



Family Economic Success Program

March 27, 2007



Our Public Purpose

- City of San Antonio Department of Community Initiatives provides family strengthening, human development, and community safety net services to San Antonio residents to improve their quality of life



Defining Family Economic Success



- ▢ Having sufficient and predictable resources to meet basic family needs
- ▢ Being able to provide for emergencies
- ▢ Work that pays a livable income
- ▢ Capacity to make ongoing investments in lifelong learning for the entire family
- ▢ Resources to build assets that grow, such as homeownership and retirement

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The Problem

- ▢ Families are unable to build a sustainable base of economic security for themselves, their children, and their neighborhoods
 - Disconnection from mainstream services
 - Low wage jobs
 - Increasing debt (credit card and home equity)
 - Secondary financial market
 - Transportation, healthcare, and childcare
 - Under educated and under skilled for today's good paying jobs

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Challenges to Asset Building Fringe Financial Services



- ▣ Check Cashers process more than 180 million checks annually, worth roughly \$60 billion
- ▣ 12,000 to 14,000 pawnshops operate nationwide, outnumbering credit unions and banks
- ▣ Payday lending grew nationally from 300 stores seven years ago to more than 10,000 stores
- ▣ Payday lenders generally offer small consumer loans of \$100 to \$300 and routinely charge 15% each two-week period, with annualized interest rates of 400%

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The Unbanked

- ▣ 22% of low-income families do not have bank accounts
 - 83% of them earn less than \$25,000 annually
 - Unbanked households are disproportionately minority
- ▣ Many do not understand the benefits of traditional banking nor do they know about the services offered
- ▣ Lack of access to basic banking and credit services prevents families from fully participating in our economic system and accumulating assets

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Refund Anticipation Loans

- Refund Anticipation Loans (RAL) are high cost, short-term (7-14 days) loans secured by and repaid directly from the consumer's IRS tax refund
- Often advertised as "instant money" or "fast refund" rather than as a loan
- RALs target the working poor – especially those receiving the Earned Income Tax Credit (EITC)
- The effective annualized interest rate for the average refund of \$2,150 is 178%
- RALs drain money from taxpayers and the community - most are held by out of state banks

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Tax Preparation & RAL Fees Example

1040A + EITC + CTC + IRS e-file + SUPERFAST REFUNDS = *\$345

\$90 + \$25 + \$15 + \$15 + \$200 = *\$345

(fee based on amount of refund & loan period)

* Fees are approximate and will vary

San Antonio EITC and RALs

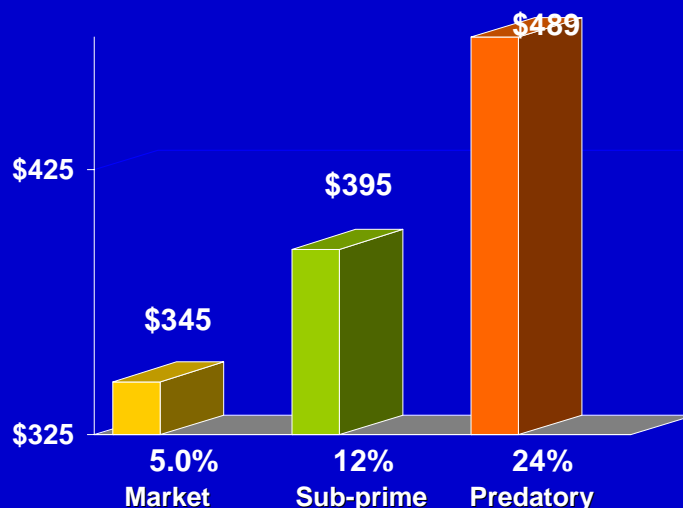
- 23% of eligible filers do not claim EITC, costing San Antonio families more than \$86 million
- In 2004, 170,000 low-income San Antonio households received the Earned Income Tax Credit (EITC)
 - 68% used a paid tax preparer
 - 49% used a Refund Anticipation Loan (RAL)
 - San Antonio working families spent an estimated \$13 million on RALs in 2004

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Challenges to Asset Building

Auto Loan Comparisons

Monthly Payments on \$15,000



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Family Economic Success (FES) Strategies

Asset Building

Individual Development Account (IDA)

Volunteer Income Tax Assistance (VITA)

Financial Health and Literacy Training

Low Income Tax Clinic

Asset Protection

Mortgage/Rental Assistance

Mortgage Rescue

Housing Counseling

Fair Housing Compliance

Vehicles for Working Families

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San Antonio Coalition for Family Economic Progress

- SA Coalition for Family Economic Progress is a five year old public-private partnership
- Coalition evolved out of Annie E. Casey Foundation's work and IRS transition to community leadership
- Initial focus centered on the Earned Income Tax Credit Campaign
- Expanded to include asset and multi-benefit enrollment
- Coalition includes IRS, City, Our Lady of the Lake University, United Way, Catholic Charities, and Casey Foundation



Earned Income Tax Credit San Antonio Impact

Return on Investment study conducted in November 2004 by Texas Perspectives, Inc.
www.txp.com

The Benefit:

- Approximately 170,000 San Antonio families received the EITC during 2004
- Over \$300 million was returned to local residents
- Average EITC for San Antonio families was \$1,800
- Economic activity generated over \$299 million and supports over 5,100 jobs
- Brought back \$2 million in additional sales tax revenue to the City

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VITA Program as Key Strategy

- Three month effort that will serve an estimated 30,000 households earning less than \$40,000
- Connects working individuals and families to valuable tax credits
- Serves as enrollment period for multiple public benefits
- Exposes participants to traditional banking services
- Reduces the use of expensive tax preparation services and refund anticipation loans (RALs)
- Promotes financial education and increases awareness of predatory financial practices

Volunteer Income Tax Assistance

Results	2003	2004	2005	2006	2007*
Coalition					
# of Sites	32	27	26	26	27
Total # of Returns	15,244	20,850	24,962	30,240	24,657
Total \$\$ Returned	\$21.8 mil	\$30 mil	\$39 mil	\$47 mil	\$46.3 mil
City					
# of Sites	12	16	17	20	21
# of Returns	9,537	15,200	19,388	25,200	18,662
\$\$ Returned	\$12 mil	\$22.3 mil	\$30 mil	\$39 mil	\$34 mil

* To date

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City Ordinance

 Compels commercial tax preparers to comply with loan disclosure requirements:

- Alternatives to RAL to receive refund
- Annualized interest rate and associated fees
- Mandatory written disclosures in multiple languages
- Oral explanation of written disclosures
- Duration of the loan
- Mandatory posting in a prominent location
- Remedies and enforcement

 Sets policy for enforcement

 Establishes penalty of \$500 per infraction

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COSA Tax Assistance Year Round Clinic

- City expanded tax assistance to serve taxpayers beyond traditional VITA season:
 - Correct and file prior year tax returns
 - Mediate and resolve issues with IRS
 - Refer cases involving legal action to Texas Rural Legal Aid
 - Since January 2005, 1,000 working families have filed prior year returns

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Individual Development Account (IDA) Program

- Matched savings account program help working families accumulate savings for long-term assets, including first time homeownership and post secondary education
- Creates opportunities for families to acquire and develop capital assets, change spending and savings patterns and make informed consumer choices
- Promote financial literacy as a family strengthening value system and part of the community culture
- Matches participants savings at a rate of \$4 to \$1 for a maximum of \$4,000 to be applied to an asset goal

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IDA Results

Results	Actively Enrolled and Saving	Completed Program
Homeownership	71	135
Education	130	120
Small Business	9	16
Total Active	210	271
Total Participant Investment	\$210,000	\$ 271,000
Total Match Funding	\$840,000	\$ 1,084,000

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Multi – Benefit Outreach Connect Families to Resources

Asset building includes connecting families to multiple public benefits to help grow earnings into wealth

At every opportunity, connect families to resources:

- Subsidized Child Care - Head Start, Public Pre-K, CCDS
- Food security - WIC, Food Stamps
- Health care - Medicaid, CHIP, immunizations
- Parent education - Precious Minds, 65-SMART
- Reputable financial services - financial education, VITA, IDAs, Banks, and Credit Unions

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Financing Asset Building

- ☞ COSA General Fund
- ☞ Community Services Block Grant
- ☞ Asset for Independence Act – HHS
 - Requires local dollar match for every federal dollar
- ☞ Banks contribute as a Community Reinvestment Act credit
- ☞ Foundations, United Way
- ☞ Schools, college and universities
- ☞ Employers

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Low to No Cost Resources Outreach Strategies

- ☞ Coordination with City Council
 - Invite Mayor and council-members to serve as champions for outreach efforts
 - Provide information about VITA services in Council District newsletters
 - Profile VITA and other services on Mayor and Council TV shows
 - Present information at Council sponsored neighborhood meetings

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Low to No Cost Resources Outreach Strategies

Employer-based outreach

- Payroll stuffers w/ EITC information
- VITA message on City employee check stub

School-based outreach

- EITC information on school marques, in employee break rooms, and in flyers sent home with children

Public Utilities and Transportation Authority

- Stuffers placed in water and electric bills
- Advertising placards on inside of VIA buses

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Opportunities for Local Coalitions

Support access to tax credits (EITC, child, education, savers), home ownership and savings

Link multi-benefit enrollment to core services

Enhance local ordinances that strengthen consumer protection

Make personal consumer financing issues part of state and federal legislative agenda

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Family Economic Success Lessons Learned

- Create a sense of urgency related to community economic well-being
- Embed effort in larger initiative that can sustain it in times of drought
- Build and nurture strategic partnerships that co-invest and share risk
 - Coalitions take time, patience and constant nurturing
- Demonstrate soundness of investment through results and return on investment methodology
- Remain flexible and adjust on the fly
- Always start with the future in mind

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