Asset Development: 
REMOVING BARRIERS, BUILDING FUTURES

Massachusetts Asset Development Commission 
Final Report • June 2009
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As Co-chairs of the commission, we are pleased to submit the final report of the Asset Development Commission, as required under Section 117 of Chapter 123 of the Acts of 2006.

Over the past year and a half, the Massachusetts Asset Development Commission has studied the economic challenges currently facing Massachusetts families, the structure and availability of current government programs to help low-to-moderate income families, as well as successful asset-building policies being developed across the country.

Research has shown that helping families develop assets – savings, a house or car, education and vocational skills – is one of the most effective ways of helping low-to-moderate income families get, and stay, out of poverty and achieve economic stability.

However, we found that low-to-moderate income families in Massachusetts often face substantial barriers to building these assets. For families living paycheck to paycheck, it can be incredibly difficult to develop savings that could help them weather unexpected financial crises, come up with the down payment necessary for a home or car, or access education and training that could help them gain sustainable employment.

Compounding the problem, income and asset restrictions on state programs make it harder for families to develop assets, and can even create disincentives to save or find a higher-paying job. Many families lose their eligibility for transitional assistance or education programs once they’ve built even an extremely low level of savings, or if a modest asset is available to them. These restrictions can have the unintended effect of restricting employment options and creating disincentives for saving.

Based on this research, the Commission has developed a set of policy recommendations that, if implemented and funded appropriately, would make a significant difference in providing for increased personal responsibility and promoting financial stability for hundreds of thousands of families across the Commonwealth. These recommendations include administrative actions, regulatory reforms, and legislative proposals.

Implementing these recommendations would demonstrate the Commonwealth’s commitment to ensuring a basic standard of living that all people should have, and reflect the understanding that government can and should provide the assistance that is sometimes needed to help people achieve economic security and well-being.

Given the current fiscal crisis, not all of these recommendations will be possible to implement until the budget situation improves. Like any good planning document, the recommendations contained in this report speak beyond the immediacy of our current challenges. Some specific
recommendations are cost neutral and offer immediate relief to the most fragile. Others will require moderate investment while benefiting large numbers of Massachusetts families. And some will require sizeable investment and will be critical to moving families to economic stability. In this way, this report is a blueprint to guide policy over a five year enactment and implementation period.

By reforming our current programs and embracing innovative, research-tested new solutions to better promote asset development, we can help low-and-moderate income families take control of their financial lives, reducing their need for government financial assistance in the process. These programs can help ensure that everyone in the Commonwealth has the opportunity to become economically self-sufficient.

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EXECUTIVE SUMMARY

Introduction

Asset building policies promise to build the opportunity platforms that enable Massachusetts citizens to secure economic success and improved well-being. The Massachusetts Asset Development Commission has developed a plan and set of hallmark recommendations that, if implemented and funded appropriately, promise to move families up the economic ladder. The aspiration motivating this plan is that ending intergenerational poverty and facilitating movement up the economic ladder is possible and critical for ensuring the prosperity of all Massachusetts residents. These goals are even more important with the special challenges of these economic times.

The social and economic costs of persistent poverty, and of families unable to meet their needs, are significant and serious for Massachusetts, its communities, and citizens. Thriving communities and flourishing families, in the context of a prospering and globally competitive Massachusetts economy, is a shared vision for the Commonwealth. Asset building provides a promising pathway for realizing this vision. It is an opportune moment in Massachusetts’ history to align asset policies with other social policies such as new approaches to end homelessness, and thereby assist families to move to economic security.

The Commission issued a Progress Report at the end of 2008. The Progress Report prioritized legislative and administrative reforms to address immediate needs and to target appropriate resources to the right people at the right time. The report placed strategic emphasis on alignment and integration of existing programs, removing state-imposed disincentives to asset building, encouraging use of appropriate financial products, and enhancing asset protection. This resulted in 18 specific recommendations, many of which are being addressed by administrative action and by proposed legislation, and which are fiscally judicious. In 2009, the Commission’s work turned to addressing longer-term changes and policy development to meet the needs of low-and moderate-income Massachusetts families and communities. Attention was focused on five policy areas representing significant asset-building strategies that had been identified for more in-depth analysis. This Final Report embraces the full extent of the Commission’s work and its recommendations.

Economic Context

This Final Report is issued in June of 2009, a time of great fiscal uncertainty and budgetary challenges. The stark realities are program cutbacks or elimination, and families struggling to make ends meet and survive for better days. This report does not speak solely to the here and now. Like any good planning document, the recommendations contained herein speak beyond the immediacy of our current challenges. Some specific recommendations are cost neutral and offer immediate relief to the most fragile. Others will require moderate investment while benefiting large numbers of Massachusetts families. And some will
require sizeable investment and will be critical to moving families to economic stability. In this way, this report is a blueprint to guide policy through a three-to-five year implementation and enactment period.

The broad agenda of asset building, coordinated at the state level will help align state policies for a comprehensive impact, enhancing the effectiveness of the movement for economic and social mobility throughout the life course, along all income levels, and across ethnic, gender and race-based concerns. The Commission seeks to advance this broad agenda by actively engaging to build the frameworks, policies, and practices that will strengthen our collective future.

**Asset Development Matters**

Assets are resources that enable people to take control of their lives and participate in society in meaningful and productive ways. Along with earning power, these assets are the tools forming personal financial safety nets and enabling family movement to sustainable, life-long economic security. This comprehensive view of assets includes:

- Financial assets such as savings, investments, and equity in a home or business
- Education, training and the skills to succeed in a competitive, global economy
- Social assets that strengthen inclusion and collaborative problem solving in communities
- Effective community services and institutions to promote participation in community life

The combination of assets and community vitality builds resilience. Together they provide a base of resources for weathering crises and establishing the long-term stability required to achieve permanent reductions in poverty and opportunities for economic mobility. This perspective is reflected in Statements of Principle developed by the Commission.

**Massachusetts Asset Profiles**

One strategy for asset development does not fit all. Rather, a wide range of financial circumstances dictate different strategies for asset-building policy and practice. The Commission examined asset-building strategies as they apply to households in three income ranges—very low, low, and moderate income. The three income groups capture 43 percent of all working age Massachusetts households, representing over 834,000 households. These households experience asset poverty at an even greater rate than the over half of all Massachusetts families who do not have an adequate asset safety net as defined by asset development research. Further, for African American and Latino families, asset poverty characterizes a large majority of their communities.

- Among **very low-income households**, the financial asset base is very weak, with little or no safety net. Typically, this population is employed serving food, providing child care, selling goods, and as cashiers. Work may be intermittent and their
financial status may be such that at times they experience housing insecurity, even homelessness.

- The picture is improved slightly for low-income households. But their very modest financial assets provide virtually no safety net to tide them over a personal or health crisis, or layoff. This group is typically employed as service representatives, janitors, wait persons, and office clerks.

- Moderate-income households have higher incomes, but their asset foundation is not strong. More than half own homes, providing the largest reservoir of wealth. These households generally work in lower-level supervisory jobs, drive trucks, are carpenters, and administrative assistants. Typically, their financial asset base is growing, holding slightly over $10,000 in net assets with debt averaging $2,000.

The recommendations of the Commission emphasize understanding the needs of the populations involved because strategies for promoting savings, education, workforce development and secure and affordable housing differ by income group. Approaching asset building from this perspective emphasizes a spectrum of mobility and views asset building throughout the life course. It also recognizes that for many, this movement will be both up and down during the course of their lives, creating differing needs over time.

**Recommendations**

Driven by its Mission Statement and Statements of Principle, the Commission’s recommendations take a comprehensive approach to asset building for low and moderate-income families, creating opportunities for economic mobility over a lifetime. In sum, the Commission supports multiple strategies with 61 specific recommendations that constitute a bold asset-building agenda for Massachusetts. In the context of the 2009 economic climate, the staging and full implementation of these recommendations provide a blueprint to guide Massachusetts’ asset building agenda during the next five years. Highlights of the recommendations include:

**Remove state-imposed barriers to asset development**
- Reform asset limits and vehicle value rules in public assistance programs

**Restructure and coordinate work supports to respond to “cliff effects”**
- Simplify income reporting and counting rules for welfare cash assistance and food stamps to stabilize incomes
- Improve coordination of programs intended to support and encourage work

**Promote education and skill-building**
- Encourage and support public assistance recipients in attaining education skills and vocational training

**Expand college savings plans to low and moderate-income families**
- Remove disincentives and barriers to saving for college
- Provide incentives for low-income families to save for children’s education by developing a pilot program with matched college savings accounts

**Protect families from losing assets**
- Support legislation that prohibits lenders from evicting tenants from foreclosed homes
- Update state and federal policies and regulations to protect borrowers from high-cost and predatory consumer loans
- Increase consumer protection with respect to tax-related financial products through education and regulation

**Increase impact of State Earned Income Tax Credit (EITC)**
- Invest in the state EITC to increase financial gains from employment, especially for populations less well served by existing policy
- Maximize free tax preparation services through connection to financial education and asset-building opportunities

**Support financial education and help families access systems to encourage savings and asset building**
- Create a mechanism to promote and coordinate effective financial education statewide
- Integrate financial education into public education to begin financial literacy in the formative years that continues throughout the life course
- Advance asset building among low income families through continued support for the Individual Asset Development program

**Leverage the full potential of housing-based, family self-sufficiency programs**
- Lead effort to coordinate collaborations supporting HUD-funded Family Self Sufficiency programs
- Invest in data collection and evaluation to support effective implementation of housing-based, self-sufficiency programs

**Next Steps**

The Massachusetts Asset Development Commission brought together multiple and diverse stakeholders to explore statewide asset building opportunities. It engaged program participants, service providers, policy experts and public officials through outreach, public hearings, numerous facilitated discussion groups, and Commission meetings. The groundwork has been laid for an asset-building agenda for Massachusetts that will continue to be an iterative process combining administrative action, legislative proposals, stakeholder pressure, and advocacy where needed. Massachusetts’ voices will continue to speak and shape this agenda using this document to drive individual recommendations, specific strategies, and the comprehensive agenda set forth in this Final Report.
Introduction and Purpose

Mission and Vision Statement

“All residents of the Commonwealth should have the opportunity to experience financial stability, achieve financial independence, and contribute to civic participation and the economy. Toward that end, the Commission will conduct research, engage constituencies, and make recommendations for policy and practice that ensure Massachusetts residents, especially those who are low and moderate income or asset poor, throughout life have opportunities to develop the assets necessary for sustainable economic security and improved quality of life, and the capacity to end intergenerational cycles of poverty.”

Asset development promises to be the next great movement of economic mobility, providing the opportunity platforms that enable all Massachusetts citizens to secure economic success and well-being. The Commonwealth has embarked upon a mission to drive this mobility throughout its citizenry; strengthening individuals, families, and communities by building and securing resources such as skills, knowledge, savings, homes, retirement accounts, and small businesses. These assets are the foundation for well-being, providing personal safety nets to withstand hardship, creating opportunities for advancement, securing the future through investments, building the capacity for improvement, and enabling families to give their children a good start in life. Households with financial independence, security, and quality of life strengthen the state’s economy and improve its competitive position for attracting jobs and investments.

The Massachusetts Asset Development Commission started its work in 2008 as the current economic recession was deepening and its impact was taking a severe toll on Massachusetts families and communities. This Final Report is issued in June of 2009, a time of great fiscal uncertainty and budgetary challenges characterized by program cutbacks or elimination, and families struggling to make ends meet and survive for better days. Moving families to economic security and a brighter future through asset policies frames the Commission’s work. The limits of government are evident, reinforcing the importance of encouraging the attainment of economic security through proven asset development strategies.

Even prior to the onset of the current economic downturn, many of the people on whose behalf this document speaks were economically fragile. Many of the policy recommendations made here are cost neutral and offer immediate relief to the most fragile. Others will require moderate investment while benefiting large numbers of Massachusetts families. Some will require sizeable investment and play a significant role in helping families achieve financial stability. In this way, recommendations are designed to guide policy through a three-to-five year enactment and implementation period. Implementation will position Massachusetts as a national leader in asset policies and strengthen the state’s economy.
Significance of Asset Building in Massachusetts

Why Asset Development Matters

Assets are a combination of resources that enable people to take control of their lives and participate in society in meaningful ways. Assets are investments in various forms that hold value over time. They include financial resources (savings, 401k accounts, individual retirement accounts, equities), material possessions that have monetary value (house, automobile, small business), and non-tangible resources (education, training, development of social networks). Families need both income and assets to be economically secure. While income is what families use to cover daily living expenses, assets are what families use to move ahead directly and develop knowledge, skills, social networks and community. Assets make it possible to manage financial hardship, plan for the future, and provide opportunity to the next generation.

The Value of Assets for Economic Security and Well-Being

Policies supporting asset building have multiple positive impacts on individuals, families, communities, states, and the nation. A growing body of data demonstrates that asset development is a key pathway from economic insecurity to long-term financial stability and well-being. Asset policies build and protect resources, create processes that positively affect behaviors and opportunities, and reduce barriers that limit asset-building opportunities.

Assets raise the incomes and mobility opportunities of low-income households. For example, car ownership increases employment and hours worked. Asset holding increases household stability by providing a cushion in times of need (unemployment, illness, disability, natural disasters), helping individuals avoid eviction, hunger, loss of utilities, loss of social networks through moves, or increasing debt. Work support programs such as subsidized child-care and housing, not only help stabilize households as incomes rise, they translate into important mobility opportunities for children. Child learning outcomes improve in resource-adequate households and teens in these households are more likely to have positive attitudes and participate in employment and career preparation activities.

Asset accumulation requires more than just income; it requires knowledge about how to manage and invest resources, and real opportunities and responsible choices to act upon that knowledge. With these in place, assets and asset opportunities positively affect behaviors, choices, and well-being. Asset accumulation among low-income families increases when incentivized opportunities are made available through matched savings like Individual Development Accounts (IDAs) and the connection of the Earned Income Tax Credit (EITC) to work.
Building assets strengthens families and communities. Assets contribute to an improved future orientation by increasing individuals’ confidence in their abilities to save and intentions to save, promoting longer-term investments and more careful planning of resources. Children achieve better in school, overall incomes rise, there is greater civic engagement in communities, increased security in retirement, and decreased family violence in low-income families accumulating assets. Asset holding appears to have positive effects on individuals' physical and mental health by helping individuals manage unanticipated health costs and encouraging them to seek diagnoses and treatment and by reducing stress that can bring on, or exacerbate, health issues. Overall, assets promote a variety of positive attitudes and behaviors including greater community involvement and political participation.

**What does financial stability mean to you?**

“For me, it is not having to live from paycheck to paycheck.”

“It is being able to take care of my bills and have money to deal with any situation that comes by surprise.”

“For me it is the comfort of knowing I have money to take care of any medical situation and put money into a college fund for my kids.”

“Being rich is not the same as being financially stable. Being stable means you have a balance in your life.”

“No shut off notices!”

*Responses from discussion group participants*

**Economic Challenges Facing Massachusetts Residents**

At a time when essential costs are rising, the median wage in Massachusetts between 2003 and 2005 fell by nearly 5%, the largest decline in the country during that period, and median wage rates continue to fluctuate. High education and housing costs create particularly significant challenges for low and moderate-income households.

Housing costs rose steeply in Massachusetts between 2000 and 2005, outpacing income growth for both renters and owners. Overall, the state ranked third in the nation in 2005 in terms of monthly expenses for homeowners with mortgages, with approximately one-third among them paying 30% or more of their income for housing. Rising housing costs are contributing to a growing population of families who are simply unable to make housing payments, putting their homes and investments at risk, and increasing their debt as they attempt to cover housing costs with credit. For some this challenge has been compounded by the specter of foreclosure. In 2008, foreclosed deeds totaled nearly 13,000 in Massachusetts, an increase of 400% since 2006. While foreclosures have affected all
regions of the state, they have been disproportionately concentrated in low and moderate income neighborhoods.\(^8\)

For households that rent, nearly half – 415,000 households – are “shelter poor”, that is, after paying for their housing, they do not have enough resources left to meet their non-shelter needs for food, clothing, medical care, transportation, etc., at even minimal level of adequacy.\(^9\) The situation for persons of color is even more challenging with 60% being shelter poor as compared to 40% of white-headed households.\(^{10}\)

While Massachusetts has the highest proportion of college graduates per resident in the nation (1.4 million adults), 40% of the state’s total workforce lack any post-secondary education, as do almost 50% of African Americans.\(^11\) Data suggests that jobs that pay family-sustaining wages and provide the opportunities for asset accumulation require a minimum of either an associate’s degree or long-term vocational training.\(^{12}\) In 2006, the percentage of working-age adults enrolled part-time in education or training beyond high school had declined by 24% since the early 1990’s, two times the national average. Young adults from high-income families are about twice as likely as those from low-income families to attend college. Accounting for these discrepancies are yearly rising college costs; in 2006 net college costs for low- and middle-income students to attend community colleges represented 38% of their annual family income and four-year college costs are even higher. Massachusetts makes a very low investment in need-based financial aid compared to other leading states.\(^{13}\)

**Asset Profiles and Challenges of Massachusetts Households**

One strategy does not fit all; a wide range of financial and life circumstances dictates different strategies for asset-building policy and practice. To begin its work, the Commission examined asset-building strategies as they apply to households in three income ranges – very low (<$22,000), low ($22,000-37,000) and moderate income ($37,000-55,000). The three income groups capture 43% of all working age Massachusetts households, representing over 834,000 households. (See Appendix E: Income Group Estimation for MA Working Age Households.) Asset-poor families in Massachusetts do not have sufficient net financial resources to cover three months of essential household expenses.\(^{14}\) Asset profiles by income groups provide an indication of where and how policies might be targeted.\(^{15}\) It is important to note that these income groupings are simply indications of how asset-building needs may differ along pathways to economic security. (See Appendix E: Asset Profiles of MA Households by Income.) Approaching asset building from this perspective emphasizes a spectrum of mobility and asset-building needs throughout the life course. This data suggests some of the specific challenges faced by different populations in the state. Policy needs to address these different starting points.

**Very Low Income Households:** Very low-income households, 14% of Massachusetts residents, are generally employed in food services, retail sales, child-care, as cashiers and dishwashers, earning minimum wage or slightly above. African American, Latino, and Asian residents are disproportionately situated in this income category compared to the
overall state population. For example, Latinos represent nearly 14% of all households earning under $22,000, more than twice their percentage overall in Massachusetts. The financial asset base of this group is virtually non-existent. They are primarily renters, with only 36% owning a home. Some face housing insecurity that may even result in temporary homelessness. Median financial assets are valued at $485 with net assets of just $9, and $300 of debt, marking this group extremely vulnerable to any economic or personal loss. Very low-income households in Massachusetts are living in asset poverty, as well as income poverty.

**Low Income Households:** Low-income households, 10% of the people living in the state, are also more heavily represented by minority populations when compared to their overall representation in the state. African Americans are overrepresented in this income group by 72% as compared to their population in the state. Homeownership rises considerably to 47% for low-income households. Employment for these households clusters around jobs as customer service representatives, janitors, bookkeepers, wait staff, and office clerks. They have median financial assets of $4,100, net assets of $395, and hold $1,000 in debt. Massachusetts low-income households still live on the margins in terms of both income and asset poverty.

**Moderate Income Households:** Moderate-income households, 19% of the state population, face different contexts and challenges for asset building. Even within moderate-income households, there is some over representation of African American and Latino residents. Homeownership rates rise again for this group with 57% owning a home. Within this group, 19.5% have no mortgage, providing them with significantly lower housing costs as well as strong home equity. Employment for these households may include skilled trades in addition to the service sector that dominates employment for the other two income groups. Jobs are in maintenance work and supervisory/managerial positions, as truck drivers, carpenters, and administrative assistants. The financial asset base of this group jumps dramatically to median financial assets of $19,600, net assets of $10,257, and modest increases in debt of $2,000. Clearly, there are improved asset-building policy implications for education, income and homeownership reflected for this group.

**Reflections on the asset profile of Massachusetts’ residents**

There is an urgency to improve the asset-building opportunities for very low- to moderate-income households in the state. Their earnings tend to come from lower-level service occupations without the benefits and protections of unions. African American and Latino residents are disproportionately represented in very low- to moderate-income and asset poor households. The homeownership and wealth status of minority families presents a special challenge. Data from other sources and studies add crucial context: the white-minority homeownership gap in Massachusetts stands at 29%, larger than the national average. Also, nationally, African Americans and Latinos own a dime of financial wealth for every dollar owned by whites, and this racial wealth gap is even larger in Massachusetts.
The Massachusetts Asset Development Commission

**Statements of Principle**

Developed by the Massachusetts Asset Development Commission to guide its process and to frame the intent underlying its recommendations:

1. Promote policies and practices that provide incentives and encouragement for low- and moderate-income residents to gain greater financial stability. Promote incentives that encourage work and asset building by eliminating disincentives to work and save and barriers to education and training.

2. Align and integrate Massachusetts programs and policies that support the ability of low- and moderate-income residents to build, retain, protect and preserve assets as a pathway out of poverty towards sustainable well-being.

3. Strengthen and expand Massachusetts programs, policies and regulations to better prepare people for employment that leads to family self-sufficiency and facilitates the building of assets.

4. Advance current and propose new inclusive federal and state programs and policies to reduce wealth inequality between racial/ethnic groups, inter-generational poverty, and lack of economic mobility and stability over a lifetime.

5. Promote economic and social development of families and communities and their active participation in work, community and civic affairs.

6. Promote access to financial skill-building opportunities coupled with appropriate financial services to enhance long-term financial well-being as part of a process that empowers families to move towards economic security. Encourage opportunities for Massachusetts residents to enhance their financial knowledge in the most appropriate, accessible, and economical venues.

**Commission Formation and Activities**

The Massachusetts Asset Development Commission was legislatively created by Section 117 of Chapter 123 of the Acts of 2006, An Act Relative to Economic Investments in the Commonwealth to Promote Job Creation, Economic Stability, and Competitiveness in the Massachusetts Economy. It represents a conviction that opportunities to build, sustain and protect assets will aid Massachusetts’ low and moderate-income residents in achieving financial stability and well-being. Investments in the economic stability of families and the workforce are believed to impact the future competitiveness of Massachusetts’ economy. (See Appendix A for enabling legislation and Appendix B for list of Commissioners.)
The Commission held its inaugural meeting March 13, 2008, and its work concludes on June 30, 2009. The decision was made to issue a Progress Report in December 2008 to recommend immediate action for practice and policy, much of which has already been put into motion. This Final Report of the Commission incorporates these recommendations and sets the vision for longer-term asset development goals and makes recommendations for administrative and legislative action that invest in the immediate future and over the next five years.

To define its scope and goals and to develop recommendations, the full Commission met numerous times between March 2008 and June 2009. Establishing the context for its work, presentations were made by: Dr. Thomas Shapiro, Director of the Institute on Assets and Social Policy at Brandies University, on the history of asset building opportunities and status among low and moderate-income individuals in this country; and Robert Pulster, Director of the Interagency Council on Housing and Homelessness that has been tasked to oversee the recommendations of an earlier commission on ending homelessness. Subsequent meetings included presentations by experts with ensuing discussions in the fields of family economic sufficiency, tax policy, asset limits, financial education and services, workforce development, and housing and community development.

In the first phase of its work, the Commission formed three Working Groups to examine critical asset development issues and aid in the development of the 18 recommendations presented in the Commission’s Progress Report in December 2008. Also identified were five policy areas for more in-depth analysis. In January 2009, the Commission established five new Working Groups to host discussions, conduct research and develop recommendations for immediate and long-term action in these identified policy areas. This activity, and accompanying research, was supported by funding from The Hyams Foundation. (See Appendix C for members of first three Working Groups and Appendix D for members of final five Working Groups.)

The public was invited to attend all Commission and Working Group meetings and to contribute to the discussion. A web site was maintained by the Department of Housing and Community Development that posted meeting schedules, agendas, and minutes along with notices of public hearings and links to pertinent resources and research.

Listening to Massachusetts Voices

Community engagement helped shape the immediate and longer-term recommendations of the Commission. The Commission sponsored public hearings in Boston, Lowell, and Worcester providing an opportunity for constituents, program participants, and service providers to speak directly to the Commissioners. To further ensure the voices of those directly impacted would be heard, The Hyams Foundation provided funding to support the facilitation of discussions of groups of low and moderate-income residents in communities across the state in October and November 2008. (See the Progress Report for summary of these discussion groups.) To better understand the challenges to asset building from the perspective of select populations, discussion groups were conducted with people with
disabilities, people ages 50-65 years, and African Americans between February and April 2009. (See Appendix F for summaries of these discussion groups.)

Those presenting at the public hearings and participating in the discussion groups spoke of their desire to achieve a level of financial stability where they are not living paycheck-to-paycheck and it is possible to save for future emergencies and to get ahead. Many today rely on public benefits to supplement their limited earned income to cover everyday expenses. They are concerned that a rise in earnings may not be sufficient to offset the loss of public benefits; this was of special concern among those with disabilities. They also are aware that if they are able to save for emergencies, these savings may make them ineligible for public benefits should they need to rely on them in the future. A few people acknowledged that, overwhelmed in their struggle to get by, they became homeless so that they would have higher priority in accessing subsidized housing.

Importantly, many reported that trying to access public benefits, to which they are entitled, was not a positive experience. Several noted the lack of clear, coherent information about program eligibility, consistent application of the rules, and poor coordination between needs-based programs.

The Commission heard from a number of people who talked passionately about how they have tried to attend college while working, but have faced significant obstacles in doing so. While desiring to access higher education to gain better employment, better access to information on the availability of financial aid is critical, as is access to child-care assistance. In the areas outside of the metropolitan Boston, several cited lack of transportation as a barrier to adequate employment. Several participants reported recently losing jobs due to outsourcing or business closings. Older residents are finding themselves especially challenged in acquiring and maintaining full-time employment. For many residents, living on the edge and barely making a living makes asset accumulation extraordinarily difficult. In spite of challenges, participants reported maintaining savings accounts, purchasing savings bonds, and in other ways building assets and saving for the future, especially for their children's education.

Many noted that financial education is very valuable and they view it as necessary for everyone so that they can make sound financial decisions. Those who had an opportunity to participate in special programs such as the Individual Development Account (IDA) program, with its combination of financial education and a matched savings account, spoke of the merits of the program that offered an opportunity to acquire assets that otherwise may have been inaccessible to them.

**Development and Vision of Recommendations**

The Mission Statement and Statements of Principle adopted by the Commission provided guidance in the development of its recommendations. The recommendations were also informed by 1) the insight gained from constituents and program participants at the public hearings and discussion groups; 2) presentations at Commission and Working Group
meetings by both members and guests who are experts in different aspects of asset building and; 3) demographic data and state and national research studies in the field.

The recommendations intentionally call for actions that range from relatively simple administrative changes with little fiscal cost to those that represent a substantial policy change, either administrative or legislative, and a significant fiscal investment by the state. For its Progress Report, the Commission’s Working Groups were instructed to judiciously develop their recommendations for immediate action, taking into account what actions would provide the greatest benefit while incurring modest costs or result in savings elsewhere, or for which there was evidence of strong political will. (See Appendix G for an update of legislative status of the recommendations in the Progress Report.) In its final recommendations, the Commission embraces the earlier recommendations and calls for what it regards as the best course of action in the five areas identified for more in-depth analysis so that the full benefit of these policies can be realized in their role of building assets and economic mobility for low and moderate-income families.

Notwithstanding the intent of the Commission, there are several factors that should be considered as the recommendations that follow are prioritized for action. As was acknowledged earlier in this report, current economic circumstances will dictate to some degree what recommendations can be enacted in the immediate future and which may be pursued over the next five years. On the other hand, some recommendations may have more urgency in their immediate role in alleviating the financial crisis faced by the most fragile families in the Commonwealth. Another important consideration for action is the degree to which the policy change will move large numbers of low and moderate-income households substantially closer to financial stability and economic well-being.

The members of the Commission recognize the severity of the fiscal times in which we live. But this document is not meant to speak solely to the here and now. Like any good planning document, the recommendations contained herein speak beyond the immediacy of our current challenges. It is in this spirit that the Asset Development Commission puts forward these recommendations.*

*As some of the recommendations specific to Department of Transitional Assistance have cost implications, Commissioner Kehoe abstained from endorsing the Progress and Final Reports.
Recommendations for Action

Remove State Imposed Barriers to Financial Stability

Many programs, supports, and learning opportunities available to low and moderate-income households are restricted to those with few or no financial assets. Evidence is growing that asset limits largely have the unintended effect of lowering the savings and asset accumulation of low-income households, despite the enabling policies being designed to move people permanently to financial independence. (See the Commission's Progress Report for a more detailed discussion of the following recommendations.)

**Strategy 1: Reform asset limits and vehicle value rules in public assistance programs.**

- Increase the TAFDC and EAEDC asset limits to at least $5,000 and allow adjustments for inflation over time. *(Legislative or Administrative Action)*

- Update the TAFDC and EAEDC car valuation rules to allow applicants and recipients to possess reliable vehicles and to allow the Department of Transitional Assistance Commissioner to adjust limits over time. *(Legislative or Administrative Action)*

**Current Status**

Historically, eligibility for most public assistance programs was determined by not allowing both income and assets to exceed specified limits. However, limiting assets compounds the financial insecurity of many families by making them “spend down” the limited savings they have managed to accumulate, and not allowing them to build up financial resources to help them move towards economic security.  

Aware of the conflicting objectives, federal and state governments have adopted policies that encourage low-income families to build assets since the early 1990s. Welfare reform in 1996 abolished the federal asset limits for Temporary Assistance for Needy Families (TANF), allowing states to create their own limits. As a result, several states chose to raise financial asset limits and 32 states allow for the full value of at least one vehicle. Virginia and Ohio eliminated asset tests altogether.

Massachusetts has joined many of its fellow states in relaxing asset tests for the Supplemental Nutrition Assistance Program (food stamps) and medical assistance programs, but has not taken similar action for its cash assistance programs, Transitional Aid to Families with Dependent Children (TAFDC) and EAEDC (Emergency Assistance for the Elderly, Disabled, and Children). To be eligible for TAFDC, low-income households cannot exceed $2,500 in countable assets. If a household has a vehicle with an equity value greater than $5,000 or a fair market value greater than $10,000, the excess value counts toward the asset limit. While some states exclude from countable assets funds in restricted accounts from which withdrawals are limited to certain uses, such as education,
Asset Development: Removing Barriers, Building Futures

retirement, homeownership or business start-up, Massachusetts has no such provisions. The asset restrictions for elderly or disabled EAEDC applicants are more severe. An applicant’s countable assets cannot exceed $250 ($500 for a family of two or more) to be eligible for the program. Equity value in a vehicle exceeding $1,500 counts toward the asset limit.

Policy Impact

Removal of the need to calculate vehicle equity and fair market value from asset tests should result in some administrative savings. The Department of Transitional Assistance (DTA) estimates that vehicle equity was a factor for 88% of the applicants who were denied TAFDC in FY 2008 because they exceeded the asset limits; the value of a vehicle factored into 52% of the denials due to asset limits for EAEDC applicants during that same period. Few families may possess sufficient financial assets in addition to owning a vehicle to be ineligible for benefits. But research finds that there is a tendency for potential program applicants to believe the asset limits are much lower than they actually are, discouraging savings even more.

The Commission views reforming asset limits as an opportunity to not only remove disincentives to saving, but also to correct false perceptions and demonstrate that low-income families can be encouraged to save as a significant step towards economic stability and well-being. It supports legislation filed in the Massachusetts Senate that would enact these recommendations.

Concern about facing limits on saving

“I lost benefits because of savings.”

“I am concerned about saving too much because they may reduce my grant.”

“You can only put a little bit in the bank because you don’t want to go over $2,000.” (Another participant made a similar statement citing the limit as $1,000.)

Responses from public hearing and discussion group participants

Strategy 2: Make 529 college savings plans and other education grants non-countable assets for public benefits.

- Make state-sponsored college savings vehicles (529 plans) and all other education grants non-countable assets in all state-funded or administrated public benefits programs. (Legislative or Administration action)
Policy Status and Impact

For low and moderate-income families there may be little opportunity to save for their child's education, and efforts can be hindered by policies that pit long-term savings against eligibility for necessary program assistance. When calculating the amount held in countable assets for determining eligibility for public benefits, many states exclude savings in specified restricted accounts such as IRAs, Individual Development Accounts (IDAs), and educational expenses. These policies have been enacted to encourage savings in specific accounts and for program applicants not to be forced to withdraw funds that could be subject to substantial penalties from these accounts in order to access public assistance when facing financial crisis. Massachusetts is one of just 16 states that do not have any special provisions allowing recipients in its TANF program to exclude funds held in a restricted account from countable assets.28

Therefore, the Commission supports legislation filed in the Massachusetts Senate that promotes saving for a child’s education by excluding it as countable assets for receipt of public benefits. The commission also expands on this through further recommendations to make college savings plans more accessible to low and moderate-income families in part four of this section.

Strategy 3: Reform TAFDC lump sum income rules for funds used for asset development goals.

- Make non-countable and excluding from the TAFDC the lump sum income rule of up to $10,000 of funds spent on or placed in individual asset accounts and later used for debt reduction, transportation, vocational-related programs, services or products, and other responsible expenditures consistent with the goal of asset development. (Legislative or Administrative action)

Policy Status and Impact

Families temporarily in need of TAFDC cash assistance have very limited ability to begin to build assets. Receipt of a lump sum of non-recurring funds can provide a unique opportunity to pay off debt or put money in savings, putting them on a path to financial stability. If a family getting TAFDC benefits receives a significant sum of money through such means as a personal injury award, retroactive worker’s compensation payments, or an inheritance, their TAFDC benefits are suspended until they have spent down the lump sum payment.

Currently, receipt of any amount in excess of $600 disqualifies a family for a period calculated by dividing the amount of the lump sum by the maximum monthly grant for the family size. Thus, because of losing cash assistance, families must use this money for daily living expenses, foregoing the opportunity to build assets. In some cases, families may become even more financially insecure as the lump sum funds are needed to pay extraordinary expenses, thus leaving the family without money for food and housing.
Although only affecting about 150 families each year, the rule has a significant impact on their lives.

The ability to use one-time funds to pay off debt or purchase an asset not only jump-starts a family’s ability to build wealth, but also sends a very important message. The ability to substantially reduce debt, or save up to $10,000 in a special account, would empower families with greater control of their financial well-being and give them an opportunity to begin to build their own economic security. The Commission supports legislation filed in the Massachusetts Senate that creates such a provision.

**Restructure and coordinate work support programs to respond to cliff effects**

People who work should not face barriers that greatly hinder financial stability. Working families need opportunities to build assets as earnings increase. But as family’s earnings rise, small increases in income often trigger a loss of, or reduction in, public benefits such as health insurance coverage, housing and child-care subsidies, fuel assistance, or welfare cash assistance. Creating a stable environment in which gains are protected and families have the security to plan for their future is critical to self-sufficiency and asset development. The policy challenge is to eliminate impediments to economic mobility by supporting families when earnings are low, reduced or interrupted, and ensuring that as earnings rise, families are better off.

Across the country, states are examining how policies can be revised to mitigate what is referred to as the ”cliff effect”, that is, the abrupt and disproportionate loss of means-tested work support benefits which are intended to help low-income families remain employed in the paid labor force. The income eligibility levels of some programs are set so that families are phased out of assistance before they are able to rely solely on their earned income. Just a slight increase in earnings can lead to a substantial drop or even total elimination of a benefit on which the family depends. Instead of moving working families toward self-sufficiency, the abrupt end of work supports punishes those who increase their earnings, forcing many to weigh the penalties of accepting promotions, raises, and overtime pay or opportunities for better jobs.

In Massachusetts as elsewhere, many low-wage workers face difficult choices between moving up the wage ladder and losing critical work supports before they are economically stable. These workers can discover that at higher wage levels they can be left with fewer resources at the end of the month than they had at lower wages. Full-time workers earning wages between $11 and $29 per hour find that their net monthly resources, as calculated in a recent study, do not rise in step with wage increases due to loss of work support benefits. A single mother can find herself financially better off earning minimum wage than making $18 per hour. This can, and often does, create the feeling of never getting ahead regardless of increased work or earnings. Thus, the Commission recommends policy strategies to reduce the cliff effects and more effectively support families moving to self-sufficiency.
Strategy 1: Simplify income reporting and counting rules for TAFDC (cash assistance) and SNAP (food stamps) to stabilize incomes.

- Eliminate TAFDC and SNAP monthly income reporting requirement for employed TAFDC recipients and adopt semi-annual reporting system currently used for SNAP-only participants. (Administrative action)

- Eliminate TAFDC gross income test for otherwise eligible families, applying instead countable income after deductions for eligibility determination. (Administrative action)

- Designate work expense allowance as a “reimbursement” which is non-countable for SNAP, rather than as a “deduction” which causes a reduction in SNAP benefits. (Administrative action)

- No longer count certain types of income for SNAP and TAFDC eligibility determination as allowed by federal law (e.g., reimbursements, student earnings, educational grants, training stipends and state work study). (Administrative action)

Current Status

In Massachusetts, several policies related to the receipt of TAFDC cash assistance (the state’s TANF program) cause a reduction or loss of benefits before earned income reaches a level nearing financial stability.

Currently, TAFDC cash assistance recipients are required to report their income monthly, including earnings from work. Frequently, these low-wage workers are newly employed at entry level jobs where hours of work can easily fluctuate. When families have a brief spike in income or even a monthly reporting period that includes five weeks rather than four, cash assistance is reduced in the payment received two months later. In contrast, federal Supplemental Nutrition Assistance Program (SNAP) rules allow semi-annual reporting. Under SNAP’s semi-annual reporting of earnings, food assistance benefits do not drop during the reporting period even if income increases as long as the family remains income eligible. DTA has elected this option only for certain SNAP recipients who are not on TAFDC. Semi-annual reporting for all TAFDC and SNAP recipients would allow a family to rely on and plan for a certain level of benefits over an extended period.

Although not federally required, TAFDC imposes a gross income eligibility limit that does not take into account work-related and other expenses creating a cliff that screens out or cuts off families with earnings who would otherwise be eligible based on their countable income after deductions. This gross income eligibility limit (e.g., $1,143 per month for family of three) is well below the federal poverty level ($1,511 per month for three). As comparison, the gross income eligibility limit for SNAP in Massachusetts is 200% of the federal poverty level, which is more than double the limit for TAFDC. The state has the
option to only use countable income after deductions for TAFDC income eligibility
determination.

The DTA currently allows a $90 work expense deduction from a TAFDC recipient’s earned
income when determining how much income counts in setting their monthly benefit levels. Designating the work expense allowance as a reimbursement would allow recipients to receive the work expense benefit without reducing the amount of SNAP benefit they receive. This would help ameliorate the “two steps forward, one step back” problem when TAFDC recipients begin employment by permitting them to retain more federal SNAP benefits.

Federal law allows the state to exclude certain types of income from SNAP if the state does not count the income for TAFDC. Currently, countable income for TAFDC includes such one-time or intermittent income as reimbursements, training stipends, student income, and contributions from persons who are not financial responsibility for the family. Simplifying and conforming the rules by no longer counting these forms of income would make the programs easier to understand and administer, capture more federal SNAP benefits, and enhance the programs’ goal of supporting low-income families. Many families experience cliffs when they are inadvertently dropped from benefit programs due to one-time or irregular income. Simplification will allow families and advocates to better monitor benefits and reduce disruptions to family support.

<table>
<thead>
<tr>
<th>Awareness and impact of the “cliff effect”</th>
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<tr>
<td>“When my income increased, they decreased my food stamps by $40 and my rent by $40 and I was left with only $20 extra for the month.”</td>
</tr>
<tr>
<td>“I will never work full-time. If I take a full time job I lose everything. I must live with the stigma that say I am part-time.”</td>
</tr>
<tr>
<td>“I quit three jobs in the past five years when I got a raise. I would lose my housing and my food stamps. That little bit of money did not add up, you make $20 more and they cut you off. I want to buy a house one day. I cannot save anything.”</td>
</tr>
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Responses from discussion group participants

Policy Impact

The Commission’s recommendations are intended to ensure that families who need to temporarily rely on TAFDC and SNAP can be assured of a consistent base income to provide a foundation to budget for everyday expenses and begin to use modest increases in income for extraordinary expenses or to save for emergencies. Massachusetts has not raised TAFDC cash assistance payments since July 2000, and the current economic downturn may make it hard to raise benefit levels in the near future. These policy changes to the TAFDC and SNAP (food stamp) programs will help ease the lost value of benefits for working families with limited or no additional costs to the state.
Simplifications of reporting and income counting rules should have offsetting administrative savings and will capture more federal SNAP benefits. Designating the work expense allowance as a reimbursement to make it non-countable for SNAP should result in little or no cost to the state and will capture more federal SNAP benefits for low income working households. Eliminating the gross income eligibility limit and allowing TAFDC cash assistance to more gradually phase out with increased earnings, will only impact those families whose earned income has reached a level that would make them ineligible for TAFDC if the work related deduction were not taken into account. As these families would be eligible for only a small amount of cash assistance to supplement their earned income, it is anticipated the costs to the state will not be substantial.

**Strategy 2: Address cliff effects in income eligibility determination for child care assistance.**

- Urge the Department of Early Education and Care (EEC) to Revise co-payment schedule to ameliorate large increases in co-payment when incomes at certain levels increase. (Administrative action)

- Urge EEC to reinstate continuity of care policies so families do not have to go on a waitlist when there is a short break in eligibility, when a sibling needs care, or when a family needs more than eight weeks of job search. (Administrative action)

**Policy Status and Impact**

There are several policies related to the receipt of child care subsidies that cause working families to lose benefits, significantly impacting the available resources to support their families. The current EEC child care co-payment schedule is structured so that as wages increase from approximately $14 per hour to $16 per hour, the amount of child care subsidy plummets. For a single parent with two children in care, the co-payment increases from 12.5% of income to 18% of income, leaving a family with still modest earnings scarce funds to meet other daily expenses. The loss of child care subsidies has been determined to be a key contributor to the cliff effect.32

As Massachusetts experienced unanticipated losses in state revenues in fiscal year 2009, cost-saving measures were implemented. These included changes to policies intended to ensure continuity of care for families relying on child care subsidies to support work. Families who experience a short break in eligibility due to a temporary increase in income or those with an additional child in need of care, now must go on a lengthy waiting list to receive that assistance. Also, if a worker loses employment, she will lose her child care subsidy slot if she does not start in a new job within eight weeks.

The Commission wants to ameliorate co-payment cliffs through a schedule that includes more gradual reductions in child care benefits. To better serve families in these tough
economic times, it also recommends that the allowable job search time be extended. It is anticipated that the budgetary impact to the state of both of these policies will be modest. The Commission also recommends that as soon as state revenues permit, the EEC again initiate continuity of care policies which allow families to reinstate a voucher for up to eight months after giving it up due to temporary increases in income and to provide new vouchers if an additional child is in need of care. These policies will help ensure that families do not face additional challenges to maintaining or getting employment.

**Strategy 3: Improve coordination of programs intended to support and encourage work.**

- Improve cross agency coordination of all work support benefits including streamlining application and recertification processes and provide training to both public and private social service providers on how to maximize benefits for low-income families. (Administrative action)

- Explore complementary eligibility requirements and common definitions for income and assets across programs to aid in staggering the phase out of benefits more gradually as incomes rise. Use updated family resource simulator to be released in fall 2009 to measure impact of changes. (Administrative action)

**Policy Status and Impact**

Families relying on work supports are required to travel to multiple offices to complete applications. The recertification periods for the different programs are not coordinated so that working families are required to take time off from work to ensure continued receipt of benefits. Staff at both public offices and local non-profits are not consistently aware of additional resources that may assist families and many do not regularly refer or screen families for additional supports.

Many public benefit programs have their origins in supporting only non-working family units. Therefore, work support programs frequently are not designed to complement one another. The inconsistent eligibility requirements and limited coordination between programs can cause recipients to lose several supports at the same time with devastating financial consequences for low and moderate-income families.

To improve cross agency coordination of work support benefits, the Commission recommends that the Departments of Transitional Assistance, Early Education and Care, Revenue, and Housing and Community Development and the Executive Office of Health and Human Services be involved in a comparison and assessment of benefit levels to determine to what extent they can be better phased to avoid unintended cliffs. Although there is a tendency to disinvest in staff training during times of revenue shortfalls, this is in fact when it is most critical for staff of public and private social service providers to aid low-income families in maximizing benefits. Therefore, the Commission recommends that efforts to better coordinate benefits should include cross training of staff...
to improve their knowledge of a client’s potential eligibility for additional work support benefits.

Over the long-term, the Commission urges the state agencies that administer work support programs to thoroughly reevaluate the program eligibility requirements and income and asset limits to improve the interface between work support programs and avoidable cliff effects that penalize increased earnings and discourage work.

**Strategy 4: Aid families in maximizing other income sources and public benefits to increase income stability and opportunity to begin to build assets.**

- Support legislation to adopt federal options to pass through to TAFDC families and not count first $100 in child support for one child and $200 for two or more children and federal options to pay child support arrears to former TAFDC families. (Administrative action possible; proposed Legislation pending)

- Develop standardized forms to collect the information needed to freeze public housing rents when earned income increases and direct public housing authorities to use them and calculate the freeze. (Administrative action)

- Ensure new recipients of public housing assistance are provided easily understood information regarding their eligibility to participate in family self-sufficiency programs. (Administrative action)

**Current Status**

Families receiving TAFDC are required to assign their child support payments to the state. Currently, Massachusetts pays or “passes through” to the family a maximum of $50 a month of the child support it collects on behalf of the children, regardless of the number of children or the amount collected. The remainder of the private support payment is split between the state and the federal government to offset the cost of public benefits to the family.

Research shows that the incentive to pay child support is greater when the non-custodial parent sees more of the payment is going directly to their child, rather than the government. A new federal law encourages states to send families a larger share of this child support; if the state lets the family keep up to $100 a month in child support for one child and $200 a month for two or more children, the federal government will waive its claim to half of those amounts. The federal government will also waive its claim to half of certain child support arrears, collected for former TAFDC families, if the state sends the full arrears collection to the family. Thus, the state loses the revenue from only its half, while the family experiences income gains that can lead to greater financial stability.
Frequently residents of publicly supported housing are not aware of policies that are intended to aid them in moving to self-sufficiency. For example, federal public housing rules freeze (or partially freeze) rent increases in certain circumstances when earned income increases; state public housing rules freeze rents in other circumstances when income increases. The rules are intended to ameliorate the problem of declining subsidies and increased rent when earned income increases, but because the rules are complicated they are not uniformly applied by public housing agencies (PHAs). Development of a standard form to collect the information needed to qualify for the rent freeze and directives to PHAs to use the form and calculate the freeze will ensure eligible families receive this benefit, thus removing financial disincentives to seek employment or increase earnings.

Residents in federally supported public housing and recipients of Section 8 tenant assistance may participate in Family Self-Sufficiency (FSS) programs and in so doing, may divert any increased amount owed for rent resulting from increased earnings into escrow accounts, accumulating savings to build assets. PHAs that received HUD funding for public housing and Section 8 subsidy slots between 1993 and October 1998 are required to develop FSS programs. According to HUD’s requirements, PHAs are obligated to enroll approximately 140,000 families in FSS nationally, but just over half this number is actually enrolled and the percent in Massachusetts is even less. More families would access this valuable benefit if they were fully informed of its availability and were supported and urged to take advantage.

Policy Impact

The Commission recognizes that for families receiving TAFDC cash assistance, retention of a greater amount of child support payments could provide a significant source of additional resources to a very low income family. It also understands that the recommended policy change has significant revenue implications. The Department of Revenues (DOR) estimated in 2007 that adopting the federal options to increase child support pass-through amounts would result in a loss of retained revenue to the Commonwealth of $11.2 million per year. The DOR also estimated that the combined state and federal foregoing of revenue would provide approximately $25.1 million per year in benefits to families. While families will greatly benefit from this investment, the subsequent pumping of more money into the Massachusetts economy may also offset some of the state’s costs.

The Commission recommends that efforts be made to better inform subsidized housing tenants about programs intended to promote self-sufficiency and build assets and the potential advantage of increased earnings as opposed to the cliff effects they may have experienced with other public benefits. This activity should not have a significant fiscal impact for the state since the rent freeze rules that apply in subsidized housing are not new; the Commission merely recommends that the existing rent freeze policies be applied fairly and uniformly. Public housing agencies are compensated by HUD for the costs of an FSS program coordinator, and PHAs are not expected to contribute to the participants’ escrow accounts.
Promote education and skills-building

Employment that leads to family self-sufficiency benefits communities and it strengthens the state’s economy and increases its global competitiveness. Opportunities to prepare for such employment are often blocked due to conflicting policy rules, high program costs coupled with low savings, limited access due to low educational achievement, and the absence of knowledge about how to prepare and proceed. (See Commission’s Progress Report for a more detailed discussion of the following recommendations.)

**Strategy 1: Encourage and support attainment of educational skills for TAFDC and other public assistance recipients.**

- Allow and encourage TAFDC recipients to use vocational educational training to the maximum extent possible, and consistent with the state meeting TANF work participation requirements, including Adult Basic Education, ESOL, GED, skills training and higher education programs, to meet their work requirement in whole or in part throughout their 24 months of time-limited benefits, and provide time limit extensions to allow completion of such programs, provided they are making satisfactory progress towards a vocational goal that is achievable within a reasonable period of time. (Legislative or Administrative action)

- Improve access to such education or training by not counting state or private work-study support and Educational Rewards Grants or other state grants against TAFDC or food stamp payments. (Legislative or Administrative action)

- Provide better and more comprehensive advice to TAFDC recipients and other low-income residents about ways to avoid undue educational debt, including more systematically providing clear and thorough information about DTA’s Employment Services Program, Educational Rewards Grants, Pell Grants and other federal assistance, Workforce Investment Act funding for training, and other programs. (Legislative or Administrative action)

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**Seeking more education and training**

“I’d like to attend college but I can’t afford it and time limits are a factor also. Two years is not enough to receive a college degree and the TAFDC grant is not enough for a family to survive on for that time.”

“I need more information to pursue going to school. I don’t know what programs there are to assist me.”

“I would like to get more training, but I am not familiar how financial aid works.”

*Responses from the public hearing and discussion group participants*
**Current Status**

Over the past four decades, the Massachusetts economy has shifted to a knowledge-based economy, raising the levels of skills required to join the workforce. This is true for high-end manufacturing such as medical devices and biotech; service professions such as health care, child care and teaching; and high-tech industries such as computers, alternative energy, and biotech. While the state has one of the highest levels of educational attainment in the country, it can only partially generate the workforce for the jobs in its economy with many residents lacking the needed skills.\(^{36}\) The ability of Massachusetts’ working age adults to obtain further education will have a tremendous impact on their earnings. In 2005, Massachusetts residents possessing a Bachelor’s degree earned an average of $51,000 while high school graduates earned just over half that at $26,000. The disparity in earnings becomes more significant over a lifetime with high school graduates having average earnings of $1,221,000 (in 2005 dollars) compared to those with a college degree earning $2,203,000 over their lifetime.\(^{37}\) Since worker earnings generally reflect their productivity in the labor market, the earnings of low wage workers directly reflect tens of billions of dollars of lost productivity to our economy.\(^{38}\)

The ability to increase education and skills is especially important for the lowest wage workers and those who are unemployed or underemployed. These individuals may need to temporarily rely on welfare cash assistance through TAFDC for sufficient income to meet their family’s basic needs. However, DTA only approves education and training as work activities for a maximum of 12 months for TAFDC recipients. They are also subject to a two-year time limit on benefits, although they may be able to obtain an extension of up to six months if they need time to complete an education or training program.

Under DTA rules, federal education grants and work-study are not counted in determining the amount of assistance for the family. However, state programs such as Educational Rewards Grants that can be used for living expenses, and state or privately funded work-study payments, reduce the grant for the family dollar-for-dollar even though the grants and work-study monies are based on need and intended to cover otherwise unmet living expenses. Thus, the benefit of these programs, intended to serve needy students, is reduced.

**Policy Impact**

The Commission supports legislation filed in the Massachusetts Senate increasing the flexibility and financial means by which TAFDC recipients can access vocational education training programs. It is not anticipated that this will have a significant fiscal impact. Extending the allowable time for TAFDC recipients to meet the work requirement, by being engaged in education and training, may gradually increase the TAFDC caseload in the short term, but increased employability of recipients should reduce the caseload over the long term. Permitting students to realize the full benefit of their financial aid will help ensure they can continue to pursue their education without being burdened with undue expenses.
The Commission also seeks to ensure that post-secondary students are not financially devastated by paying large and unnecessary fees for skills-training programs that may do little to increase their capacity to get better jobs. DTA workers, and others who engage potential students, need to be well informed about the availability of financial aid programs. Publications directed to the target populations should include information about the application for financial assistance for both federal and state aid programs available at the link to the Commonwealth’s financial aid website www.osfa.mass.edu.

**Strategy 2: Encourage voluntary college placement testing by 11th grade so necessary additional course(s) can be taken prior to college entrance.**

- To help avoid the time and expense associated with developmental/remedial coursework in college, encourage voluntary early placement assessment (by 11th grade) so that students can address skills deficiencies prior to completing high school and be prepared to go directly into college level courses. (Administrative action)

**Policy Status and Impact**

The first Massachusetts School-to-College Report, issued jointly by the Departments of Higher Education and Elementary and Secondary Education, sheds light on the disturbing reality of the college readiness of high school students in the state. The report tracks 2005 graduates from Massachusetts’ public high schools who enrolled in state postsecondary institutions in fall 2005. It found that 37% of the students enrolled in at least one developmental/remedial course in their first semester in college. Remediation rates were higher for some student groups: 50% of limited English proficient students, 52% of low-income students, 58% of Latino students, and 59% of African American students were found to need remedial course(s) as they entered college.39

For students, remediation leads to increased time to graduation, higher education expenses, and increased likelihood of dropping out of college. Because African American, Latino, low-income, limited English proficient, and students who received special education services in high school were more likely to enroll in developmental courses, these subgroups of students are disproportionately affected by the high costs of remediation.40

The Commission wants to decrease the need for taking developmental/remedial courses as students enter college, reducing barriers and disincentives to completing a post-secondary program. If students have the opportunity to participate in college placement testing in the eleventh grade, they then will have the option to address any deficiencies in their educational achievement in their senior year of high school. Several Massachusetts community colleges are piloting such early assessment programs with area high schools. Being able to enter college fully ready for college level work will help alleviate the discouragement caused by delays to receiving a college degree and save the student the cost of having to use limited financial aid on developmental/remedial courses.
Expand college savings plans for low and moderate-income families

Higher education is associated with lower rates of poverty and less need for public supports over time. Policies that facilitate college savings among low and moderate-income families are crucial to increasing their children’s access to higher education and promoting economic stability. Such policies will improve the lives of many low and moderate-income youth who are able to attend college, and the benefits will impact the entire Commonwealth in the long term by increasing earned income and reducing the need for public assistance.

Higher education increases earning potential and economic mobility, yet existing college savings policies do little to encourage low and moderate-income families to save for their children’s education. In 2007, Massachusetts’ 529 college savings plan, the U Fund, had $2.4 billion under management, but fewer than 1.3% of accounts were held by families with a net worth less than $15,000. Thus, it can be inferred that relatively few families targeted by the Commission are currently able to take advantage of this special saving plan to build asset opportunity for their children’s future. This is especially troubling, given research findings that link savings with increased educational expectations and achievement for low-income children.

The two primary types of designated educational savings products are college savings plans and pre-paid tuition plans, known as 529 plans, named for the section of the IRS code that created them. These accounts are state-operated investment plans that give families a federal tax-free way to save money for college. Massachusetts’ 529 college savings plan is called the U. Fund. Massachusetts also has a pre-paid tuition plan, known as the U. Plan, that allows account holders to prepay up to 100% of a child’s future college tuition at today’s rates at designated colleges and universities. U. Plan pre-paid tuition can be applied to 80 colleges and universities in the state. The Massachusetts Educational Financing Authority (MEFA) administers the U. Fund and U. Plan. Currently, Fidelity Investments assists MEFA by managing the investment accounts for the U. Fund.

Many states across the country have begun to recognize the valuable role designated college savings accounts can play in increasing the accessibility of higher education for low- and moderate-income families. In recent years, several states have created policies to make their 529 college savings plans more accessible to these families by offering progressive matching funds, targeting outreach, and excluding eligible college savings from public benefit eligibility tests. Thirteen states provide a progressive match or birth account for low-income people as part of their 529 programs. At least four states – Arkansas, California, Michigan and Oklahoma – exempt 529 college savings plans from consideration in public assistance asset tests. At the federal level, 529 plans and other education savings accounts are exempted from the asset tests for the food stamp program.

Although the U. Fund is an affordable product that can be opened with a very low initial deposit ($50 lump sum or $15 automatic monthly contribution), participation rates by low and moderate-income families are extremely low, as cited above. In other ways,
Massachusetts has not yet taken steps to make its college savings plans more accessible for these families. It has no progressive match option, does not exempt 529 plans from asset tests for public benefits, and requires a $300 minimum initial contribution for the pre-paid tuition plan or U. Plan. Therefore, the Commission recommends the following strategies to increase the accessibility and utilization of college savings products for low and moderate-income families.

**Strategy 1: Remove disincentives and barriers to saving for college.**

- Make 529 college savings plans, pre-paid tuition plans, and other educational grants non-countable assets for receipt of state public benefits. *(Legislation needed)*

- Restructure the high minimum purchase requirement and enrollment restrictions for the state’s prepaid tuition plan *(the U.Plan)*. *(Administrative action)*

**Current Status**

Presently, low and moderate-income Massachusetts families face a number of disincentives and barriers to saving for college. Two primary challenges are the inclusion of college savings in asset tests for public benefits and the prohibitively high initial deposit required for the state’s pre-paid tuition plan.

When calculating countable assets to determine eligibility for public benefits, many states exclude savings in specified restricted accounts such as IRAs, Individual Development Accounts (IDAs), and educational expenses. As noted above, 529 plans and other education savings accounts are exempted from the asset tests for the federal food stamp program, and at least four states exclude savings in 529 accounts from consideration in public assistance asset tests. These policies are intended to encourage savings in specific accounts and for program applicants not to be forced to withdraw funds that could be subject to substantial penalties from these accounts in order to access public assistance when facing a financial crisis. Yet Massachusetts is one of just 16 states that do not have any special provisions allowing recipients in its TANF program to exclude funds held in a restricted account from countable assets.50

Additionally, the state’s pre-paid tuition product, the U. Plan, requires a minimum of $300 to purchase a tuition certificate. For families that are struggling to meet basic needs, this high initial contribution is a barrier for utilization of this program. This is especially problematic because the U. Plan is a stable, guaranteed savings option, an important investment feature for low and moderate-income families in the Commonwealth. Further, because the majority of college attendees from low-income families attend in-state schools,51 the U. Plan, if affordable, would be an attractive investment option.
Policy Impact

The Commission’s recommendations intend to ensure that low and moderate-income families who wish to save for college have access to the best savings tools and that they are not penalized for saving if they apply for needed public assistance. First, the current public benefit eligibility policy sends the clear message that low-income families must choose between saving for college and receiving basic public supports that enable them to make ends meet. Combined with the limited availability of financial aid, this effectively prohibits many families from sending their children to college. This is why the Commission’s recommendation to exclude college savings from asset tests is so important. Excluding 529 accounts and pre-paid tuition plans from the state’s public assistance asset tests will allow low-income families to save for college without being forced to spend their savings when they apply for financial assistance.

The Commission supports newly filed state legislation that excludes savings in these plans from countable assets for receipt of public benefits. Although this change may increase the number of families eligible for public support in the short run, increasing access to higher education should reduce the state’s long term costs for public benefits as research has demonstrated that higher education is associated with higher earnings and thus lower rates of poverty and need for public supports. It is crucial to recognize, however, that in order for this strategy to be successful, targeted public outreach and education will be required to change the perception among low-income families that savings of any kind will jeopardize their eligibility for public benefits.

The Commission’s recommendation to restructure the minimum initial deposit for the U. Plan would create a structured savings mechanism that would enable families to save $25 a month toward the $300 tuition certificate. This change will facilitate greater access to this valuable college savings product for many low-income families. In order to assess the success of this proposed change, it would be helpful to begin tracking basic household income and asset data of U. Plan holders to understand the utilization rates by low-income households.

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**Saving for children’s and grandchildren’s education**

“My daughter gets mad because I am saving for her education as she would like to take a vacation instead, but my daughter going to college is the most important of all.”

“I have not heard of the U. Fund, but I would certainly use a college savings plan for my grandchildren if it was matched by the state.”

Response from discussion group participants
**Strategy 2:** Provide incentives for low-income families to save for their children’s education.

- Develop demonstration project for progressive 529 plan structure that provides match for low-income families. (Legislation needed and Administrative action)

- Provide targeted monetary incentives for low-income families to enroll in the U. Fund or the U. Plan. (Administrative action)

- Develop restricted account structure that can “hold” match funds on behalf of a beneficiary (to be owned/controlled by state or another public/private entity). (Administrative action)

**Current Status**

Massachusetts does not provide a financial match for low-income families who save in its 529 plan (U. Fund) or in its prepaid tuition plan (U. Plan). Nationally, thirteen states offer some type of grant program as a part of their 529 plan, including matching grants and “birth” accounts. In addition fourteen states offer scholarships, including merit- and need-based scholarships, as part of their 529 plans. Research has demonstrated that financial incentives, including match programs, can significantly increase participation by low and moderate-income families and overall plan enrollment.\(^5\)

Currently, MEFA sponsors a College Savings Arts Competition for elementary school children to increase awareness of, and support enrollment in, the U. Fund. But there are no programs and financial incentives for either the U. Fund or U. Plan targeted to low and moderate-income families. Expanded and more targeted incentive programs will help increase low-income families’ access to participation in the state’s college savings plans.

Providing monetary incentives for these families will ultimately require an account structure that is capable of “holding” match funds, which is currently not feasible. The U. Fund and U. Plan accounts are owned by a parent but named for a beneficiary in the family, who will eventually use the funds to pay for college. Although there is tremendous flexibility within the U. Fund, including the ability to change beneficiaries, there is no mechanism in Massachusetts’ college savings plans that would allow matching funds, provided by the state or philanthropy, to be held in a restricted account. For example, states that offer a matched 529 for low-income families typically hold matching funds in a separate, restricted account that is linked to a beneficiary but owned by the state. This kind of structure can help to optimize and leverage match funds from other stakeholders.

**Policy Impact**

The Commission recommends a demonstration project that provides matching funds for low-income families to provide clear incentives for these families to begin saving for college. Other states that have progressive matching grants have found that financial incentives, including match programs, can significantly increase participation by low-
income families and overall plan enrollment. In Louisiana, for instance, after implementing and publicizing their pilot match program, their 529 plan enrollment increased by 14%. Based on the precedent set by other states, this demonstration project can begin with an initial allocation of $500,000, funded through a combination of state appropriation, administrative fees on 529 accounts, and private philanthropy, to provide a one to one match of up to $500 per year for 1,000 low-income families. To be successful, such a program would require additional funding for marketing to raise awareness about the matching grant.

In addition to matching funds, the Commission also recommends a broader, more targeted approach to providing monetary incentives for low-income families to enroll in the U. Plan or U. Fund. This strategy would encourage low and moderate-income families to open college savings accounts. New incentive programs can be built into MEFA’s existing outreach practices. For instance, MEFA can coordinate with CBOs to promote the existing College Savings Art Competition and similar events in low and moderate-income communities. Additionally, multiple regional partners can coordinate with MEFA to implement a statewide college savings day, where accounts can be opened on site. Targeted sweepstakes with prizes in the form of 529 accounts or tuition certificates can be incorporated into college savings day and other events in low-income communities. Small monetary incentives can also be a way to involve youth in the college savings process. For instance, start-up accounts can be tied to achievement and scholarship for students at high-poverty schools and through organizations that serve low-income students, and youth can raise funds by collecting pledges and participating in an event, such as a 5.29 K walk.

Finally, restructuring the account to allow the state or a private organization to control the matching portion of a beneficiary’s account will allow matched funds to be leveraged, not only from the state but also from private philanthropic sources. This, along with the matching grant could help catalyze the private philanthropic community to promote and support college savings accounts for low-income families. Creating a mechanism for matched funds would also make it possible for the state’s IDA program to allow rollovers into 529 accounts. Currently, Massachusetts’ IDA program only allows participants to utilize IDA savings for direct tuition payments for a college-age student; it does not allow participants to save for a young child’s college education or to roll over IDA funds into a 529 account. This small change could have a tremendous impact on facilitating college savings among low and moderate-income families.

**Strategy 3: Increase awareness and visibility of U. Fund and U. Plan among low and moderate-income families.**

- Develop targeted, innovative marketing strategy (materials and delivery mechanism) to reach low and moderate-income families, including integration with financial education and other asset building activities. (Administrative action)
- **Partner with, train, and “certify” community-base organizations that work directly with low and moderate-income families for distribution of materials and for account enrollment.** *(Administrative action)*

**Policy Status and Impact**

Presently, MEFA has established widespread educational and outreach efforts around the state, and many of their materials are available in both English and Spanish. However, expanded and more targeted outreach to low and moderate-income families is required to increase their participation in the state’s college savings plans. Research and practice in other states, for example, has demonstrated that increased collaboration with organizations that work directly with low and moderate-income families enhances outreach and access to these families.

Targeted outreach and marketing can play a central role in increasing the accessibility and utilization of college savings products in Massachusetts. To make this strategy effective, new marketing channels are needed to reach low-income families, such as public transportation, lottery agents, super markets, and social service providers. Additionally, by utilizing the trusted networks of community partner organizations, MEFA can communicate its message with greater impact in low-income communities. Thus, MEFA can partner with, train, and “certify” community organizations that can help promote college savings with low-income families. These marketing efforts should be coordinated with the larger, integrated financial education and asset-building community in Massachusetts. Also, all existing marketing materials, forms, and enrollment materials should be reviewed for accessibility for low-income families and those with limited English.

**Strategy 4: Create Advisory Board to assist MEFA by providing meaningful, ongoing input about how to increase low-income families’ participation in the state’s college savings plans.** *(Administrative action)*

**Policy Status and Impact**

MEFA’s outreach and programs to this point have not been targeted by income level or neighborhood. Other states have created special advisory boards to provide input and guidance about how to promote low-income families’ participation in college savings plans. For instance, in Arkansas, when the pilot matching grant program was created, the state legislature also created the Section 529 Account Review Committee with three appointed members to oversee the implementation of the match program and other targeted outreach efforts.

An advisory board focused on the particular needs and concerns of low-income communities will help tailor and improve MEFA’s outreach to low and moderate-income populations. In the short-term, Massachusetts’ new Advisory Board should be located within MEFA and modeled on MEFA’s existing Advisory Board structure. The new advisory board should help oversee the development, execution, marketing, and evaluation of the
match demonstration project. The following stakeholders should be represented on this Advisory Board: MEFA, 529 program manager, community based organizations, the Treasury, the Department of Education, and low-income parents. In order to ensure accountability, this Advisory Board should report, at a minimum on an annual basis, to the Governor. This advisory board will help improve MEFA's focus on serving low-income communities and increasing their representation among college savings account holders.

**Protect families from losing assets**

Creating a stable environment in which gains are protected and families have the security to plan for their future is critical to self-sufficiency and asset development. Housing provides important stability for a family attempting to build other forms of assets. When the cost of housing exceeds what low and moderate-income families can reasonably afford, public housing assistance programs play a critical role in supplementing insufficient income, by providing security and stabilizing community ties for the family.

Financial stability and economic mobility depend upon the preservation and protection of the assets. The policy challenge is to prevent the proliferation of predatory, high-cost, or otherwise unsafe and unsound products in the financial marketplace to safeguard household assets in times of need or crises to limit the economic vulnerability that will directly affect the long-term well-being of families, communities, and the state. (See Commission's Progress Report for a more detailed discussion of the following recommendations.)

**AFFORDABLE AND STABLE HOUSING**

**Strategy 1: Support legislation to preserve affordability of units in “expiring use” properties.**

- **Support passage of legislation that would help preserve the affordability of units located in so-called ‘Expiring Use’ properties whose state and federal subsidies are ending and could be converted to market rate housing. Such legislation should include a Right of First Refusal for the state to purchase such a property before it is converted to market rate housing.** *(Legislative action)*

**Policy Status and Impact**

States around the nation increasingly recognize that preservation of existing affordable housing must be part of the solution to America’s affordable housing shortage. Concern is mounting as many of the privately developed housing projects with affordability restrictions have reached the point where owners can end these restrictions by not renewing their rent assistance contract when it expires, or by prepaying their subsidized mortgage. Massachusetts has 88,862 privately developed affordable units, many of which could eventually fall victim to expiring use. To date, the state has lost 5,868 such units, and
it faces the risk of losing affordability restrictions on as many as 24,546 units through 2012.\textsuperscript{56}

Preservation laws in Washington, D.C. and Maryland that include a Right of First Refusal have proven to be effective. The general result of these laws is to create a good deal of negotiation early on between the sellers and the groups with the opportunity to purchase. Washington, D.C. and Maryland have found it to be a productive process that market operations have learned to accommodate.\textsuperscript{57}

The Commission understands that not all publicly-assisted units will be saved, but finds it to be critical to increase the state’s options in utilizing mechanisms that can effectively preserve such properties. It supports legislation that has been filed in the Massachusetts House and Senate granting the state Department of Housing and Community Development, or its designee, or the affected municipality the right-of-first-refusal at such time as the owner provides required notification of intent to initiate a voluntary sale.

**Strategy 2:** Support passage of “just cause” eviction legislation that prohibits lenders from evicting tenants from foreclosed homes.

**Policy Status and Impact**

A recent study by the Federal Reserve Bank of Boston found that 25\% of foreclosure petitions in January-August 2007 in Massachusetts covered multi-unit buildings. In Suffolk County (Boston), 46\% of petitions involved multi-unit properties, almost twice the state share.\textsuperscript{58} The Commission seeks to maintain the stability of families and communities threatened by such foreclosures. Properties that are currently in foreclosure, or are bank-owned or real-estate owned, are easier to sell when the home is empty. As a result, many banks are evicting tenants without just cause. In Boston, the number of real-estate owned properties in 2007 was 651, representing 93\% of the total 703 foreclosures from that year,\textsuperscript{59} and virtually all of the multi-unit properties.

Legislation has been passed in Massachusetts to stem the tidal wave of residential foreclosures, but this is aimed at preventing future predatory lending schemes to fund pre-foreclosure assistance to owners and allow tenancies to survive foreclosure. It does not address the damage caused when foreclosure has not been avoided and, as a result, families and individuals are forced out of their homes. This leaves communities to face a spiraling decline, resulting in increased municipal burden of lost taxes while incurring greater maintenance costs.\textsuperscript{60}

The Commission recommends that Massachusetts follow the example of New Jersey, New Hampshire and the District of Columbia passing legislation to address post-foreclosure displacement and neighborhood degradation. The Commission supports legislation that has been filed in the Massachusetts House and Senate prohibiting evictions from foreclosed properties without just cause. Tenants in foreclosed properties cannot be evicted unless the newly owning entity has a good reason to do so. Those reasons could include non-
payment of rent, criminal behavior, refusing reasonable access to owner, and similar violations of standard tenancy obligations.

**Strategy 3: Provide protections for residents experiencing foreclosure or other catastrophic financial transitions.**

- Update asset exemptions in cases of financial insolvency. Raise dollar amounts of property protected so that working poor and unemployed will not be deprived of means to pay rent, provide food for family, or maintain or seek employment. *(Legislative action)*

**Policy Status and Impact**

Civil laws regulating personal property exemptions in bankruptcy cases were established to protect a limited amount of a debtor’s assets from a forced sale for the payment of debts. However, with insufficient protection, families facing bankruptcy can have their assets stripped away, leaving them deprived of a means to pay rent, provide food for the family, or maintain or seek employment.

Bankruptcies have increased as the state is hit with a perfect storm of the recession, the mortgage crisis, and a steep decline in housing values: there were 13,372 non-business bankruptcy filings in 2007, up from 8,147 in 2006. Further, there were 12,315 bankruptcy filings in the first three quarters of 2008. Massachusetts General Laws for bankruptcy exemptions have not been updated since the 1970s. The amounts of protected property are so low that families are left far too vulnerable, being almost totally stripped of their assets.

The Commission supports legislation filed in the Senate that will help ensure that families undergoing bankruptcy will not be unfairly penalized by having to surrender such a large proportion of their assets as to cripple their means to recovery and achieving self-sufficiency.

**CONSUMER PROTECTION**

**Strategy 1: Update state and federal policies and regulations to protect borrowers from high-cost and predatory consumer loans.**

- Recommend policies and regulations at the state and federal levels obligating lenders practicing in Massachusetts to adhere to responsible lending practices, including offering affordable, accessible and responsible lending products and services. *(Legislative and Administrative action)*
➢ Require new standard format for notification of terms of all consumer loans. The notice is to be industry-wide, uniform, with a simplified “Truth in Lending”-type format. Development of standard format by the Office of Consumer Affairs should include input from stakeholders. (Legislative action)

➢ Recommend revision of Usury Statute to establish an improved approval process for lenders that request exemption from the usury law; to be implemented with input by the Attorney General’s office. (Legislative action)

Policy Status and Impact

There is a substantial demand for small consumer loans in Massachusetts. Many consumers turn to lenders that are accessible and can quickly provide loans. But these lenders often offer products that are high cost and sometimes predatory. Consumers that are unable to repay these loans risk going into deeper debt and having their assets stripped away. The terms and marketing of the loans are often unclear or deceptive, making it difficult for consumers to assess their risk and therefore do not offer appropriate consumer protection. Further, even with increased availability of clear information, consumers do not always act in their best interests: taking loans that are detrimental or dangerous. The Massachusetts criminal usury law, although significantly restricting the rate of interest, offers limited protection in its enforcement. The Usury Law, which covers all non-mortgage loans, has a substantial loophole by which lenders can notify the Attorney General’s office of their intent to disregard it, either as a general practice or in individual terms. The Attorney General’s office only has the authority to record these notifications.

In its recommendations, the Commission is targeting such products and services as refund anticipation loans, payday loans, car title loans, rent-to-own contracts and other types of products and services offered to consumers who reside in or maintain residence in the Commonwealth. To enable it to better achieve its objective, the Commission asserts that Congress should enact laws and authorize regulations that provide greater protection for consumers who obtain small loans, or permit state regulators to do so by eliminating pre-emption of applicable state laws and regulations. The Commission also supports legislation filed in the Massachusetts Senate that requires open disclosure of lending terms for RALs and other small consumer loans.

Strategy 2: Support legislation that provides consumer protections on unsolicited loan instruments, including notification and time limitations.

Policy Status and Impact

Unsolicited loan instruments, as with the short term loans discussed in the previous section, can have a high cost and a negative effect on the asset development and retention of low-income consumers. These loans may appear attractive to low-income families who have historically had difficulty accessing fair and affordable credit. However, unsolicited credit offers do not have sufficient consumer protections. Specifically, there are two
problems: a) the consumer accepts the solicitation without an understanding of the terms of the loan instrument; and b) unauthorized use or fraudulent negotiation of unsolicited loan instruments in which the intended addressee suffers negative consequences.

Tighter regulation of unsolicited loan instruments will protect consumers from taking on obligations that put them at unnecessary risk of losing their hard-earned savings and other assets. Consumers will be able to understand the terms of unsolicited loan instruments and therefore be able to make more informed choices regarding whether or not to use them. The Commission supports legislation filed in the Senate that provides protection to consumers from unsolicited loans.

**Strategy 3: Increase consumer protection with respect to tax-related financial products through education and regulation.**

- Support federal legislation to regulate Refund Anticipation Loans (RALs) and further authorize states to do so to protect low-income taxpayers from high fees and interest. (Administrative action)

- Urge the Office of Consumer Affairs and Business Regulation to engage in systematic media effort warning consumers of costs and potential financial liabilities of RALs. (Administrative action)

- Support legislation requiring certain disclosures to be made by tax preparers facilitating the advance of monies prior to the receipt of an income tax refund. (Legislation needed)

- Encourage efforts to increase utilization of free and low-cost alternatives to RALs and other currently available high cost financial products. (Administrative action)

**Current Status**

Refund Anticipation Loans (RALs) are high-cost advance loans secured by taxpayers’ expected refunds; thus, taxpayers pay a very high price to borrow from their own money. These loans entail three separate fees: a fee for commercial tax preparation, a fee to the preparer to process the RAL, and a loan fee to the lender. RALs usually run for 7-14 days (from the time taxes are prepared until the date the tax return is deposited). Thus, fees for these very short term loans can translate into triple digit annualized interest rates. The total cost can range from $221 to over $300, and consume about 10% of the filer’s refund. Each of these fees undermines the effectiveness of the EITC in supporting low-wage workers.

Low-income consumers are mostly footing the bill for high cost RALs, while the tax preparers risk very little on the secured loan. Nationally, nearly two-thirds of RAL consumers are EITC recipients even though they constitute just 17% of all taxpayers, and African-American and Latino taxpayers are disproportionately affected. This wide
spread disparity is attributable in part to the aggressive marketing of RALs to the working poor, especially minorities, and access provided through non-traditional institutions such as rent-to-own stores, pawn shops and auto dealerships.\textsuperscript{69}

In Massachusetts in tax year 2005, approximately 95,000 people took out a RAL, almost half of whom were EITC recipients.\textsuperscript{70} In tax year 2006, almost 50,000 EITC recipients or 15.4\% of those receiving the tax credit used a RAL.\textsuperscript{71} These loans cost EITC recipients over $36 million, money that could have been used for asset-building activities.\textsuperscript{72}

**Policy Impact**

The Commission supports Congressional action in changing regulations in the National Banking Act that will strengthen full disclosure requirements in marketing and prohibit some of the most predatory practices of this business, especially charging very high interest rates.\textsuperscript{73} As federal action is sought, the Commission will enlist the aid of the Massachusetts Office of Federal-State Relations to assist in its efforts.

Thirteen states and New York City have passed laws regulating RALs.\textsuperscript{74} These laws typically require disclosure of fees, effective APR of the loan, and the estimated date for receiving the RAL versus the date the consumer would receive a refund with other available methods. The Commission supports similar legislation that has been introduced in Massachusetts. The Commission also urges the Office of Consumer Affairs and Business Regulation to conduct a campaign educating the public on the drawbacks to RALS and possible alternatives similar to the state’s effort to promote uptake of the EITC.

The Commission also supports the development of alternative products that are free or low-cost. RALs may be attractive to some consumers for financially valid reasons. Low-income tax filers may be in a crisis and need to access their refund immediately, or they may not have direct deposits and believe it is not safe to receive a large check through the mail. Free tax preparers can greatly hasten returns by e-file and direct deposit. Other alternatives include bank-issued stored value cards, much like debit cards, that are not linked to a regular bank account and are more economical.

**Increase the scale, impact and capacity of the state EITC**

Since its introduction in 1975, the federal Earned Income Tax Credit (EITC) has helped lift working families out of poverty by offsetting payroll taxes and reducing income taxes to workers earning the lowest wages. The EITC lifts about 4.4 million people out of poverty each year, half of whom are children.\textsuperscript{75} Further, poor families receive not only the benefit of the tax refund, but also the benefits of work that EITC encourages. This “refundable” tax is one that if the family’s income tax liability is less than the amount of the credit, the difference is paid out as a tax refund. Federal EITC payments are indexed to inflation as well as household size and income.\textsuperscript{76} Research has shown that many families plan for
receipt of the tax credit as a means by which to pay off debt, repair credit and save for future assets such as their child’s education.\textsuperscript{77}

Nationally, about 23 million families – one in six tax filers – claim the credit.\textsuperscript{78} In Massachusetts, over 300,000 low and moderate income workers benefit from the EITC and bring over one-half billion dollars into the state economy.\textsuperscript{79} The success of the federal EITC in supporting work and reducing poverty has led the District of Columbia and 23 states, including Massachusetts, to enact a state EITC.\textsuperscript{80} State EITCs are most commonly a percent of the federal credit ranging from 3.5\% to 43\%. Massachusetts’ state EITC is 15\% of the federal tax credit and is refundable, as is the federal.

While the EITC can significantly increase the income of low and moderate wage earners, not all eligible workers are receiving the credit and many are losing some of the value of the credit. Nationally and in Massachusetts, about 15\% of eligible recipients are not claiming the credit.\textsuperscript{81} Further, the IRS estimates that about two-thirds of tax filers receiving the EITC use paid tax services to prepare their returns and only about 5\% take advantage of free tax preparation services.\textsuperscript{82} Paid tax services, more commonly used by low-income African American and Latino parents, and those with a high school education or less,\textsuperscript{83} cost typically about $120. Filers using commercial preparers also are more likely to take out a Refund Anticipation Loan (RAL), that is a very high interest rate, short-term advance loan of their own tax return.

Through the recommendations that follow, the Commission seeks to ensure that maximum benefit from the EITC is realized by all eligible households so that it continues to alleviate poverty while at the same time providing the groundwork for asset building and economic mobility such as reducing debt and savings.

**Strategy 1: Expand state EITC for targeted populations to increase work incentives, help overcome “cliff effects”, and remove marriage disincentives.**

- Increase state EITC from 15 to 30\% of the federal EITC for workers not claiming dependent children including non-custodial parents. (Legislation needed)

- Work with the federal government to gauge feasibility and merits of retaining increase to federal EITC for families with three or more children beyond 2010. (Administrative action)

- Work with the federal government to gauge feasibility and merits of retaining expansion of marriage penalty relief in federal EITC beyond 2010. (Administrative action)
Current Status

The origin of the EITC was to eliminate the federal income tax burden and to offset payroll taxes for those living near the poverty threshold. Today, employed non-elderly, childless adults are the only taxpayers who are required to pay federal income taxes even when their incomes are below poverty, paying more than four times as large a share of their income in federal taxes, on average, than do low-income families with children. For tax year 2008, the maximum federal EITC benefit for single adult workers without children was $438, and the Massachusetts maximum EITC benefit was only $69. Increasing the state percent of the federal credit to 30% for childless workers and thus doubling the maximum state EITC to $138 would at least provide partial relief to their tax burden. It may also provide further incentive for eligible claimants to access the credit as only 45% of childless workers currently do.

The recently passed federal American Recovery and Reinvestment Act (ARRA) responded to the fact that large families – those with three or more children – receive no additional support although these families are more likely to be low-income even when working. For tax years 2009 and 2010, there will be a new “third tier” of the federal EITC for families with three or more qualifying children that will increase the maximum credit by almost $600. ARRA also made adjustments to overcome the “penalty” a working married couple faces when they claim the EITC in that they must report their joint income, resulting in a smaller credit (or no credit) compared to what they might claim if they were not married. ARRA mitigates the marriage penalty by raising the income threshold at which the EITC begins to phase out for married couples.

For tax years 2009 and 2010, it is estimated that in Massachusetts over 90,000 families will benefit from these ARRA policies by increasing the amount of EITC for which they qualify and over 12,000 families will become newly eligible for EITC. At 15% of the federal EITC, the state’s EITC refunds will automatically increase as well.

Policy Impact

The Commission believes an increase of the state EITC from 15 to 30% of the federal for childless workers aids in achieving greater tax fairness for this group of very low-income wage earners. (The EITC for this group fully phases out before income reaches $13,000 or just over the poverty line.) It is estimated that the annual cost of this increase will be $3 million. The state Department of Revenues (DOR) anticipates that the net fiscal impact will be somewhat mitigated by the fact that for non-custodial parents, who are a significant portion of this group, much of the increase will be recovered as owed child support.

The Commission urges Massachusetts state leaders to work with the federal Congressional delegation to gauge the feasibility and merits of retaining both the additional credit to families with three or more children and the reduction of the marriage penalty for families with two wage earners filing jointly. With a state EITC at 15% of the federal, each of these provisions will cost the state an estimated additional $3 million in tax years 2009 and 2010. If the federal EITC retains these provisions going forward, the state will continue
to have this loss of revenue. But the additional income will benefit the state's economy as well as low and moderate-income families. It is estimated that these changes will bring an additional $42.2 million in federal dollars into the state.\(^99\)

**Strategy 2:** Support legislation increasing state EITC from 15 to 20% of the value of the federal EITC for all eligible recipients.

**Policy Status and Impact**

Massachusetts is among 23 other states and the District of Columbia providing a state EITC of which eleven and D.C. have set their state EITC at 20% or higher of the federal EITC for all or some of the recipients.\(^90\) An increase in the state EITC to 20% of the federal will provide low and moderate income families greater opportunity to meet everyday expenses, pay off debt, and begin to fulfill their saving goals. Research also confirms that EITC has had a critical role in bringing more single mothers into the workforce.\(^91\) The EITC also has a role in lifting the state economy with an infusion of federal funds, for example, the federal EITC brought over one-half billion dollars into the Massachusetts economy in 2008.\(^92\)

The Commission recommends the increase in the state EITC from 15 to 20% of the federal to improve the economic well-being of the over 315,000 Massachusetts households who annually receive the EITC.\(^93\) DOR estimates that this increase will reduce state income tax revenues by about $30 million annually. The Commission acknowledges that it may not be feasible for the state to adsorb this revenue loss in the immediate future, but it also should be recognized that there are offsetting fiscal returns to the state. In addition to families having more disposable income, there can be savings in other public benefit programs. Some economists have found that receiving the EITC may offset income losses from reduced use of other public assistance programs. One study finds that increases in the EITC between 1993 and 1999 resulted in a 10% decline in use of AFDC and later TANF even after factoring in other policy changes that were enacted during that period.\(^94\)

<table>
<thead>
<tr>
<th>Role of EITC and RALs in people’s lives</th>
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<tbody>
<tr>
<td>“I was going to get married. I have been living with the same man for 14 years. But if we get married we just have to pay more taxes. We both work, but we have four kids. We could not make a future for our kids if we got married.”</td>
</tr>
<tr>
<td>“We’re low income, but we’re not stupid enough to take loans from a paid tax preparer!”</td>
</tr>
<tr>
<td>“Yes, I got an advance on my tax refund because I needed the money then. It was worth it for me.”</td>
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*Responses from discussion group participants*
**Strategy 3:** Maximize the benefits of EITC through greater free assistance with tax filing and access to other services and resources at the time of tax preparation.

- Urge the DOR to adopt expanded customer services efforts to complement the tax preparation assistance for low and moderate income filers supported by the IRS. (Administrative action)

- Urge the Commonwealth to provide resources through an open RFP process engaging diverse community-based organizations to enable twenty-five VITA sites to serve as entry points to access financial education and other asset-building products and services. (Administrative action and/or through legislation)

**Policy Status and Impact**

In Massachusetts an estimated 13-15% of eligible recipients are not receiving the EITC with low-income Latino parents less likely than other parents to have heard about the EITC. In the Commonwealth, between $45 and 60 million goes unclaimed by about 47,000 taxpayers each year. Having more eligible workers claim the EITC credit would benefit both their individual households and the state’s economy.

With very few, only 5% of all EITC filers, using the services of free tax clinics, it is also extremely important to increase the awareness of this service and ensure Volunteer Income Tax Assistance (VITA) sites can engage many more tax filers. To serve more filers, there is a need to increase operational capacity of the 70 organizations across the state providing this service, many of which have no dedicated funding. Expanding community capacity to offer free tax preparation services will not only increase the number of filers and ensure they receive the maximum benefit of their return, but, as research demonstrates, it will also result in greater asset-building activity, such as paying off debt, the purchase or repair of a vehicle, and use for education and training.

Some VITA sites around the state have begun to pilot on-site services that encourage tax filers to take advantage of credit repair services, financial education classes, and the opportunity for the unbanked to open accounts to deposit their EITC refund directly and safely. More free tax preparation sites plan to offer such options to make it easier for low income families to engage in other asset building activity when filing their taxes.

The Commission wants to ensure that Massachusetts residents receive the full benefit from the EITC to maximize the work incentive it provides and the chance to build financial stability. As previously noted, this will also be good for the state’s economy. An analysis by researchers in San Antonio concluded that increasing the number of EITC claims to be highly beneficial, with each additional dollar received generating roughly $1.58 in local economic activity.
Support financial education and help families access systems to encourage savings and asset building

Disturbing trends in Americans’ personal finances have occurred during the past ten years: consumer debt is at record levels while the personal savings rate has dropped close to zero.\textsuperscript{100} At the same time, the importance of financial literacy continues to grow, as individual responsibility for personal management of finances increases in the context of a rapidly changing and complex financial industry.\textsuperscript{101} Financial education is a cornerstone to asset development strategy because of the need to have the knowledge to analyze financial information, make wise and informed decisions, and respond to opportunities and emerging events.

Financial education is particularly important for low and moderate-income families for whom the challenge of navigating the increasingly complex financial services world is even more difficult than for other families. They are disproportionately unbanked and have been traditionally underserved by mainstream financial institutions,\textsuperscript{102} and targeted by predatory second-tier financial institutions. The ill effects of lack of access to appropriate financial products and services, is compounded by missed opportunities to develop financial literacy, and the consequences of not having those skills.\textsuperscript{103}

There is ample evidence that structured and experience-based financial education programs for low and moderate-income families can help these families develop, sustain, leverage and protect their assets. Such programs generate and capitalize on teachable moments in the financial life course, link financial education to account ownership and other structured opportunities, and build learning around practical goals and problems that are rooted in the experiences of their participants. Programs that provide financial education in combination with matched and unmatched savings accounts have shown a positive, iterative effect between financial education and account ownership in which each leads to more of the other.\textsuperscript{104} Financial education provided in combination with first time and affordable homebuyer incentives have led to better mortgage decisions and lower delinquency rates. When provided in combination with credit counseling, it has also lead to better credit use and less debt.

Financial literacy is also critical for children and youth in order to develop the money management skills for the financial decisions they already make and to prepare them for adult financial tasks and responsibilities.\textsuperscript{105} Today’s youth are bombarded with a multitude of financial options and responsibilities at an increasingly young age. One out of every three teenagers has a credit card and even more have an ATM card.\textsuperscript{106} Yet, many are ill-equipped to make informed decisions about financial matters. They don’t understand fundamental principles of money management and the larger economy. As a result teenagers are at a disadvantage when making first important financial decisions: buying a car, taking part or full-time employment, and using credit cards. A consensus is emerging that all children should receive financial education in school as a complement to the financial socialization they develop from the families and communities.
As research in the financial education field is still evolving, its effectiveness as a strategy to change financial behaviors is yet to be fully tested. The recommendations of the Commission aim to build on what we know, while recognizing and seeking to address identified limitations and challenges to effective financial education programming.

**Strategy 1: Create a mechanism to promote and coordinate effective financial education statewide.**

- Establish a public/private task force or council – made up of broad, inclusive representation – to explore the development of a centralized office of financial education to be responsible for coordinating the promotion and effective delivery of financial education across the state. (Administrative action)

- Through a subcommittee of this public/private task force or council, engage in a Massachusetts financial education marketing campaign to promote the importance of financial education and activities surrounding the development of the financial education office including the launching of a financial education website. (Administrative action)

**Current Status**

In Massachusetts, a vast range of providers – including financial institutions and the private sector, state and local government agencies, educational institutions, community-based organizations, and religious organizations – provide financial education programs to low and moderate-income adults. There are numerous efforts to promote and coordinate effective financial education programs, but they lack sustaining funding and a central location.

Coordination and consistency to financial education is a challenge, not only for Massachusetts, but nationally as well. The general field is described as having substantial variation in the core content, delivery methods, and target populations across programs, which in turn leads to variation of the goals and objectives of these programs. There is limited research on what makes a program effective, that is, what produces sustained changes in financial behaviors. This is complicated by the fact that the field spans several academic disciplines, resulting in a lack of consistency in the types of theories, methodologies, and metrics being used to document program impact, which makes it difficult to make comparisons across studies.

Conversely, the promotion of financial education programs and financially responsible behaviors occurs in the context of an overwhelming barrage of information, news stories and advertisements. While some information and services may be helpful, others are designed to take advantage of low and moderate-income families. Within this barrage, there is a need for a trusted source of information that can connect people to quality financial education programs.
Policy Impact

The Commission recommends the creation of a task force to explore the potential scenarios, benefits and tradeoffs of the structure and funding of a centralized Office of Financial Education. This includes addressing whether the centralized office should be located within the state government, or whether it should exist as an independent non-profit agency. This will also include exploring both the costs of such an office and options for funding it. The task force will begin the process of establishing standards of quality financial education programs, including but not limited to: program structure, appropriate content areas, teacher training, teacher quality, and evaluation criteria.

To this end, the task force will develop partnerships across the government, non-profit and private sectors. It will build and expand upon the efforts initiated by the state Office of the Treasurer, Office of Administration and Finance, FDIC, Federal Reserve Bank of Boston, Internal Revenue Service, Massachusetts Bankers Association, Massachusetts Community and Banking Council, The Midas Collaborative, United Way of Mass Bay and Merrimack Valley, Mass INC, Institute on Assets and Social Policy at Brandeis University, The Boston EITC Coalition, and others. The task force will also build and expand upon the work of other individual organizations or multi-member groups currently delivering and promoting financial education such as the state Office of Consumer Affairs, Office of the Attorney General, Department of Housing and Community Development, Massachusetts Association for Community Action, organized labor, housing authorities, community action agencies, community development corporations, elder services, and others.

The task force will research other state initiatives that resulted in the establishment of an Office of Financial Education Office to aid in defining the role that may include, but not be limited to:

- Coordinating statewide campaign to promote financial education
- Serving as a clearinghouse for materials, class scheduling, and teacher training
- Responding to emerging events, such as the current economic downturn and predatory lending practices
- Supporting integration of financial education across the life course, including through the public education system K-16 and adult education programs
- Promoting partnerships among public, private and non-profit sectors for possible creation of a Financial Services Corps
- Promoting free tax preparation, affordable banking accounts, appropriate financial products, and other beneficial programs
- Conducting program research and development
- Coordinating with other similar city, state, and national efforts
### Strategy 2: Integrate financial education into the public K-12 education system to improve financial literacy in the formative years.

- Urge the Department of Elementary and Secondary Education to incorporate financial education into the Curriculum Frameworks revision process currently underway. (Administrative action)

- Urge the State Legislature and its committees to employee the following guidelines as they review bills that require financial education in schools:
  - Integration of financial education through “access points”: standards, testing, teacher, and textbooks and other materials
  - Requirement of completion of a financial education course for high school graduation
  - Promotion of financial education competitions, in-school bank/credit union services, and other similar activities
  - Adoption of standards set out by National Endowment for Financial Education

### Current Status

There are two main strategies to integrate financial education into the standard school day: integrate it into existing subjects (e.g., math, social studies, history, etc.) or create a separate personal finance course. States have employed both options. At least nine states made a personal finance course a requirement for high school graduation and at least six additional states passed legislation in 2005 requiring financial education in the K-12 educational system.110

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### Significance of financial education for all ages

“I got help on how to budget my income and how to work out finances.”

“Even though I don’t have much debt, I would like to take a class. I would love to be able to get a credit card again.”

“Invite your family to be part of the budget so they have a sense of what things cost and a sense of ownership.”

“It is important for kids to start learning about finances in school. I didn’t learn about it at home.”

“I was not taught early about budgets. We need to be taught when we are young. Some white people teach their kid this, we don’t.”

*Responses from the public hearing and discussion group participants*
The Massachusetts Curriculum Frameworks is the key access point to integrate financial education into the state education system, as both state curricula and tests are aligned with the Frameworks. In 2005, The Massachusetts Office of Consumer Affairs and Business Regulation launched HiFi, the High School Financial Literacy Initiative, to train teachers to use a nationally recognized financial education curriculum which is already aligned with the state Curriculum Frameworks.\textsuperscript{111} This is an important overlap to leverage. Aligning standards allows tests to be developed and for teachers to keep teaching to the same standards, making the issue of "unfunded mandates" less significant. Teacher training is extremely important, as teacher quality is the single most important factor in the success of an education program.

There are several other efforts in the state to provide financial education to youth. The Treasurer’s office supports many financial education efforts\textsuperscript{112}, such as Banking Day poster contest, Saving Makes "Cents", Caution with Credit, and Financial Smarts for Students. There is a Massachusetts chapter of the Jump$tart Coalition for Personal Financial Literacy for youth. In addition, over 30 public high schools in the state have bank branches operating within them, teaching financial education through experience of actually managing their own accounts. Basing a bank or credit union branch can be very successful strategy: students open accounts, some work as tellers, and the branch becomes a resource for the larger community – parents open accounts, get financial advice at school, and the banks and credit unions build on successful partnerships by investing resources in schools.

**Policy Impact**

For children and youth, financial education has two levels of benefits. On one level, they learn about appropriate money management, the risks and responsibilities of credit, basic principles of investing, and many of the knowledge and skill areas in adult financial education.\textsuperscript{113} In addition, there is a developmental benefit around broader life skills, such as responsible decision-making and planning for the future.\textsuperscript{114}

By establishing guidelines for legislation currently under consideration, the Commission emphasizes the importance of financial education for youth and the viable means by which financial literacy can be advanced. Moving from a voluntary program for providing financial education in the public schools to incorporating it into the Curriculum Frameworks will require that students demonstrate competency in that area with inclusion of financial education in the access points of testing and curriculum materials.

**Strategy 3:** Advance asset building among low income families through continue support for the Individual Development Account programs.

- Endorse continued funding of IDA programs in the FY 2010 state budget and in future years. (Legislation needed)

- Urge DHCD to continue to develop measurements to evaluate, enhance, and improve the IDA program. (Administrative action)
Current Status

Individual Development Accounts (IDAs) are dedicated savings accounts containing deposits by low-income account holders that are matched by private or public sources. Program participants also receive valuable financial education customized to aid them in reaching their savings goal. Considered a critical component of effective asset development policy agenda, the IDA program, like the GI Bill before it, gives working people a chance to develop long term assets – homes, higher education, and business start ups – which in turn help people achieve long-term economic independence. Research of IDA programs shows that even very low-income people can and will save and accumulate assets if offered the right combination of incentives, access, and institutional support, such as matching saving funds, direct deposit, and financial education.115

At least 35 states have passed policies to support development of IDAs. In fiscal year 2007, Massachusetts joined at least ten other states in authorizing state general revenues to support the IDA program.116 With a starting allocation of $500,000, the Massachusetts program has received steady, if modest, funding increases to $700,000 in the most recent fiscal year. It was the first “intentional” asset development program in the Massachusetts state budget and is noted for the steady progress IDA account holders are making toward the purchase of their assets.

The state supported IDA program is overseen by the Department of Housing and Community Development (DHCD) and services are administered through 24 community-based organizations across the state. To date, over 1,000 people have completed the financial education course offered through the program and over 500 people have opened IDA matched savings accounts. Although people can participate in the program from three to five years saving toward their asset goal, about 50 people have already used their savings to purchase their asset of a home, education or business start-up.117

Policy Impact

While budgetary constraints may limit the availability of funds to support continued expansion of the state IDA program at its current rate, the Commission recommends that it be maintained as a budget line item allowing modest numbers of low-income people to newly enter the program and become account holders. This continued infusion of state dollars will also make it possible for programs to continue to access additional federal funding made available through the Assets for Independence Act. It is estimated that the $700,000 awarded in state funding to community programs to administer IDAs in fiscal year 2009 has leveraged almost $1 million additional dollars from the public and private sector to further support the initiative.118

The Commission also urges DHCD to use its data collection system and other program evaluation methods to analyze the significance of the programs role in asset building and how it can be enhanced and improved. The Commission’s own public engagement has demonstrated great interest to expand allowable savings goals to include savings for a child’s future education and purchase of a vehicle to access better employment. Further
research is needed to determine if investments such as these will contribute to long-term economic security and mobility. Data collections by DHCD will soon be facilitated by a web-based system that will make it possible to do greater analysis of program implementation and outcomes.

Debt and Savings

“I have been saving for the past six months. I buy savings bonds each week as a reserve for emergencies.”

“I broke my credit cards and debit cards in half and now my savings is more.”

“I sit at my kitchen table every other week. I make a list. I never have enough to pay for everything on time. I try to prioritize and rotate. If I pay something they will not turn me off. I do this week after week, year after year.”

“I am in the IDA program where first my savings goal was homeownership, but then I decided to get an education so I could get a better job. Then I can buy a home when I am earning more. My kids are disappointed, but I explained to them why.”

Responses from the discussion groups and public hearings

Strategy 4: Connect financial education to existing services and benefits for low-income populations to capitalize on teachable moments and reinforce lifelong learning.

- Provide financial education training to appropriate staff at community action agencies, homeless shelters, community health agencies, housing authorities, and faith-based and other community-based organizations that provide services to low-income families. (Administrative action)

- Urge Department of Transitional Assistance to count financial education seminars or classes as a work activity. (Administrative action)

Current Status

Discussing financial plans and handling financial problems is a very personal process, requiring a good relationship and trust. Community-based organizations and local public agency staff often have developed such relationships with their clients, and therefore are often ideally positioned to provide effective financial education. Additionally, these staff are positioned to connect clients to other services and public benefits within and beyond their organizations.

Financial education has begun to be linked to other services in Massachusetts in varied settings. Examples include the shelter housing system, free tax preparation, Adult Basic
Education, Head Start, fuel assistance, and most notably through IDAs. Although they have trusted relationships with their clients, many staff caseworkers, with the exception of those in IDA programs, do not have special training to provide financial education.

By integrating financial education into the service delivery process, low and moderate-income families can be empowered to better understand and navigate services and benefits as well as planning ahead for their financial future. Combining financial education with IDAs has shown to increase saving, and successful pilots have demonstrated its effectiveness when integrated into programs offering assistance to the housing insecure and participants in the fuel assistance program.119

Currently, Massachusetts does not include participation in financial education programs as a countable work activity for TAFDC cash assistance recipients. Permitting financial education as a countable work activity improves individual responsibility, and financial attitudes, behaviors, skills and outcomes. Many public benefit recipients entering the workforce for the first time, as well as low-income workers at risk of dependence upon public assistance, lack these skills.120

Policy Impact

Providing high-quality training in financial education has two levels of benefit. It benefits the staff, who are often former clients of their respective agencies and have modest wages, by developing their own financial literacy around key financial issues in their lives. Financial education also builds the capacity of staff to effectively help their clients handle these financial issues. This in turn has an organization-level effect of increasing the service delivery capacity.

The Commission also recommends allowing financial education as a countable TAFDC work activity to incentivize participation in such programs. While this may substitute for a few hours of other work activity, participants will gain important financial knowledge and skills that they can use to get a job, manage money, and achieve greater financial stability.

**Strategy 5:** Integrate financial education into workforce development programs.

- Include financial education as a pilot in at least three workforce development RFPs originating from one or more workforce development (or other) agencies, such as the Commonwealth Corporation or the Department of Workforce Development. (Administrative action)

Current Status

Financial education can have a vital role in progressing from the development of skills for the workplace to successful asset development. Workforce development training lends itself well for inclusion of financial education as the goal for both is the development of
knowledge and skills to improve one’s financial situation. Inclusion of financial education in job training will help ensure that participants not only have the skills to meet the demands of the workplace, but also the skills to make wise financial choices that correlate with having employment and maximize earnings, such as accessing all applicable tax credits and free tax preparation services. The desired program outcomes are complementary in that workforce development programs create opportunity to obtain employment that offers health insurance and contributions to retirement savings, while financial education assists employees in maximizing these benefits.

Incorporating financial education into workforce development training expands upon the model of providing financial education in the workplace. Leading edge corporate actors have begun to recognize that providing financial education programs benefit the corporation as well as their employees. Many firms sponsor special sessions on financial management and retirement planning and others offer financial counseling indirectly as part of the Employee Assistance Program. Studies show that adult financial education in the workplace can be especially successful when decisions need to be made about participating in an employer’s retirement savings plan, such as a 401(k). The effects of financial education on savings behavior is particularly strong for non-highly compensated employees.121

There are also initiatives experimenting with including financial education in Adult Basic Education training and English for Speakers of Other Languages classes that serve as the first step for those with low basic skills who want to move along the path to a better job.

Policy Impact

The Commission believes much can be learned by piloting inclusion of financial education in workforce development training. As participants acquire knowledge and skills to advance in the workplace, they also will acquire the knowledge and skills to navigate new financial products and manage their changed personal finances. There is also keen interest by the agencies that oversee workforce development training to learn from a pilot that integrates these different training components.

Leverage the full potential of housing-based, family self-sufficiency programs

Housing-based, family self-sufficiency programs are an ingenious approach that addresses several enduring policy goals by providing a structure for savings and asset building for low-income families. One such program, Family Self-Sufficiency (FSS), is designed to help families living in public housing and those using Housing Choice Vouchers (formerly known as “Section 8”) progress toward self-sufficiency by reducing disincentives to working and assisting low-income families acquire valuable savings.
FSS combines (a) stable affordable housing with (b) case management services to help families access services needed to pursue employment and achieve other goals and, (c) an escrow account that grows as families’ earnings grow. The escrow account functions as both an asset-building vehicle and a tangible financial incentive for families to increase their earnings. It creates a structure for residents to save the money that would otherwise go toward increased rents, triggered by increased earnings, by depositing an amount equal to the increase in rent into participants’ accounts each month. Participants can withdraw this money and interest upon successful completion of the program.

The FSS program was enacted by Congress in 1990 and is administered by state and local public housing agencies (PHAs) and currently serves more than 75,000 families nationwide. The U.S. Department of Housing and Urban Development (HUD) requires PHAs receiving funding between 1993 and 1998 to develop public housing and Section 8 subsidy slots, to enroll in FSS the number of families equal to the number of these slots. According to a recent HUD program evaluation, FSS program participants experience much greater income gains, employment levels, accumulated significant savings and had substantial declines in receipt of TANF cash assistance as compared to other recipients of housing assistance.

Despite evidence that the FSS model is an effective asset-building tool and valuable in helping families make progress toward self-sufficiency, the program is underutilized, and FSS coordinators face numerous barriers around recruiting program participants and acquiring funding to support service provision. Yet the value of this program should not be underestimated. FSS is one of a very few programs that encourages and facilitates savings among recipients of housing support, and also brings millions of federal dollars into the Commonwealth each year. The recommendations of the Commission offer critical suggestions on how the program can be enhanced to uncover the full potential of the FSS model as a resource for expanding asset-building opportunities for low and moderate-income families in Massachusetts.

**Strategy 1:** Lead efforts to coordinate collaborations supporting the HUD-funded Family Self-Sufficiency (FSS) program and other housing-based, self-sufficiency programs.

- **Formalize existing informal networks to increase and improve communication between Housing Consumer Education Centers, local Public Housing Agencies, housing partnerships, and other community-based organizations (CBOs) providing housing services.** *(Administrative action)*

- **Disseminate information on FSS to all CBOs that serve the target population to increase referrals to the programs, and bring additional federal dollars into the state.** *(Administrative action)*

- **Urge DHCD to facilitate coordination among heads of service providing organizations, including public and private providers of childcare, transportation, workforce**
training, and other transitional assistance, along with housing staff to create new collaboration with the FSS program. (Administrative action)

- Plan strategic use of Moving-to-Work funds to build collaboration and incorporate these strategies into all future housing-based, self-sufficiency programs. (Administrative action)

Current Status

The HUD Family Self Sufficiency program was originally designed to inspire state and local collaboration of available services to help families transition off public assistance. Thus, HUD provides limited funding for FSS case management and no funding for programs, education, training, or workshops. The FSS coordinators at housing agencies provide participants with case management services related to employment, goal setting, and escrow account management.

As the FSS coordinators generally lack specialized training in financial coaching and money management and lack funds for in-house service provision, they must identify resources in the community and make referrals to external agencies that provide assistance with financial planning, decision-making, and debt management. FSS coordinators also must refer participants to external resources that provide job training, work supports, and various types of transitional assistance. However, these resources are in short supply in some regions, overburdened in others, and the limited interagency coordination can make access to these vital services difficult for participants in the FSS program. In addition, without funding for education and training, it can be challenging for housing agencies to connect clients with free or affordable services that will advance employment skills and make increased earnings possible.

Additionally, there appear to be dramatic differences in the availability of services by housing authority type (e.g., PHAs supervised by HUD versus Regional Housing Partnerships overseen by the state Department of Housing and Community Development - DHCD) and by region (e.g., urban vs. rural). Collaboration and networking do occur, generally in informal networks, which have been very successful in sharing information, resources, and ideas across programs. But further, more formalized and universal cross-fertilization and sharing of resources between existing agencies and programs appears to be a crucial ingredient to improving the FSS program. These informal networks also may not be linked to the newly formed regional Interagency Councils on Homelessness and Housing. They are part of a five-year initiative to better coordinate, integrate and implement innovative services focused on securing permanent housing options for homeless individuals and families, and over time lessen the need for emergency assistance shelters. The vision is to ultimately improve economic stability by linkages to appropriate community supports and stable housing.
Policy Impact

The long-term goal of the Commission is to ensure the increased utilization, expansion, and success of housing-based, self-sufficiency programs with their tremendous asset-building potential. To encourage state and local level coordination and collaboration, the Commission recommends that regional housing partnerships, local PHAs, Housing Consumer Education Centers, and other community-based organizations providing housing services engage in efforts to formalize existing networks, increase information sharing, and improve communication streams. Such collaboration will leverage existing resources and supportive services and create a network that significantly expands services available to recipients of housing assistance and can identify and address gaps in services.

Although there are a small number of existing partnerships, there is a critical need for housing agencies to bolster awareness and coordinate with Community Development Corporations, Community Action Agencies, providers of IDA programs and other social service agencies, to increase familiarity with the FSS program and its value as an opportunity to better serve their clients. Furthermore, public and private social service providers can offer complimentary services that can help FSS participants maximize resources necessary to achieve self-sufficiency. As the FSS program was designed with such collaboration as an explicit goal, it is crucial to the success of the program that these interagency networks continue to grow.

The Commission urges ongoing coordination and collaboration among public and private organizations that provide work-support services in order to more efficiently and effectively serve participants in existing programs. Collaborative efforts should also tap into the newly formed regional Interagency Councils on Homelessness and Housing to examine how the more housing insecure can over time be engaged in the program. Additionally, the Commission recommends that the forthcoming Moving-to-Work program be designed with the specific goal of building interagency collaboration and communication into the model. It can build on the lessons of FSS, including the inclusion of comprehensive case management services that access resources in the community such as financial education and other asset-building opportunities.

Strategy 2: Invest in data collection and evaluation to support effective implementation and analysis of housing-based, self-sufficiency programs.

- Support an intensive study of housing-based, self-sufficiency programs throughout Massachusetts to document current scope, successes, and barriers of existing programs. (Legislation needed or Administrative action)

- Standardize indicators of all housing-based, self-sufficiency programs to align with key indicators measured in other programs administered by DHCD and the Department of Transitional Assistance to promote efficiency, accuracy and consistency. (Administrative action)
➤ Develop a housing-based, self-sufficiency program evaluation tool that can be shared with programs through the “best practices toolkit”. (Legislation needed or Administrative action)

Current Status

Currently, data collection among housing-based, self-sufficiency programs is inconsistent and insufficient to evaluate the outcomes and effectiveness of the programs. FSS data from local PHAs is collected by HUD, but there is not a standardized data collection tool that can be used internally. DHCD collects administrative records from nonprofit regional housing partnerships and reports it collectively to HUD. There is no central statewide repository for data. While DHCD does utilize the existing database (PIC) to flag current voucher holders in the FSS program, this information is limited. Also, while HUD released its latest national evaluation of the FSS program in 2005, additional research is needed to demonstrate the program’s effectiveness at moving families from poverty to self-sufficiency. Massachusetts has not had the capacity to conduct its own systematic evaluation regarding the utilization of the FSS program across the state.

Although there is limited existing national data on the FSS program, the existing information regarding program participation among PHAs is: (1) based on administrative records submitted to HUD, which may be inaccurate or incomplete, (2) based on records that do not include data on some potentially important variables like education level, and (3) reveal large discrepancies in several categories across housing agencies. This variability is a barrier in determining best practices among all housing-based, self-sufficiency programs in Massachusetts and in determining how the state could leverage additional federal funds by increasing the utilization of the program.

Policy Impact

Improved data collection efforts for housing-based, self-sufficiency programs can provide insight into how these programs can be enhanced to increase utilization of the program, and boost its success rate creating greater asset-building opportunities for FSS participants. In order to provide a clear picture of the scope, program effectiveness, program outcomes, and the FSS-related resources available, the Commission urges a comprehensive examination of current FSS program operations statewide. This study should identify standard indicators to be tracked and evaluated for all existing and future housing-based, self-sufficiency programs, including HUD’s FSS and Moving-to-Work programs. Improvements in data collection and the capacity to adequately analyze the data that are gathered can provide more consistent and accurate information that can lead to improved objectives for optimizing FSS programs statewide. It is recommended that a basic evaluation tool be developed and included in a “best practices toolkit” to be readily used by FSS coordinators to organize their data and better measure economic mobility.
Conducting an intensive study of existing programs, expanding data collection and reporting, and employing these to develop a best practices toolkit for future program development will require an investment by the state in either diverted or new resources. On the other hand, it is anticipated that expanded participation in housing-based, self-sufficiency programs will draw in greater federal revenue and over time reduce or end families’ reliance on public benefits.

### Making homeownership more affordable

“The housing prices are not realistic here. I could own a home in the south where housing is affordable. I may move back when I retire.”

“There is a rent match savings program that at the end of five years you can buy a house or a business.”

*Responses from discussion group participants*

### Strategy 3: Strengthen the asset development role of housing-based, self-sufficiency programs.

- Integrate financial education into housing-based self-sufficiency programs by offering it directly or accessing it through community programs. *(Administrative action)*

- Urge that escrow funds saved as a result of participation in any housing-based self-sufficiency program must be used to support economic mobility and asset formation. *(Administrative action)*

### Current Status

Currently, due to the lack of funding, housing agencies supporting the FSS program do not have the capacity to create a program structure that can provide a multi-facet approach to the FSS program. As cited earlier, most housing agencies are not equipped to provide financial education and other asset-building workshops in-house, and face barriers in referring clients to such programs outside the agency.

The HUD FSS program does not prescribe any limits for the use of escrow funds, except that funds withdrawn during the course of the program must be used for goal-related activities. However, many FSS programs work with families to identify the most appropriate and constructive uses for escrow savings in view of the families’ long-term objectives, such as homeownership and education. Existing data only document use of escrowed savings for homeownership. These data reveal an average homeownership rate of 34% for agencies that submitted information. Among the locally administered PHA programs with more than 25 graduates, Lowell, MA and Gardner, MA reported some of the largest homeownership rates nationally in 2005.127 Data on other uses of escrowed savings are
less consistently available across sites. The extent to which graduates who do not pursue homeownership use their escrow funds toward other asset-building purposes is unknown. However, FSS practitioners cite starting a business and retirement savings as additional uses of these savings for long-term goals.128

At the FSS coordinator’s discretion, a portion of the escrow account may be made available to the family during the term of the contract to enable the family to complete interim goals, such as education or employment related needs or paying off debt. One of the most common reported interim uses of escrow funds is repair or purchase of a vehicle. As many individuals need a car to get to work, such disbursements can play a critical role in helping families make progress toward economic security.

**Policy Impact**

The Commission recommends strengthening the asset development role in housing-based, self-sufficiency programs to include financial education and targeted use of escrowed funds to support asset accumulation and economic mobility. Successful collaboration between self-sufficiency programs and existing community resources, including financial education and the matched savings of IDA programs, can ensure that families fully leverage these resources to take advantage of long-term asset-building potential of the escrow account model.

The Commission recognizes the value of allowing families to use the escrow funds to strengthen their financial standing while transitioning to financial stability, but it wants to ensure families reach their long-term asset goals. Uses of escrow funds for short-term needs can lay the foundation for future economic mobility and security, even though they do not conform to traditional definitions of asset ownership, such as the restricted uses for IDAs. Rather there is recognition of the complex path out of poverty and strong encouragement to promote upward mobility, while simultaneously giving families the freedom to utilize their funds in ways necessary to facilitate future asset development.
Conclusion

The recommendations of the Asset Development Commission provide a blueprint for investing in demonstrated best practices, policy development, and programs to build the opportunity platforms that enable Massachusetts citizens to secure economic success and improved well-being, while helping to strategically position the state to compete in the global economy.

The broad agenda of asset building, coordinated at the state level will help align state policies for a comprehensive impact, enhancing the effectiveness of the movement for economic and social mobility throughout the life course, along all income levels, and across ethnic, gender and race-based concerns. The Commission seeks to advance this broad agenda by actively building the frameworks, policies, and practices that will strengthen our collective future.

The Massachusetts Asset Development Commission brought together multiple and diverse stakeholders to explore statewide asset building opportunities. It engaged program participants, service providers, policy experts and public officials through outreach, public hearings, numerous facilitated discussion groups, and Commission meetings. The groundwork has been laid for an asset-building agenda for Massachusetts that will continue to be an iterative process combining administrative action, legislative proposals, stakeholder pressure, and advocacy where needed. Massachusetts’ voices will continue to speak and shape this agenda. The Commission resulted from a loose confederation of citizens and organizations emboldened by the promises of asset development to help drive economic mobility and security. Given the enthusiasm and commitment to asset-building strategies, Massachusetts citizens and organization can be relied upon to use this document to continue to drive individual recommendations, specific strategies, and the comprehensive agenda set forth in this Final Report in the years ahead.

The asset movement in Massachusetts transitioned from citizen and organization engagement to the imprimatur of a state commission. The next steps will depend upon administration and legislative action and renewed citizen and organization engagement.


A five year follow-up study of the New Hope program that provided a range of income supports demonstrates positive effects on children’s academic performance and test scores, and the eight year follow up found that when compared to a control group, children whose parents received a range of income supports exhibited more positive social behavior, received better grades, had less participation in special education, repeated fewer grades, held less cynical attitudes about work. See Miller, C., Cynthia, et al. (July 2008). New Hope for the Working Poor: Effects After Eight Years for Families and Children. New York, NY, MDRC.


Communicated by Citizen’s Housing and Planning Association, Boston, MA. June 9, 2009.


Ibid.


14 Traditional Asset poverty threshold is calculated as net financial assets (not including a home) coupled with unemployment benefits (should they qualify), to cover 75% of median essential household expenses for three months in the absence of wage income. Unpublished IASP calculation based on median essential expense that include: costs for housing, food, transportation, health, education, apparel, personal insurance. See Meschede, T. and T. Shapiro (Forthcoming: 2009). Asset Security and Opportunity Index. Waltham, MA, Institute on Assets and Social Policy, Heller School for Social Policy and Management, Brandeis University.


More recent data in this form not available. Calculations conducted by the Institute on Assets and Social Policy.

16 Financial Assets include: Business equity; interest-earning assets; equity in stock and mutual funds shares; real estate equity other than own home; IRA and KEOGH accounts; and equity in 401k and thrift savings accounts. Home equity and vehicle are excluded.

17 Debt includes: debt on store bills and credit cards, loans obtained through a bank or credit union other than car loans or home equity loans. Other debt such as medical bills not covered by insurance; Money owned to private individuals; and any other debt not covered. Clean up


22 Federal rules also allow states to relax the asset limits for medical assistance program eligibility. Today all but two states have eliminated asset limits for the State Children’s Health Insurance Program (SCHIP) and at least 21 states have eliminated Medicaid eligibility asset tests for adults in families with children.


24 Ibid.


26 Calculation based on information provided by Massachusetts Department of Transitional Assistance in email memo dated January 7, 2009


31 Ibid


40 Ibid.


42 Massachusetts Educational Financing Authority report of U.Fund.

43 Low net-worth is defined as a household with less than $15,000 in assets, excluding a primary residence.


The U. Plan is not an official 529 college savings plan as it was initiated prior to the federal legislation.


Leach, M. Arkansas Section 529 Plan Review Committee Member. Personal communication April 15, 2009.

529 Plans Helping Families Save for Higher Education, College Savings Plans Network from [http://www.collegesavings.org](http://www.collegesavings.org)


Ibid.

Ibid.


Ibid.


The maximum federal EITC benefit for the 2008 tax year was $4,824 for families with two or more children or as much as 40 cents for each dollar earned. This credit phased out when income exceeded $38,646 for single parents and $41,646 for married couples. Families with one child received a maximum benefit of $2,917 and households with no children received a maximum benefit of $438.


79 Smits. Wm., IRS Year-to-Year Comparison of EITC Return Information


82 {Smits, Wm. February 27', 2008 #95}


87 Calculation derived from data from The Brookings Institute (Jan. 2009) and IRS data for TY 2006.

88 Ibid.

89 Ibid


91 Ibid

92 Smits. Wm., IRS Year-to-Year Comparison of EITC Return Information

93 Ibid


96 Ibid

97 Calculation by Institute on Assets and Social Policy, Brandeis University for derived IRS reports.


102 Center for Financial Services Innovation, (November 2007). Payment Innovations for the Underbanked, NEACH Payment Insights presentation. Chicago, IL.


104 The results include opening a basic saving account, increased savings, increased minimum balance, more complex accounts.


110 States with existing requirement: AL, GA, ID, IL, LA, KY, NY, SC, and UT. States recently passing legislation to require financial education to be implemented: MO, VA, TX, WA, WV, and WY

State Policy Options for Building Assets http://www.newamerica.net/publications/policy/state_policy_options_for_building_assets


112 http://www.mass.gov/?pageID=tretopic&L=2&L0=Home&L1=Financial+Education&sid=Ctre


116 Center for Social Development, (October 2006). State IDA Policy Summary Tables. Washington University, St. Louis, MO.

117 Data provided by Emily McLaughlin, Program Representative, DHCD on June 4 and 9, 2009.

118 Massachusetts Department of Housing and Community Development, (August 2008).


Data from Financial Education in Fuel Assistance Program pilot conducted by MASSCAP.


122 Residents of public housing and those using housing vouchers pay 30% of their adjusted income for rent. For participants in the HUD FSS programs, rather than increased earnings resulting in higher rent payments, it is placed in an escrow account.


128 Ibid.
APPENDICES
Appendix A: Summary of Recommendations

A. Remove state-imposed barriers to financial stability:

1) *Reform asset limits and vehicle value rules in public assistance programs*

   a) Increase the TAFDC and EAEDC asset limits to at least $5,000 and allow adjustments for inflation over time. (Legislative or Administrative Action)

   b) Update the TAFDC and EAEDC car valuation rules to allow applicants and recipients to possess reliable vehicles and to allow the Department of Transitional Assistance Commissioner to adjust limits over time. (Legislative or Administrative Action)

2) *Make 529 college savings plans and other education grants non-countable assets for public benefits*

   a) Make state-sponsored college savings vehicles (529 plans) and all other education grants non-countable assets in all state-funded or administrated public benefits programs. (Legislative or Administrative action)

3) *Reform TAFDC lump sum income rules for funds used for asset development goals*

   a) Make non-countable and excluding from the TAFDC the lump sum income rule of up to $10,000 of funds spent on or placed in individual asset accounts and later used for debt reduction, transportation, vocational-related programs, services or products, and other responsible expenditures consistent with the goal of asset development. (Legislative or Administrative action)

B. Restructure and coordinate benefit programs to respond to cliff effects:

1) *Simplifying income reporting and counting rules for TAFDC and SNAP to stabilize incomes*

   a) Eliminate TAFDC and SNAP monthly income reporting requirement for employed TAFDC recipients and adopt semi-annual reporting system currently used for SNAP-only participants. (Administrative action)

   b) Eliminate TAFDC gross income test for otherwise eligible families, applying instead countable income after deductions for eligibility determination. (Administrative action)

   c) Designate work expense allowance as a “reimbursement” which is non-countable for SNAP, rather than as a “deduction” which causes a reduction in SNAP benefits. (Administrative action)
d) No longer count certain types of income for SNAP and TAFDC eligibility determination as allowed by federal law (e.g., reimbursements, student earnings, educational grants, training stipends and state work study). (Administrative action)

2) **Address cliff effects in income eligibility determination for child care assistance**

   a) Urge the Department of Early Education and Care (EEC) to revise co-payment schedule to ameliorate large increases in co-payment when incomes at certain levels increase. (Administrative action)

   b) Urge EEC to reinstate continuity of care policies so families do not have to go on a waitlist when there is a short break in eligibility, when a sibling needs care, or when a family needs more than eight weeks of job search. (Administrative action)

3) **Improve coordination of programs intended to support and encourage work**

   a) Improve cross agency coordination of all work support benefits including streamlining application and recertification processes and provide training to both public and private social service providers on how to maximize benefits for low-income families. (Administrative action)

   b) Explore complementary eligibility requirements and common definitions for income and assets across programs to aid in staggering the phase out of benefits more gradually as incomes rise. Use updated family resource simulator to be released in fall 2009 to measure impact of changes. (Administrative action)

4) **Aid families in maximizing other income sources (including child support) and public benefits to increase income stability and opportunity to begin to build assets**

   a) Support legislation to adopt federal options to pass through to TAFDC families and not count first $100 in child support for one child and $200 for two or more children and federal options to pay child support arrears to former TAFDC families. (Administrative action possible; proposed Legislation pending)

   b) Develop standardized forms to collect the information needed to freeze public housing rents when earned income increases and direct public housing authorities to use them and calculate the freeze. (Administrative action)

   c) Ensure new recipients of public housing assistance are provided easily understood information regarding their eligibility to participate in family self-sufficiency programs. (Administrative action)

C. Promote education and skill-building:

1) **Encourage and support TAFDC and other public assistance recipients in attaining educational skills and vocational training**
a) Allow and encourage TAFDC recipients to use vocational educational training to the maximum extent possible, and consistent with the state meeting TANF work participation requirements, including Adult Basic Education, ESOL, GED, skills training and higher education programs, to meet their work requirement in whole or in part throughout their 24 months of time-limited benefits, and provide time limit extensions to allow completion of such programs, provided they are making satisfactory progress towards a vocational goal that is achievable within a reasonable period of time. (Legislative or Administrative action)

b) Improve access to such education or training by not counting state or private work-study support and Educational Rewards Grants or other state grants against TAFDC or food stamp payments. (Legislative or Administrative action)

c) Provide better and more comprehensive advice to TAFDC recipients and other low-income residents about ways to avoid undue educational debt, including more systematically providing clear and thorough information about DTA’s Employment Services Program, Educational Rewards Grants, Pell Grants and other federal assistance, Workforce Investment Act funding for training, and other programs. (Legislative or Administrative action)

2) Encourage voluntary college placement testing by 11th grade so necessary additional course(s) can be taken prior to college entrance

   a) To help avoid the time and expense associated with developmental/remedial coursework in college, encourage voluntary early placement assessment (by 11th grade) so that students can address skills deficiencies prior to completing high school and be prepared to go directly into college level courses. (Administrative action)

D. Expand college savings plans for low and moderate income families:

1) Remove disincentives and barriers to saving for college

   a) Make 529 college savings plans, pre-paid tuition plans, and other educational grants non-countable assets for receipt of state public benefits. (Legislation needed)

   b) Restructure the high minimum purchase requirement and enrollment restrictions for the state’s prepaid tuition plan (the U.Plan). (Administrative action)

2) Provide incentives for low-income families to save for children’s education by developing a pilot program with matched savings accounts

   a) Develop demonstration project for progressive 529 plan structure that provides match for low-income families. (Legislation needed and Administrative action)
b) Provide targeted monetary incentives for low-income families to enroll in the U. Fund or the U. Plan. (Administrative action)

c) Develop restricted account structure that can “hold” match funds on behalf of a beneficiary (to be owned/controlled by state or another public/private entity). (Administrative action)

3) **Increase awareness and visibility of U. Fund and U. Plan among low- and moderate-income families.**

   a) Develop targeted, innovative marketing strategy (materials and delivery mechanism) to reach low- and moderate-income families, including integration with financial education and other asset building activities. (Administrative action)

   b) Partner with, train, and “certify” community-base organizations that work directly with low- and moderate-income families for distribution of materials and for account enrollment. (Administrative action)

4) **Create Advisory Board to assist MEFA by providing meaningful, ongoing input about how to increase low-income families’ participation in the state’s college savings plans.**

E. Protect families from losing assets:

**Affordable and Stable Housing:**

1) **Support legislation to preserve affordability of units in “expiring use” properties**

2) **Support legislation that prohibits lenders from evicting tenants from foreclosed homes**

3) **Provide protections for residents experiencing foreclosure or other catastrophic financial transitions**

   a) Update asset exemptions in cases of financial insolvency. Raise dollar amounts of property protected so that working poor and unemployed will not be deprived of means to pay rent, provide food for family, or maintain or seek employment. (Legislative action)

**Consumer Protection:**

1) **Update state and federal policies and regulations to protect borrowers from high-cost and predatory consumer loans**

   a) Recommend policies and regulations at the state and federal levels obligating lenders practicing in Massachusetts to adhere to responsible lending practices,
including offering affordable, accessible and responsible lending products and services. (Legislative and Administrative action)

b) Require new standard format for notification of terms of all consumer loans. The notice is to be industry-wide, uniform, with a simplified “Truth In Lending” – type format. Development of standard format by the Office of Consumer Affairs should include input from stakeholders. (Legislative action)

c) Recommend revision of Usury Statute to establish an improved approval process for lenders that request exemption from the usury law; to be implemented with input by the Attorney General’s office. (Legislative action)

2) **Provide consumer protections on unsolicited loan instruments, including notification and time limitations**

3) **Increase consumer protection with respect to tax-related financial products through education and regulation**

   a) Support federal legislation to regulate Refund Anticipation Loans (RALs) and further authorize states to do so to protect low-income taxpayers from high fees and interest. (Administrative action)

   b) Urge the Office of Consumer Affairs and Business Regulation to engage in systematic media effort warning consumers of costs and potential financial liabilities of RALs. (Administrative action)

   c) Support legislation requiring certain disclosures to be made by tax preparers facilitating the advance of monies prior to the receipt of an income tax refund. (Legislation needed)

   d) Encourage efforts to increase utilization of free and low-cost alternatives to RALs and other currently available high cost financial products. (Administrative action)

F. **Increase the scale, impact and capacity of the state EITC:**

1) **Expand state EITC for targeted populations to increase work incentives, help overcome cliff effects, and remove marriage disincentives.**

   a) Increase state EITC from 15 to 30% of the federal EITC for workers not claiming dependent children including non-custodial parents. (Legislation needed)

   b) Work with the federal government to gauge feasibility and merits of retaining increase to federal EITC for families with three or more children beyond 2010. (Administrative action)
c) Work with the federal government to gauge feasibility and merits of retaining expansion of marriage penalty relief in federal EITC beyond 2010. (Administrative action)

2) **Support legislation increasing state EITC from 15 to 20% of the value of the federal EITC for all eligible recipients.**

3) **Maximize the benefits of EITC through greater assistance with tax filing and accessing other services and resources at the time of free tax preparation**
   
a) Urge the DOR to adopt expanded customer services efforts to complement the tax preparation assistance for low and moderate income filers supported by the IRS. (Administrative action)

   b) Urge the Commonwealth to provide resources through an open RFP process engaging diverse community-based organizations to enable twenty-five VITA sites to serve as entry points to access financial education and other asset-building products and services. (Administrative action and/or through legislation)

G. Support financial education and help families access systems to encourage savings and asset building:

1) **Create a mechanism to promote and coordinate effective financial education statewide**
   
a) Establish a public/private task force or council – made up of broad, inclusive representation – to explore the development of a centralized office of financial education to be responsible for coordinating the promotion and effective delivery of financial education across the state. (Administrative action)

   b) Through a subcommittee of this public/private task force or council, engage in a Massachusetts financial education marketing campaign to promote the importance of financial education and activities surrounding the development of the financial education office including the launching of a financial education website. (Administrative action)

2) **Integrate financial education into public K-12 education to begin financial literacy in the formative years and continue it throughout life**
   
a) Urge the Department of Elementary and Secondary Education to incorporate financial education into the Curriculum Frameworks revision process currently underway. (Administrative action)

   b) Urge the State Legislature and its committees to employee the following guidelines as they review bills that require financial education in schools:
i) Integration of financial education through “access points”: standards, testing, teacher, and textbooks and other materials

ii) Requirement of completion of a financial education course for high school graduation

iii) Promotion of financial education competitions, in-school bank/credit union services, and other similar activities

iv) Adoption of standards set out by National Endowment for Financial Education

3) **Advance asset building among low income families through continued support for the Individual Development Account programs**

   a) Endorse continued funding of IDA programs in the FY 2010 state budget and in future years. (Legislation needed)

   b) Urge DHCD to continue to develop measurements to evaluate, enhance, and improve the IDA program. (Administrative action)

4) **Connect financial education to existing services and benefits for low-income populations to capitalize on teachable moments and reinforce lifelong learning.**

   a) Provide financial education training to appropriate staff at community action agencies, homeless shelters, community health agencies, housing authorities, and faith-based and other community-based organizations that provide services to low-income families. (Administrative action)

   b) Urge Department of Transitional Assistance to count financial education seminars or classes as a work activity. (Administrative action)

5) **Integrate financial education into numerous social services and workforce development programs**

   a) Include financial education as a pilot in at least three workforce development RFPs originating from one or more workforce development (or other) agencies, such as the Commonwealth Corporation or the Department of Workforce Development. (Administrative action)

**H. Leverage the full potential of housing-based, family self-sufficiency programs:**

1) **Lead effort to coordinate collaborations supporting HUD-funded Family Self Sufficiency programs and other similar programs**
a) Formalize existing informal networks to increase and improve communication between Housing Consumer Education Centers, local Public Housing Agencies, housing partnerships, and other community-based organizations (CBOs) providing housing services. (Administrative action)

b) Disseminate information on FSS to all CBOs that serve the target population to increase referrals to the programs, and bring additional federal dollars into the state. (Administrative action)

c) Urge DHCD to facilitate coordination among heads of service providing organizations, including public and private providers of childcare, transportation, workforce training, and other transitional assistance, along with housing staff to create new collaboration with the FSS program. (Administrative action)

d) Plan strategic use of Moving-to-Work funds to build collaboration and incorporate these strategies into all future housing-based, self-sufficiency programs. (Administrative action)

2) **Invest in data collection and evaluation to support effective implementation of housing-based, self-sufficiency programs**

   a) Support an intensive study of housing-based, self-sufficiency programs throughout Massachusetts to document current scope, successes, and barriers of existing programs. (Legislation needed or Administrative action)

   b) Standardize indicators of all housing-based, self-sufficiency programs to align with key indicators measured in other programs administered by DHCD and the Department of Transitional Assistance to promote efficiency, accuracy and consistency. (Administrative action)

   c) Develop a housing-based, self-sufficiency program evaluation tool that can be shared with programs through the "best practices toolkit". (Legislation needed or Administrative action)

3) **Strengthen the asset development role of housing-based, self-sufficiency programs.**

   a) Integrate financial education into housing-based self-sufficiency programs by offering it directly or accessing it through community programs. (Administrative action)

   b) Urge that escrow funds saved as a result of participation in any housing-based self-sufficiency program must be used to support economic mobility and asset formation. (Administrative action)
Appendix B: Legislation Creating the Commission

Chapter 123 of the Acts of 2006

AN ACT RELATIVE TO ECONOMIC INVESTMENTS IN THE COMMONWEALTH TO PROMOTE JOB CREATION, ECONOMIC STABILITY, AND COMPETITIVENESS IN THE MASSACHUSETTS ECONOMY.

SECTION 117. There is hereby established a special commission created for the purpose of studying and making recommendations concerning the development of financial assets as a way to ensure that all people in the state of Massachusetts achieve long-term, sustainable economic security and self-sufficiency and enjoy economic opportunity. The commission shall consist of 2 members of the senate; 2 members of the house of representatives; the treasurer and receiver general or his designee; the secretary of the executive office of administration and finance or his designee; the director of the department of housing and community development or his designee; the secretary of the executive office of health and human services or his designee; the director of the department of economic development or his designee; the chairman of the board of higher education or his designee; 1 shall be a representative of the Massachusetts Community Action Program Directors’ Association, 1 shall be a representative of the Massachusetts Association of Community Development Corporations, 1 shall be a representative of the Massachusetts Individual Development Account Solutions; and 13 members appointed by the governor, 1 of whom shall be a representative of the general public who has participated or is participating in an individual development account administered by a community based organization based in Massachusetts, 1 of whom shall be a representative from the general public who manages an existing individual development account program in Massachusetts, 2 of whom shall be representatives of the Massachusetts Bankers Association, 1 of whom shall be a representative of the United Way of Massachusetts Bay, 1 of whom shall be a representative of a private philanthropy or private foundation, 1 of whom shall be a representative of the Women’s Educational and Industrial Union, 1 of whom shall be a representative of an Earned Income Tax Credit counseling organization, 1 of whom shall be a representative of the Institute on Assets and Social Policy at the Heller School for Social Policy and Management at Brandeis University, 1 of whom shall be a representative of a public or private institution of higher education, 1 of whom shall be a representative of the Massachusetts Institute for a New Commonwealth, 1 of whom shall be a representative of the Massachusetts AFL-CIO, and 1 of whom shall be a representative of the Federal Reserve Bank of Boston.

The commission created shall: examine the success of low-income workers of the commonwealth in saving money and building assets, and the reasons why some people have had less success than others; assess the impact of current state policies and private sector practices on saving and asset-building; identify strategies that offer a real promise of significantly increasing the numbers of those who save and build assets and the amounts they accumulate; and, make recommendations, consistent with the state’s short- and long-term fiscal condition, for state policies and practices, including action in coordination and
collaboration with businesses and financial institutions, labor organizations and community and faith-based organizations, to implement those strategies. The commission, in formulating its recommendations, shall take account of the best policies and practices in other states and jurisdictions, particularly, but not limited to those relating to individual development accounts for low-income and low-asset households.

The focus of the commission shall include, but not be limited to, asset development strategies for low-income and low-asset individuals and families living in Massachusetts. Where relevant, the commission shall consider the impact of labor market, education and training, and family-support policies and practices on opportunities for financial asset building. The commission shall be empowered to hold regular public meetings, fact-finding hearings and other public forums, as it considers necessary.

The commission shall file its recommendations, together with recommendations for legislation, if any, with the house and senate clerks who shall forward the same to the general court no later than 3 years after the passage of this act.
Appendix C: Working Groups – June-December 2008

Working Group I
Focus on Very Low Income Households

Co-chairs:
Julia Kehoe, Commission, Dept. Transitional Assistance
Mimi Turchinetz, Boston EITC Campaign

Members:
Sen. Marian Walsh
Mae Bennett-Fripp, Com. for Boston Public Housing,
Noah Berger, Mass. Budget & Policy Center
Ramon Borges-Mendez, UMass Boston
Ruth Bourquin, Mass. Law Reform Institute
Tina Brooks, Dept. of Housing and Community Development
Deborah Harris, Mass. Law Reform Institute
Aundrea Kelley, Dept. of Higher Education
Brad Kramer, Horizons for Homeless Children
Leslie Lawrence, Mass. Coalition for the Homeless
Ruthie Liberman, Crittenton Women’s Union
Kathy McDermott, Montachusett Opportunity Council
Preeti Mehta, Doorways to Dreams
Amy Siech, Boston EITC
Tulaine Shabazz Marshall, United Way of MA Bay & Merrimack Valley
Tom Santry, Dept. of Transitional Assistance
Heidi Urban, Boston Redevelopment Authority
Sandra Venner, Institute on Assets and Social Policy, Brandeis University

Presenters:
Tom Santry, Dept. of Transitional Assistance – Housing issues
Leslie Lawrence, Mass. Coalition for Homeless – Income and savings
Deborah Harris, Mass. Law Reform – Income and savings
Loh-Sze, Leung, SkillWorks – Workforce development
Ruthie Liberman, Crittenton Women’s Union – Workforce development
Margaret Miley, The Midas Collaborative – Financial education and services
Robert Hobbs, National Consumer Law Center – Consumer protection laws
Alan Gentle, Roxbury Resource Center – VITA services and products for saving
Michael Kane, Director, Mass Alliance of HUD Tenants
Jim Greene, Commissioner, Boston Homelessness Commission
Working Group II
Focus on Low Income Households

Co-chairs:
Joseph Diamond, Executive Director, MASSCAP
Christie Getto Young, Senior Director, United Way of MA Bay & Merrimack Valley

Members:
Sen. Harriette Chandler
Rep. Kevin Honan
Vernette Allen, ABCD
Elisabeth Babcock, Crittenton Women’s Union
Angela Brown, The Hyams Foundation
Mark Isenburg, ABCD
Aida Franquiz, Boston Private Bank
Laura Gallant, Mass. Law Reform Institute
Marissa Guananja, Chelsea Neighborhood Development
Joe Kriesberg, MACDC
Ronald Marlow, Executive Office of Admin. & Finance
Shannon Moore, Joint Committee on Housing
Rachel Page, Compass Working Capital
Sherry Riva, Compass Working Capital
Aamad Rivera, United for a Fair Economy
Thomas Shapiro, Institute on Assets and Social Policy, Brandeis University
Hilary Smith, Homeowners Rehab Inc
Donna Stiglmeier, United Way of MA Bay & Merrimack Valley
Diane Sullivan, Homes for Families
Doreen Treacy, DotWell
Mark Waterbury, SOMWBA

Presenters:
Russ Smith, Small Business Assistance Center, Community Teamwork Inc.
Laura Henze Russell, Elders Living on the Edge Program, UMass Boston
Bill Henning, Boston Center for Independent Living
Working Group III
Focus on Moderate Income Households

**Co-chairs:**
Margaret Miley, Director, The Midas Collaborative
Esther Schlorholtz, Senior Vice President, Boston Private Bank

**Members:**
Sen. James Eldridge
Robert Amara, Senator Eldridge's Office
Cheryl Amey, Community Teamwork, Inc.
Elizabeth Andreozzi, Office of the Treasurer
Dana Ansel, MassINC
Blair Benjamin, MassMOCA
Marques Benton, Federal Reserve Bank of Boston
Karen Bresnahan, Dept. of Housing and Community Development
Tom Callahan, MA Affordable Housing Alliance
Susanne Cameron, Citi
Scott Campbell, Office of the State Treasurer
Jessica Constantino, AARP
Connie Martin, Community Teamwork, Inc.
Leanne Martin, Office of the State Treasurer
Eva Millona, MIRA Coalition
Richard Monks, IUOE
Sheila Murphy, Center for Women & Enterprise
Eric Nakajima, Executive Office of Housing and Economic Development
Rachel Page, Compass Working Capital
Andre Porter, Mass. Office of Business Development
Willie Rodriguez, Boston Campaign for Proficiency
Jerry Rubin, Jewish Vocational Services
Laura Henze Russell, Gerontology Institute, University of Massachusetts-Boston
Ken Smith, YouthBuild
Allison Staton, MACDC

**Presenters:**
MIRA Coalition
Massachusetts Division of Banks
Citizens Planning and Housing Association
Massachusetts Attorney General’s office
Jewish Vocational Services
Gerontology Institute, University of Massachusetts-Boston
Nacional Consumer Law Center
Appendix D: Working Groups – February-June 2009

**Working Group I**
Increase Impact of State EITC

**Chair:**
Ronald Marlow, Executive Office for Administration and Finance

**Members:**
Marques Benton, Federal Reserve Bank of Boston  
Aida Franquiz, Boston Private Bank  
Margaret Miley, The Midas Collaborative  
Donna Stiglmeier, United Way of Massachusetts Bay and Merrimack Valley  
Mimi Turchinetz, Boston EITC Campaign, City of Boston  
Sandra Venner, Institute on Assets and Social Policy, Brandeis University

**Working Group II**
Restructure and Coordinate Work Supports to Respond to Cliff Effects

**Chair:**
Elisabeth D. Babcock, Crittenton Women’s Union

**Members:**
Randy Albelda, Center for Social Policy, UMass-Boston  
Koren Christensen, MA Department of Transitional Assistance  
Emily Cohen, One Family, Inc  
Sarah Cook, Action for Boston Community Development  
Mary Doyle, Metropolitan Boston Housing Partnership  
Donna Haig Friedman, Center for Social Policy, UMass-Boston  
Laurie Glassman, Child Care Choices of Boston  
Jill Griffin, The Boston Foundation  
Deborah Harris, Mass Law Reform Institute  
Delia Kimbrel, Institute on Assets and Social Policy, Brandeis University  
Margaret Leonard, Project Hope  
Loh-Sze Leung, Skillworks, The Boston Foundation  
Ruthie Liberman, Crittenton Women’s Union  
Sharon Haji Mkanga, Boston EITC Coalition  
Marilyn Ray Smith, MA Department of Revenue  
Diane Sullivan, Homes For Families  
Tom Lorello, Heading Home, Inc  
Sue Nohl, Metropolitan Boston Housing Partnership  
Michael Stone, Center for Social Policy, UMass-Boston  
Kelly Turely, MA Coalition for the Homeless  
Sandra Venner, Institute on Assets and Social Policy, Brandeis University  
Ann Verrilli, CHAPA  
Christie Getto Young, United Way of Massachusetts Bay and Merrimack Valley
**Working Group III**

Coordinate Financial Education Efforts for Asset Building and Empowerment

**Chair:** Joseph Diamond, Massachusetts Association for Community Action

**Members:**
- Vernetta Allen, Action for Boston Community Development
- Susanne Cameron, Mass Bankers Association and CITI
- Daniel Caruso, Internal Revenue Service
- Sarah Cummings, Community Action of Franklin, Hampshire, and Quabbin Regions
- Timothy Delissio, FDIC
- Kory Eng, United Way of Mass Bay and Merrimack Valley
- Aida Franquiz, Boston Private Bank and Trust
- Mark Isenburg, Action for Boston Community Development
- Susan Kooperstein, Action for Boston Community Development
- John Lindamood, Cambridge Public Housing Authority
- Connie Martin, Community Teamwork Inc
- Leanne Martin, State Treasurer’s Office
- Kathleen McDermott, Montachusett Opportunity Council
- Margaret Miley, The Midas Collaborative
- Richard Monks, AFL-CIO
- Rachel Page, Compass Working Capital
- Jonas Parker, Institute on Assets and Social Policy, Brandeis
- William Smits, Internal Revenue Service

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**Working Group IV**

Expand College Savings Plans to Low and Moderate Income Families

**Co-chairs:** Liz Andreozzi, Office of the Treasurer  
Sherry Riva, Compass Working Capital

**Members:**
- Liz Fontaine, Massachusetts Educational Financing Authority
- Bob Giannino-Racine, ACCESS
- Rebecca Loya, Institute on Assets and Social Policy, Brandeis University
- Leanne Martin, Treasurer’s Office
- Margaret Miley, The Midas Collaborative
- Rachel Page, Compass Working Capital
- Anna Scimemi, Massachusetts Educational Financing Authority
- Thomas Shapiro, Institute on Assets and Social Policy, Brandeis University

**Other contributors:**
- Margaret Clancy, Center for Social Development, Washington University
- Stella Marquez-Murray, Compass Board Member and IDA program graduate
- Monique Coon, Compass IDA program graduate
Working Group V
Leverage to Full Potential of Housing-Based, Family Self-Sufficiency Programs

Chair: Tina Brooks / Karen Bresnahan, MA Department of Housing and Community Development

Members:
Elisabeth Babcock, Crittenton Women’s Union
Marques Benton, Federal Reserve Bank of Boston
Angela Brown, The Hyams Foundation
Marissa Guananja, Chelsea Neighborhood Developers
Delia Kimbrel, Institute on Assets and Social Policy, Brandeis University
Becca Loya, Institute on Assets and Social Policy, Brandeis University
Chris Norris, Metropolitan Boston Housing Partnership
Rachel Page, Compass Working Capital
Gretchen Weismann, MA Department of Housing and Community Development
## Appendix E: Asset Profiles of Massachusetts Households by Income

<table>
<thead>
<tr>
<th></th>
<th>Very Low Income</th>
<th>Low Income</th>
<th>Moderate Income</th>
<th>Higher Income</th>
<th>MA Households</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt;$22,000</td>
<td>$22,000-$37,000</td>
<td>$37,000-$55,000</td>
<td>&gt;$55,000</td>
<td></td>
</tr>
<tr>
<td><strong>Housing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Own (w/ mortgage)</td>
<td>22.8%</td>
<td>37.0%</td>
<td>37.6%</td>
<td>71.2%</td>
<td>56.1%</td>
</tr>
<tr>
<td>Own (w/o mortgage)</td>
<td>13.0%</td>
<td>12.7%</td>
<td>19.5%</td>
<td>11.2%</td>
<td>12.8%</td>
</tr>
<tr>
<td>Rent</td>
<td>63.0%</td>
<td>50.3%</td>
<td>41.0%</td>
<td>16.9%</td>
<td>30.2%</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; HS</td>
<td>16.3%</td>
<td>14.5%</td>
<td>9.0%</td>
<td>2.2%</td>
<td>6.4%</td>
</tr>
<tr>
<td>HS</td>
<td>27.2%</td>
<td>38.2%</td>
<td>30.5%</td>
<td>19.3%</td>
<td>24.2%</td>
</tr>
<tr>
<td>Some College/ AD</td>
<td>31.0%</td>
<td>27.7%</td>
<td>37.6%</td>
<td>27.1%</td>
<td>29.2%</td>
</tr>
<tr>
<td>College/Plus</td>
<td>25.5%</td>
<td>19.7%</td>
<td>22.8%</td>
<td>51.5%</td>
<td>40.2%</td>
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<tr>
<td><strong>Race/Ethnicity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>70.1%</td>
<td>74.5%</td>
<td>85.0%</td>
<td>89.1%</td>
<td>83.2%</td>
</tr>
<tr>
<td>African American</td>
<td>7.6%</td>
<td>9.1%</td>
<td>6.7%</td>
<td>3.2%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Latino</td>
<td>13.9%</td>
<td>9.1%</td>
<td>6.7%</td>
<td>3.4%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Asian</td>
<td>6.2%</td>
<td>5.5%</td>
<td>1.7%</td>
<td>3.6%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Other</td>
<td>2.1%</td>
<td>1.8%</td>
<td>0.0%</td>
<td>0.7%</td>
<td>1.0%</td>
</tr>
<tr>
<td><strong>Family Status</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Married couple</td>
<td>27.2%</td>
<td>46.8%</td>
<td>59.5%</td>
<td>77.9%</td>
<td>65.1%</td>
</tr>
<tr>
<td>Male HH</td>
<td>4.9%</td>
<td>3.5%</td>
<td>6.7%</td>
<td>3.3%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Female HH</td>
<td>21.7%</td>
<td>23.7%</td>
<td>15.2%</td>
<td>8.2%</td>
<td>12.8%</td>
</tr>
<tr>
<td>Single</td>
<td>45.7%</td>
<td>25.4%</td>
<td>18.6%</td>
<td>10.7%</td>
<td>18.0%</td>
</tr>
<tr>
<td><strong>Financial Data</strong></td>
<td><strong>Median</strong></td>
<td><strong>Median</strong></td>
<td><strong>Median</strong></td>
<td><strong>Median</strong></td>
<td></td>
</tr>
<tr>
<td>Financial Assets</td>
<td>$485</td>
<td>$4,100</td>
<td>$19,600</td>
<td>$97,562</td>
<td></td>
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<tr>
<td>Debt</td>
<td>$300</td>
<td>$1,000</td>
<td>$2,000</td>
<td>$5,000</td>
<td></td>
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<tr>
<td>Net Financial Assets</td>
<td>$9</td>
<td>$395</td>
<td>$10,257</td>
<td>$79,200</td>
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<tr>
<td><strong>MA Employment</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Occupations whose Median</td>
<td>Food Services</td>
<td>Office Clerks Wait Persons, Customer Service Janitor Bookkeepers Secretaries Nursing Aides/Orderlies Exec. Secretaries Supervisors/ Managers; Truck Drivers; Maintenance Work; Nurses Carpenters; Computer Support</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wage fit Income Category, Ranked by Number Employed</td>
<td>Retail Sales Cashiers Dishwashers Child Care</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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1 Data Source: Survey of Income and Program Participation, Massachusetts data 2004
2 Financial Assets include: Business equity; Interest earning assets; Equity in stock and mutual funds shares; Real estate equity other than own home, IRA and KEOGH accounts, and Equity in 401k and Thrift Savings accounts. Home equity and vehicle are excluded.
3 Most of these financial assets were held in saving and 401 K accounts.
4 Debt include: Debt on store bills and credit cards, Loans obtained through a bank or credit union other than car loans or home equity loans, Other debt such as medical bills not covered by insurance, Money owed to private individuals, and Any other debt not covered.
### Income Group Estimation (MA Working Age Households)

<table>
<thead>
<tr>
<th>Income Group</th>
<th>Definition</th>
<th># of Households</th>
<th>Percent of MA Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Low Income</td>
<td>Less than $22,000</td>
<td>277,072</td>
<td>14.4%</td>
</tr>
<tr>
<td>Low Income</td>
<td>$22,000-$37,000</td>
<td>200,272</td>
<td>10.4%</td>
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<tr>
<td>Low-Moderate Income</td>
<td>$37,000-$55,000</td>
<td>356,988</td>
<td>18.5%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>834,332</strong></td>
<td><strong>43.3%</strong></td>
</tr>
</tbody>
</table>

Analysis by the Institute on Assets and Social Policy, Brandeis University
Summary of Discussion Group of People with Disabilities
February 27, 2009

This discussion group was composed of 8 individuals with very-low and low incomes, lifelong disabilities, and between the ages of 41 – 57. Group participants developed a warm camaraderie early on, through sharing of common experiences. Although the shared conditions include a lack of socially integrated resources, a lack of qualified, competent service providers, and a lack of access to culturally relevant assets-development programs, also shared is a vigorous, knowledgeable, full-time commitment towards raising the quality of life for all individuals with disabilities.

Group participants held agreements about:

- the lack of adequate, competent MA Vocational job-training resources;
- the low expectations imposed upon individuals with disabilities;
- the lack of qualified service personnel in state agencies serving individuals with disabilities;
- work disincentives due to the low financial triggers that cut people out of means-tested services before they are able to “get on their feet;”
- lack of clear, coherent information provided to clients by Federal and State assets and/or needs-based programs;
- governmental and other agencies' exploitation of participant's experiential knowledge (their expertise is often requested and utilized, but rarely credited or compensated);
- the need for coordination between needs-based programs,
- health vulnerabilities due to limitations of Mass Health and other means-tested services,
- need for scheduling accommodations in employment practices,
- vulnerabilities caused by lack of public accommodations and accessibility
- the need for frontline social services personnel to respond in (at least) a professional manner.

You're disabled, you're damaged goods, they just push you through the system.

Your quality of life really depends on their listening to you...

Disabled people are just treated as free, easy resources... so, yes, I work! I work hard, all the time! But I don't get any remuneration for it.

My wheelchair was broken ...and I'm supposed to feel bad because I didn't dive through 74 hoops to [get down there] to find out this information.
I did go to MA Rehab. And they told me I was too educated, and they couldn’t help me.

We’re ...pushed to say that we’re grateful to this, and grateful to that... but basic needs, whether it’s food or shelter or some financial support ... should be the norm for every person who lives on the earth.

There are even no affordable accessible apartments. Especially these days.

**Facilitators:** COMMUNITY ACCESS PROJECT OF SOMERVILLE  
Facilitators Demographics: 1 Caucasian female, 1 Caucasian male

**Participants:** 8 Disability Rights advocates from Boston, Cambridge, Somerville

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male – 3</th>
<th>Female – 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age:</td>
<td>41-49 – 3</td>
<td>50- 59- 5</td>
</tr>
<tr>
<td>Ethnicity:</td>
<td>African American – 1</td>
<td>Other – 6</td>
</tr>
<tr>
<td></td>
<td>N/A – 1</td>
<td></td>
</tr>
<tr>
<td>Annual Income:</td>
<td>$0 –</td>
<td>$5,000-9,999 – 2</td>
</tr>
<tr>
<td></td>
<td>$10,000-14,999 – 4</td>
<td>$20,000-24,999 – 1</td>
</tr>
<tr>
<td></td>
<td>$30,000-39,999 – 0</td>
<td>N/A -1</td>
</tr>
<tr>
<td># of Children:</td>
<td>0</td>
<td></td>
</tr>
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</table>

**Other demographics:** Six participants live in subsidized housing in the greater Boston metro area, six had worked full time for at least ten years, five had greater than a high school education, four are wheelchair users, three were born with congenital impairments, two are visually impaired.
Summary of Discussion Group for 50-65 Year Olds
March 27, 2009

Being able to pay one’s bills, including the mortgage is the broad definition of financial security for the group. People juggle which bills they will pay when. Knowing that utilities cannot be shut off during the winter permits a strategy of not paying those bills then. The present recession has exacerbated people’s sense of financial instability.

One participant commented: “Stocks and bonds, IRA are some of the things I did have. They disappeared. When I need to get it, it has gone.”

Achieving financial stability for the group members primarily is interpreted as how to save some money in expenses or bring in a little extra cash on the side. Several detailed how they share food purchasing and/or cooking and meals with friends and/or family. When faced with financial problems, participants have become creative in thinking about ways to earn extra money:

One woman gives/lends money to family members when they need it and keeps in mind that she, in turn, can borrow from if the need arises. Others agree with this strategy.

One participant spent 1 ½ years in a homeless shelter in order to obtain her BHA subsidized apartment. Others take in boarders to help pay bills.

One man lives in a subsidized Section-8 building, which the tenants believe has been sold. If so, he will have to find a new place to live. Many know people who have become homeless due to foreclosure or eviction and feel insecure, that they could easily be in that situation too.

“A married couple I know, they lived in the neighborhood 40 years.... They got evicted. I let them stay with me for 3 ½ years.”

There is considerable bitterness that their long-term jobs are dumping them and outsourcing to other countries. Several expressed that their age made obtaining a job extra difficult. Returning to school to train for new skills for a new career is recognized as an option, but it is not a simple path to a job. Barriers include cost, illness and age.

“My $55,000 a year job was outsourced to Korea for $13,000. I got paid a bonus one week, then went in and got a pink slip. They did give me a severance. But I couldn’t find a job.”

“I’ve been struggling financially a long time. I am now attempting to start my own greeting card business. It is supplemental income. Jobs are harder to find as you hit 50. That’s where I’m at now. I’m only working part time. I can’t find a full time job.”
“When my income increased, they decreased my food stamps by $40 and my rent by $40 and I was left with only $20 extra for the month.”

People had not heard of the U-Fund before. Many agreed that they would use a college savings plan for their children/grandchildren if it were matched by the state.

Several were familiar and had used the free tax preparation sites. “Yes, they are wonderful!” “I haven’t filed [my taxes] yet and I need to know about them.”

Seven out of 10 were familiar with the EITC. “I received it in the past.” “I received it years ago.”

Participants felt that taking loans from a preparer was a stupid move. “We’re low income but we’re not stupid!” There was much laughter and agreement.

With regard to learning how to better manage money, one participant responded: “Even though I don’t have much debt, I would like to take a class. I live stipend to stipend [she is a volunteer in Foster Grandparents]. I would love to be able to get a credit card again.”

**Facilitators:** ACTION FOR BOSTON COMMUNITY DEVELOPMENT
Facilitator Demographics: (1) African American Female, (1) Caucasian Female

**Participant Demographics:** (one participant did not complete information)

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male – 1</th>
<th>Female – 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age:</td>
<td>51-64 yrs</td>
<td></td>
</tr>
<tr>
<td>Ethnicity:</td>
<td>Caucasian – 2</td>
<td>Asian-Indian – 1</td>
</tr>
<tr>
<td></td>
<td>African American – 2</td>
<td>Non-Hispanic – 1</td>
</tr>
<tr>
<td></td>
<td>American Indian – 1</td>
<td>Multi-race – 1</td>
</tr>
<tr>
<td>Annual Income:</td>
<td>$0 – 2</td>
<td>$1-4,999 - 0</td>
</tr>
<tr>
<td></td>
<td>$5,000-9,999 – 2</td>
<td>$10,000-$14,999 - 0</td>
</tr>
<tr>
<td></td>
<td>$15,000-19,999 - 1</td>
<td>$20,000-24,999 – 0</td>
</tr>
<tr>
<td></td>
<td>$30,000-$34,999 – 2</td>
<td>$35,000 – 39,999 - 1</td>
</tr>
<tr>
<td>Disabled:</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>
Summary of Discussion Groups for African Americans  
April, 2009

This summary outlines the key findings of two African American focus groups conducted by Stillwaters Consultation for the Asset Development Commission. Both groups were held at community locations in Massachusetts, one at a Head Start center in Dorchester and the other at a community center in Springfield.

Participants included a combination of staff and clients who were active in programs offered at the centers. The majority of participants were employed. However, many received some type of public benefits. Financial hardship was the major theme of both focus groups. More specifically, the group members discussed their inability to cover daily living expenses, the exorbitant costs of housing, the infeasibility of saving money for the future, and, in general, how challenging it is to try and live a balanced life while leading a hand-to-mouth existence. Participants reported that they can barely afford the basic necessities of living and have no disposable income. Several participants also reported inappropriate treatment and discriminatory action on the part of public institutions designed to help them including DTA, DSS, and the Housing Authority. Notably, one third of the participants have been homeless, often to qualify for Section 8 vouchers. Despite the fact that barely making a living makes asset accumulation extraordinarily difficult, the groups demonstrated awareness of the merit of savings. Many of the group members utilized savings accounts, purchased savings bonds, and tried to find various ways to build assets and plan for the future.

At the meetings, the initial discussions centered on defining the term “financial security.” The group concurred that financial security means not having to worry about the costs of daily living, being debt free, and being able to build wealth. When asked how they have tried to improve their financial security, focus group participants outlined different income generating strategies, money management and financial education strategies, and savings strategies, including some of the following:

**Income Strategies:**

- “I took a second job.”

**Financial Management and Education Strategies:**

- “Cutting back and preparing more meals at home.”

- “Did not realize how much I was using credit cards. Pay cash for everything.”

- “Reading books, researching—read every piece of paper they give you.”
• “Credit unions have better interest rates. Banks have CEOs. At credit unions you’re the boss.”

Savings and Asset Accumulation Strategies:

• “I have been saving every week for the past six months. I buy savings bonds each week.”

• “I budget emergency money for car repair and other things.”

• “Started a pension plan and am saving for my retirement.”

• “I buy money orders. It’s like an incentive for me.”

When asked how many of the participants owned their homes, the group’s response was remarkable. There was not one African American Massachusetts homeowner in either focus group. One woman, however, owned a family home in Alabama and there were two other women who had previously owned homes in other states, one in North Carolina and one in Virginia, before moving to Massachusetts. The group discussed how much more challenging it is to get a mortgage and purchase a home in Massachusetts than it is in the South. None of the women who had owned homes in the South received financial assistance before purchasing their homes.

• “The housing prices are not realistic here. I could own a home in the South where housing was affordable. I may move back when I retire.”

• “I inherited my home when my mother passed and I moved back to Alabama. I never knew how good I had it in Alabama until I moved back up here.”

• “I owned a home in Virginia for 13 years. I had no problem obtaining a mortgage.”

The group then moved on to a discussion of current challenges involved in paying rent in Massachusetts. One third of the participants from both focus groups put together had been homeless in order to qualify for Section 8. Many of the group members struggle to pay bills and rent at the market rate. The following quotations give further insight.

• “I had to move into a shelter with my kids to get an apartment. I had to be qualified as homeless to get an apartment.

• “New higher income construction around low income neighborhoods in Boston means we have to leave the city we were born in. How can we afford to stay? I had to live in a shelter, homeless with my kids for 6 months. I have Section 8 now.”
• “Available market rent apartment for a single woman can range from $1,000–$1,300, sometimes more. There should be a law for Head Start workers, teacher’s aides, firefighters, who make less than $40,000 a year that we could get a less expensive apartment as a condition of employment.”

• “My utilities (light, gas, oil) can range from $200–$400 or more on a monthly basis.”

• “The heat in the winter at 62 to 65 degrees to make oil last at least two months, we wear our coats.”

Several of the participants receiving assistance reported rent adjustment concerns. Many had to deal with severe funding cuts or potential homelessness because of minor increases or seasonal fluctuations in income. Some participants also spoke of eviction and legal actions taken as a consequence of late rent payments. Roughly 75% of the participants also reported either a loss or reduction in other public benefits such as food stamps and childcare because of increased earnings.

• “I had a big problem with the Boston Housing Authority. I was evicted due to a delay in my rent adjustment. I worked one summer, and I made about $15.00 more a month and I was evicted. I will never do that again. They put me and my kids on the street. I have a court appeal now. This has ruined my financial situation.”

• “I make $13.00 an hour — too much money for Section 8. I am struggling with 2 kids in Boston. I never get a break.”

• “I will never work full time. If I take a full time job I lose everything. I must live with the stigma that says I am part-time.”

Participants also disclosed that they generally received no or minimal financial advice before making major financial decisions or purchases. Most notably, a small group of the participants from Springfield who had purchased homes received minimal counseling from the HAP-Family Self Sufficiency program that had provided matched savings programs for such purchases. Four participants had unfortunately been residents in homes that had been foreclosed. The families were completely unaware of this situation until a few weeks before being evicted. This lack of warning resulted in at least one family becoming homeless and losing significant personal possessions.

All participants reported some form of employment. Ten participants worked full time, six worked part time, and four were either on disability or had recently lost jobs and were looking for work. When discussing job loss and reduced wages, many participants reported sobering situations:

• “I was working part time for the shelter. The shelter closed. I lost my apartment, and I was homeless.”
- “I quit three jobs in the past five years when I got a raise. I would lose my housing and my food stamps. That little bit of money did not add up, but you make $20.00 more and they cut you off…I want to buy a house one day. I cannot save anything. If I get a raise, then I just pay more for what I have already.”

Debt is a problem for focus groups participants. Numerous participants in both focus groups are paying for education loans. Six members are paying for their own loans, four are paying for their children’s education loans, and two are paying for both their own education loans and their children’s loans simultaneously. The comments below provide further insight:

- “I graduated from high school and I got good grades like my mom told me. I always wanted to go to a HBCU. So I applied. I got in. I got some financial aid, but I had to take out loans. I finished my undergrad degree and went back for a master’s degree. I worked really hard at school and got good grades. I am stuck now and I do not think I made the right choice. I work at Wal-Mart in the same job I had before college. My college will not release my transcript until I pay the loans off. I cannot pay the loans any faster if I am stuck with minimum wage.”

- “I am paying for my own loan, my daughter’s loan, and I still have three other children at home.”

Most of the focus group participants reported difficulty in making payments on time. Frequently, late fees and interest compound their already difficult financial situation. The chronic worry about their financial situation is also a constant stress that seriously affects their health and family life.

Participants agreed that attending a financial workshop and learning financial management and budgeting skills would be very helpful. Public sector systems such as Head Start could serve this community of workers who earn low wages by bringing financial planning information to them.

Most of the participants were parents who were diligently saving for their children’s college education, but, remarkably, none of them had ever heard of or used the UFund in Massachusetts.

Some group participants were reluctant to use services such as free tax preparation because of previous negative experiences. One participant shared with the group the following experience she had with the IRS:

- “I got help and I will never do that again. I took a day off of work without pay. I went downtown to the IRS to get help. This lady helped me. She did the wrong calculations and other errors. Now I have to pay back taxes and a $500.00 fee. I could have done better myself. If the IRS does not know, who knows how to do this?”
I was not born here and I went to the US government for help and they messed me up!”

Most of the participants were very familiar with the Earned Income Tax Credit. Unfortunately, several of them also reported receiving advances on their tax refund from a tax preparer when filing taxes.

Many participants also described blatant mistreatment when applying for public benefits. The following comments illustrate the extent of the verbal abuse inflicted upon some participants by public servants during the application process:

- “I was treated like a dog. I left crying. I went to get SSI for my children. Their father died. I was just treated wrong. I am not a liar. My son should have what he deserved. I had to prove he was the father. They asked me how many people I had sex with and if I was sure he was the father.”

- “I went to apply for food stamps and they asked me all of these personal questions. I left. They asked me what time of day or night I conceived my children. I am hungry and my children are hungry, but I will not be disrespected.”

- “I lost my baby and had to go on short-term disability. The lady acted like it was her personal money. I was suffering from health problems, postpartum depression, and the death of my child. They just dogged me.”
### Appendix G: Legislative Recommendations of the Commission

#### LEGISLATIVE RECOMMENDATIONS OF MA ASSET DEVELOPMENT COMMISSION

<table>
<thead>
<tr>
<th>Bill</th>
<th>Legislative Committee</th>
<th>Section (See Appendix A)</th>
<th>Intent</th>
</tr>
</thead>
<tbody>
<tr>
<td>An Act Preserving Publicly Assisted Affordable Housing – Tucker – S666</td>
<td>Joint Committee on Housing</td>
<td>E.(H)1.</td>
<td>Support passage of legislation that would help preserve the affordability of units located in so-called ‘Expiring Use’ properties whose state and federal subsidies are ending and could be converted to market rate housing. Such legislation should include a Right of First Refusal for the state to purchase such a property before it is converted to market rate housing.</td>
</tr>
<tr>
<td>An Act preserving publicly assisted affordable housing – Honan – H3573</td>
<td>Joint Committee on Housing</td>
<td>E.(H)2.</td>
<td>Support passage of so-called “just cause” eviction legislation that prohibits lenders from evicting tenants from foreclosed homes.</td>
</tr>
<tr>
<td>An Act requiring just cause for eviction and foreclosed properties – Chang Diaz - S1614</td>
<td>Joint Committee on Housing</td>
<td>E.(H)2.</td>
<td>Support passage of so-called “just cause” eviction legislation that prohibits lenders from evicting tenants from foreclosed homes.</td>
</tr>
<tr>
<td>An Act to protect tenants in foreclosed properties from evictions – Malia - H1232</td>
<td>Joint Committee on Housing</td>
<td>E.(H)2.</td>
<td>Support passage of so-called “just cause” eviction legislation that prohibits lenders from evicting tenants from foreclosed homes.</td>
</tr>
<tr>
<td>An Act to Remove Barriers to Financial Stability and Asset Development for Low and Moderate Income Families – Eldridge – S38</td>
<td>Joint Committee on Children and families</td>
<td>C.1.</td>
<td>Allow and encourage TAFDC recipients to use vocational educational training to the maximum extent possible, and consistent with the state meeting TANF work participation requirements, including Adult Basic Education, ESOL, GED, skills training and higher education programs, to meet their work requirement in whole or in part throughout their 24 months of time-limited benefits, and provide time limit extensions to allow completion of such programs, provided they are making satisfactory progress towards a vocational goal that is achievable within a reasonable period of time.</td>
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<td></td>
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<td>A.1.</td>
<td>Increase the TAFDC and EAEDC asset limits to at least $5,000 and allow adjustments for inflation over time.</td>
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<tr>
<td></td>
<td>A.1. Update the TAFDC and EAEDC car valuation rules to allow applicants and recipients to possess reliable vehicles and to allow the Department of Transitional Assistance Commissioner to adjust limits over time.</td>
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<td></td>
<td>A.2 Make state-sponsored college savings vehicles (529 plans) and all other education grants non-countable assets in all state-funded or administrated public benefits programs.</td>
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<td></td>
<td>A.3 Make non-countable and excluding from the TAFDC the lump sum income rule of up to $10,000 of funds spent on or placed in individual asset accounts and later used for debt reduction, transportation, vocational-related programs, services or products, and other responsible expenditures consistent with the goal of asset development.</td>
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<thead>
<tr>
<th>Bill Title</th>
<th>Sponsor</th>
<th>Status</th>
<th>E. (CP) 1. Recommend policies and regulations at the state and federal levels obligating lenders practicing in Massachusetts to adhere to responsible lending practices, including offering affordable, accessible and responsible lending products and services.</th>
</tr>
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<tbody>
<tr>
<td>An Act defining predatory consumer loans</td>
<td></td>
<td>Not filed</td>
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</tbody>
</table>

| Bill Title | Committee | E. (CP) 1. Require new standard format for notification of terms of all consumer loans. The notice is to be industry-wide, uniform, with a simplified “Truth In Lending”–type format. Development of standard format by the Office of Consumer Affairs should include input from stakeholders. |
|---|---|---|---|
| An Act relative to the Disclosure of Consumer Loans – Walsh – S525 | Joint Committee on Financial services | |

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<tr>
<th>Bill Title</th>
<th>Committee</th>
<th>E. (CP) 2. Provide consumer protections on unsolicited loan instruments, including notifications and time limitations.</th>
</tr>
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<tbody>
<tr>
<td>An Act protecting consumers from unsolicited loans – Baddour – S447</td>
<td>Joint Committee on Financial services</td>
<td></td>
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<tr>
<td>An Act further regulating debt collection – Jehlen – S1712</td>
<td>Joint Committee on Judiciary</td>
<td>E.(H)3.</td>
</tr>
</tbody>
</table>
Asset development programs present enormous opportunities for the Commonwealth: by reducing persistent, cyclical poverty and supporting low and moderate income families in achieving financial stability, we will ultimately help create thriving communities and grow our economy.

Massachusetts Asset Development Commission
Final Report · June 2009

This report can be downloaded at:
www.mass.gov/dhcd