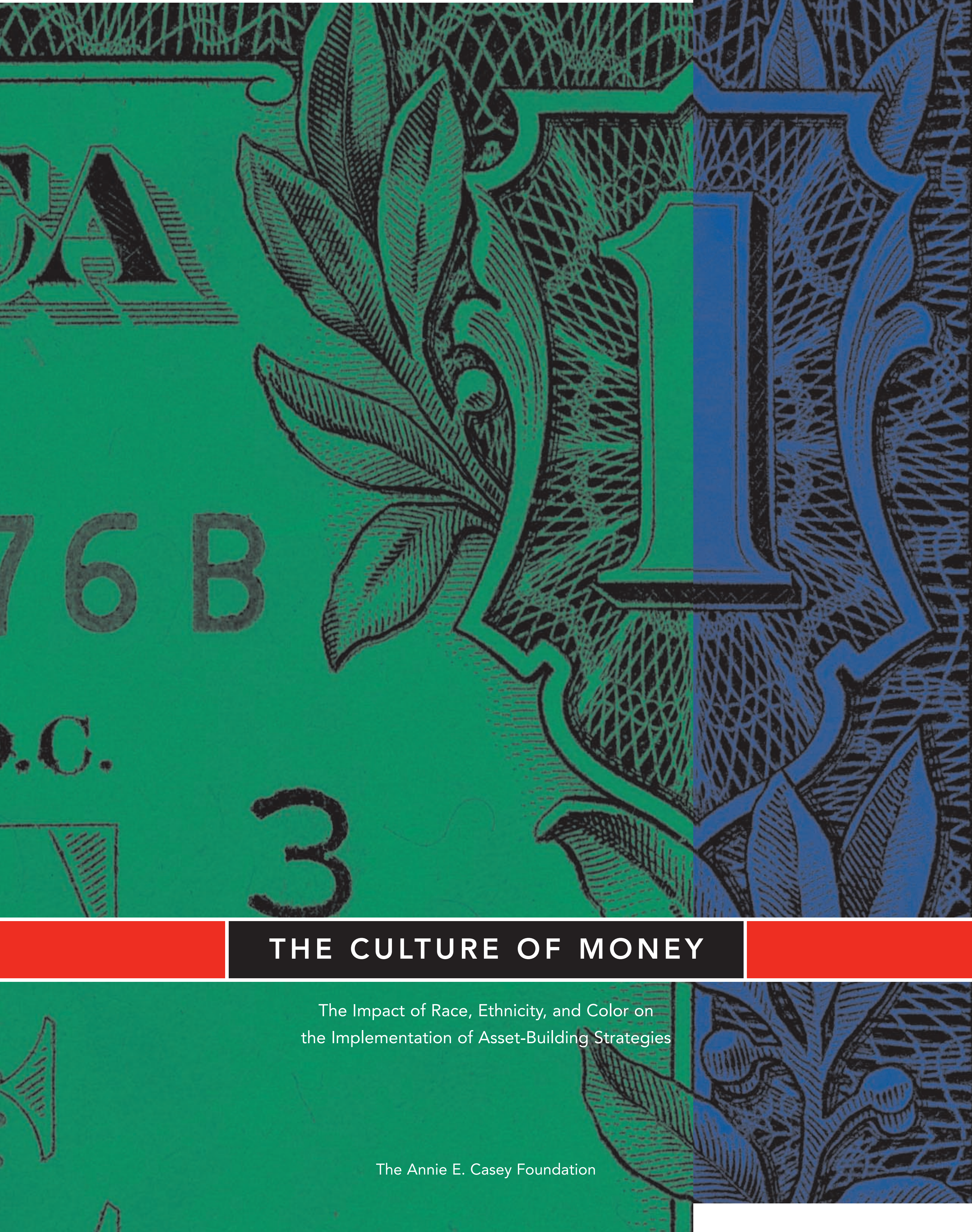

THE CULTURE OF MONEY

The Impact of Race, Ethnicity, and Color on
the Implementation of Asset-Building Strategies

The Annie E. Casey Foundation

The Annie E. Casey Foundation is a private charitable organization dedicated to helping build better futures for disadvantaged children in the United States. It was established in 1948 by Jim Casey, one of the founders of UPS, and his siblings, who named the Foundation in honor of their mother. The primary mission of the Foundation is to foster public policies, human-service reforms, and community supports that more effectively meet the needs of today's vulnerable children and families. In pursuit of this goal, the Foundation makes grants that help states, cities, and neighborhoods fashion more innovative, cost-effective responses to these needs. For more information, visit the Foundation's website at www.aecf.org.

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The Impact of Race, Ethnicity, and Color on the Implementation of Asset-Building Strategies

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Prepared for the Annie E. Casey Foundation
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Making Connections and Family Economic Success

The Annie E. Casey Foundation is dedicated to improving the lives of children and families by connecting them to effective services, supports and strong neighborhoods. The Foundation began its *Making Connections* Initiative in 2000. *Making Connections* works in ten communities nationwide to demonstrate effective family support and community change strategies. In 2002, the Annie E. Casey Foundation launched a new set of Family Economic Success (FES) strategies in its *Making Connections* and Civic Sites across the country. FES strategies incorporate a combination of workforce development, family economic supports, and community investment strategies. Together, these strategies work to help low-income children and families living in economically distressed communities secure adequate incomes, accumulate savings, and connect to stable, economically viable neighborhoods.
At the core of the Family Economic Support strategies are a set of programs specifically designed to maximize income and increase assets, including Individual Development Accounts (IDAs), affordable consumer financial services, affordable housing and homeownership, and credit repair. Implemented effectively, these programs have the potential to give low-income families a gentle push up the economic ladder by facilitating the accumulation of long-term assets.

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I. INTRODUCTION

Over the past ten years, policymakers and thought leaders in the social service arena have stressed the need for financial literacy for low-income families. Financial literacy programs began to be emphasized as a critical component of poverty alleviation by welfare reform advocates and this perspective was soon adopted by a wide set of public and private sector leaders.[1] Soon public officials, bankers, and social service policymakers were touting financial literacy as the Holy Grail, the comprehensive solution to the problems facing low-income families. The underlying argument for these programs, often unarticulated, was that if low-income families could "just learn to manage the money they had and stop making such poor decisions, they would be in better financial positions." Unfortunately, this view fails to recognize the context in which many of these decisions are made. The fact that many of the families and communities experts defined as being in critical need of financial literacy were communities of color also often went unacknowledged. As such, the discourse on financial literacy became permanently intertwined with an established set of negative assumptions and racial and ethnic stereotypes about families and communities of color.

The increased emphasis on and funding for financial literacy brought community-based practitioners into the field. These programs bought into the obvious need for increased financial skills among low-income families and, over time, the programs implemented thousands of financial literacy curricula and classes. While financial literacy programs have helped individual families increase their knowledge of how to budget and save, many community practitioners and increasingly researchers began to question the limitations of these programs. Thousands of families went through financial literacy classes, but the impact of the classes on increased savings or decreased debt was hard to see. While financial literacy programs may have reached hundreds, even thousands, of people within individual communities, millions more were reached by high-cost and predatory lenders offering drastically different financial information. Debt levels in the United States continued to rise, especially among low-income families.[2] The limits of financial literacy were not just recognized by practitioners; over time employers pulled back from offering general financial education to focus instead on immediately relevant, benefit-driven education.[3] Researchers also began to note that the effects of financial literacy in changes on financial behavior have been underresearched and the results that are documented are uneven.[4]

Program staff involved in the Casey Foundation's *Making Connections* initiative noted the difference in perspective between proponents of financial literacy and the perspective of some community-based programs. In addition to the limited evidence in support of the effectiveness of financial literacy programs, some practitioners also felt that financial literacy programs were ineffective in communities of color because they did not recognize the realities of these communities. The majority of families in most *Making Connections* target neighborhoods are people of color. *Making Connections* sites have implemented many innovative asset-building programs with growing financial literacy components.

Race and Ethnicity of *Making Connections* Neighborhood Residents

People of Color	Black	Latino	Asian & Other	Total
Denver	11%	59%	5%	75%
Des Moines	25%	15%	9%	49%
Hartford	52%	38%	2%	92%
Indianapolis	32%	6%	1%	39%
Louisville	76%	2%	2%	80%
Milwaukee	82%	3%	9%	94%
Oakland	20%	34%	40%	94%
Providence	23%	52%	12%	87%
San Antonio	3%	93%	0%	96%
Seattle	9%	14%	24%	47%

While these programs have seen some success, FES staff recognized that the context these programs operate in, including the dynamics of race and ethnicity, have a critical impact on the ability of low-income people to meet their basic financial needs, much less accumulate wealth, in the United States. Marginalized by the mainstream financial services sector for generations, low-income families of color have been relegated to the mercy of a highly profitable subprime financial services industry that uses predatory pricing, products, and business practices to systematically strip away any hopes of long-term asset accumulation. If asset-building programs involving financial education were going to address these structural issues, they would have to radically reshape existing financial literacy programs and combine financial skill building with real alternatives for families.

Over the past three years, *Making Connections'* neighborhood-level asset-building initiatives have provided an opportunity to check many of the theoretical assumptions behind popular financial literacy strategies against the neighborhood-based reality that practitioners face. In fact, there already are numerous instances of practitioners moving the field forward by quietly modifying their asset-building strategies, customizing them to the actual needs and cultural specificities of their communities; communities that were diverse not just by race and ethnicity but also by age, income, and other factors.

The recognition of the need to address race and ethnicity in asset building and financial education mirrored the journey of other initiatives sponsored by the Casey Foundation. In 2000, the Casey Jobs Initiative developed a Framework for Race, Ethnicity, and Cultural Competence as a means of deconstructing the negative racial and cultural assumptions embedded in popular debates about "soft skills" and "job readiness." This report is an attempt to begin to develop a similar context for understanding the complex interplay of race, money, and wealth accumulation in low-income communities of color and begin to unpack the cultural baggage embedded in the financial literacy paradigm. This is an admittedly daunting task for several reasons. First, it is difficult to disentangle the financial choices, knowledge, and behaviors of specific ethnic groups from the legacy of institutional discrimination, neglect, and abuse that perpetuate them. Second, racial and cultural experience is just one of the many important factors that affect an individual's financial behavior—age, income, and personal preferences are equally important. Finally, broad-stroke generalizations about "racially derived" financial behaviors rapidly loose their integrity when applied outside of the specific socioeconomic and cultural circumstances that created them.

Given these challenges, this report will attempt to provide a new lens for understanding the cultural, historic, and economic factors that impact consumer choice in target communities of color. The key message highlighted throughout this paper is that for financial education efforts to be effective, they must be linked to changes in the economic and financial service context of low-income communities of color. Financial skill building must be linked to financial products and services that work to the benefit of low-income people. Some researchers and financial literacy proponents have begun to promote this idea; that financial awareness must be linked to financial literacy (basic skills) and education, but that this education must then be linked to reinforcement and transformation.[5]

In addition, this paper strongly emphasizes the critical importance of developing an accurate profile of a program's target audience (or market) before developing intervention strategies. The paper provides examples of how community-level practitioners and program managers have considered racial and ethnic dynamics and adapted mainstream strategies to their clientele. Please note that these examples are not meant to be best or replicable practices. They simply contain important insight, language, and perspective on ways to move the field forward and improve financial outcomes for economically isolated communities across the United States.

II. THE INSTITUTIONAL CONTEXT

Racial and Ethnic Wealth Gaps

During the economic boom of the 1990s, incomes increased at almost every level in the United States. These benefits were extremely uneven and short term, however. Between 1998 and 2001, income in the top 10 percent of households surged 19.3 percent while income for the bottom fifth of households increased 14.4 percent. The net worth of families in the top 10 percent jumped 69 percent from $492,400 in 1998 to $833,600 in 2001. By contrast, the net worth of families in the lowest fifth of income earners rose 24 percent, to $7,900.[6]

These overall dynamics were mirrored by differences in income and wealth by ethnicity. The net worth of Latino and black[7] households actually fell 27 percent from 1999 to 2002, while white household wealth rose two percent during the same period. According to a study by the Pew

Hispanic Center, black, and Latino households earn about two-thirds as much money as white American households. Whites have a 11-to-1 advantage over Latinos, and a 14-to-1 advantage over blacks with regard to accumulated assets (savings accounts, stocks, and homeownership). In addition, families of color lost disproportionate ground to white families in terms of household wealth in the wake of the 2001 recession. After accounting for inflation, net worth for white households increased 17 percent between 1996 and 2002, and rose for Latino households by 14 percent to about $7,900. It decreased for blacks by 16 percent, to roughly $6,000. By 2002, 33 percent of black families and 26 percent of Latino families were deeply in debt or had zero or negative net assets, compared with 11 percent of white families. Even more alarming, a significant portion of the low-income black and Latino adult population had no account relationship with a mainstream financial institution.[8]

In addition, despite stereotypical characterizations as the "model minority," wealth gaps exist in the Asian-American community as well. The 2000 Census indicated a wide gap between affluent Asians and those living in poverty.[9] Asian Americans occupy the extremes of the spectrum from wealth to poverty. While one-third of Asian families have incomes of $75,000 or more, one-fifth have incomes of less than $25,000. Although the median household income for Asian and Pacific Islanders was larger than whites, Asian households on average have more people than white households.[10] Asians also tend to have lower per capita incomes than the total U.S. population. Most alarming, subgroups like the Hmong, followed by Cambodians, Laotians, and Tongans, were well under the poverty threshold. The number and rate of Asian Americans living in poverty rose the greatest among all groups to 11.8 percent and 1.4 million in 2003, up from 10.1 percent and 1.2 million in 2002. According to 2000 Census data, homeownership rates were 17 percentage points lower for Asian Americans and Pacific Islanders than for non-Hispanic whites.[11]

Historical Discrimination in the Mainstream Financial Services Sector

These disturbing data are indicative of the high level of isolation of large segments of the black, Latino, and Asian-American population from mainstream financial institutions. The American financial services industry is arguably the most efficient and sophisticated in the world.[12] The history of the mainstream financial services sector's relationship with low-income communities of color, however, is fraught with patterns of racial bias and legal discriminatory industry practices.

Throughout most of the last century, the mainstream financial services sector defined people of color and the communities in which they lived as poor risks. Redlining—the practice of denying or increasing the cost of financial services to residents of certain areas because of geographic location and/or the racial or ethnic composition of the area—was the standard industry practice. Like other forms of discrimination, redlining was rooted in the conscious, overt racial discrimination practiced and sanctioned in communities throughout the country. Financial sector discrimination was codified in real estate appraisal manuals that established preferences based on race, religion and national origin. Underwriting guidelines also specifically excluded applicants from certain ethnic groups who lived in specific parts of town from preferential rates on loan and insurance products.[13]

The refusal of the mainstream financial sector to provide favorable service to communities of color, however, created a profitable opportunity for a set of fringe financial institutions and the emergence of a bifurcated financial system. While an array of mainstream financial institutions fiercely competed for business in middle-class white communities, low-income communities were left with an entrenched, largely unregulated collection of fringe financial services providers whose business practices differed greatly from the asset-building and wealth-creation services accessed by the majority of Americans in the postwar period. Loans underwritten in communities of color were subprime and/or predatory carrying a high-cost fee structure that systematically stripped wealth and limited the generational ability of these groups to move into the American middle class.

Today's Bifurcated Financial Services Industry

Although federal legislation such as the Fair Housing Act (1968)[14] and the Community Reinvestment Act (1977)[15] had a tremendous positive impact on reducing mainstream institutional barriers for many low-income communities in the second half of the 20th century, racial disparities in the ability of people of color to obtain conventional mortgages and the dual system persist. Applications for conventional loans from people of color are rejected significantly more often than applications from whites even when comparing borrowers of the same income level. For example, a 2004 study found that even upper-income African Americans were 2.6 times more likely to be turned down than upper-income whites.[16] In addition, a survey of real estate professionals serving Asian-American customers found that 39 percent of American-born Asian potential homebuyers had little or no credit history and lacked a documented employment history.[17]

Conventional Home Purchase Loan Denial Rate Disparities Among Applicants of Similar Income Levels 2003

	Denial Rates			Denial Ratio to White Applicants	
Applicant Income Level	White	African American	Latino	African American	Latino
Low Income Below 50% median	22.3%	32.6%	28.4%	1.5	1.3
Moderate Income 50–79% median	12.7%	23.2%	20.0%	1.8	1.6
Middle Income 80–119% median	9.2%	19.9%	17.2%	2.2	1.9
Upper Income Above 120% median	7.8%	19.6%	16.0%	2.5	2.1

Source: *The Great Divide,* ACORN October 2004

Consolidation in the 1990s brought many changes to the financial services industry that had a negative impact on CRA's influence in low-income communities. The law is premised on the idea that neighborhood bank branches are the primary way by which individuals access financial services. When banks merged, unprofitable branches were often eliminated to cut costs. Unfortunately, many of the branches that were deemed unprofitable were located in low-income communities. Although this change had less impact on the mortgage business, which had become more centralized and less branch based, the branch closures—coupled with the shift toward automated and electronic banking—created a financial services void in many low-income communities of color.

This void created a price-gouging opportunity for the rapidly expanding check cashers, payday lenders, and finance companies that prey on consumers with limited financial choices. The number of check cashers and payday lenders increased nationally from 2,000 in 1996 to 22,000 in 2003.[18] According to the Financial Service Centers of America (an industry lobbying group), the industry cashes approximately 180 million checks annually with an aggregate face value of more than $60 billion.[19] Continued industry growth is dependent on the increasing number of low-income customers and the decreasing amount of services being offered to them by mainstream banking institutions.

In recent years, however, the lines between the mainstream and fringe financial institutions have begun to blur. Through industry consolidation and acquisitions, mainstream financial institutions are becoming controlling players in extremely lucrative subprime financial services markets.[20] Mainstream financial institutions spend billions to underwrite the activities and growth of check cashers and payday lenders. In addition, several major financial institutions have corporate structures that include high-priced consumer finance company subsidiaries. In fact, three of the largest predatory lenders in the state of California are actually bank subsidiaries.[21]

Given this significant ongoing legacy of industry abuse, neglect, and mistrust, it is critical not to divorce the institutional context from the financial behaviors and norms it has produced, and continues to produce, within communities of color. Changing the financial reality for low-income people of color therefore entails not only encouraging individuals to trust in a system that has historically not acted in their best interest, it also requires a diligent uphill struggle to monitor the predatory tendencies of mainstream and fringe institutions.

III. THE FINANCIAL LITERACY CONSTRUCT

Financial literacy efforts must be considered in the context of people of color's experiences with financial institutions. Over the past ten years, the place of financial literacy intervention strategies has come to be regarded almost as the millennium's Holy Grail of poverty alleviation.

Although financial literacy efforts have helped countless individuals, they will not be able to address the larger problems facing communities of color. In addition, without seriously examining the assumptions that have led to the current system of financial literacy, even the small-scale gains that programs can achieve will be less effective.

Many of the popular programs in the current generation of anti-poverty strategies being advanced by government, foundations, and nonprofits were conceived in reaction to the perceived failure of the Great Society programs of the 1960s. Based in a theoretical framework of individual "empowerment" that emerged during the 1980s and 1990s, these "bootstrap" strategies place the responsibility for positive economic and social change squarely on the shoulders of low-income program recipients. In a deliberate shift of focus away from institutional restraints, the thought leaders who designed these strategic approaches place a strong emphasis on the "self." The new arsenal of programs set out to motivate individuals of color to make more informed/literate/educated decisions about their long-term "self"-sufficiency and "self"-efficacy.[22]

As the asset-building movement gained momentum in the late 1990s and incorporated financial literacy into program design, its necessary focus on individual[23] rather than institutional factors continued this trend. This ideological shift toward individual accountability in low-income communities parallels the society-wide requirement of the new American "Ownership Society."

At the same time, welfare reform detonated the explosion of a financial literacy movement across the United States in the mid-1990s. Since that time, numerous government, nonprofit, and private sector organizations jumped on the financial literacy bandwagon. The meaning of the term "financial literacy" remains in flux, but the following comprehensive definition is useful for this discussion:

> Financial literacy is familiarity with the money, banking, and credit system. Financially literate people know it is safer to keep their money in a bank, rather than in their home. They know where to go to apply for a loan, the power of credit, and how to establish a credit rating. While they may not know every detail of the home buying process, they know the basics and where to go to initiate the process. In general, financially literate people know how to best use their income to build wealth.[24]

Financial literacy is fundamentally rooted in an assumed deficit on the part of the individuals it seeks to help. The financial literacy paradigm's fundamental mission is to increase the level of financial "knowledge" of individuals in low-income communities, based on the core assumption that if consumers know more (are smarter) they will engage in more productive financial practices and behaviors (get richer).[25] The simplicity of this poverty alleviation rationale contributed greatly to the movement's irresistible popularity. However, the construction of this seemingly benign causal relationship between knowledge and wealth signals other embedded assumptions that become particularly disturbing when applied to communities of color—the target recipients of a large percentage of financial literacy programming. On closer analysis, many of the underlying assumptions that the deficiency-based financial literacy paradigm makes about its target recipients are not far removed from pervasive stereotypes that define minority poverty as a personal, cultural, and even moral failure.

The stereotypical target "clients" for financial literacy are assumed to be less educated, lower income, urban, non-white (but most likely African American or Latino), uneducated, young, financially irresponsible, living from paycheck-to-paycheck, and lacking the basic financial knowledge and skills to make informed decisions about their long-term fiscal stability. An array of cost-effective, off-the-shelf financial literacy tools (curricula, seminars, pamphlets and brochures, mass media, and individualized learning) was developed based on these perceived deficiencies.

Community-based social service providers became the primary portal for the dissemination of this financial knowledge to communities of color in the form of what amounted to a financial "intervention." Through classes on topics such as budgeting, banking, and homeownership, they were instructed on how to become more financially responsible. "Should" became the operative word in financial literacy classes across the country. Low-income people of color were told that they "should":

- Open a bank account and not use check cashers to cash payroll checks;
- Keep a household budget;
- Pay their bills on time and build a good credit rating;
- Save a portion of their earnings toward the purchase of a long-term assets; and
- Avoid predatory and "pay-day" lenders at all costs.

But financial literacy "clients" of color were also being exposed to the embedded negative message of the paradigm that blamed them for either ignorance or uninformed behavior. They were assumed to be making either bad financial decisions (paying too much for goods and services, susceptibility to predators) or not making any (planning for the future, budgeting, and saving) at all.

Despite the widespread propagation of financial literacy programs and toolkits over the past ten years, the long-term results of these programs in communities of color are unclear. While millions of people have received financial literacy materials and hundreds of thousands have attended workshops and seminars, the financial information they have received has not kept pace with the changing financial landscape. The United States has one of the lowest personal savings rates in the developed world, escalating personal bankruptcies, and an increasingly complex financial system. The desperate need for increased individual financial competency is an issue that transcends all ethnic, income, educational, and age groups.

The long-term, on-the-ground impact of financial literacy strategies on low-income communities of color with constrained budgets has been stunningly underresearched. In fact, there has been very little formal research into the impact and efficiency, if any, of financial education programs in general on the long-term behavior of low-income people. Most evaluations of financial literacy programs only examine the self-reported financial knowledge or skills of participants.[26] Current evaluations support the individual benefits of financial literacy programs; there is not a doubt that the efforts do have a positive impact for some people.[27] The question remains whether the current investment in financial literacy will achieve the goal of reducing poverty and inequality if the outcomes of the efforts are unclear.

Neighborhood-level practitioners, however, informally report lackluster results at best. Practitioners report mounting evidence of a programmatic disconnect between the financial literacy message, the program delivery mechanisms, and the communities of color they seek to influence. The cause of the disconnect is rooted in the fact that too often, financial literacy program design is not guided by the real experiences, needs, and desires of their target "clients." In addition, one echoing complaint emanating from the field is that many of the notoriously underutilized cookie-cutter financial literacy programs are insensitive to audience, failing to take into account the economic, cultural, and behavioral diversity of their communities.

IV. TOWARD CUSTOMER-DRIVEN FINANCIAL EDUCATION AND ASSET-BUILDING MODELS

The Casey Foundation has been implementing its Family Economic Success (FES) strategies across the country for the past three years. These strategies seek to help low-income families access the economic supports necessary to establish credit, resolve past credit problems, reduce debt, learn more about financial budgeting and increase their financial security by saving and investing. FES investments increase the supply of financial and non-financial services, promote public dialogue and policies that encourage low-income people to build long-term financial assets, and strengthen institutions working in the field. Early versions of the FES strategies conceptually envisioned a developmental sequence of knowledge-building supports that moved low-income families seamlessly from the EITC, to bank accounts, to retirement accounts and homeownership.

Important lessons are beginning to emerge within the universe of the Foundation's FES network about the critical role (and lack) of "cultural competence" across the field of low-income asset building.[28] Community-level financial education practitioners are questioning whether the promotion of financial literacy in isolation will have any meaningful long-term impact on the financial behaviors of low-income people of color. Practitioners acknowledge that in addition to knowledge and information, financial decision-making for low-income people of color is a dynamic process that includes a set of individual consumer characteristics, traits, attitudes, and behaviors that many service providers and practitioners are just beginning to understand.[29]

Urban communities of color are not monolithic. While some neighborhoods have fairly homogeneous minority populations, others are highly diverse in terms of race, ethnicity, age, and income with differing levels of financial competencies and needs. Although the financial literacy agenda and templates were initially designed to address the perceived deficiencies of low-income African Americans and non-immigrant Latinos, the one-size-fits-all financial messages and packaging crafted for this target population of "clients" quickly became irrelevant and/or contradictory when applied to more diverse urban audiences. For example, while encouraging increasing savings and avoiding credit cards may be appropriate messages for young African Americans transitioning off welfare, the opposite could be true for middle-aged Haitian immigrants who disproportionately save cash (often outside of traditional banks) without building credit.

Similarly, the message to undocumented Latino immigrants that they should deposit their money in banks in a country where they are under the constant threat of deportation may need to be adjusted. Even among low-income African Americans (a primary target group) messages about not using check cashers needs to be balanced against the higher fees and transaction costs charged by mainstream banks to people who cannot afford to maintain minimum account balances or have a tendency to slip into overdraft. The use of check cashers and cash-based money orders can actually function as a simple, cost-effective way for people with few resources to safely manage their money.

Moving from Financial Literacy to a Continuum Approach

There is a growing recognition among *Making Connections* practitioners and others that people, especially those who fall into the diverse "low-income" and "people of color" categories, come to the financial marketplace with differing needs and capabilities. In addition, the recognition that financial skill building must be linked to useful, appropriate financial products has grown among these practitioners. The success of asset-building strategies is dependent upon the ability of practitioners to adjust program messages and delivery mechanisms to the needs and capabilities of diverse target populations. Out of necessity, innovative program managers have begun to shift the financial literacy paradigm at the neighborhood and community levels in the following ways:

- ***Accepting that Saying "You Should" Won't Change Financial Realities:*** Accepting the limitations of "should" approaches is key to developing effective financial education strategies. Like most Americans, low-income people of color have a combination of "good" and "bad" financial habits. Recent studies have discovered that in communities of color, having a bank account and owning assets do not guarantee against the use of check cashers, wire remittances, and subprime lenders. Like the rest of America, the financial choices made by low-income people of color are dictated by the changing requirements of their personal economic circumstances.

- ***Understanding the Limits of Knowledge Accumulation:*** Increasing the level of financial knowledge can help, but people of color, like the rest of low- and middle-income America, will inevitably be forced to make expedient financial choices with the set of options they have in the current marketplace. There is mounting evidence that improving financial knowledge alone has little long-term effect on the financial behavior, financial status, and outcomes of low-income consumers of color without changes in the neighborhood and financial services context they live in.[30]

- ***Moving from a "Client" to "Customer" Orientation:*** At the core of this shift is a new understanding that the ability to influence the long-term financial behavior of low-income people of color is contingent upon a redefinition of target populations as "customers" rather than "clients." Although low-income people of color make financial decisions based on limited information and personal income, their financial choices are a reflection of their complex preferences and past experiences.

- ***Understanding the Industry:*** Asset-building program managers are beginning to face the daunting realization that they have inadvertently entered the financial services market place as an underresourced competitor. They also realize that despite their physical presence in communities, they lag behind the private financial services industry in the race to understand the preferences of their customers and to assemble an effective menu of products that they may be willing to choose.

- ***Acknowledging the Need to Collect Market Intelligence:*** Low-income communities of color are not monolithic places. How consumers receive and respond to information about financial matters is shaped by numerous factors that even the private financial sector finds costly to identify. Program managers have been finding cost-effective ways to collect basic market intelligence about the individual financial behaviors and preferences of target customers within an appropriate cultural, social, and economic context. More importantly, program managers are beginning to use new intelligence to inform the design and modification of financial education strategies.

These on-the-ground program transformations are making the term "financial literacy" obsolete. The phrase simplistically suggests that the primary obstacle that low-income people of color face to the accumulation of wealth is basic numeric literacy that can be addressed through the provision of appropriate basic skills training. Experts and practitioners in the field have begun to do away with the limited concept of financial literacy in favor of broader notions of connecting a full continuum of skill building, behavior change, and links to products. Many practitioners and some thought leaders are beginning to use this continuum approach of linking awareness, literacy, and education to products that reinforce "good" financial behavior and transformations in the marketplace that provide real, cost-effective financial options for low-income people. This continuum has the acquisition of basic personal financial knowledge and competencies on one end and the purchase of an asset- and/or a wealth-building change in personal financial behavior on the other. The two ends are connected by a lifetime progression of financial planning tools in the middle.[31]

In addition, the negative connotations of "literacy" for low-income communities of color lead many practitioners to abandon the term in favor of financial "education." This freedom from the constraints of financial literacy has enabled some practitioners to move toward a new perspective that reflects the broadest needs and respects the existing competencies of their targeted populations. This new perspective acknowledges the traumatic nature of life on the margins of American society, the legacy of racial and cultural discrimination, the high costs associated with being poor, and an understanding of the structural obstacles and the decision-making processes of various market segments of low-income people of color at different stages of their lives.

Financial education is increasingly being defined as a lifelong learning process with specific requirements that change over the course of an individual consumer's life. As such, there is a growing need for asset-building programs and products to be driven and designed in accordance with consumer demand, instead of generic, inflexible cookie-cutter formats.[32] An array of targeted tools and products is needed that has degrees of relevance for selected consumer age groups, income groups, workers, family types, and specific ethnic categories.

Culturally sensitive delivery mechanisms and marketing strategies also should vary according to the target consumer's profile and existing financial competency.[33] For example, one-on-one counseling has been proven to be an effective method for teaching financial education among a target population where English language proficiency and general literacy are issues. Likewise, providing a monetary incentive (such as IDA matches and down-payment assistance) in conjunction with financial counseling and education services has proven effective in getting target families of color to commit to intensive financial education programs over long periods of time.[34]

V. PRELIMINARY LESSONS AND PROMISING PRACTICES

The Foundation views its Family Economic Success investments in cities across the country as an ongoing experiment that will evolve in response to new challenges, information, and promising practices. As in its other initiatives, the Foundation has tapped into a growing network of experts, practitioners, research, and experience to respond to emerging needs and to disseminate lessons and practices that are relevant to the entire asset-building field. Over the past three years, *Making Connections* site staff have sought not only a better understanding of the myriad factors, variables, and characteristics that shape the financial decision-making of low-income consumers of color, but also guidance about ways to improve long-term programmatic impact in target communities.

While FES strategies are still in their infancy, some preliminary examples have begun to emerge from Casey and non-Casey sponsored programs on innovative ways to improve the impact of asset-building services and products for communities of color. The following summary of preliminary lessons and program examples should not be confused with an across the board endorsement of the effectiveness of programs themselves. There also is no guarantee that the cited examples are replicable. Instead, the lessons and program examples—many of which are rooted in basic marketing principles—are an attempt to shift the way we think about the provision of a broad range of services in a variety of low-income communities.

1. Get to Know Your Market Segments

Although many asset-building and financial education programs are administered by nonprofit organizations that have a long-standing physical presence in communities of color, they often lack knowledge about the consumer behaviors and needs of their target clients and (more importantly) non-clients who also live in the extended community. As in the private financial services industry, basic market research can contribute to a deeper understanding of the dynamic nature of urban minority markets. Neighborhood-level market intelligence can be used to adapt program strategies for a better fit with the consumer preferences, capabilities, trends and shifting demographics of target communities.

The Louisville Asset Building Coalition Researching a Diverse African-American Market

The Louisville Asset Building Coalition (LABC) is a broad-based collaborative project of *Making Connections* Louisville dedicated to promoting financial stability for individuals and families. Through LABC, Louisville business, nonprofit, and government representatives work side-by-side to provide both direct services and links to community resources that will allow low-income residents of target communities to reach their highest economic potential. In 2003, Member's First Federal Credit Union, a key LABC private sector partner that coordinates financial education for the coalition, opened a new credit union branch in the heart of the predominantly African-American West Louisville community—one of *Making Connections* Louisville's target communities. Although the new branch was located at a city bus transfer station and across the street from a two major supermarkets, after a year of operation, the branch was not generating enough business to keep it viable. The problem for LABC and the credit union's CEO was that they were not sure why the branch was not working. In addition, they lacked the appropriate market research that would enable an informed decision about whether to close the branch.

To help a key partner, *Making Connections* Louisville and LABC engaged New England Market Research to conduct a small month-long market research project in the immediate vicinity of the branch. The research allowed Member's First to get a better picture of the convenience of location, the awareness and financial services needs of the branch's potential customers. Student interns surveyed over 200 people in the community near the credit union branch and asked about financial preferences as well as awareness of the credit union's current services. The results of the survey, focus groups, and data analysis indicated that Member's First, LABC, and *Making Connections* Louisville had much to learn about the potential customer base for financial services in West Louisville. Among other things, the research revealed a sizable banked group of African-American homeowners who had no idea of the branch's existence. This was an important market segment that could be used to subsidize the services to lower-income customers. The market research showed Member's First that it had to do a better job of targeting its advertising to a broader segment of the West Louisville African-American market beyond the low-income clients of LABC partner social service providers.

LABC's experience in West Louisville illustrates the degree to which financial education and outreach is a two-way street. Institutions have as much to learn as the communities they are trying to influence. While an entire neighborhood may be characterized as "low-income, uneducated, and African American," by aggregate statistics, efforts to influence consumer behavior require a closer look—at the real level of racial, ethnic, age, and income diversity that exists within urban markets of color.

2. Collect Data to Assess Programmatic Impact and Inform Customization

While practitioners have become increasingly aware of the specificity of needs affecting their target communities, these needs are not often quantified and documented in a systematic process that directly engages community residents. Surveys and focus groups can provide a cost-effective way to gauge issues related to gaps in programmatic access and service delivery. Once the data have been gathered, they must be systematically validated with community residents to assure the development of effective ongoing program modification and customization.

Sant La: The Haitian Neighborhood Center
Customizing Programs to Meet the Needs of a Unique Community

Since 2000, Sant La, the Haitian Neighborhood Center has been providing information and referral services in the areas of social services, education, housing, economic empowerment, health care, and legal services, to South Florida's Haitian community. Haitians are one of the poorest ethnic groups in Miami-Dade, more likely to work low-wage jobs, earn less money, and pay larger shares of their incomes for basic necessities. In 2003, Sant La joined the South Florida Human Services Coalition's Prosperity Campaign to provide Earned Income Tax Credit filing assistance and asset-building services to Miami-Dade's low-income Haitian residents.

In its first tax season, Sant La used a set of standard outreach and dissemination tools and strategies as well as financial literacy curricula that had been successfully used by other Coalition partners in other low-income communities in South Florida. In that first year, Sant La followed the prescribed strategy, giving EITC presentations at churches, distributing leaflets in Creole, and offering financial literacy classes that taught participants how to save. By its own admission, the results of Sant La's first tax season were dismal. So dismal in fact, that Sant La made an organizational decision to investigate why the program did poorly in the first year before planning another potentially ineffective second tax season.

At the end of 2003, Sant La implemented an assessment process to understand what went wrong in the previous tax season and to uncover better strategies to meet the needs of their community. With little outside funding, Sant La conducted four surveys utilizing multiple interviewing methods, including a phone survey, face-to-face interviews with clients, and two focus group meetings. The focus groups were held with neighborhood residents and professionals with extensive experience in providing financial services to the Haitian community in an attempt to uncover information about the community's financial norms, level of existing financial knowledge, and familiarity with the EITC program.

The surveys and focus groups uncovered key findings that challenged the relevance of the Coalition's strategies in the Haitian community. Among the key findings were:

- ***Institutional mistrust:*** The Haitian community had been victimized and traumatized by predatory financial companies who had been operating within the community institutions (including churches) for years. There was a high level of institutional mistrust of all kinds, and as a whole, the Haitian community was highly skeptical of financial advice offered through institutional sources.

- ***Banking practices:*** Although most people in the community already had savings and/or checking accounts with money on deposit (often to comply with immigration requirements), many people continued to meet their day-to-day needs with cash. This left many of the bank accounts underutilized and vulnerable to identity theft and fraud, often involving family members. Issues included institutional mistrust, a lack of familiarity with the banking system, and English and Creole literacy proficiency problems that prevented people from effectively using the banking system.

- ***EITC:*** There was a high rate of EITC filings in the Haitian community through commercial tax preparers but few people knew what EITC was. Many filers had no idea that the additional money they were receiving was coming from a restricted pool of federal money with specific rules. Nicknamed "Clinton's Money," people attributed their receipt of the EITC to the skill of often-unethical tax preparers. They did not understand the concept that as working people, they had actually earned the money. In addition, due to predatory and unethical practices, many local tax preparers were encouraging their unaware customers to file fraudulent EITC returns. As a result, there was a disproportionate rate of IRS audits for filers (particularly male) in South Florida's Haitian community.

Sant La used these findings to step out of the mold being used by the other partners and design a new prosperity campaign tailored to the needs and aspirations of the South Florida Haitian community. Financial education models were redesigned focusing less on how to save and more on how to transform savings into assets. Building institutional trust became a top priority for the Sant La campaign. The EITC campaign was refocused on educating people about the basic system of taxation and detailed legalities and compliance issues surrounding EITC filings, rather than just telling people that the money was available. Most importantly, Sant La designed an effective outreach strategy that replaced fliers and church presentations with a door-to-door outreach and a large mass media campaign that inundated South Florida's two Haitian-owned radio stations and two television stations with call-in shows, panel discussions, and public service announcements. The new Prosperity Campaign strategies have paid off. Over the past two years, tax site utilization has more than doubled in each year. Tax site staff reported a definite increase in the knowledge level of clients and the term "Clinton's Money" has universally been replaced by its proper name, "EITC." Most importantly, Sant La has developed an ongoing strategy of collecting market information on its target population and using that information to inform the development of new customer-driven strategies and products.

3. Design Programs that Build on Community Assets

Different ethnic groups enter the financial arena with varying historic/cultural experiences. Many current asset-building programs based in the financial literacy paradigm are premised on the deficits and needs of target communities of color, giving the impression that these low-income communities have few competencies and/or social assets of their own. This deficits' perspective becomes particularly problematic in communities with multiple ethnic groups where attitudes toward money, savings, and mainstream financial services can differ dramatically.

In addition, individuals and groups of color have developed innovative strategies such as trust-based Rotating Credit and Savings Associations (RoSCAs) to survive in the wake of historic adversity.[35] There is a need for more culturally competent program strategies that identify and tap into hidden cultural financial strengths or assets that have been prematurely dismissed as deficits. More incentive or asset-based programs are needed in low-income communities of color that are focused on identifying and enhancing the positive actions of people of color.

The Family Independence Initiative
Capitalizing on Existing Cultural Assets

The Oakland-based Family Independence Initiative's strategy is based on an appreciation of the United States' rich tradition of people working together to help one another out of poverty. Research on the Irish, Jewish, Chinese, and African-American communities demonstrates a range of effective pathways to self-sufficiency based on cultural and religious affinity. The Family Independence Initiative (FII) is catalyzing such self-help networks—with 800 families—in several communities in Oakland and Alameda County.

Both the public and private sectors have spent billions on the poor in the form of needs-based services. Rarely have these sectors focused on assets and capitalized on the affinity and trust within communities, empowered the poor directly with monetary resources, or encouraged them to build wealth as a means of attaining self-sufficiency. The FII approach emerged out of a realization that the public and nonprofit anti-poverty program structure actually penalizes low-income families who accumulate assets by denying them benefits once they exceed a certain asset threshold. Rather than isolating families and providing professional services, FII helps families work together to improve their situations.

FII works with "affinity communities," each one comprised of six families. Each family received $250, a computer with internet access, and an Individual Development Account (IDA) that provides a 2:1 match for every dollar a family saves toward a home, a business, or education expenses. In addition, up to $3,000 is available to each family in quarterly payments that reward progress in areas of employment, education, finances, and health care. While FII staff will assist with training opportunities and connections for the families if asked, the families are completely in the driver's seat as they meet in groups to strategize raising their standard of living. Teaching what you learn to other families also is a big part of FII. Financial skills learned by one person are shared with other individuals and families, encouraging peer learning.

The FII approach challenges prevalent assumptions that low-income people of color (by definition) make uninformed, irrational financial choices. By identifying and building on positive financial behaviors that already exist within target low-income market segments, FII has created a non-punitive approach to long-term financial education that actively solicits participants' input and utilizes instruction methods based on peer-to-peer learning concepts.

4. Customize Financial Education Programs for the Needs and Abilities of Target Populations

Programs that take into account the various factors (such as race, age, and income) that influence the way individuals absorb financial information and make financial decisions have a higher likelihood of success than those that do not. Despite numerous pre-packaged financial education curriculums and delivery formats, many financial education providers have found it necessary to borrow practices from the private sector financial planning industry. Individualized, intensive, one-on-one or small group financial counseling is the most effective way to generate long-term financial behavior change. It is normal for middle-class Americans to purchase individual financial advice through their banks, stockbrokers, financial planners, and accountants. Although one-on-one financial counseling is cost-prohibitive for many community-based financial education providers, most practitioners would agree that this individual financial counseling is desperately needed at the lower-income levels of American society. Intensive customized financial education enables the counselor to closely evaluate the financial needs of the customer, provide relevant information, and tailor the information and non-judgmental delivery to the customer's abilities and "teachable moments" in their lives. Most importantly, customized counseling enables counselors to monitor a customer's progress and provide assistance in negotiating the peaks and valleys along the road to financial stability.

Smart Money Community Services
Providing Financial Planning Services to Low-Income People

Smart Money Community Services, a nonprofit organization in the Over-the-Rhine area of Cincinnati has provided a full range of affordable financial services and financial education to underserved, predominantly African-American, Cincinnati residents for more than 15 years. Instead of assembling large financial education classes and broadly lecturing participants about their poor spending behavior, Smart Money has developed an intensive one-on-one financial counseling model that addresses the individual needs and consumer behavior of the city's lower-income African-American communities. Participants learn how to establish credit, get out of debt, and/or save for a home or business. The Smart Money model was developed by two staff members with backgrounds in behavioral psychology who cherry-picked practices from existing financial education models to come up with a hybrid that was tailored to the specific needs and behaviors of their target population.

New program participants are asked to go home and draft a complete record of their spending habits during the course of a week. Once completed, the rough spreadsheets are reviewed with a counselor and compared against the individual's net income. Smart Money has found that this intake exercise is an eye-opening experience for participants, many of whom had never looked at their financial situation in such a holistic manner. Participants are often surprised by how much money they are spending eating out rather than cooking at home, going to the corner store rather than the grocery store, and how much they spend on nails, cigarettes, CDs, videos, and lottery tickets. Expense items are addressed on a line-by-line basis over a period time, which teaches individuals how to make gradual, deliberate choices that ultimately affect their overall consumer behavior and sense of financial security.

The Smart Money financial education model is demanding, time consuming, and costly, relative to other programs, but it has built a suite of programs that are tailored to different segments of its clientele. For example, Smart Money's newest program, Smart Consumer, is an example of how the agency works. The three-year program allows participants to save for a down payment on a home, with program sponsor GE Consumer Finance matching saving funds at a one-to-one ratio per monthly $100 savings deposit. Because federal funds for IDAs set strict income levels, Smart Money found that families higher up the income ladder who were most likely to be successful at homeownership were not able to access its standard program. Smart Money raised private funds that did not have the restrictions of federal dollars and increased its program income cap. In order to make sure participants had enough savings for a realistic down payment in the current local housing market, Smart Money also raised the monthly savings amount to $100; higher than many IDA programs. The program has 30 participant slots, which can be a challenge to fill. For this reason, Smart Money has to aggressively market the program, and make sure that applicants fully understand the program's rigorous requirements before they decide to enroll.

Although this approach is resource intensive and requires a number of outside partners, Smart Money is an excellent example of adapting existing models of financial education to meet the diverse needs of its community. Even though the community may not be ethnically diverse, the needs of program participants still vary tremendously.

5. Adjust Programs to the Specific Challenges of Target Populations

Low-income people of color face a variety of unique and complex financial challenges—resulting from their cultural and economic circumstances. The efficiency and effectiveness of asset-building programs in general improve when providers are given flexibility in program design and implementation to meet the changing demands of their customers. Programs must take into account the real challenges low-income families of color face and acknowledge their past and current participation in the marketplace, no matter how "flawed." All working Americans, regardless of income, need to cash paychecks and require access to some form of credit. It is no coincidence that three of the top four categories of fraud in communities of color relate to credit and credit repair.[36] The fringe financial services industry flourishes in low-income communities by meeting unmet demands, which the mainstream financial system is either not willing or able to meet. This demand would exist no matter how financially literate the customer base. Asset-building strategies for these communities need to begin at a point that is relevant to "where customers are" rather than "where they should be" financially.

Faith Community United Credit Union
Providing the Financial Services People Want

Based on the trust, faith, and vision of the members of Mt. Sinai Baptist Church, Faith Community United Credit Union (FCUCU) has been providing affordable financial services to lower-income, predominantly African American (90 percent) residents of Cuyahoga County, Ohio, since 1952. Currently, almost 30 percent of the credit union's members have incomes below the federal poverty line. FCUCU offers its members a variety of savings, checking, and financial education services. Over the years, FCUCU has developed banking practices to both meet the needs of its target population and keep the bank solvent.

When reviewing loan applications, FCUCU developed a "Total Exception Policy" as its standard way of assessing loan risks. The Total Exception Policy takes into account the specific difficulties that low-income people face in their day-to-day lives, such as periodic unemployment and uninsured medical expenses. For these loans and check cashing services, FCUCU charges higher rates and fees to justify the higher risks. These rates are still lower than rates offered by finance companies. In addition to checking accounts, FCUCU also offers customers the option of opening transaction-based savings accounts. Designed for customers who have difficulty managing a checking account, these transaction-based accounts can be used as a basis for purchasing money orders and cashing checks for a minimal fee.

FCUCU also offers its members an affordable alternative to payday loans. FCUCU offers affordable short-term loans through its Grace Loan Program as an alternative to predatory payday loans that the fringe financial services industry target markets to African-American and Latino communities. Originally funded by a grant from a local foundation, members can access the loan fund if they have had a minimum of one year of direct deposits at the credit union and have at least $50 in their savings account. No credit check is required. The annual interest rate for the loan is 17 percent. Borrowers also pay a $15 fee per loan. The maximum amount of the loan is $500. Loans must be repaid within two pay periods from the day they are processed. Repayment can be made by post-dated check, money order, or automatic debit. A collection fee of $30 is charged for returned checks or cancellation of direct deposit. FCUCU offers financial education classes as part of its overall services, but does not require them for the alternative payday loan.

One of the major challenges FCUCU faces derives from the state's peer regulatory structure that evaluates and certifies credit unions. Regulators refuse to take into account the fact that FCUCU is servicing a higher-risk low-income market. Its higher costs and higher default rates make it, and any other credit union that serves the low-income market in Ohio, a natural "close-down" target for state regulators. This creates an important double standard as payday lenders are largely unsupervised and minimally regulated.

The FCUCU approach is an excellent example of a community-based organization that makes an effort to develop a range of financial products that meet the needs of its target customers without judgment about whether customers "should" be using the products they need. Providing customers with transaction-based products provides a useful tool to help target customers of color begin to build new trusting and respectful relationships with financial institutions.

6. Try Not to Judge the Needs of Your Target Market

For low-income people of color who struggle to sustain themselves and their families in conditions where capital is scarce, long-term asset-building priorities often take a back seat to more immediate issues of short-term survival. Although program designers may have an idea of what low-income people "should" do when it comes to financial choices, they often have a long way to go in understanding why certain financial decisions are not really "choices" at all. Many low-income families have few available options when it comes to managing their money. Often, low-income people of color are in a better position than program managers to decide what makes financial sense for their lives at a given time. It is therefore critical for program designers and practitioners to avoid broad theoretically based assumptions about what constitutes "good" and "bad" financial decision-making until they have a complete understanding of the personal, cultural, and even geographic motives behind them.

The Denver Community Federal Credit Union Check Cashing: A Path to Savings Accumulation?

The Denver Community Federal Credit Union (DCFCU) was founded more than 70 years ago to provide banking credit services to city and county employees of the Denver metropolitan area. In 2002, DCFCU expanded its Community Charter to enable the bank to accept membership from the community at large. DCFCU was particularly interested in expanding services into Sun Valley, a predominantly low-income Latino *Making Connections* target neighborhood that had no resident mainstream financial services institutions. In fact, the only financial services available in Sun Valley were what appeared to be a large number of check cashers and payday lenders. In 2003, DCFCU began to work with *Making Connections* Denver and the

Piton Foundation to develop a business plan and strategies to open a new neighborhood branch that could provide the Sun Valley neighborhood with quality financial services. In the strategy discussion, it became evident that neither the DCFCU staff nor its nonprofit partners had a clear perspective of the financial landscape and the consumer preferences of low-income Latino consumers in the target neighborhood. All parties agreed that they needed basic market research on Sun Valley—what alternative financial services are available in the community, who is being served by these institutions, what products are being offered, and what are the costs of services—before they should consider opening a new branch. Unfortunately, none of the partners possessed the expertise needed to conduct neighborhood-level market research.

With financial assistance from the Casey Foundation, the Piton Foundation, and the Colorado Credit Union League, DCFCU hired Chicago-based Shorebank Advisory Services to come to Denver and conduct a neighborhood-level assessment of financial service needs in Sun Valley and the adjoining low-income neighborhoods. Among its many revelations, the market research found that in addition to mainstream financial services, fringe financial services were also in short supply in Sun Valley and adjoining neighborhoods. The Shorebank research found that the community had a tremendous unmet demand for transactional services—check cashing, bill paying, and extensions of short-term credit. Despite the partners' initial perceptions, Sun Valley actually had few check-cashing stores, forcing many community residents to rely on convenience stores, liquor stores, and supermarkets to fill the check-cashing void.

Armed with this new information, DCFCU and its partners faced the challenge of developing a business model for a Sun Valley branch that could directly contradict its community asset-building aspirations. Building a branch driven by the need for competitively priced wholesale transactional services could happen at the expense of cash deposits and the demand for the long-term savings products from new members. To aid in this delicate balance, DCFCU set up a check-cashing Credit Union Service Organization that would enable the branch to provide check-cashing services to non-members. When the branch finally opened, community residents were thrilled by their ability to walk up to any window and cash checks at reasonable rates regardless of membership. To everyone's surprise, once at the window a large percentage of check-cashing customers filled out membership applications and opened accounts with a portion of the cash they had just received. DCFCU had no bank competition in the neighborhood and residents found the idea of a convenient, safe place to keep their money appealing. It quickly became evident to the managers of the Sun Valley Branch that check cashing had become the branch's "loss leader," something that the market research and the business plan did not predict. At the end of its first quarter, the branch's new accounts projections were "blown out of the water."

Based on the success of the branch's check-cashing operation, DCFCU has continued to survey its customer base to find new ways that it can offer other transactional services as a path to long-term wealth development. It has recently identified the extension of short-term credit as a critical need of its low- and moderate-income customers. The bank is currently investigating ways to provide its customers with low-cost, short-term credit products in direct competition with the local payday lenders.

7. Financial Education Is a Two-Way Street

Although financial literacy and financial education efforts have traditionally been focused on improving the knowledge level and financial behavior of low-income communities, a lot of learning and education still needs to be done at the institutional level. In recent years, the number of partnerships between financial services institutions and community-based organizations that serve the interests of low-income communities of color have been on the increase. Too often mainstream institutions just replicate existing models rather than putting in the effort to adapt or customize their services. When those uncustomized efforts fail, institutions often use the failure to justify the idea that the market can't be serviced. When businesses recognize the potential profitability of a market, however, they are motivated to put in more effort to learn about a market. Community-based partnerships then become less about corporate social responsibility and more about business opportunity. The business practices of the financial services sector in communities of color are not written in stone. In addition to advocacy and monitoring compliance, there also is an opportunity to educate the industry about how its practices can be adjusted to create a win-win situation for banks and target communities.

The Latino Community Credit Union
Measuring Unmet Latino Demand

The Latino Community Credit Union (LCCU) provides affordable financial services to the Durham area's growing Latino population. Opened in 2000, the LCCU was the first financial services institution in North Carolina to focus on the Latino market and only the second such credit union chartered in the Southeast. In recent years, LCCU has expanded to serve five communities across the state. The state's new and growing Mexican population faces significant language and cultural challenges in accessing mainstream financial services. Many Latinos, particularly undocumented workers, had become easy targets for theft and/or fraud. Due to distrust of financial institutions or the police, theft of at-home cash savings often went unreported.
The North Carolina Latino community also had become a target of the predatory financial services industry. Instead of suffering from bad credit, many of the first-generation Latino community residents suffer from having no credit history at all, which prohibits them from purchasing homes and creating long-term assets.

Although the target population saves and remits significant portions of their earnings, the lack of a credit history means that mainstream financial institutions do not recognize North Carolina's growing Latino community as a potential market. Finance companies willing to offer this market credit did so at exorbitant rates.

LCCU provides savings and checking accounts, worldwide ATM and money order services, wire-transfers, and consumer loans to its members. Fees for these services are low. For example, check cashing and statewide ATM access for members are free, and wire transfers cost $10 for amounts up to $5,000 (compared with charges as high as 10 percent of the amount wired charged by some other firms). LCCU also offers a financial education program designed to introduce its members to mainstream financial services. The credit union has a bilingual staff and materials available in both English and Spanish. For many of the recent immigrants from rural communities in Mexico, the Credit Union structure of membership and shared ownership is a natural fit.

LCCU also works to get the state's mainstream financial institutions to recognize the size and economic potential of the state's expanding Latino market. Working with 60 community-based organizations, LCCU collects extensive data on the market size and financial behavior of the Latino population. The data are used to convince local banks that there is a high level of quantifiable unmet demand for financial services in North Carolina's Latino market. LCCU's salesmanship and advocacy, coupled with recent Census numbers that revealed that North Carolina has the fastest growing Latino population in the United States, got the attention of Bank of America, who is changing its practices to include more bilingual staff and marketing materials.

LCCU is an excellent example of a community-based financial institution using its unique community knowledge and access to educate mainstream financial institutions about the existence, size, and consumer power of the state's growing Latino market.

VI. CONCLUSION

Casey's work at the neighborhood level has driven home the fact that funders and practitioners need a deeper understanding of the variety of consumer experiences, traits, needs, demands, and financial norms that exist within communities of color. A number of community-based efforts have emerged to help communities of color increase their level of financial education and build long-term assets in recent years. Unfortunately, these programs have been struggling to keep pace with an avalanche of targeted new strategies emanating from the fringe and mainstream financial services industry to strip the wealth from communities of color. The nonprofit sector does not have the resources to compete with the financial services industry.

Instead, the solution is to "work smarter" by enhancing the existing financial education infrastructure and delivery mechanisms with strategic practices that can help improve financial opportunities for low-income communities of color across the United States.

By building on the unique, on-the-ground knowledge that local community-based programs have, and using relationships of trust with community members, practitioners can greatly enhance the effectiveness of their programs and outpace mainstream, uncustomized efforts. By building on community assets instead of assuming that program participants "don't know," community-based practitioners can build confidence among low-income communities and help empower them to take control of their lives. By recognizing and validating the different experiences individuals, families, and communities bring to the table rather than assuming that all people are the same because they come from the same neighborhood or ethnicity, practitioners can avoid costly program design mistakes. By being willing to learn from the people they are serving, practitioners can become partners with their clients, and journey with them, rather than trying to change their behavior from the outside.

All of these recommendations must be accompanied by targeted research to identify the most effective financial education methods and appropriate measures of financial success in communities of color. The Family Economic Success portfolio is still relatively new and will continue to evolve in coming years. The Foundation will continue to incorporate culturally competent lessons learned and practices into asset-building and financial education models that will have a positive impact on the lives and wealth prospects for individuals and families of color across the United States.

Endnotes

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9 Research and statistical data on Asian Americans often are not disaggregated for different subgroups.

10 According to the 2000 Census, Asian households are more overcrowded than the total population. On average, 49.3 percent of Asian families have roughly three people per room, whereas in the total population each has their own room.

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14 The 1964 Fair Housing Act prohibits discrimination in housing based on race, color, religion, sex, disability, familial status, or national origin. The Act deals with the sale, rental, or financing of housing, as well as any advertisements or statements with respect to housing.

15 Passed in 1977, the Community Reinvestment Act (CRA) is a federal law that prohibits banks from refusing to lend in low- and moderate-income communities. Because this "redlining," as it is called, was found to be widespread, Congress passed CRA to ensure that "regulated financial institutions have a continuing and affirmative obligation to help meet the credit needs of the local communities in which they are chartered."

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32 Maurice Lim Miller, Marisa Castuera, Michelle Chao, and Katherine Sadowski, *Pathways Out of Poverty: Early Lessons of the Family Independence Initiative; The First Two Years of Operation 2001–2003,* The Family Independence Initiative, Oakland, CA, 2004.

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34 M. Sherraden, A.M. McBride, E. Johnson, S. Hanson, F. Ssewamala, and T. Shanks, *Saving in Low-Income Households: Evidence from Interviews with Participants in the American Dream Demonstration,* (CSD Report 05-02), Washington University, Center for Social Development, St. Louis, 2005.

35 Credit and Savings Associations (RoSCAs) are a form of pooled lending and savings system that can be found among a number of immigrant groups. RoSCAs are also known as *sous-sous* among Haitian immigrants, as partners among many English-speaking West Indians, as *tandas* among Mexicans immigrant, as *kye* among Koreans, and *hui* among Chinese people. In general, RoSCA participants contribute the same amount of funds every week to a common fund, the full sum of which is given to one member until everyone has received a payment, at which point the association dissolves. The system works by relying on trust and reputation to have participants live up to their obligations. Its successful operation depends on reciprocity, mutuality, and trust—the building blocks of social capital and effective civic action. Some community-based organizations have had success in getting mainstream banks to recognize RoSCAs as legitimate savings clubs and savings emanating from membership in one of these associations can be considered as an individual asset when applying for a mortgage. See: Alethia Jones, *The Politics of Immigrant Economic Incorporation: Lessons from Haitian Essos,* Paper Submitted for Fellows Conference, The Miller Center for Public Affairs, University of Virginia, May 7, 2004.

36 A recent Federal Trade Commission statistical survey of fraud in the United States found that certain racial and ethnic minorities were much more likely to be victims of fraud than non-Hispanic whites. The survey found that consumers with high levels of debt were more likely to be victims of fraud. Three of the top four categories of fraud related to credit, including credit-repair scams often targeted at those carrying high debt loads or having bad credit. See: *Consumer Fraud in the United States: An FTC Survey,* The Federal Trade Commission, Washington, D.C., August 2004.

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