ASSETS & OPPORTUNITY SCORECARD

Living on the Edge: Financial Insecurity and Policies to Rebuild Prosperity in America

Findings from the 2013 *Assets & Opportunity Scorecard*

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LIVING ON THE EDGE: FINANCIAL INSECURITY AND POLICIES TO REBUILD PROSPERITY IN AMERICA

Findings from the 2013 *Assets & Opportunity Scorecard*

By Jennifer Brooks and Kasey Wiedrich

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ABOUT THE SCORECARD

The Assets & Opportunity Scorecard is a comprehensive look at Americans' financial security today and their opportunities to create a more prosperous future. It assesses the 50 states and the District of Columbia on 102 outcome and policy measures, which describe how well residents are faring and what states can do to help them build and protect assets. These measures are grouped into five issue areas: Financial Assets & Income, Businesses & Jobs, Housing & Homeownership, Health Care, and Education.

http://scorecard.cfed.org

LIVING ON THE EDGE: FINANCIAL INSECURITY AND POLICIES TO REBUILD PROSPERITY IN AMERICA

Findings from the 2013 *Assets & Opportunity Scorecard*

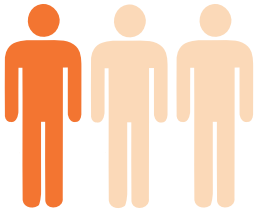
Although the post-recession economy is showing signs of recovery millions of Americans are still scraping by. As policymakers make decisions over the next few months about whether to fund programs that provide a lifeline to a better future for millions of Americans, they should take a hard look at the reality facing nearly half the nation's families. For the second year in a row, the *Assets & Opportunity Scorecard*, finds that nearly half (43.9%) of households—equivalent to 132.1 million people—do not have a basic personal safety net to prepare for emergencies or future needs, such as a child's college education or homeownership. These families are considered "liquid asset poor," meaning they lack the savings to cover basic expenses[1] for three months if unemployment, a medical emergency or other crisis leads to a loss of stable income.

This group includes a majority of the 42.2 million people who live below the official income poverty line of $23,050 for a family of four, as well as many who would consider themselves in the middle class. One quarter (25.7%) of households earning $55,465-$90,000 annually have less than three months of savings.

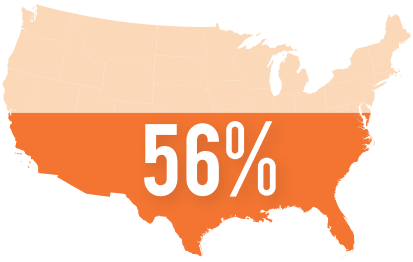
In addition, 26% of households are "net worth asset poor," meaning that the few assets they have, such as a savings account or durable assets like a home, business or car, are overwhelmed by their debts. These asset poor families, whether they lack emergency savings, durable assets or both, are forced to prioritize today's expenses over tomorrow's goals. These families have made pragmatic choices, in part, to cope with the recession's continued impact. However, many also lack even the basic tools to save for a rainy day. Nearly a third (30.8%) of households do not have a savings account and many (8.2%) have no mainstream financial account at all.

With little or no savings to make their household budgets work, families continue to take on debt. The average borrower is carrying $10,736 in credit card debt. Unfortunately, more than half (56.4%) of consumers do not qualify for short-term credit at "prime" rates, leaving them to turn to high-cost payday, auto-title or installment loans to make it through another week. One out of five households who have a mainstream bank account still uses predatory or high cost financial services.

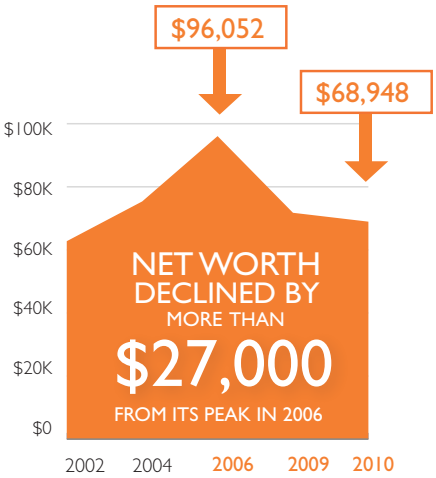
44% OF HOUSEHOLDS ARE LIQUID ASSET POOR IN AMERICA



1in3 DO NOT HAVE SAVINGS ACCOUNT



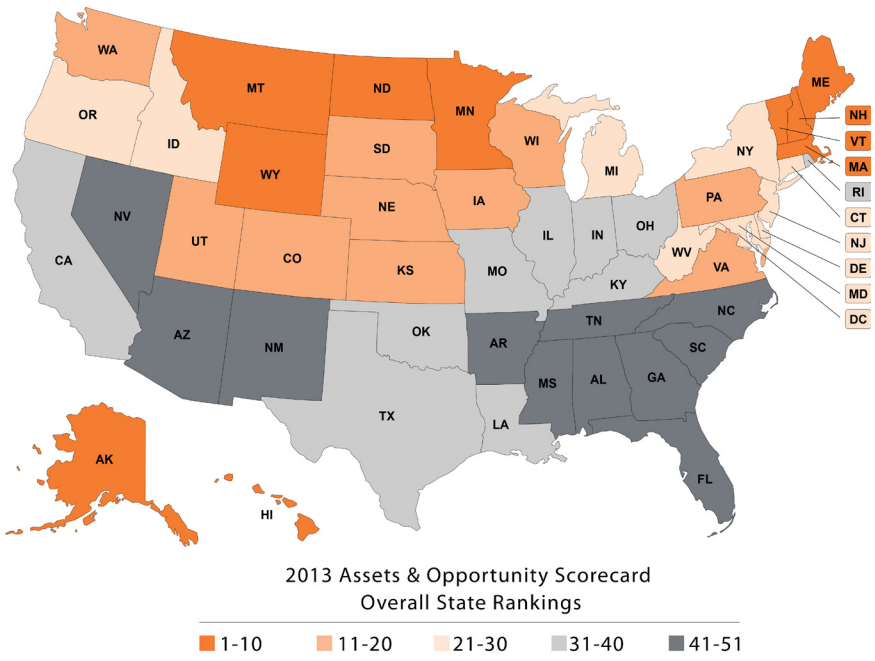
56% OF CONSUMERS HAVE SUBPRIME CREDIT SCORES



Faced with limited savings, high debt and bad credit, families' ability to invest in long-term assets—such as a home, business or college education—is largely out of reach. Median net worth declined by over $27,000 from its peak in 2006 to $68,948 in 2010 (the latest year for which data are available). Homeownership, an important driver of net worth, also continued to decline from its peak of 67.3% of Americans who owned a home in 2006 to 64.6% in 2011.

The drop in homeownership was fueled by both a continued high rate of foreclosures and tightening of the mortgage market. By the second quarter of 2012 the foreclosure rate had dropped to 4.27%—a decrease from a 2010 high of 4.6% but still above the pre-housing crash rate of 0.99% in 2006. The move by financial institutions to stop offering high-cost mortgage loans—another factor contributing to the drop in homeownership rates—has been a mixed blessing for asset poor families. On the up side, they are no longer prey for abusive and unscrupulous lenders. On the down side, they are largely shut out of the mortgage market.

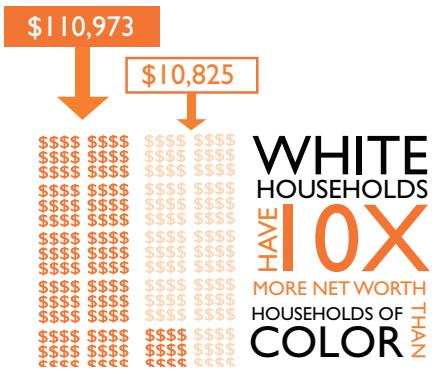
Small business ownership—the second largest source of household wealth after homeownership—also declined slightly, moving in tandem with a decrease in the availability of business capital. Private loans to small businesses declined 13.2% between 2009 and 2010. Interestingly, microenterprise ownership—businesses with fewer than five employees—increased slightly. This increase may have been a pragmatic response by laid off workers who, in the absence of wage-labor alternatives, turned to self-employment as a job creation strategy to help make ends meet.



As troubling as these numbers are, they are dwarfed by the financial insecurity facing households of color. Although the majority (58.3%) of liquid asset poor households are white, nearly two-thirds (62.6%) of households of color fall into that category, making them one job loss or medical emergency away from financial collapse. There is also a chasm between the assets owned by white households and households of color. White households have 10 times the median net worth as households of color ($110,973 and $10,824, respectively), and are considerably more likely to own a home. The homeownership rate for white households is more than 25 percentage points higher than the rate for households of color (72% and 46.2%, respectively).

Financial insecurity and limited opportunities to invest are also substantially greater in certain parts of the country. Across all of the outcome indicators in the *Scorecard*—which include Financial Assets and Income, Businesses and Jobs, Housing and Homeownership, Education and Health Care—states in the southeast and southwest fare the worst. Rustbelt states, the mid-south and California also come in below average. Many of these states were hit hard by the recession. However, additional factors contribute to their poor outcomes including how the state's policies responded to the recession, as well as its demographics and natural resources. Historical legacies, such as racism or investment (or disinvestment) in residents, in some states can also set up entire generations to succeed or fail.

As the economy recovers from the worst economic collapse since the Great Depression, our country has a chance to invest in programs and policies that create financial security and economic opportunity for families, while strengthening our ability to compete in the global economy. Doing so will not only produce a fairer and more inclusive society, but a more prosperous, resilient and sustainable one.

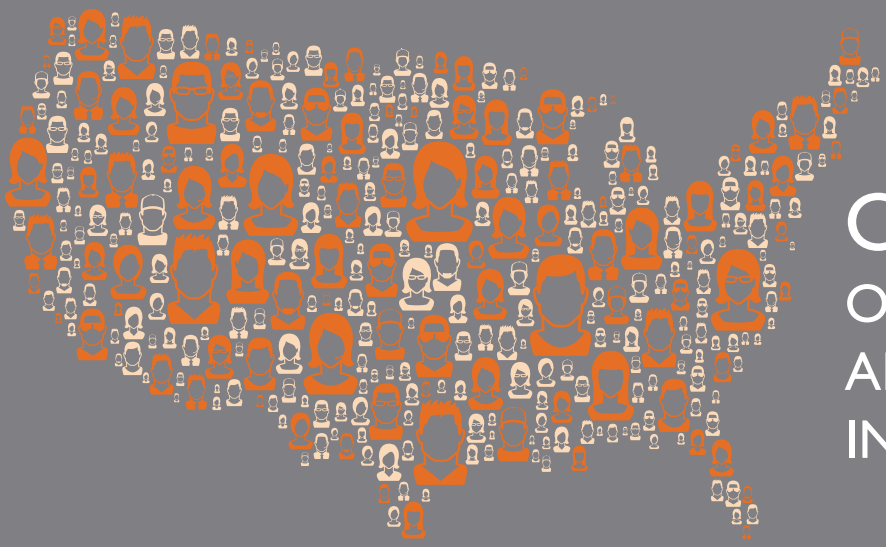


This report offers an easy-to-read snapshot of key findings from the 2013 *Assets & Opportunity Scorecard*. The infographic on the following pages describes the demographic characteristics of the 44% of American households who are liquid asset poor. In the section that follows, readers will find analysis and charts describing trends and state variation organized according to the *Scorecard's* five issue areas. That section is followed by one that takes a close look at state and federal actions to promote a range of asset-building and asset-protection policies. The concluding section provides information on how to connect with the national Assets & Opportunity Network and access additional information about state-level data on household financial security and policy solutions through the *Scorecard* website.

$$$ SAVINGS IN AMERICA: WHO ARE THE LIQUID ASSET POOR?

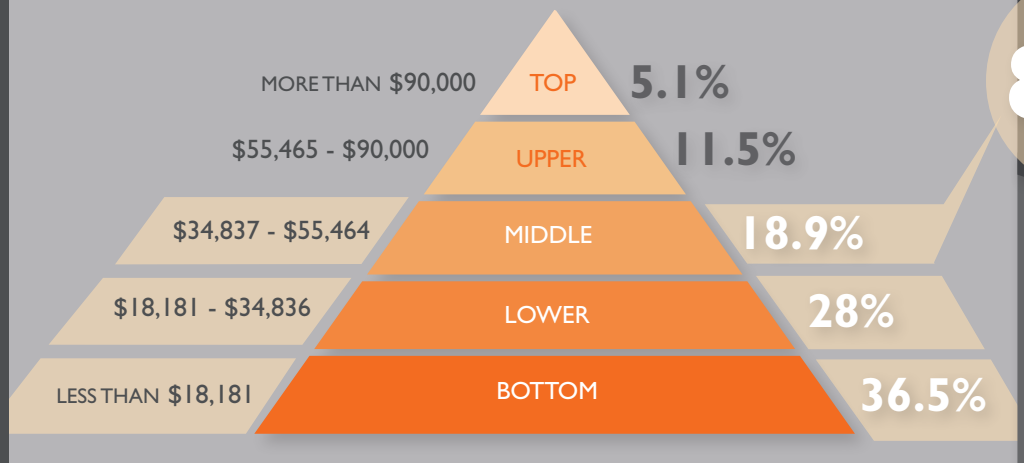
Liquid asset poor households lack adequate savings to cover basic expenses at the federal poverty level for just three months if they suffer a loss of stable income. In 2012, a family of four with less than $5,763 in savings was liquid asset poor. This infographic shows the demographic characteristics of the 44% of American households who are liquid asset poor.

ASSETS & OPPORTUNITY
SCORECARD



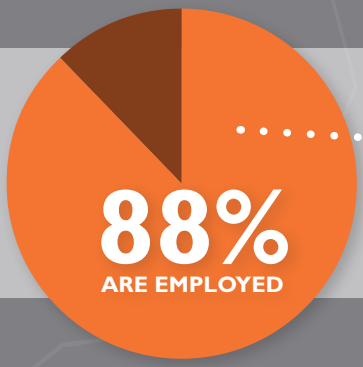
OF THE 44% OF HOUSEHOLDS WHO ARE LIQUID ASSET POOR IN AMERICA ...

INCOME



83% EARN LESS THAN **$55K** a year

EMPLOYMENT



75% of whom are employed **FULL-TIME**

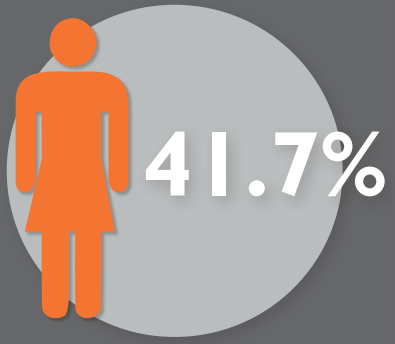
EDUCATION

49% HAVE AT LEAST **SOME COLLEGE EDUCATION**

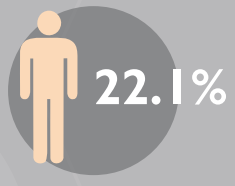
FAMILY COMPOSITION

MARRIED

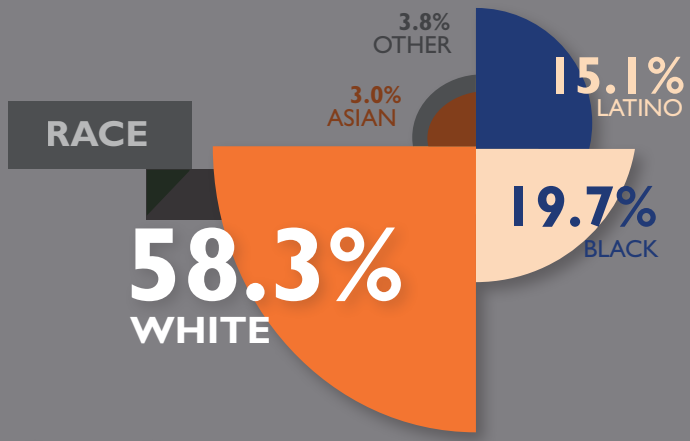
UNMARRIED WOMEN



UNMARRIED MEN



RACE



2in3 households of color are liquid asset poor; however, the majority of liquid asset poor households are white.

36% OF THE LIQUID ASSET POOR **HAVE CHILDREN**

52% OF WHOM ARE MARRIED

48% OF WHOM ARE SINGLE

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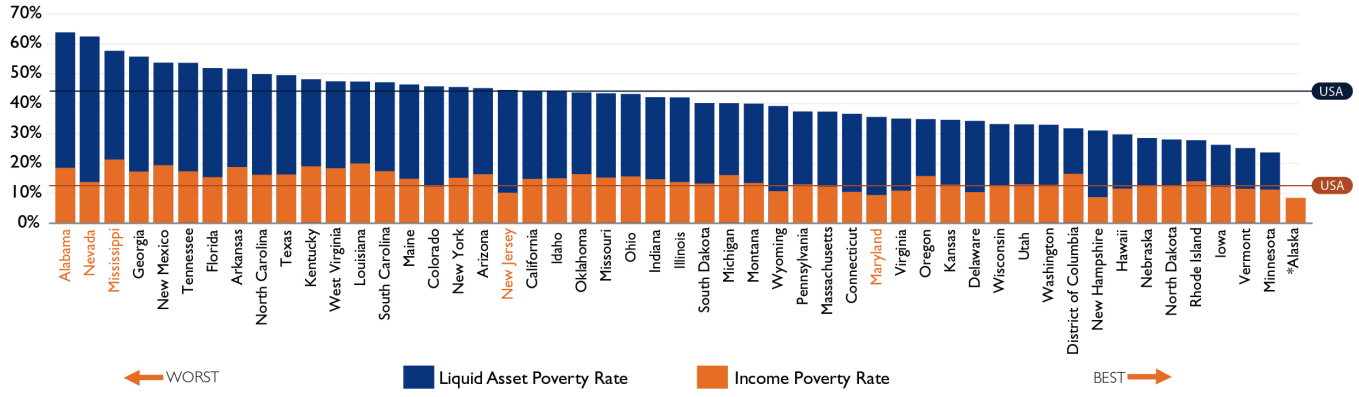
HOW STATES COMPARE AND FAMILIES FARE ACROSS SCORECARD MEASURES

The *Assets & Opportunity Scorecard* includes 68 outcome measures that are grouped into five categories: Financial Assets & Income, Businesses & Jobs, Housing & Homeownership, Health Care, and Education. An exploration of each of these categories produces a more nuanced picture of how families across the country are coping with financial insecurity and their opportunities to invest in and protect their assets.

FINANCIAL ASSETS & INCOME

Liquid Asset Poverty and Income Poverty

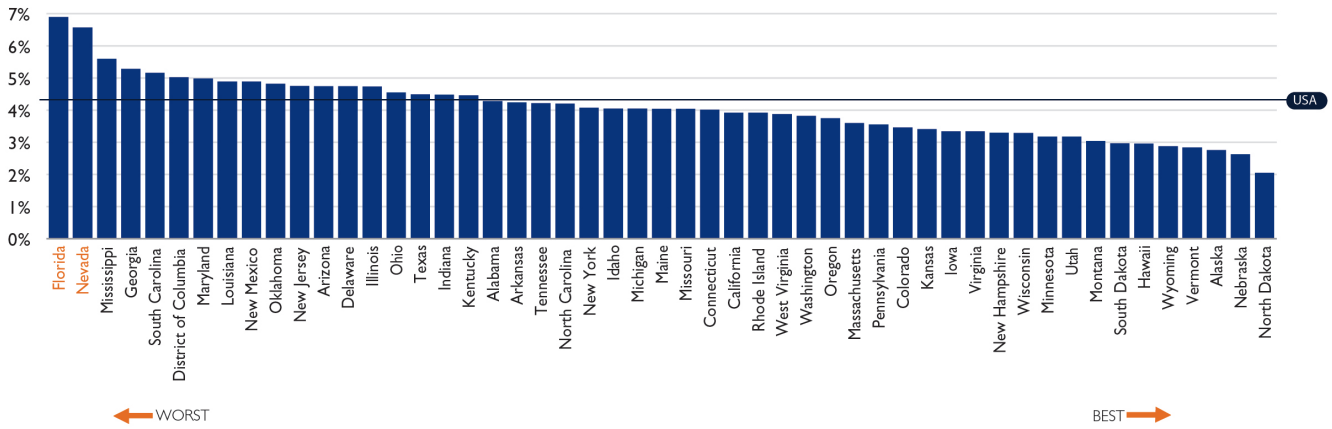
Nationally, household income poverty increased slightly since the last *Scorecard* from 14% to 14.6% and remains at an historic high. Yet, looking only at the percentage of households who are income poor underestimates the magnitude of financial insecurity in this country. There are three times as many households who are liquid asset poor (43.9% nationally) as are income poor. In states like Alabama, Nevada or Mississippi, no matter by which measure, high proportions of families are financially vulnerable. However, there are also states like New Jersey and Maryland that have low income poverty, but have disproportionately high numbers of families who are asset poor. Four times as many households in these states are liquid asset poor as income poor. The high cost of living helps explain why comparatively fewer people in these states fall below the official federal poverty line, which is not adjusted for cost of living, but remain financially insecure.



*Liquid asset poverty estimates are not available for Alaska due to insufficient data.

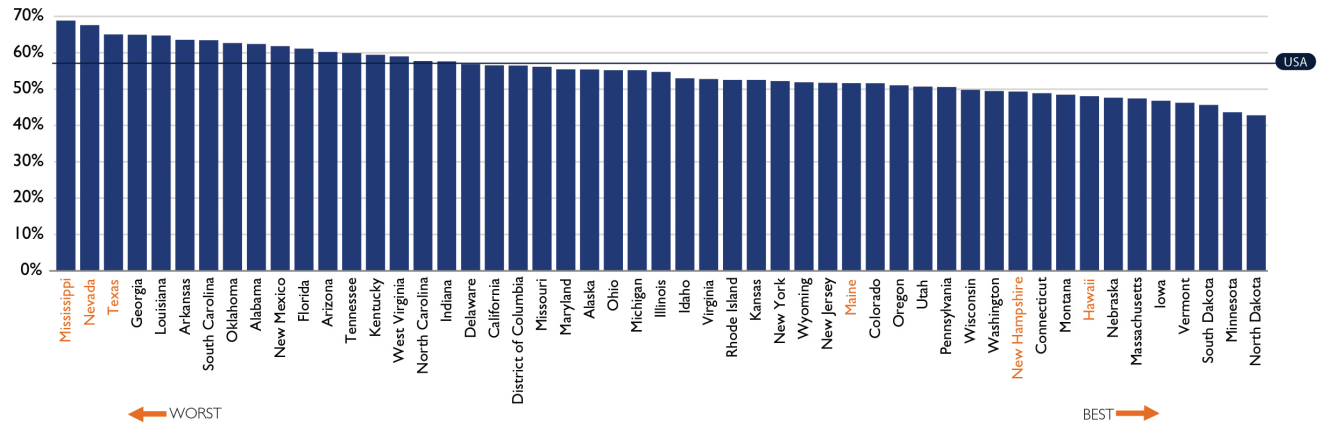
Borrowers 90+ Days Overdue

With little savings, families turned to credit to make ends meet. Unfortunately, many were not able to keep current with debt payments. The percentage of borrowers who are 90 or more days overdue—an indication of severe financial trouble—increased in 43 states. Borrowers in Florida and Nevada fared the worst.



Consumers with Subprime Credit

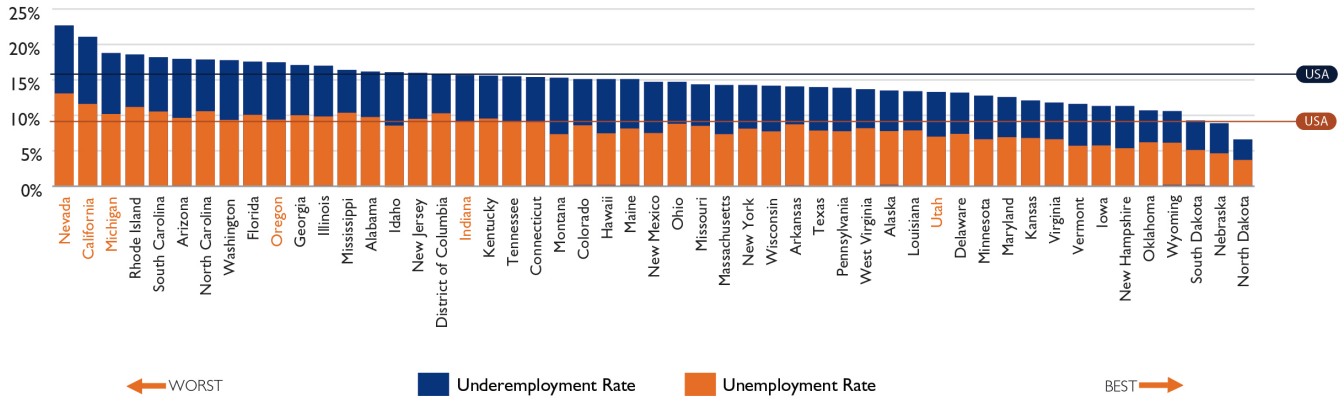
The percentage of consumers unable to get credit at "prime" rates also increased slightly to 56.4% nationally. Poor credit can force individuals into the predatory short-term credit market, and also hurts their ability to find good jobs or rental housing, as credit scores are increasingly checked as part of applications. Only three states saw decreases: Maine, New Hampshire and Hawaii. The states with the highest percentage of consumers with subprime credit were Mississippi (69.1%), Nevada (67.9%) and Texas (65.3%).



BUSINESSES & JOBS

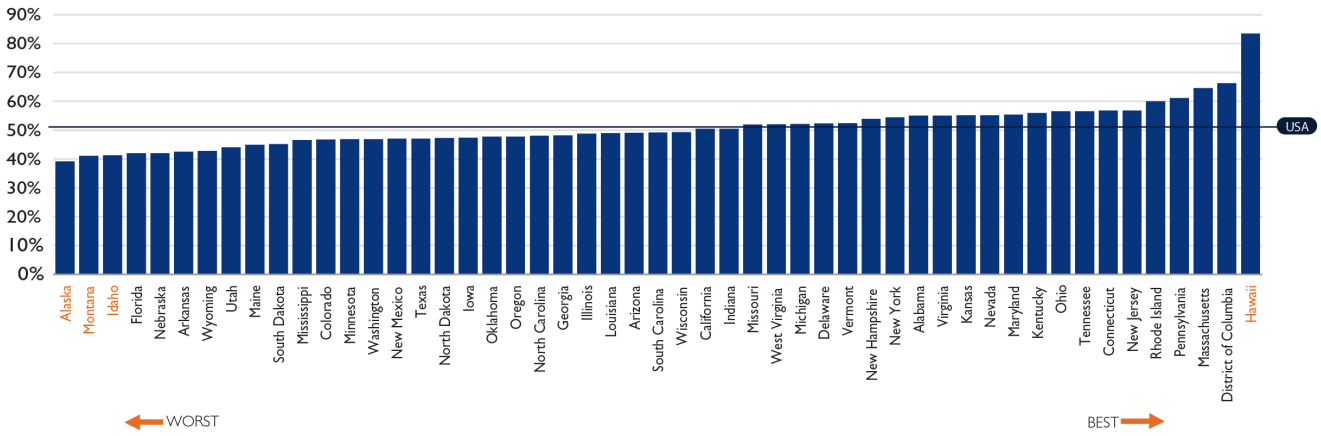
Annual Unemployment and Underemployment Rate

Both unemployment and underemployment declined since the last *Scorecard* nationally and in most states. Yet, the decline was uneven: while both the unemployment and underemployment rates improved substantially in states like Utah, Oregon, Michigan and Indiana, states like Nevada and California continue to grapple with stubbornly high unemployment.



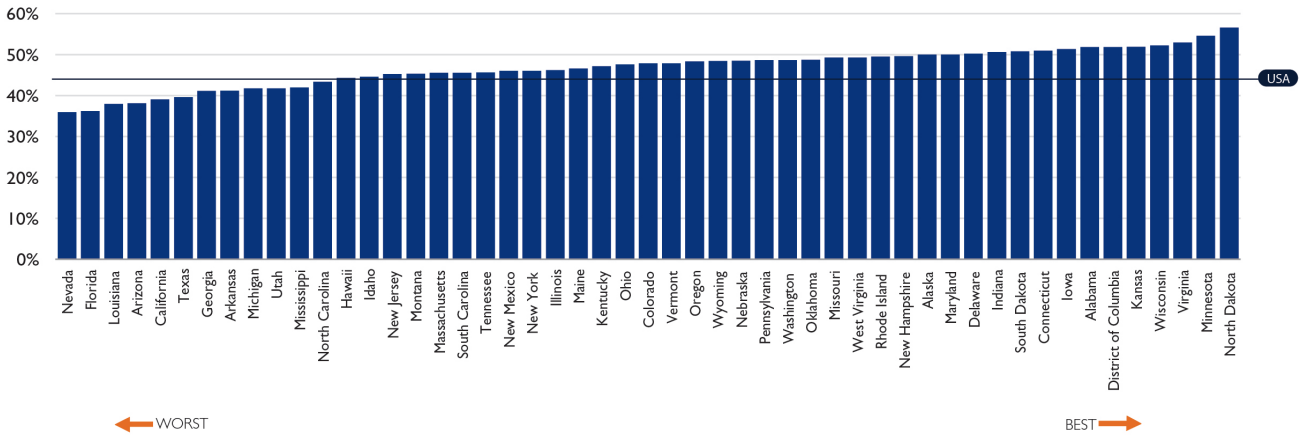
Employers Offering Health Insurance

Looking for ways to cut labor costs, the number of employers that offered health insurance dropped in a majority (39) of states since the last *Scorecard*. In 27 states, fewer than 50% of employers offered health insurance to their workers, with the lowest rates in Alaska, Montana and Idaho. Hawaii's three-decade-old policy mandate that requires employers to provide health insurance to most workers,[2] accounts for the dramatically higher percentage of employers (83.5%) providing insurance in that state, compared with the rest of the nation.



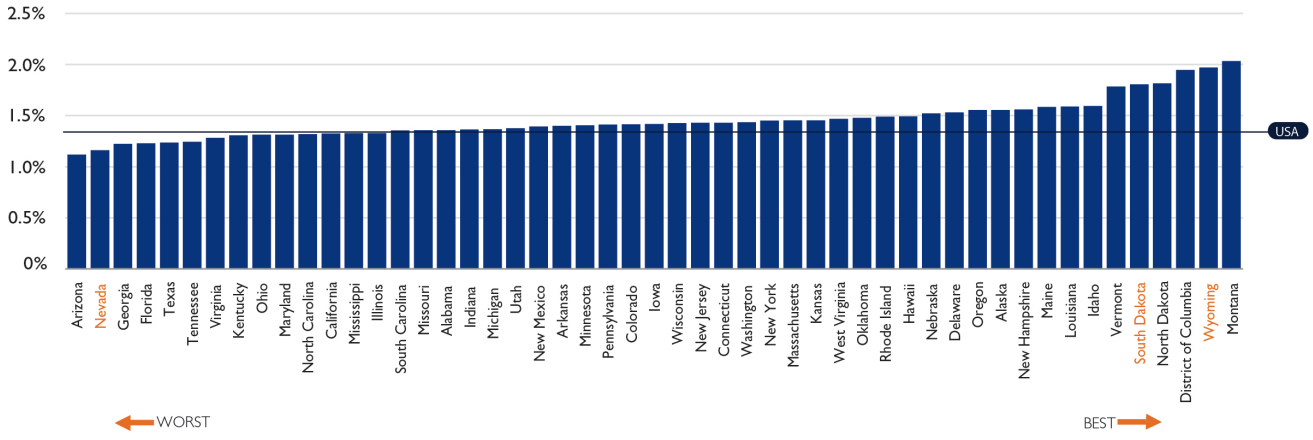
Retirement Plan Participation

The percentage of workers who have or participate in employer-based retirement plans declined in half of the states, another example of how long-term financial security is being supplanted by short-term needs. In 37 states, fewer than half of workers are saving for their retirement through an employer-based plan.



Small Business Ownership

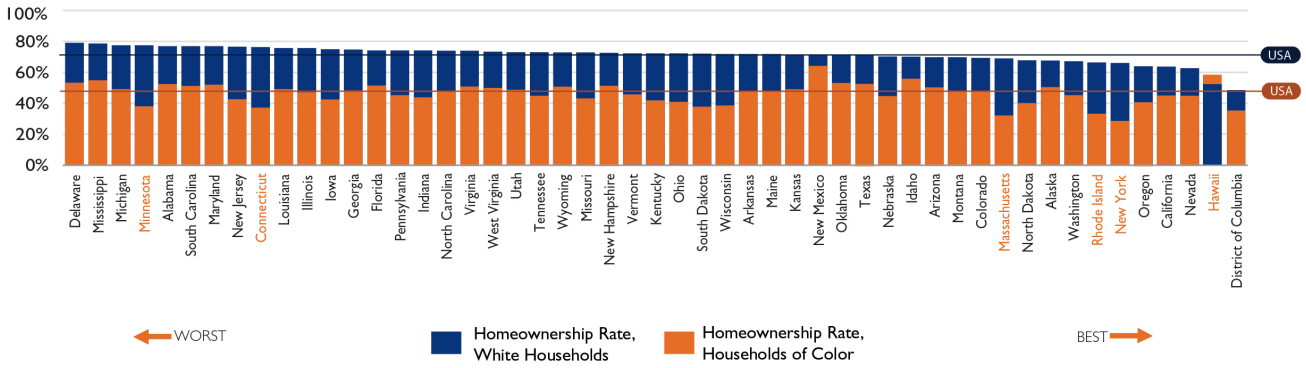
Small business ownership (defined as businesses with between five and 99 employees) declined nationally and in every state except South Dakota since the last *Scorecard*. Two states at opposite ends of the distribution saw the greatest drops: Nevada, the state with the second *lowest* small business ownership rate, saw the greatest decline (-6.4%), while Wyoming, which has the second *highest* rate, saw the second greatest decline (-5.5%).



HOUSING & HOMEOWNERSHIP

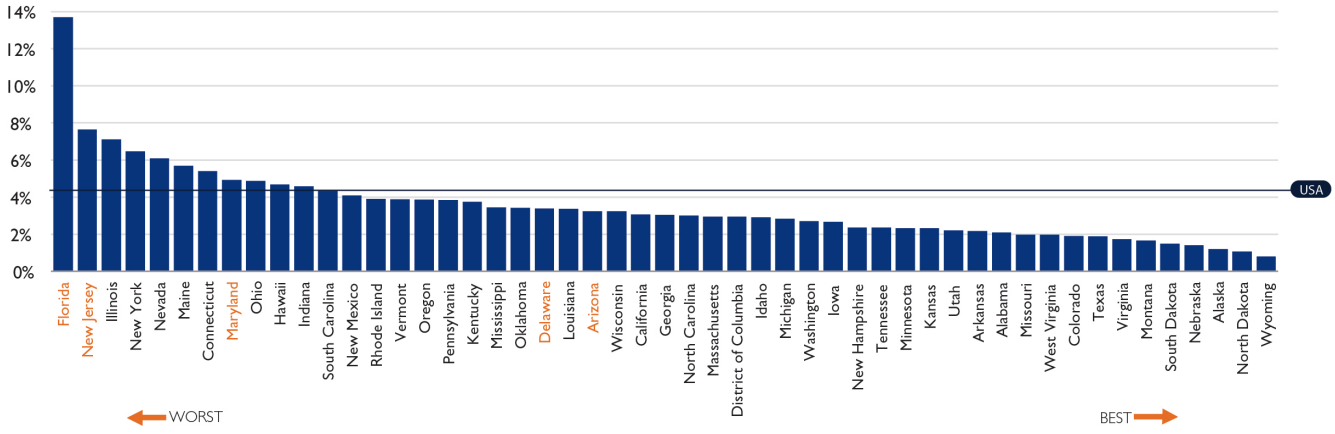
Homeownership Rate and Disparities by Race

Homeownership rates continued to decline nationally and in 43 states. Although the drop was greater for white households than for households of color, the gap between the two is still substantial. The states with the greatest disparities include New York, Massachusetts, Connecticut, Minnesota and Rhode Island, where white households are more than twice as likely to own a home as are households of color. At the other extreme, Hawaii is the one state where the homeownership rate is higher for households of color than for white households.



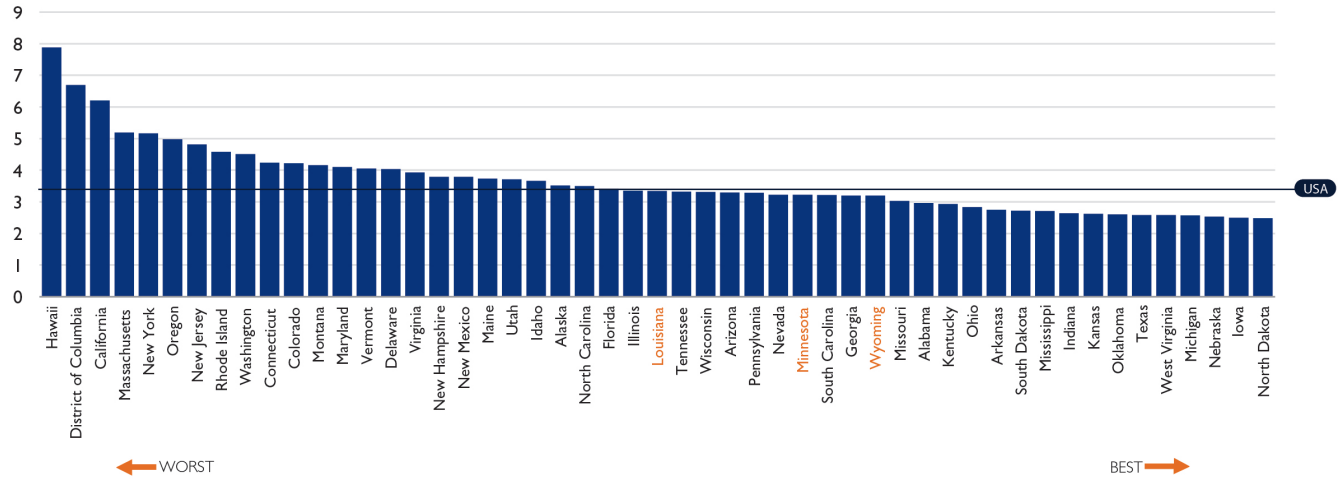
Foreclosure Rate

Foreclosure rates continued their downward trend nationally and in 34 states and DC, even as the rate increased in 16 states. Despite a moderate drop in its rate, Florida continued to have the dubious distinction of the highest foreclosure rate in the nation (13.7%), a full six percentage points higher than second highest New Jersey (7.7%). Delaware and Arizona were tied for the greatest improvement relative to other states: Delaware's rank improved from 39th to 31st, while Arizona's improved from 36th to 28th. Maryland's rank dropped the furthest, from 35th to 44th.



Affordability of Homes

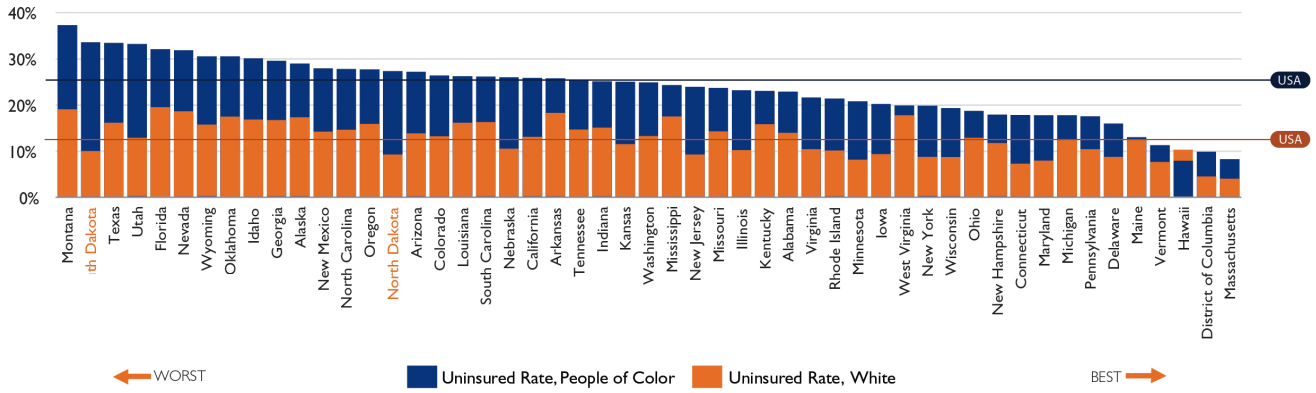
As an ironic upside to the enormous losses in home value, the affordability of homes (which is a ratio of housing value to household income) actually improved nationally and in 48 states. Although there was little change in the relative rankings of the least-affordable states, Minnesota and Wyoming saw the greatest improvement in their ranks, moving up five places, and Louisiana's rank worsened the most from 17th to 26th.



HEALTHCARE

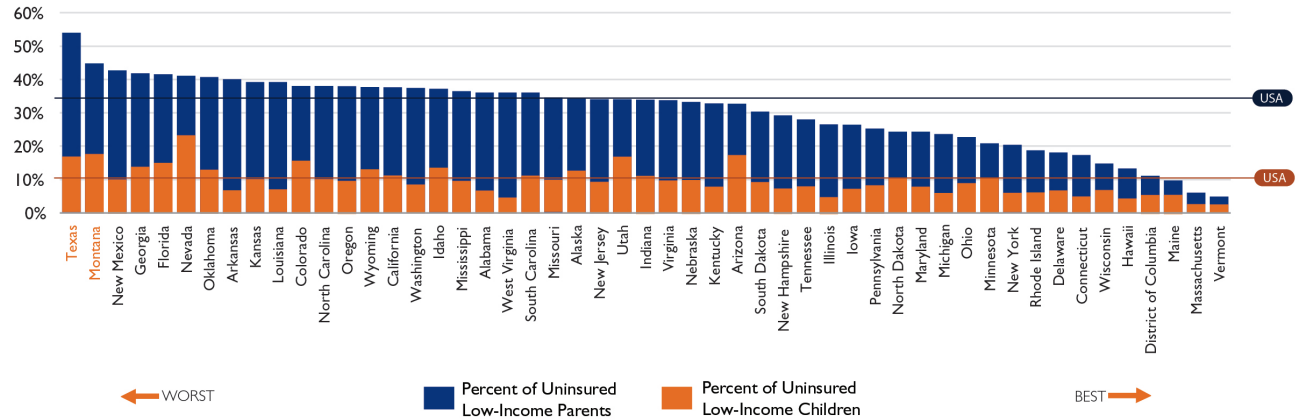
Uninsured Rate and Disparities by Race

Although 41 states saw modest declines in the percentage of uninsured, nearly one in five people (17.3%) continued to go without health coverage. The disparity in coverage between white households and households of color also declined slightly. Yet, white households are still more than two times as likely to be covered as households of color. The disparities are the greatest in the Dakotas, where minority populations are largely comprised of Native Americans.



Uninsured Low-Income Parents and Children

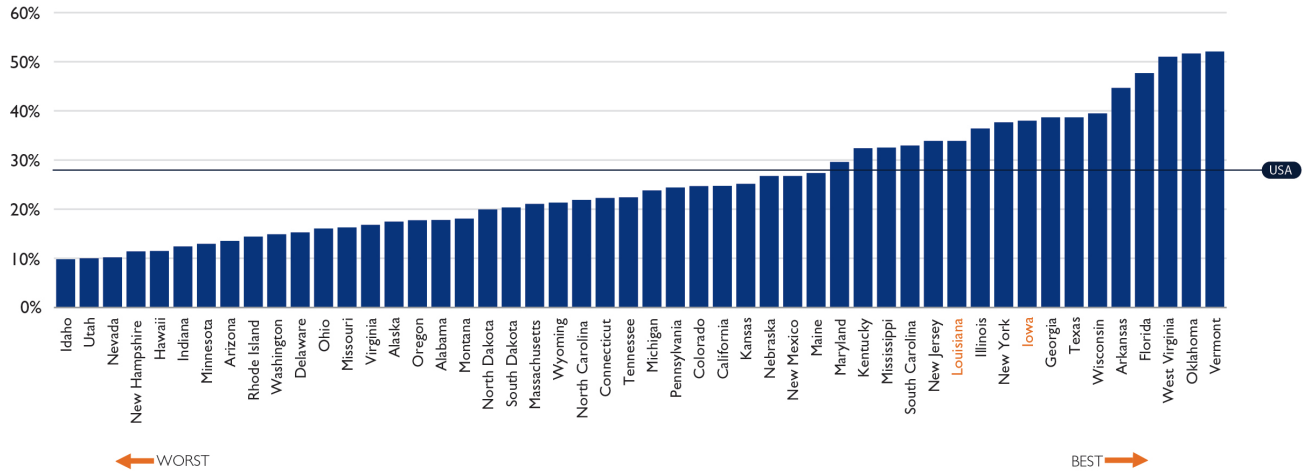
The percentage of uninsured low-income parents increased nationally and in half the states, while the percentage of uninsured low-income children decreased nationally and in 33 states. Texas stands out as the state with the highest percentage of uninsured low-income parents—nearly 10 percentage points higher than the next-worst state of Montana. One explanation for the divergent movement of these indicators is that as parents lost jobs—or as employers stopped offering insurance, as occurred in 27 states—they also lost their insurance. Their children, meanwhile, were more likely to be caught by the safety net of state Children's Health Insurance Programs, which are generally more generous than programs for parents.



EDUCATION

Early Childhood Education Enrollment

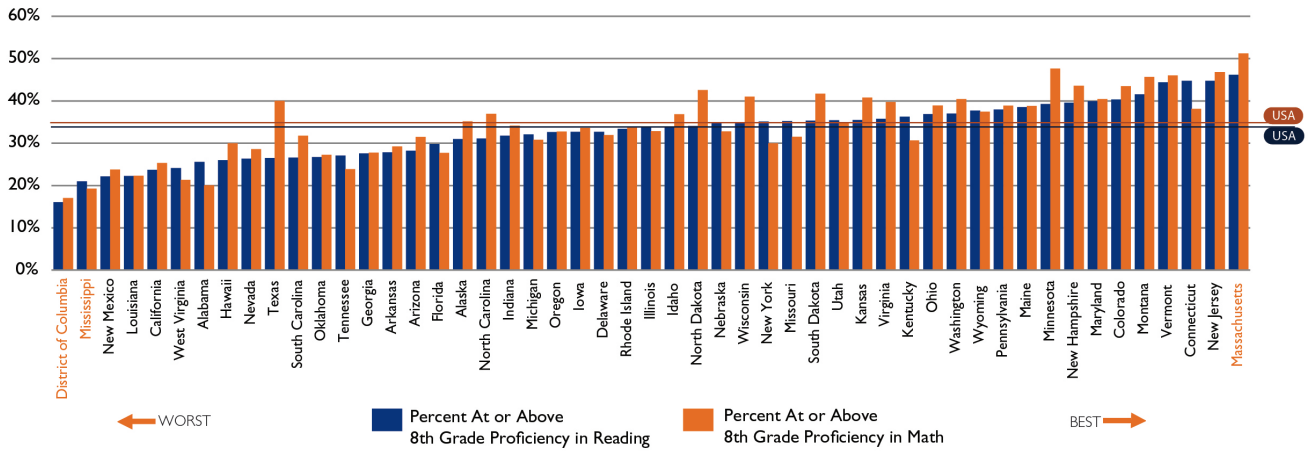
Enrollment in public early childhood education programs—Head Start, state pre-K or special education—increased nationally and in 38 states. Research shows that early childhood education significantly improves the scholastic success and educational achievements of poor children even into early adulthood. Iowa's participation rate improved the most, moving from 30.6% to 38%, while Louisiana's rate dropped the farthest, from 35.6% to 33.9%.



Note: Data on enrollment in public early childhood education programs not available for DC.

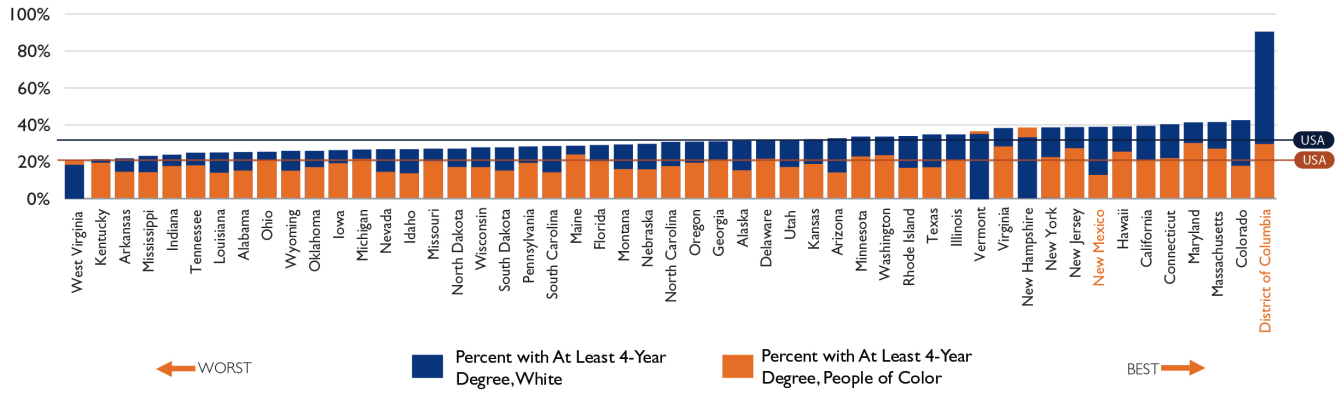
8th Grade Math and Reading Proficiency

Both eighth grade math and reading proficiency increased nationally, yet the overall proficiency rates continue to be unacceptably low. Only a third of eighth graders are proficient (33.5% in reading, 34.7% in math). Massachusetts performs the best with 46.1% proficient in reading and 51.2% proficient in math. The District of Columbia and Mississippi trail the furthest behind with only about one in five eighth graders meeting proficiency standards.



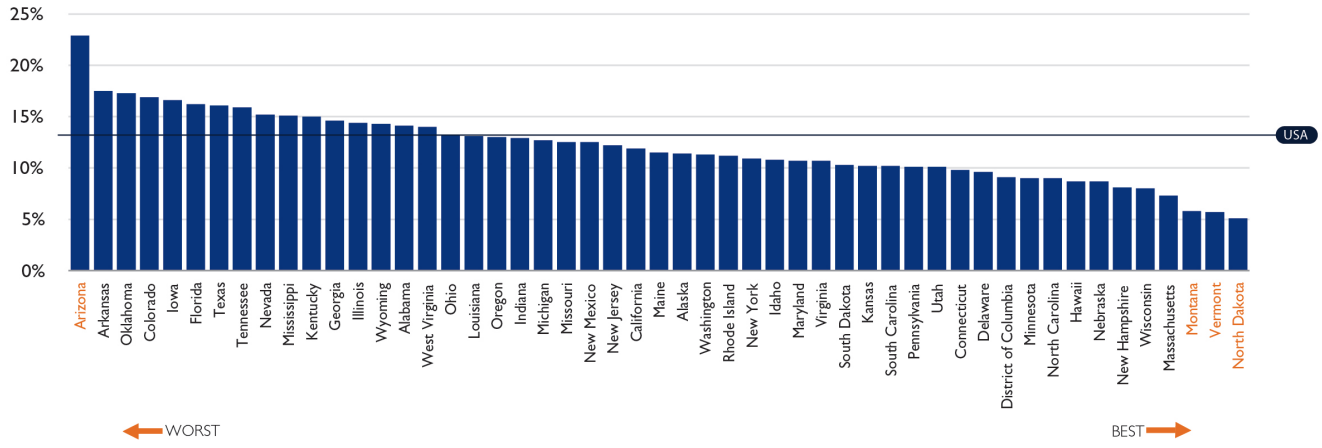
Four-Year Degree Attainment and Disparities by Race

Four-year college degree attainment continued to increase nationally and in 42 states, with 28.5% of those 25 years or older holding this credential. However, white adults are 1.6 times more likely to have a four-year degree than people of color. The District of Columbia and New Mexico have the greatest disparity, with white adults three times as likely as people of color to have a four-year degree.



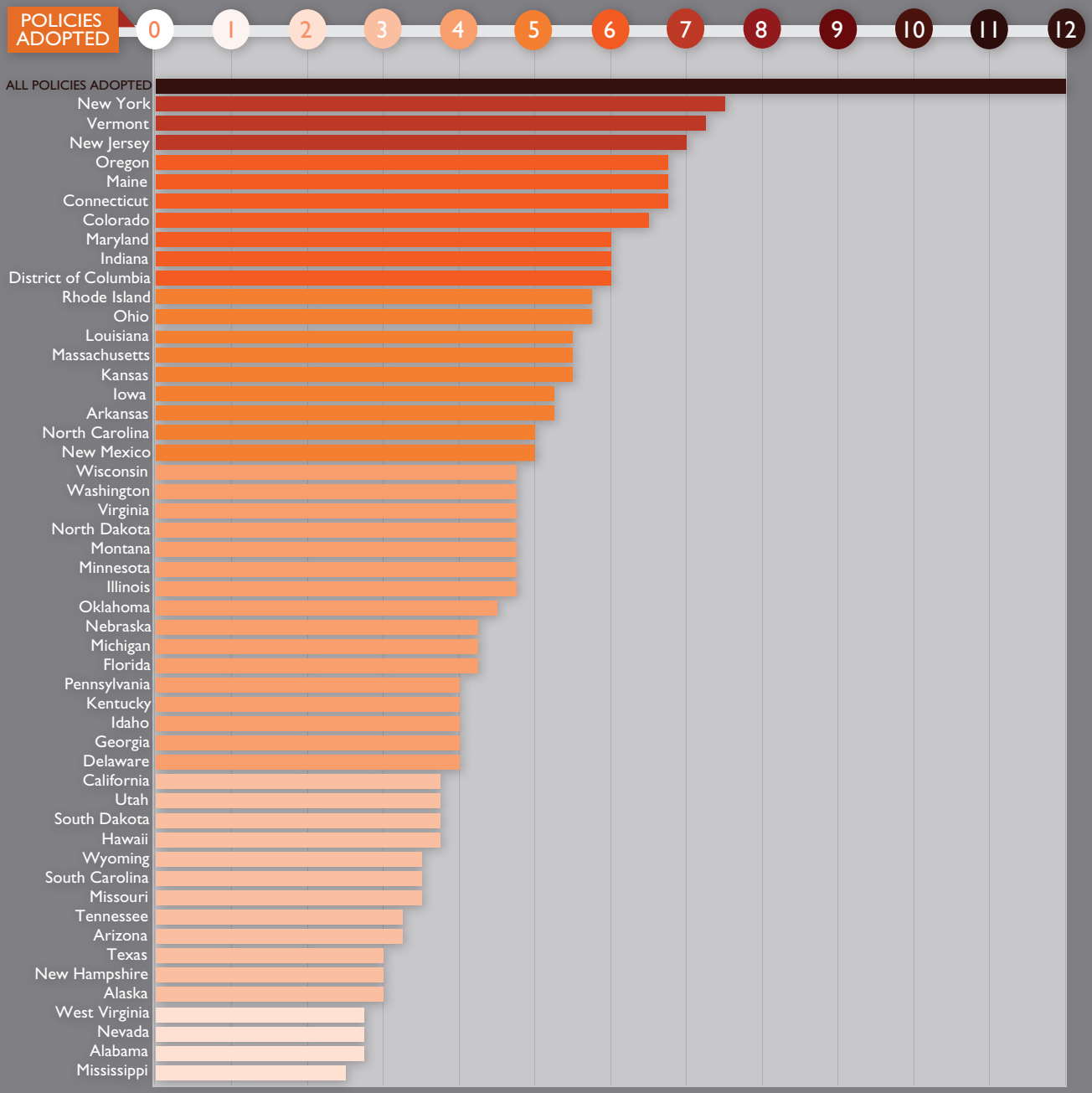
Percent of Graduates with Debt, Average Debt Amounts and Default Rates

The across-the-board increases in educational attainment have come alongside increases in educational debt. Two out of every three college graduates are leaving school with student loan debt, with the average amount increasing by $553 to $26,600. Also troubling is the percentage of students who leave college—whether with a degree or not—who default on their student loans (13.4% nationally). North Dakota, Vermont and Montana have the lowest rates, with one out of every 20 students who enter repayment defaulting, while in Arizona nearly one in four (22.9%) students defaults on their loans within three years of entering repayment.



A CRITICAL ROLE FOR STATES: ADOPT POLICIES THAT BUILD FINANCIAL SECURITY AND OPPORTUNITY

The *Assets & Opportunity Scorecard* assesses states on the strength of 12 asset-building and asset-protection policies that help families move along a path from financial insecurity to economic opportunity. These policies take a range of approaches—from direct appropriations for programs and tax expenditures to regulation of industries. The data show that states have adopted these policies to varying degrees—Mississippi's policies are the weakest, while New York's are the strongest. However, the data also show that even states with the strongest policies have a great distance to go to prioritize the needs of families living on the edge.



FINANCIAL ASSETS & INCOME

LIFT ASSET LIMITS IN PUBLIC BENEFIT PROGRAMS

Many public benefit programs limit eligibility to those with few or no assets. Families must "spend down" savings to receive what is often short-term assistance—leaving them worse off in the long-run. States can eliminate asset limits for cash welfare, public health insurance and food assistance programs.

WHAT STATES HAVE DONE

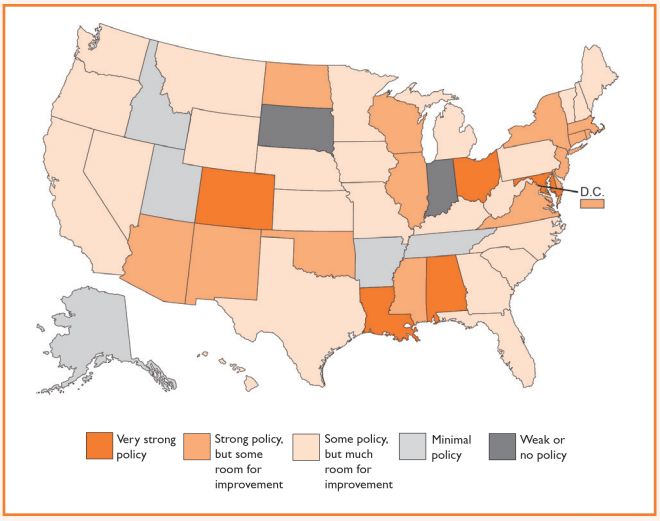
Since 1996, 24 states have eliminated Medicaid asset limits entirely—the remainder of states will be required to do so by 2014 to comply with the Affordable Care Act. Six states have eliminated the Temporary Assistance for Needy Families (TANF) asset limits and 36 states have eliminated the Supplemental Nutrition Assistance Program (SNAP) asset limits. Two states have substantially increased the asset limits in their Medicaid or TANF programs, and 36 states have excluded important categories of assets from these limits in one or both programs.

Recent action related to asset tests has been relatively positive, but change has come at a slow pace.

- The most significant action came in Colorado where the state passed a legislative resolution eliminating the asset test in TANF as of January 1, 2011, making Colorado the sixth state to eliminate its TANF asset test.
- Idaho raised the TANF asset limit from $2,000 to $5,000 in July 2012 to improve program alignment; both TANF and SNAP now have a $5,000 limit.
- Both Hawaii and Minnesota approved legislation requiring their Departments of Human Services to study the impact of eliminating asset tests.

Unfortunately, there have also been several setbacks:

- In September 2011, Michigan reversed its asset limit policy in SNAP, reinstating the asset test after years without one.



- A few months later, Pennsylvania officials announced a similar plan to reinstate the SNAP asset test, arguing that taxpayer dollars should only go to those most in need. After significant pushback from advocates, media and constituents across the state, officials backtracked, keeping the asset test but raising it to $5,500 ($9,000 if the household includes someone elderly or disabled), more than double the original proposed limit.

At the federal level in 2012, the House Agricultural Committee proposed to cut SNAP by more than $16 billion over a decade as part of a reauthorized Farm Bill. Approximately 70% of the savings would have come from eliminating Broad Based Categorical Eligibility, the mechanism states use to eliminate SNAP asset tests. The change would have meant that all states would be required to reinstate their SNAP asset tests. Advocates across the country voiced their outrage over the proposal, which would have undone a decade of progress on SNAP asset reform. Congress has now deferred this debate for another year by adopting a short-term extension to the Farm Bill.

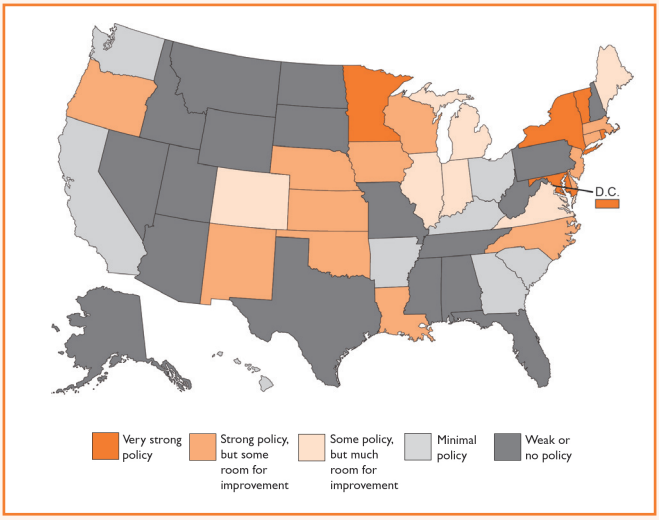
OFFER TAX CREDITS FOR WORKING FAMILIES

Tax credits such as the Earned Income Tax Credit (EITC), Child Tax Credit, and Child and Dependent Care Tax Credit, put money in the pockets of low-wage workers and make saving for the future possible. States can adopt these credits, building on the structure and rules for the parallel federal credits. The best-designed state tax credits are refundable, enabling low-income families to benefit.

WHAT STATES HAVE DONE

Twenty-six states have enacted EITCs, four states have enacted state Child Tax Credits, and 17 states provide a Child and Dependent Care Tax Credit. In the past year, despite substantial legislative action, states enacted few changes to tax credits for working families. The changes that were enacted were both positive and negative.

- In November 2011, Illinois enacted a bill to double its EITC from 5% to 10% of the federal credit by 2014.



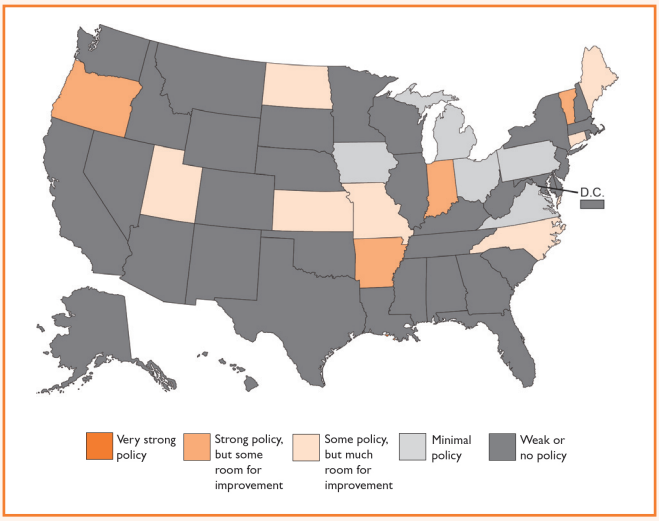
- In June 2012, North Carolina extended its EITC for one year.
- Kansas eliminated its state Child and Dependent Care Credit, which was 25% of the federal credit. However, advocates successfully defended the Kansas EITC from elimination, which was also on the chopping block.

FUND STATE IDA PROGRAMS

Individual Development Accounts (IDAs) are special accounts that match the deposits of low-income savers, provided they participate in financial education and use the savings for targeted purposes—postsecondary education, homeownership or capitalizing a small business. States can provide funding to directly support IDA programs, which leverages federal IDA funding streams.

WHAT STATES HAVE DONE

Sixteen states funded IDAs in 2012, down from 22 states in 2009. Despite some positive action, overall



support by states for IDAs continued to erode in the 2012 legislative session as policymakers cut programs in an effort to balance budgets.

- Three states (Louisiana, Illinois and Minnesota) completely eliminated funding for IDAs in 2012. The loss in Louisiana was particularly damaging since the state had previously funded IDAs at one of the highest levels in the country, providing approximately $1.5 million per year. Although Minnesota cut FY 2012 funding, it will be restored for FY 2013.
- After defunding its program in 2010, Massachusetts restored funding its IDA program for 2013, albeit at a lower level than in 2010.
- Pennsylvania's IDA program, which was one of the largest in the nation until 2009 when it was defunded, received a one-time allocation.
- Iowa relaxed restrictions on who could participate in the state's IDA program. In 2012, advocates in Kansas successfully defended the state IDA tax credit from complete elimination.

PROTECT CONSUMERS FROM PREDATORY SHORT-TERM LOANS

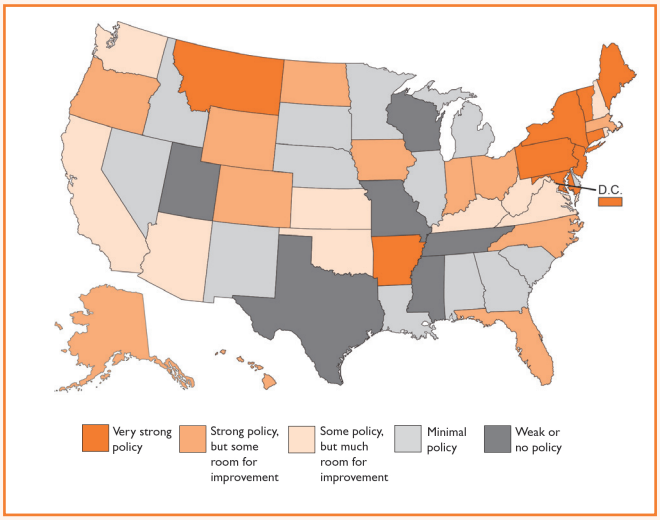
Predatory short-term lending strips wealth from financially vulnerable families. Three of the most prolific predatory products are payday loans, car-title loans and abusive installment loans. States can prohibit these loans outright or impose a cap of 36 percent APR or less.

WHAT STATES HAVE DONE

Nineteen states currently cap at 36% APR or lower or prohibit payday loans, 27 states cap or prohibit auto-title loans, and 22 states cap small dollar installment loans. Thirty-seven states include short-term lending in basic consumer protection laws.

The 2012 legislative session saw substantial action related to predatory short-term lending; however, few bills were enacted into law. According to the National Conference of State Legislatures, more than 20 states introduced legislation in 2012. Several states made progress to curb predatory short-term lending.

- Delaware enacted legislation limiting the number of short-term loans a consumer may borrow in a 12-month period to five. The law also expands the definition of short-term consumer loans to include all loans under $1,000 and creates a database that tracks the number of short-term loans consumers obtain.



- Alaska clarified its Unfair and Deceptive Acts and Practices statutes so that they now clearly cover predatory short-term consumer lending.
- Advocates in Missouri submitted 180,000 signatures to the Secretary of State for a ballot initiative that would cap payday loans at 36% APR. However, following a series of legal battles between consumer advocates and the payday lending industry, the issue did not make it on the November ballot.

Unfortunately, New Hampshire weakened its consumer protections. It enacted legislation that

increases the cap on auto-title loans from 36%—which is the rate cap for all other small-dollar loans in the state—to 300% APR. Pennsylvania debated a similar measure, which would have increased the current 24% cap on payday loans to 369% APR; however, the bill failed to pass the state Senate.

BUSINESSES & JOBS

SUPPORT MICROENTERPRISES

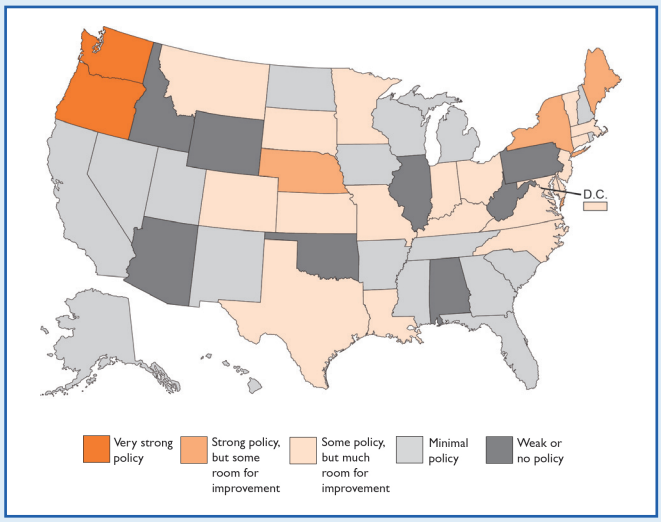
Small business ownership is a path to the middle class, particularly for minorities, immigrants and the economically disadvantaged. States can use their own dollars or leverage federal funding through TANF, the Workforce Investment Act (WIA) and Community Development Block Grants (CDBG) to support microenterprises. States can also allow entrepreneurs to receive unemployment insurance while starting new businesses.

WHAT STATES HAVE DONE

A total of 32 states currently use at least one of three federal block grants to support microenterprise or self-employment; 34 states either fund microenterprise development directly or have codified microenterprise support in state law; three states (Nebraska, Oregon, Washington) fund Statewide Microenterprise Associations; and six states (Delaware, Maine, New Jersey, New York, Oregon, Washington) have active Self Employment Assistance (SEA) Programs.

The total number of states that support microenterprise development (44) was unchanged since the last *Scorecard*. However, seven states strengthened their policies and four weakened them.

- Colorado, Kentucky, Minnesota, Utah and Wisconsin began using federal block grants such as CDBG, WIA or TANF to support microenterprise development. Maine funded and implemented a new SEA Program and Michigan enacted legislation to codify state support for microenterprise development.
- That progress was offset by the three other states (Massachusetts, Maryland and Pennsylvania), which have SEA Programs on the books that are now inactive. In addition, Florida let a law that codified support for microenterprise development expire.



At the federal level, in May 2012 the U.S. Department of Labor made available $35 million for states to develop and promote SEA Programs. The application deadline for federal funding is June 30, 2013. It is likely that the number of states with SEA Programs will increase in the next year.

INCREASE JOB QUALITY STANDARDS

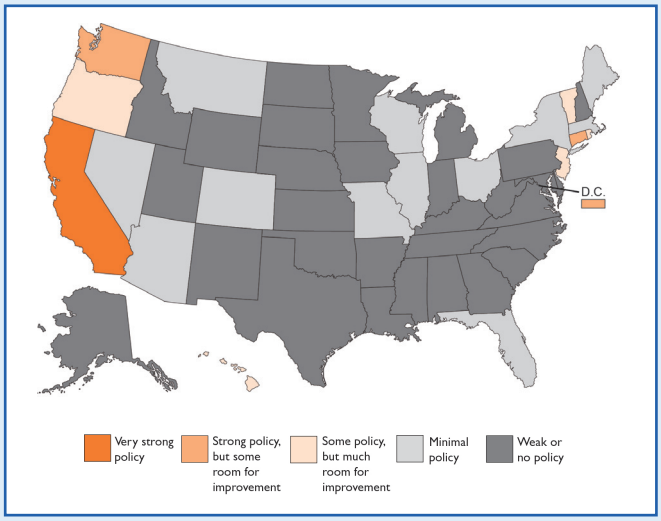
Millions of Americans work low-wage jobs that lack even basic leave benefits to protect their jobs during an illness or crisis. Federal policies set the floor for wage and benefit standards, but states can expand on and strengthen these policies. States can ensure that minimum wage keeps pace with cost of living and that no workers are excluded from coverage. They can also expand the federal Family and Medical Leave Act coverage or establish paid sick, family and medical leave for workers.

WHAT STATES HAVE DONE

A growing number of states have recognized the limitations of the federal minimum wage and enacted stronger state policies. Nine states have enacted minimum wages of at least $8.00. To ensure that the actual value of the minimum wage does not erode with the rising cost of living, 10 states—including four states that also set their wage at $8.00 or higher—have indexed their minimum wage to an annual cost of living adjustment. Many states have also extended minimum wage protections to workers in occupations left vulnerable by the federal law. Fifteen states have eliminated minimum wage exemptions for agricultural workers; four have eliminated exemptions for all domestic workers; 22 have eliminated exemptions for homecare workers; and seven have eliminated exemptions for tipped workers. California is the only state to have eliminated exclusions for all four groups of workers.

In 2012, advocates in many states led campaigns to increase state minimum wages and strengthen family and sick leave policies for workers. Only one such effort, however, was ultimately successful.

- Twenty-five states introduced minimum wage legislation—either to increase it, index it to inflation, or to extend protections for excluded workers.
- Rhode Island was the only state to enact legislation, increasing its minimum wage from $7.40 to $7.75 per hour.
- The minimum wage in the 10 states that index it to an annual cost of living adjustment also increased in 2012.



At the federal level, legislation was introduced in Congress that would have increased the federal minimum wage from the current $7.25 to $9.80 per hour, indexed it to inflation, and incrementally increased the minimum wage for tipped workers from $2.13 per hour to 70% of the regular minimum wage.

Advocates in many states also worked to enact paid family, medical and sick leave for workers and to expand the coverage of the federal Family and Medical Leave Act (FMLA) to more workers.

- Three states introduced legislation to either create new paid family leave policies (Arizona and Rhode Island) or expand on existing law (Washington).
- Six states (Arizona, Hawaii, Massachusetts, Michigan, Minnesota and Washington) introduced new paid sick leave legislation.
- Although eight states have adopted some form of paid leave legislation, the District of Columbia and Connecticut remain the only two with paid sick leave laws.
- California, Connecticut, Illinois and Oregon introduced legislation this session to expand federal FMLA coverage to more workers. Only Illinois' bill failed to pass, bringing to 11 the total number of states that have extended the federal FMLA to cover more workers.

HOUSING & HOMEOWNERSHIP

ASSIST FIRST-TIME HOMEBUYERS

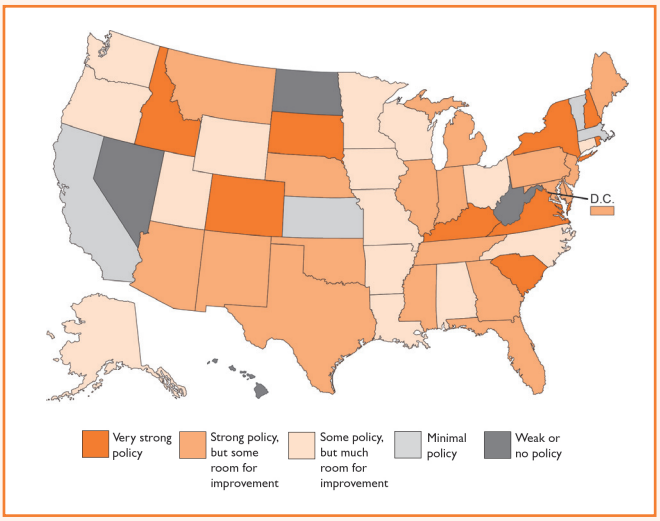
States can help low- and moderate-income families succeed as homeowners: They can offer homebuyer education, provide downpayment assistance, offer competitively-priced mortgage products and support programs that help low-income renters transition to homeownership.

WHAT STATES HAVE DONE

Forty-seven states now have policies on the books to support first-time homeowners, which is down slightly from the policy support that all 50 states and the District of Columbia provided to first-time homebuyers in prior years. In addition to the decline in the overall number of states supporting first-time homebuyers, there was also a fair amount of forward and backward movement on specific elements of states' policies. Seven states strengthened elements of their policies, while nine states weakened them. Indiana strengthened one element of its first-time homebuyer policy, while weakening another.

- The most prevalent policy improvement was adoption of a direct lending program, which occurred in four states (Arizona, Kentucky, Indiana and South Carolina); followed by homeownership counseling, which two states (Missouri and Wyoming) adopted, and downpayment assistance, which the District of Columbia adopted.

- Among the nine states that weakened their policies, four (Arkansas, Massachusetts, North Carolina and West Virginia) ended their direct lending program, four (Arkansas, North Dakota, Vermont and West Virginia) stopped providing downpayment assistance, four (the District of Columbia, Indiana, Hawaii and Nevada) ended the ability of low-income renters to use Section 8 vouchers to transition to homeownership, and three states (North Dakota, Vermont and West Virginia) stopped offering homeownership counseling.



PREVENT AND PROTECT AGAINST FORECLOSURE

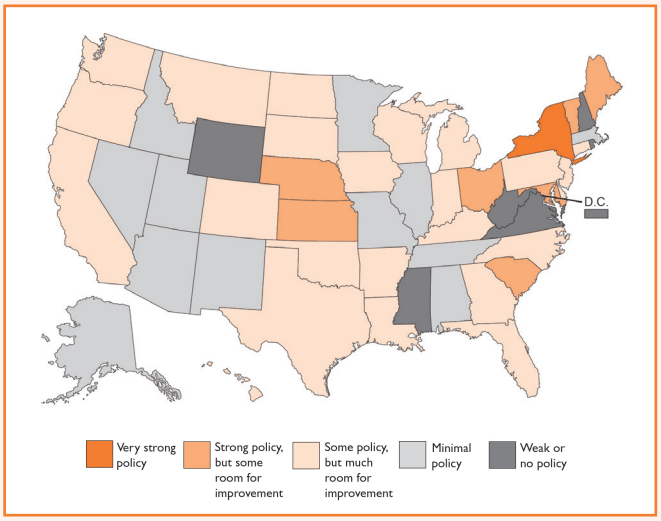
Foreclosure can devastate a family's finances, but states can take several steps to help minimize the pain. To prevent unnecessary foreclosures, states can ensure a fair review process. To protect families during the process, they can regulate mortgage servicers. To help homeowners recover after a foreclosure, states can limit the lenders' ability to sue for outstanding debt. And to stabilize communities, states can permit land banks to redevelop foreclosed properties.

In 2012, the overarching foreclosure policy change took place at the national level. In February 2012, 49 state attorneys general and the federal government settled with the country's five largest loan servicers (Ally/GMAC, Bank of America, Citi, JP Morgan Chase and Wells Fargo). This agreement holds the banks accountable for their wrongdoing on "robo-signing" and mortgage servicing and was the largest consumer financial protection settlement in U.S. history. The settlement provides a minimum of $25 billion for distressed borrowers in the states that signed on, and direct payments to states and the federal government to fund consumer- and foreclosure-protection efforts. It also reformed servicing standards, established mechanisms to hold servicers accountable, and established strong enforcement mechanisms.

While the settlement marked significant steps toward addressing the foreclosure crisis, the new servicing standards apply only to the five loan servicers involved in the settlement. For all borrowers to be covered, states must take action.

WHAT STATES HAVE DONE

Overall, 44 states have taken some action to address the foreclosure crisis, but many states have room for improvement in developing a comprehensive strategy to prevent foreclosure and protect homeowners. Twenty-one states require homeowners in jeopardy of foreclosure to have their situations reviewed in the presence of a neutral third party, and 15 states have some form of mortgage servicer regulation. Thirty-six states have abolished or limited deficiency judgments, and 13 states have passed laws that enable municipalities to establish land banks.



In 2012, three states (California, Oregon and Tennessee) expanded foreclosure protections, while Florida weakened its policies:

- Oregon expanded its Unlawful Trade Practices Act to include mortgage loan servicing among the practices regulated by the law and adopted a separate law that prohibits "dual tracking"—the bank practice of moving ahead with foreclosures while simultaneously negotiating with homeowners over loan modifications.
- Tennessee limited deficiency judgments on homeowners, restricting the amount lenders can sue homeowners to recoup remaining mortgage debt.
- California enacted the Homeowner's Bill of Rights. The legislation prohibits dual tracking, requires lenders to provide borrowers a single point of contact for discussing loan modifications, increases the ability of homeowners to sue lenders for monetary damages in the case of wrongful foreclosure, and provides incentives to prospective buyers to purchase and repair unsafe/uninhabitable properties.
- The Florida Supreme Court terminated the Residential Mortgage Foreclosure Mandatory Mediation Program, although Florida still has an opt-in mediation program.

HEALTHCARE

IMPROVE ACCESS TO HEALTH INSURANCE

States can expand access to public health insurance programs, such as Medicaid and other state-funded programs, by increasing income eligibility and by streamlining the enrollment process, thereby protecting the assets of low-income families who would otherwise need to use savings or go into debt for medical expenses.

WHAT STATES HAVE DONE

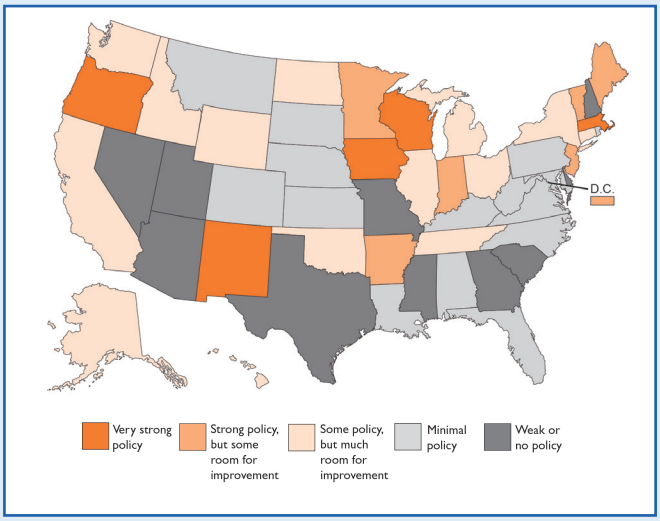
Overall, 18 states offer coverage to parents with incomes up to at least 200% of the federal poverty line, while 16 offer coverage to childless adults up to this same threshold. Twenty-nine states have simplified a number of enrollment and renewal procedures for children, and 41 states have done so for parents applying for Medicaid. Twenty-six states provide adult dental coverage beyond emergency services through Medicaid.

Given states' attention to implementation of the federal Affordable Care Act, it was unsurprising that in the past year there was little movement on state-level health care policies that were not directly related to implementation. There was, however, some progress in a handful of states.

- Idaho expanded its dental benefits to adults in the Medicaid program.
- Maine, Montana and West Virginia further simplified enrollment procedures for parents in the Medicaid program.

Unfortunately, there were also several states that substantially reduced benefits.

- In 2011, both Nevada and Pennsylvania ended state-funding for programs that had expanded public health insurance eligibility to adults with incomes up to 200% of the poverty line.



- Montana, while making it easier for parents to enroll in Medicaid, reduced its dental benefits for adults in Medicaid to now cover only emergency services.
- Illinois took similar action and limited adult dental benefits to emergency services.

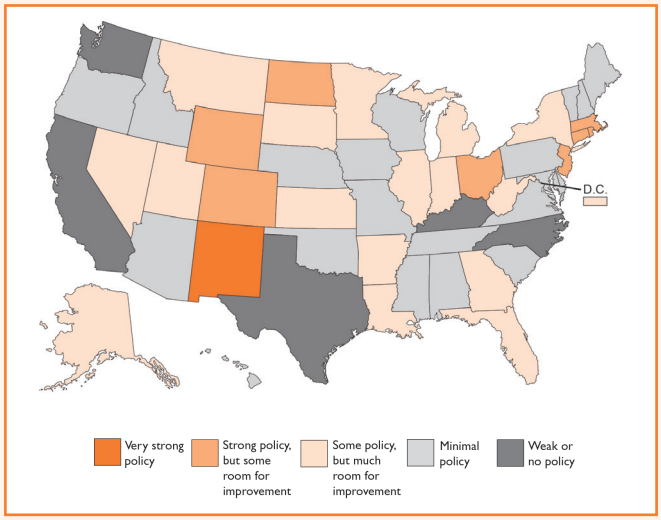
EDUCATION

PROVIDE ACCESS TO QUALITY K-12 EDUCATION

Despite decades of education reform, children continue to face unequal access to high-quality education, which is critical to a secure financial future. States can strengthen public education in a number of ways, the most critical of which are funding and teacher quality. States can target funding to high-poverty school districts as well as set requirements for teacher training, licensing and evaluation.

WHAT STATES HAVE DONE

Overall, 32 states meet or exceed the national average in per-pupil spending, 12 states provide additional funding to high-poverty districts, and 22 have taken significant steps to establish a fair and thorough evaluation system. In recent years, there has been little change in overall per-pupil funding; however, there has been a decrease in state allocations to high-poverty districts relative to low-poverty districts. States have made some progress in improving teacher evaluation systems, including requiring evidence of student learning as part of teacher evaluation and considering teacher evaluation results in workforce reduction decisions.

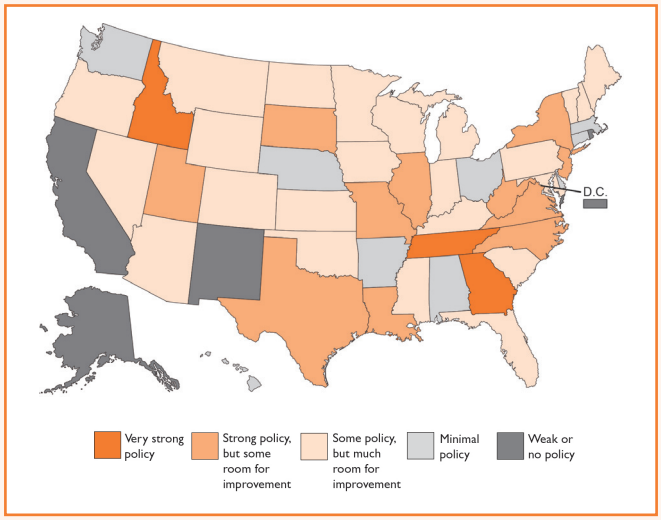


INTEGRATE FINANCIAL EDUCATION IN SCHOOLS

Many states recognize the connection between financial security later in life and financial education in K-12 curricula. States can determine the quantity and quality of the financial education students receive by requiring all students to complete a course in personal finance; developing and implementing content standards for those courses; and testing students on content knowledge.

WHAT STATES HAVE DONE

Forty-six states now include personal finance in their curriculum standards—more than double the number that did so in the late 1990s, when only 21 states had content standards for financial education.



However, the fast pace of progress that marked the decade since 2000 slowed considerably in recent years.

- Since 2009, only two more states (Colorado and Delaware) began including personal finance in state curriculum standards.
- In the past three years, five states began requiring standards to be implemented (Colorado, Mississippi, New Hampshire, North Dakota and Wisconsin) while three states dropped the requirement (Arkansas, Kansas and Washington)—a net gain of two states.

Thirteen states now require students to pass a personal finance course as a condition of graduation. Five states require school districts to test students on basic personal finance concepts in order to graduate from high school—the gold standard in state financial education policy. Unfortunately, this number is down from nine states that required testing three years ago.

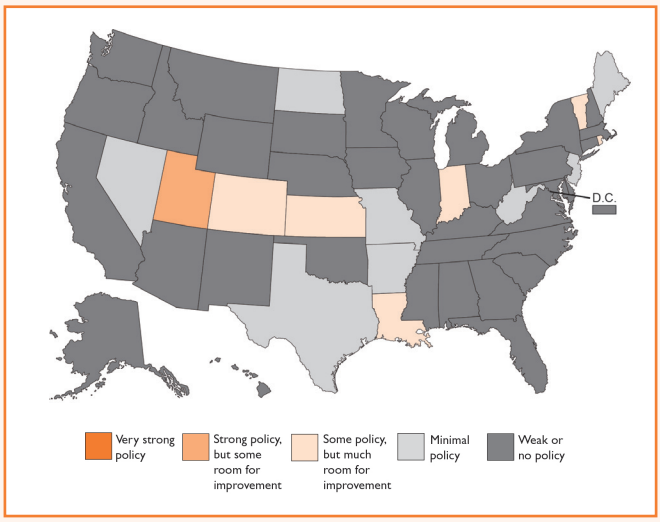
PROVIDE COLLEGE SAVINGS INCENTIVES

Escalating costs discourage low-income students from pursuing post-secondary education. College savings not only help pay for college, they also increase college success. States can help families save by matching their deposits into 529 college savings accounts and removing barriers to saving such as fees and minimum deposit requirements.

WHAT STATES HAVE DONE

Fifteen states now offer a financial incentive to save in a 529 college savings plan. Recent policy action to encourage college saving through state 529 plans has been largely positive.

- In 2012, Missouri launched a matching grant program for its 529 plan that provides a $500-annual match for families earning less than $75,000 per year.
- North Dakota increased the match on its 529 plan from $300 to $500 per year and raised eligibility requirements so more families can take advantage of savings incentives.
- In 2012, the Texas Match the Promise Foundation launched an initiative to provide 150 matching scholarships of $500 to participants in the Texas Tuition Promise Fund, the state's prepaid college plan.



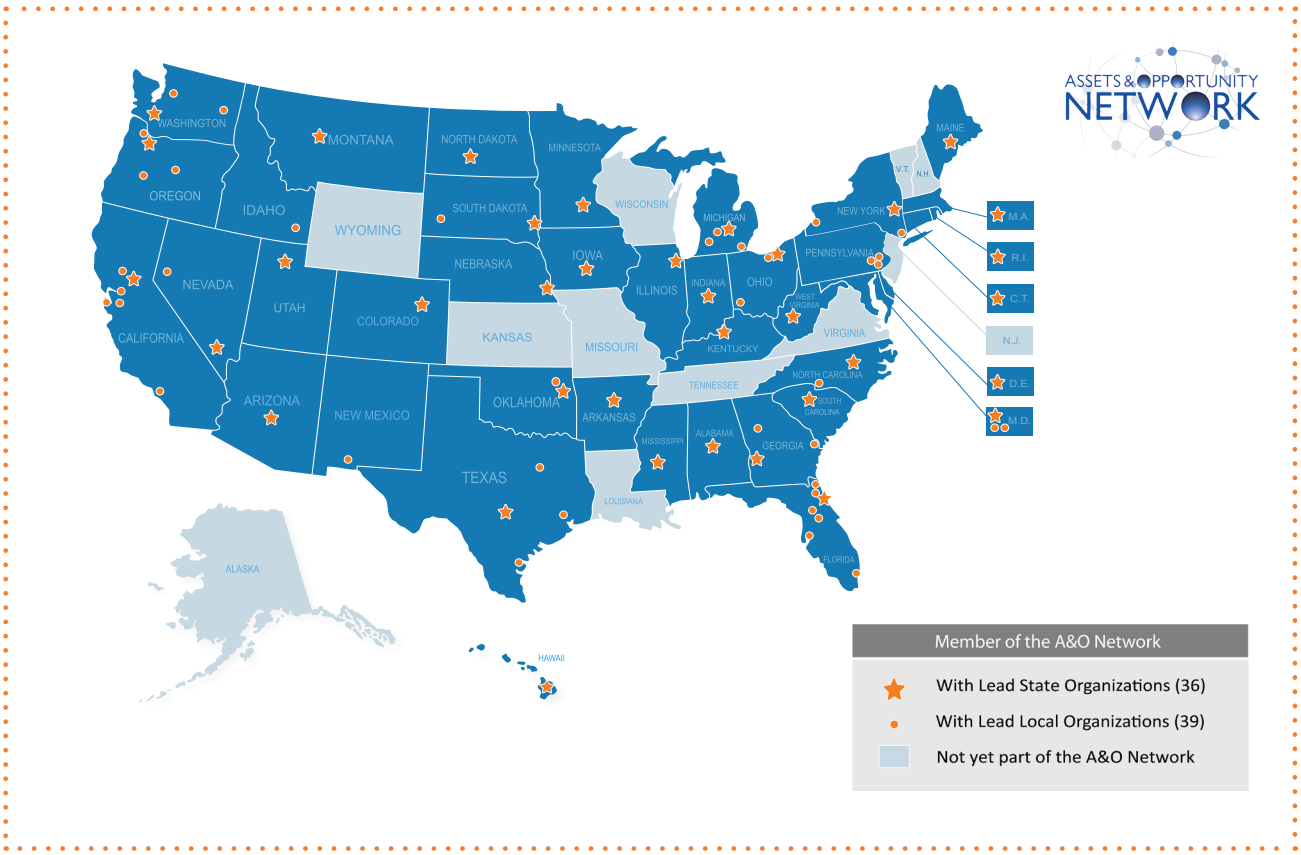
- Both California and Maine minimized barriers to saving for low-income families by introducing no-fee options on their state 529 plans.
- In the past three years, three states (Missouri, Nevada and West Virginia) have launched new matching grant programs, while two states (Michigan and Minnesota) have completely eliminated their matching grant programs.

JOIN THE FIGHT TO REBUILD FINANCIAL SECURITY AND PROSPERITY IN AMERICA

The data in this report make it clear that while the worst of the economic downturn is likely over, the American opportunity infrastructure remains under serious stress. Too many families are teetering on the edge of economic collapse. As they struggle day to day just to maintain their footing, few have the resources or tools to plot out a more prosperous path forward.

This scenario needs to change. Smart policies and programs can help us write a different ending to the story of financial insecurity that continues to play out in communities across the country. As federal policymakers hash out broad-reaching agreements on tax reform, spending and deficit reduction they cannot lose sight of the impact on household financial security. The outcome of these debates will either give state and local leaders the tools to reconstruct weakened safety nets or saddle them with additional burdens.

A new national network that brings together 75 state and local coalitions from 38 states and nearly 1,000 individual members is building a constituency of advocates, services providers, researchers, financial institutions and others to advocate for better policies and programs and to remind our policymakers that rebuilding the opportunity infrastructure in this country holds as much significance for the long-term economic health of our nation as balancing the budget. To join the fight, visit http://assetsandopportunity.org/network.



For more information about the case-making data that advocates can use to undergird their policy efforts, visit the *Scorecard* website at http://scorecard.cfed.org, which contains state-level data on 102 indicators of household financial security and policy solutions. In addition to the data, the website features additional analysis and tools to help tailor the *Scorecard* to a state-specific context. Visitors can stay abreast of the latest news and trends through the site's Newsroom section and blog— *The Inclusive Economy*. Additionally, the website contains a range of resources including customizable state profiles, infographics and other ready-to-use downloadable graphics to help advocates make the case for policy action.

The strength of the American economy flows directly from the strength of American households and their capacity to move toward financial security. No priority can be more critical to our nation's future success.

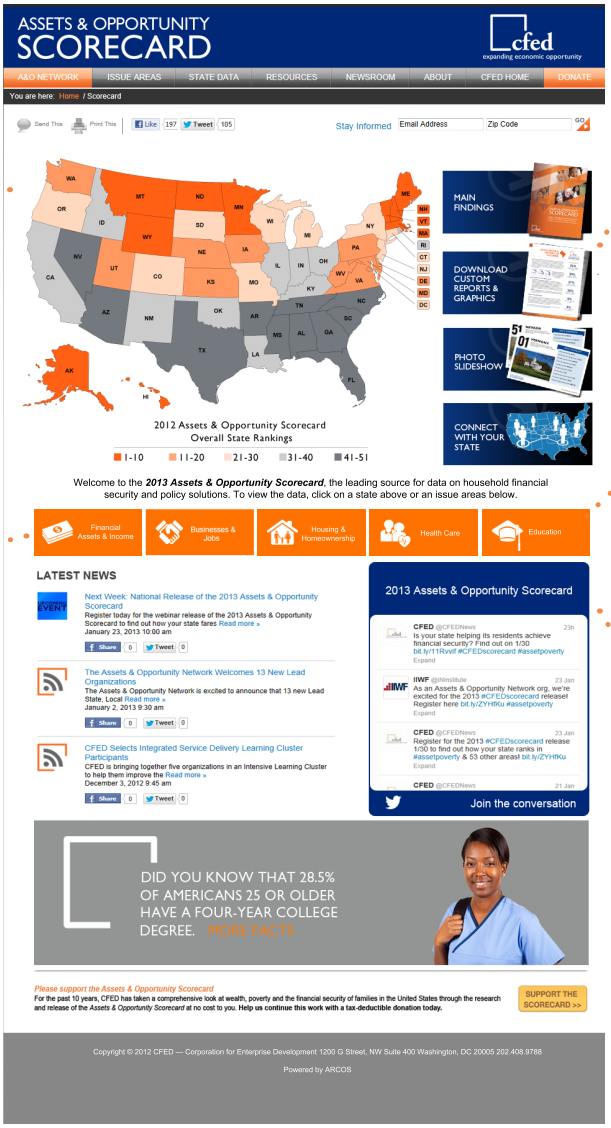
LEARN MORE AT SCORECARD.CFED.ORG

Data by State

View the full data and ranks for your state and find out what your state can do to improve. You can also connect to stakeholders and advocates working in your state.

Latest News

Stay up-to-date on the latest information about the *Scorecard* and the Assets & Opportunity Network on the Inclusive Economy Blog.



Download Custom Reports and Graphics

Take the *Scorecard* with you by downloading state profiles and custom reports for your advocacy efforts and create graphics to easily insert into your presentations.

Data by Issue Area

Go in-depth on a particular issue area and compare states across 102 outcome and policy measures.

Join the Conversation

Follow #CFEDScorecard tweets and join the #assetpoverty conversation on Twitter.

ENDNOTES

[1] Basic expenses equivalent to what could be purchased with a poverty-level income.
[2] http://www.loc.gov/law/help/statehealthplans/hawaii.php

ACKNOWLEDGEMENTS

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ABOUT CFED

CFED is the leading source for data on household financial security and policy solutions. We empower individuals and families to build and preserve assets by advancing policies and economic strategies that allow them to pursue higher education, buy a home, start a business and save for the future. CFED identifies good ideas and helps bring them to fruition. We develop partnerships that promote lasting change. And we bring together community practice, public policy and private markets to achieve the greatest economic impact. Established in 1979 as the Corporation for Enterprise Development, CFED works nationally and internationally through its offices in Washington, DC; Durham, North Carolina; and San Francisco, California.

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expanding economic opportunity

ASSETS & OPPORTUNITY SCORECARD