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Financial Literacy: Path to Homeownership

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II. Abstract

Financial Literacy: The Path to Homeownership is a Washington, D.C. based community economic development project with an aim to bring literacy, resources, financial empowerment, savings and credit management to the residents of the Ward 7 neighborhood in Washington, D.C. The problem this project is set to address is the lack of money management skills, derogatory credit and the negative impact it has in their economic lives. In this dynamic, this project aims at providing the necessary tools to community group in order to be knowledgeable in financial matters. It addresses the lack of basic financial skills, poor credit or credit issues, with a comprehensive service strategy that offers a myriad menu of services. Participants and their families are able to gain a financial education that will enable them to overcome barriers and realize an enduring escape from poverty. They will be able, as a result, to surmount many of those obstacles that make it difficult or often impossible for them to qualify for, or have access to, financing.

The lack of financial stability will continue to hinder the financial abilities and economic progress of these community residents without the assistance of professional intervention. While some will still face the challenge of financial illiteracy that has become in many case multigenerational, others will benefits from an adequate education preparing them to be fully capable of navigating the financial market.

This project seeks to equip its participants with money management skills; information about various saving and assets management plans, credit basics and tools to access the traditional financial institutions.

The cause of the problem is that residents are low-wage earners and suffer from the lack of money management skills. The situation is a cocktail for potential financial collapse and intensifies the cycle of dependency on predatory lenders. Furthermore, these residents are unable to access products and services offered by traditional financial institutions. They are often rejected by the mainstream banking system, thereby becoming prey to unscrupulous fringed lending practices. The inability to demonstrate responsible credit history increases their chances of exploitation and inaccessibility to financing.

Through a series of local neighborhood workshops, this project has managed to propound comprehensive educational modules that inform, educate and empower community residents and successfully lead them to a pathway to financial freedom and homeownership.

III. Executive Summary

America's greatest and most attractive trait has always been the opportunity to build a better life. For many years, property and business ownership, having a family and raising the children have been the symbol of the American Dream. However, for many individuals or families these burning desires of accomplishment are shattered at the outset due to their lack of financial literacy. Americans' inability to fully comprehend the magnitude of financial fitness has been the greatest threat to the economy since the Great Depression in the 1930s.

This project, Financial Literacy: Path to Homeownership, will provide the Ward 7community low-income residents with the education and resources needed to access equitable lending opportunities and ultimately, put them on the path to acquire the greatest wealth builder for most households—homeownership.

The target market's lack of basic financial management skills, which results in poor money management and credit worthiness constitutes a hindrance that the housing industry historically disregarded or penalized with predatory lending terms. Many families in the low-income earning group are financially challenged. With an average annual income of $28,000, members of the target community not only have financial constraints, but do not have adequate savings to draw from in case of an emergency. The prevalent low wages and lack of money management skills intensify the cycle of dependency on predatory lenders. Members of this community are unable to access products and services offered by traditional financial institutions. A staggering number of individuals and families are unbanked and rely heavily on monetary transactions outside traditional financial institutions.

Nearly 20 percent of lower-income households and almost 7 million households earning below $30,000 per year do not have a bank account (FDIC, 2009). In 2009, Americans on average saved less than 5 percent of their income. In May 2010 the U.S. Department of Commerce reported that consumers only saved 4 percent of their disposable income. Financial tools such as checking and saving accounts are perceived as basic tools that are most of readily accessible to many people. However, millions of adults have no relationship with any financial institutions. Mark Twain's quote, "money often costs too much" seems to be relevant in light of the above-mentioned statistics.

This model will use a community-based approach that incorporates other programs such as the Individual Development Account (IDA) that have proven to be successful. Participants and their families are able to benefit from assistance that will enable them to get the education and acquire the empowerment necessary to take control of their finances and access available and equitable mainstream financial products. During the process, families in this group will become more stable and demonstrate the ability to address their own barriers and take control of their financial destiny.

Participants will be provided with opportunities to develop skills and acquire knowledge necessary to effectively manage their own financial situations. They will engage in opening saving/checking accounts and properly manage them. With a focus on money management, budgeting and credit counseling, the anticipated outcome is to provide group participants with the ability to make informed financial decisions critical for the development of sound personal finance. The anticipated outcome is to see participants gain knowledge and management of their personal finances while demonstrating the ability to develop workable and sustainable spending plans. Furthermore, it is expected to see spending plans closely associated with practical plans to correct relevant credit issues. Ultimately, they will demonstrate an ability to qualify for mortgage financing and become successful homeowners. At that point, as homeowners, they will be able to continue their learned behavior of making sound money management decisions that will not jeopardize their good credit, savings or homeownership sustainability.

IV. Community Needs Assessment

1- Community Profile

Washington, D.C., is not only a popular destination spot, but also home to thousands of residents. According to the 2010 census, approximately 600,000 people reside in Washington, D.C. For the first time since 1980 the city has witnessed an increase in its population due mostly to major city improvements that have taken place during the last decade and a steady influx of people from other parts of the United States. Beyond the flourishing economy of its downtown strips, Washington, D.C., is striving to spread that success to all of its neighborhoods. In contrast to the renewed prosperity that is flourishing in DC high-end neighborhoods, low-income communities continue to suffer from serious distress. A clear contrast is apparent between DC neighborhood communities. Such disparity can be found in the existence or lack thereof infrastructure, amenities, and quality schools among other services.

The two geographic areas of Wards 7 and 8 combined make-up over 20 percent of the District's population, yet it is in this region that the lowest levels of education attainment and unemployment are registered. It is also in this community where homeownership rate is the lowest in the city.

The Ward 7 community, one of the East Washington's oldest communities is home to a population largely composed of African-Americans. According to the 2005-2009 American Community Survey, 96 percent of the population is Black non-Hispanic while 1.6 percent and 1.8 percent are respectively White non-Hispanic and Hispanic. This geographic sphere has been called the forgotten Wards of Washington, D.C due to high levels of poverty, unemployment and crime. It is comprised of about seven clusters each made of two to three neighborhoods.

The poverty rate increased from 22 percent in 1980 to 26 percent in 2009. As a result, this part of the city has experienced a drastic population drop within the last 20 years. The 2000 NeighborhoodInfo DC Report showed that the population has dropped from 92,841in 1980 to 70,539 in 2000. However and according to the same source, this area has seen its population increase to 72,720 in 2009. This recent increase can be attributed to a large citywide revitalization program that has started showing its effects in Ward 7. The low level of education attainment can be linked to many other neighborhood economic indicators such as the high level of employment and average family income that is almost 50 percent below the Area Median Income. It also attests to the disturbing 20 percent subprime loans in 2006 equating to more than double the citywide average.

The community maintains some economic life to keep its commercial corridor as alive and vibrant as possible. The business corridors consist mainly of small carry-out restaurants, retail convenience stores, fast-food outlets, and fringe financial establishments—such as payday and car title lenders. Big box retail stores are notably absent as well as major corporations' headquarters. The community's limited commercial activities are concentrated in the main thoroughfares bordering the neighborhoods and along major arteries such as Minnesota and Nannie Helen Burroughs Avenues and Benning Road. The transit access to these areas is anchored by two

Orange-Line Metro stations– Minnnesota Avenue and Deanwood Stations. The strategic location of these transit outlets represents an asset and can be utilize to support the development process of the community.

2- Community Needs

Banking institutions play a crucial role in the progress of our economy. Communities and households rely on their products for various needs such as getting a loan for a home or simply opening a saving or checking account. The accessibility and availability of those resources can be crucial to the socio-economic well-being of a community.

The omnipresence in Ward 7 of predatory financial outlets such as payday lenders and check-cashing services, attests to the need of traditional financial institutions, but more importantly the lack of alternative options for the residents of this community. This area has more check cashing establishments than retail bank branches in the entire city (Appendix 1&2).

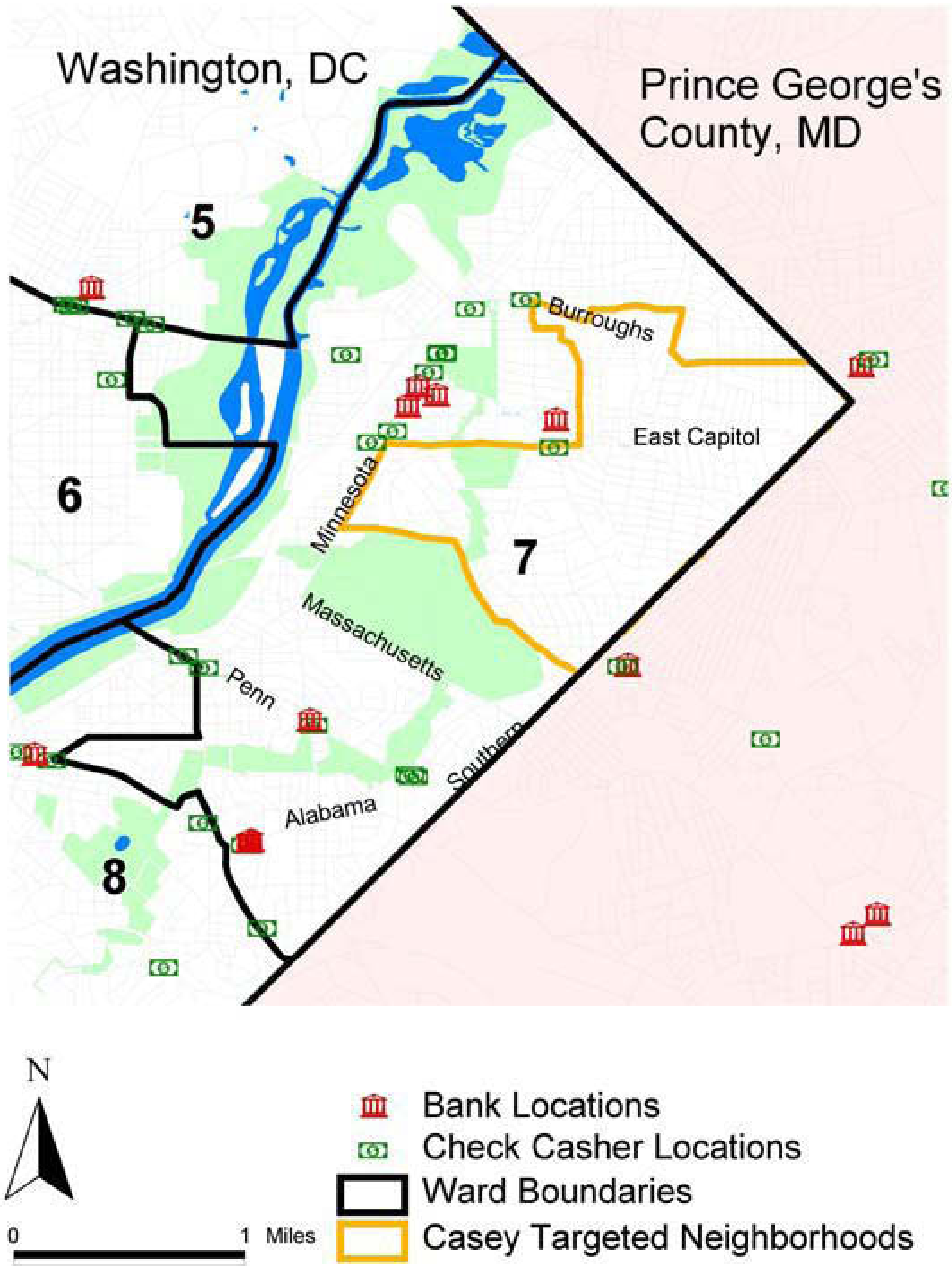
Communities such as Ward 7 are unfortunately seeing an exponential increase of establishments offering check- cashing services or other products. According to a recent report from the Federal Reserve, in 1996, there were an estimated 2,000 payday lending stores operating in the U.S. By 2007, that number had grown to approximately 24,000. (National Bankruptcy Research Center, March 2010).

The cost of using non-traditional financial services in such low-income communities can be very high and even higher in states without regulations (limitations on fees that check-cashers can charge). Refund Anticipation Loans (or RALs) are short-term, extremely high-interest loans, based on a taxpayer's expected income-tax refund. They carry deceptively high interest rates (67%to 774% annually). The sum of these trends is alarming especially for those faced with limited or no financial knowledge, scarce resources to get by and mounting debts.

While having an overrepresentation of cashing places, by contrast, Ward 7 has a small number of commercial banks. According to a February 2004 report released by NeighborhoodInfo DC, eight banks exist in this area and hold a smaller amount of the city's total bank deposits equating to a "combined deposits of $152 million, about 1.1% of the city's total." (p3)

The inability to demonstrate responsible credit management tends to increase the chances of exploitation, and suffocating debt. The low level of education attainment in this community is one indicator that does not favor further education in order to break away from economic dependence and lack of necessary knowledge for financial success. America's dependence on debt is reported by "Bankrate.com" indicating there is overwhelming data indicating that Americans of all income levels are indebted beyond their means, and as a result, record numbers of bankruptcies have been filed in U.S. Courts. According to BankRate.com, the non-mortgage debt per U.S. household is approximately $14,500.00.

Past experience in promoting the benefits of homeownership to underserved populations as well as information gathered from Habitat For Humanity of Washington D.C., revealed a startling reality of how negative credit history has impacted the majority of the candidates' homeownership pursuit. The problem is obviously more complex than it appears and emanates from a combination of multiple factors attributable to economic status, lack of education and access to adequate resources.



<u>NeighborhoodInfoDC</u> **(February 2004)**

Community Profile ---Highlights

Indicators	Ward 7	Average of all Wards	High
Population, 1980	92,841	79,791	63,391
Population, 1990	79,098	75,863	65,638
Population, 2000	70,539	71,507	68,087
Population, 2005-09	72,720	73,554	69,288
% black non-Hispanic, 2005-2009	96	55	5.3
% white non-Hispanic, 2005-09	1.6	32	1.6
% Hispanic, 2005-09	1.8	8.5	1.7
Poverty Rate(%) 2005-2009	26	18	6.6
Unemployment Rate (%) 2005-2009	19	9.2	3.4
% persons without HS diploma 2005-2009	20	15	3.4
Avg family income (2009), 2005-2009	53,794	113,160	253.232
Homeownership rate (%), 2005-09	40	45	63
Loans per 1,000 housing units, 2006	71	94	160
Median borrower income (2006 $), 2006	77,469	122,680	183,900
% subprime loans, 2006	20	8.7	20

V. Statement of the Problem

1-Problem Statement

The problem this project seeks to address is the epidemic crisis of poor money management and the lack of basic financial skills within the targeted community of Ward 7 located in the northeastern region of Washington D.C. It also advances further the efforts of bringing financial literacy to the forefront of the homeownership equation.

2-Target Community

The prevalence of a lack of financial management skills among the residents of Ward 7 is unfortunately a microcosm of what is widespread in too many low-income American communities. The inability to make sound decisions leads to poor money management of their finances and is detrimental to their credit worthiness.

According to the "National Center for Children in Poverty," one-third of America's workforce earns poverty wages, which leads to a host of challenges and disadvantages for both parents and children. Many families in the low-income earning group are particularly financially challenged. The same observation can be made with this group of prospective homebuyers earning between 30% and 50% of the Area Median Income (AMI). The group members earn an average of $28,000 annual income and can be at financial risk should an emergency arise due to their low wages and lack of savings to support a crisis.

A common attribute shared by the group members is their lack of good credit history and poor money management. Their lack of financial management education and skills—coupled with low-wages—only intensify the cycle of dependency on predatory, non-traditional financial institutions. This group has a need for traditional financial lending opportunities that are afforded to other income earners, i.e., credit, insurance and loans among other services. To provide access to equitable lending, an intervening educational program has to be in place to allow them to break that cycle of dependence and have access to reasonable financial services. Otherwise, "families may have to resort to short-term loans, often those available only from lenders in the fringe economy" to assuage their own needs (Xiao, 2008, p.223). We have learned that these lenders are typically exploitative and do not offer beneficial products to their customers. In any case, the ultimate responsibility is personal and "…individuals can only make their money work for them if they understand basic personal financial management" (Financial Literacy in America, 2002, p. 4).

The challenge is personal and needs to be taken seriously by individuals if they are serious about making a change in their financial future. Participants are considered viable stakeholders and can benefit tremendously from gaining enough knowledge and tools to responsibly manage their personal finances and become economically independent.

A financial strain they experience quite often makes it difficult for them to engage in saving activities. It is fair to say that a limited income, combined with poor credit and money management skills tend to place this group in a precarious situation. Consequently, these individuals become susceptible to predatory lending and are prone to use non- traditional banking institutions with detrimental terms such as high interest rates and subprime financial products.

Families with limited incomes encounter serious challenges just to sustain decent and stable living conditions, and find it increasing challenging to follow a responsible financial accounting. Due to their limited income, poor credit and money management skills, members of this group are not regular users of conventional banking systems. Many have experienced repeated rejection by the mainstream financial institutions and now solely rely on predatory and unconventional financial agencies. They become trapped into a cycle that is difficult to escape from and most of the time they are forced to borrow at high interest rate, whether it is for basic necessities, or luxury items, such as televisions, Xbox, or cell phones.

3-Stakeholders

Habitat for Humanity of DC will be the major beneficiary of the project's outcomes. As such, it is designed to complement or be a sub service of what Habitat is providing to the community. The leadership has been supportive of the concept and its aim to prepare participants to meet the Habitat's program requirements.

Capital Area Asset Builders (CAAB) is a non-profit organization that is instrumental in the promotion and implementation of various savings programs in low-to-moderate income communities in Washington, D.C. The program manager will work closely with the local CAAB office that will administer the Individual Development Account saving program to participants.

The Greater Washington Urban League has been, and continues to be, a strong community partner. The local office has been working in tandem with the Department of Housing and Community Development in administering a citywide first-time home purchase program. As a result, the organization's housing department takes great interest in any home pre-purchase program, or anyone who provides financial literacy education.

Local community banks and preferably Lafayette Credit Union will be one of the selected banks to provide accessible financial products to project participants. This project will be another medium for the community bank to connect with community members who would not otherwise have easy access to their products.

4-Project Goals

This project is to teach money management skills, provide understanding of credit and empower community members to build financial stability. Participants will learn how to manage their personal finances, understand the importance of credit, engage in savings practices, and ultimately engage in building wealth.

These goals are set as a result of a community needs assessment that showed a lack of assets by a great number of community members. One of the major causes of asset poverty may be a lack of financial knowledge and access to traditional banking systems. These community members have very-low income by Housing and Urban Development standards. They frequently turn to alternative financial institutions and face higher costs for services. The higher costs incurred while using these services take a great portion of their already limited resources.

Through specific activities, this project seeks to provide necessary money management skills for participating members to responsibly manage their personal finances and successfully navigate through the mainstream financial market. Participants will also benefit from empowerment, engage in saving, practice the lessons learnt and apply them in their daily lives. Furthermore, this project hopes to increase awareness of problems that have become pervasive and pernicious by many accounts in low-income communities in the United States.

5-Project Objectives

The ambitious goals of the project are set to be accomplished through various steps. In a six month period, this project will provide complete financial literacy to twelve participants.

On one hand, participants will demonstrate a working knowledge of money management and budgeting skills. On the other hand, they will receive credit and debt counseling and will show the ability to understand the importance of credit and its responsible usage. Furthermore, they will be empowered to engage into personal savings and responsible budgeting using traditional banking mechanisms.

The project started in September 2010 and consisted of three modules; Money Management, Credit and Debt Counseling and Introduction to Savings.

It is part of the long-term outcomes that the lessons learnt by successful participants will help them sustain a gratifying economic status. Furthermore, it is expected also that with some positive behavioral changes and best practices, they will continue on the path of financial freedom and homeownership.

During the need assessment phase, it was established that the quasi majority expressed a strong desire to make some changes on their financial situation. All of the selected candidates share a common thread in that they all had low income and had some level of derogatory credit. Our survey indicated to us there was an acute lack of saving resources at the members' disposal.

It is necessary to have a clear knowledge of each applicant's financial status. For the success of this project to materialize, it is important to know how much commitment participants are willing to invest. Participants were also provided with quality education in classroom settings. These classes were scheduled on days and times most convenient to participants.

We secured the expertise of two professional Housing and Urban Development (HUD) certified counselors to teach the curriculum. Their participation gave a level of reputability and legitimacy to the project. The local public library was contacted in order to inform the management staff of the project and its anticipated impact on the community. Furthermore, the program director of Capital Area Assets Builders (CAAB) is fully supportive and committed to the success of the program.

VI. Project Design

The design of this project is hinged on a series of activities with targeted outcomes focused on interactive exchanges and responsible involvement of participants. A comfortable classroom setting will be conducive to effective learning from industry professionals.

1-Literature review

The past decade has seen growing awareness and interest in the development of financial literacy programs across the United States. Technological, market and policy changes have resulted in a more complex financial services industry that requires consumers to be more actively and responsibly involved in the management of their finances. A multitude of innovative products and services have become increasingly complex while consumers' inability to understand them has become ever more apparent, and the consequences of this inability more ominous. The responsibility for sound decision making and financial well-being has become more and more a personal responsibility.

In face of the complexity of the financial service market, policy makers, banking institutions, government agencies and consumer community interest groups have expressed concern for the lack of working knowledge of financial concepts, and access to the tools that consumers need to make decisions most beneficial to their economic well-being. Policy makers, according to Lauren Willis (2008), have widely embraced financial literacy education as "a necessary corollary to the disclosure model of regulation" The aim of these programs is to help individuals and families increase their understanding of, and ability to manage their finances and ultimately achieve long-term financial stability and security. Today, financial literacy programs offer a variety of services that range from financial education and information to assistance with tax preparations to the provision of specific financial services for consumers. This field has diversified and its service delivery has been crafted to meet the specifics of targeted groups (children, students, homeowners, small businesses among others).

Culture and language may very well influence the success of a financial literacy program. Therefore, it is crucial to address the perception that motivates the mistrust that many low-income individuals have towards traditional banking institutions. Whether there is a lack of banking services that fit the needs of these individuals or appreciation of available services, the number of unbanked is staggering. Nearly 10 million households, including 22 percent of low-income families earning less than $25,000 a year, lack bank accounts (Barr 2003).

Today's developed and diversified financial literacy field is regarded and embraced as a crucial element in the effort to reduce poverty and assist low-income individuals to transition to and maintain self-reliance. It has spread its wings across the socio-economic arenas of millions of families in need of financial and employment guidance. It has also helped in building individual and familial assets that bring about economic stability. In general, through various services and programs, financial literacy and asset building have proliferated and addressed a recognized need for financial education services, particularly in money management and personal finances skills. As Bell and Lerman (2005) write:

Nearly 40 percent of American households live off 110 percent of their income (Jump$tart Coalition 2004). Many low-income individuals lack a bank account and obtain cash using high-cost check-cashing firms. It is not uncommon for people to lose wealth by borrowing at high interest rates while their savings yield much lower interest rates. Unwise debt and large numbers of personal bankruptcies are additional evidence of poor financial literacy. Surveys suggest that many Americans have a weak grasp of basic personal finance principles. General attitudes towards spending and saving behavior are troubling as well. Results from a survey revealed that only a quarter of Americans feel very informed about managing household finances (Jump$tart Coalition, 2004; Bell & Lerman 2005).

Many of the financial literacy programs are directed at the general public with a primary focus on low-to-moderate income individuals and families. But in recent years, financial literacy and asset building programs have been tied to addressing poverty and enabling low-income individuals, families and communities to fully participate in the mainstream economy. According to the Office of the Comptroller of the Currency, the primary benefit of financial literacy programs is that they "help residents of lower-income neighborhoods build wealth and participate in the American financial system" (Office of the Comptroller of the Currency, 2009, page or paragraph number).

With modest or no wealth at all, low-income households are particularly susceptible to financial crisis (Anderson et al., 2004). To save means to use fewer resources in the present, and all the same requires some level of sacrifice. It is challenging even for the non-poor but the sacrifice is greater for the poor because they have fewer resources of subsistence. A dramatic difference in wealth accumulation among Americans and its profound ramifications on individuals' lives justify the need for financial education. In its 2007 report, the Ford Foundation provides the following statement:

Fewer than 13 percent of American households live below the official poverty line, yet more than a quarter live paycheck to paycheck with negligible or nonexistent net worth. This scarcity of wealth and ownership among low-income families is especially pronounced among minorities and it is growing. Between 1983 and 2001, the net worth of the least affluent 40 percent American households fell by almost half (Ford Foundation 2007).

Poor people spend a sizeable amount of their money on daily living and therefore are in a position where they cannot accumulate wealth. There have been alternate ways of building wealth that have been profitable to some during the last five years. Among some mediums through which Americans have built wealth, homeownership has been an important avenue. Homeownership in 2004 was at 69.1 percent, in the aggregate, home equity made up 27 percent of total assets for all households (Bucks, Kennickell & Moore, 2006). To the question of finding out how low-income people can accumulate wealth, both Retsinas and Belsky (2005)) agree that in the twentieth century, the answer is housing. However, the limited access to credit and financial resources constitutes a challenge in low-income communities. Therefore, as Retsinas and Belsky (2005), suggested, mainstreams financial institutions "must reach beyond middle-class depositors or investors" (p.8). According to the authors, there should be an increased degree of transparency allowing the consumer to make informed decisions.

The access to homeownership has granted various opportunities to American families. One of the benefits of homeownership has been the opportunity to build assets if they are able to maintain it through enforced savings of paying off a mortgage. Besides the many benefits of homeownership, others savings tools remain viable and accessible to consumers. Although home equity is the single largest component of household wealth, checking and savings accounts (91 percent), stocks (21 percent), and retirement accounts (50 percent) are also considerable (Bucks, Kennickell & Moore 2006).

In Washington DC, the Habitat for Humanity program not only offers an opportunity to qualified individuals and families to own a home, but also equips them with the education necessary to become successful homeowners. Applicants in the program go through a rigorous selection process and are provided with adequate homebuyer’s education. Records show that families that have good financial literacy are more likely to avoid default and foreclosure. With a total of 114 homeowners, DC Habitat has not registered even a single case of foreclosure. The program has relied on a thorough and rigorous selection process and pre-purchase educational program. After more than twenty years of considerable success, this housing program has proved to be a very fruitful way for current homeowners to engage in saving and wealth building. Furthermore, many more benefits were identified by a survey conducted in 2008 among Habitat homeowners. It was reported that 40 percent saw an increase in their family health while 71 percent experienced a self-esteem improvement.

In addition to the rewards of homeownership, some other mechanisms and programs offer also some benefits to low-to-moderate income families. The Earned Income Tax Credit (EITC) and the Individual Development Account (IDA) are two popular income supplement and asset-building programs that aim to reduce poverty within targeted groups. Over the years, the EITC has reached a large number of low-income workers and provided income supplements. As explained by the IRS:

The Earned Income Tax Credit or the EITC is a refundable federal income tax credit for low to moderate income working individuals and families. Congress originally approved the tax credit legislation in 1975 in part to offset the burden of social security taxes and to provide an incentive to work. When the EITC exceeds the amount of taxes owed, it results in a tax refund to those who claim and qualify for the credit.

To qualify, taxpayers must meet certain requirements and file a tax return, even if they did not earn enough money to be obligated to file a tax return. The EITC has no effect on certain welfare benefits (Internal Revenue Service, 2009).

As noted by Robert Greenstein (2005), the EITC program has been credited with lifting income above the poverty threshold for a significant number of families.

Census data show that in 2003, the EITC lifted 4.4 million people out of poverty, including 2.4 million children. Without the EITC, the poverty rate among children would have been nearly one-fourth higher. Census data show that the EITC lifts more children out of poverty than any other single program or category of programs (Greenstein, 2005).

As with the EITC, Individual Development Accounts (IDAs) have been promoted as an asset-building tool designed to reduce poverty. They are matched savings accounts directed at the accumulation of funds for specific goals such as homeownership, small business or education. In 1998, the federal government created the Assets for Independence Program (AFI) that relies on the use of IDAs as a medium to combat poverty and develop assets among low-income families. According to the Office of Community Services, “every dollar in saving deposited into an IDA by a participant is matched from $1 to $8 by the AFI Project. The IDA mechanism promotes saving and enables participants to acquire a lasting asset after saving for a few years.”

Both EITC and IDA programs have been conceived at the national level and are believed to be successful in their mission to help low-income individuals and families achieve greater financial stability. However, Marguerite Roulet (2009) cautions that “neither program is currently structured to effectively engage low-income noncustodial parents.”

Even if financial education makes a difference on behavioral changes and savings outcomes, the delivery and reception are not without any challenges. One of the main outcomes is to influence behavior and as Kotler and Andreason (1996) argue, “influencing behavior is largely a matter of communication.”(p 506). A correct message, tailored to the specific audience, and sensitive to cultural differences ought to be of crucial importance.

Bell and Lerman (2005) in their article “Can Financial Literacy Enhance Asset Building?” talk about the importance of financial literacy and the general assumption that “improving knowledge about finances will cause people to make wiser financial decisions” (para.12). They admit, however that “the direction of causality remains unclear” (para.12). With some evidence that financial education can improve financial literacy and behavior, Katy Jacob (2000) states that “it is a necessary—though not sufficient—condition for reducing poverty” (para.7). In the same article, Jacob considers the issue to be possibly part of a larger advocacy campaign to increase lower-income families’ access to basic financial services. An effective financial education susceptible to increase financial literacy should be linked to motivation and resources to render desired behavioral changes and expansion to larger scale. As such, the various benefits of financial education can be made part of the whole framework of community economic development.

Many if not most of these programs operate with an underlining assumption that increases in information and knowledge will lead to changes in financial management behaviors. Beverly and Sherraden (1999) say that “the extent to which an individual understands the process and benefits of asset accumulation is likely to affect her willingness to save” (p. 464). Financially literate individuals are more likely to spend prudently and put money in savings, retirement funds and other wealth building accounts. Conversely, the same individuals are less likely to rack up large debt and are able to make wiser decisions that can in turn have an impact on their economic stability. Secured families are better able to contribute to vital, thriving communities, further fostering community economic development (Rubin, 2007). Several studies have been designed to quantify the belief that educating people about financial topics will help them make better decisions.

Knowledge is essential and can serve as a complement, but not a substitute, for consumer safety. The necessary protection afforded to consumers begins with policies that enforce disclosures, restrictive abusive terms required by law, such as truth in lending and savings. Arguably, these requirements are not sufficient for the protection of millions of individuals who are not able to navigate a complex financial system and are vulnerable to aggressive and deceptive sales practices. Because of a lack of consideration and access to services that fit their needs, low-income families turn to alternative financial institutions and more often than not, face higher costs for service.

Banking institutions may attract more low-income consumers by offering extended business hours and diversified products such as bill payment, check cashing, and cash wiring in one convenient place. Hence, they will gain more competitiveness and progressively can adjust and serve a growing market. Comparatively, fringe lenders were able to provide convenience and easy access to products that immediately address a local need even though the byproduct translates into astronomical interest rates that entrap the consumer into a perpetual cycle of exploitation. Herein, Retsinas and Belsky (2005) seem to concur, stating that, "consumers may choose higher-cost alternative providers on a basis of service or convenience, or both" (p.). In addition, with "approximately 4.4 million households age 50 and older trying to manage their money without a checking account" (AARP, 2007, p), a huge market is open and susceptible to rely on exploitative alternative financial services.

One of the greatest challenges faced in financial education arenas may be measuring the efficiency of the program. An educational program is believed to be a catalyst in empowering and motivating individuals to make financial decisions that promote their economic stability. However, amid a general consensus on the benefits of financial education, there is potential challenge related to the cost of measuring the effectiveness of the program. The vision of a financially literate person, confidently operating and making sound decisions in the free marketplace has yet to be supported by more empirical data. Lauren Willis (2009) argues about the costs that she thinks almost swamp any benefits. For some consumers, financial education appears to increase confidence without improving ability, leading to worse decisions (Willis, 2009). However, a few longer-term impact and evaluation studies show that financial education can make a difference. An evaluation of a financial education and savings program for low-income individuals in Illinois found that program graduates reported increased usage of mainstream financial institutions as well as better budget and expense management. Over 25 percent of the graduates, who were previously unbanked, opened a checking or savings account for the first time; 74 percent increased their savings and 76 percent better managed credit card debt.

Money Smart, a Federal Deposit Insurance Corporation program, is designed to "help adults outside the financial mainstream enhance their money skills and create positive banking relationships" (FDIC, 2001). Programs such as this one, have the potential to break the relationship that the unbanked have with alternative financial institutions such as check cashing stores, payday lenders, and rent-to-own stores.

Such programs have helped educate low-income consumers to acquire the skills necessary to manage banking activities and benefit from the advantages of traditional banking. Whereas Money

Smart has focused on financial literacy, the U.S Treasury's First Accounts' program has made basic financial institutions' accounts available to low and moderate income consumers. This program has also stressed on financial education and through Credit Union Banks was able to offer low-cost saving and checking accounts to low-to-moderate income consumers. "As a result of First Accounts, more than 50 credit unions in Texas, New York, California, Washington, Oregon, Idaho, Montana, and South Dakota have moved thousands of unbanked people into their first credit union accounts" (Karger, 2005).

Locally, models of Financial Literacy Programs such as Home-Free USA and Manna Inc. have been successful in providing financial literacy to residents of the Washington, D.C., Metropolitan area. However, their clientele is primarily made up of homebuyers who are given additional resources to successfully navigate the home buying process.

There are multiple facets to combat poverty and the financial education component is an important component. It has helped homebuyers become more informed of the process, search and obtain better financing products and terms. Overall, the educational piece advocated by many housing professionals has been instrumental in obtaining and sustaining homeownership.

Homeownership engenders a sense of pride but is also an effective strategy for wealth building within low-incomes households. The challenge remains to consistently help remove the barriers to wealth building and homeownership. Local community institutions and banks should partner to launch outreach campaigns with more innovative products and educational programs. Current and future economic development strategies should be politically and legislatively supported, particularly those whose outcomes have a direct impact on communities.

While there is an agreement to a multipronged approach to provide economic well being and freedom, financial education is expected to be the core of any approach. Individuals benefiting from adequate information are believed to be more equipped and prone to make better financial decisions.

***2*-Program**

This project is proposing to strictly provide financial literacy to a targeted group that will benefit from sound financial management skills and knowledge of credit and saving plans. "Financial Literacy; Pathway to Homeownership" seeks to provide community members with the financial knowledge necessary to empower them to make better economic decisions that will affect their lives and families.

3-Participants

The project serves a group of twelve individuals who were solely interested in buying a house but realized that there is process that needed to be followed and criteria to be met. They are enthusiastic prospective homebuyers but unfortunately have no knowledge of the process or the requirements. They are not only ineligible for the process, but in a conventional market, they can be subject to predatory practices by unscrupulous financial markets professionals. Their lack of good credit and basic money management skills constitute a detriment to their current and potential future financial future.

4-Community Role

This particular group is highly motivated and represents Ward 7 neighborhood area. It is composed of individuals that share the same community and therefore have high stakes in its future. The neighborhood church, Good Samaritan, will participate in the project and will provide space and equipment needed to hold orientation sessions or meeting with participants. Senior management of Habitat for Humanity has been in agreement with this enterprise and their support will add a tremendous value to the project. While there is not any hindrance from stakeholders, it is, however, wise to anticipate possible difficulties related to space availability. The current building that houses the organization, has limited space and may not at times be available when needed for the purpose of the project. Should this situation arise, the church venue or local neighborhood non-profit organizations, or even the public library would be an alternative option to consider.

There will not be any financial contribution coming from Habitat, but potential morale support and help from a pool of volunteers who will be readily available. In return, these volunteers will benefit from hands- on experience that will help them in their future role on the selection committee. The management and the coordination necessary to carry out the project will be the responsibility of the Housing Program Manager. Furthermore, contact has been made to secure, in case it is needed, the participation of the Director of the Individual Development Account (IDA) at the Capital Area Asset Builders (CAAB).

The Board of Directors, as well as the Selection Committee and Partnership Committee are all on board and welcome the positive outcomes of the project. In fact, the success of the project will add a tremendous value to the overall program. It will have the merit of preparing participants to be financially fit and meet the program requirements. Hence, the organization program may gain in efficiency and expeditiousness of its selection process.

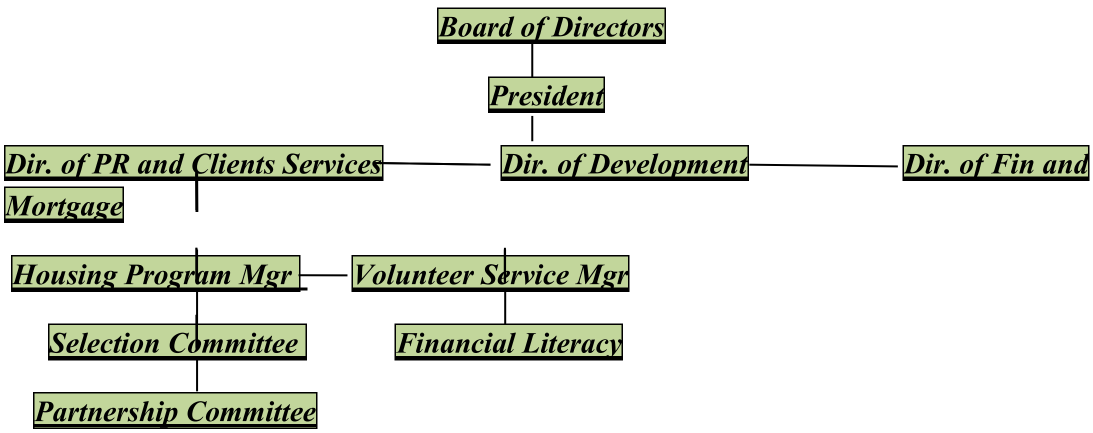
5-Host Organization

Habitat for Humanity of Washington, D.C., focuses on helping poor families become homeowners. It helps families prepare for homeownership and build the home. It also services their mortgages and maintains a continuing and close relationship with Habitat families during the life of that mortgage; that is, Habitat employees become trusted confidants and counselors of these families.

The benefits of homeownership can undoubtedly add to the stability and hope of lower-income families. However, many families often face major challenges by virtue of being low income earners. Therefore, it is constantly challenging to sustain homeownership and maintain an affordable and healthy socio-economic life. The affordability issue is equally important during the pre-purchase phase when potential homebuyers go through a qualifying process that should determine and mitigate the risk of owning a home. For many households, the road to homeownership can be a nightmare or simply impossible due to their lack of decent credit and/or savings.

The position of being a trusted friend and advisor to Habitat families creates an opportunity that Habitat has not really used. In such position, the Housing Program Manager is able to help many families in ways beyond simply sustaining their home. This project will experiment with innovation, how a trusted advisor from Habitat can help families address one of the key common challenges related to sustaining their mortgage. It allows me also to prepare potential selected families with the necessary education and skills required to become eligible and successful in the program.

6-<u>Organizational Chart</u>



7-<u>Method</u>

In order to make the program more engaging and beneficial to participants, a partnership with the local Individual Development Account (IDA) administration was established. Their support turned out to be valuable to the program. Their location and willingness to assist have made the project more marketable. They have offered literature and final one-on-one counseling and have been instrumental in dispensing the opportunity to participate in a match saving program.

In order to provide a forum for participants and their families to network and generate extra income, "A Piece of Change" was started. This program would provide a market place for them to sell, trade personal and household items they no longer use and/or simply exchange valuable information. As a result, participants benefit from the prospect of making extra money to pay off their bills or outstanding credit or learn about employment opportunities. Adding this program has added value and energy to the overall project mission.

The program is set to be implemented in a group setting or individual sessions when necessary. As such, participants will have the opportunity to directly interact with their instructor and peers and learn the tools and knowledge necessary for their financial fitness.

Three major parts that encompass the program are as follows: money management and budgeting; credit and debt counseling; and finally an introduction to saving.

The money management and budgeting component was crafted in response to the clear needs of participants. This program should be dispensed in a class setting, bearing in mind the difference in learning styles and individual capabilities and availability of resources. Using an engaging, hands-on approach through case studies, and real life scenarios, participants will be empowered to incorporate beneficial concepts into their lives.

8-Products & Outputs

By the end of 2011, the project will have helped participants at various levels. They would have engaged in saving practices, be knowledgeable and skillful on issues pertaining to credit and money management. It is also expected that the project will empower its participants and open a brighter financial outlook.

This financial literacy project will operate to deliver tangible deliverables such as participants' engagement in saving; the use of financial institutions as medium of banking; financial management; and the ability to develop a spending plan. The successful completion of the project will afford participants the ability to show a working knowledge of money management and budgeting skills. In addition, participants will receive credit and debt counseling and will demonstrate the ability to understand the importance of credit and the benefit of using it responsibly. Furthermore, they will be empowered to use valuable lessons learnt in their daily, personal financial management and make a difference in their future financial status.

Through several activities, participants will learn the valuable steps of establishing a spending plan. Furthermore, they will be able to study cash that is flowing in and out by determining a monthly net income and calculating their monthly expenses. Finally, they will demonstrate the ability to determine how much money they have left to save or spend. In the event their expenses are over their income, they will identify the deficit and react accordingly by deciding what expenses to cut or how to earn additional income.

To realize the objective of highlighting and conveying the importance of credit and personal finances, other project activities will be focused on understanding what good credit is and how to review a credit report. An emphasis will be placed on providing tools on how to improve their credit report and dispute erroneous information.

The overall project goal will not be reached without providing participants with information underscoring the importance of saving, and most importantly having them engage in saving programs such as the Individual Development Account. Part of this component is to equip participants with the tools to protect their assets and avoid scams. As a result, critical information is made available to participants to be able to seek safe and affordable financial services, and quickly identify high-cost and predatory financial services including those that appear to be conveniently available for their use.

9-Logic Model

Input	Activities	Output	Short-Term Outcomes	Intermediate Outcomes	Long-Term Outcomes
Staff Funds Time Volunteers Participants Equipment Others	Introduction to Savings to up to 50 participants	Engagement in Saving Programs; Individual Development Account (IDA) Using financial institutions; open Saving Accounts with CUs, CBOs Small banks … How to develop a spending plan to achieve goals	Awareness of importance of program and its benefits. Practice basics accounting actions; balancing checking and saving accounts Motivation to engage in saving programs and reaching goals	Best Practice in Saving and Accounting of Finances Develop strong habit of keeping records and avoid wasting Developing strategies to cut expenses and possibly increase income Accept responsibility for and understand personal and societal consequences of financial decisions	Ability to save and accumulate assets Demonstrate an understanding of personal financial planning and wise money management skills
	Money Management & Budgeting Counseling to up to 50 participants	Understanding & designing a Spending Plan Understanding the importance of well managed personal finances	Knowledge of Personal Finance	Best Practice in Money Management	Credit and Mortgage Readiness
	Credit Counseling To up to 50 participants	Know what good credit is; How to review a Credit Report; How to dispute erroneous info on your CR	Understanding Credit and Credit Score	Understanding the Correlation between Personal Credit and Financing	Credit and Mortgage Readiness
	Debt Counseling To up to 50 participants	Protect your assets; Be able to identify high-cost and predatory services	Develop Spending Plan and Demonstrate Commitment and Timely Debt Payments	Correction of all Credit Issues	Credit and Mortgage Readiness

IV. Project Implementation

The anticipated date for the commencement of the project is September 2010. The project will proceed in various stages of analysis, development and planning.

Prior to the commencement of the project, many steps were taken to ensure a timely start and high success rate. As such, various phases of analysis and development allowed the identification of specific challenges and needs that must be addressed. It has permitted also the evaluation of available resources, opportunities, constraints and strategies to produce measurable outcomes. The delivery timeline will start in September 2010 and will be fully completed in December 2010 or during the early part of January 2011. The plan is to turn what was considered a missed opportunity into a building block by enabling participants to overcome future financial obstacles, successfully manage their personal finances and engage in savings while protecting their assets.

During the initial phase there will be a selection of a number of intake forms and credit reports from clients that applied for homes, but were denied due to their credit score or that simply want to participate in this project. Once the assessments are completed, there will be an identification of specific challenges and needs that the project must address for the target group to obtain counseling and resources needed to become more conscientious and knowledgeable about their personal finances.

In addition, there will be an evaluation of available resources, opportunities and constraints and the development of strategies to produce measureable outcomes. Organizers of this project will also collaborate with experts in the field to expand their knowledge base and enhance the scope and benefits of the project. A considerable effort will be spent on the project plan and templates for soliciting partnerships, committee members and volunteers. Partnerships will be solicited from local credit unions, government agencies and saving programs—such as the IDA—that provide incentives to low-income families who are eligible and committed to a saving program. With the aforementioned objectives, the project will be able to formulate goals, develop training and workshop curriculums that will provide the targeted group with the information and skills needed to improve their financial and credit outlook.

Based on the number of participants and resources available, the project seeks to realize certain short and long-term outcomes. In the short term, it intends to provide financial literacy to twelve people and to help them better manage their finances and become savvy spenders and prudent accountants of their monies. In the long term, it intends to be helpful to individual and families who have gained the education and resources needed to have access to equitable lending opportunities and wealth building through homeownership.

A succession of events has taken place as a precursor and has consisted of securing volunteer committee, staffing requirements, some risk management, logistics, course materials preparation, student assessment, marketing, monitoring and evaluation of the project's effectiveness and outcomes.

The project started with a basic need assessment performed on participants. With this initial information, their progress will be monitored at each step and, based on findings throughout the process, appropriate adjustments will then be made in order to further achieve assigned goals.

1. <u>Implementation Plan</u>

Based on the project's objectives, many aspects of the project needed to be properly taken care of. In order to ensure a successful implementation, curriculums were designed to cover three aspects of the financial education program. The curriculum was to be taught in class format by professionals with proven experience in the housing and finances industries. Pamela Johnson, a HUD-certified housing counselor, was to develop a curriculum adapted to the level and needs of participants. This task was successfully carried out from July 2010 and completed in August 2010.

In the early part of this phase, the project manager was in charge of determining the specific needs of the participants so that an adequate curriculum could be designed. By June 2010, he was able to make a clear assessment of their needs and make a recommendation for the design of the curriculum.

With an initial projected number of fifty participants, it was also certain that additional help would be needed to attend to a sizable crowd. A meeting with the senior management of the host organization has provided the opportunity to seek when needed, the help of available, random volunteers but also those of the committees that support the organizational program.

Accommodation for the participants was a crucial part of the plan and was addressed with the host organization director who gave her agreement to use the D.C Habitat location as a venue for the project activities. This initial plan was later changed due to the change of leadership and the organization transferring its offices to a new location that was not accommodating to participants. The Deanwood Public Library was contacted by Mr. Bachir Diop, the project manager, and the library personnel graciously offered its conference room to host participants for the duration of the project. This change of venue took place about one month prior to the start of the project and was followed by a satisfactory inspection visit of the location. A large room with tables and chairs was made available for the project's activities. The newly built facility is conveniently located near a metro station and is easily accessible to participants who are also residents of the community.

To invigorate participants' energy and interest, the program manager put together a small community networking event called "A Piece of Change". It would provide networking, trading or commerce opportunities between participants and community members.

The project manager, Mr Diop, was in charge of marketing the program, and as early as June 2010 started with an aggressive mass-mailing followed by periodic e-mails and phone calls. These efforts have been on-going and were intensified whenever orientation dates were approaching.

Mr Diop also engaged and entered into a partnership with the local Individual Development Account administrator to provide additional and maybe required classes for the project participants. Capital Assets Builder provided the match-savings funds to eligible participants.

2. Inputs

A considerable amount of time went into the various phases of the project. From the start of the project a monthly meeting of two to three hours took place among instructors and management staff. The project manager along with couple of volunteers spent from two to four hours a week planning for the project. A sizable amount of time was spent also assessing the participants' case files in order to come up with a more suitable program. An approximate four hours a week paired with efforts and time spent to develop a curriculum were determinant in the success of the project.

A minimum of equipment, when needed, was available at the library. The conference room that was used had a board, an easel and was suited with power point presentation capability. The participants have been an asset in the program. They volunteered to provide drinks and foods during the program sessions. This collaborative relationship was able to solve any funding problem that might have been anticipated.

Two instructors were available to teach the class. One was very instrumental in developing the courses and the other one, also a certified housing counselor, was on stand- by in the event the former was not available.

Mass e-mailing was constant throughout the project duration and an approximate number of 600 flyers were distributed before and during the project implementation.

3. Staffing Pattern

The staff was comprised of fellow certified housing counselors and colleagues of the project manager. They saw value in this community project and decided to lend their services free of charge. The program manager was in charge of coordination logistics, securing venues and resources for the project. Ms. Johnson would teach the classes and help also in crafting and disseminating the marketing literature. Mr. Tate would serve as an alternate instructor but would also be available to provide assistance in conducting class sessions and monitoring.

4. Budget

Most of the project programs were carried out without a sizable expenditure. Time and all services were provided pro bono. However some expenses related to printed advertising and marketing materials had to be incurred. A total of $96.00 was spent on flyers for each session, $36.00 was spent on postage, and about $110.00 on transportation costs for project manager and staff.

	August	Sept	Oct	Nov	Dec	Jan	Total
Printed Materials & Postage	**$52.00**	**$52.00**	**$52.00**	**$52.00**	**$52.00**	**$52.00**	**$312.00**
Transportation	$15.00	$20.00	$20.00	$20.00	$20.00	$15.00	**$110.00**

5. Project Implementation Report

"Financial Literacy: Pathway to Homeownership" was developed to help individuals gain financial knowledge, engage in saving and develop positive relationships with financial institutions.

Participants were engaged in various levels of learning to ensure the realization of the assigned objectives. Class sessions were organized every month and hinged on specific curriculum designed to provide them with the adequate money management tools and the empowerment necessary to better control their personal finances. A special event in the form of market exchange was organized to enable participants to put their learning experience into practice by networking, trading and selling their items for extra cash.

A class session convened in October focused on money management and budgeting. Through case study and hands-on exercises, participants were taught how to develop and manage a household spending plan by tracking and analyzing daily spending.

In a class setting, groups were formed and asked to work on case studies and come up with suggestions; practical cases were studied and discussed in order to help relate the message with a greater impact. The selected case studies allowed them to relate to real life situations highlighted in those cases. The first class session was scheduled to take place in September 2010, but the date and the venue were later changed. A new date of October 9, 2010, was set at a new venue, the Deanwood Public Library on Benning Road NE. A late confirmation of the booking of the venue had not only inconvenienced the staff, but it has also affected the turnout level.

Literature and flyers were drafted and mailed to all potential participants before the scheduled dates of all events during the length of the project. Phone calls were also consistently placed to confirm mailing and register participants and encourage participants to continue with the program.

The November 2010 session took place at the same location in Deanwood and focused on credit and debt counseling. It had the objective of helping participants understand the importance of savings, and were encouraged to start a regular and consistent pattern of saving. Furthermore, this module is believed to have helped guide them towards developing and managing a household spending plan by tracking and analyzing daily spending.

The model has also provided the credit counseling needed for participants to understand the importance of continued timely payments of monthly obligations and how it translates to good credit ratings. And finally, debt counseling was also provided to participants, with an aim to help them develop spending plans and to teach the concept of affordability and frugality.

Participants and their families were able to benefit from the financial education that will enable them to become better caretakers of their personal finances. They were provided with opportunities to develop skills and acquire knowledge necessary to effectively manage their own financial situation.

Findings showed that successful participants demonstrated an ability to take control of their finances and gain access to available beneficial and non-predatory mainstream financial products. At the completion of this project, families in this group showed more stability in the management of their finances and demonstrated the ability to address their own barriers and take control of their financial destiny.

In the early part of the project, it became apparent that there was a need for additional income for participants to be more successful in their debt reduction and spending plan. Then the decision was reached to incorporate a sub program, “A Piece of Change” to build momentum and bring community members closer together. It was an event similar to a yard sale that allowed members and their families to trade or sell items they no longer used to generate extra money for savings or debt reduction.

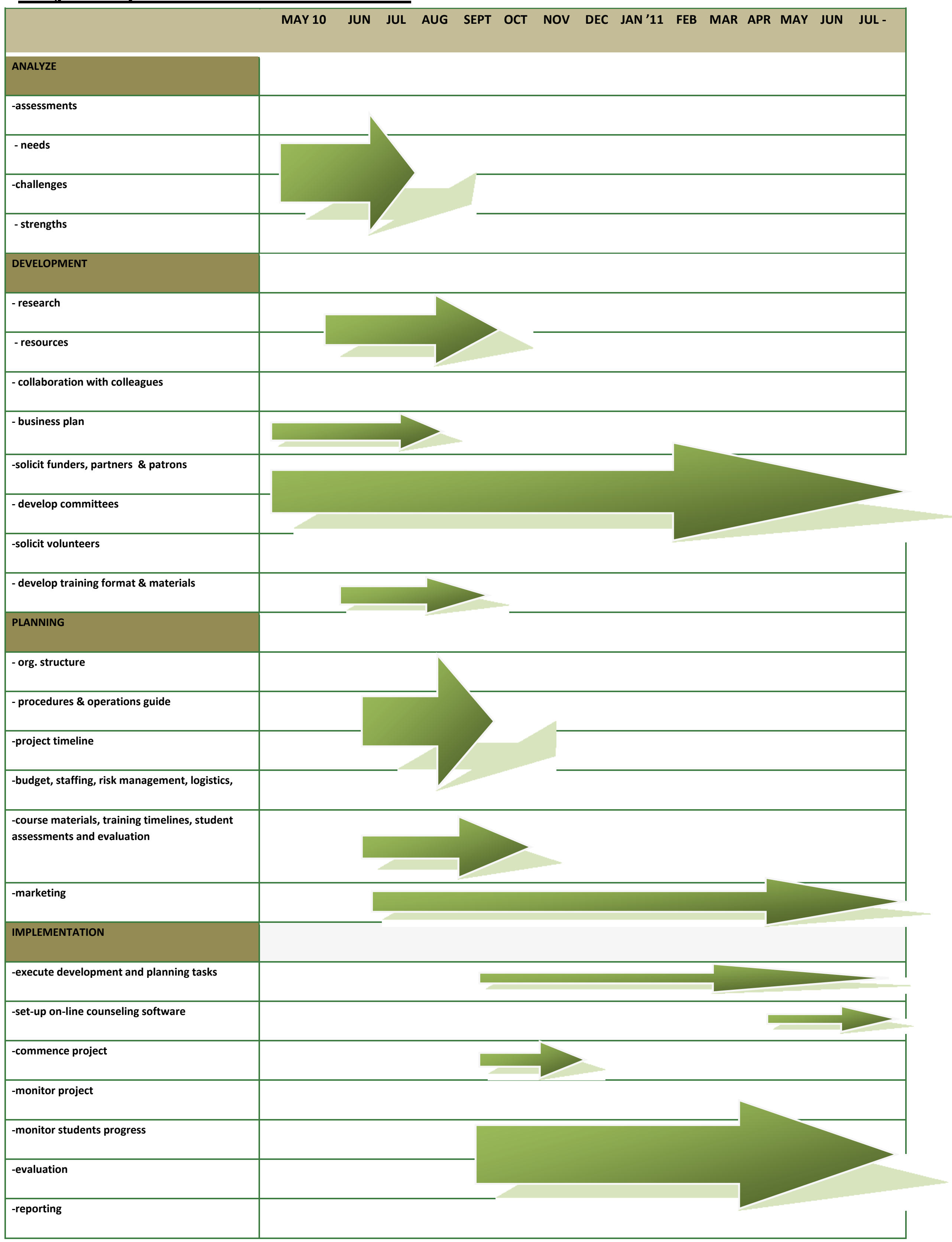
Ultimately, based on surveys and interviews, the project demonstrated the impact financial literacy had on the participants’ behavioral pattern with regard to financial management. As of February 2011, this training program was successfully administered to ten participants.

One of the long-term outcomes is that in the future, they will demonstrate an ability to qualify for mortgage financing and become successful homeowners. And, as homeowners, carry on good habits and fully assume the responsibility of making sound money management decisions that will not jeopardize their good credit, savings or homeownership sustainability.

Implementation Table

ACTIVITIES	DATES: Start/End	STATUS	TIMELIN-NESS	EXPLAN A- TION FOR DELAY	ALTERN A- TIVE ACTION	ATTAINM ENT OF OUTPUT
Mailing and contact participants	Start: Sept13, 2010 End: Jan 14, 2011	Completed	On time			Target: To date:
Developed a curriculum						
Booking an instructor	August 16- January 15, 2011	Completed	On time			Commitm ent for the duration of project
Secure a venue	Sept 28, 2010					Usage approved for the duration of project
Change and commitment to a new venue	October 4, 2010	Completed	On time	Was not able to guaran- tee previous location use	Transfer of project location to public library location	Convenien t location
Conduct Classes	October 9, 2010- January 15, 2011	Completed	On time based schedule revisions	N/A	N/A	Engageme nt in Savings; develop spending plan; credit report review; complete training

6. Project Implementation GANTT chart



V. Monitoring and Evaluation

Monitoring

This financial literacy project aims at helping participants utilize the lessons from the training, begin to save money, and feel more empowered. Their learning will be evaluated by a test and surveys given at the end of the training; their actual savings behavior will be assessed by their responses to a questionnaire. Furthermore, their response to an end of training questionnaire may be paired with a group or one-on-one discussion session or a survey (See Appendix 1, 2 & 3).

1. Management Information System

The primary role of the project manager was to oversee the entire operation. As such, he had the responsibility to coordinate all needed resources to ensure the success of the project. He engaged participants and listened to their wants and needs as well as their concerns. The success of the project depended on timely and professional delivery of services. Therefore, time and location were determinant to be in compliance. Through a rigorous assessment process via surveys; one-on-one session interviews, information of what did or did not work was obtained, and necessary adjustments were made. Through the same process, completed survey results were able to highlight students' demand for less complicated jargon for easy understanding of the course. The surveys not only prompted instructors to use more accessible language, but it brought awareness of the participants' preference for the conveniently located venue. At the beginning of classes, students filled out a sign-in form, and at the end they also completed an evaluation form.

1. <u>Summary Monitoring Table</u>

Goals	Objectives	Monitoring	TIMELINE	ALTERNA-TIVE ACTION	ATTAIN-MENT OF OUTPUT
Teach Money Management sills	**Demonstrate working knowledge of money management and budgeting**	**Slight delay**	**Sept 2010**	**Alternate location to avoid further delay and mishaps**	**Secure another venue that is more convenient and reliable Some participation attrition; anticipated 50 Actual; 12**
Understanding credit	**Complete credit and debt counseling and use credit responsibly**	**On target**	**Oct- Nov 2010**		**Full participation total of 12 persons**
Engage in saving practices	**Open Saving Account or IDA; start using financial institutions**	**On target**	**Nov-Dec**		**Commitment for the duration of project**
Financial responsibility	**Empower to manage and navigate with confidence personal finances**	**On target but need additional monitor-ing and survey**	**Nov 2010-beyond**		**Usage approved for the duration of project**
A Piece of Change event	**Networking activities**	**On target**	**A value added to program held in December 2010**		**Help participants meet saving and debt reduction goals; families and friends were present**

Evaluation

In this phase, the goal was to measure the performance of the project vis-à-vis the realization of its outcomes. It was also an opportunity to expand on the by-products benefits.

2. Performance Indicators

This project proposed to realize three basic outcomes that will serve the evaluation phase as performance indicators. A standard evaluation in the form of pre- and post-training surveys and questionnaire indicated that the project has a considerable impact on participants. One questionnaire was distributed at the beginning of the program to establish a benchmark of their financial behavior and practices and the level of confidence they had entering the program.

Another survey was conducted at end of the training to help determine any changes in behavior practices and level of confidence from the pre-training phase. A paper survey was also disseminated to assess the program's efficiency. These results from data collected from surveys conducted at the end of program are highlighted.

Based on the set outcomes to have participants demonstrate an understanding of personal financial planning and sound management, 100 percent reported having a saving account at the end of the course. At the start of the program, only 5 of the 12 participants had some type of bank account. Survey information also gathered that among the seven who did not have an account, four used a check-cashing place while the other three considered that bank minimum balance too high.

On the question regarding the frequency which money is saved, pre-training data indicated that all the 12 participants did not have a saving plan, and rather saved whenever they could. By the end of the program, data showed that all participants engaged in regular saving; eight (66%) on a monthly basis and four (33%) on a bi-weekly basis. Respondents of the post-training survey indicated that they all engaged in placing their monies in regular saving accounts and Individual Development Account (IDA).

Our surveys showed that 100 percent of participants reported that they gained knowledge and money management skills. And, 80 percent of the same group indicated they were currently using a spending or budget plan for their monthly expenses while the remaining 20 percent said they were working on a plan.

One of the project's outcomes was to enable participants to understand and engage in management of credit, debt, and personal savings, and show an ability to develop a spending plan. The general question to assess if they gained knowledge and money management skills was overwhelmingly and positively answered by all 12 participants.

The entire group understood credit report and scores, the dangers of predatory lending, and the basic lending and borrowing concepts. The majority of the participants agreed that credit counseling was beneficial and the initial assessment of their credit was informative. In fact, as the survey indicated, while all 12 participants had heard of, or seen a credit report before, only five of them had ever performed a review and none of the 12 participants has inquired about their credit report in the last 12 months. All respondents agree at the end of the program that it was somewhat easier to understand their credit report while at the beginning answers were split between five judging it was somewhat easy, four somewhat difficult and three very difficult. In general, participants were able to assess their credit issues and appraise their financial situation and more importantly, understand the value of credit and its proper usage.

The general findings suggested that all of the project participants demonstrated noticeable and positive behavioral changes and constant application of best practices. These findings were gathered at the end of the project; therefore, it was premature to determine the continuity of ascertained practices. It is anticipated hope that learnt practices remain constant to support long-term financial stability. Completing this financial literacy resulted in a 100 percent increase of the level of confidence in money management and ability to create a budget. It has also resulted in a 100 percent increase on the participants' level of confidence in their ability to make informed decisions about their personal finances.

The completion of this project has provided to some extent an outlook on budgeting and money management and has helped some participants engage in actual savings. Some were able to open a regular saving account while others applied in the Individual Development Account (IDA).

Through group discussion, it was revealed that the majority felt some degree of empowerment and excitement throughout the process. Furthermore, questionnaire results have shown that more than 50 percent have displayed a change in saving behavior. In fact, budgeting and saving bi-weekly or monthly has been part of their financial management routine.

Although there was not any material proof of credit score improvement, current information indicated that the lessons learnt about credit have helped participants understand the value of credit. As a result, they have started paying off their debt and are working on further timely debt payments.

Summary Evaluation Table

Goals	Objectives	Performance Indicator	Expected Outcome	Actual Outcome
Teach Money Management sills	Demonstrate working knowledge of money management and budgeting	Active participation	Knowledge of personal finances; up to 50 participants	A total of 12 participants were present Anticipated; up to 50 Actual; 12
Education on credit and its use	Complete credit and debt counseling and use credit responsibly	Enthusiasm and full participation and completion of courses	Understanding credit and credit report	Full participation total of 12 persons
Engage in saving practices	Open saving account or IDA; start using financial institutions	100 percent in participation and motivation; Even those with some type of bank account showed interest in saving options	At least 7 will engage in opening a saving account or enroll in a IDA program	All 12 participants have opened a saving account and enrolled in the IDA program
Financial responsibility	Empower to manage and navigate with confidence personal finances	Genuine interest and responsible participation with suggestions and commitment	Demonstrate responsible and confident financial behaviors to make a difference in economic lives	All participants work now from a budget plan and feel confident about working with mainstream banking
A Piece of Change event	Networking activities	On target	24-30 persons to network, trade or sell small personal items to make extra money	50 persons including participants and their families

a- Sustainability Elements

The project stemmed from an aim to satisfy a community need. It is unique in its primary function and should not encounter challenges to maintain its sustainability.

First, the very low costs associated with the project make it independent of funding regulations and potential limitations. It has preserved its viability without an influx of funds and, therefore, can still operate at a very low cost while exploring avenues to secure more funds for capacity building.

Second, the political and economic environment is quite propitious to the expansion of the program. The need remains real and the local government has engaged in promoting financial literacy through its subsidized housing programs.

Third, the program is in direct support of the host organization's housing program and its success will tremendously enhance its efficiency and its local target market that has become increasingly challenging.

b- Sustainability Plan

The main goal is to provide exposure to the program beyond the host organization's sphere. As a result, the project plan was to work with local churches, Parents-Teachers Associations (PTAs), local community-based organizations, banks and credit union to expand its area of services and allow more community members to enjoy the benefits of the program.

The project is planning to resume another set of programs during the month of June and initiate more youth involvement. The project management will engage the Department of Employment Services and the D.C Department of Parks and Recreation to work in tandem to provide financial literacy education.

It is also part of the strategic planning to continue to incorporate and implement on a larger scale the "Piece of Change" program. Results show that the project has been a catalyst and a unifier towards the realization of the project's goals.

Management will also engage in an exploratory mission to identify funds and grants available via local government programs and/or foundations. Acquired funds would help in setting the project as a thriving citywide, self-sustained institution.

c- Institutional Plan

Habitat For Humanity of Washington, D.C., recognition and support of this project give it a degree of invaluable stature and credibility. Internally, two committees were operational and can serve as a direct support system. They can volunteer to provide technical assistance and needed resources to carry out future program's activities. Because of the direct benefit that the organization may gain from the success of the project, it is expected that "Financial Literacy: Pathway to Homeownership" will be the recruiting and educational tools for future Habitat For Humanity of Washington, D.C., homeowners.

The organization may include in its business development plan, requests for funds in the form of donations or grants to support what can be an essential arm of its operations.

This project can be used as a marketing tool in the organization's community outreach efforts. Through the program activities throughout the community and working with churches, schools and other local community organization, the organization can seize an opportunity to participate in community building.

VI. Conclusions & Recommendations

Conclusion

The registered results demonstrate that the project's participants have gained knowledge of money management skills, and are now engaged in saving practices. Furthermore, statistics showed significant improvements in their behaviors and level of confidence as a result of participation in the project.

For instance, after completing the program 100 percent of respondents reported that they were in control of their money, had an account at bank or credit union. This equated to a 58 percent increase in the number of participants who had already an active account at a bank. In addition all participants had also engaged in regular saving and started with the Individual Development Program whereas only 42 percent were engaged in some form of saving at the start of the program.

Meanwhile, many behavioral changes encouraged by the program were indicated at the time of a post-training survey and showed that:

- 100 percent of the participants regularly use a budgeting or spending plan and 83 percent of those monitor their plans very closely.
- 33 percent of those who never paid their expenses on time and 67 percent of those who sometimes pay their expenses, now and respectively, usually and always pay on time for their expenses.
- 100 percent of participants indicated that they have financial goals that they are working on, whereas no one had any financial goals at the beginning of the course.
- "A Piece of Change component brought an air of networking opportunities and unification among the group. It has allowed successful sale and/or trade of items to enable participants to generate additional monies and use it toward their bill reduction assignments.

While tremendous results were achieved at the end of this project, some objectives remained partially unattained. For instance 33 percent of participants, who usually pay on time for their expenses, have yet to reach the capability to always pay on time. This category observes some challenges linked to their annual income and family size and therefore are under some financial burden.

The project had hoped to serve a larger group of fifty participants but due to some logistical challenges and a desire to deliver the best service to a more manageable group size the number of actual participants went down to twelve.

Recommendations

Despite the small size of the project and its limitations, the results have useful and practical implications that can be used for further future research or practices. The conclusion of the project was able to demonstrate that financial education can be a catalyst in financial behaviors of program participants that target low-to-moderate households. However, a consistent monitoring process needs to occur to better understand the relationship and possibility make a more definite correlation. The small class format, and one-on-one sessions with program instructors appeared to be much suited for easy learning. Participants were given the opportunity to engage their instructor and their peers in order to maximize their knowledge gain. This type of program lays a strong foundation that can be built upon and may be carried out on a larger scale of community economic development.

VII. Appendices

Addendum #1: Pre-Training Survey

Addendum #2: Program Evaluation

Addendum #3: Evaluation Report

Addendum #4: Sign-in Sheet

Addendum #5: Flyer

Addendum #6: Daily Spending Tracking Chart

Addendum #7: Targeted Neighborhoods

Pre-Training Survey Financial Literacy: Pathway to Homeownership

First Name: ________________________________ *Last Name:*________________________________

*Instructor's Name*____ *Date:*______________________

Sex: *Male / Female* *Annual Income*

A. **Checking & Saving Accounts:** (Please circle the appropriate answer)

1. Do you have a checking /saving acct at a bank or credit union?

a. Yes b. No

2. If NO, what are the reasons?

a. I use a check-cashing place

b. Don't need one

c. Bank minimum balance is too high

3. How often do you usually save money?

a. Every two-weeks

b. Every month

c. Whenever I can

4. Where do you place the money you save?

a- Saving Acct

b- Checking

c- Other

d- I have no savings at the moment

c- I sometimes pay on time

d-I almost never pay on time

B-Budgeting

1-Do you use a spending or budgeting plan for your expenses?

a-Yes *b-NO*

2- If yes how closely to you keep up with your plan?

a-very closely *b- somewhat closely* *c- not closely*

3- Which statement describes how you pay for your expenses?

a-I always pay on time

b c- I sometimes pay on time

d-I almost never pay on time

C-Credit

1-Do you have any credit card in your name

a-Yes *How many* *b- No*

2- Which statement describes how you pay your credit card bills?

a-I pay more than the minimum amount

b- I pay the minimum

c-I pay less than the minimum

3- How has your credit card debt changed in the past 6month?

a-N/A

b-It has increased

c- It has stayed the same

d-It has decreased

Credit (cont'd)

4- Have you ever heard a credit report?

a- Yes b- No

5-Have you ever reviewed one at all?

a- Yes b- No

6- Have you reviewed one in the last 12 month?

a-Yes b-No

7- How easy or difficult it to understand your credit report?

a-Very easy

b-somewhat easy

c-somewhat difficult

d-very difficult

D-Opinions as a result of this program

1- I am now in control of my money
a-Agree
b-Disagree
c-Not sure

2-Currently I have financial goals that I am working on

a-Yes b- No

3-I understand how I should spend my money and make a budget

a-Agree b- Disagree c-Not sure

4-I am comfortable dealing with banking institution

a-Agree b- Disagree c-I am sure

5- I feel like I can make more informed choices about my personal finances

a- Agree b- Disagree .c- Not sure

Program Evaluation
Financial Literacy: Pathway to Homeownership

1. How useful did you find the program?

Very Somewhat useful No very useful Not at all useful

2. What was the best part of the course?

3. What would you do to improve?

4. Was the course at an appropriate level?

Easy Just right Difficult

5. How would you rate the instructor's effectiveness?

Excellent Good Average Poor

6. Would you be interested in attending additional workshops?

Optional:

First Name:____________________ Last Name:________________________ **Sex**: _____ Male ____ Female

Financial Literacy – Path to Homeownership Evaluation Report

A. Checking and Saving Accounts

Question	Pre-Training	Post Training
1. Do you have a checking/saving account at a bank or credit union?		
Yes	5 (42%)	12 (100%)
No	7 (58%)	0
2. If no, what are the reasons?		
a. I use a check-cashing place	4	0
b. Don't need one	0	0
c. Bank's minimum balance is too high	3 (25%)	0
3. How often do you usually save money?		
a. Every two weeks	0	4 (33%)
b. Every month	0	8 (67%)
c. Whenever I can	12	0
4. Where do you place the money you save?		
a. Saving Account	0	12 (100%)
b. Checking Account	5 (42%)	0
c. Other	7 (58%)	0

B. Budgeting

Question	Pre-Training	Post-Training
1. Do you use a spending or budgeting plan for your expenses?		
a. Yes	0	12 (100%)
b. No	12 (100%)	0
2. If yes, how closely to you keep up with your plan?		
a. Very closely	0	10 (83%)
b. Somewhat closely	0	2 (17%)
c. Not closely	0	0
3. Which statement describes how you pay for your expenses?		
a. I always pay on time	0	8 (67%)
b. I usually pay on time	0	4 (33%)
c. I sometimes pay on-time	8 (67%)	0
d. I almost never pay on-time	4 (33%)	0

C. Credit

Question	Pre-Training	Post-Training
1. Do you have any credit cards in your name?		
a. Yes	10 (83%)	10 (83%)
b. No	2 (17%)	2 (17%)
2. Which statement describes how you pay your credit card bills?		
a. I pay more than the minimum amount	0	0
b. I pay the minimum	8 (83%)	10
c. I pay less than the minimum	2 (17%)	0
3. How has your credit card debt changed in the past 6 months ?		
a. N/A	2 (17%)	2 (17%)
b. It has increased	0	0
c. It has stayed the same	10 (83%)	0
d. It has decreased	0	10 (83%)
4. Have you ever head of a credit report?		
a. Yes	12 (100%)	12 (100%)
b. No	0	0

Question	Pre-Training	Post-Training
5. Have you ever reviewed a credit report?		
a. Yes	**0**	**12 (100%)**
b. No	**12 (100%)**	**0**
6. Have you reviewed one in the last 12 months?		
a. Yes	0	12 (100%)
b. No	12 (100%)	0
7. How easy or difficult is it to understand your credit report?		
a. very easy	0	0
b. somewhat easy	5	12 (100%)
c. somewhat difficult	4	0
d. very difficult	3	0

D. Opinion as a Result of this Program

Question	Pre-Training	Post-Training
1. I am now in control of my money .		
Agree	0	12 (100%)
Disagree	12 (100%)	0
Not sure	0	0
2. Currently I have financial goals that I am working on.		
a. Yes	0	12 (100%)
a. No	12 (100%)	0
3. I understand how I should spend my money and make a budget.		
a. Agree	0	0
b. Disagree	12	0
c. Not sure	0	0
4. I am comfortable dealing with banking institutions.		
a. Agree	9 (75%)	12 (100%)
b. Disagree	0	0
c. Not sure	3 (25%)	0
5. I feel like I can make more informed choices about my personal finances.		
a. Agree	0	12 (100%)
b. Disagree	12 (100%)	0
c. Not sure	0	0
5. I gained knowledge and money management skills.		
a. Agree	0	12 (100%)
a. Disagree	0	0
a. Not Sure	0	0

Sign-In Sheet

A Piece of Change Financial Literacy **Sign-In Sheet** Date________					
Name	**Address**	**Telephone**	**Email**	**Ward**	**Comments**

Flyer

A Piece of Change

Are you Drowning in Debt?

Can't Save a Dime due to Bills?

Overdrawn on Your Accounts?

Maxed Out on Your Credit Cards?

Can't Even Spare a Dollar?

Need a Piece of Change?

Get Your Financial House In Order & Build Wealth@

'A Piece of Change FREE Workshops

Date: Sat, Dec. 18, 2010
From: 10:00am – 11:00 am
@ Benning Library, 3935 Benning Rd., NE, WDC

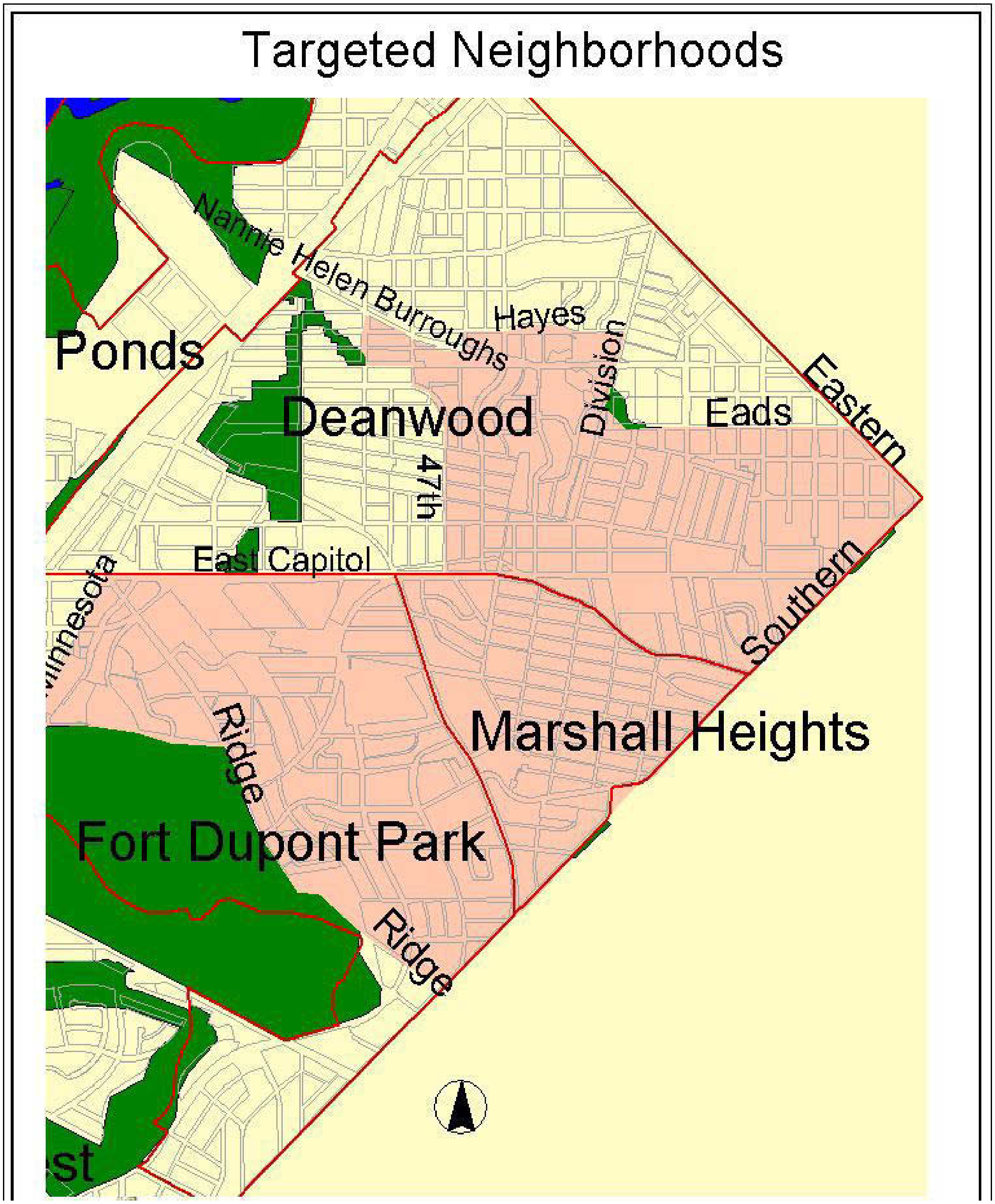
This Four Week, Free Workshop Will Change Your Life! Learn How to: **Manage Your Finances * Live Below your Means * Credit Repair * Generate Extra Income * Grow your Savings with OPM (Other People's Money) Build Generational Wealth via Homeownership*Civics & Money*

"A Piece of Change" is a FREE Financial Literacy Project . For More Information and to Register contact Bachir at 202-285-4993 or via email at apieceofchange@gmail.com

Participants will work with professional credit counselors, mortgage advisors, local community based organizations and HUD-Certified Housing Counselors to learn about money management, credit, homeownership and how to avoid predatory and fringe lenders.

Daily Spending Tracking Chart

Date	Expense	$Amount	Date	Expense/Purchase	$Amount



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