



CFED Asset Learning Conference Seeks To Build Wealth in Hard Times

Steve Dubb, Democracy Collaborative, University of Maryland

www.community-wealth.org

More than 1,100 participants from across the country attended the CFED (formerly Corporation For Enterprise Development) biennial Asset Learners Conference, a three-day event held September 11th-13th in Arlington, Virginia. CFED's Senior Legislative Director Carol Weyman noted that more than 350 attendees had scheduled congressional visits during the conference—by far, the largest Capitol Hill delegation for asset building advocates.

Yet even as the movement to build wealth in low-income communities has become broader, more diverse, and more comprehensive, the challenges to actually building wealth in low-income communities have become increasingly daunting — a result especially of the housing crisis, which has led to declines in wealth in low-income and minority communities nationwide.

The first day's plenary sessions focused on policy issues and the state of the asset building movement. Four pieces of legislation in particular were emphasized: 1) the Savings for Working Families Act (HR 1541, S 871), a bill which would greatly expand federal funding for individual development accounts and could help increase the number of accounts nationwide from 73,000 to 900,000; 2) the Retirement Savings for Working Families Act (HR 2724), a bill which would provide matching funds for retirement account savings and college savings for single filers earning less than \$30,000 and couples earning less than \$60,000; 3) the Savers Bonus Act (S 3372), a bill that would provide matching funds (up to \$500 per filer) for earned income tax credit refunds that are deposited directly into a savings account or to purchase a U.S. Savings Bond; and 4) ASPIRE, the American Savings for Personal Investment for Retirement and Education (HR 3790), a universal children's savings program modeled on similar legislation that is now law in the United Kingdom.

The ASPIRE act would create a savings account of \$500 at birth for all American newborns. Low-income children would receive an additional \$500, with parents having the option of contributing \$500 a year to the account up to age 18. Funds saved in ASPIRE accounts could be used for college beginning at age 18. Other types of asset-building withdrawals, such as buying a home or funding an IRA would be permitted only after the account holder turned 25. The cost to taxpayers is estimated at \$3.25 billion the first year and \$37.5 billion over 10 years.

Ray Boshara, Director of the Asset Building Program at the New America Foundation, underscored the "paradox of the moment," as he put it. "We're asking people to go out and buy a home at a time of crisis," Boshara noted. "We are asking the government to spend new money on low-income people to help build savings and assets at time of deficits. We are seeking to build savings at a time when people's ability to do so is diminished." Yet Boshara continued on to

point out that, “There is optimism even as the challenges we face are daunting. This is after all a historic election ... [we need to restore] aspiration for the fading American dream.”

One of the reasons for the optimism, despite the hard times, is the success of individual and community wealth building amidst the mortgage crisis. For instance, CFED President Andrea Levere noted that 97 percent of people who used individual development accounts (IDAs) to accumulate the cash they needed to contribute to the purchase of a home still owned their residences, even though, in terms of income, IDA participants come from the same economic strata as subprime borrowers. The reasons for the vastly different outcomes: the financial education IDA participants receive, coupled with the savings habits they develop during their participation in the program, vastly improved their ability to make timely loan payments and avoid unnecessary and costly refinancing.

The second day’s plenary sessions focused on both the specific issue of “serving the unbanked,” as well as the much broader issue of building an “investment state.” Regarding the former, Jennifer Tescher, Director of the Center for Financial Services Innovation, noted that, “If assets are the destination, financial services are the way you get there.” Nationwide, Tescher estimated that there are “40 million households [that] lack a seat on the bus” because they lack a basic checking or savings account. The Center, founded by the Chicago-based community development financial institution ShoreBank in 2004, aims to rectify this situation by encouraging the development of new financial products that can help “mainstream” the 40 million households currently without insured checking or savings. One example of the kind of innovation the Center supports is an effort by the Doorway to Dreams (D2D) Fund in which six credit unions have teamed together to combine a savings account with a lottery that has a \$100,000 maximum prize. According to D2D Executive Director Jim Zinsmeyer, the goal of the effort is to combine savings, which is “boring” with gambling, which “is not boring.” According to Zinsmeyer, the effort is based, in part, on the premium bond account in the United Kingdom. In Great Britain, Zinsmeyer estimates that £30 billion or £500 per household (close to US \$1,000 per household) is invested in these “savings plus lottery” accounts.

The day’s second plenary panel centered on the granting of CFED’s first Assets & Innovation Award, which was given to the Ford Foundation’s Asset Building program — in particular, Pablo Farias, Frank DiGiovanni, Kilolo Kijakazi, and George McCarthy. In granting the award, CFED Founder Bob Friedman highlighted the fact that since 1999 the Ford Foundation had given \$700 million in grants to support the development of the asset-building field, as well as contributing intellectually to the development of the movement. Accepting on behalf of Ford, Pablo Farias emphasized the international dimensions of the movement, including the growth of Bangladesh’s Grameen Bank and the growth of community-based forestry and joint forest management in Mexico, Brazil, China, and Indonesia. Speaking more to domestic issues, Frank DiGiovanni noted that the ability of savings programs to augment wealth in low-income communities has now been established, but that getting to scale remains a challenge. DiGiovanni identified two key issues: integrating asset building into private sector benefit packages and building public policy that will support savings and wealth-building in low-income communities. Kilolo Kijakazi emphasized the need to make the asset-building field more inclusive by increasing the involvement of research organizations of color in asset building,

fostering a new generation of researchers of color through such means as internship programs, and supporting existing wealth-building efforts in communities of color.

The final day of the conference opened with presentations from three individual development account holders whose lives had been transformed through their participation in asset building: Michael Harley, a teen IDA account holder who plans to finance his college education through his savings account; Dennis Matthews, a Shorebank employee, who became a homeowner with the help of an IDA account; and Sunny Suppa, who helped raise the capital to start her own small business. Following their stories, Professor Michael Sherraden of Washington University, who is credited with pioneering the IDA concept, spoke about the need for a transformation in American tax policy to support wealth building for those of modest means rather than for the wealthy. Sherraden noted that the United States annually has “\$300-400 billion in tax expenditures” that support asset building. Most notably, these include the mortgage interest deduction, the property tax deduction, the reduced income tax rate assessed on capital gains, and tax deductions for contributions to individual retirement accounts. “These are largely subsidies for asset accumulation for people at the very top,” Sherraden emphasized. “We haven’t taken the next step and suggested that perhaps these benefits need to be restructured. Such as: people with a large mortgage interest deduction will no longer have quite the same benefit for a million dollar home ... we have to figure out a way to put that on the table. If we could capture \$10 billion a year, you could put \$2,500 into an account for every newborn every year. That’s just so doable.”

Fred Goldberg, former Commissioner of the Internal Revenue Service, echoed Sherraden’s call. Goldberg noted that twenty percent of Americans are unbanked and forty percent of Americans are living in asset poverty— defined as not having enough savings to live at the poverty level for three months without income. “This is what all of these well-intentioned efforts of tax expenditures have wrought. Universal accounts [of \$500 per newborn] cost \$2-3 billion a year. The federal government wastes that every day. This is not hard, folks. This is very easy. ASPIRE [the children’s universal savings account legislation] would create a system of universal permanent children’s savings accounts. It’s all sitting there.”

The conference ended Saturday with a final plenary focused on “taking action back home.” Don Baylor of the Center on Public Policy Priorities and Woody Widrow of RAISE (Resources, Assets, Investments, Savings, and Education) Texas discussed the rapid expansion of asset-building efforts in Texas, while David Marzahl of the National Community Tax Coalition highlighted the growth of a national network of community centers. Marzahl noted that people on the ground could have a major effect in Washington if they mobilized. Or, as Marzahl, put it, “50,000 volunteers could really do a lot if they talked to Congress about taxes.”

Bob Friedman, Founder of CFED, gave the meeting’s final address. Friedman noted the importance of broadening the movement’s view of what counts as asset building. Friedman noted that in one of the conference’s breakout sessions, “Peter Barnes talked about common assets and global warming. If we attend to climate change wrong – every household will experience a \$1,300 increase in energy costs. If we do it right, every American will receive a dividend. The whole issue of common assets is huge,” Friedman emphasized.

Friedman closed with a final call for an intense national mobilization to be centered on the upcoming round of comprehensive federal tax legislation, which is anticipated to occur by Fiscal Year 2011, when the 10-year tax cuts implemented by the Bush administration are scheduled to expire. “We have the opportunity to establish a universal asset-building system,” Friedman said. “Our country spends hundreds of billions a year [in tax expenditures that support asset building] – an enormous share of which goes to the wealthiest one percent, while the bottom 60 percent of Americans receive only three percent of the benefits. We cannot afford this anymore. It is demonstrably unfair, but it is also totally counter-productive. We are wasting people. A portion of the \$400 billion is enough to provide every man, woman, and child \$1,000 in asset building incentives and yield a dividend to reduce the deficit or any other need. ... We need to be ready.”

For more information on the CFED Asset Learning Conference, including presentation of many conference speakers, see: www.assetsconference.org/index1.php?view=materials.