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After the American Dream: The Immigrant Experience in an Asset Building Program for the
Working Poor

By

Joanna Katharine Doran

A dissertation submitted in partial satisfaction of the
requirements for the degree of
Doctor of Philosophy
in
Social Welfare
in the
Graduate Division
of the
University of California, Berkeley

Committee in charge:

Professor Neil Gilbert, Co-chair
Professor Irene Bloemraad, Co-chair
Professor Julian Chow
Professor Cybelle Fox

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Abstract

After the American Dream: The Immigrant Experience in an Asset Building Program for the Working Poor

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Joanna Katharine Doran

Doctor of Philosophy in Social Welfare

University of California, Berkeley

Professor Neil Gilbert, Co-chair

Professor Irene Bloemraad, Co-chair

Individual Development Accounts (IDAs) were instituted to provide low-income workers with similar institutional support for saving funds and acquiring assets as already exists for those with higher earnings (e.g. IRAs, 401(k)s, mortgage tax interest deductions). The federally-funded program was intended to usher in a new approach towards amelioration of poverty: one that transcends subsistence and fosters asset-building. This dissertation contributes to IDA research a comparative examination of immigrant and U.S. born participants in a San Francisco based IDA program. Immigrants have been part of the program from its inception, but this will be the first study that will explicitly consider this program's utility for this group. In doing so, it contributes to studies of immigrant integration programs.

In order to better understand the impact of IDAs regardless of nativity, the first article in this dissertation examines perceived changes in intensity of saving by participants who exited the program for whom a pre-IDA saving intensity could be determined (n=23). Unlike IDAs originally theorized, implemented IDAs are a time-limited program. The question of whether mere exposure to an institutional structure that facilitates saving (through matching, training, and rules encouraging deposits and discouraging withdrawals) is sufficient to create ongoing intensification of saving beyond program exit has not yet been studied. I find that exposure does intensify saving for many, but those who reported not saving before the program tended to revert to not saving after the program. This suggests that ongoing institutional structure could better promote saving.

The second article explores the question of how participants use the IDA program towards the asset goal of housing, particularly in a context of high housing prices (n=12). This study is the first to explore IDAs as part of a larger context of asset-building programs and personal strategies. I find that an additional benefit of IDAs is in the linking with other agents, e.g. through its mandate that participants finish HUD-certified training meant to diminish risk for those making their first time home purchase. IDA funding is insufficient to fund home purchase in any significant way. Funding from other down-payment assistance programs appears largely

missing. Successful home buyers tended to make use of unusual opportunities to intensely save money towards their purchase.

The final chapter addresses differences between immigrant and U.S. born IDA participants. The final sample participating in this study (N=54) was evenly divided between the two groups. Immigrants were interviewed in Spanish, Cantonese, or English. Screening procedures and in-depth interviews were used to determine if nativity matters for likelihood of asset acquisition, changes in saving intensity, and perceptions of the program. No differences between the groups were found, with the exception of language barriers mentioned by immigrants.

To my family

Table of Contents

List of figures and tables

Acknowledgements

Introductory Text **1-8**

Study Findings

Conclusion: The Place of IDAs in the Larger Asset-Building Structure in the United States

Article 1 -- Individual Development Accounts: A cornerstone of new asset-based social policy? **9-31**

Literature review

Methods

Design

Analysis

Sample

Results

Research question 1: What psychological and behavioral changes (if any) do current and past IDA participants report taking place after joining the IDA program?

Psychological Effects: Long-Term Goals and Self-Worth.

Saving techniques.

IDA as mechanism for saving.

Research question 2: How does the former IDA participants' ability to save after exit from the program change relative to their ability to save before the program, if at all?

Pre-IDA: Living paycheck-to-paycheck

Pre IDA not saving to post-IDA not saving

Pre IDA Not Saving to Post-IDA Moderately High Saving

Moderate savers before IDA.

Intense savers before the IDA

Financial Coaching and the Larger Structure of IDAs

Discussion and Conclusion

Article 2 -- Home Sweet Home: Evaluating Use Of Individual Development Accounts as Part of Participants' Larger Strategy towards Home-Ownership **32-70**

Introduction

Restructuring the housing market: A brief history of federal involvement

Evolution of IDAs

What are IDAs?
 Historical Context of IDA Emergence
 Research Literature.

Methods

Participants
 Study Site
 Analytical Strategy

Results

Background Factors
 Motivation to Buy.
 Homeownership among family and friends
 Context of home purchase
 The high cost of home purchase.
 The process of home purchase is complicated
 Apparent plethora of choices for funding home purchase.
 Plethora of funding choices, dearth of actual funding.
 Participant Strategies
 Overcoming Barrier of Complexity: Using Asset Building Network, not Program.
 Bree: Navigating Asset-Building Network
 Dorothea: Retaining Connection to Asset Building Network
 Beyond the IDA Program: Intense Saving Experience
 Lifecycle and program support

Conclusion/Discussion

IDAs and the context of federal spending for asset building
 Comparing IDAs to Other Asset-Building Programs Targeting the Poor
 Argument for Looking at Asset-Building System for Whole Population
 Spending Leaks in the Asset-Building Budget

Article 3 -- Neither Heroes Nor Outcasts: Immigrants in an Asset Building Program for Low Income Workers

71-89

Problem Statement

IDA Literature
 Theoretical and Empirical Background
 Immigration Literature
 Immigrants as heroes.
 Immigrants as victims.
 Research Questions.

Methods

Procedure
 Site selection
 Recruitment and screening procedures
 Screening and sample selection
 Interviews and data analysis

Measurement and Data Analysis

Screening Data (Research Question 1)

Interview Data (Research Questions 2 and 3)

Results

Analysis of Sample Characteristics

Research Question 1: Does likelihood of asset acquisition differ between immigrant and non-immigrant IDA participants?

Research Question 2: What migration-related saving experiences, if any, do immigrants report?

Research Question 3: How do experiences of the IDA program differ by nativity?

Namely, (a) to what extent does immigrant and non-immigrant participants intensity of saving change after exit from the program, given intensity of saving before entering the program? (b) How do the groups' suggestions for improving the IDA program differ and overlap?

(a) Impact on Saving

(b) Impressions of the Program

Discussion

Strengths and Limitations

List of figures and tables

Table 1-1: Demographic Characteristics of IDA participants

Table 1-2: Pre and Post-IDA Saving Intensity, With and Without Supplemental Financial Coaching

Table 2-1: IDA Status and Salient Themes

Table 2-2: Biographical Notes about Study Participants

Table 2-3. Move in costs compared by loan type and regional median home prices

Table 2-4. IDA participant progressing through asset-building network

Table 2-5: Federal Asset Promotion Budget (2007) by Type of Outlay and Primary Beneficiary (in billions of dollars)

Table 3-1: Demographic Characteristics of Sample and EARN IDA Participants

Table 3-2: Saving Intensity before and after IDA Program

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- Steven Segal: Follow the money
- Steven Selvin: Your bowl will not produce a random sample if your daughter keeps picking out the clusters from the cereal box.

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And now my innermost:

Timmy, love of my life.

Dominiczka, moja najdrozsza kochana coreczka i Romanek moj najsliczniejszy synek. Mama jest tak dumna z was obojga. Jestescie moja najwazniejsza praca.

Introductory Text

In her notorious piece “Up the Anthropologist: Perspectives Gained from Studying Up”, Laura Nader (1975) rallies ethnographers to resist the impulse to study the impoverished and the downtrodden, and instead to take on the study of the rich and the powerful. A study that looks up would also focus on institutions and organizations, which she points out, have a considerably greater impact on the lives of more people than a faraway tribe. The exercise would reorient some basic questions:

“Studying up” as well as down would lead us to ask many ‘common sense’ questions in reverse. Instead of asking why some people are poor we could ask why other people are so affluent? How on earth would a social scientist explain the hoarding patterns of the American rich and middle class? How can we explain the fantastic resistance to change among those whose options ‘appear to be many?’ How has it come to be, we might ask, that anthropologists are more interested in why peasants don’t change than why the auto industry doesn’t innovate, or why the Pentagon or Universities cannot be more organizationally creative? The conservatism of such major institutions and major bureaucratic institutions probably has wider implications for the species and for theories of change than does the conservatism of peasantry. (Nader, 1972: 6)

To be precise, she calls on anthropologists to take a “vertical slice” in their inquiry – studying a problem across classes, with particular emphasis on institutions.

Social workers take pride in studying problems simultaneously from the three levels of micro (individual), meso (community), and macro (policy) since the discipline’s inception. Yet when focused on poverty, social workers rarely study wealth, let alone the institutional mechanisms that make the accumulation of resources easy for some, and difficult or dangerous for others. Michael Sherraden’s (1991) work is an exception, in examining the classic problem of poverty by looking at the institutional structure of wealth building in the United States. He illuminates two forms of social welfare. One is aid meant to provide a floor of subsistence to the poor through discretionary spending on social programs that are publicly debated and highly stigmatized. The other is the rarely discussed system of aid to those more wealthy, fostering their asset accumulation, typically through the tax system. Welfare payments for the poor serve to keep them at a level of mere subsistence, both in the amount of support and in the threat of removing this funding if they should manage to save all but the most meager amount. The stigma that the poor accrue when they receive public funds is has no analogue in federal spending on those more wealthy, who rarely see mortgage interest rate tax deductions or lower tax rates for capital gains as a form of public assistance (Sherraden, 1991). And yet debts not collected cost as much as money spent, if not more (Howard, 2001).

Sherraden proposed that if low-income workers were given access to similar asset-building institutional mechanisms already enjoyed by those with higher incomes, they too would save and accumulate assets. He also hypothesized that asset-based assistance would have effects on clients that transcend strictly economic gains. Stated briefly, their perspective would change to be oriented towards the future. Having a stock of resources that grow would provide greater

sense of control than income support alone. To provide the poor access to asset-building structures, Sherraden (1991) proposed Individual Development Accounts (IDAs). Much like programs that support the saving of higher-income workers (e.g. 401(k)s), IDAs are designed to motivate participants to save by using a combination of financial incentives and financial instruction. Sherraden's original proposal called for a universally available system of saving accounts with progressive matching for the poor, encouraging participants to save money for a variety of asset goals over the life cycle. In effect, IDAs could create a clear institutional pathways for the poor to join the middle class.

Federal support for individual initiative proved popular for politicians on both sides of the political aisle, rare at a time of bitter debates about how precisely to end "welfare as we know it." Just a year after the contentious Welfare Reform Act of 1996 was passed, the Assets for Independence Act of 1997 (AFI), was passed as well. AFI provides the largest single source of funding for IDAs. Yet the IDAs so instituted differ in important ways from the original proposal. AFI IDAs are time-limited (typically two years), means tested (earned income within 200% of the poverty rate, assets to not exceed \$10,000 [excluding residence and one car]), with one-time participation that forces participants to choose between asset goals (that is, higher education, *or* business, *or* home ownership). Available through select non-profit agencies in most states, the annual federal funding of just \$24 million for AFI IDAs makes this program important more as a demonstration of an approach than its full implementation.

Could IDAs also serve as a demonstration for an immigrant integration program? In their explicit support of the pursuit of the American Dream of education, business ownership, and home ownership, IDAs might be particularly well-suited for persons born in other countries, who make up 13 percent of the U.S. population (U.S. Census, 2011). While immigrants can be found all income levels, a disproportionate number earn particularly low incomes¹. According to the U.S. Census Bureau's 2011 American Community Survey, immigrants are more likely than persons born in the United States to earn low wages, with nearly half of immigrants (44.4%) versus about a third of U.S. born (33.8%) earning wages that fall at or under 200% of the poverty line. The poverty rates of immigrant families (18.5%) are nearly twice those of U.S. born families (10.4%). Immigrant households are also more likely to face budget strains that result from an excessive proportion of income being channeled towards housing payments. A greater proportion of immigrants than non-immigrants use more than 30% of their income to pay for shelter, whether as mortgage (42.6% vs. 28.0% for U.S. born) or rent (53.4% vs. 48.3% for U.S. born). Immigrant families are less likely to live in homes they own (51.5% vs. 67.7% for U.S. born): this is highly significant, since home equity is the largest single source of wealth for a typical U.S. household (U.S. Census Bureau, 2011).

Legislative efforts related to immigration overwhelmingly focus on their admission rather than integration (Bloemraad, 2006). This results in a patchwork system where immigrants are largely left to depend on programs that take no special consideration of their needs (Bloemraad and de Graaw, 2012). In turn, social workers are focused on meeting the most urgent needs of the group (e.g. human trafficking, domestic violence, access to medical care, deportation of parents of U.S. born children), with their attention drifting once the crisis is resolved. At the same time, newer waves of immigrants are increasingly settling in parts of the country unaccustomed to

¹ Note that U.S. Census figures cited here draw upon the cross-section of immigrants, including the more newly arrived (whom we would expect to be earning below their potential) and those more established.

flows of people from other countries (Singer, Hardwick, and Brettell, 2008). Thus the need for social workers to also help meet the more pedestrian issues of settlement becomes more acute. Part of this effort would be to identify the ease of immigrant fit in existing programs. Anna Crosslin, Executive Director of the International Institute of St. Louis, explains how her agency uses IDAs to create for its refugee clients a clear institutional pathway for socio-economic integration:

For refugees, when they first get over here, to take the first job no matter what it is, it's easier if they can look down the line, and know that you will help them get out of that job and into something else. So, they will work in the hotel, or the cleaning service, or the restaurant -- or whatever it is -- if you say to them: "build up a credit history, and a solid work history, and come back in nine months, or whatever it is, and we'll start you on the process of enrolling you in the IDA program so that you could save and buy a house, and you can also start looking at a dream of being able to start a business". If you can connect all of that together, then there's an opportunity there for these individuals and they can see the long term.

(Anna Crosslin, Personal Communication, March 31, 2009)

Since the aging U.S. population depends on the labor of new workers, and U.S. born children are particularly likely to be raised in immigrant households, immigrant integration has impacts that ripple beyond this group. Cross-national comparative research provides evidence that greater federal investment aimed initially towards the integration of immigrants is associated with better long-term socio-economic integration, as measured through earnings and political participation (Bloemraad, 2006; Reitz, 1999).

Despite the need for identification of effective integration programs for immigrants, and considerable research on the use of IDAs by a variety of groups (see Richards and Thyer, 2010 for a recent review), the use of the IDA program by immigrants has not yet been studied. Although immigrants have been eligible to participate in the program from its inception, no information about country of birth is collected from IDA participants. This means that no existing national data can be re-evaluated for nativity. The primary purpose of this dissertation is thus to meet this need for research on immigrants' use of IDAs. Since little is known about their use of the program, I used primarily qualitative methods to understand how immigrants' experience of saving and accumulating assets in this program differs, and bears similarity to that of U.S. born participants (Creswell, 2008). My trained research assistants and I e-mailed trilingual (Spanish, Cantonese, and English) recruitment materials, and then conducted in-depth, in-person interviews with equal numbers of immigrant and non-immigrant participants (N=54) in a large IDA program that serves clients in the San Francisco Bay Area. The non-profit agency EARN administers the IDA program particularly well, as evidenced by attrition rates that are half of the national average (EARN, 2011). The choice of this organization allows a clearer examination of the effect of IDAs.

I chose the geographical location for its long history of receiving immigrants and greater proportion of immigrants. As with California in general, San Francisco Bay Area residents are more than twice as likely to have been born in other countries than is the case for the U.S. average (U.S. Census, 2011). They are also more likely to earn lower wages than persons born in this country residing in this region and have more of their household income absorbed by

housing costs. Where San Francisco county differs from California and the country taken as a whole is the propensity for residents to rent rather than own property. Immigrants and non-immigrants have similarly low rates of home-ownership. This information is detailed in Table 1 in the appendix.

The strategy I adopted to understand how immigrants' use of IDAs might differ from that of U.S. born participants is to first delineate its impact on all participants, regardless of nativity. This enables me to create a point of comparison for my group of interest, as well assisting me in understanding the program better. IDAs have a dual purpose: saving and asset acquisition. The articles that make up my dissertation investigate each in greater depth before integrating the findings in a third article that also detangles effects by nativity.

Study Findings

The first article seeks evidence of change past and present that IDA participants attribute to the program. Generally speaking participants reported a variety of positive effects that transcended the strictly economic, as Sherraden theorized. It helped them identify their own deeper goals for saving, allowing them to retain better control of their finances as they became better able to distinguish “needs” from “wants” in their spending. In this article I also identified and attempted to resolve a theoretical ambiguity regarding the mechanism of change to saving habits. IDAs as originally proposed were to form a larger structure of incentives and rules that would mirror programs that ease saving for assets for those with higher incomes. Yet the implemented program is time limited, removing the institutional structure theorized to be the facilitating mechanism for saving. When considering the program's impact on saving, would temporary exposure to institutional supports and training be sufficient to produce longer changes after program exit? How does impact differ, if at all, by saving intensity *before* entering the program? To answer these questions I drew from responses from participants to whom I could attribute intensity of saving before *and* after the program. I found that although the majority of participants reported intensification of saving that persisted beyond program exit, the majority of participants who reported not saving before the program reverted to not saving after the program. Supplementary individual financial coaching helped intensify these changes for the few who were able to make use of the program. The conclusion I draw from this study is that maximal benefit to changes to participants' saving would require an ongoing program supporting saving.

In the second article, I seek to understand how participants choosing to save for the goal of housing make use of this program in the context of other programs and strategies they might employ. I focused on the experience of 12 participants, a mixture of current savers nearing program completion or just starting, and past participants who successfully purchased a home or were unable to do so. Investigating their backgrounds, I found that a large majority of these participants came from households where homeownership was not unusual. These affiliations did not appear to result in material assistance. However, it is possible that the expectation that home purchase is possible or desirable was something they drew from their childhood backgrounds.

While the previous article is most focused on individuals' behavior and attitudes, this article emphasizes the context of the institutional supports (or their lack) within which these participants seek to purchase a home. The context is harsh. Median homes in the San Francisco Bay Area are considerably more expensive than median prices in the United States overall. Although the “purchase” of a home is for most people the ability to engage in a contract to repay a loan, raising the funds necessary to engage in this contract (i.e. down payment and closing costs) presents a formidable barrier for IDA participants seeking to purchase a home. At first

glance it appears that that a plethora of choices are available for first time home buyers of low to moderate incomes. These are provided by various agents: mostly public, some private. Studying IDAs as part of a larger network of asset-building programs reveals that beyond the (relatively negligible) contribution to funding, IDA participation functions to link clients to other funding sources and to official training regarding home purchase certified by the federal Housing and Urban Development (HUD). The training helps make home-purchase more safe for persons more likely to be exposed to predatory lending practices. It also strives to make purchase more affordable to clients. It provides them with information about the various funding options for which they now qualify by virtue of their training.

Yet this apparent wealth of opportunities dissolves into confusing dead ends and phone calls left unanswered. The helping agents seem relatively unconnected and pools of funding dry up quickly. The IDA participants who have successfully purchased a home, or seemed on the verge of doing so, were those who were able to take advantage of intense saving opportunities *outside* the IDA program. These participants differed from those who dropped out or seemed on the verge of doing so in not having active caretaking responsibilities for dependent family members. The exception are the nearly successful participants who had active responsibilities for dependent family members, but also access to Family Self Sufficiency, a program available to some public housing assistance clients. Family Self Sufficiency increases savings without major lifestyle changes for participating families. It deposits mandated rent increases (rent rises with incomes) into an escrow account families can use to purchase assets (if in the program), or as any other pool of saving (once departed from the program). The main conclusion from this article is that it is not the ideas for helping the poor purchase homes that are missing, but the funding to support these ideas. In this study it was only those with the most resources who were able to leverage IDA participation into the purchase of a home.

In the third article, I finally take up the question of differences in program participation by nativity. I employ various elements of the data collected to determine what differences, if any, I can perceive in their participation, namely impact on saving, likelihood of making a successful asset purchase, and feedback for the program. In the absence of well developed theory of saving by low-income immigrant workers, I employ diametrically opposed views of immigrants to frame my investigation. The view of immigrant as hero leads me to anticipate that immigrants would be particularly successful in the program. Immigrants here are seen as fundamentally different from the U.S. born poor by virtue of the migration experience. To make the journey, they are likely to have saved intensely before or after their arrival in the new country. Further, their point of comparison for deprivation is different. Having experienced even greater deprivation in their country of origin enables them to feel the pain of current deprivation less acutely. This helps them save. Since the migration itself is a form of household investment, I would expect IDA participants to be more successful in purchasing their chosen asset through the program. Conversely, the immigrant as victim suggests immigrant acute deprivation in their country of origin makes them *less* likely to succeed. Content that their current situation is already an improvement on the past, they will not particularly strive to improve it. Moreover, linguistic and cultural barriers would hamper immigrants' reception of the navigation the program provides, making this group less likely to successfully purchase assets.

Since these opposing theories are based on immigrants' experiences in migration, I focus on their stories of how they arrived in the country. Why did they come and who paid for their journey? Some immigrants' stories fit the narrative of the hero – using their own savings to make a journey with no one in particular to receive them. Yet the majority did not fit either portrait.

Most came as children or to join family members and few had intense saving experiences. Many came from circumstances where their lives were less deprived than they would become after the migration. This helps explain why reevaluating changes in saving intensity for nativity, examined in the first article, reveals no patterns of difference between the two groups. Using statistical analysis on past IDA participants who were screened for this study reveals no difference in the likelihood of having finished the program with or without attaining the asset goal with IDA funding. The results of this study suggest that the experience of migration matters less than the experience within the institutional context in which one finds oneself upon arrival. Not surprisingly, language barriers were the one source of difference between the two groups. Otherwise persons in both groups reported generally positive experiences in the program. Their suggestions for the program were often focused on access to more of it: more goals especially, less harried staff.

Conclusion: The Place of IDAs in the Larger Asset-Building Structure in the United States

The most basic conclusion that can be drawn from my study is that IDAs seem to present a good beginning to the larger effort of extending institutional support for asset acquisition to the poor, and immigrants among them. Among the various programs in this effort (which deserve further study), IDAs alone link the pieces needed for economic stability in one package: financial training, asset-based training, assistance with funding, and the encouragement to save. In these economic times that are persistently difficult for so many families (Wolff, 2010) a program that would bind these elements together into a path towards a metaphorical house that is one's own rather than rented would provide an articulation of the American Dream of having enough to live a decent life, free to do what one thinks best with one's life, beholden to no one. Yet American families, even if owning a home, are raising their children on shaky economic ground, crossing their fingers that a natural disaster will spare them and their loved ones. While the official poverty rate for all families is about 12% in 2011, over three times as many (43%) American families would be unable to subsist of their savings for even three months if their income flows were interrupted (Brooks and Wiedrich, 2012). Living on borrowed time has consequences. It can affect family dynamics and it can make one less interested in spending public finances on programs that would help the poor build up their resources in the form of assets.

Indeed, the argument that American taxpayers cannot afford to provide funding for the poor has been a steady refrain for the political right most notably since the 1980s. The hidden campaign to "starve the beast" (deprive public programs of funding since their outright elimination proves too difficult) has been quite successful as far as entitlement programs for the poor are concerned (Stoesz, 2005). Housing is a good example. Despite the economic crisis, funding for HUD housing programs for the poor has not risen, and in fact has been cut in the last few years. Currently, it is estimated that a mere quarter of those who qualify for public programs for housing actually receive the support (Rice, 2013). Further cuts are planned in response to the sequestration, both to programs that make modest housing affordable and to homeless shelters for those who cannot otherwise afford to house themselves (Rice, 2013). These programs serve persons who are either elderly or disabled, or families with children. Households served earn an average of \$12,500 per year. This federal support costs the state about \$40 billion². The

² This includes Housing Choice Vouchers, Section 8, Public Housing, Homeless Assistance, HOME, Native American Housing, Housing for People with AIDS Section 202 (Housing for the Elderly), Section 811 (Housing for People with Disabilities), and Community Development

Government Accounting Office evaluates these programs as a particularly effective expenditure of funds given the goal of providing housing (Rice, 2013).

In the face of such cuts to *subsistence* programs for the poor, what sense does it make to consider funding for *asset*-building programs for the poor? Indeed, if subsistence and asset-building programs for the poor are pitted against each other, common sense dictates that subsistence should win. But this is a false choice. Adopting Laura Nader's (1972) injunction to take a vertical slice when studying a social problem, it is useful to compare the public spending on IDAs (\$24 million) against the totality of public spending on *asset*-building housing programs for the poor (\$1.5 billion) and *subsistence*-based programs for housing the poor (about \$60 billion) (Rice, 2013; Woo, Rademacher, and Meier, 2010). Clearly, Sherraden's (1991) point about public spending for the poor being primarily for subsistence is supported. What about comparing this spending towards against asset-building programs for the more wealthy? The federal government spends about \$70 billion per year in tax deductions for home mortgage interest tax deductions (Fischer and Huang, 2013). The vast majority (77%) of this spending gives aid to for the purchase of homes to households earning more than \$100,000 (Fischer and Huang, 2013). Economists generally agree that the mortgage tax rate deduction does little to increase homeownership: high-income earners were always more likely to purchase their homes regardless of federal assistance (Ventry, 2010). Many economists also suggest that it creates distortions in the housing market, since an exceedingly generous cap on the tax deduction encourages purchase of the most expensive houses these homebuyers can manage (Ventry 2010). Tracing the history of the deduction reveals that it was never intended to stimulate home purchase (Ventry, 2010).

This deduction is the largest single program to help the wealthy and the middle class purchase assets in the form of housing. There are others: deduction for property taxes and exclusion of capital gains on sales of principal residences³ (Woo, Rademacher, and Meier, 2010). Stated more succinctly, federal spending on housing of the rich is about *double* that of housing of the poor, yet it is the spending on the most poor that is seen as an illegitimate expense during particularly difficult economic times. In effect, the characterization of the American welfare state as underdeveloped is false (Howard, 2008). In reality, it is a robust system with a host of legislation designed by politicians under popular pressure (Howard, 2008). The problem is that the flurry of activity serves to meet the needs of the middle and upper classes, with considerably less invention to meet the needs of the poor (Howard, 2008). The result is a perpetuation of inequality and its associated host of problems.

The essential issue is that economic progress does not necessarily lead to social gains (Midgley, 1995; Sen, 1999). The problem is not that the United States has insufficient economic development, but that it this economic development is extremely uneven: a persistence of poverty in the midst of wealth (Midgley, 1995). As financial training tells us, identifying a goal for one's activity is necessary before examining the best means through which to reach it. The point of economic development in a democratic society is – or should be – the expansion of

Block Grant. In 2010 the funding was nearly \$43.5 billion, in 2013 before sequestration the total is \$41.5 billion,, after sequestration \$39.4 billion.

³ In 2009, the estimate was 1 billion for exclusion of interest on state and local bonds for occupied housing, \$86.4 billion for the mortgage interest deduction, \$25.1 deduction on property taxes, and \$15.3 for exclusion of capital gains on sales of principal residences.

human freedom (Sen, 1999). In turn, the expansion of human freedom is the means through which economies develop (Sen, 1999).

The very basis of a capitalist system is, depending on one's opinion, either mutual exploitation (Marx and Engels 2013/1848) or the freedom to participate in the market as one sees best (Smith, 2012/1776). An asset-building approach to social welfare presumes that if humans are given clear opportunities to fulfill their capacities according to their tastes (rather than being pushed into certain outcomes for lack of clear alternatives), economic and social gains will follow. As Adam Smith famously stated "it is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest" (Smith, 2012/1776; p. 13). People are generally oblivious to the institutional framework that encourages certain choices and outcomes over others: they just try to do what is most efficacious. For better or ill, the government is the entity that can create these frameworks in response to popular pressure. To quote Adam Smith again, "no society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable" (Smith 2012/1776; p. 49). IDAs are a program built on the premise that the forces of capitalistic production can be harnessed for the well-being of the whole populace (Sherraden, 1991; Stoesz, 2000). This requires strong discipline and an ability to delay gratification for the fulfillment of the greater good, from the rich most of all.

Article 1

Individual Development Accounts: A cornerstone of new asset-based social policy?

Assets, or accumulated wealth minus liability, indicate households' economic security. They can be used to meet consumption needs in times of economic stress, a particularly important function given larger trends in the casualization of work and welfare retrenchment. Yet American households are currently ill prepared to use assets to respond to threats to their income flows. About 43% of American households would be unable to use savings to maintain subsistence spending for three months if income flow were interrupted (Brooks and Wiedrich, 2012). As lower-income workers are increasingly forced to bear costs of the flexible labor they provide (Standing, 2008), social programs that provide them with incentives and training to build personal savings and purchase assets deserve particular attention.

Federally funded incentives for reducing personal spending to accumulate assets already exist, most visibly with tax-deferred 401(k) pension plans and home mortgage tax rate deductions. However, these asset-building programs target wealthier households. Over half of the nearly \$400 billion spent by the government in 2007 to promote asset acquisition was directed towards the top 5% of taxpayers, and virtually none for low income individuals (Woo, Rademacher, and Meier, 2010). The resulting two-tiered welfare structure – generous but invisible tax-based benefits for asset accumulation by the wealthy and highly contested income-support programs for the most impoverished – contributes to an inequality of wealth distribution that dwarfs that of income (Howard, 2001). In 2007, the Gini coefficient for *wealth* inequality in the United States (0.865) was nearly twice that of *income* inequality (0.45) (CIA 2012; Wolff, 2010).

Individual Development Accounts (IDA) is the first program to explicitly focus on helping low-income individuals *save money* towards assets. IDAs are administered by NGOs, which provide financial education and collect public-private funds to match savings accumulated by participants. Considerable research demonstrates that IDAs stimulate saving for participants within the program (Thyer and Richards, 2010). A more limited research base describes the quality of the psychological and behavioral changes experienced by individuals after entering the program (Sherraden et al., 2002). No study to date examined how saving intensity before joining the program might change upon exit from the program, most importantly if individuals reporting an inability to save before the program are able to continue saving after exiting the program, or more generally how (Loibl, Grinstein-Weiss, Zhan, and Bird, 2010).

Generally speaking participants reported a variety of positive effects that transcended the strictly economic, as Sherraden theorized. It helped them identify their own deeper goals for saving, allowing them to retain better control of their finances as they became better able to distinguish “needs” from “wants” in their spending. I found that although the majority of participants reported intensification of saving that persisted beyond program exit, the majority of participants who reported not saving before the program reverted to not saving after the program. Supplementary individual financial coaching helped intensify these changes for the few who were able to make use of the program. The conclusion I draw from this study is that maximal benefit to changes to participants' saving would require an ongoing program supporting saving.

Literature review

The IDA program emerges from institutional theory of saving, which suggests that low-income individuals are less likely to save and acquire assets because they operate in a different context of incentives and financial knowledge than do individuals with higher incomes. Since saving was theorized to be the outcome of a larger structure of incentives and financial education, IDAs were developed to provide the key elements theorized to lead to saving: access, information, incentives, facilitation, and expectations (Sherraden, 1991). IDA participants would receive financial training and access to a special savings account where they are to make monthly deposits towards the purchase of an asset goal (e.g. home, business, higher education). Program rules discourage early withdrawal. Participants receive a match (e.g. \$2 for every \$1 saved, up to \$4000 for \$2000 saved), paid directly to the vendor at the point of purchase. Thus the measure of success in the program is not just the ability to make regular saving deposits, but to purchase the asset. Additional, non-economic effects were theorized, as low-income individuals found themselves in a system that encourages saving for long-term gains.

Institutional saving theory suggests that IDA participants' ideas and behaviors will change after entering the program, but it is unclear on the point of persistence in saving, defined here as the continuation of saving past the program. The lack of clarity regarding ultimate effects can be attributed to a shift between IDAs as originally theorized and as actually implemented. Theorized IDAs were to be universally available and maintained over a lifetime (Sherraden, M.W., 1991). Implemented IDAs (i.e. funded through the Assets for Independence Act of 1997) were means tested and limited to a one-time program participation (Grinstein-Weiss et al. 2008; Grinstein-Weiss and Irish, 2007). Whether or not the ability to save upon termination from IDAs is more dependent on the structure of the program or can be sustained on the basis of any asset effects that develop in the course of participation in the IDAs is a question that is relatively unexplored.

Instead, the majority of studies related to the IDA program are designed to seek evidence of being able to save and the demographic and program characteristics associated with higher saving rates. The goal is to establish if the poor would save, given the opportunity to do so. Research shows that the poor do save, albeit at different rates (i.e. income, education, race, lifecycle matter [Mills, Lam, DeMarco, Roger and Kaul, 2008; Thyer and Richards, 2010]). The amount of their savings is relatively small: \$19 (Mills et al., 2008) or \$16 (Shreiner and Sherraden, 2007) per month, depending on research site. IDA research also examines the program's ability to increase the likelihood of asset acquisition, with mixed outcomes reported (Grinstein-Weiss et al. 2008; Mills, Lam, DeMarco, Roger and Kaul, 2008; Mills et al. 2008). In reviewing this literature, Richards and Thyer (2011) ask if the money saved is worth the money spent to build these savings. They ask whether, given an estimated program cost of \$2,112 per participant (excluding match funds), perhaps it would make more sense to discontinue the IDA program in favor of direct payments for asset purchases to low-income individuals (Richards and Thyer, 2010)?

Richard and Thyer's (2010) question is legitimate, but it emerges from weak evidence of IDAs as a mechanism for purchasing assets like homes, and on the quantitative reports of low saving amounts accrued by participants. Their critique does not take into account the quality of the experience of participants after entering the program, particularly as this experience relates to building saving for longer-term economic stability. Further, while IDA research is focused on finding evidence of saving *in* the program, it is largely silent on the question if saving persists *after* the program, and whether such savings are linked to habits of savings participants may have

developed *before* the program. In essence, more needs to be understood about the real impact of IDA participation on the lives of participants, particularly when it comes to saving.

Only two studies begin to look at these questions more directly. Sherraden, McBride, Johnson, Hanson, Ssewamala, and Shanks' (2005) in-depth interviews with current IDA participants and members of the control group (total N=84) revealed that about half of the respondents reported saving before the IDA program. After entering the IDA program, considerably more participants than controls reported using psychological and behavioral strategies to save. Respondents tended to report a desire to continue saving in the future, although the study's focus on current participants in the program made it unable to assess whether the IDA participants were able to realize such goals. Loibl, Grinstein-Weiss, Zhan, M., and Bird (2010) did focus on the persistence of saving. Data collected from 164 respondents using mailed questionnaires revealed that respondents who successfully finished the program reported significantly higher savings after the program than those who finished it prematurely (i.e. dropouts) and those who never joined (i.e. control). However, not including measures of previous ability to save in the research design leaves open the question of whether the persistence of saving after the program is new, or a characteristic of savers before they entered the program, enabling them to finish it successfully.

In summary, more study is needed of not just quantified associations between select variables for groups in the aggregate, but of the *quality* of the impacts (or lack of them) of the IDA program on individuals' lives. Using a methodology that draws from individuals' stories of progressing through the program enables researchers to understand *processes* through which change happens in specific cases (Maxwell, 2004). Any reported changes in behavior, attitude, or knowledge are viewed through the context of individuals' actual lives, allowing a rich understanding of how and why the ability to save is transformed through program participation and then beyond it. Further, linking measures of saving after the program to assessments of saving intensity *before* entering the IDA would contribute to the clarification of institutional saving theory in light of a program implemented in a more limited way than originally proposed (Sherraden, M.W., 1991). Finally, such a study would provide a firmer base upon which to evaluate the utility of IDAs as a strategy to support the saving and asset building of low-income individuals, particularly those with no experience saving. This study seeks to contribute to these gaps in the literature, focusing on the following questions:

1. What psychological and behavioral changes (if any) do current *and* past IDA participants report taking place after joining the IDA program?
2. How does the former IDA participants' ability to save after exit from the program change relative to before the program, if at all?

Methods

Design

This research study is based on semi-structured in-depth interviews with a purposive sample of 52 past and current participants in a large California-based IDA program. The questions used were based in part on an IDA evaluation plan (Sherraden, M.W., 1997) used in Sherraden et al.'s (2005) study. Interviewers were instructed to use the interview protocol as a guide, emphasizing a more natural flow of conversation (Miles and Huberman, 1994). Present participants were currently making deposits in their IDA accounts at the time of the interview.

Past participants are defined in one of two ways: 1) individuals who successfully completed the program and purchased their asset goal with the IDA match (alumni), or 2) individuals who withdrew from the program without purchasing their asset goal with the match (dropouts) (Loibl, Grinstein-Weiss, Zhan, and Bird, 2010). Study participants were recruited using a trilingual (English, Spanish, Cantonese) email invitation sent by EARN, the IDA administering agency that collaborates with a dozen other agencies around the San Francisco Bay Area. Randomization was used during phone screening to achieve a balanced sample⁴.

Interviews were conducted in the spring of 2011, at a location of participants' choosing, typically their place of residence. The author conducted all interviews in English and trained research assistants conducted interviews in Spanish and Cantonese. The majority of the interviews were recorded and transcribed. When participants refused recording or in event of equipment failure, extensive notes were typed soon after the interview. On-line qualitative data analysis software, Dedoose, was used for coding conducted by research assistants supervised by the author. Reliability checks of coding were performed within the research team, where a selection of codes were double coded and checked for consistency.

Analysis

The first wave of coding was created through discussions in the research team, using a selection of the interview transcripts and major research questions driving the larger study. One of these codes was "IDA change/lack", used to indicate any changes respondents reported as a result of participation in the IDA program. Relevant excerpts tended to occur after interview questions that asked participants to specify if they were able to implement messages or techniques heard in the IDA program, and if these were new, or represented something they previously knew. Another series of question that prompted such answers was in the portion of the interview that asked how much money they typically saved, and the degree to which this saving differed from that which they did before the program and, if past participants, after the program. One research assistant and the author then read through the excerpts related to the change again, dropping those that did not fit the code (e.g. changes reported but not attributable to IDA). We then developed subsidiary codes by grouping thematically similar excerpts, which were used to answer the first research question.

To answer the second research question, we focused on participants for whom we were able to find evidence of change or lack of change before and after the program. We read through the transcripts or notes for these interviews again, selected excerpts related only to saving before and after the program, and separately categorized participants into categories of saving intensity (none, low moderate, high moderate, high) before and after the program. We agreed on 83% of the categorizations and finalized the remaining participants through consultation.

⁴ I wanted to have a sample that had a more or less equal balance of participants by status in the program and have a precisely equal number of immigrants as U.S. born persons. I allowed all immigrants to enter the study and used an online random number generator to screen the remaining participants. Specifically, I asked three screening questions, of which two inquired about status and nativity. Then I asked the potential participant to wait briefly while I drew the random number. Drop outs were less common so I gave them 5/6 chance of entering the study while the most common category of current saver would have about a 1/6 chance of entering. The Chance of entering the study did not remain consistent, but would always be set for each category of participant before the screening conversation.

Sample

The sample of the past and present IDA participants (N=50) whose answers were used for the first research question is detailed in Table 1 of the appendix. These respondents were overwhelmingly likely to be female (78%), single (42%), low-income (average \$24,690 per year) parents (62%), reflecting the general distribution in a program that particularly targets welfare recipients (Mills et al., 2010). The typical age of the participants in this sample was older and more likely to be Asian than the general IDA population (Mills et al., 2010; Shreiner and Sherraden, M.W., 2007). Despite reported earnings that were somewhat higher than those of the larger population of clients in EARN, the agency through which respondents were recruited (\$24,690 vs. \$19,102 respectively), study participants reported lower rates of savings than the EARN population (\$95 vs. \$115 respectively). However, EARN clients' saving amounts in the IDA are about four times higher than for those typical in the larger IDA population (Mills et al., 2010; Shreiner and Sherraden, M.W., 2007). The more limited sample of past participants for whom we were able to attribute pre- and post-saving (N=23), whose answers were used to answer the second research question, has similar characteristics (see table 1-1 below).

Table 1-1: Demographic Characteristics of IDA participants

<i>Characteristic</i>	Research Q1 (N=50) N (%)	Research Q2 (N=23) N (%)	EARN in 2011 (N=1680) N (%)
Gender			
Female	39 (78.0)	18 (73.9)	-- (68)
Male	11 (22.0)	5 (21.7)	-- (32)
Age			
20-30	7 (14.9)	4 (17.4)	--
31-35	5 (10.6)	2 (8.7)	--
36-40	13 (27.7)	6 (26.1)	--
41 and older	22 (46.8)	11 (47.8)	--
Race			
Black/African American	11 (22.0)	7 (30.4)	-- (24)
Asian/Asian American	18 (36.0)	6 (26.1)	-- (23)
Hispanic/Latino	14 (28.0)	4 (17.4)	-- (30)
White/Caucasian	6 (12.0)	4 (17.4)	-- (12)
Native American	0 (0.0)	0 (0.0)	-- (1)
Other	1 (2.0)	2 (8.7)	-- (10)
IDA goal			
Business	14 (28)	8 (34.8)	549 (32.7)
Higher education	15 (30.0)	5 (21.7)	573 (34.1)
Children's education	8 (16.0)	2 (8.7)	272 (16.2)
Homeownership	10 (20.0)	6 (26.1)	178 (10.6)
Multiple	3 (6.0)	2 (8.7)	--
Other	0 (0.0)	0 (0.0)	108 (6.4)
Income			
Less than \$10,000	3 (7.0)	1 (5.3)	--
\$10,000-\$30,000	30 (69.8)	12 (63.2)	--
\$30,001-\$50,000	8 (18.6)	5 (26.3)	--
\$50,001 or more	2 (4.7)	1 (5.3)	--
Average Income (\$)	\$24,690.42	\$26,383.50	\$19,102.00
Education level			
Less than high school	0 (0.0)	0 (0.0)	--
High school	7 (14.0)	2 (8.7)	--
Some college	21 (42.0)	10 (43.5)	--
College degree or more	22 (44.0)	11 (47.8)	--
Marital status			
Single/ Domestic Partner	25 (50.0)	11 (47.8)	--
Married	11 (22.0)	5 (21.7)	--
Separated./Divorced/ Widow	14 (28.0)	7 (30.4)	--
Average IDA deposit			
\$20-\$49	16 (32.0)	8 (34.8)	--
\$50-\$99	11 (22.0)	4 (17.4)	--
\$100-\$149	13 (26.0)	6 (26.1)	--
\$150-\$200	10 (20.0)	5 (21.7)	--
Average IDA deposit (\$)	\$94.80	\$95.56	\$115.00
Other Savings			
\$0-\$49	36 (80.0)	18 (78.3)	--
\$50-\$99	3 (6.7)	0 (0.0)	--
\$100-\$149	3 (6.7)	1 (4.3)	--
\$150 or more	3 (6.7)	4 (17.4)	--
Children in the household (average)	1.24	1.48	--

Results

Research question 1: What psychological and behavioral changes (if any) do current and past IDA participants report taking place after joining the IDA program?

Typically, saving is tied to the availability of surplus income. As Sondra, a current participant, summarized “it's easiest when you have a good job and you're able to set aside some money; what makes it difficult is when you don't have a good job so you're not able to save.” However, the IDA training aims to convince participants that that they can save larger sums of money over time if they use personalized long-term goals to motivate careful attention to minute spending, in order to identify funds that can be diverted to saving. Such lessons are not necessarily novel. Yet their presentation by a trusted source of information, along with the prospect of having these small savings multiply, helps participants develop the enhanced awareness of their spending that makes saving possible.

Psychological Effects: Long-Term Goals and Self-Worth. The IDA financial training is fundamentally based on Pocharska’s model of the cycle of change, originally developed for work with addictions (G-R; Pocharska). Its view of human agency is thus based on a model of humanity that is self-actualizing despite reversals. The economic man of this training is fallible as well, and prone to inadvertently act against her best interests. The process of change proceeds best if done gradually, through exercises that encourage minute awareness of thoughts, feelings, and behaviors.

Participants often begin the program by tracking all expenditures. This exercise reveals hidden sources of potential savings, which can be tapped with heightened awareness of long-term goals balanced against short term desires. Many reported surprise at how much money they spent unnecessarily. Some became enthusiastic about tracking, and used this to “identify spending leaks”. Candy called her quest for such financial efficiency a “weeding out bad habits”. In her case, the bad habit was buying coffee while out of her home. Many participants amplified the weight of the short-term decision by calculating how much money an intermittent expense could save them in a month and then a year. One participant used this calculation to motivate himself to quit smoking. As Henry explained, “After joining IDA, I quit smoking in order to save more. It also benefits my health anyway. Why not?”

In effect, the training is as much psychological as it is economic. Victoria described the lessons as pitched at a level that makes finances easy to understand. When asked if this was new information for her she explained:

Not, not for me. Not for me. I have had say a checking account and a savings account but it wasn't anything as systematic. I mean, I knew how to balance a checkbook, I knew how to write a check and how that worked. Yeah, the systematic and the mindfulness of being saving for the future, that is something that I had never really considered before.

Many participants identified longer-term goals, which would help them make decisions to save in the short term. For many, these goals were centered on their children’s future, particularly with regards to saving for their higher education. Some were driven by the idea of the feeling of safety and well-being tied to having savings. As Chantelle explained when asked what advice she would give persons considering joining the IDA program, identifying one’s personal goal is central:

This program seems like it rewards a person, it rewards me for having a goal. It will give you something if you could just achieve this goal. 'We'll reward you'. And that's good for people with low income, or their children they'd like to send to college and all that. It's excellent, but use this process of goal setting and having a vision for your life, use it as a way of life! Not just to get this money and then it's gone. But take this opportunity to create a support system where there are people around you that are also wanting to achieve, accomplish, fulfill their visions. And make this a way of life to get the support you need.

The match for the saving and the possibility of obtaining the asset goal are in Chantelle's account a means towards a more transformative end.

The key here is participants perceive these goals to be an expression of their own deepest values and desires, rather than an imposed injunction based on a presumption of participants' inadequacy in financial management. Wells illustrates the degree to which the long-term motivation IDA training helped her identify can be seen as a way of providing for, rather than depriving herself:

I'm much more now aware about the value of me, like me, I'm worth it. And, you know, the importance of keeping something behind for you. I'm learning better about prioritizing things and thinking better about, more active thinking before I spend now. So I really needed this.

Well's present seems occupied with demands for her money from entities external to her self. The training encourages repeated self-reflection and even prioritizing of one's self over others as essential in the process of building savings towards a future goal. Others report the importance of saving as a way of helping their children make better financial choices.

Saving techniques. While focusing on long-term gains and tracking minute financial transactions are tied to enhanced executive functioning in relation to saving, such purposiveness was more likely to consist of developing spending heuristics than developing and following budgets. There were certainly exceptions. One participant reported creating two- and five-year budgets, while another explained that the need to make deposits in the IDA regularly forced her to create and consult a budget. Yet many more participants noted the importance of "paying yourself first", or "treating yourself as a bill", as a strategy of ensuring that funds flow into savings. It seemed easier for participants to treat saving as spending, with deposits resembling other monthly financial obligations paid in the beginning of the month rather than something that should be left over at the end of the month. Nevertheless, it is possible that tracking spending (e.g. keeping receipts to be tallied later, checking bank accounts, writing down expenses) is a form of budgeting, since it presumes pre-set limits of spending categories.

Participants reported three other major ways to generate savings: more careful shopping, avoiding hidden charges that can accrue through use of credit cards, and renegotiating relationships. For the saving strategies, many were related to behavior at the point of purchase, but there were about as many preparatory behaviors. For instance, preparing for shopping by making a list was a popular strategy to resist impulsive shopping. Participants reported being more aware of sales, with one making a rule that she would not buy anything that was not on sale. Some participants built in an additional check on their spending in a store. They would

examine their cart before purchase to ensure that all items were really necessary. One participant noted that she would return things to the store if she found a better price elsewhere.

Building awareness of the hidden charges that use of credit cards can entail was another strategy developed through IDA financial training. Many participants reported being unaware that of the accumulation of costs that carrying a balance with credit cards could entail until they participated in a financial workshop focused on use of credit. They were motivated to pay down their balance more quickly or altogether. One participant consolidated the ten credit cards in his name to one. Concomitant with the desire to reduce hidden costs of using credit cards, participants reported a newfound motivation to increase their credit scores. This excerpt illustrates how Holly's concern with her credit score combined with a wariness of using a credit card helped her shop more consciously:

I went to buy a toothbrush at Target and I left there and I said, Jesus, I spent 80 dollars. And I was like, ok, you're supposed to have this much to put into the account on this day for the IDA and you want to get your credit rating up too. That was one of the things, you know, the importance of the credit rating that I learned at the IDA meetings and workshops. And so you're gonna run a balance, you wanna be able to pay it off each month. And so if you go in there and you're not paying attention and they, oh look how cheap that it. Oh, that would be nice to have and lalala. And the next thing you know, you're running a balance. You're paying interest. So I started putting things back and it really works.

Participants also reported striving to reduce spending costs by avoiding places where they are likely to spend money, which at times entailed a renegotiation of relationships. Some stay home rather than pay for the cost of entertainment, while others substitute free events for those that cost money. The methods that more directly relate to relationships are based on communicating the longer-term goals to those who are dependent on participants for money. For instance, one parent educated her children to avoid the more costly name brand items, while another explained to her parents that her need to save for a house means that she is not able to lend money as frequently as she was accustomed. Bree explained how such a re-evaluation of relationships was related to the training that she received in the IDA program:

I think it may have been during our orientation, I think they said that people see money differently. Like for instance there are three different people. There's, I forget exactly because I know that there's a giver, there's a taker, and then there's probably, I'm assuming that it just had to be the even flow person. But the giver and the taker, for instance like there's gonna always be the people that you're enabling people and you don't realize it because you just feel like you need to take care of somebody, you need to give them money, you need to, it's kind of like a form of buying love because you're buying them gifts and you're buying them this and they didn't ask for it and you wasting money.

In her case, this attention to the quality of her relationships to others helped her resist lending money to a substance-abusing sister who repeatedly proved unable to return the funds.

Before concluding this presentation of saving strategies participant listed, it is important to list also those that were noticeably missing. Since increased efficiency in spending can occur by spending less *or* earning more, we expected to see more evidence of attempts to increase

incomes. Although there were other strategies for earning money on the side that participants reported in the interviews (e.g. garage sales, focus groups, acting as a secret shoppers to provide information about customer service), only one income-generating idea specifically attributable to participation in the IDA program: opening bank accounts if offered money to do so. It is possible that these are money making techniques that were actually developed or augmented in the context of attempting to increase saving in the program. Yet unlike the examples already listed, these money making techniques were not attributable to the program directly. Participants were considerably more likely to list new strategies for reducing spending than for increasing earnings.

Also missing were accounts of depositing the money saved into a separate saving account. Certainly, the act of paying one's saving account as a primary bill does ensure that more money is saved than might otherwise be the case. However, paying the IDA account as a bill at the beginning of the month does not enable participants to maximize the money they save over the course of the month. One could argue that the outcome of saving money by diminishing spending leads to more efficient spending (buying more for less) but not necessarily increased saving. Two participants were the exceptions. One would count the grocery money saved through intermittent use of food bank (a saving strategy she disliked) and deposit these funds in her saving accounts. Another would note urges to spend and use them as a cue to deposit more money in savings.

IDA as mechanism for saving. To reiterate, past and current IDA participants reported that participation in the IDA program enabled them to become conscious of longer-term goals, which motivated them to effect specific changes to spending behaviors. Study participants mentioned many elements of the IDA program that encouraged their saving. Most broadly, there was a general sense of support from the IDA program staff. As Gemma explains:

It's like, you can do all your goals - business, dream home - and we here for you. We your support. So whatever you have in your heart and mind, come here, and we'll help you get where you need to go. So, it was a lot of guidance, and direction.

So that sense of support, for whatever you want?

Yeah. It kinda took your fears and doubts away.

Many also attributed their ability to save to interactions with staff and fellow savers in the mandated financial training workshops, which gave them concrete knowledge and a sense of possibility derived from interacting with others going through the same process. This constitutes a less explicit form of training: the physical manifestation of a community of individuals that shares similar goals and potentially new norms. Some alumni took advantage of personalized financial coaching, a program EARN provides as a supplement to IDAs. As we will detail in the next section of the paper, these respondents reported that the regular consultations with a financial coach helped them move towards saving goals beyond the asset goal.

Beyond learning new saving behaviors, participants also listed asset-specific training as something they derived from participation in the IDA program. Most typically, those saving for a business reported learning techniques of business management. Some participants noted learning about home purchase. No participants stated that they learned about the process of accessing higher education. This is not surprising since no special financial training workshops were held about higher education, in contrast to home and business classes mandated for participants who


list one of these as a goal. However, a few participants mentioned learning to value education for their children more intensely. One participant stated that she would not have been able to pay for her certification course if it were not for the IDA.

Participants noted that the structure of the program (i.e. rules and incentives) helps them save. These included the rule that they need to make regular deposits within a specified range of savings, the prospect of having one's meager savings multiply, and the fact that after some time, the habit of saving is developed, easing the process of saving. Participants reported that not being able to take out the money easily made it easier for them to forget it exists. At times, participants applied the message they discerned through these rules to other areas of their lives. When current savers considered what they would do after the program finishes, they tended to predict that they would continue to save. Whether they are likely to be successful is explored with the next research question.

Research question 2: How does the former IDA participants' ability to save after exit from the program change relative to their ability to save before the program, if at all?

To answer this question, we narrowed the sample from that of all participants to only those who exited the program and for whom we were able to attribute both pre- and post- IDA saving intensity. Slightly more than a half of the resulting sample (n=23) reported not saving before the joining the IDA program (n=12/23). We will discuss the degree to which their saving changed after the program first, starting with those who reverted to not saving after the program (n=8/12/23), and finishing with those who intensified their saving to a moderately high degree (n=4/12/23). Then we will discuss what changes to saving intensity those savers who entered the program as moderate savers (n=8/23) experienced. We divided them into categories of low (n=6/8/23), and high moderate savers (n=2/8/23) before the program and explained how about half intensified their saving after, while others remained the same. We end by describing the persons who entered and exited the program as intense savers (n=3/23). The information is summarized in table 1-2 below.

Table 1-2: Pre and Post-IDA Saving Intensity, With and Without Supplemental Financial Coaching



PRE-IDA Saving			
Not Saving n=12		Moderate	Intense
		Low n=6 High n=2	n=3
Brian Candy Holly Ivy Jennifer Jessica Mirah Molly Sandy Sarah Terrence Victoria	LOW	Harold Katelyn Linda Rosy Tammy William	Cindy Laura Gemma
	HIGH	Adina Richard	

Post-IDA, NO Individual Financial Coaching			
Not Saving n=9		Moderate	Intense
		Low n=2 High n=6	n=4
Katelyn Holly Ivy Jessica Mirah Terrence Sandy Sarah Victoria	LOW	Tammy William	Adina Cindy Gemma Laura
	HIGH	Brian Candy Jennifer Molly Harold Linda Richard Rosy	

Post-IDA, WITH Individual Financial Coaching			
Not Saving n=8		Moderate	Intense
		Low n=2 High n=6	n=6
Katelyn Jessica Holly Terrence Ivy Mirah Sandy Sarah	LOW	Tammy William	Cindy Laura Gemma Adina Jennifer Victoria
	HIGH	Brian Candy Molly Harold Linda Richard Rosy	

A complicating factor in assessing intensity of saving after the IDA program is that two of the participants (Victoria and Jennifer) changed categories after taking advantage of personalized financial coaching that EARN offers its alumni. The coaching is not a core part of an IDA program, but rather a supplemental program EARN developed and attached to the program. We will discuss their experience last, after presenting experiences of the respondents after the IDA program alone. This means that Victoria and Adina will be discussed twice. Table 1-2 summarizes our findings, providing the pre-IDA saving intensity and dividing the post-IDA

intensity into the two possibilities of with and without financial coaching.

Let us define our definitions before starting. The categories of non-existent, moderate, and intense saving are ones we developed to describe the degree to which saving money appeared to impact respondents' quotidian life. Non-savers may live generally somewhat frugally, but such a lifestyle is more of an attempt to stay within one's means, not necessarily to accumulate savings. This would be the experience of those who live from paycheck to paycheck. Intense savers occupy the other end of the spectrum. They have a clear saving goal and appear to have scrutinized every possible personal habit to maximize savings, at times making important sacrifices. They are passionate about saving and can give detailed strategies they employ to save. Between the two extremes are the moderate savers. These respondents pay attention to their spending in such a way that they have money left over at the end of the month. Although actively employing saving strategies, they do not appear to have a consuming goal.

Pre-IDA: Living paycheck-to-paycheck

Living from paycheck to paycheck, without ability to save, baffled some participants. Candy, a single mother born in the Philippines, explained her puzzlement at finding herself with no funds at the end of the month:

Instinctively I knew that there was something wrong with my finances. I just didn't know why. I mean, how can someone who earns 40,000 dollars a year not have enough? I mean, when in my country, if I were working there, I would be getting 200 dollars a month, you know? I make plenty. Why is it not enough? How am I mishandling my resources, my finances?

This quote illustrates the limitations of looking at income alone to gauge the economic stability of a household. In a later part of the interview, Candy answered her own question, observing that much depends on the cost of living, and the additional cost of debt:

The saddest thing about my finances was that I never had any savings. Every single bit of my paycheck went to expenses, the largest of which, the largest part of the pie went to the rent, the second largest to education. And after that it was like food stamps. There's nothing left. What's left, it's not enough to last for 4 weeks or 2 weeks.

Logically, Candy should be the last person to be baffled by her inability to save. Her formative years were spent in a country where her family spent little on consumer goods: presumably she would be able to notice if her lifestyle became extravagant. She graduated from college in the United States, which suggests a capacity to make sense of seemingly simple financial transactions. Yet it was almost as if she had to remind herself through a separate mental process that the debt she incurred with her schooling and the high price of housing meant that the amount of money she had left over at the end of the month was considerably lower than she would have expected based on her income alone. In fact, as a household of two, her annual income of \$40,000 placed her squarely in the middle class⁵. It would not be until around retirement that her

⁵ The poverty threshold in 2011 for a two-person household where one was a child was \$15,504, which meant that Candy's income was even above 200% of the federal poverty rate (\$31,008), the upper threshold of what is considered low-income. The data cited here uses poverty

income would be sufficiently diminished to qualify for the IDA program.

The larger theme of increasing and diminishing attention is one that will weave through the respondent's narratives. Those who have not saved before the program are a group particularly interesting for the larger question of the program's potential for transformation of saving. The majority of the dozen who did not save before the IDAs (n=8/12/23) reverted to not saving after the program. Since no participant reported coming to a conclusion that they found saving to be somehow bad, we were particularly curious about their reasons for not continuing to save.

Pre IDA not saving to post-IDA not saving

Half (N=4/8/12/23) reported that an intensification of demands on their income made saving impossible. For Jessica, the business she started with her IDA funds made her considerably more preoccupied and resulted in many more unexpected bills. Jessica was nevertheless optimistic, since opening this business was the fulfillment of a long-standing goal. Her focus was on attracting more clients to her business; she did not mention saving as a goal. For Holly, her worsening economic situation was a result of larger structural factors. After decades of work in the service sector with no benefits, increased automation was making her skills obsolete. Holly decided to use IDA funds to gain a professional credential. However, she never managed to secure employment with her certificate. Her profession was more impacted than schools advertised, and her advancing age of mid-50s further diminished her prospects. Holly returned to her service work and became overwhelmed with eking out a living on a dwindling pay, particularly since budget cuts reduced her disabled child's disability benefits. When describing this situation to the interviewer, she shrugged towards piles of paper and envelopes that she seemed unable to organize.

I guess I hadn't been in the program for a while and I just kind of fell back to my old habits where I really wasn't keeping track of my hours at work. I wasn't really watching paychecks. But then I have like so much paperwork and issues going on and then like, I've been saying for the last few months, I can't find this paystub. Where is this? It seems like I'm pretty broke. Did cash it? Lose the paystub? (...) It's just hard to keep all the balls in the air. (...) I'm at poverty level, so I'm kind of mad at myself that I wasn't watching because I'm sure she [her employer] was shaving hours.

Federal audits later revealed that her employer was in fact cheating her of her pay. However, as with Jessica, it seemed that Holly was simply too wrapped up with her financial situation to think clearly about saving.

Two other respondents, who also cited a worsening economic situation as a reason for not continuing to save, did plan to return to saving once their situation improved. After going through the program, Terrence decided that \$500 was to be "the new zero" balance in his bank account, but his current bout of unemployment is forcing him to draw from this emergency fund. Ivy's crisis was precipitated by car problems, which forced her to withdraw her IDA savings

thresholds for 2011 – Adina is reflecting on a time when she was working full time, which would have been about a decade or two before this interview. The poverty threshold in 2001 was \$12,207, while in 1991 it was \$9388 (doubling each gives the upper threshold for low income). In short, Adina was firmly in the middle class.

without a match. She is eager to return to the program once her situation resolves itself, hoping to start a small business that will supplement her Social Security income. She remembered a profound sense of well-being from watching her savings grow in her IDA account:

I just knew that if I kept saving that there was a pot of gold at the end of the rainbow. I kept thinking that as long as I could save this money I would be able to make something happen from it and I still feel that way, even though I had to withdraw the money. You know I started off with one idea and ideas change and so the goals have changed but the basic idea to become self-sufficient hasn't changed.

The other half of non-savers who stopped saving after the IDA (N=4/8/12) did *not* have a rationale for not continuing to save. Their economic situation did not worsen. In fact, Sarah's financial situation improved considerably once she began working as a professional in the field for which she was obtaining her education with the help of the IDA. All four participants stated that they valued the experience of participating in the IDA. Yet for these individuals, the IDA program enabled them to meet a specific asset goal that once met, left them rudderless in terms of their savings. Victoria stated that it simply did not occur to her to keep saving after she met her goal of saving for a computer for school. Victoria would later develop this sense of purpose through individualized financial coaching sessions, as I will explain below. Brian's explanation summarizes the situation of this last group of reverting non-savers best when he reported "When I still participated in the program, that really reinforced me to save and spend less. But after the program, everything went back."

The other two participants were frank about their inability to save except within the structures of the IDA program. Mirah pointed out that unless she has an account to which her access is limited, she finds it very difficult to save because "everyone is always in my pocket". Sandy noted with pride that she successfully completed multiple IDA saving goals, which is unusual but possible for Welfare recipients using IDAs. Yet despite these successful experiences and improved financial habits (detailed tracking of spending, denial of small luxuries), she stated that saving is simply too difficult. Sandy explained that just as she cannot save without the matching, she cannot *not* save if this matching becomes available.

And so what kept you from continuing to save afterwards?

Because it really helped out the matching. I felt like I really had to do it. So yeah.

You had to do it, can you say more about that?

I felt obligated. Like I owe that to my child. No matter what, I had to do it to help her out in some way.

Pre IDA Not Saving to Post-IDA Moderately High Saving

Although most non-savers reverted, a third of those individuals who did not save before the program (N=4/12/23) *were* able to continue saving after. Their saving as a group became moderately high. Jennifer was drawn to the program because it would help her save money and after the financial training she started saving several hundred dollars for her retirement. I will describe her experience in greater depth towards the end of this article, since Jennifer is one of the two participants who intensified their saving further with individualized financial coaching. Molly and Brian reported that they simply continued to save the same amount that they did in the IDA program after it finished. For Brian, this was \$200 in the IDA and \$100 in other savings.

Molly even stated that after exiting the program, she tries to match her own savings with more savings. However, the fact that in another part of the interview she mentioned being unable to pay bills at times makes this assertion of success a little questionable. Either she is able to shelter these savings from even emergency spending, or her savings accrue but are then depleted again.

The last participant who became a moderately high saver after not saving before the program was Candy. She entered the program seeking additional funding for her daughter's college education. At the time of the interview, she had maximized her workshop attendance and convinced her daughter to do the same with her free time. Together, they are saving for a business they will launch as soon as her daughter finishes her college education. Candy is now very meticulous about tracking her spending: writing down all expenditures, giving up a coffee habit, refusing to use credit. She is no longer baffled by how the money she earns can leave her with little savings, as a quote describing her life from paycheck-to-paycheck described earlier.

Moderate savers before IDA. The next largest category of persons for whom we could attribute pre- and post-saving are individuals who entered the IDA training program with an existing habit of saving low to high moderate amounts ($n = 8/23$). At least two financial workshops per year are mandated in the program, and most of these trainings focus on some aspect of saving. This group is interesting to evaluate for any changes experienced in the program. If persons enter the program already knowing how to save, would these classes be perceived as a waste of time?

Indeed, half of this group ($n = 4/8/23$) reported learning nothing new about saving in the workshops, or at least not intensifying how much money they saved each month following the instruction. In fact, Katelyn *decreased* her saving intensity from before to after the program, from moderate to non-existent saving. However, this was due to an external reason: her husband became unemployed in the meantime. Katelyn plans to return to saving as soon as the household income increases. Rickie enjoyed the extra training on saving but when questioned more closely about any actual changes to his spending it turned out that his report of keeping his saving intensity the same actually meant he was saving *less* during the program. Rickie was including the future match on his saving as part of the amount that he needed to save each month, which meant he could save just a third of the total amount while in the IDA program. William praised IDAs as an excellent investment for money saved, but stated that he found the training pointless since as everyone knows "you gotta put away the money, like rainy day fund, worry about paying bills late." He continued to save during and after the program the same amount as he did before it.

Tammy's case was interesting because she left the program because she could not intensify her spending with the IDA. Tammy used to have \$50 automatically withdrawn into savings before entering the program. This sum is well within the range of \$20 to \$200 that needs to be deposited per month in the ID. However Tammy was determined to save the maximum amount per month so that she could get her small business started more quickly. She found herself dropped from the program after several months of missed payments. Tammy started the business without the IDA match. Yet as a single mother employed full time with small children, managing the business became too overwhelming. She describes the difficulty of that time as an inability to gain the control needed to save even small amounts, despite the fact she knew otherwise.

I think if I would've applied the tools that I learned it wouldn't have to be so difficult...I just wasn't in that place mentally though

What place were you in mentally?

Still just trying to make ends meet...just mentally feeling like I can't get out of this place, so I would spend like that.

Tammy lost her business and then her job, and then returned to tracking her spending and saving small amounts per month. She credits her financially savvy cousin for helping guide her through the budgeting process. Now that she is employed again, she has \$25 per month automatically deducted from her income and into saving. She is thinking about starting a business again and considered returning to EARN's IDA. Tammy predicts that unlike the previous time, she would now be able to build a firmer foundation for success.

The other half of the group of high to low moderate savers before entering the program reported intensifying their saving after the program (n=4/8/23). Linda was vague about specific changes or messages, noting only that she already knew to not spend "future money" with credit cards. When asked to specify how her saving changed after the program (if at all), she gave an example of saving to buy a car. This appears to be an intensification of previously lower moderate saving. Harold's description of the process of change gave clearer attribution of change in the IDA program. He learned about the dangers of credit cards in the financial training and consolidated his debt from ten credit cards.

They helped me to get my credit together and showed me how to budget, value money. Even though you are poor, you can find all kinds of ways to save money. You don't have to be rich to save money. That is the most important thing that I have learned. Also, I learned how to set goals because most people who do not have money, they don't set goals.

Harold sustained his increase of savings from \$25 previously to \$100 in the program.

Rosy's case is particularly interesting for those who would like to program to help persons most troubled. She became motivated to join the IDA after she heard she could use it to buy a home. Rosy hoped the home would serve as the place where she would reunify with her six children. As in Tammy's case, Rosy's progress with establishing a sustainable saving habit to attain an asset goal was not a straight linear process. Rosy attempted the IDA four times in total, entering with and without official permission. The difference between Rosy's first and last attempt to save in the IDA was dramatic. At her first enrollment, she was still struggling with substance abuse and was dropped from the program without making any deposits. Each successive time she managed to save more before being dropped for missed payments. By her last time in the IDA she saved the maximum amount possible, attended many workshops than she was required, and set up small savings accounts for her children. Rosy was not only using banks to hold her money, but can explain relative merits of using market edge accounts as opposed to certificate of deposits with various maturation times.

The last moderate saver before the program became an intense saver after leaving the IDA. Adina is a software engineering student from Gambia who hopes to save the remaining funds she needs to finish school and return to her country to start a business. She had a lucrative profession in her country, from which she saved half of her pay to fund her education. Unfortunately, rising costs of tuition consumed the fixed funding with which she arrived. She

was forced to withdraw for a semester to raise money for her last year of school. Adina has long been a moderately high saver. The IDA paid one semester of her tuition, and taught her how to economize more than she previously thought possible. Adina stopped using credit cards. Budgeting carefully, she brought down spending for items outside fixed bills to \$50 per month.

Intense savers before the IDA. A minority of respondents in this sample (N=3/23) entered the program already saving intensely. What makes them intense savers is the minute attention to minimizing their spending, which all three sustained after exiting the program. For instance, Cyndi claims maximum income tax deductions so that she (not the IRS) can accrue interest on money it would have otherwise deducted throughout the year. Gemma saved most of the income (82%) she earned as manager of a shelter for the homeless. Living on-site allowed her to spend nothing on rent while eating with the clients saved her food budget. Laura, another participant who entered the IDA program with intense saving experience, provides a more detailed account of the level of attention that a person saving intensely brings to her spending:

I don't go to entertainment that costs money. Everything I do is free or I go on a date or my friends invite me. So, I don't spend money on recreational things. I get my DVD's for movies at the library and my books. I'm a reader. I don't have a television, you can see. I have no cell phone, so I have only a lifeline phone. I have not had a cell phone for years, in fact, since my last regular job where I had to have a cell phone. And after that job ended, I dumped the phone. So I have no cell phone. I have no television, no cable. I have internet access, but it's on an unsecured network. I do not pay for internet. I qualified for food stamps a couple months ago, so right now I actually have food stamps. So, my expenses are extremely, extremely trim. I ride my bicycle for the most part. My car actually sits a lot because if I can do it in the city on my bike, I go on my bike because it's free. And I can park free and it keeps me in some shape, a little bit. So I bike a lot. That also saves money. (...) I think a lot of those things that people pay extra for, the phone and the cable and all that stuff. I have trimmed it down to 15 dollars for my phone a month. That's it.

Laura's saving strategies were even more precise than she described. Since she floats in and out of eligibility for food stamps, she uses them primarily to buy cans of protein. This supplements the mostly carbohydrate-based diet she would otherwise have if dependent on food banks alone. She also rents out a sofa in her studio apartment whenever possible.

The intense saving of the three women is related to meeting asset goals specifically to achieve economic security. Yet the likelihood of success from the asset purchase differs from case to case. Marianne is the most successful of the three, having already achieved the main part of her goal. Once finished raising five children as a single mother on a combination of earnings, subsidized housing, and credit cards, Marianne decided to focus on herself and preparing for retirement. After taking advantage of financial coaching through Consumer Credit Counseling (an agency unrelated to EARN), she moved into her friend's spare bedroom to repay a \$30,000 credit card debt. Debt-free after five years, Marianne decided to pursue home purchase once she realized that housing costs could easily outpace her social security benefits over time. Marianne saw mortgage payments as rent that is fixed for thirty years. She used her IDA towards a down payment for a condominium. Now in her late fifties, Marianne's new goal is to outlive her mortgage and pay only HOA dues with the retirement benefits when she can no longer work. She perceives debt as "enslavement", which she explains happens "when you work to pay people that

you owe. Whoa! You're enslaved to that job. You can't quit the job!" Every month she pays at least double her mortgage payment, and if her health and employment hold out, she is likely to meet her goal of economic security in old age.

Gemma used IDA funds to also help her purchase a home that Gemma hopes will be her first step in securing a retirement. She plans to eventually buy more properties and rent them out in turn, eventually leveraging the equity of the home(s) to open a record store. At the time of the interview Gemma's home was half-painted, with some walls needing to be erected. She saved just enough funds to make the purchase but not quite enough to pay for the repairs necessary to rent out the home to roommates. At the moment she is living off her credit cards and her credit score has plummeted. She hopes her credit will last just long enough to finish the repairs and move tenants in the spare rooms. She is confident in her ability to rebuild her credit once this happens. Gemma's plan is dependent on no emergencies taking place in the next several months. Since she had never built savings in her previous high paying career, she asset accumulation as the only real way to transcend poverty and build retirement.

Laura, the final intense saver, is a vivid example of what can go wrong in pursuing assets for economic stability. The IDA program enabled her to purchase a car that allows her to expand business beyond the immediate Oakland area, a purchase she would otherwise find impossible. She is saving so intensely to repay a school loan acquired thirty years ago. Ironically, Laura pursued her education in large measure to escape her childhood poverty. When she signed the loan contracts in her early twenties, she did not anticipate that periodic bouts of disability would keep her from pursuing full time work in her profession. Since Laura's disability was not permanent, Laura could not qualify for disability benefits. Her private lender was also not obligated to provide her with deferment during the years she had no income, as would have been the case if Laura took out a federal loan. Laura pointed out that school loans are the only loans one cannot escape paying with bankruptcy. Thus \$100,000 loan she obtained originally had *tripled* with interest that capitalized on the principal. She is currently paying over \$1000 per month towards her loan, and hopes to start saving for retirement when she is 55. She has repaid over twice her original principal at the time of the interview. □

Financial Coaching and the Larger Structure of IDAs. IDAs are matched savings towards a specific goal, typically including a financial training component. IDAs are administered by non-profit agencies, which have their own priorities and missions. EARN's mission is to enable clients to achieve economic security through assets. Although the IDA is its core program, EARN is also involved in advocacy and research. It maintains ties with clients through a listserv that announces classes open to anyone who went through the program, as well as community events like holiday parties and picnics. EARN also experiments with different supplements to the IDAs. One of these is personalized financial coaching it made available to those who successfully purchased the asset goal or who maximized their savings in the program⁶. Financial coaching is not unique to EARN – in fact, Marianne reported working through her \$30,000 debt with the help of a financial coach from Consumer Credit Counseling. For two participants in this study, the financial coaching changed them into intense savers.

Victoria's change was the more dramatic. EARN contacted her as an alumna who

⁶ EARN's definition of „alumni” is slightly different from the one used in the research literature, which we use in this study. EARN considers past participants who maximized their saving goal alumni whether or not they purchased their asset goal with the matched IDA; IDA researchers consider alumni only those who purchased the asset.

successfully purchased a computer for her education. The coaching came just as she was divorcing her husband and thus perhaps more aware of the possibility of making dramatic changes in her life. Although never a careless spender, Victoria also did not think to save money. She returned to not saving after purchasing the computer and becoming a nurse. Meeting with her coach helped her identify and prioritize her goals. Among other “impediments”, Victoria gave up her traveling, a source of pleasure before and during her marriage, in pursuit of her reaching her longer term goal of building an emergency fund of three months of income. She explained the nature of the impediment in psychological terms:

Yes, I think I felt a little bit of pressure to conform to a certain standard of living that may or may not reflect *my* ability, my financial ability, in *real* terms... I happen to put a lot of value in travel so understanding that maybe there could be a *balance* between my present and my future ...and overcoming that emotional attachment to traveling...

Victoria’s statement reflects a very sober assessment of her earning potential relative to lifespan, and a separation of needs and wants that can seem almost harsh in a society whose advertising is based on the premise that the future will somehow take care of itself. She eventually met and surpassed her goal, saving \$18,000 as of the interview. Automatic deposit continues to draw money into an account whose existence she tries to ignore.

Jennifer also experienced a realization about the extent of the sacrifices that she would need to make in order to build up savings for retirement and help pay for her daughter’s college education. She had a late start in saving for several reasons. One is that she moved in with the father of her child. The family lived beyond their means with the help of credit cards. Jennifer also became disabled soon before finishing college, which capped her earnings to what she would be able to receive with social security. She would have still wanted to save, having come from a family that saved intensely. Yet as she explained, the rules of her income maintenance program combined with bad advice swayed her from her more natural tendency:

It was weird. Ok when I worked at minimum wage jobs or just a little bit over in retail, I worked so hard and I got so little money. And then I got disabled, they put me on SSI [Social Security Insurance]. When I got it seemed more money for not doing anything. *It’s a funny thing, isn’t it?*

Yeah and I said, ‘gee, now I can save.’ Then I read the rules that says you can’t save over this amount. Then everybody kept saying, ‘I guess you just have to keep spending then.’ You know. And then, disaster.

The disaster was her own excessive consumer debt, leading to bankruptcy. She found EARN’s IDA program while in transition away from the disability benefits and was drawn to a program that will help her save. She intensified her saving from nothing saved to a high moderate level of saving even after the program. What is interesting about Jennifer’s case is that despite being motivated to save money and being perfectly able to do the math herself, she did not realize until her sessions with her coach that she would need to save a lot more money if she wanted to reach her goals. Currently Jennifer leads a life geared for saving: working overtime whenever possible, holding garage sales of friends’ unwanted items (having long ago sold her own), with bake sales in the garage sales. She also orders free samples of toiletries and now has so many that she not only never has to pay for her own bath needs, but even has enough to give friends and family as

gifts (saving money again). Jennifer now has five months of income saved, which she evaluates as a good start but far from her goal.

Discussion and Conclusion

We began this study with the identification of a contradiction that exists within the institutional saving theory that drives the creation of IDAs. The first element of the conflict is that the structure of rules, incentives, and expectations will enable even the poor to save. The second is that positive non-economic psychological and behavioral effects will emerge as a result of the saving and/or asset acquisition experience, sustaining in clients an interest in further saving and asset acquisition to fulfill longer-term goals. The question is whether the non-economic effects can sustain saving when the favorable institutional structure is removed. The brief answer is that non-economic effects do appear and seem responsible for sustained saving by a minority of IDA participants unable to save before the program. However, an *ongoing* institutional system would be needed for bigger impacts.

Before reviewing the results in greater detail, it is worthwhile to point out the strengths and limitations of this study. It adds to a limited body of qualitative research of perceived impacts of participation in an IDA program. It is also the first to compare the intensity of saving before and after participation in an IDA program. As such, it is the only study to date which enables an assessment of whether any continued saving after the program is more a result of program participation or of saving intensity with which participants entered. Yet this study has important limitations. The results of this study are not generalizable beyond this research site. It is based on participants' self report, rather than tracking of real deposits made. These reports of saving were impressionistic and described behavior many years in the past, making these findings particularly subject to biases due to limitations in memory and social desirability bias (Sherraden, M.S. et al., 2005). Finally, the sample drawn for this study is older, and reporting higher IDA deposits than the average IDA participant measured nationally (Mills et al., 2010; Sherraden, M.W. and Schreiner, 2007). The research site was chosen for its particularly effective administration of the IDA program. In sum, the biases suggest that this sample is particularly likely to report positive effects related to program participation.

We saw evidence of positive non-economic effects, particularly since the psychologically based training was generally received as a call to a deeper examination of one's personal goals, or at least a closer examination of one's everyday life to discover hidden pockets of potential savings. As such, the method is ego-syntonic -- even ego-affirming. We also saw evidence of many new saving behaviors that participants attributed to the program. Participants generally praised the program and recommended it to others, which is another indicator that IDAs may have created a positive experience related to saving and asset acquisition for these participants.

How much of a change from previous saving habits did participants in this study experience as a result of program participation? A post-IDA survey of participants' saving would reveal that the majority (n=14/23) continued to save after exiting the program. The methodological point of including a pre-IDA measure is shown to have been valid here: almost half (n = 11/23) entered the IDA program *already* saving a little each month. Nevertheless, tracking intensity of change (rather than conceptualizing saving as a categorical phenomenon) is also important. Although the majority of persons who never saved before were unable to sustain new saving behavior after the program (n=8/12/23), a minority within this group of previous non-savers (n=4/12/23) did continue to save, and at a moderately high degree.

This suggests that although non-savers seem to require the institutional structure of the

program to save, there are also changes from program participation that are sustained for a minority of the group, even without the program, beyond program participation. Nearly half of those who were savers before IDA participation intensified their ability to save. This finding suggests that the experience is helpful for persons of various levels of saving expertise. Individual financial coaching enabled two individuals to become intense savers and not just achieve, but surpass goals of escaping asset poverty (i.e. having less than three months of income saved). Finally, the discovery of a small group of intense savers (n=3/23) illustrates that the purchase of a major asset like a house can enable persons like Marianne to retire in relative comfort. Yet without additional consumer protection it is also possible for persons like Laura to suffer financial ruin or, as with Adina and Gemma, to be in danger of ruin from such a purchase.

Stated differently, the results of this study suggest that the structure of the IDA is designed to help people save for assets, but not necessarily to help people save for economic stability. Molly pointed this out when I asked her if there was something that the program would do that it does not currently. She said she wished they would help her build emergency savings that keep being discussed in the training, but instead “They only let you do it [save money in the account] for a purpose and then you spend it right away. [*Yeah.*] You know what I’m saying? I don’t want to always spend all money. I’m really cheap”. Saving for economic stability would mean saving to transcend asset poverty: accumulating at least three months of income. It would mean providing a saving opportunity structured with incentives to pay down debts or build retirement savings. At this point the IDA program does not allow any of these goals. In an excellent example of the power of institutional structure to shape behaviors, an important proportion of respondents in this study joined the program focused on saving for the asset but seem to flounder when it comes to applying this knowledge towards transcending asset poverty.

A minority of individuals interviewed here were able to apply the lessons from the asset building part of the IDAs towards saving for other goals on their own. Victoria and Jennifer credited the individualized financial coaching EARN created to supplement IDAs for providing personalized attention they needed to take an in-depth view of their financial situation in relation to their goals. The participants then developed a strict saving regimen that would help them achieve this goal. The implication is that for motivated persons in a financial situation that would enable them to pursue such goals, providing additional training could be enough to help them continue to save for the future on their own. As Jennifer pointed out, this is not something that is possible for persons dependent on income maintenance programs as currently structured. However, it would be an excellent intervention for college students, since it would enable them to establish sound financial management of increased earnings upon graduation. Schools that serve students from low-income and low-wealth households should be particularly targeted.

Some individuals who saved neither before nor after the program pointed out that increased financial stress makes it impossible for them to save outside of the IDAs. It is possible that once their earnings increase, they will start saving as they did when in the IDA program. It is possible that providing them with a program to accomplish this (e.g. financial coaching, perhaps coupled with some financial incentives) would be enough. Others observe that although enthusiastic to save, they simply cannot save outside the IDA program. Sandy stated that the matching forced her to save, Mirah that otherwise people are always in her pocket. The matching and the protection of the funds is key for these individuals. The implication is that they perceive their earnings to be so small given the demands (both Mirah and Sandy are single mothers) that they cannot – or will not – set aside money for the future. This fits within the institutional theory of saving as well.

As Sherraden pointed out, financial incentives exist for the non-poor but (aside from the IDA), not for the poor. If only for the sake of logical consistency, similar incentives should be developed for the poor. If we believe that incentives are needed to help people make the right decisions, we must admit that poor are also in need of them. If IDAs are to serve as the cornerstone of a new asset-based policy for the poor, additional investments need to be made. IDAs, as the only saving program targeting the poor, receive 0.02% of the total federal budget incentivizing *savings*, or 0.00006% of the total asset-building budget (Woo, Rademacher, and Meier, 2010). If incentives are unnecessary and people should make the right decisions on their own, a removal of the existing income tax deductions and credits for saving and asset building for the non-poor should be considered.

Article 2

Home Sweet Home: Evaluating Use Of Individual Development Accounts as Part of Participants' Larger Strategy towards Home-Ownership

Introduction

An individual's sense of economic security is based on the likelihood of being able to meet misfortune with resources. Since one can always spend more than one earns, wealth (defined as the accumulation of financial resources minus debts, also known as assets and capital) is a more salient measure of economic security than the more typically used measure of income (or the flow of resources per unit of time). Homes are a particularly important form of wealth in the United States, as the largest single asset typical American families possess (Allegreto, 2011). Home equity (the portion owned by the individual) signals credit worthiness, enabling owners to obtain better interest rates on other loans. Wealth can also be transferred to descendants, whether directly (as inheritance) or through legal obligation (as co-signing loans) (Shapiro, 2005). Perhaps most importantly, each housing payment brings the mortgage holder closer to outright ownership of an asset that can be sold, or borrowed against, in times of economic distress. Beyond potential economic effects, home ownership signals the achievement of the American Dream, and with it, a special sort of social legitimacy. De Tocqueville (1868/2000) theorized that property ownership by the common people is the bedrock of the particularly American sense of social equality, finding expression in communal helping, which he observed when visiting this country during the 1820s⁷. He believed the French society from which he came was missing these features, with social relations based on inherited wealth and social rank (de Toqueville 1863/2000). Although it is individuals who purchase homes, their ability to buy is shaped by legislature produced by the government they help elect. Key moments

⁷ Wilkinson (2005) quoted this passage from de Toqueville when making a point about the importance of economic equality:

Among the new objects that attracted my attention during my stay in the United States, none struck me with greater force than the equality of conditions. I easily perceived the enormous influence that this primary fact exercises on the workings of the society. It gives a particular direction to the public mind, a particular turn to the laws, new maxims to those who govern, and particular habits to those governed.

I soon recognized that this same fact extends its influence far beyond its mores and laws, and that its empire expands over civil society as well as government: it creates opinions, gives rise to sentiments, inspires customs, and modifies everything that it does not produce.

In this way, then, as I studied American society, I am more and more in the equality of conditions, the generative fact from which each particular fact seemed to flow, and I kept finding that fact before me again and again as a central point to which all my observations were leading (de Tocqueville, 1863/2000, p. 1, as cited in Wilkinson, 2005, p.37).

in wealth building for the populace in the United States were a result of specific federal legislation: homesteading during the Westward expansion and the mass purchase of homes in suburban settings after the second World War. As a unique vehicle for the will of the people, federal activity deserves particular attention.

Current measures of asset allocation point to considerable disparities by income and race. The most recent measure of the inequality of the holding of assets that are not homes shows that relative to most countries with which it competes, the United States is particularly unequal (Davies, Sandstrom, Shorrocks, and Wolff, 2008)⁸. A focus on home ownership in the United States in 2009 reveals that the home ownership rate of bottom quarter of earners was 47.0%, nearly half of that of the top quarter of earners (88.8%) (Allegreto, 2011). In the same year, fewer than half of Hispanic and Black households owned homes, compared to about three of four white households who owned (Allegreto, 2011). Is this a problem? Inequality of outcomes is legitimate and even desired when the race takes place on an even playing field. Yet an examination of federal activity in key moments of history reveals a creation of an institutional structure fundamentally different depending on group membership. Since the role of the umpire is as fundamental for the government to perform as military protection and facilitation of economic activity, it is important to examine government asset-building activity over time and in relation to race and class.

This paper focuses on federal activity in the promotion of wealth building, as viewed from the vantage point of interviews with dozen low-income workers holding Individual Development Accounts (IDAs), a federally supported program that provides financial instruction and incentives for asset acquisition by low-income workers⁹. IDAs are emblematic of an attempt to extend to poor those structures that facilitate asset purchase already available to the other classes. The picture that emerges is one of considerable federal promise, not backed by resources. After presenting the historical background of federal activity in relation to asset-building, I present the major themes that emerged from the interviews in my study, looking first at participant background, then context of attempted action, and finally identifying key factors contributing to outcomes (Strauss and Lincoln).

The results are as follows. IDA participants interviewed here come from families that owned homes. They find themselves in a context where entering a contract towards home purchase is not only exceedingly expensive, but -- given the disjunction between the promise and

⁸ The Gini index measures economic distribution of countries and ranges from 0 (perfect equality) and 1 (perfect inequality). Its measure for the United States is 0.801 and that of the world is 0.892. It is not surprising that US wealth holdings would be more unequal than those of its European rivals (Spain, Italy, Germany, UK, and France rank ordered from 0.570 to 0.730). More interesting is its considerably greater inequality relative to other countries with similar historical origins (Canada, 0.688 and Australia, 0.622). It is even more unequal than economically developing countries in the Western Hemisphere (Argentina, 0.740; Mexico, 0.749; Brasil, 0.784) and Eastern Hemisphere (China, 0.550; India, 0.669; Russia, 0.699). These figures are based on global wealth distribution in 2000, derived from varied sources like household surveys, tax records, and regular reports of media outlets like *Forbes* for those most wealthy (Davies, Sandstrom, Shorrocks, and Wolff, 2008). The data measures the time was before the economic crashes that are widely believed to have increased inequality.

⁹ Low income workers are a population more likely to be Hispanic and black (Acs and Nichols, 2007).

actuality of federal support -- quite baffling as well. The IDA program provides some funding assistance, while helping respondents overcome the barrier of complexity. Through its rules of participation it links clients to a network of external helping agents in non-profit and for-profit sectors. Ultimately, participants' likelihood of success depends on access to intense saving opportunities *beyond* the IDA program. Access to such opportunities is influenced by stage in the lifecycle. IDA participants with active caretaking responsibilities did not report such opportunities, except in cases where unusual federal intervention is evident. The variation of access to funding outside the IDA within a context of high cost of initiating home purchase, helps explain why IDA researchers using randomized control trial research are finding the program to apparently have little effect on home purchase of its clients. This paper finishes with a larger consideration of the current federal asset-building budget. I find that the under-funding for home-purchase among the poor is less a result of a lack of federal resources, then of their misuse. A surprisingly large pool of federal resources is leveraged to assist those who already hold considerable wealth, to build more wealth. In effect, the government can play a decisive role in helping those with scant resources purchase houses, but doing so would require a re-examination of spending in light of larger goals.

Restructuring the housing market: A brief history of federal involvement

Federal activity has long shaped the creation of wealth through housing in this country, for better or worse. This section explores its attempts to expand wealth holdings to larger segments of the population, with attention to both the indirect structuring of the market and direct programs. While both have deep history, the reliance on the former as opposed to the latter played an important role in the 2007 economic crash that had roots in subprime lending. The goal of this section is to illuminate federal activity in the building of capital in this country, and to disentangle modes of helping available to the government in addressing gaps in asset acquisition.

Until the federal government became involved in housing during the Great Depression, most families could only rent, with only four in ten owning (Schwartz, 2010). Those who attempted to buy homes without sufficient wealth to purchase them outright found lending conditions that made this a risky proposition. Mortgage loans required a down payment of at least forty percent of the purchase cost, with three to eleven years for repayment and balloon payments due at the end of the loan (Schwartz, 2010). After the stock market crash of 1929, these conditions encouraged the initial rash of foreclosures. These initial defaults were made more severe by cash-starved banks' refusal to provide new mortgages for owners still capable of making housing payments. The government restructured the housing market by creating Government Sponsored Enterprises (e.g. Fannie MAE, Freddie MAC, Federal Home Loan Banks), secondary lending institutions that provided cheaper lines of credit to banks and secured banks' investment in home mortgages (Schwartz, 2010). It also created the Federal Housing Authority (FHA), which administered a mortgage insurance program for persons with lower credit and wealth. The fifteen and thirty year fixed rate mortgages now standard were thus a result of federal intervention in 1930s, as industry took advantage of institutions that decreased their risk and increased their profitability¹⁰. Extended repayment terms and smaller amount of

¹⁰ The mortgage interest tax rate deduction is notably absent in my list of early federal interventions which structure the current housing market. This tax deduction did not become used until after World War II or explicitly identified in the tax code (as housing) until 1986. It is

wealth needed to obtain a mortgage – twenty percent of the purchase price for conventional loans and about three percent for FHA insured loans – enabled most families to benefit from homeownership. At its height in 2001, almost seven in ten families owned homes (Schwartz, 2010).

The federal government also used more direct large-scale initiatives to help persons with less wealth obtain property. Yet in the implementation of these historic programs, blacks were largely denied access to these wealth-building opportunities¹¹. For instance, the Homestead Act that opened new territories to homesteading at the end of the Civil War granted land to non-Confederate whites, but not blacks. The Southern Homestead Act of 1866 passed soon after opened land to blacks, but the land it granted consisted of swampland, making it difficult to use without ready additional resources (Oliver and Shapiro, 2007). Another example is the Federal Housing Administration and Veteran's Association loans for housing, which were similarly available to all servicemen returning from World War II through the G.I. Bill (Massey and Denton, 1993). FHA's new standardization of loan procedures for underwriters continued and compounded the existing practice of racial segregation of space through the practice known as redlining. FHA instructed underwriters to deny loans in neighborhoods where blacks lived or were moving. After these federal regulations were removed, homeowners in new suburban tracts used covenants that precluded future sales to blacks. Thus blacks were forced to remain in decaying urban housing, where they could neither receive loans for the purchase or renovation of housing. In effect, the massive post-war housing boom and wealth building through homes in the suburbs would primarily benefit whites (Katznelson, 2006).

In the mid-1990s, the federal government became more active in expanding the opportunities for low-income individuals, particularly blacks and Hispanics, to purchase homes. The primary technique was indirect: encouraging banks to increase lending to the poor. Beginning with the Clinton administration and continuing under George W. Bush, the federal government used the Department of Housing and Urban Development to push the Governmental Sponsored Organizations to relax underwriting standards for those with lower wealth and less than optimal credit scores (Leonnig, 2008). Unfortunately, this relaxing of standards coincided with diminished regulation of the financial market and the automatization of underwriting procedures, innovations that allowed exponentially more loan approvals to be processed than had been possible with human underwriters (Yandle, 2010). Low interest rates further heated the housing market, particularly the subprime lending (e.g. variable interest rates, balloon payments) towards which low-income minorities tended to be steered (Pew Research Center, 2011).

unlikely to have ever been intended to stimulate home ownership (Ventry, 2010). I will discuss this deduction and similar federally funded benefits in the conclusion, as part of a larger discussion of the housing market.

¹¹ Wilkinson (2005) also quotes the connection that de Toqueville made between social and economic equality, as in the contrast in the relations between whites (cited above) and whites and blacks:

It is easy to see that the lot of these unfortunates inspires little pity in their masters and that they see in slavery not only a state of affairs from which they profit, but also an evil that scarcely touches them. In this way, the same man who is full of humanity for his fellow men when they are at the same time his equals becomes insensitive to their sufferings the moment their equality ceases (de Tocqueville, 1863/2000, p. 251, as cited in Wilkinson, 2005, p.39).

The consequences of the economic crisis that resulted are well known. Less discussed is the racial gap in asset holdings (Pew Research Center, 2011). In 1995, the difference between the wealth of whites to that of blacks and Hispanics was 7 to 1 for both pairs. In 2009, whites owned 18 times more wealth than Hispanic and 20 times more wealth than blacks (Pew Research Center, 2011). In light of the financial danger to which families are subject if the homes they have purchased are foreclosed upon, critics suggested that the drive to help low-income individuals purchase homes should be reconsidered (Yandle, 2010). Such a reconsideration of the asset-based approach to poverty is legitimate, but only if it spurs increased attention to the *techniques* used to address the gap in asset holdings. It is less helpful if used as an excuse to abandon attempts to address the racial gap in asset holdings altogether. The problem of the racial asset gap not only remains; it has tripled.

Individual Development Accounts (IDAs) are an exception to the federal government's otherwise largely indirect attempts to help those with few resources¹² build wealth at the turn of the millennium. According to one quasi-experimental study of IDA programs in six states, the program appears to help participants keep the homes they purchase. The study found foreclosure rates of IDA participants purchasing homes between 1999 and 2007 were one half to one third of the foreclosure rates of a comparison group matched by purchase price and area (Rademacher, Wiedrich, McKernan, and Gallagher, 2010). A particularly interesting detail in this study is that the IDA participants were predominantly minority women, whereas the control group drawn from SIPP data used in this quasi-experimental study was largely made up of white men (Rademacher, Wiedrich, McKernan, and Gallagher, 2010). Typically minority women are considerably more likely to face foreclosure than white men. What could be responsible for these differences? The study authors suggested that the program provides protection by screening loan offers for participants – the IDA program staff can refuse to grant matched funds for loans it considers unsustainable. If confirmed with additional studies, these initial findings would suggest that a mechanism that delivers assistance for home purchase to the poor in the more direct form of financial incentives and training could mitigate problems associated with a reliance on indirect market incentives without this additional layer of consumer protection.

¹² IDAs were not specifically designed to address the racial asset gap, rather seeking to extend to low-income workers asset-building opportunities already available to other classes. Nevertheless, since blacks and Hispanics are considerably more likely to earn low incomes than whites, this technique to promote asset building among the poor, if effective, can contribute to ameliorating the racial asset gap. A national study shows that the program is disproportionately used by black (46%) and Hispanic (12%) women (82%) (Mills et al., 2008).

Evolution of IDAs

What are IDAs? IDAs are dedicated matched saving accounts for low-income workers. The federal government is the largest single funding source for IDAs, through the Assets for Independence Act of 1997 (AFI). The majority of the IDAs are structured to meet AFI requirements. AFI designates 24 million dollars annually in the form of a matching grant (Grinstein-Weiss and Irish, 2007). AFI funds are competitively granted to non-profit agencies administering the program, and these grantees in turn seek matching funds from community resources (e.g. foundation grants). The two federal and community dollars would then match a dollar saved by the individual participating in the program, with the stipulation that the funds would be dedicated towards the purchase of an asset goal (e.g., a house or security deposit for rental unit [welfare recipients only], but also a business or higher education) and that the participant completed a sufficient number of financial management and asset acquisition classes.

IDA participants typically have two years to finish the program. The ability to spend the money in a timely fashion is as important as the act of saving itself. Once the participant is ready to purchase an asset, the matched savings are paid directly to a vendor. Participants can withdraw funds after saving for six months (EARN Saver's handbook, n.d.). It is possible for participants to save the maximum match-able amount (\$2000 savings, \$4000 match) but be unable to use the money before the two-year time limit (plus any extensions, which are sometimes granted). If individuals are unable to purchase the asset, their savings are returned without the match. Emergency withdrawals are possible, but only in a few situations if the participant is to remain in the program. Otherwise emergency withdrawals constitute dropping out of the program, with participants retaining money saved without the match.

Historical Context of IDA Emergence. IDAs originated as Aid for Families with Dependent Children (AFDC) and other income support programs, i.e. "welfare as we know it", in the words of Bill Clinton and others, became widely criticized. While some questioned the utility of using federal programs to provide income-maintenance assistance to the poor (Murray, 1994), others pointed to the existence of an invisible welfare state that overwhelmingly benefits those who already have wealth (Howard, 2001). Sherraden and others pointed out that the welfare system specifically addressing the poor is problematic not only for being highly politicized and stigmatized, but for the way its design discourages the poor from accumulating resources. Any asset holdings that the poor may accumulate, despite curtailed access to asset-building programs available to the non-poor, threatens their eligibility for income support programs (Sherraden, 1991). Sherraden proposed IDAs as an asset-building supplement to income-maintenance programs. IDAs are a part of what Stoesz (2000) called "bootstrap capitalism", and others call social development (Midgley, 1995). This movement emphasizes programs that would allow the poor to harness benefits from capitalism gained worldwide popularity after the collapse of the Berlin Wall. It is often associated with micro-entrepreneurship (Servon, 1999) and micro-lending (Yunus, 1999).

IDAs represent the main such program in the United States. Their implementation at the federal level enjoyed bipartisan support from conservatives (who appreciated the tie to work and individual initiative) and liberals (who appreciated the additional source of helping to the poor) (Sherraden, 2005). IDAs by original design were to be available universally and for a variety of asset goals corresponding to key stages in the lifecycle. The government would provide progressive contributions for the poor (Sherraden, 1991). IDAs in practice are more important as an emblem of a specific approach than its actual scope. Between inception and 2010, 80,461 accounts were opened and \$76 million deposited in IDAs by account holders (Office of

Community Services 2011). The program exists in most, but not all, of the states. Its annual funding of about \$24 million per year through AFI constitutes 0.02% of federal funding for stimulating homeownership (Woo, Rademacher, and Meier, 2010). Though limited in scope, the hope was that positive outcomes from IDA trials would be used to demonstrate the legitimacy of the asset-building approach (Sherraden, 2008). Indeed, AFI funded IDAs are deemed a demonstration project (Public Law 105-185). Yet the hope was that if IDA research could demonstrate positive outcomes, this could lead to a fundamental reorientation in the way that poverty was addressed in the United States (Grinstein-Weiss and Irish, 2007; Sherraden, 1991).

Research Literature. Studies of IDAs tend to focus on the functioning of the program itself, largely abstracted from the context in which such programs exist. IDA research first strove to determine if the low-income workers enrolled in the program would be able to save¹³, quickly followed with explorations of whether certain individual characteristics or features of the program were associated with rates of saving (see Richards and Thyer, 2011 for a review). The results of these early quasi-experimental studies supported the hypothesis that the poor could save, although some individual characteristics (e.g. marital status) and program features (e.g. size of match offered) were associated with greater rates of saving (Richards and Thyer, 2011). The second major research question was whether the low-income workers randomly chosen to participate in an IDA program would be more likely to acquire assets relative to the control group. Likelihood of home ownership was the measure used for asset building. A series of studies drew on data collected from Community Action Project of Tulsa County (CAPTC), a multi-service community action agency whose clients were randomly assigned to receive or be barred from using the IDA program implemented for the purposes of the experiment (Grinstein-Weiss, Lee, Greenon, Han, and Irish, 2008).

The results from the longitudinal RCT study focusing on likelihood of home purchase proved less promising than the earlier quasi-experimental studies that focused on saving within the program. Mills, Gale, Patterson, Engelhardt, Eriksen, and Apostolov (2008) found elevated frequencies but no significant differences in asset acquisition, except among renters not participating in a public housing program. Tracking participants' flow of resources suggests that money contributed to IDA accounts was likely reshuffled from other saving accounts rather than new saving (Mills et al. 2008). A later study did show significant difference in the ability to purchase homes among those IDA participants who both finished the program *and* paid down their debts while in the program (Grinstein-Weiss, Lee, Greenon, Han, Yeo, and Irish, 2008). Yet preliminary analysis of the final ten-year wave of the longitudinal study suggests that the early gains, which did not quite reach the level of significance (significant at the 0.058 but not 0.05 level) (Mills et al. 2008), had disappeared by the final wave of the study (Grinstein-Weiss et al. 2011, November 15).

Various explanations were offered for this lack of findings in the RCT studies. Among them were attrition, contamination between research and control groups, and the considerable variability in the prices of homes relative to the amount of funding available with IDAs (Grinstein-Weiss, 2008; Mills et al. 2008). The last of these explanations deserves further attention. Rather than a particularity of one study, pricing is central to the larger question of the actual impact of IDAs. It includes the price for which the homes are sold, the discounts on the cost buyers could get towards their purchase, and even additional costs potentially accrued after the home is bought (e.g. maintenance, repairs). Yet the current focus on the features of the IDA

¹³ An open question at the time given common conflation of income and wealth.

program as it functions in isolation, is unable to capture participants' use of IDAs *in relation* to these additional factors. This study seeks to address this gap in the literature by examining IDA participants' use of the program in context, i.e. given their family origin, prices of homes and loans, and resources inside and outside the IDA programs participants successfully purchasing homes employed.

Methods

I drew data for this study from interviews conducted in the course of a larger research study where I recruited a purposive sample of 54 past and current participants in a large San Francisco Bay Area-based IDA program. Data from participants using IDAs for housing were used for this study (N=12). The larger sample was recruited using a trilingual (English, Spanish, Cantonese) email invitation sent by Earned Assets Research Network (EARN), an IDA administering agency that collaborates with a dozen other agencies around the San Francisco Bay Area (more information about EARN below). Interviews were conducted in the spring and summer of 2011, at a location of participants' choosing, typically their residence. I conducted all interviews in English and trained research assistants conducted interviews in Spanish and Cantonese. Interviewers were instructed to use the interview protocol as a guide, emphasizing a more natural flow of conversation (Miles and Huberman, 1994). The majority of the interviews were recorded and transcribed. When participants refused recording or in event of equipment failure, extensive notes were typed soon after the interview.

Participants

Individuals are eligible to obtain an IDA account directly through EARN or a partnering agency if they can demonstrate they are low-income workers meeting certain criteria. Specifically: (1) their income falls within 200% of the poverty rate upon admission, (2) at least a portion of their income comes from paid employment¹⁴, (3) they have less than \$10,000 in net assets (value minus debt, vehicle excluded), (4) they are over 18 years old and have a Social Security or Individual Tax Identification Number, (5) they live in the Bay Area (earn.org). Similar to the nation's IDA participants, EARN's clients are mostly minority (29% Latino/a, 25% African American, 23% Asian, as versus 12% Caucasian) and female (68%) (EARN, 2010). The average household income at enrollment is \$19,420 (EARN, 2010).

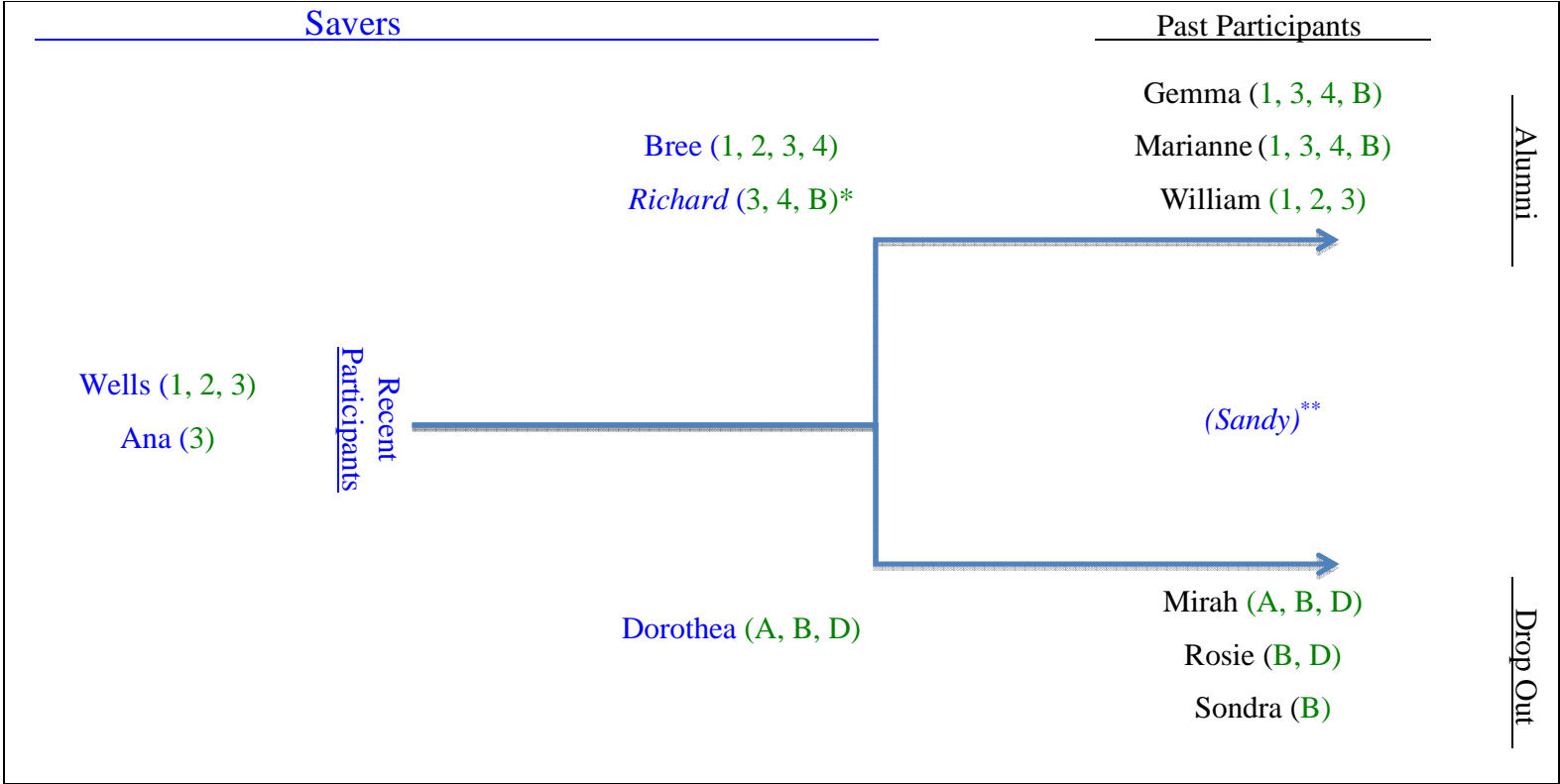
The typical participant in this study is female (10/12) in her late thirties (average age is 37.9). She is about equally likely to be black (4/12), Asian (3/12), or Latina (3/12). Half of the participants had longstanding roots in the United States (with all immediate family members including her grandparents born in the United States (6/12)), and another half were immigrants or the children of immigrants. The average income of study participants at \$26,585, was more than the average of EARN clients (\$19,102). The average amount of monthly savings in the IDA for this group was about \$103, with about \$155 of monthly savings in other accounts. The slight majority of study participants had incomes falling between \$10,000 and \$30,000. The typical participant has a bachelor degree (5/12) or some post-secondary education (4/12). She is about as likely to be single (5/12) as married (4/12) as separated or divorced (3/12). She is likely to have

¹⁴ Since the 1996 Welfare Reform Act, welfare recipients are mandated to work in order to access the income support program.

at least one child (8/12), although a third of the sample participants had no children.

Table 2-1 below situates study participants described by their aggregated demographic characteristics above relative to their individual progress through the program. I selected all participants using the IDA for housing, but not all were saving to purchase a home. Persons on welfare (CalWORKS in California) are also allowed to save to purchase a security deposit for an apartment, and two participants (Sandy and Richard) successfully obtained the matched funds for this goal. Sandy is *not* currently saving towards home purchase while Richard *is* saving, albeit through a different program. Aside from these two exceptional cases, the placement of the remaining participants in table 2-1 is best examined as proceeding chronologically through the program, from left to right, towards successful and unsuccessful outcomes in the extreme right. Beginning on the far left are current savers who recently entered the program (Wells and Ana). It is difficult to judge if they are likely to successfully purchase a home by the end of their program, and their position on a vertical axis is between the two outcomes indicated by arrows. Proceeding to the middle of the page shows the next two clusters of savers (on the far right to indicate near completion of the program) are two participants who appear very likely to gain the house (Bree and Richard) and one (Dorothea) who appears nearly ready to drop out. I base my estimate of the likelihood on the optimism or pessimism regarding meeting the goal they themselves expressed in the interview, and evidence they cited (size of savings, time left in the program). Finally, on the far right of the page, are past participants who successfully received an IDA match to purchase the house (Gemma, Marianne, William) and others who left the program without receiving the match (Mirah, Rosie, Sondra). I will explain the salient themes listed in the graphic when presenting the results of this study.

Table 2-1: IDA Status and Salient Themes



Salient Themes (as applicable, discussed as results)
 (1) Home ownership common
 (2) Information about process: Informal
 (3) Supportive family OR no dependents
 (4) Intense saving opportunity

(A) Home ownership rare
 (B) Information about process: Formal
 (C) Active caretaking of dependents
 (D) IDA sole funds

Notes
 * Actively saving for home through another program; IDA alumnus for security deposit
 ** IDA alumna for security deposit not currently saving for home

Table 2-2: Biographical Notes about Study Participants

Ana	An immigrant from China as teenager, now in her thirties, Ana is currently a Real Estate agent who recently joined the IDA program to save money towards purchase of a home. Divorced, no children.
Bree	African American mother of two school age children in her late 20s. Intensely saving for home purchase, in large part by moving with her husband and children to grandparents' home. Preparing to purchase home with the help of the IDA program.
Dorothea	American-born daughter of Guatemalan immigrants, currently living in apartment with her teen age son and disabled mother and sister. Dorothea is in her mid-thirties and seeks to purchase a home where her sister would not need to crawl up the stairs. Although still in the IDA program, her prospects of purchasing before her last extension expires seems dim.
Gemma	A deeply spiritual single African American woman in her 30s, Gemma has successfully purchased a home with the help of the IDA program. She is not living off credit cards as she attempts to renovate the home for tenants.
Marianne	Marianne is approaching retirement age. After raising her five adult children herself with government assistance, she decided home purchase would ensure her retirement pension is not eaten by rising rent prices. Successfully purchased small condominium.
Mirah	Mirah is a bi-racial woman in her early 20s who is raising her toddler herself after separating from her daughter's father. She dropped out of the IDA program to purchase a home she would lost to foreclosure.
Richard	Richard is an African-American man in his early 40s who emerged from substance abuse, homelessness, and involvement with the penal system to be sole parent to his newborn daughter. Currently a substance abuse counselor, married, with seven children. Richard successfully saved for a security deposit through IDA, and is now close to purchasing house with savings through Family Self Sufficiency program.
Rosie	Rosie is a bi-racial woman in her early 40s who seeks home purchase to reunify with the remainder of her six children. History of substance abuse and homelessness, currently divorcing husband. Left IDA after failing to purchase a home despite maximum money saved in IDA account.
Sandy	Sandy is a Latina woman in her mid-thirties, currently renting a home in the suburbs with her two school age children. Successfully completed IDA for security deposit, plans to pursue home ownership in the more distant future.
Sondra	Sondra is an African American woman. A small business owner in her mid-30s, Sondra is living in subsidized housing with her two teenage children and fiancé. Unintentionally dropped out of the IDA program after confusion about making deposits.
Wells	Wells is an African American woman, married and in her late thirties. After moving to California with her husband, she hopes the IDA program she recently joined will help her purchase a home.
William	William immigrated with his parents from China as a young child. Currently single, childless, and in his mid-40s, he successfully purchased his home with the help of the IDA program.

Study Site

The study site was chosen using a theoretical rather than representative sampling strategy (Luker, 2008). In this case, rather than choosing an agency with average characteristics of an IDA providing agency, I chose one that exemplifies an agency that functions particularly well. The choice was based on a strategic use of resources. As the scope of this study would not allow me to gain a sufficiently large sample size of IDA serving agencies to be representative, I sought an agency that is sufficiently well-functioning that the noise of idiosyncratic administrative problems would not diminish the clarity of what the IDA program is meant to achieve. Since I was also particularly interested in the comparative experience of immigrants in an IDA program (analyzed in another chapter), I sought an agency located in an area relatively dense with persons born in other countries.

Earned Assets Resource Network (EARN) is a well-respected non-profit agency located in San Francisco. Its attrition rate is approximately half of the national average (29 vs 60%) (EARN, 2010), and participants' average saving rate is about six times as great as the national average (\$115 vs. \$19 respectively) (EARN 2011 quarterly report; Mills et al., 2008). EARN had a staff of nineteen full-time employees and a budget of nearly five million dollars in 2011, the year the interviews with its clients were conducted for this study (EARN Form 990, 2011; EARN quarterly report, 2011). The agency's major funders include Citibank (which also holds saver's deposits) and Levi Strauss (whose seed money was also used to start EARN in 2001). EARN also receives federal grant funding through the Assets for Independence Act of 1997 (AFI) to administer the IDA program. EARN has a relatively strong media presence, judging by the frequency and newness of the articles and interviews referenced on its website (earn.org). EARN also contributes to the development of new initiatives. The agency conducts its own research and contributes to state policy discussions through the policy arm of the agency. It successfully partnered with the city of San Francisco and the Federal Reserve Bank of San Francisco to provide low-income individuals dependent on fringe banking practices (e.g. check cashing) with access to low-cost or free banking services. The resulting program Bankon San Francisco is becoming scaled nationally (cite EARN website). EARN partners with a network of other agencies, with which EARN administers the AFI grant. Although clients accessing IDAs through grant partners are assigned that agency's staff for case management, the basic rules of IDAs across the network are uniform (cite EARN handbook).

Analytical Strategy

To elicit themes for the individual experiences I reviewed the data by reading through all the notes or transcripts of interviews with the participants used in this study. The small sample used here made the use of qualitative software unnecessary. I cut and pasted into a word document any passages related to participants' background of homeownership (an explicit question in the protocol, with a follow-up question asking whom participants turn to for information and encouragement related to the home purchase), descriptions of strategies used and mention of other programs, motivations to engage in home-buying and any impressions of the process itself. I noted clustering into themes and searched for negative instances, or examples where my emergent hypotheses were disconfirmed (cite). I discussed unclear passages with my research assistant, asking for her understanding of the data before providing my own.

A note about my position as researcher is important to make, given the more subjective nature of data analysis. I leveraged my own experience as both an alumna of EARN's IDA

program¹⁵ and first time home buyer of low to moderate income to enhance my understanding of the larger context of first time home buyer programs targeting low-income individuals. I read websites produced by governmental, non-profit, and for-profit agencies involved in the process. I attended workshops on the process of home purchase and more general financial training and scheduled formal and informal interviews with their presenters. The advantage of this parallel process is that my insider status allows me to discern nuances in the transcripts less apparent to someone who is not actively considering home purchase, or whose means are sufficient to purchase a home without engaging in the process of seeking external funding. It also granted me easier entry with informants. The disadvantage is that my perception of the themes may be colored by my own experience. Perfect objectivity is impossible in any research. I strove to minimize bias through techniques reported above.

¹⁵ I saved for higher education. My spouse was saving for a house. I was able to successfully draw the match for my asset, but since his time in the program elapsed without a home purchase, my spouse left the program without drawing down the match. By the criteria used by EARN we are both alumni; by the criteria used by IDA researchers and in this study, I am an alumna and he is a drop out.

Results

Background Factors

Motivation to Buy. The IDA program allows participants to choose one asset goal for which to save to receive matching funds at the point of a successful purchase. We asked participants what prompted them to choose their goal over the others, to gain a sense of the motivating factors. Before delving into the answers from IDA participants who chose to use IDAs for housing, it is worth noting that participants in the larger study sample tended to rule out home purchase because they perceived the costs to be prohibitive. Eve, a white single woman in her thirties who is using her IDA for education remarked “I know that’s a nearly impossible to get a home here”. Harold, a single immigrant man in his sixties who was born in China and is now saving for a business pointed out that the \$6000 total that the IDA could provide is insufficient for this purchase. He laughed when he remarked that “6000 dollars only is even not enough to pay the lawyer fee¹⁶!” Perhaps consequently, others saw home ownership as something to aspire towards later: when they have a better job or have completed more immediate goals. For instance, Mandee, a divorced immigrant from China in her forties explains that “My daughter is 18 now, and I have to solve the problem that is most urgent or in front of me now. After [my] daughter’s education, I will plan on getting a house or eventually start a business. You got to do things step by step from the most urgent to the least urgent.” To this list of persons who choose IDA goals other than housing I will add Sandy, the participant in the current study who used the IDA for a security deposit but did not go on to pursue home purchase. She currently has no concrete plans to own, although she expressed a similar sense of needing to proceed sequentially through goals, with home purchase as a goal to be pursued only after she makes greater advances in her career. This suggests that even for those that do not choose to save for a home, such a goal is recognized as laudable, even if currently unattainable. For instance, Sandy’s rental is in fact a home in the suburbs.

Shifting back to the participants in this study who did choose housing as a goal, I find reasons that ranged from the functional—as an investment or a strategy for ensuring a comfortable retirement—to reasons that seemed more related to the personal meaning that home ownership brings. Certainly the two categories are not mutually exclusive. For instance, William rhetorically responded to the question of why he chose home purchase, stating “it is the American Dream, to have [a] roof over”. This answer sounds meaning based, with a particular connotation given William is an immigrant. Yet the American Dream to which he seems to refer consists of having the opportunity to invest to gain wealth, as opposed to becoming particularly American in manner and dress. William talked throughout the interview about having taken advantage of a moment when the home market brought down the prices of homes sufficiently for him to afford to make the investment. He was successful in making this investment.

I will present the more clearly economical reasons first. A couple of participants, both of whom were interviewed in the home they purchased with the help of IDA funds, had very clear plans for how they would use home ownership as a **bulwark against poverty in old age**. Gemma was worried about not having a retirement account. She planned to purchase and rent multiple properties and then start her own café and record shop. Marianne’s plan was more

¹⁶ No lawyer fees are involved in home purchase, but closing costs do need to be paid on top of downpayment. Perhaps William was referring to closing costs in his statement.

urgent. She had spoken to a slightly older friend about his retirement and expected to hear stories of relaxation. Instead, he pointed out to her that the rising costs of living, particularly of rent, were eating into his retirement benefits. An energetic and independent woman, Marianne realized that her friend's poverty would grow more acute until he is forced to live in senior housing. Determined to avoid his fate, she decided to purchase property so that if nothing else, her fixed interest rate 30-year mortgage will provide her with fixed housing payments. She also plans to work as long as possible and pay off her condo at an exponential rate, so that by her retirement she would have only Home Owner Association fees and taxes to pay with her retirement check. She added that leaving her children with property would be "lovely" as well. Ana is a real estate agent who wanted to purchase a home as an investment for future gains but being in the beginning of the program she seemed less certain that she would be able to actually purchase one. She vacillated between saving for a home and a business, and wished she could save for both

Two other participants hoped to use housing to provide their children with a **middle class** existence, a reason that blends the functional and symbolic. Sandy rented her home in the suburbs to provide her children with a n immediate middle class existence. Bree is also motivated by thoughts of her children's future. She is using a riskier strategy than Sandy, saving to move her family to one of the newly bankrupt cities in California. While she recognizes that safety and schooling are much more of a concern there, she is optimistic that the fate of the city will turn. Her goal is to eventually purchase and rent another home with the equity she will have built up with the first, allowing her to eventually sell one of the homes to pay for her children's college education. At the end of the interview, Bree made a motion of one hand jumping over the other arm stretched out as a barrier, signaling she wants to jump classes.

Two participants presented reasons difficult to classify: they reported simply taking advantage of opportunities presented to them. For Richard, this is Family Self Sufficiency, a program funded by HUD and available to a small proportion of persons in its subsidized housing programs (vouchers and public housing). Rent increases with income when housing is subsidized, until participants' income renders them ineligible. Families enrolled in Family Self Sufficiency have the increases in rent saved in an escrow account. Richard's funds will be available for him when he is ready to purchase. Mirah also seized an opportunity, but this was the opportunity to drop out of the IDA and buy a house for no money down. Mirah's opportunity lead to a foreclosure on the house she bought on subprime terms.

At the other end of this continuum are two participants for whom home ownership appears tied to gaining a **sense of control and stability** in their lives. For Rosie, a desire for the security of a home is tied to an end of decades of life spent battling substance abuse, homelessness, and the child welfare system to regain custody of her many children. As she explains:

Rosie: The reason why I wanted a home was because me and my family have been evicted, through a lot of places (...) I just want a home so that I can reunify with my last set of twins, and you know, just be comfortable and in peace, where I won't have to worry about being thrown out and our family can be united.

Interviewer: *So it seems that the home represents way more than an investment...it seems as if it's kind of like bringing...*

Rosie: Safety, tradition, security.

Dorothea wants to buy a home so that it would be easier for her disabled brother to enter the domicile; currently he has to crawl up the stairs. When asked if it would not be possible to simply rent an apartment on the ground floor, she brought up the difficulty of finding affordable apartments in the large urban city where she lives and her frustration with landlords' power over her family's existence. She too has a **history of evictions**. Bree (listed earlier as attempting to ensure a middle class existence for her children) also mentioned wanting to shield them from being evicted.

What makes these goals appear meaning-driven is that strictly speaking, home purchase may not necessarily make a person less susceptible to being forced to move. After all, the foreclosure crisis was in full effect at the time of our interview and millions of families were forced to move out of their homes. In Rosie and Dorothea's cases the women's finances seemed too tenuous to stave off evictions, or in the case of homes, foreclosures. Indeed, Rosie was in the process of becoming evicted at the time of our interview. Although Rosie now has multiple part-time jobs, it would likely be difficult for her to maintain mortgage payments on a home large enough to reunify with her six children, particularly since she was also divorcing her husband. Dorothea's financial situation was similarly difficult. Her income had been dropping, forcing her household to rely more on her brother and mother's meager disability checks. If Rosie and Dorothea were to be able to purchase the homes they want in their current financial situation, it is quite possible the act of purchase would not shield them from being forced out of their living quarters.

These women may be responding to the connection between ownership of assets like homes and a **sense of social legitimacy**. The connection has long been made (e.g. see Acknett and Stake; de Toqueville). I will allow a participant from the larger study, an alumna of the education IDA program, to explain the connection she observed between housing and social legitimacy. Monique is an African American single mother of a son currently 17 years old. She lived for a several years in public housing apartments with her young child when the apartments became infested with rats. As the vermin began boring into her sofa to make nests, Monique was determined to enforce her right to safe living conditions with the Public Housing Authority. She consciously created a paper trail, attended meetings and joined a board that would eventually try to eradicate the rats. Her fellow tenants resisted participating. She attributes her own ability to take action to enforce her rights to having grown up in a neighborhood where the majority of families owned the homes in which they lived.

Who's enforcing that right? Nobody. We invisible. But I'm not invisible. Why am I not invisible? Because I haven't lived my entire life in public, in affordable housing. I come from a blue-collar town where working class people and working poor people are able to own a home. So I'm used to things being fixed. You don't have to have the best, but it has to be quality. And these people have been indoctrinated to take less. I haven't been indoctrinated (...) [With rats,] you have drippings on your sheets, on the floors. So when your child drops a piece of candy or a piece of fruit, children don't see the dripping. Children eat off the floor. It doesn't matter how clean you are. You're not in control of the conditions of your home, so you don't have a home. What you have is a roof over your head, but you don't have a home.

Monique suggested her neighbors were loath to take action because they did not feel truly in control over their living space, and asserting their rights would draw attention to their presence in

the space, potentially threatening it.

Homeownership among family and friends

Heritability is an important feature of accumulated resources: both in the sense that people tend to replicate their parents' socio-economic status and in the sense that an asset like a home can be literally inherited. I wanted to know the degree to which participants came from families that could ease their pursuits of home purchase, so as to gain a better sense of the role of the IDAs relative to that of the resources participants carry with them into the program. We asked participants how common it was among their friends and family to own homes. We then asked participants to tell us to whom they would turn for guidance about the process of buying a home.

The majority of the persons in this sample were connected to family members who owned homes. I consider the family background of four participants to be particularly strong. Gemma and Marianne even described their families as relatively wealthy, for multiple generations. The two women led lives they described as considerably more bohemian than those of their family members. Perhaps a result of this independence, these women did not consult with their family in matters related to the purchase of their homes. Gemma benefitted from guidance from non-profits while Marianne primarily leaned on her lending broker and real estate agent.

Wells and William came from families that seemed comfortably middle class. Wells' parents were owners of a beautiful home in a southern state and many of her friends own. William described his parents as working really hard after coming to America from China and buying a home when the prices were still low. William's siblings also managed to purchase. William asked for his parents' advice all through the process while Wells relied on non-profit organizations. Wells has recently started to save money towards a home purchase with her IDA. Gemma, Marianne, and William already bought homes with the help of the program.

At the other extreme are Dorothea and Mirah. Neither participant's families owned houses, although Dorothea does have one sibling who owns. She and the sibling have a strained relationship, and Dorothea looks to non-profits for guidance with this purchase. Although still technically a saver, it seems unlikely that Dorothea will be successful in her drawing down a match for her savings from the IDA program before being dropped from it. She has finished saving the \$2000 maximum for her IDA, the deadline for her last extension for program participation is nearing, and she cannot find a lender willing to return her calls. The advice she receives from EARN staff is to just keep trying, and she does, but it seems unlikely her situation will change soon. Mirah dropped out of the IDA program prematurely. She was a good candidate for home ownership when she bought her home: nearly perfect credit and a steady work history. While saving in her IDA account, she was approached by a lender (a friend of the family) who convinced her to take out a subprime loan that required no down payment. EARN would not approve this loan, so she withdrew her funds without a match and bought the home anyway. She regrets her impatience. After five years she was unable to keep up with the payments. She lost the house to foreclosure and with it, her perfect credit score.

Between the two extremes are participants reporting mixed backgrounds in home ownership. Sandy was born to a father with considerable family wealth and a mother from an impoverished background. Sandy grew up in a home her mother was awarded in the divorce settlement, but her mother's consequent struggle to make the monthly mortgage payments meant that Sandy's upbringing was also impoverished. Richard's family did not own a home but now his sister owns and he is working in an environment where older co-workers own homes they

bought when homes were more affordable.

Two other families purchased homes during the respondents' grandparent generation, taking advantage of opportunities to purchase homes as shipyard workers during and after the Second World War, and recipients of veterans' benefits (G.I. Bill). The following generation would find it more difficult to maintain homeownership, but the grandchildren are seeking to buy. Rosie's parents lost the house her father purchased as a veteran of the Korean War, when they divorced. Rosie's adult life then repeated the years of eviction and periodic homelessness that followed her parents' divorce. Perhaps having the memory of growing up in "a real home" keeps Rosie pursuing opportunities to buy a home that would bring her family together, despite currently being in the midst of her latest eviction, divorcing her spouse, and running out of time to use her IDA matching funds.

Rosie: My thoughts were both my mother and father owned a home but then when they got divorced, we lived in apartments and we always moved...we were always evicted...from the age of twelve we started getting evicted. But before that, when I was little, I remember having a home. And everyone I knew around me, you know, it was the sixties- they had a house.

Interviewer: *so you grew up in this kind of stable home feeling.*

Rosie: Yeah, you know, the yard, the playroom, and bedrooms, and a couple of kitchens and bathrooms- a real home.

Rosie depends on advice from non-profits to help with the home purchase, although she has already lost the opportunity to purchase a home with the IDA match. After saving the maximum amount, Rosie's credit score turned out to be just below what her lender would approve. She was forced to drop out of the program without getting the match but continues to be involved as an alumna, which EARN considers those who either saved the full amount or who were able to draw down the IDA match. In Bree's case, her uncles' lives were particularly difficult as they became involved in substance abuse. Her grandparents maintained possession of their homes, and Bree is now living with her mother's parents to save money towards the purchase of a home.

The degree to which having such connections influences participants' ability to obtain houses is unclear. Despite the potential expertise of the family members, most individuals tended to consult with staff in non-profit agencies when they had questions about the process. Importantly, material aid also did not seem to be provided to the respondents from family members or friends. None mentioned gift funds, or money given or even borrowed from family members to purchase a home. While we did not ask about gift funds directly, in a later part of the interview we did ask more broadly about mutual aid: helping out others and being helped out in turn, particularly as it relates to an exchange of funds. Whereas respondents reported many instances of giving or receiving financial help when funds periodically ran tight, none mentioned gift funds¹⁷ to be used towards the home purchase.

Yet one instance is noteworthy as it pertains to the family's potential ability to help respondents gain access to homes. Bree is a saver who during the height of the housing boom was as eager as Mirah to purchase a home as quickly as possible, so as to fulfill a lifelong dream of homeownership. Each was tempted by offers from lenders who promised to get them into a

¹⁷ Rosie mention of gift funds as something lenders encouraged was another instance, since she rhetorically asked, "what if you don't have gift funds?"

house with no money down. Mirah seized the offer, withdrawing her savings from the IDA to use towards the purchase of a home on terms that EARN did not approve. She lost her home to foreclosure five years later. Bree decided to not take this opportunity. Bree's grandparents forbade her from buying the home since, as she reported them explaining, buying a home with no money down was too good to be true. Mirah, the first in her family to attempt to own a home, did not have such mentorship available. Used to staking out her own path, Mirah ignored the advice of the IDA program in her rush to achieve her goal of homeownership as quickly as possible.

Context of home purchase

The high cost of home purchase. Although usually coming from families where homeownership was somewhat common, study participants enter a housing market where home prices, and thus the cost of entering the mortgage contract, are quite high for a participant with little means. This section will examine the context of home purchase for participants, focusing on calculations of cost. The loan terms that help those in the middle class purchase houses nevertheless pose a considerable financial barrier for entrance to home purchase. The main conclusion of this section is that the costs of home purchase are so high, that IDA funds alone are insufficient to make purchase possible.

It seems that the post-housing market crash would be a time when home purchase for the poor would be especially easy. Indeed, compared to the heights of the housing bubble, prices are now more reasonable. William, one of the three alumni interviewed here described his parents' home purchase as having been made back when homes were affordable, and his own "investment" as only possible once the prices dropped. Yet the drop of home prices from their peak during the housing bubble does not necessarily mean that homes have become affordable for low-income workers. In fact, the context of lower home prices and historically low interest rates have attracted **investors** whose ability to pay for a house outright makes it even more difficult for persons with low incomes to purchase a first home (**cite**). San Francisco Bay Area home prices are among the most expensive in the United States. Wells, who originally lived in Georgia, joked that she thought that the prices were phone numbers. As she explained, "for what I'm used to, with \$800,000, you can probably buy the whole town; but somebody can pay that much for a house!" Indeed, whereas the median home price across the United States was \$175,000, the median price of a house in the Bay Area was \$500,000 (**cite** National Association of Realtors electronic communication find year).

Certainly few home buyers pay for the purchase in cash. Since the governmental became involved in the 1930s, a 30 year fixed loan for 80% of the purchase price (the Conventional loan) has become standard. For those who do not have the accumulated wealth to pay 20 percent of the purchase price as a down payment, Federal Housing Administration provides specially insured loans. Buyers can enter home purchase with as little 3 percent of the total cost as their own money down. The catch is that persons funding their purchase with this FHA insured loan are obligated to pay monthly Private Mortgage Insurance (PMI) at 1 percent of the total purchase price per year, until the buyer possesses 20 percent of the equity (value minus debt) of the house. PMI protects lenders in the event of a default on the loan. The monthly cost of the PMI is not insignificant: about \$146 extra per month on a \$175,000 home (1% of \$175,000/12 months). If this home were bought with a conventional loan, the monthly mortgage payment will be about a thousand dollars. **Thus the low-wealth person purchasing the home through the FHA loan will need to pay about 10 to 15 percent more per month than the person with access to funds that allow her to purchase the home with a conventional loan.** Since the money paid in

insurance costs does not increase equity, the arrangement effectively raises the purchase price of the house. In our example, if it takes five years for the home buyer to gain 20 percent of the equity, the \$175,000 home costs an extra \$8,750 for a person with an FHA insured loan, or an additional five percent of the purchase price.

If the low-income worker decides she can afford the mortgage payment with the PMI, she is faced with raising the cost for the purchase itself. The down payment is not the only cost involved in the purchase of the house. The buyer also needs to pay for the closing costs, which total to an additional 2 to 3 percent of the purchase price depending on the price of the home. The move in costs for median house prices for the two types of loans in the Bay Area and the United States are summarized below.

Table 2-3. Move in costs compared by loan type and regional median home prices

	Bay Area (\$500,000)	U.S. (\$175,000)
Conventional Loan	20% (down payment) + 2% (closing costs) of purchase price =\$110,000	20% (down payment) + 3% (closing costs) of purchase price =\$40,250
FHA Loan	3% (down payment) + 2% (closing costs) of purchase price =\$25,000	3% (down payment) + 3% (closing costs) of purchase price =\$10,500

A quick comparison with income is worthwhile. A family is considered poor if its household income is below the federally designated poverty line, and low income if within twice the federal poverty line. In 2012 the federal poverty line was an annual income of \$23,050 for a family of four, which means that the low income family will have annual earnings of less than \$46,100. Taking the midpoint between the two ends of the low income wage (150% of the federal poverty rate) gives a monthly income of \$2,881 before taxes. This means that in the cheapest scenario – an FHA insured loan for a house at the median price in the United States – would cost a little over three full months of pre-tax low-income wages. The most expensive version – a conventional loan for the median price house in the Bay Area – would require a little more than three *years* of full wages of a low-income household to move in.

A low income person with little accumulated wealth would be unable to purchase a median price home in the Bay Area without additional assistance. Yet even if she sought to purchase a home for half of the amount of the median price in the Bay Area, she would need funds that exceed what is available through the IDA program. The price to move in would be about \$55,000 for the conventional loan and \$12,500 for the FHA insured loan. The maximum funds available through the IDA program per person are \$6000, with \$2000 of this amount being the personal savings and \$4000 the match. Thus it is not surprising that when not specifically drawn to one of the other asset goals (i.e. business or higher education), IDA participants in the larger study who did not choose housing as an asset goal for their IDA tended to rule out home purchase because they perceived the costs to be prohibitive. Clearly, more funding is needed.

The process of home purchase is complicated. The process of purchasing a home is not simple. This is evident from the sheer number of actors involved in a typical transaction, each with competing interests. According to a Consumer Counseling Credit Service online first-time homebuyer training, there are at least seven agents involved in the transaction. The real estate broker and lender are the most important. The real estate broker shows homes to the buyers and then advocates with the seller on their behalf in the process of the sale. The lender communicates with the underwriter to evaluate the credit-worthiness of the potential buyer. If the buyer is deemed loan-worthy, the lender provides him or her with pre-authorization for a mortgage loan, a document that the buyer can use to show his or her readiness to purchase the home. Much depends on the quality of these agents. Gemma, for instance, found out from her lender about an area in Oakland with lower crime rates than the neighborhood in San Francisco in which she had planned to purchase. Conversely, it was an unscrupulous lender that convinced Mirah to withdraw her IDA savings and take out a loan that she would later be unable to repay.

It is in the purchase of the house that the **idiosyncratic nature of the functioning of the financial system** becomes more visible. Credit scores determine the quality of loans for which participants are eligible. It is not always obvious what affects the credit score. Having unpaid consumer debt is obviously bad for the score, but so is an absence of borrowing. Seemingly unrelated things like excessive inquiries about one's credit, as happens if shopping around for a loan, will depress the credit score.

The financial market of credit and banking **baffled participants**. Marianne described trying to refinance her condo to a lower rate and receiving no call backs to her queries. Then suddenly she started receiving many offers to refinance through mail and phone. She could not understand the difference until finally one of the lenders explained that she had passed a threshold of equity, making her suddenly an attractive candidate for refinancing. In the same way, major obstacles can suddenly appear, sometimes even years into the process of "doing all the right things," as Rosie explained. Rosie was in the process of securing her pre-approval letter when she found out that her credit score, or more precisely her husband's, prevented her from receiving the loan. Dorothea sister cannot find a lender, or as she describes it, no lender would call her back. EARN staff encouraged her to keep trying, but with her last months of extension approaching, it seems that she may be forced to drop out of the program without understanding precisely what makes her a poor candidate for a loan.

There is a fundamental **asymmetry of power** between the lender and borrower in the home lending situation. The process of trying to obtain a loan forces individuals to expose their financial histories to scrutiny and judgment (quite literally "approval") by an external agent to a degree that is rarely demanded in other situations. Tax statements, bank statements, income stubs, full credit reports, and letters of explanation for any discrepancies are a basic requirement in applying for pre-approval. Given the complexity of the process, the purchase of a home requires the buyer to place a certain amount of trust in her agents. As Marianne explains, after some time, she would refuse to listen to her daughter's pleas for caution, relying on her intuition that her agents were trustworthy:

The whole economy, you know, imploded about that time, around 2007. And my daughter's telling me, 'you're too trusting, this is how people get in trouble, you don't know what you're doing.' And I said, 'you're right, I don't know what I'm doing.' And I had put my trust in these two women [the mortgage broker and the realtor]. But I just feel good about them. I feel they're sincerely trying to help me. They're trying to help me buy a home.

Thus compounding the difficulty of financing the purchase is the need for low-income individuals to trust and expose their finances for approval to persons in a financial system they may have been warned to guard against.

Apparent plethora of choices for funding home purchase. Persons of lower-income and wealth apparently have a large variety of programs available to help them meet the funding requirements to purchase a contract. As I will show in this section, the IDA is just one of the many programs to help first-time home-buyers gain access to additional funds. An attempt to find all the programs apparently available would take considerable time. However, training regarding the funding opportunities is also available. This section shows most directly the additional resources for funding and training to which low-income individuals would potentially have access outside of the IDA program.

The confusion that such apparent variety might cause is not immediately apparent. The Department of Housing and Urban Development (HUD), the federal entity that provides the source funding for many of the programs for which the low income workers would qualify and which more generally oversees community development efforts (including public and subsidized housing) provides helpful web pages that present the process of purchasing a home in language that is easy to understand. For the precise funding opportunities, HUD describes the major programs and asks homebuyers to contact the nearest HUD certified housing agency to find out which programs would best fit one's particular circumstances. One can also find online mortgage calculators online, and networks of non-profit agencies like Consumer Credit Counseling Service or NeighborhoodWorks, which in turn collect helpful links to information and other agents. Consumer Credit Counseling even makes available a series of free videos online to train first time homeowners on the process. These cover topics like types of loans, the danger of subprime loans, hidden costs of home purchase and personal budgeting. Websites of programs and agents involved are hyperlinked to each other in case the consumer needs more information.

Study participants mentioned programs that seem quite very well suited for the needs of low-income workers. HUD's Good Neighbors Next Door appears particularly generous. Law enforcement officers, teachers, medics, and fire department personnel can purchase HUD homes in special revitalization areas for 50 percent off the purchase price, provided they live in these homes for at least three years. The program thus financially rewards persons from respected but not necessarily high paying professions and injects them into distressed communities. Further, first time home buyers may take advantage of the Mortgage Credit Certificate (MCC) program, which enables the homeowner to receive a tax credit for the life of the mortgage¹⁸. This program makes monthly mortgage payments more affordable. For those with insufficient wealth accumulated for a down payment, cities administer Down payment Assistance Loan Programs (DALPs). The DALPs are silent second mortgage loans, which means that the homebuyer does not repay the loan until the primary mortgage is repaid. Down payment assistance is also available through participating lenders, with programs like IDEA (Individual Development and Empowerment Account) or WISH (Workforce Initiative Subsidy for Homeownership) (FHL Bank of San Francisco, 2012). These provide income eligible first time homebuyers with a 3:1 match for savings toward down payments, with a typical cap of \$15,000 match for \$5,000

¹⁸ The tax credit is equal to 15 or 20 percent of the mortgage interest depending on the location of the residence.

personal savings. Once combined with IDA's (a completely unrelated program)¹⁹ funds of a \$4,000 match on \$2,000 savings, the combined amount of \$26,000 from public and personal funds suddenly becomes a reasonable amount to use towards home purchase.

In order to gain a sense of the programs that are available, HUD urges first time homebuyers to contact their local HUD certified counseling office, where they can find information through HUD certified 8 hour training for first time homebuyers. The nationally standardized training teaches those interested (no eligibility requirement to attend) about the process of home purchase and funding opportunities. Thus on a given weekend at local community centers all over the country, after over eight hours potential new home buyers receive a certificate that entitles them to access additional funds if eligible. IDAs are mentioned in these trainings as well. Conversely, EARN's IDA program requires participants with a housing goal to attend the HUD certified training as part of the financial training requirements.

Plethora of funding choices, dearth of actual funding. The plethora of choices available is likely to inspire potential new homeowners with the thrill of the possibility of reaching a goal that holds so much symbolic meaning and financial rewards. Yet confusion becomes more apparent once participants describe attempts to actually access these programs. At times participants appeared to clearly understand the situation until they start applying the theory to particular instances. Rosie's explanation of the availability of other programs besides the IDA for homeownership is a case in point:

My friend moved in with three thousand dollars and with the *IDEA* [emphasis in original] program which gave her fifteen thousand for the closing cost, she could do that. But I couldn't do that, because certain programs do certain things. And you know, that was kinda was confusing too, like to not have ... It was information... but it was *so much*...

Rosie speculated that the workshop format in which the information was presented was the likely source of confusion. Perhaps if the information were presented at a fair, she speculated that she may have been able to grasp what all the programs were and what "certain things" they do. Yet after considerable time attempting to understand these programs myself, I believe that even if the information were presented as a fair, Rosie would likely remain confused²⁰. It would be difficult for her to identify the institutional affiliation of the persons attending this fair. In the preceding section on potential programs I named a federal department (HUD), lenders (i.e. banks),

¹⁹ To compound confusion, it is not the actual bank that funds down payment assistance programs like WISH and IDEA, but the secondary banking institutions that provides banks with low-cost credit from trades on the international financial market. (Fannie Mae, Ginnie Mae, FHS are examples of these secondary lending institutions. These non-governmental institutions were instituted through federal action as part of the reforms to the home mortgage system in the early 1930s)

²⁰ My original plan for this chapter was to present a survey of the programs available to low-income participants and the programs' implementing agents. Ideally, I wanted to add information about the ability of these programs to meet the needs of the clients. Although such a project would certainly be worthwhile, it would require one scholar to invest resources that would result in research far beyond the scope of one chapter.

networked non-profit organizations (Consumer Credit Counseling Service, NeighborWorks), and the Internal Revenue Service. These institutions are linked through programs and collaborate in ways that may not be readily understandable. Federal funding is packaged by localities into programs with different names, and different terms of use. The same program might have different names and a program with the same name might have different terms depending on the administering city. A strategy of looking for suitable houses across many cities to find something affordable would require learning about each city's programs separately.

Marianne, seeking to purchase a home that would secure her retirement described months of frustration attempting to access these programs. She spent the first part of our interview describing her failure to gain IDEA (not IDA) funds. EARN staff told her about the IDEA program. Although she qualified and saved the requisite amount, Marianne never received the match from the lender EARN recommended, despite repeated attempts to contact responsible individuals. In the end, she gave up, coming to the conclusion that EARN staff had simply refused to tell her EARN ran out of funds. In fact, it would have been the lender Citibank, not the nonprofit EARN, whose funds were potentially depleted. Marianne experienced a similar disappointment when she attempted to use the Good Neighbors Next Door program as an employee in an elementary school. After many assurances from various staff that she qualified, she was finally and definitively told she did not. Marianne would ultimately be successful in raising additional funds by using San Francisco's DALP²¹, albeit on terms that make her eager to refinance away from this mortgage agreement. As she explained:

So the only way I could put 20% down on this place was to get that \$36,000 because the Teacher Next Door program [now Professional Next Door] fell through. The IDEA funds fell through. That would have been 35,000 dollars. If I had gotten those funds I wouldn't have had to do this DALP. The \$36,000 from the Mayor's office of housing and my own \$15,000 is what got me into the place. (...). I do want to refinance and get that DALP off because I can refinance. See, that \$36,000 is due when I pay the first mortgage off. They'll expect their \$36,000, which is kind of a balloon payment there at the end. Plus they want 17% of the appreciation. Because \$36,000 is 17% of the cost of this place. I bought it at 212 [\$212,000]. So 30 years from now, if my place appreciates, I'm going to have to pay them \$36,000 plus 17% of the difference in what I bought and what it's worth²².

²¹ For instance, some DALPs are loans that become grants with length of occupancy, while others remain loans *and* entitle the city to a proportion of the appreciation of the home's value, depending on length of tenure (Lisa Silva, email communication Monday December 17, 2012). DALPs and other sources of funding become available at the beginning of the year, and can be accessed for as long as funds remain. However, the funds often remain for only a few months before being depleted (Sahara Garcia, personal communication, December 14, 2012).

²² Her account does not make mathematical sense at first. Here is the reconstruction: Marianne's own funds include the \$4,000 she received from the IDA and total \$15,000. The DALP of 17% (\$36,000 of \$212,000) means that she needed to put 3% of her own funds down, which would be \$6,360. She does not mention the closing costs, which would be about another \$6,000. Additional costs she may have incurred are the costs of a home inspection and home assessment, which together would cost nearly \$1000 if she only inspected one place before purchasing it.

Marianne reminds herself to not feel disappointment over money that she never had, but the promise of funding that seemed to evaporate without explanation still clearly irritated her.

Part of the problem that Marianne experienced accessing the IDEA funds may be the result of a patchwork system not designed to work in concert. Ferguson and Stoutland's (1995) description of the field of community development, which contains first time home buyer programs for low income workers among its many initiatives to improve wellbeing at the community level is particularly apt:

...it is as though each of us is building a small piece of a skyscraper, hoping that if we do our part, others will do theirs and the building will rise. However, our collective project has no head architect, no construction foreman, and no one to monitor the adequacy of labor and supplies. Moreover, it will never have a unified blueprint. (p. 33-34)

HUD might be that head architect except the federal funding is used by localities for whatever programs seem appropriate. The purposeful diversity at the local level also hampers attempts to make accurate assessments of functioning (GAO, 2012). An additional problem is that the lenders, who are the core agents in this process, have little motivation to efficiently bundle these programs. Tim Hurlbut, Mortgage Loan Officer in a bank that handles such programs, explained that bundling multiple programs is not only an administrative headache, but simply less profitable:

They weren't created together, no. Can they work together? Yes. But then it all goes back to the underlying fundamentals of like... banking, and profit, et cetera et cetera... How excited is the lender going to be when you have a mortgage for 80 thousand dollars, putting together or piggybacking two or three different programs, with the state perhaps, WISH [similar to IDEA], IDA, whoever they are. And the return on it is so minimal, you know what I mean? And I really, literally, felt like a community advocate for a while.

The "community advocacy" in which he was engaged was providing fellow lenders documentation that proves bank programs like the IDEA can indeed be bundled with federally supported programs like the IDA.

It is not possible to know whether Marianne did not receive the funds she sought because she was mistaken about the eligibility of the program, or because the funds ran out, or if perhaps because her case was handled by a worker that was less motivated or capable of helping her than Tim. The picture that emerges from Rosie and Marianne's unsuccessful attempts to access additional down payment programs, and Dorothea's inability to get lenders to call her back in the first place, is of a context where there appears to be a plethora of opportunities for low income workers to gain additional funding for home purchase. Yet whether these programs can actually be accessed is another question.

Despite her frustration with funds she sought but could not get, Marianne still seemed giddy to have been able to purchase her studio condominium in San Francisco. Marianne is so precisely frugal that she even captures interest on pay that would be taken out of her paycheck as taxes if she claimed maximum deductions on her tax reporting forms (W-2). Yet she purposely

did not automate her local tax payments as she did all her other payments, just so that she may experience paying her local taxes in person:

I feel good about paying my city taxes. I like to go down to City Hall and pay my taxes in person. I must feel like I belong to this exclusive club now. I get to pay city taxes. I am a person who actually contributes to this beautiful city, to make this beautiful city work. So it's almost a pleasure to pay my taxes because it proves I'm a homeowner. How special. That's so special, it really is. I just, somehow, it's like I still have to pinch myself. So I'm happy to be here. I'm happy to be here. Yeah, it happened! Sometimes, you know I still can't believe it but I have to remind myself. It happened, it happened, it happened. 'You know, don't get yourself all worked up as if you don't deserve this', I have to remind myself, 'you deserve this! You deserve to live in San Francisco. You deserve to buy in San Francisco. You deserve to be here.'

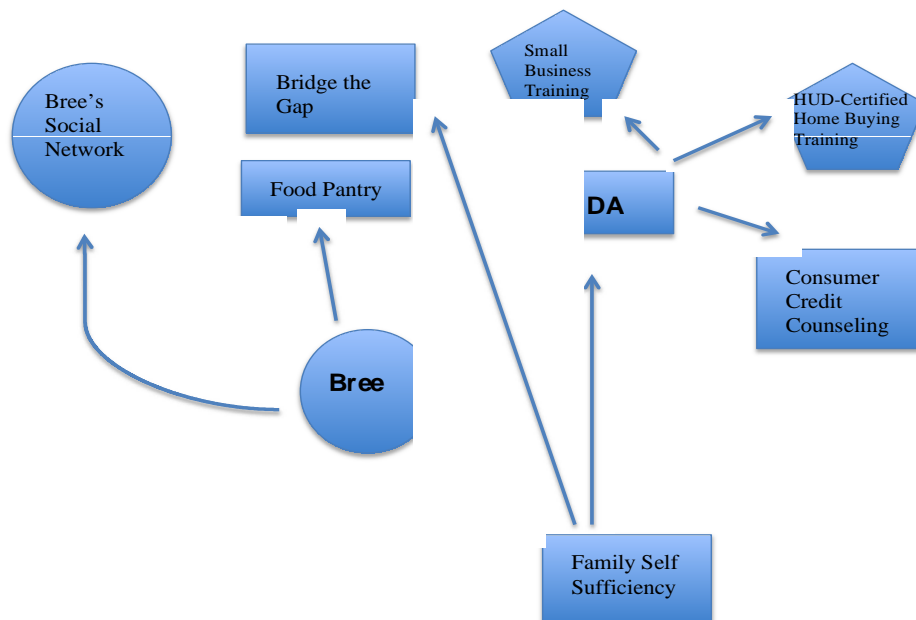
Her statement underscores the formidable challenges of navigating a complex process to gain the funds necessary to finally become a homeowner in the Bay Area. Having described the expense and complexity of the home purchase process, I will now describe how participants' attempts to overcome these hurdles.

Participant Strategies

Overcoming Barrier of Complexity: Using Asset Building Network, not Program.

Evaluating the impact of IDAs on participants' attempts to purchase homes becomes easier once the IDA program is viewed as part of a network rather than a program in isolation. This makes sense once one considers the complexity of the effort of helping persons with low wealth and income to gain assets: improving credit scores, accumulating funding, even finding an appropriate outfit to wear for an interview for a better position. Non-profit organizations may pursue the same goal in related but different ways. This section will show that while evaluating IDAs as one program is important, an entirely different sense of its functioning emerges from an examination of IDAs in the context of other organizations helping persons build assets. A detailed look at the case of Bree, who seems likely to succeed in using the IDA for the home purchase, and the more cursory exploration of Dorothea's case, who seems about to drop out, will be used to explore this point.

Table 2-4. IDA participant progressing through asset-building network



Bree: Navigating Asset-Building Network. Bree is the participant whose home-owning grandparents warned her away from purchasing a home with a sub-prime loan that required no money in a down payment. Bree's family is the embodiment of class differences, with housing as the marker of these differences. It is also particularly interesting for the way that the impact of institutional factors on its fate is so readily evident. As Bree explains of the area where she was raised:

So it's such an extreme difference. So you'll see there is one extreme to another. Here in Marin City, there's low-income housing which I grew up in. And then there's the older generation that own homes, so most people my grandmother's age own homes, but their children, 50% of the children did not own homes, they ended up living in the public housing. It's very interesting. And Marin City is based off of the Marin shipyards.

In fact, Marin City was an instant community created to serve the shipyards by housing its workers. According the town website, Marin City was one of the few integrated communities during the Second World War, becoming predominantly black as the southern blacks that moved there were unable to buy houses outside the town. Bree and her family are black and her parents' generation, particularly the men, found it difficult to purchase homes as their grandparents' generation had been able to do. Rather than houses, that generation tended to live in public or subsidized housing. One difference between the opportunities of her previous generations was the presence and then disappearance of good blue collar jobs (Wilson, 1997).

Bree's family now stands precisely poised between the middle class aspirations of her grandparents and the more impoverished frame of reference by the time of her parents'

generation. She sees her own emphasis on saving for the future as fundamentally different from that of her husband (who is supportive of her goals for the family) and her friends (who are less understanding):

My life to most people that I know, I feel like I add more stress in my life because I'm using my money to financially gain a home, a house, stability. Whereas most people I know go ahead and settle for public housing and government funding. Like they look at us like, we've been called the ghetto Huxtables.

Bree is a pioneer among her social circle, emulating herself after her grandparents who own houses. She and her family lived in public housing after a bout of illness caused her to lose employment. She enrolled in the Family Self Sufficiency program, whose intent is to help families permanently transition away from subsidized housing by saving increases in rent that happens with increasing earnings into a special escrow account. The program is available to local public housing authority agents administering subsidized housing programs and paid for by HUD. Bree's public housing authority is one of the few who make Family Self Sufficiency available to its clients, making Bree's family one of the few²³ nationwide to participate in the program instituted just before the IDAs' inception (Sard, 2001). Participants are given a case worker to help families identify and work towards goals, and Bree's case worker found out about the IDA program and encouraged Bree to join. Bree had been using the money accumulated in escrow to pay down the medical bill she accrued when her previous income was used to calculate and exclude her from eligibility for welfare benefits. Now that her time in Family Self Sufficiency was ending, she could start saving for a down payment with IDAs. She moved in with her grandparents to reduce housing costs and increase savings. Since her grandparents owned the house instead of renting, it was possible for her to count on this resource without jeopardizing their housing arrangement, as may have been the case if they were renters.

The FFS case worker also referred Bree to a tutoring program for her children. Bree's strategy is two pronged: (1) delay her own educational aspiration to focus on that of her children and (2) purchase a house for longer term economic stability (which includes eventually paying for the kids' college education). As a result, supportive programs like Bridge the Gap, which defrays the costs of the tutoring programs in which she has her children enrolled, enables her to save more money for the house. The same is true for food pantry programs. Despite Bree's distaste for the practice, Bree's family regularly takes advantage of these programs to save money on food. She lists use of food pantries as a saving strategy, combined with frugality in food purchase and preparation. While neither Bridge the Gap nor the food pantries are programs directly seeking to promote home ownership among the poor, they are important to include in an assessment of resources available to families since, as is evident in Bree's case, the **supplementary resources** increase their likelihood of accomplishing the goal of homeownership.

When Bree's Family Self Sufficiency case worker referred Bree to EARN's IDA program, Bree was better able to take advantage of this new resource to pay down a large portion

²³ Sard in her (2001) report estimates that fewer than 5% of families in Section 8 or public housing are in the program. She attributes this underutilization to the fact that only half of public housing agencies offer the program. Those that do offer it, tend to sharply constrain the number of spots they make available.

of her medical bill. The irony is that she would not have accrued such a bill in any other economically well-developed country, where the costs of medical care are more evenly distributed across the population (Reid, 2010). Before the passage of the Affordable Care Act, 700,000 Americans declared bankruptcy because of medical costs (Reid, 2010), which is about 62.1% of the bankruptcies filed in 2007 (Himmelstein, Thorne, Warren, and Woolhandler, 2009²⁴). Bree is paying the bill, but her **credit** nevertheless suffered from having accrued these charges. She improves her chances of purchasing a home by taking advantage of credit counseling instruction available through Consumer Credit Counseling of San Francisco, an organization with which she became connected through the IDA program. Specifically, she found out about the resource from a worker from Consumer Credit Counseling, who was teaching a financial class for EARN's IDA program.

Thus an important function of the IDA program is to link IDA participants to additional resources in the community. One way this is done is by having **experts from external agencies teach the financial classes** clients are required to attend. Drawing guest instructors enables EARN to save training costs for its instructors. It also links its IDA clients with local experts providing professional financial management services for the more wealthy – they volunteer their time teaching the classes. In this way EARN's financial training provides a place for the exchange of information about resources, beyond simply financial information. Some of the participants (Wells, Marianne, and Rosie) report attending many more classes than required. Bree also reported availing herself of opportunities to take a variety of financial classes, which are regularly advertised through EARN's electronic and paper communication with clients:

I take more. I take *a lot* more! (laughs) Whenever they actually offer a class during a time period that I'm able to attend, I go ahead and take it. I've taken probably about 10 classes in total. I've taken the credit workshop, I've taken the home workshop twice exactly.

Since EARN's IDA program is able to serve the three goals of home purchase, business, and education, participants may attend classes for other goals as well. Bree was worried about her chances of purchasing a home and so she also attended the small business classes. Participants are able to change goals for their IDAs until the first time they withdraw matched funds. Some IDA savers for home purchase would hedge their bets by attending business classes as well. Such training exposes participants to **additional information about asset-building opportunities**, better preparing them to pursue or avoid this pathway in the future, if not more in the short-term.

For potential home-buyers, the IDA requirement to attend asset-specific training in addition to the general financial instruction provides participants with consumer protection and access to additional funding opportunities. The home workshop Bree mentions taking twice is the training administered over eight hours in a local community center, which provides attendees HUD certified instruction about the process of home purchase and potential local funding opportunities. To the extent that the federal government is interested in **decreasing the number of foreclosures** as a result of unsustainable loan arrangements, receiving from IDA programs a captive audience for its HUD-certified trainings is beneficial. In turn, the IDA program is one of

²⁴ According to the study authors, medical bankruptcies are actually more of a middle class problem. In 2007, three of four individuals affected had health insurance and the majority were also well educated, held middle-class professions, and were home owners (Himmelstein, Thorne, Warren, and Woolhandler, 2009).

the funding resources that tends to be mentioned in these trainings.

The final element of this diagram is the dotted line arrows leading from Bree to individuals in her social network: family, friends in low-income housing, and work acquaintances. Bree is very satisfied with her experience through EARN's IDA program and unofficially advertises the program:

I tell people on a regular basis when even I hear people complain to me about money or 'Oh I want to be an owner' or 'I want to own my own small business' even just at work I tell people all the time they should join the EARN program. I told my mom to join it. She's just a little slow. When I was going through orientation, I was trying to get one of my friends to join it. I think that EARN is one of the best programs out there if you really want to accomplish something in life.

What makes Bree's endorsement meaningful is that as a "ghetto Huxtuble", her utilization of strategies that differ from those in her environment serves as a test case for these individuals. In other words, those to whom she is connected would have an alternative example of what might happen if they were to trust in the resources meant to help low-income individuals transition to a more middle class existence that home-ownership represents. As Bree explains:

a lot of my friends don't understand why I would give up my apartment to move in with my grandmother to buy a house because there's no instant gratification, there's no... Like I gave up my privacy and I invaded my grandmother's privacy and I just don't have my own right now. It's kind of like a lot of people see it as going backwards but honestly like EARN and Family Self-Sufficiency have taught me to put like sometimes your self, I guess your instant gratification is not that important compared to your life-long gratification.

If Bree will be successful in the home purchase, the friends who now think that she is taking foolish risks with her family's future would have an alternative model for achieving economic stability. These friends would also have a concrete person their social network to refer to if they or their friends were interested in pursuing Bree's strategy (Granovetter, 1977). If so, this would be the long-term effect of policies promoting home-ownership among blacks in Marin City, such as Bree's grandparents, generations ago. The converse is also possible. If a person with all of Bree's advantages is not able to buy a house and perhaps enter the middle class, what chances have her friends, with less faith and fewer resources? As Bree pointed out, the lynchpin of her plan is her ability to reduce costs by living with her grandparents. Yet not many low-income workers have grandparents who own.

To summarize, the larger point of this section is that IDAs exist in the context of an institutional network that provides direct resources or sources of additional support for home-ownership for the poor. IDAs cannot function on their own. Nor should they. The classes they mandate allow experts focusing on specific parts of a complicated process to contribute to participants' success. IDAs serve not only as a source of training and funding, but as a broker to guide participants through the asset-building network. This does not mean that participants can simply depend on IDA staff. One of the few recurring critiques of EARN's IDA program is that its staff is too busy to provide ongoing individual support for clients. Nevertheless, EARN's IDA does play the supportive function by providing a place where home-buyers and experts can

gather. The larger question is whether this large network is sufficient to fill the needs of all persons interested.

Dorothea: Retaining Connection to Asset Building Network

Before I conclude this section, I will relate the case of the participant whose dissatisfaction with the IDA program made me understand the need to view it as part of a network. Although many participants in this study praised EARN's handling of the IDA program, Dorothea was among those who expressed dissatisfaction with the organization. As with other participants experiencing particularly difficult situations precipitating dropping out of the program, she wished that the organization would provide more personalized attention. Dorothea perceives staff as busy when she calls, and perhaps the nature of her situation makes it particularly difficult for them to do much to help. Having saved the maximum amount in the IDA, Dorothea's time in the program is nearing the end (including extensions). Her effort to purchase a home seems stalled by the simple fact that no lender returns her calls. In the background, her household income is dropping and she is finding herself increasingly using credit cards. Dorothea is enthusiastic about a support group facilitated by MEDA, a non-profit organization more centrally focused on housing. The group meets monthly over free dinner, and babysitting is provided. Dorothea regains her motivation when meeting with the participants of that group, particularly when she sees members succeed over time. If the IDA match does not work out, Dorothea plans to try Peer-to-Peer lending to help her finance her attempt to purchase a home.

I sketched Dorothea's case to reinforce my point of the IDA serving as part of a network of agencies whose services could be used to meet the common goal of economic stability. The diversity of agencies available increases the chance that individuals will draw on a combination that fits their particular needs. In Dorothea's case, she uses EARN for funding (if she will be successful) and concrete guidance through the program. MEDA is the organization she uses for ongoing emotional support. In a similar way, Bree used a variety of agencies, some completely unrelated to asset purchase, to bring her closer to home-purchase. The advantage of the diversity is that programs can maintain client interest in asset building over periods of economic difficulties.

Beyond the IDA Program: Intense Saving Experience. An unexpected finding is the intense saving opportunities successful IDA participants utilized outside the program. Marianne and Gemma, two of the three successful alumni in this study, report taking advantage of opportunities to save intensely. Marianne had a friend who owned property that she promised to rent Marianne for a low price if Marianne ever needed it. After Marianne had the realization about her retirement, she consulted with the Consumer Credit Counseling Services to address her \$35,000 credit card debt. She saved intensely for six years and repaid her debt. At about the same time her oldest child moved out and she was able to move into one of her friend's small apartments, paying a fraction of her previous rent. The lower cost of rent enabled her to save over a thousand dollars per month, allowing Marianne to quickly accumulate the additional funds needed. Gemma had a similar experience of intense saving, although her ability to save was a result of a mixture of market participation and lifecycle. A single woman when she moved back to San Francisco after several years traveling Latin America, Gemma was hired as a manager of temporary housing units for the homeless. She received pay and lodging and ate meals with the agency clients to maximize her savings. She had no debt, and with the IDA augmenting her savings, was able to save just enough money to purchase her home.

Two savers nearing successful completion of the IDA program report situations that similarly allowed them to accumulate saving intensely. Richard took advantage of Family Self Sufficiency, a saving program offered in his Section 8 program. As his income rises, the program channels his rising rent to an escrow account from which he will be able to use funds for his deposit once he is ready to buy. Since he has been in the program for more than five years and plans to move to one of the more affordable cities in the Bay Area, Richard appears confident that he will be able to purchase his home. Bree also took advantage of Family Self Sufficiency. She used the funds in her escrow account to repay a large medical bill. Once free of much of her debt, she moved her family into her grandfather's home, to better save money towards the down payment. She met and exceeded the IDA maximum and is continuing to save. Although Bree reports sometimes experiencing trouble sleeping with her anxiety about the possibility of her plan working, she too seems poised to purchase a home. Even if home purchase now turns out to be impossible, she planned to develop a business with her husband, which should provide her with additional means to meet her goal later.

Those who dropped out from the program or were near to dropping out did not have an intense saving experience beyond the IDA program. Rosie did not mention having any additional funding beyond her IDA. While in the end it was her credit score that kept her from being pre-approved for a loan and forced her to leave the IDA without obtaining a match, it is uncertain whether she would have been able to qualify for a loan with \$6000 of IDA matched funds alone. Dorothea also did not mention additional funds beyond the IDA. At the time of the interview the prospect of purchasing the home seemed unlikely. Dorothea cannot get lenders to call her back and is just a few months away from being dropped from the program after maximum extensions. She did not report any unusual opportunity to save additional funds. In fact, her household income is shrinking. She finds herself using her credit cards more while finding it more difficult to track her finances. It is possible that insufficient financial reserves contributed to her lack of success in securing an interested lender.

Lifecycle and program support. Differences in stages in the lifecycle appear to be the distinguishing factor between the types of intense saving experiences participants utilized. Those who successfully used the IDA to purchase a home were also individuals with minimal family obligations. William never married or had children. He reported that it was easy for him to save in the IDA and eventually follow his parents' example of home purchase. Gemma was also childless and without a partner, which, as she pointed out, enabled her to live in the temporary shelter for homeless individuals and save intensely towards the home purchase. Marianne raised many children, but only started saving intensely after the last one had nearly moved out.

Conversely, those who were unable to obtain matched funds or seem near to dropping out, report intense family responsibilities. Mirah is in the midst of raising a small child with the help of sisters who are also young mothers. She used to be able to save intensely, as when she saved paychecks from her part time work during high school and managed to purchase a car. Now she finds any saving without the help of a special program impossible, since "everyone is always in my pocket". Dorothea is living with one young son and two disabled family members living on a fixed income. Rosie reports being able to save more now that she is working with her wealth coach than ever before. Nevertheless, her saving is hampered by the fact that her husband is uninterested in saving, to which she alludes when her suggestions for the improvement of the IDA program include attention to family relationships:

I think more counseling with credit report, credit score, and maybe a one-on-one counselor to work through your problem because what happens within your household or you family affects what happens with you in the program with your savings and everything.

Rosie's case shows the importance of not only managing the needs of dependents, but those of the partner as well.

The remaining participants seeking to purchase a home appear to be on the verge of success despite actively raising children. They each took advantage of Family Self Sufficiency, the program that enables them to accumulate significant savings while easing off housing assistance. Richard used his FSS escrow account to save money towards home purchase. Bree used it to repay her medical bill, which then freed her to start saving for a house by moving to her grandparents' home. The mechanism of savings growing in the background through automatic transfers between accounts means is quite similar to saving programs used by the less poor, such as the 401(k) program. The fact that this program automatically channels money into savings means these participants did not have to transform their living situation in order to accumulate a considerable amount of money. Bree stated with determination that her family's time with her grandparents has a specific end that makes the cramped conditions bearable. At its termination she will either move her family into a home or an apartment. Since doubling or tripling the amount of time spent in this situation in order to also repay the medical bills seems untenable, it is likely that without FSS – and its case worker's referral to the IDA program for home purchase – Bree would not have considered inconveniencing members of two families for the chance of buying a home.

Conclusion/Discussion

I began this article by pointing to the income and race gap in homeownership. Since homes are the largest source of wealth American families possess, these gaps translate into gaps in asset holdings. In turn, the amount of wealth households have available over their debt obligations translates into an economic stability (and opportunity for further economic development) more accurate than the amount of income flows alone. I pointed to the importance of attention to mechanisms used to promote asset acquisition, particularly since federal activity that largely depended on the creating market incentives alone proved so disastrous. This study looked at IDAs' role in helping primarily low-income minority mothers purchase homes. It focused in particular on their use of the program in the context of their other strategies for home purchase, which include use of other programs. The results of this study have implications for research evaluating IDAs' effectiveness and the larger question of means through which we address the problem of gross disparities of wealth accumulation. I will address each in turn.

First, I will point out the strengths and limitations of this study to give a better sense of the strength of my claims. This study contributes an investigation of IDAs that is unique for contextualizing the program among other asset-building initiatives, many of which originated decades before, particularly during the War on Poverty in the late 1960s. Its strength lies in its ability to stay more closely related to participants' narrated experience than would be possible with a quantitative analysis. The methodology employed here tracks particular nuances as they aggregate into themes allowed to emerge, at times quite unexpectedly. The intense saving experiences outside IDAs are an example of an unanticipated result. Yet what this study gains in depth it loses in breadth. The themes observed here are not generalizable to the larger population of IDA participants, let alone low income workers more broadly. Additional research with samples more representative should be conducted to see if the themes observed here prove salient for other persons in other places.

IDAs and the context of federal spending for asset building

IDAs' unique mechanism is linking assets with saving. Otherwise, IDAs are not a silver bullet for increasing the rate of home purchase for the poor and for disadvantaged racial groups. The amount of funding they provide is inadequate to cover the costs of entering into a home mortgage contract. The asset-specific training it provides was already developed by other agents, whose attempts to increase homeownership among the poor precedes IDA's inception. Many date back to the War on Poverty in the 1960s. IDAs do not target the most desperate of the poor. In fact, one recurring critique of EARN's IDA program is insufficient staff attention when participants are at risk of dropping out from the program. In order to better understand of IDAs' value, I will compare and contrast this program with other programs reviewed here. Such an exercise will also serve to review the elements of what I argue is a *network* of asset-building initiatives – even if its agents do not necessarily work in concert.

Comparing IDAs to Other Asset-Building Programs Targeting the Poor

Family Self Sufficiency is the program whose mechanism best matches the goal of helping the poor acquire sufficient resources to purchase of a major asset as they climb out of poverty. Contributions to the special account are potentially large and administered without need

of participants' conscious attention to the act of saving, much like 401(k)s and other programs available to higher income workers. However, FSS is only available to those in subsidized housing programs, and within these, only to those administered by Federal Housing Authorities that choose to make the program available to its clients (Sard, 2001). Given that waiting lists for subsidized housing, if open, can last years, the larger system of subsidized housing would need to be fixed before FSS could serve as a viable alternative²⁵.

Federally supported and city administered Down Payment Assistance Programs (DALPs) have the advantage of being more widely available to those who meet income eligibility requirements alone. The drawback is that the conditions of the loans they provide vary widely. Even more importantly, availability of DALP funding is restricted as well. Since mayors shape programs according to what they believe are the best ways to meet the needs of community development within their cities, it is quite possible for a given city to use the federal funds²⁶ to support the building of affordable rental units or variants of vocational training, and not homeownership at all. Other funding sources originating from secondary lending institutions (e.g. IDEA, WISH) provide more funding than the IDAs but are available only through select banks and just for as long as supplies last, which may not be long at all***. Funding for the mortgage tax credit certificate for income eligible individuals is given through the tax system but paid by the cities. This means they are subject to the same constraints of availability as the DALPs. Although these sources of additional funding are linked to a degree of consumer protection that the HUD certified 8 hour training for first time homeowners provides (funds are available to income eligible participants who can produce certificates of completion), and the training in question also includes instructions on formulating budgets and the importance of financial management, the personal financial training is weaker than that mandated by IDAs.

The advantage of IDAs is that they give the participant more agency. Instead of waiting to see if funds are available or not and then adding them to the calculations, IDA participants accrue their own savings over time and are assured matching funds, provided they can procure the asset. This encourages participants to seek other funding sources in the meantime, through links that agencies have with each other. It is true that IDA participants may be using funds reshuffled from other savings. But if so, these funds still need to be reshuffled through regular deposits into an account for almost a year before the match is given. In the meantime, IDAs provide training that strengthens clients' understanding of the financial system and financial management. As I showed in the previous chapter, financial training can help participants identify deeper goals for their spending and use techniques like tracking minute expenditures to help them differentiate their needs from wants. For instance, a participant like Bree was surprised to discover that her habit of buying Starbucks coffee was costing her \$800 per year: a source of possible savings. Monique expressed firm disapproval of people who claim to be too poor to save when they pay money for cable. William's examination of his budget prompted him to quit smoking, which, he pointed out, was better for his health anyway.

²⁵ Monique, a participant from the larger study who fought to remove rats from the public housing where she lived with her toddler reported still being on the waiting list for subsidized housing (i.e. vouchers, not projects) when he was a teenager. In moments of greater desperation she considered asking a friend to injure her so that she could feign a domestic violence situation that has greater priority in the system, or perhaps to try to pretend to be a substance abuser.

²⁶ The funding source they use is typically the Community Development Block Grant, which can then be used towards the creation of DALPs.

Argument for Looking at Asset-Building System for Whole Population

In effect, IDAs link participants' attempts to purchase assets to the deeper goal of economic sufficiency – spending carefully so that one lives below one's means. Yet I will stop short of suggesting that with just a little training in money management and some funding towards the purchase of assets the low-income workers can join the middle classes. More significant by far than even a daily cup of purchased coffee is the combination of job insecurity, stagnating wages, rising costs of living, and cuts to programs targeting the poor which create a situation where the prospect of one's social mobility are limited (Wolff, 2010). Further, just as few persons in the middle class seriously devote themselves to the task of becoming rich (beyond buying occasional lottery tickets), most low-income workers should not be expected to follow Bree's example of losing sleep with anxiety over the likelihood of success in purchasing a house in a bankrupt city²⁷.

Most people live in oblivion to the institutional structure that shapes so much of their likelihood of achieving economic stability and satisfaction of seeing their children make use of

²⁷ Aside from moving into her grandparents' home, Bree works many hours in Office Max to ensure an income to pay for the house. The schedule is grueling and Bree understands that her absences take a toll on her family. The excerpt begins with Bree answering the question of how she spends her days:

(Bree) Me and my days right now, I spend about 12 hours, well an average of 10 hours a day at work and then I try to spend at least an hour on a working day quality family time (...) And then me and my husband we could probably spend like 30 minutes or an hour alone on average. And then I sleep unless there is a day off. That's my average, like, working day. Now my days off, they're based on while the kids are at school. I probably spend like 3 hours of that day cleaning and laundry and things like that around the house, about an hour or two looking at my credit report and trying to repair my credit report or self-education (...) And then I also spend some time sometimes at my children's school volunteering my time if I'm able to or field trips or things like that. Then one of the days is just a day for the family.

(Interviewer): Ok. So you end up working not 5 days, probably 4 days a week right?

(Bree): I work 5 days a week

(Interviewer): You work 5 days a week at 10 hours a day?

(Bree): Yeah. Right now it's not healthy for me and the family. It drives my husband crazy because I spend a lot of time at work. But at the same rate, I mean, you have to support the family or just to feel like I have a stable position at work. I spend a lot of my time there. So I feel like I'm a hot commodity, feel like 'you can't get rid of me' because I have to keep the job if I want the house, so yeah.

Even if one were to argue that such effort is legitimate to expect from any poor person who strives to enter the middle class, Some might argue that great exertion is ennobling and legitimate to expect from any poor person who strives to enter the middle class. The problem is that Bree's effort is made in the context of many advantages: supportive husband (employed at a low-income job), family with whom she can live to save on rent (since they own rather than rent), a lifelong motivation to buy a home (given grandparents' ownership), lack of a disability, etc. Social policy needs to take account of persons who do not have these advantages.

the best of their talents. My neighbor represents a good example of this innocence. She was empathizing with the frustration I was relating about my family's unsuccessful attempts to purchase a home in southern California with insufficient funds for a conventional loan. Our bids with an FHA loan were not nearly as competitive as conventional loans, which in turn could not compete with investors able to buy a home in full with cash²⁸. "Keep looking", she advised, and related her own story. Her suburban home was not the first she desired. The process indeed is frustrating and complicated. It took her "forever" to identify a neighborhood that was the right distance to work, with good schools for the kids, and a feeling of safety and community. When she found the right house within her chosen neighborhood, the real estate agent of the seller ignored her repeated calls. Undeterred, she managed to find another house for sale in the neighborhood. After a month of tense anticipation and negotiations, she got lucky and got the house. I asked her what financing they used for the purchase. She got lucky there too, my neighbor cheerfully reported. Her parents happened to have sold their house around that time and happened to have money they were looking to invest. In effect, she is making the mortgage payments to her parents, an arrangement that works out well for them all. It was not until an awkward silence that my acquaintance realized her family was an example of investors against whom we feared our FHA loan could not compete.

IDA participants are different than the larger population of low-income minorities. The distinction between persons who are unusually motivated to fundamentally change the economic situation into which they are born and those who have other priorities is crucial for IDA research. As Mills and colleagues stated in their interpretation of the significant impacts IDAs appeared to make in the likelihood that participants will obtain asset goals relative to a synthetic control group, "the estimates may inadvertently capture (and attribute to the program) some inherent differences between AFI participants and the matched nonparticipants in underlying, unobservable personal characteristics such as motivation" (Mills et al., 2008, p. 44). Indeed, the participants in my study seemed motivated. They also came from families that owned homes, which is another source of advantage. In fact, they seemed quite middle class in the way they made plans for the future, if in fact it is a middle class trait to have this future orientation.

Are IDAs missing their mark if they are not working with people less motivated and less prepared to succeed? After all, the general rule of a more stingy welfare state is that resources should not be used on those who are likely to succeed without this help. The problem with this argument is that persons with less motivation and fewer resources (such as Bree's friends) are often evaluating their own likelihood of success by watching others who make the attempt. If those among them who stand out for their motivation to purchase a home, who *in addition* to the motivation had access to opportunities to accumulate a large stock of savings or paying down debt, do not succeed in the home purchase, what chance have those less prepared? In other words, if IDAs' success comes from attracting those with more beneficial unseen characteristics, this may not be as large of a problem as it first seems, provided we are ready with even more resources once those with a lower likelihood of success are ready to join.

²⁸ We have been submitting bids for various homes since November 2012 and by the time of our conversation it was February. As of the time of this writing (nearly May 2013), we have still not been successful in purchasing. What is interesting about our case is just how many advantages we have. My husband (not boyfriend) and I are educated, white and enter the market with gift funds from both sides of parents of \$20,000 and our own savings of \$8,000.

IDAs came about at a time when many argued that providing people with income support alone (as with AFDC) saps the poor of incentive to transcend their impoverished state. They would further argue that the point of the American Dream is that opportunities exist for those who work hard and are willing to make the sacrifices to enter the middle class. This study of participants' use of the IDA program is a test of these ideas. Stated differently, what would happen if a middle class person, such as my neighbor for instance, were to suddenly wake up to find herself with the resources of a low-income, low-wealth person? Would she be able to buy a house in which to save her income and raise her children? What would she need to accomplish this goal, given the mathematical realities of the minimum wage income and the median price of a home? And what would her friends, more used to living in poverty and viewing home-ownership with suspicion, need to have to achieve economic stability?

These questions may seem academic at this point. What is the point of thinking about what it would take to make the poor economically secure in the long run, if programs that would provide them with food in the short run are being threatened? The question of urgency is legitimate, up to a point. Certainly one must eat. Yet focusing on the short term alone and running from crisis to crisis is precisely what the financial management classes in the IDA program strive to teach their attendees to transcend. In their work with the poor, the IDA program often asks participants to track their finances for a certain point of time to identify spending leaks. Participants are then asked to ask themselves if a given expenditure is a need or a want. A similar look at the country's budget for helping people purchase homes is also in order if we are to efficiently meet our short *and* long term objectives in times of economic crisis.

Spending Leaks in the Asset-Building Budget

An important question to consider in evaluating IDAs is whether the program is worth the cost (Richards and Thyer, 2010; Schreiner, year??). Already it is about a sixth of what the government spends on asset-building programs for housing that targets the poor. Specifically, the IDA program costs the federal government about \$24 million per year. This is in line with spending for other major programs targeting low-income individuals for home ownership. In 2009, the Community Development Block Grants that help fund the down payment assistance loan programs cities offer cost the federal government \$40 million. The most expensive program targeting the poor was the USDA Section 502 Guarantee, which cost the government \$85 million that year. Altogether, programs that help low-income individuals purchase houses cost the government \$1.5 billion (Woo, Rademacher, and Meier, 2010).

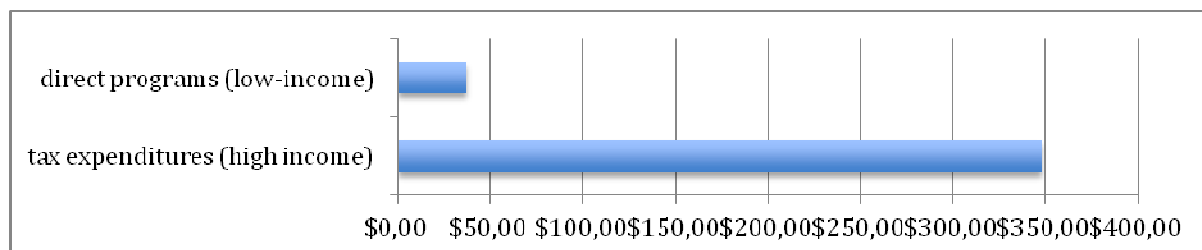
Yet programs targeting the poor are just a portion of federal expenditure on asset-building programs. Closer examination of the federal budget for homeownership reveals a startling line item. In 2009, the government spent \$86.4 billion dollars to pay for the mortgage interest rate tax deduction (Woo, Rademacher, and Meier, 2010). Is this a misuse of funds? That depends on how well it serves to meet the larger goal of promoting home-ownership. If the mortgage interest rate tax deduction subsidizes all home-ownership, particularly that of the poor and the middle class, it may serve to incentivize the purchase in the first place. If so, all that would be needed would be to help those with lower incomes raise the funds for the down payment and closing costs, particularly since the majority of the poor are renters and cannot otherwise benefit from this significant government spending.

However, economists generally agree that the mortgage interest rate tax deduction does little to stimulate homeownership (Ventry, 2009). It is also highly regressive. Since only taxpayers whose income exceeds what would be offset with a standard deduction claim the benefit, homeowners with lower incomes are excluded. In 2010, only a third of taxpayers

itemized their deductions (IRS, 2010). Further, as the cap for the amount of mortgage interest that can be deducted is extremely high, those with the most expensive houses benefit most. In effect, nearly all of the \$86.4 billion dollars in federal spending on the tax rate deduction, about 80 percent, is collected by the highest five percent of earners (Woo, Rademacher, and Meier, 2010).

Further, although mortgage tax rate deductions are the largest single source of spending towards homeownership that benefits higher income earners, it is not the entire spending. Deductions on property taxes cost another \$25.1 billion, and the different tax expenditures for housing together cost the government \$127.8 billion dollars. All together, in 2009 the government spent \$384.32 billion to stimulate the asset acquisition of its populace (i.e. homeownership, savings and investment, retirement, business development, and postsecondary education). Of this spending, \$347.8 billion targeted high-income earners through tax expenditures, while \$36.52 billion was spent on direct programs for those with low-incomes. I provide the summary of the difference in the allocation of the budget by extremes in earning

Table 2-5: Federal Asset Promotion Budget (2007) by Type of Outlay and Primary Beneficiary (in billions of dollars)



Source: Woo, Rademacher, and Meier (2010).

in this table to provide a visual representation of the highly regressive funding allocation.

Examining the federal budget for promoting asset-building reveals serious spending leaks that need to be addressed if we are to be serious about trying to figure out what is the best way to help low-income and minority families purchase homes and reduce the asset gap. Figuring out whether spending considerable amounts of money to write off debt obligations of those who already have considerable resources would be a good start. In order to do this we should figure out what precisely are our goals and whether the money we spend is aligned with those goals. It is important to look at the structure of incentives for the *whole* population, and distinguish between needs and wants.

Article 3

Neither Heroes Nor Outcasts: Immigrants in an Asset Building Program for Low Income Workers

Problem Statement

What it takes to integrate immigrants, and whether the United States still has that “it” has long been a cause for American concern. The “it” is rarely defined. Legislative efforts related to immigration overwhelmingly focus on their admission rather than programs that would foster their integration (Bloemraad, 2006). Such a *laissez faire* approach results in a patchwork system where immigrants are largely left to depend on programs that take no special consideration of their needs, integrating not because of but despite of these policies (Bloemraad and de Graauw, 2011). The longstanding inconsistency of this support creates new challenges as newer waves of immigrants are increasingly settling in parts of the country unaccustomed to flows of people from other countries (Singer, Hardwick, and Brettell, 2008). Investing in immigrant integration is likely to serve the greater public good. Cross-national comparative research provides evidence that greater federal investment aimed initially towards the integration of immigrants is associated with better long-term socio-economic integration, as measured through earnings and political participation (Bloemraad, 2006; Reitz, 1999). The aging U.S. population depends on the labor of new workers, and U.S. born children are particularly likely to be raised in immigrant households (Meyers, 2008 and 2012).

While immigrants can be found all income levels, a disproportionate number earn particularly low incomes²⁹. According to the U.S. Census Bureau’s 2011 American Community Survey, immigrants are more likely than persons born in the United States to earn low wages, with nearly half of immigrants (44.4%) versus about a third of U.S. born (33.8%) earning wages that fall at or under 200% of the poverty line. The poverty rates of immigrant families (18.5%) are nearly twice those of U.S. born families (10.4%). Immigrant households are also more likely to face budget strains that result from an excessive proportion of income being channeled towards housing payments. A greater proportion of immigrants than non-immigrants use more than 30% of their income to pay for shelter, whether as mortgage (42.6% vs. 28.0% for U.S. born) or rent (53.4% vs. 48.3% for U.S. born). Immigrant families are less likely to live in homes they own (51.5% vs. 67.7% for U.S. born): this is highly significant, since home equity is the largest single source of wealth for a typical U.S. household (U.S. Census Bureau, 2011).

This article investigates immigrants’ use of an asset-building program for low-income workers, providing training and financial support to support saving for assets considered fundamental to the attainment of the American Dream: education, home, small business. Anna Crosslin, Executive Director of the International Institute of St. Louis, explains how her agency uses Individual Development Accounts (IDA)s to create for its refugee clients a clear institutional pathway for socio-economic integration:

²⁹ Note that U.S. Census figures cited here draw upon the cross-section of immigrants, including the more newly arrived (whom we would expect to be earning below their potential) and those more established.

For refugees, when they first get over here, to take the first job no matter what it is, it's easier if they can look down the line, and know that you will help them get out of that job and into something else. So, they will work in the hotel, or the cleaning service, or the restaurant -- or whatever it is -- if you say to them: "build up a credit history, and a solid work history, and come back in nine months, or whatever it is, and we'll start you on the process of enrolling you in the IDA program so that you could save and buy a house, and you can also start looking at a dream of being able to start a business". If you can connect all of that together, then there's an opportunity there for these individuals and they can see the long term.

(Anna Crosslin, Personal Communication, March 31, 2009)

Her agency's use of the program suggests IDAs may serve as a promising intervention for immigrant integration. IDAs exist all over the country and immigrants are particularly likely to meet the program's eligibility criteria by virtue of lower wages earned. Yet no research has yet been conducted that would explicitly evaluate immigrants' use of the IDA program. This study contributes to this gap in knowledge about the IDA programs. More broadly, it contributes to the study of institutions that can foster immigrant integration by identifying the ease of immigrant fit in an existing program.

IDA Literature

Theoretical and Empirical Background

The IDA program served as the first real demonstration that an appropriate institutional context can help low income workers save to acquire assets (Sherraden, 1991; Schreiner and Sherraden, 2006). Until that time, saving was presumed only possible for people who have disposable income, and so by definition, virtually no research on the saving behavior by the poor existed. Dominant theories of saving were neoclassical economic (individuals as rational actors have preferences for saving or spending), behavioral (individuals have trouble resisting impulses to spend), and psychological and sociological (individuals spending is shaped by social or psychological conditioning) (Beverly and Sherraden, 1999). The institutional saving theory Michael Sherraden (1991) proposed argues that institutional factors are at least as important to consider in evaluating individuals' propensities to save (Beverly and Sherraden, 1999).

Sherraden pointed to the difference in the between behaviors encouraged in public spending on benefits for the poor in contrast to funds spent on the non-poor. For instance, workers eligible for the 401(k) are provided with the financial education, employer and federal matches for accumulated savings, ease of saving through automatic deduction from payroll, penalties for premature withdrawal, and positive reinforcement in the form of statements showing accumulation of funds. This system of rules creates a favorable context for saving. Outside of the IDA program, low-income workers do not benefit from such institutional support. Their accumulation of assets is further hampered by welfare regulations that make individuals exceeding asset limits ineligible for income support (Sherraden, 1991). IDAs were developed to provide this favorable structure for those with low incomes: mandatory financial training, matches for savings up to a limit, encouragement of automatic deposit, monthly statements showing growth in the fund, and disincentives for withdrawals for reasons unrelated to the asset goal.

IDA literature first affirmatively answered the open question (at the time) of whether the poor can save (Beverly and Sherraden, M., 1999). It then described relative differences in the likelihood of success in the program by various demographic characteristics that included race, social economic status, and lifecycle factors like marital status (see Richards and Thyer, 2010 for a review). Yet the premise of IDAs reaches beyond creating a favorable institutional structure for the poor to save. IDAs were created to function as a path for those with low incomes to transcend poverty and potentially gain inclusion into the middle class. The program is insufficient in scope to affect such dramatic change for its participants: \$6,000 (\$4,000 match on \$2,000 saved) is a typical limit for one IDA participant. This contribution is small relative to the purchase price of the typical asset goals: home, higher education, or business. Yet it stands apart from conventional income subsidy programs in its *explicit* training and support for individuals to achieve what some call the American Dream.

Such a perspective may hold particular resonance for immigrants, as Anna Crosslin's statement suggests above, pointing to the benefit of a program that helps them accumulate assets in ways that transcend the ability to merely subsist. As such, her idea of IDA's utility for people arriving from other countries echoes that of Sherraden's much quoted assertion that "while incomes feed people's stomachs, assets change their heads" (1991, p. 6). He made this point when suggesting the implementation of the IDA program for low-income workers.

Yet despite the fact that immigrants are over-represented within the pool of low-income workers in the United States, no study to date has compared their ability to benefit from the program relative to that of IDA participants born in this country. Since data collection of demographic characteristics of IDA participants does not include place of birth, we know nothing if they are as likely to be able to use the program to acquire assets, or if there is something special in the migration experience that could prepare them to save more intensely, or even if their suggestions for program improvement would differ. This study is the first to explore potential differences between IDA participants by nativity (i.e. birthplace), comparing and contrasting experiences of U.S. born participants with those born in other countries (immigrants).

Immigration Literature

Immigrants as heroes.

There are reasons to believe that immigrants might fare particularly well in programs that provide financial incentives and training to save money for asset goals. Some scholars view low-income immigrants as an individuals capable of particularly intense exertions, as when Conley observes that "by definition, immigrants are the world's overachievers, so they do not form a valid comparison group for the native black or white communities" (Conley, 2009, p. 39). His position finds formal support in two theories in the immigration literature: (1) New Economics of Labor Migration theory (NELM) and the previous intense saving experience implicit in NELM and (2) relative deprivation theory, with the cognitive mechanism the theory suggests would enable immigrants to make such exertions.

NELM posits that the choice to migrate originates from a household decision to invest resources in order to secure future gains (Massey, et al., 1998; DeHaas, 2010). Migration is a strategy to overcome deficiencies in a developing market, whether for credit, or for protection against unemployment, sickness, or old age (Stark and Bloom, 1985)³⁰. NELM stresses that it is

³⁰ These deficiencies arise precisely because of economic development (Massey, 1999). Corporations from highly developed economies search for new labor markets in underdeveloped

households, not individuals, that pool financial and social resources to send members to distant labor markets (Massey, Durant, and Mellone, 2003; Sana and Massey, 2005; Stark and Bloom, 1985). The social nature of migration means that upon settlement in the new country, migrants are expected to begin repaying their quasi-contractual obligation to family members with remittances (Durand, Kandel, Parrado, and Massey, 1996; Sana and Massey, 2005). Amounts paid are not insignificant and remittance flows have been rising even through the economic crisis (Sirkeci, Cohen, and Ratha, 2011). In 2011, recorded remittances³¹ totaled about \$325 billion, which is about triple the amount sent as official foreign aid (Sirkeci, Cohen, and Ratha, 2011).

Based on NELM, we can expect immigrants' saving behavior in the IDA program to be strengthened through experiences related to the act of migration – which by definition are simply not part of the U.S.-born low-income participants' experience. Namely, immigrants are likely to have saved money to repay the costs of migration and then saved again to send money back to the household of origin (Sana and Massey, 2005). Thus to the extent that immigrants have arrived in this country as a result of a household investment of resources in their journey, they are likely to have acquired **intense saving experience** before joining the program.

Second, relative deprivation theory explains that immigrants may possess a **frame of reference** that would allow them to more easily endure a lower level of material comfort. While saving necessarily entails self-deprivation, a *sense* of deprivation depends on the group used as a point of reference (Bernburg, Thorlindsson, and Sigfusdottir, 2009; Stark and Taylor, 1989). Being poor in a country with a higher standard of living is likely for migrants an improvement in their original economic condition – provided they continue to use their country of origin as a frame of reference (Fan and Stark, 2008; Stark and Taylor, 1989). For these reasons, less assimilated immigrants may be especially successful savers. It is possible that low-income IDA participants born in the U.S. had experiences of particularly acute periods of poverty in their childhood households, which could similarly serve as a helpful frame of reference. However, given that the income maintenance system of welfare is likely to be better developed relative to whatever exists in immigrants' countries of origin (as NELM suggests), a strong difference in standard of living is less likely for this population.

parts of the world, and in the process transform traditional economies into ones more based on industrial production (Sassen, 1998). Traditional means of social protection no longer apply and new ones are still under-developed. Migration to distant labor markets is a more viable option for individuals who already left villages for urban areas (Sassen, 1998).

³¹ Estimates of remittance flows, being based on official money transfer channels (e.g. Western Union), cannot capture money brought in cash or included with letters. As such, they are likely to underestimate the actual flows.

Immigrants as victims. On the other hand, there also exists a tradition of viewing immigrants as persons less capable of succeeding in the new milieu simply because it differs so much from that of their origin. As Torrico (2010) explains in an introductory text for child welfare workers,

Immigrants face a range of challenges resulting from the immigration and acculturation process. These challenges (e.g., language, cultural differences and beliefs, etc.) not only serve as stressors for immigrant children, youth and families but they can also create barriers to local supports and resources.

Proponents of this viewpoint do not suggest that these immigrants would be less capable if in a more familiar context, or that the children of these immigrants would inherit this disadvantage. What they do suggest is that this group would need more resources for adequate functioning in their new society. In the context of the IDA program, immigrants under this conception would fare more poorly because basic linguistic and cultural barriers will prevent them from grasping the financial training as readily as would IDA participants born in the United States. Even if they were to save funds, they would find the next step of purchasing assets considerably more difficult than would persons already born in this country, as a result of these barriers.

Research Questions

The IDA program is designed to intensify participants' ability to save, both through explicit instruction and through financial incentives. Namely, matching funds are paid to the vendor upon the point of purchase of the asset goal. Thus success in the program is defined in IDA research as the ability draw down the match to the savings. It is possible for a participant to save the maximum amount that would be matched, but be unable to purchase the asset within the allotted period of time. If so, the promise of the match disappears and the savings accumulated are returned to the participant.

Without previous study of immigrants in IDAs, it is impossible to predict if immigrants enter the program particularly well adapted for such an intervention or whether they would need considerable additional supports to succeed. Theory also points in opposite directions. I will therefore hypothesize a difference between immigrant and U.S. born IDA participants' saving rates and likelihood of purchasing asset goals, without predicting a particular direction. My research design allows me to first measure any differences between the groups' relative success in the program, and then investigate how any differences might be related to theories presented, with particular focus on intense experiences saving in relation to migration as the focal point. I will then summarize and compare the two groups' perceptions of the IDA program.

1. Does likelihood of asset acquisition differ between immigrant and non-immigrant IDA participants?
2. What migration-related saving experiences, if any, do immigrants report?
3. How do experiences of the IDA program differ by nativity? Namely, (a) to what extent does immigrant and non-immigrant participants intensity of saving change after exit from the program, given intensity of saving before entering the program? (b) How do the groups' suggestions for improving the IDA program differ and overlap?

Methods

Procedure

This study employs a comparative observational design, drawing qualitative data from the interview and quantitative data from the screening procedure used to select participants in the study. Trilingual (Spanish, Cantonese, and English) recruitment was emailed to past and current participants in Earned Asset Resource Network (EARN)'s IDA program.

Site selection

In selecting the research site, I looked for an organization known for administering the IDA program particularly well, in a region that has a higher density of immigrants that would allow them to be more likely to appear in the sample. I avoided organizations that served immigrants specifically, since such organizations would be less likely to serve non-immigrants. I did not want to compare immigrants in an immigrant serving organization to non-immigrants that had no such emphasis since this would introduce variation by agency. EARN is a San Francisco based non-profit agency selected for its particularly effective IDA administration, enabling any effects to be captured more readily. EARN's IDA program has an attrition rate that is approximately half of the national average (29 vs 60%) and the average amount clients save is also higher (EARN, 2010).

EARN's location in the San Francisco Bay Area, a traditional immigrant gateway with dense, well-established ethnic communities from both Latin America and Asia enables a larger proportion of immigrants than is typical for the country as a whole (Singer, Hardwick, and Brettell, 2008). As with California in general, San Francisco Bay Area residents are more than twice as likely to have been born in other countries than is the case for the U.S. average (U.S. Census, 2011). They are also more likely to earn lower wages than persons born in this country residing in this region and have more of their household income absorbed by housing costs. Where San Francisco county differs from California and the country taken as a whole is the propensity for residents to rent rather than own property. Immigrants and non-immigrants have similarly low rates of home-ownership. This information is detailed in Table 1 in the appendix.

Recruitment and screening procedures

A trilingual (English, Spanish, Cantonese) email invitation to participate in the study was sent by EARN staff to past and present clients on its listerv. The message explained that the research was performed by U.C. Berkeley researchers in cooperation with EARN. The organization co-funded the participant payment in exchange for including questions about self-efficacy in the interview. These data were reported back to EARN while maintaining participant confidentiality. The agency has working email addresses for about a third of the 3200 clients EARN served since 2002. The timing of this research relative to that of other research projects EARN was conducting resulted in just one wave of email recruitment. About 10% (N=103) responded to the email recruitment and almost all were reached to participate in the screening for the study (n=93). Once participants with missing data were eliminated, the final sample for the screening was n=89. This sampling strategy is likely to have selected persons with ready access to a computer, high initiative, and a connection to the agency that is more likely to be positive.

Screening was used to achieve a balanced sample and to collect data that could be used to determine likelihood of success in asset-purchase with the help of IDA funds. The screening was conducted in the language of participants' choosing, and consisted of three questions: IDA status, place of birth, and amount of money given or lent to persons one does not usually support

in the last 2 months. All participants born outside of the United States were invited into the study (n=27) and randomization was used to choose the control group of persons born in the U.S. (n=27) that would be about balanced in terms of demographic characteristics and status in the program (N=54).

Screening and sample selection

Individuals are eligible to obtain an IDA account directly through EARN or its network of agencies if they can demonstrate they are low-income workers meeting certain criteria. Specifically: (1) their income falls within 200% of the poverty rate upon admission, (2) at least a portion of their income comes from paid employment, (3) they have less than \$10,000 in net assets (value minus debt, vehicle excluded), (4) they are over 18 years old and have a Social Security or Individual Tax Identification Number, (5) they live in the Bay Area (earn.org). Similar to the nation's IDA participants, EARN's clients are mostly minority (29% Latino/a, 25% African American, 23% Asian, as versus 12% Caucasian) and female (68%) (EARN, 2010). The average household income at enrollment is \$19,420 (EARN, 2010). Since EARN, like other agents in the IDA field, does not track place of birth, it is impossible to accurately estimate the proportion of immigrants in its IDA program.

Table 1. Screening Sample: Expected Versus Observed IDA Status

	Saver	Alum	Drop Out	Total
Expected sample EARN ¹	30	31	28	89
Observed sample Screening	47	35	7	89

¹ Based on EARN's 2011 first quarterly report, the agency had 3,268 accounts open since 2002. The agency has a 31% attrition rate, and about an equal number of the accounts are open as fully vested (1,045 currently open, 1,162 fully vested). Based on these figures and starting with a 31% attrition rate, I calculated the proportions of the screening sample used in the analysis to obtain the expected EARN sample in the saver, alum, and drop out categories.

I was unable to compare the demographic characteristics of the screening sample with that of the EARN population of clients because of the limited nature of the questions used to screen the sample. The only demographic collection collected in the screening was nativity, and EARN does not track this characteristic. Thus the only comparable data was the proportion of savers (currently making deposits), alumni (exited program having purchased asset goal), and drop outs (exited program without having purchased asset goal). The Chi square test reveals a highly significant difference in IDA status between observed and expected samples, $X^2(2, N = 90) = 25.899, p < 0.0001^{**}$. This is not surprising since persons who dropped out from the program are less likely to maintain ties to the organization than alumni.

Interviews and data analysis

Semi-structured, in-depth interviews were conducted with participants screened into the study. The in person interviews took place in 2011, at a time and place most convenient to the participants. Cantonese- and Spanish-speaking bilingual research assistants conducted interviews

with linguistically matched participants. I conducted all interviews with participants able to speak English (which included some immigrants). The interview took approximately an hour to complete and was recorded with participants' permission for transcription purposes. After the interview, participants filled out a brief demographic survey that also includes an acculturation scale for all immigrants (Marin, Sabogal, Marin, Otero-Sabogal, and Perez-Stable, 1987). Interviews not recorded were recreated from notes shortly after the interview. Table 1 in the Appendix summarizes the origin and type of the data collected to answer the research question.

Measurement and Data Analysis

Screening Data (Research Question 1)

I used screening data to answer the first research question (Does likelihood of asset acquisition differ between immigrant and non-immigrant IDA participants?), creating a simple count of nativity (immigrant vs. non-immigrant) by program status (alumnus/a vs. drop-out). Since I am focused on program outcomes, I dropped the screening data collected from persons still in the program. Participants are considered to be immigrant or U.S. born depending on their place of birth. IDA status tracks the type of departure IDA participants made from the program – with or without a match for any saving. Asset purchase is a key outcome measure in IDA research. I use the definition standard in the IDA literature. Those who left having purchased the asset goal are considered alumni, those who left without such a purchase are considered drop outs, even if they remained in the program for the maximum time possible and even if they saved the full amount possible. Since the IDA program staff disburse the savings and the match to the vendor directly, it is possible for an inability to purchase the asset within the time limit to render the participant ineligible for the match.

I used Fisher's Exact Test to determine if there is a significant difference in the likelihood of success by nativity. Although the expected size of the cells was sufficiently large (i.e. >5) to allow me to use the better known Chi Square analysis, I chose to use the Fisher's Exact test for the sake of precision. Chi Square analysis compares the outcome with an expected statistic of a theoretical distribution; Fisher's Test is exact. I used an online calculator for the analysis (<http://www.langsrud.com/fisher.htm>).

Interview Data (Research Questions 2 and 3)

Trained research assistants transcribed nearly all the interviews, with those conducted in another language simultaneously translated into English. Research assistants consulted with others in their language group to obtain consensus about difficult passages. The data was uploaded to Dedoose, a mixed methods online software. Regular research meetings with research assistants were used to develop and apply deductive (expected) and inductive (emerging) codes. Research assistants applied the coding scheme after training. For instance, the code "IDA/EARN" was used to label passages where participants referred to participation in EARN's IDA program. We used double coding within the research team to ensure consistent application.

To extract more precise themes I conducted finer grain analysis of a code most related to the research question, with the help of one research assistant. For instance, we used the code

“IDA/EARN” to answer research question 3. The question compares experiences of the program by analyzing the types of suggestions participants gave when asked questions like “Is there something that you think the **program should do**, which it hasn’t? Are there particular challenges you face that you wished the program staff could have helped you with?” The research assistant and I read through the codes separately, creating a preliminary list of subsidiary codes. We arrived at a more final list of subsidiary codes through discussion.

Results

Analysis of Sample Characteristics

Demographic characteristics and comparisons between samples of interest are presented in Table 2. As with national studies of EARN participants (Mills et al., 2008, Schreiner, Clancy, and Sherraden, 2002) the IDA participants in this study and in EARN more broadly are mostly minority (88% for this sample and EARN) women (80% and 68% for this study and EARN respectively) who were most likely to use their IDAs to save for higher education or business (58% and 67% total for this study and EARN respectively).

Table 3-1: Demographic Characteristics of Sample and EARN IDA Participants

	Final Sample (N=41)	EARN in 2011 ^a (N=1680)	X ² p-values	Foreign Born in Sample (n=22)	US-Born in Sample (n=19)	Fisher's Exact Test & Welch <i>t</i> Test results
Gender						
Female	33 (80%)	1142 (68%)	<i>p</i> =.18	15 (68%)	18 (95%)	<i>p</i> = .0497*
Male	8 (20%)	538 (32%)		7 (32%)	1 (5%)	
Age	41 (11)	--		40 (10)	43 (12)	<i>p</i> = .39
Nativity						
Country of birth						
Foreign born	22 (54%)	--		22 (100%)	0 (0%)	--
U.S. born	19 (46%)	--		0 (0%)	19 (100%)	--
Household						
1 st or 2 nd generation	27 (66%)	--		22 (100%)	5 (26%)	--
3 rd + generation	14 (34%)	--		0 (0%)	14 (74%)	--
Race						
Asian	15 (37%)	386 (23%)	<i>p</i> =.093	14 (64%)	1 (5%)	<i>p</i> = .000***
Non-Hispanic Black	8 (20%)	403 (24%)		0 (0%)	8 (42%)	
Hispanic/Latino(a)	11 (27%)	504 (30%)		8 (36%)	3 (16%)	
Non-Hispanic White	5 (12%)	202 (12%)		0 (0%)	5 (26%)	
Other	2 (5%)	185 (11%)		0 (0%)	2 (11%)	
Education (n =39)						
Grade school	--	--		--	--	
High School or GED	7 (18%)	--		6 (30%)	1 (5%)	<i>p</i> = .54
Trade school	1 (3%)	--		0 (0%)	1 (5%)	
2-year college or associate degree	12 (31%)	--		5 (25%)	7 (37%)	
4-year college	16 (39%)	--		8 (40%)	8 (42%)	
Post-graduate degree	3 (8%)	--		1 (5%)	1 (5%)	
Marital Status						
Single (never married)	16 (40%)	--		9 (41%)	7 (37%)	<i>p</i> = .80
Married	11 (27%)	--		6 (27%)	5 (26%)	
Divorced	12 (29%)	--		6 (27%)	6 (32%)	
Live with domestic partner	--	--		--	--	
Separated	1 (%)	--		1 (5%)	0 (0%)	
Widowed	1 (2%)	--		0 (0%)	1 (5%)	
Number of children	1.3 (1.7)	--		0.95 (0.9)	1.7 (2.3)	<i>p</i> =.146
IDA Saving Goal						
Higher Education	14 (34%)	549 (33%)	<i>p</i> =.64	9 (41%)	5 (26%)	<i>p</i> = .43
Business	10 (24%)	573 (34%)		5 (23%)	5 (26%)	
Home	7 (17%)	272 (16%)		2 (9%)	5 (26%)	
Child's Education	7 (17%)	178 (11%)		5 (23%)	2 (11%)	
Multiple/Other	3 (7%)	108 (6%)		1 (5%)	1 (5%)	
IDA Status						
Current Saver ^b	20 (49%)	1140 (30%)	<i>p</i> =.002*	13 (59%)	7 (37%)	<i>p</i> = .04*
Alum	16 (39%)	1445 (38%)		9 (41%)	7 (37%)	
Dropout	5 (12%)	1224 (32%)		0 (0%)	5 (26%)	
Monthly income (\$)	2037 (980)	1592		1871 (947)	2275 (1015)	<i>p</i> = .20

* *p* < .05, ***p* < .01, ****p* < .001

I used demographic data available from EARN's 2011 first quarterly report to estimate differences between the values observed in this sample and what values would be expected based on EARN's population proportions. The results of a Chi square analysis revealed no significant differences between the two groups for gender ($X^2(1, N = 42) = 1.78, p = .18$), race ($X^2(4, N = 42) = 7.952, p = .09$), or saving goal ($X^2(4, N = 42) = 2.514, p = .64$). However, the percentage

of participants in each category of saving status *did* differ between the two groups, $X^2(2, N = 42) = 7.761, p < .05$. There are fewer drop-outs and more current savers in the sample than would be expected based on the EARN population estimates. This is likely a selection bias: savers are by definition more likely to be engaged with the organization, and it is through EARN that I recruited the participants. Another key difference between this sample and that of EARN clients more generally is that the sample analyzed here reports a *higher* income (\$2037 (\$980 SD) versus \$1592 average for EARN) but a *lower* amount of money saved in the IDA account (\$93.6 (\$61.3 SD) \$115 average IDA savings for EARN). There was insufficient data about the EARN population from this time period to assess if the difference in income and savings are statistically significant. Nevertheless, caution should be applied in generalizing from this sample to the large EARN population of clients. To the extent that EARN's estimates accurately reflect the real saving deposits per income measures, individuals in this sample are *less* intense savers than is common in the organization. Yet if the participants in this study save less intensely than those in EARN, they are closer to the average IDA client, whose monthly savings are considerably lower than that of the EARN average.

In addition, I compared demographic characteristics of the immigrants and non-immigrants in this sample, using Fisher's exact test for categorical variables (gender, race, education, marital status, saving goal, IDA status) and Welch's *T* test for continuous variables (age, number of children, and monthly income). Welch's *T* test is used when the samples may not be sufficiently evenly balanced for a *T* test. Three significant differences emerged with these analyses. The first is not surprising. Asians and Latinos in this country are much more likely to be foreign born than non-Hispanic blacks, and this is reflected in this sample. Immigrants in this sample are either Asian (64%) or Hispanic (46%). The race of the U.S. born IDA participants in this sample was most likely to either be non-Hispanic black (42%) or white (26%). Immigrants in this sample were also significantly more likely than U.S. born participants to be male (32% versus 5%). Although immigrants had considerably fewer children ($M = 0.95 (SD=0.9)$) than non-immigrants ($M = 1.7 (SD = 2.3)$), the difference was not significant, $t(39) = 2.92, p = .146$. Immigrants are more likely to be current as opposed to past savers (59% immigrants were savers versus 37% of the U.S. born).

An important difference between the two groups is their status in the program. No immigrants were drop outs, whereas the U.S. born were about evenly distributed between the savers (37%), alumni (37%), and drop outs (26%). The high number of U.S. born IDA drop-outs in the sample is a result of purposive oversampling for this status during screening. Whereas all immigrants who expressed interest were invited into the study, and the majority of non-immigrant savers were screened out, anyone who dropped out of the IDA program was given a higher random chance of participating in the study. As a result of this sampling bias, I conducted no statistical comparisons of the quantitative data I collected in the study. Since I purposely drew more drop-outs from the U.S. born IDA population in the EARN program, any extrapolation of outcomes like saving rates from this sample could be spurious.

Research Question 1: Does likelihood of asset acquisition differ between immigrant and non-immigrant IDA participants?

Observed sample size: Nativity and program status		
	Drop out	Alumi
Immigrant	0	12

U.S. Born	7	23
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Although immigrants were more likely to report having acquired the asset using IDA funding, Fisher's exact test revealed no significant difference between the likelihood of successful outcomes ($p=.16$).

Research Question 2: What migration-related saving experiences, if any, do immigrants report?

A few participants stand out as having made somewhat heroic exertions to come to this country, at least in the sense of being the first in one's social network to migrate and saving money for the trip. Samuel is one of them. He always dreamt of coming to the United States. As a teenager he saved money and then borrowed the rest from his family in Peru, finally travelling to a country where no relatives would greet him. He finished his college education here and although he returns to his country every few years, he has settled here. Adina is another. She grew up in a wealthy family in Gambia but since the family "did not value education", she had to work particularly hard to raise the money to stay in school. She supported herself by selling ethnic snacks during the lunch breaks and later obtained employment in an international firm that paid a high wage. Yet Adina's plans for her future are bigger than the lucrative employment she would leave behind – she plans to receive a degree in computer science in America and start a software company when she returns to her country. She saved half of the income she received in her well paying job and came to the United States using the money she saved. Presently she is stuck. Cuts to the state education budget meant that her tuition has risen dramatically since she began school. She needs to periodically drop out to raise the many thousands of dollars she needs. Adina pointed out that the system for foreign students was not developed for persons like her: persons who do not have considerable family resources to continue to draw upon.

Although Samuel and Adina saved considerable funds to come to a country where they were the first in their family to arrive, most immigrant participants did not fit this narrative of the pathbreaking immigrant. Considering the group as a whole shows that only a few financed their own journeys. Of those who did, many built savings in well paying jobs (e.g. Adina) or through successful businesses they developed. Some came from a privileged background. For instance, Katelyn, currently a single mother of three, "lived like a princess" in Mexico before escaping to this country to escape threats made on her life for her political views. She had received an elite education growing up and is dedicated to ensuring that her children follow her path. Participants from such backgrounds tended to see their lives as particularly difficult relative to what they had before. They tended to expect their children to gain high educations and were often saving for this purpose. In effect it seems that the saving experience of this group of IDA participants typically did not entail extraordinary personal exertion. Rather, prudent habits allowed them to channel some of their income into savings that they could then invest into the migration when that became necessary. One participant borrowed money from her family to make the journey from China with her young child.

Most participants in this study did not need to pay for the trip at all. They came to join spouses or, even more typically, were brought by their parents. This does not mean their journey did not entail sacrifices. Lana, who joined her mother in the United States after she finished high school, even though she would have much rather stayed in Mexico. Lana had many more friends

there and perceived her life in general to be easier. Yet now that she is here she is saving intensely to help her mother build up her business, and plans to finish a law degree when she gains more funding. William was not as reluctant to come, since he was only a small child when his parents migrated with him from China. Yet he strove to gain a college degree to gain a better income so that he does not have to be a “burden” to his family. He willingly helps his parents financially whenever they ask. The sacrifices these immigrants coming before adulthood were making for their families had more to do with general success in the country rather than specific intensity of saving related to the journey.

In summary, there were few stories of heroic sacrifice to blaze a new path in this country. Although some used their own savings to migrate, the majority of these individuals had greater means (i.e. higher incomes) in their country of origin. These participants tended to report that their standard of living diminished considerably in their new country. Since the majority of the immigrants interviewed here came to join family, they did not have the intense saving experiences to migrate and did not need to support family upon arrival. The majority reported learning new strategies to save in the program.

Research Question 3: How do experiences of the IDA program differ by nativity? Namely, (a) to what extent does immigrant and non-immigrant participants intensity of saving change after exit from the program, given intensity of saving before entering the program? (b) How do the groups’ suggestions for improving the IDA program differ and overlap?

(a) Impact on Saving

While it was not at all rare for immigrants to have entered the program with some saving experience (albeit not typically the tremendously intense form of saving), their stories suggest that the financial training they received in the IDA program enabled them to increase the amount of money they could save. Certainly, there were a few who felt that the instructions related to saving were already obvious. One participant from China was not impressed with the frequently given example of money spent on coffee being a spending leak that could be tapped for large savings in the future, reciting a Chinese proverb about many little things adding up to a lot. Nevertheless, the majority reported at least some excitement about the techniques for budgeting they learned in class, with some reporting a transformation in the way they used money. Lana, for instance, stated that she used to live from paycheck to paycheck before being drawn to a program that would “pay [her] to save”. She now saves 15% of her income.

In their perceptions of learning to intensify savings or to start saving for the first time, immigrants in this study did not much differ from participants who were born in the United States. In article one (IDAs as the cornerstone of asset-based policy?), I divided participants who graduated the program by reported intensity of saving before and after the program, a table I recreate below. I was interested in identifying to what degree if any did the program serve to transform the saving habits of those who took part in it. However, in addition to the financial classes themselves, a small selection of participants participated in a program EARN created for its IDA alumni. I added another table for additional changes attributable to the financial coaching of this program. It is provided for interested alumni and consists of individual meetings with a financial coach for about a year for the purpose of identifying and meeting financial goals.

The results of this assessment appear in the table below, with names of the immigrants in the group bolded and italicized (i.e. Brian, Candy, Terrance, Victoria, Harold, Katelyn, Linda, and Adina). With the perception of immigrants as heroes, one would expect

Table 3-2: Saving Intensity before and after IDA Program

PRE-IDA Saving			
Not Saving n=12		Moderate Low n=6 High n=2	Intense n=3
<i>Brian</i> <i>Candy</i> Holly Ivy Jennifer Jessica Mirah Molly Sandy Sarah <i>Terrence</i> <i>Victoria</i>	LOW	<i>Harold</i> <i>Katelyn</i> <i>Linda</i> Rosy Tammy William	Cindy Laura Gemma
	HIGH	<i>Adina</i> Richard	

Post-IDA, NO Individual Financial Coaching			
Not Saving n=9		Moderate Low n=2 High n=6	Intense n=4
<i>Katelyn</i> Holly Ivy Jessica Mirah <i>Terrence</i> Sandy Sarah <i>Victoria</i>	LOW	Tammy William	<i>Adina</i> Cindy Gemma Laura
	HIGH	<i>Brian</i> <i>Candy</i> Jennifer Molly Harold Linda Richard Rosy	

Post-IDA, WITH Individual Financial Coaching			
Not Saving n=8		Moderate Low n=2 High n=6	Intense n=6
<i>Katelyn</i> Holly Ivy Jessica Mirah <i>Terrence</i> Sandy Sarah	LOW	Tammy William	<i>Adina</i> Cindy Gemma Laura Jennifer Victoria
	HIGH	<i>Brian</i> <i>Candy</i> Molly Harold Linda Richard Rosy	

immigrants to begin as intense savers in the first table (PRE-IDA Saving), and continue in the same category in the tables below. Financial training should not matter to an immigrant. With the immigrants as victims perspective, we might expect to find immigrants in the category of non-savers before the IDA program, or if they did save, to not have changed status after participating in the program. The expected lack of change would be a result of the more intense effort that an organization that administers the IDA program would need to make to overcome fundamental barriers to understanding the material that immigrants would be more likely to have.

Instead, the tables show that immigrants and non-immigrants are relatively evenly spread across the tables. Even Adina, the computer science student from Gambia found herself able to be even more intense with her ability to save after the IDA program. Both she and Victoria (after financial coaching) became very intense savers, streamlining their spending to such a degree that

there is little thoughtless spending (Adina spends \$50 per month in for anything that is not a bill), and considerable saving (Victoria has \$18,000 saved). Yet in jumping between these categories they were joining three non-immigrant participants who were already there.

Conversely, immigrants appeared no more and no less likely to be unable to continue any intensification of spending they might have experienced in the program. Sherraden's institutional theory of saving suggests that rules and incentives matter in promoting and retarding saving, including among the poor who have little excess. As I pointed out in the chapter 1 (IDAs as cornerstone of asset-building policy), the fact that they IDA program as executed is time limited rather than part of a permanent structure of incentives, means that it is an open question whether any new saving can persist after the facilitating structure is removed. Many indeed reverted to their previous saving habits, particularly those who reported not saving before. This suggests that a favorable institutional structure is as necessary for immigrants as non-immigrants if an enduring change in saving is to be stimulated. Analysis of the opinions about the structure and administration of the IDA program by nativity is the topic of the next section.

(b) Impressions of the Program

Confirming the findings of the previous sections, immigrants and non-immigrants experienced the program in a similar way. Both groups viewed the program favorably, praising the training and the structure of the program in helping them save money for assets and at times develop a greater sense of purpose for their spending. They found the match to be highly motivating and appreciated being prevented from withdrawing the funds easily. Both groups generally found the financial instruction helpful, although some had suggestion for specific content they found missing (e.g. advanced training on credit). Many felt very lucky to have the program made available to them. Excerpts from two participants, the first an immigrant and the second a participant born in this country will illustrate some of these similarities.

Harold, a single immigrant from China in his early sixties, was asked to relate the messages he believed the program was trying to impart to him:

They helped me to get my credit together and showed me how to budget, value money. Even though you are poor, you can find all kinds of ways to save money. You don't have to be rich to save money. That is the most important thing that I have learned. Also, I learned how to set goals because most people do not have money, they don't set goals.

Interviewer: Is that something that you have already heard before or it is new to you?

It is new to me because those IDA concepts are not practiced by low income or poor people. They usually are practiced by educated and wealthy people.

The financial training helped Harold conceptualize goals for his spending and taught him concrete skills that would make it easier for him to reach them.

Jennifer's excerpt affirms Harold's points in greater detail in her explanation of the process of joining the IDA. She adds that information about the way that the matching of savings can attract participants to the program. Far from a public benefit, it the program rather seems like a money making opportunity too good to be true. Jennifer, a U.S. born single mother of one in her early forties was in a point of transition in her life, after fifteen years of dependence on

disability. She was particularly ready to receive the instruction she reported never receiving in school or from family:

I think I was just working, started working permanent. Then I looked at that website [benefits.gov], because I got a job permanent, I wasn't able to get any aid from the city for my son anymore. So I said, 'gee do I qualify for anything?' And so I was looking, and you know, my dad being a veteran and everything, maybe something, just to see. And then I found that one. It just piqued my interest. I called and they said, 'come in for a meeting.' (...) And so they signed me up and you know, everyone [in my family] was really doubtful: (...) 'how could that be? how could that be?' (...) So I was still doubtful, but I was more doubtful with myself. Plus I have bad credit. (...) So I went to the meeting and then I said, 'ok I decided since I qualified, that I would save for my son's education.(...)

The budgeting classes, which were so helpful, those were things that I never learned in school. I took, what did we have in school? Civics. But they don't... we had this stock project about buying stock and making money that way. But it doesn't teach you anything about budgeting or... And I thought I knew a lot about money because my dad owned a house. But I didn't really know a lot about personal finance, budgeting, the very simplistic basics of what you need to do to take care of yourself (...). And they had us write down all the things that we spend in a week and then see if there's any spending leaks. And that whole exercise was a real eye opening exercise. I still sit down and do my own budget to this day.

Interviewer: What do you mean you do your own budget?

I mean figure out how much I need to spend every month, which are the things that I have to spend on and what is variable. Yeah. I try to make projections in like one year, two years to see if I can make it with my goals. I write that down too.

Jennifer represents a particularly successful IDA participant, changing from a person who never saved and even declared bankruptcy for consumer spending, to a woman who has saved five months of income and intends to continue her extremely frugal lifestyle for the indefinite future. Her large saving goals are retirement and her son's college education.

The largest recurring complaint of this program is that the program's scope is insufficient. Some state that the staff is at times too busy. This was particularly a problem for those who were struggling in the program. For instance, Stanley needed to previously drop out of the program because he needed to make an emergency withdrawal to pay for a medical procedure. He wished that someone in the program had approached him when he was on the verge of dropping out. Dorothea, born in the U.S. and on the verge of dropping out from the program because she cannot find a lender to make her pome purchase possible, believed when spoke for others when she note that "I think the biggest complaint of the program is that you don't have a lot of one-to-one. That's the biggest complaint to people. You don't know who to call, and they tell us that they have so many clients, they don't have time, it takes them several days. You just stop bothering them."

While increased staff attention was a somewhat common complaint, the desire for IDAs to be extended over many goals was very typical. Adela's observation is representative:

I think they shouldn't limit the number of goals people are allowed to save for. They should allow people to continue on with the program to save for a second goal after they have finished saving for their first goal.

In other words, they would like to engage with the program to save for additional goals. Not just the business, home, or education, but also for debt reduction, retirement, naturalization, and emergency savings. This speaks to the potentially greater impact that an *ongoing* system of incentivized savings by the poor could have on low-income workers.

Where immigrants did differ was in listing language barriers that limited their ability to fully participate. Stella observation summarizes the changing to saving habits she experienced, as well as the language barriers that prevent her from making as much use of the programs as she might otherwise:

Before, we would go out a lot and spend money, but now we think before eating out or going to the movies. We remind each other of the messages we hear in the classes and how \$30 at a restaurant can be a few days' worth of groceries. We keep each other in check and accumulate more money for the savings account. Now when I am tempted to go buy a meal, I go to the bank instead to deposit the same money. I used to spend unnecessarily on things we never used but now I am able to put it in perspective. I loved going to the classes and they were very valuable but now they are almost all only in English. Nothing has ever been useless that I have learned.

Interviewer: Something do you think they can change?

More resources in Spanish so that more Latinos can go. There should be more meetings and information for participants.

Mae's case was particularly acute. An immigrant from China with limited ability to speak English, Mae found constructing a business plan in English a frustrating and exceedingly difficult task. The task was primarily conceptually difficult, particularly since it was difficult for Mae to follow the guidelines provided by the workshops and lessons Mae attended. Conducting research on the market was also quite difficult for her and she ended up feeling frustrated that although her friend's business plan totaled ten pages, she could manage to only write half of that amount. This friend then needed to translate her plan into English for her. The process took her six months and was one she found "incredibly frustrating".

One could argue many of the difficulties Mae experienced were likely as difficult for new entrepreneurs in this country, particularly the conceptualization process. Yet the language barrier should not be underestimated. Spanish speaking participants also found access to workshops more limited as a result of the language barrier, even though this is the one language outside of English that workshops were provided. In summary, immigrants and persons born in the United States reported similar benefits and drawbacks of the program, with the exception that immigrants with more limited ability to speak English faced additional linguistic barriers.

Yet an important limitation in the design of this study needs to be noted. We interviewed persons who maintained sufficient contact with the agency to continue receiving emails, such as the one recruiting participants for this study. The selection bias would miss those who found the

program too difficult to access, or who would be reluctant to join any program associated with the government or American institutions. One IDA participant, a white U.S. born woman closely associated with a local church that caters to Spanish speaking immigrants made this point well as she explained her lack of success in recruiting her fellow parishioners to the program. Dolly made repeated attempts:

I can almost quote this word for word because I've heard it so many times. 'We don't trust anything from the government, and we have pride and want to work hard to get ourselves out of our situations. We don't want to take a handout and be taking things away from the Americans.' (...) Nothing is for free for immigrants. The United States will not help immigrants.'

Dolly believes that the problem with her recruitment is that her fellow parishioners perceived her as belonging to the mainstream from which these immigrants are apart. She attempted to convince the priests to tell parishioners about the program, but they too were reluctant to stake the trust of their community on Dolly's claims. She speculated that an initiative by an IDA serving organization that would bring together religious leaders from many different communities for a presentation about the program would be better received:

I think the best thing is to get pastors (...) and invite them to a dinner. Not only would they have that fellowship with one another, and free food, but they would actually hear about the program and then they could bring it to their congregations. And there are many, many, many people that would hear about it and benefit that way (...) So that's my best advice for actually distributing the funds to worthy recipients, to recipients that really could very much benefit and their children and families: if it was only communicated in a way that they would understand.

Dolly is convinced that these families would particularly benefit from the program since despite their poverty, they are able to collect thousands of dollars among themselves to build a church in their community of origin. This suggests that they would be able to find the resources if the opportunity were presented.

Discussion

Strengths and Limitations

This study is the first to contrast experiences of immigrant and U.S. born participants in an IDA program, the largest asset-building program specifically created for low-income workers. The results suggest that immigrant participants may not differ in many significant ways from IDA participants born in this country. The two groups are also as likely to finish the program with (or without) drawing down the match for the asset goal. Neither theory presented in the introduction turned out to predict the outcomes. The majority reported no significant experiences in saving for the migration, since their families facilitated their passage. Those who did pay their way tended to have had well paying employment in their countries of origin, suggesting that the

saving did not come at a great cost to their daily living. Indeed, both types of participants reported similarly positive experiences in the program, with the biggest complaint being the program's more limited nature: one saving goal of three, when repeated and more expanded goals would have been appreciated. The singular difference was, not surprisingly, in language barriers being reported by the immigrant group.

Before drawing any larger conclusions based on this study, it is important to take note of its limitations. These results hold true for this particular IDA program, administered by a specific agency chosen for its particularly good functioning given standard programmatic outcome measures. Further, these results hold true for a particular area of the country. The San Francisco Bay Area is particularly urban and dense with immigrants. It has served as an immigrant gateway since before California began to exist as a state and has established immigrant communities. One of the many ways that this could matter is in the existence of supportive resources for immigrants that are more likely to exist in the area. If these are sufficient, they would allow EARN's IDA program to be focused on the administering its specific program, rather than providing more comprehensive services for easing settlement to complement the IDA program. A region whose receipt of immigrants is more recent may need to fold any immigrant serving IDA with additional programs.

The sample was small and considerable care should be exercised before generalizing results to larger populations. For instance, it is important to note that the participants for whom the program did not work particularly well would be less likely to still be attached to it. This selection bias is evident in the analysis of the screening data for research question 1: a significantly smaller number of drop-outs than would be expected from EARN's drop out rates expressed interest in participating in the study. The recruitment was sent in Spanish and Cantonese, missing the large variety of additional languages read by immigrants. Thus the only immigrant participants outside of China, Hong Kong, and most countries in Latin America were those able to speak English fluently enough to take part in a conversation advertised to last about an hour. Language minority immigrants are generally less explored in research.

Future studies are needed add more information about immigrants' use of the IDA program. One useful place to begin would be to add the variable of country of birth to the data collected annually from Asset for Independence grant recipients, as part of the annual reports to congress mandated by this legislature. This would allow researchers to collect national data that would be more generalizable. In addition, future studies could study low-income immigrants' asset building with a comparison to populations outside of the IDA program. Case studies comparing IDA programs administered in established and gateway communities would also provide potentially useful ideas for cross-fertilizing immigrant serving programs. Such case studies should also be mindful of the way that the IDA program interacts with other asset-building initiatives participants might have access to in their particular location. Perhaps the problem of minority languages could be alleviated through workshops simultaneously broadcasted to participants of multiple agencies. This attempt could be coupled with recruitment of community leaders immigrants less acculturated than the ones in this study.

As the country prepares to seriously address immigration with Comprehensive Immigration Reform, it is important to note that attention to integration should transcend policies of admission alone (Bloemraad, 2006). In the pilot interview I referenced in the introduction to this chapter, Anna Crosslin pointed out the potential power of having the staff in her agency lay out for refugees the sequence of steps they could follow if they wanted to eventually be ready to start a business or own a house. What the results of this study suggest is that this explicit attempt

to integrate individuals appears as motivating for immigrants coming to this country in less traumatic circumstances, as well as to those who were born in this country.

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