

# First Steps on the Road To Financial Well-Being:

Final Report from the Evaluation of LISC's  
Financial Opportunity Centers



*Summary*

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The Economic Mobility Corporation (Mobility) identifies, develops and evaluates programs and policies that enable disadvantaged individuals to acquire the education, skills and networks needed to succeed in the labor market so that they can support themselves and their families.

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We are grateful to the funders who have supported the evaluation. We thank Craig Howard, director of community and economic development at the MacArthur Foundation, for introducing us to LISC's work in this area. We thank LISC for the opportunity to work on the project. We also thank the Corporation for National and Community Service, Annie E. Casey Foundation, Citi Foundation, JPMorgan Chase, MetLife Foundation, and Walmart Foundation for making grants to LISC that have supported Mobility's work.

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Low-income families face substantial challenges to achieving financial security and upward mobility. Since the end of the recession, the real median wages of workers in the lowest-wage quintile have declined, and the number of all workers involuntarily employed part-time remains unusually high. Periods of unemployment, low wages, and part-time work make it difficult for families to cover basic expenses and to save. In 2011, 78 percent of low-income households were liquid-asset poor, meaning they did not have enough savings or other financial assets to cover basic living expenses for three months at the federal poverty level. These families must borrow to weather crises such as job loss, illness, or unexpected expenses. However, they often lack access to mainstream forms of credit due to their limited credit histories or low credit scores. About 30 percent of consumers in low-income neighborhoods are “credit invisibles”—they have no credit report with the three major credit-reporting agencies. Low-income families’ lack of financial assets and lack of access to affordable forms of credit hinder their ability to accumulate assets, such as homes, vehicles, and retirement savings, as well as to afford quality education, further limiting their potential for increasing their net worth and achieving economic mobility.

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### **Financial Opportunity Centers**

In an effort to improve low-income families’ financial well-being, the Local Initiatives Support Corporation (LISC) provides community organizations financial support and technical assistance to operate Financial Opportunity Centers (FOCs). The FOC model operates in over 75 centers in 30 cities around the country. Based on the Center for Working Families model developed by the Annie E. Casey Foundation, FOCs seek to increase low-income families’ financial prospects by providing integrated services in three core areas: employment assistance, financial counseling, and assistance accessing public benefits. Employment services include basic job readiness training and job placement as well as connections to education and occupational skills training. Financial services include education and individual financial coaching on budgeting, saving, banking, and credit as well as assistance solving specific problems. Income support counselors help families navigate public benefit systems’ complex eligibility and enrollment processes in order to access benefits to supplement income from work. The FOC model maintains that the three core services work best when they are integrated.

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## The Evaluation

In 2010, the Corporation for National and Community Service awarded LISC a Social Innovation Fund grant to expand and evaluate the FOC model. LISC contracted with the Economic Mobility Corporation (Mobility) to conduct an independent evaluation of the effectiveness of five FOCs in Chicago, where the network had been operating for several years and, therefore, we expected the programs would provide a fair test of the fully implemented model. The study was also supported by grants from the MacArthur, Annie E. Casey, Citi, JPMorgan Chase, MetLife, and Walmart foundations. The organizations included in the study were Association House, Instituto Del Progreso Latino, Metropolitan Family Services, North Lawndale Employment Network, and The Cara Program. We selected these organizations because (1) they built the FOC services into employment programs, which was the model we were interested in testing; (2) they served a diverse group of low-income job seekers; and (3) they represented a mix of agency types and service offerings.

Study enrollment took place from October 2011 to August 2012. Study participants were seeking the FOC's assistance with employment and training, and the FOCs sought to engage them in financial and income support counseling as well in order to help them become consistently employed, improve their credit rating, and increase their net income and net worth. To assess the FOCs' effectiveness, the study used a quasi-experimental design that compared program participants' outcomes to those of a similar group of job seekers who sought assistance with employment and training from the city's workforce centers. We used propensity score matching to select the final study sample based on participants' demographics, recent employment experience, and financial situation. Only FOC and comparison group members who were sufficiently close matches were included in the final sample. This approach produced a strong comparison group of individuals who were similar to the FOC participants in their financial situations and motivation to find employment and in the labor market they faced. The final analysis sample includes 500 FOC participants and 649 comparison group members.

Our final report presents the findings on the FOCs' impacts on low-income job seekers' employment, net income, credit, and net worth two years after entering the programs. The report uses data on participants' employment, income, expenses, assets, and debts gathered during telephone surveys as well as data on credit scores and credit activity from participants' TransUnion credit reports. This summary highlights our main findings. The full report can be found on [Mobility's website](#).



## Main Findings

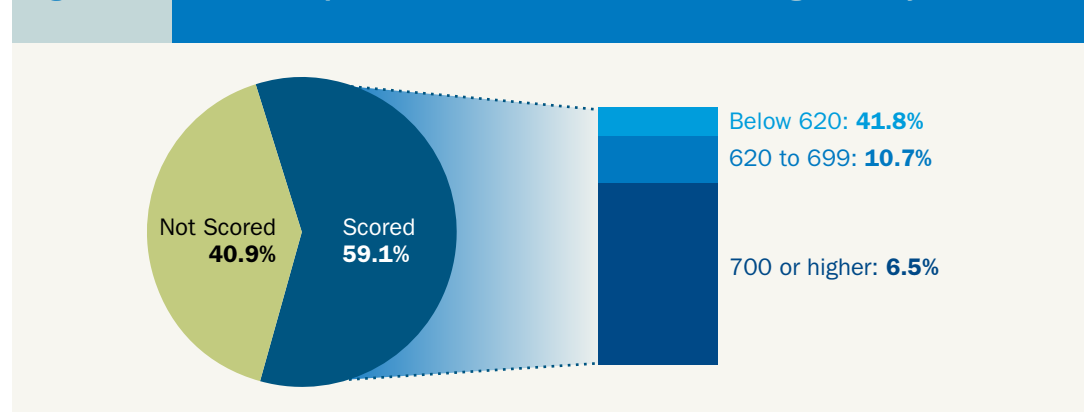
**FOC participants faced substantial barriers to achieving financial stability, including low education levels, unemployment, a lack of assets, and limited or negative credit histories.**

The FOCs sought to serve low-income individuals living in or near the Chicago communities in which the programs were located. Most participants were either African American or Latino (Figure 1). Most had only a high school diploma or GED, and 23 percent had no diploma or degree. Half had not worked at all during the year prior to program entry. Nearly 83 percent had either no credit score or a subprime score—defined as a score below 620 (Figure 2).

**Figure 1** FOC Participants' Characteristics at the Time of Program Entry

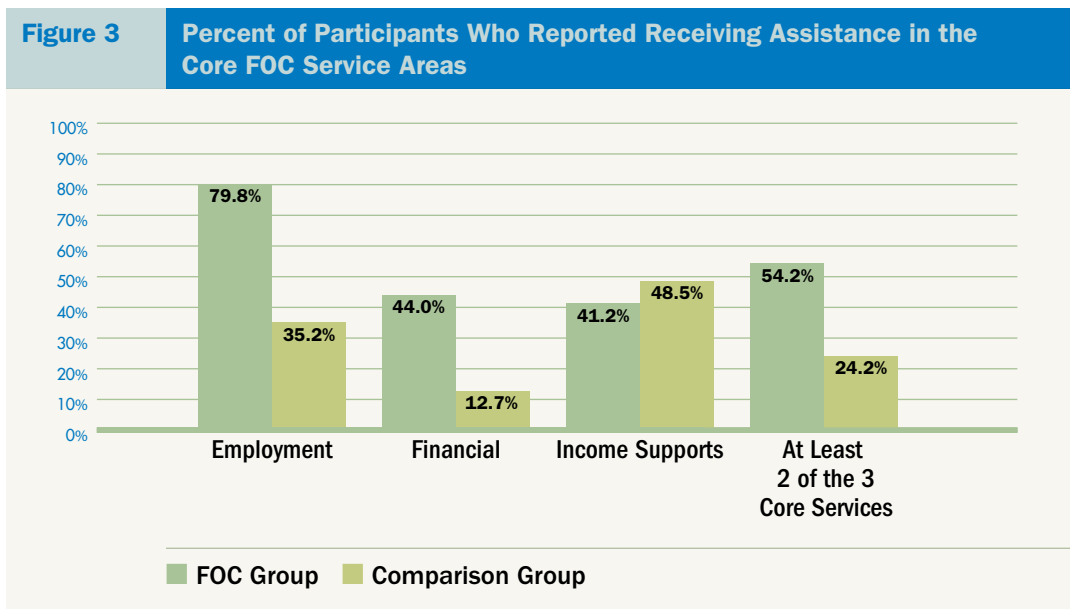
Female	54.6%
African American	71.6%
Latino	24.0%
Average age	38.3
Had no high school diploma or equivalent degree	23.0%
Had a college degree	13.6%
Not employed at any time during the past year	50.4%
Had zero or negative net worth	67.6%

**Figure 2** FOC Participants' Credit Status at the Time of Program Entry



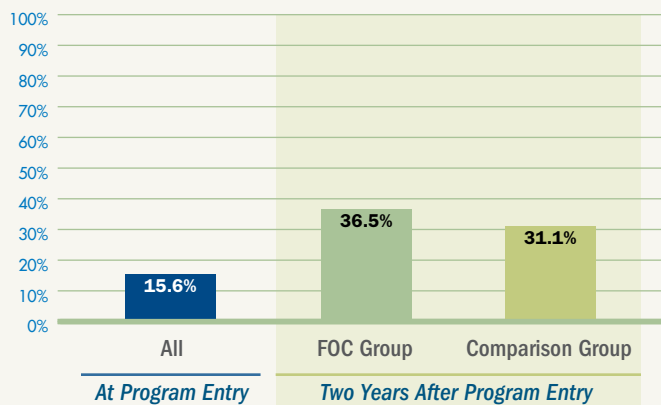
### FOCs increased participants' receipt of integrated services, particularly assistance with employment and financial issues.

As presented in [Figure 3](#), FOC participants were more likely than comparison group members to report receiving assistance with finding a job and with financial issues while comparison group members were somewhat more likely to receive assistance with accessing income supports. FOC participants were more likely than members of the comparison group to report receiving integrated services; that is, services in at least two of the three core areas that the FOC model targeted.

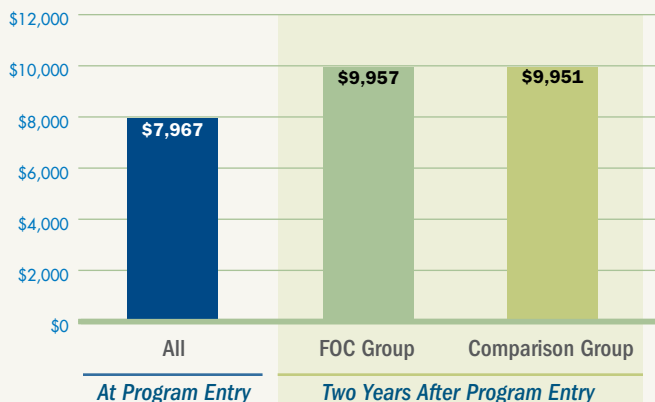


### FOC participants were more likely than comparison group members to work year-round in the second year after program entry, but annual earnings were similar between the groups.

The percent of FOC group members who were employed year-round increased almost 21-percentage points from the year before to the second year after program entry—a change that was significantly greater than that among comparison group members ([Figure 4](#)). Both FOC and comparison group members experienced about a \$2,000 increase, on average, in annual earnings in the second year after program entry ([Figure 5](#)).

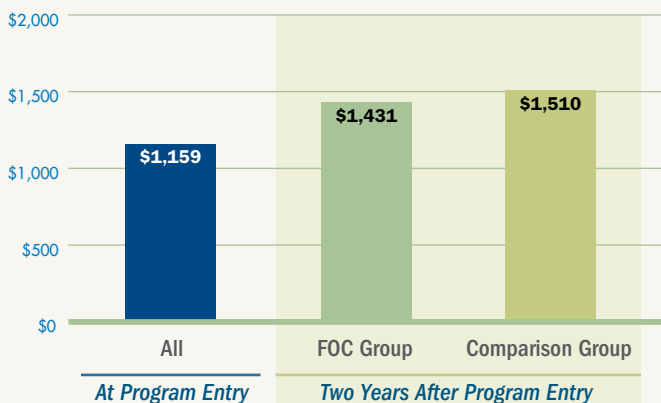
**Figure 4** Percent of Participants Employed Year Round

Note: Difference significant at  $p < .10$  level.

**Figure 5** Average Annual Earnings from Work

### FOCs did not have positive impacts on net income two years after program entry, as participants' income and expenditures both increased.

The FOC model anticipated that participants would experience an increase in net income as their earnings from work and income supports increased and financial coaches helped them identify ways to reduce expenses. However, the increased employment did not translate into positive impacts on participants' net income two years after program entry. As shown in [Figures 6 and 7](#), study participants' income and expenditures both increased two years after program entry. The small differences between the FOC and comparison groups were not statistically significant. While participants' earnings from work increased, their receipt of monetary support from family and friends and unemployment insurance benefits decreased. At the same time, participants' expenditures on basic living expenses—including rent, utilities, and food—increased.

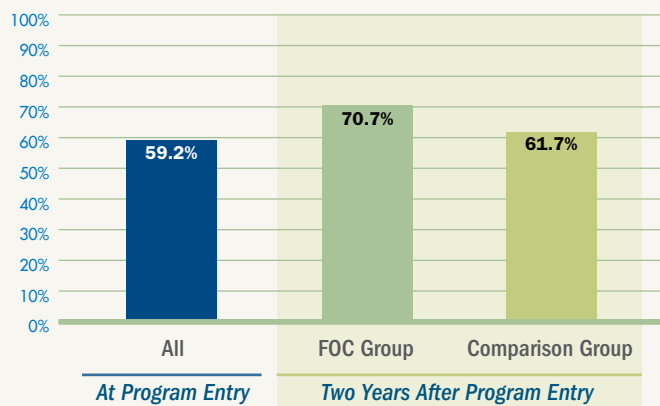
**Figure 6** Average Monthly Income**Figure 7** Average Monthly Expenses



## The FOCs helped participants build positive credit histories and helped certain subgroups improve their credit status.

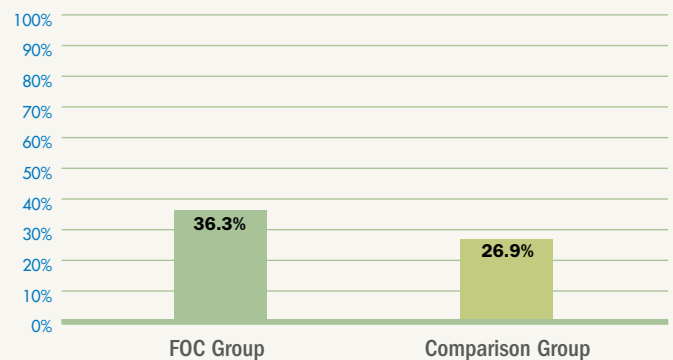
The FOCs had significant positive impacts on participants' credit outcomes. Two years after program entry, FOC participants were more likely to have positive activity on their credit reports in the form of on-time payments on loans, credit cards, and other lines of credit, as well as trade accounts with positive ratings (Figure 8). Among individuals who lacked a credit score at program entry, FOC group members were significantly more likely than those in the comparison group to have a score after two years—a 9.3 percentage-point difference (Figure 9).

**Figure 8** Percent of Participants Who Had Any Trade Accounts with Positive Ratings



Note: Difference significant at  $p < .01$  level.

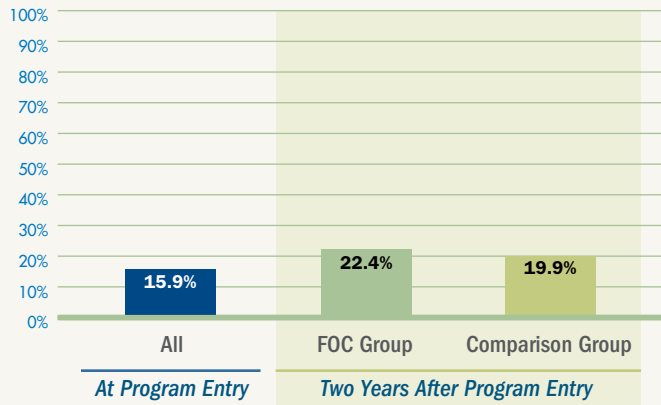
**Figure 9** Percent of Participants Unscored at Program Entry Who Had a Credit Score After Two Years



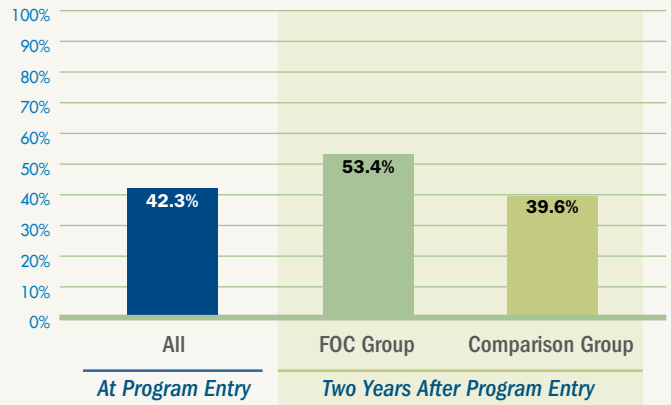
Note: Difference significant at  $p < .10$  level.

Despite the progress participants made in building positive credit histories, there was no significant impact overall on average credit scores or on the likelihood that they had a prime credit score two years after program entry (Figure 10). Among those who had more-recent credit activity at program entry (that is, those who had thick credit files with three or more open accounts), FOC participants were significantly more likely than comparison group members to have prime credit scores after two years—a 13.8 percentage-point difference (Figure 11)

**Figure 10** Percent of All Participants Who Had a Prime Credit Score



**Figure 11** Percent of Participants With More-Recent Credit Activity at Program Entry Who Had a Prime Credit Score

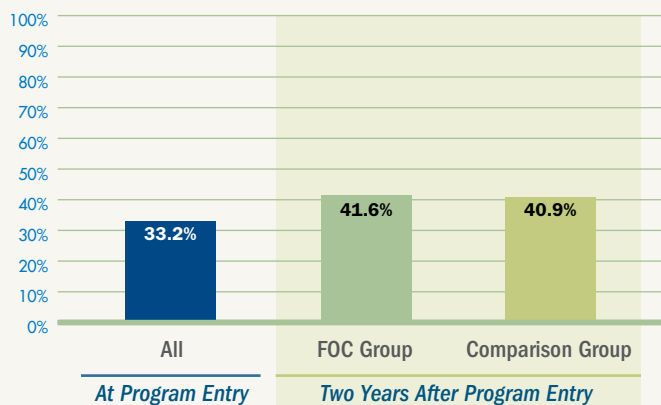


Note: Difference significant at  $p < .01$  level.

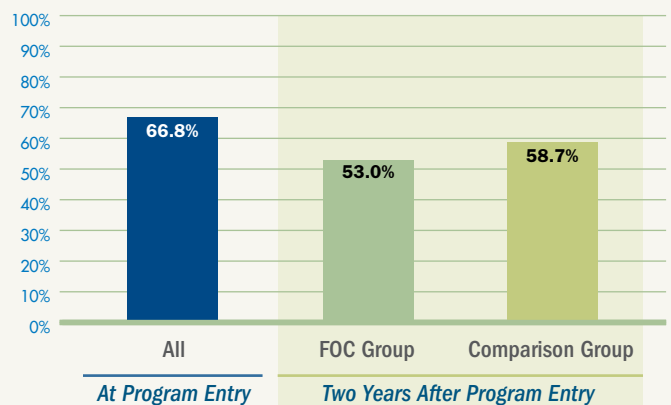
**The FOCs did not have a significant impact on participants’ net worth, but FOC participants were less likely to have certain types of debt.**

There were no significant impacts on participants’ net worth (the total value of assets minus the total value of debts) or on the percent of participants with net worth greater than zero (Figure 12). However, as shown in Figure 13, two years after program entry, FOC participants were less likely than comparison group members to have any debts unrelated to asset accumulation, such as medical or legal debts, child support arrears, or back taxes.

**Figure 12** Percent of Participants With Net Worth Greater than Zero



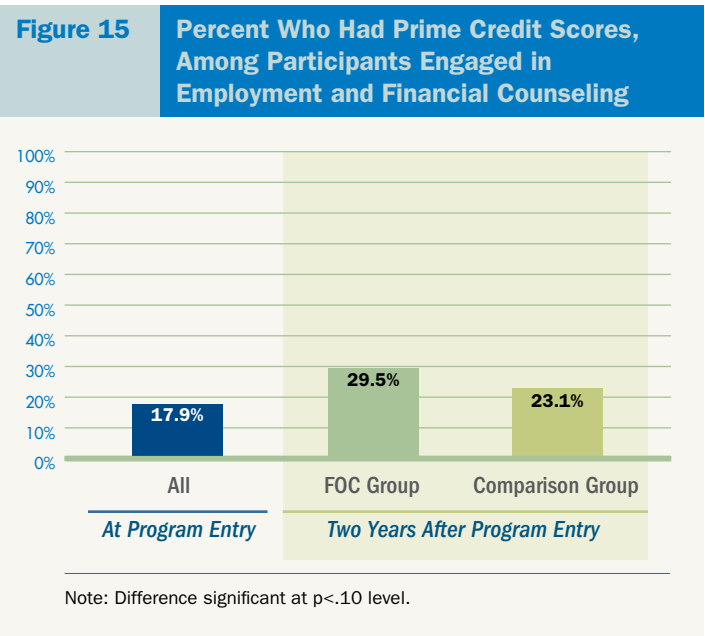
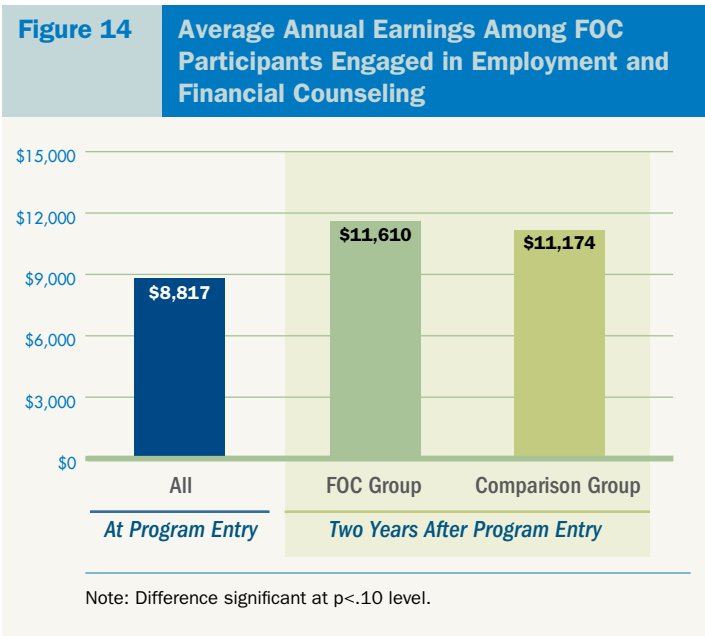
**Figure 13** Percent of Participants With Debts Unrelated to Assets (e.g., Medical, Legal, Back Taxes)



Note: Difference significant at  $p < .10$  level.

**Program impacts on employment and credit were greater among individuals who were more engaged in financial and employment counseling.**

Engaging individuals in ongoing integrated services was important but challenging. Thirty-seven percent of all study participants who sought assistance from the FOCs had at least two meetings with both the financial and employment counselors. For these participants, the FOC programs produced more consistently significant positive impacts. On average, in the second year after program entry, FOC participants who had two or more meetings with the financial and employment counselors earned \$436 more than comparison group members (Figure 14). The counseled FOC participants were also significantly more likely than comparison group members to have a prime credit score after two years—a 6.4 percentage-point difference (Figure 15).



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## Conclusions

In sum, in the two years after program entry, the FOCs helped individuals take some initial steps to improve their financial stability. Relative to the comparison group, FOC participants were more likely to be employed year-round, to have reduced certain types of debt, and to have built more-positive credit histories as reflected on their credit reports. These advances had not translated into increases in net income or net worth, which perhaps was not surprising given the FOC participants' limited recent attachment to the labor market, lack of assets, and level of debt when they entered the programs.

The findings indicate that integrating financial coaching and employment services can be an effective strategy for helping low-income individuals improve their financial situations. In particular, educating individuals about credit and their own credit situations is a powerful tool for helping them take steps to build positive credit histories. Achieving financial stability and mobility is a long-term process, and programs need to structure services to promote long-term engagement with counselors. Policies that support integrated service strategies need to recognize the time needed to achieve financial goals and support efforts to establish lasting relationships between participants and program staff.

## Endnotes

1. National Employment Law Project. September 2015. "Occupational Wage Declines Since the Great Recession." *Data Brief*. New York: National Employment Law Project.
2. Cajner et al. 2014. "Why Is Involuntary Part-Time Work Elevated?" *FEDS Notes* April 14, 2014.
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