



The 2009-2010 Assets & Opportunity Scorecard

The Corporation for Enterprise Development

Introduction

“We cannot rebuild this economy on the same pile of sand. We must build our house upon a rock. We must lay a new foundation for growth and prosperity – a foundation that will move us from an era of borrow and spend to one where we save and invest.”

– President Barack Obama, April 2009

President Obama has spoken on several occasions of the need for America to move from an era of borrow and spend to one where we save and invest. But to do that we need to understand the many factors that contribute to the financial security of U.S. households and the hard choices that individuals and families face when trying to balance short- and long-term term financial needs.

Also required is a clear understanding of the ways in which public policies encourage or discourage families in their efforts to gain a more solid financial foothold in the economy. For more than three decades, CFED has worked

to raise awareness about the importance of creating sensible and broadly applicable policies that help Americans build and protect assets and overcome the hurdles that keep us from building real economic security.

Now in its fourth edition, the *2009-2010 Assets & Opportunity Scorecard* continues this tradition. By assessing 92 distinct performance and policy measures and five interrelated Issue Areas, the Scorecard offers insights that will help policymakers, practitioners, researchers and advocates build a stronger foundation for financial well-being.

Findings

The *Assets & Opportunity Scorecard* assesses both outcome measures and policies for each of the 50 states and the District of Columbia in five issue areas: (1) Financial Assets & Income, (2) Businesses & Jobs, (3) Housing & Homeownership, (4) Health Care and (5) Education. For

Lifting Asset Limits in Public Benefit Programs

Many public benefit programs – such as Temporary Assistance for Needy Families (TANF) or Medicaid – limit eligibility to those with few or no assets. If a family has assets over the state’s limit, it must “spend down” longer-term savings in order to receive what is often short-term public assistance. These asset limits, which were originally intended to ensure that public resources did not go to “asset-rich” individuals, are a relic of entitlement policies that in some cases no longer exist. Personal savings and assets are precisely the kinds of resources that allow families to move off of public benefit programs. States should eliminate asset limits from public benefit programs.

State IDA Program Support

One policy that helps low- and moderate-income people build assets is a state-supported 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 postsecondary education, homeownership or capitalizing a small business. Research demonstrates that these accounts make families more financially secure and communities more stable. States should provide funds and support for local IDA programs.

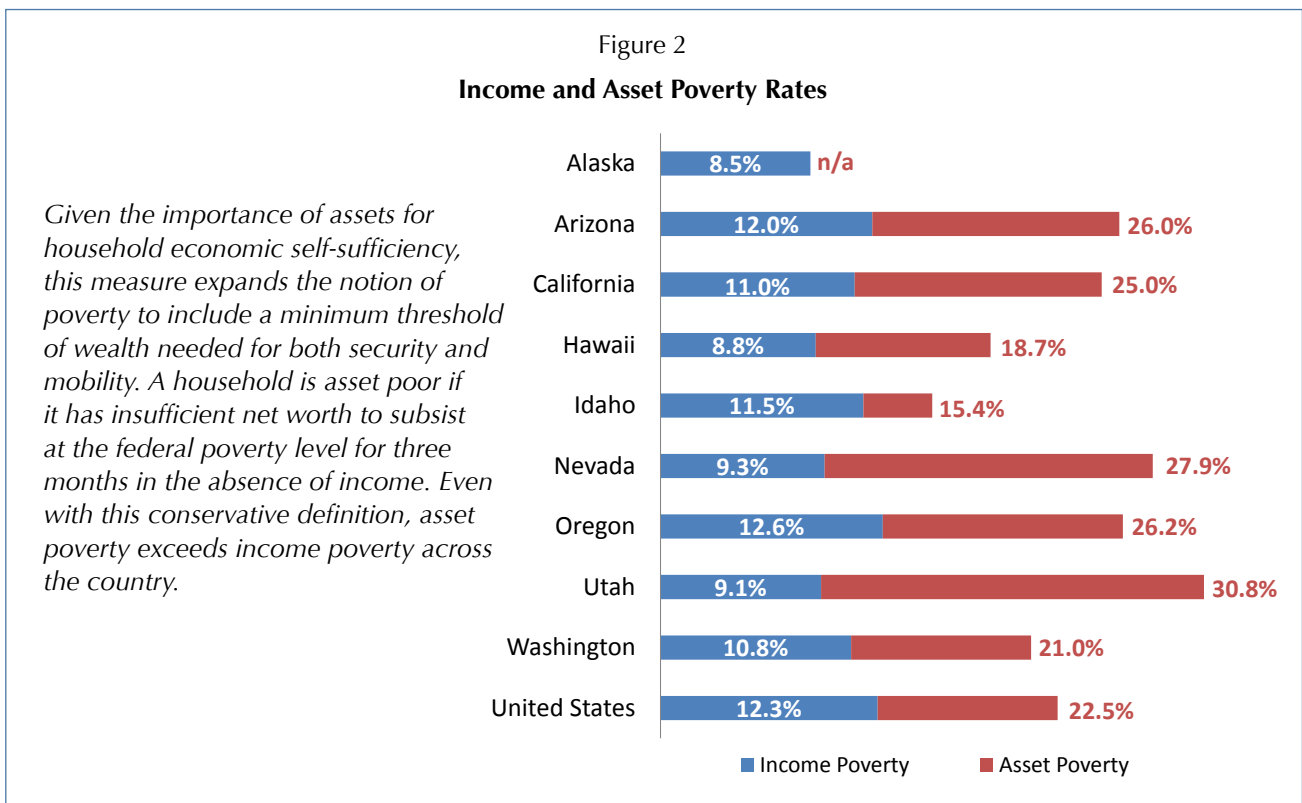
Payday Lending Protections

Predatory payday lending refers to the practice of repeatedly making small, short-term loans at annual interest rates averaging about 400%, trapping borrowers in a cycle of debt. While payday lenders generally locate in urban areas, they are disproportionately concentrated among communities of color.

By far the most important strategy for curbing predatory lending is banning these loans outright or effectively banning them by imposing small-loan interest rate caps of 36% Annual Percentage Rate (APR) or less. States should adopt these caps and help families avoid predatory payday loans in the first place by promoting alternative, safer small-dollar loan products and adopting policies that encourage low- and moderate-income families to save.

Businesses & Jobs

Business ownership and high-quality wage employment each play an important role in helping families earn income and build wealth over time. Earned income is the single most important contributing factor to a household’s ability to save money, access affordable credit and build assets. Business equity is second only to homeownership nationally as a share of household wealth. The *Scorecard’s* Businesses & Jobs Issue Area assesses the level of access American households have to business ownership and quality job opportunities.



Key Outcomes

- More than 22% of jobs in this country are in occupations that pay a median wage that is insufficient to raise the earner's family above the poverty line.
- Unemployment rates for African Americans are double those of white Americans. More than 10% of African Americans were unemployed in 2008, and that number has risen to 15.3% in the first quarter of 2009.
- 47.4% of workers participate in an employer-sponsored retirement plan.
- 55.8% of private sector establishments offer health care benefits to employees, but there is a great deal of variation among states.
- Small business ownership runs at 17.7 businesses per 100 workers.

State Policies that Can Increase Opportunities to Start Businesses and Find High-Quality Jobs

States can adopt a number of policies that can expand business ownership opportunities and improve job quality. Small business creation has consistently been a path to America's middle class—particularly for minorities, immigrants and the economically disadvantaged.

State Microenterprise Support

Very small businesses, or microenterprises, are a proving ground for new entrepreneurs and a key income generation and economic revitalization strategy. Microenterprises increase income for the poor, help people move out of poverty and off of public assistance and help poor households build both business and personal assets over time. Many of the estimated 20 million Americans who operate microenterprises face disadvantages in establishing and operating their own businesses—including women, minorities, low-income individuals and people with disabilities. States should provide funding and support to programs that help these individuals succeed as entrepreneurs.

Housing & Homeownership

Even in today's tough housing market, the home represents the single largest component of household wealth and is a fundamental asset for millions of Americans. For those who are not ready or able to buy a home, access to affordable, high-quality rental housing is essential. Many renters of limited means are forced to accept substandard or unsafe living conditions in order to find housing that they can afford. Whether owning or renting, having a safe, affordable place to live provides physical and financial security. Yet all too often, affordability is out of reach. More than 37% of homeowners and 45% of renters in the United States are "cost-burdened," meaning they spend more than one third of their income on housing costs.

Key Outcomes

- 48.2% of minorities own their homes, whereas nearly 71.5% of whites own their homes.
- 89.3% of the highest income households own homes, almost triple the 32.6% homeownership rate among households in the lowest income bracket.
- National foreclosure rates have increased more than 200% since the 2007-2008 Scorecard and continue to rise (The rate rose from .99% in the 2nd quarter of 2006 to 2.93% in the 3rd quarter of 2008).
- The median home in the United States costs 3.5 times the median income.

State Policies that Can Advance Housing and Homeownership

States can adopt a number of policies that can increase the ability of families to buy and keep a home and to assure affordable housing for both owners and renters.

Predatory Mortgage Lending Protections

Between 1994 and 2005, the subprime mortgage market grew from \$34 billion to \$665 billion. While some lower-income borrowers benefitted from greater access to credit, many borrowers received high-cost, high-risk subprime loans that they could not afford, especially as house prices started to fall. The current crisis suggests that states should restrict the terms or provisions of mortgage loans, strengthen regulation of mortgage lenders and brokers, require lenders and brokers to engage in sound underwriting practices and ensure that laws can be enforced to protect consumers.

First-time Homebuyer Assistance

Low- and moderate-income families face a number of barriers to homeownership, including building up sufficient savings for a lump-sum downpayment and closing costs; accessing affordable and safe mortgage products; and acquiring basic information about what to expect from the home-buying process and how to protect their interests. States can help address these challenges by: providing downpayment assistance; offering competitively-priced mortgage lending products directly to homebuyers; investing in homebuyer education; and providing other programs designed specifically to assist low-income renters who wish to become homeowners. States should offer a comprehensive package of products and services to assist first-time homebuyers.

Housing Trust Funds

Housing trust funds are one way that states can help make homeownership affordable for low- and moderate-income families. They use dedicated public monies for

a variety of affordable housing solutions. These include preserving affordable rental housing, addressing homelessness, construction and rehabilitation of affordable housing, helping families become first-time homeowners, emergency repair and foreclosure prevention. States should establish a housing trust fund capitalized through a dedicated and recurring funding source.

Health Care

There is no greater threat to a family's financial security than the expenses of a major medical emergency or treatment of a chronic illness. Access to health care provides individuals and families with a safety net that complements their asset ownership. Yet today, 45 million Americans do not have health insurance. While federal solutions have been debated for decades, states have and will continue to have a role in widening access to those who have trouble finding coverage.

Key Outcomes

- 17% of non-elderly Americans do not have health insurance, but rates of uninsured vary by geography, race and income. Minorities are twice as likely to lack health insurance as white individuals, while low-income individuals are uninsured at a rate almost 4 times higher than those with incomes above 200% of the federal poverty line.
- The percentage of uninsured children fell slightly since the 2007-2008 Scorecard from 18.5% to 18.3%.
- The number of uninsured low-income parents has risen to 37.2% from 36% in the 2007-2008 Scorecard.
- The percentage of individuals covered by employer-provided health insurance fell significantly since the previous Scorecard, from 63.2% to 60.9%.
- On average, insured employees pay a quarter of the cost of their family's premium.
- In addition to premiums, families paid 19% of medical expenses out-of-pocket.

State Policies that Can Improve Health Care Coverage

States can adopt a range of policies that provide health care coverage to those who are currently uninsured.

Access to Health Insurance

The majority of Americans receive health insurance coverage through their employers, but given the decrease in employer-sponsored insurance in the last decade, more families are at risk. In the 1960s, Medicaid was created to address the lack of insurance among low-income families, seniors and people with disabilities. In 1997, the federal government created the Children's

Health Insurance Program to address the rising incidence of uninsured low-income children. States should expand eligibility for public programs, subsidize the costs of private insurance and mandate coverage extensions for those whose benefits would otherwise be terminated.

Education

Education is an asset that benefits not only the educated individual, but also his or her family and community. Skills and knowledge are central determinants of earning capacity, but also important drivers of the economy. Education also promotes civic responsibility, advances economic competitiveness and expands economic opportunity. The *Scorecard's* Education Issue Area measures educational opportunity for children born in poverty. It also evaluates basic skills proficiency, and post-secondary educational attainment and affordability.

Key Outcomes

- Education programs targeting children born to low-income and poor households reach only a fraction of their target populations. The federally-funded Head Start program serves only 20.3% of children under six years of age who live below the federal poverty line.
- Only 31% of 8th graders are proficient in math and 29.2% are proficient in reading.
- Math proficiency rates also vary by race. 42% of white 8th graders are proficient, but among African Americans that rate drops to 11%. Only 15% of Latino 8th graders are proficient in math.
- Racial disparities in college attainment rates persist nationally and in every state. 33.5% of whites in the United States have a college degree, compared with only 21.2% of minorities.

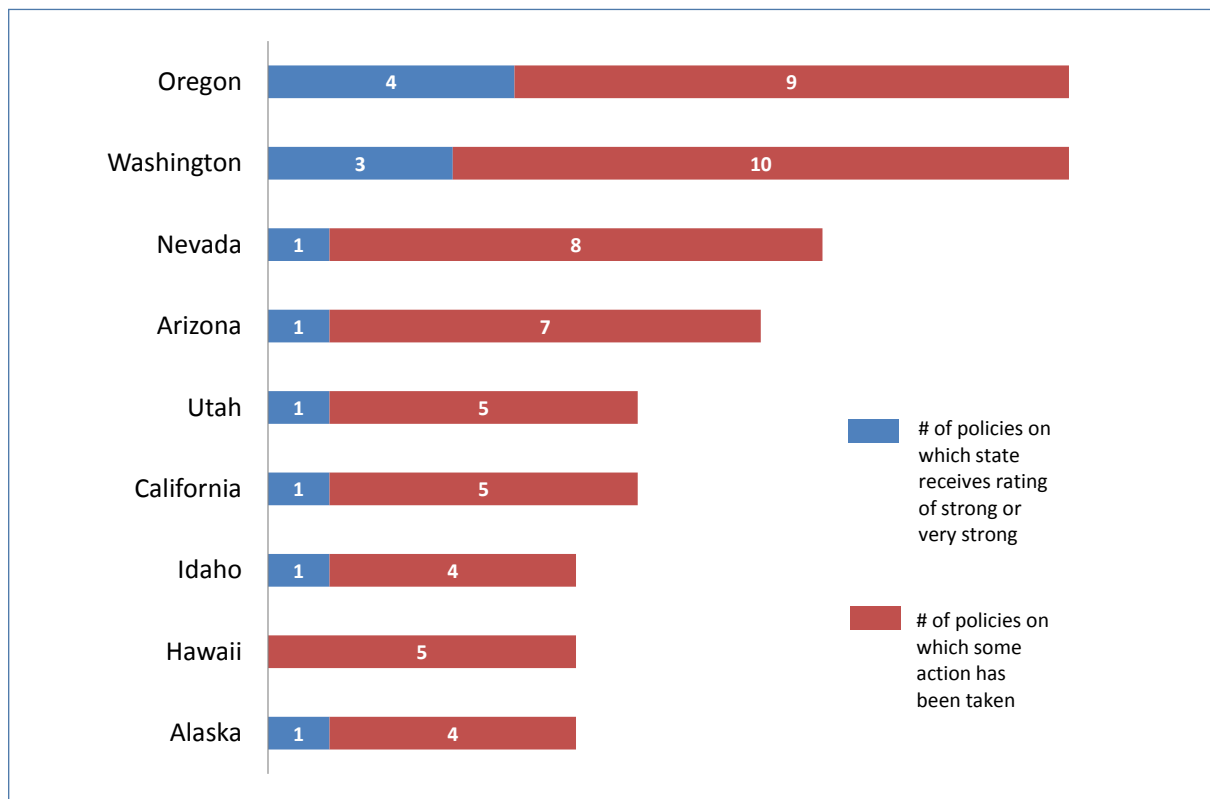
State Policies that Can Improve Educational Attainment

States can adopt a number of policies to improve the educational attainment of residents throughout their lives.

Early Childhood Education

Early childhood education, including pre-kindergarten, results in higher earnings, higher overall economic growth, a more productive and versatile workforce, better health and lower crime. Early childhood development creates a foundation for later school achievement, workforce productivity, responsible citizenship and successful parenting. Pre-K programs prepare children for learning, both in school and later in the workforce, and are vital to a state's economic prosperity. States should establish and fund high-quality pre-K programs that are accessible to all children.

Figure 3
Number of Policy Priorities Acted on by 12th District States



Access to Quality K-12 Education

Despite decades of education reforms, inequity persists in education spending and the availability of qualified teachers. Children from disadvantaged backgrounds frequently begin schooling already behind their peers. Yet schools with the highest concentration of students in poverty receive less funding than schools with lower concentrations. Instead of relying on property taxes as the main source of funding, which can disadvantage high-poverty districts, states should defer to statewide sources. States should also target funding to these high-poverty districts while creating and enforcing equity standards in all districts.

States also have enormous authority over ensuring that students are taught by qualified teachers, and can set requirements to help improve the quality of the teaching force across the state. States should implement policies to ensure that teachers are prepared and licensed, that they are evaluated regularly and that ineffective teachers are weeded out of the system.

College Savings Incentives

Post-secondary education is one of the best investments an individual can make in his or her economic future. Yet

escalating costs discourage many from pursuing higher education. One way to make the cost of post-secondary education more affordable and increase participation by lower-income individuals is to create incentives for families to save for college. States should create programs to match the deposits of individuals into 529 college savings accounts.

Conclusion

Fundamentally, public policy should create and support an opportunity structure where families and communities can prosper. Looking across the states, the *2009-2010 Scorecard* finds that many have taken positive policy actions to achieve this goal: a majority of states have taken steps to remove barriers to savings, create new incentives to build assets and protect the assets families already have. Yet most states need to take important additional actions to strengthen their policies. We hope the *Scorecard* provides useful data and insightful analysis for policymakers, practitioners, researchers, and all stakeholders committed to improving economic opportunities for all. Please visit <http://scorecard.cfed.org> to download the full report or learn more about the specific findings for each state. **C**