



# 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

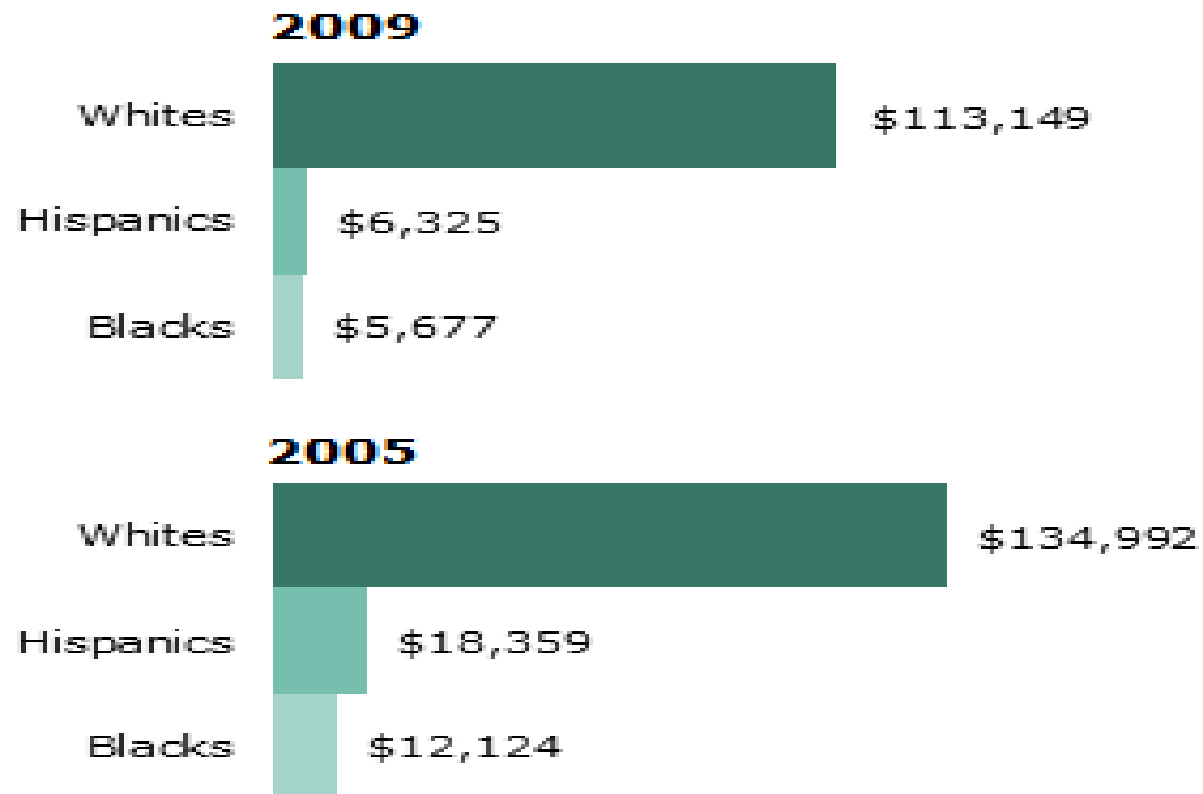
- Nationally, 75,000 low-income people have saved over \$70 million in Individual Development Accounts (IDAs).
- ❖ **Over 29,000 asset purchases:**
  - ❖ **11,000 homes**
  - ❖ **8,000 small businesses**
  - ❖ **10,000 post-secondary eds.**
- Through FY 2009, AFI grantees and their non-Federal funders 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**
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## 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 crosssell opportunities.

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Need to clean this up.

ICF, 5/11/2011



## 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 crosssell as he requires bank products throughout adulthood.

## Bank Benefits: CRA, Regulatory, and REO Liquidation

- CRA credit for providing IDAs and lending to low-income 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 low-income, 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.

**Slide 10**

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**CB8**

Separate these impacts into short-term and long-term outputs.

Caterina Bummara, 5/13/2011

## 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 crosssells customers and makes profitable HH relationship.
- Bank also deepens banking business with CBO's and other partners. May have opportunities to crosssell 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.**

**Slide 12**

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**CB10**

This seems out of place at the end.

Caterina Bummara, 5/13/2011

## 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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**CB11**

This seems out of place at the end.

Caterina Bummara, 5/13/2011

## Questions?

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