

What It's Worth

Strengthening the Financial Future of Families, Communities, and the Nation

June 14, 2016

Organized by the Federal Reserve Bank of San Francisco

The **Connecting Communities**[®] audio conference series is a Federal Reserve System initiative intended to provide timely information on emerging and important community and economic development topics with a national audience. The audio conference series complements existing Federal Reserve Community Development outreach initiatives that are conducted through our regional Reserve Bank offices and at the Federal Reserve Board of Governors in Washington, D.C.

Welcome

Thank you for attending today's session. How to join (remember, this session is being recorded):

- Call-in number: 888-625-5230
- Conference code: 2768 5305#
- Webinar link: <https://www.webcaster4.com/Webcast/Page/584/15051>

You have two options to ask questions today:*

**These questions may be part of the recorded archive for this session.*

- Email us at: communities@stls.frb.org
- Type your question into the chat box of the webinar

An archived recording of this session will be available on the **Connecting Communities**[®] website shortly after the session ends. Please visit www.stlouisfed.org/connectingcommunities/

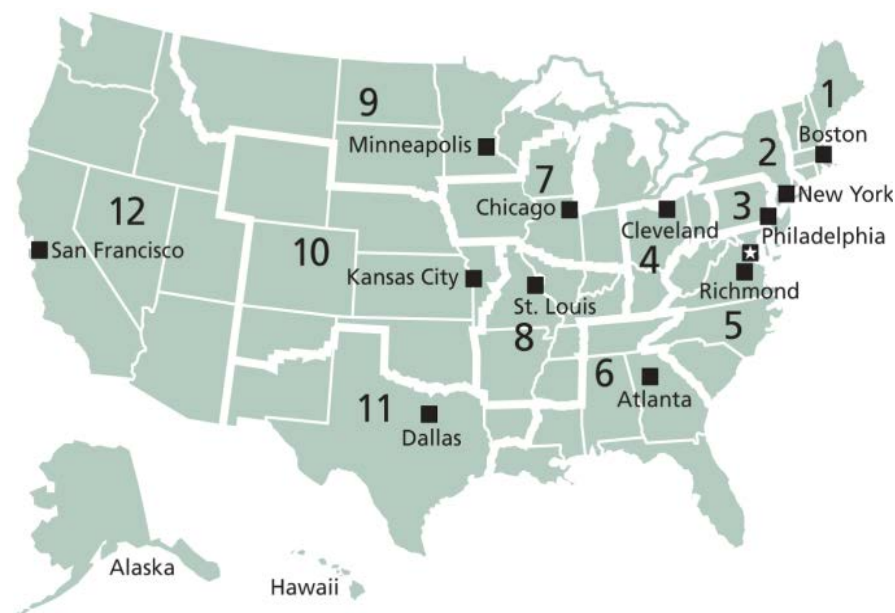
In connection with this session, you can find a variety of additional resources on this topic, available at www.fedcommunities.org. We encourage you to browse through this site and to contact your regional office if you would like additional information on any of these items.

Legal Notices and Disclaimer

The information, analyses, and conclusions set forth are those of the presenters and do not necessarily indicate concurrence by the Board of Governors of the Federal Reserve System, the Federal Reserve Banks, or members of their staffs.

Community Development

- The Community Development function within the Federal Reserve System—consisting of individual departments at each of the 12 Federal Reserve Banks and at the Board of Governors—promotes economic growth and financial stability for low- and moderate-income (LMI) communities and individuals through a range of activities, including:
 - **Convening stakeholders**, including practitioners, financial institutions, nonprofits, governmental agencies, and the philanthropic and private sectors
 - **Conducting and sharing research** to examine economic challenges facing LMI communities and attendant policy implications
 - **Identifying emerging issues**



Today's Presenters and Agenda

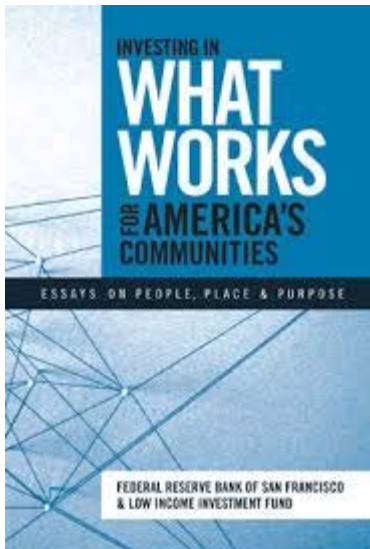
- Presenters:
 - **Laura Choi**, Senior Research Associate, SF Fed, San Francisco, CA
 - **Kate Griffin**, Vice President–Programs, CFED, Washington, D.C.
 - **José Quiñonez**, CEO, Mission Asset Fund, San Francisco, CA
 - **Paul Weech**, CEO, NeighborWorks America, Washington, D.C.
- The following will be discussed:
 - Key insights on financial well-being from the book *What It's Worth*
 - Strength-based approaches for building assets (Lending Circles)
 - Housing as a platform for strengthening financial health

Introducing *What It's Worth*

Laura Choi

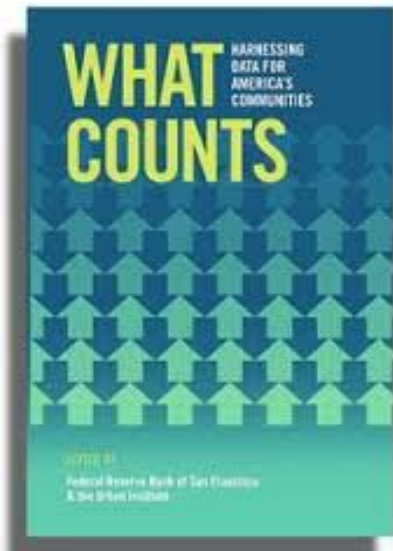
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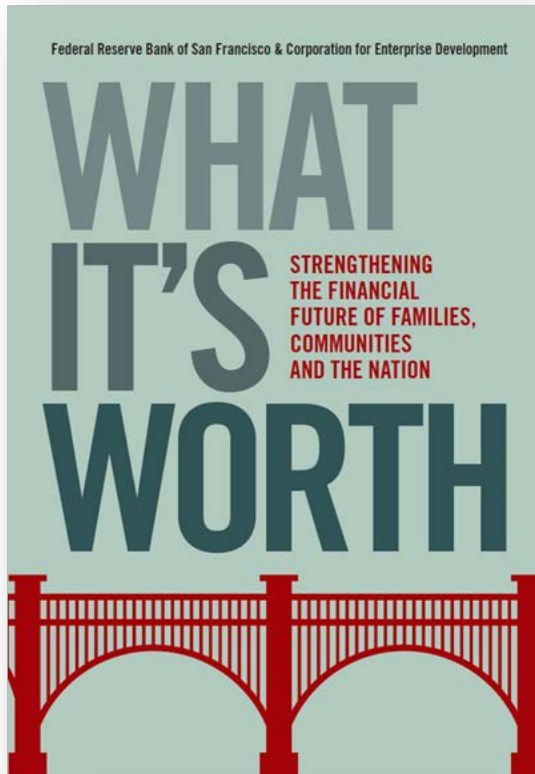




Introducing *What It's Worth*

- Third book in the *What* series:
 - [Investing in What Works in America's Communities](#)
 - [What Counts: Harnessing the Power of Data for America's Communities](#)
- Continuing themes of the *What* books:
 - Cross-sector collaboration
 - Data-informed decision-making
 - Intersection of people and place
 - A focus on systems change:
 - Policy
 - Finance
 - Practice





Introducing *What It's Worth* (continued)

- Collection of over 30 essays from leading experts in a wide variety of fields
- Diverse set of authors examining:
 - Systemic causes of financial insecurity
 - Current innovations to increase financial well-being
 - How to implement proven and emerging solutions
- Visit www.strongfinancialfuture.org:
 - Free e-book, pdf, or hard copy



Funding for this project Citi Foundation
generously provided to CFED by



What *What It's Worth* Tells Us About Financial Health and Well-Being

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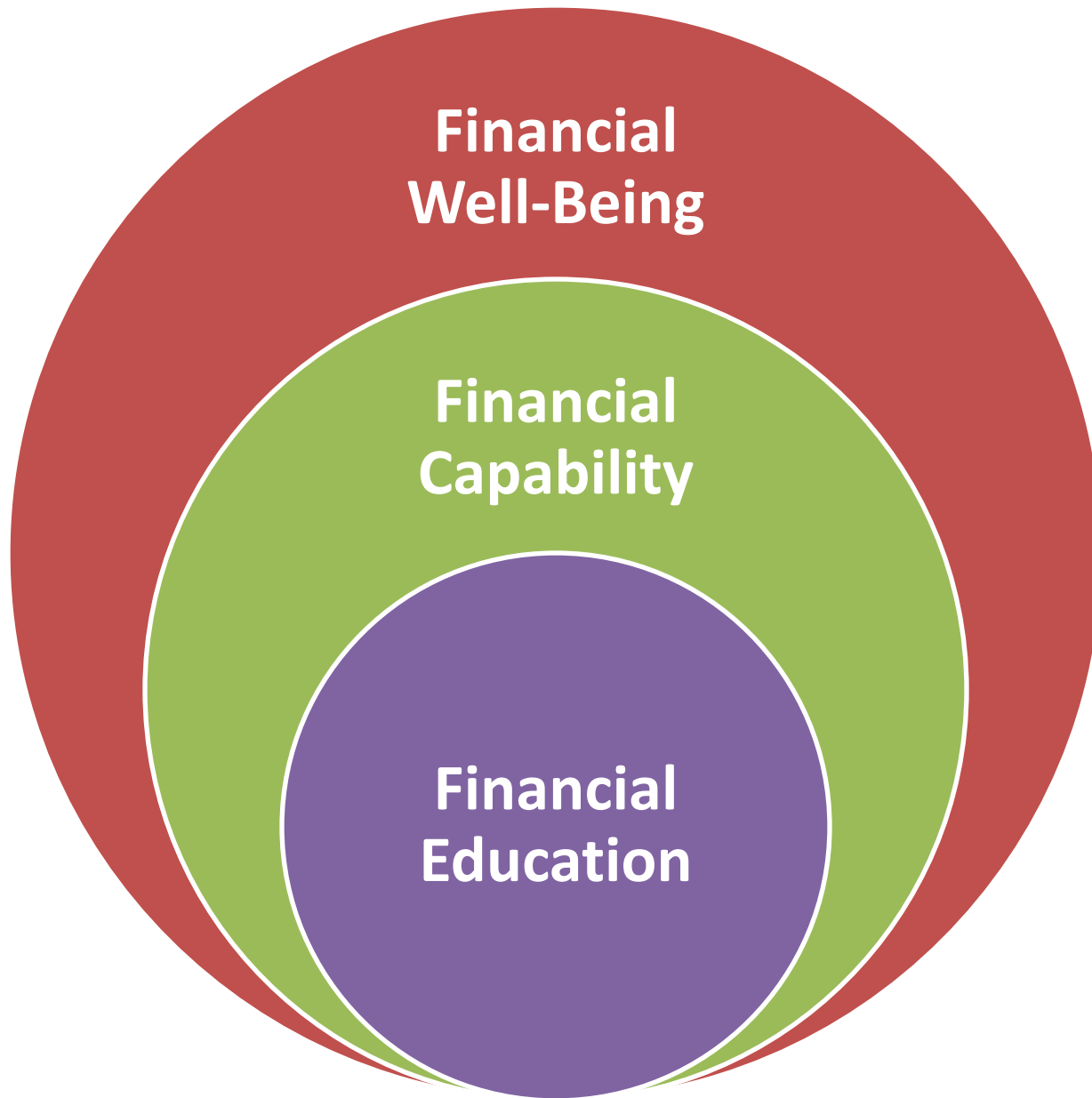


Financial health affects and is affected by every aspect of a person's life—health, housing, marital status, educational attainment, employment opportunities, and the ability to dream and plan.

#WhatItsWorth

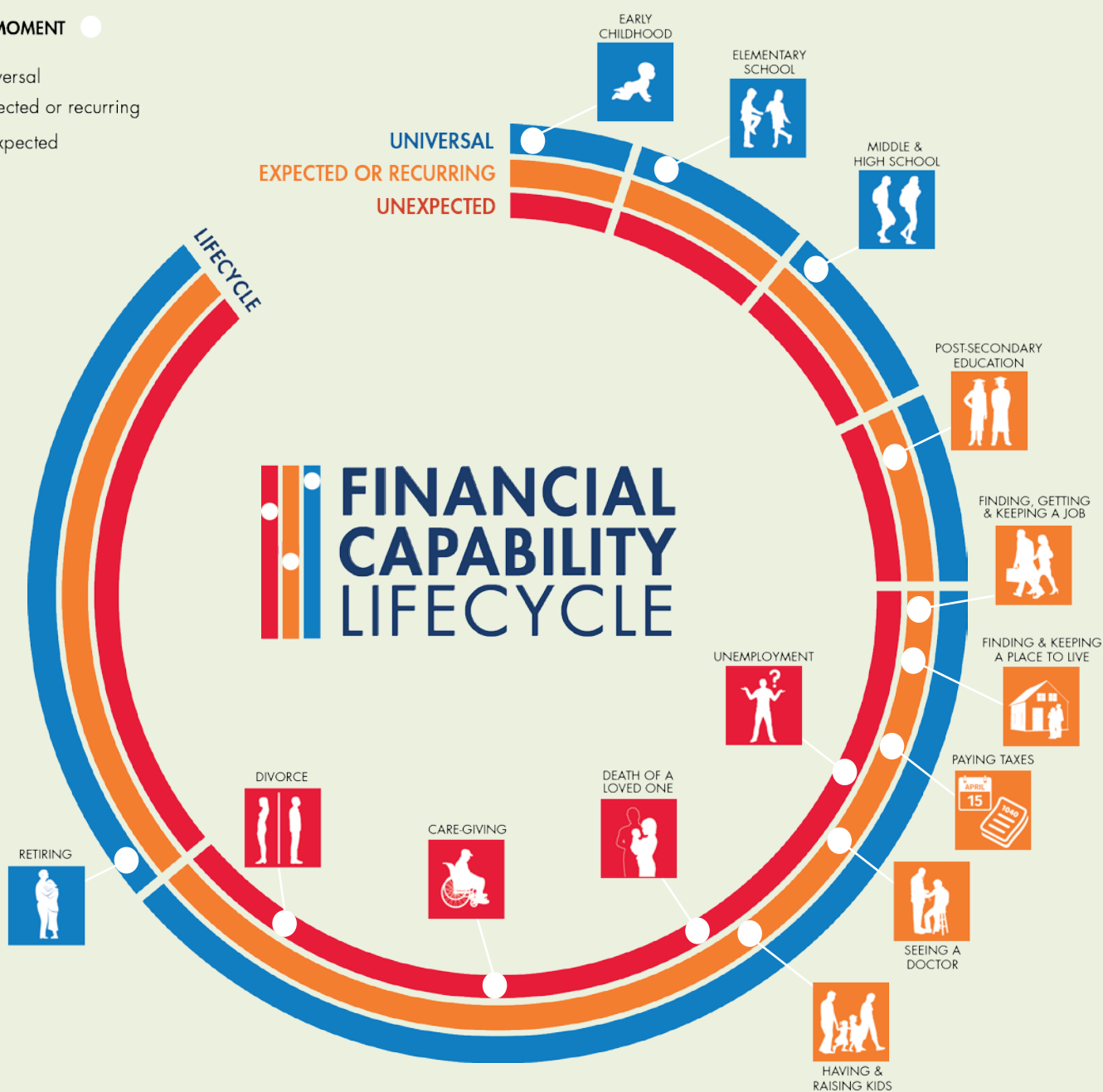
Four Elements of Financial Well-Being

	Present	Future
Security	Control over your day-to-day, month-to-month finances	Capacity to absorb a financial shock
Freedom of choice	Financial freedom to make choices to enjoy life	On track to meet your financial goals



LIFECYCLE MOMENT ●

- Universal
- Expected or recurring
- Unexpected



To achieve the **opportunity economy**, it is imperative to providing opportunities for families to build financial capability, defined as having financial knowledge, practicing financial skills and accessing financial products.

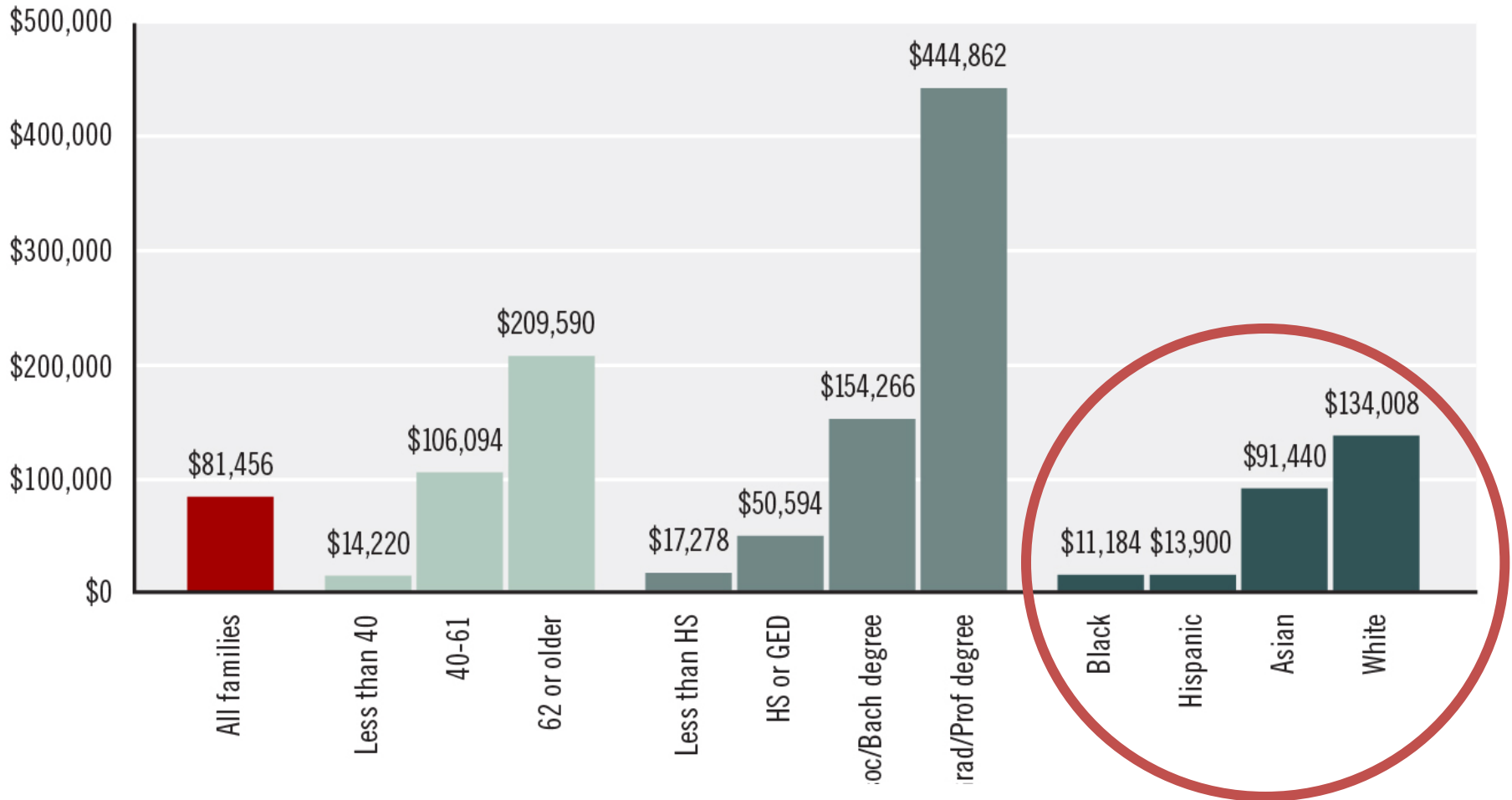
These strategies provide on-ramps for families to get on the path toward saving and building assets.



Thrivers vs. Strugglers: A Growing Economic Divide

- Age matters:
 - Americans in their 20s and 30s lost the most wealth in the recession and have been the slowest to recover.
- Education matters:
 - Those lacking a high school degree saw their wealth plummet 44 percent between 1989 and 2013.
- Marital status matters:
 - Four out of five couples are married in the top 20 percent of earners.

... and Race Matters





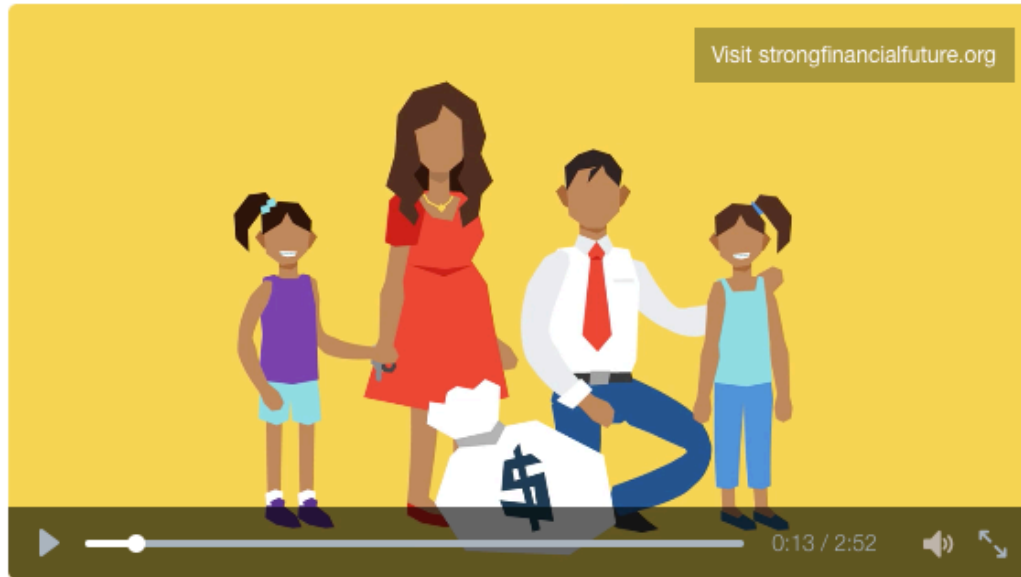
What It's Worth Book
@StrongFinFuture



Following

Watch how privileges or setbacks can pile up for the thrivers and strugglers of America.

#WhatItsWorth



Meet the Thrivers and Strugglers of America

When it comes to financial health, when you are born and enter the job market, the wealth of your parents, race and ethnicity, and more can determine whether you become a "thriver" or a "struggler."

RETWEETS

35

LIKES

21



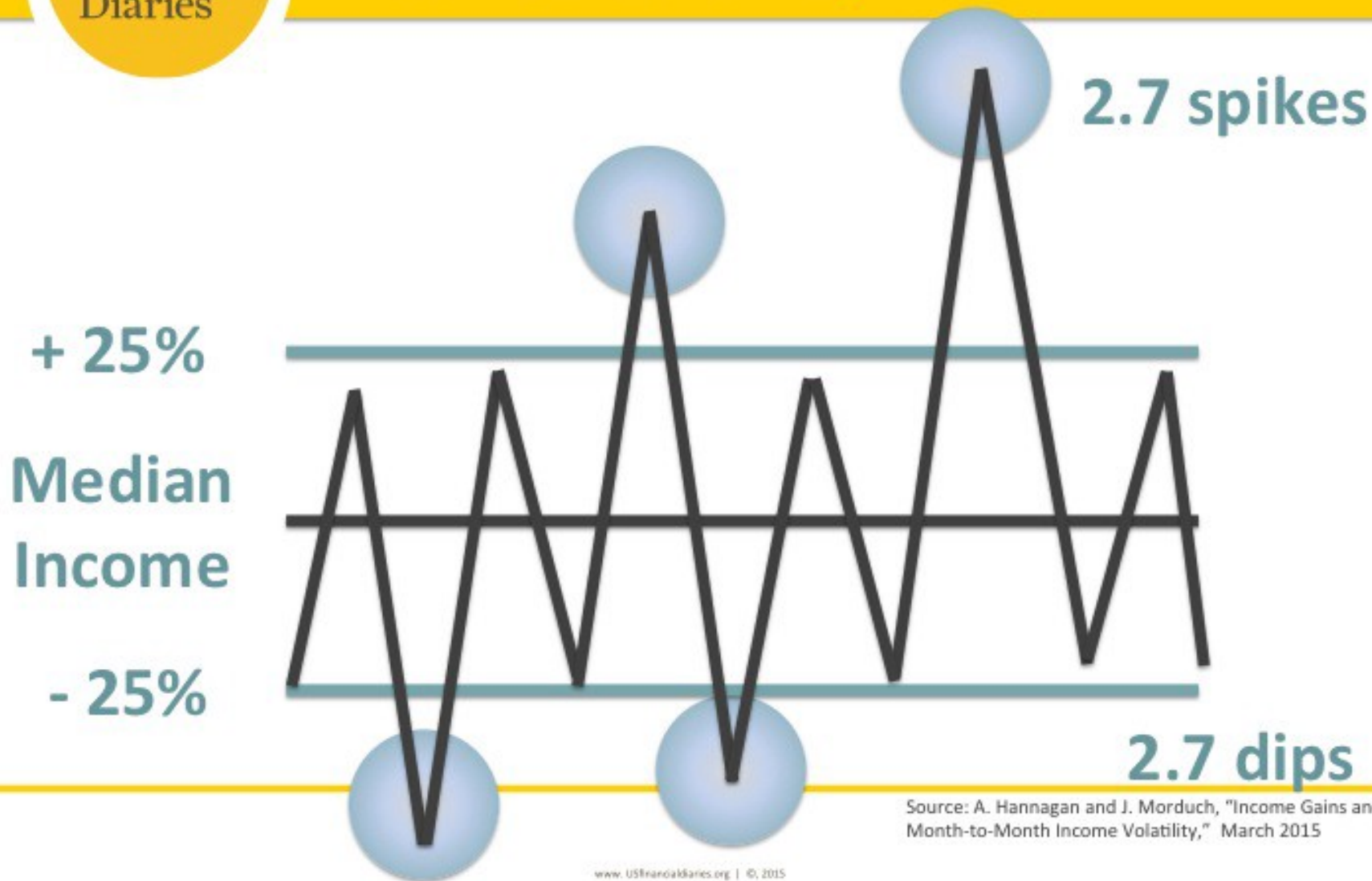
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A Complex Set of Factors Influence Financial Health

- Cash flow is as important an indicator as annual income.
- Income matters, but so do planning and saving.
- Access to financial services is important but insufficient.
- Borrowing and saving are opposite sides of the same coin.
- Financial progress is complex, unpredictable, and often messy.

Income Uncertainty



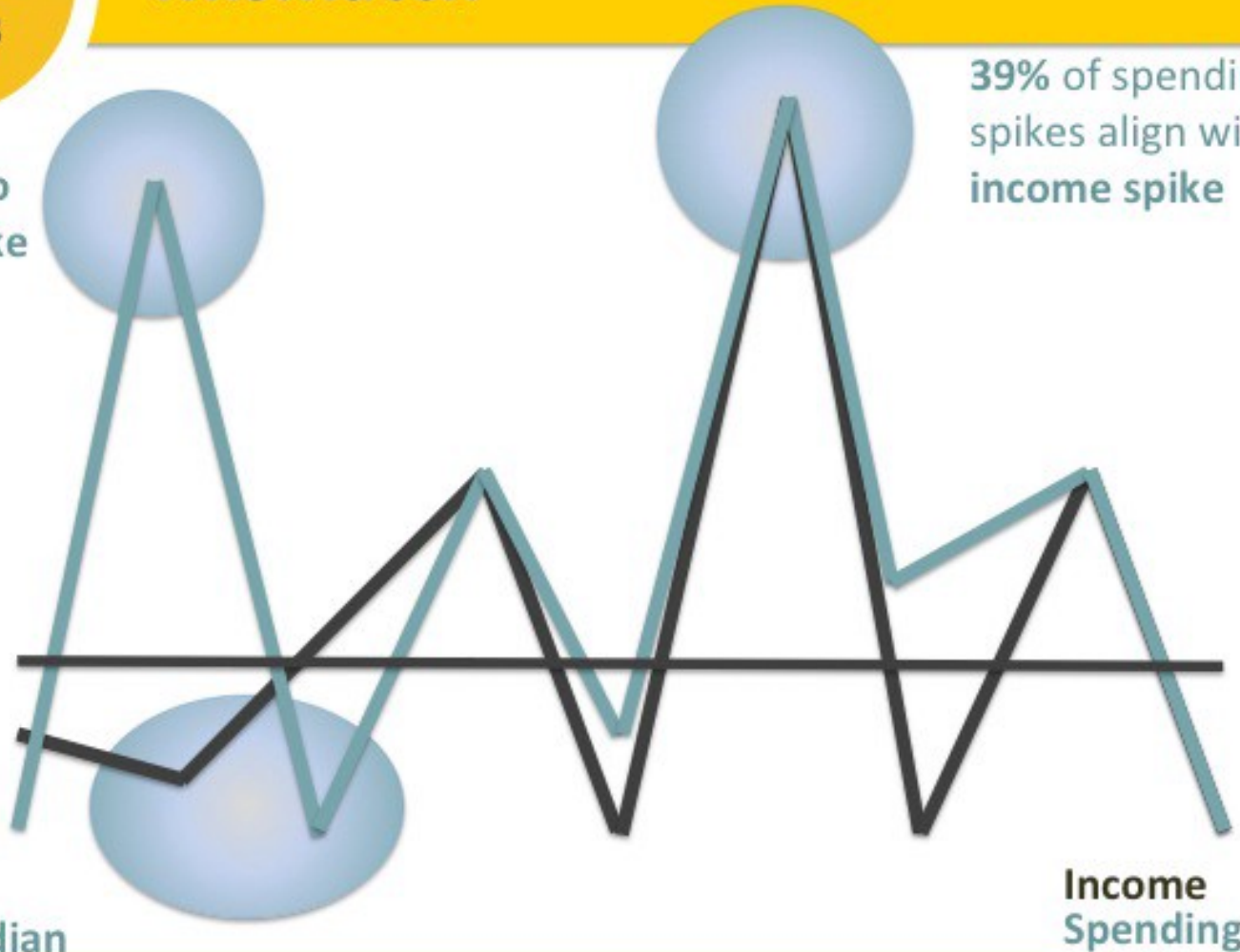
**U.S.
Financial
Diaries**

Mismatch

61% with no
income spike

39% of spending
spikes align with an
income spike

25% when
income is
below median



**Income
Spending**

Source: A. Hannagan and J. Morduch, "Income Gains and Month-to-Month Income Volatility," March 2015

www.usfinancialdiaries.org | ©, 2015

So What Do We Do About It?

- *What It's Worth* offers:
 - Insights into how this affects specific communities
 - Analysis of why financial health and well-being are important to workforce, health, housing, education, and more
 - Specific examples of on-the-ground solutions working in communities today

Lending Circles: Connecting Communities for Financial Inclusion

José Quiñonez

CEO, Mission Asset Fund
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LIFE IN THE FINANCIAL SHADOWS

INVISIBLE



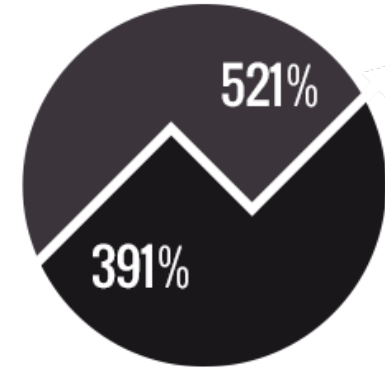
45 million people are without access to affordable credit.

STUCK



Wages are flat, and cost of living is up.

STRAPPED



Average interest for payday lenders ranges from 391–521%.



SOCIAL LENDING

It's a global practice.

People come together to lend and borrow money.



LENDING CIRCLES



JANUARY



\$ 1,000

FEBRUARY



\$ 1,000

MARCH



\$ 1,000

APRIL



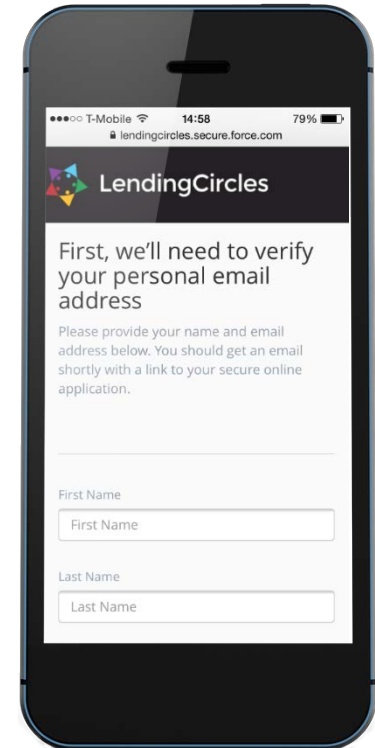
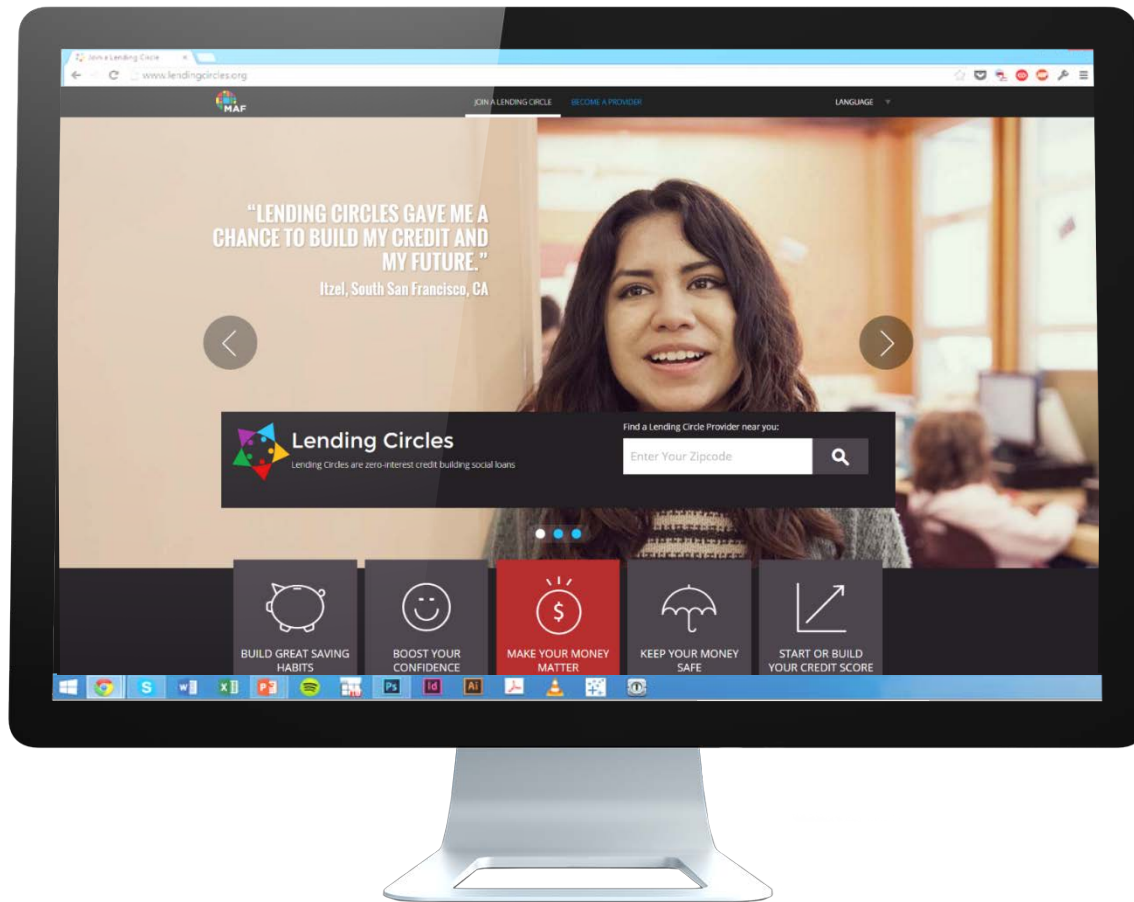
\$ 1,000



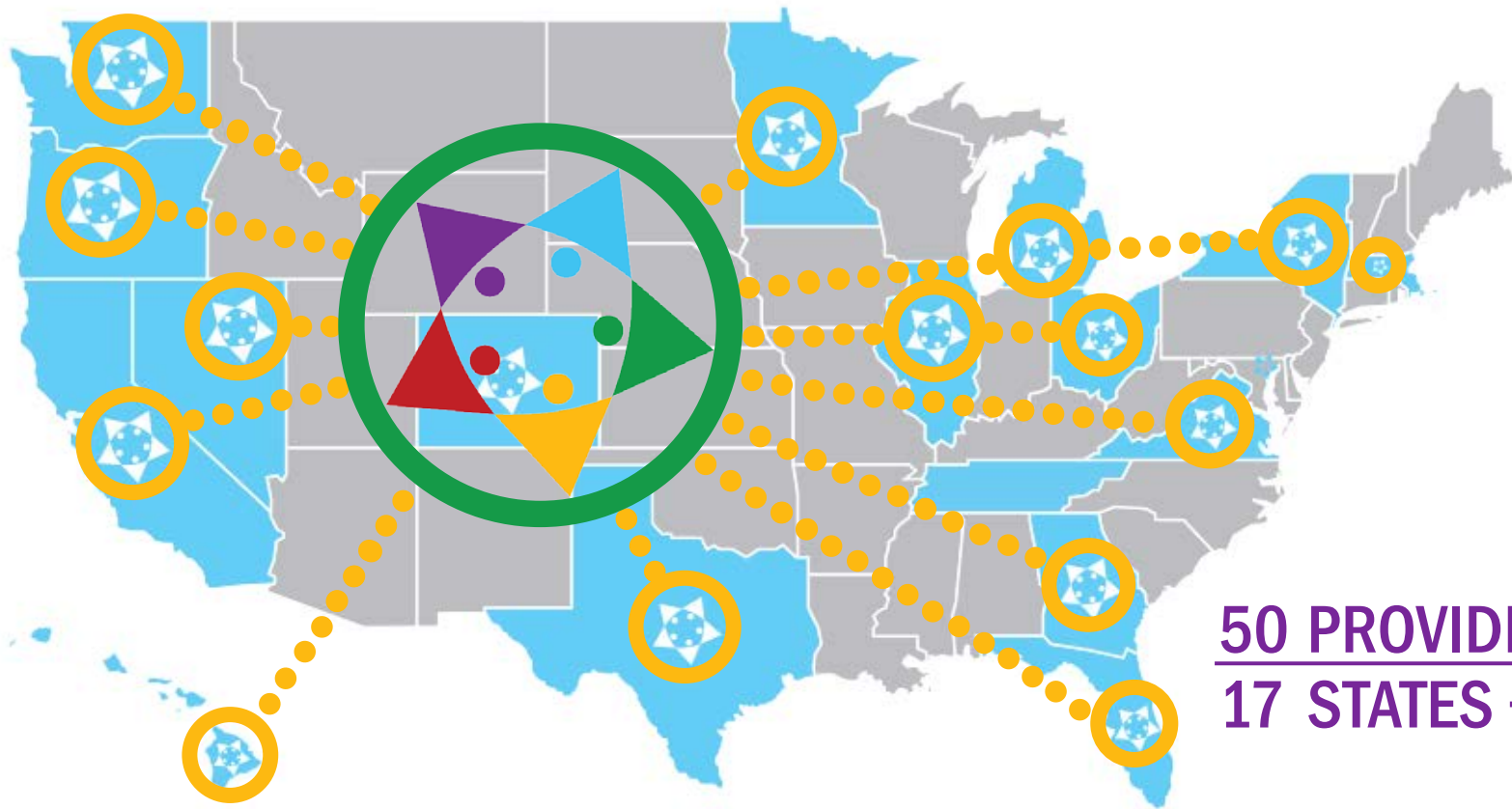
EQUIFAX



USING TECHNOLOGY FOR GOOD



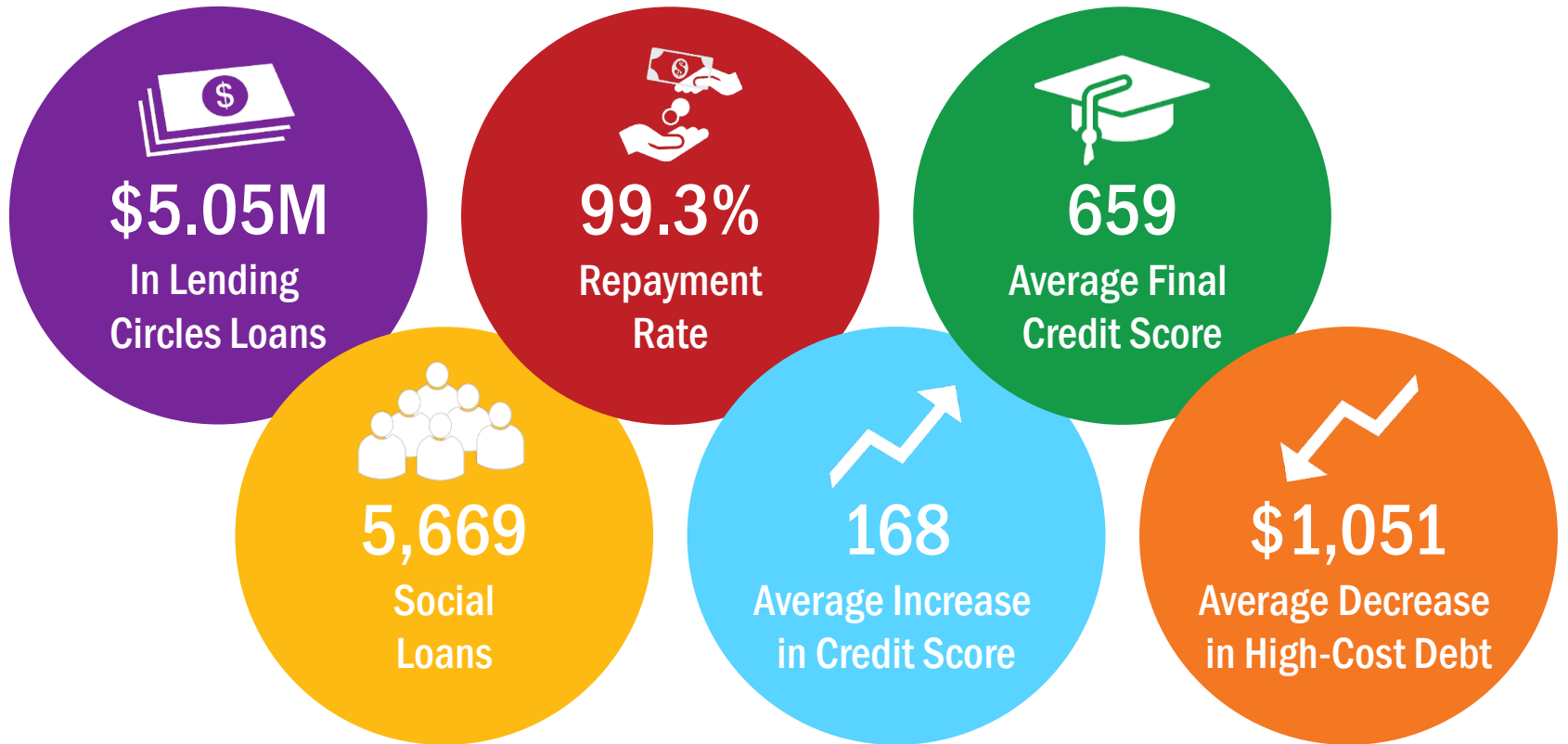
NETWORK APPROACH TO SCALE



50 PROVIDERS
17 STATES + DC



IMPACT



FINANCIAL EDUCATION



ONLINE | MOBILE
BILINGUAL | INTERACTIVE
16 MODULES | +27 POINTS

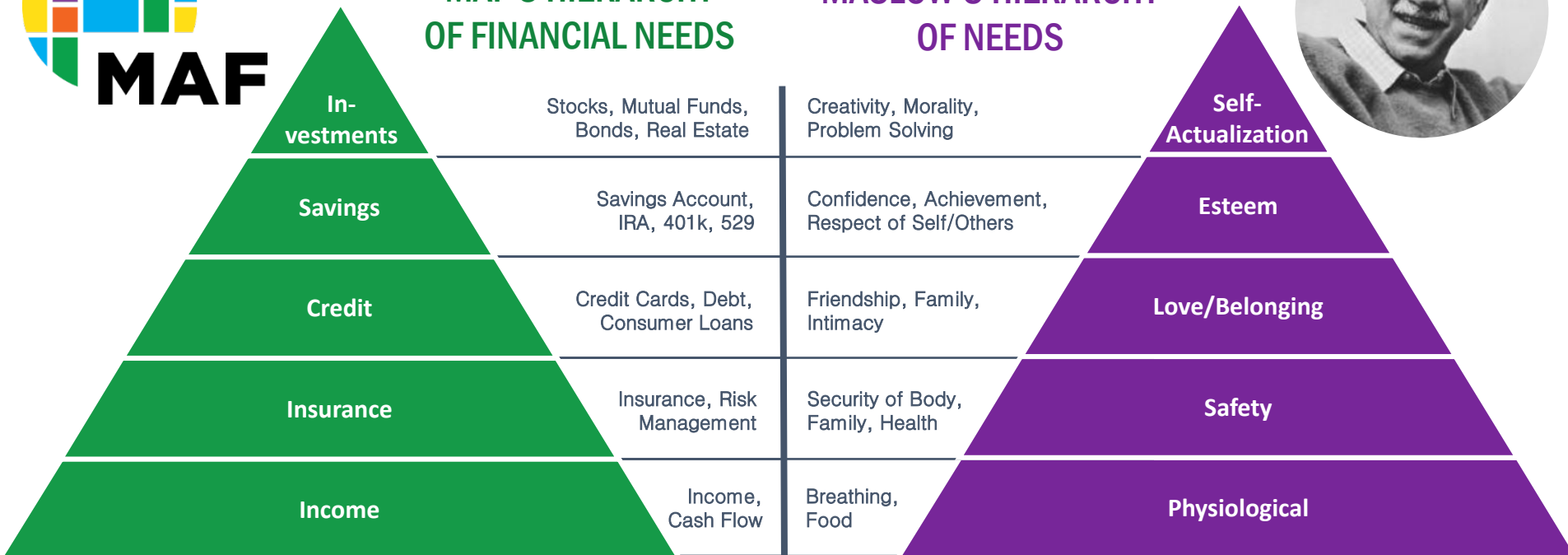


HIERARCHY OF FINANCIAL NEEDS



MAF'S HIERARCHY OF FINANCIAL NEEDS

MASLOW'S HIERARCHY OF NEEDS



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STAY
IN TOUCH



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Housing and Financial Stability

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NeighborWorks America

We are a Congressionally chartered 501(c)(3) with a 38-year history.



We provide grants, technical assistance, and training to a network of more than **245 nonprofit organizations** all over the country.



We delivered **\$184 million** in grants last year, \$125 million to the network.

NeighborWorks America (continued)

We serve the broader housing and community development sector.



We administer the National Foreclosure Mitigation Counseling program—more than **two million people** helped.



Our training programs provided more than **20,000 certificates** last year to housing and community development professionals.

Housing Instability = Financial Instability

Housing costs are typically the single largest expense in a family's budget—especially for low-income families.

11.8M

In 2013, more than **19.3 million households** paid more than 50 percent of income for housing.

—*Joint Center for Housing Studies report*

57%

57 percent of U.S. adults considered student debt an obstacle to buying a home.

—*NeighborWorks America survey*

6.7M

There were **6.7 million** seriously underwater properties in the first quarter of this year.

—*RealtyTrac report*

Housing Stability Supports Financial Stability



Housing First for homeless families is a predicate for other pathways to financial stability.

Housing Stability Supports Financial Stability (continued)



Affordable rent frees up disposable income for other basic needs and potentially for savings.

Housing Stability Supports Financial Stability (continued)



Owning a home with an amortizing mortgage includes built-in savings and potential for wealth accumulation through appreciation.

Housing Stability Supports Financial Stability (continued)



Supportive housing for seniors and people with disabilities can reduce medical costs.

Housing Stability Matters



Stable housing is a key element of school and employment success.



Stability can also reduce stress and improve health outcomes.



Growing up in a **community of opportunity** leads to better life outcomes for children.

What Can We Do?

- Housing stability is critical to financial stability.
- Too many Americans face housing instability.
- Proactive housing strategies offer a path to greater financial stability, even for those with relative housing stability.

Affordable Rental Housing Matters

- Housing First strategies for homeless populations
- Supportive housing for seniors and people with disabilities
- Developing and preserving supply of affordable rental housing and housing assistance
- Rent strategies, such as Family Self-Sufficiency, that allow renters to build savings

Focus on Eviction Prevention

- New focus on evictions:
 - In the book *Evicted*, Matthew Desmond shows that unstable housing causes poverty.
 - NeighborWorks group Community Housing Partners (CHP) is teaching residents financial skills to reduce evictions.
 - They found that every avoided eviction saves \$4,000 in operating costs.



Lynn White, a resident at a CHP property, learned how to save money with help from the organization's financial program.

Rebuild the Path to Sustainable Homeownership

- Embed homebuyer education and housing counseling in the mortgage finance system:
 - Clients receiving prepurchase counseling and education from NeighborWorks organizations are one-third less likely to become seriously delinquent than those who did not receive it.*
- Expand the availability of hybrid tenure models, such as lease-to-own and shared-equity models, as paths to ownership and asset-building

*Study conducted by Experian and Neil Mayer and Associates, funded by NeighborWorks America, released in 2012.

From Counseling to Coaching

- NeighborWorks America has:
 - Invested in training to become financial counselors
 - Taken staff beyond homebuyer education to coaching for broader financial goals:
 - 57 percent of participants who started with no savings established regular savings following coaching.
 - 48 percent of those who were already saving increased the amount they regularly set aside.

Community Context Matters



Mixed-income, mixed-tenure housing options



Access to good schools, health care, and jobs



Engaged residents helping to shape the future



Richness in diversity

Every Community Should be a Place of Opportunity

Comprehensive Community Development

- Mixed-tenure housing options: affordable rental housing and homeownership for existing residents
- Resident engagement in shaping the future
- Complementary investments from other partners in public and private sectors
- Community amenities that attract resources and new investments and support livability
- Good schools supporting stronger housing values
- Diverse, mixed-income communities leading to better life outcomes

The Delivery System Matters

- Social enterprise: Strong, financially stable nonprofits are able to serve more people, coordinate partners, and increase impacts.
- Power of networks: Networks reinforce each others' work by disseminating innovation and best practices and creating virtual scale through shared services.
- Cross-sector collaboration: Coordination of investments in communities and family financial stability is important.

Questions?

You have two options to ask questions today:

1. Email us at: communities@stls.frb.org
2. Type your question into the chat box of the webinar

Wrap-Up/Closing

Thank you to today's presenters and to all participants for joining this session.

Next steps:

- All session materials are available on our website, and in the next few days, we will be posting an audio file of today's session.
- If you have topical suggestions for future sessions or any questions about this program, please feel free to contact us at communities@stls.frb.org
- Information about future sessions will be posted on our website, along with archived materials from past sessions: www.stlouisfed.org/connectingcommunities/

Related Resources



In connection with this session, you can find a variety of additional resources on this topic, available at **www.fedcommunities.org**.

You will find an array of practical resources to help you in your role as a community development professional, whether your work involves supporting people and places, practicing community development, or developing small businesses.