

PUBLISHED BY THE
COMMUNITY DEVELOPMENT
STUDIES & EDUCATION
DEPARTMENT OF THE
FEDERAL RESERVE BANK
OF PHILADELPHIA

A COMMUNITY DEVELOPMENT PUBLICATION

CASCADE

INSIDE:

- 2 — Message from the
Community Affairs Officer
- 3 — D2D Tests Innovations
on Prize-Linked
Savings, Mobile Phone
Applications, and Prepaid
Cards for Financially
Vulnerable Consumers
- 6 — Delaware Financial
Education Program
Enlists State Agencies,
Nonprofits, and
Businesses
- 8 — Lessons from the *Keys
to Financial Success*
Program
- 10 — Spotlight on Research:
The Influence of Financial
Literacy on High-Cost
Borrowing
- 12 — Clarifi Offers Financial
Services at Health
Centers, Adds Coaching
and Mentoring
- 16 — Perspective on
Foster Care Trends
- 17 — Mapping Our Community
- 18 — Rhode Island Nonprofit
Launches Financial
Coaching to Increase
Asset Matches

Lessons from the Jim Casey Youth Opportunities Initiative*

By Keith L. Rolland, Community Development Advisor

One of the nation's only programs that uses individual development accounts (IDAs)¹ to build the assets of young people is overseen by the Jim Casey Youth Opportunities Initiative, a private foundation in St. Louis, MO. The IDAs are part of a program called Opportunity Passport that was developed for young people who are "aging out" of foster care. Started in 2001, Opportunity Passport is being implemented in 18 states² by 13 nonprofits, four public agencies, and one university.

The initiative and other advocates for youth in foster care have helped persuade state and federal agencies to extend the age that young people in the system can receive services. Most youth leave foster care at about age 18, although some states provide some continued services up to age 21.³

The initiative, which is named after the late James (Jim) E. Casey, founder of United Parcel Service, will become a new



division of the Annie E. Casey Foundation (AECF) in July 2015.

The Foster Care Population

One of the most extensive research studies on young people who "age out" of foster care is the Midwest Evaluation of the Adult Functioning of Former Foster Youth (known as the Midwest Study).⁴ The longitudinal Midwest Study points out that many young people make a gradual transi-

...continued on page 14

* The views expressed here do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

¹ Individual development accounts (IDAs) are matched savings accounts that help people with modest means save toward the purchase of a lifelong asset, such as a home. See <http://cfed.org/programs/idas/>.

² The 18 states include Pennsylvania and Delaware. In Pennsylvania, the initiative is being implemented by the Allegheny County Department of Human Services. In Delaware, it is being implemented on a statewide basis by the Delaware Center for Justice.

³ Twenty-five states and the District of Columbia have passed legislation to extend foster care beyond age 18 with federal matching funds under the Fostering Connections Act, according to initiative staff. A few of the states, including many of the most populous states (Pennsylvania among them), are not in the implementation stage yet. Other states, such as Delaware, have extended foster care with state dollars only.

⁴ For the report, see <http://ow.ly/L5ni5>.



FEDERAL RESERVE BANK
OF PHILADELPHIA

www.philadelphiafed.org

Cascade is published four times a year by the Federal Reserve Bank of Philadelphia's Community Development Studies and Education Department and is available at www.philadelphiafed.org. Material may be reprinted or abstracted provided *Cascade* is credited.

The views expressed in *Cascade* are not necessarily those of the Federal Reserve Bank of Philadelphia or the Federal Reserve System. Send comments to Keith L. Rolland at 215-574-6569 or keith.rolland@phil.frb.org. To subscribe, go to www.philadelphiafed.org/publications/.

**COMMUNITY DEVELOPMENT STUDIES
AND EDUCATION DEPARTMENT**

Noelle S. Baldini

Community Engagement Associate
215-574-3722; noelle.baldini@phil.frb.org

Kenyatta Burney

Senior Administrative and Budget Assistant
215-574-6037; kenyatta.burney@phil.frb.org

Jeri Cohen-Bauman

Lead Administrative Assistant
215-574-6458; jeri.cohen-bauman@phil.frb.org

Lei Ding, Ph.D.

Community Development Economic Advisor
215-574-3819; lei.ding@phil.frb.org

Eileen Divringi

Community Development Research Analyst
215-574-6461; eileen.divringi@phil.frb.org

Andrew T. Hill, Ph.D.

Economic Education Advisor and Team Leader
215-574-4392; andrew.hill@phil.frb.org

Erin Mierzwa

Department Manager
215-574-6641; erin.mierzwa@phil.frb.org

Naakorkoi Pappoe

Community Development Research Analyst
215-574-3492; naa.pappoe@phil.frb.org

Keith L. Rolland

Community Development Advisor
215-574-6569; keith.rolland@phil.frb.org

Theresa Y. Singleton, Ph.D.

Vice President and Community Affairs Officer
215-574-6482; theresa.singleton@phil.frb.org

Marvin M. Smith, Ph.D.

Senior Community Development
Economic Advisor
215-574-6393; marty.smith@phil.frb.org

Sydney K. Taylor

Community Engagement Associate
215-574-3854; sydney.taylor@phil.frb.org

Keith Wardrip

Community Development Research Manager
215-574-3810; keith.wardrip@phil.frb.org

Todd Zartman

Economic Education Specialist
215-574-6457; todd.zartman@phil.frb.org

Message from the Community Affairs Officer

Over the past year, I have become addicted to my fitness tracker. I check it several times a day to see how close I am to reaching my 10,000-step goal. Recently, I went away on a business trip and accidentally left my tracker at home. By the end of that first day, a close friend, who also uses the same tracker, e-mailed me asking, "What's wrong? Aren't you walking today?" For me, it is that combination of technology and the personal relationship that keeps me focused on my fitness goals, and the articles in this issue of *Cascade* illustrate how both strategies can be effective in helping people manage their financial goals.

Mobile tools are increasingly being developed and used to encourage people to save and manage their money more effectively. Across the country and around the world, technologists and financial capability experts are creating innovative products and services that can help individuals better monitor their spending and credit scores, as well as set goals and track behaviors. These innovations reflect the broader trend of mobile device usage and may help address some of the challenges associated with access to financial products and services.

While there is certainly a growth in the number of financial apps and other mobile tools, the use of financial coaches and mentors is also growing. Our opening article on youth aging out of foster care is an enlightening look at the financial lives of this population. As noted by researchers, young people aging out of foster care "have a very small margin for error for managing their financial lives...." As young adults, they can find themselves with-



Theresa Y. Singleton, Ph.D.
Vice President and Community Affairs Officer

out a home, family, and financial supports. In an evaluation of a program that provides these young people with financial incentives and savings products, it was found that the most critical ingredient for the financial success of young people was "having at least one reliable and informed adult in their life to help them navigate decisions that have financial implications." The mentor made the difference.

Consumers have access to a range of resources to help them improve their financial knowledge and behaviors — from online tools and apps to financial counseling and coaching. While these technology-based and human-centered approaches come with trade-offs related to cost, efficiency, and personalization, they can be used to meet specific needs in a person's financial life cycle. The articles in this issue of *Cascade* provide some insight as to how these tools are being integrated into programs to benefit consumers.

A handwritten signature in black ink that reads "Theresa Y. Singleton". The signature is written in a cursive, flowing style.



D2D Tests Innovations on Prize-Linked Savings, Mobile Phone Applications, and Prepaid Cards for Financially Vulnerable Consumers*

By Keith L. Rolland, Community Development Advisor

The Doorways to Dreams (D2D) Fund, a 15-year-old nonprofit headquartered in the Boston area, designs and develops innovations that strengthen the financial opportunity and security of financially vulnerable consumers. D2D's innovations have included work on prize-linked savings (PLS),¹ phone applications, and prepaid cards. D2D has also developed Financial Entertainment, a suite of casual video games that teach financial concepts. Cascade asked Timothy Flacke, executive director of D2D, about the organization's latest work.

What is D2D's experience with PLS strategies?

Clearly, Americans need to increase their savings. The personal savings rate of Americans ranged from a low of 10.1 percent to a high of 13 percent from 1959 to 1978. After several years above and below 10 percent, the savings rate has been in the single digits since 1985, ranging from 2.5 percent to 8.9 percent. In 2014, it was 4.9 percent.² One promising way to ensure that consumers save is to make the act of saving fun and gratifying. We think that a little fun and the excitement of winning can motivate consumers to save, and that drives our efforts around PLS.

PLS products are used in 22 countries, including the United Kingdom where they were launched 50 years ago.³ The first significant use in the U.S. occurred in 2009, when D2D and its partners helped eight Michigan credit unions establish Save to Win (STW).⁴ The product is now available to more than 1.3 million consumers in four states: Michigan, Nebraska, North Carolina, and Washington. STW offers credit union members certificates of deposit in which members who deposit \$25 or more are automatically entered in raffles for monthly and annual prizes. Most of the accounts pay a market rate of interest, and members keep the savings and interest whether or not they win a prize.

Significantly, 81 percent of STW accounts active in December 2012 were rolled over from 2012 to 2013, indicating that many members kept their savings in the accounts — and that PLS programs can create lasting savings behavior. Through the end of 2013, more than \$94 million had been deposited in PLS accounts in 62 credit unions in four states.⁵ The cumulative number of PLS accounts rose from 11,666 in 2009 to 50,076 in 2013, and we believe these numbers will continue to grow.

This growth will be facilitated in part by the recently enacted American Savings Promotion Act (ASPA). Passed with bipartisan support in December 2014, ASPA changes federal law that prevented banks and thrifts from offering PLS products. ASPA does not preempt state law, so legislators in states where PLS products are not permitted will still need to pass policy that allows for PLS products. With the passage of ASPA, we see growing interest across the country and are excited about the potential for PLS products to reach more consumers through all types of financial institutions.

PLS strategies are financially sustainable and invite further innovation. For example, D2D believes that state lotteries are a unique and ideal channel through which to offer PLS products, and the organization is also exploring ways to apply PLS to prepaid cards, personal financial management tools, and U.S. savings bond purchases.

To what extent are mobile devices, including smartphones, providing underserved consumers with access to affordable, high-quality financial products and services? What are the issues and challenges in this area?

* The views expressed here do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

¹Prize-linked savings (PLS) is an internationally tested concept in which consumers are rewarded for good savings behavior with chances to win prizes; PLS accounts are typically offered by insured financial institutions.

²To view the seasonally adjusted annual savings rate, see the Federal Reserve Bank of St. Louis's FRED Economic Data on the Personal Saving Rate, available at <http://ow.ly/JQpsD>.

³For more information on PLS in the United Kingdom, see NBER Working Paper No. 16433 "Making Savers Winners: An Overview of Prize-Linked Savings Products," pages 9–14, available at www.nber.org/papers/w16433.

⁴For more information about the STW program, see www.savetowin.org/.

⁵See D2D Fund, *Save to Win Impact 2009–2013*, January 9, 2015, available at <http://ow.ly/JQmUS>.



Innovators presented new products at a FinCapDev Hackathon organized by the Doorways to Dreams Fund in New York City in March 2014.

Products using mobile phones build on Americans' strong attachment to their phones. As the Board of Governors of the Federal Reserve System,⁶ the Pew Charitable Trusts,⁷ and others have reported, financially vulnerable populations, including the underbanked, have high rates of mobile phone use, including for financial services.

D2D and the Center for Financial Services Innovation (CFSI) have administered "hackathons" and competitions to spur development of mobile apps that improve financial access and capability for underserved consumers.⁸ The FinCapDev Competition (held in 2013 and 2014) and the MyMoneyAppUp Challenge (held in 2012) produced apps for consumers, and the SmallBiz-Dev Hackathons produced apps

for small business owners. In 2014, the FinCapDev Competition led to the development of 10 mobile app innovations for financially vulnerable populations.⁹ MyMoneyAppUp, which D2D and CFSI developed with the U.S. Department of the Treasury, identified the best ideas and product concepts for next-generation mobile tools to help consumers make good financial choices.

D2D is also developing apps for savings, including a prototype for a "Fitbit-style" activity tracker, which is a "gamified" system for web and mobile platforms. The system can link to an existing financial product, pairing a layer of fun with useful tools, such as goal-setting and tracking tools. Users see a visual display of their financial habits and are rewarded for taking action related to saving. The

prototype will be evaluated in 2015 by D2D in consultation with Michael E. Staten, director of the University of Arizona's Take Charge America Institute for Consumer Financial Education and Research.

What has D2D learned about using prepaid cards to create savings opportunities? What are the related issues and challenges?

D2D believes that prepaid cards are well-suited platforms for savings innovations. Prepaid cards have already proven to be useful tools for managing individual and family budgets, but we think they can be designed to help consumers save money, including for emergencies such as car breakdowns, household repairs, and medical illnesses. D2D is exploring multiple savings strategies in the prepaid space, including reframing and branding a savings "pocket" for financial emergencies, offering a PLS feature, and gamifying a savings option.¹⁰

What has D2D learned about the potential that video games have in building financial capability?

D2D developed a suite of financial education video games (Financial Entertainment) because good games can be immersive, reduce players' anxieties, and deliver key financial concepts in an interactive, enjoyable way. Financial Entertainment titles cover topics such as building savings, managing debt, and help-

⁶ See the Board of Governors of the Federal Reserve System's report on mobile financial services, *Consumers and Mobile Financial Services 2013*, March 2013, available at <http://ow.ly/JQdlr>.

⁷ See the Pew Research Center's Social Networking Fact Sheet, available at <http://ow.ly/JQfu0>, and Social Media Update 2014, available at <http://ow.ly/JQfRW>.

⁸ For information about the hackathons and competitions, see Shaheen Hasan, Carolyn Hall McMahon, and Preeti Mehta, *Building Mobile Apps for Financial Capability & Access*, CFSI and D2D Fund, September 2013, available at <http://ow.ly/Kiq2b>.

⁹ For information on the innovations, see Tatiana Brezina, *2014 FinCapDev Competition: Ten Mobile App Innovations for Underserved Americans*, D2D Fund and CFSI, January 2015, available at <http://ow.ly/KiqC8>.

¹⁰ For a report on the use of PLS with prepaid cards, see <http://ow.ly/KirkJ>.



ing consumers split tax refunds into savings. Two Financial Entertainment titles, *Bite Club* and *Farm Blitz*, have been customized through a partnership with office supply retailer Staples, which made the games available to its workforce to improve employees' financial wellness. In the game titles, D2D and Staples embedded opportunities for employees to take real-world actions, such as adjusting a 401(k) salary deferral rate while playing *Bite Club*. The partnership highlights Financial Entertainment's ability to feature customized language and action-taking prompts and encourage players to test new financial behaviors.

D2D's games are also being used by teachers in all 50 states in their financial literacy lesson plans.¹¹

D2D has found that Financial Entertainment engages users, particularly low- to moderate-income consumers, in significant gameplay. Through our website portal, participants engaged in more than 587,000 game sessions and more than 106,000 hours of associated financial capability learning.

Financial education is often conducted through a combination of classroom instruction and one-on-one counseling and coaching. What is the role of technology versus personal intervention in achieving financial education goals?

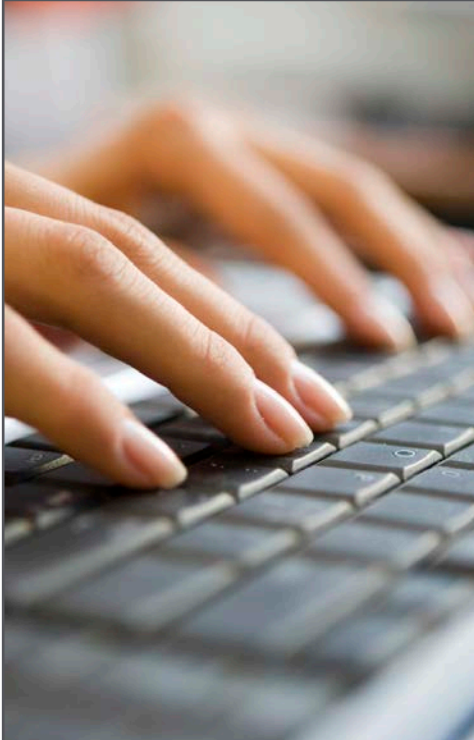
Technology can serve many people in a cost-effective, sustainable way. It can be accessible to almost anyone who wants or needs it. When

consumers are offered technology-based games or gamified experiences, they show up *voluntarily* — meaning they want to play and are motivated to do so — which helps to reach more people and make them more receptive to the learning that can occur. Technology can also be tailored to individuals, delivering what is most relevant at the moments of greatest impact. We think of technology as providing a foundation of financial capability tools that can broadly support the population; coaching and in-person resources can then be layered on top of this foundation where resources allow. ■

For more information, contact Timothy Flacke at tflacke@d2dfund.org or visit the D2D website at www.d2dfund.org/.

¹¹ For information on the use of financial entertainment by teachers, see <http://ow.ly/JQnBi>.

Cascade to Become Primarily an E-Publication



Starting with the Summer 2015 issue, *Cascade* will be published primarily in an online format to make the issue more readily available to our readers.

In addition, the electronic version of *Cascade* will be released four times a year instead of three, and only the main article of each issue will be printed.

If you are presently receiving printed copies of *Cascade*, you will automatically receive printed copies of only the main feature article in the future. Readers who are not receiving printed copies can be added to the mailing list by contacting Jeri Cohen-Bauman at jeri.cohen-bauman@phil.frb.org.

Is there a topic that interests you that we haven't covered? If so, send your suggestions to Keith Rolland at keith.rolland@phil.frb.org.

Our goal remains the same: to develop a resource that adds value for community development practitioners in financial institutions, nonprofits, and government agencies in the Third Federal Reserve District.

—The Community Development Studies and Education Department of the Federal Reserve Bank of Philadelphia

Delaware Financial Education Program Enlists State Agencies, Nonprofits, and Businesses*

By Keith L. Rolland, Community Development Advisor

Stand by Me (SBM), a four-year-old program created to educate Delaware residents about personal finance and motivate them to achieve financial goals, is currently being implemented by four state agencies, seven nonprofits, and about 50 businesses.

The program, which is a joint initiative of the Delaware Department of Health and Social Services and the United Way of Delaware, has the support of Delaware Governor Jack Markell — a longtime proponent of financial education.

Financial Coaching

SBM relies on a financial coaching model in which clients meet one-on-one with coaches to identify financial challenges, set goals, and create action plans. Delaware residents learn about the availability of financial coaching through SBM's partners in nonprofits, state agencies, and employers. Mary Dupont, director of financial empowerment in Delaware, said, "Our coaches take a customer-driven approach where they listen carefully to customers and help them to clarify their goals and path forward by asking questions and providing them with information and resources." She added, "Our coaches can't solve the financial problems of the customers

they work with. The customers have to set their own goals and carry out action plans." The clients' goals tend to focus on improving their credit, learning budgeting skills, and reducing their debt.

According to Dupont, the most important quality that personal financial coaches need to have is the ability to "establish a trusting relationship" with clients. She described SBM coaches as compassionate and good listeners who hold clients accountable for their decisions. She also noted that most of SBM's coaches don't have backgrounds in financial services. Twenty-one financial coaches are employed at seven of SBM's nonprofit partners.¹ SBM contracts with the nonprofits, and they then hire the coaches. The coaches receive their training by attending a five-day course at the University of Delaware, which offers 2.5 continuing education credits upon completion.² The training emphasizes relationship-building, offers skills development in budgeting and credit, and provides trainees with opportunities to shadow experienced coaches and attend monthly training events.

After they have received training, the coaches lead one-hour interactive workshops called Mind over Money.

In these workshops, the coaches teach clients about financial products that SBM considers "consumer friendly." These products include a payday loan alternative and a security deposit loan offered by West End Neighborhood House, as well as a credit-building consumer loan and a savings account for groups that want to form savings clubs offered by Artisans' Bank.

Some useful resources on financial coaching are a National Governors Association (NGA) paper on SBM, a NeighborWorks America study on financial coaching, and the University of Wisconsin–Madison's Center for Financial Security guides and other materials on starting and operating financial coaching programs.³

Targeted Populations

SBM targets the following populations for its coaching and Mind over Money workshops:


- **High school students and their families** — Financial aid specialists provide workshops on financial aid, and trained volunteers explain how to complete the Free Application for Federal Student Aid (FAFSA).
- **College freshmen** — SBM offers a financial education course at

* The views expressed here do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

¹ The nonprofits are the Food Bank of Delaware, Goodwill of Delaware and Delaware County, Latin American Community Center, NCALL Research, Telamon Corporation, West End Neighborhood House, and Wilmington Senior Center.

² The training curriculum was developed with Central New Mexico Community College.

³ An executive summary of the NGA paper is available at <http://ow.ly/L2asb>. A NeighborWorks study, "Scaling Financial Coaching: Critical Lessons and Effective Practices," is available at <http://ow.ly/L2caU>. The University of Wisconsin–Madison's Center for Financial Security materials are available at <http://ow.ly/L2dkq>.



Delaware Technical Community College (Delaware Tech) and Wilmington University that includes credit and budgeting.

- **Hispanic residents** — SBM provides its services in Spanish and covers topics such as ways to send money to relatives in Latin American countries.
- **Child care centers** — SBM provides free services to 39 child care centers through a grant from the Annie E. Casey Foundation.
- **The 50+ population** — SBM is working with the Wilmington Senior Center and other organizations to reach residents age 50 and older.
- **Active-duty military personnel and veterans** — SBM serves the unique budgeting and financial needs of active duty personnel at Dover Air Force Base, as well as veterans.

Later this year, SBM plans to begin reaching out to people receiving workforce development services; initially it will work with the vocational educational program targeted to adults through nonprofits and community colleges. The organization also plans to reach people who are disabled.

Working with Employers

A dozen of Delaware's largest employers, such as the Dover Downs Hotel & Casino, ShopRite supermarkets, and the Christiana Care Health System, offer SBM financial coaching as an employee benefit. Many small businesses also offer the service. In addition, Mind over Money workshops are sometimes offered at employer work sites.

The participating employers inform employees about the availability of financial coaching and usually allow employees to meet with coaches

during work hours at their work sites. Dupont stated that employees who address their financial problems are more stable and productive. To protect the privacy of the employees who seek financial coaching services, SBM recommends that employers avoid managing the service from their human resources offices.

Fitting Financial Education into Organizational Goals

Dupont explained that SBM strives to understand the employer's goals and priorities and then "fits" financial education services into those goals and priorities so that they are consistent with the organization's culture.

This strategy has been successfully employed in Delaware as the following three cases illustrate:

- Thirty-nine child care centers in Delaware began adding SBM services as an employee benefit and service to parents, actions that help improve the centers' public ratings, which are part of a state initiative to improve child care quality.
- Thirty-four of the state's 38 high schools started hosting SBM financial aid workshops and FAFSA sessions after the state launched a campaign to boost college enrollment.
- The 24 Head Start centers in Delaware began integrating SBM into their programs as an employee benefit and a service to parents after the Administration for Children and Families, which funds the centers, issued guidelines recommending asset-building efforts.

Program Data

According to SBM, the program

served 5,626 individuals from its inception in 2011 to mid-January 2015. Of those residents served, 72 percent are women, 53 percent are African American, 53 percent are employed full time, and 74 percent earn \$30,000 or less a year. In addition to the 5,626 individuals who received coaching services, SBM served 19,490 other individuals in workshops, FAFSA preparation, and free tax preparation.

SBM's \$1.9 million budget is funded by foundations (55 percent), corporations (20 percent), public agencies (20 percent), and participating businesses (5 percent).

Observations

Dupont observed that the state affiliation enables SBM to reach residents throughout Delaware, while the United Way affiliation provides flexibility, the ability to obtain nonprofit funding, and extensive community relationships.

She added that SBM requires "constant communication" between participating employers and nonprofits, as well as between clients and coaches.

Future Directions

SBM plans to have a formal workplace evaluation in 2015 and will continue to expand its services in Delaware. It is also exploring savings accounts in which participants have a chance to win prizes. SBM presently offers incentives such as gift cards and certificates of deposit for attending coaching sessions, opening new savings accounts, and other activities. ■

For more information, contact Mary Dupont at 302-255-9245 or mary.dupont@state.de.us; www.standbymeDE.org.

Lessons from the *Keys to Financial Success* Program*

By Andrew T. Hill, Ph.D., Economic Education Advisor and Team Leader

Since 2001, the Federal Reserve Bank of Philadelphia, in partnership with the University of Delaware Center for Economic Education and Entrepreneurship, has developed and trained high school educators to teach a one-semester personal finance course called *Keys to Financial Success (Keys)*. Since its inception, the partnership has trained more than 350 teachers from over 150 schools in Pennsylvania, New Jersey, and Delaware. Each year, these instructors teach more than 10,000 high school students in the Third District with their own courses modeled after the *Keys* curriculum.

Through the *Keys* program, trained educators give students the knowledge, skills, and processes required to make sound financial decisions and manage their own personal finances as adults. The 52-lesson curriculum is divided into nine themes: goals and decision-making, careers and planning, budgeting, saving and investing, credit, banking services, transportation issues, housing issues, and risk protection.¹

During the past 14 years, the *Keys* partners have learned a number of important lessons about the successful implementation of personal finance programs in K–12 schools:

- **Classroom teachers are the foundation of K–12 education.**

Equipping classroom teachers to better teach personal finance results in a significant multiplier effect. In addition to the *Keys* program for high school educators, since 2002 the Philadelphia Fed has offered numerous other programs² that train teachers from all grades to better teach personal finance and economics. Investing in educators is essential because each teacher trained will, on average, reach 75 students per academic year. This multiplier effect results in significant economies of scale and efficiency in program delivery. In contrast, although personal finance programs that rely on classroom visits from business people and civic leaders do provide a level of outside knowledge and experience, these programs often result in less instruction time per student. And, without large cadres of volunteers, personal finance programs that rely on direct education usually reach far fewer students than do programs that rely on teachers to deliver the content. Finally, with significant talent for, specialized training in, and experience with pedagogical methods, teachers have a comparative advantage over nonteachers in educating young people in all academic fields.



Andrew T. Hill, Ph.D.
Economic Education Advisor and Team Leader

- **The field of K–12 personal financial education, particularly since the financial crisis of 2007–2009, has exploded with a myriad of curriculum resources and programs, nearly all available free of charge to teachers and schools.** There is little need for the development of new personal finance curriculum resources except to fill gaps resulting from the emergence of new financial products and issues. Rather, the focus of K–12 personal financial education in the U.S. increasingly should turn to equipping teachers and schools with proven materials. The *Keys* curriculum brings together proven, existing materials, such as *Financial Fitness for Life, Second Edition*³; *Learning, Earning, and Investing*⁴; and *Practical Money Skills*,⁵ to give teachers a coher-

* The views expressed here do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

¹ For more information about the *Keys to Financial Success* program, visit www.philadelphiafed.org/keys or watch a short YouTube video at www.youtube.com/watch?v=jD5Iv4x_tQU. This year, the *Keys* program will be held on July 6–10.

² Some recent economic and personal finance teacher-training programs offered by the Philadelphia Fed include Making Sense of Money and Banking I and II, High School Personal Finance, High School Economics, Entrepreneurship and You, Personal Finance for the Middle School Classroom, Federal Reserve Financial Education Day, and World History and Economics.

³ Barbara Flowers and Sharon Laux, *Financial Fitness for Life, Second Edition*. New York: Council for Economic Education, 2010. See <http://fffl.ncee.net/> for more information about the *Financial Fitness for Life* program.

ent, organized curriculum for teaching their own high school personal finance courses at very low cost.

- **Most K–12 teachers in the United States have little or no training in personal finance content or how to teach it but are eager to be better equipped through in-service professional development. Training teachers matters.** In-service professional development training is essential to ensure that first-time personal finance teachers receive adequate content and pedagogical preparation and that experienced personal finance teachers receive ongoing refresher programs. During a one-week course offered each summer, the *Keys* program provides 30 hours of professional development to teachers before they teach the curriculum to their students. There is also a three-hour refresher program offered each year after school.
- **Personal finance in K–12 schools in the United States has no “home.”** In most states, personal financial education is not assigned to any particular subject area. Teachers from many different areas, including social studies, family and consumer sciences, business, and mathematics, are often equally likely to be assigned to teach personal finance in their schools. Because the program is so versatile, teachers from all these areas have been trained to

teach the *Keys* program. Successful K–12 personal finance programs need to be adaptable to different academic departments within schools.

- **Very few personal finance programs are evaluated; even fewer are evaluated well.** Given the many personal finance programs and curriculum resources available to schools in the U.S., evaluation of program success is essential so that teachers and administrators can make informed curriculum and program choices. To date, relatively few studies have been published on the effectiveness of K–12 personal finance programs in the United States. Also, much of that existing research has been conducted without the use of the best research methods.⁶ Asarta, Hill, and Meszaros reported the findings of a recent study into the effectiveness of the *Keys* program.⁷ They found that high school students who took a one-semester *Keys to Financial Success* personal finance course from a trained teacher increased their knowledge of personal finance concepts, as measured by pre- and posttests, by more than 60 percent.
- **Many K–12 personal finance programs are likely too brief to make a difference.** While most schools offer at least some personal financial education to their students, few offer complete high school courses like the *Keys*

to *Financial Success* program. And the personal finance that is being taught is often concentrated in specific grades, particularly the high school grades, rather than presented at each grade level in the K–12 progression. For this reason, in addition to the *Keys* programs, the Philadelphia Fed offers numerous professional development programs for teachers of all grade levels. Although these programs are not as involved as the *Keys* program, they are designed to provide teachers with the knowledge, skills, and curriculum materials necessary to introduce students to economics and personal finance in the classroom so that students become familiar with financial concepts such as saving, investing, budgeting, and decision-making well before graduation from high school. Some studies have shown that personal financial education has little or no effect on the long-run personal finance knowledge and capabilities of young people; this may be because nearly all those studies examined relatively brief programs, such as classroom visits by business leaders, lessons or units of instruction infused into existing classes, or assembly programs. The study by Asarta, Hill, and Meszaros, which focuses on the more in-depth program, provides some evidence that longer, stand-alone high school personal finance courses taught by trained teachers can have a significant impact on student knowledge. ■

⁴ Jean Caldwell, James E. Davis, and Suzanne M. Gallagher, *Learning, Earning, and Investing*. New York: Council for Economic Education, 2004. See <http://lei.councilforeconed.org/> for more information about the *Learning, Earning, and Investing* program.

⁵ VISA, *Practical Money Skills*. San Francisco: VISA, U.S.A., Inc., 2000. See www.practicalmoneyskills.com/ for more information about the VISA *Practical Money Skills* program.

⁶ See Carlos Asarta, Andrew Hill, and Bonnie Meszaros, “The Features and Effectiveness of the *Keys to Financial Success* Curriculum,” *International Review of Economics Education*, 16:A (May 2014), pp. 6–24 for a discussion of research methods for evaluating program effectiveness.

⁷ See Asarta, Hill, and Meszaros, May 2014.

SPOTLIGHT ON RESEARCH



By Marvin M. Smith, Senior Community Development Economic Advisor

The Influence of Financial Literacy on High-Cost Borrowing*

Two topics have gained widespread attention in recent years. One is the rapid growth of high-cost borrowing offered by the alternative financial services (AFS) industry, such as payday loans, pawn shops, auto title loans, refund anticipation loans, and rent-to-own stores. The other topic is the efficacy of financial literacy on improving the overall financial well-being of individuals. A study by Annamaria Lusardi and Carlo de Bassa Scheresberg explores the characteristics of those who use high-cost borrowing and the influence of financial literacy on their borrowing behavior.¹ The following is a summary of their paper.

Background

The authors noted the growth of the AFS industry by citing a 2009 report from the Federal Deposit Insurance Corporation that “estimated this industry to be worth at least \$320 billion in transactional services.” Other research has further delineated the impact of AFS. One study pointed out that in 2007 alone, “Americans paid an estimated \$8 billion in financial charges to borrow \$50 billion from payday lenders at annual percentage rates often well over 400 percent.” Another study reported that in 2008 “rent-to-own businesses

and pawnbrokers — which also tend to charge high interest rates — earned \$7 billion and \$4 billion in revenue, respectively.”

Who uses AFS? The authors indicated that AFS use is widespread; however, people between the ages of 18 and 34 are heavy users. Moreover, while a high proportion of individuals with low incomes are AFS users, there is a considerable fraction of higher-income persons who use AFS as well. It stands to reason that any financial decision-making is predicated on the decision-maker’s basic knowledge of financial concepts.

Although there is a growing body of literature that is concerned with the influence of financial literacy on financial behavior, the authors take a slightly different perspective. “While many papers have focused on the asset side of household balance sheets, examining, for example, the effects of financial literacy on retirement savings or investment in stocks, [their] paper shows we also need to look at the liability side of the balance sheet, examining borrowing behavior and debt management.” According to the authors, “skills and knowledge in dealing with debt can play an impor-



tant role in explaining how individuals manage their balance sheets.”

Data and Methodology


For their analysis, Lusardi and de Bassa Scheresberg used the 2009 National Financial Capability Study (NFCS), which consists of three linked surveys: the National Survey, which is a phone survey of 1,488 American adults; the State-by-State Survey, an online survey of approximately 28,000 American adults (about 500 per state, plus the District of Columbia); and the Military Survey, an online survey of 800 military service members and spouses.

The NFCS has several desirable features. It contains information on how people manage their resources and make financial decisions. Of particular importance to Lusardi and de Bassa Scheresberg, the NFCS has information not only on assets and asset-building but also on debt, including the use of high-cost borrowing. The NFCS also includes three questions that measure financial knowledge.² The

* The views expressed here do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

¹ Annamaria Lusardi and Carlo de Bassa Scheresberg, “Financial Literacy and High-Cost Borrowing in the United States,” National Bureau of Economic Research Working Paper 18969 (2013).

² These questions can be found at <http://ow.ly/KdhX7>.



authors indicated that a correct answer to all three questions indicates financial literacy.

To conduct their analysis, the authors chose a sample of 26,364 observations. Their analysis is predicated on the traditional intertemporal model of consumption and savings, which “predicts that individuals will borrow to smooth consumption” if they have no savings and are hit by an unexpected shock. In addition to unexpected shocks to resources, individuals who are prone to impatience might be willing to borrow at high interest rates. Also, if individuals are unable to borrow from traditional financial sources, such as banks, they might resort to using AFS.

The authors carried out their analysis in two phases. First, they used the NFCS sample to provide some characteristics of AFS users, and then they estimated the impact of financial literacy on the use of high-cost borrowing.

Results

Using their NFCS sample, the authors found that the highest percentage of AFS users among different demographic groups are as follows: 25 to 34 years of age; less than a high school education; separated or single; non-Caucasian; income of less than \$25,000; and unbanked.

Next, Lusardi and de Bassa Scheresberg used a series of regressions to investigate the influence of financial literacy on high-cost borrowing. For this segment of the analysis, the authors modified the sample to exclude those respondents who were over age 65, since they were more likely to be dissaving than borrowing. In all the regressions, the dependent variable denoted that

the respondent used at least one of the high-cost borrowing products (payday loan, auto title loan, refund anticipation loan, pawn shop, or rent-to-own shop). In the first regression, the authors used only one explanatory variable, namely, that the respondent answered all three financial literacy questions correctly. The result showed that those who are more financially literate “are 15 percentage points less likely to have engaged in high-cost borrowing.”

The authors recognized that financial literacy is not the only influence on high-cost borrowing. Therefore, they added the previously mentioned demographic characteristics associated with high-cost borrowing. Thus, in their second regression, in addition to financial literacy, they added the following as explanatory variables: age, gender, race/ethnicity, marital status, number of children, employment status, and income. After accounting for the effects of these demographic characteristics on high-cost borrowing, they found that financial literacy still had an important impact; namely, “those who are more financially literate are about 8 percentage points less likely to engage in high-cost borrowing.”

In their third regression, the authors included some variables that represented various levels of educational attainment (high school, some college, college, or postgraduate). The education variables showed that those with higher levels of educational attainment were less likely to make use of high-cost borrowing. However, they found that financial literacy still had “predictive power above and beyond the effect of education.” Thus, they pointed out

that high-cost borrowing is not only affected by general knowledge but also by specific knowledge of math and finance.

The authors included additional variables in their fourth regression that reflected preferences toward risk, economic shocks, and measures of financial fragility (e.g., having “rainy day” savings, possessing health insurance, and owning a home). Even after controlling for these influences, Lusardi and de Bassa Scheresberg found that financial literacy was still statistically significant and important.

In their last regression, the authors added a variable indicating whether the respondent was unbanked. Once again, even after taking into account bank status, the authors found that “those who are financially literate are still less likely to rely on high-cost methods of borrowing.”

Policy Implications

The findings of Lusardi and de Bassa Scheresberg indicated that “it is not only the shocks inflicted by the financial crisis, the structure of the financial system, and the availability and cost of using banks that matter, but that the level of financial literacy also plays a role in explaining why so many individuals have made use of high-cost borrowing methods.” The authors noted that their results suggest a method to intervene in high-cost borrowing. According to them, “one way in which we may affect AFS use is through promoting financial literacy and financial education.” Moreover, “such education-related intervention may affect not just wages but also net worth and, in particular, the costs incurred in managing debt.” ■

Clarifi Offers Financial Services at Health Centers, Adds Coaching and Mentoring*

By Keith L. Rolland, Community Development Advisor

Clarifi, a nonprofit that provides credit and budgeting counseling at 24 offices throughout the Delaware Valley, is trying a new approach in the delivery of its services by making them available in health-care centers in order to reach people where they regularly go for services.

At the same time, Clarifi is expanding its use of personal financial coaching and mentoring for women in its FinanciallyHers program, which starts with a “boot camp.” It is adding these services as a way to provide women with services over the long term on different financial needs.

Clarifi, a nonprofit that provides credit and budgeting counseling at 24 offices throughout the Delaware Valley, is trying a new approach in the delivery of its services by making them available in health-care centers in order to reach people where they regularly go for services.

In addition, in response to the issue of rising student loan debt, Clarifi is developing a program to offer financial counseling to college students.

Medical–Financial Partnership (MFP)

Clarifi, an affiliate of the Public Health Management Corporation (PHMC), is joining with the PHMC in a medical–financial partnership (MFP). The goal of the MFP is to integrate financial counseling in community-based health-care organizations that provide a range of physical and mental health, legal, case management, and other services to residents of low-income communities.

Patricia A. Hasson, president of Clarifi, said, “This is an innovative way to think about providing services. We’re looking to embed our services with health centers that have an established ongoing relationship with clients. The model is efficient and practical by allowing us to serve clients in one community location for two unique services. However, the main reason for the MFP is that we want to learn how individuals’ financial health can impact their physical health and vice versa. Integrating services and working with the clients will allow us to collect more data on this subject.”

Indeed, a 2009 study that included Clarifi clients found that poor health may be an important factor behind foreclosure.¹ Nearly 25 per-

cent of the study participants had high medical bills and owed money to medical creditors.

Through the MFP, Clarifi is now offering its services at a PHMC health center in North Philadelphia. Nurses and other primary care providers at the center screen patients on their financial as well as health needs.

This initiative recognizes that there may be a connection between financial difficulties and health problems. For example, a patient who has high blood pressure may disclose that he or she is greatly worried about financial matters. Or a patient who needs expensive medication for a health condition may struggle with how to pay for it.

Through the screening process, patients who want financial counseling are referred to a Clarifi financial counselor who is onsite several days a week. The counselor will work with patients on strategies to manage spending, decrease debt, and increase savings and asset-building. Pilot goals for 2015 call for the counselor to provide one-on-one counseling to approximately 150 individuals and for Clarifi to conduct educational workshops for up to 200 residents.

FinanciallyHers

Since its inception in 2008, FinanciallyHers has helped more than

* The views expressed here do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

¹ See Craig E. Pollack and Julia Lynch, “Health Status of People Undergoing Foreclosure in the Philadelphia Region,” *American Journal of Public Health*, 99 (October 2009), pp. 1,833–1,839, available at www.ncbi.nlm.nih.gov/pmc/articles/PMC2741520/.



Clarifi's coaching program builds on the one-on-one budgeting and credit counseling that Clarifi has provided for many years.

2,500 women to budget, save, and meet financial goals. Meeting initially in a group, the women explore factors that influence their money decisions, including spending "triggers." They attend workshops on such subjects as how to run their household like a business, how to attain good credit, and how to raise money-savvy children.

In 2014, Clarifi began inviting participants in its FinanciallyHers program to work one-on-one with financial coaches on goals such as paying off debt or saving for retirement. Participants agree to meet in person with a coach initially and then to meet or talk by phone with the coach over the next four to six months. In 2014, Clarifi paired 68 clients and coaches who are expected to meet monthly. In February 2015, Clarifi paired another 27 sets of coaches and clients.

Clarifi recruits volunteers from other nonprofits, banks, and even

its own staff and guides them by using a financial coaching curriculum developed by Central New Mexico Community College. Coaches attend a four-hour training session before they start to work with participants.

Markita Morris-Louis, senior vice president of community affairs and general counsel of Clarifi, explained, "Coaches try to motivate people to achieve goals through self-directed behavior change. Coaches monitor client progress and offer resources and encouragement." The coaches are volunteers, whereas Clarifi counselors are certified in credit and budget counseling and/or housing counseling by the National Foundation for Credit Counseling, the U.S. Department of Housing and Urban Development, and state agencies.

Hasson said, "Using volunteers in our coaching program is an economical way to connect with people over a long time to help clients achieve financial goals." Morris-Louis noted

that "the women in FinanciallyHers may want Clarifi's assistance in the future, for example, to buy a house or reduce debt."

Morris-Louis also shared the following observations: "We learned we had to be systematic in the coaching program and began to give prospective coaches and clients the Myers-Briggs personality inventory to find matches that would jell. Our staff now monitors how coaches and clients are doing through in-person inquiries and surveys. An AmeriCorps VISTA volunteer helps manage the program."²

Clarifi is also partnering with the Forum of Executive Women, which has more than 425 members in the Delaware Valley, for a special event in May 2015 that will make mentoring available to FinanciallyHers clients. Participants will have four 15-minute speed sessions with female executives from the Forum on subjects such as career development, communications, and networking.

Student Counseling

Clarifi has also developed a program in response to high levels of student debt. In the initiative, Clarifi is providing "financial aid check-ups" for Montgomery County Community College students to counsel them before they become delinquent or default on student loans. Clarifi is talking to other community colleges about helping students fully review their financial portfolio while making decisions about financing their education. ■

For more information, contact Markita Morris-Louis at 267-546-0243 or mlouis@clarifi.org, or visit www.clarifi.org.

²Useful resources on financial coaching are available at <http://ow.ly/Kvg6l>.

Lessons from the Jim Casey Youth Opportunities Initiative

...continued from page 1

tion to adulthood and receive financial and emotional support from their parents well past age 18, but young people aging out of foster care face a very different situation: “Too old for the child welfare system, but often not yet ready to live as independent young adults, the approximately 24,000 foster youth who ‘age out’ of care each year are expected to make it on their own long before the vast majority of their peers.”^{5,6}

One report in the Midwest Study compared a sample of young adults who aged out of foster care at age 21 and a nationally representative sample. Nearly 25 percent of the young adults aging out of foster care lacked a high school diploma or GED certificate by age 21, compared with 11 percent of their peers. Median earnings among those who had been employed were just \$5,450, compared with \$9,120 among their peers. More than half of the young women and nearly one-third of the young men had at least one child. More than half had been homeless at least once. Young adults aging out of foster care also had a high level of recent involvement with the criminal justice system.

Another report in the Midwest Study stated that more than one-third of young people aging out of foster care expressed a general need for training in independent living skills. The report states, “Those who cited specific independent living skills in which they needed training were

most likely to mention budgeting and money management.”⁷

Opportunity Passport

Gary J. Stangler, who is currently executive director of the Jim Casey Youth Opportunities Initiative, said, “When we started developing Opportunity Passport over a decade ago, the impetus came from the observation that most young people aging out of foster care had little or no money, and if they were in a state that provided some cash assistance, they had no ability to manage it.”

Lynn Tiede, presently the initiative’s senior associate director for policy, added that young people aging out of foster care typically don’t have experience in managing money from an allowance or part-time job and that the initiative wanted to help them practice managing money, setting financial goals, and building assets in critical areas such as post-secondary education and housing. Opportunity Passport, which targets young people between the ages of 14 and 25 who were placed in foster care on or after their 14th birthday, has three main parts:

- Financial education classes that initially focus on asset-building, credit, and money management and then later explore financial needs related to education, housing, and transportation, as well as savings and investments, are offered.⁸

- An IDA in which young people can withdraw savings to purchase an allowable asset and have it matched dollar for dollar up to \$1,000 per year is available. Allowable assets are generally for education expenses such as tuition, books, and computers; housing costs, such as apartment security deposits; cars; microenterprises; and health-care expenses. Asset purchases must be approved by the initiative affiliate with a maximum lifetime match of at least \$3,000. The affiliate opens the IDA at a local bank or credit union after the participants attend the initial classes.
- Adult support from the affiliate and sometimes the community is offered to help participants make financial decisions and learn from their mistakes.

Young participants build savings with stipends received for attending financial education events, completing biannual surveys, and participating on youth advisory boards. The program has evolved flexibly and varies somewhat by local site.

There have been 7,393 participants in Opportunity Passport from its inception in 2001 to April 30, 2014, according to Sandy Wilkie, director of research and evaluation. Of the 7,393 participants, some 35 percent have made a total of 5,590 asset purchases. There are currently 2,400 participants; 48 percent have been homeless and 22 percent are parents.

⁵ See a report of the Midwest Study at <http://ow.ly/L5ni5>.

⁶ U.S. Department of Health and Human Services, *The AFCARS Report: Preliminary Estimates for FY 2005 as of September 2006*. Administration for Children and Families, Administration on Children, Youth and Families, Children’s Bureau, 2006, available at <http://ow.ly/L5q2g>.

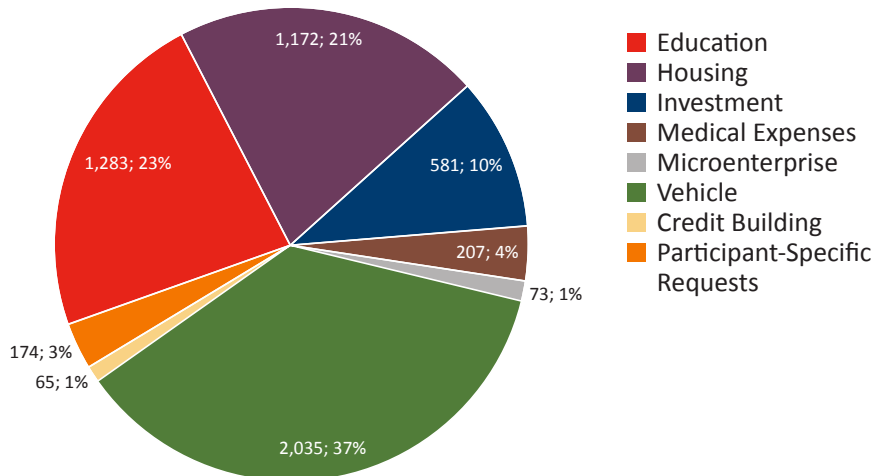
⁷ See the report at <http://ow.ly/L5nJm>.

⁸ The curriculum for Opportunity Passport classes is available at www.jimcaseyyouth.org/keys-your-financial-future.



Opportunity Passport Asset Purchases as of April 2014

Based on 5,590 asset purchases by 2,623 out of 7,393 participants (35%)



Vehicle purchases are the most common purchases in the IDA program and allow participants to travel to work, attend school, and engage in community activities. Of all purchases, 37 percent have been for vehicles, 23 percent for educational expenses, 21 percent for housing, and 10 percent for investments. The balance of purchases has been made for medical expenses, microenterprises, credit building, and participant-specific requests.

Lessons Learned

Researchers who interviewed 38 Opportunity Passport participants and eight initiative staff members said in a 2012 evaluation⁹ that young people making the transition from foster care “have a very small margin of error for managing their financial lives successfully, and as participants in the Opportunity Passport, they receive some support that helps them face financial challenges. With small and erratic in-

comes, spending and saving decisions were often difficult to manage; shortages meant that even small decisions had significant consequences.”¹⁰

The evaluation was coauthored by Clark Peters, assistant professor of social work at the University of Missouri. Peters explained in an interview, “There’s a lack of stability with many foster youth. It’s hard to save when you don’t know where you’re going to live. The learning curve is steeper and the stakes are higher.”

Initiative staff, in an issue brief¹¹ published in October 2014, wrote that:

- The single most important ingredient to financial success for young people appears to be “having at least one reliable and informed adult in their life to help them navigate decisions that have financial implications.”¹²

- Many young people aging out of foster care have a “critical” need for credit repair because they have been victims of identity theft by relatives or other adults or have made mistakes on their own. Young people need a good credit score to rent an apartment, enter into a cell phone or utility contract, and find employment, and in 2013 the initiative added good credit as an Opportunity Passport asset category for which matches can be made. Initiative affiliates try to work with nonprofits that offer loans for apartment security deposits or utility payments and that report payback of the loans to credit bureaus.

- Financial skills cannot be learned solely in a classroom, and young people must “practice their skills.”
- Child welfare systems should promote financial capability as an outcome for all young people they serve.

Initiative staff said that Opportunity Passport’s experience is instructive for those working with other vulnerable youth populations, such as young people living in poverty.

Savings Challenges

The researchers highlighted the difficulties the young participants faced in saving money and wrote: “Overall, the young people’s harsh financial circumstances, lack of financial knowledge, and lack of support — along with youthful financial missteps and poor decision making — made it difficult to accumulate savings in Opportunity Passport accounts.”¹³ Many young peo-

⁹The report, *Enduring Assets: A Study on the Financial Lives of Young People Transitioning from Foster Care* by Clark Peters, Margaret Sherraden, and Ann Marie Kuchinski, and a summary of the report are available at <http://ow.ly/L5xXJ>.

¹⁰See *Enduring Assets*, 2012.

¹¹Jim Casey Youth Opportunities Initiative, *Building Financial Capability for Youth Transitioning from Foster Care*, 2014, available at <http://ow.ly/L5kWb>.

¹²See Jim Casey Youth Opportunities Initiative, 2014. In addition, see a report by the Annie E. Casey Foundation that recommends a “two-generation approach” to simultaneously help low-income children and their parents escape poverty. This report is available at <http://ow.ly/L5laQ>.

¹³See *Enduring Assets*, 2012.

Lessons ...continued from page 15

ple struggled to retain a surplus for savings and found it difficult to resist spending money at their disposal.

The researchers said that the two largest obstacles to saving appeared to be a lack of predictable income streams and a lack of simple ways to get savings into an account, such as an automatic saving mechanism.

Another factor identified in the initiative's issue brief is that Opportunity Passport participants often expressed concern that money does not feel like their own when it is in a traditional IDA because withdrawals other than for a match are severely limited or not allowed.

Role of Financial Institutions

The researchers found that most Opportunity Passport participants relied heavily on cash for transactions, partly because the participants didn't trust traditional financial institutions because of negative experiences or reports from peers. Virtually all the young people surveyed used alternative financial services, such as check-cashing outlets, short-term loan centers, and rent-to-own stores. In the absence of viable products in mainstream institutions, Opportunity Passport participants turned to check-cashing services and prepaid card services that appeared to make spending easier and saving more difficult.

A continuing challenge for initiative affiliates, as reported in the issue brief, is finding banks and credit unions that have flexible savings accounts and IDAs and that are committed to creating a supportive environment for young people.

Stangler, who is a former director of social services for the Missouri Department of Social Services, concluded in an interview, "We have to prepare youths leaving the foster care system to live in the same financial world that we all do. We need to build their financial capacity to manage money and to save for the things that many young people need, such as an apartment or house and a car to get to work and school. And they need good credit in a credit score-driven world." ■

For more information, contact Beadsie Woo at bwoo@aecf.org or visit www.aecf.org/.

Perspective on Foster Care Trends*

Fred Wulczyn, Ph.D., Senior Research Fellow in Chapin Hall at the University of Chicago, was asked to provide his thoughts on the decline in the foster care population as shown in Mapping Our Community. His comments are as follows:

Tip (Thomas P.) O'Neill Jr., former Speaker of the House and Massachusetts congressman who served his home state for 34 years, famously said that all politics are local. Had he been a child welfare director, he might have also concluded that all child welfare systems are local. It is true that, as a nation, we have watched the foster care population fall from its historical high point of 567,000 children in 1999 to just fewer than 400,000 in 2012. That said, it is very difficult to paint the nation's child welfare system with a single broad brush. First, there is a small but significant group of states in which the foster care population has been growing. Second, the decline is concentrated in a handful of urban centers (e.g., New York City, Chicago, Los Angeles, and Philadelphia). In some rural areas, even in states with shrinking populations, the number of children living in foster care has continued to grow.

To understand what is going on locally, it is important to isolate how many children enter and leave foster care each year. Admission rates vary significantly between and within states. In some states, half the placed children leave within seven months; in other states, it takes well over 18 months. For example, in states such as Arizona and Oklahoma, the number of children entering foster care in recent years has been climbing along with the length of time on average each child spends in foster care. Elsewhere, in states such as Maryland, entries into and time spent in foster care have been declining. In Illinois, admissions are down, but length of stay has changed hardly at all.

Fewer children nationwide living away from their families is reason to celebrate. Nonetheless, there is no simple narrative that adequately summarizes the diverse experience of states. Child welfare systems are local; persistent progress requires a deep understanding of local policy, local practice, and local context. ■

For information, contact Fred Wulczyn at fwulczyn@chapinhall.org.

* The views expressed here do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

MAPPING OUR COMMUNITY

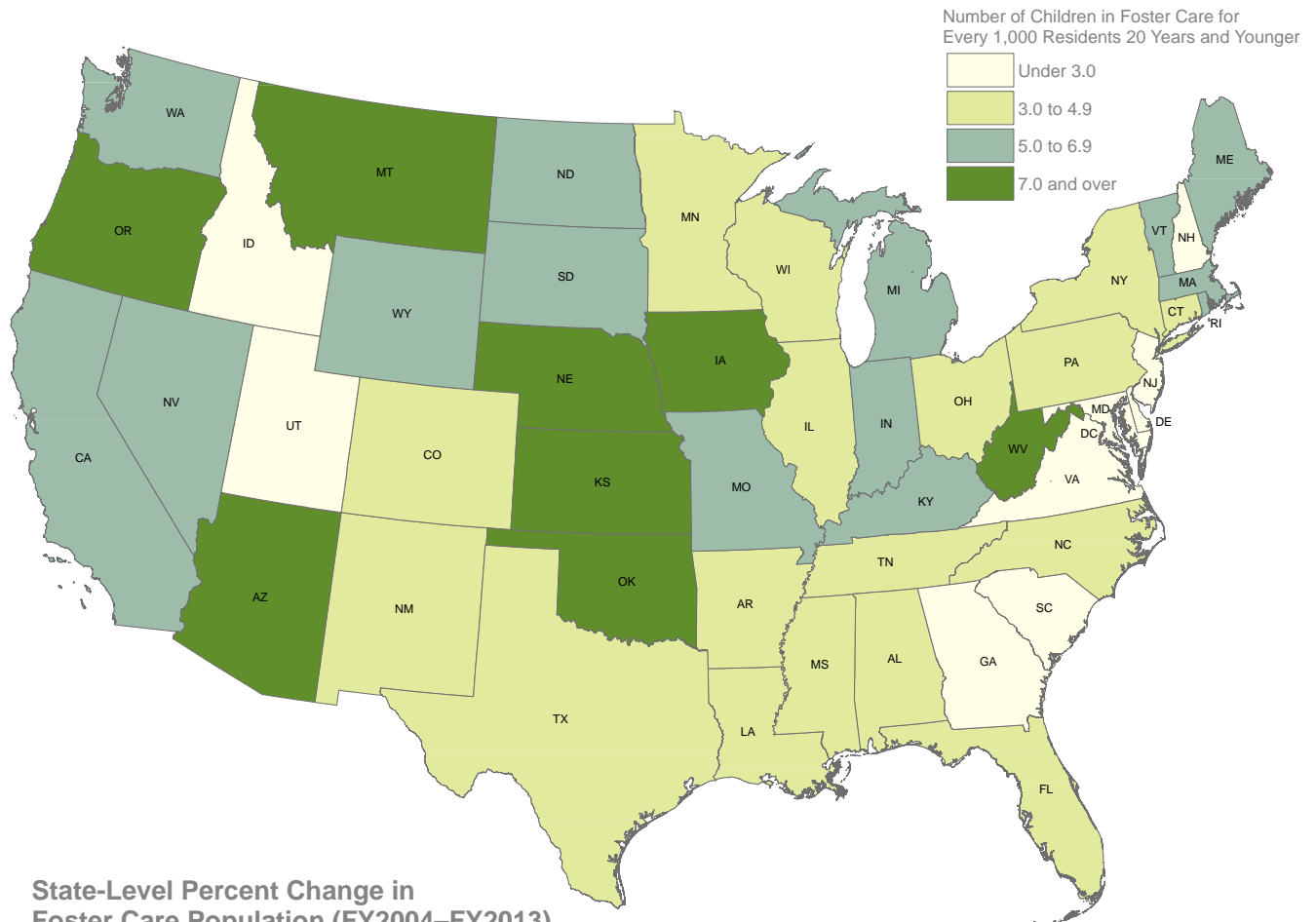
THIRD FEDERAL RESERVE DISTRICT

KEITH WARDRIP, COMMUNITY DEVELOPMENT RESEARCH MANAGER

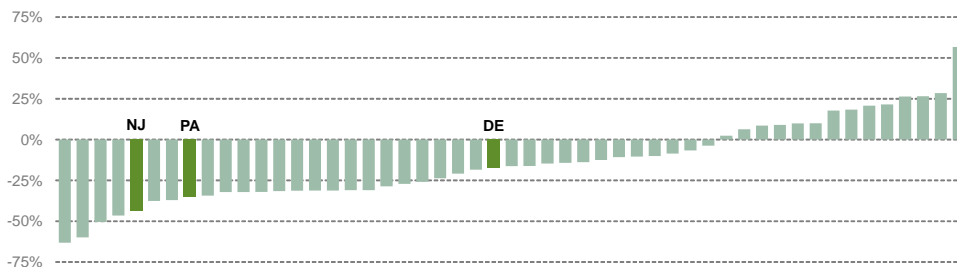
Foster Care Population in the United States*

At the end of the 2013 federal fiscal year, there were roughly 400,000 children in foster care in the United States. To put this figure in context, this represented roughly 4.6 children in foster care for every 1,000 individuals in the U.S. age 20 or younger. As the map indicates, this ratio varied widely from state to state, with a low of 1.9 in Virginia and a high of 9.5 in neighboring West Virginia.¹

Nationwide between fiscal years 2004 and 2013, the foster care population fell by more than 20 percent. Thirty-six states and the District of Columbia registered declines over this period, while 14 states reported an increase. The foster care population fell in all three Third District states: to 14,300 in Pennsylvania (-35 percent); to 6,900 in New Jersey (-43 percent); and to 700 in Delaware (-17 percent).



State-Level Percent Change in Foster Care Population (FY2004–FY2013)



* The views expressed here do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

¹ Annual figures reflect the number of children in foster care on September 30. Ratios for Alaska and Hawaii, which are not depicted cartographically, were 8.8 and 3.0, respectively.

Sources: Author's calculations using Adoption and Foster Care Analysis and Reporting System (AFCARS) data produced by the Children's Bureau, Administration for Children & Families, U.S. Department of Health and Human Services; U.S. Census Bureau, 2013 American Community Survey, Table B01001; ESRI, derived from Tele Atlas

Rhode Island Nonprofit Launches Financial Coaching to Increase Asset Matches*

By Keith L. Rolland, Community Development Advisor

Foster Forward, a Rhode Island nonprofit, is one of several affiliates in the Jim Casey Youth Opportunities Initiative's Opportunity Passport program that provide personal financial coaching to young people leaving the foster care system.

An initiative affiliate since 2005, Foster Forward has worked with more than 750 young people, including 280 who have accumulated savings and made asset purchases totaling more than \$900,000. Participants have opened individual development accounts (IDAs) or, more typically, traditional savings accounts that are used as IDAs with Citizens Bank, Bank of America, and other banks and credit unions.¹ Foster Forward has received awards from Citizens Bank and Bank of America for its overall work.

Lisa Guillette, executive director of Foster Forward, cited two Opportunity Passport success stories:

- Chris entered the child welfare system at age nine and "aged out" at 18. At 16, he began using matching funds and his own money to invest in bank CDs and later used two matches to take out secured loans, paying them back as a way to build his credit score. He currently runs his own business and attends the Community College of Rhode Island.

- Jonathan works in a warehouse, drives a school bus, and attends college. He worked with a Bank of America volunteer financial coach who helped him obtain his credit report and score and helped him correct inaccuracies as well as determine his goals. Jonathan has raised his credit score and received two asset matches: one for an apartment security deposit and another for a deposit on a car.

Financial Coaching

Guillette explained that Foster Forward started using financial coaches to better understand why some eligible participants hadn't pursued asset matches and to increase youth participation in such match programs. The nonprofit also believed that the coaches could help participants decrease debt, increase savings, and improve their credit scores, she said.

As an incentive to increase asset matches, the nonprofit offered financial coaching participants a two-to-one asset match, or two one-to-one matches, for apartment deposits, vehicle purchases, medical bills, and credit-building purposes.

Foster Forward is trying two different financial coaching approaches. In both, volunteers and participants meet four times during a two-month period to discuss budgeting, debt,



Chris Burns, now 20, said the financial advice and matches he received through Foster Forward were the first steps toward his financial stability.

banking, credit, saving, and health issues. They also meet for an additional nine to 14 hours during the year. Details of the two approaches are as follows:

- Since May 2014, 12 college-student volunteers have been working with about 30 participants after receiving formal financial coaching training from the Capital Good Fund (CGF), a community development financial institution based in Providence, RI.²
- Since June 2014, 24 Bank of America volunteers have been working one-on-one with 24 participants after receiving informal

* The views expressed here do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

¹ Individual development accounts (IDAs) are matched savings accounts that help people with modest means save toward the purchase of a lifelong asset, such as a home. See <http://cfed.org/programs/idas/>. Monthly statements are provided to Foster Forward as well as to the participants.

² See www.capitalgoodfund.org/aboutus/ourvision.

training, which included the Opportunity Passport curriculum.

As of the end of December 1, 2014, asset matches were made by six CGF participants and three Bank of America participants.

There are several differences in the two approaches. Foster Forward paid CGF for administrative expenses related to the coaching program but didn't make a similar payment to Bank of America. The CGF participants hadn't previously made an asset match, whereas the Bank of America participants had made at least one asset match. Also, CGF sometimes makes loans to help its participants build or repair credit and also reports the loan payments to credit agencies.

Guillette shared these preliminary observations on the nonprofit's experience with financial coaching: "Many of our volunteers from Bank of America are becoming trusted mentors and life coaches, and that is an important type of asset building we refer to as social capital. These volunteers have helped participants build life skills beyond financial capability. We are raising awareness among the volunteers regarding this population and the challenges they face and engaging them as adult supporters and allies in our work." ■

For more information, contact Lisa Guillette at 401-438-3900 or lisa.guillette@fosterforward.net or visit www.fosterforward.net.

EQUITABLE ECONOMIC DEVELOPMENT CONFERENCE

MAY 19, 2015 • LANCASTER, PA

Tuesday, May 19, 2015, 9:00 a.m. to 4:00 p.m.
Cork Factory Hotel, Lancaster, PA

The conference will explore equitable economic development that affords all individuals and communities the opportunity to realize the benefits of economic growth. Speakers will examine how economic development planning and decision-making can include equitable goals.

The conference is organized jointly by the Federal Reserve Bank of Philadelphia's Community Development Studies and Education (CDS&E) Department and Community First Fund, a community development financial institution (CDFI) that is based in Lancaster, PA, and that serves a 13-county region of central and eastern Pennsylvania.

The conference's primary audience includes executive directors of community and economic development and planning departments, community and economic development corporations, workforce investment boards, CDFIs, and nonprofits engaged in workforce development and small business development; affordable housing and commercial developers; bank Community Reinvestment Act officers; local government representatives; and equity advocates.

For information on registration, contact Jeri Cohen-Bauman of CDS&E at 215-574-6458 or jeri.cohen-bauman@phil.frb.org. For information on the conference, contact Noelle Baldini of CDS&E at 215-574-3722 or noelle.baldini@phil.frb.org, or Lydia Walker of Community First Fund at 717-393-2351, ext. 117 or lwalker@commfirstfund.org.

Visit <http://www.philadelphiafed.org/EEDC> to view the conference agenda and register for the event. The deadline for registration is May 8, 2015.



FEDERAL RESERVE BANK
OF PHILADELPHIA



Community First Fund

CASCADE

Federal Reserve Bank of Philadelphia
100 North 6th Street
Philadelphia, PA 19106-1574

ADDRESS SERVICE REQUESTED

PRESORTED STANDARD

U.S. POSTAGE PAID
Philadelphia, PA
PERMIT No. 529



2015

P O L I C Y
S U M M I T

on

Housing, Human Capital, and Inequality

JUNE 18-19, 2015

**Omni William Penn Hotel
Pittsburgh PA**

Join us in Pittsburgh this June for an important policy forum exploring ways to facilitate more equitable economic growth and opportunity.

Learn more and register at
www.clevelandfed.org/2015policysummit

*Sponsored by the Federal Reserve Bank of Cleveland,
in partnership with the Federal Reserve Banks of Philadelphia and Richmond*