

Over A Decade Of Asset Building Through Homeownership

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Financial Asset Building

"Few people have ever spent their way out of poverty. Those who escape do so through saving and investing for the long-term."

Michael Sherraden Center for Social Development



AFI IDA Outcomes

- Nationally, 75,000 low-income people have saved over \$70 million in Individual Development Accounts (IDAs).
- Over 29,000 asset purchases:
- 11,000 homes
- 8,000 small businesses
- 10,000 post-secondary eds.
- Through FY 2009, AFI grantees and their non-Federal funders contributed \$92,506,727 into their Project Reserve Funds.



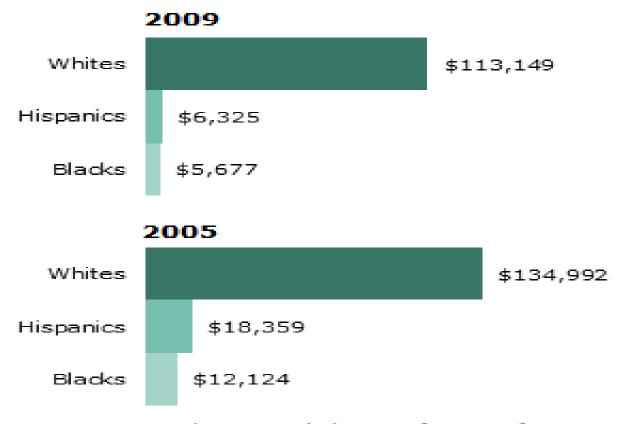
New Century IDA Program: A Success Story

- Strong Leadership
- Partnerships that Work
- Best Practice Policies and Procedures
- Success Coach Model



Median Net Worth of Households, 2005 and 2009

in 2009 dollars



Source: Pew Research Center tabulations of Survey of Income and Program Participation data

PEW RESEARCH CENTER



Bank and Credit Union Benefits: High ROI

- Very High ROI
- Large Project Reserve Fund sits for years: Average \$500,000 +
- Community and Economic Development
- Generation of mortgage/business/student loans and home equity lines of credit
- Acquisition of new, financially literate customers.
 Word of mouth spreads.
- Fewer than 3% of IDA homeowners foreclose
- Marketing done by nonprofit no marketing/advertising costs



Bank and Credit Union Benefits: Crossells

- Bank invests \$100,000.
- Savers invest earned income into IDA. The savings are matched 1:1 up to 8:1.
- Bank investment doubled by the Fed. Govt.
- Saver puts 6% down on a house and receives a mortgage:
 - \$2,000 (savings) + \$4,000 (match) = \$6,000
 - + \$100,000 mortgage + \$2,500 other down payment assistance and closing cost assistance = \$108,500.
- Bank receives service release premium.
- Customer opens checking account; direct deposits pay check and has crossell opportunities.

Need to clean this up. ICF, 5/11/2011 16



Bank and Credit Union Benefits: Second Generation Banking

- Parent has improved credit scores
- Parent purchases home equity line of credit for home renovations and repairs
- Savings culture now established in home:
- Parent now saving for child's postsecondary education
- Parent participates in second grant.
- Parent opens second IDA and child attends financial literacy classes
- Child now better financial consumer and ready for bank to crossell as he requires bank products throughout adulthood.



Bank Benefits: CRA, Regulatory, and REO Liquidation

- CRA credit for providing IDAs and lending to lowincome customers in target neighborhoods.
- Regulators see foreclosed homes on the bank's books IDA program can work with CBO's to sell foreclosed properties to IDA participants – get homes off of the books.
- Additionally, fewer than 3 percent of IDA homeowners have foreclosed across the nation – they are all lowincome, but they receive financial education, credit counseling, home counseling and prime mortgage products and manage to maintain their homes. Very low underwriting risk on mortgages.



The Bank and Credit Union Line of Business Benefits

- Bank receives positive PR
- Bank receives support from local governments
- Bank may receive banking business from local governments and community based organizations
- Community and economic development take place in bank assessment area
- Homeownership increases
- Small business increases -- complements small business lending. Grow lending as small business grows/adds employees
- Post secondary educations increase Household incomes increase, opportunities for crossells increase.

Separate these impacts into short-term and long-term outputs. Caterina Bummara, 5/13/2011 CB8



Bank and Credit Union Benefits: Power of Community-based Partnership

- Nonprofit community based organization does all of the acquisition and marketing for new banking customers
- CBO provides financial education and asset specific education
- CBO provides financial coaching, monitors monthly deposits, helps improve credit scores
- Bank builds relationship with customer through volunteers in classes, personnel at branches.
- Bank crossells customers and makes profitable HH relationship.
- Bank also deepens banking business with CBO's and other partners. May have opportunities to crossell CBO employees and board members.



Partner Roles: Beyond Funding

- Financial Institutions can also provide critical support for:
 - Financial education & asset training:
 - Budgeting and Banking
 - Lending and Housing counseling
 - Small Business plan review and lending
 - VITA Sites: large deposits into IDAs for asset purchases and debts paid down
 - Utilize your employees as volunteers. Build client relationships; business will follow.

This seems out of place at the end. Caterina Bummara, 5/13/2011 CB10



Innovative Non-Federal Funders

- State Scholarship Dollars for Low-Wealth Students: Double Your Money with AFI!
- Red Cross: Recycle your nonfederal match with each cohort of certification trainees.
- Employers: Recruit and Retain
 Employees: Reduce high cost turnovers.

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Questions?

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