



2018 REPORT ON FINANCIAL SECURITY

Michigan Commission on Community Action and Economic Opportunity



INTRODUCTION

Dear Michigan Residents,

We want to thank the contributing residents for sharing their stories in this report to help frame the struggles facing many low-income individuals and families as they work toward becoming financially stable in Michigan.

Our goal, as a Commission, is to listen to individuals, service providers and community partners who know the challenges and negative impacts people face as they manage their financial resources. We are learning that devastating financial consequences can quickly occur when someone experiences a life tragedy. Divorce, illness, and job loss are a reality for many people, which starts a downward spiral that can leave them penniless, homeless, and jobless. We are taking the lead to identify compelling recommendations to ensure everyone in Michigan, especially our vulnerable populations, can be financially stable.

The work that resulted in this document included hosting focus groups, one in Lansing and the other in Saginaw. We heard the frustration in the voices of our participants as they shared their stories riddled with challenges, barriers and years of struggles. We also learned there is a great deal of work to do to help others understand how financial matters can seriously impact their long-term stability. Fortunately, we also discovered there are a host of helpful programs that can support residents in these situations, if they can be made aware of them.

Establishing goals, receiving educational materials and having a trusted relationship with trained assistants is part of the recovery process as people move themselves to financial stability and self-sufficiency. Learning to spend wisely, budget resources and develop assets are among the important skills to learn while also relying on their personal resiliency to rebound in difficult situations.

We were so impressed with the residents we met and how they overcame the challenges and barriers they faced daily. We will do our best to be a voice on their behalf as we carry this message to decision makers, stakeholders and service providers: Financial capacity is a must for all residents, from all walks of life, in order to create strong, viable and engaged communities.

We look forward to working with you.

With appreciation,

A handwritten signature in black ink that reads "Jill Edwards-Sutton". The signature is written in a cursive, flowing style.

Jill Edwards-Sutton
Commission Chairperson

ABOUT THE COMMISSION

The **Michigan Commission on Community Action and Economic Opportunity** is a diverse Governor-appointed body serving in advisory capacity to the Michigan Department of Health and Human Services/Bureau of Community Action and Economic Opportunity. The Commission seeks out opportunities to research and address issues facing people living in poverty. Through focus groups of consumers and professionals alike, information is gathered to develop goals and objectives that will enhance the lives of Michigan residents. This information will be distributed to legislators, key stakeholders and concerned parties interested in making a difference in our state.

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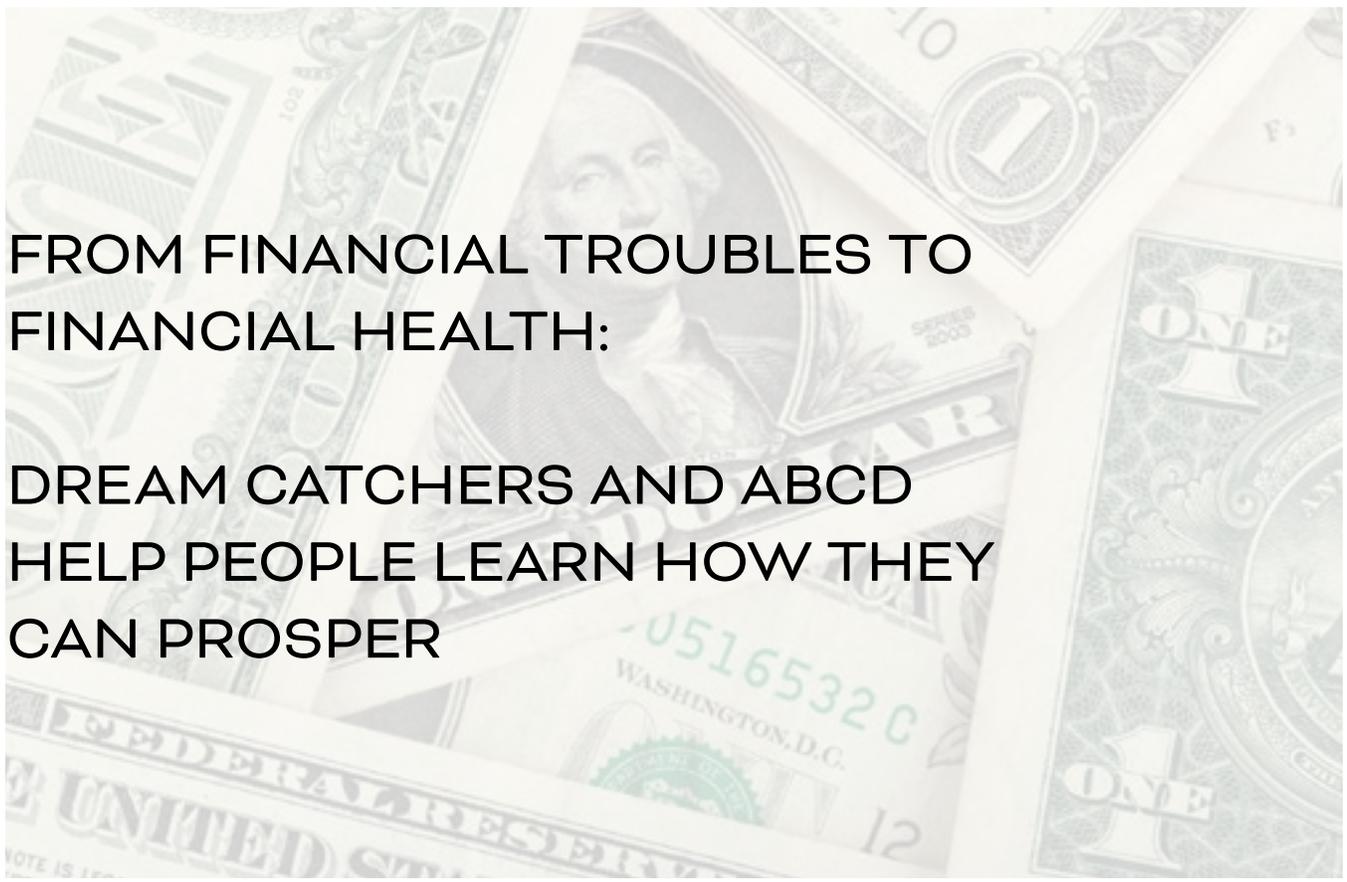
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RECOMMENDATIONS FOR FINANCIAL INSTITUTIONS

1. Meet with and educate leadership at banks, credit unions and other financial institutions about the benefits of providing basic financial products and services -- bank accounts, mortgages, business loans and retirement accounts -- to low-income individuals and families to help them build a secure future.
2. Create funding streams to support human service providers, community support services, and health systems that strengthen and stabilize the financial security of low-income individuals and families by integrating financial education into health service delivery.
3. Promote and encourage educational institutions/systems to provide high-quality financial literacy programs for all students beginning at pre-school that are fully integrated with school-based and community-based financial education programs.
4. Endorse banks, credit unions, other financial institutions and educational systems that provide advanced high-quality financial literacy programs that can help build financial sustainability among individuals and families.
5. Work to reduce the occurrence -- or eliminate the practice -- that results in low-income incarcerated people going into debt for their inability to pay fines, fees, and court-ordered child support.
6. Advocate to improve national and state tax systems by making tax benefits more equitable and accessible, which can enhance the ability of low-income individuals and families to build savings, set up college funds, and invest for their future.
7. Initiate and enhance programs, such as emergency savings accounts, college funds and home ownership, which can help low-income families increase savings, build their assets and move toward financial stability.
8. Influence federal and state legislators so they create incentives to help families save and build assets through programs such as “save from birth” and retirement/investment accounts. Encourage the reinstatement of tax breaks for mortgage interest.
9. Persuade federal and state legislators to protect individuals and families from predatory lending and payday loans that charge extreme rates of interest and fees.
10. Evaluate federal and state programs that aid low-income individuals and families. Explore ways to streamline processes, technology solutions, rules and regulations, and eligibility. Encourage collaboration and program modifications that support economic stability.

Source: Excerpted from Policy Link Breaking the Cycle: From Poverty to Financial Security for All and The Annie E. Casey Foundation report on Investing in Tomorrow helping families build savings and assets – federal policy brief



FROM FINANCIAL TROUBLES TO FINANCIAL HEALTH:

DREAM CATCHERS AND ABCD HELP PEOPLE LEARN HOW THEY CAN PROSPER

Several people have assembled at the Saginaw County Community Action Agency to attend a program that will take them through the steps of getting onto solid financial ground. They are hopeful. They are also deeply frustrated by the cluster of circumstances that have led to the money problems they are grappling with.

Not so long ago, life for each of them was ok. They describe themselves as “workers.” They have held good jobs, and they really want to be working now. But there are so many barriers -- lack of affordable child care, lack of dependable transportation, a good car but no money to buy insurance for it, a misdemeanor from several years ago that turns off potential employers, an accident or injury that caused them to lose a good-paying job, credit card overuse.

It’s been hard to take even one small step forward. And that’s about to change.

**RACHEL: “WITH DEPENDABLE
CHILDCARE, I COULD GO BACK TO
SCHOOL AND TO WORK.”**

Rachel is dealing with a lot of issues that keep her from making a good life for her family. She will tell you up front that she didn’t get good advice as a young person on what she needed to do to be successful. She didn’t graduate from high school, and it’s been hard for her to get a good job. Her husband is a truck driver and on the road all the time, so she is mostly confined to home taking care of her young children. If she had access to dependable, affordable child care, she could continue her education and get a job.

Rachel appreciates the help she gets from the state, but sometimes it takes two months to process a request for childcare support, and it’s tough for her to pay for it herself because it is expensive.

Several months ago, Rachel got a job at a

local grocery store, but she lost it because of a misdemeanor on her record. “I need to set my pride aside to get the help I need,” she says. Besides continuing her education and getting a good job, Rachel would like to work with other parents to coach them on what their children need to know to get along in life. She has had to learn those lessons the hard way.

BETH: “I WANT TO WORK, BUT I HAVE NO WAY TO GET THERE.”

Beth has a car but no money for license tags and insurance, so it is nearly impossible for her to get to a job. She is working on her GED, has three children and receives no child support. “I am a person who works,” she says proudly, but so much stands in the way of her getting a job, including a felony that’s been on her record since she was 17 years old.

MARK: “I HAD A GOOD JOB UNTIL I NEEDED A TOTAL HIP REPLACEMENT.”

Mark is trying to be self-sufficient. He has a criminal background, but got a job shortly after being released and worked at a local chain restaurant for several years. He got benefits and established a 401 K. Then he needed a total hip replacement and the dominoes began to fall. He lost a lot of income during his recovery, and the stress of it contributed to the collapse of his marriage.

PAULA: “I HAD MY FIRST BANK ACCOUNT IN THE THIRD GRADE.”

Paula is proud to tell you she had her first bank account in the third grade and participated in Junior Achievement. But that’s where her financial education stopped. She got a credit card in college, but she didn’t get any training on how to use it responsibly, and it was compromised twice. Those incidents ruined her credit and exhausted most of her

savings.

Paula wishes schools did more to educate students about financial literacy, and she shakes her head at the fact that ATMs have been installed in some schools. “I did everything you’re supposed to do,” she says, “But I still feel judged. I need financial clarity to get to financial prosperity.”

DREAM CATCHERS MAKES A DIFFERENCE

Rachael, Beth, Mark and Paula are finding their way these days, thanks to a 10-week program at Saginaw County Community Action Agency (SCCAA) called Dream Catchers designed to help participants develop “financial literacy.”

Dream Catchers training runs four days a week for six hours each day. Participants are paid a stipend to attend. Over time, it has evolved into a comprehensive program that teaches self-sufficiency by offering training in everything from computer and job skills to parenting, relationship counseling and home buyer education, plus after-school tutoring for children with deficiencies in reading and math.

Chandra White, financial education specialist for SCCAA, would like to see the program be mandatory for those receiving assistance and to tie it to vocational education in the schools, because, quite simply, she says, “It helps people prosper.” Recently it was offered to those getting utility assistance, and the response was good.

HOME MANAGEMENT 101

Dream Catchers also coaches participants through the dream of home management and helps them understand, says Chandra, “...why it’s important to pay your bills and have good credit.” She finds that even those who have done well in academics don’t necessarily have the skills to manage their

finances or their personal lives. “Passing a test doesn’t mean you pass the test of life,” she explains.

NEIGHBOR-TO-NEIGHBOR SUPPORT

Another resource for SCCAA’s clients is the Asset-Based Community Development (ABCD) program. Using a model from the Saginaw Community Foundation, SCCAA staff are exploring ways to work closely with residents in their immediate neighborhood. They have developed relationships with local pastors, the fire department and community organizations. They started a neighborhood association and worked with park management to make a local park safe for families. A grant is making it possible for them to teach residents how to look for help from within their neighborhood instead of seeking outside help.

They also developed a data base that lists the kinds of skills and experiences that each resident brings to the neighborhood. Remarkably, they discovered valuable opportunities, such as bartering for childcare services, which make it possible for residents to help each other resolve local problems at the local level. They are learning how to build self-sufficiency in their lives and in their neighborhood through “people helping people.”

SCCAA took another bold step toward building a stable neighborhood when it took possession of a donated house, fixed it and sold it to a low income family. They are exploring this as a way to reclaim marginal homes in the neighborhood, rehab them, and offer them at an affordable price, with the hope of moving more families from renting to home ownership.

FOR MORE INFORMATION:

Chandra White
Financial Education Specialist
SCCAA
989-753-7741



PREVENTING PROPERTY TAX FORECLOSURE:

A COMMON PROBLEM WITH AN UNCOMMON SOLUTION

It doesn't take much these days for an individual or family to go from relative financial security to homeless. The loss of a job, the death of the primary wage earner in the family, medical emergencies and uncovered medical bills can mean the difference between keeping up with expenses and going quickly into debt.

Even if a person owns the home they live in, or has been making on-time mortgage payments for years, if they can't pay the property taxes, they can lose it and tumble into a cycle of homelessness and uncertainty.

Home equity loans sometimes make it possible for homeowners to pay their property taxes, but most lending institutions will not approve a loan if the homeowner has poor credit, unpaid bills, or no immediate source of income.

PETER: "I FELT LIKE I WAS DROWNING IN A POOL AND THERE WAS NO WAY TO THE TOP."

I worked for the Department of cCrections, and my wife and I owned the home I'd lived in for 40 years. My wife had a medical condition and couldn't get insurance, so bills piled up. When she passed, there were funeral expenses, too. With two children, I couldn't afford to pay our property taxes. I couldn't get a home equity loan because our home lost value in the housing crash. My credit rating dropped and I resorted to payday loans to get by.

Payday loans are a horrible trap. I borrowed \$600 each month and had to pay back \$679...12% interest each month. I wasn't getting anywhere.

GINA: "I AM A BILL PAYER."

My work as a fork-life driver was hard. I had chronic pain and fibromyalgia, and

sometimes I was late getting into work. When I couldn't do the job any more, I was fired and denied unemployment. I am divorced and was raising my teenage daughter, so I sold everything except my two bedroom house to pay the bills. I went without food so I could pay the bills. I was unemployed for three years and figured my only option was to sell my house, live on the money for as long as I could, deck out my van and be homeless.

MELANIE: "I DON'T WANT A HANDOUT, I WANT A HAND UP."

I am a disabled veteran. Some of the issues I face are a simple matter of navigating the programs that are available to me. I was always on the phone trying to learn the rules around housing and what I'm eligible for, because I didn't know of counselors or non-profits that could help. I felt I was out there by myself trying to figure out where to go.

Tools + Information = Success

THE PROCESS

A few years ago, the City of Lansing was selected by Bloomberg as one of seven communities in the country to receive a grant for a pilot program that would promote "financial literacy and empowerment" and prevent property tax foreclosure.

Bloomberg provided funding for staff at Capital Area Community Services (CACS) to run the pilot. CACS, in turn, enlisted the participation of a local credit union, which agreed to provide home equity loans to participants, and to offer interest rates of between 3.75% and 4.25%. The participants were Lansing residents who owed property taxes and were at risk of losing their home. Each agreed to take part in a step-by step financial education and counseling program, developed by Bloomberg.

The credit union also offered savings accounts to participants so they could save for the following year's taxes. And it provided loans for essentials such as cars at current lending rates of 4%-5% annually, which eliminated the need for participants to go to payday loan companies that charge up to 12% interest per month.

Each client met with an accredited financial counselor who addressed their specific financial issues. Program staff explained options, advocated for their clients and helped them navigate the process of getting back on their feet.

Clients received a plan of action and got individual support from counselors who walked them through each step. Clients were also referred to other local agencies that could help with immediate needs such as transportation and food.

IMMEDIATE OUTCOMES

Within a few months of joining the program, participants paid off their taxes and were learning how to manage their financial resources. Many were able to get a low-interest loan so they could purchase a dependable vehicle, assuring they could get to work on time.

BEYOND THE PILOT PROGRAM

The program was successful and so were the participants. At the end of the three-year Bloomberg project, the city of Lansing opted to fund the program and continue the services to Lansing residents.

The Ingham County treasurer provided \$100,000 to CACS to continue the program. Within a year, the county had recouped \$750,000 in back taxes.

CACS now has staff members with banking and law experience, who offer additional expertise to help clients. And local banks have joined the program.

The primary goal for each counselor is to get their client financially stable for the day, the week, and for a 30-day period, and for the client to reduce or pay off delinquent taxes within 24 months.

Working with each client individually, counselors identify conditions that threaten the client's financial stability, provide referrals, and focus on long-term solutions. Many clients have never worked with a budget or had a sense of money coming in and money going out. The process can be overwhelming, so counselors walk clients through each step to assure their success.

Between 220 and 240 clients are enrolled in the program. Each attends an average of three counseling sessions. There is no cut-off, and they continue until they achieve a plan for long-term security.

CACS has developed software to manage the program, with resources and methods that have proven successful, and they will share it with other agencies.

STABLE FOR THE LONG TERM

Peter: When I got in I got into the CACS program, Jessica walked me through the process, and I was able to get caught up on my taxes. I haven't had to pawn anything and my credit score has improved.

Gina: They pick you up off the floor and put you in a chair. I kept falling off, and they kept picking me up. They recommended services I didn't know I was eligible for, and every month I have a list of things to do. What I don't get done is put on the next list.

Now I get help with food. I can eat better, and I can go grocery shopping once a month. I applied for disability and was approved. When I'm comfortable getting a home equity loan, they will help me apply. This program – this process -- helped my mental health immensely and put my life back in order.

Melanie: It's important to figure out how to

connect people to services. I needed to know what was out there that could help me.

QUOTES FROM PROGRAM STAFF:

"When you give people affordable credit, it opens doors for them."

"We develop a strategic perspective for our clients that will give them best solution in the shortest amount of time."

"When it's Monday and you have to be at work at 6 a.m. Tuesday, and your car breaks down, what are you going to do? Clients often think the only option is a payday lender."

"We're working to change life-long habits."

"If you grew up living in poverty, you have to change your perception, change your mind about who you are, what you can do, and what you deserve."

RESOURCES

Capital Area Community Services (CACS)
(517) 482-6281