Center for Creating New Knowledge (CCNK)
Policy Paper

Context

1984 was a significant year. It was the first year in which the US Census Bureau began publishing wealth estimates by race and ethnicity, which indicated an 8-to-1 White-to-Hispanic wealth ratio. [1] It was also the year in which New Economics for Women was founded to close this racial wealth gap by developing and providing multi-service affordable housing and supporting financial asset building among low-income and low-wealth immigrant Latinas and their families.

Fast forward nearly 30 years to 2010. Despite the tremendous gains made by low-income and low-wealth families, the wealth gap continued to grow. In inflation-adjusted 2010 dollars, the average wealth of white families was over half a million dollars more than the average wealth of Hispanic and black families, up from $230,000 in 1983.[2]

NEW's Policy Proposals

NEW sees the widening wealth gap as a call to action. As the first Latina-led affordable housing developer in the US, NEW is again prepared to provide a voice and leadership for low-income and low-wealth immigrant Latinas and their families, this time through policy advocacy. Drawn from the Kellogg Foundation-supported Center for Creating NEW Knowledge (CCNK) whole-family financial education work, NEW presents the following policy proposals it will lead and support starting in 2014:

1. **Increase entrepreneurship and other asset building among low-wealth Latinas**
2. **Integrate financial education into citizenship exams, K-12 and ESL education, and case management**
3. **Include more asset building activities in calculating FICO credit scores**

Each policy proposal is discussed in further detail immediately below.

Policy Proposal 1: Increase entrepreneurship and other asset building among low-wealth Latinas

Latinas are a powerful and growing, yet understudied population in the US. Based on the limited data currently available, we know that:

- **Latinas are a growing segment of the US population**: Latinas are expected to become 30% of the total female population by 2060[3], which follows recent increases in both US-born and immigrant Hispanic residents; in 2011, the US was home to over 4 million more foreign-born and over 12 million more native-born Hispanic residents than in 2000.[4]
- **We must grow wealth among Latinas for today and future generations**: 3 in 10 Latina households have zero or negative wealth[5] and Latinas with children have less than 1% the wealth of White women with children.[6]
- **Promote Latina-led entrepreneurship as a critical individual and societal employment and asset building strategy**: In 2010, 96.4% of self-employed Latina immigrants were micro-entrepreneurs.[7]

As key drivers of our current and future economy, investing in Latinas and their families is essential to our nation's economic health. However, in order to increase entrepreneurship and other asset building among low-wealth Latinas, we must first better understand the unique opportunities and barriers that help or hinder their ability to develop various assets. From this understanding, we can develop and leverage policy-oriented solutions.

With only a handful of exceptions, existing wealth gap analysis focuses predominantly on wealth level differences by race or gender, rather than the intersection of the two, and often lack critical distinctions by racial subgroups. *Lifting as We Climb: Women of Color, Wealth, and America's Future* (2010), the most recent analysis of Latina wealth nationwide, unveils some of the unique wealth building challenges and opportunities facing Latinas. However, with the reverberating effects of the Great Recession and growing calls for comprehensive immigration reform taking place today, we need up to date information about Latinas in order to craft relevant wealth building strategies.

In partnership with a team of experts, including researchers, economic policy analysts, and community representatives, NEW will produce a unique tool that can be used to stabilize and build wealth across our country through valuable investments to Latinas and their families. Through original first hand research, this tool will provide, *for the first time ever*, baseline information on the status, obstacles, and opportunities for wealth building among Latinas in America by subgroup and geography. The tool will analyze business ownership, home ownership, savings, and other asset creation strategies by Latina subgroup (Mexican, Central American, Puerto Rican, and Cuban), compare them to other groups of women, and establish the framework for groundbreaking tax, business, and other policies and programs. The tool's baseline information will serve as the foundation for longitudinal analysis of changes in Latina wealth, which will allow for ongoing evaluation and improvement of wealth building strategies over time.

The tool's methodology will be crafted first for Los Angeles County, which is home to 9% of the nation's Latino population (4.9 million people)[8], and then applied nationwide. Development and release of both the Los Angeles and national tools are expected to take place over the next three years.

Policy Proposal 2: Integrate financial education into citizenship exams, K-12 and ESL education, and case management

A recent study by the Securities and Exchange Commission and Pension Research Council at the University of Pennsylvania found that millions of Americans lack basic financial education, weakening their ability to identify and avoid financial gimmicks and fraud and resulting in young people mired in student debt.[9] Through the CCNK whole-family financial education program, NEW confirmed the need for and benefit of early exposure to basic financial concepts to promote healthy financial behavior over the generations; many CCNK families reported greater family coherence when children understood the family's financial situation and more children learned how to develop a financial plan to support a future goal.

Despite the dismal state of financial knowledge and fraud, recent passage of policies requiring more financial education in schools and increases in the availability of culturally appropriate financial education, present ripe opportunities for NEW to support enforcement of these policies and bolster the integration of culturally appropriate financial education further into schools and into places such as citizenship exams and case management.

In 2013, California Governor Jerry Brown signed a school financial literacy bill, CA AB 166, into law. CA AB 166 requires the State Board of Education to integrate financial literacy curriculum including budgeting, credit management, student loans, and consumer debt and safety into specific academic areas for grades 7 to 12.[10] California's new law is part of a larger financial education movement nationwide; 33 states and Puerto Rico introduced bills in the 2013 legislative session related to financial literacy or education, following18 states that have already enacted legislation or adopted resolutions regarding financial literacy.[11]

In addition to the public education system, NEW also acknowledges at least three other places to introduce, update, and/or further integrate financial education to reach low-income and low-wealth Latinas:

1. **Teaching English to Speakers of Other Languages (TESOL) core certificate program.** As the largest organization focused exclusively on English language teaching for speakers of other languages, TESOL's core certificate program

would be an ideal place to incorporate a financial education component for prospective English as a Second Language (ESL) teachers where one does not currently exist.[12]

2. **US citizenship exam and exam preparation materials.** NEW learned from the CCNK program that many immigrant participants misunderstand and/or do not trust the US financial system, some instances of which are attributed to not having as much of an opportunity as US-born residents to experience or learn about the US financial system growing up. Currently, the US citizenship exam does not test on any basic financial concepts. [13] NEW believes the US citizenship exam is an appropriate place to include questions related to basic financial concepts such as credit and savings, as the US financial system is vital to all residents.

3. **Case management targeted toward low-income and low-wealth clients.** Through NEW's FamilySource Centers, one-stop facilities where low-and-moderate-income families access financial education and family building tools, NEW sees how critical it is for case managers who counsel low-income and low-wealth families to be financially literate and able to pull on and share financial education through the course of their support work with families. NEW has already begun the process of training Prosperity Coaches, counselors who are versed in financial education concepts, so they can best address the holistic needs of the families they work with. NEW is excited to partner with other counseling agencies to share their financial education curriculum and explore other ways to formalize the inclusion of financial education in case management services.

Policy Proposal 3: Include more asset building activities in calculating FICO credit scores

Establishing and maintaining a good FICO credit score is a major factor, if not a requirement, for access to wealth building opportunities, including purchasing a home or vehicle or starting a business. It can be particularly challenging for low-income and low-wealth individuals to enter into and positively develop their FICO credit score due to language access issues, documentation or account requirements, and other factors that prevent, deter, or derail people from building healthy credit scores. Having a slim credit history, which can be common among lower-income individuals and more recent immigrant residents, can actually be just as detrimental, if not worse, than having a bad credit score.[14]

NEW would like to expand upon two recent credit building pilot programs to include more asset building activities in calculating FICO credit scores. Since 2011, the Aspen Institute's FIELD program, in partnership with Citi Foundation, has been working with five microenterprise practitioners nationwide to offer their microenterprise clients a secured credit card for their business purchases along with credit education.[15] Since 2012, the Credit Builders Alliance, also in partnership with Citi Foundation, has been spearheading a rent-reporting pilot program that allows allows credentialed landlords and rent-payment-services to report on-time rental payments to at least one of the three major credit bureaus as creditworthy behavior.[16]

In addition to exploring how NEW's residents and entrepreneurs could participate in these programs, NEW is also interested in exploring ways to begin counting other asset building efforts as creditworthy. For example, NEW would like to see how opening and investing in a savings account as well as participating in an individual development account (IDA) program could also be reported to the major credit bureaus as creditworthy behavior since many low-income and low-wealth individuals engage in these activities, but are not currently able to count them positively toward their credit history or credit score.

---

[1] PewResearch Center. *Wealth Gaps Rise to Record Highs Between Whites, Blacks, Hispanics: Twenty-to-One.* Chart of Median Wealth Ratios, 1984 to 2009, White-to-Hispanic. http://www.pewsocialtrends.org/2011/07/26/wealth-gaps-rise-to-record-highs-between-whites-blacks-hispanics/. Last accessed January 27, 2014. Published on July 26. 2011. Note that the Survey of Income and Program Participation was designed for the 1996 panel, which may have affected the comparability of the data from 1998 and later years with the data from earlier panels.

[2] Urban Institute. *Less Than Equal: Racial Disparities in Wealth Accumulation.* http://www.urban.org/UploadedPDF/412802-Less-Than-Equal-Racial-Disparities-in-Wealth-Accumulation.pdf. Last accessed on January 27, 2014. Published on April 2013.

[3] Nielsen. *Latina Power Shift*. http://www.nielsen.com/us/en/reports/2013/latina-power-shift.html. Last accessed on January 27, 2014. Published on August 1, 2013.

[4] PewResearch Center Hispanic Trends Project. *Statistical Portrait of Hispanics in the United States, 2011*. Hispanic Population, by Nativity: 2000 and 2011. http://www.pewhispanic.org/2013/02/15/statistical-portrait-of-hispanics-in-the-united-states-2011/#4. Last accessed on January 27, 2014. Published on February 15, 2013.

[5] Mariko Chang. *Lifting as We Climb: Women of Color, Wealth, and America's Future*. http://www.insightcced.org/uploads/CRWG/LiftingAsWeClimb-WomenWealth-Report-InsightCenter-Spring2010.pdf. Last accessed on January 27, 2014. Published on Spring 2010.

[6] Ibid.

[7] Marie T. Mora and Alberto Dávila. *On the Earnings and Employment of Female Hispanic Entrepreneurs in the 2000s.* Presented at the Conference on Small Business and Entrepreneurship During and Economic Recovery, Board of Governors of the Federal Reserve System, Washington, DC, November 9-10, 2011. http://www.federalreserve.gov/newsevents/conferences/mora-davila-20111109.pdf. Last accessed January 27, 2014.

[8] PewResearch Center Hispanic Trends Project. *Mapping the Latino Population, by State, County, and City.* http://www.pewhispanic.org/2013/08/29/mapping-the-latino-population-by-state-county-and-city/. Last accessed January 27, 2014. Published on August 29, 2013.

[9] LA Times. *Millions of Americans Lack Basic Financial Literacy, Studies Show.* http://www.latimes.com/business/la-fi-financial-literacy-20131228,0,6068505.story#axzz2oo0IPjUy. Last accessed January 27, 2014. Published December 27, 2013.

[10] California Assembly Bill No. 166. http://www.leginfo.ca.gov/pub/13-14/bill/asm/ab_0151-0200/ab_166_bill_20130826_chaptered.pdf. Last accessed January 27, 2014.

[11] National Conference of State Legislatures. *Financial Literacy 2013 Legislation.* http://www.ncsl.org/research/financial-services-and-commerce/financial-literacy-2013-legislation.aspx#CA. Last accessed January 27, 2014.

[12] TESOL International Association. *TESOL Core Certificate Program.* http://www.tesol.org/attend-and-learn/certificate-leadership-programs/tesol-core-certificate-program. Last accessed January 27, 2014.

[13] US Citizenship and Immigration Services. *Naturalization Self-Test 1.* http://www.uscis.gov/citizenship/quiz/learners/study-test/study-materials-civics-test/naturalization-self-test-1. Last accessed January 27, 2014.

[14] NY Times. *Starting to Build a Credit History.* http://www.nytimes.com/2014/01/24/your-money/starting-to-build-a-credit-history.html?_r=0. Last accessed January 27, 2014. Published on January 23, 2014.

[15] Aspen Institute FIELD. *Asset Building through Credit Pilot Program.* http://fieldus.org/projects/securecard.html. Last accessed January 27, 2014.

[16] Credit Builders Alliance. *Building Credit through Rent Reporting.* http://creditbuildersalliance.org/sites/default/files/Building%20Credit%20Through%20Rent%20Reporting%20PDF.pdf. Last accessed January 27, 2014. Published Winter 2014.