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Dear Mark:

The Corporation for Enterprise Development (CFED) appreciates Jim Gatz and your visit to our Staff Summit to discuss your priorities and areas of responsibility at HHS. As you well know, CFED promotes policies that expand economic opportunity for low-income families: many of our issue areas coincide with your scope of work.

We are pleased to see the greater focus on asset building at HHS. We appreciate the much needed additional staff capacity for the Assets for Independence program. Jim Gatz has been a diligent and well-informed colleague over the years and we look forward to this office having a greater capacity.

Per our discussion, we wanted to share our recommendations in the following areas:

- 1) TANF Reauthorization: self employment and asset limits
- 2) Assets for Independence Program: improved regulations and reauthorization
- 3) Office of Refugee Resettlement IDA and Microenterprise Programs
- 4) LIHEAP: data and eligibility requirements
- 5) Opportunities for collaboration with other agencies (Treasury, HUD, USDA, SBA)

1) TANF Reauthorization: Enable self-employment & remove asset limits

As an advocate for self-employment as a strategy to enable low-income people to gain financial stability, we urge HHS to create a new category of countable work activity, "Self-employment preparation" in the proposed TANF reauthorization. In this economy, and for some populations and communities, self-employment is the best anti-poverty strategy. Proactively including microenterprise would include business readiness, training, technical assistance, etc. More importantly, it would raise awareness of self-employment as a real option, and provide states with a uniform standard by which to judge how work credits are allocated for self-employment activities. This would simultaneously make microenterprise viable and implicitly move TANF away from the "work first" approach that necessarily obviates self-employment. In addition, we recommend that HHS allow time spent exploring self-employment options to count as "job searching."

To enable self-employment, we recommend revising or adding performance bonuses that provide incentives for states that place a larger emphasis on-- or experience more success in-- stronger employment outcomes. This approach would lessen the "work first" imperative which greatly deters both case managers and recipients from pursuing self-employment as a viable option.

We also support "stop the clock" rules for individuals pursuing self-employment. In this case, stopping the clock would allow these individuals to continue receiving federal assistance-- without this assistance counting towards the 60-month time limit-- while starting-up their business. We would recommend policies that encourage or reward states that train caseworkers in self-employment options for TANF recipients. Finally, we support inflation-adjusted TANF block grants.

In addition to self employment, we urge the Administration to include the elimination of asset limits in its proposal as part of next year's TANF Reauthorization. We know that low TANF asset limits prevent families from building the wealth they need in order to achieve sustained self-sufficiency. Furthermore, asset limits place extensive administrative burden on states without a clear corresponding benefit. While it is true that states have had this opportunity, only three have taken advantage of it in the past decade. A national policy is preferable to enable a pro-savings message that is consistent with President Obama's save and invest strategy.

Thus far, only Louisiana, Ohio and Virginia have eliminated asset limits entirely in their TANF program. None have experienced a rise in caseloads and program costs.

However, political and economic realities in the state make it difficult that states would pass their own legislation eliminating asset limits.

2) Reauthorize the Assets for Independence Program

Nationwide, more than 86,000 participants have saved through a matched savings account or IDA. A number of studies report significant increases in financial security for IDA participants. More than 2/3 of these savers derive from the AFI program. The AFI evaluation study found significant differences between AFI participants in comparison to demographically similar non-AFI participants: individuals and families who participated in an AFI program were 35 percent more likely to become homeowners, 84 percent more likely to become business owners and nearly twice as likely to pursue post-secondary education or training. Another study revealed that more than half of program graduates who previously received public assistance no longer received assistance after completing the program.

CFED is eager to see AFI improved. We hope that HHS will make as many changes as possible through regulation while also seeking legislative reauthorization. We note that HHS has never published final rules for the AFI program.

Embedded are CFED's [draft legislative language](#) and a [summary of our recommendations](#). We have developed these recommendations through collaboration with legislative staff, practitioners, state agencies and other partners. Some highlights include:

- Raising the authorization limit from \$25 million to \$75 million; almost every program has a waiting list.
- Lowering the federal to non-federal match rate from 1:1 to 3:1.
- Funding required financial education and economic literacy components as direct program costs.
- Simplifying interest calculations and asset purchase processes.
- Permitting State, local and tribal governments to apply directly.
- Providing matches for all funded state IDA Programs.
- Expanding eligibility standards to include 80% of Area Median Income to align with other programs.
- Permitting people with disabilities to use SSI/SSDI for match.
- Expanding to include home repair and replacement of substandard homes.
- Implementing technical changes through regulation and legislation recommended by the field to enhance effectiveness of AFIA IDA projects.

The Senate Health, Education, Labor and Pensions Committee and the House of Representatives Ways and Means have jurisdiction over the bill. We encourage HHS to adopt CFED's language and prioritize reauthorization for legislative action. Congress needs to hear from the agency that the reauthorization of HHS is a priority.

In addition, we would urge the public release of the AFI Report to Congress as soon as possible. We would like to see the report and appendices published on the HHS website as quickly as possible. This information is critical to sharing the impact of IDAs with policymakers and the public. We urge HHS to continue the performance measurements analysis led ably by Jim Gatz. Finally, we would like to continue to coordinate our asset-building events, including the biannual Assets Learning Conference, with HHS events/trainings so that grantees can have the benefit of learning from some of the leading asset leaders, innovators and thinkers.

3) Fund Office of Refugee Resettlement IDA and MED Programs

We encourage HHS to ensure that the Office of Refugee Resettlement (ORR) continues to invest in the IDA and microenterprise programs to help refugees connect to the financial mainstream, build wealth and become financially self-reliant. Historically, ORR utilizes these programs to help refugees learn about America's financial system and build assets that help them become economically self sufficient.

The ORR IDA program has enabled more than 22,000 refugees to overcome their distrust of and confusion with financial institutions, thus facilitating their integration into the financial mainstream. Similarly, the microenterprise program has successfully developed partnerships with regional development agencies and organizations to foster refugee business ownership and expand local immigrant markets. More than 20,000 refugees have benefited from the microenterprise program, enabling them to start or expand more than 6,750 micro-business with an impressive business survival rate of approximately 88 percent.

Unfortunately, funding for these programs has dropped in recent years. We note that funding availability is determined by the ORR Director, not Congress. We met with Director Eskinder Negash earlier this year and urged him to provide \$10 million for the IDA program and \$5 million for the microenterprise development initiative.

We hope, as HHS makes a commitment to asset work through the Asset Initiative, that we will see renewed investment in these critical programs.

4) Provide data on LIHEAP assistance for manufactured homes

Manufactured housing is a significant source of unsubsidized affordable housing. Seventeen million Americans live in manufactured housing, and manufactured housing makes up 7% of the nation's housing stock. Manufactured housing represents nearly 11% of housing for families living at 150% or less of the poverty level.

Unfortunately, substandard housing continues to be a debilitating problem for renters and owners, particularly in rural America. Across the United States, there are approximately 2 million mobile homes built prior to 1980; national standards (HUD Code) were enacted in 1976. These mobile homes provide inferior shelter to thousands of American families and are 1) unsafe: they are more prone to fires due to aluminum wiring; 2) energy efficiency violators: they emit more than three tons of carbon each year; 3) poorly installed: they are often placed on a non-permanent foundation; 4) outdated: they are past their useful life cycle as decent housing; and 5) expensive: they cost their owners outrageous amounts of money to heat and cool.

The most vulnerable call these substandard units home, including low-income, elderly and disabled Americans. These are families generally on fixed and limited incomes that can least afford the high energy burden of these substandard homes and are least able to afford better housing. In 2007, the median income for households living in pre-HUD Code homes was \$24,000, compared with \$58,000 for the median income of households living in single-family detached structures.

The U.S. Department of Health and Human Service's Low-Income Home Energy Assistance Program (LIHEAP) is generally used to assist low-income households in paying for their immediate home energy needs. We would like to know the amount of LIHEAP dollars, per state, being used to subsidize the energy costs of manufactured homes, particularly those built prior to 1980. We believe that a more flexible approach to the LIHEAP and weatherization programs, working with experienced nonprofit organizations and well-positioned American manufacturers, can help families purchase ENERGY STAR-rated manufactured homes at very modest prices, and thus end their dependence on limited LIHEAP resources. If LIHEAP funds can subsidize the replacement costs, this would be very valuable for us.

Also, we would like to see LIHEAP reformed to prohibit the requirement of a shut off notice for assistance. This is a state mandated requirement that undermines our efforts to promote financial literacy and encourage sound credit practices. There is no reason

to require someone to damage their credit rating in order to receive energy assistance when other factors, income, household size, budget can be easily calculated.

5) Opportunities for collaboration with other agencies

- A. FLEC Invitation for a Scorecard Presentation.** CFED would like to present the key findings from the newly released 2009-2010 *Assets & Opportunity Scorecard* to the participants at an upcoming meeting of the Financial Literacy and Education Commission. CFED's *Assets & Opportunity Scorecard* measures the financial security of families in the United States by looking beyond just income to the whole picture of building ownership and protecting against financial setbacks. The *Scorecard* ranks the 50 states and the District of Columbia on 58 performance measures in the areas of Financial Assets & Income, Businesses & Jobs, Housing & Homeownership, Health Care and Education. The *Scorecard* also assesses states on the strength of its policies to help families build financial security. Together, these policies provide a comprehensive picture of what states can do to help residents build and protect assets.
- B. Encouraging Asset Building in Choice Neighborhood Initiative.** In our quest to bring asset building to scale, we support the improvement and the expansion of HUD's Family Self Sufficiency program. If HHS coordinates with HUD on its new Choice Neighborhood Initiative, we would encourage HHS to provide data about FSS IDA programs and examples of successful partnerships with public housing agencies.
- C. Promoting Best Practices in Use of Home Buyer Tax Credit to Enable Low Income Families to Buy Homes.** CFED and the IDA field have been intrigued by the homebuyer tax credit. We would like to highlight examples of IDA programs utilizing the credit. We would be interested in programs that encouraged people on the IDA waiting list to obtain support from an advance from a local loan fund or state program that enabled them to use the credit and repay it after they bought the home. Also, we would like some examples of IDA programs whose current savers used the credit and its role in the financing.
- D. Aligning IDAs with SNAP at USDA.** If HHS is collaborating with USDA, please urge that the final SNAP regulations exempt all IDAs from inclusion in the eligibility asset test. A 2004 proposed rule, still in effect, states that IDAs may only be excluded if deposits are restricted to the use of a "home purchase, higher education or starting a business." The proposed rule was arbitrary and fails to represent the wider range of savings opportunities that some IDAs offer low-

income families. This is especially an issue for participants in the IDA program for the Office of Refugee Resettlement.

While it is true that AFI IDAs are generally limited to these purchases, some TANF-funded IDAs, as well as privately-funded IDAs, are not. Under the proposed rule for the 2002 Farm Bill, non-TANF, non-AFI accounts that permit savings to be used for computer purchases, professional recertification, automobiles, retirement, and home repairs all would have to be counted toward the SNAP asset test. Even if an IDA could be used for homeownership, small business capitalization or post-secondary education, if it could also be used for another purpose, such as a car purchase or home repair, *all* savings in the IDA would be counted toward the SNAP asset test.

In conclusion, HHS has a critical role to play in asset building. We are eager to collaborate with your office and the program staff to include asset building as a critical component to enable families to leave poverty. HHS has demonstrated success with the AFI and ORR programs. We are eager to improve and expand them. Please follow up with me at your convenience.

Warm regards,

Carol E. Wayman

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