

COMMUNITY ACTION DULUTH

Family Assets for Independence in Minnesota

A Closer Look at Long Term Asset Retention and Financial Stability

This project was supported by the Community Assistantship Program (CAP), a program of the University of Minnesota's Center for Urban and Regional Affairs (CURA). The contents of this report are the sole responsibility of the author, and are not necessarily endorsed by the University of Minnesota, CURA, or CAP.

“Copyright Community Action Duluth, 2008”

Engaging our Community to End Poverty

www.communityactionduluth.org

Table of Contents

1. Executive Summary.....	3-5
2. Introduction.....	6-7
3. Methodology.....	8
4. FAIM Demographics.....	8-9
5. Enrollment Statistics.....	9-11
6. Survey Results.....	11-19
a. Financial Practices.....	13-14
b. Statistical Breakdown by Asset.....	14-17
c. Qualitative Responses.....	17-19
7. Discussion.....	19-20
8. Implications.....	20
9. Contact Information.....	21
10. Appendix A (Survey Letters).....	22-25
11. Appendix B (Survey Questions).....	26-31
12. References.....	32

The following information is the result of a research project funded by the University of Minnesota's Center for Urban and Regional Affairs (CURA) and the Northland Foundation, hosted at Community Action Duluth under the supervision of Executive Director and MSW Angie Miller and University of Minnesota Professor, Researcher, and Ph.D. Catherine Solheim.

Executive Summary

Introduction

Individual Development Account (IDA) programs have been established throughout the United States in multiple areas. IDAs are matched savings accounts that help low-income families save money and build financial stability through the purchase of assets. IDAs reward working-poor families' ability to save money monthly through a matched account and most frequently help families purchase a house, start or improve a business, or pay for post secondary education.

The matched account of IDAs are similar to an employer's match for a 401 (k) and are funded by a myriad of government and private sources. Most organizations that offer IDA programs couple the matched incentive with financial education, specialized asset training, and case management (Corporation for Enterprise Development, 2008).

Family Assets for Independence in Minnesota (FAIM) is part of a nation-wide initiative to promote IDA programs. FAIM is run by several Community Action Agencies (CAAs) and is available throughout the state. CAAs strive to eliminate poverty through asset building and financial education programs like FAIM by recognizing that most people need more than just cash to become successful homeowners, college students or entrepreneurs. CAAs truly believe that everyone benefits when members of a community have the tools or assets they need to provide for themselves and their families. Funding for the FAIM program is allocated through both state and federal legislation and a variety of private and public funds (Community Action Duluth, 2008).

FAIM specifically targets the working poor, provides subsidies through matched accounts and requires account holders to attend financial education courses in addition to specific training in one's asset choice area. The program also focuses on changing participants' financial practices and behavior by emphasizing debt reduction, credit repair and continual future planning.

It is believed that the combination of developing assets and increasing income over time will develop into economic self-sufficiency for FAIM participants and fortify the economic base of communities throughout Minnesota (Family Assets for Independence in Minnesota, 2008).

Methodology

During the Summer of 2008, Rachel Sawyer, an MSW graduate student, worked with Community Action Duluth's Executive Director, MSW Angie Miller and Professor, Researcher, and Ph.D. Catherine Solheim to ascertain long-term outcomes of the FAIM program regarding asset retention and financial practices. A database of FAIM participants' enrollment information was compiled, a survey instrument developed, surveys conducted, and a comparative analysis of preliminary, survey, and corresponding data reported.

The project had three primary components. The first included a review of Community Action Duluth, the FAIM program, IDA research nation-wide, and survey development. The second included database compilation and the surveying process. The third and final phase included the creation of survey reports.

The following research questions guided survey development and implementation:

- Do graduates still own their home or business?
- Have graduates finished their post secondary degree?
- Have graduates income and credit scores increased?
- Have graduates debt-to-income ratios improved?
- Have graduates improved their financial practices?
- How did FAIM help graduates achieve their goals?
- Are graduates satisfied with their current financial situation?
- Are graduates satisfied with the FAIM program?
- How can the FAIM program improve?

Results

The preliminary data showed that the average participant at enrollment was 34, had one child under the age of 18, had some college education, was employed and earned \$15,300 per year. They rented, had fair to good credit, spent 29% of their income on debt payments other than housing and were able to save 98% of the maximum IDA match amount of \$960. 70% of FAIM participants were women and 25% were people of color.

After the survey results were compiled, FAIM graduates are still employed but earn a significant amount more per year.

- **Our research shows an average increased in income of \$15,850 per year for a total average annual income of \$31,152, an increase of 104%.**

Note: Graduates credit score results are pending. Originally our research was designed to incorporate a comparative analysis of credit scores and debt-to-income ratios at enroll, exit, time of home purchase (if applicable), and in 2008;

however, the credit reporting company Community Action Duluth utilizes is currently unable to serve its customers. We hope to make the addition to this report in the near future.

On average, graduates are satisfied with their current financial situation, thankful for the FAIM program and have referred others to it. Their most common response when asked what could be done to improve the FAIM program was “nothing”. The second most common response regarded asset regulations which include the amount of time allotted to spend asset savings and the restrictions placed on education-seeking participants.

FAIM graduates were contacted 8 to 42 months after completion of the program. The average time since graduation was 20 months or 1.65 years. Ultimately, we were able to reach and survey 61 of 76 or 80% of FAM graduates.

- 96% of the graduate home purchasers were surveyed
- 67% of the graduate business owners were surveyed
- 76% of the graduate post secondary attendees were surveyed

- 100% of the graduates still own their home
- 71% of graduates still own and operate their business
- 95% have finished or will soon finish a post secondary degree

Implications

Based on our research and the nation-wide body of literature on IDA programs, we strongly encourage continued and increased financial support for IDA programs. Our research clearly suggests that benefits from FAIM extend far beyond a participant’s time in the program. Although it has been argued that IDA programs are expensive to operate, we believe they are a powerful and compelling investment where benefits broaden over time. We believe in investing now to save later.

Community Action Duluth
Family Assets for Independence in Minnesota
A Closer Look at Asset Retention and Financial Stability

Introduction

Individual Development Account (IDA) programs have been established throughout the United States in multiple areas. IDAs are matched savings accounts that help low-income families save money and build financial stability through asset acquisition. IDAs reward working-poor families' ability to save money monthly through a matched account and most frequently help families purchase a house, start or improve a business or pay for post secondary education.

The matched account of IDAs is similar to an employer's match for a 401 (k) and are funded by a myriad of government and private sources. Most organizations that offer IDA programs couple the matched incentive with financial education, specialized asset training and case management. (Corporation for Enterprise Development, 2008).

Family Assets for Independence in Minnesota (FAIM) is part of a nation-wide initiative to promote IDA programs (Corporation for Enterprise Development, 2008). It was first introduced in the 1990s and was signed into Minnesota Legislation in 1998. The program was scheduled to run for a four year term, however, still prevails today (Grinstein-Weiss, Schrenier, Clancy, and Sherraden, 2001, iii). FAIM is managed by several Community Action Agencies (CAAs) and is available throughout the state of Minnesota. FAIM funding is allocated primarily through state and federal legislation but also stems from a variety of private and public funds.

The FAIM program specifically targets the working poor, provides subsidies through matched accounts, and requires account holders to attend financial education courses in addition to specific training in one's asset choice. The program also focuses on changing participants' financial practices and behavior by emphasizing debt reduction and credit repair while continuously helping participants plan for the future. It is believed that the combination of developing assets and increasing income over time will prosper into economic self-sufficiency for FAIM participants and fortify the economic base of communities throughout Minnesota (Family Assets for Independence in Minnesota, 2008).

While in FAIM, participants receive financial education, a credit report and score, and regular financial coaching to achieve their asset goal. Throughout their time in the program, participants remain intimately involved in a rewarding process where benefits extend far beyond their time in FAIM. Free child care and meals are also provided for program participants and their families.

There are a number of requirements in order to be eligible to enroll in the FAIM program. They are as follows:

- You must save earned income from either formal or self employment.
- Your total assets must be less than \$10, 000, not including your vehicle, house or your retirement accounts.
- You must attend 12 hours of financial literacy classes provided by Community Action Duluth.
- You must attend an additional 10 hours of financial education in the area of your desired asset purchase (home, education or small business).
- You must be at or be below 200% of federal poverty guidelines.

Note: FAIM income guidelines for the Duluth area in 2008 begin at \$20,800 for a household of 1 and increase \$7,200 for each additional household member.

Once a person enrolls in the FAIM program, an Individual Development Account (IDA) is established at Bremer Bank. Participants are encouraged to save \$40 a month for 2 years for a personal savings of \$960. Funding for the FAIM program is allotted to match IDA deposits at a 3:1 rate. Participants can graduate from the program saving more or less than the desired amount, however, the IDA matched savings is only applicable up to \$960.

FAIM participants must save for at least six months before they can make a matched withdrawal, meaning that their withdrawal will be not only their personal savings amount, but the 3:1 match in addition. When a participant is ready to spend their matched amount, a check from the FAIM program is issued to the mortgage company, if one is purchasing a home, the college one attends or to the supplier one purchases from for a small business expense. If a participant saves the entire \$960, they will have accumulated a total of \$3,840 to spend towards their asset goal (Community Action Duluth, 2008).

Note: As stated previously, FAIM graduates on average saved 98% of the maximum IDA matched amount. Community Action Duluth IDA staff believe that the reason a large number of participants were able to save such a high amount is due to the fact that the majority of participants set up automatic withdrawals from their checking account or paycheck into their IDA accounts.

Community Action Duluth has continuously served the greatest number of FAIM participants throughout Minnesota and has successfully graduated 122 participants since FAIM's inception in Duluth in 2004. (This number includes the 2008 graduates who are not included in this research project.)

Methodology

This research project is focused on the 76 FAIM participants from 2004-2007 at Community Action Duluth who successfully reached their asset goal while in the program. A database of demographic information was compiled for all 76 FAIM graduates based on their enrollment files. Surveys were developed that asked both general questions about FAIM and participants' financial practices as well as specific questions formulated for each asset goal.

Next, each participant was mailed a letter explaining the research project and their very important role in it. Each participant was then called and surveyed over the phone. For participants who were unable to be reached over the phone, a subsequent letter was mailed to their current address with a paper copy of the survey to complete. They were asked to return the survey by a designated date and then called or emailed afterwards if the survey was not returned.

Ultimately, we were able to reach and survey 61 of the 76 graduates for a total of 80%. After all who could be reached were surveyed, an additional database was created for FAIM graduates' current information. Results were then compiled, reported and compared with participant's information at enrollment.

The methodology for the interviews was collaboratively developed by Angie Miller, MSW Executive Director of Community Action Duluth and Catherine Solheim, University of Minnesota Professor, Researcher, and PhD. The initial letter explaining the project was sent out to each of the 76 FAIM graduates on July 10. Interviews were conducted between July 14 and July 23. The additional letter with attached paper survey was mailed July 25. Surveys were due August 10 and the second round of calls to those who were unable to return a paper copy of the survey, were conducted August 11 through August 13. Those we could not reach by phone were subsequently emailed the letters and survey and asked to participate between August 11 and August 15.

- 51 graduates were surveyed over the phone
- 7 graduates mailed their surveys to us
- 3 graduates completed the survey via email

A copy of both letters and the survey questions can be found in the attached appendices.

FAIM Demographics

Based on the research, preliminary findings indicate that the average FAIM participant at enrollment between the years 2004-2007 was a 34 year old, single, Caucasian, employed, female, parent of 1 who had attended some college and who rented an apartment. On average the participant made approximately

\$15,300 annually, had fair to good credit, spent 29% of their income on debt payments (not including housing) and were able to save 98% of the maximum matched amount of \$960 while in FAIM.

Currently, the average FAIM graduate:

- Earns \$15,850 more per year than at the time of their enrollment
- Has a savings account and uses traditional financial services
- Avoids high-interest credit cards
- Avoids predatory financial services
- Has an emergency account established
- Is either investing in a retirement or intends to do so in the near future
- Is most proud of their ability to pay all their bills on time, pay down their debt and still have money each month to put into savings

See pages 13-14 for details

When asked what the FAIM program could improve, graduate's most likely response was "nothing". Those who did respond with a suggestion were most likely to state that asset regulations were too restrictive. This included the time needed to spend FAIM funds and educational options. Graduate respondents stated that they would like to attend private or online colleges or other trainings and programs that are not currently options for education-seeking participants.

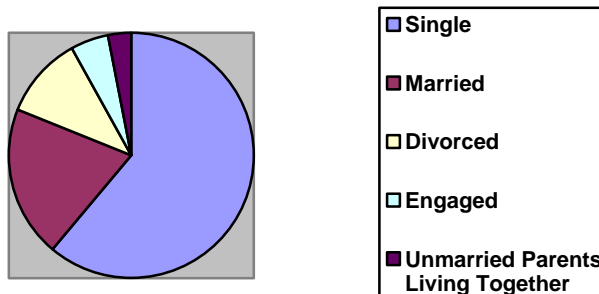
The 76 successful FAIM participants used their money for purchasing a home, attending college or starting a business in about equal numbers. The average FAIM graduate invested at least \$941 of their own savings back into their community. On average, those surveyed had enrolled in the FAIM program 37 months prior to being surveyed and had graduated 20 months prior to being surveyed.

FAIM Enrollment Statistics

- 70% of FAIM graduates are female, 30% are male
- 34 is the average age
- 2.20 is the average household size
- 53% of households have children under the age of 18
- 34% of the households with children are single head of households

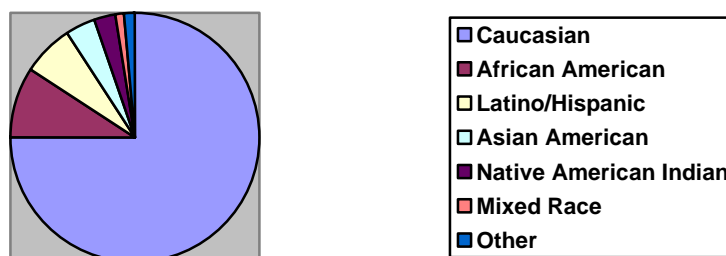
- 61% of FAIM participants are single, 20% are married, 11% are divorced, 5% are engaged, and 3% are unmarried parents living together.

Relationship Status



- 75% of FAIM participants are Caucasian; 25% are people of color

Self Identified Race/Ethnicity



At Enrollment:

- 87% of FAIM participants had attended a post secondary institution
- 48% of FAIM participants had obtained at least 1 post secondary degree
- 12% of FAIM participants had obtained their high school diploma or GED
- 1 FAIM participant had not obtained a high school diploma or GED

Educational Status at Enrollment



- 100% of FAIM participants were employed at enrollment
- \$15,302 was the average annual household income at enrollment
- 653 was the average credit score at enrollment
- 29% was the average debt to income ratio at enrollment (without housing)
- \$522 was the average rent payment per month at enrollment

Survey Results

Demographic and Financial Information

The following statistics are representative of 61 of the 76 or 80% of FAIM graduates who were surveyed for this project. The average time since participants had enrolled in the program was 37 months. The average time since participants had graduated from FAIM was 20 months.

- 92% of FAIM graduates are employed 4% are unemployed, 2% are on disability, 2% are full time students
- 13% are self-employed; 5% of the 13% are self-employed in addition to formal employment
- 75% of graduates reported an increase in their income since enrollment; 15% of graduates reported a decrease in their income since enrollment, 5% of graduates income stayed the same; 5% did not disclose anything about their income.

Note: The chart below states that 10% of graduates did not disclose their income when surveyed while above it says that 5% did not disclose anything about their income. Our survey questions asked if they would disclose their current household income. If they chose not to, we then asked if they could tell us if it increased, decreased or stayed the same. This explains the different percentages for both of these categories.

For survey questions, please see Appendix B.

- \$31,152 is the current average household income
- \$15,850 per year is the average increase in household income since graduates' enrollment to the time of the survey (104%)

Annual Income at Enrollment		Annual Income Now (2008)	
Less than \$10,000	16%	Less than \$10,000	3.7%
\$10,000-\$14,999	32%	\$10,000-\$14,999	5.6%
\$15,000-\$24,999	45%	\$15,000-\$24,999	34%
\$25,000-\$34,999	2.5%	\$25,000-\$34,999	26.5%
\$35,000-\$49,999	2.5%	\$35,000-\$49,999	19%
\$50,000-\$74,999	0%	\$50,000-\$74,999	5.6%
\$75,000 and above	0%	\$75,000 and above	5.6%
Undisclosed	2%	Undisclosed	10%

- At enrollment, 100% of participants were at or below 200% of federal poverty guidelines
- Of the participants that disclosed their current household income 49% of graduates are at or below 200% of federal poverty guidelines, 51% are above 200% of federal poverty guidelines

Note: The percentages listed above for 200% of federal poverty guidelines are based off of participants' current household income. For those who indicated an increase or decrease in the number of household members, that number was factored in and used for the statistic. For those who did not report an increase or decrease in household members, their household size at enrollment was used. The average time since graduation is 20 months.

- \$941 was the average amount saved while in FAIM ; (98% of maximum matched amount)
- 32% purchased a house
- 36% attended a post secondary institution
- 32% started or expanded a business

Some participants graduated with multiple assets. Participant's asset choices are listed below:

- 27 Education
- 22 House
- 20 Business
- 4 House and Business
- 2 House and Education
- 1 House, Education and Business

Note: 24 homes were purchased by FAIM graduates. 27 FAIM graduates used their money for purchasing a home (3 couples).

- \$268,068 is the total amount of FAIM funds invested back into communities. This includes both personal savings from graduates and the matched IDA amount.
- 21% is the average increase in test scores for financial literacy. This statistic represents the difference between participants' financial literacy test scores before and after taking financial education courses at Community Action Duluth.

Survey Results

Financial Practices for Surveyed FAIM Graduates Currently (2008)

On average, those surveyed had graduated from FAIM 20 months prior.

- 77% keep track of their spending; another 18% are considering it
- 55% use a written budget to control their spending; another 23% are considering it
- 98% find ways to decrease their expenses; another 2% are considering it
- 98% make debt payments with no late fees or overdrafts; another 2% are considering it
- 90% pay down their debt; the other 10% are considering it

- 63% have an emergency savings account; another 25% are considering it
- 63% have an account for future spending; another 15% are considering it
- 48% have a retirement account; another 30% are considering it

When participants were asked if they had used any of the following (predatory) financial services in the past six months, responses showed:

- 97% have not used a pay day loan
- 79% have not used a high interest credit card (20% or more interest)
- 98% have not used a pawn shop
- 98% have not used direct deposit advance
- 97% have not used a cash checking service
- 98% have not used a rent-to-own service
- 100% have not applied for or received a car title loan or refund anticipation loan
- 100% have a traditional savings account
- 100% are grateful for the FAIM program
- 100% have recommended the FAIM program to others
- 66% are satisfied with their current financial situation
- 67% agreed to have their credit report pulled (results pending)

Survey Results

Statistical Breakdown by Asset Purchase

FAIM Graduates (Education)

- 76% of the FAIM education graduates were reached and surveyed

Of the 76% of FAIM education graduates who were surveyed:

- 59% of FAIM graduates have finished their post-secondary education
- 36% of FAIM graduates plan on finishing their post-secondary education in the next 1-2 years.

- Only 1 FAIM graduate did not finish and does not plan on finishing their degree program at this time. This person did, however, finish all their pre-requisites for their MBA program.

Of the 95% of FAIM graduates who have finished or will finish their degree:

- 30% have graduated and 5% will graduate in 1-2 years with a AA/Vo-Tech degree
- 5% have graduated and 25% will graduate in 1-2 years with a Bachelor's degree
- 30% have graduated and 5% will graduate in 1-2 years with a Master's degree

When asked how FAIM helped, the most common response was:

Match for student tuition and financial education

FAIM Graduates (Business)

- 67% of FAIM business graduates were reached and surveyed

Of the 67% of FAIM business graduates who were surveyed:

- 71% of FAIM graduates still own and operate their business
- 12% have employees other than themselves
- Of those with employees, the average monthly payroll is \$1, 100
- 59% are formally employed in addition to their business
- Of those employed outside their business, average income from both sources is \$33,215 annually.

Note: This statistic excludes the two greatest outliers. One FAIM graduate makes \$110,000 from the combination of self employment and formal employment. Their income was not factored in for this statistic.

- 67% of graduates reported an increase in business sales since their graduation
- Of the 67% who reported a sales increase, the average increase was 10-15%.

Note: The previous statistic excludes graduates who started a new business with FAIM funds. These people increased their income from a self run business by 100% since they did not have a business prior to completing FAIM.

This also excludes a graduate who reported a 183% increase in sales since the time she exited the FAIM program. At her enrollment, she owned and operated a small photography business from her home. FAIM made it possible for her to buy digital photography equipment with her IDA account savings. We did not include her increase in our statistic because it is a clear statistical outlier.

When asked how FAIM helped, the most common response was:

Match for business expenses and financial education

FAIM Graduates (Home Purchase)

- 96% of FAIM home purchasing graduates were reached and surveyed

Of the 96% of FAIM home purchasing graduates who were surveyed:

- 100% still own their home; No one is in foreclosure
- 33% of homes were purchased by people of color
- 58% of homes were purchased by single women
- \$109,447 was the average sales price of homes purchased by FAIM graduates
- \$94,257 was the average mortgage of homes purchased by FAIM graduates
- \$710 was the average mortgage payment per month of homes purchased by FAIM graduates
- \$282 more per month was the average difference between rent and mortgage payments for FAIM graduates who purchased a home
- \$86,671 was the total amount of FAIM funds used at the time of closing for home purchases
- \$325,717 was the total amount of outside community agency funds for home purchasing graduates
- \$412,389 was the total amount of down payment assistance for FAIM home buyers from the combination of FAIM funds and outside agency assistance

- 42% of home purchasing graduates accessed down payment assistance from Northern Communities Land Trust (NCLT)
- \$20,000 was the average amount of assistance received from NCLT
- \$212,261 was the total amount of assistance provided by NCLT
- \$2,626,731 is the total amount paid by home purchasers, ultimately invested back into the community
- 0% of graduates have refinanced since their initial mortgage
- 0% of graduates have taken a home equity loan or line of credit
- 80% have made improvements to their home since they purchased it
- 58% would be interested in a FAIM IDA for home improvement
- 42% reported “New Construction or NCLT Rehabilitation” and therefore there is no need for home improvement

When asked what graduates favorite part of their home is, the most common responses were:

Its mine or ours, the freedom it provides, it is a good investment, and “no landlords”

When asked how FAIM helped, the most common response was:

Match or down payment assistance and financial education

Survey Results

Qualitative Responses

When numbers do not equal 100% surveyed graduates had multiple responses.

When asked how FAIM helped graduates achieve their asset goal:

95% responded the matched account

25% responded the financial education

23% responded support / confidence

When asked what graduates would still like to improve about their financial situation:

42% responded an increase in income

19% responded finishing a post-secondary degree

16% responded decrease unnecessary spending

16% responded a change in career / “better job”

- Other responses included the desire to: Buy a house, fix a house, invest, pay off debt, save for health insurance and save for retirement

When asked what graduates liked best about the program:

59% responded the classes / financial education

48% responded the match / security in savings

42% responded support / confidence / belief in themselves

38% responded staff

22% responded asset options / ease of program operations

12% responded having a savings account

When asked what FAIM could improve:

72% responded “nothing”

18% responded asset regulations (time to spend asset, educational options)

- Other responses included: Increase and diversify advertising and awareness techniques, do a follow-up or check up class or call and have more financial education specifically dealing with investments and or retirement

When asked if graduates would like to share anything else:

- In 6 months, we will have \$400/month of debt paid off!
- I am so happy to have a savings account. It really gives me a sense of security and pride!
- I am satisfied with my situation but not the economy; my work depends on the economy.
- I don't think enough people know about FAIM.
- I really appreciated the dinners and reliable child care—great work!
- Please, whatever you do, keep the childcare!
- I am much more mature with my finances now.
- FAIM gives hope!
- I did a report on FAIM in my Sociology class. FAIM is responsible for keeping my life on track!
- I really appreciated the free tax hook up!

- I'd be willing to keep in touch to promote the program—keep up the good work!
- FAIM is perfect! I loved everything about it and am grateful we participated!
- FAIM was a good opportunity but I didn't feel trusted with my money.
- I can really see my progression through social classes!
- Either commit to this program or don't! Don't waste the opportunity!
- I couldn't have done it without FAIM!
- I think FAIM proves the saying "It's too good to be true" wrong! It was perfect!

Discussion

A Summary of Key Findings

The research findings presented above from the 2008 survey of FAIM program graduates clearly illustrates the effectiveness of IDA programs and correlates well with the existing body of IDA research nation wide. Benefits from program involvement and graduation seem to not only impact participants directly and within a short period of time, but subsequently appear to broaden and develop more fully over time.

Our study shows that participants in the average 20 months since graduation statistically:

- Remain employed
- Were able to save 98% of the maximum IDA match amount while in FAIM
- Invested at least \$941 of their own savings back into their communities
- Have dramatically increased their income (an average increase of 100%)
- Have completed or will soon complete their post secondary degree
- Still own their home
- Have not refinanced or taken out a home equity loan or line of credit
- Still own and operate their business with an average sales increase of 10-15% since program completion
- Use traditional forms of financial services
- Continuously avoid predatory financial products and services
- And have increased their overall financial literacy through FAIM program education by 21%

The statements listed above are simply a few of the many measurable outcomes of the FAIM program. Arguably there are many more qualitative benefits from participation in IDA programs like FAIM. When surveyed, many participants

clearly stated a renewed sense of confidence, hope, and aspiration to achieve life long goals. Unlike a common, yet stereotypical perception of government funded programs, FAIM does not simply hand out money to low income community members but rather asks that participants share their stories with one another, engage not only in their own lives but the lives of their community members, plan for their futures, develop savings and budgeting plans, and partake in financial education and asset specific training. As stated best by one of FAIM's recent graduates, "FAIM enables people to pursue their dreams, but doesn't do it for them" (2007 FAIM graduate surveyed in 2008).

Implications

Based on our research and the existing nation wide body of literature on IDA programs, we strongly encourage continued and increased financial support for IDA curriculums. Our research clearly suggests that benefits from FAIM extend far beyond a participant's time in the program.

Despite the immeasurable amount of benefits from IDA programs, they are not available or accessible nation wide. Moreover, IDA programs like FAIM have a limited number of openings for qualifying community members. We encourage legislative bodies and decision making authorities to take a closer look at the excess of advantages of IDA programs not only in Minnesota but throughout the United States. Much of the existing literature, including our study, clearly show that IDA programs facilitate participants self-sufficiency and more often than not demonstrate a dramatic decrease in participant's reliance on government aid.

Although it has been argued that IDA programs are expensive to operate, we believe they are a powerful and compelling investment where benefits quantify over time. We believe in investing now to save later.

For additional information please see the attached appendices.

Reports prepared by:

Angie Miller, MSW

Executive Director
Community Action Duluth
19 North 21st Avenue West
Duluth, Minnesota 55806
218-726-1665 Extension 13
angie@communityactionduluth.org

Catherine Solheim, Ph.D.

Associate Professor and Researcher
The University of Minnesota
Department of Family Social Science
290 McNeal Hall
Minneapolis, Minnesota 55445
612-625-1201
csolheim@umn.edu

Rachel Sawyer, B.S.

MSW Graduate Student Intern
The University of Minnesota-Duluth
sawye114@d.umn.edu

COMMUNITY ACTION DULUTH
Engaging our Community to End Poverty
www.communityactionduluth.org

Appendix A
Survey Letters

Initial Letter:

July 10, 2008

Hello Recent FAIM Graduates!

My name is Rachel. I am a UMD graduate student intern who is working with Angie Miller from Community Action Duluth this summer on a FAIM research project. We are contacting all of the people who participated in FAIM from 2004-2007 who reached their asset goal. We are interested in learning how things have been going for you since you finished FAIM!

I will be contacting each of you by phone to ask if you would be willing to participate in a brief survey. The survey will take 10-15 minutes. The survey results will be used to measure outcomes and improve the current FAIM program, not only in Duluth, but around the whole state of Minnesota! This special project will help Community Action secure funding so that FAIM can continue! All of you will be the first to participate in this state-wide project. We are very excited to be able to launch this effort here in Duluth and hope that you will all share your thoughts, experiences, and insight with us!

If you are willing to participate, I will ask you questions about your asset (home, educational progress, business) and about your financial situation since your time with FAIM. Your responses will be kept confidential; I will code them with a number so no one will see names. Any reports I write will group all participants' answers together so there will be no identifying information. Please know that if you do not wish to answer any of the questions I ask, you can just let me know.

I will begin calling the week of July 14 and continue through into August. I will be trying to reach all graduates between the hours of 3pm-8pm Monday through Friday and some Saturday afternoons if needed. If you know that these times will not work for you and would like to participate, please call and let us know a better time when we can talk.

If your telephone number has changed since you exited FAIM please call Community Action at 218-726-1665 and let us know where we can best reach you.

Thank you very much for your time! I look forward to talking with all of you!!

Sincerely,

Rachel Sawyer

(FAIM Program Intern)

As a Thank You to those who participate, we will hold a drawing in August.

Two Lucky Winners will receive their choice of a \$50 GAS or GROCERY Card!!!

Second Letter:

July 25, 2008

Hello Recent FAIM Graduates,

Angie and I are hoping that you received our last letter a few weeks ago regarding the very exciting research we are undertaking here at Community Action Duluth! If you haven't received the letter explaining the project, here is a little information for you.

My name is Rachel and I am a graduate student intern working with Angie on a FAIM research project. I am in the midst of contacting all the FAIM graduates who reached their asset goal between 2004-2007 to ask them a few questions about their FAIM experience and current financial situation. The questions take approximately 10 minutes, are totally confidential, and are the most important part of our research! The answers will be coded with numbers so no one (including Community Action staff) will know your responses, then compiled and generated into an all-encompassing report that will be used to secure funding so FAIM and programs like FAIM can continue!

Update: Our research has become increasingly more important in the recent months. Currently there is a legislative push to increase state funding for the FAIM program. Unfortunately, there is a convincing article published recently that states that matched savings programs like FAIM are not cost effective. This article may hurt our chances in MN to increase funding for the FAIM program state-wide. Our research here in Duluth will soon be compiled with research funded by the Federal Reserve Bank in Minneapolis to help show the many benefits that extend beyond participants time in FAIM so that IDA programs in Minnesota can receive additional funding and expand to serve more people. Each one of you is a very important part of a current national debate and the first to participate in this type of research!

We hope that you will take a few minutes to make a HUGE difference, not only in the lives of current FAIM participants but for the future of IDA programs nationwide!

I have included a copy of the survey if you would rather participate via paper instead of over the phone. If you decide to answer the paper copy, please send us your responses by August 10th. If we don't hear from you by the 10th, I'll try you by phone again.

Remember: We are holding a drawing in August for all those who participate for \$50 gas and grocery cards!!!

Thank you very much for your time and consideration! I hope to hear from you soon,

Rachel Sawyer

UMD MSW Student

FAIM Program Intern

Community Action Duluth

218-726-1665 Ext. 35

sawye114@d.umn.edu

If your current phone number has changed since the time you were in FAIM, and would rather participate over the phone, please give me a call or send me an email and I will get back to you as soon as I am able.

Appendix B Survey Questions

Note: Survey Questions are listed as general questions and then proceed to list specific questions based on asset achieved. Questions were not necessarily asked in the way they will appear below and only asset specific questions were asked to those who achieved that asset. All survey participants received letters explaining the project and their role in participation. All survey participants were offered a chance for \$50 gas and grocery cards in a drawing held at CAD in August. All surveyed, willingly participated and were not pressured to answer any questions they did not feel comfortable answering. Responses were recorded as received and remained confidential throughout the research process and here afterwards

General Survey Questions for all FAIM Participants

For Participants responding over the phone, the following was read:

Hi, my name is Rachel. I am a UMD graduate student who is working with Angie Miller from Community Action Duluth this summer on a FAIM research project. We are contacting all of the people who participated in FAIM and reached their asset goal. You should have received a letter recently that explained the project.

We are interested in learning how things have been going for you since you finished FAIM. I will ask you questions about your asset (home, business, or educational progress) and about your financial situation since your tie with FAIM. Your responses will be kept confidential; we will code them with a number so no one (even at Community Action) will see names. Any reports I write will group all participants' answers together so there will be no identifying information. Please know that if you do not wish to answer any of the questions I ask, you can just let me know. Would you have about 10-15 minutes to talk with me about those things? Do you have any questions before we continue?

For Participants filling out a paper copy of the survey the following was attached:

Please note that anything you do not feel comfortable answering you may leave blank. Anything you do answer will be kept confidential and no identifying information will be used in any of our reports. Thank you so much for your time!

For those taking the paper survey: Please fill in your responses next to the question. If you need additional space, please use the back of the survey and write out the question you are responding to. For listed questions, please circle your response. For additional information please note the letter sent to you in the mail. For any other questions or concerns please call Rachel at 218-726-1665 Ext. 35. Thank you.

- Are you currently employed?
- If yes, who is your current employer?
- For the purposes of understanding how our FAIM participants are doing since they finished FAIM, would you be willing to share your current household income? (This includes any income you make as well as any from a live-in partner.)
 - **If yes** \$_____
 - **If no**, would you tell me if it has changed since completing FAIM?

Increased Decreased Stayed the same

As a participant in FAIM you completed 12 hours of financial education. We are interested in learning how you have used that education in your financial practices.

(Please circle the response that best fits your answer.)

Do you write down and keep track of your spending?

If yes, : Sometimes Most of the Time All the Time

If no, : I am Considering This I am not Considering This

Do you use a written budget to control your spending?

If yes, : Sometimes Most of the Time All the Time

If no, : I am Considering This I am not Considering This

Do you find ways to decrease your expenses?

If yes, : Sometimes Most of the Time All the Time

If no, : I am Considering This I am not Considering This

Do you make debt payments with no late fees or overdrafts?

If yes, : Sometimes Most of the Time All the Time

If no, : I am Considering This I am not Considering This

Do you pay down your debt?

If yes, : Sometimes Most of the Time All the Time

If no, : I am Considering This I am not Considering This

Do you put money in an account for emergencies?

If yes, : Sometimes Most of the Time All the Time

If no, : I am Considering This I am not Considering This

Do you put money into an account for future spending (larger purchases, holiday gifts)?

If yes, : Sometimes Most of the Time All the Time

If no, : I am Considering This I am not Considering This

Do you regularly contribute to a retirement savings plan (IRA/Employer)?

If yes, : Sometimes Most of the Time All the Time

If no, : I am Considering This I am not Considering This

In the past six months, have you used any of the following financial services or products have you used? (Please circle all that apply.)

Pay Day Loan	Direct Deposit Advance	Car Title Loan
High Interest Credit Cards	Cash Checking Service	Pawn Shop
Rent-to-own Purchase	Refund Anticipation Loan	

- Overall, how satisfied are you with your current financial situation?

Dissatisfied Not very satisfied Satisfied Very Satisfied Other (explain)

- What are you most pleased about? (We prefer a financial based answer but will accept any.)
- What would you like to improve? (We prefer a financial based answer but will accept any.)

As a part of this project, we would like to have your permission to pull your credit report and score. If you will allow us to do that, I will send you the original report and score after I look it over; we will not keep a copy of it. (We are using this report solely for your credit score which will be compared to your previous score while in the FAIM program.)

Agree

No, do not pull credit report

If "Agreed" What is your current legal:

- Name
- Address
- Social Security
- DOB

- What did you like most about FAIM?
- Would you recommend it to others?
- Do you have any suggestions to improve FAIM?
- What is your current address and phone number?
- Do you have anything else you would like to share before finishing?

Thank you so much for your time! If you have any questions or concerns don't hesitate to call Rachel at 218-726-1665 Ext. 35. If you agreed to have your credit report pulled, we will mail the original to you by the end of August. We are also holding a drawing at that time for all who participated in the survey for \$50 gas and grocery cards. If you are a lucky winner of our drawing we will also be in touch. Thanks again!

Questions Specific to Home Purchasers

- Are you enjoying your home?
- What do you like best about your home?
- How was FAIM beneficial to getting your home?
- Have you made any improvements since you purchased your home?
- **If so**, what improvements have you made?
- Is your home in need of any improvements?
- **If yes**, would you be interested in a FAIM Matched Account for Home Repair?
- Have you refinanced your home since your initial mortgage?
- **If yes**, can you tell me why?
- **If yes**, what interest rate were you able to get?
- Have you taken out a home equity loan or a line of credit?
- **If yes**, can you tell me why?
- **If yes**, what interest rate were you able to get?

Questions Specific to Educational Assets

- What degree or certificate were you pursuing during your time in FAIM?
- Did you graduate or finish your program?
- **If yes**, what is your degree or certificate's title?
- Does your current job relate to your degree?
- **If no**, are you still studying?
- Do you plan to finish?
- **If yes**, when might that be?
- How was FAIM beneficial to helping you achieve your educational goals?

Questions Specific to Business Assets

- Are you still in business?
- **If yes**, do you have employees?
- **If yes**, how many employees do you have?
- **If yes**, approximately how much is your current monthly payroll?
- Are you employed outside your business?
- **If yes** where are you currently employed?
- **If yes**, what is your current gross income from the combination of your employment and income from your business?
- Have your business' gross sales increased since you were in the FAIM program?
- **If yes**, by approximately how much have they increased? (Percent is preferred but we can also use a dollar amount.)
- How was FAIM beneficial to you obtaining or improving your business?

References

Community Action Duluth (2008). Retrieved August 14, 2008 from:

www.communityactionduluth.org

Family Assets for Independence in Minnesota (2008). Retrieved

August 14, 2008 from: www.minnesotafaim.org

Grinstein-Weiss, M., Schreiner, M., Clancy, M. & Sherraden, M. (2001). *Family*

Assets for Independence in Minnesota. The Center for Social

Development, Washington University in St. Louis.