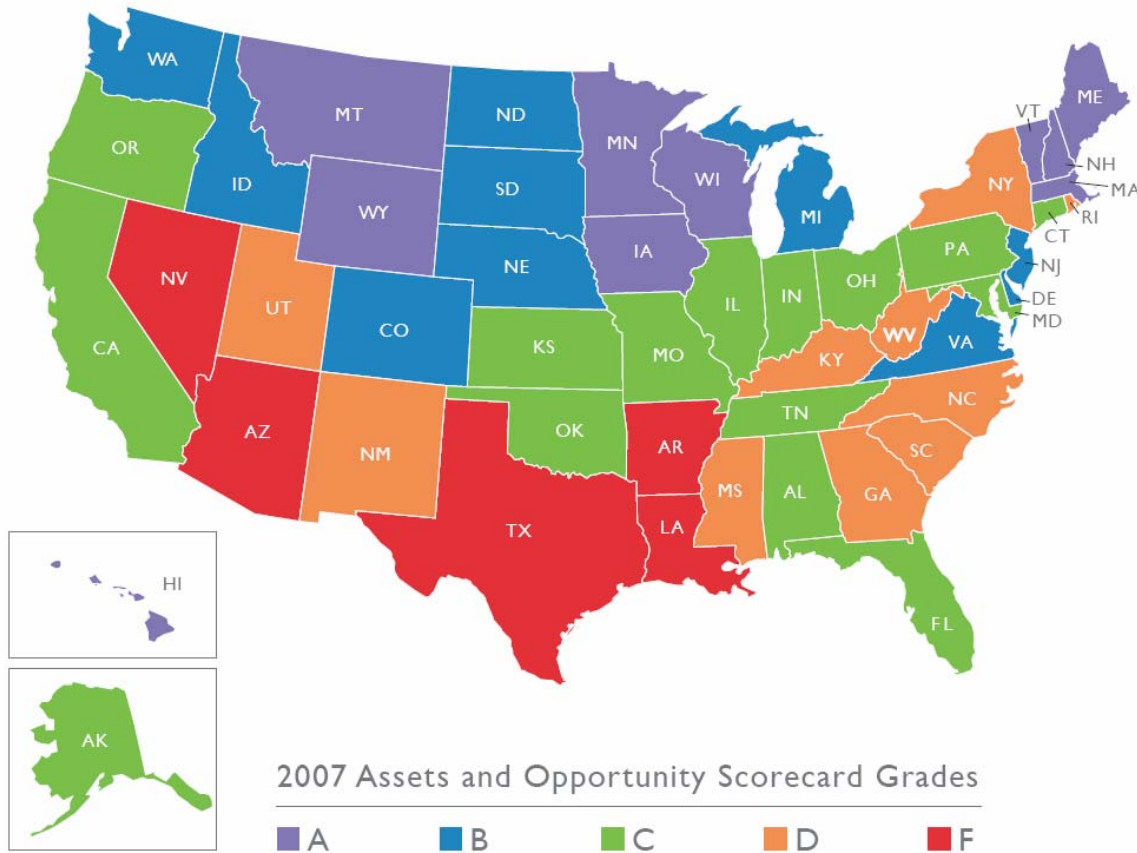
Grade	Rank
A	1-10
B	11-20
C	21-36
D	37-46
F	47-51

## Policy rating

	All criteria met
	Most criteria met
	Some criteria met
	Few criteria met
	No criteria met



# State Grades



# State Policy

- Policies provide opportunities for families to build assets and safety nets to protect what they've got
- Scorecard includes 38 policies; provides additional information on 12 Core Policies and rates states only on these measures
- Core Policy selection criteria:
  - Collectively, reflect all elements of asset building & protection agenda
  - Ambitious, yet achievable—all well-tested on the ground & vetted in state houses
  - Comparatively, straightforward and easy to understand

# 12 Core Policies


1. Asset Limits in Public Benefit Programs
2. Curbing Predatory Lending
3. Expanded Coverage for Medicaid and SCHIP
4. Housing Trust Funds
5. Incentives for College Savings
6. Microenterprise Support

## ASSET LIMITS IN PUBLIC BENEFIT PROGRAMS

**OVERVIEW**  
Many public benefit programs — like ca- eligibility to those with low or no assets. limit, it must “spend down” longer-term short-term public assistance. Those asset to ensure that public resources did not g of entitlement policies that largely no la of example, now focus on quickly moving allowing them to receive benefits under precisely the kind of resources that allow public benefit programs. Yet, asset limit receiving public benefits from saving for

**WHAT STATES CAN DO**  
States determine many key policies re- States have full discretion in setting a Assistance to Needy Families (TANF), 3 Health Insurance Program (SCHIP).<sup>1</sup> In address asset limits for Food Stamps.<sup>2</sup>

Program	Limits	Who
TANF	\$1,000-\$1,000 or most none	• All • Sub • Inc • Ex • Inc
Food Stamps	\$2,000-\$3,000 if disabled or elderly household excluded (set by federal government)	• All • Ex • Ex • Ex • Ex • Ex • Ex • Ex
Medicaid	\$1,000-\$6,000 or states that have limits	• All • Sub • Inc • Ex • Inc




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## HOUSING TRUST FUNDS

**OVERVIEW**  
A home is the chief asset of many American families. It is an integral part of the American dream and provides a family with both physical and financial security. Because mortgage payments can be substituted for rent, even households with very modest disposable incomes can nonetheless, over time, build assets through homeownership.  
  
In fact, homeownership is the single largest source of equity for American households. However, increasing costs of homeownership in recent years have made it more difficult for those with modest incomes to afford a home.  
  
Housing trust funds are one way that states can help make homeownership affordable for low- and moderate-income families. For 20 years, housing trust funds have used dedicated public monies for a variety of affordable housing solutions, including preserving affordable rental housing, addressing homelessness, construction and rehabilitation of affordable housing, helping families become first-time homeowners, emergency repair, and foreclosure prevention. Unlike other kinds of trust funds, housing trust funds do not operate off of the interest earned on their corpus. Instead, they are composed of dedicated, on-going streams of public revenue.  
  
**WHAT STATES CAN DO**  
States, along with cities and counties, can establish housing trust funds. Taxes and fees are frequently used as funding sources. States can also explore other funding options, including rainy day funds, unclaimed property funds, percentages of bond issuances, and interest from escrow accounts, among others.



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# 12 Core Policies (cont.)

7. School Spending Fairness
8. State EITC
9. State Supported Preschool
10. Support for Community Development Lenders
11. Support for IDA Programs
12. Tax Expenditure Reports

<p><b>SCHOOL SPENDING FAIRNESS</b></p> <p><b>OVERVIEW</b> Education has long been regarded as a the individual, but the education perspective educational opportunities is a concern of the United States. Despite decades of spending and achievement persists.</p> <p>It is widely acknowledged that children frequently begin schooling already behind students need about 40 percent more standards of their peers.<sup>1</sup> However, not all students in poverty continue to receive concentrations of students in poverty.<sup>2</sup></p> <p><b>WHAT STATES CAN DO</b> Historically, public schools have been property taxes and state and federal aid for school districts and individual state property values. Driven by judicial decisions in several decades, education reformers diagnosed. More recently, litigation as equity standard to emphasize securing adequate education to all students.<sup>3</sup></p> <p>States have the flexibility, and changing processes for funding education were report commissioned by the U.S. Dept the National Research Council is the finance to date and serves as a general policy. It concludes that developing a funding inequities and inadequacies is persisting schools.<sup>4</sup></p>	<p><b>cfed</b> 2007-2008 ASSETS &amp; OPPORTUNITY SCORECARD</p>		
<p><b>STATE EARNED INCOME TAX CREDIT</b></p> <p><b>OVERVIEW</b> In 2004, 12.7% of the U.S. population, and 22.4% were asset federal poverty level for that the largest and most effective income families in the federal million Americans out of poverty EITC is also a means to reduce families use EITC payments — and to pay off debts. Fiat to start saving for the future.</p> <p>The EITC supplements the When the EITC is greater than a refund. As a result of its expansion from \$1.2 billion billion in 2007<sup>1</sup> and nearly a federal credit.</p> <p><b>WHAT STATES CAN DO</b> States can enact their own EI determine the amount of the as well as whether it will be families if they save all or no individual retirement account flexibility gives states the opportunity needs and avoid to improve upon an already</p>	<p><b>cfed</b> 2007-2008 ASSETS &amp; OPPORTUNITY SCORECARD</p>		
<p><b>SUPPORT FOR IDA PROGRAMS</b></p> <p><b>OVERVIEW</b> One in five Americans has zero or negative net worth. Twenty-two percent have so few assets that they could not stay above the poverty level for three months if their earnings were interrupted. Government policy decisions influence these outcomes. Through tax and spending decisions, government can create incentives for people to save and build assets. For example, the federal government spent \$507 billion in Fiscal Year 2007 to support asset building for Americans. Unfortunately, more of that support went to those with very high incomes, and little to those who need it most.<sup>1</sup></p> <p>There are, however, some policies that help low- and moderate-income people build assets. One example is a state-sponsored individual development account (IDA) program. IDAs are special savings accounts that match the deposits of low- and moderate-income savers, provided that they participate in financial education and use the savings for targeted purposes — most commonly post-secondary education, homeownership, or capitalizing a small business.</p> <p>Extensive research on IDAs has demonstrated that these accounts are important tools that make families more financially secure and prosperous over time.<sup>2</sup> The American Dream Demonstration (ADD), which ran from 1997-2003, was the first systematic study of IDAs. It proved that, with the proper incentives and support, the poor can and do save. The average monthly net deposits per participant were \$39 and — with an average match rate of \$2 for every \$1 saved — participants accumulated about \$70 per year.<sup>3</sup></p> <p><b>WHAT STATES CAN DO</b> Funding for IDA programs often comes from a combination of federal and state governments, foundations, and the private sector. State funding, in addition to directly helping low- and moderate-income savers, can also leverage federal Assets for Independence Act funds, which require a one-to-one non-federal match.</p> <p>Generally, state-sponsored IDA programs involve a partnership between a state agency, non-profit service providers, and financial institutions. Once a state authorizes an IDA program through a legislative or regulatory process, it designates a state agency or non-governmental entity to serve as the program administrator and steward. At least half of the state program assets in a recent study<sup>4</sup> were administered jointly by a state agency and a non-profit.</p> <p>The program administrator sets up accounts with the financial institution partner; provides fiscal management, administration, and overall marketing; and reports results to a state agency or evaluator. The administrator also partners with non-profit service providers to interface with account-holders. Service providers manage outreach and recruitment, data collection, and individual accounts, and provide financial education training, budget and credit counseling, and asset-specific classes.</p>	<p><b>cfed</b> 2007-2008 ASSETS &amp; OPPORTUNITY SCORECARD</p>		
<p><b>1. L. Hoxby and D. Burkhardt (2007). State- and Community-Based Saving: How Many Americans Are Saving? Chicago, IL: CDFI, Inc. Available at: <a href="http://www.cdfi.org/pubs/State-and-Community-Based-Saving.pdf">http://www.cdfi.org/pubs/State-and-Community-Based-Saving.pdf</a>.</b></p> <p><b>2. The Center for Social Development at Princeton University in its case study of the American Dream Demonstration (ADD) in 1997-2003, and in its 2006 report, "The Impact of IDAs on Low- and Moderate-Income Savers in Ohio, Michigan and Wisconsin: IDA policy design and outcomes."</b></p> <p><b>3. Christine M. Cheng, et al. (2006). "The Impact of IDAs on Low- and Moderate-Income Savers in Ohio, Michigan and Wisconsin: IDA policy design and outcomes." Chicago, IL: Center for Social Development.</b></p> <p><b>4. M. Hoxby and D. Burkhardt (2007). "State- and Community-Based Saving: How Many Americans Are Saving?" Chicago, IL: CDFI, Inc. Available at: <a href="http://www.cdfi.org/pubs/State-and-Community-Based-Saving.pdf">http://www.cdfi.org/pubs/State-and-Community-Based-Saving.pdf</a>.</b></p>			

# A look at North Carolina

## STATE RATINGS: NORTH CAROLINA

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**OVERVIEW**

North Carolinians have had only limited success building wealth and protecting their assets. In the 2007-2008 Assets and Opportunity Scorecard, North Carolina earned an overall D grade. Data on North Carolina shows strong performance on certain measures of Financial Security (B grade), although there remains a need for improvement on household debt and efforts to bring more families into the financial mainstream. However, local equity health care and post-secondary and business ownership opportunities result in a low overall asset measurement. Many North Carolinians live and work without health insurance; the state ranks 29<sup>th</sup> in employer-sponsored health insurance, 39<sup>th</sup> in enrollment to retiree health care and 40<sup>th</sup> in coverage for low-income parents. Although the state has the sixth lowest rates of asset poverty and the second lowest number of households with assets or negative net worth, financial security remains elusive for the many vulnerable families who are at risk of losing their assets due to sudden or unexpected need for emergency care.

Small businesses in North Carolina have easy access to financing (B) in private loans to small business, yet such access to capital has not been sufficient to ensure the success of entrepreneurs. Asset business ownership (D<sup>+</sup>) notwithstanding, the rates of business ownership among women and minorities in North Carolina lag the other states<sup>1</sup>. Those women who do own businesses are doing well (B<sup>+</sup>) to ensure a good business value. Education opportunities are also limited in North Carolina, earning the state a D grade in Education. The state provides Head Start coverage to fewer eligible low-income children than any other state, placing it last in the nation. Further, college attainment is also currently limited. North Carolina ranks 40<sup>th</sup> and 42<sup>nd</sup> in degrees by race and income, respectively.

**WHAT NORTH CAROLINA CAN DO**

There are a number of policy changes that the state could undertake to strengthen and protect a positive asset wealth record. To make homeownership more accessible and affordable, the state could provide state-aided funding to its housing trust fund. To expand business ownership opportunities, North Carolina could provide a hardship to community development financial institutions to help support entrepreneurs in the state. And given the state's scores that fall below college graduation, the state could consider making the deposits of low-income savers in their college savings plan as one means of addressing opportunity to post-secondary education. Such programs would make college more accessible and would help increase the college attainment of minority and low-income community members.

**CORE POLICY RATINGS**

- + Asset Loans to Public Small Business
- + Housing Trust Fund
- + Incentive for College Savings
- + Homeownership Support<sup>2</sup>
- Caring Protective Licensing
- + Expanded Coverage for Medicaid and CHIP
- + State Earned Income Tax Credit
- + School Spending Reform<sup>3</sup>
- + Support for Community Development Lenders<sup>4</sup>
- + State Supported First-Time<sup>5</sup>
- + Support for Exit Programs
- + Tax-Equitable Equity<sup>6</sup>

<sup>1</sup> Minority equity

<sup>2</sup> Being a member of a credit union, 10% of total

<sup>3</sup> The state's percentage of total state

<sup>4</sup> The state's plan

<sup>5</sup> The state's plan

<sup>6</sup> Publicly available data

<sup>7</sup> Publicly available data

<sup>8</sup> Publicly available data

Index	Grade
Financial Security	B
Business Development	D
Homeownership	C
Health Care	D
Education	D

# Noteworthy in North Carolina

Rank	Measure
2	Households w/Zero or Negative Net Worth
5	WIA-funded workforce training
6	Asset Poverty <u>and</u> Private Loans to Small Businesses
16	Two Years of College
29	Four Years of College
37	Employer Health Insurance
39	Uninsured Low Income Children
40	Low-Income Parents w/out Health Insurance

# Noteworthy in North Carolina

Rank	Measure
40	College Degrees by Race
42	College Degrees by Income
43	Households w/ Non-Interest Bearing Accts.
46	Bond Sales for Homeownership Assistance
48	Per Pupil Spending on Education
48	Hispanic Business Ownership Rate

# Financial Assets Data

	North Carolina/Rank
Net Worth	\$68,196 (26)
Households with Zero Net Worth	11.3% (2)
Households with Checking Accounts	25.9% (43)
Households with Savings Accounts	56.2% (34)
Bankruptcy rate	4.9% (11)
Subprime Loans	12.3% (20)

	North Carolina/Rank
Asset Poverty	17.5% (6)
Asset Poverty by Race	White 9.9% Minority 31.9% Ratio .31 / 25
Asset Poverty by Gender	Male 14.4% Female 20.7% Ratio .70 / 18
Asset Equality by Race	White \$105,498 Minority \$15,200 Ratio 6.9 / 5
Asset Equality by Gender	Male \$76,049 Female \$56,995 Ratio 1.3 / 8
Median Credit Card Balance	\$1,789 (36)



# Homeownership Assets Data

	North Carolina
Home Value/Rank	3.16 (26)
Homeownership Rate/Rank	70.9% (30)
Homeownership by Race	White 74.6% Minority 50% Ratio 1.49 Rank 27
Homeownership by Income	Top 91.4% Bottom 43.1% Ratio 2.12 Rank 24
Homeownership by Gender	Male 72.7% Female 62.6% Ratio 1.16 Rank 23
Foreclosure Rate/Rank	1.05% (33)
Median Mortgage Debt	\$104,924 (24)
Affordability	3.16 (26)

# Business Development Data



	North Carolina
Small Business Ownership/Rank	14.5 (33)
Private Loans to Small Business/Rank	\$2,431 (6)
Microenterprise Ownership/Rank	Ratio 15.6 (26)
Women's Business Ownership Rate/Rank	4.11% (36)
African-American Business Ownership Rate	2.87% (29)
Hispanic Business Ownership Rate/Rank	2.00% (48)

# Health Care Data

	North Carolina
Employer-Sponsored Insurance	60.3% (37)
Uninsured Low-Income Children	18.7% (39)
Low-Income Parents Without Insurance	38.4% (40)

# Education Data

	North Carolina	
Math Proficiency – 8 <sup>th</sup> Grade	31.9% (19)	
Reading Proficiency – 8 <sup>th</sup> Grade	26.9% (33)	
Two Years of College	8.15% (16)	
Four Years of College	26.2% (29)	
Degrees by Race	White 29.3% Ratio 1.69	Non-White 17.4% <b>Rank 40</b>
Degrees by Income	Top 20% 56.1% Ratio 6.74	Bottom 20% 8.3% <b>Rank 42</b>
Degrees by Gender	Male 28.1% Ratio 1.18	Female 23.9% Rank 21

# Core Policies in North Carolina: Strengths

- State support for IDA programs
- Curbing Predatory Lending
- Housing Trust Fund
- State Support for Preschool



# Core Policies in North Carolina: Opportunities

- Asset limits in public benefit programs
- State EITC
- State support for microenterprise programs
- Incentives for college savings
- Support for community development lenders
- Medicaid and SCHIP coverage



# Scorecard Resources for You

## [www.cfed.org/go/scorecard](http://www.cfed.org/go/scorecard)

- All data available for download
- State summary of data
- Trend indicators showing change in 14 measures over time
- Detailed information on 12 core policies; data on 26 other asset policies
- Downloadable issue briefs; policy briefs on 12 core policies
- Guide to create customized state scorecards
- CFED's center for policy advocacy
  - Media Resources and Templates
  - 10 Ways to Use the Scorecard

## Next Steps

- The NC Asset Building Policy Task Force has issued an initial set of priority recommendations to strengthen asset building opportunities across the state;
- The Task Force will be issuing a full report late fall or early winter that examines each recommendation in depth as well as best practices in both policy and programs from across the country;



# What Can You Do?

- [www.cfed.org/go/scorecard](http://www.cfed.org/go/scorecard)
- Sign up for CFED Policy Updates, latest on legislation and Action Alerts, [www.cfed.org/go/advocacy](http://www.cfed.org/go/advocacy)
- Attend the 2008 Assets Learning Conference, September 11-13, 2008 in Washington, DC
- Carl Rist, CFED, Director, SEED Initiative, [crist@cfed.org](mailto:crist@cfed.org)  
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