

Illinois Best Practices: Financial Education and Asset-Building for Low-Income People

The Illinois Department of Human Services (IDHS) used its flexibility under the Temporary Assistance for Needy Families (TANF) program to create innovative financial education and asset-building programs for welfare recipients and low-income workers (adults with a minor child and income up to 200% of the federal poverty level based on family size). Illinois recognized that many welfare recipients entering the workforce for the first time, as well as existing low-income workers at risk of dependence upon public assistance, pay high fees to handle their money at check cashers and “fringe” financial institutions and lack the skills needed to make sound financial decisions and build credit in a way that helps them to become self-sufficient, escape poverty, and build savings and assets to achieve the American Dream. Through these programs, participants met TANF requirements, achieved significant knowledge gains, and put their new money management skills into practice. Graduates interviewed 6-12 months after completion reported that they saved more (74%), tracked spending better (85%), opened bank accounts (25%), and participated in employee benefits (14%) and work support benefits (31%) that they were not receiving before; 125 participants saved enough to make 153 major asset purchases.

Funding: Using \$500,000 in unspent TANF funds from the 1999 fiscal year, IDHS provided a grant in 2000 to the Sargent Shriver National Center on Poverty Law (Shriver Center) to develop and administer a two-year pilot project in collaboration with the Financial Links for Low-Income People (FLLIP) Coalition, a statewide coalition of nonprofits, banks, government agencies, regulators, and adult educators. The Shriver Center raised over \$1 million in additional private funds from foundations and financial institutions. The FLLIP Financial Education Program (FEP) and Individual Development Account (IDA) program were launched in the fall of 2001 and concluded in December of 2003. Costs included program operating costs, curriculum and materials, and a comprehensive evaluation, which will be completed in spring of 2004.

Financial education: In the FEP, eligible participants attended a free, 12-hour course on personal money management offered through local nonprofits in over ten sites throughout Illinois. IDHS referred participants and TANF recipients received child care and transportation reimbursement and credit for class hours as a TANF “work activity” (toward the 30-hour weekly work requirement). Illinois was the first state to recognize financial education as an appropriate TANF “work activity.” Delaware has since followed Illinois’s lead. FLLIP created “best practices” for financial education instructors and model financial education training and recruitment toolkits.

IDAs: In the IDA program, delivered through three nonprofits in three cities, 125 participants (who must be employed) completed the same FEP course, but also saved about \$40 per month in a restricted, matched savings account (IDA) toward buying a home (34), home repair (42), buying a car (59), car repair (2), starting a small business (3), or pursuing postsecondary education or training (13). They also completed 6 hours of training related to their asset goal. Savings up to \$1,000 were matched by \$1,000 from IDHS and \$1,000 from private funds, so that participants could accumulate enough (\$3,000) to use toward a down payment or other asset goal. Other states have ongoing support for IDAs through TANF, general revenue, tax credits, and other sources.

Next steps: Maintain federal TANF funding and state flexibility. Increase state funding for financial education, asset building, free tax counseling, and transportation. Incorporate financial education in K-12 and adult education and training programs. Simplify asset rules for means-tested programs and encourage asset building. Reauthorize federal IDA program and pass federal IDA tax credit. Strengthen Community Reinvestment Act service test. Protect consumers.

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