



Evaluating the Return on Investment of FAIM's Homeownership Program

August 2012

Highlights from the findings

Overall, the FAIM program has been enormously helpful to Minnesota's low wage families. Of the 81 FAIM graduates surveyed:

- 67 had purchased a home and 14 were aiming to buy one in the near future.
- **97% still own** their home. The two that no longer do sold their home. No one had foreclosed in a time when many Minnesotans have.
- **89% have not used risky financial products** or services in the last 6 months. Of those who have, they used only one product.
- **39% have no debt** other than their mortgage (not including deferred student loans).
- **56%** of respondents experienced an **increase in their income** since completing the FAIM program.

A. Introduction

The Family Assets for Independence in Minnesota program helps low-income working Minnesotans increase savings, assets, and financial knowledge to achieve greater economic security. Since its inception, FAIM has assisted 402 Minnesotans in achieving their dreams of homeownership. This report synthesizes data gathered from a survey of 81 program participants in order to show the return on investment both for the state and the participants themselves.

B. What is Family Assets for Independence in Minnesota (FAIM)?

FAIM is a matched savings project launched in 1999 to help Minnesota low-wage earners build assets through the purchase of a home, pursuit of higher education or the launch or expansion of a small business. Participants' income must be at or below 200% of poverty (\$37,060/year for a family of three). FAIM is part of a nation-wide initiative to promote Individual Development Accounts (IDAs). Similar to employer-based matched retirement accounts, IDAs reward work by requiring accountholders to deposit earned income into their accounts as they prepare for their asset purchase. The program requires participants to complete 12 hours of financial literacy classes prior to receipt of matched funds. They are also required to complete asset-specific education, so those who aim to purchase a home complete homeownership classes. Accountholders deposit a total of \$960 into bank accounts at an average of \$40/month for up to two years. Minnesota has historically matched this with \$1440 per account holder and the federal government matches the other \$1440.

This report was requested by members of the statewide Family Assets for Independence in Minnesota (FAIM) Council, comprised of representatives from local Community Action Agencies, Bremer Bank, City County Federal Credit Union, Greater Twin Cities United Way, Leech Lake Tribal Government and Emerge Community Development.

The primary researcher was Josie Shardlow, Masters in Public Policy candidate at the Humphrey School of Public Affairs, University of Minnesota, with support from Pam Johnson of Minnesota Community Action Partnership and Lisa Hermanson, also a MPP candidate at the Humphrey School.

The authors wish to thank the individuals contacted for their participation and feedback that informs this research.

C. What is the purpose of this report?

This report aims to educate policy leaders, funders, and other decision-makers about the powerful impact of the Family Assets for Independence (FAIM) program on the lives of low-wage Minnesota households working their way up and out of poverty. FAIM delivers a strong return-on-investment for the public and private dollars that have supported this initiative since its inception in 1999. At that time, a bipartisan group of state legislators appropriated \$500,000 per biennium to establish an ongoing, statewide network of FAIM program sites in urban, rural and suburban areas of Minnesota. One-to-one matching federal funds were linked to this state appropriation, which was temporarily eliminated during a very difficult state legislative budget balancing Session in 2011. Successful advocacy efforts at the 2012 legislature led to the reinstatement of partial state funding for FAIM, and enabled federal funds to continue to flow to statewide program service sites.

The collection of solid program outcome data and life-changing success stories is useful to tell the story of FAIM and its impact on Minnesota families and local communities. Through 2011, low-income FAIM accountholders have saved over \$2.5 million of their own funds in individual development accounts and acquired nearly 1,700 long-term financial assets. Twenty-five (25)% have acquired their first home, 41% made post-secondary education investments and 34% capitalized a small business. Over 3,000 FAIM accountholders have completed 12 hours of general financial education, increasing the financial fitness of Minnesotans working to leave poverty permanently. High quality financial education and ongoing coaching are key program success factors. Participants receive one-to-one guidance on sound budgeting, credit repair, debt reduction, consumer protection and mortgage lending products, and how to maintain their assets. These new skills are modeled and passed on to the next generation, decreasing the likelihood of intergenerational poverty. FAIM asset purchases also boost local economies through increased home ownership property taxes, newly created jobs, local small business purchases, and increased professional skills.

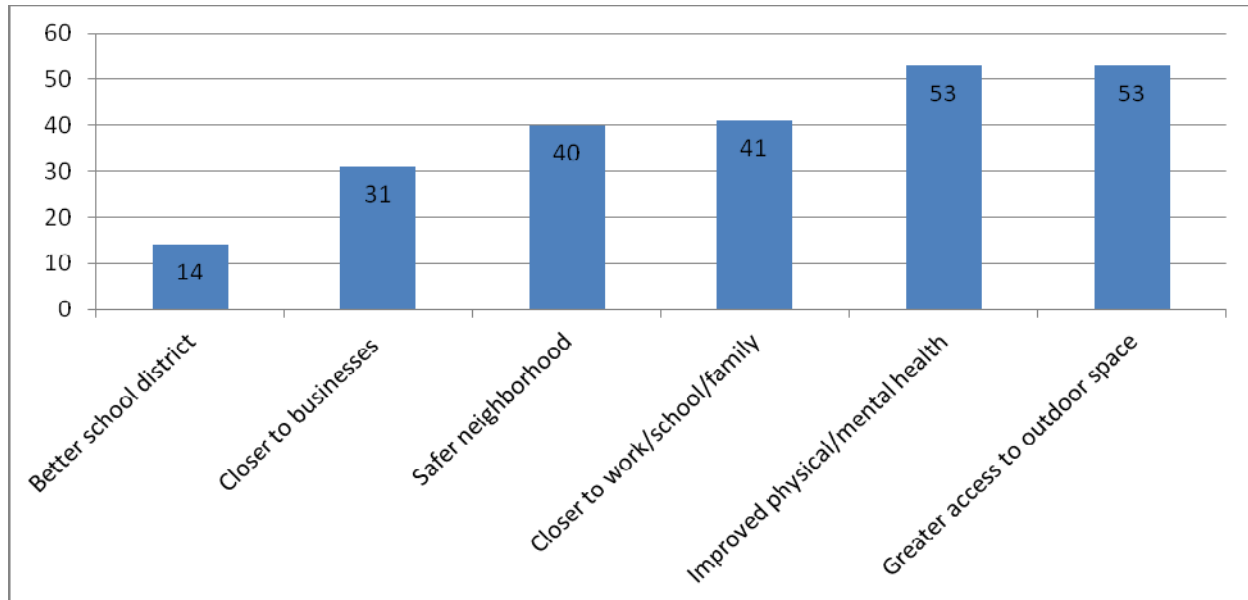
Mission Statement

Family Assets for Independence in Minnesota (FAIM) provides Individual Development Accounts (IDAs) to enable people to escape poverty and achieve wealth through asset acquisition.

D. Research Findings

Theme 1: FAIM Improves Participants' Lives

Chart 1. Ways FAIM Participants' Lives Improved after Purchasing their Home



FAIM homeowners reported vast improvements in their quality of life. Families benefitted from yards and more bedrooms so children no longer had to share. Other common examples included having a garage or garden and the ability to own pets and entertain. Many also expressed feelings of stability since many rental properties were subjected to foreclosures in recent years. Also, participants appreciated the freedom to improve their property. A number of participants indicated that their mortgage was less than their rent, allowing them to pursue other goals like education or owning a vehicle.

“I'm going to be finishing my bachelor's because of it. If I was renting I couldn't afford that. The mortgage is cheaper than renting.”

Many reported a sense of pride in homeownership and a greater sense of community.

“My overall happiness has increased. Also, my commitment to family and working hard at my job so I can keep my house.”

“I feel more connected to my community because I'm a homeowner. I feel really invested. I've become a block club leader. It's been really positive for me.”

Theme 2: Coaching and Classes Make a Difference

The FAIM program requires homeownership classes, financial literacy training and one-to one coaching in order to arm participants with valuable information about the home-buying process and financial fitness to ensure their success.

1. 86% of participants found the homeownership classes very helpful or extremely helpful.

“I had no idea about the process before. It helped me navigate it in a smarter way and took away some of the fear associated with buying a home.”

“Very informational. It helped me when I went to talk to people. They were surprised at how knowledgeable I was. That was because of the Homestretch class.”

2. Of those who worked with a coach, 96% found them very helpful or extremely helpful.

“They give you the tools to help you. I was at a point in my life where I could've gone either way. They really wanted to help you do better in life. I actually started looking for jobs and started to help myself.”

“I worked with him for 4 years. When I met him I was in a battered women's shelter, when I started doing FAIM, and it took me 4 years to buy a house.”

3. 78% found the financial literacy classes very helpful or extremely helpful. Most of those who did not find them as helpful requested more advanced classes or to have the requirement waived if completed through another program like Habitat for Humanity.

“This was very motivating. Before taking this (financial) class my credit score was in the low 500s and I was using payday advance loans, crying a lot, we barely had food. This class helped me see the errors and helped me clean everything up and I have since stayed on track.”

“One thing I learned was how to budget. My coach worked with me. We set up an affordable budget that I could deal with, where I could make all my obligations and still have a little left over. Without the (financial) classes, I would still be struggling budget-wise.”

Theme 3: FAIM Participants Demonstrate Financial Literacy Skills

Table 1. Positive Impacts for Participants due to FAIM Classes and Coaching

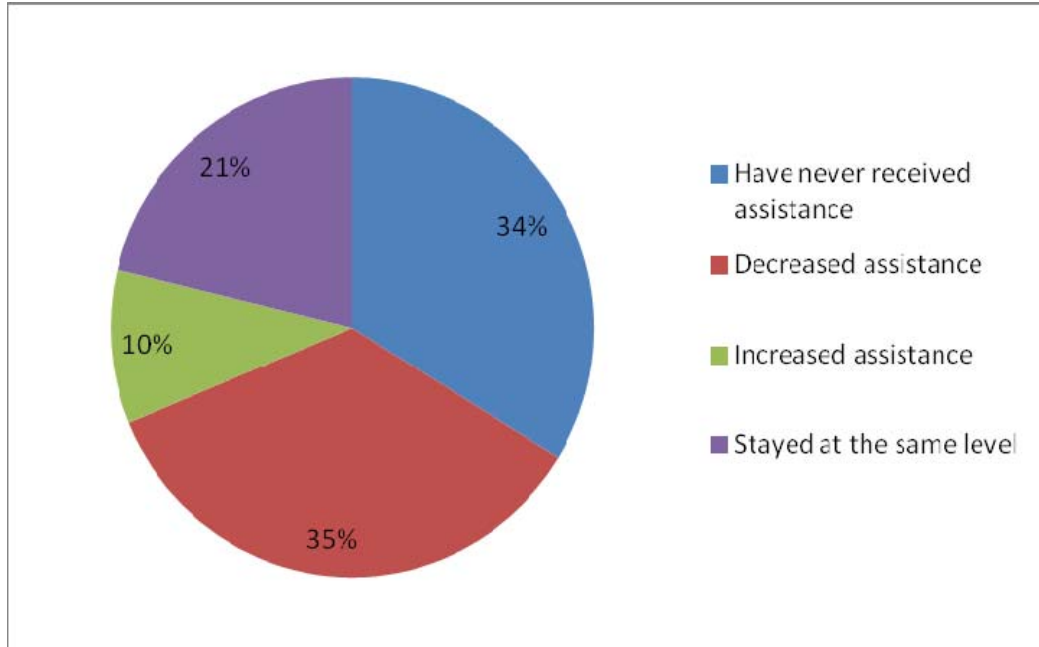
89%	Have not used any risky financial services or products in the last 6 months: payday loans, direct deposit advance, car title loans, check cashing services, refund anticipation loans, pawn shop, rent-to-own purchases. Of those who have, all used only one product and often in an isolated incident.
70%	Found ways to decrease their expenses after completing FAIM financial education
77%	Track their spending by writing down what they spend most or all of the time
71%	Use a written budget most or all of the time
62%	Have a savings account and add money to it frequently or regularly
86%	Of those who have debts other than their mortgage, are able to make payments regularly
56%	Increased their income since completing FAIM
69%	Decreased their level of public assistance or stayed at the same level

FAIM participants are motivated to acquire an asset and improve their lives. The coaching and classes offer them further inspiration and tools to reach their goals. The median length of homeownership for FAIM participants is 2.85 years, indicating that many were saving during the economically challenging years of 2007-2009 to be able to purchase in 2009 – 2010.

Importantly, participants are also able to pass their financial literacy knowledge and practices on to their children, thereby breaking the cycle of poverty.

Theme 4: FAIM Participants Become More Independent

Chart 2. Change in FAIM Participants' Receipt of Public Assistance



* Of those who increased their level of public assistance, many started receiving energy assistance (LIHEAP) or they or a family member began receiving medical assistance.

Theme 5: FAIM Participants are Grateful for the Opportunity

Without being prompted, 22% of participants surveyed said that they would not be homeowners today without the FAIM program.

When asked what could be improved about the FAIM program, 77% of respondents said they were unable to think of anything or offered something positive. The two most common examples were to keep the program running or publicize the program so that more people might benefit from it. Suggestions for improvement centered around the classes or the payout process. Others hoped they could have saved for more than two years.

“I believe that the government can make people’s lives better and, in turn, create more livable cities and happier communities. My experience with the FAIM program proves that.”

E. Methodology

Research data was collected through a phone survey and an online survey. Participants were graduates of the homeownership track of the FAIM program. Given a list of 758 program graduates of the homeownership track, there were 283 with correct phone numbers or email addresses. Of these, 81 surveys were conducted, 61 via phone and the remainder via an online survey. All had completed the classes. While most had already bought their home, 14 were still in the process and planned to purchase soon.

Letters were first sent out to participants informing them of the upcoming survey. Then nearly 1000 phone calls were made during a one month period from June 27 – July 27, 2012 over the course of nearly 40 hours. All valid numbers were called twice. In the first round, messages were left indicating that they would be called again. In the second round, the message directed them to the online survey.

- Response rate was 29%.
- The largest factor behind non-response was that we were unable to get a hold of the participant. This should not significantly influence the research data.
- The data collected was analyzed in order to measure the FAIM program's impact on participants' lives and public return-on-investment.
- Survey questions included the following:
 - When did you buy your home? (If you have not purchased yet, when do you plan to?)
 - Do you still own your home?
 - Has your life improved in any of the following ways since purchasing your home? (new neighborhood is safer, closer to work/school/family, better school district, improvements to physical/mental health, closer to businesses you frequent, greater access to outdoor space, other?)
 - How helpful were the homeownership classes/financial education classes/coaching on a scale of 1-5 with 1 being not helpful at all and 5 being extremely helpful? If helpful, how were they helpful?
 - *Series of questions related to how participants use the financial literacy education in their daily practices.

F. Conclusion

The FAIM program has been enormously successful in helping low wage earning Minnesotans achieve their dreams of homeownership. Because of FAIM, many of those individuals have experienced vast improvements in their quality of life and financial skills. Participants expressed gratitude at escaping from expensive, noisy, or unhealthy rental properties. Homeownership offers families stability and is a source of pride for those who have long considered it a goal or dream.

The individual coaching and financial education represent an invisible “fourth dollar” in addition to the 3 to 1 match of participant, state and federal funds. By learning how to avoid risky financial products, how to budget and save, and how to keep their home, the benefits for FAIM graduates actually surpass their original asset. Parents teach these skills to their children and siblings to one another. In doing so, the cycle of intergenerational poverty is broken.

However, there are not only benefits at the family level. Minnesota’s neighborhoods and communities also gain from having engaged and committed homeowner neighbors. Schools are less burdened by children who move frequently. Finally, Minnesota benefits by collecting property taxes and paying less in public benefits as these participants use their asset to catapult their lives forward.

“Homeowners accumulate wealth as the investment in their homes grows, enjoy better living conditions, are often more involved in their communities, and have children who tend on average to do better in school and are less likely to become involved with crime. Communities benefit from real estate taxes homeowners pay, and from stable neighborhoods homeowners create” (U.S. Department of Housing and Urban Development 2000).

Policy Recommendation: FAIM should be funded fully in order to accommodate the many Minnesota families who want to learn financial literacy skills and gain motivation to reach their dreams of pulling themselves out of poverty through homeownership.