

# Measuring Ownership in America

## *CFED's 2005 Assets and Opportunity Scorecard*

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**A**n in-depth understanding of the current landscape of household financial security is key to informing policy and directing resources appropriately as momentum in the field of asset building increases. Toward this end, CFED has created its most comprehensive tool yet to measure ownership and financial security, the *Assets and Opportunity Scorecard: Financial Security Across the States*.

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*Many American families are living with practically no safety net. Nearly one in five American households owes more than it owns.*

Recently released, the *Assets and Opportunity Scorecard* measures the financial security of families in the U.S. by looking beyond just incomes to the whole picture of asset ownership. CFED's reasoning is that while "getting by" may require only a paycheck, getting ahead requires a variety of assets, including a financial safety net, homeownership, an education, and health care. By analyzing primarily publicly available data, the *Scorecard* pulls together measures on a number of factors that demonstrate a family's ability to protect against financial setbacks and invest for the future.

The *Scorecard* ranks the 50 states and the District of Columbia on 31 performance measures in the areas of financial security, business development, homeownership, health care, and education. It also evaluates how states fare in developing policies that can help or hinder citizens' efforts to build assets. States are assigned a grade from "A" to "F" based on their relative performance in each of the five measurement areas, and these individual index grades are compiled and compared to arrive at a single overall grade for each state.

### **Asset Ownership Snapshots: Highlights from the 2005 Scorecard**

The story the *Scorecard* tells is compelling: many American families are living with practically no safety net. Nearly one

in five American households owes more than it owns. In the event of a job loss, one in four households does not own enough to support itself, even at the poverty line, for three months. One in three minority-headed households has zero or negative net worth. These findings indicate that there is significant need for expansion of asset policy geared toward providing security and building opportunities for low- and moderate-income households.

The rest of the data paint a mixed picture of assets and financial security among Americans, with indicators moving in both positive and negative directions. Other key findings include:

- Net worth varies widely by group. Female-headed households have significantly less net worth than male-headed households. Minority families have only one sixteenth the net worth of white families. Results vary by state as well: a typical family in Massachusetts has over three times the median net worth of a family in Arizona.
- While minority and women-headed households still own significantly less than the national average, disparities in ownership are decreasing. Asset poverty and homeownership gaps by race and gender both narrowed between 2000 and 2003.
- Homeownership – a key source of asset-building – is a true success story and is at an all-time high. Yet the growth of homeownership has slowed substantially, and there is wide variance across states and regions. Four of the nine states in the Federal Reserve's 12th District are ranked among the 10 states with lowest homeownership rates in the nation. Minority homeownership, while also growing, continues to lag substantially behind that of white families.
- Health insurance – which provides a critical financial safety net – is on the decline. Nearly four million people lost employer-provided health coverage between 2000 and 2003.
- Per capita consumer bankruptcy filings increased in 49 states between 2000 and 2003. Related research shows that nearly half of all bankruptcies in the United States result from unexpected illness or medical bills, demonstrating the important link between the different measures of asset ownership in the *Scorecard*.

- In its education measures, the *Scorecard* reveals promising trends. The percentage of poverty-level children served by a Head Start program increased in 46 states between 2001 and 2003. College attainment rates also increased in 43 states since the late 1990s. The attainment gap by income has closed slightly, yet the wealthiest 20 percent of Americans complete college at a rate over six times that of the poorest 20 percent.

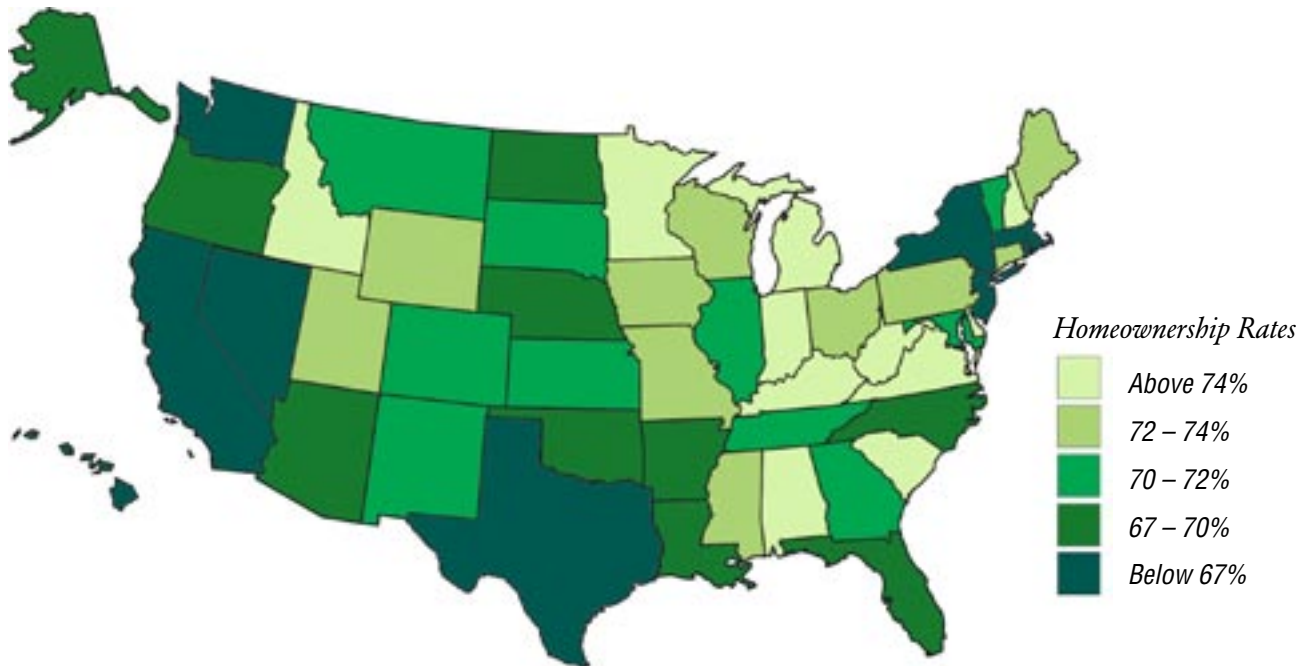
The *Scorecard's* state policy measures show that although there is still a long way to go, states are making some progress in protecting assets. Most notably, twenty-nine states have enacted legislation against predatory lending in recent years. Many states have also raised limits on the assets a person can hold and still be eligible for federal assistance, although Ohio and Virginia stand out as the only states that have eliminated asset limits entirely.

In addition to providing a detailed picture of asset ownership in the U.S., the *Scorecard* can be used as a tool to advance asset building policies. Data tools on the *Scorecard's* website make it easy for advocates and policymakers to compare results, evaluate their states' strengths and weaknesses, and identify effective policies that will make a difference for their citizens. Five state-level organizations across the U.S., each of which is working to alleviate poverty and bolster financial security, are working with CFED to increase awareness of asset building via the *Scorecard*. Each will use the *Scorecard's* data to highlight the overall picture of financial security in their respective states. For example, in California, the San Francisco-based Earned Assets Resource Network (EARN) will be releasing its own scorecard with local asset poverty data. ■

Launched on May 17, 2005, CFED's *Assets and Opportunity Scorecard: Financial Security Across the States* is available online at [www.cfed.org/go/scorecard](http://www.cfed.org/go/scorecard). This new publication builds on CFED's State Asset Development Report Card and provides an updated benchmark for understanding asset building across the United States. The report was written by Lillian G. Woo, Jessica Thomas, David Buchholz and Jerome Uher.

### More than just a house

*Homeownership offers the opportunity to build wealth in the form of home equity, and contributes to household stability and long-term commitment to a community. Seven of the Fed's nine 12th District states have some of the lowest homeownership rates in the nation.*



Source: CFED 2005 *Assets and Opportunity Scorecard* calculations based on 2003 Census Bureau figures.

# Endnotes

## Savings In The Spotlight

- <sup>1</sup> Ana M. Aizcorbe, Arthur B. Kennickell, and Kevin B. Moore (2003). "Recent Changes in U.S. Family Finances: Evidence from the 1998 and 2001 Survey of Consumer Finances," *Federal Reserve Bulletin* 89(1): 1-32.
- <sup>2</sup> Transaction accounts include checking, savings and money market deposit accounts, money market mutual funds, and call accounts at brokerages.
- <sup>3</sup> Aizcorbe et al., *Federal Reserve Bulletin* 89(1): 1-32.
- <sup>4</sup> Ray Boshara (2003). "The \$6,000 Solution," *The Atlantic Monthly*, January/February 2003, pp. 91-95.
- <sup>5</sup> Arthur B. Kennickell (2003). "A Rolling Tide: Changes in Distribution of Wealth in the U.S., 1989-2001," *Federal Reserve Paper*, March 2, 2003, p. 9.
- <sup>6</sup> Ray Boshara (2005). "Individual Development Accounts: Policies to Build Savings and Assets for the Poor," *Welfare Reform & Beyond Policy Brief* #32, Washington, D.C.: The Brookings Institution. Ray Boshara (2002). "Assets Necessary for Getting Ahead," *Seattle Post-Intelligencer* October 11, 2002, p. B7.
- <sup>7</sup> Thomas Shapiro and Edward Wolff, eds. (2001). *Assets for the Poor: The Benefits of Spreading Asset Ownership*. New York: Russell Sage Foundation.
- <sup>8</sup> Lillian Woo, F. William Schweke, and David Buchholz (2004). *Hidden in Plain Sight: A Look at the \$335 Billion Federal Asset-building Budget*, Washington, D.C.: Corporation for Enterprise Development.
- <sup>9</sup> Michael A. Stegman (1999). *Savings for the Poor: The Hidden Benefits of Electronic Banking*. Washington D.C.: The Brookings Institution Press.
- <sup>10</sup> Ray Boshara, *Seattle Post-Intelligencer* October 11, 2002, p. B7.
- <sup>11</sup> Comptroller of the Currency (2005). "Individual Development Accounts: An Asset Building Product for Lower-Income Consumers," *Community Development Insights*, February 2005. Ellen Seidman and Jennifer Tescher (2004). *From Unbanked to Homeowner: Improving the Supply of Financial Services for Low-Income, Low-Asset Customers*, paper prepared for the Joint Center for Housing Studies, Harvard University.
- <sup>12</sup> The American Dream Demonstration (ADD) was designed by CFED and the Center for Social Development (CSD) to evaluate and analyze the potential of IDA programs to build assets among the poor. See [gwbweb.wustl.edu/csd/asset/add.htm](http://gwbweb.wustl.edu/csd/asset/add.htm) for more information.
- <sup>13</sup> Mark Schreiner, Margaret Clancy, and Michael Sherraden (2002). *Final Report. Saving Performance in the American Dream Demonstration: A National Demonstration of Individual Development Accounts*. St. Louis: Center for Social Development.
- <sup>14</sup> Ibid.
- <sup>15</sup> Robert Kuttner (2003). "Sharing American's Wealth: The Policies and Politics of Building a Larger Middle Class," *The American Prospect*, Volume 14, Issue 5.
- <sup>16</sup> Mark Schreiner (2004). *Program Costs for Individual Development Accounts: Final Figures from CAPTC in Tulsa*. St. Louis: Center for Social Development.
- <sup>17</sup> Guat Tin Ng (2001). "Costs of IDAs and Other Capital-Development Programs," *Working Paper No. 01-8*. St. Louis: Center for Social Development.
- <sup>18</sup> Ray Boshara, *Welfare Reform & Beyond Policy Brief* #32; Robert Kuttner, *The American Prospect*, 14:5.
- <sup>19</sup> Federal Reserve Bank of Cleveland (2004). "Individual Development Accounts: An Endangered Wealth-Creation Strategy?" *Community Reinvestment Forum*, Winter 2004.
- <sup>20</sup> For example, income guidelines for AFIA grants are 200% of the poverty level, while grants from the Federal Home Loan Bank IDEA program are directed at households who make less than 80% of area median income.
- <sup>21</sup> Comptroller of the Currency, *Community Development Insights*, February 2005; Robin Newberger (2003). "Financial Institutions and Participation in Individual Development Account Programs," *Profitwise News and Views*, Spring 2003. Chicago: Consumer and Community Affairs Division of the Federal Reserve Bank of Chicago.
- <sup>22</sup> The Aspen Institute (2003). *Individual Development Accounts: How to move from a program for thousands to a product for millions*. Washington, D.C.: The Aspen Institute.
- <sup>23</sup> Federal Reserve Bank of Cleveland, *Community Reinvestment Forum*, p. 11.
- <sup>24</sup> Reid Cramer, Leslie Parrish, and Ray Boshara (2005). *Federal Assets Policy Report and Outlook*. Washington, D.C.: New America Foundation.
- <sup>25</sup> Julie Kosterlitz (2005). "The Other Ownership Society," *National Journal* (March 5, 2005).
- <sup>26</sup> Ray Boshara, Reid Cramer, and Leslie Parrish. (2005). "Policy Options for Achieving an Ownership Society for All Americans," *Issue Brief* #8. Washington, D.C.: New America Foundation.
- <sup>27</sup> For the most recent updates on federal asset building legislation, visit the Policy link at [www.assetbuilding.org](http://www.assetbuilding.org).
- <sup>28</sup> For a more detailed description of these and other policy options, see Ray Boshara et al., *Issue Brief* #8.

## Individual Development Accounts

- <sup>1</sup> Estimates of the number of unbanked vary widely. The lower bound estimates come from Ana M. Aizcorbe, Arthur B. Kennickell, and Kevin B. Moore (2003). "Recent Changes in U.S. Family Finances: Evidence from the 1998 and 2001 Survey of Consumer Finances," *Federal Reserve Bulletin* 89(1): 1-32. Higher bound estimates are developed using data from the Survey of Income and Program Participation (SIPP).
- <sup>2</sup> Anne Stuhldreher and Jennifer Tescher (2005). *Breaking the Savings Barrier: How the Federal Government Can Build an Inclusive Financial System*. Chicago: The Center for Financial Services Innovation.
- <sup>3</sup> Sandra Beverly and Michael Sherraden (1999). "Institutional Determinants of Saving: Implications for Low-Income Households and Public Policy," *Journal of Socio-Economics* 28:457-473.
- <sup>4</sup> Ellen Seidman and Jennifer Tescher (2004). *From Unbanked to Homeowner: Improving the Supply of Financial Services for Low-Income, Low-Asset Customers*. Chicago: The Center for Financial Services Innovation.
- <sup>5</sup> Michael A. Stegman and Phillip H. Kim (2004). *Legitimizing Individual Development Accounts (IDA) Within Financial Institutions*. Available at [www.cfed.org](http://www.cfed.org).
- <sup>6</sup> Robin Newberger (2003). "Financial Institutions and Participation in Individual Development Account Programs," *Profitwise News and Views*, Spring 2003. Chicago: Federal Reserve Bank of Chicago.
- <sup>7</sup> Center for Community Capitalism (2003). *Financial Institutions and Individual Development Accounts: Results of a National Survey October 2003*. Chapel Hill: The Frank Hawkins Kenan Institute of Private Enterprise, The University of North Carolina at Chapel Hill.
- <sup>8</sup> Stegman and Kim, *Legitimizing Individual Development Accounts*.
- <sup>9</sup> Center for Community Capitalism, *Financial Institutions and Individual Development Accounts*, p.33.
- <sup>10</sup> Julie Williams (2005). "IDAs Good for Banks and the Unbanked," *American Banker*, Friday, March 18, 2005.
- <sup>11</sup> Jeff Rosen (2004). "Individual Development Accounts: Savings Incentives to Build Wealth," *Community Investments Online Fall 2004*, Office of the Comptroller of the Currency.
- <sup>12</sup> Center for Community Capitalism. *Financial Institutions and Individual Development Accounts*, p. 32.
- <sup>13</sup> Rosen, *Community Investments Online* Fall 2004.

## The Asset Policy Initiative of California

- <sup>1</sup> Corporation for Enterprise Development (CFED), *State Asset Development Report Card: Benchmarking Asset Development in Fighting Poverty*, December 2002.
- <sup>2</sup> EARN staff worked in conjunction with a planning committee of asset-building stakeholders including staff members from the California Community Economic Development Association, the Center for Venture Philanthropy, PolicyLink, and The United Way of Greater Los Angeles.
- <sup>3</sup> Margaret Clancy, Peter Orszag and Michael Sherraden, *College Savings Plans: A Platform for Inclusive Saving Policy?* Center for Social Development, Washington University at St. Louis, February 2004.

## From Refunds to Assets

- <sup>1</sup> Stuhldreher, Anne (2004). "Tax Time—The Right Time: Federal Policy Recommendations to Help all Americans Save and Build Assets," *Asset Building Program Issue Brief* #5, December 2004, Washington, D.C.: New America Foundation.
- <sup>2</sup> U.S. General Accounting Office (2001). *Earned Income Tax Credit Participation*. GAO-02-290R. Washington, D.C.: U.S. General Accounting Office.
- <sup>3</sup> Holt and Associates Solutions (2005). *National Tax Assistance for Working Families Campaign: Report to the Annie E. Casey Foundation, 2004 Data*. Baltimore: The Annie E. Casey Foundation.
- <sup>4</sup> "Washington leads nation in growth of EITC applicants." State of Washington, Office of the Governor, Press Release. Nov. 18, 1999.
- <sup>5</sup> Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2003-2007*, December 19, 2002.