The Commonwealth of Massachusetts

Massachusetts Asset Development Commission

PROGRESS REPORT

DECEMBER 31, 2008

MASSACHUSETTS ASSET DEVELOPMENT COMMISSION

PROGRESS REPORT
EXECUTIVE SUMMARY

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."

The Massachusetts Asset Development Commission was legislatively created by Section 117 of Chapter 123 of the Acts of 2006. The Commissioners, appointed by Governor Deval Patrick or named in the enabling legislation, include representatives from the many sectors that contribute to opportunity and capacity for asset development. The Commission is co-chaired by Tina Brooks, Undersecretary of Housing and Community Development and Representative James Eldridge, the prime sponsor of the legislation.

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 set of priority recommendations to better align policies and programs that allow individuals, families and households to build, grow, and protect assets. The Commission believes 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 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.

The Importance of Assets

Assets are resources that enable people to take control of their lives and participate in society in meaningful 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.

The Commission crafted Statements of Principle to guide its study and development of recommendations. These are:

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.

Massachusetts Asset Profiles

The Commission examined asset-building barriers, opportunities, and strategies as they apply to families in three income ranges – very low, low, and moderate income.

This plan emphasizes understanding the needs of the populations involved because strategies for promoting savings, education, workforce development and secure and affordable housing differ according to the needs of various population groups. Approaching asset building from this perspective also 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. The three income groups capture 43 percent of all working age Massachusetts households, representing over 834,000 households. Over half of all Massachusetts families do not have an asset safety net as defined by asset development research;

that is sufficient resources to maintain their households for three months of essential (and reduced) living expenses if wage income is lost. Further, for African American and Latino families, asset poverty characterizes a large majority of their community.

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, washing dishes, caring for others' children, 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. While 47 percent own their own homes and net financial assets increase to almost $400, this provides virtually no safety net to tide over a personal or health crisis, or layoff. This group is typically employed as service representatives, janitors, wait persons, and office clerks. The low-income group lives on the margins of income poverty and, for all practical purposes, is asset-poor.

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 maintenance and lower-level supervisory jobs, drive trucks, are carpenters, and administrative assistants. Typically, their financial asset base is building, holding slightly over $10,000 in net assets, with debt averaging $2,000.

There is an urgency to improve the financial well-being and security of very low- to moderate-income households in the state. Much can be accomplished by taking a comprehensive approach to building the assets and opportunities that support economic mobility.

Recommendations

Driven by its Mission Statement and Statements of Principle, the Commission identified five asset-building strategies to frame the policy recommendations. Within each of these strategies, the Commission identified and reviewed many policies and programs. The Progress Report prioritizes legislative, administrative, and regulatory reforms to address immediate needs and to target appropriate resources to the right people at the right time. The Commission's Progress Report asset-building strategies and recommendations are:

- ***Align access to income-supports while enhancing asset-building opportunities***
  - Support legislation to preserve affordability of subsidized housing units in "expiring use" properties
  - Support legislation which prohibits lenders from evicting tenants from foreclosed homes without just cause

- ***Accelerate integration of skills-building into asset-building opportunities***
  - Allow vocational and educational training to qualify for Temporary Assistance for Families of Dependent Children (TAFDC) work requirements for up to 24 months with possible extensions for program completion
  - Exclude income from work-study support, Educational Rewards loans and other similar grants for TAFDC and food stamp benefit determination

- Provide clear and comprehensive information about publicly supported education grants and assistance as means to avoid incurring unnecessary private education debt
- Encourage voluntary college placement testing by 11th grade so additional necessary courses can be taken prior to college entrance
- Conduct a pilot that incorporates financial education into the fuel assistance program
- Support efforts to include financial education curriculum in K-12 and Adult Basic Education and English for Speakers of Other Languages education

➢ ***Remove state-imposed barriers to asset-building***
- Reform asset limits and vehicle values for Emergency Assistance for the Elderly, Disabled and Children (EAEDC) and TAFDC programs
- Make 529 college savings plan and other educational grants non-countable assets for public benefits
- Reform TAFDC lump sum income rules for funds used for asset development goals

➢ ***Encourage use of appropriate asset-building financial products and savings***
- Support efforts to engage in public information campaigns about the availability of Earned Income Tax Credit (EITC) and the recruitment of volunteers for free tax filing
- Increase capacity of non-profit organizations to provide free tax clinics for low-income filers
- Regulate Refund Anticipation Loans (RALs) to protect low-income tax payers from high fees and interest
- Encourage efforts to increase utilization of low-cost alternatives to RALs and other high cost financial products

➢ ***Enhance asset protection***
- Update state and federal policies and regulation to protect borrowers from high cost and predatory consumer loans
- Provide consumer protections on unsolicited loan instruments
- Provide protections for residents experiencing foreclosure or other catastrophic financial transitions

The Commission established a two-stage examination, recommendation, and reporting process. Recognizing the current state of the Massachusetts and US economy, replete with challenging budget implications for the state, recommendations in this Progress Report have limited budgetary impacts. Instead, they focus on better aligning opportunities for moving up the economic ladder and for asset building by making state policies more efficient. Recommendations involving new programs, substantial program expansion, and/or significant investments will be developed for the Final Report in June of 2009.

Next Steps

From January through June of 2009, the Commission will continue examining promising areas for asset building, exploring the needs of persons with disabilities, seniors, and communities of color and immigrant communities, and further deepening its understanding regarding financial education, small businesses, and other areas highly pertinent to asset building.

The Commission already has identified several potential areas for further exploration. These include, but are not limited to:

1. Considering increasing the level of the Massachusetts State Earned Income Tax Credit (EITC).

2. Studying and making recommendations to restructure and coordinate work support programs to make benefits indexed to cost-of-living and benefit loss more gradual so that workers do not experience the “cliff effect” of losing several work supports at the same time as their income increases.

3. Engaging a study group of practitioners and institutions to create a multi-layered, coordinated, highly visible collaborative campaign to increase knowledge of financial issues, savings and asset protection along with asset-building mechanisms such as Individual Development Accounts (IDAs).

4. Studying methods for increasing access to and utilization of state-administered college savings plans (529s) by low-and moderate-income families.

5. Developing recommendations to realize the full potential of housing-based family self-sufficiency programs.

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I. Introduction and Purpose of the Report

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 building promises to be the next great movement of economic mobility, providing the opportunity platforms that enable all Massachusetts citizens to secure economic success, self-reliance, 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 employment and investments.

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. (See Appendix A for enabling legislation.)

II. Significance of Asset Building In Massachusetts

Why Assets Matter

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 (e.g. savings, 401k accounts, individual retirement accounts, equities), material possessions that have monetary value (e.g. a house, an automobile, or a small business), and investments in non-tangible assets (e.g. such as education, training, and 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 (often along with credit), assets are what families use to move ahead directly and by leveraging those assets for education, small business investment, and development of networks and community. Families use assets to manage financial hardship, build wealth, plan for the future, and transfer opportunity to the next generation.

<u>The Value of Assets in Economic Stability, Security and Well-being</u>

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 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.[1] Asset holding increases household stability by providing a cushion in times of need (unemployment, illness, disability, natural disasters) which help individuals avoid eviction, hunger, loss of utilities, loss of social networks through moves, or increasing debt.[2] 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.[3]

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. Financial education directly affects savings and investment behaviors.

Strategies to improve access to and regulate financial services and products for low-income families have enabled greater asset accumulation among these households by increasing access to interest-bearing savings and checking accounts, helping to bank the unbanked (through tax preparation partnerships and other outreach strategies), and restricting payday lending.[4] Asset accumulation among low-income families increases when incentivized opportunities are made available through matched savings opportunities like Individual Development Accounts (IDAs)[5] and the connection of the Earned Income Tax Credit (EITC) to work. Importantly, earnings increase at every level of advanced education indicating that even small advances in education and skill training will reap substantial rewards for income and asset accumulation.

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 which promote longer-term investments and more careful planning of resources.[6] 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.[7] 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."

Responses from the discussion group conducted in Lawrence

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.[8] 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 33% among them paying 30% or more of their income for housing. Median gross rent (rent plus utilities) rose 32% and the percentage of Massachusetts' renter households paying 50% or more of their income rose more than 7%.[9] 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.[10]

While Massachusetts has the highest proportion of college graduates per resident in the nation (1.4 million adults), nearly half of the state's workforce lack at least an associate's degree. 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.[11] In 2006, the percentage of working-age adults enrolled part-time in education or training beyond high school (since the early 1990's) had declined by 24%, 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.[12]

Asset Profiles and Challenges of Massachusetts Households

One strategy does not fit all; a wide range of financial circumstances dictates different strategies for asset building policy and practice. The Commission examines 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.[13] Asset profiles by income groups provide an indication of where and how policies might be targeted. [14] 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 the population, 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 Massachusetts 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.[15] 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,[16] marking this group's extreme vulnerability to any economic or personal risk. 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 population, are also more heavily represented by minority populations when compared to their overall representation in the state. African Americans represent over 9% of this income group, a 72% overrepresentation of 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 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 clearly 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 households.[17] 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.[18]

III. 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 the proposed 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

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 it will continue to meet until June 30, 2009. The decision was made to issue an interim report in December 2008 to recommend immediate action for practice and policy. The commission will issue its final report in June 2009 to set a vision for longer-term asset development goals and make recommendations for future administrative, regulatory and legislative action along with the means by which to assess progress.

Research Process

To define its scope and goals and to develop recommendations for this Progress Report, the full Commission met eleven times between March and December 2008. 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, Interagency Council on Housing and Homelessness that has been tasked to see through the recommendations of an earlier commission on ending homelessness. Subsequent meetings included presentations by experts with ensuing discussion in the fields of family economic sufficiency, tax policy, asset limits, financial education and services, workforce development, and housing and community development. (See Appendix C for meeting and presentation schedule.)

The public was invited to attend all meetings and to contribute to the discussion. A web site is maintained by the Department of Housing and Community Development that posts meeting schedules, agendas, and minutes along with notices of public hearings and links to pertinent resources and research. The Commission formed three working groups to examine the critical asset- development issues as they apply to households in three income ranges – very low-, low-, and moderate-income. (See Appendix D for a discussion of the Working Groups, project study design and a list of members.)

Findings of Public Hearings and Discussion Groups

Community engagement helped shape the immediate and longer-term recommendations of the Commission. The Commission sponsored well-attended public hearings in Boston and in Lowell that provided 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 community groups of low- and moderate-income residents across the state. (See Appendix F for summary of 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 need to 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 loss of public benefits. They also know 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 again in the future.

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. 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. Importantly, many reported that trying to access public benefits, to which they are entitled, was not a positive experience.

Development of Recommendations for Immediate Action

As the Commission progressed with its work in 2008, economic conditions rapidly worsened both nationally and in the Commonwealth. While a bad economic climate and relatively high living costs are stressing many household budgets, and especially those of lesser means, available state resources are being reduced. Cognizant of the public fiscal constraints, the Working Groups were instructed to judiciously develop their recommendations, taking into account what actions could provide the greatest benefit without incurring great cost, or saving funds elsewhere for which there was evidence of positive political will.   The Working Groups also identified policies, some of which would benefit from further study, for consideration in the final report for future action.

The recommendations presented by the Working Groups and approved by the full Commission* are 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 aspects of asset building and; 3) demographic data and state and national research studies in the field.   The report now turns to those recommendations. (See Appendix G for a list of relevant legislation corresponding to the recommendations.)

* As some of the recommendations specific to the Department of Transitional Assistance (DTA) have cost implications, Commissioner Julia Kehoe abstained from endorsing this report.

IV. Recommendations of the Commission

A. Align access to income-supports while enhancing asset- building opportunities.

People who work should not face insurmountable barriers to economic mobility. Working families need opportunities to build assets as earnings increase. As family's resources rise with higher earnings, small increases in income often trigger a loss or reduction in eligibility for benefits such as health insurance coverage, housing and child-care subsidies, home energy assistance or a low-income tax credit. 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. Benefit losses should not outweigh earning increases and security. The policy challenge is to support families when earnings are low, reduced or interrupted, and to ensure that as earnings rise, families are always better off.

1. Support legislation to preserve affordability of units in "expiring use" properties.

> **Recommendation for <u>Legislative</u> Action:**
>
> **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.**

<u>Status in Massachusetts and why we are concerned</u>

Housing provides important stability for a family attempting to build other forms of assets. When 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. A growing body of evidence suggests that living in decent, affordable housing may provide a "platform" from which low-income families can get jobs, build their income, and achieve financial security. Simply living in affordable housing constitutes a critical support for work. Families living in unaffordable housing are financially insecure, vulnerable to unexpected increases in other costs, and therefore more likely to frequently move.[19]

It has been estimated that in Massachusetts 68% of those who are eligible for public housing assistance are not able to access the benefit, a percentage that is significantly higher than the national average.[20] These families join the many others lacking appropriate, affordable housing. Due to the high cost of housing in this area, families who do not receive housing assistance (along with child care subsidies) can find that the family's expenses outweigh its income even at hourly wages as high as $24 per hour, which is three times the state minimum wage.[21]

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.[22]

To address the issue of loss of these affordable units, the legislative Joint Committee on Housing commissioned a working group that convened in April and May 2007 and issued the *Report of the Expiring Use Working Group*, June 6, 2007. While this working group did not reach consensus on a final group of recommendations, significant consideration was given to creating a right- of- first- refusal with a voluntary sale by the owner. If the owner has a willing buyer, the public entity (state or municipality) would have the right to purchase the property first under the same terms and conditions offered by the potential buyer. Similar provisions have been instituted in Washington, D.C. and Maryland.

<u>Policy Impact</u>

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.[23] The Commission understands that not all 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.

2. Support legislation that prohibits lenders from evicting tenants from foreclosed homes.

Recommendation for <u>Legislative</u> Action:

Support passage of so-called "just cause" eviction legislation that prohibits lenders from evicting tenants from foreclosed homes.

<u>Status in Massachusetts and why we are concerned</u>

Foreclosures in Massachusetts increased 186% between January 2007 and January 2008.[24] Multi-unit properties represent about 10% of the homes in Massachusetts, and these are predominantly located in low- and moderate-income communities,[25] exactly where most of the foreclosures are located. A recent study by the Federal Reserve Bank of Boston found that 25% of foreclosure petitions in January-August 2007 covered multi-unit buildings. In Suffolk County, 46% of petitions involved multi-unit properties, almost twice the state share.[26] 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. Real-estate owned properties are particularly troublesome for two reasons: first, they are empty properties in a neighborhood increasing the vacancy rate and potential for crime and vandalism, and second, they reduce the available rental market until they are sold and put back into the rental stock. In Boston, the number of real-estate owned properties in 2007 was 651, representing 93% of the total 703 foreclosures from that year.[27]

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 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.[28]

When a lending institution forecloses and takes title to a residential property, including rental properties, it quickly evicts all occupants. Under current law, the foreclosing lender does not need to have any grounds to evict. The human cost of this displacement is heavy as families and individuals, including those who paid their rents and satisfied the obligations of their tenancies, find it harder to rent elsewhere and suffer all the destabilizing effects of forced dislocation.[29]

<u>Policy Impact</u>

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. Tenants in foreclosed properties should not 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 access to owner and similar violations of standard tenancy obligations.[30]

B. Accelerate integration of skills-building into asset-building opportunities.

Employment that leads to family self-sufficiency facilitates asset building. It benefits individuals, families, communities; 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. These are challenges for individuals hoping to enter into new employment situations as well as for incumbent workers who hope to pursue pathways for advancement. Creating a comprehensive system to access the education and skills required to achieve self-sufficiency requires a strong public sector role and the involvement of private and not-for-profit partners. The policy challenge is to improve employment outcomes, creating clear and accessible pathways to self-sufficiency and asset security.

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

Recommendation for <u>Administrative</u> or <u>Legislative</u> Action:

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.**

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.**

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.**

<u>Why we are concerned</u>

For most Americans, it is the knowledge and skills they are able to bring to a job that advances their economic opportunities and the building of wealth. While increasing education and skills at any level has financial dividends for individuals, the gains grow with increased access to postsecondary education and, especially, long-term training in high-wage, high-skilled industries.

Roughly 70% of low-income parents have no postsecondary education or training.[31] In 2004, the median income for working age adults with a high school diploma or GED was $31,456 as compared to individuals with a Bachelors' degree earning $51,084. The difference in earnings is even starker for non-high school graduates, who earned only 43% of that of a person with a Bachelor's degree.[32] 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.[33]

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 Temporary Aid to Needy Families (TANF) for sufficient income to meet their family's basic needs. Since the implementation of federal welfare reform in 1997, states have been able to establish their own policies for allowing and encouraging participation in education and workforce training within certain federal parameters. By 2002, 23 states allowed TANF cash assistance recipients to engage in postsecondary education for more than 12 months as countable work activity.[34]

Currently, federal rules require that for the state to receive the full federal welfare block grant, 50% of those who are "work eligible" under federal rules must be participating in a federally countable work activity. Basic education and English for speakers of other languages are not federally countable activities unless they are integrated with skills training. Education and training programs are countable as part of the 50% who must be participating in work activity, but only for 12 months. If the state wants to allow more time for education, it could count those who are participating in educational programs for more than 12 months in the over half of the caseload that does not have to meet the work requirement, or the state could elect to pay for their TANF case assistance with state funds.

<u>Status in Massachusetts</u>

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.[35] About 30% of Massachusetts working age residents have a high school education or less, and for those with incomes under $55,000, the rate is over 40%.[36] And the percent with a high school diploma or less is significantly higher for minority populations, for example, as many as 65% of Latinos have no post-secondary education or training.[37]

To acquire more education, low- and moderate-income residents must have the necessary flexibility and financial means. Individuals who need to temporarily rely on TAFDC cash assistance may engage in education or training as a countable work activity.

However, the Department of Transitional Assistance (DTA) only approves education and training as work activities for a maximum of 12 months for each recipient. Transitional Aid to Families of Dependent Children (TAFDC) recipients subject to the work requirement are also subject to a two-year time limit on benefits, but 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 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 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.[38]

The Commission has identified workforce development as a critical component to its asset-development strategy to aid individuals in achieving greater financial stability and strengthening the state's economy. It believes that the state's economic health is intimately tied to the abilities of its workers.

These recommendations will not 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.

For most low-income residents, the ability to access most education and training opportunities requires some type of financial assistance. For these students there are programs such as the state's Education Rewards Grants that provides grants of up to $3,000 to low-income students who are enrolled in full or part-time degree or non-degree programs leading to jobs in high demand fields. These grants cover tuition and certain living expenses. Federal programs such as Pell Grants have also recently been revised to better serve non-traditional students. Regardless of these and other programs, TAFDC recipients and others sometimes incur unnecessary educational debt because they have not received good advice about the availability of publicly funded programs.

The Commission 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.

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

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

Recommendation for Administrative Action:

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.

Status in Massachusetts and why we are concerned

Having the necessary education and training to successfully compete in the labor market begins with elementary and secondary education. In its Statements of Principle, the Commission notes the necessity of removing barriers to education and training and sees this applying to youth as well as adults.

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: 52% of low-income students, 50% of limited English proficient students, 59% of African American students, and 58% of Latino students were found to need remedial course(s) as they entered college.[39]

The report explains the complexities of the issue including the negative impact on the cost of postsecondary education. 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]

Policy Impact

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.

3. Support integration of financial education into public assistance programs and educational opportunities.

Recommendation for Administrative Action:

a. **Conduct a pilot during the 2008-2009 heating season, among three fuel assistance agencies, to incorporate financial education tools as part of the eligibility determination process.**

b. **Support efforts to include financial education curriculum components in the Massachusetts Department of Elementary and Secondary Education K-12 and ABE/ESOL Frameworks.**

Why we are concerned

In order to manage their money and build assets for economic security, individuals need financial literacy – the ability to understand financial information, to responsibly use financial services, and to make informed financial decisions.[41] The past ten years has seen disturbing trends in Americans' personal finances: there are record levels of consumer debt while the personal savings rate has dropped close to zero.[42] At the same time, financial decision-making has become both more important and difficult than ever as individual responsibility for personal management of finances has increased in the context of a rapidly changing and complex financial industry.[43]

Individuals with low levels of financial skills are at a significant disadvantage when utilizing the financial industry. This dynamic is self-reinforcing for low-income individuals because they are disproportionately unbanked and lack access to appropriate financial products and services, they generally do not have the same opportunities to develop financial skills, and suffer as a consequence of not having those skills.[44] Further, low-income people disproportionately rely on high cost financial services that do not provide opportunities to build assets.[45]

Research on the effectiveness of financial education for low-income populations is still limited and mostly tied to participation in Individual Development Account (IDA) programs.[46] This research shows that, by coupling financial education with the right incentives and opportunities, low-income people can plan for the future, make the decision to save, and acquire assets, despite their limited resources.[47] This evidence, and evidence from more established fields of education research, indicates that the most effective financial education programs are experience-based and tailored to the specific needs and interests of the target population.[48] We must take advantage of "teachable moments", opportunities when individuals are making financial decisions.

<u>Status in Massachusetts</u>

In Massachusetts, individuals with low incomes have high debt and low savings. Research based on U.S. Census data shows that the state's lowest income group (under $22,000) has virtually no net financial assets, and the second lowest income group ($22,000-$37,000) has only $400 in net financial assets. These two groups make up one out of every four working age families in Massachusetts.[49]

In Massachusetts, a range of providers, including financial institutions, state and local government, community colleges and community-based organizations, provide financial education programs to low- and moderate-income adults. Such programs typically cover a core group of topics: budgeting, credit, debt, banking, consumer rights, etc. In addition, more specialized programs focus on homeownership and small business development.

Two promising avenues that present "teachable moments" in which to integrate financial education are the fuel assistance program and the public education system, which includes K-12 education, Adult Basic Education (ABE), and English as a Second Language (ESOL) programs.

In Massachusetts, over 140,000 low-income households receive fuel assistance from 22 agencies, including 20 Community Action Agencies. The fuel assistance program provides a forum to connect clients to financial education, as well as other services and opportunities that promote self-sufficiency. The 2002-2005 LASER (Leveraging Assets for Self-sufficiency through Energy Resources) project in Massachusetts successfully utilized this approach, incorporating financial education as part of a more intensive program for a sub-group of fuel assistance clients. The evaluation of the LASER project found that despite no change in their household income participants lowered their fuel arrearages, likely because the program helped them with household budgeting and connected them to other services, such as food assistance, phone and electricity discounts, income tax credits, and Medicaid.[50] Clearly the success of this model is worth building upon.

The public education system is a natural fit for financial education. State ABE and ESOL programs provide a venue to effectively reach immigrants and adults with low general literacy who are trying to develop the range of skills to achieve economic security and participate more fully in the affairs of their communities. Although some organizations offering ABE and ESOL services already integrate financial education,[51] there is no statewide, systematic approach.

Financial literacy is critical for all 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.[52] The Massachusetts Curriculum Frameworks is a 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. But this program is voluntary.[53] Nationally, 40 states have included personal finance in their education standards, and nine require specific testing of student knowledge.[54]

Policy Impact

Financial education programs can empower low-income families to save for, acquire, and then protect their assets. Individuals will develop the knowledge and skills to make informed decisions and to maximize limited resources and opportunities. On a day-to-day level, this strategy will help families manage debt and credit problems, create household budgets, access mainstream financial services, utilize public benefit programs, and avoid money traps.

The Asset Formation for Homelessness Prevention/Intervention Project, funded by the Department of Housing and Community Development, serves as a pilot for integrating financial education into existing services. This project models a way to develop and deliver a financial education toolkit that is tailored to near homeless and homeless families. The project aims to expand use of the toolkit at community-based organizations across the state.

For children and youth, financial education has two levels of benefits. On one level, they will 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.[55] In addition, there is a developmental benefit around broader life skills, such as responsible decision-making and planning for the future.[56] Although including financial education in the Massachusetts Frameworks does not create a mandate, it does promote the inclusion of financial education in curricula and testing.

Significance of financial education

"Financial education is key to financial freedom."

"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."

Responses from the public hearing and discussion group participants

C. Remove State Imposed Barriers to Asset-Building

Assets enable families to move into economically independent, stable and secure lives. 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. The policy challenge is to balance the provision of public resources to those most in need, while allowing access to the asset opportunity platforms that enable their movement into self-sufficiency.

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

   Recommendations for Legislative and Administrative Action:

   a. **Increase the TAFDC and EAEDC asset limits to at least $5,000 and allow adjustments for inflation over time**.
      - Requires legislative action for TAFDC and administrative action for EAEDC.

   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.**
      - Requires legislative action to change vehicle equity limit for TAFDC while market value limit can be through administrative action. EAEDC vehicle limits can be changed through administrative action.

Why we are concerned

Although asset limits are intended to ensure that public benefits are targeted to the neediest households, they create a major disincentive for children and families to save.[57] 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.

Although the targeting of programs to those in need is an important feature of means-tested programs, government policy should not constrain the efforts of families to have a safety net of financial assets and a reliable vehicle. Research has found that asset limits:

- Create disincentives for saving for fear of being ineligible for services when in crisis
- Create tradeoffs between work, savings, and eligibility that discourages program participants from accumulating assets in order to retain program eligibility
- Restrict employment options due to lack of reliable transportation
- Deplete family safety nets and opportunities to build towards self-sufficiency and 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. First, states were allowed to seek waivers of asset limits to determine eligibility for Assistance for Families with Dependent Children (AFDC). Then welfare reform in 1996 (creating Temporary Assistance for Needy Families - TANF) abolished the federal asset limits, allowing states to create their own limits. As a result, several states chose to raise asset limits and 32 states allow for the full value of at least one vehicle.[58] Virginia and Ohio eliminated asset tests altogether.

While there remains federal asset limits for the food stamp program (now called Supplemental Nutrition Assistance Program), most states have taken advantage of the option to align food stamp asset limits with those of other public assistance programs and relax restrictions. For example, 39 states allow the full value of at least one vehicle rather than restricting eligibility to the federal rule of fair market value of $4,650 or less.[59] This enables those who may temporarily need food stamps due to unemployment to retain a reliable vehicle so they can search for a job and get to it.

Status in Massachusetts

Massachusetts has joined many of its fellow states[60] in relaxing asset tests for food stamp and medical assistance programs, but has not taken similar action for its cash assistance programs. Asset limits for TAFDC (Transitional Assistance for Families with Dependent Children) and EAEDC (Emergency Assistance for the Elderly, Disabled, and Children) are two areas in which state policy-makers can take further action to develop progressive asset- limit policies and eliminate disincentives to building assets and encourage moving up the economic ladder.

To be eligible for TAFDC, low-income households can not 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.[61] While some states exclude from countable assets funds in restricted accounts from which withdrawals are limited to certain uses, such as education, retirement, homeownership or business start-up, Massachusetts has no such provisions.[62]

The asset restrictions for elderly or disabled EAEDC applicants are more severe. An applicant's countable assets can not exceed $250 ($500 for a family of two or more) to be eligible for the program.[63] Equity value in a vehicle exceeding $1,500 counts toward the asset limit.

Policy Impact

While many states have generously relaxed asset tests for Medicaid eligibility for families and children, essentially eliminated food stamp asset limits through "categorical eligibility", and excluded important categories of assets from asset tests, only Ohio and Virginia removed all asset tests for TANF. Ohio was the first state to abolish asset limits in TANF in 1997.[64] [65] A central point argued by proponents was that workers needed cars and savings to obtain and retain jobs, deal with emergencies, and advance in the labor market, and it is the state's responsibility to support rather than obstruct these efforts.[66] Virginia's plan to eliminate asset tests was part of a broader state welfare reform package and asset development plan that put greater emphasis on self-sufficiency. Virginia's policy change was estimated to increase the assistance provided by $127,200 for about 40 additional families then eligible for TANF while providing $323,050 annually in savings in administrative staff time.[67]

Although the Commission is not proposing to remove asset tests entirely for eligibility determination for TAFDC and EAEDC, removing determination of vehicle equity and fair market value from the calculation should result in some administrative savings. 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.[68] If the vehicle and asset limits are increased as proposed by the Commission, DTA estimates that an additional 266 families (or about .6% of the caseload as of June 2008) would have been eligible for TAFDC in FY 2008 and about 433 individuals (or 2.3% of the caseload) would have been eligible for EAEDC.[69] Based on these prior year numbers, the estimated annual costs of increased benefit payments is $764,640 for TAFDC and $788,830 for EAEDC.[70]

As this data indicates, few families may possess sufficient financial assets in addition to owning a vehicle to be ineligible for benefits. On the other hand, research finds that there is a tendency for potential program applicants to believe the asset limits are much lower than they actually are, discouraging saving even more.[71] Thus, 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.

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

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

Recommendation for <u>Legislative</u> and <u>Administrative</u> Action:

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.

- Requires legislative action for TAFDC and administrative action for other public assistance programs.

<u>Status in Massachusetts and why we are concerned</u>

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.[72]

One type of restricted savings accounts dedicated to building assets through education is the "529 plan". These college savings plans are state-operated investment plans that give families a federal tax-free way to save money for college. Authorized by Congress in 1996, they are commonly referred to as "529 plans" after the section of the IRS code that provides the plans special tax provisions. These plans can provide a way for low- and moderate-income parents, and others interested in a child's well-being, to begin to save for future higher education expenses by making modest, affordable contributions that have tax reduction benefits. At least four states – Arkansas, California, Michigan and Oklahoma – exempt 529 college savings plans from consideration in public assistance asset tests.[73] At the federal level, 529 plans and other education savings accounts have recently been exempted from the asset tests for the food stamp program.

In its Statements of Principle, the Commission calls for the reduction of intergenerational poverty and the promotion of financial stability over a lifetime. The opportunity to take advantage of 529 plans and other educational savings options is one way for low- and moderate-income families to help break the cycle of poverty by affording their children the chance to better job opportunities through a college education.

<u>Policy Impact</u>

The "U. Fund" is Massachusetts' 529 college savings plan. With an initial investment of $50 or automatic deduction of $15 per month, a U. Fund saving plan can be opened on behalf of a child to pay for tuition, fees, room, board, books, supplies and equipment at any qualifying institution of higher education.[74]

In 2007, the U. Fund had $2.4 billion under management.[75] Research confirms, however, that 529 account holders represent a relatively elite group.[76] In Massachusetts, less than 1.3% of accounts are held by families with low net worth, defined as having assets under $15,000.[77] Thus, it can be surmised 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 policy change promotes taking this first step to promote saving for a child's education by excluding these savings as countable assets for receipt of public benefits. The Commission also has determined it wants to explore further provisions to encourage and support participation of low- and moderate-income families in this beneficial savings plan.

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

Recommendation for <u>Administrative</u> or <u>Legislative</u> Action:

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.

Status in Massachusetts and why we are concerned

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, beginning 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. They are not allowed to use it to get ahead, rather, for some, it creates greater hardship making the family worse off.

In 1995, when Massachusetts enacted its version of welfare reform, the law included a lump sum rule that remains in effect. To implement the rule the Department of Transitional Assistance (DTA) created regulations that cover more types of lump sum payments than required by statute, further eliminating opportunities to use such funds to begin to build assets. 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.

Policy Impact

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, empowers families with greater control of their financial well-being and gives them an opportunity to begin to build their own economic security. DTA already has the authority to establish individual asset accounts under a separate TAFDC program. The Commission recommends that similarly recipients of lump sum payments be given the option to deposit up to $10,000 in such an account. DTA estimates that if half of the families who became ineligible for TAFDC benefits because of receipt of a lump sum payment under $10,000 elected to place the funds in an individual asset account and thus retained eligibility, the additional cost to the state in FY 2008 would have been $106,560.[78]

Loss of benefits due to receipt of lump sum payment

Julie, a TAFDC recipient was paid just over $5,300 as compensation for personal injuries. This mother used the funds to pay past-due rent that she was previously unable to pay and that placed her and her child at risk of eviction. Because DTA's rules required receipt of such funds to be used to calculate continued eligibility, Julie and her child were disqualified from TAFDC – their sole source of income – for eight months, even though the family no longer had any of the lump sum left to live on.

Source: Massachusetts Law Reform Institute

D. Encourage use of appropriate asset-building financial products and incentives to save.

Opportunities to save and build assets require sufficient income as well as access to financial services and products that provide safe and convenient opportunities for asset accumulation and savings. Rewarding work with income enhancements such as tax credits provides a foundation for savings, but often the process for taking advantage of them is not transparent or accessible. A wide variety of services and products are required to meet diverse saving needs across all income levels and throughout the course of life. But not all products on the market are financially advantageous to consumers. In the absence of appropriate alternative products, a family's ability to save and build assets can be undermined. The policy challenge is to expand regulations, policies, and programs that increase the rewards for working and improve access to a wide range of safe and appropriate financial services and products to increase and maintain the savings of all residents.

1. Support a campaign to promote availability of EITC and to increase capacity and use of free tax clinics.

Recommendations for <u>Administrative</u> and <u>Legislative</u> Action:

a. **Support a process initiated by the Governor's office to engage more state and local agencies in a public information campaign about availability of EITC and the recruitment of volunteers to help with no-cost assistance with tax filings for low-income residents.**
 - Administrative action by state agencies and the Governor's office

b. **Increase capacity of non-profit organizations across the state to provide free tax clinics to allow for low-income filers to access services.**
 - Legislative or Administrative action for necessary funding

<u>Why we are concerned</u>

Since its introduction in 1975, the 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 encourages low-income individuals to work while helping some of the poorest families escape the hardships of poverty.

Overall, the EITC has been very effective. The EITC lifts about 4.4 million people out of poverty each year, half of whom are children.[79] Poor families receive not only the benefit of the tax refund, but also the benefits of work that EITC encourages. Research has shown that many families plan for receipt of the credit as a means by which to pay off debt, repair credit and save for future assets such as their child's education.[80]

In 2006, over 23 million families – one in six tax filers – claimed the credit.[81] Federal EITC payments are indexed to inflation as well as household size and income. 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.[82] Families with one child received a maximum benefit of $2,917 and households with no children received a maximum benefit of $438.[83]

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 by unnecessarily paying for tax preparation services. Nationally, about 15% of eligible recipients are not claiming the credit.[84] The IRS estimates that about two-thirds of tax filers receiving the EITC use paid tax services to prepare their returns.[85] These services can cost low wage workers over one hundred dollars. 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 that will reduce intergenerational poverty.

Status in Massachusetts

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.[86] State EITCs are most commonly a percent of the federal credit ranging from 3.5% to 43%. Massachusetts' state EITC is at 15% of the federal tax credit and is refundable, as is the federal. A "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.

The EITC also has a role in lifting the state economy with an infusion of federal funds. The federal EITC brought over one-half billion dollars ($519,335,168) into the Massachusetts economy in 2008. The state EITC results in another $7.8 million that low and moderate income families used to pay off debt, make purchases, or save.[87]

In 70 sites across Massachusetts, the IRS sponsors Volunteer Income Tax Assistance or VITA centers to provide free services for EITC filers so part of the refund does not have to go toward tax preparation fees. In the 2008 tax year, over 300,000 Massachusetts tax filers received the EITC, but just over 5% of these filers took advantage of the VITA center services.[88] With a typical fee of $120 for tax preparation services, the approximately two-thirds of low-wage workers who used these services paid almost $24 million out of their pockets.

Policy Impact

In Massachusetts it is estimated that 13% of eligible recipients are not receiving the EITC.[89] The Commission wants all who are eligible to access this valuable benefit. Therefore, it is supporting the Governor's campaign to enlist state and local agencies in getting the word out. With only 5% of EITC filers using the services of free tax clinics, it is also extremely important to increase the awareness of this service and the capacity of

VITA sites to engage many more tax filers. To serve more filers, there is also 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 research demonstrates that it will also result in greater asset- building activity. In a two-year study of EITC recipients at seven Massachusetts VITA tax sites, research found that about half of the tax filers used some of their return to pay off debt, a third used it to buy or repair a vehicle, and one-fifth used it 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 hope to offer such options to make it easier for low income families to engage in other asset- building activity when filing their taxes.

In Massachusetts, between $45 and 60 million went unclaimed by about 47,000 taxpayers.[90] Having more eligible workers claim the EITC credit would benefit the Massachusetts' economy by bringing more federal dollars into the state. In the months ahead, the Commission also will consider recommending an increase to the state EITC from its current level of 15%, which could further increase the uptake by eligible tax filers and bring in more unclaimed federal dollars.

2. Regulate use of Refund Anticipation Loans (RALs) and encourage use of low-cost and free alternatives.

Recommendations for <u>Administrative</u> and <u>Legislative</u> Action:

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.
- To be addressed through legislative and administrative action

b. Encourage efforts to increase utilization of free and low-cost alternatives to RALs and other currently available high cost financial products.
- To be addressed through legislative and administrative action

<u>Status in Massachusetts and why we are concerned</u>

Refund Anticipation Loans (RALs) are high-cost advance loans secured by taxpayers' expected refunds. Taxpayers pay a very high price to borrow from their own money. Consumers pay three fees for a RAL: 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 filer's 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.[91] 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 preparer experiences very little risk on the secured loan.[92] Nationally, nearly two-thirds of RAL consumers are EITC recipients even though they constitute just 17% of all taxpayers.[93] A nationwide survey also found racial disparities in RAL usage. Twenty-eight percent of African-American and 21% of Latino taxpayers responded that they had taken RALs, compared to 17% of white consumers.[94]

In Massachusetts in tax year 2005 approximately 95,000 people took out a RAL, almost half of whom were EITC recipients.[95] These loans cost EITC recipients $47 to 94 million, money that could have been used for asset- building activities.

Thirteen states and New York City have passed laws regulating RALs.[96] 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. Massachusetts has not passed any legislation to regulate RALs. While several bills have also been introduced in Congress in recent years, none have passed except a law capping rates for loans to active military at 36% APR that includes RALs.[97] On the federal level, the only other regulations of RALs are relatively weak IRS requirements and the disclosure requirements of the Truth in Lending Act.[98]

<u>Policy Impact</u>

The IRS has some authority to enforce rules governing the marketing of RALs, but the National Consumer Law Center notes that the IRS has taken only modest enforcement action.[99] 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 the business, especially charging very high interest rates.[100] As federal action is sought, the Commission will enlist the aid of the Massachusetts Office of Federal-State Relations to assist in its efforts.

While discouraging use of RALs, the Commission 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 are being explored by VITA programs and enterprising banks. For example, some banks issue stored value cards, much like debit cards that are not linked to a regular bank account and are more economical. Another example is that of a credit union in Ithaca, NY that operates its own VITA site that offers an alternative RAL for customers with existing Line of Credit with a small set up fee and a low, competitive APR.[101]

E. Enhance Asset Protection

Financial independence and economic stability depend upon the preservation and protection of the assets that provide for this foundation of security. Low and moderate-income individuals and communities frequently fall victim to predatory and subprime lending and other asset-eroding practices. Asset loss also comes from unexpected expenses or periods of unemployment, and from insufficient information to make informed decisions about how to protect those 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.

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

Recommendations for Legislative and Administrative Action:

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.**

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.

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.

Status in Massachusetts and why we are concerned

An increased reliance on high cost financial services is a major obstacle to asset development.[102] High-cost loans to lower-income and minority consumers are having a significant negative impact on asset-development and retention.[103] Consumer products have evolved that leverage a consumer's paycheck, automobile or income tax refund for high cost, short-term loans.[104]

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.[105] 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.[106] Further, even with increased availability of clear information, consumers do not always act in their best interests: taking loans that are detrimental or dangerous.[107]

In adherence with its Statements of Principle, the Commission wants to better regulate these loans so they do not strip people of their assets. Asset protection consists of three related strategies: tighter regulation of high cost loans, increased development and access to affordable loans, and financial education to improve the decision-making process.

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.

Policy Impact

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.

Having banks and credit unions offer small consumer loans to underserved customers offers a win-win situation for consumers and financial institutions. As low-income consumers are able to access affordable credit, they will transition away from high-cost debt, improve their credit histories and graduate to other more significant asset-building loans, such as home mortgages and small business loans.[108] Banks and credit unions will benefit because developing relationships with unbanked consumers leads to long-term, multiple account relationships that are profitable.[109] Provisions of such service also will aid banks in meeting the requirements of the Community Reinvestment Act (CRA).[110]

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

Recommendation for Legislative Action:

Provide consumer protections on unsolicited loan instruments, including notifications and time limitations.

Status in Massachusetts and why we are concerned

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.

Policy Impact

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. Further, future legislative action should both a) reduce unauthorized use or fraudulent negotiation, and b) protect consumers from being held liable in the case of such an event.

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

Recommendation for Legislative action:

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.

Status in Massachusetts and why we are concerned

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 family, maintain or seek employment.

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. This is a substantial problem in Massachusetts, as there is a deep and rising trend of assets being seized. For example, The Boston Globe found that professional debt-collection agencies filed an estimated 575,000 lawsuits – many of them (we believe) against consumers filing for bankruptcy –

in Massachusetts between 2000 and 2005.[111]

Policy Impact

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.[112] Further, there have already been 12,315 bankruptcy filings in the first three quarters of 2008. These recommendations 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. Therefore, families will be able to rebuild.

V. Commission's Continuing Course of Action

Opportunities for Further Exploration, Study, Recommendation, and Investment

The Commission has focused on identifying immediate and short-term legislative, regulatory, and administrative remedies to encourage asset building among low- and moderate-income Massachusetts residents. This Progress Report is a deliberate, intermediary step that attends to immediate remedies to better align Massachusetts programs and policies around asset-building objectives. Before moving to significant, new policy initiatives, expansion of successful programs, or substantial state investment, recommendations in the Progress Report respond to removing barriers to asset building and ensuring that existing programs operate effectively.

This sets the next stage for the Commission's work: exploring, studying and developing new or expanded mechanisms for asset building with scale and infrastructure for maximum impact. The Commission recognizes the difficulty of recommending new state investments in very challenging economic times, and among worthy contending priorities. Yet, the need and the promise are great. The Commission will develop a process that identifies, prioritizes, and recommends asset-building program development or expansion for a Final Report. In addition to specific recommendations, this process will help shape a long-term agenda for asset development in Massachusetts, an agenda that can be implemented in stages over five-to-ten years.

The Commission already has identified several promising areas for further exploration. These include, but are not limited to:

1. *Consider increasing the level of the State Earned Income Tax Credit (EITC) from the current level.*

Currently, EITC is the most effective income-enhancing and asset- building vehicle for low- and moderate-income households, as over 300,000 Massachusetts filers receive half a billion dollars from EITC. Given its huge success and scale, the Commission will explore ways to increase its usage among the eligible, and ways to better connect it to asset building and financial education. Accordingly, boosting and improving the current Massachusetts match may be a promising pathway. Several recommendations in this Progress Report pertain to EITC and related components (RALs, for example). The Commission will engage in a deeper study to consider ways Massachusetts can increase the scale, impact, and capacity of this successful and popular program.

2. *Study, and make recommendations on, how to restructure and coordinate work support programs to increase stability and security of households as incomes rise.*

According to the Family Economic Self-Sufficiency Standard (FESS), a single parent with two children in Massachusetts needs to earn \$44,000 to \$58,000 per year.[113] Work supports, such as rent and childcare assistance, food stamps, WIC, Mass Health, and the

Earned Income and Child Tax Credits, play a central role in helping such families meet their basic needs. Low-wage workers receiving crucial work supports lose benefits as their wages increase, often in significant amounts, long before they have reached self-sufficiency. Further, because government work support programs have differing eligibility requirements with very little coordination across programs, families may find themselves losing several key benefits at once, due to a very small increase in wages. Workers earning between $11 and $29 per hour are especially vulnerable to losing supports in this way.[114] Despite their best efforts, workers in this position find themselves worse off as their wages rise.

The Commission will study how to make benefits indexed to the cost-of-living and benefit-loss more gradual to reduce the experience of “cliff effects”. There are several policy strategies to address this problem, which should be explored in a future study. Both state and federal work support programs can examine their eligibility standards and develop a plan to create complementary eligibility requirements with common definitions of income and assets. These programs can also cooperate to phase out supports more gradually as earned income rises to prevent the sudden loss of multiple supports at once.

3. *Engage a study group of practitioners and institutions to create a multi-layered, coordinated, highly visible collaborative campaign to increase knowledge of financial issues, savings, and asset protection along with asset-building mechanisms such as Individual Development Accounts (IDAs).*

Despite the well-designed programs and availability of appropriate banking products, problems of inappropriate banking, speculation, and asset-stripping have increased. This raises many questions regarding financial education in Massachusetts.

Despite the long odds, there are low-income families and individuals who saved and invested wisely in the past few years. IDA graduates in Massachusetts largely did not fall prey to the financial predators. Model programs that integrate financial education into other savings programs report success.[115] Participants in the statewide Homeownership Collaborative who received homebuyer education, and borrowed through the state-supported Soft Second Mortgage Program originated by local banks, have low default rates.[116] Such programs are successful because participants have access to integrated financial products, a unified message, and relationships with local experts – their program managers and/or counselors, were credible, up-to-date, and available. Preliminary, and highly suggestive, evidence from IDA exit surveys indicate that the education by, and relationships with, trusted staff were the most valuable components of the program.[117]

The Commission recommends that these models be examined in order to create a better system to increase financial skills and assets. This requires the collaborative engagement of the public sector, financial institutions, educators and non-profits in a coordinated structure.

4. *Study methods for increasing access to, and utilization of, state-administered college savings plans (529s) by low-and moderate-income families*

Families in Massachusetts, which boasts the seventh highest average tuition for a four-year public institution in the United States, face considerable financial barriers to college. Poor and working class families in Massachusetts must devote 49% of their income, even after financial aid, to pay for costs at public four-year colleges in the state.[118] Rising college costs disproportionately impact low-income families.

Tax advantaged 529 college savings plans offer a promising platform for expanding asset building for low-income families.[119] Created in 1996 through the tax code, state-run 529 college savings plans offer a novel and powerful means to save for college. Recent research also posits that low-income children with college savings accounts are more likely to attend college and do better in school.[120]

Although 529 plans were conceived of as a product to help low- and moderate-income families save for college, emerging research indicates that 529 account holders represent a relatively elite group.[121] Preliminary data in Massachusetts reflects this trend. In 2007, its 529 college savings plan, the U. Fund, had $2.4 billion under management; however, less than 1.3% of accounts were held by low net-worth families.[122] Families with $15K to $49.9K in assets represent only 7.5% of accounts. Nationwide, researchers have begun to call attention to equity issues in 529 plans, including the extent to which 529 plans exacerbate wealth and education gaps between low-income and more affluent families.[123] States around the country have begun to experiment with ways to increase low-income families' participation in these plans, including several states that have introduced a progressive 529 plan structure that provides an income-based match for low-income families.[124]

The commission recommends further research into how Massachusetts can increase low- and moderate-income families' access to and investment in the state's 529 plan. The goal of this research is twofold: 1) to document the barriers that prevent low-income families from participating in the state's plan and 2) to identify best practices nationwide for promoting college savings plans among low-income families.

5. *Develop recommendations to realize the full potential of housing-based family self-sufficiency programs*.

The HUD Family Self-Sufficiency (FSS) program is an employment and savings incentive program for low-income families who hold Section 8 vouchers or who live in federal public housing. The FSS program provides case management services that help participants pursue employment and other goals and open escrow accounts into which the public housing agency (PHA) deposits the increased rental charges that a family pays as their earnings rise. Families that complete the program may withdraw funds from these accounts for any purpose after five years. A range of other housing-based family self-sufficiency programs is offered at state and federal public housing in Massachusetts.[125]

The commission recommends a review of family self-sufficiency programs to identify best opportunities for new or enhanced housing-based self-sufficiency programming.

Further study of these programs in Massachusetts will help in understanding how they can be leveraged as asset-building models for Section 8 holders and public housing residents around the state. The proposed study seeks to analyze three key research areas: 1) the current scope of the self-sufficiency programs in MA, including how many PHAs currently operate self-sufficiency programs and how many families are enrolled in them.; 2) the barriers that PHAs face in implementing a self-sufficiency program; and 3) best practices in the state and nationwide for linking self-sufficiency programs to asset building. The successful implementation and expansion of self-sufficiency programs in Massachusetts could leverage substantial federal dollars.

Moving Ahead

The Commission will maintain a schedule of regular meetings that inform deeper understandings of asset building opportunities in Massachusetts. A wide range of local and national leaders and experts will continue to guide the Commission’s efforts. There will be focused and intense study of relevant issues with reports to the full Commission. Discussion groups and dialogue with representatives from diverse sectors will contribute to the Commission’s learning process.

APPENDICES

Appendix A: 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 2 years after the passage of this act.

Appendix B: Massachusetts Asset Development Commission

The Commissioners, appointed by Governor Deval Patrick or named in the enabling legislation, include representatives from the many sectors that contribute to opportunity and capacity for asset development. Although enacted in 2006, appointments to the Commission were delayed until the new Governor took office and his administration was in a position to move forward. To address the most critical issues of financial instability, the new administration first established the Special Commission Relative to Ending Homelessness in the Commonwealth, also legislated in 2006. This commission took the bold step of identifying asset development as part of a three-pronged approach to keep people housed and prevent future homelessness. Undersecretary Tina Brooks co-chaired both this earlier commission and now co-chairs the Massachusetts Asset Development Commission. Undersecretary Brooks is joined in co-chairing the Commission by Representative James Eldridge, the prime sponsor of the legislation.

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Appendix C: Presentations at Meetings of Massachusetts Asset Development Commission

Meeting Date	Presentation Information	Name/Affiliation
March 13, 2008	Greater Opportunity for Asset Development Among Low-Income Individuals	Dr. Thomas Shapiro, Director, ***Institute for Assets& Social Policy, Brandeis University***
April 2, 2008	Massachusetts Family Economic Self-Sufficiency Standard	Dr. Elisabeth Babcock, Director, ***Crittenton Women's Union***
June 2, 2008	Housing and Homelessness in Massachusetts	Robert Pulster, Director, ***Interagency Council on Housing and Homelessness***
June 23, 2008	National and State Support for Low Income Families	-Noah Berger, Director, ***Massachusetts Budget and Policy Center*** -Donna Friedman and Jennifer Shea, ***Center for Social Policy***
August 4, 2008	Asset Limits in Public Assistance & Work Support Programs	-Birgitta Damon, Deputy Commissioner for Programs, Policies & Field Operations Todd Maio, Deputy Commissioner for Operations Management, ***Dept. of Transitional Assistance*** -Ruth Bourquin, Attorney ***Massachusetts Law Reform Institute***
	"Fits and Starts: The Difficult Path for Working Single Parents"	Dr. Elisabeth Babcock, Director, ***Crittenton Women's Union***
August 25, 2008	Financial Literacy Education & Innovations in Financial Services	-Jonas Parker, Program Manager, ***Institute on Assets & Social Policy, Brandeis University*** -Margaret Miley, Director, ***The Midas Collaborative*** -Esther Schlorholtz, Senior Vice President, ***Boston Private Bank***
October 6, 2008	Education and Workforce Development	-Shelley Tinkham, Associate Director for Academic Policy, ***Dept. of Higher Education*** -Joe Walsh, Director of Policy & Planning, Executive, ***Office of Labor & Workforce Development***
October 27, 2008	Massachusetts Housing Market Assessment	-Tina Brooks, Undersecretary for Housing & Community Development, ***Dept. of Housing & Community Development***

Appendix D: Working Groups

While the Asset Development Commission is charged to examine asset-building strategies for low- and moderate-income and low-asset individuals and families, the Commissioners recognized that within the spectrum of these households, different financial circumstances dictate a range of strategies for asset- building policy and practice. It was decided not to take the somewhat typical approach to developing an asset policy agenda by segregating the discussion of its components of growing income, improving workforce skills and jobs, promoting saving and investing, and preserving and protecting financial assets through education and regulation. Rather, the Commission decided to form Working Groups to collectively examine each of these asset- building strategies as they apply to households in three income ranges – very low, low and moderate income.

The first Working Group was charged to study how policy and practice could better meet the asset-building needs of <u>very low income households</u>. These households typically struggle to meet their basic needs through low-wage work that may be intermittent, and frequently need to supplement their income with public supports such as housing and child-care assistance, food stamps and income assistance. They experience the opportunity to build assets through improving their workforce skills to get better jobs, ensuring their meager income is reaching as far as it can, and if sufficiently fortunate, begin to save.

The second Working Group directed its attention to <u>low-income households</u> who are particularly vulnerable because as their income rises they cease to be eligible for public benefits. These families achieve a slightly higher level of financial stability through a combination of somewhat better paying jobs or more hours worked and diminishing public work supports. The rapid decrease of these supports that sometimes out strips earned income gains is referred to as the "cliff effect," and was of special concern for this Working Group. These families may begin to build financial assets as they improve their employment status and possibly acquire employment benefits while balancing the loss of public benefits. Improved financial management skills and enhanced savings programs can further aid their financial stability.

The third Working Group focused on <u>moderate income households</u> who no longer are able to access most public benefits that can supplement earned income, but who are still challenged in fully meeting costs of basic needs and achieving self-sufficiency. Access to education and training to further advance remains important, as are programs that aid homeownership and small business development opportunities. These families can benefit from policies that ensures their efforts to finance their needs are protected by good business practices and their efforts to save are supported and protected.

Each Working Group was co-chaired by two members of the Commission. Those familiar with the needs of the target population were invited to join the Working Groups along with the other Commissioners. Thus each Working Group is composed of state agency representatives, private practitioners, academic researchers and policy advocates. The intent was for the participants from different disciplines to work together to draft integrated, coordinated, and constituent-centered recommendations. The discussion and deliberations of the Working Groups benefited not only from the expertise of its members, but also from numerous guest presenters, volunteers, and community-based experts who were asked to address issues of particular interest and complexity and to fully participate in lending their views.

Working Group I

Co-chairs:

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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

* As some of the recommendations specific to DTA have cost implications, Commissioner Kehoe abstained from endorsing this report.

Working Group II

Co-chairs:

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Doreen Treacy, DotWell Doreen.treacy@dotwell.org
Mark Waterbury, SOMWBA mark.waterbury@state.ma.us

Presenters:

Russ Smith, Small Business Assistance Center, Community Teamwork Inc. – Small business
Laura Henze Russell, Elders Living on the Edge Program, UMass Boston – Elder issues and ideas safeguarding elders' finances
Bill Henning, Boston Center for Independent Living – Disability issues

Working Group III

Co-chairs:
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Allison Staton, MACDC allisons@macdc.org

Presenters/Meetings:

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Massachusetts Division of Banks
Citizens Planning and Housing Association
Massachusetts Attorney General's office
Jewish Vocational Services
IUOE
Gerontology Institute, University of Massachussets-Boston
Nacional Consumer Law Center

Appendix E:
Asset Profiles of Massachusetts Households by Income[1]

	Very Low Income	Low Income	Moderate Income	Higher Income	MA Households
	<$22,000	**$22,000-$37,000**	**$37,000-$55,000**	**>$55,000**	
Housing					
Own (w/ mortgage)	22.8%	37.0%	37.6%	71.2%	56.1%
Own (w/o mortgage)	13.0%	12.7%	19.5%	11.2%	12.8%
Rent	63.0%	50.3%	41.0%	16.9%	30.2%
Education					
< HS	16.3%	14.5%	9.0%	2.2%	6.4%
HS	27.2%	38.2%	30.5%	19.3%	24.2%
Some College/ AD	31.0%	27.7%	37.6%	27.1%	29.2%
College/Plus	25.5%	19.7%	22.8%	51.5%	40.2%
Race/Ethnicity					
White	70.1%	74.5%	85.0%	89.1%	83.2%
African American	7.6%	9.1%	6.7%	3.2%	5.3%
Latino	13.9%	9.1%	6.7%	3.4%	6.5%
Asian	6.2%	5.5%	1.7%	3.6%	4.1%
Other	2.1%	1.8%	0.0%	0.7%	1.0%
Family Status					
Married couple	27.2%	46.8%	59.5%	77.9%	65.1%
Male HH	4.9%	3.5%	6.7%	3.3%	4.0%
Female HH	21.7%	23.7%	15.2%	8.2%	12.8%
Single	45.7%	25.4%	18.6%	10.7%	18.0%
Financial Data	**Median**	**Median**	**Median**	**Median**	
Financial Assets[2]	$485	$4,100	$19,600[3]	$97,562	
Debt[4]	$300	$1,000	$2,000	$5,000	
Net Financial Assets	$9	$395	$10,257	$79,200	
MA Employment Occupations whose Median Wage fit Income Category, Ranked by Number Employed	Food Services Retail Sales Cashiers Dishwashers Child Care	Office Clerks Wait Persons, Customer Service Janitor Bookkeepers Secretaries Nursing Aides/Orderlies	Exec. Secretaries Supervisors/ Managers; Truck Drivers; Maintenance Work; Nurses Carpenters; Computer Support		

[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)

Income Group	*Definition*	*# of Households*	*Percent of MA Households*
Very Low Income	Less than $22,000	277,072	14.4%
Low Income	$22,000-$37,000	200,272	10.4%
Low-Moderate Income	$37,000-$55,000	356,988	18.5%
TOTAL		**834,332**	**43.3%**

Analysis by the Institute on Assets and Social Policy, Brandeis University

Appendix F: "Running Out of Hours to Work"

COMMUNITY EDUCATION/OUTREACH REPORT
PHASE 1—DECEMBER 2008

Following is a summary of the key findings of seven discussion groups conducted across the Commonwealth by the Massachusetts Association for Community Action (MASSCAP) for the Asset Development Commission. A detailed report on the individual discussion groups can be found at the Commission's website, www.mass.gov (Search: Asset Development Commission).

The group discussions began by asking participants how they defined financial stability. They consistently responded that financial stability means:

- Keeping up with day to day living expenses
- Having a secure job
- Being able to pay bills
- Have money in the bank
- Have savings for children's education
- Gaining education/skills to have a career, not just a job
- "Being able to stand on your own two feet."

When asked how they have tried to improve their financial security, most discussion group participants responded:

- Education and transportation
- Cut down on spending and save more
- Work more hours/get a second job;
- Participate in IDA program
- Direct deposit into a savings account
- Pay off debt
- Save to buy a house

One participant commented that she has been working so many more hours to try to get ahead and she is **"running out of hours to work."** The majority of participants would like to save money but simply do not have the financial capacity to do so. One participant's sentiments echoed many others: **"I put money in the piggy bank in the morning and use it in the afternoon."**

An unexpected and reoccurring theme that emerged at every discussion group was the way in which public assistance workers treated them or someone they knew when applying for needed benefits. One of the most consistent barriers expressed is the sense of embarrassment or loss of pride many feel when they apply for benefits. This is heightened when the individual is denied. This discussion came about when asked the questions "If you (or people you know) are on public benefits (TANF, Food Stamps, housing, childcare subsidy), how are the benefits helping? If you were on public benefits in the past, how did you (or the people you know) get off? Following are just a few of the dozens of comments made regarding this issue:

- “Some people find it (applying for benefits) intimidating.”
- “One of the ladies (public assistance workers) made my wife cry. I got really mad, but if you say anything then you don’t qualify.”
- “The individuals who are supposed to help them made them feel worse about their situation.”
- “They (public assistance workers) make it so difficult and the way they treat people sometimes, like we are doing something that’s not right.”
- “They treat you like a criminal that so many people don’t go back.”

Following are key points discussed during the discussion groups organized by the themes articulated in the Progress report of the Commission.

Align access to income-supports while enhancing asset-building opportunities

This area is the one in which most participants from most groups expressed difficulty in building assets. In particular, participants tell of experiencing the impact of losing public benefits as their earnings modestly increase:

- Losing benefits, including subsidized rent, food stamps, child care, DTA, etc. because they started earning more money, and at such a steep rate that there is a real disincentive to work
- Loss/reduction of TANF after starting work
- Losing health benefits after starting work (even part time jobs)
- Losing child care subsidies after wage increases

While not completely aligned with this income-supports topic, an additional area of concern is regarding the minimum age requirement (22) for food stamps that prevents young people with a real need from accessing food assistance, including parents who are under 22 years old.

Support the expansion and integration of skill-building and asset-building opportunities

Financial literacy education was seen by the vast majority of participants as helpful and necessary to make sound decisions. Most participants expressed that they needed, or have benefited from, various financial literacy education opportunities.

Most participants also felt that getting an education and/or job skills, was vital to increasing earnings and their ability to save. One participant stated the sentiments of many: **“Education is the key to financial freedom.”**

Remove state-imposed barriers to asset-building

Participants generally felt that there are many barriers that prevent them from gaining assets, one of which is the limits imposed on owning assets while receiving public assistance. In particular, participants have experienced:

- Denial of food stamps because of having a financed car
- Lost benefits when they started saving

Encourage use of appropriate asset-building financial products and enhance asset protection and savings

Most discussion group participants had some form of a bank account but many expressed general lack of knowledge and/or misunderstandings of financial products and incentives to save. One group, GED students, however, do not have bank accounts. They rely on money orders, the grocery store, and family for cashing checks and paying bills. Some participants expressed distrust of the banking industry and some people keep their savings accounts in other countries. One participant stated: **"Last year I opened a bank account and put in $100, but I wasn't able to deposit any more money and then the bank started charging me. Then I only got $30 back. I'm not crazy—I'm not going to trust the bank."**

Many participants were not aware of the various supports and programs that were available to them. In particular, participants had a general lack of knowledge about asset services such as EITC, free tax preparation and IDA programs.

Background

The Massachusetts Association for Community Action (MASSCAP), in partnership with Brandeis University's Institute on Assets and Social Policy (IASP) and the Midas Collaborative conducted a series of discussion groups as part of a grant-funded project from the Hyams Foundation, Inc. to support the Massachusetts Asset Development Commission's public policy efforts. The overarching goal of the project is to ensure that the Commission develops a set of implementable recommendations that have real impact for low-and moderate-income communities. The Hyams Foundation is invested in ensuring the Commission's work is informed by constituency and community engagement and public outreach. The Community Education/Outreach work coordinated by MASSCAP provided a democratic procedure that put low-income and moderate-income communities into the policy development process. The priority of the community outreach and education strategy was to provide a venue and opportunity to explore racial wealth disparities. Phase 1 (October – December 2008) of the community education/outreach project emphasized linguistic minorities and other low-and moderate-income residents to ensure a strong voice in policy or procedural recommendations to the Commission. Phase 2 (January-March 2009) will involve the disability community and other stakeholders and will involve additional discussion groups and policy dialogues.

Seven (7) discussion groups were conducted between 10/21/08 and 11/15/08 in the following Massachusetts locations:

- Dorchester—DotWell Civic Health Center
- Greenfield—Community Action of Franklin, No. Quabbin, Hampshire Region
- Holyoke—Solutions CDC
- Lawrence—Lawrence Community Works
- Plymouth—South Shore Community Action
- Somerville—Community Action Agency of Somerville
- Worcester—Worcester Community Action Council

Discussion Group Participants

A total of 56 low- and moderate- income people representing the following demographics participated in the seven discussion groups:

Gender:	Male – 9,		Female – 47
Age:	16-20 – 7 21-25 – 14 26-30 – 7 31-40 – 10 41-50 – 13 Over 50 – 5		
Ethnicity:	White – 13, Latino – 30, African American – 9, Multi-Race – 2,	Other – 1,	N/A – 1
Disabled:	7		
Number of Children:	0 – 14 1 – 9 2 – 16	3 – 11 4 or more – 4 NA – 2	
Annual Income:	$0 – 4 $1-4,999 – 5 $5,000-9,999 – 9 $10,000-14,999 – 7 $15,000-19,999 – 3 $20,000-24,999 – 6 $25,000-29,999 – 5 $30,000-39,999 – 5 $40,000 & over – 2 N/A - 10		

Appendix G:
Legislative Recommendations of Asset Development Commission

Bill	Section	Intent
AN ACT PRESERVING PUBLICLY ASSISTED AFFORDABLE HOUSING	A.1.	**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.**
AN ACT REQUIRING JUST CAUSE FOR EVICTION AND FORECLOSED PROPERTIES	A.2.	**Support passage of so-called "just cause" eviction legislation that prohibits lenders from evicting tenants from foreclosed homes.**
AN ACT PROMOTING ASSET DEVELOPMENT IN TRANSITIONAL ASSISTANCE PROGRAMS	B.1.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.**
	C.1.a	**Increase the TAFDC and EAEDC asset limits to at least $5,000 and allow adjustments for inflation over time**.
	C.1.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.**
	C.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.**
	C.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.**

Bill	Section	Intent
AN ACT DEFINING PREDETORY CONSUMER LOANS	E.1.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.**
AN ACT RELATIVE TO CONSUMER LOAN DISCLOSURES	E.1.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.**
AN ACT PROTECTING CONSUMERS FROM UNSOLICITED LOANS	E.2	**Provide consumer protections on unsolicited loan instruments, including notifications and time limitations.**
AN ACT INCREASING THE VALUE AND KIND OF PERSONAL PROPERTY EXEMPT FROM EXECUTION	E.3	**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.**

Note: It is anticipated that recommendations not noted here that call for legislative action will be addressed through further legislation to be drafted in the months ahead.

Endnotes

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[9] CHAPA (2006). Housing Costs Continue to Outpace Incomes in Massachusetts and the U.S. Boston, MA, Citizens' Housing and Planning Association.

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[11] Loya, R., R. J. Liberman, et al. (November 2008). Fits and Starts: The Difficult Path for Working Single Parents. Boston, MA, Crittenton Women's Union and The Center for Social Policy at the University of Massachusetts.

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[13] The 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 Poverty and Opportunity Index. Waltham, MA, Institute on Assets and Social Policy, Heller School for Social Policy and Management, Brandeis University.

[14] The Survey of Income and Program Participation (SIPP), Massachusetts Data 2004. Washington, DC, U.S. Census Bureau.

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

[15] 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.

[16] 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

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