

A Platform for Financial Security

Making Baltimore Financially Inclusive



Baltimore Highlights

LIQUID ASSET POVERTY

55%

Don't have 3 months of savings to live above poverty level

Too many of Baltimore's working families are living in a state of persistent financial insecurity, one emergency away from falling into debt or losing a home. In Baltimore City, 20% of households live in poverty, **55% (more than half the city's population) are liquid asset poor**, not having enough savings to live above the poverty level for three months if they suffer an income disruption such as a job loss or medical crisis*. Of households earning less than \$25,000 per year, nearly 85% are liquid asset poor. And more than 60% of households earning between \$25,000 and \$50,000 per year are liquid asset poor.

The inability to bounce back from financial pitfalls threaten the well-being of families, undermine local economic development, create blighted neighborhoods, and jeopardize public safety. Financial inclusion and security for all is paramount to economic prosperity and vitality for Baltimore.

But We Can Change This!

Municipalities across the country have begun to recognize the necessity of implementing citywide financial inclusion efforts. Financial capability programs are emerging as an important priority for many city leaders. According to a survey conducted by the National League of Cities, 65% of the 118 cities who responded have financial inclusion programs in place. Most of these initiatives are in collaboration with partners from the private, nonprofit and philanthropic sectors.

Evidence from other cities shows these programs that aim to **revitalize neighborhoods, help people get jobs, reduce crime, and improve education are more effective when coupled with a municipal strategy that develops long-term financial security**. Local leaders are increasingly focusing their attention on and committing resources to a comprehensive set of financial inclusion programs that help residents achieve greater financial stability, build assets and gain access to safe and affordable financial services (such as financial education and counseling, safe and affordable financial services, tax prep help, consumer financial protections, etc.)

As the city grapples with issues like protracted unemployment, violence, vacant housing, and entrenched poverty, a new Administration has an opportunity to lead Baltimore into the future as a vibrant, financially-secure city with economic opportunities. **While there are a variety of nonprofit and government programs working to address poverty in Baltimore, there is a unique opportunity to create a citywide platform that supports the growth and integration of these services.** To accomplish this, leadership from the Mayor and other local leaders, including the City Council, is needed.

*All data cited in this report retrieved from "Building Economic Opportunity in Baltimore: A Data Profile (2016)" www.familyassetscount.org/baltimore.

SUBPRIME CREDIT

52%

Credit users have subprime credit scores

FAMILY ASSETS COUNT

Building Financial Resilience in America

BALTIMORE, MD

A Way Forward

In March 2016, the Baltimore CASH Campaign convened over 100 stakeholders to discuss the state of financial security for Baltimore families. Over the course of the year, the Financial Inclusion Workgroup developed a diverse set of financial inclusion recommendations that promote long-term financial security for Baltimore's families.

The primary recommendation is the establishment of dedicated leadership within City government such as the creation of an Office of Financial Empowerment to provide the coordination, accountability and ongoing monitoring of these strategies across multiple City agencies, nonprofit, philanthropic, and financial partners. Below are the top four priority areas that an Office of Financial Empowerment could address. The Workgroup plans to present its full set of recommendations to the new Mayor and City Council in early 2017.

- 1. Expand free tax preparation services through the Volunteer Income Tax Assistance (VITA) program.** Baltimore's VITA program (with an error rate less than most paid preparers) currently serves 9,300 families, which is less than 4% of those eligible for the Earned Income Tax Credit (EITC). Already bringing \$15 million back to the community in federal and state refunds, expanding this service with outreach, volunteer, and funding support would provide real dollars to our most financially vulnerable families and be reinvested into the local economy.
- 2. Establish rent reporting for credit building through public housing.** Rent reporting is a low-cost strategy for helping a large portion of City residents build their credit and build assets. 52% of credit users in Baltimore have subprime credit scores and 23% of adults don't have a credit file, meaning they are unable to access credit at affordable rates, preventing them from acquiring assets. More than 50% of Baltimore City residents are renters and roughly 25,000 are Section 8 voucher holders.
- 3. Integrate financial capability into youth employment.** Expanding youth employment and entrepreneurship activities during the summer and year-round has emerged as a key strategy for youth engagement, community safety and education. These programs can be leveraged to provide youth with access to the financial knowledge, skills and non-predatory products they need to secure their financial futures.
- 4. Create a Financial Inclusion Commission.** The commission will foster cross-sector collaboration to support the implementation of an Office of Financial Empowerment and will provide a platform for the cooperation needed to provide effective solutions to addressing barriers to financial inclusion. This commission could be modeled after the statewide Maryland Financial Education and Capability Commission.

The Financial Inclusion Workgroup proposes additional recommendations to be implemented over the course of the next several years to continue building economic opportunity for Baltimore City residents (see attachment or visit www.cashmd.org.)

Call to Action

- **Mayor Pugh**, the Financial Inclusion Workgroup invites you to work with 100 stakeholders in the City of Baltimore to build a comprehensive and integrated set of programs and policies to create an inclusive economy that supports all families in Baltimore.
- **Community Leaders**, if you agree that the City has an important role in working with the public, private and philanthropic sector, community-based groups and other stakeholders to build a comprehensive and integrated set of programs and policies to create an inclusive economy in Baltimore, [click here](#) or visit www.cashmd.org to add your name and to stay connected.

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. Learn more at www.cashmd.org.

FREE TAX PREPARATION

<4%

Utilize free tax preparation services to receive their refund

ADDITIONAL RECOMMENDATIONS

The Financial Inclusion Workgroup identified a range of options addressing many segments of the population in addition to the initial recommendations outlined above. Some solutions could be implemented in the short-term while others require more time to develop and build. However, all require the involvement of city agencies and dedicated city leadership to ensure successful implementation.

PROGRAM RECOMMENDATIONS

Recommendation	Background & Impact
Integrate financial capability into youth employment	Integrating financial capability as a more structured component. Provide a mix of financial education instruction and products (e.g.: MyPath in California).
Rent reporting for credit building through public housing	Partner with Housing Authority of Baltimore City (HABC) and other groups that manage low-income housing to establish a robust rent reporting program to help low-income people establish or build credit. Renters insurance is tied to credit score, so by raising credit scores this can help renters afford insurance.
Increase the availability of quality free financial coaching and education programs	Currently free, fact-based financial education is limited. Financial coaching is effective, but only utilized by a small segment of the population because capacity to provide coaching is minimal and quality varies.
Increase asset ownership	Focus on expanding homeownership and retirement planning (e.g.: MyRA & employer-sponsored plans).
Financial education within workplace	Expand beyond current Employee Assistance Programs. On-site financial education and coaching that helps workers advance to higher wage jobs by helping reduce absenteeism, stress, and taking advantage of workplace training.
Preservation of assets	Expand homeowners' tax sale liens and foreclosure prevention, estate planning, and home maintenance fund programs. Asset preservation through consumer protection.
Investment in building the capacity of free tax preparation	Currently serve 10,00 families in Baltimore metro-area. But we know less than 4% of those eligible for EITC utilize free tax preparation services. Potential programming includes increasing self-assisted filing and increasing capacity to provide preparation for prior year returns (often affecting returning citizens or those with tax issues).
Help returning citizens achieve financial stability	Focus on pre-release work and post-release timeframe. Provide assistance with resources and opportunities for early interventions pre-release.
System navigation to ensure that people don't fall through the cracks	Financial inclusion related tasks specified in job descriptions of appropriate staff throughout city agencies. Identify a matriculation strategy for citizens; mapping of services to ensure people don't get lost during moments of transition. Co-location of services similar to NYC model.
Small business support (specifically for women and minority business ownership)	This is a growth area for the local economy. However, more resources are needed to support these activities. For example, CASH Campaign sees many clients with a 'side business' who don't understand tax implications that can affect them. In addition, support development of worker-owned businesses.
Expand college access & affordability	Increase access to higher wage jobs through educational attainment while protecting consumers from predatory practices and high debt burdens. This includes supporting the Maryland Financial Education and Capability Commission's recommendations on college access.

FINANCIAL SERVICES & PRODUCT RECOMMENDATIONS

Recommendation	Background & Impact
Increase the number of people connected to traditional financial products	Under- and unbanking is a critical issue in Baltimore. There is a need for financial products that work for various programs that support youth but don't require custodial parents/guardians AND include "training wheels".
Expand matched saving programs (individual development accounts)	Leverage public or private programs and services to create savings, credit building and connections to safe financial products.
Social marketing campaign for financial capability	More support from city officials around marketing for VITA and other asset building services. Possible way to engage financial institutions around Bank On campaign idea. Special focus on non-English speakers and immigrants.
Improve access to small dollar credit for individuals and small businesses	Lending is needed for small business growth and development. An innovative idea could be citizenship loans.

POLICY RECOMMENDATIONS

Recommendation	Background & Impact
Support living wage	Relates to the broader goal of reducing liquid asset poverty.
Improve or automate homeowners' and renters' tax credits	Timeline for filing and the application system is out of sync with tax season. Forms are cumbersome and the credits are underutilized.
Child savings accounts	Children from LMI families with \$1-\$499 of savings dedicated for college are 3x more likely to attend and 4x more likely to complete.
Local EITC	Could be modeled after Montgomery County. This has larger budget implications but the process is there for distribution through Comptroller's Office.
Include financial capability measures and outcomes in future contracts for social services, workforce, child support, etc.	Where there is an opportunity to revise the contracts or procurement process for vendors of social services, measures for financial capability should be included.
Remove or restructure government levied fines and fees that disproportionately harm low-income and communities of color.	Government levied fines and fees for nonviolent offenses, traffic violations, and housing code infractions often become overly burdensome for the poor. Though often designed to generate revenue and improve quality of life, penalties for minor violations can impede a family's ability to catch up when they've fallen behind and create barriers to reaching their full economic potential (e.g., suspending drivers' license for unpaid child support may impede employment access).