

The background is a composite image. At the top, a large American flag is shown in a semi-transparent, wavy style. Below the flag, the White House is visible, also in a semi-transparent style. In the foreground, a dark pen is shown writing on a document. The document has some faint, illegible text and a signature line. The overall color palette is dominated by the red, white, and blue of the American flag.

With a Stroke of the Pen

**Twenty Low-cost Federal Policies to Increase
Financial Security and Opportunity in Tough
Fiscal Times**

INTRODUCTION

Concern about the rising federal budget deficit has transformed the policy landscape in the aftermath of the Great Recession. Elected officials, intent on cutting government spending, have turned their backs on programs that stabilize communities and cultivate economic growth even as low- and moderate-income households struggle with persistently high unemployment, fierce competition for few jobs and depleted savings. While there is understandably no appetite for costly new programs in the current environment, helping vulnerable families achieve stable financial footing is critical to our nation's long-term economic prosperity.

Fortunately, policymakers' hands are not tied. The Corporation for Enterprise Development (CFED) has identified a number of inexpensive policies that will create pathways to financial security and opportunity – and are also political winners. In a weak economy, with high unemployment and shrinking services, constituents are hungry for some good news about what government leaders are doing to improve the lives of ordinary Americans. This brief outlines 20 “stroke-of-the-pen” policy changes that are meaningful, moveable and manageable. These politically viable proposals can help constituents weather tough times without putting additional strain on the federal budget.

HOW THIS DOCUMENT IS ORGANIZED

This report presents 20 ideas that we believe are comparatively achievable in the current fiscal environment. In developing the list of ideas, we considered whether each policy was meaningful, moveable and manageable.

- **Is the policy meaningful?** While there is often a correlation between a policy's cost and its impact, there are many meaningful policy changes that cost little or nothing, but which can protect vulnerable families, bring federal dollars into a local community or lay the groundwork for future investment.
- **Is the policy moveable?** In this climate, the “moveability” of a policy is determined, first and foremost, by its cost. However, we also considered other factors, including whether there was political will and interest in the idea from policymakers, whether there was limited political opposition to the policy and the policy mechanism necessary to make the change (for example, an administrative policy change is often easier to make than a legislative one).
- **Is the policy manageable?** Advocates sometimes come up with “great ideas” to solve social problems that are easier said than done. In assessing each policy, we also considered the feasibility of implementation.

We then grouped each policy under the five categories that comprise CFED's Household Financial Security Framework: **LEARN**, **EARN**, **SAVE**, **INVEST** and **PROTECT**. CFED created the Household Financial Security Framework to illustrate what it really takes for families to build financial security over time. The five categories represent milestones along the path to economic opportunity.

Although helping families find family-supporting jobs is critical during this period of continuing high unemployment, the Framework acknowledges that income alone will not lead to long-term financial security. Families also need to build a financial cushion that protects them against income shocks, such as

Financial Security and Opportunity: A winning political platform that ...

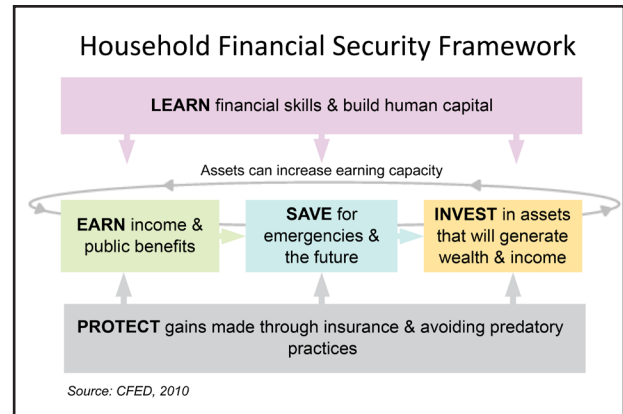
- *Brings federal dollars into local communities to stimulate the economy.*
- *Helps people learn the skills to better manage what they've got and begin building a personal safety net to weather future crises.*
- *Creates jobs through self-employment.*
- *Safeguards homeownership as a route to the middle class.*
- *Cracks down on unscrupulous actors that would unfairly undermine financial security.*

job loss or a medical crisis, while allowing them to increase their financial assets, including buying a home, saving for retirement and sending their children to college. Many families, particularly those in low-income communities, need some basic tools and incentives to accumulate and maintain assets. With appropriate incentives, financial products and knowledge, families can move along this path toward financial security and opportunity.

THE HOUSEHOLD FINANCIAL SECURITY FRAMEWORK

The path begins by maximizing income – increasing earnings, utilizing tax credits, and stabilizing housing, transportation, and other essential goods and services. It moves from there to connecting people to the financial mainstream and opportunities to save by providing access to basic bank accounts and savings incentives, such as Individual Development Accounts. With savings for emergencies and future needs, families can then begin investing in long-term assets, including education, a home or business. At each stage, increasing knowledge and skills enable success in and navigation of the labor and financial markets. Protecting income, savings and assets through insurance and consumer protections is essential every step of the way.

Within the Household Financial Security Framework, we make the case for why each policy described below is meaningful. We discuss the specific policy lever that a legislator or administrator can use to make the change. Each policy description ends with recommendations for where to go for additional resources. CFED has a wealth of resources on our website, www.cfed.org, and can connect policymakers to experts and advocates across the country.



20 IDEAS TO INCREASE FINANCIAL SECURITY AND OPPORTUNITY IN TOUGH FISCAL TIMES

LEARN

1. The Administration for Children and Families should institutionalize the integration of asset-building strategies into each of its programs
2. The Department of Labor should ensure job seekers know about and have access to federal resources for financial education
3. Congress should encourage Elementary and Secondary Education Act- and Higher Education Act-funded financial education programs to incorporate use of bank accounts as a learning tool

EARN

4. Congress should eliminate or reform asset limits in public benefits programs
5. Congress and the Department of Labor should expand access to entrepreneurship skills training offered through the Unemployment Insurance system
6. Congress should improve access to the Self-Employment Assistance Program for the unemployed
7. Congress and the Internal Revenue Service should expand Earned Income Tax Credit outreach campaigns and community-based tax preparation services

SAVE

8. Congress should redirect existing federal funds to adopt the proposed Bank On USA program
9. Congress and federal agencies should continue to fund and improve matched savings programs
10. HUD should address regulatory problems in the Family Self-Sufficiency (FSS) savings programs for Housing Choice Voucher recipients and public housing residents
11. Congress, the Internal Revenue Service and the Department of Labor should improve access to programs and incentives that help families save for retirement
12. The FDIC should expand and evaluate its small dollar loan pilot program

INVEST

13. Congress should help adults build credit by authorizing telecommunications firms to report all payment information to consumer credit bureaus
14. Congress should allow owners and buyers of manufactured homes located in cooperatively owned communities to qualify for the home mortgage interest deduction
15. Federal agencies should coordinate homeownership programs to include manufactured housing
16. HUD and the Federal Housing Administration should allow shared equity mortgages to qualify for affordable housing development grants and mortgage insurance programs
17. The Consumer Financial Protection Bureau should develop and implement required new regulations on the collection and dissemination of data on small business loan applications
18. The Department of Agriculture and the Small Business Administration should improve and simplify regulations governing federal support for microenterprise

PROTECT

19. Congress should enact no-cost legislation to curb foreclosures through mandatory mediation between lenders and homeowners
20. The Consumer Financial Protection Bureau should extend all consumer protections to owners of manufactured homes and should supervise the manufactured housing finance market

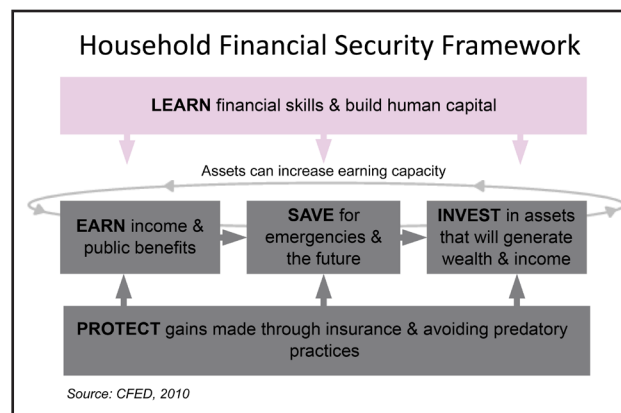
WHERE TO START

Each of the policy ideas included in this report is meaningful, moveable and manageable. However, for policymakers and advocates looking for a place to start, we have identified one policy in each category to consider prioritizing; we list this recommendation first. (Except for these priority policies, no other policy ideas are listed in a ranked order.)

- **Learn:** The Administration for Children and Families should institutionalize integration of asset-building strategies into each of its programs
- **Earn:** Congress should eliminate or reform asset limits in public benefits programs
- **Save:** Congress should redirect existing federal funds to adopt the Administration's proposed Bank On USA program
- **Invest:** Congress should help adults build credit by authorizing telecommunications firms to report all payment information to consumer credit bureaus
- **Protect:** Congress should enact no-cost legislation to curb foreclosures through mandatory mediation between lenders and homeowners

LEARN

People need knowledge and a wide range of skills to be capable of successfully navigating complex financial markets. They gain knowledge through formal education, financial education and counseling. They develop skills through practical management of financial tools such as budgets, bank accounts and assets, as well as training such as homeownership counseling and small business training. Federal agencies and lawmakers can take several simple, concrete steps to increase the financial capability of low- and moderate-income households. Federal agencies can incorporate effective financial education into existing services. They can also provide guidance and implementation support to states that are working to integrate financial education into their social services offerings. In addition, as federal programs are considered for reauthorization, Congress can make some straightforward changes that would improve the effectiveness of existing financial education services.



I. THE ADMINISTRATION FOR CHILDREN AND FAMILIES SHOULD INSTITUTIONALIZE THE INTEGRATION OF ASSET-BUILDING STRATEGIES INTO EACH OF ITS PROGRAMS

The Department of Health and Human Services (HHS) Administration for Children and Families (ACF) launched the ASSET (Assets, Savings, Support, Education and Training) Initiative in 2010 to bring together ACF offices and their partner agencies and organizations and encourage the integration of asset-based strategies. Working through the regional offices, the ASSET Initiative is encouraging each ACF program and office to integrate asset-building strategies into their existing services. These include financial education, access to mainstream banking, credit and debt management, tax credit and public benefits access, and matched savings.

An important legacy of the ASSET Initiative will be to increase agency knowledge of asset-building strategies, institutionalize relationships (both within ACF and with external partners), and adjust program operations so that connection to asset-building strategies is a standard practice.

There are several concrete steps ACF agencies should take:

- **Share information with program participants on the availability of free tax preparation assistance, public benefits, credit and debt management programs, and the dangers of predatory consumer loans**
- **Integrate budgeting and other financial concepts into programmatic offerings in Head Start curricula for children, parents and teachers**
- **Use Temporary Assistance for Needy Families (TANF) funding to support Individual Development Accounts (IDAs) and financial education**
- **Integrate the need to pay child support payments as a budget item in financial education curricula**

In addition, there are a number of steps each agency headquarters should take to advance the goals of the ASSET Initiative. For example, HHS should provide guidance to state agencies that administer TANF to encourage them to take advantage of the program's flexibility around eligible uses and incorporate financial education into clients' work activities options. HHS should provide guidance and training to state agencies that administer Head Start on strategies they should implement to improve the financial capability of Head Start parents and teachers, with a focus on saving for their children's education. These actions can be implemented within ACF's existing authority and do not require new legislation or rulemaking.

For more information on the ASSET Initiative, visit www.IDAResources.org for the initiative's [fact sheet](#).¹

Taking advantage of existing service delivery systems is a low-cost way to improve the financial knowledge and capability of low- and moderate-income households.

DID YOU KNOW ...

The ASSET Initiative is unique in its ability to bring together a variety of offices to coordinate policy and programming around a crosscutting issue. Participating offices include:

- Administration for Native Americans
- Administration on Children, Youth and Families
- Administration on Developmental Disabilities
- Office of Child Care
- Office of Child Support Enforcement
- Office of Community Services
- Office of Family Assistance
- Office of Head Start
- Office of Refugee Resettlement
- The President's Committee for People with Intellectual Disabilities

2. THE DEPARTMENT OF LABOR SHOULD ENSURE JOB SEEKERS KNOW ABOUT AND HAVE ACCESS TO FEDERAL RESOURCES FOR FINANCIAL EDUCATION

Job seekers who have the knowledge and skills to navigate financial, as well as labor markets, will be better prepared to successfully improve their financial security.

The Department of Labor (DOL) should enhance the financial education component of One Stop Career Centers – a low-cost approach that improves financial skills for low- and moderate-income households by taking advantage of existing service delivery systems. State agencies and local Workforce Investment Boards (WIBs) share responsibility for managing One Stop Career Centers as well as administering unemployment insurance compensation and workforce development programs. DOL should encourage these agencies and boards to incorporate financial education into their offerings for unemployed workers. **DOL should issue a Guidance Letter recommending that the WIBs inform all unemployed workers receiving Unemployment Insurance (UI) benefits about financial education opportunities. The letter should include strategies for encouraging enrollment in these programs, such as direct mailings to UI recipients with information on how to access available resources.**

In 2001, the DOL Employment and Training Administration sent a Guidance Letter to all state workforce agencies recommending that they offer the new Money Matters financial education curriculum developed jointly by DOL and the Federal Deposit Insurance Corporation (FDIC). This letter also established that financial education courses are acceptable educational activities for job seekers who want to continue receiving UI benefits.²

DOL should build on the 2001 guidance by recommending strategies to boost participation rates:

- State workforce agencies should actively promote financial education resources that are endorsed by the national One Stop Centers office, including the Money Matters³ curriculum and the National Foundation for Credit Counseling (NFCC)
- One Stop Career Centers should advertise the internet chat-based credit counseling service offered by NFCC, and stock materials produced by the federal Financial Literacy and Education Commission (FLEC), including the Commission's self-guided courses
- DOL should encourage WIBs to partner with local organizations that have experience providing intensive financial education courses to local residents

For more information about DOL's recommendations related to providing financial education to UI recipients, the [2001 Guidance Letter](#)⁴ provides useful background information.

The [2011 FLEC National Strategy](#)⁵ provides insights and recommendations for improving federal investments in Americans' financial capability.

3. CONGRESS SHOULD ENCOURAGE ELEMENTARY AND SECONDARY EDUCATION ACT- AND HIGHER EDUCATION ACT-FUNDED FINANCIAL EDUCATION PROGRAMS TO INCORPORATE USE OF BANK ACCOUNTS AS A LEARNING TOOL

Incorporating bank accounts as experiential learning tools can improve the quality of financial education and strengthen students' financial understanding and ability. As lawmakers develop legislation to reauthorize the Higher Education Act (HEA) and the Elementary and Secondary Education Act (ESEA), they should prioritize funding for financial education programs that incorporate bank accounts.

Bank accounts are a critical learning tool for improving financial capability and should be a standard component of financial education programs.

Both HEA and ESEA are due for reauthorization, so policymakers have a timely opportunity to enhance the important bank accounts component of financial education efforts.

One particular program authorized under these education laws, Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP), encourages grantees to include bank accounts in their financial education offerings. GEAR UP funds partnerships of public school systems, institutions of higher education, state agencies, community organizations and businesses that prepare middle and high school students for post-secondary education. Although the Department of Education is supportive of this policy at present, Congressional action during the reauthorization process is still necessary. Establishing a legislative priority will allow GEAR UP applicants to plan for and structure financial education curricula that incorporate bank accounts as a long-term strategy rather than an initiative limited to a few funding cycles.

For more information, watch the 2011 [webinar](#)⁶ offered by CFED and the Department of Education about how GEAR UP applicants could incorporate bank accounts into their financial education programming.

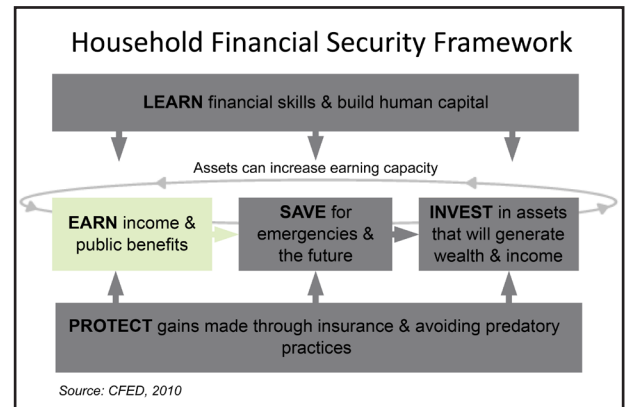
CFED hosted a similar [webinar](#)⁷ on incorporating financial education programming into applications for Department of Education Promise Neighborhoods grants.

EARN

Income and assets are two threads that weave together to create financial security and opportunity for families. Income provides the cash flow to cover monthly expenses and can be set aside as savings for future expenses and investments in assets such as a home, college education or small business.

Wage employment is the primary source of income for families in this country. However, business profits, investment income and public benefits all contribute to household income. A household's ability to maximize income depends on the quality of job opportunities, the ability to access benefits for which the household qualifies, and the knowledge and skills to identify and utilize available income opportunities.

Maximizing income is a particular challenge for lower-skilled workers. Federal agencies and lawmakers can help by expanding access to successful programs that provide entrepreneurship training and tax preparation services. It is also critical that Congress reform policies that discourage benefits recipients from increasing their incomes or savings.



4. CONGRESS SHOULD ELIMINATE OR REFORM ASSET LIMITS IN PUBLIC BENEFITS PROGRAMS

Too many low-income families face a wrenching choice: access the public benefits that help them feed their families and pay the bills or start accumulating the savings and assets critical to future economic security. While meeting today's needs and saving for the future should not be mutually exclusive goals, means-tested federal assistance programs force families to choose between the two or lose the benefits that keep them afloat.

Congress should eliminate asset limits in the TANF and Supplemental Social Security Insurance (SSI) programs. For programs that continue to include asset limits, Congress should raise the savings threshold to at least \$10,000.

Under current law, states have the option to eliminate asset tests for TANF recipients, but only five states have done so with each of those reporting substantial administrative cost savings. Congress should require states to eliminate their asset limits, as it did for Medicaid programs through the Patient Protection and Affordable Care Act of 2010.⁸ These changes should be part of Congressional reauthorization of TANF, which has relied on temporary extensions since its authorization expired in 2010. Congress should also allow states to increase the asset limits or waive the asset test for SSI. Under current law, states have no flexibility to eliminate or increase SSI's \$2,000 asset limit.

If lawmakers are unwilling to eliminate the asset tests altogether, they should take the following steps to remove families' disincentives to save while receiving benefits:

- The minimum level for all programs should be increased immediately to \$10,000 per individual (\$15,000 for married couples) and indexed to inflation
- States should have the option to increase or waive asset limits for all federal benefits programs they administer
- Retirement savings accounts, education savings accounts and IDAs should be exempt from counting against the limit for recipients younger than 65

Finally, Congress should make permanent the current temporary exclusion of tax refunds from asset tests for federal benefits programs. This provision of the 2010 tax bill was in effect only in 2011. It allowed recipients of TANF, Medicaid, SSI and other federal benefits programs to save their tax refunds and spend them down gradually throughout the year as needed, rather than encouraging immediate consumption.

For more information, CFED has developed comprehensive recommendations on asset limit reform, including how to implement changes and prepare state agencies to administer new policies for both [TANF](#)⁹ and [SSI](#).¹⁰

Asset limits are a relic of entitlement policies, many of which no longer exist. Personal savings and assets are precisely the kind of resources that allow families to move off public benefit programs.

5. CONGRESS AND THE DEPARTMENT OF LABOR SHOULD EXPAND ACCESS TO ENTREPRENEURSHIP SKILLS TRAINING OFFERED THROUGH THE UNEMPLOYMENT INSURANCE SYSTEM

Expanding unemployed workers' access to entrepreneurship training will help them start businesses that contribute to household earnings and reduce their need for government benefits.

Research demonstrates that entrepreneurship training is especially effective for unemployed workers,¹¹ making it an appealing strategy for policymakers concerned about persistent high unemployment. Further, rising structural unemployment requires policymakers to look beyond traditional wage employment-oriented solutions. Forty-five percent of the nation's 13.1 million unemployed workers have been searching six months or more for a job.¹² The longer they are unemployed, the greater the likelihood that they will remain jobless. Offering entrepreneurship training to more of these workers would help many of them start businesses, contribute to household earnings and reduce their need for government benefits.

Congress should include in the reauthorization of the Workforce Investment Act (WIA) provisions that allow local WIBs to count referrals to entrepreneurship training toward meeting their performance goals. Lawmakers have a timely and appropriate opportunity to enact this no-cost legislative change through the reauthorization of WIA, which expired in 2010.

Under current policy, unemployed workers who seek assistance at One Stop Career Centers are unlikely to be referred to entrepreneurship training, even if they express interest in starting a business, because the Centers are evaluated based on the proportion of their clients who return to wage-based employment.

DOL officials are supportive of these proposals. In fact, in 2010, DOL issued a Guidance Letter encouraging local WIBs to form partnerships with microenterprise development organizations to serve clients interested in starting their own businesses. However, the performance guidelines are established through legislation, so Congress must act to resolve this issue.

For more information about DOL's recommendations related to entrepreneurship training for UI recipients, the [2010 Guidance Letter](#)¹³ is a useful resource.

A variety of options to incorporate entrepreneurship training into workforce development policies and programs are discussed in "[Think Entrepreneurs: A Call to Action – Integrating Entrepreneurship into the Public Workforce System throughout America](#),"¹⁴ a study by DOL and the Consortium for Entrepreneurship Education.

6. CONGRESS SHOULD IMPROVE ACCESS TO THE SELF-EMPLOYMENT ASSISTANCE PROGRAM FOR THE UNEMPLOYED

Congress should adopt President Obama's proposal to reform the Self-Employment Assistance Act to make it easier and less costly for states to offer entrepreneurship training through the Self-Employment Assistance (SEA) Program. President Obama proposed SEA reform as a component of the American Jobs Act proposal,¹⁵ but Congress has yet to include it in any legislation it has considered.

The SEA Program allows unemployed workers to receive Unemployment Insurance benefits while they pursue entrepreneurship training and launch a business. Because state governments administer Unemployment Insurance, each state must adopt the program before its residents can participate—a particularly onerous process that involves the state legislature passing a law to enact the program and then approving funding. As a result, only seven states participate: Delaware, Maine, Maryland, New Jersey, New York, Oregon and Pennsylvania. Louisiana passed legislation to enact SEA but has not funded the program. These barriers have led several states to enact different programs that provide entrepreneurship training to unemployed workers, including Minnesota, Virginia, North Carolina and Alabama. Although the resources these alternative programs provide are similar to those offered through SEA, unemployed workers who participate must simultaneously continue seeking wage employment, which puts an unnecessary burden on them.

Congress should make several low-cost changes to SEA that would significantly expand the reach of the program. First, it should authorize states to participate in the SEA program via executive order from the governor. Second, Congress should authorize federal funding for states that implement SEA to develop entrepreneurship training curricula specifically targeting unemployed workers.

This is especially important given the magnitude of the unemployment crisis combined with states' balanced budget constraints. Programs that have demonstrated success and ongoing demand from clients should not lose funding due to funding challenges that are beyond their control.

For more information, see CFED's comprehensive recommendations for SEA, which are included in a [2011 report on policy recommendations for job creation](#).¹⁶

According to research from the Department of Labor, unemployed workers successfully use entrepreneurship training to launch new businesses at a greater rate than any other segment of the population.

7. CONGRESS AND THE INTERNAL REVENUE SERVICE SHOULD EXPAND EARNED INCOME TAX CREDIT OUTREACH CAMPAIGNS AND COMMUNITY-BASED TAX PREPARATION SERVICES

The Earned Income Tax Credit single-handedly lifts more than four million people out of poverty every year.

The Earned Income Tax Credit (EITC) is one of the largest and most effective anti-poverty policies in the United States.¹⁷ A key element of EITC's success is its take-up rate, which has increased significantly since 2001 when the federal government began outreach and public awareness campaigns to ensure its use by eligible households. By 2007, nearly 80 percent of those households claimed the credit.

Congress should expand funding for these campaigns and ensure that state, local and Tribal governments are eligible for awards. There is a particular need for educational materials that target groups with low take-up rates, such as low-income adults who do not live with children.

Congress should also provide a modest funding increase for the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs, both of which provide free tax preparation services to low- and moderate-income tax filers. In the 2010 tax season, 12,000 VITA sites and 6,000 TCE sites operated across all 50 states. However, the programs reach a relatively small number of tax filers, with less than one percent of all returns filed through community-based tax preparation.

Finally, the IRS should expand the 2010 pilot program that offers VITA site tax preparation for filers who need to report Schedule C self-employment income. This expansion would allow more low-income business owners to access free and low-cost tax preparation. Because VITA sites are not allowed to file Schedule C returns, many low- and moderate-income entrepreneurs who would otherwise qualify to file taxes through VITA must instead rely on paid tax preparation. The IRS should evaluate the initial results and determine what questions remain about the feasibility of making Schedule C preparation more widely available. It should increase the number of sites that participate in future years of the pilot program and undertake a rigorous evaluation of the pilot's capacity to scale up. The goal should be to make Schedule C preparation services available at all VITA sites that are interested and can demonstrate the capacity to successfully offer the service.

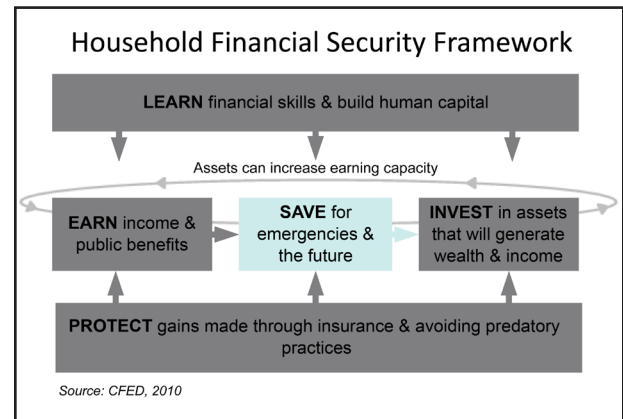
For more information, CFED's Self Employment Tax Initiative (SETI) and Bank of the West have partnered to develop a [Financial Education Guide](#) for use at VITA sites.¹⁸ The Guide is available in English and Spanish.

SETI offers a [Resource Bank](#)¹⁹ for tax preparation sites that serve self-employed clients.

National Community Tax Coalition offers [free online training and assistance](#)²⁰ to volunteer income tax preparers and VITA sites.

SAVE

In order to save, households must have income left over after meeting basic needs. They also need the budgeting skills and financial knowledge to manage their finances and credit and reduce debt. To convert that “left over” income into savings, households need access to convenient, low-cost savings products, such as savings accounts, short-term credit products, and services like direct deposit and automatic enrollment in savings plans. These tools can support continuous savings behavior, helping households build a nest egg over time.



Unfortunately, many families – including both low- and middle-class households – have not been able to accumulate any meaningful savings. According to the 2012 *Assets & Opportunity Scorecard*, 27% of households live in “asset poverty.”²¹ These families do not have the savings or other assets to cover basic expenses (equivalent to what could be purchased with a poverty-level income) for three months if a layoff or other emergency leads to loss of income. Worse, nearly half (43%) of households are “liquid asset poor” – they do not have sufficient cash and easily-accessed savings and investment accounts to subsist at poverty-level for three months. These families are one paycheck away from disaster: in the event of an emergency, they would be forced to sell assets such as a home, car or business, which erodes their capacity to rebuild their wealth.

Federal agencies and lawmakers can help low- and moderate-income households save by supporting financial inclusion and empowerment partnerships such as Bank On, which provides free or low-cost starter bank accounts and access to financial education. They can also fund matched savings programs, improve retirement savings policies, and expand successful programs that help low- and moderate-income households access affordable credit.

8. CONGRESS SHOULD REDIRECT EXISTING FEDERAL FUNDS TO ADOPT THE ADMINISTRATION'S PROPOSED BANK ON USA PROGRAM

Getting “banked” can save workers \$1,000 each per year on check cashing fees. Unbanked households lack the ability to save for the future, establish credit or acquire wealth-building assets such as a small business loan or home mortgage.

The FDIC reported in 2009 that eight percent of U.S. households had no relationship with a bank or credit union.²² These families do not have savings or checking accounts and instead rely on fringe financial services such as check cashers and car title lenders. According to the same research, an additional 18% of U.S. households are underbanked; although they have at least one account, they regularly rely on fringe financial services to meet their needs. Being unbanked or underbanked comes at high cost. The Brookings Institution reports that the average unbanked person spends \$1,000 per year on check cashing fees, which adds up to \$40,000 over the course of the person's working life.²³

The Bank On program, first launched by the City of San Francisco in 2006, has attained prominence as an innovative model for connecting low- and moderate-income residents to mainstream financial services, products and education. The model is now being replicated in more than 40 cities and states nationwide. Bank On programs are built on voluntary partnerships between local governments, financial institutions and nonprofit community organizations. They leverage the participants' unique capacities to provide streamlined access to basic transaction and savings accounts as well as financial education. Federal funding for and monitoring of local and statewide Bank On programs would enable this successful strategy to reach far more households.

The President's Fiscal Year 2012 budget proposal requested that Congress replace the Bank Enterprise Award (BEA) of the Community Development Financial Institutions (CDFI) Fund with Bank On USA. This strategy would achieve a federally supported, national Bank On program without adding to the federal budget.

BEA was initially an incentive for banks to partner with CDFIs. As the CDFI industry has matured and the financial services market has changed, BEA is no longer as relevant as it once was. By contrast, a federal investment in the Bank On model is necessary to bring this strategy to scale. Congress declined to act on the President's proposal in Fiscal Year 2012. In Fiscal Year 2013, however, Congress should adopt the Administration's request to replace BEA with Bank On USA.

For more information about Bank On programs across the nation, visit www.joinbankon.org.

A recent report funded by the U.S. Department of the Treasury and authored by the National League of Cities, [*Banking On Opportunity: A Scan of the Evolving Field of Bank On Initiatives*](#),²⁴ describes the landscape of Bank On programs, their origins and their context within a broader financial access field.

9. CONGRESS AND FEDERAL AGENCIES SHOULD CONTINUE TO FUND AND IMPROVE MATCHED SAVINGS PROGRAMS

Wealth inequality has been a major topic of public debate in the wake of the Great Recession. Although people disagree about the root causes of inequality, most politicians and policymakers recognize that some federal policy response is necessary. Unfortunately, a growing percentage of households are asset poor, meaning they have fewer assets than necessary to support themselves for three months at the poverty level.

Matched savings programs expand financial security and opportunity by enabling low-income households to purchase wealth-building assets.

Congress should reauthorize and improve the Assets for Independence (AFI) Act. Usually funded at \$24 million per year, AFI is the largest source of federal funding for matched savings accounts or IDAs.

Twelve years after the program began, practitioners have identified opportunities to improve AFI's design and implementation. Congress should adopt the Stephanie Tubbs Jones Assets for Independence Reauthorization Act, which would incorporate important improvements into the reauthorization of AFI. It would:

- Lower the non-federal matching funds requirement from 100% to 50% of federal funds. State budget crises and the challenging economic environment have made it more difficult to raise the necessary local match. This will ease that burden.
- Allow tribes and local governments to apply for AFI grants independently.
- Simplify eligibility guidelines By allowing households to qualify if their income is either below 80% of area median income or below 200% of the federal poverty level.
- Raise the maximum match amount that participating families can receive from \$2,000 to \$5,000 for single AFI participants, and from \$4,000 to \$10,000 for married couples.

Finally, Congress should allow Community Service Block Grants (CSBG) and TANF funds to count as nonfederal matching funds for AFI grants. This change would ease the fundraising burden on AFI grantees. Such a policy would bring CSBG into alignment with CDBG, which allows local jurisdictions to use funds to meet nonfederal match requirements for a variety of federal programs, including AFI.

For more information on the Stephanie Tubbs Jones Assets for Independence Reauthorization Act, see CFED's [legislative brief on the subject](#).²⁵ Extensive background materials, research findings, additional policy proposals, and information about the matched savings field are available on the [IDA section of CFED's website](#).²⁶

10. HUD SHOULD ADDRESS REGULATORY PROBLEMS IN THE FAMILY SELF-SUFFICIENCY (FSS) SAVINGS PROGRAMS FOR HOUSING CHOICE VOUCHER RECIPIENTS AND PUBLIC HOUSING RESIDENTS

Housing voucher recipients who complete the FSS program accumulate an average of \$3,000 in escrowed savings, while increasing their earnings at double the rate of other housing voucher recipients.

FSS helps families in the public housing and housing voucher programs build assets and make progress toward self-sufficiency and homeownership. Although it is one of the largest federal programs available to help low- and moderate-income households build assets, it reaches just 65,000 families – a fraction of the more than three million households participating in the public housing and housing voucher programs. FSS works by combining stable, affordable housing with case management to help families access the services they may need to increase their earnings. It also offers a strong financial incentive for families to earn more. As public housing residents' and voucher recipients' earnings increase, their rent goes up (they pay 30% of their income for rent). If they are in FSS, however, the extra rent they pay when they earn more goes into an escrow account that they receive when they complete the program. A HUD program evaluation²⁷ found FSS to be both cost effective and successful.

HUD regulations impose unnecessary barriers that limit the reach of FSS. The agency should correct these problems by ending the annual grant application process for established programs and amending regulations that delay reimbursements for contributions to participants' escrow accounts.

Currently, established programs with large client bases must follow the same annual grant application procedures as new program applicants. This is an unnecessary administrative burden. HUD should allow these established programs to automatically renew their grants following submission of annual performance reports, so long as those reports demonstrate sound management and effective administration of FSS funds. HUD should also amend its regulations so that local housing agencies are reimbursed for contributions to FSS clients' escrow accounts as the contributions are made. Currently, reimbursement is made only after a client "graduates" from the program and receives the balance of her account. This means there is always a possibility that funds will no longer be available because HUD has spent down the balance of its accounts. Such uncertainty prevents some housing agencies from offering FSS to voucher recipients.

For more information, [FSS Partnerships](#)²⁸ is a coalition of housing and asset-building advocates, including CFED, that are dedicated to expanding access to the Family Self-Sufficiency Program. The coalition's [recommendations for improvement](#)²⁹ of the program provide more details about the regulatory barriers discussed above.

II. CONGRESS, THE INTERNAL REVENUE SERVICE AND THE DEPARTMENT OF LABOR SHOULD IMPROVE ACCESS TO PROGRAMS AND INCENTIVES THAT HELP FAMILIES SAVE FOR RETIREMENT

For decades, federal policymakers have made it clear that workers should no longer rely exclusively on Social Security to meet their retirement needs. However, only half of all U.S. households have private retirement savings accounts and low-income workers are much less likely to save for retirement than their higher-income counterparts. The vast majority of low-income workers do not participate in a 401(k)-type plan, typically because they are not available through their employers. This presents a serious challenge as Baby Boomers begin to retire and our nation strives to keep its elder citizens from falling into poverty.

Inadequate savings for retirement present a serious threat to the future of American prosperity. “Auto IRAs” would make retirement saving opportunities available to as many as 7.8 million employees.

Congress should act on President Obama’s proposal to require most employers to offer automatic contributions to a retirement savings account through payroll deductions. The Automatic IRA proposal is remarkably low-cost given its broad scope since most employers already use payroll processing software that can easily incorporate additional automatic deductions.

The Auto IRA would make retirement saving opportunities available to a majority of the 78 million employees who currently do not have access to a retirement plan at work. It was included in the Administration’s budget requests for fiscal years 2011 and 2012, and previously had bipartisan support.

DOL and the IRS, which share responsibility for regulating retirement savings plans, should also encourage employers to offer retirement plans that allow account holders to take loans against the balance of their savings. Employees are comfortable saving more money for retirement when they know they can access the funds in case of an emergency. In fact, retirement plans that allow loans have higher rates of participation and participating employees save nearly 45% more than they do under plans that do not have loan options. The lowest-income households increase contributions to retirement savings plans by nearly 30% when loans are allowed. DOL and IRS can make retirement plans with loan features available to more employees by simplifying and aligning the regulations that govern loan processes and eligible uses. Currently, different types of private retirement savings plans have different and often contradictory regulations that are difficult for both workers and employers to understand.

For more information, CFED’s [policy brief on aligning eligible uses of loans](#)³⁰ details the specific regulations that must be amended.

The [Retirement Security Project](#),³¹ a collaborative effort of the Brookings Institution and the Heritage Foundation, has published numerous papers on the power of automatic payroll deductions to increase retirement savings.

12. THE FDIC SHOULD EXPAND AND EVALUATE ITS SMALL DOLLAR LOAN PILOT PROGRAM

Nearly one in five households regularly relies on fringe financial services to make ends meet.

Policymakers can encourage market innovations to make more affordable loan options available and help institutions offer them profitably.

A variety of states and local jurisdictions have enacted restrictions on payday loans over the past decade and the Consumer Financial Protection Bureau is set to begin regulating payday lenders at the federal level. These actions focus on curtailing predatory lending but do not provide alternative services. Millions of American families need access to credit to meet their basic needs, and many of them cannot use credit cards. Nearly one in five U.S. households reports that it regularly relies on fringe financial services.³² Policymakers should not only focus on restricting the exorbitant fees and abusive practices associated with the short-term, small-dollar loans, they should also encourage and support market innovations that provide such loans at more affordable prices.

Between 2007 and 2009, the FDIC conducted a pilot program to test whether banks could profitably offer safe, affordable small-dollar loans as an alternative to high-cost credit products such as payday loans.³³ More than 30 banks offered loans of less than \$2,500 to customers. The loans had to meet FDIC guidelines including an interest rate cap of 36% APR and a repayment term of at least 90 days. Despite the economic turmoil during the pilot period, the loans performed nearly as well as similarly-sized loans in the market as a whole. Participating banks indicated that although the small dollar loans were not a good model of short-term profitability, they could achieve sustainability over a longer period and at a higher transaction volume.

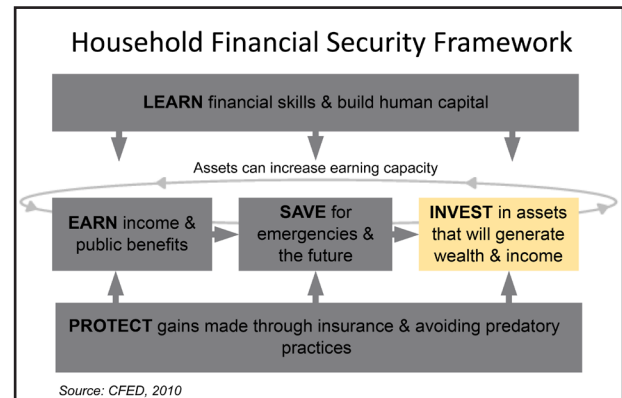
The FDIC should launch another round of the small dollar loan pilot program with additional financial institutions. It should invest in rigorous evaluation of the business model and study whether such a regulator-endorsed small loan product could be brought to scale.

If evaluation finds the pilot model successful, expanding it would significantly improve access to small loans and reduce reliance on fringe financial services such as payday loans, auto title loans and pawn shops. Low- and moderate-income families are especially vulnerable to interruptions in income and uneven earning patterns. These households need access to short-term loans. Fringe financial services providers fulfill that need, but are less regulated and less accountable than traditional lenders. Developing widespread and easily accessible short-term, small dollar loan products through mainstream financial services providers would foster a financial environment that helps families save.

For more information, The New America Foundation's recent report, [*Beyond Barriers: Designing Attractive Savings Accounts for Lower-Income Consumers*](#),³⁴ details the account features that are best able to meet the needs and preferences of low- and moderate-income consumers.

INVEST

Families typically invest and increase their wealth by leveraging savings accumulated over time, allowing them to purchase a home, pay for college, start or expand a business, and make other financial investments. To make these investments, families need a good credit score and the ability to access affordable financing. They also need access to incentives such as downpayment assistance, government loan guarantees and tax benefits, and a variety of training services, including homeownership counseling, business training, academic preparation, investment advice and financial coaching.



Congress can take steps to support and improve investment opportunities by ensuring that existing policies, such as those that promote homeownership, take into account strategies and tools that are most likely to help low- and moderate-income households build assets. Specifically, policymakers should provide equal consideration to manufactured housing in federal homeownership programs and allow innovative financing models such as shared equity mortgages to qualify for these programs. Congress should reassess policies that currently make it difficult for these households to build credit, particularly the types of information that may be reported to consumer credit bureaus. Finally, by supporting economic development and entrepreneurship, Congress and federal agencies can help foster the conditions that allow those at the lower end of the economic ladder to invest in their futures.

13. CONGRESS SHOULD HELP ADULTS BUILD CREDIT BY AUTHORIZING TELECOMMUNICATIONS FIRMS TO REPORT ALL PAYMENT INFORMATION TO CONSUMER CREDIT BUREAUS

Employers, landlords, banks and credit unions check consumers' credit scores before hiring workers, renting apartments and approving applications for checking accounts and other financial services. As many as 70 million Americans face the risk of not being able to find a place to live or work simply because they lack credit scores.

As many as 70 million Americans are excluded from the mainstream credit system, not because of bad credit history, but because their lack of credit history leaves them ineligible to be scored. Tens of millions of Americans have no credit files or payment histories in their credit files, and consequently have no credit score. Millions more have too few payment histories to be scored with precision. No scores or low scores translate into reduced access to mainstream credit, forcing borrowers to rely on higher-priced lenders and preventing them from investing in their homes or businesses in economically productive ways.

A straightforward solution is to simply add more information to credit files. Including telecommunications payment history makes sense because they reflect the consumers' risk of future credit delinquencies and would enhance credit access for millions of households. Studies by PERC and the Brookings Institution Urban Market Initiative³⁵ show that reporting all customer payment data would substantially benefit those with lower incomes, members of ethnic minority groups, young adults and the elderly.

Despite compelling evidence that alternative data credit reporting is a win-win scenario for borrowers and lenders, telecom firms are reluctant to report full payment histories to the credit bureaus due to regulatory uncertainty. (Currently, most firms only report late payments.) Some companies that previously reported full payment histories to the credit bureaus have stopped due to uncertainty about the impact of the privacy provisions of the Telecommunications Act of 1996 on full-file reporting.

Congress should pass legislation that provides affirmative permission to telecommunications firms to report all payment history to the consumer credit bureaus. Such legislation would provide a no-cost solution to a problem that currently limits the financial options of millions of families.

Explicitly authorizing full-file reporting would not only enable many of these families to develop access to mainstream credit products and reduce their reliance on alternative financial services such as payday and automobile title lenders, it would also improve their investment capacity by enabling them to leverage upfront purchases of appreciating assets.

For more information, new [research from PERC](#)³⁶ details the impact that adding utilities and telecommunications payments to credit files would have on consumers with little or no credit history. The Alternative Data Initiative is a coalition of organizations, including CFED and PERC, which support full-file reporting. The initiative's [recommendations](#)³⁷ include additional details on how to implement full-file credit reporting.

14. CONGRESS SHOULD ALLOW OWNERS AND BUYERS OF MANUFACTURED HOMES LOCATED IN COOPERATIVELY OWNED COMMUNITIES TO QUALIFY FOR THE HOME MORTGAGE INTEREST DEDUCTION

More than 17 million people in the United States live in 6.8 million manufactured homes located across the nation. Today's manufactured homes are safe, energy efficient and last as long as traditionally built homes. The median sale price of a new manufactured home, which can be easily customized and quickly installed, is just \$64,000. For many homebuyers, a manufactured home is the smart choice. Unfortunately, policymakers have not recognized the importance of this housing stock nor changes in the industry that have increased quality, durability and resale value. As a result, a variety of programs to support homeownership exclude manufactured homes.

One of the key inequalities in federal policy for manufactured housing involves the nearly three million manufactured homes located in communities and parks across the nation. Manufactured home communities are single parcels of lands owned by investors who in turn rent or lease sites to homeowners. A growing number of these communities are cooperatively owned by the homeowner residents themselves. **Congress should amend the tax code to ensure that owners and buyers of manufactured homes located in resident-owned communities can deduct all their mortgage interest. A simple fix to a single section of the code will improve financial conditions for residents of resident-owned communities at very little cost.**

The home mortgage interest deduction is the most substantial tax preference for homeownership, with an annual cost of nearly \$100 billion. Owners of apartments or condominiums in cooperatives are eligible to deduct the interest on their shares in the cooperative, but owners of home in cooperative manufactured home communities (also called resident-owned communities) are not eligible to deduct the interest paid on their shares in the cooperative. Congress should amend the Internal Revenue Code to allow resident owners of manufactured home communities to deduct this mortgage interest.

For more information, see CFED's manufactured housing [policy agenda](#),³⁸ which includes additional proposals to enhance the capacity of manufactured housing to meet America's affordable housing needs.

The Manufactured Home Owners' Association of America (MHOAA) represents homeowners who live in communities. Find out more at www.mhoaa.us.

ROC USA provides assistance and financing to owners of manufactured homes who are purchasing their communities from investors and creating cooperatives. Learn more at <http://rocusa.org/our-process/>.

Manufactured homes are the largest stock of unsubsidized affordable resident-owned housing in the United States and are critical sources of housing for low- and moderate-income homeowners, the elderly and rural communities. Yet, many of these homeowners cannot benefit from the home mortgage interest deduction.

15. FEDERAL AGENCIES SHOULD COORDINATE HOMEOWNERSHIP PROGRAMS TO INCLUDE MANUFACTURED HOUSING

Manufactured homes are attractive to many low-income and rural homebuyers because they cost up to 50% less per square foot yet are nearly indistinguishable from site-built homes. Federal agencies should allow families who want to live in manufactured homes to participate in federal homeownership financing and weatherization programs.

Problems in the manufactured housing finance market present serious barriers to consumers interested in purchasing these homes. Short repayment periods, high interest rates and uncertain land tenure limit buyers' ability to build wealth through homeownership. Most federal spending to boost homeownership rates focuses on first-time buyers and low-income households, both groups that are disproportionately represented among the owners of manufactured homes.

Many of these programs work exceptionally well; however, HUD, the Department of Agriculture (USDA) and the Federal Housing Administration (FHA) should work together to make small adjustments to existing programs that would improve their capacity to serve buyers and owners of manufactured homes.

For example, HUD and USDA should amend regulations to allow owners of outdated, pre-1976 mobile homes to use first-time homebuyer programs to replace those houses.³⁹ Today, families are living in more than two million mobile homes that were constructed prior to enactment of federal standards in 1976. These houses are so energy-inefficient that they often absorb a larger share of homeowners' income than the mortgage payments. Such high utility costs increase the likelihood that families will need energy assistance. Weatherization of these homes is not cost effective given that most no longer provide adequate shelter. The homeowners are generally very low-income, located in rural areas and unable to afford down payments to buy new homes. They should be eligible to qualify for first-time homebuyer assistance to replace their homes with new manufactured housing.

Finally, HUD, USDA and FHA should establish a single standard by which a manufactured home can qualify for loan guarantees, direct loans and federal insurance on loans made by private lenders. Currently, HUD has different standards in different regions; FHA has different standards for manufactured homes under its Title I and Title II programs; and USDA standards are set at the discretion of state-level field offices.

For more information, see the [recent webinar](#)⁴⁰ from CFED's Innovations in Manufactured Homes (I'M HOME) initiative on how federal agencies can improve coordination on manufactured housing policy and regulation.

In May 2011, I'M HOME hosted the first convening of federal agencies to recommend improvements to manufactured housing policies. The resulting [Action Agenda](#)⁴¹ includes in-depth recommendations.

16. HUD AND THE FEDERAL HOUSING ADMINISTRATION SHOULD ALLOW SHARED EQUITY MORTGAGES TO QUALIFY FOR AFFORDABLE HOUSING DEVELOPMENT GRANTS AND MORTGAGE INSURANCE PROGRAMS

Shared equity mortgages are innovative loan structures that preserve the affordability of a home over time. Shared equity allows organizations and local governments to preserve the subsidy they provide to buyers through downpayment assistance. Buyers receive significant downpayment assistance from the organization or government; in return, when they sell the home, they must return some portion of the equity they accumulated. This allows the program to pass the subsidy on to new buyers. **HUD and the Federal Housing Administration (FHA) should encourage shared equity approaches to affordable homeownership. This requires no new spending, just regulatory changes.**

Within HUD, the HOME program provides financing to community organizations and local governments to develop and maintain affordable homeownership opportunities. It is difficult for grantees to create permanently affordable units due to rules that require homeowners to receive a “fair” return on their investments. HUD should encourage the use of HOME funds for shared equity homeownership by:

- Creating incentives for jurisdictions to invest in shared equity homeownership. One approach would be to reward jurisdictions that invest in permanently affordable homeownership or recapture funds.
- Issuing guidance to HOME program grantees, clarifying that shared equity formulas satisfy the program’s requirement that homeowners receive a fair return on their investment.

FHA requires more substantial reforms to accommodate shared equity mortgages. FHA rules allow resale price restrictions that preserve affordability. However, regional FHA officials have interpreted this rule differently, preventing most shared equity homeownership programs from taking advantage of FHA-insured mortgages. FHA should correct this by:

- Removing requirements that prevent local program sponsors from enforcing resale price and occupancy restrictions
- Revising regulatory requirements that programs ensure a fair return to homeowners to accommodate the both building assets for homeowners and preserving affordability for future buyers

For more information, see the Urban Institute’s research on the feasibility, affordability and wealth-building potential of shared equity mortgages at <http://www.urban.org/sharedequity/>.

Shared equity programs preserve investments in affordable homeownership over the long term by passing on the subsidy to the homes’ future owners. They help lower-income homebuyers build wealth because owners keep a portion of the “profit” when they sell the home.

I7. THE CONSUMER FINANCIAL PROTECTION BUREAU SHOULD DEVELOP AND IMPLEMENT REQUIRED NEW REGULATIONS ON THE COLLECTION AND DISSEMINATION OF DATA ON SMALL BUSINESS LOAN APPLICATIONS

A public database that details all small business loan applications will help mainstream financial institutions and microlenders understand the unmet demand for capital.

The Wall Street Reform and Consumer Financial Protection Act of 2010⁴² (known as the Dodd-Frank Act) included a requirement that small business lenders report to the Consumer Financial Protection Bureau (CFPB) data relating to applications for small business credit. For the first time, lenders will need to track and report on loan applications providing information such as the race and gender of the business owner, the location, financial position and industry of the business, and the type and amount of credit applied for. These data disclosure requirements can provide researchers and policymakers with critical information about where small business credit is delivered effectively and where further intervention is warranted.

CFPB should immediately engage stakeholders to solicit feedback on the data collection requirements. It should develop and release proposed regulations for public comment before the end of 2012 in order to finalize and implement the regulations in a timely manner.

In crafting the regulations, CFPB should consider:

- What data format would be simplest for lenders to collect and submit
- Whether very small financial institutions, such as community loan funds and CDFIs, will be required to collect and report data and, if so, what support these lenders will require to develop reporting capacity
- Whether there are additional metrics beyond those required by the statute that should also be collected and aggregated
- How to make the data available in a manner that is most useful to the public, including researchers and lenders

For more information, The Aspen Institute's [FIELD program](#)⁴³ has conducted extensive research on the microenterprise field. It also operates [MicroTracker](#),⁴⁴ the most comprehensive source of data on the services and loans provided by microenterprise development organizations in the United States.

18. THE DEPARTMENT OF AGRICULTURE AND THE SMALL BUSINESS ADMINISTRATION SHOULD IMPROVE AND SIMPLIFY REGULATIONS GOVERNING FEDERAL SUPPORT FOR MICROENTERPRISE

Business ownership represents both a source of income and a key asset for many of the 25 million microenterprise owners across the United States, making up nearly 90% of all business establishments.⁴⁵ Federal policymakers have long recognized the value of entrepreneurship and microenterprise, but their support is needed now more than ever. Despite the demand for belt-tightening and budget cutting in all areas of government, policymakers are under pressure to identify and invest in proven job creation strategies to reduce unemployment. Supporting microenterprise should be a priority job creation strategy.

Entrepreneurship is not only a means of creating one's own job but also a source of wealth that owners can grow over time through increasing expertise and investment.

Currently, the Small Business Administration (SBA) and Department of Agriculture (USDA) administer numerous programs to support entrepreneurs with training and access to credit. Small improvements in the regulations and management of these programs could improve their capacity to deliver targeted assistance to low- and moderate-income entrepreneurs and businesses in underserved areas.

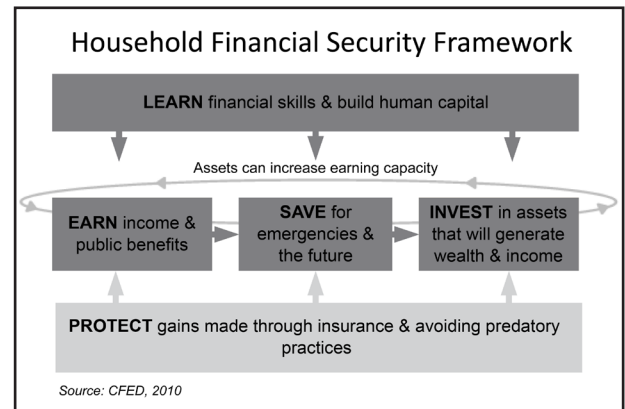
The SBA should allow the lending component of its Microloan Program to provide awards of up to \$10 million to eligible revolving loan funds in order to maximize the amount that successful, high-volume loan funds are able to lend to local small businesses. Although the current limit is \$7.5 million, a number of loan funds with long histories and successful track records have the capacity to handle higher awards.

Moreover, the Microloan Program's technical assistance component should make awards to microenterprise development organizations that are not certified as intermediary lenders within the program. SBA has statutory authority to make this type of grant to technical assistance providers, and, in fact, previously used that authority to make such awards regularly. In the past several years, however, all funds for technical assistance have been awarded to Microloan intermediaries. Returning to the practice of making awards to non-intermediaries would have an especially beneficial impact in the current environment. In 2011, one major source of technical assistance, the Rural Microentrepreneur Assistance Program (RMAP), was eliminated. Moreover, the primary program aimed at microenterprise owners whose businesses are not yet ready for financing, the Program for Investment in Micro-Entrepreneurs (PRIME), saw its budget for Fiscal Year 2012 cut by more than 50%. Reviving the Microloan Program's investment in business development organizations that do not provide financing will ensure that the constituencies they serve continue to have access to federal resources.

For more information, visit the [Association for Enterprise Opportunity](#) (AEO) website,⁴⁶ the national association of microlenders and microenterprise development organizations.

PROTECT

At multiple points along the path to financial security and opportunity, households need protection against loss of income or assets, extraordinary costs, and harmful, discriminatory or predatory external forces. Financial setbacks due to loss of income or loss of assets can be significantly diminished or even avoided when households have access to adequate, affordable and fairly priced insurance products, such as health, unemployment, disability, property and life insurance.



Consumer financial protections are also necessary to prevent families from falling victim to discriminatory, deceptive or predatory financial products and practices. Finally, asset preservation strategies such as foreclosure prevention and credit counseling help households maintain the assets they have accumulated, even under challenging circumstances.

Foreclosure prevention continues to need the most attention from federal policymakers. Since the housing market peaked in 2006, record numbers of foreclosures and delinquencies have taken place each year. In 2010, more than one million homes were repossessed by lenders. The ongoing foreclosure crisis is not only a drag on the economy as a whole, but it also undermines the wealth and financial stability of millions of homeowners who live in foreclosure-damaged communities.

19. CONGRESS SHOULD ENACT NO-COST LEGISLATION TO CURB FORECLOSURES THROUGH MANDATORY MEDIATION BETWEEN LENDERS AND HOMEOWNERS

Since the housing bubble burst in late 2006, the foreclosure crisis has decreased homeownership rates, destroyed billions of dollars of household assets, kicked off a global recession and prevented the U.S. economy from achieving a full and quick recovery. Foreclosure rates are at their lowest rate since 2007 but remain high in historic terms. According to the 2012 *Assets & Opportunity Scorecard*, in the third quarter of 2011, 4.4% of all U.S. mortgages were in foreclosure.⁴⁷ According to RealtyTrac, a leading real estate market analysis firm, lenders delayed foreclosure proceedings throughout the year and foreclosure actions are likely to increase in the coming year.⁴⁸ Thus, foreclosures will remain a critical problem for the economy and policymakers, as many of those homes will be lost to foreclosure in 2012 and beyond.⁴⁹

More than 5 million additional foreclosures will occur before the housing market recovers unless policymakers do more to help struggling homeowners.

Congress and the Administration have already invested millions in foreclosure prevention and there is little appetite for additional spending. Evaluations of the various interventions of the past five years have identified a number of interventions that work, but most, such as helping underwater borrowers regain equity through principal reduction, are cost prohibitive. Others, particularly mandatory pre-foreclosure mediation, are inexpensive and thus deserve increased support from federal policymakers.

Congress should enact legislation requiring in-person mediation meetings prior to eviction and sale of a home in foreclosure. Mediation programs are inexpensive because they rely on existing systems, such as local courts. They require officials to add a step to their management of the established foreclosure process rather than costly additional interventions.

Successful state-level programs demonstrate that mediation is effective. For example, Philadelphia's mediation initiative, the Residential Mortgage Foreclosure Diversion Program, is administered through the city's court system. This model could easily and inexpensively be replicated in the more than 40 states that have judicial foreclosure processes. It requires lenders (or their designated loan servicers) to meet in person with borrowers before a judge will certify a foreclosure sale. If the homeowner chooses not to participate or fails to attend the mediation, judges allow the foreclosure to proceed, so the program does not punish lenders who participate in good faith but are unable to meet with a homeowner. Between June and December 2009, one-third of participating homeowners were able to modify or refinance and avert foreclosure.⁵⁰ In that same time period, less than one percent of trial modifications made through the federal mortgage modification program were successful. The few states that do not have judicial foreclosure could model mediation programs on a Michigan pilot initiative.⁵¹

For more information, see CFED's policy brief on [state-level strategies for foreclosure prevention](#).⁵²

20. THE CONSUMER FINANCIAL PROTECTION BUREAU SHOULD EXTEND ALL CONSUMER PROTECTIONS TO OWNERS OF MANUFACTURED HOMES AND SHOULD SUPERVISE THE MANUFACTURED HOUSING FINANCE MARKET

A home is a home, regardless of whether it was built in a factory or on site. Homeowners' rights should not depend on what type of financing they have. CFPB has the power to level the playing field for owners of manufactured homes.

CFPB is exclusively devoted to ensuring that consumers have the information they need to make informed decisions and that they are protected from deceptive and predatory financial products. In its early stages, the Bureau has a mandate to limit or prohibit predatory mortgage lending to protect homeowners from equity-stripping loan products and abusive loan terms. The manufactured housing finance market is in particular need of close monitoring. These loans have received little scrutiny in the past, with disastrous results for consumers: more than 23% of all chattel loans to owners of manufactured homes default.⁵³ As the Bureau addresses housing finance, it should work closely with the other federal regulatory agencies to ensure that regulations affecting the manufactured housing industry are well aligned across all agencies.

CFPB has the ability to bring new transparency to the manufactured housing finance market, supervise lenders regardless of whether they are banks or independent companies, and apply to manufactured homes the same consumer protections that owners of site-built homes enjoy.

The Bureau should take action to implement policy that prohibits lenders and retailers from steering manufactured home buyers into disadvantageous chattel loans when other loan types are available. It should also apply general mortgage protections to manufactured home financing and eliminate disparities between the treatment of manufactured home loans and loans for the purchase of site-built homes. Finally, the Bureau should apply new protections against high-cost loans to manufactured housing loans.

For more information, CFED has developed detailed recommendations for applying consumer protections to manufactured home loans, including:

- Supervision of loans made by [nonbank lenders](#)⁵⁴
- Eligibility of manufactured home loans for [Qualified Residential Mortgage \(ORM\) status](#)⁵⁵
- Application of [ability to repay requirements](#) to manufactured home loans⁵⁶
- Meeting the unique needs of the [residents of manufactured home communities](#)⁵⁷

ENDNOTES

- 1 Available online at <http://idaresources.org/servlet/servlet.FileDownload?file=0157000000kUcq>.
- 2 Recipients of unemployment insurance compensation are required to actively seek new employment or participate in educational activities that will improve their capacity to secure future employment.
- 3 Management of the Money Matters curriculum is now the responsibility of the Federal Trade Commission. Available online at <http://www.ftc.gov/bcp/edu/microsites/moneymatters/index.html>.
- 4 Available online at <http://wdr.doleta.gov/directives/attach/TEGL2-01.pdf>.
- 5 Available online at [http://www.treasury.gov/resource-center/financial-education/Documents/NationalStrategyBook_12310%20\(2\).pdf](http://www.treasury.gov/resource-center/financial-education/Documents/NationalStrategyBook_12310%20(2).pdf).
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- 7 This webinar is archived online at http://cfed.org/knowledge_center/events/promise_neighborhoods/.
- 8 The 2010 Patient Protection and Affordable Care Act requires states to eliminate asset tests for Medicaid by 2014, and allows states to move at their own pace within that time frame.
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