Key Facts:

Financial Education

- Adults who had an allowance, bank account, or investment as a child generally saved an average of 36 percent, 108 percent, and 40 percent more of their incomes, respectively.
- There is a strong link between financial education and retirement saving. One study found that employees who attended workplace financial education classes had 20 percent more in retirement savings than those without such education.
- Low-income women were more likely to save, budget their money, and decrease their debt and use of payday lenders after attending a 12-hour financial education course. More than one-third of these women opened bank accounts, started retirement savings, and applied for and received public benefits they did not receive before the class.

Homeownership

- Approximately 47 percent of African Americans and 50 percent of Latinos own their own homes compared with more than 75 percent of whites.
- Over four million homeowners who earn less than $30,000 per year pay higher interest rates for their mortgages than those with higher incomes.
- An estimated 2.4 million borrowers with subprime home loans originated between 1998 and 2006 have already lost or will lose their homes to foreclosure.

Savings and Debt

- In 2005, the U.S. had a negative personal savings rate for the first time since the Great Depression.
- Among lower-income households, more than 23 percent do not have a checking account, while another 64 percent do not have a savings account.
- Approximately 40 million Americans who have bank accounts still continue to rely on high-cost alternative financial services, such as check cashers.
- Each year, more than $30 billion in public benefits go unclaimed, often because of confusion regarding eligibility requirements and lengthy application processes.
- The average American has $9,000 in credit card debt, contributing to a total U.S. credit card debt of $800 billion.
- One out of three households report using credit cards to cover basic living expenses – including rent, groceries, and utilities.
- One in every 60 households – approximately two million people – filed for bankruptcy in 2005. The leading causes of bankruptcy are job loss, medical debt, and divorce.

Protecting Assets

- Most people who use check cashing services earn less than $30,000 a year.
- The payday lending industry has grown exponentially from a few hundred locations in the early 1990s to nearly 23,000 locations nationwide. There are now roughly the same number of payday lending establishments as there are McDonald's and Starbucks locations combined.
- There are more than 26,000 non-bank businesses providing check-cashing services in the U.S. Most are concentrated in low-income neighborhoods.
- Low-income tax filers are nearly three times more likely than higher-income filers to use refund anticipation loans. These advance payments are accompanied with interest rates ranging anywhere from 70 to 1,800 percent.
- A city can lose up to $20,000 per year in property taxes and other costs for every property abandoned by foreclosure. With an estimated 2.2 million foreclosures, that translates into a loss of $44 billion.

  Sources: American Bank Institute, Brookings Institution, California Reinvestment Coalition, Center on Budget and Policy Priorities, Center for Financial Services Innovation, Center for Responsible Lending, Consumer Bank Project, Demos, Internal Revenue Service, National Community Investment Fund, National Governors Association, New America Foundation, United Way of America, U.S. Census Bureau, and U.S. Department of Commerce.

Resources:

NLC's Institute for Youth, Education, and Families (YEF Institute) helps municipal leaders take action on behalf of the children, youth, and families in their communities. The YEF Institute has a variety of resources on asset-building strategies, including *Maximizing the Earned Income Tax Credit in Your Community: A Toolkit for Municipal Leaders* (available at www.nlc.org/iyef/eitc), an action kit for municipal leaders on *Helping Working Families*, and a report on *Screening Tools to Help Families Access Public Benefits*. For more information, contact Heidi Goldberg at (202) 626-3069 or goldberg@nlc.org. www.nlc.org/iyef

Additional resources and information about family financial stability are described below.

The Aspen Institute's Economic Opportunities Program (EOP) advances promising strategies that connect the poor and underemployed to the mainstream economy. The program operates on the premise that alleviating poverty requires changing systems and transforming an individual's relationship to money, work, and assets. EOP produces research and policy and program ideas on helping low-income individuals and communities gain access to mainstream financial services. www.aspeninstitute.org

Brookings Institution is a nonprofit public policy organization that conducts independent research on a range of topics. Brookings' Metropolitan Policy Program conducts research on topics of importance for metropolitan areas, including research documenting the high prices that low-income families pay for basic goods and services and policies that can lower prices, expand financial literacy, and make markets work for low-income families and communities. Brookings also publishes IRS data on local EITC use in a user-friendly online tool. www.brookings.edu

Center on Budget and Policy Priorities (CBPP) analyzes fiscal policy and public programs that affect low- and moderate-income families and individuals. CBPP is a valuable source of information about the EITC and its importance for the economic well-being of families. An EITC toolkit is available on the CBPP Web site to help community organizations develop EITC outreach campaigns. www.cbpp.org