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## **Asset Development Programs in the Community Action Network: Reflecting Local Needs and Priorities**

The Community Services Block Grant (CSBG) is a federal, anti-poverty block grant which funds the operations of a state-administered network of local agencies that work to reduce poverty, revitalize low-income communities and empower low-income families to become self-sufficient. This network consists of nearly 1,100 agencies, most of them Community Action Agencies (CAA), which create, coordinate and deliver programs and services to low-income Americans in 99 percent of the nation's counties.

The CSBG Network was created through the Economic Opportunity Act of 1964, and although most CAAs have been operating for over 46 years, their unique structure assures that they continue to be vibrant, responsive organizations offering an evolving program specific to their own community. All CAA boards are made up of representatives of the public sector, the private sector and the low-income community, from the area served by the agency. Programming at each CAA is designed by this local board and as a result, each CAA has a unique approach to their common mission.

While many CAAs may offer similar services, like emergency assistance, weatherization, employment training and self-sufficiency programs, local decision-making can generate different approaches to these activities. This Issue Brief examines how some CAAs have addressed one category of programming – Asset Development – in a variety of ways, responding to the needs and resources in their service area.

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### **Asset Inequity**

The distribution of wealth in the United States is strikingly uneven. Recent estimates are that the richest one percent of U.S. households own more than one-third of the nation's total wealth, and those in the top five percent hold nearly 62 percent of the total wealth. At the other extreme, at least 18 percent of households have zero or negative net worth.<sup>1</sup> The distribution of assets is even more skewed, with the top 1 percent controlling as many assets as the bottom 80 percent. This divide is more than a sad fact for those at the bottom of the heap – it is a cause for concern about America's economic future. "Asset deficiency places home ownership, entrepreneurship, and higher education out of the reach of many Americans and, in doing so, prevents them from advancing economically."<sup>2</sup> Asset development programs create an opportunity for low-income

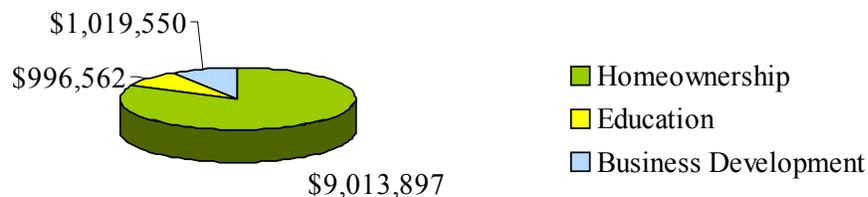
people to acquire property, gain an education, or create a business--and to direct their own economic future.

In 1991, American University professor Michael Sherraden proposed to help poor people build assets by rewarding saving toward specific purposes.<sup>3</sup> His model of the ‘Individual Development Account’ (IDA) - an interest-bearing, tax-free savings account in which each dollar a participant saves toward home ownership, education or business ownership is matched by public or private sources - gained traction among organizations interested in helping low-income people become self-sufficient. This model became institutionalized in 1997, with the passage of the Assets for Independence Act, which provides \$25 million annually in grants administered by the U.S. Department of Health and Human Services, Administration for Children and Families. The grant award funds both administrative costs and matching funds for IDA programs serving “those eligible for Temporary Assistance for Needy Families (TANF), or those whose household assets do not exceed \$10,000 in value (excluding a residence and one car) and who are either eligible for the Earned Income Tax Credit, or have total household income of less than two times the Federal poverty line.”<sup>4</sup> These grants require that IDA programs assist participants to achieve their savings goals by providing training and supportive services related to family finances and financial management. The accumulated savings in these accounts must be used for one of three purposes – homeownership, education or business development. Today there are more than 500 IDA programs serving more than 50,000 account holders nationwide,<sup>5</sup> in addition to many asset development efforts that don’t fit under the IDA umbrella.

Numerous CAAs are among the organizations operating asset development programs. As you would expect from a network that is highly responsive to local needs and conditions, these programs take a variety of approaches to using IDAs and other asset development techniques to foster the economic empowerment of low-income people. Taken together, the asset accumulation reported by all CAAs in the 2008 CSBG Information Survey is substantial:

- 362,813 low-income families in CAA tax preparation programs received Federal or State tax credits totaling \$274,482,126.
- 6,479 low-income families opened Individual Development Accounts or other savings accounts, accumulating \$6,749,830 in total savings.
- 654 low-income families began small businesses with \$1,019,550 in accumulated savings.
- 1,059 low-income families pursued post-secondary education with their accumulated savings of \$996,562.
- 1,359 low-income families saved \$9,013,897 and purchased a home with these accumulated savings.

**2008 CSBG Participant Use  
of Accumulated Assets by Category**



Some agency programs address multiple savings goals, while others concentrate their efforts in housing, education or business development. Some operate their program independently, and others have created or joined a network of cooperating organizations. Some are able to access state funding to match participant savings, and others look to a local lender, local government or a community foundation for these funds. All of these organizations are finding that their enthusiasm for asset development programs is bolstered repeatedly by the success stories and life-changing results that they see.

## **Sweet Home Arizona**

One of those success stories is Sandy, a client of Community Services of Arizona (CSA). A single mother of four, she came to the Homebuyer Education Program offered by CSA with a dream of homeownership, but an initial meeting with a CSA caseworker made it clear that she couldn't afford a home for five unless she tightened her budget. Sandy acted on the financial advice she received from the caseworker, reduced her spending, enrolled in the agency's IDA program and saved diligently. In the space of 10 months, she saved \$5,000 and qualified for IDA matching funds of \$3 for each \$1 she saved. With \$20,000 available for a down-payment and closing costs, and assistance from the CSA Housing Counselor to find the right loan product for her circumstances, Sandy was able to make her dream of homeownership come true.

Sandy is one of about 60 clients a year who participate in the Homebuyer Education Program. CSA staff say that homebuyer education is a critical part of the service they provide to would-be homeowners and that steering individuals who are unable to meet the obligations of homeownership away from making a home-buying mistake is as important as preparing those who are able to manage homeownership to take on that obligation. Over the past year, CSA has focused on providing homebuyer education in-house and using their linkages with other public and private organizations to find the right asset development product for each client, rather than managing the mechanics of asset development in-house. Creating these linkages is a major area of program activity in the CSBG Network; CAAs maintain an average of 137 active organizational linkages that they use to leverage resources and avoid duplicating program efforts. Working with partners like Newtown Community Development Corporation and the City of Glendale, CSA publicizes homebuyer assistance by different means in different locations. For example, Glendale citizens will find informational materials when they drop by town hall to pay a water bill, while in other locations, print media is the most effective means of contact. Those same partners provide the matching funds that allow successful applicants to secure the funds they need for a down-payment.

CSA's Homeownership Program emphasizes that asset development isn't only about the money. Clients who complete the Homebuyer Education Program and who want to pursue homeownership work with CSA staff to develop a work plan that will qualify them for the appropriate asset development program. That work plan might involve a year or more of preparation for the challenges they may face as homeowners, but it helps to assure that their home is a long-term asset to the family and to the neighborhood.

## Getting Down to Business

As the national economy continues to stagnate, one surprising outcome is that an increasing number of people who have become unemployed are turning to entrepreneurship to support their family and pay the bills. It's a risky choice – while about 675,000 new businesses are created each year, another 550,000 or so close up shop. According to Dun and Bradstreet, "Businesses with fewer than 20 employees have only a 37% chance of surviving four years (of business) and only a 9% chance of surviving 10 years." Small business specialists cite the well-known adage "Those who fail to plan, plan to fail" as one reason that so many fledgling businesses succumb.

Community Action Agencies in North Dakota are helping entrepreneurs to beat those odds by offering assistance to low and moderate-income county residents who are starting or growing their businesses. The North Dakota Community Action Partnership and its seven member agencies offer an IDA program that can be used for any of three purposes: home ownership, education or small business. Participants who elect to save funds to grow or start their small business have to meet specific participation requirements that are designed to help them plan for business success. Once they have passed the eligibility screening process, all IDA program participants must enroll in their CAA's case management program and meet regularly with their case manager to set and work toward personal and financial goals. Every participant must complete a ten-hour financial education program, either at the CAA or online through an FDIC-sponsored program. In addition, small business owners, or would-be owners, must also complete at least eight hours of specific training that helps them through the business planning process.

CAAs partner with local Small Business Development Centers (SBD Centers) and universities to provide more in-depth, business-specific training. Entrepreneurs can continue to use these SBD Centers even after their participation in the IDA program has ended; if their business shifts, their growth exceeds expectations or they don't meet their financial projections, they already have a relationship with someone they can turn to for informed advice.

Each CAA works with local lenders to establish the IDA accounts, into which participants must deposit at least \$25 monthly. For every dollar they save, they will receive \$2 in matching funds, so an entrepreneur who saves the \$2,000 maximum is awarded an additional \$4,000 to use towards their business goals. CAA staff strongly encourages entrepreneurs to save until they reach the \$2,000 cap, so that they make the most of this one-time opportunity to maximize their assets. IDA savers must make deposits for a minimum of six months before they become eligible to use their savings to grow or expand their business and although participants typically choose a savings period of about two years, they can save for up to four years if they need that time to reach their chosen goal. When an entrepreneur has completed the participation requirements and met the savings goal, he or she can withdraw the accumulated funds.

While the North Dakota IDA program is more frequently used to meet housing or education savings goals, a small but steady number of entrepreneurs have entered the program. Small business owners who have successfully completed their IDA program include a photography studio, wholesale international foods business, woodworking shop, sub shop, day care center, tortilla maker, coffee shop and piano studio. These business owners reap more than the financial benefits of IDA participation. The knowledge they gain through this process and the

relationships they have made give these entrepreneurs an edge that can help them beat the odds and own a business that flourishes for the long term.

### **Earn It. Keep It. Save It.**

The Volunteer Income Tax Assistance Program, or VITA, is a program of free tax preparation assistance for low- and moderate-income households, sponsored by the Internal Revenue Service (IRS). The IRS trains individuals who then volunteer their tax preparation skills to eligible households, often through a local nonprofit organization. Community Action Agencies across the country support VITA by recruiting volunteers, providing tax preparation sites and conducting outreach to potential customers. Many low-income workers believe that their earnings are too low to file a return – and when they don't file a return, they pass by the opportunity to receive the Earned Income Tax Credit (EITC), a refundable tax credit that was created as a work incentive for low-wage workers. The CSBG Network recognizes the important of the EITC to asset accumulation in the low-income community, and agencies have taken approaches as varied as their locations to get the word out to low-income individuals that they should file a return in order to claim the refund to which they are entitled.

The Community Action Partnership of Utah (CAP Utah) has been a key partner in designing and implementing a statewide initiative – *Earn It. Keep It. Save It.* – that encourages low-income workers to file a return, and to use their refund as a springboard to further savings. The nine Utah Community Action Agencies are active in providing direct services to taxpayers in their local area. The 'Save It' part of the program is a cooperative effort among the United Ways of Utah, Utah 2-1-1, the AAA Fair Credit Foundation, Utah Saves, Utah State University Extension and CAP Utah that assists people who wish to pay down debt, build an emergency fund, or afford a home, education, investments, or retirement in order to improve their standard of living and most important, gain peace of mind. At [www.utahsaves.org](http://www.utahsaves.org), the coalition notes that about one-third of all Utah residents are struggling financially and it provides information, advice and encouragement to savers at all income levels.

In 2010, the VITA program continued to grow. Marketing efforts were stepped up through television news interviews and newspaper articles. CAP Utah placed an emphasis on telling stories about previous VITA participants that taxpayers could relate to their own situation. That approach seemed to connect for Utah taxpayers, and the number of filers increased. In the 2010 tax season, 617 volunteers assisted 15,401 tax filers to obtain over \$22 million in income tax refunds – a 10% increase in participants and a 30% increase in refunds over 2009 totals. In addition, they increased the distribution of the EITC by 20%, thus providing low-income families with over \$7 million in additional funds. These additional funds were available for household needs that went unmet in the past or provided the opportunity for a more promising future.

### **Small Assets Making a Big Difference**

Sometimes, even the ownership of minor assets can make a big difference to a low-income family. When employment opportunities are geographically dispersed and public transit is limited or non-existent, ownership of a reliable vehicle can make the difference between self-sufficiency and unemployment. For low-income working families, car ownership can mean the

opportunity to earn a higher wage, obtain better employment, spend more family time together, and have access to more choices in terms of housing, schools, and social activities—together helping create a better quality of life and financial independence.

Responsible Rides is an asset development program that focuses on the narrow but high priority need for reliable transportation. It is operated through the partnership of two Community Action Agencies, Total Action against Poverty (TAP) in Roanoke, VA and New River Community Action in Radford, VA. While many asset development initiatives rely on federal Assets for Independence funding, or use similar state funds, Responsible Rides is an example of a locally-funded program responding to local needs and resources. Private sector partners Freedom First Credit Union (FFCU), Freedom First Insurance, and Enterprise Car Sales make this program possible.

In addition to meeting residency and income eligibility requirements, customers of the program must be licensed drivers who are employed, have a good driving record and are drug-free. They must meet a minimum credit score requirement, though one that is somewhat more lenient than the usual lender criteria. Customers who are accepted into the program must complete a three-hour financial education course, taught by a credit union employee who explains the financial responsibilities of vehicle ownership and helps participants look at that expense in the context of their overall household budget. After this class, participants have a better understanding of what is an “affordable” vehicle for them. Customers also attend a two-hour vehicle maintenance class, usually taught by the Responsible Rides Program Director, who brings the advantage of many years of experience in the automotive business to the program. Customers who successfully complete the training then work with the Program Director and Enterprise Car Sales to select an affordable vehicle. Individuals who were once looking at paying predatory lending rates of 25% interest or higher can obtain a 60-month loan from FFCU at 9.5% and secure affordable car insurance through Freedom First Insurance.

Program Director Donna Stevens credits the rapport she has been able to build with each customer, along with a firm schedule for calling with reminders about payments and vehicle maintenance, for the zero default rate in the program to date. The first customer obtained her vehicle in February, 2010 and so far, 41 customers have driven away in their own vehicle - all of which are 2008 models or newer and come with a 12 month warranty. One customer, a retired registered nurse, recently talked to the board of the credit union, saying, “After 46 years of working, I never thought I would need this kind of help, but here I am.” She is now able to have an active retirement, volunteering to transport transplant patients and regularly reading to schoolchildren. A single mother of seven was thrilled simply to be able to transport all of her children at one time, instead of making multiple bus trips. She noticed that her children hadn’t been sick since she purchased her van, though it seemed like they were always ill when they were traveling on crowded buses and walking in every kind of weather. Two women who are on the nursing staff at an area hospital are now able to put in extended hours and improve their incomes; without a car, they had to stop working before the buses stopped running at night. And on a lighter note, one woman reported that not only had the car helped with work transportation, it also allowed her to have a social life, and she is now engaged!

TAP first considered the need for transportation assistance seven years ago when graduates of their employment and training program couldn’t get to the work that was available, and New River Community Action had operated a low-key vehicle program for about four years. But it

took the participation of the private sector to take the program to its current level, and 41 families are the grateful beneficiaries of that cooperation.

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## Conclusion

This Issue Brief showcases only a small sampling of the Asset Development initiatives that are being carried out by the CSBG Network across the country, in every state. CAAs were early adopters of the common-sense idea that appropriate financial incentives will encourage people to build assets and invest in their own financial future. Early data suggest that IDA participation has had positive effects on household financial assets even without counting IDA savings, and that contrary to concerns about the usefulness of IDAs for the very low-income, those participants have responded faster to the saving incentives than others. Overall, the IDA program has been confirmed as a successful method of promoting a culture of saving, by providing an appropriate institutional setting for low-income people to save.<sup>6</sup> Across the Community Action Network, those findings are confirmed in the day-to-day experience of program managers and case workers, who can share in the satisfaction of creating change, and meeting the promise of Community Action: to change people's lives, embody the spirit of hope, improve communities, and make America a better place to live.

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<sup>1</sup> Wolff, Edward N. 2010. "Recent Trends in Household Wealth in the United States: Rising Debt and the Middle Class Squeeze – an Update to 2007." Working Paper No. 589. The Levy Economics Institute of Bard College, Annandale-on-Hudson, New York. [http://www.levyinstitute.org/pubs/wp\\_589.pdf](http://www.levyinstitute.org/pubs/wp_589.pdf).

<sup>2</sup> Ganzglass, Evelyn and Kane, Andrea, 1997. "Building Assets and Economic Independence Through Individual Development Accounts." National Governors Association, Washington, D.C.

<sup>3</sup> Michael Sherraden, *Assets and the Poor: A New American Welfare Policy*, M.E. Sharpe, Armonk, New York, 1991.

<sup>4</sup> *Assets for Independence Program Summary, 2009*. Office of Community Services, Administration for Children and Families, U.S. Department of Health and Human Services, Washington, D.C. [http://www.acf.hhs.gov/programs/ocs/afi/fact\\_sheet.html](http://www.acf.hhs.gov/programs/ocs/afi/fact_sheet.html).

<sup>5</sup> D2D Fund. 2009. Roxbury MA. [http://d2dfund.org/our\\_work/building\\_savings/online\\_ida](http://d2dfund.org/our_work/building_savings/online_ida).

<sup>6</sup> Jin Huang, Center for Social Development, George Warren Brown School of Social Work, CSD Working Paper 9, 2009.

*This publication was created by the National Association for State Community Services Programs in the performance of the U.S. Department of Health and Human Services, Administration for Children and Families, Office of Community Services, Grant Number 90SQ0048. Any opinions, findings, and conclusions, or recommendations expressed in this material are those of the author(s) and do not necessarily reflect the views of the U.S. Department of Health and Human Services, Administration for Children and Families.*