

CI Notebook

By Andrea Levere, President, CFED

Few iconic stories have taken a greater credibility hit recently than the American Dream. For the first time in polling history, the majority of Americans do not believe their children will be better off financially than they are. The prolonged foreclosure crisis has shaken the belief that homeownership is the route to economic stability and wealth creation, for both the wrong and right reasons. What is wrong is the false narrative that extending homeownership to lower-income people was the cause of the crisis; but what is right is the understanding that homeownership alone cannot ensure a life of financial security and prosperity. While homeownership still has an important role to play in building wealth in this country, in recent years it has proved to be not as stable, accessible or as affordable as it once was, and should be complemented by other approaches.

CFED publishes an annual Scorecard that includes a special measure that offers a unique view into the extent of financial insecurity in American households. Liquid Asset Poverty measures the ability of a household to support itself through savings at the poverty level for three months if their main source of income is disrupted, such as through a job loss or illness. In 2014, almost half of the nation (43.5 percent) qualified as liquid asset poor. It turns out that 25 percent of solidly middle-class households earning incomes within the approximate range of \$56,000 to \$91,000 also experience liquid asset poverty. These data illustrate that almost half of the nation is in need of new solutions to improve their financial stability and mobility.

The articles that follow present a diversified portfolio of product and policy innovations that have been proven to strengthen financial security and economic opportunity. The value of these innovations lies in their range in that they address the full spectrum of financial needs, from short-term or emergency savings to retirement accounts and from new methods for building credit scores to improving access to stable mortgage options for homeownership. These strategies offer asset development solutions for a broad range of Americans—whether homeowner or renter, small business entrepreneur or employee of a larger company—and build financial strength and resilience by building the household balance sheet.

This issue of *Community Investments* offers a menu of options that can enable disadvantaged communities not just to survive, but to begin to thrive in ways that build hope for the future. These innovations may make it possible for these communities to once again believe in a more prosperous future for their children—the heart of the American Dream for all us.

The views expressed are not necessarily those of the Federal Reserve Bank of San Francisco or the Federal Reserve System. Material herein may be reprinted or abstracted as long as *Community Investments* is credited.

Gabriella Chiarenza – Editor
Community Development Department
Federal Reserve Bank of San Francisco
101 Market Street, Mail Stop 215
San Francisco, CA 94105
www.frbsf.org
sf.community.development.info@sf.frb.org

Scott Turner
Vice President
Community Engagement
scott.turner@sf.frb.org

Laurel Gourd
Conference and Administrative Coordinator
laurel.gourd@sf.frb.org

Esther Fishman
Administrative Specialist
esther.fishman@sf.frb.org

RESEARCH STAFF

David Erickson
Manager, Center for Community
Development Investments
david.erickson@sf.frb.org

Ian Galloway
Senior Investment Associate
ian.galloway@sf.frb.org

Naomi Cytron
Senior Research Associate
naomi.cytron@sf.frb.org

Laura Choi
Senior Research Associate
laura.choi@sf.frb.org

Gabriella Chiarenza
Research Associate
gabriella.chiarenza@sf.frb.org

William Dowling
Research Associate
william.dowling@sf.frb.org

FIELD STAFF

John Moon
District Manager
john.moon@sf.frb.org

Joselyn Cousins
Regional Manager
Arizona, Nevada, Utah
joselyn.cousins@sf.frb.org

Melody Winter Head
Regional Manager
Southern California
melody.head@sf.frb.org

Craig Nolte
Regional Manager
Alaska, Hawaii, Idaho, Oregon, Washington
craig.nolte@sf.frb.org

Lena Robinson
Regional Manager
Northern California
lena.robinson@sf.frb.org

Leilani Barnett
Regional Manager
San Joaquin Valley
leilani.barnett@sf.frb.org

This publication is produced by the Community Development Department of the Federal Reserve Bank of San Francisco. The magazine serves as a forum to discuss issues relevant to community development in the Federal Reserve's 12th District, and to highlight innovative programs and ideas that have the potential to improve the communities in which we work.