LINKING LENDERS AND COMMUNITIES

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BRIDGES

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Seven Surprising Findings

from the Asset-Building Field

By Ray Boshara

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Back in the mid-1990s, when Michael Sherraden's seminal book, *Assets and the Poor*, was beginning to make its mark, the prevailing wisdom in the poverty field was that the poor couldn't save, so why bother? If they could save, they wouldn't be poor, right? Thankfully, well-endowed foundations didn't believe this, but many left-leaning academics and nonprofit leaders (sorry, I won't name names) were actually quite dismissive of the idea. They believed that they knew best what the poor needed and what they were capable of. We certainly hoped to surprise them.

But everyone agreed that proof of concept was necessary, and thus was born the American Dream Demonstration (ADD), which tested approximately 2,400 Individual Development Accounts (IDAs) over the course of about two years in 13 sites nationwide.

When researchers reported early findings that the poor *did* save in IDAs, skeptics were surprised and began to take the idea seriously. Some policymakers were so inspired by this finding and so eager for new ideas to help the poor—remember, this was when welfare as we knew it came to an end—that multibillion-dollar savings proposals emerged from Capitol Hill and the White House, again surprising just about everyone. We did not secure those billions, but did manage to get the $25-million-per-year Assets for Independence Program established in 1998, a modest though important step forward.

Over 10 years later, we continue to be surprised—and

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In this Issue…

By Allen North

Happy New Year!

There is no doubt that 2010 was a busy, challenging and exciting year in the Community Development department of the St. Louis Fed. We hosted conferences, delivered presentations and were involved in numerous discussions–with consumers, banking officials, nonprofit leaders, community development professionals and many others. As we continue to search for ways to serve our readers and explore more ways that we can work together, we'd like to request some input from you.

Enclosed with this issue of *Bridges* is a reader survey. You are very important to us, and we want you to help us identify the ways in which we can improve our newsletter to better fit your needs. Of particular interest, in this age of technology, are questions related to online readership. We hope that you'll take a few minutes to answer some short questions and let us know more about you and what you'd like to see in the pages of *Bridges* in the future.

The current issue is a bit different from the rest of those published this year. Rather than a themed issue, this one brings you topical stories of general interest. The cover story is a great synopsis by Ray Boshara of what we've learned about saving and the poor; the title is very descriptive–there are indeed some surprising findings here. Brian Dabson's article takes us to small-town America to take a look at the needs of our nation's rural communities. And don't forget to save the date for our conference this spring, Exploring Innovation: A Conference on Community Development Finance; some of the exciting details are provided here by Faith Weekly, a community development specialist at the Louisville Branch of the St. Louis Fed.

We look forward to hearing from you via the survey. You may return it in the envelope provided, or answer these questions at www.stlouisfed.org/publications/br/. Please feel free to include any additional comments you think are necessary or relevant to improving *Bridges*. Your responses and time are greatly appreciated.

Thank you!

Allen North is vice president in the Federal Reserve Bank of St. Louis' Banking Supervision and Regulation Division, with responsibilities for Consumer and Community Affairs and Supervisory Policy and Risk Analysis.

"Seven Findings"

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sometimes humbled—by what we're learning about saving and asset-building by the poor. Here are a few of those lessons.

1. The poor save, and the poorest save more.

Households earning 200 percent of the poverty line (the maximum allowed) saved about 1 percent of their income, while those earning below 50 percent of the poverty line saved about 3 percent. In fact, not only did income not predict saving, but most other demographic features—age, gender, race, employment status and welfare receipt—did not strongly predict saving either. In other words, a broad range of low-income people saved successfully in IDAs. How was this possible? Researchers at the Center for Social Development, which Sherraden directs, believe that what really matters is who has access to a structured saving mechanism—an employer, a nonprofit, automatic payroll deductions, or easy ways to save and build assets at tax time. In fact, that's how most wealth in this country is accumulated.

2. Low-income families want short-term, unrestricted savings, not just savings restricted to long-term, productive assets.

When 64 percent of participants in ADD made an unmatched withdrawal (i.e., they forfeited a 2-1 match just to get through some crisis), the field realized that low-income families need short *and* long-term savings, and that IDAs could not meet all of those needs. Since then, promoting access to unrestricted savings (at tax time, from automatic payroll deductions, through prize-linked savings, etc.) has become a key goal in the assets field. Low levels of flexible savings force many struggling families to rely on expensive, wealth-depleting alternative financial services providers (pay-day lenders, check-cashers and others). The Consumer Federation of America found that low-income families with $500 in emergency savings had better financial outcomes than moderate-income families with lower savings. Also, the Urban Institute found that households that are "liquid-asset poor" are two to three times more likely than those with liquid assets to experience "material hardship" after a job loss, health emergency, death in the family or other adverse event.

3. Matches matter less than we thought.

One of the most powerful findings in ADD was that a $1 increase in the match cap (the maximum amount of savings that would be matched) was associated with a 57-cent increase in savings. That's a huge effect. Researchers believe that many savers turned that match cap into a savings goal, increasing their saving. In contrast, higher match *rates* (e.g., a 2-1 match instead of 1-1) tended to encourage people to start saving, but higher matches also resulted in less monthly savings since participants could reach their goal with less of their own savings. Lesson: Personal goals matter. If the goal is to increase saving, then higher match *caps* are likely to be more effective than higher match *rates*. However, higher match rates might result in faster and increased asset accumulation.

4. Assets matter more than we thought.

Sherraden was more right than he predicted when he posited that owning, as distinct from earning, would generate a broad range of good social outcomes. For example, William Elliot III of the University of Pittsburgh and Sondra Beverly of the Center for Social Development, in trying to understand why youth who expect to go to college do not, discovered that, remarkably, those with accounts in their names are *seven times* more likely to attend college than those lacking accounts. Trina Williams Shanks of the University of Michigan reported that children who grow up in homes with assets have lower rates of teen pregnancy, fewer behavioral problems, better self esteem, more confidence and a future orientation. Interestingly, the simple presence of the asset, and not the amount, seemed to matter most. Assets matter, too, for driving opportunity. New York University's Dalton Conley found that, controlling for income, education and family background, "it is really net worth that drives opportunity for the next generation." And Pew's Economic Mobility Project found that financial capital, along with family structure and educational attainment, are the three strongest predictors of economic mobility in America.

5. Financial education matters, but defaults matter more.

In ADD, every hour of financial education was correlated with greater saving, but only up to 10 hours. This is an important finding, but the effects of establishing the right "defaults" in savings plans is even more powerful. In an experiment documented by Bridgitte Madrian and Dennis Shea, participation in 401(k) plans grew from 35 to 85 percent for women, 19 to 75 percent for Hispanics, and 13 to 80 percent for low-income workers when the default setting was switched to automatic enrollment (you have to opt out) instead of automatic nonenrollment (you have to opt in). Also, Richard Thaler and Shlomo Benartzi found in their "Save More Tomorrow" experiment (workers can commit to save more of future pay increases), that 78 percent elected to use it while 98 percent remained in the plan two pay raises later. These "behavioral" features are similar to the structural or institutional features mentioned earlier—that saving, like many things, is a psychological or behavioral response to an established structure.

6. Our biggest successes thus far have required no government funds.

This, too, was quite a surprise. We had assumed that we needed billions in new government funds to generate billions in savings and assets for the poor. But no funding was required when Congress clarified various 401(k) laws in the Pension Protection Act of 1996 that enabled more companies to offer opt-out policies, which is estimated to generate $44 billion in new savings every year, including new savings by low-income workers, according to the Brookings Institution. Also, taxpayers can now automatically save their refunds in three accounts (via form 8888 or "split refunds") and can purchase savings bonds directly on their tax returns—again, at no cost to taxpayers.

Preliminary data and earlier experiments strongly suggest that low-income families are largely, even disproportionately, benefitting from both split refunds and the savings bond options: Over 60 percent of savings bond purchasers had AGIs of $50,000 or less.

The bottom line: Think big *and* think small. Think big, as in savings accounts at birth for all children. And think about the small, low-cost changes in regulations, tax forms, products, etc. that could result in billions of dollars in new savings, including from the poor.

7. Saving and asset building are still the right ideas—even in this economy, and even as asset values have shrunk.

The goal should not change, but how we achieve it, for whom, and when in the lifecycle should. A good example of asset building done right is Self-Help's 50,000-plus families in the secondary market program, who repaid their loans and saw their home equity increase over the last several years. Another is the CFED-Urban Institute IDA study, which found that "[L]ow-income homeowners who participated in programs providing extensive financial education and matched savings on their down payments were two to three times *less likely* to lose their homes in the recent wave of foreclosure than similar families in the same communities."

No doubt research and the savings experiences of the poor will continue to surprise and inform us. And no doubt these lessons and insights will be helpful as we design policies and programs in this tight fiscal era—a time in which *all* Americans will be expected to save and invest more to realize their aspirations.

Ray Boshara is vice president and senior research fellow at the New America Foundation, a Washington, D.C.-based think tank. He also founded the Asset Building Program at New America, which he directed from 2002-2009.

Next Steps in Community Development:
A Rural Perspective

By Brian Dabson

Discussions and debates on the future of community development tend to focus on the particular challenges of central cities and inner-ring suburbs. But there is another America that deserves a closer look—the one that contains almost 90 million people distributed across three-quarters of the nation's land area. This is rural and small-town America, a complex landscape of abundant natural resources interspersed with areas of intense neglect and persistent poverty; an area of huge potential and opportunity, but with challenging human needs and infrastructure deficiencies. Any next steps in community development from a rural perspective must seriously consider and address these requisites: the need for a positive narrative for rural America, the pursuit of functional integration, the case for structural investment, the imperative of regional collaboration, the centrality of entrepreneurship and the vital importance of community resilience.

The Need for a Positive Narrative for Rural America

The starting point has to be the creation of a positive, forward-leaning narrative for rural America based on the critical assets upon which they can build their future and contribute to national prosperity. These assets include growing food, harnessing (and growing) energy, managing ecosystems, and stewardship of natural amenities and indigenous cultures. What has to be avoided is the natural default to bemoan the fate of rural disadvantage and injustice, to accentuate the negatives, and to accept the downward trajectory of rural regions. A positive narrative has to counteract two contradictory frames[1] of rural life: *rural utopia*—idyllic communities driven by self-help and tightly knit community life, with no need of public support; and *rural dystopia*—backward communities depicted as hopeless, dysfunctional and undeserving of public support.

The framing of such a narrative is the purpose of the Rural Futures Lab (see box), a new initiative from the Rural Policy Research Institute at the University of Missouri that seeks to answer the question, "What can we do today that will lead to positive rural outcomes in the next 10 or 20 years?"

The Pursuit of Functional Integration

Finding ways to best use limited resources has always been a fact of life in rural America, but economic conditions—both now and in the foreseeable future—make this still more necessary. A common response has been to consolidate services, particularly in education and health, with the result that rural communities lose essential pieces of their infrastructure. Such losses threaten their very existence.

Alternatives can be pursued through integration within and across sectors, and through the creative use of information technologies. This can already be seen in rural health care with the concept of a continuum of care from prevention to intensive care, and the shift from a single focus on individual medical needs to a broader focus on community health and well-being. These approaches require the integration of services across specialties, geography and institutions so that rural people can continue to receive adequate, accessible and affordable health care. Similarly, if rural students are to be spared long bus journeys to and from urban and suburban schools, small schools must be kept viable and effective by integrating services through distance learning and shared faculty. Integration across sectors can also be pursued, such as co-locating schools, elder care, clinics and community centers in under-used school buildings.

The idea of functional integration underscores the criticality of high-speed broadband provision as an essential service to rural communities. Without broadband, affordable and practicable approaches to integrated health, education, government and financial services will be hard to find.

The Case for Structural Investment

Chronic underinvestment in both physical and human capital has existed in rural regions for decades. Some investments made under the American Recovery and Reinvestment Act were intended to tackle not only the large parts of rural America without broadband service, but also the substantial backlog of projects for water and sewer needs for rural and tribal communities. But investment is still urgently required for housing, roads, bridges and public transit—all essential to economic development and quality of life.

Investment is also essential to maintain and enhance the education and skill levels of rural people. Of critical importance is leadership development:

Only with intelligent, informed civic leadership can transformative change take place.

The Imperative of Regional Collaboration

Rural investment and leadership cannot be achieved if barriers created by jurisdictions and sectors make cooperation and joint working across regions difficult or impossible. Counties and cities have to plan and work together, sharing resources and setting aside historic differences, if they are to survive the impacts of globalization and economic austerity. The public, private and nonprofit sectors have to move beyond the public relations of partnership to genuine collaboration to achieve common social, economic and environmental goals.

Central to this collaboration is the exploration of mutually beneficial linkages between urban and rural areas. Rural America has much to contribute to national and metropolitan prosperity, with opportunities in food systems, alternative energy and ecosystems services. Creating conditions where rural regions are equal partners with their metropolitan counterparts to invest in common futures has to be the goal.

The Centrality of Entrepreneurship

Even though the economic development approach of choice is still recruitment, research and experience show that this is not an effective strategy for much of rural America. More appropriate is fostering entrepreneurship and homegrown business development, which has proven to be a very promising strategy in a wide variety of rural settings. Entrepreneurs represent the human capital that can convert rural assets into economic opportunity. There are a range of approaches—economic gardening, entrepreneurship development systems, hometown competitiveness, enterprise facilitation—that encourage and support entrepreneurship. Whichever approach is adopted, the availability of high-speed broadband is once again vital to promote local, vibrant economies.

The Vital Importance of Community Resilience

The increasing likelihood and frequency of disasters, both natural and man-made, requires intelligent and inclusive approaches to planning and preparedness, not just to cope with the immediate impacts of these events but to build resiliency to enable affected communities and their economies to recover and thrive. This implies that risk assessment and management have to be integral parts of visioning and strategic planning efforts to ensure appropriate land uses, strengthen building codes, and coordinate public and emergency services. A necessary aspect of such strategic planning will be to ensure that community development is structured to address a mix of economic, social and environmental goals, often described as a triple-bottom-line approach to public and private investment.

Good News

The good news is that people, communities and organizations across the nation are demonstrating the potency of these approaches to rural community development. More is needed to power up these efforts. Securing commitment and investment from public, private and philanthropic communities in rural America, and significantly widening the whole nation's appreciation of how much it depends on thriving rural communities and economies, will be essential.

Brian Dabson is Director, RUPRI Rural Futures Lab; Vice President & COO, Rural Policy Research Institute; and Research Professor, Harry S Truman School of Public Affairs, University of Missouri. He also serves as a member of the Community Development Advisory Council for the Federal Reserve Bank of St. Louis.

Endnote

1. Bostrom, M. In "Framing Rural America—Interconnectedness." *The State of 21st Century Rural America: Implications for Policy and Practice.* Proceedings Summary of Conference, W.K. Kellogg Foundation, Washington, D.C., March 2005, page 4.

RUPRI Rural Futures Lab

The Rural Futures Lab is a new initiative from the Rural Policy Research Institute at the University of Missouri. It is intended to create a forward-looking narrative about rural America that recognizes the vital contribution that rural people and places make to national well-being and prosperity.

The Lab is looking for promising answers to the question, "What can we do today to achieve positive rural outcomes tomorrow?" The early focus is on some key economic drivers that will affect the entire nation—regional and local food systems, alternative energy, ecosystems services and adaptation to climate change. Of particular interest is the role that regional collaboration, social equity, innovation and entrepreneurship, and the next generation of rural leaders will play in shaping these drivers and their impacts, as well as the structural investments that will be needed in health systems, education, broadband and transportation.

Environmental Assessments:

Community Development Trends around the District

By Mary Pederson

When state governments begin their legislative sessions in January, lawmakers will be confronted with massive budget shortfalls and declining revenue. As states grapple with the task of balancing their budgets, social services and community development projects will be vulnerable to cuts. With limited funds available for these types of services, it is clear that individuals working in this field need to pursue a more holistic approach to community development. Through their conversations with community members and visits in the field, the Community Development staff of the Federal Reserve Bank of St. Louis understands how unemployment, workforce development, community development financing and foreclosures are affecting residents throughout the Eighth District, as well as how communities are approaching these issues.

Unemployment

A continuing challenge for state governments is unemployment. The hit to the manufacturing industry has severely impacted communities in the District, pushing unemployment up to 9.5 percent in the St. Louis and Memphis Metropolitan Statistical Areas (MSA), 9.8 percent in the Louisville area, and 6.8 percent in Little Rock.[1] These unemployment rates, while high, would be worse without the funding that states received from the American Recovery and Reinvestment Act (ARRA) of 2009. ARRA provided states with funding for job creation and retention, a fact reflected in the Congressional Budget Office's report stating that between 1.4 million and 3.6 million individuals around the country have been employed or have remained employed as a result of ARRA funds.[2] This aid from the federal government is expected to run out next year, making the budget even tighter for state governments.[2]

Workforce Development

In response to the high rates of unemployment, state governments and local organizations are pursuing alternative paths to retrain the workforce. There is particular interest in green job development around the Eighth District. St. Louis, for example, has added 1,000 green jobs in the past two years and has promoted job creation in the "adaptive" green economy—jobs in businesses that are greening their operations.[3] The St. Louis region was also one of four metropolitan regions recently selected as a pilot for the Rockefeller Brothers Fund's Climate Prosperity Project, which connects environmental factors with economic development. These are the kinds of innovative practices that are coming into play to bolster the region's workforce.

Community Development Financing

Financing is a major challenge facing community development. There is a small number of experienced community development financial institutions (CDFIs) in the Eighth District providing funding for practitioners to expand their work. However, local organizations consistently tell community development specialists that there is a need for more CDFIs, which would expand access to credit, capital and financial services to underserved communities, especially as small businesses and nonprofits are having difficulties receiving loans from traditional funding sources.

Nonprofits have seen their funding from corporations, private foundations and state governments significantly decreased or cut altogether. Financial institutions, too, have adopted more traditional underwriting standards, reducing the availability of credit for small businesses and nonprofits. CDFIs report that in light of banks' new underwriting standards, the CDFIs are now getting more and more requests for loans. Currently, with limited funding available from states, the small number of CDFIs in the District, and tightening of available funds from financial institutions, there is a greater need for collaboration and creativity among community organizations in their attempts to develop sustainable initiatives to catalyze economic growth.

Foreclosures

The foreclosure crisis remains one of the main issues in the Eighth District. In neighborhoods already struggling to remain stable, the high concentration of foreclosures has further limited development possibilities. Even suburbs that have traditionally been considered very healthy and stable are showing signs of vulnerability. With few existing safety nets, these healthy suburbs are struggling to maneuver through the early stage of risk they are experiencing. Over the past year, community development specialists have held meetings and dialogues throughout the District to better understand the crisis and to work with local partners on issues of abandoned housing and foreclosure-related scams, among others.

Focus on the Future

The staff of the Community Development Office of the Federal Reserve Bank of St. Louis is connected to and working in the field on these issues. They recognize that a holistic approach to community development is needed in the upcoming months of state budgetary crisis and a declining pool of capital, and will strive to be an ally and resource to organizations around the District. Moreover, the staff's understanding of these challenges will help guide the department as it establishes its focus for 2011.

Mary Pederson is a graduate student in the George Warren Brown School of Social Work at Washington University in St. Louis and a practicum student in the Community Development Office of the Federal Reserve Bank of St. Louis.

Endnotes

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2. Leachman, M. (2010, November 29). New CBO report finds up to 3.6 million people owe their jobs to the Recovery Act. Washington, D.C.: Center on Budget and Policy Priorities. Retrieved from www.cbpp.org/
3. St. Louis Regional Chamber & Growth Association. (2010, July 9). St. Louis region green economy profile is "roadmap" for region's green industry cluster. Retrieved from www.stlrcga.org

Have you HEARD

Competition for Sustainable Urban Housing Solutions

The U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of State, in partnership with Ashoka's Changemakers (the global association of the world's leading social entrepreneurs) and the American Planning Association, have launched an online competition to find creative solutions to integrate and develop affordable, inclusive and sustainable urban housing. The submission deadline is February 11, 2011.

The competition, funded by the Rockefeller Foundation, seeks innovative products, policies and strategies that mobilize community resources and the ingenuity of designers, planners, environmentalists, developers, bankers, engineers, and civic and government leaders. The winners will promote collaboration by connecting key institutions and a broad network of entrepreneurial problem solvers and strengthening community engagement while simultaneously respecting the environment, local cultures and practices. The top three entries will win $10,000 each; competitive entrants will be viewed by public and private partners, including prospective funders, at a showcase event in June 2011. Submit your solutions—or nominate a project—on challenge.gov today!

New Site Focuses on Rule-Making for Dodd-Frank Act

Community developers and leaders can keep track of and comment on the rules being written to implement the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 at stlouisfed.org/rrr. More than 200 regulatory reform rules are expected to be written, affecting numerous regulatory agencies. The web site is updated as new rules are proposed and move their way through the rule-making process.

Board Releases Information on Student Credit Cards

The Federal Reserve Board has released a report containing payment and account information about more than 1,000 agreements between credit card issuers and institutions of higher education or affiliated organizations (e.g., alumni organizations) that provide credit cards to students. Information includes the number of accounts opened, payments made, and the largest agreements in place. The report is available online at www.federalreserve.gov/boarddocs/rptcongress/creditcard/2010/downloads/CCAP_October_web.pdf.

The Board also launched an online database (www.FederalReserve.gov/CollegeCreditCardAgreements) where users can access additional information about these agreements, including complete text, view information submitted by card issuers, and search for individual agreements using various criteria.

Truly Independent Real Estate Appraisals

An interim final rule meant to ensure that professional real estate appraisers remain independent as they assign home values was announced by the Federal Reserve Board. The rule aims to eliminate influence or pressure from those with interests in these transactions, protecting the integrity of the appraisal process as consumers secure home loans. The rule is required by the Dodd-Frank Wall Street Reform and Consumer Protection Act; compliance will be mandatory on April 1, 2011. Among other provisions, the rule:

- prohibits coercion and other similar actions designed to cause appraisers to base the appraised value of properties on factors other than their independent judgment;
- prohibits appraisers and appraisal management companies hired by lenders from having financial or other interests in the properties or the credit transactions; and
- prohibits creditors from extending credit based on appraisals if they know beforehand of violations involving appraiser coercion or conflicts of interest, unless the creditors determine that the values of the properties are not materially misstated.

To read the interim rule, go to edocket.access.gpo.gov/2010/pdf/2010-26671.pdf.

The CRA Meets Higher Education

The federal banking and thrift regulatory agencies announced a final CRA rule to implement a provision of the Higher Education Opportunity Act. It requires the agencies to consider low-cost loans for higher education to low-income borrowers as a positive factor in their consideration of the financial institution's record of meeting community credit needs under the CRA.

The rule also incorporates a CRA statutory provision that allows agencies to consider a financial institution's capital investment, loan participation, and other ventures with minority-owned financial institutions, women-owned institutions and low-income credit unions as factors in assessing the institution's CRA record.

The final rule was issued jointly by the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency and Office of Thrift Supervision, and is available at edocket.access.gpo.gov/2010/pdf/2010-24737.pdf.

Themes Emerge in Policy Dialogue Series

By Daniel P. Davis

With an understanding that the field of community development has been impacted significantly by the challenges of the current economic downturn, the St. Louis Fed's three-part public policy dialogue series, *New Voices, Fresh Ideas: The Future of Community Development*, brought together representatives from financial institutions and community development practitioners to discuss possible directions to keep the field relevant and impactful. During each event in 2010, audiences were introduced to groundbreaking approaches and asked, in response, to leverage their own expertise to engage in robust dialogue that could inform their work in the industry. Emerging themes included a renewed focus on the vital role community members play in the development process, a need for increased collaboration among different sectors, the importance of education in economic development and the value of new financing models.

April's event, "Restructuring and Retooling for the Future," featured Ruth McCambridge, editor-in-chief of *The Nonprofit Quarterly*; Gary Logan, founder of Synago Consulting; and Ray Boshara, vice president and senior research fellow at the New America Foundation. These experts urged a return to the fundamentals of community development—organizing at the grassroots level, respecting the intrinsic values of our communities and a return to relationship banking. This public policy dialogue was the focus of the Summer 2010 issue of *Bridges*, which you can view online at www.stlouisfed.org/publications/br/pastissues/.

During the second conference, "Addressing the Achievement Gap and Fostering Community Leadership," Jean Horstman, CEO of Interise in Boston, stated that "behind every 'I' of our highly individualistic society is a larger 'we,'" and indicated that collaboration is essential to the development process. She noted that "the future is something that not one of us owns, but paradoxically, all of us own together," a theme reiterated by Donna Ford, professor of education and human development at Vanderbilt University. Ford said that many of the problems experienced in development work exist because of a lack of interconnectedness between potential partners, stating that "there is a lack of five Cs: caring, commitment, co-destiny, collaboration and comprehensive services" in many of the most needy communities.

Ford highlighted the impact the educational achievement gap has on workforce development. She noted that the gap exists before children enter school and grows to four years by the time students are 17 years of age. Douglas Scarboro, executive director of the Office of Talent and Human Capital and the education liaison for the City of Memphis, emphasized that trending out educational achievement gaps have broad economic development implications. Scarboro said that Memphis' percentage of college-educated individuals is 23.7 percent. "If that percentage increased just 1 percent, to 24.7 percent… the economic boost to the economy would be $1 billion," he said.

Our final event, "Tapping New Sources and Exploring New Models for Community Development Finance," featured Trinita Logue, founder and president of IFF (formerly the Illinois Facilities Fund), who echoed Ray Boshara's comments at the April event by saying that "in the future we need more CDFIs operating at different levels." Logue stated that conventional financing models cannot address the field's growing needs and emphasized that more resources are needed to fund health centers, education facilities, food centers, and transit-oriented development.

Ian Galloway, investment associate in the Center for Community Development Investments at the San Francisco Fed, offered an unconventional model, suggesting that technology could be a valuable asset for acquiring capital. Galloway pointed to the success of peer-to-peer lending sites such as Kiva and noted that an increased use of technology would be a "radically democratic" method for securing financial capital.

Dione Alexander, vice president of the Nonprofit Finance Fund, encouraged audience members to transform their outlook from alleviating problems (*project* financing) to expanding opportunities (*platform* financing). She proposed that new financial models must be collaborative and asked participants to think beyond the usual suspects to find partners to assist in financing opportunities. Returning to the theme of placing the focus on the value of community members, Alexander said, "The success of community development finance is not about how clever we are with the numbers, but rather the important understanding that a person is always attached to the end goal."

Daniel P. Davis is a community development specialist at the Federal Reserve Bank of St. Louis.

Exploring Innovation

A Conference on Community Development Finance

By Faith Weekly

The Federal Reserve Bank of St. Louis and the Atlanta, Dallas and Minneapolis Feds are preparing for our third biennial Exploring Innovation conference to be held May 9-11, 2011, in St. Louis, Mo., at the historic Chase Park Plaza Hotel. The conference theme is **Exploring Innovation: A Conference on Community Development Finance**. We hope to provide conference-goers with real-world examples of innovative models that will address the financing of all aspects of thriving communities—from housing and infrastructure to community engagement and leadership development, each of which contribute to vibrant, desirable places to live, work and play.

During our conference, participants will learn about innovative business models in community development finance and explore new opportunities. Four conference tracks—Retail Products and Services, The Green Economy, Investments and Equity, and Financing Comprehensive Community Development—will feature the best and brightest in the field. Jessica Jackley, co-founder of Kiva, will deliver the luncheon keynote address on Tuesday, May 10.

In addition to participating in an exchange of ideas that will reshape the practice of community development finance, attendees will engage new partners who will collectively lead them on a journey toward collaboration, recovery and sustainability. The conference will be attended by lenders, investors, nonprofit community development practitioners and others who are interested in innovative ideas, policies and programs that will advance community development.

Since 2007, the Federal Reserve Bank of St. Louis has sponsored annual conferences and events weeks under the theme of Exploring Innovation in Community Development. The Bank focuses on innovation for several reasons. We believe innovation is essential to sustain progress that has been made in community and economic development and to provide solutions to extremely complex issues. In addition to financial reform, innovative and practical solutions are needed to support the rebuilding of communities devastated by foreclosures and the financial crisis.

Our conference is designed to:

- re-imagine community development finance in this new environment;
- illustrate how innovation can result in new finance models;
- establish an ongoing dialogue with conference participants and generate new ideas;
- highlight industry best practices, state-of-the-art policies and innovative thinking;
- create an ongoing discussion with input from conference participants through a variety of methods, accommodating diverse learning styles and teaching techniques;
- explore innovative solutions through an interactive dialogue with conference participants;
- connect individuals from diverse sectors and organizations; and
- serve as a catalyst for future discussions and dialogues around topics of significant importance to community development.

In an effort to engage the next generation of community development professionals, we will sponsor a Community Development Finance Competition, soliciting entries from college students on a question related to the New Market Tax Credit program. The authors of the top four submissions will receive a scholarship (registration, travel and lodging) to attend the conference and have an opportunity to present during a breakout session. The student who submits the most innovative solution will qualify to win a summer community development internship at his or her choice of the Minneapolis or St. Louis Feds. A Request for Proposal (RFP) will be sent via e-mail to colleges and universities in late January.

Highlights from the 2009 conference can be found at our Exploring Innovation web site: www.stlouisfed.org/exploringinnovation/default09.html. Online registration will begin on Feb. 1, 2011.

Faith Weekly is a community development specialist at the Louisville Branch of the Federal Reserve Bank of St. Louis.

May 9–11, 2011 | Chase Park Plaza | St. Louis, Mo.

Registration begins Feb. 1, 2011.

See **2011.exploringinnovation.org** for more information.

SPANNING THE REGION

The region served by the Federal Reserve Bank of St. Louis encompasses all of Arkansas and parts of Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee.

Finding Solutions for Unemployed Workers through Learning and Partnerships

As jobs disappear in the St. Louis area, St. Louis Community College is attempting to find solutions for the unemployed who are willing to work but cannot spend a year or two learning a new trade or skill set. Many newly unemployed workers, now in their 30s and 40s, have always been gainfully employed; they have families to support, children in college and a mortgage. To help address these needs, St. Louis Community College, in partnership with all of its campuses, created the Corporate Center to provide solutions, which include:

- Accelerated job training—short-term industry programs designed to help retrain adults for in-demand occupations in health care, information technology, sustainability and advanced manufacturing
- Lifelong learning solutions—high-quality, short-term educational offerings to prepare individuals for professional licensure or certification, update skills for career advancement and assist unemployed or retired workers to explore career transitions and second careers
- Small business development—technical assistance, training, shared resources and, in some cases, incubation to assist small business growth, development and deployment
- Talent acquisition—human resource services including recruitment, screening, referrals and job placement for employers and job seekers in partnership with the St. Louis Agency on Training and Employment (SLATE) and the St. Louis County Department of Human Services, Division of Workforce Development Services
- Workplace performance—training and consulting services to help clients enhance the business performance of their employees and processes

Currently slated to open in the summer of 2011, the new center will be located close to I-70 and I-270, where St. Louis Community College is renovating an office building. The state-of-the-art facility will include flexible lab space, seminar/conference breakout rooms, computer-training labs and a certification testing center. To find out more about the Corporate Center, visit www.stlcc.edu/Workforce_Development/Corporate_Center.html.

NSP Projects Approved for CRA Credit

Based on strong public support and comments, federal financial institution regulators have made a change to the Community Reinvestment Act (CRA) to help communities better handle foreclosures. Banks are encouraged to support neighborhood stabilization activities and may receive favorable CRA consideration for loans, investments and services to support Neighborhood Stabilization Program (NSP) efforts.

The NSP was created by Congress in 2008 as a tool for dealing with the spillover effects of foreclosures. Federal money is used to buy, fix up and resell foreclosed and abandoned houses. CRA consideration is not limited to projects actually receiving funds and may include other eligible activities in an NSP plan area.

Reference

Source: http://hudnsphelp.info/index.cfm?do=viewGranteeAreaResults

Neighborhood Stabilization Programs 1-3 in Eighth District States

Arkansas

NSP1	State Program
NSP2	Little Rock, North Little Rock
NSP3	State Program

Illinois

NSP1	St. Clair County, State Program
NSP3	State Program

Indiana

NSP1	Evansville, State Program
NSP3	State Program

Kentucky

NSP1	Louisville, State Program
NSP3	State Program

Mississippi

NSP1	State Program
NSP3	State Program

Missouri

NSP1	St. Louis County, St. Louis City, State Program
NSP3	St. Louis County, St. Louis City, State Program

Tennessee

NSP1	Memphis, State Program
NSP3	Memphis, Shelby County, State Program

For additional information, please visit www.hud.gov/nspta.

New Employees Join St. Louis Fed

The Community Development Office of the Federal Reserve Bank of St. Louis recently welcomed two new employees.

Slaten

Maureen Slaten joined the Fed as a senior editor, including editor of *Bridges*. She has a bachelor's degree in English from the University of Missouri–St. Louis and a JD from St. Louis University. She worked for 15 years in marketing for INTRAV/Clipper Cruise Line, a St. Louis-based travel company, and for 14 years as an editor at Elsevier (previously Mosby), a publisher of nursing, medical, dental, and veterinary books and journals. Slaten has also acted as a CASA (Court Appointed Special Advocates) volunteer, serving as a liaison between children placed in foster care, their parents and the juvenile court system.

Davis

Daniel Davis is working as a community development specialist. In that capacity, he will provide advisory services to local community organizations, government agencies, bankers and others on community and economic development issues.

A native Illinoisan, Davis was most recently special assistant to the director of the Illinois Department of Public Health; he served in an advisory and consultative capacity as the director's liaison to the governor's office, department management, seven regional public health offices, and other state administrative agencies. Previously, he worked for the state of Illinois as a legislative liaison coordinating bipartisan interaction with Illinois legislators regarding public health issues and policy initiatives, and for the Illinois Office of the Governor as a legislative aide and James H. Dunn Fellow. He holds a bachelor's degree in political science and speech communication from Southern Illinois University, and is completing his master's of social work in economic development at Washington University in St. Louis.

Reader Poll

Which ruling/legislation do you think will have the greatest impact on community and economic development?

- Dodd-Frank Wall Street Reform and Consumer Protection Act: The new Consumer Financial Protection Bureau will focus on financial education, consumer complaints, financial education for older Americans, and fair lending and equal opportunity.
- New credit card protection rules: Include changes to late fees and inactivity fees, and explanation of rate increases.
- Credit Card Act of 2009 and final provisions applicable to gift cards: Include longer expiration periods, limits on certain fees and new card disclosures.
- New overdraft rules for debit and ATM cards: New and existing customers can opt in—or opt out—for overdraft protection for debit and ATM cards.

Take the poll at www.stlouisfed.org/community_development/. Results are not scientific and are for informational purposes only.

The previous poll focused on small business financing, and asked:

Which of the following items do you believe could have the most impact for ensuring access to financing creditworthy small businesses?

Based on 50 responses:

56 percent said encouraging private-sector innovation

14 percent said undertaking regulatory solutions

30 percent said enhancing public-sector support

BRIDGES

Bridges is a publication of the Community Development Office of the Federal Reserve Bank of St. Louis. It is intended to inform bankers, community development organizations, representatives of state and local government agencies and others in the Eighth District about current issues and initiatives in community and economic development. The Eighth District includes the state of Arkansas and parts of Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee.

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CALENDAR

JANUARY

18-20

Fundamentals of Economic Development Finance WebCourse—Online
Sponsor: Council of Development Finance Agencies
https://www.dcnteam.com/cdfa/traininginstitute.nsf/register

FEBRUARY

2-4

Annual Affordable Housing Conference—Biloxi, Miss.
Sponsor: Mississippi Housing Corporation
www.mshc.com/2011/about.html

2-4

MEDC 2011 Winter Conference: Community and Economic Development Is a Marathon—Jackson, Miss.
Sponsor: Mississippi Economic Development Council
www.medc.ms/

MARCH

3-4

Housing: Building a New Foundation for Economic Prosperity—St. Louis, Mo.
Sponsors: FOCUS St. Louis, the Des Lee Collaborative Vision, Commerce Bank and St. Louis Equity Fund
www.affordablehousingconference.com

28-April 1

Community Development Academy—Excelsior Springs, Mo.
Sponsors: Community Development Program; Division of Applied Social Sciences; College of Agriculture, Food & Natural Resources and University of Missouri Extension in cooperation with the MU Conference Office
http://muconf.missouri.edu/CommDevelopmentAcademy/index.html

APRIL

3-5

Brownfields 2011—Philadelphia, Penn.
Sponsors: Chartis, PECO, CH2MHILL, Hull & Associates, Inc., KU Resources, Inc., Langan, Pullman & Comley LLC, Stradley Ronon, URS
www.brownfields2011.org

13-16

National Challenges, Local Solutions: Rebuilding Homes, Lives and Communities—Washington, D.C.
Sponsor: National Community Reinvestment Coalition
www.ncrc.org/component/jcalpro/view/1

28-29

The Changing Landscape of Community Development: Linking Research with Policy and Practice in Low-Income Communities—Arlington, Va.
Sponsor: Federal Reserve System
www.frbsf.org/community/conferences/2011ResearchConference/

Only Online

www.stlouisfed.org/publications/br/

In addition to the print version, each issue of *Bridges* offers articles that are exclusively online. Online articles for the winter issue of *Bridges* are:

A New Face for an Old Broad

The Old, the Young and the Incarcerated: Latest ID Theft Victims

BRIDGES | WINTER 2010-2011
https://www.stlouisfed.org/publications/bridges/winter-20102011/a-new-face-for-an-old-broad

A New Face for an Old Broad

Kathy Moore Cowan

Broad Ave. in Memphis gets a temporary facelift, showcasing myriad possibilities for this neglected area.

If you happened to be in Memphis, Tenn., on Nov. 19-20 and found yourself on Broad Avenue, you probably thought you were at just another street festival. After all, there was plenty of music, food, drink, fun and people. But what you might not have known was that you were an extra in a big theatrical production called "A New Face for an Old Broad," designed to show the possibilities for Broad Avenue and other neglected urban areas of Memphis.

The project had support from the Hyde Family Foundation, the Binghampton Development Council, the Memphis Regional Design Center, the City of Memphis and the Community Development Council of Greater Memphis/Livable Memphis, the Historic Broad Business Association and countless volunteers. They teamed up to create the set for a three-block illusion.

Imagine if you will:

Street priorities realigned to make pedestrians and cyclists No. 1. The 60-foot-wide "broad" street was restriped, adding crosswalks and protected bike lanes. On-street parking was angled and positioned as a protective barrier for bike lanes. Cars slowly eased through two lanes as people walked and cycled.

A thriving neighborhood commercial district. Vacant storefronts were cleaned, repainted and filled with temporary pop-up shops and restaurants. People who had dreamed of opening businesses were permitted to occupy some of the vacant storefronts as demonstration businesses. Opaque materials were removed from occupied storefronts to open up ground-floor windows, creating a more comfortable environment for pedestrians. Cafes extended onto the sidewalks. A vacant parking lot became a skate park.

Enhanced street infrastructure to beautify the environment. Trees were positioned along the sidewalks and storefronts. Large planters of 10-foot cedars were used to create landscaping for bump-out islands to beautify the area and help slow traffic. Antique street lamps were used to provide ambience and security.

For some of us older folks, it may have felt like déjà vu or "back to the future" as we witnessed a neighborhood where people walked, cycled, shopped at local businesses and met with neighbors. But it was all an elaborate staging. Although no Academy Awards for set design were given, the real prize was the general optimism that was evident in the faces of the merchants, the residents and the visitors to the area.

In the early 1900s, Broad Avenue was a main thoroughfare in a thriving neighborhood commercial district. Years of out-migration and neglect left the avenue plagued with vacant storefronts. To make matters worse, a few years ago Sam Cooper Boulevard—a major connector to Interstate 40 East—was rerouted and extended to bypass Broad Avenue, which had served as the connector between Sam Cooper and East Parkway. Now out of sight and out of mind, almost every establishment on Broad went out of business. It appeared that public policy had finally put the nail in the coffin for the Broad Avenue Business District. It had become a low-rent district full of drugs and prostitution.

Surprisingly, the economic downturn can take credit for the renewed interest in Broad Avenue. Businesses looking for a break in rent have discovered the area. After the Urban Arts Commission moved its downtown office to Broad, several other arts-related businesses followed. Business owners on Broad started working together in an effort to survive. Four years ago, the Historic Broad Business Association started hosting quarterly Art Walks and other events to showcase the district to the public. "A New Face for an Old Broad" is the climax of grassroots efforts to help Broad Avenue make a comeback.

The idea for this type of event originated last April in Oak Cliff, a neighborhood outside of Dallas, Texas. Since then, the Better Block Project has spread to Houston and Waco, Texas, Mount Rainier, Md., and yes, Memphis. "We brought the idea to the Historic Broad Business Association and they ran with it," says Sarah Newstok, program manager for Livable Memphis, a program of the Community Development Council of Greater Memphis. Pat Brown, vice president of the Historic Broad Business Association and business manager for T Clifton Gallery, says, "The ability to demonstrate how the street could look, with increased businesses along with the biking and walking community, seemed too good an opportunity to pass up." Implementing the idea didn't take a lot of expensive consultants and hundreds of meetings. There were no requests for millions in public investment. This grassroots effort relied on volunteers who didn't mind hard work.

The event far surpassed the organizers' expectations. Support from the sponsors, community and media was more than expected. Original goals targeted a turnout of 5,000 people; estimates are that the event was attended by 13,000 people. Already the event is bringing about positive changes. Livable Memphis received a $25,000 matching grant from the Alliance for Biking and Walking to permanently engineer the bike lanes through the Broad District. The avenue will serve as an anchor for the Greenline Connection Project, a bike lane linking Overton Park to the Shelby Farms Greenline terminus. David Wayne Brown, president of the Historic Broad Business District and Splash Creative, an area advertising agency, states, "I hope we demonstrated that inner-city, old neighborhoods can be revitalized. Everything does not have to be suburbanized, where we tear down the trees and build something new."

Partners in the Facelift project believe this event will continue the transformation of Broad Avenue and help people see value in other neighborhoods across Memphis that have long been ignored. In fact, the organizers are planning another event, “Facelift Memphis: Reinventing Memphis—Block by Block,” in an undetermined neighborhood next year. In staging this community of the future, perhaps the greatest accomplishment was the inspiration it provided to believe in the idea of a comeback. Author William Arthur Ward wrote, “If you can imagine it, you can achieve it; if you can dream it, you can become it.” The Historic Broad Business District is on its way to becoming “It” and paving the way for other neighborhoods to follow.

More information:

Community Development Council of Greater Memphis:
www.memphiscommunitydevelopment.com/

Livable Memphis: http://livablememphis.org/

Historic Broad Business Association: www.broadavearts.com

The Better Block: http://betterblock.org

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https://www.stlouisfed.org/publications/bridges/winter-20102011/the-old-the-young-and-the-incarcerated-latest-id-theft-victims

The Old, the Young and the Incarcerated: Latest ID Theft Victims

Lyn E. Haralson

Since the beginning of the current economic crisis, financial institutions have tightened lending policies, raising the minimum FICO credit score for their best rates to around 720. Unfortunately, recent figures reveal that 25.5 percent of consumers—nearly 43.4 million people—now have a credit score of 599 or lower, caused in many cases by the rise in foreclosures, job loss, reduction or loss of credit lines, or bankruptcy. These individuals have trouble getting credit cards, auto loans or mortgages under the tighter lending standards.

So, ads promising a new credit identity and fresh start are enticing. Some credit repair companies provide this new identity in two very questionable ways: by requesting an employee identification number (EIN) from the Internal Revenue Service (IRS), or by selling the consumer a credit profile, credit privacy or credit protection number (CPN) for use in place of the individual's social security number (SSN) when applying for credit. Consumers need to know that providing a number other than an SSN on a credit application in the allocated space is illegal and can result in criminal prosecution.

Employee Identification Number (EIN) Schemes

Credit repair with EINs is often pitched to consumers who have filed for bankruptcy or suffered through foreclosure. Using public records, credit repair companies target these vulnerable individuals with marketing materials that warn of their inability to get credit cards, personal loans or any other type of credit for 7 to 10 years.

An EIN scheme usually requires consumers to pay a fee for this service. They are directed to apply for an EIN from the IRS. EINs, which resemble SSNs, are legally used by businesses to report financial information to the IRS and the Social Security Administration. After the EIN is received, consumers are instructed to use it in place of their SSN when applying for credit, and to use a new mailing address and some credit references. Creditors are then misled about the consumer's creditworthiness because the unfavorable credit information is hidden behind the EIN. This process is called "file segregation" and is illegal. In fact, it is a federal crime to make any false statements on a loan or credit application; yet that is exactly what is done when an EIN is substituted for an SSN. It also is a federal crime to obtain an EIN from the IRS under false pretenses.

Credit Protection Number (CPN) Schemes

A CPN scheme creates a clean credit file for a consumer. But unlike an EIN hoax that victimizes the creditor and the IRS, CPN schemes victimize some of our most vulnerable populations—children and the elderly, as well as the incarcerated.

CPN schemes are promoted by companies claiming that they can clean up credit and/or guarantee a credit score of 700-800 in a short period of time. These companies find random SSNs, which are run through public databases to determine their status. If they're clean— validated as an active SSN that is not on file with credit bureaus—they are offered for sale. People with no credit activity or a positive history—including children, longtime prison inmates and the elderly—are the most likely source of such numbers. The companies are very careful not to call these "social security numbers." They use several names, all with an acronym of CPN, including "credit profile number," "credit privacy number" or "credit protection number." But they are really stolen SSNs sold to consumers who are desperate to escape bad credit.

CPN schemes are illegal. Those who purchase a CPN and use it to establish a clean credit file are committing several crimes, including identity theft and making false statements on a loan or credit application.

CPN Victims

Children

Parents or guardians usually secure SSNs for children shortly after birth and then forget all about the numbers until tax time rolls around each year. Most people do not even conceive of an SSN being used to create a child's credit history that could show thousands of dollars of debt. Unfortunately, CPN schemes have created that scenario for millions of children.

Children's SSNs are not usually checked for credit activity until they buy their first car or apply for a credit card or student loan. This makes them easy targets for identity thieves, who are able to misuse a child's personal information over a long period of time, wreaking havoc on the child's financial future and potentially leading to the denial of credit, student loans, housing or employment at a time when that individual may need it the most.

Experts disagree as to the best way to check for fraud associated with a child's SSN. Some argue that parents should pull a free credit report for their children along with their own each year; others say this is not a good idea. These reports can provide the needed information. But experts who oppose this process say most children do not have a credit file; repeated requests for one may make credit bureaus artificially create a clean file, making the child more vulnerable to this type of identity theft. Another issue is that reports ordered by consumers don't reveal all entries connected to an SSN; only entries precisely matching a name, SSN and other personal information appear on these reports. According to the three major credit bureaus, accounts opened using an SSN with a different name are often omitted.

Fortunately, there is middle ground between these two points of view. Unless there is a specific reason to suspect identity theft, credit reports should not be requested until a child is 15 or 16 years old, or about a year before the child will need to begin obtaining credit. This leaves adequate time to clear up any problems and avoids the risk of creating an empty clean credit file.

Incarcerated Individuals

Individuals who are incarcerated for a number of years often have a clean credit file. As with children, these people typically do not regularly check their credit activity, making them easy targets for identity thieves. When they are released from prison, this fraudulent credit history is another impediment to securing employment, housing or access to credit.

It is important for incarcerated individuals to monitor their credit report, especially within two to three years of their release. A trusted family member who may already be handling the individual's financial affairs would be a good person to monitor the credit report.

Elderly

Unlike children and incarcerated individuals, the elderly may have better and longer credit histories that have been clean for many years. Studies show that people over the age of 60 are less likely to have frequent activity and transactions on their bank accounts and therefore don't monitor them as often as younger account holders. This makes them prime targets for credit repair companies looking for clean SSNs.

While a relaxing retirement is a dream most share, it should not mean relaxing one's guard against identity theft and fraud. An individual's SSN is used for many purposes, including Medicare coverage. Aging can also mean more help is needed with routine daily activities, provided more often by hired services than by family members. The elderly should remain vigilant about protecting their personal information and pull a credit report each year, regardless of whether they have sought or used credit, to ensure they have not become a victim of identity theft.

Lenders and Issuers of Credit

Lenders and other creditors should be aware of these schemes to help guard against issuing credit to non-creditworthy individuals. There is no way of knowing how extensive these schemes are, but we do know that at least 25 percent of consumers face being denied credit or access to prime rates in the current environment. Some federal officials have expressed concern that extensively used CPN schemes could quickly become the next threat to our financial system.

With heavy reliance on credit scores, it is vital that lenders and creditors know their customers. While consumers may be less than pleased with added paperwork, increased verifications and a longer timeline for completing transactions, the added security of these measures is necessary to maintain a safe and effective financial system.

According to the Federal Trade Commission, as many as 10 million Americans are victims of identity theft annually. Prevention of negative impacts on a recovering financial system will take precautionary efforts from the government, individuals and lenders.

Helpful Information

Social Security System Safeguards

The Social Security Administration does have some safeguards in place to help consumers monitor earnings connected to their SSNs. The association notifies the parents or guardians of minors under the age of 6 about earnings activity connected to the child's SSN. And consumers can call a toll-free number (800-772-1213) to review wages linked to their and their dependents' SSNs.

Rights under the Credit Repair Organizations Act

The Credit Repair Organizations Act (Title IV of the Consumer Protection Act) prohibits false claims about credit repair and makes it illegal for these operations to charge consumers until the company has performed the services. Credit repair companies must provide this in a written contract, which should include the following:

- payment amount required;
- a description of the services that will be performed to repair credit;
- an estimate of the time it will take to complete the services (or a date by which the services will be completed); and
- a visible statement that the contract can be cancelled within three business days.

There are also many state laws governing credit repair companies. Problems should be reported to the state attorney general or a local consumer affairs office, where available.

The FTC is another source for reporting problems with credit repair companies. The Commission cannot resolve individual credit problems, but it can act if there is a pattern of possible violations. Complaints can be filed online at ftc.gov or sent to: Consumer Response Center, Federal Trade Commission, Washington DC 20580.

Victim Facts and Costs of Identity Theft

Uses of Victim Information

- 33% of victims report that identity thieves committed checking account fraud.
- 66% of victims' personal information is used to open a new credit account in their name.
- 28% of victims' personal information is used to purchase cell phone service.
- 12% of victims end up having warrants issued against them for financial crimes committed by the identity thief.

Costs of Identity Theft

- 47% of victims have trouble getting credit or a loan.
- 19% of victims have higher credit rates.
- 16% of victims have higher insurance rates.
- 11% of victims say identity theft has a negative impact on their ability to secure jobs.

References

Identity Theft Resource Center's *Identity Theft: The Aftermath 2009* www.idtheftcenter.org