

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.

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.



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% |

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."

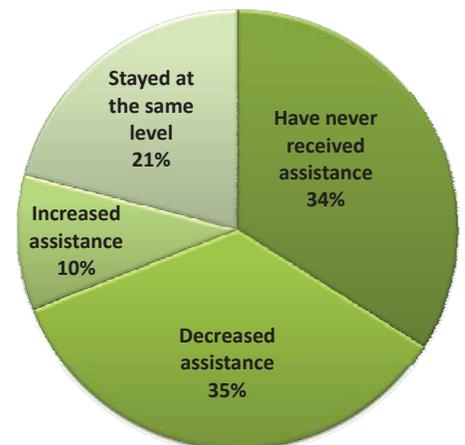
"I feel more connected to my community because I'm a homeowner. I feel really invested. I've become a block club leader. It's been really positive for me."

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.

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.

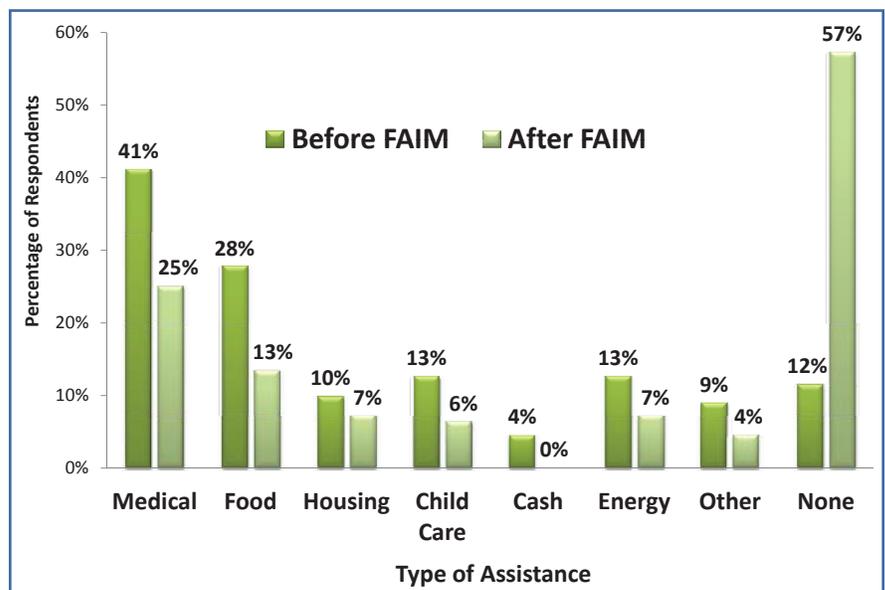
- 40% of respondents indicated that their employment has improved since completing their education
- 57% of respondents indicated their incomes have increased by a combined \$440,000+ per year.

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.



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- 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.”