

Family Assets for Independence in Minnesota (FAIM)

**Strong Return-on-Investment,
Strong Impact on Families and Communities**

January 2013



Mission Statement

Family Assets for Independence in Minnesota (FAIM) provides Individual Development Accounts (IDAs) to enable people to escape poverty and achieve wealth through asset acquisition.

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Contents

In 2012, members of the statewide Family Assets for Independence in Minnesota (FAIM) Council requested reports on the return on investment for each of the program's three asset building tracks. This document includes a summary of this research, as well as copies of the three individual research reports.

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Family Assets for Independence in Minnesota (FAIM) Return on Investment Summary

Program Overview

Family Assets for Independence in Minnesota (FAIM) is a matched savings program that helps low-income workers build financial assets through the purchase of a home, pursuit of post-secondary education or launch or expansion of a small business. Participants must have incomes below 200% of poverty (\$37,060/year for a family of three).

During their 2 years of enrollment, FAIM accountholders complete 12 hours of personal finance education, additional asset-specific education and deposit up to \$960 (\$40/month) of earned income into their Individual Development Accounts (IDA). Deposits are matched at a 3:1 rate. Historically, Minnesota matched these savings with \$1,440 per account holder and the federal government matched the remaining \$1,440. Similar to employer-based matched retirement accounts, IDAs provide an incentive for savings and asset building.

Launched in 1999, FAIM is Minnesota's only statewide IDA program and serves all 87 counties through a collaborative of 21 organizations including Minnesota Community Action Agencies, Leech Lake Tribal Council, Emerge Community Development and Bremer Bank.

Key Outcomes

Between 1999 and 2012, FAIM accountholders saved over \$2.5 million of their earnings and acquired nearly 1,700 long-term financial assets.

- 25% purchased their first home.
- 34% capitalized a small business.
- 41% made post-secondary education investments.

Over 3,000 FAIM accountholders have completed 12 hours of personal finance education, plus additional asset-specific training and ongoing financial coaching.

Return on Investment

FAIM delivers a strong return on investment for the public and private dollars that have supported this initiative since its inception. When accountholders reach their asset goal, Minnesota benefits from stable housing for low-income families, increased home ownership property taxes, newly created jobs, local small business purchases, increased professional skills and a better educated workforce.

The following pages summarize research conducted in 2012 about the return on investment of each FAIM asset building track, including post-secondary education, homeownership and small business. Full reports are located after the summary.



Mission

Family Assets for Independence in Minnesota (FAIM) provides Individual Development Accounts (IDAs) to enable people to escape poverty and achieve wealth through asset acquisition.

"They (FAIM program) give you the tools to help you. I was at a point in my life where I could've gone either way. They really wanted to help you do better in life. I actually started looking for jobs and started to help myself."

- FAIM Accountholder

Small Business Asset Track

Since 1999, 702 Minnesotans have pursued their dreams of establishing or expanding small businesses. A February 2012 survey of small business accountholders resulted in the following findings.

FAIM alumni have high rates of business retention.

Nationally, only 66% of businesses survive the first two years of operation. In contrast, 86% of FAIM respondents were still in business after two years and 89% after two or more years. In part this can be attributed to the financial and business planning training that participants complete before capitalizing their small business.

Small Business Retention Rates

Success Rates	National ¹	FAIM Recipients ²
0-2 Years (2010-2012)	66%	86%
2+ Years Later (before 2010)	44%	89%

¹ Data from Bureau of Labor Statistics

² Data from collected information, does not include respondents who did not provide dates of business launch and/or close.

FAIM builds stronger local economies.

FAIM small businesses boost local economies through newly created jobs, spending on materials and increased professional skills. The total estimated income revenue for surveyed FAIM alumni and their employees is \$4.64 million per year. If all 702 business asset track participants are included, this figure increases to \$26.68 million per year.

FAIM helps businesses to thrive and grow.

Of participants surveyed, 22% have added at least one additional employee since they launched their business. For those who applied their FAIM savings and match to improve their business, 65% achieved an increase in their sales and income, 45% expanded hours and 67% reported growth due to FAIM funding.

Impact of FAIM Participation on Small Business Growth

Status of Business	Percentage of Respondents
Business Grew	67%
Business Maintained Stability	31%
Business Expects Growth Soon	1%



Comments from FAIM small business accountholders:

“The FAIM program gave me a backbone that allowed me to go forward with my business.”

“The FAIM program has been very instrumental in motivating me to take the steps that would encourage me to reach my goals. The program provided me with technical skills such as financial literacy, career planning and developing a business plan.”

Other Impacts of FAIM Participation

Impact	Percentage
Materials/Supplies Purchased	69%
Start-Up Capital Provided	10%
Mentoring Support Assigned	7.5%
Business Expansion supported	4%
Learned to Save Money	2.5%
Stayed In Business	2.5%
Personal Fortitude Increased	2.5%
Paid Bills	1%
Land/Office Space	1%

Homeownership Asset Track

Since 1999, 402 Minnesotans have pursued their dreams of homeownership. An August 2012 survey of homeownership accountholders resulted in the following findings.

FAIM helps low income workers buy and retain homes.

Of the participants surveyed who had completed the program and purchased a home, 97% still owned their home. Only 2 homes had been sold and no foreclosures were reported. During a period of high home foreclosure rates, this outcome is a testament to the thorough education and preparation that participants receive before home purchase.

FAIM improves the quality of life of participants.

Respondents reported improvements in their quality of life including nearly 80% who reported improved physical or mental health and greater access to outdoor space, as well as 61% who were closer to work, school or family.

Ways FAIM Participants' Lives Improved after Purchasing their Home

Improvement	Percentage of Respondents
Better school district	21%
Closer to businesses	46%
Safer neighborhood	60%
Closer to work/school/family	61%
Improved physical/mental health	79%
Greater access to outdoor space	79%

Research from the U.S. Department of Housing & Urban Development shows that homeowners accumulate wealth as the investment in their homes grows, enjoy better living conditions, are often more involved in their communities, and have children who tend on average to do better in school and are less likely to become involved with crime. Communities benefit from real estate taxes homeowners pay and from stable neighborhoods homeowners create.

FAIM decreases use of public benefits and improves economic security.

35% of homeowner respondents decreased their use of public assistance. Of those who increased their level of public assistance, many started receiving energy assistance (LIHEAP) or they or a family member began receiving medical assistance.

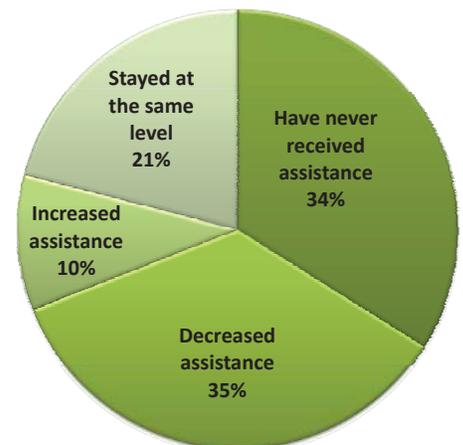


Comments from FAIM homeownership accountholders:

"I worked with him (FAIM coach) for 4 years. When I met him I was in a battered women's shelter, when I started doing FAIM, and it took me 4 years to buy a house."

"I feel more connected to my community because I'm a homeowner. I feel really invested. I've become a block club leader. It's been really positive for me."

Change in Public Assistance Use FAIM Homeownership Accountholders



Post-Secondary Education Asset Track

Since 1999, 650 FAIM participants have pursued their career goals through the post-secondary education track. An August 2012 survey of post-secondary education accountholders resulted in the following findings.



FAIM builds human capital and a higher skilled workforce.

Of participants surveyed, more than 85% of respondents in each degree category had met their educational goal or were in the process of doing so. Attainment of post-secondary education increases the skills and employability of low-income workers and offers the potential of higher earnings over a working lifetime.

Education Level and Status of FAIM Respondents

Education Level	Pursued	Achieved	In Progress	Total Assets
Certificate	9%	80%	10%	90%
Associate Degree	26%	62%	24%	86%
Bachelor Degree	47%	47%	40%	87%
Graduate Degree	11%	67%	33%	100%
Other/Continuing Education	7%	63%	25%	88%
Total	100%			

Comments from FAIM post-secondary education accountholders:

“FAIM was very helpful in making my dream of earning a bachelor’s degree a reality.”

“I have received a promotion at my current employer because of my degree.”

“I have a new nursing certification (Public Health Nurse) and a new job with benefits, health insurance for me and my children, and a 403 (b) plan with match!”

FAIM increases career aspirations and earned income.

FAIM increased the career aspirations of participants. Of those surveyed, 42% indicated they wanted to progress in their current field and 27% wanted to earn another degree.

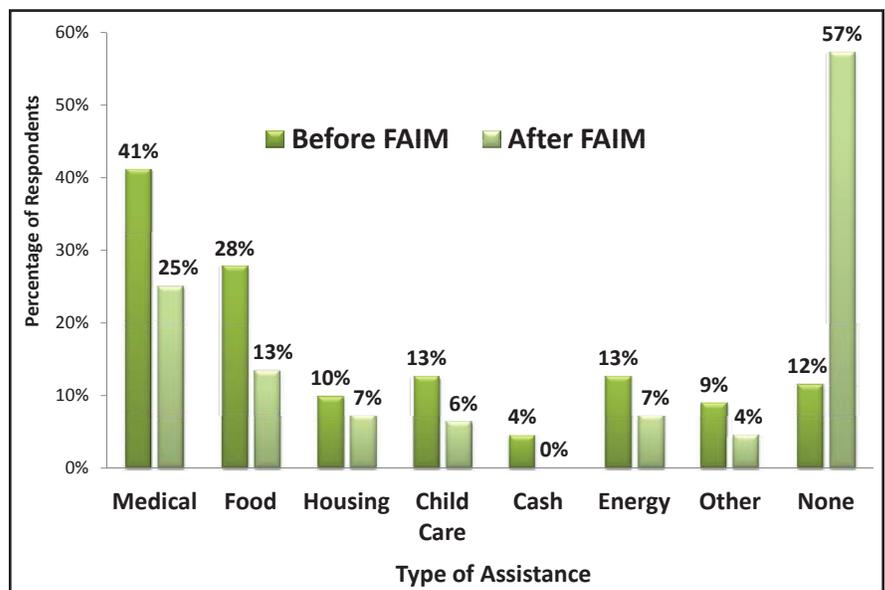
- 40% of respondents indicated that their employment has improved since completing their education
- 57% of respondents indicated their incomes have increased by a combined \$440,000+ per year.

FAIM decreases use of public benefits and improves economic security.

The percentage of education respondents not using any type of public assistance program increased from 12% (at enrollment) to 57% (time of survey).

Across all types of public assistance, usage decreased—often by more than half. None of the respondents who were on cash assistance when they entered FAIM were using any type of cash assistance at the time of the survey.

Change in Public Assistance Use - FAIM Education Accountholders



Personal Finance Education and Coaching

FAIM improves financial knowledge and capability.

High quality financial education and ongoing coaching are key factors in the success of FAIM. Accountholders receive one-to-one guidance on sound budgeting, credit repair, debt reduction, consumer protection and mortgage lending products, and how to maintain their assets.



FAMILY ASSETS FOR
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IN MINNESOTA

- 87% of education asset track respondents found the financial literacy training either very helpful or extremely helpful.
- 86% of home ownership respondents found the home buyer classes very helpful or extremely helpful. Of those who also worked with a coach, 96% found them very helpful or extremely helpful.

Examples of Improved Financial Behavior

Outcome	Percentage of Respondents
Have not used any risky financial services or products in the last 6 months: payday loans, direct deposit advance, car title loans, check cashing services, refund anticipation loans, pawn shop, rent-to-own purchases. Of those who have, all used only one product and often in an isolated incident.	89%
Of those who have debts other than their mortgage, are able to make payments regularly.	86%
Track their spending by writing down what they spend most or all of the time.	77%
Use a written budget most or all of the time.	71%
Found ways to decrease their expenses after completing FAIM financial education.	70%
Decreased their level of public assistance or stayed at the same level.	69%
Have a savings account and add money to it frequently or regularly.	62%
Increased their income since completing FAIM.	56%

These new skills are modeled and passed on to the children of accountholders, decreasing the likelihood of intergenerational poverty.

FAIM reduces the use of predatory financial products.

Of homeowner respondents, 89% had not used risky financial products or services in the last 6 months. Of those who had, only 1 product was used. Of education respondents, 82% of respondents had not used risky financial products or services in the past 6 months.

Comments from FAIM accountholders:

“One thing I learned was how to budget. My coach worked with me. We set up an affordable budget that I could deal with, where I could make all my obligations and still have a little left over. Without the (financial) classes, I would still be struggling budget-wise.”

“It was a very informational class, one that actually applied to my everyday life and still use the information.”

“This was very motivating. Before taking this (financial) class my credit score was in the low 500s and I was using payday advance loans, crying a lot, we barely had food. This class helped me see the errors and helped me clean everything up and I have since stayed on track.”

Evaluating the Return on Investment of the FAIM Program Small Business Track

February 2012



Mission Statement

Family Assets for Independence in Minnesota (FAIM) provides Individual Development Accounts (IDAs) to enable people to escape poverty and achieve wealth through asset acquisition.

How are FAIM Small Business Owners doing in this Challenging Economic Climate?

This report was requested by members of the statewide Family Assets for Independence in Minnesota (FAIM) Council, comprised of representatives from local Community Action Agencies, Bremer Bank, City County Federal Credit Union, Greater Twin Cities United Way, Leech Lake Tribal Government, and Emerge Community Development.

Primary researchers were Amanda Turnquist and Kayla Joachim of Gustavus Adolphus College, with support from Minnesota Valley Action Council staff member Ann Macgregor.

The authors wish to thank the individuals contacted throughout this survey for their participation and feedback that informs the conclusions of this study.

The Family Assets for Independence in Minnesota (FAIM) program has assisted hundreds of Minnesotans in achieving their dreams of owning a small business. These recipients have used their earned and matched FAIM account funds to acquire assets and improve their business, while simultaneously building the knowledge and community relationships that will enable their businesses to improve and expand.

Approach

Research data was collected through a phone survey, using a list of 702 FAIM program graduates. The survey response rate was 18% (130 respondents of 702 surveyed). Efforts are underway to collect additional FAIM participant data from non-respondents. Telephone survey calls were conducted between January 3 through January 17, 2012 over the course of 176 hours. Collected survey data was then analyzed to investigate the economic success of small businesses launched by low income Minnesotans enrolled in the FAIM program.

Findings

The overarching research finding is that the FAIM program has been a tremendous help to Minnesota's working poor population, as indicated by the following:

- 89% of surveyed FAIM-sponsored businesses are still in operation after more than two years of business compared to a national average of 44%.
- 14% of the survey population reduced their state assistance in low income heating assistance (LIHEAP), Food Support (SNAP), and Minnesota Care health coverage; resulting in an estimated savings to the state of \$241,313 per year.
- 65% of businesses achieved an increase in their sales and income after applying their FAIM matched savings to improve their businesses.
- 22% of businesses have added at least one additional employee since they launched their business.
- 26,681,504/year of total estimated income revenue was generated for all FAIM recipients and their employees.

Changed lives and successful businesses, thanks to FAIM" according to by surveyed graduates.

Suggested Course of Action for Policymakers:

Support funding for Family Assets for Independence in Minnesota (FAIM) program that enables ongoing service provision, and draws one-to-one federal match funds for all non-federal resources.



Introduction

What is Family Assets for Independence in Minnesota (FAIM)?

FAIM is a matched savings project launched in 1999 to help Minnesota low-wage earners build assets through purchase of a home, pursuit of higher education or the launch or expansion of a small business. FAIM is part of a nation-wide initiative to promote Individual Development Accounts (IDAs). Similar to employer-based matched retirement accounts, IDAs reward work by requiring accountholders to deposit earned income into their accounts as they prepare for their asset purchase. The program requires participants to complete 12 hours of financial literacy classes prior to receipt of matched funds. FAIM seeks to break generational poverty through asset acquisition and parent role modeling of savvy financial skills.

Account holders deposit a total of \$960 into bank accounts at an average of \$40/month for two years. Minnesota has historically matched this with \$1440 per account holder and the federal government matches the other \$1440.

What is the purpose of this Economic Impact Report?

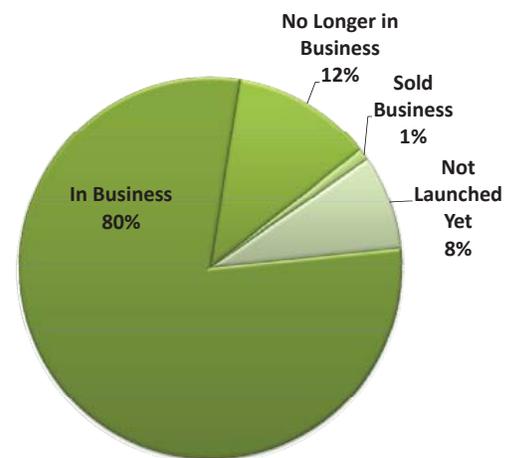
Difficult budget balancing in the 2011 legislative session yielded the elimination of a \$500,000 biennial state FAIM appropriation,, triggering the loss of one-to-one matching federal support. This report seeks to examine FAIM's positive return-on-investment and positive impact to Minnesota's economy.



Business Status and Success Rates

Business Status	Number	Percentage
In Business	82	80%
No Longer In Business	12	12%
Sold Business	1	1%
Not Launched Yet	8	8%

The first two years are the most critical as this is when most businesses fail. The success rate of 86% for FAIM recipients is significantly higher than the national average of 66%. This may be attributed to the financial and business planning classes recipients complete prior to drawing down FAIM account funds.



Success Rates	National ¹	FAIM Recipients ²
0-2 Years (2010-2012)	66%	86%
2+ Years Later (before 2010)	44%	89%

¹ Data from Bureau of Labor Statistics

² Data from collected information, does not include respondents who did not provide dates of business launch and/or close.



Public Assistance and State Savings

State Savings (FAIM Recipients Who Decreased State Assistance)	Average Cost Per Year Per Person	#	Estimated Savings
Home Heating Assistance (LIHEAP)	\$600	8	\$4,800
Food Support (SNAP)	\$1308	4	\$5232
MN Care/Medical Assistance ¹	\$3684	7	\$25,788
Total Savings: Survey Respondents	—	19	\$35,820
Total Savings: Entire Population ²	—	128	\$241,313

¹ Used the lowest cost Medical Assistance type (MN Care) to form the average cost per person. MN Care costs on average \$307 per month with 7% of the budget versus Medical Assistance at \$320 per month and 89% of the budget, and General Assistance Health Care at \$699 per month and 4% of the budget. Actual savings from decreased state assistance from MN Care and Other Medical Assistance types may be larger.

² 19 (recipients who decreased state assistance) / 104 (contacted FAIM recipients) = 18.2%; $18.2\% * 702$ (total survey population) = 128 (recipients estimated to have decreased state assistance); $\$35,820$ (estimated savings) / 19 (people who decreased state assistance) = $\$1,885.26$ (per person decrease in state assistance) * 128 (recipients estimated to have decreased state assistance); = $\$241,313.28$ (total decrease in state assistance and the total savings for the entire population)

State Assistance ³	Number count	Percentage
Never Received Assistance	60	59%
Decreased Assistance	14	14%
Same Level of Assistance	20	20%
Increased Assistance	7	7%

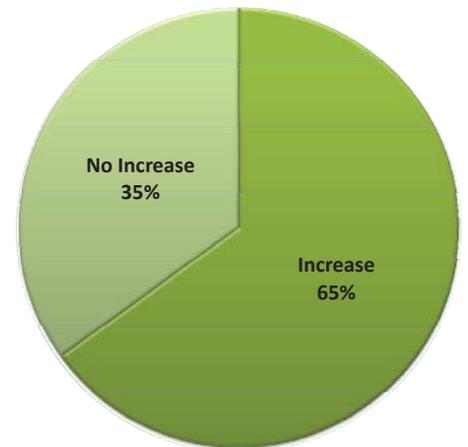
³ State assistance including LIHEAP, SNAP, and MN Care and Other Medical Assistance. Does not include other assistance.



Effect on Business Operations

Effect on Sales and Income

Effect on Sales and Income	Number Count	Percentage
Sales/Income Increased	45	65%
Sales/Income did not Increase	24	35%



Effect on Operational Hours

Effect on Operational Hours	Number Count	Percentage
Expanded Hours	27	45%
No Expansion	33	55%

Effect on Business Growth

Business Growth due to FAIM Funding	Number Count	Percentage
Business Grew	45	67%
Business Maintained Stability	21	31%
Business Expects Growth Soon	1	1%

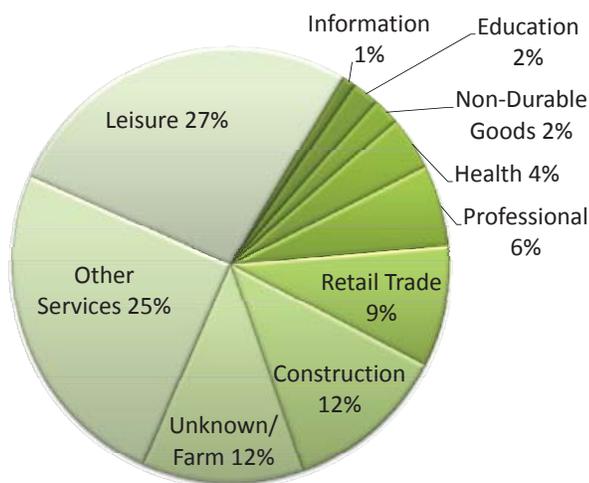


Employment and Income Revenue

Employees	Number Count	Percentage
Self-Employed	68	78%
Paid Employees	19	22%
Total Number MN Jobs Added	123	—

- FAIM recipients surveyed with 0-4 employees have estimated total revenues of \$4,384,720/year, including employee revenue (national average of \$38,128/year/employee¹).
- FAIM recipients surveyed with 5-9 employees have estimated total revenues of \$258,800/year including employee revenue (national average of \$32,350/year/employee¹).
- Total estimated income revenue for surveyed FAIM recipients and their employees is: \$4,643,520/year.
- Total estimated income revenue for all 702 FAIM recipients and their employees: \$26,681,504/year.

¹ Source: US Census Bureau. National average income per employee computed by taking Annual payroll / Paid employees.



Local Use of FAIM Funds

This study exposed multiple positive effects on FAIM program recipients. Data analysis revealed nine categorical outcomes that describe these benefits, as follows (and above):

- **Materials/Supplies purchased:** Helped purchase materials or supplies for their company including advertising and marketing. Example: Computers and software for business use.
- **Start Up Capital Provided:** Necessary start up capital was made available to participants.
- **Mentoring Support Assigned:** FAIM program provided a mentor that aided participants through the process they may not have otherwise been able to complete themselves.

Positive Impacts of FAIM for Participants	Number Count	Percentage
Materials/Supplies Purchased	58	69%
Start-Up Capital Provided	8	10%
Mentoring Support Assigned	6	7.5%
Business Expansion supported	3	4%
Learned to Save Money	2	2.5%
Stayed In Business	2	2.5%
Personal Fortitude Increased	2	2.5%
Paid Bills	1	1%
Land/Office Space	1	1%

- **Expansion:** Expanded their business.
- **Learned to Save Money:** Through both the matching funds process and financial classes.
- **Stayed In Business:** Provided that extra edge during this hard economic time.
- **Personal Fortitude Increased:** Empowered business owners and entrepreneurs to continue with the business even when it got difficult. One recipient stated, *"It gave me a backbone that allowed me to go forward with my business."*
- **Paid Bills:** Paid necessary bills and interest to maintain a business (i.e. tractor repair bills).
- **Land/Office:** Helped purchase the land or the office space used for a business.



Research Methodology

Phone survey of FAIM Business Asset population (702 participants in small business asset track).

- If the phone number was not available for a participant, a letter was sent to the given address stating the research purpose and requesting that they contact the researchers. If a letter was returned, project researchers searched online for an alternate phone number or mailing address.
- If a participant phone number was unavailable or disconnected, an online search was conducted for a more recent phone number.
- When possible, messages were left on answering machines requesting a call-back.
- Each valid phone number was called at least twice in order to reach the maximum number of respondents.
- The largest factor for behind the non-response rate was determined to be that participants were at their jobs when contacted. This non-response should not significantly influence the research data.
- Survey Questions:
 - » What is the name of your business?
 - » What year did the business launch?
 - » When did you receive FAIM funding?
 - » Are you still in business?
 - » Have you ever received state and/or federal assistance and if so, what kinds of assistance?
 - » Are you currently receiving state and/or federal assistance and if so, what kinds of assistance?
 - » Did your business see growth, expanded hours, or sales increases in after using the FAIM funding?
 - » How did you use your matched FAIM savings account funding?
 - » Do you have any additional comments about the FAIM program?
- Response Rate: 18%

Conclusion

FAIM has helped hundreds of low income and working Minnesotans stay afloat and acquire new assets while building knowledge, relationships and businesses that can positively impact Minnesota's future.



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Evaluating the Return on Investment of the FAIM Program

Homeownership Track

August 2012



Mission Statement

Family Assets for Independence in Minnesota (FAIM) provides Individual Development Accounts (IDAs) to enable people to escape poverty and achieve wealth through asset acquisition.

Highlights from the findings

Overall, the FAIM program has been enormously helpful to Minnesota's low wage families. Of the 81 FAIM graduates surveyed:

- 67 had purchased a home and 14 were aiming to buy one in the near future.
- 97% still own their home. The two that no longer do sold their home. No one had foreclosed in a time when many Minnesotans have.
- 89% have not used risky financial products or services in the last 6 months. Of those who have, they used only one product.
- 39% have no debt other than their mortgage (not including deferred student loans).
- 56% of respondents experienced an increase in their income since completing the FAIM program.



A. Introduction

The Family Assets for Independence in Minnesota program helps low-income working Minnesotans increase savings, assets, and financial knowledge to achieve greater economic security. Since its inception, FAIM has assisted 402 Minnesotans in achieving their dreams of homeownership. This report synthesizes data gathered from a survey of 81 program participants in order to show the return on investment both for the state and the participants themselves.

B. What is Family Assets for Independence in Minnesota (FAIM)?

FAIM is a matched savings project launched in 1999 to help Minnesota low-wage earners build assets through the purchase of a home, pursuit of higher education or the launch or expansion of a small business. Participants' income must be at or below 200% of poverty (\$37,060/year for a family of three). FAIM is part of a nation-wide initiative to promote Individual Development Accounts (IDAs). Similar to employer-based matched retirement accounts, IDAs reward work by requiring accountholders to deposit earned income into their accounts as they prepare for their asset purchase. The program requires participants to complete 12 hours of financial literacy classes prior to receipt of matched funds. They are also required to complete asset-specific education, so those who aim to purchase a home complete homeownership classes. Accountholders deposit a total of \$960 into bank accounts at an average of \$40/month for up to two years. Minnesota has historically matched this with \$1440 per account holder and the federal government matches the other \$1440.

This report was requested by members of the statewide Family Assets for Independence in Minnesota (FAIM) Council, comprised of representatives from local Community Action Agencies, Bremer Bank, City County Federal Credit Union, Greater Twin Cities United Way, Leech Lake Tribal Government and Emerge Community Development.

The primary researcher was Josie Shardlow, Masters in Public Policy candidate at the Humphrey School of Public Affairs, University of Minnesota, with support from Pam Johnson of Minnesota Community Action Partnership and Lisa Hermanson, also a MPP candidate at the Humphrey School.

The authors wish to thank the individuals contacted for their participation and feedback that informs this research.



C. What is the purpose of this report?

This report aims to educate policy leaders, funders, and other decision-makers about the powerful impact of the Family Assets for Independence (FAIM) program on the lives of low-wage Minnesota households working their way up and out of poverty. FAIM delivers a strong return-on-investment for the public and private dollars that have supported this initiative since its inception in 1999. At that time, a bipartisan group of state legislators appropriated \$500,000 per biennium to establish an ongoing, statewide network of FAIM program sites in urban, rural and suburban areas of Minnesota. One-to-one matching federal funds were linked to this state appropriation, which was temporarily eliminated during a very difficult state legislative budget balancing Session in 2011. Successful advocacy efforts at the 2012 legislature led to the reinstatement of partial state funding for FAIM, and enabled federal funds to continue to flow to statewide program service sites.

The collection of solid program outcome data and life-changing success stories is useful to tell the story of FAIM and its impact on Minnesota families and local communities. Through 2011, low-income FAIM accountholders have saved over \$2.5 million of their own funds in individual development accounts and acquired nearly 1,700 long-term financial assets. Twenty-five (25)% have acquired their first home, 41% made post-secondary education investments and 34% capitalized a small business. Over 3,000 FAIM accountholders have completed 12 hours of general financial education, increasing the financial fitness of Minnesotans working to leave poverty permanently. High quality financial education and ongoing coaching are key program success factors. Participants receive one-to-one guidance on sound budgeting, credit repair, debt reduction, consumer protection and mortgage lending products, and how to maintain their assets. These new skills are modeled and passed on to the next generation, decreasing the likelihood of intergenerational poverty. FAIM asset purchases also boost local economies through increased home ownership property taxes, newly created jobs, local small business purchases, and increased professional skills.



D. Research Findings

Theme 1: FAIM Improves Participants' Lives

Chart 1. Ways FAIM Participants' Lives Improved after Purchasing their Home

Improvement	Number
Better school district	14
Closer to businesses	31
Safer neighborhood	40
Closer to work/school/family	41
Improved physical/mental health	53
Greater access to outdoor space	53

"I'm going to be finishing my bachelor's because of it. If I was renting I couldn't afford that. The mortgage is cheaper than renting."

- FAIM Accountholder

FAIM homeowners reported vast improvements in their quality of life. Families benefitted from yards and more bedrooms so children no longer had to share. Other common examples included having a garage or garden and the ability to own pets and entertain. Many also expressed feelings of stability since many rental properties were subjected to foreclosures in recent years. Also, participants appreciated the freedom to improve their property. A number of participants indicated that their mortgage was less than their rent, allowing them to pursue other goals like education or owning a vehicle.

Many reported a sense of pride in homeownership and a greater sense of community.

- *"My overall happiness has increased. Also, my commitment to family and working hard at my job so I can keep my house."*
- *"I feel more connected to my community because I'm a homeowner. I feel really invested. I've become a block club leader. It's been really positive for me."*



Theme 2: Coaching and Classes Make a Difference

The FAIM program requires homeownership classes, financial literacy training and one-to one coaching in order to arm participants with valuable information about the home-buying process and financial fitness to ensure their success.

1. 86% of participants found the homeownership classes very helpful or extremely helpful.
 - *“I had no idea about the process before. It helped me navigate it in a smarter way and took away some of the fear associated with buying a home.”*
 - *“Very informational. It helped me when I went to talk to people. They were surprised at how knowledgeable I was. That was because of the Homestretch class.”*
2. Of those who worked with a coach, 96% found them very helpful or extremely helpful.
 - *“They give you the tools to help you. I was at a point in my life where I could’ve gone either way. They really wanted to help you do better in life. I actually started looking for jobs and started to help myself.”*
 - *“I worked with him for 4 years. When I met him I was in a battered women’s shelter, when I started doing FAIM, and it took me 4 years to buy a house.”*
3. 78% found the financial literacy classes very helpful or extremely helpful. Most of those who did not find them as helpful requested more advanced classes or to have the requirement waived if completed through another program like Habitat for Humanity.
 - *“This was very motivating. Before taking this (financial) class my credit score was in the low 500s and I was using payday advance loans, crying a lot, we barely had food. This class helped me see the errors and helped me clean everything up and I have since stayed on track.”*
 - *“One thing I learned was how to budget. My coach worked with me. We set up an affordable budget that I could deal with, where I could make all my obligations and still have a little left over. Without the (financial) classes, I would still be struggling budget-wise.”*



Theme 3: FAIM Participants Demonstrate Financial Literacy Skills

Table 1. Positive Impacts for Participants due to FAIM Classes and Coaching

89%	Have not used any risky financial services or products in the last 6 months: payday loans, direct deposit advance, car title loans, check cashing services, refund anticipation loans, pawn shop, rent-to-own purchases. Of those who have, all used only one product and often in an isolated incident.
70%	Found ways to decrease their expenses after completing FAIM financial education
77%	Track their spending by writing down what they spend most or all of the time
71%	Use a written budget most or all of the time
62%	Have a savings account and add money to it frequently or regularly
86%	Of those who have debts other than their mortgage, are able to make payments regularly
56%	Increased their income since completing FAIM
69%	Decreased their level of public assistance or stayed at the same level

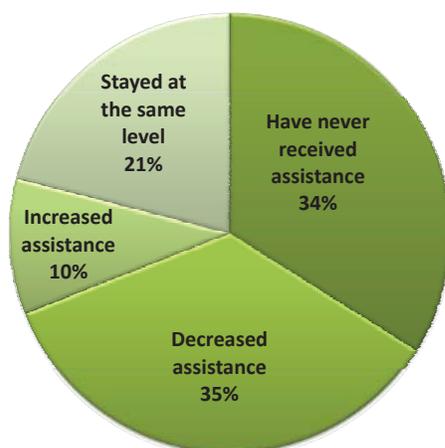
FAIM participants are motivated to acquire an asset and improve their lives. The coaching and classes offer them further inspiration and tools to reach their goals. The median length of homeownership for FAIM participants is 2.85 years, indicating that many were saving during the economically challenging years of 2007-2009 to be able to purchase in 2009 –2010.

Importantly, participants are also able to pass their financial literacy knowledge and practices on to their children, thereby breaking the cycle of poverty.



Theme 4: FAIM Participants Become More Independent

Chart 2. Change in FAIM Participants' Receipt of Public Assistance



* Of those who increased their level of public assistance, many started receiving energy assistance (LIHEAP) or they or a family member began receiving medical assistance.

Theme 5: FAIM Participants are Grateful for the Opportunity

Without being prompted, 22% of participants surveyed said that they would not be homeowners today without the FAIM program.

When asked what could be improved about the FAIM program, 77% of respondents said they were unable to think of anything or offered something positive. The two most common examples were to keep the program running or publicize the program so that more people might benefit from it. Suggestions for improvement centered around the classes or the payout process. Others hoped they could have saved for more than two years.

- *"I believe that the government can make people's lives better and, in turn, create more livable cities and happier communities. My experience with the FAIM program proves that."*



E. Methodology

Research data was collected through a phone survey and an online survey. Participants were graduates of the homeownership track of the FAIM program. Given a list of 758 program graduates of the homeownership track, there were 283 with correct phone numbers or email addresses. Of these, 81 surveys were conducted, 61 via phone and the remainder via an online survey. All had completed the classes. While most had already bought their home, 14 were still in the process and planned to purchase soon.

Letters were first sent out to participants informing them of the upcoming survey. Then nearly 1000 phone calls were made during a one month period from June 27 – July 27, 2012 over the course of nearly 40 hours. All valid numbers were called twice. In the first round, messages were left indicating that they would be called again. In the second round, the message directed them to the online survey.

- Response rate was 29%.
- The largest factor behind non-response was that we were unable to get a hold of the participant. This should not significantly influence the research data.
- The data collected was analyzed in order to measure the FAIM program's impact on participants' lives and public return-on-investment.
- Survey questions included the following:
 - » When did you buy your home? (If you have not purchased yet, when do you plan to?)
 - » Do you still own your home?
 - » Has your life improved in any of the following ways since purchasing your home? (new neighborhood is safer, closer to work/school/family, better school district, improvements to physical/mental health, closer to businesses you frequent, greater access to outdoor space, other?)
 - » How helpful were the homeownership classes/financial education classes/coaching on a scale of 1-5 with 1 being not helpful at all and 5 being extremely helpful? If helpful, how were they helpful?
- *Series of questions related to how participants use the financial literacy education in their daily practices.



F. Conclusion

The FAIM program has been enormously successful in helping low wage earning Minnesotans achieve their dreams of homeownership. Because of FAIM, many of those individuals have experienced vast improvements in their quality of life and financial skills. Participants expressed gratitude at escaping from expensive, noisy, or unhealthy rental properties. Homeownership offers families stability and is a source of pride for those who have long considered it a goal or dream.

The individual coaching and financial education represent an invisible “fourth dollar” in addition to the 3 to 1 match of participant, state and federal funds. By learning how to avoid risky financial products, how to budget and save, and how to keep their home, the benefits for FAIM graduates actually surpass their original asset. Parents teach these skills to their children and siblings to one another. In doing so, the cycle of intergenerational poverty is broken.

However, there are not only benefits at the family level. Minnesota’s neighborhoods and communities also gain from having engaged and committed homeowner neighbors. Schools are less burdened by children who move frequently. Finally, Minnesota benefits by collecting property taxes and paying less in public benefits as these participants use their asset to catapult their lives forward.

Homeowners accumulate wealth as the investment in their homes grows, enjoy better living conditions, are often more involved in their communities, and have children who tend on average to do better in school and are less likely to become involved with crime. Communities benefit from real estate taxes homeowners pay, and from stable neighborhoods homeowners create.

U.S. Department of Housing and Urban Development 2000

Policy Recommendation

FAIM should be funded fully in order to accommodate the many Minnesota families who want to learn financial literacy skills and gain motivation to reach their dreams of pulling themselves out of poverty through homeownership.



Evaluating the Return on Investment of the FAIM Program

Education Track

August 2012



Mission Statement

Family Assets for Independence in Minnesota (FAIM) provides Individual Development Accounts (IDAs) to enable people to escape poverty and achieve wealth through asset acquisition.

Highlights from the findings

Overall, the FAIM program has been a terrific resource for the mobility of Minnesota's low wage families. Of the 115 Education Track FAIM graduates surveyed:

- 65% had completed their degree or certificate by the time of the survey, another
- 31% were actively pursuing their degree or certificate.
- 40% of respondents indicated that their employment has improved since completing their education; 57% indicated their incomes have increased by a combined \$440,000+ per year.
- 12% of respondents reported not being on any public assistance when they enrolled in the FAIM program. Since then, the number of respondents not using public assistance has more than quadrupled to 57%.
- 24% of respondents have no debt.

A. Introduction

The Family Assets for Independence in Minnesota program helps low-income working Minnesotans increase savings, assets, and financial knowledge to achieve greater economic security. Since its inception, FAIM has assisted 650 Minnesotans in pursuing and achieving their career goals through higher education. This report synthesizes data gathered from a survey of 115 program participants in order to show the return on investment both for the state and the participants themselves.

B. What is Family Assets for Independence in Minnesota (FAIM)?

FAIM is a matched savings project launched in 1999 to help Minnesota low-wage earners build assets through the purchase of a home, pursuit of higher education or the launch or expansion of a small business. Participants income must be at or below 200% of poverty (\$37,060/year for a family of three). FAIM is part of a nation-wide initiative to promote Individual Development Accounts (IDAs). Similar to employer-based matched retirement accounts, IDAs reward work by requiring accountholders to deposit earned income into their accounts as they prepare for their asset purchase. The program requires participants to complete 12 hours of financial literacy classes prior to receipt of matched funds. They are also required to complete asset-specific education, so those who were entering college for the first time took college readiness classes. Accountholders deposit a total of \$960 into bank accounts at an average of \$40/month for up to two years. Minnesota has historically matched this with \$1440 per account holder, and the federal government matches the other \$1440.

C. Purpose

This report aims to educate policy leaders, funders, and other decision-makers about the powerful impact of the Family Assets for Independence (FAIM) program on the lives of low-wage Minnesotans who aspire to fulfill their career goals. FAIM delivers a strong return on investment for the public and private dollars that have supported this initiative since its inception in 1999. At that time, a bipartisan group of state legislators appropriated \$500,000 per biennium to establish an ongoing, statewide network of FAIM program sites in urban, rural and suburban areas of Minnesota. One-to-one matching federal funds were linked to this state appropriation, which was temporarily eliminated during a very difficult state legislative budget balancing session in 2011. Successful advocacy efforts at the 2012 legislature led to the reinstatement of partial state funding for FAIM and enabled federal funds to continue to flow to statewide program service sites.

The collection of solid program outcome data and life-changing success stories is vital to telling the story of FAIM and its impact on Minnesota families and local communities. Through 2011, low-income FAIM accountholders have saved over \$2.5 million of their own funds in individual development accounts and acquired nearly 1,700 long-term financial assets. Twenty-five percent have acquired their first home, 41% invested in higher education, and 34% capitalized a small business. Over 3,000 FAIM accountholders have completed 12 hours of general financial education, increasing the financial fitness of Minnesotans working to leave poverty permanently. High quality financial education and ongoing coaching are key program success factors. Participants receive one-to-one guidance on sound budgeting, credit repair, debt reduction, consumer protection and mortgage lending products, and how to maintain their assets. These new skills are modeled and passed on to the next generation, decreasing the likelihood of intergenerational poverty. FAIM asset purchases also boost local economies through increased home ownership property taxes, newly created jobs, local small business purchases, and increased professional skills.

This report was requested by members of the statewide Family Assets for Independence in Minnesota (FAIM) Council, comprised of representatives from local Community Action Agencies, Bremer Bank, City County Federal Credit Union, Greater Twin Cities United Way, Leech Lake Tribal Government and Emerge Community Development.

The primary researcher was Lisa Hermanson, Master of Public Policy (MPP) candidate at the Humphrey School of Public Affairs, University of Minnesota, with support from Pam Johnson of Minnesota Community Action Partnership and Josie Shardlow, also an MPP candidate at the Humphrey School.

The authors wish to thank the individuals contacted for their participation and feedback that informed this research.

Here is what survey respondents had to say about the FAIM program:

- *“(FAIM) put me on more solid footing to get my bachelor’s degree. It’s laying the foundation for me to get my masters and probably Ph. D.”*
- *“It helped me learn how to budget , save up for school, and find a family/work balance.”*
- *“Beyond helpful, without the FAIM program I would not be able to pursue a career in pharmacy.”*
- *“The FAIM Program has been very instrumental in motivating me to take the steps that would encourage me to reach my goals. The program provided me with technical skills such as financial literacy, career planning and developing a business plan.”*
- *“I don’t think I could have done it without FAIM. Financially, I don’t think it would have been possible. I was able to put that I was in school on my resume, and it helped me find a job.”*
- *“Without it I wouldn’t have gone to school. It gave me the first initiative. It was just that little bump, leg up you need to get going.”*
- *“(FAIM) helped me to think about where I could get the most bang for my buck. With the matching program, I wanted to use the money wisely. To me, the wisest thing would be to get a certificate that would lend itself to possible additional income.”*
- *“FAIM was very helpful in making my dream of earning a bachelor’s degree a reality.”*



D. Research Findings

Theme 1: FAIM Builds a Higher-Skilled Workforce

Table 1. Education Level and Status of Interviewed FAIM Participants

Education Level	Number Pursued	Number Achieved (as of summer 2012)	Number in Progress
Certificate	10	8	1
Associate's-level	29	18	7
Bachelor's-level	53	25	21
Graduate-level	12	8	4
Other/Continuing Education	8	5	2
Total	112	64	35

Among FAIM participants that were interviewed, almost all who have completed the FAIM program have either earned their credential or are still in school. Those who have earned their credentials are beginning to experience the benefits.

- *“At this time my employment situation is stable, and having a degree is foundational to my position.”*
- *“I have a new nursing certification (Public Health Nurse) and a new job with benefits, health insurance for me and my children, and a 403 (b) plan with match!”*
- *“Just today I received an offer for \$10 (per hour) more than I was making before.”*
- *“When I graduated I was still employed at a manufacturing facility. Now I’m a data analyst.”*
- *“My daughter is continuing her education and will graduate with a second degree next spring.”*
- *“I have received a promotion at my current employer because of my degree.”*

Financial Literacy

Each participant was required to take 12 hours of financial literacy classes.

87% of participants found the Financial Literacy education either very helpful or extremely helpful.

- *“That was the most helpful thing about the program. It helped me balance saving and be able to afford life.”*
- *“It kind of opened my eyes to keep that (debt) at a minimum because I didn’t want that to haunt me for the rest of my life.”*
- *“It was a very informational class, one that actually applied to my everyday life and still use the information.”*
- *“Excellent! I passed that information on to my kids, too.”*
- *“I really learned how to use money because of the FAIM program.”*



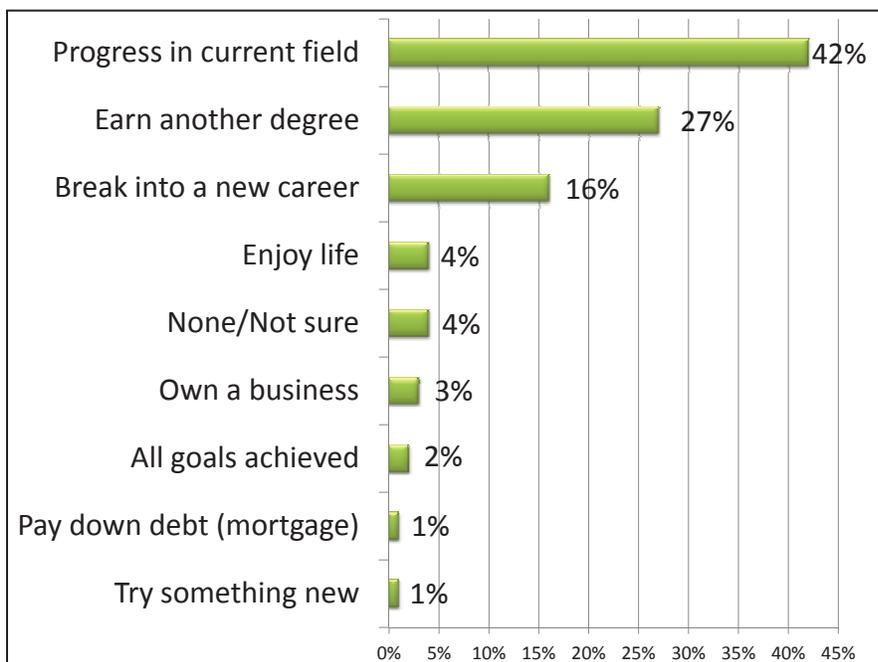
Theme 2: FAIM Builds People's Capacity

When respondents were asked about their future goals, cumulatively 61% respondents indicated goals regarding careers ("progress in current field," "break into a new career," or "own a business").

The next largest group was the 27% of people who would like to further their education beyond the degree that FAIM contributed to.

When combined, 88% of respondents have goals of progressing their careers, something they could not have done without the help of FAIM.

Chart 1: Respondents' Goals, Self Reported



Here is what some of the respondents had to say:

- *"I hope to be an exceptional teacher who makes a difference in my students' lives."*
- *"My dream job would be to work with seniors, helping them understand their diagnosis and help them understand what works for them."*
- *"I actually thought about going back to grad school for business administration."*
- *"(My goal is) to finish my degree, and the plan is to get a bachelor's degree in clinical science. So I'm working toward that."*

Financial Literacy

- 86% of participants keep track of their spending.
- 24% of participants have no debt. 88% of participants that have debt are currently paying it down.
- 85% of participants that have a savings account, 67% of which add funds to it either frequently or regularly.
- 82% of participants have not used risky financial products or services in the past 6 months.



Theme 3: FAIM Participants become more independent

Respondents were asked to indicate which, if any, public assistance programs they were utilizing. Not only did the number of respondents not on any public assistance increase from 13 to 64, (over 500%), but the number of respondents indicating the use of each type of public assistance decreased—often by more than half. Moreover, none of the five respondents who indicated that they were on cash assistance before starting the FAIM program are currently using any type of cash assistance.

Table 2 illustrates the change in use by type of public assistance as well as the impact of that change.

Estimated savings is based on average cost of each program per household in 2011-2012. These figures combine state and federal contribution for an overall picture of public assistance savings. Because many households completed the FAIM program prior to 2011, this table only illustrates savings estimates for the most recent year and does not account for savings prior to 2011.

The figure for the entire population refers to all FAIM participants on the education track and was figured using a ratio:

1. [60 decrease in assistance/115 respondents=0.52 decreases per respondent],
2. [0.52*954 total participants=498 total decreases in public assistance],
3. [498/60=8.3 (multiplier to get proportion of total population represented in sample), so
4. [182,480 dollars saved in sample*8.3 multiplier=1,513,791 total dollars saved].

Chart 2: Change in Public Assistance Reported

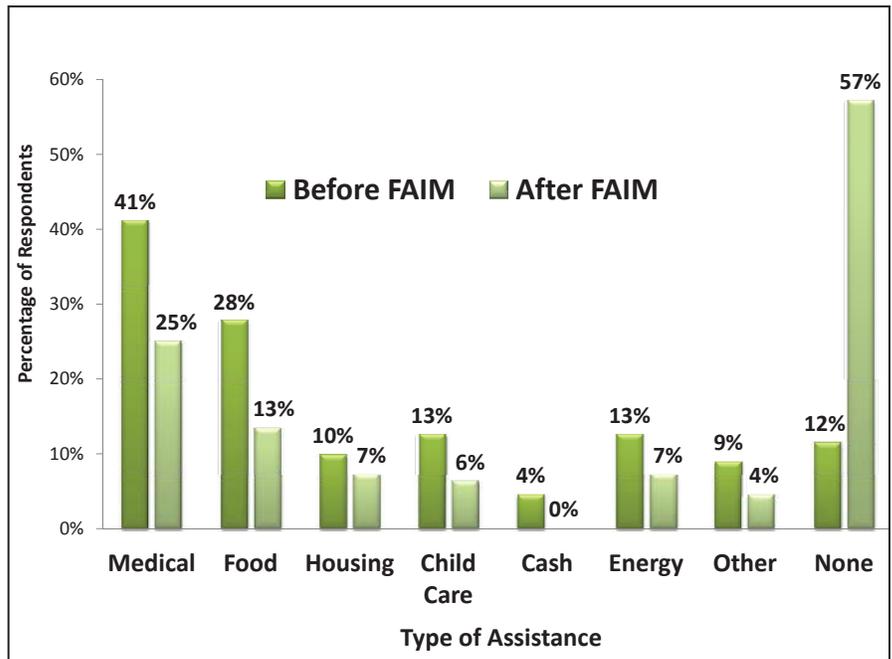


Table 2: Estimated 2011-2012 Savings by Type of Public Assistance

Type of Assistance	Average annual cost per household	Number no longer on assistance	Estimated Savings
MN Care/Medical Assistance	\$3,684	18	\$66,312
Food Assistance	\$1,308	16	\$20,928
Housing Assistance	\$10,800	3	\$32,400
Childcare Assistance	\$5,480	7	\$38,360
Cash Assistance	\$4,176	5	\$20,880
Energy Assistance	\$600	6	\$3,600
Other	—	5	—
Total savings from respondents	—	60	\$182,480
Total savings entire population	—	498	\$1,513,791

Theme 4: Minnesota benefits from investing in FAIM Participants

Number of respondents reporting an increased income	66
Number reporting decreased income	9
Total combined change in respondents' annual income (total increased minus total decrease)	\$440, 376
Total annual income change for all Education Track FAIM Participants.....	\$3,653,000
Annual Minnesota taxes on income (figured at 7.05%).....	\$257,500
Annual federal taxes on income (figured at 15%).....	\$548,000
Total annual increase in taxes collected (before deductions and tax credits)	\$805,500
Total annual savings in public assistance.....	\$1,513,800
Savings in public assistance + increase in taxes collected	2,319,300
Total funds contributed by MN and the federal government to match 1999-2012	\$1,481,500
Savings and increase in income/total contributed to match.....	\$1.57

For every \$1.00 contributed to match savings on the education track, \$1.57 in government funds was generated or saved just in one year.

The last thing respondents were asked to do was to indicate what they liked best about the FAIM program and what they would change about it.

Top things respondents said they liked best about the FAIM program:

- 1. Financial Literacy class
- 2. The program in general
- 3. The match provided

Top things respondents said they would change about the FAIM program:

- 1. Nothing
- 2. More financial literacy information
- 3. Availability to more people



E. Methodology

Research data were collected via phone and online survey interviews. Participants were graduates of the education track of the FAIM program. Given a list of 954 program graduates of the homeownership track, there were 462 with correct phone numbers or email addresses. Of these, 115 surveys were conducted, 88 via phone and the remainder via an online survey. All had completed the financial education classes. While most had already bought their home, 14 were still in the process and planned to purchase soon.

Letters were first sent out to participants informing them of the upcoming survey. Then nearly 1000 phone calls were made during a one month period from June 27 – July 27, 2012 over the course of nearly 40 hours. All valid numbers were called twice. In the first round, messages were left indicating that they would be called again. In the second round, the message directed them to the online survey.

- Response rate was 25%.
- The largest factor behind non-response was missing or inaccurate contact information. Other than the inherent transience of the target population as a whole, there are no apparent qualities shared among those not reached, meaning the absence of their impact should have no major impacts on the data obtained. Only four people refused to be interviewed. There were six partial interviews, which were included as non-responders.
- The data collected were analyzed in order to measure the FAIM program’s impact on participants’ lives and public return-on-investment.
 - » Interviews were semi-structured, meaning that while interviewers had scripts, they were flexible in allowing and pursuing unscripted responses. Interview questions included, but were not limited to, the following:
 - » Have you started school. If so, did you obtain your degree/certificate? If not, are you still pursuing it?
 - » How has your employment (and later income) changed since entering the FAIM program?
 - » What are your employment and career goals? How has FAIM helped you in your pursuit of these goals?
 - » What types of public assistance were you using before entering the FAIM program? How has that changed?
 - » How helpful were the financial education classes/coaching on a scale of 1-5 with 1 being not helpful at all and 5 being extremely helpful? If helpful, how were they helpful?



F. Conclusion

The Education Track of the FAIM program achieves the super-fecta of social programs. By assisting working class people in attaining their education goals, the program provides them the opportunity to increase their earnings while raising the skill level of the workforce overall. The financial education component gives participants the tools necessary to manage a lower income during their education and to manage the increased income that typically results from increased education. Parents also teach financial management to their children, thereby passing that tool to another generation.

But perhaps society stands to benefit the most from partially funding the education of people who otherwise could not afford it. Creating a higher skilled workforce also benefits businesses that seek such skill to hire locally versus outsourcing. A more financially literate group of citizens reduces the need for public assistance and, as participants teach their children financial literacy skills, helps to reduce intergenerational poverty. Therefore, not only does this higher skilled, financially literate population contribute more to the society in the form of taxes and require less in the form of public assistance, but they benefit local business and contribute to the vitality of later generations.

Until higher education is reformed, there will always be issues with affordability for working class citizens. Moreover, less funding in the form of student loans and grants are awarded, with higher interest rates and shorter grace periods. Coupled with poor formal financial literacy training, the status quo provides the perfect storm for an increasing gap between rich and poor and a disappearing middle class.

The FAIM program narrows that gap by making it more possible for more people to obtain the education necessary for their desired career while teaching them how to be financially savvy and avoid the pitfalls that usually accompany little access to financial resources.

G. Policy Recommendation

Not less than full funding should be restored to the FAIM program to provide opportunity to Minnesota citizens who want to learn financial literacy skills and have the motivation to pull themselves out of poverty by pursuing a higher paying career that requires a more advanced skill set.

Broadening the ownership of assets. . . may help expand economic security and opportunity for the nation's poor. . . . If encouraging middle- and upperclass citizens to own assets is already public policy, and a quite popular one, should it not be public policy for all Americans?

-Ray Boshara, "Individual Development Accounts: Policies to Build Savings and Assets for the Poor." Brookings Institute. 2005.

