

Evaluation of Financial Links for Low-Income People (FLLIP) in Illinois



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Data Source

The data from this presentation is largely drawn from the report:

Anderson, S., & Scott, J. & Zhan, M. (2004). *Financial Links for Low-Income People (FLLIP): Final Evaluation Report*. School of Social Work. University of Illinois at Urbana-Champaign.

Available online at:

http://www.povertylaw.org/advocacy/community_investment/fllip_evaluation_exec_summary.cfm

Goals of FLLIP



Helping low- and moderate-income families become financially stable through financial education and asset building.

FLLIP Coalition



- ⌘ A state-wide coalition of banks, credit unions, advocates, government agencies, bank regulators, adult educators, private industry, and sponsors of Individual Development Account (IDA) Programs
- ⌘ The FLLIP Coalition is coordinated by the National Center on Poverty Law (NCPL) under the FLLIP Coordinator, Dory Rand
- ⌘ Illinois Department of Human Services (IDHS) has provided funding for the operation and the evaluation of FLLIP

Features of FLLIP

⌘ FLLIP includes financial education program only sites (13 FEP sites) and some sites that combine IDAs and financial management training (3 IDA sites)

☑ *Training:* FEP participants receive 12-hour FEP training, while IDA participants receive 10-hour FEP training and 6-hour asset-specific training

☑ *Incentives:* FEP TANF recipients can receive “work activity” credit for attending FLLIP classes; FEP TANF recipients can receive childcare and transportation reimbursement for attending FLLIP classes; Participants in IDA sites can receive \$2 in matching funds for each \$1 they save for identified purposes (up to a maximum of \$2,000 in matched funds).

Features of FLLIP (Cont'd)

- ⌘ All sites use an interactive financial management curriculum developed by University of Illinois Extension (*All My Money; Your Money and Your life*)
 - ☑ “core” curriculum was used at each site
- ⌘ A highly decentralized strategy of program development and training delivery
- ⌘ Community contractors share common responsibilities (e.g., recruit and train the trainers; recruit participants; organize curriculum, deliver the training, and monitor participants)

Evaluation Methods

- ⌘ Aggregate data on the training delivered, completion and non-completion rates, and reasons for dropouts were obtained from monthly report by the agencies.
- ⌘ Participant characteristics were obtained from program application forms.
- ⌘ Financial knowledge tests (41-item test) were conducted before and after the training.
- ⌘ Follow-up telephone survey was conducted to assess changes in financial behavior.

Participant Characteristics



- ⌘ The FLLIP FEP and IDA Programs are limited to persons who are at or below 200% of the Federal Poverty Level, including individuals receiving public benefits and low-income workers
- ⌘ In general, FEP sites participants are more diverse and more disadvantaged, especially in terms of educational and economic characteristics.

Participant Characteristics

	Total (n = 634)	IDA Sites (n = 125)	Education-only Sites (n = 509)
<u>Gender</u>			
Male	14.0	16.8	13.4
Female	86.0	83.2	86.6
<u>Race</u>			
African American	50.9	53.6	50.3
Latino or Hispanic	18.1	5.6	21.2
Caucasian	24.0	33.6	21.6
Other	5.5	4.8	5.7
<u>Primary Language</u>			
English	75.2	92.0	71.1
Spanish	14.5	0.8	17.9
Other	9.5	5.6	10.4

Participant Characteristics (Cont'd)

<u>Age</u>			
Less than 20 years	7.7	0.0	9.6
20 to 29 years	35.0	26.4	37.1
30 to 39 years	27.1	42.4	23.4
40 to 49 years	15.3	20.8	13.9
50 to 59 years	4.7	3.2	5.1
60 years and over	3.3	0.8	3.9
<u>Marital Status</u>			
Single (never married)	52.7	42.4	55.2
Married	22.7	25.6	22.0
Separated	7.1	8.0	6.9
Divorced	10.6	23.2	7.5
Widowed	2.2	0.0	2.8
<u>Parental Status</u>			
No children	19.4	0.8	24.0
One child	25.6	34.4	23.4
2 to 3 children	40.9	52.8	37.9
4 or more children	10.4	11.2	10.2

Participant Characteristics (Cont'd)

	Total (N=634)	IDA Sites (N=125)	Education-only Sites (N=509)
<u>Education</u>			
Less than high school	31.4	12.0	36.2
High school or GED	24.6	20.8	25.5
Attended college	22.2	38.4	18.3
Graduated junior college	6.2	8.0	6.1
Graduated college	7.9	17.6	5.8
Attended graduate school	2.5	0.8	3.1
<u>Employment Status</u>			
Employed	38.8	98.4	24.2
Unemployed	59.5	1.6	73.7
Receive TANF	25.1	0.8	31.0
Have checking accounts	40.1	77.6	30.8
Have savings accounts	25.4	64.8	15.7

Financial Management Needs of Low-Income People

⌘ Literature indicates that low-income families are short of knowledge in:

- ☑ Public and work-related benefits;
- ☑ Banking practices;
- ☑ Savings and investing strategies;
- ☑ Credit use and interest rates.

And are more susceptible to:

- ☑ Predatory lending practices.

Pre-training Knowledge Levels (n=640)

- ⌘ On Average, pre-training knowledge levels of participants were low – they answered only about 54% of the pre-test items correctly.
- ⌘ The low levels of participant knowledge about “public benefits” and “savings and investing” were notable.
- ⌘ FEP participants had significantly lower average pre-training knowledge scores than IDA participants.

Pre-training Knowledge Levels (n=640)

	NUMBER OF TEST ITEMS	AVERAGE NUMBER AND PERCENTAGE CORRECT		
		All Participants (N=640)	Education-only (N=496)	IDA (N=144)
All Items	41	22.1 (53.9%)	20.3 (49.0%)	28.3 (69.0%)
<u>Content Area:</u>				
Predatory lending	6	3.7 (61.3%)	3.4 (57.8%)	4.6 (76.6%)
Public and work-related benefits	8	3.7 (45.6%)	3.3 (41.4%)	4.8 (60.2%)
Saving and investing	10	4.7 (47.4%)	4.3 (42.8%)	6.3 (63.3%)
Banking practices	5	3.3 (65.5%)	3.0 (59.5%)	4.3 (86.4%)
Credit and interest rates	8	4.8 (60.1%)	4.5 (56.7%)	5.8 (72.1%)

Knowledge Gains (FEP sites)



- ⌘ Knowledge improvement overall (average correct responses from 48.5% to 68.2 percent) and in each of the five content areas was significant.
- ⌘ The greatest average percentage improvement was made in the public and work-related benefits (average correct responses from 40.8% to 66.7%).

Knowledge Gains (FEP sites)

	NUMBER OF TEST ITEMS	AVERAGE NUMBER AND PERCENTAGE CORRECT (N = 287)		KNOWLEDGE IMPROVEMENT (AVERAGE NUMBER CHANGE)
		Pre-training	Post-training	
All knowledge items	41	19.9 (48.5)	28.2 (68.2)	8.3
<u>Content Area</u>				
Predatory lending practices	6	3.2 (54.1)	4.7 (78.9)	1.5
Public and work related benefits	8	3.3 (40.8)	5.3 (66.7)	2.1
Savings and investing	10	4.3 (42.4)	6.3 (62.9)	2.1
Banking practices	5	2.9 (57.2)	3.7 (73.6)	0.8
Credit use and Interest rates	8	4.5 (56.1)	5.8 (72.2)	1.3

Estimated Knowledge Gains (IDA sites)

	AVERAGE PERCENTAGE OF CORRECT RESPONSES		CHANGE IN PERCENTAGE CORRECT
	Pre-Training	Post-Training	
All participants (based on 144 pre-tests and 88 post-tests)	69.1%	83.2%	14.1%
Method eliminating the lowest pre-test scores	78.2%	83.2%	5.0%
Method eliminating the highest pre-test scores	60.2%	83.2%	23.0%

Participant Characteristics and Knowledge Gains (FEP sites)

- ⌘ English primary speakers showed greater knowledge gains;
- ⌘ Hispanics increased scores than other racial groups;
- ⌘ Education was positively related to knowledge gains;
- ⌘ Non-married participants had greater knowledge gains than non-married participants.

Behavioral Changes (n=159)

- ⌘ Household budgeting and bill-paying practices:
 - ☑ 85% changed household budgeting practices
 - ☑ 65% changed the way they pay bills
- ⌘ Savings and asset accumulation:
 - ☑ 75% saved more (32% saved for a down payment)
 - ☑ 35% made a long-term investment other than home purchase
 - ☑ 22% made a major home improvement
 - ☑ 20% purchased insurance (life, car, health)
 - ☑ 6% purchased a home

Behavioral Changes (Cont'd)



⌘ Use of Mainstream Financial Institutions and Credit

- ☑ 82% managed credit cards better
- ☑ 56% used currency exchanges less
- ☑ 40% used payday loans less
- ☑ 38% & 34% opened first checking or savings account

⌘ Access to Government and work-related benefits

- ☑ 35% accessed public benefits they learned of in class
- ☑ 18% accessed job benefits they learned of in class

Savings Outcomes of Participants from IDA Sites*

- ⌘ FLLIP IDA graduates saved about \$40 per month.
- ⌘ Total savings by participants amounted to \$116,395.
- ⌘ The distribution of asset purchases: car purchases (59%); home repair (42%); home purchase (34%); postsecondary education or training (13%), and small business start-up (3%) & car repair (2%).

*Reference: Rand, D. (2004). *Financial education and asset-building programs for welfare recipients and low-income workers: The FLLIP experience in Illinois*. The Brookings Institution.

Satisfaction with Training (n=388)

	Excellent	Good	Fair	Poor
<u>Overall Evaluation of Training & Trainer</u>	%	%	%	%
Overall, how would you rate the quality of the training received?	71.8	26.4	1.8	0.0
Overall, how would you rate the job the trainer did in presenting the training?	80.9	17.5	1.6	0.0

Dropout Rates



- ⌘ Dropout rate was higher at the FEP sites (35%) compared to that at the IDA sites (12%).
- ⌘ Major reasons for dropout include conflicts with work or other education, non-work related problems (e.g., health or mental health problems, child care or transportation), and inconvenient training time, etc.

Implications



- ⌘ State flexibility to develop initiatives on financial education and asset-building programs should be encouraged (e.g., counting the training as TANF work activity).
- ⌘ TANF funds for financial education and asset-building programs (IDHS used unspent TANF “maintenance of effort” funds to support FLLIP training).
- ⌘ The importance of state and community collaboration in refining financial management training approaches.

Implications (Cont'd)

- ⌘ The promise of financial education and asset-building programs for low-income population.
- ⌘ Developing training curriculum to meet the needs of low-income people (pre-training knowledge assessment maybe a helpful approach).
- ⌘ Developing strategies on training delivery to meet differing needs of subsets of low-income participants.
- ⌘ The challenge of program retention (e.g., flexibility in scheduling, support services such as child care and transportation reimbursements, participation incentives).