2014

THE GAME OF CREDIT

A High Stakes Game That Perpetuates the Racial Wealth Gap

HEARTLAND ALLIANCE
ENDING POVERTY
SOCIAL IMPACT RESEARCH CENTER
A HEARTLAND ALLIANCE PROGRAM

IABG

Acknowledgements

We gratefully acknowledge the Ford Foundation and the Woods Fund of Chicago whose generous support made this report possible.

We would also like to thank Ricki Lowitz (LISC Chicago), Kristin Schell (Justine PETERSEN), Susan Chaven (Credit Builder's Alliance), Stacey Woods (North Lawndale Employment Network), Clennetta Trotter (Quad Communities), Sarai Garza (Central States SER), and Samantha Arroyo (The Resurrection Project) for their contributions.

We would also like to thank those who attended and shared their experiences and ideas with us at Racial Wealth Gap Roundtables held in East St. Louis, Illinois with the help of the Lessie Bates Davis House; Champaign, Illinois with the help of University of Illinois-Extension; and the South Side of Chicago, Illinois with the help of Partners in Community Building.

Report Information

The Illinois Asset Building Group (IABG) is a statewide coalition invested in building the stability and strength of Illinois communities through increased asset ownership and asset protection. Through our advocacy efforts, we are committed to addressing the growing racial wealth gap and creating safe opportunities for Illinois families to save for their future and the future of their children.

Heartland Alliance—the leading anti-poverty organization in the Midwest— believes that all of us deserve the opportunity to improve our lives. Each year, we help ensure this opportunity for nearly one million people around the world who are homeless, living in poverty, or seeking safety. the leading anti-poverty organization in the Midwest.

The Social IMPACT Research Center is a program of Heartland Alliance. IMPACT provides dynamic research and analysis on today's most pressing social issues and solutions to inform and equip those working toward a just global society.

Author: Lindy Carrow (Social IMPACT Research Center)
Editorial Assistance: Lucy Mullany (IABG & Heartland Alliance), Ethan Brown (IABG & Heartland Alliance), Carl Wiley (IABG & Heartland Alliance), Zane Scheuerlein (Heartland Alliance), Samantha Tuttle (IABG & Heartland Alliance), Amy Terpstra (Social IMPACT Research Center), Sean Hudson (Social IMPACT Research Center), Amy Rynell (IABG, Social IMPACT Research Center, Heartland Alliance)

Table Of Contents

Game of Credit

Policy Recommendations

Found on Pages 17 & 18

- Expand Opportunities for Positive Credit Reporting
- Fund Credit Builder Loan Programs
- Enforce Restrictions on Employer Credit Checks
- Expand Access to Safe Small Dollar Loans
- Strengthen Predatory Lending Reforms
- Create a Universal Children's Savings Account Program
- Raise the Minimum Wage
- Increase Access to Retirement Savings Opportunities

The Game Of Credit:
A High Stakes Game that Perpetuates the Racial Wealth Gap

Everyone deserves the opportunity to build a financially secure future for themselves and their families. Access to equal opportunities is the cornerstone of America's core values and is also a necessity to growing a healthy economy.

Unfortunately, the reality is a far shot from that piece of the American dream.

Income and wealth inequality are at levels that we have not seen since the Great Depression. The Great Recession further expanded an already growing racial wealth gap. Many families have little hope of upward mobility.

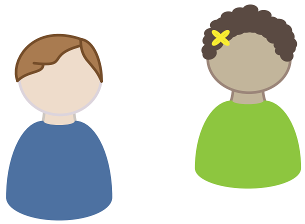
In fact, day-to-day life is more expensive for those struggling to make ends meet due to unequal access to the tools we all need to build financially secure futures. This includes a basic checking & savings account, a retirement savings account, a college savings account, home and student loans with low interest rates, and a solid credit score that gives you access to these important loans.

Many households of color have been denied access to these crucial financial tools needed to build credit and put them on a path to financial health. As this report will show, this inequity has led to a stark racial disparity in credit scores as well as related indicators, such as education level, student loan debt, employment, income, homeownership, and home loan debt.

Fortunately, there are programs and policies that can help close the gap and therefore strengthen the economy, which are also outlined in this report. Our state policy recommendations include the following:

- **Expand Opportunities for Positive Credit Reporting**
- **Fund Credit Builder Loan Programs**
- **Enforce Restrictions on Employment Credit Checks**
- **Expand Access to safe Small Dollar Loans**
- **Strengthen Predatory Lending Reforms**
- **Create a Universal Children's Savings Account Program**
- **Raise the Minimum Wage**
- **Increase Access to Retirement Savings Opportunities**

In the Game of Credit we will follow two composite people, Mary and Dan, as differences in advantages, resources, and systemic forces influence their access to credit and financial security.



START!

Setting Up the Game of Credit:
A High Stakes Game with Poor Odds for Minorities

A good credit score is an important tool when working to build a financially secure future. In fact, your credit score impacts your ability to access other tools that help you build wealth. However, you need to first learn to play the game of credit. And just like a game, the cards you're dealt at the start matter a great deal in your odds of succeeding, and players with better knowledge of the rules have a strategic advantage.

If you are dealt a good hand—born somewhere with many opportunities and to advantageously employed parents who have access to bank accounts, own their own home, have established long-term investments, and who can afford to set you on a similar path—you have a strategic advantage in the game of credit.

But if you are dealt a less than ideal hand—born somewhere with fewer opportunities and to parents stuck in low-wage jobs, who live paycheck to paycheck, who don't have access to bank accounts and affordable loans to save for retirement, a home, or even a rainy day—the game of credit is a constant and defining struggle. Not only does your family lack the financial resources to give you immediate and future security, but you may not have any exposure to the rules of the game of credit.

Definitions

Credit: An agreement in which a borrower receives something of value and agrees to repay the lender at some date in the future, usually with interest.

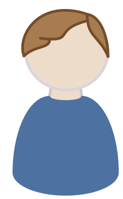
Credit report: A record of your financial history, including amounts borrowed, number of payments made, and any late or missed payments, which lenders of all types contribute to.

Credit score: A calculated number based on information in your credit report, that lenders use to assess the credit risk you pose and the interest rate they will offer you if they agree to lend you money.

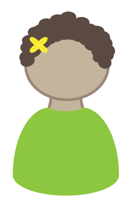
The Stakes of the Game

Credit matters and carries tremendous ongoing consequences in real life. A credit score is based on a calculation of different elements of your credit report, which lenders of all types contribute financial information about you to. This includes the amount you've borrowed, number of payments you've made, and any times you've been late or failed to make payments. Lenders then in turn use your credit score to determine how big of a risk you pose—the likelihood that you will default on a line of credit, i.e. a loan. The less risky they deem you, the higher credit

Round 1: The Hand You're Dealt



Dan was born in a northwest suburb of Chicago. His parents are both college educated and have jobs that provide health insurance and retirement savings opportunities. Dan's parents are able to save for a rainy day as well as annual family vacations. In addition, when Dan was born his parents opened up a college savings account in his name.



Mary was born on Chicago's south side. Her parents both have jobs in the service industry. Due to their low-wages, Mary's parents struggle to make ends meet and to build emergency savings. However, they are able to meet her basic needs and provide her with a loving environment.

score you receive.

A credit score can affect many areas of a person's life. Its original intent was to determine whether or not an individual should be eligible for loans. If eligible, the credit score can then determine the terms of the loan, like how much a person can borrow and at what interest rate. It can also impact the cost of car and homeowners/renters insurance and whether or not a deposit for a utility or cell phone is required, and how much that deposit would be.

But these days, it doesn't stop there. Landlords often check potential tenants' credit scores and may reject or charge an extra fee or security deposit for tenants they perceive as "risky." Some employers also conduct credit checks on applicants, using the report as a proxy for trustworthiness and as a factor in their hiring decisions.

In short, a credit score can either make borrowing rather easy and cheap, or it can make borrowing very difficult and expensive. It may also restrict the ability to live and work where one would like. These things have tremendous financial impacts: paying far more in the long run due to high interest rates, having extra fees piled on, being denied a job, or being denied a loan that could give someone access to higher education or a home. All of these consequences make it that much more challenging to save and accumulate wealth.

Credit building is therefore a crucial part of wealth-building in today's financial reality. Reaching and maintaining financial stability is increasingly dependent on your credit score. Together with income and other assets, credit scores allow people some level of freedom and security—to live where they want to, work at a job of their choice, and to pay lower fees and interest rates, among other things.

Unfair Odds

People of color are far more likely to start off without access to the pieces necessary to succeed in the game and are more likely to have worse credit as a result. Lower credit scores then lead to further financial difficulty and greater expenses—ultimately contributing to the wide and persistent racial wealth gap.

There is a clear relationship between minority presence and credit scores in Illinois. Areas with a higher percentage of people of color generally have lower average credit scores.[1] Similarly, these communities have lower levels of "good"

Definition

Minority presence refers to the percentage of the population in a given community that is not white (non-Hispanic). High minority presence means that a large share of the population is a minority, or not white, and low minority presence means that the community is predominantly white.

Definition

Wealth, or assets, is the money accumulated in savings accounts, investment vehicles, and property, minus debt. While income keeps families financially stable on a day-to-day basis, wealth ensures that stability isn't fleeting. Wealth helps families weather financial setbacks like job loss. Wealth allows access to higher education, home purchase, and other opportunities that can ultimately help people get and stay ahead. And wealth can be intergenerational, passed down from parents to children, leaving a legacy of stability and opportunity.

DATA*

734

Average credit score in Lincoln Park, where only 17% of residents are people of color.

603

Average credit score in Englewood, where 99% of residents are people of color.

**Social IMPACT Research Center's analysis of data from a large national credit bureau and the U.S. Census Bureau's 2012 American Community Survey 1-year estimates program. Lincoln Park data are from zip code 60614 and Englewood data are from zip code 60621.*

debt–debt that can lead to increased wealth like home or student loan debt—and higher levels of "bad" debt–debt that generally does not add to overall wealth, like retail and credit card debt.[2] Though many social and financial variables have been shown to contribute to differences in credit scores, there is still a statistically significant relationship between race and credit score, even after controlling for those variables.[3] This illustrates the distinct barrier to building credit that communities of color face; the compounding impact of the lack of social and financial opportunities creates a harsh and challenging environment for building financial security.

Definition

Lacking an adequate amount of wealth is a condition known as **asset poverty**. Your household is considered asset poor if, after losing your income, you do not have enough savings to live above the federal poverty level for more than three months.

The ripple effect of these realities should be a wake-up call to people concerned about economic security and social and racial justice. Since people with low credit scores have more trouble securing loans and have to pay much higher interest rates on the credit cards and loans they can acquire, and people of color have lower credit scores and less favorable debt, a vicious cycle results in further limited opportunities to build wealth and achieve financial stability.

The Game Board

Credit score disparity and the racial wealth gap are entangled, each contributing to the other.

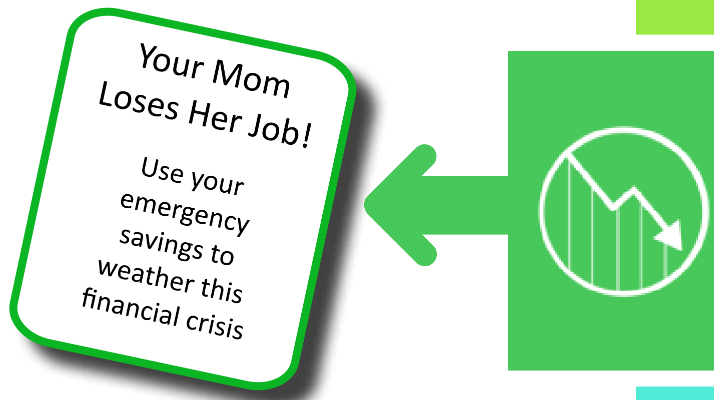
The racial wealth gap refers to the disparities in wealth between white Americans and Americans of color. The racial wealth gap in the United States was born out of policies and institutional practices that stripped minorities of their existing assets and severely limited minorities' opportunities to tap into wealth-generating activities and programs, all the while enhancing those for white Americans. To name just a few, the Treaty of Guadalupe Hidalgo of 1848, the Homestead Act of 1862, the Foreign Miners Tax of the 1860s, the Alien Land Act of 1924, the history of slavery in the United States, Jim Crow laws, and subsequent overt racial discrimination toward African Americans, have all created long-term, compounding generational economic disadvantages for non-white Americans. These policies have systematically excluded minorities from wealth-building activities and have created barriers in areas of education and in land, home, and business ownership since before the U.S. was even an established nation and consistently since then.

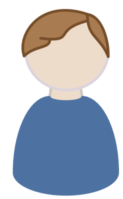
more information

For more information and a list of American policies that have contributed to the racial wealth gap, check out IABG's interactive timeline at http://illinoisassetbuilding.org/racial_wealth_gap/timeline

The evidence is clear: there is a wide income gap between whites and people of color.

Round 2: Economic Downturn

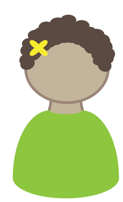




Dan's family is able to use their emergency savings and credit cards to meet their home loan payments and other basic needs until his Mom finds a new job. While they max out their credit cards, they don't miss payments.

His parents' credit scores fall only slightly.

1 in 4 Illinois households are asset poor. 1 in 2 Illinois households of color are asset poor.[a]



Mary's family has no emergency savings. To get by they have to max out their credit cards and take out a few predatory payday loans. Soon they are in a cycle of debt and facing foreclosure.

Her parents' credit scores dip below 600

[a] *CFED 2013 Asset & Opportunity Scorecard, retrieved from http://scorecard.assetsandopportunity.org/2013/state/il*

However, if the income difference between whites and people of color is a gap, then the difference in wealth between whites and people of color can only be described as a chasm. Consider this: for every dollar of net worth of white Americans, Latinos have 9 cents and African Americans have 7 cents.[4] Put another way, white households' median wealth is 20 times larger than African American households,' and 18 times larger than Latinos.' Not only is the gap huge—it's still growing.

We can see the difference in access to wealth-building opportunities at play over time: over the course of 25 years, for every $1 increase in income, white households are able to generate about $5 in additional wealth, whereas households of color are only able to generate 69 cents of additional wealth.[5] The wealth gap between whites and African Americans quadrupled between 1984 and 2007.[6] The gap narrowed slightly between 2007 and 2009, when the Great Recession caused dramatic drops in net worth for all Americans, but even then the gap between white and African American families was $107,472.[7,8]

Racial income and wealth inequity

	Median household income in 2012[9]	% household income of whites	Household median net worth in 2009[10]	% household wealth of whites
White, non-Hispanic	$61,887	100%	$113,149	100%
African American	$32,090	52%	$5,677	7%
Hispanic/Latino	$45,188	73%	$6,325	9%

A Strategic Game Piece: Debt

So, how does debt fit into all of this? Why does debt matter for wealth building?

Debt can be a positive indication of future wealth or a negative one—and sometimes it's both at the same time. For instance, student loan debt can certainly be a burden for people, but it is generally considered "good" debt: the money borrowed was applied to something—an education—that presumably will reap many more economic benefits for the borrower in the long run since they should be able to get a better job than if they hadn't borrowed and gone to college. A home loan can be thought of similarly, assuming the terms of the loan are fair, the homeowner has stable enough income for future payments, and the home appreciates in value.

Other types of loans don't have as much of a positive implication. Retail or credit card debt, for instance, don't have much wealth-building potential associated with them. The money being borrowed typically isn't being invested into something that will yield greater returns in the

Programs that work

U-Turn Permitted (U-TP) is a program of the workforce development service provider **North Lawndale Employment Network** (NLEN) in Chicago, Illinois. U-TP provides wrap-around services to individuals transitioning from incarceration back into the community and employment. Through training received by LISC Chicago and Justine PETERSEN, NLEN has included financial coaching and credit building to U-TP's wrap-around services so clients can build their financial security as they earn wages.

Programs that work

Central States SER is a direct service program that promotes economic self-sufficiency and upward mobility for low-income community residents through education and employment.

future, but rather towards consumption like furniture, food, or clothes. Instead, these types of debt, and others like it, divert income away from savings and toward paying down often high interest rates.

Most lenders report information directly to credit bureaus, so certain types of debt, like home loans or credit card debt, actually show up on a credit report and directly impact credit scores. Other types of debt, often ones that didn't technically originate as loans, do not show up on credit reports until payments are late and the debt is sent to a collection agency, which negatively impacts credit. Commonly, these debts are for things like utility bills, phone bills, and medical bills. Companies and people that provide these services are not technically lenders, and do not report on-time credit score-building payments, so while on-time payments cannot positively impact your score, late payments will negatively impact it.

In fact, an individual can have collections listed on their credit report before they have a credit score, and it is usually for these types of debt.

Those without a board piece: No credit score

For people who are left out of the game of credit, the quest for financial stability and economic advancement has its own challenges. It's difficult to get a firm grasp on how many people don't have any credit at all or to learn anything about who those people are—good information simply doesn't exist. We do know that people with no credit score face unique barriers to wealth building. Credit scores are often necessary for financial opportunities, such as obtaining loans, but also in renting a home or getting a job. Without a credit score, people may be forced to turn to alternative financial services and products that are often less secure and more costly, such as check cashers, wire transfers, money orders, and payday or auto-title loans.

Products that work

For people with no credit score, there are products that can help set you on the right path. **LISC Twin Accounts™** is a highly effective dual credit- and wealth-building product for low-income individuals with thin files or no credit scores.

LISC Twin Accounts™ is basically a combined loan and savings product. Participants take a 12-month loan for $300, but do not take the proceeds until they've deposited $300 in the bank - in the form of 12 loan payments of approximately $26 each, all of which get reported to the credit bureaus. LISC matches every payment that gets to the lender on time, meaning successful participants can yield up to $600 in 12 months, plus improved credit.

Upon initiating the product, participants commit to using at least $300 in match/savings to open a Secured Credit Card at the conclusion of the 12-month savings period, so they can continue to build credit. 40% of all clients served by LISC's CWF network (in 71 locations in 13 states) have no credit score due to insufficient credit history.

Of clients who previously had no credit score, average credit score after 6 months in a LISC Twin Accounts™ program was 660.

LEARN MORE ABOUT LISC TWIN ACCOUNTS:
http://www.lisc-chicago.org/news/2561

The Rules of the Game and Avoiding Traps

Your credit score is based on a calculation of your payment history, amounts owed, length of credit history, types of credit, and new credit. Based on those factors, these are the basic rules of the game:

PLAY THE GAME. Avoiding the dangers of credit cards and certain types of debt by simply sitting out of the game does not pay off. Credit bureaus look at diversity of types of credit and debt, as well as length of credit history, so though you have to be careful, you have to play to win.

Fine Print: In order to get on the board, you have to have at least one active trade line, or line of credit. For the best score, the rule of thumb is to have three active trade lines that are a mix of installment & revolving credit products. An active trade line means something that you are actively paying on - if it's a loan, it must be open and you must be making on-time payments every month. If it's revolving credit, it must be open and you should make at least one payment (i.e., use the product) at least once every 6 months— and more ideally, once a month (such as a gas or grocery bill that you then pay off immediately or before or by the due date so that you are essentially using it as a 0% 30-day loan).[11]

PAY IT OFF (ON TIME!) How debt is handled is usually an even more important determinant of credit scores than type of debt. Late payments on debt can be very detrimental to your credit score, so it's no surprise that high rates of late payments are related to lower credit scores.[12] Late payments are also associated with higher concentrations of households of color—which could indicate that late payments are an important contributor to the disparity in credit scores, and illustrates a lack of financial access in communities of color.[13]

DON'T MAX OUT. Credit bureaus take into account how much you owe, so it's best not to over-extend your credit. In general, you shouldn't take out loans that you can't afford payment for, but you also shouldn't over-utilize credit cards—in general, using below 30% of your credit limit and paying it off each month is best for your credit score.[14]

PROTECT YOURSELF. There are also ways to cheat (or be cheated) in the game of credit. Errors on credit reports that then lead to poor credit scores sometimes occur. These errors can be the result of simple mistakes or of something more intentional—identity theft. Either way, those mistakes can wreak havoc on your credit report. One of the best ways to protect yourself from these errors is to monitor your credit report and score, and fix errors as quickly as possible.

DATA*

in Illinois...

705
Average credit score

$7,055
Average student loan debt

$144,655
Average home loan debt

$294
Average retail debt

**Social IMPACT Research Center's analysis of data from a large national credit bureau and the U.S. Census Bureau's 2012 American Community Survey 1-year estimates program.*

The Game of Credit: Racial Disparity Playing Out at Each Turn

The game of credit plays out over the span of a lifetime, from birth to old age and every milestone in between.

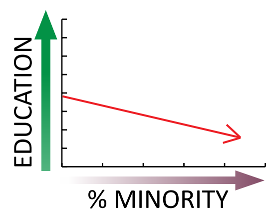
Education

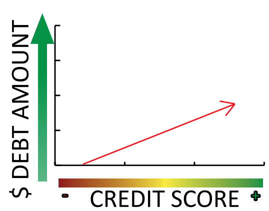
For most people, education is the first step in their wealth-building journey. While educational attainment in-and-of-itself might not directly seem to relate to credit and wealth, it is an important investment in the future that plays a central role in people's earning capacity and consequently their ability to build credit and wealth down the road.

In today's job market, there are significant benefits to earning a college degree. People with at least a bachelor's degree earn significantly more income than those with less education.[15] Therefore, the more educated someone is, the more likely they are to have a job that offers them important wealth-building opportunities like access to a retirement account, as well as other benefits, such as health insurance.

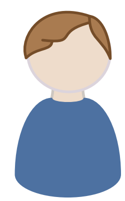
In Illinois, the relationship between education levels, student loan debt, credit, and race tells a story of unequal access to the resources needed to afford the higher education degree that will then in-turn help build more credit and wealth. In Illinois:

- Communities with higher education levels also have higher average credit scores;
  - Those communities also have a lower minority presence.[16]
- Communities with lower education levels have lower average credit scores;
  - Those communities also have a higher minority presence.[17]
- Communities with higher student loan debt also have higher credit scores;
  - Those communities also have a lower minority presence.[18]





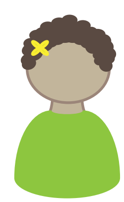
Round 3: Higher Education



Dan went to a top performing high school that helped prepare him for college. Using the savings contributed to by his parents and some scholarship money, he only had to take out a small student loan for living expenses. He worked hard and graduated with only a small amount of student loan debt.

Credit Score: No Score

Children in low- or moderate-income families with a Children's Savings Account of at least $500 designated for school are about <u>5 times more likely</u> to graduate from college than a child with no savings account.[b]



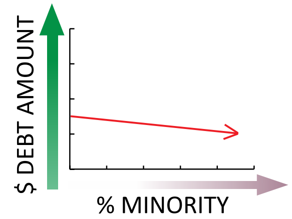
Mary went to neighborhood schools with limited resources. However, she worked hard, got good grades, and was accepted into college. While she received some scholarships and aid, Mary had to take out significant student loans to cover the cost of her first choice school. But she made it to graduation day!

Credit Score: No Score

[b] Elliott, W., Song, H-a., & Nam, I. (2012). *Small-dollar children's savings accounts, income, and college outcomes* (CSD Working Paper 13-06). St. Louis, MO: Washington University, Center for Social Development.

Communities with lower student loan debt have lower credit scores;

Those communities also have a higher minority presence.[19]



These relationships and disparities are not just the result of some people being more skilled at the game than others. In most cases, this portion of the game of credit is set up entirely unfairly—in fact, it could be said that people are set up to play on entirely different game boards.

Preparing for College

Although the number of minorities pursuing and completing postsecondary education has increased over the years, the share of minorities possessing a college degree is still lower than their white counterparts.[20] These disparities in higher education have roots way back to local k-12 schools. Minority students routinely attend lower-performing elementary and high schools in areas of concentrated poverty.[21] Due to the fact that Illinois schools are heavily funded by local property taxes, schools in poor areas tend to have fewer resources for their students, such as after-school tutoring.[22]

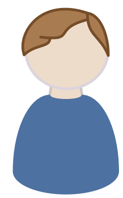
Among other things, the lack of investment means that minority students receive fewer academic services in preparation for college—less access to advanced placement classes, college guidance counseling, and information related to college. [23] This contributes to a pattern of low minority high school graduation rates.[24]

Access to College

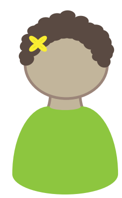
For minority students who do graduate from high school, paying for college is a difficult task. However, even a small amount off savings can help increase enrollment and graduation rates. Children with even a small amount of money saved (under $500) are 2.5 to 3 times more likely to enroll in and graduate from college than those without an account, and those with savings specifically for school are 4.5 times more likely to attend and graduate than those with only basic savings.[25] Differing economic resources, such as family income and savings, also have a strong impact on the racial gap in college attendance and graduation– controlling for income and assets, there is a weaker relationship between race and college education.[26] Unfortunately, some families may not have the resources to save specifically for college, or to pay the bills while attending. The two most common reasons for not completing a degree program are the need to work and inability to afford tuition and fees.[27]

Though associated with higher credit scores, student loan debt, whether federal or private, also

Round 4: Credit Access



Dan needs a new computer and is offered a credit card through his bank. Since he doesn't have previous credit history, his credit limit is low, but his interest rate is manageable. When he told his parents about it they were excited for him and reminded him to pay it off on time.
Credit Score: 675



Mary needs a new computer and applies for a credit card through the mail, but is denied due to having no score, but with a history of debt collections. Confused and embarrassed she runs her credit report and discovers someone used her social security number to open up an account with the local utility company. Unable to get the utility collections off her history, she obtains a computer through a Rent-To-Own company.
Credit Score: No Score, + Collections

has its dangers. In general, student loans are a great way to invest in your educational future—many people simply do not have the resources to attend college without them. However, the burden of student loan debt has been shown to incur lifetime wealth loss, and this wealth loss is greater for students of color and for students at for-profit schools—both of whom tend to have higher student loan debt burdens.[28] Some types of student loan debt can also be more dangerous than others—private student loans offer less flexibility for repayment than federal loans, and interest rates are often based on the borrower's and/or cosigner's credit rating, which can be limiting for borrowers/cosigners without a good credit history.[29]

The fact that higher student loan debt is related to higher credit scores could be attributed to higher debt amounts built up for students who complete a degree program, which would ultimately have a positive impact on their career trajectory, despite the burden of debt. Even though student loan debt has a potentially negative impact on graduates, it may be a carefully calculated and sometimes necessary risk for most in the credit-building game. However, the fact that it too has a stronger negative impact on people of color shows that the cards are stacked against them either way—having less student loan debt is related to lower credit scores, but having more student loan debt negatively impacts them more than white students.

DATA*

Chicago's Lincoln Park neighborhood:

17% of residents are minorities

734 average credit score

82% have a bachelor's degree or higher

Chicago's Englewood neighborhood:

99% of residents are minorities

603 average credit score

7% have a bachelor's degree or higher

Average student loan debt is over

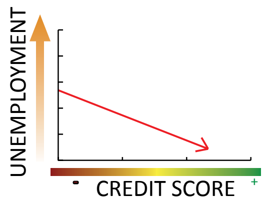
$4,500 *higher in Lincoln Park than in Englewood.*

**Social IMPACT Research Center's analysis of data from a large national credit bureau and the U.S. Census Bureau's 2012 American Community Survey 1-year estimates program. Lincoln Park data are from zip code 60614 and Englewood data are from zip code 60621.*

Employment and Income

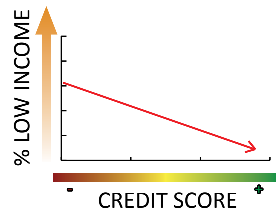
The next big wealth-building step in the game of credit for most people is a good career. Employment and income are both precursors to good credit, since a large part of having good credit is about having enough money to manage debt through paying bills consistently and on time. The other side of the card plays into the game as well: unemployment and the lack of health care coverage that often leads to poor credit since medical debt and collections negatively impact credit scores—research shows that poor credit is associated with unemployment, lack of health care coverage, and medical debt.[30] Furthermore, some employers check job applicants' credit reports, leading to applicants with blemished credit histories being passed over for jobs.[31]

Illinois communities exemplify this relationship between work and credit:



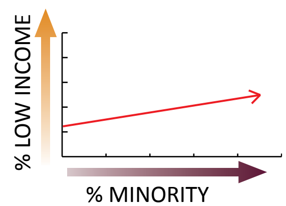
- In areas with high unemployment, average credit scores are lower.
- Conversely, areas with lower unemployment have higher average credit scores.[32]

Income follows the same trend:

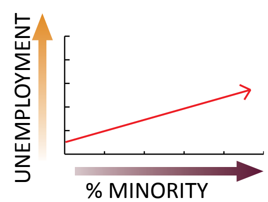


- Places with more low-income earners also have lower average credit scores.
- Places with a smaller share of low-income earners have higher average credit scores.[33]

Concurrently, employment and income are also directly related to the racial makeup of communities in Illinois:

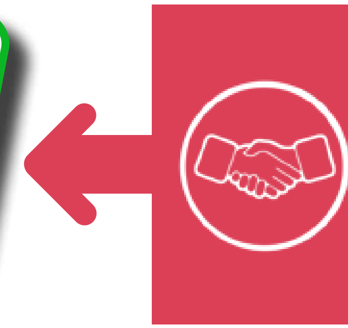


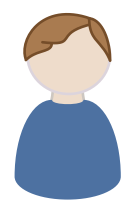
- Areas with higher concentrations of minorities have higher rates of unemployment and low-income earners.
- Areas with lower concentrations of minorities have lower unemployment rates and a smaller share of low-income earners.[34]



This illustrates one of the complex cyclical relationships of the credit game—having a good job can help you build credit, since you are more able to pay off bills in a timely manner, but having bad credit can prevent you from getting a good job. In short, having bad credit can be a barrier to building good credit. Furthermore, these important

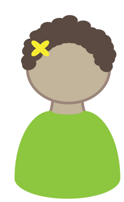
Round 5: Employment





Dan's senior year internship leads to a good entry-level job with benefits including a 401(k) employer match.
Credit Score: 725

Retirement Insecurity: 53% of Illinois workers in the private sector lack access to an employer-based retirement account.[c]



Mary gets a good job at a small startup company. With student loan payments, monthly payments for her computer, and rising rent costs she struggles with her mounting debt. Her new job doesn't provide her with an opportunity to save for retirement, so she continues to live paycheck to paycheck without building savings.
Credit Score: 575, with collections.

[c] Woodstock Institute. (2012). *Coming up short: The scope of retirement insecurity among Illinois workers.* Chicago, IL: Cowan, S.

foundational elements for having and maintaining good credit are less common in communities of color, resulting in more credit-related challenges for minorities.

Racial inequities play out in dramatic fashion in employment and income—

- In 2012, white Illinoisans had an unemployment rate of 7.6%; African Americans had a rate of 22%, and Latinos had a rate of 12%.[35]
- White Illinoisans earn nearly **twice the median household income** that African American Illinoisans earn, and Latino households are also making significantly less than their white counterparts.[36]
- African American Illinoisans are also **over three times more likely to** be living in poverty than white Illinoisans, and Latinos are about twice as likely.[37]
- A comparison of child poverty is even more stark—African American Illinoisans under the age of 18 are about **four times more likely** to be living in poverty than white Illinoisans, and Latinos are **about twice as likely** (i.e., the African American child poverty rate is 45%, white is 11%, and Latino is 28%).[38]

However, you need to dig a little deeper to understand how inequities compound from associated and underlying realities. For instance, the ability to get a good job depends on things like your educational background, your access to dependable transportation, your ability to find affordable childcare, and the actual availability of jobs in your area. Disparities in access to education have already been discussed, but countless other variables and opportunities such as these are available or not available to you based solely on where you live. All of these things impact a person's ability to get and keep a job and also impact their likelihood of earning higher wages.

Economic ups and downs are also at play: The Great Recession had a much stronger impact on communities of color, and the recovery is happening much more slowly, if at all, in those communities. African Americans in particular have been hit incredibly hard, and are not seeing many of the opportunities for advancement that others are in the recovery. African Americans and Latinos are still experiencing much higher unemployment rates than other groups, and when employed they generally earn less and are more likely to earn minimum wage.[39]

What this complex relationship between race, employment, income, credit, and debt means is that more individuals of color are trapped in a career and credit cycle that is preventing them from getting firm footing on the path to economic security.

DATA*

Chicago's Lincoln Park neighborhood:

17% of residents are minorities

734 average credit score

5% are unemployed

8% earn low incomes

Chicago's Englewood neighborhood:

99% of residents are minorities

603 average credit score

24% are unemployed

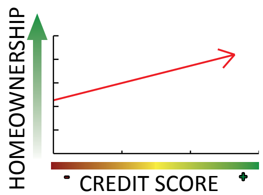
22% earn low incomes

**Social IMPACT Research Center's analysis of data from a large national credit bureau and the U.S. Census Bureau's 2012 American Community Survey 1-year estimates program. Lincoln Park data are from zip code 60614 and Englewood data are from zip code 60621.*

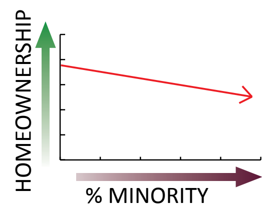
Homeownership

The next major milestone in the credit game is homeownership. A home is the largest asset most people attain and can also serve as an indicator of financial well-being. Traditionally, purchasing a home is a long-term investment that appreciates over time, and can serve as stabilizing asset for families. Owning a home is also related to having higher average credit scores, as is higher home loan debt.[40]

Homeownership, however, is not an equally-accessible asset— African Americans in Illinois are almost three times more likely than white Illinoisans to rent rather than own their homes, and Latinos are twice as likely (75% of white Illinoisans own their homes, while only 39% of African Americans and 52% of Latinos do).[41] Not only is homeownership a huge part of asset-building, but it is closely related to credit scores and the presence of people of color:

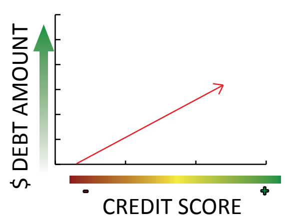


- Areas with higher homeownership rates also have higher average credit scores, but a smaller share of people of color.
- Alternately, communities of color generally have lower rates of homeownership and lower average credit scores.[42]

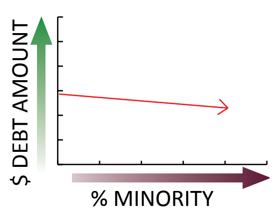


- In the same vein, areas with higher average home loan debt generally have higher average credit scores and lower concentrations of minorities.[43]

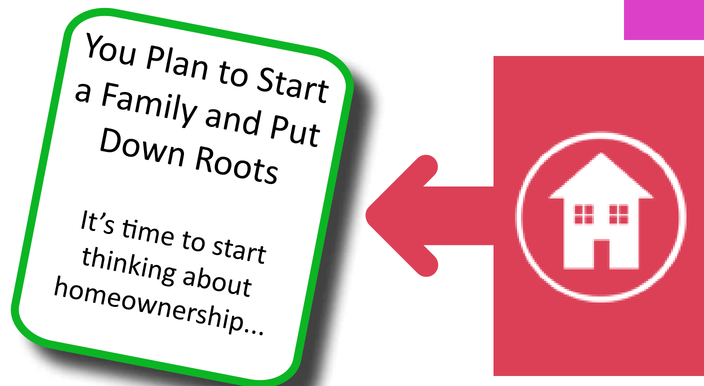
Perhaps the relationships between homeownership and credit scores, and home loan debt and credit scores, can be explained by the simple fact that credit plays a big role in your ability to obtain a home loan. However, when you throw in the matter of racial disparity, it gets much more complicated—though homeownership is related to better credit and has traditionally been viewed as an important wealth-building tool, it has also been the source of financial ruin of many minorities.

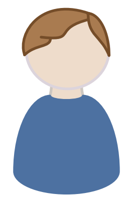


The Great Recession and the housing crisis disproportionately impacted communities of color and essentially doubled the wealth gap between whites and African Americans when you take home equity into account.[44] The racial wealth gap today is the largest it's been in the last 25 years and is twice what it was prior to 2009;[45] the recent jump is credited to the housing market crash of 2007 to 2009, which had a larger impact on African American and Latino households. Latino and African American



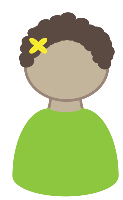
Round 6: Homeownership





Dan's parents help him by gifting the 20% down payment needed for a home loan. Dan's good credit score ensures he is offered a good mortgage at a reasonable rate.
Credit Score: 770

Greatest Contributor to Racial Wealth Gap: Due to greater wealth, white families can give inheritances and downpayment assistance more often, leading to White families acquiring first homes an average of <u>8 years earlier</u> than African American families.[d]



Mary's parents are working hard to save for their retirement and cannot help her out with a down payment. Mary delays purchasing a home for a few years until she saves enough for a small house. Unfortunately when she applies for a loan her low credit score only makes her eligible for higher cost loans. Mary decides to continue to rent while seeking out a financial coach at a local nonprofit to build her credit.
Credit Score: 600

[d] Institute on Assets and Social Policy. (2013). *The roots of the widening racial wealth gap: Explaining the black-white economic divide* (Research and Policy brief). Waltham, MA: Shapiro, T., Meschede. T., & Osoro, S

homeowners were twice as likely to experience foreclosure as white homeowners.[46] This was partially due to the fact that minorities who did own homes invested a greater share of their overall wealth solely in their homes than white homeowners—likely because white households simply have more wealth.[47]

More importantly, African American and Latino home loan borrowers pay more for their loans than white borrowers, regardless of their credit history.[48] This suggests that minority borrowers are steered toward, or only have the opportunity to borrow, higher cost subprime loans.[49] In 2006, high-risk lenders were most active in minority neighborhoods—even more so than in low-income neighborhoods—which put these communities at the highest risk to take the brunt of the housing crash and to suffer the biggest losses.[50] This illegal and unethical lending practice caused the disproportionate loss of wealth and foreclosures in communities of color, even after controlling for differences in income.[51]

Though homeownership has been an important wealth-building tool for families of color, it has for many reasons also been a contributing factor to the racial wealth gap. White families were targeted at a lower rate for predatory home loans before the housing bubble burst, and after the bubble burst, they have continued to have access to credit. Families of color, on the other hand, were targeted for abuse before the housing crash, took the hardest hit when the bubble burst, losing their homes at higher rates, and afterwards have simply been shut out of the game. Before and after the housing bubble they were on the raw end of the mortgage lending deal.

All told, despite the promise of wealth-building that homeownership holds and despite policies intended to curb abuse, home buying has a long history of intentional racially discriminatory activity by lenders, brokers, and communities that continue to influence home buying for families of color.[52]

DATA*

East St. Louis's Washington Park neighborhood:

98% of residents are minorities

600 average credit score

46% of homes are owner-occupied

Nearby Belleville neighborhood:

22% of residents are minorities

707 average credit score

77% of homes are owner-occupied

Average home loan debt is over **$51,000** *higher in Belleville than in Washington Park.*

**Social IMPACT Research Center's analysis of data from a large national credit bureau and the U.S. Census Bureau's 2012 American Community Survey 1-year estimates program. Washington Park data are from zip code 62204 and Belleville data are from zip code 62223.*

Retirement

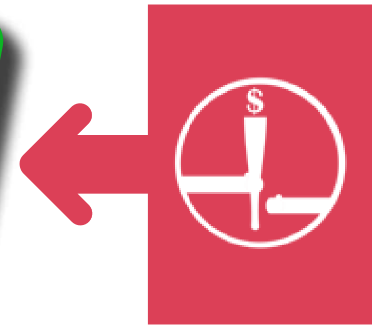
Retirement is the part of the game that basically identifies the winners and losers. Those who were dealt a favorable hand and were able to play the game well are more likely to have the resources needed to save for retirement. Those who had little to begin with and faced hardship may have to retire later and with less.

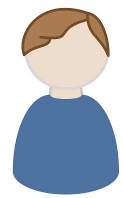
Retirement is a growing concern for all Illinoisans, as the financial security of older adults becomes less stable and more and more workers are reaching retirement age. With the housing market decline, many households were left with negative equity and thus less income-generating assets for their retirement.[53] Non-white older adults are less likely to have pension or retirement accounts, and are more likely to rely on social security in their retirement.[54]

An estimated 2.5 million private sector workers in Illinois do not have access to an employer-based retirement account like a 401(k) or pension.[55] For these workers, saving for retirement falls solely on their ability to save independently.[56] As a result, more and more workers are retiring into poverty and over-relying on social security.

With insufficient retirement income, retirees are also using credit products at an increasingly higher rate to meet their basic needs. In 2012, over a third of households headed by someone 50+ reported that they had used credit cards to pay for basic living expenses because they didn't have enough money.[57] For those entering retirement with poor credit, this means creating more high cost debt. The compounding impacts of a lifetime of less access to wealth-building and the cost of a lifetime of poor credit adds up—which means less money saved for retirement.

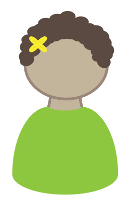
Round 7: Generational Impact





After a lifetime of easy access to credit, comprehensive employment benefits, and savings in education, emergency, and retirement accounts, Dan is able to retire comfortably. Much like his parents, Dan is able to provide his children with the same advantages he had as they play the Game of Credit.

Credit Score: 800



After a lifetime of barriers to credit access, poor employment benefits, and student and mortgage debt, Mary is still a few years away from retiring. Through working hard and credit building loans through a local nonprofit, Mary reduced her debt and saved. Though Mary cannot help her children with home down payments or college savings, she has passed along the knowledge of the Game of Credit she learned from her financial coach.

Credit Score: 775

Fixing a Broken Game: Recommendations to Address the Racial Wealth Gap by Advancing Credit Building Opportunities

Though it represents a disheartening state of affairs, the game of credit can be fixed. Financial institution and government policies created and fed the racial wealth and credit gaps, and policies can reverse it. Born from research and with direct input from credit building service providers, the following recommendations for Illinois state government, financial institutions, and direct service provider organizations will reduce the racial credit and wealth gap in Illinois.

Programs and Products that Work

The programs and people profiled in this report are part of LISC's network of Centers for Working Families (known as Financial Opportunity Centers outside of Chicago). LISC Chicago provides the network with credit building training and access to credit building products.

Credit can sometimes be a catch-22, where financial institutions do not want to take a chance on a consumer until another financial institution approves them for a credit line first. During the past two years, over a dozen Chicago-based Centers for Working Families (CWF) organizations have collaborated to be that foot in the door for the communities they serve— to provide them access to credit building products.

Through the CWF network, LISC Chicago guides 11 community-based organizations in providing financial counseling and credit-building services, among others, to low-income Chicago communities. To provide CWF clients with credit building access, LISC partnered with Justine PETERSEN and their Community Development Financial Institution (CDFI), Great Rivers Community Capital, to integrate credit-building products into CWF's existing financial counseling services.

One of the most effective products that these programs offer is the LISC Twin Accounts™ product. Participants in LISC Twin Accounts™ are issued a $300 loan. These funds are held in a locked savings account by Justine PETERSEN while the participant makes 12 monthly payments of approximately $26. For each *on-time* monthly payment, the CWF organization matches it with funds provided by LISC. Participants that make all of their payments on time finish the program with $600.

CWF financial coaches/counselors recognize that credit building, like a muscle, requires continual use of credit lines to raise a credit score. For that reason, participants who complete the loan portion of LISC Twin Accounts™ need a new credit line to continue their credit building progress.

A Personal Story

Alphonzo, a 44 year old African American who grew up in West Garfield Park, came to North Lawndale Employment Network (NLEN)'s CWF-run program, U-Turn Permitted, with many barriers to achieving financial security. Alphonzo had spent time in jail, and during that time, his credit report accumulated a number of mistakes—mostly inaccurate collections for parking tickets. The average NLEN client has two or three mistakes on their report; Alphonzo had 23.

Because of the errors on his credit report, Alphonzo had a poor credit score and was unable to open up a bank account or obtain any lines of credit. Out of necessity, he used alternative financial services like check cashers, wire transfers, and payday loans for basic banking needs, which tend to have much higher interest rates than traditional banking products, and end up costing consumers much more.

With NLEN's help, Alphonzo was able to dispute the erroneous debts and collections increasing his score from 612 to 686. With this new credit score, he was able to open a checking account with a credit union and take out small-dollar loans. Fortunately, these financial opportunities allowed him to repair his car when it broke down unexpectedly, without costing him an exorbitant amount.

Through the Chicago Credit Building Coalition led by Justine PETERSEN and CITI, graduates of LISC Twin Accounts™ roll at least $300 in matched savings into a Secured Credit Card to continue toward their credit building goals. Secured Credit Cards are a means for those with low credit scores to obtain a line of credit and safely rebuild their credit score.

If a LISC Twin Accounts™ participant is unable to meet the Secured Credit Card eligibility requirements, then matched funds from Twin Accounts™ are either directed to paying off active reported debt or collections debt.

Most credit cards will not accept Individual Taxpayer Identification Numbers (ITINs) as a primary form of identification, but the CWF accessible Secured Credit Card does and this has been a very useful tool for undocumented immigrants to access traditional lines of credit. Secured Credit Cards differ from traditional credit cards in that the consumer transfers a set amount of money, equal to the card's credit limit, to the credit card company to back purchases made on the credit limit should the consumer fail to pay it back. The Secured Credit Card offered through CWF sites has a minimum credit limit of $300, but increases to match the amount of money provided by the consumer. Financial coaches instruct Secured Credit Card users to approach the card as a credit building tool, not as a spending tool. They caution to never exceed 30% of the credit limit, and to pay the balance in full each month. By doing this, participants are able to build their credit over a much longer period than through the one year long LISC Twin Accounts™ program.

Policies that Work

There are policies that could be implemented at the local, state, and federal levels that would ensure equal opportunities to all Illinoisans and help close the racial gap in credit scores.

Expand Opportunities for Positive Credit Reporting

While utility companies report late payments to credit bureaus, on-time payments go unreported. Similarly, most credit reports and credit scores do not recognize on-time rental payment. Illinois Congressional Members should support efforts at the federal level to authorize voluntary full-file reporting of utilities, telecoms, and rental payments.

Fund Credit Builder Loan Programs

The federal government, through its Assets for Independence (AFI) program, should consider adding a credit component to the Individual Development Accounts (IDAs) it already funds. IDAs, in their current form, have no impact on credit – even though many clients purchase credit-sensitive assets (like homes) at the conclusion of the savings period. If morphed into something like LISC Twin Accounts™, the cost of the program would be the same, but clients would

A Personal Story

Eugene is a 37 year old African American man who is striving to become self-sufficient after spending time in prison. He enrolled and graduated from NLEN's U-Turn Permitted program to give himself a leg-up in his re-entry to the workforce.

A creative man, he hopes to turn his passion of making hard candy into beautiful sculpted flowers into a small business that will financially support him. Though he has been selling his candy flowers to wedding planners, he needs startup capital to expand his business enough to fully support himself.

When he first came to his financial coach at NLEN he had a very thin credit file, making it challenging to obtain a business loan. Together, they created a budget and he applied for LISC Twin Accounts™ to build his credit.

After 6 months of on-time payments in the program, his credit score increased enough that Eugene was able to obtain a retail credit card, which is his next step in building his credit—diversifying his credit lines. As his score continues to improve, he hopes to soon obtain a small business loan to get his business off the ground.

generate savings and improve credit simultaneously.

Enforce Restrictions on Employment Credit Checks

The State of Illinois prohibits employers from checking an applicant's credit report unless that person is applying for a position that requires them to manage money. Yet, we continue to hear from residents that their poor credit score is preventing them from finding employment. The State must better enforce this law to ensure greater opportunities for workers.

Expand Access to Safe Small Dollar Loans

Thousands of low-income residents find themselves in a cycle of debt due to predatory loans. In addition to tighter restrictions on these abusive products, residents need increased access to safe small dollar loans. In Chicago, the City Treasurer is providing an incentive for mainstream financial institutions to offer this safe alternative through the newly implemented Linked Deposit Program. Other municipalities across the state should consider creating a similar program to increase access and make lending cheaper and safer. At the federal level, Congress should fund the loan loss reserve fund for CDFIs. This fund is crucial in helping certified CDFIs defray the costs of operating small dollar loan programs.

Strengthen Predatory Lending Reforms

Many Illinois residents are caught in a cycle of debt due to abusive fees and terms of payday loans, auto title loans, and rent-to-own contracts. These products are often the cause of bad credit and a history of collections. We encourage the General Assembly to close loopholes that allow companies to avoid consumer protection and usury laws, limit fees & interest rates, and put an end to the practice of loan rollover.

Create a Universal Children's Savings Account Program

A college savings account can increase the likelihood that a child will attend and complete college. Illinois' Bright Start Program provides access to a 529 college savings account. However, it is structured in a way that makes it difficult for low-income families to utilize. The state of Illinois should expand access to this important program by automatically opening up an account for every child at birth with an initial public seed, facilitating enrollment and investment via the state tax return, and providing match savings incentives for low-income families. This would help lower-income households of color save and receive a much needed extra incentive for participation.

Get Involved in Policy Solutions

Increase Access to Retirement Savings

Learn more:

Illinois Secure Choice Savings Program

http://tinyurl.com/Illinois-Secure-Choice

Support Legislation in Illinois:

http://tinyurl.com/build-retirement-savings

Expand Access to 529 College Savings Accounts

Learn more:

Universal College Savings Accounts

http://tinyurl.com/universal-csa

Read Task Force Recommendations:

http://tinyurl.com/CSA-taskforce

Raise the Minimum Wage

We cannot expect people to pay off current debt and build their credit, much less save for the future, if they are not able to meet daily needs on their current wages. The Illinois General Assembly should return the minimum wage to its historic value, adjusted for inflation, of $10.65 per hour.

Increase Access to Retirement Savings Opportunities

A big part of building financial security is having access to the tools needed to do so. Without access to a retirement savings account, we are seeing more people falling into poverty when they retire. 2.5 million workers in Illinois do not have access to a retirement savings account through their employers. The State should create an the Illinois Secure Choice Savings Program which will give all workers access to this important life-long savings tool.

Join the Illinois Asset Building Group

IABG Partners are individuals, organizations and institutions that are committed to building the stability and strength of Illinois communities through increased asset ownership and asset protection and closing the racial wealth gap. As a partner of IABG, you will play an active role in supporting, advocating, and helping to expand asset building efforts in our state.

Join the IABG Coalition
http://tinyurl.com/join-iabg

IABG Website
www.illinoisassetbuilding.org

Contact IABG Staff

Lucy Mullany - IABG Coordinator
lmullany@heartlandalliance.org

Ethan Brown - IABG Program Associate
ebrown@heartlandalliance.org

Get Involved in Policy Solutions

Raise the Minimum Wage

Learn more:
Raise the Minimum Wage
http://tinyurl.com/raise-wage-info

Sign the Petition:
http://tinyurl.com/raise-wage-petition

Join the Mailing List:
http://tinyurl.com/raise-wage-mailing

Expand Access to Safe Small Dollar Loans

Learn more:
Small Dollar Loans
http://tinyurl.com/Small-Dollar-Loan-Toolkit

Explore the Small Dollar Loan Profitability Calculator:
http://tinyurl.com/profitability-calculator

Endnotes

1. Carrow, L., Hudson, S., & Terpstra, A. (2014, February). *Trapped by Credit: Racial Disparities in Financial Well-Being and Opportunity in Illinois.* Chicago, IL: Social IMPACT Research Center.

2. Ibid.

3. Ibid.

4. Chang, M. & Mason, N. (2010). *At Rope's End: Single women mothers, wealth and assets in the U.S.* NYU Wagner: Women of Color Policy Network.

5. Shapiro, T., Meschede. T., & Osoro, S. (2013). *The roots of the widening racial wealth gap: Explaining the black-white economic divide* (Research and Policy brief). Waltham, MA: Institute on Assets and Social Policy.

6. Shapiro, T., Meschede. T., & Sullivan, L. (2010). *The racial wealth gap increases fourfold.* (Research and Policy brief). Waltham, MA: Institute on Assets and Social Policy.

7. Shapiro, T., Meschede. T., & Osoro, S. (2013). *The roots of the widening racial wealth gap: Explaining the black-white economic divide* (Research and Policy brief). Waltham, MA: Institute on Assets and Social Policy.

8. Kochhar, R., Fry, R., & Taylor, P. (2011). *Twenty-to-One. Wealth gaps rise to record highs between whites, blacks, and Hispanics.* Washington, D.C.: Pew Research Center.

9. Social IMPACT Research Center's analysis of the U.S. Census Bureau's 2012 American Community Survey 1-year estimates data.

10. Kochhar, R., Fry, R., & Taylor, P. (2011). *Twenty-to-One. Wealth gaps rise to record highs between whites, blacks, and Hispanics.* Washington, D.C.: Pew Research Center.

11. Chenven, S. (Credit Builder's Alliance), personal communication, November 15, 2013.

12. Carrow, L., Hudson, S., & Terpstra, A. (2014, February). *Trapped by Credit: Racial Disparities in Financial Well-Being and Opportunity in Illinois.* Chicago, IL: Social IMPACT Research Center.

13. Ibid.

14. Chenven, S. (Credit Builder's Alliance), personal communication, November 15, 2013.

15. Baum, S., Ma, J., Payea, K. (2010). *Education Pays 2010 The Benefits of Higher Education for Individuals and Society* (Trends in Higher Education Series). New York, NY: CollegeBoard Advocacy & Policy Center.

16. Carrow, L., Hudson, S., & Terpstra, A. (2014, February). *Trapped by Credit: Racial Disparities in Financial Well-Being and Opportunity in Illinois.* Chicago, IL: Social IMPACT Research Center.

17. Ibid.

18. Ibid.

19. Ibid.

20. Ross, T., Kena, G., Rathbun, A., KewalRamani, A., Zhang, J., Kristapovich, P., and Manning, E. (2012). *Higher Education: Gaps in Access and Persistence Study* (NCES 2012-046). U.S. Department of Education, National Center for Education Statistics. Washington, DC: Government Printing Office.

21. Berg, G. (2010). Low-income students and the perpetuation of inequality: Higher education in America. Burlington, VT: Ashgate Publishing Company.

22. Ibid.

23. Ibid.

24. Ibid.

25. Elliott, W., Song, H-a., & Nam, I. (2013). *Relationships between college savings and enrollment, graduation, and student loan* debt (CSD Research Brief 13-09). St. Louis, MO: Washington University, Center for Social Development.

26. Zhan, M., & Sherraden, M. (2010). *Assets and liabilities, race/ethnicity, and children's college education* (CSD Research Brief 10-09). St. Louis, MO: Washington University, Center for Social Development.

27. Johnson, J., Rochkind, J., Ott, A.N., & DuPont, S. (2011). *With their whole lives ahead of them: Myths and realities about why so many students fail to finish college.* San Francisco, CA: Public Agenda.

28. Hiltonsmith, R. (2013). At what cost? How student debt reduces lifetime wealth. New York, NY: Demos.

29. Avery, C. & Turner, S. (2012). Student loans: Do college students borrow too much—Or not enough? *Journal of Economic Perspectives, 26(1),* 165-192.

30. Traub, A. (2013). Discredited. How employment credit checks keep qualified workers out of a job. New York, NY: Demos.

31. Ibid.

32. Carrow, L., Hudson, S., & Terpstra, A. (2014, February). *Trapped by Credit: Racial Disparities in Financial Well-Being and Opportunity in Illinois.* Chicago, IL: Social IMPACT Research Center.

33. Ibid.

34. Ibid.

35. Social IMPACT Research Center's analysis of the U.S. Census Bureau's 2012 American Community Survey 1-year estimates data.

36. Ibid.

37. Ibid.

38. Ibid.

39. Weller, C.E., Ajinkya, J., & Farrell, J. (2012). *The state of communities of color in the U.S. economy: Still feeling the pain three years into the recovery.* Washington, D.C.: Center for American Progress.

40. Carrow, L., Hudson, S., & Terpstra, A. (2014, February). *Trapped by Credit: Racial Disparities in Financial Well-Being and Opportunity in Illinois.* Chicago, IL: Social IMPACT Research Center.

41. Social IMPACT Research Center's analysis of the U.S. Census Bureau's 2012 American Community Survey 1-year estimates data.

42. Carrow, L., Hudson, S., & Terpstra, A. (2014, February). *Trapped by Credit: Racial Disparities in Financial Well-Being and Opportunity in Illinois.* Chicago, IL: Social IMPACT Research Center.

43. Ibid.

44. Price, A. & Subramanian, A. (2012). *Closing the racial wealth gap for the next generation.* Oakland, CA: Insight Center for Community Economic Development.

45. Kochhar, R., Fry, R., & Taylor, P. (2011). *Twenty-to-One. Wealth gaps rise to record highs between whites, blacks, and Hispanics.* Washington, D.C.: Pew Research Center.

46. Ibid.

47. Ibid.

48. Campen, J., Nafici, S., Rust, A., Smith, G., Stein, K., & van Kerkhove, B. (2007). *Paying more for the American dream: A multi-state analysis of higher cost home purchase lending*. California Reinvestment Coalition, Community Reinvestment Association of North Carolina, Empire Justice Center, Massachusetts Affordable Housing Alliance, Neighborhood Economic Development Advocacy Project, Woodstock Institute.

49. Ibid.

50. Bromley, C., Campen, J., Nafici, S., Rust, A., Smith, G., Stein, K., & van Kerkhove, B. (2008). *Paying more for the American dream: The subprime shakeout and its impact on lower-income and minority communities.* California Reinvestment Coalition, Community Reinvestment Association of North Carolina, Empire Justice Center, Massachusetts Affordable Housing Alliance, Neighborhood Economic Development Advocacy Project, Ohio Fair Lending Coalition, Woodstock Institute.

51. Bocian, D.G., Li, W., & Ernst, K.S. (2010). *Foreclosures by race and ethnicity: The demographics of a crisis*. Durham, NC, Oakland, CA, & Washington, DC: Center for Responsible Lending.

52. California Reinvestment Coalition, Community Reinvestment Association of North Carolina, Empire Justice Center, Massachusetts Affordable Housing Alliance, Neighborhood Economic Development Advocacy Project, Ohio Fair Lending Coalition, & Woodstock Institute. (2008-2012). *Paying more for the American dream series.*

53. Cowan, S. (2012). *Coming up short: The scope of retirement insecurity among Illinois workers*. Chicago, IL: Woodstock Institute.

54. The Sloan Center on Aging & Work at Boston College. (2013). Retirement prospects for the racially and ethnically diverse older adult labor force. [Fact sheet 35]. Retrieved from http://www.bc.edu/content/dam/files/research_sites/agingandwork/pdf/publications/FS35_RetirementEthnic.pdf

55. Cowan, S. (2012). *Coming up short: The scope of retirement insecurity among Illinois workers*. Chicago, IL: Woodstock Institute.

56. Ibid.

57. Traub, A. (2013). *In the Red: Older Americans and Credit Card Debt.* Washington, DC: AARP & Demos.

Illinois Asset Building Group

www.illinoisassetbuilding.org

33 W Grand Ave, Suite 500 Chicago, IL 60654

HEARTLAND ALLIANCE
ENDING POVERTY

SOCIAL IMPACT RESEARCH CENTER
A HEARTLAND ALLIANCE PROGRAM

IABG