



Building Assets, Fighting Poverty, Protecting Consumers: *Policies to Improve the Economic Health of New Yorkers*

Improving the economic status of New York families and communities requires a focused, multi-faceted approach. Many of the problems and barriers are well known: a low savings rate, large numbers of “unbanked” households, high-cost and predatory credit, and a generally low level of financial education in an increasingly complex marketplace. Solving these problems will require self-help efforts by individuals, institutional innovation, and enhanced legislative and regulatory protections.

Although the challenges are formidable, the potential for change is considerable, and the timing right. Mayor Bloomberg’s Commission on Economic Opportunity has begun to explore financial-empowerment approaches to fighting poverty, and Governor Spitzer has a well established record of aggressively protecting consumer economic interests.

The following platform has been developed by the National Federation of Community Development Credit Unions, which sponsors the New York City Community Financial Network and the New York State Coalition of Community Development Financial Institutions. It is a starting point for implementing new approaches to building economically healthier communities and families.

- **Establish the New York Community Development Financial Institutions (CDFI) Fund with an initial appropriation of \$15 million over three years.** This fund will invest in starting up and expanding community-based lenders in New York State, which will provide affordable, creative financing for low-income and underbanked consumers, small businesses, and affordable housing. The New York CDFI Fund will help leverage millions in dollars in additional investment from the U.S. Treasury’s CDFI Fund as well as the commercial banking industry, which has been strongly supportive of CDFIs in the past.

Status: Bills establishing a New York CDFI Fund passed the State Senate on June 6 and State Assembly on June 11 of this year, and Governor Spitzer signed the legislation on July 3, 2007.

Since the legislation carries no appropriation, the Federation will seek to secure funding through the governor’s FY2008 budget with an initial capitalization of \$15 million over three years to strengthen New York CDFIs and dramatically increase their service to underserved populations across the state.

- **Incentivize low-income families to save.** Asset development, especially through savings, is a vital strategy to help low-income families achieve self-sufficiency. A pilot federal program under the Department of Health and Human Services, created under the Assets for Independence Act, has provided more than \$100 million to



support Individual Development Account (IDA) initiatives around the country, and is poised to develop much broader scope in the new Congress. IDA programs provide a match (up to 3:1) to low-income individuals who participate in asset-building savings programs aimed at increasing homeownership, small business ownership, and higher education. Key strategies include:

- State funding for a pool of **IDA matching funds**, to leverage federal funds.
 - Support for the creation of “**At-birth Accounts**,” targeted savings (and optimally, matched) accounts for all newborn children in NY.
 - Increase participation in the state’s **529 college-savings accounts** by providing matching funds for low- and moderate-income families
 - Increase participation in the **Earned Income Tax Credit (EITC)** program, which provides refundable credits to households below specified income guidelines.
- **Develop a statewide campaign for financial education to children, youth and adults.** Financial education is critical for people of all ages to learn how to save, manage debt and plan for their future. General education classes must be supplemented with one-on-one counseling and coaching to help people come out from under overindebtedness and move toward greater financial stability. The State of New York could play a pioneering role in improving consumer financial education and by empowering residents to regain control of their finances by investing in the dissemination of financial education and counseling in communities throughout the state. Community based financial institutions, community organizations, schools, churches and other civic associations can take the lead in developing financial education and counseling programs but standardized quality of information must be promoted.
- **Expand Banking Development District eligibility to credit unions.** State deposits have been used to incentivize banks to establish facilities in underserved low-income areas. This program should be expanded to extend eligibility to all insured depository institutions, including credit unions.

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