Family Income and Wealth Building

Credit and Savings	36
Financial Coaching	39
Income Supports	41
Digital Inclusion	43
Workforce Development	45

In an era marked by growing economic inequality, we must work to expand income- and wealth-building opportunities. Advancing legislation and investing in the programs that broaden financial stability for all families can help ensure we are building resilient communities of opportunity. We must empower individuals, nonprofit organizations, and government agencies with supportive policies and the innovative, integrated tools necessary to address poverty, build wealth, and comprehensively increase financial stability. Doing so will require improving the accessibility of good-paying work and affordable financial services, creating new chances to build credit and wealth, and refining income supports and tax credits to form a more inclusive modern economy.

Credit and Savings

Expanding financial stability requires a multi-pronged approach that incorporates building credit and savings alongside the focus on increasing income. This positions low- and moderate-income households for success by increasing their ability to save for emergencies and long-term financial goals, establish or repair credit history, and access affordable lending products. Current estimates by the Federal Reserve indicate that 40 percent of Americans cannot withstand an emergency expense of $400 or more. This lack of savings is especially problematic in vulnerable, underbanked communities, where individuals often turn to predatory financial products for assistance. These high-cost products can deplete income gains, often trapping borrowers in debt cycles that lower credit scores and make it even more difficult to access traditional banking.

LISC supports:

Increasing Protections Against Predatory Lending

Payday lending is an industry rife with predatory practices that target vulnerable populations and trap them in a debt cycle. Frequently, payday lenders position themselves in neighborhoods that are underserved by traditional financial institutions and target individuals who are underbanked, low-income, and lack savings or access to affordable lines of credit. Despite some states' best efforts, the payday industry is not effectively regulated at the state or federal levels. The average annual percentage rate (APR) paid by a borrower is 391 percent, and some payday lenders charge an interest rate of up to 1,000 percent.

The loans' high interest rates, usage fees, and lump-sum repayment model are designed to make it difficult for borrowers to pay off the debt, allowing payday lenders to earn exorbitant profits on interest and fees—removing $8 billion in annual household income nationwide and exacerbating racial wealth inequalities. Research by Pew Charitable Trusts indicates that Black Americans are two times more likely than people of any other race and three times more likely than whites to take out a payday loan.

The Veterans and Consumers Fair Credit Act offers an opportunity to regulate the industry by expanding the proven consumer protections enacted under the Military Lending Act (MLA). Passing this legislation is critical to safeguarding all Americans against predatory practices by capping APR at 36 percent and preventing hidden fees and loopholes while protecting access to affordable credit lines.

Building Credit Through Rent Reporting

Strong credit history is critical to developing financial stability. Yet many affordable housing residents have little or no credit history and no credit score, which can lead to difficulties in obtaining credit lines, getting employment, and securing private housing. This lack of credit history stems in large part from difficulty accessing safe and affordable financial products that provide credit-building opportunities. In many cases the structure of affordable housing programs can be adapted to facilitate opt-in reporting to credit bureaus of a tenant's rent payments, which can help residents build credit history and improve credit scores.

LISC supports adoption of rent reporting as an equitable strategy that offers low-income renters an opportunity that homeowners have long enjoyed: the chance to build credit as a financial asset through monthly housing payments. A 2019 study by the U.S. Department of Housing and Urban Development (HUD) supports this call to action. It found that reporting public housing tenants' rent payment data to credit agencies tended to dramatically reduce credit invisibility and increased the share of residents with credit scores of 620 or higher. Congress and HUD administrators should leverage these findings to scale investments and create additional incentives for owners and operators of public and assisted housing to participate in rent reporting, with the consent of the tenant.

Supporting Matched Savings Accounts

In 2017, the U.S. Department of Health and Human Services ended Assets for Independence (AFI)—a longstanding program that supported funding for matched savings accounts known as individual development accounts, or IDAs. Each dollar that a participant saved was matched by an amount of $1, up to $8, in combined federal and nonfederal funds by the AFI program. AFI participants were, in turn, able to use the saved and matching funds to acquire one of three allowable assets: purchase of a first home, capitalizing or expanding a business, or funding postsecondary education or training.

A random assignment evaluation of the economic impacts of participation in the AFI program on low-income individuals and families found positive effects in increasing liquid assets, reducing material hardships, and a decline in the use of predatory financial services. Furthermore, a separate evaluation by the Urban Institute found IDAs to be a proven tool—indeed the most successful savings incentive tool—demonstrating large, positive impacts on savings, resiliency in the face of economic shocks, and homeownership.

We need Congress to restore the AFI program by appropriating no less than $18.95 million, the 2016 level of funding, to support this proven financial stability tool.

Alternatively, Prosperity Now has offered a proposal for Promise Accounts, a new matched-savings program, informed by IDA best practices that would incentivize savings and help build assets for low-income families. As outlined in Prosperity Now's *Promise Accounts: Matched Savings to Help Families Get Ahead*, the accounts can reduce economic inequality and address the racial wealth divide by expanding wealth-building opportunities.

Increasing Funding for the Family Self-Sufficiency Program

The Family Self-Sufficiency (FSS) program of the U.S. Department of Housing and Urban Development (HUD) is the federal government's most extensive asset-building program for low-income people and serves over 74,000 families living in federally subsidized housing. FSS is a voluntary program that pays for FSS coordinators, who help families living in public housing, tenants in Section 8 Project-Based Rental Assistance (PBRA) properties, and those with Housing Choice Vouchers (HCV) achieve their employment and asset-building goals. Participants build savings by having a portion of increases in their earned income saved in an escrow account for their goals, which often include attending college, purchasing a home, or starting a small business. FSS combines individual coaching with a rent-based savings mechanism to put families on a pathway to self-sufficiency.

The program was started in 1990 for public housing and HCV residents, and was authorized in 2018 to include families living in Section 8 PBRA properties. It has demonstrated results, with a 2017 report finding that participating families gained more than $10,000 in increased income over five years, at a net cost to the government of only $276 per participant. FSS currently serves only a small fraction of the 2.2 million households that are eligible. LISC supports increasing the FSS program's appropriation so it can serve more HUD-assisted residents.

Financial Coaching

Strengthening the ability of all families to manage their finances and marshal their resources is critical to helping them achieve financial stability. The provision of one-on-one financial coaching tailored to the individual's needs and goals is a promising tool that, according to an evaluation by the Consumer Financial Protection Bureau (CFPB), can help participants improve their financial behaviors, build savings and manage debt, and reduce financial stress. These programs can also increase banking and public-benefit participation and promote access to responsible lending products. Moreover, workforce development efforts are enhanced when financial coaching is incorporated, yielding higher job-placement and retention rates, and higher average earnings. Research has demonstrated that financial stress reduces employment retention and that financial capability programs can reduce financial stress, thereby increasing employment longevity.

To expand the availability of these services, LISC supports:

Connecting Financial Coaching to WIOA

The Workforce Innovation and Opportunity Act (WIOA) is well known for the critical federal support it provides for workforce development programs through American Job Centers and other organizations. Congress recognized in the WIOA the importance of workers' financial capability, making specific references to the role of financial literacy and allowing for WIOA expenditures to cover these costs. Despite this, many WIOA programs have yet to integrate financial coaching in their program designs. Maximizing WIOA requires that we utilize evidence-based approaches to workforce development, highlighting the critical role of financial coaches in overcoming barriers to long-term employment. The financial capability goals of WIOA would be better served by:

- incentivizing more providers to adopt replicable workforce programming models that incorporate financial coaching directly or in partnership with community-based organizations, and
- applying a net-income performance indicator to federal workforce programs.

Using the CFPB Penalty Fund to Support Financial Coaching

The Consumer Financial Protection Bureau (CFPB) is authorized by statute to utilize the Civil Penalty Fund, a pool of monies collected as fines from companies that violate federal consumer financial law, to support consumer education and financial literacy programs. Despite this authorization and an estimated $1.2 billion in available resources, CFPB investments directly supporting these activities have been severely limited. Given the evidence supporting financial coaching, and the lack of federal investments supporting financial capability services broadly, the CFPB's Civil Penalty Fund offers a unique opportunity to fund these critical services.

As outlined by the Credit Builders Association and endorsed by 234 organizations, this can be done by setting aside a small percentage of the fund to contract with nonprofits and community development financial institutions (CDFIs) that have a proven record delivering financial coaching services. The CFPB has done so successfully in the past and can do so again. It's time for the CFPB to invest in the nonprofit infrastructure that empowers consumers and to use the resources at its disposal to scale financial capability programs.

Increasing Federal Funding for VITA Sites

Volunteer Income Tax Assistance (VITA) is an initiative of the Internal Revenue Service (IRS) that ensures low- and moderate-income households have access to high-quality tax preparation services. As a free tax preparation service, VITA contributes to financial capability by expanding access to tax filing and refunds for low-income families. Importantly, VITA offers an alternative to paid, mostly unregulated, and at times predatory tax preparation services that can erode financial returns and make mistakes at a higher rate than VITA volunteers.

We know that for many low-income families, receiving their Earned Income Tax Credit (EITC) is an essential source of income. In 2018 alone, VITA helped tax filers access $1.9 billion in tax refunds, including $646 million in EITC. These returns have positive economic benefits on state and local economies and increase workforce participation. However, nearly 20 percent of eligible workers are not filing taxes to claim their EITC. VITA provides resources to address this issue and expand financial capability more broadly.

The VITA Permanence Act, codified into law in 2019, is the result of vigorous advocacy by financial capability groups and ensures VITA's long-term availability. However, without adequate funding, the positive impact of the program's

permanence is shortchanged. We join Prosperity Now and United Way Worldwide in calling for an increase in VITA program appropriations to $30 million annually as allowed under the authorizing language. By fully funding VITA, we can ensure that the program's benefits reach more families and communities in need.

Income Supports

For millions of families, securing financial stability relies upon a robust system of income supports, otherwise known as public benefits. This can be attributed in part to the stagnation of low-income wages and a lack of career advancement opportunities, which leave many households, even those headed by full-time workers, financially vulnerable. The evidence is clear that income supports such as the Supplemental Nutritional Assistance Program (SNAP), public health insurance, the Earned Income Tax Credit (EITC), and other related programs reduce the number of families living in poverty and contribute to financial stability. Indeed, certain income supports like the EITC increase employment participation and are critical components of economic mobility work. Despite these positive effects, many income support programs have yet to be utilized in a way that maximizes their potential.

To enhance the provision of income supports, LISC supports:

Preserving Flexibility for States Under the Supplemental Nutritional Assistance Program

The Supplemental Nutritional Assistance Program (SNAP) is our nation's most important anti-hunger program, providing food assistance to low-wage working families, people with disabilities, low-income seniors, and many more. Able-bodied adults without dependents (ABAWD) can generally receive SNAP for only three months in a 36-month period, but states can receive permission to waive the time limit in areas that have an unemployment rate above 10 percent or that lack sufficient jobs. Note that this rule was suspended due to COVID-19.

In December 2019, the U.S. Department of Agriculture (USDA) published a final rule that would sharply restrict approval of these waivers, and in addition limits states' ability to carry over unused ABAWD discretionary exemptions from year to year. LISC believes the rule was ill conceived, makes it harder for states to address the needs of populations in poverty, and should be withdrawn.

Funding the SNAP Employment and Training Program at Robust Levels

The SNAP Employment and Training (SNAP E&T) program helps SNAP participants gain skills, training, or work experience to increase their ability to obtain regular employment that leads to financial stability. There are three types of federal funding for SNAP E&T: 100 percent funding, provided to states annually through formula grants; 50 percent funding, used to support administrative costs or participant reimbursements; and able-bodied adults without dependents (ABAWDs) pledge funding, which is allocated to state agencies that pledge to serve all ABAWDs at risk of losing SNAP eligibility due to the program's three-month time limit for those individuals.

The SNAP E&T program is an important resource that helps states build meaningful partnerships with postsecondary education institutions, occupational skills training programs, and community-based organizations to address the needs of people facing multiple barriers to employment. LISC strongly supports robust funding for SNAP E&T and concentrated efforts to help states understand how to use SNAP E&T to support employment outcomes and financial stability.

Expanding and Improving the Earned Income Tax Credit and Child Tax Credit

The Earned Income Tax Credit (EITC) is a refundable tax credit for low- to moderate-income working people. The amount of credit benefit depends on a recipient's income and number of children. The EITC boosts income and work effort among low-income parents, making it a proven tool in the reduction of poverty. Likewise the partially refundable Child Tax Credit for working people with dependent children lifts some three million people out of poverty each year.

LISC welcomed the tax credit provisions in the American Rescue Plan that expanded the EITC and CTC for the 2021 tax year, and supports President Biden's American Families Plan efforts to extend these expansions until 2025.

LISC supports adoption of the Working Families Tax Relief Act, which would:

- increase the EITC for families with children by about 25 percent so they would receive more resources to pay for child care, health care, and other needs;
- significantly expand the EITC for workers without children and make the credit available for people starting at age 19 up to age 67;
- allow workers to draw a $500 advance payment on their EITC, ensuring families aren't forced to turn to predatory payday lenders when the car breaks down or other unexpected expenses come up;

- make the Child Tax Credit fully refundable and adjust it for inflation; and
- create a Young Child Tax Credit to provide extra support to children age five and under.

Digital Inclusion

Access to broadband services expands a family's opportunities to build income and wealth. One Brookings Institution study found that each percentage-point increase in broadband penetration in a state is projected to increase employment by 0.2 to 0.3 percent per year. Yet up to 42 million Americans still lack access to these services, left behind in an interconnected world that increasingly relies on high-speed internet to successfully participate in online education, work, and financial management. The digital divide disproportionally impacts low-income and rural areas, and particularly communities of color, as broadband availability is significantly lower in majority-African American and majority-Native American counties.

Obstacles to achieving digital equity are rooted in structural inequities such as a lack of broadband infrastructure, affordability and equipment constraints, and digital literacy gaps. Addressing these barriers requires the expansion and adoption of federal policies that support digital inclusion efforts. Specifically, LISC's proposals focus on the three-legged stool of broadband affordability, equipment accessibility, and digital skills to narrow the digital divide.

LISC supports:

Increasing the Affordability of Internet Access and Related Devices

Many current policies aimed at addressing the digital divide focus solely on the expansion of broadband infrastructure, and in doing so overlook a critical issue: many Americans simply cannot afford the service or the devices needed to use it. A recent analysis of low-income households earning less than $30,000 a year found that 44 percent do not have broadband services, and 46 percent do not have a traditional computer or tablet. In contrast, these are nearly universally adopted by households earning more than $100,000. Pew Research found that half of the families who do not have broadband attribute this to a prohibitively expensive monthly cost.

LISC supports the Affordable, Accessible Internet for All Act, which would not only build high-speed broadband infrastructure in underserved areas, but also ensure

the internet service is affordable and expand digital skill-building investments. In addition, we support updating federal affordable rental housing policies so broadband costs are eligible costs for federally assisted tenants and for owners who provide internet, computer centers, and related services.

We also endorse an update of the Federal Communications Commission's Lifeline program to help low-income households overcome the cost of broadband adoption. Originally designed to provide low-income Americans with affordable telephone access, the Lifeline program has been adapted to include wireless and smartphone internet access, but not fixed broadband. We support the following improvements to address the digital divide:

1. **Pass legislation that allows the Lifeline program to broaden the definition of eligible carriers to include not just telephone companies but also national broadband providers.** This would help low-income households access high-speed internet on computers and tablets more suitable for work, school, and other uses than smartphones.
2. **Enhance coordination of the Lifeline program to facilitate automatic enrollment across other forms of income support such as the Supplemental Nutritional Assistance Program (SNAP).** This can ensure that all eligible families receive financial assistance, while reducing administrative burdens.
3. **Pass the Promoting Access to Broadband Act, which would help increase awareness and enrollment in Lifeline for low-income households.**
4. **Retool the Lifeline program to provide the computer equipment necessary to overcome technological disparities faced by low-income households.**

Investing in Community-Based Digital Training and Support

Achieving digital equity also necessitates robust support of digital literacy efforts. The need for digital skills to access opportunity in an increasingly digitalized U.S. economy has been noted for years. But we have yet to prioritize investment in the tools needed to address the digital literacy gap. Robust investment in digital literacy efforts can ensure widespread availability of education and training, providing participants with the range of digital skills needed to succeed. Community-based digital education and training can help the disconnected find jobs, develop new skills, and access affordable financial services.

LISC endorses:

1. **Federal funding to help support the Digital Navigator Model developed by the National Digital Inclusion Alliance.** Digital navigators are connectors and coaches who, working in client-facing roles at community organizations like libraries and social service agencies, can help people address home connectivity, learn digital skills, and find resources related to digital inclusion.
2. **Passage of the Digital Equity Act of 2021.** This bill would establish two grant programs administered by the National Telecommunications and Information Administration (NTIA), at last bringing significant funding to create and implement statewide digital equity plans, mount targeted digital equity projects, and perform project evaluations to inform policy.

Workforce Development

Investments in workforce development help ensure that individuals have access to pathways of opportunity that can lead to financial stability for themselves, their families, and their communities. Workforce programming helps to match workers with employers by providing the education, skills, and job-readiness preparation necessary to succeed in the twenty-first century economy. Apprenticeships are especially critical to closing the opportunity and wage gap by assisting in the development of a diverse and highly skilled, competitive workforce. We know that structural changes in the U.S. economy have made a high school diploma a less valuable credential for most good-paying jobs. This has important implications for closing the racial wealth gap and for those facing intergenerational poverty, whose path to the middle class may have been aided by a high school diploma in the past.

LISC supports:

Strengthening the Workforce Innovation and Opportunity Act

The job market has increasingly polarized, concentrating employment growth at the extremes of the skill and wage distribution. This has left millions of Americans in low-wage positions and a large share of middle-skill jobs unfilled. And yet federal investments to address these skill gaps have been under prioritized and underfunded. Providing full funding for workforce training and career and technical education creates meaningful employment options, expands work-based learning opportunities, and drives economic growth.

The Workforce Innovation and Opportunity Act (WIOA), enacted in 2014 with strong bipartisan support, made essential strides in modernizing workforce development legislation. The U.S. Department of Labor utilizes WIOA to fund a range of federal, state, and local efforts to link training and education to the labor market. However, these efforts are shortchanged by declining investments in adult education grants and state career and technical education grants. We need to ensure that the WIOA program is reauthorized in FY 2022 and that we allocate additional funding to better prepare Americans for career success.

In addition, Congress needs to pass the Relaunching America's Workforce Act (RAWA), which would help ensure strained workforce systems have the resources to meet increased employment needs. RAWA would appropriate an additional $15.6 billion, essentially doubling state formula grants under the WIOA and the Carl D. Perkins Career and Technical Education (CTE) Act, as well as substantially increasing funding for activities under the Adult Education and Family Literacy Act (AEFLA) and for WIOA national grant programs and registered apprenticeship programs that have established benefits for workers and businesses.

Supporting Career Pathways through Investments in Community Colleges and Apprenticeships

An integral but often overlooked component of our workforce development system, community colleges traditionally have served students who are disproportionately low-income and first-generation. Community colleges are also the education sector's most important provider of skills-based training and offer comprehensive work-based training opportunities.

We can do more to leverage community colleges' strengths in reaching underserved populations and furthering connections to registered apprenticeship programs. These changes would further the impact of WIOA while providing high school students with the skills and education they need to enjoy economic mobility.

To this end, LISC proposes:

1. **Increased funding dedicated to community colleges under Title I of WIOA.** A national Community College Pathway program could be integrated within existing national competitive grants of the U.S. Department of Labor's Education and Training Administration (ETA). The program would build upon community colleges' existing infrastructure, align with industry needs, and yield a higher return on secondary education for those participating by coupling a high school

diploma with certified college coursework skills. These skills could be bolstered by relevant, paid work experience through apprenticeships. Students would earn a buildable credential that makes them immediately valuable for middle-skill work while leaving the door open for higher education. Given the evidence supporting both pathway and early-college programming, additional WIOA investments in community colleges can help achieve a more equitable workforce system.

2. **Passage of the Community College to Career Fund Act.** This bill builds on the Carl D. Perkins Career and Technical Education Act of 2006 (Perkins IV), providing additional resources to support career and technical education. The bill would fund efforts by community and technical colleges to match skilled workers with employers, in collaboration with local industries, workforce boards, and other stakeholders. Specifically, the Act would support increased apprenticeships and credentialing programs that have a demonstrated impact in promoting economic mobility.

3. **Funding the Trade Adjustment Assistance Community College and Career Training (TAACCCT) grant program.** This program of the U.S. Department of Labor has not been funded since 2018. The Relaunching America's Workforce Act (RAWA) would invest $2 billion over three years to support this program and further expand partnerships between community and technical colleges and industry partners for adult students. These grants facilitate systems change and expand career opportunities through the establishment of registered apprenticeships, curriculum development, and increased obtainment of national certifications in high-demand trades. Investments in this impactful program are critical to helping community colleges address today's challenges and expand workforce services to a diverse population of eligible workers.

Supporting "Future of Work" Initiatives

The twenty-first century has brought many changes in the way Americans work, and will continue to do so. Future-of-work initiatives, such as those led by the Aspen Institute and the Ford Foundation, focus on what workers and businesses need to thrive in the industrial landscape of the future.

Responding to automation and other changes that have decreased employees' connection to employers, and at the same time have increased requirements for upskilling and adaptation, will require sustained effort and investments. We must also adapt our workforce policies to ensure that low-income gig and 1099 workers, who now account for 34 percent of the workforce, have access to economic

opportunity and financial stability. Moreover, the historic dependence on employers to provide social benefits is rapidly becoming obsolete.

In light of these changes, Congress should pass legislation that protects workers for the economy of today and the future, including:

- the Investing in American Workers Act, which allows a business-related tax credit for employers who increase worker training expenditures;
- the Lifelong Learning and Training Account Act, which establishes tax-preferred savings accounts that may be used to pay for training;
- the Self-Employed Mortgage Access Act, which allows creditors to use certain alternative standards when evaluating an applicant's ability to pay a home mortgage, removing barriers for those with non-traditional forms of income; and
- the bipartisan Portable Benefits for Independent Workers Pilot Program Act, which requires the U.S. Department of Labor to award grants to states, local governments, or nonprofits to support innovation in providing "portable benefits" that allow non-traditional workers to maintain benefits when changing jobs.