

VULNERABILITY IN THE FACE OF ECONOMIC UNCERTAINTY

KEY FINDINGS FROM THE 2019 PROSPERITY NOW SCORECARD



Headlines at the beginning of 2019 touted America's booming economy, but the government shutdown has illustrated how disconnected that narrative is from the day-to-day financial lives of most Americans. Economists look to the labor market and official unemployment numbers to judge the strength of the economy. However when people with federal or federally-contracted jobs—mostly stable jobs with benefits—had to go without pay for several weeks, some had to resort to selling belongings to pay bills and turning to food banks to put food on the table. One interruption to their income was enough to put these households in financial crisis. This level of financial vulnerability is all too common in the United States, particularly for people of color who were by and large left out of the economic recovery from the last recession. The data from the 2019 *Prosperity Now Scorecard* shows that there are millions of families either struggling to make ends meet or just one emergency away from a financial disaster.

The predominant methods of measuring economic growth provide an inaccurate analysis of how families are actually faring in today's economy, often omitting key details that have the most tangible implications for financial well-being. Drawing from a broad set of indicators across issues such as job quality, savings, credit, education and health, the 2019 *Prosperity Now Scorecard* reveals a more complete picture of financial stability at the national, state and local levels. The 2019 *Scorecard* finds that:

- Forty percent of American households lack a basic level of savings. These “liquid asset poor” households don't have enough savings to make ends meet at the *poverty level* for three months if their income was interrupted.
- 13.2% of American households fell behind on their bills. This includes roughly one in four of Black households, households with volatile incomes, and householders with a disability.
- Almost half (48.1%) of Americans with credit have scores below prime, but nearly 20% of households did not have mainstream credit in the past 12 months and are likely without access to it.

About the Scorecard

The *Prosperity Now Scorecard* is a comprehensive resource for data on household financial health, racial economic inequality and policy recommendations to help put everyone in our country on a path to prosperity.

The *Scorecard* ranks states on 52 outcome measures across five issue areas on the financial situation of all residents.

For the first time, the 2019 *Scorecard* also ranks the states on racial disparities—the gaps in 26 outcome measures between White residents and residents of color—and factors this into a state's overall performance. We do this to make explicit the impact race has on economic outcomes and to center race in our conversations about solutions.

To read our companion analysis of the impact of racial disparity on states' *Scorecard* rankings and economic prosperity see: <https://prosperitynow.org/2019-scorecard-state-synopsis>

To see how your state ranks on overall financial health and racial disparities, as well as explore the full set of outcome and policy measures, visit

scorecard.prosperitynow.org

- For the first time since the passage of the Affordable Care Act, the percentage of low-income children without health insurance has increased and the overall uninsured rate has stopped improving.
- Housing costs are rising faster than incomes, keeping the homeownership rate from rebounding significantly. This has an especially large effect on households of color, who bore the brunt of the recent foreclosure crisis and have faced discrimination in both public policy and financial markets. As a result, they continue to have significantly lower homeownership rates than White households.
- This institutional racism and baked-in discrimination in our economy has created a racial wealth gap that far outpaces income inequality. At the median, Black households earn 61 cents and Latino households earn 76 cents for every dollar earned by White households. Wealth disparities are even more stark: Black households own only six cents and Latino households own 13 cents for every dollar of White wealth.

In the 2019 *Scorecard*, we are increasing our focus on racial economic inequality because, as the data illustrates, structural inequality in the United States means that race and ethnicity have an outsized impact on economic well-being. Black, Latino, Native American, Native Hawaiian and Pacific Islander people fare worse across all *Scorecard* outcomes and issues. Even where there have been some gains, the gaps between White households and households of color have persisted or widened. If this inequity is the reality during a “booming” economy, how will households of color fare when the next economic downturn hits?

The narrative of a healthy economy that masks the struggle of households of color and the financially vulnerable—much like the policies and structures that create the instability in the first place—is enforced by those in power who benefit from maintaining the status quo. And beyond maintaining these discriminatory structures, the actions of policymakers under our current administration have actively weakened the resilience of American households and increased racial disparities. As advocates, researchers, direct service professionals and community stakeholders, it is imperative that we take an active stance against the systematic inequality that yields the disparity in outcomes our *Scorecard* makes so abundantly clear. Fixing this dire situation will require policy reform and expanded messaging about racial economic disparities as they exist currently.



Join the Prosperity Now Community

Sign up for one—or all four—of our advocacy campaigns at prosperitynow.org/advocate. Our extensive library of resources, along with our Prosperity Now Advocacy Center, will help you share key messages and policy asks for members of Congress. Together, we can lead the way in helping all Americans reach economic prosperity.

Key Findings from the 2019 Scorecard

Struggling to Make Ends Meet on Wages

Many of the positive headlines about our economy focus on low unemployment and rebounding incomes. However, you do not have to dig very far beneath the surface to see that the benefits of wage growth are unequally shared across different communities, and millions of working individuals and families are struggling to make ends meet. Having a job does not guarantee financial stability, particularly if it doesn’t pay enough to cover your living expenses or offer consistent pay and good benefits.

The recent growth in the dollar store industry in America is an illustration of how wage growth is distributed unevenly in our economy. Revenue for dollar stores is increasing because the buying power of low-income consumers—their core

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customers—has improved as unemployment and poverty decrease and wages go up. However, their customers' financial health is not improving enough to start shopping at more expensive stores, which may in fact offer shoppers better bargains (such as Walmart).¹ The locations of new dollar stores also demonstrate how geography and race impact financial stability. Dollar stores are concentrated in urban, Black neighborhoods and rural communities where there are fewer grocery stores.²

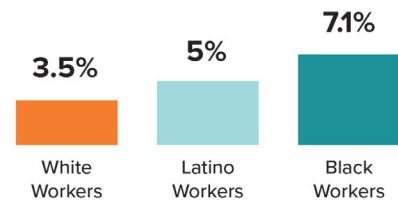
The 2019 *Scorecard* shows the extent to which people are struggling to get by on what they earn.

- Over one in five (22.5%) jobs in the United States are in a low-wage occupation, which means that at the median, these jobs pay below the poverty threshold for a family of four. Additionally, one in five households (20.1%) experiences income volatility—moderate to significant income fluctuations from month to month. These numbers represent millions of workers and households that have to rely on low or unreliable wages to get by.
- Despite wage and job growth, people of color experience unemployment and income poverty at significantly higher rates than White workers and households. The annual unemployment rate for White workers is 3.5%, compared to 7.1% for Black workers and 5.0% for Latino workers. The gap in income poverty between households of color (20.4%) and White households (9.9%) has widened slightly from last year, partly because Latino and Native Hawaiian or Pacific Islander households saw income poverty *increase*.
- The 2019 *Scorecard* includes a new measure of just how well households are managing to get by: the percentage of households that fell behind on bills in the past 12 months. This data shows that 13.2% of all households in the US fell behind on their bills, but the rate is as high as 22.1% for households making less than \$30,000 and 28.4% for working-age householders with a disability. Nearly one in four (24.3%) Black households and 16.9% of Latino households fell behind on bills compared to 10.4% of White households and 6.5% of Asian households. Additionally, households with varying income from month to month were twice as likely to be behind on bills than those with steady incomes (23.6% vs 11.8%).³

Lack of Emergency Savings

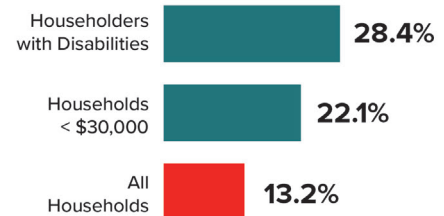
Savings are often the first line of defense to smooth the jolts of income volatility and unexpected household expenses. When households have a financial cushion, even a modest one, it can make them more resilient to these financial shocks. Research has shown that, after a disruption in income, households with as little as \$250 to \$750 in savings are more likely to keep up with payments, avoid eviction and receive

UNEMPLOYMENT BY RACE

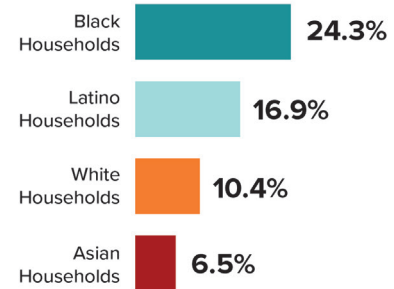


Source: Current Population Survey

MANY HOUSEHOLDS FELL BEHIND ON BILLS



By Race



Source: FDIC Survey of Unbanked and Underbanked



Households with volatile incomes were **2x** as likely to fall behind on bills than those with steady incomes.

Source: FDIC Survey of Unbanked and Underbanked

public benefits.⁴ Homeowners with savings equal to several months of mortgage payments are more likely to delay or prevent defaulting on their mortgage.⁵ According to both studies cited above, households with savings are better off even after controlling for income, i.e. lower-income households with savings are more likely to avoid hardship than higher-income households without savings. *Scorecard* data reveals that far too many households lack the protection of savings.

- Forty percent of households lack a basic personal safety net to get them through a financial shock. These households are liquid asset poor, which means that they don't have enough in liquid savings, such as cash or assets that are easily converted to cash, to replace income *at the poverty level* for three months. This has increased from 36.8%, as reported in last year's *Scorecard*. The situation could in fact be worse, as the level of savings below which a family is considered "liquid asset poor" (\$6,275 for a family of four in 2018) is an extremely conservative measure of what is needed get by.
- The data on savings behavior has improved over the past several years, but the results are still bleak. In the 2019 *Scorecard*, 71.4% of households have a savings account, and 57.8% of households report saving for an emergency. That means that almost one-third of households do not have a savings account and just over two in five cannot put any money aside to help them meet an unexpected expense or economic shock.
- Our data shows that saving is more difficult for households of color, particularly Black and Latino households. Fewer than half of Black and Latino households (45.7% and 48.2%, respectively) saved for an emergency compared to 62.4% of White households. The gap is even larger when you compare the size of households' financial cushions. For Black and Latino households, liquid asset poverty is roughly twice that of White households, demonstrating just how vulnerable Black and Latino households are to any disruption in their financial lives.

2 out of 5

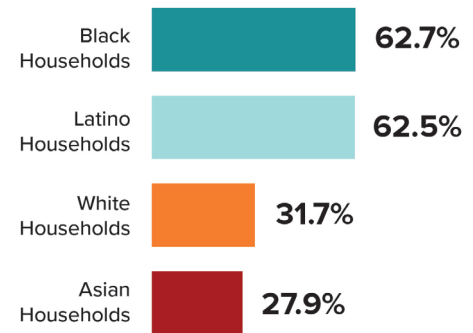
of Households lack the savings to get them through financial shock



Liquid Asset Poverty = insufficient savings to get by at the poverty level for 3 months (\$6,275 for a family of four)

Source: Survey of Income and Program Participation

LIQUID ASSET POVERTY BY RACE



Source: Survey of Income and Program Participation

Use of Credit, Debt and Alternative Financial Services to Get By

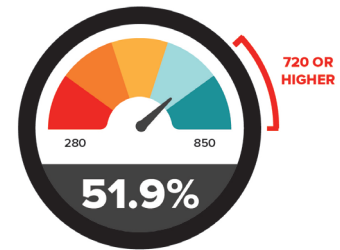
Credit and debt are powerful tools that are critical to household financial security. Households often have to use credit and take on debt to make ends meet, especially when insufficient or irregular incomes and a lack of savings leave holes in household budgets. This type of borrowing is very risky for those with low or no credit scores who may only have access to highly priced or predatory credit. A short-term expense can snowball into a cycle of debt that can further damage credit and limit opportunities to invest in their futures. Debt plays an essential role in building wealth for most families as it allows them to buy a home, finance college, start a business or even buy a car to get to a job.



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The 2019 *Scorecard* finds overall that access to credit has increased in the United States, although it varies substantially by geography, race and income. However, debt levels have either stagnated or grown.

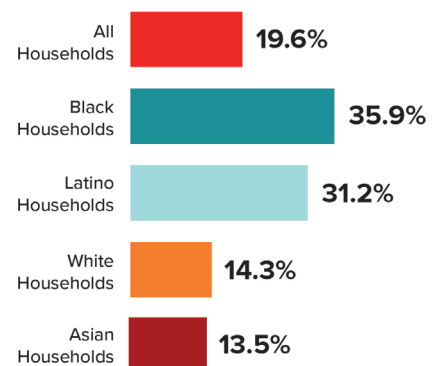
- Consumers with prime credit increased nationally and in every state since the previous year. But only 51.9% of consumers have prime credit scores, which means half of people with credit files in the United States can't access credit at the most affordable rates. This varies considerably between states: There are almost twice the rate of consumers with prime credit scores in Minnesota as there are in Mississippi (62.6% vs 36.5%).
- The *Scorecard's* measure of prime credit does not include consumers who do not have access to credit, and the New York Federal Reserve estimates that 10.7% of adults nationally do not have a credit file or credit score.⁶ The FDIC also recently released data that shows 19.6% of households used no mainstream credit in the past year,⁷ and this data can be analyzed by demographic characteristics (unlike data from credit bureaus). Credit access varies significantly: 35.9% of Black households and 31.2% of Latino households didn't use mainstream credit, compared to 14.3% of White households. 40.3% of working-age householders with a disability and 35.7% of non-citizen immigrants also didn't use mainstream credit.
- Households without access to mainstream credit may have to turn to alternative financial services (AFS)—which are often expensive and may be predatory—to meet their credit needs. Nationally, 18.7% of households are underbanked (have a bank account but still use AFS), but almost one-third of Black and Latino households are underbanked (30.4% and 28.9%, respectively). A full 40.2% of households that fell behind on their bills are underbanked, and 22.4% of those households use AFS credit products like payday loans.⁸
- On measures of debt, we did not see much improvement from the last *Scorecard*. One in four borrowers are overextended on their credit cards (using over 75% of their credit limit), and 14.8% borrowers are severely delinquent across all types of debt (90+ days past due or severely derogatory). Student loans are the second largest form of consumer debt, and debt burdens continue to rise. The median borrower has an all-time high of \$18,366 in student loan debt. The rate of severely delinquent student loan borrowers (15.2%) continues to be higher than severe delinquency rates for other kinds of debt. Having to pay high student loan bills each month



of consumers have
PRIME CREDIT SCORES*
*Equifax Risk Score 720+

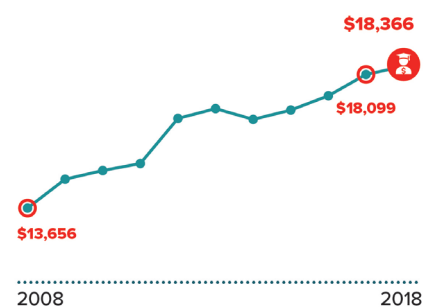
Source: NY Fed Consumer Credit Panel/Equifax

Nearly 20% of households DON'T USE CREDIT



Source: FDIC

MEDIAN STUDENT LOAN DEBT CONTINUES TO INCREASE



Source: NY Fed Consumer Credit Panel/Equifax

leaves less disposable income to cover other expenses or to save, leaving these borrowers with a smaller financial cushion. Research has also shown that Black borrowers are more likely to be at financial risk due to student loans. Black students take on more debt than White students and face more difficulty in repaying their loans.⁹

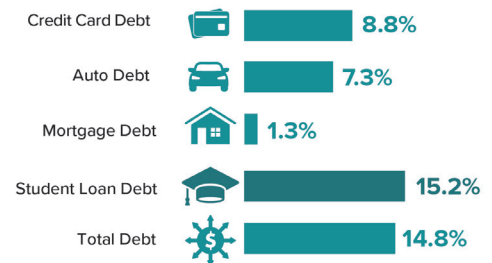
Reversal of Trends on Health Care

A person’s ability to work, save and build wealth is heavily influenced by their physical health—and vice versa. An illness or infirmity, whether short-term or chronic, can keep people out of work and unable to earn. At best, people without adequate health insurance delay non-life-threatening medical care until they receive their tax returns¹⁰—perhaps the only time of year when they have the cash to cover it. At worst, a health scare that could have been minor with a little preventive care can push households to the brink of bankruptcy—all without the guarantee of physical or financial recovery.

During a time where Congress and the Trump Administration have undermined the Affordable Care Act (ACA), we are seeing an end to progress in health outcomes after years of improvement.

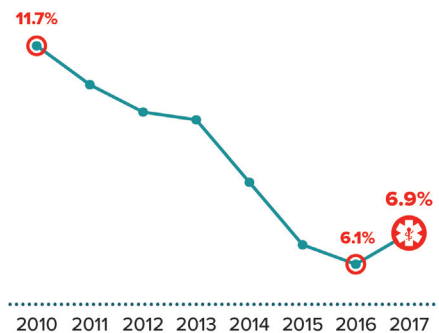
- Nationally, the uninsured rate is 10.2%, marking the first time it has not decreased since the passage of the ACA. Rates of uninsured people under the age of 65 increased in 38 states as well as for White, Black, Native American, and Native Hawaiian or Pacific Islander populations.
- Most notably, the rate of uninsured low-income children increased for the first time in recent history. Between 2016 and 2017, the rate jumped from 6.1% to 6.9% of uninsured children in families with incomes at or below 200% of the federal poverty rate. The rate also increased in 39 states, including Utah, which saw an increase from 8.6% in 2016 to 12.5% in 2017.
- The rate of people forgoing necessary doctor visits because they could not afford them has increased to 13.5% from 13% in the previous year. Black, Latino and Native American people are far more likely to skip doctor visits due to costs than White people. While this increased slightly for both White and Black people, the gap between them also increased.
- Decreasing access to care contributes to poorer health outcomes. The rate of people reporting they are in poor or only fair health increased for the second year in a row to 18.4%. 22.1% of Black people, 25.2% of Latino people and 28.7% of Native American people reported being in poor or fair health compared to 16.4% of White people.

SEVERELY DELINQUENT BORROWERS



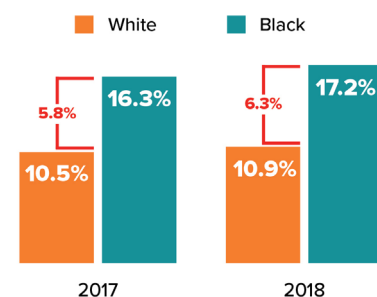
Source: NY Fed Consumer Credit Panel/Equifax

THE RATE OF UNINSURED LOW-INCOME CHILDREN INCREASED



Source: American Community Survey

THE GAP BETWEEN BLACK & WHITE PEOPLE FORGOING DOCTOR VISITS HAS INCREASED



Source: KFF State Health Facts

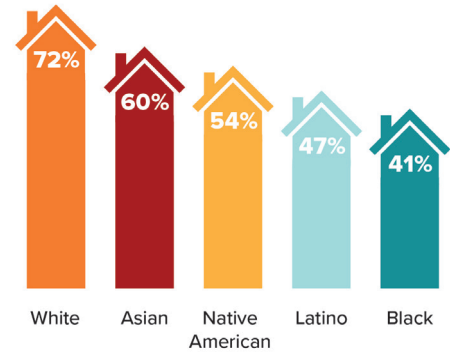
Disparities in Homeownership and Wealth

Homeownership is central to the American Dream. Not only does it provide stability, but it is also the key asset through which families build wealth. Over a decade after the Great Recession and the foreclosure crisis, the *Scorecard* finds that working families still have not fully recovered. Households of color lost the most housing wealth, a result of decades of discriminatory policies and practices in the real estate and financial services industries making it harder for them to become homeowners in the first place.

- The homeownership rate has started to slowly rebound after years of decline—63.9% of households own their homes. And while the gap has started to narrow slightly, households of color own their homes at a far lower rate than White households: 71.9% of White households are homeowners, compared to only 41.4% of Black households, 47.2% of Latino households, 59.6% of Asian households and 54.4% of Native American households.
- The slow recovery of homeownership is due in part to housing costs. Homes continue to become less affordable in most of the United States as housing prices are increasing faster than incomes. Median home values are 3.6 times higher than median incomes, and the rule of thumb is that home prices should be three times higher than income. Lower median incomes for households of color make homes even less affordable for Black, Latino and Native American households.
- Unaffordable home prices are a barrier to homeownership, but so are unaffordable rents. Roughly half (49.5%) of all renters and 54.4% of renters of color are housing cost-burdened, meaning that they spend more than 30% of their monthly incomes on rent and utilities, and have less left over to cover other expenses or save for a downpayment.

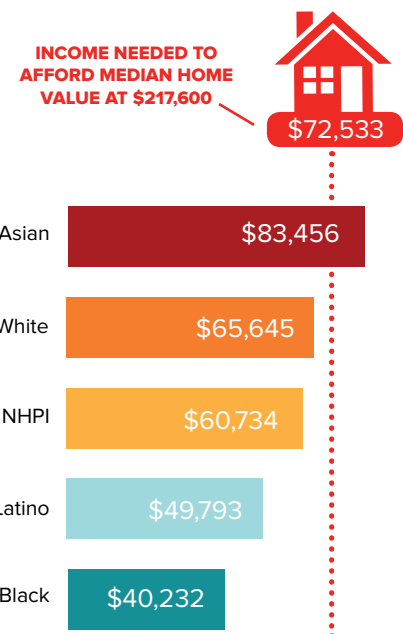
Homes still represent the largest source of wealth for most Americans, and wealth is a key factor in building long-term resiliency and investing in the future of your family. Research has shown that higher levels of savings, home equity and other forms of wealth increase the likelihood of upward economic mobility.¹¹ But many Americans and too many households of color lack access to the key wealth-building opportunities in our economy. In addition to the barriers to homeownership mentioned above, only a third of the lowest-paid workers had access to retirement benefits at work, compared to 91% of the highest-paid workers.¹² Less than half of American households own stocks, and the richest 10% of households own 84% of the value of stocks, meaning that gains from a strong market will accrue mostly to the richest households.¹³ As the *Scorecard* demonstrates, these asset-based disparities culminate in wealth inequality and a racial wealth divide that dwarfs income inequality.

HOMEOWNERSHIP RATE



Source: American Community Survey

MEDIAN HOME VALUES ARE 3.6x HIGHER THAN MEDIAN INCOMES

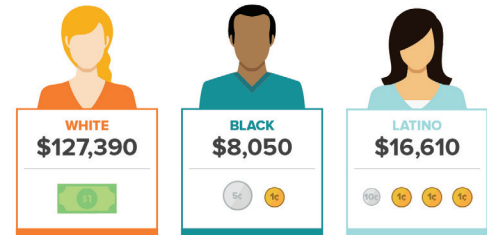


Source: American Community Survey

- White households have a median net worth of \$127,390, while Black households have \$8,050 and Latino households have \$16,610. This translates to Black households having six cents and Latino households have 13 cents for every dollar of White household wealth at the median. Compare this to household incomes, where, at the median, Black households earn 61 cents and Latino households earn 76 cents for every dollar of White household income.
- Households of color have overall lower levels of wealth, but more are also starting from behind. Almost 30% of Black households and 21.9% of Latino households have no wealth or owe more than they own compared to just 13.4% of White households.

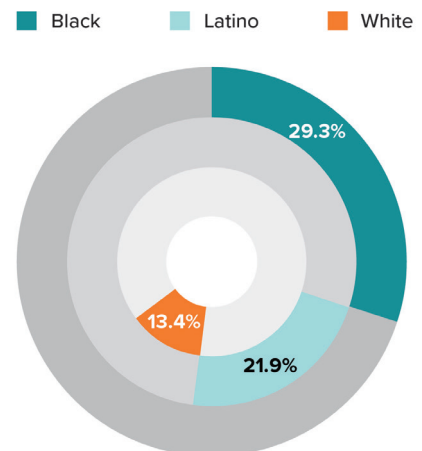
Overall, the 2019 Scorecard data shows mixed results: some progress and some declines. However, what remains consistent is that many Americans and a disproportionate number of people of color are financially vulnerable and just one missed paycheck or accident away from crisis. If we want to have a truly strong economy in which all people can get ahead, we have to be honest about the conditions that people—especially people of color—deal with in their daily financial lives. We also have to be honest about the role that systemic economic disenfranchisement of people color plays in hindering prosperity. Our search for solutions must acknowledge and undo these harmful dynamics.

MEDIAN NET WORTH



Source: Survey of Income and Program Participation

HOUSEHOLDS WITH ZERO NET WORTH



Source: Survey of Income and Program Participation



A State Policy Blueprint for a More Inclusive Path to Prosperity

As we near a time when people of color will make up the majority of the nation’s population, it becomes increasingly apparent that addressing the growing financial security challenges faced by millions of families of color will be imperative to our national economic security. This State Policy Blueprint aims to support the leadership of state lawmakers and advocates interested in creating a more inclusive path to prosperity — a path that addresses the challenges and institutional barriers facing low-income communities and communities of color.

prosperitynow.org/resources/state-policy-blueprint-more-inclusive-path-prosperity

Turning the Tide: Federal Policy Solutions

In a society with an equitable and functional federal government, policies would prioritize the needs of the most vulnerable and end systemic racial inequality. Unfortunately, the leadership of our current government cannot fulfill its most basic responsibilities of keeping the government fully funded and open to serve the needs of its citizens. And in the past two years, even when functioning at a basic level, it has gone out its way to worsen racial inequality and prioritize benefits to the wealthy and corporations. It has done this through tax cuts, weakening important consumer protections, attempts to undermine basic safety net programs, threats to the Affordable Care Act and more.

To make real progress for working families, the federal government needs to enact meaningful policy reforms that put working families first. Prosperity Now's federal policy work outlines several key policy solutions in the areas of financial security, consumer protections, affordable homeownership and right-side up tax policy that begin to move federal policy in the right direction to help the most vulnerable and households of color build real financial well-being and wealth equality. To begin the process of enacting these key reforms, we need to hold our elected officials accountable for eradicating inequitable and racist policies and systems, and then replacing them with truly equitable and opportunity-enhancing proposals and structures that give all households a fair shot at prosperity.



Financial Security

Protecting safety net programs—which make up the very first rungs of the ladder of opportunity—is key to helping low-income households through times of vulnerability. Working families also need opportunities and an infrastructure that can help them build savings for emergencies and wealth through homeownership, higher education and entrepreneurship. Together, they are essential to making sure all families have a fair shot at building financial security and wealth.

- **Protect safety net programs that benefit the needs of low- and moderate-income families.**

Important government programs like TANF (Temporary Assistance for Needy Families), LIHEAP (Low Income Housing Assistance Program), SNAP (Supplemental Nutrition Assistance Program), Medicare, Medicaid and others help protect vulnerable families from falling deep into poverty. [Funding cuts to these programs](#) have been proposed in the past few years that would leave families without critical assistance. [Work requirements](#), block grants and other draconian measures make it harder for working families to survive. Following the 2018 success in passing a Farm Bill that protects those receiving nutritional benefits from SNAP, Congress should continue to preserve the funding and integrity of these crucial programs.

- **Support savings for emergencies and long-term wealth-building opportunities such as higher education and homeownership.** Working families need help building savings for both the short- and long-term. Congress should make it [easier for workplaces to offer emergency savings accounts alongside their retirement plans, or as separate accounts for employers that do not offer a retirement plan](#), which is a proven way for families to save automatically and easily.

Congress should also encourage [longer-term savings for wealth-building opportunities like higher education and homeownership](#), using twenty years of lessons and research from the Assets for Independence program and Individual Development Accounts. They could create a flexible, scalable program that allows more working families to access safe and low-cost savings accounts, have their savings matched and receive financial coaching to help them achieve their wealth-building goals.

- **Remove savings penalties for TANF, LIHEAP and SNAP, and reform SSI (Supplemental Security Income).** In some states, even as little as \$1,000 saved disqualifies families from accessing nutrition, energy assistance and cash benefits. Savings penalties get in the way of helping working families reach self-sufficiency, since having savings will make families more likely to no longer need this type of support. Congress should [eliminate savings penalties for TANF, LIHEAP and SNAP, and increase SSI limits to \\$10,000 indexed to inflation.](#)



Consumer Protections

The Consumer Financial Protection Bureau (CFPB) is the first-ever federal agency dedicated to protecting consumers in the financial marketplace. Since the Bureau's inception, however, it has faced a series of external and internal challenges, the biggest of which has been [new leadership under the Trump Administration that has prioritized the needs of the financial services industry over those of consumers.](#) For vulnerable consumers to reach and sustain financial security, they need to be protected against predatory financial practices that strip wealth.

- **Restore the CFPB's original mission and put the needs of consumers first again.** During the last two years, the CFPB's opponents on Capitol Hill and elsewhere have made significant strides to weaken the Bureau as much as possible by repealing the CFPB's [arbitration and auto lending rules.](#) [The Consumers First Act \(H.R. 6972\),](#) a bill that was introduced in late 2018, would reverse course on these actions and restore the Bureau's strength. This act should be supported, and Kathy Kraninger, the new director of the CFPB, should not take additional steps to obstruct and undermine the original mission and work of the Bureau.
- **Protect the CFPB's payday lending rule.** The CFPB released long-awaited rules to regulate the payday lending industry in the fall of 2017. The [rule](#) requires lenders to determine borrowers' ability to repay a loan before being offered one, along with several other important provisions. Despite the importance of this rule, the CFPB [plans](#) to re-examine it in 2019. To keep consumers safe, the Bureau should not weaken or further delay finalizing this rule.
- **Regulate the debt collection industry.** [The CFPB received more than 400,000 complaints regarding debt collection practices since 2011,](#) the most common of which was being held accountable for erroneous debts. The Bureau has [announced](#) that it will release proposed rules for regulating this industry in the spring of 2019. These rules should rein in predatory behavior by the debt collection industry and adequately address the needs and complaints of consumers.
- **Enforce fair lending standards.** The Bureau's Office of Fair Lending and Equal Opportunity (OFLEO) brought cases against racially discriminatory practices that [returned \\$450 million dollars to one million harmed minority consumers.](#) However, [former Acting Director Mick Mulvaney weakened OFLEO's independence](#) and its ability to bring enforcement actions. Reining in this office will only allow discriminatory practices to go unchecked and the racial wealth divide will continue to grow. The independence and powers of the OFLEO should be restored and fair lending standards should be vigorously enforced by the CFPB.



Affordable Homeownership

At Prosperity Now, we believe that with the right tools and resources, more low- and moderate-income Americans and people of color can unlock the wealth-building benefits of homeownership. However, limited access to affordable financial products, the legacy of discriminatory housing policy, the shortage of affordable starter

homes and other barriers prevent too many Americans from seeing the benefits of their investment—or even starting on the path to homeownership. Affordable and equal access needs to be preserved.

- **Help families acquire more affordable and safe mortgages by improving credit reporting and scoring.** Credit scores play a critical role in determining the quality of mortgages one can access, and someone with a poor score has few good choices. The Credit Access and Inclusion Act (H.R. 435 and S. 3040) would help people improve their scores—or get a score for the first time—by promoting the inclusion of additional, common payments (like rents, utilities and phone bills) in credit reporting. Studies suggest that reporting this data can boost credit scores. Safe alternative data sources like these should be included in credit reporting to help more families afford mortgages and access safer and lower-cost credit.
- **Defend fair housing.** Anti-discrimination laws in housing are under threat. Implementation of the Fair Housing Act's requirement to affirmatively further fair housing has been delayed, and the Community Reinvestment Act is being reconsidered. These laws reduce housing segregation, promote fair lending and increase access to safe and affordable loan products. Regulators need to affirm their commitment to fair housing and support underserved communities.
- **Ensure reforms to Fannie Mae and Freddie Mac support affordable housing and underserved markets.** Plans to bring Fannie Mae and Freddie Mac out of conservatorship and restructure them could take place within the next year or two. Whenever this happens, Congress needs to ensure that the affordable housing goals as well as the Duty to Serve underserved markets are preserved. The Federal Housing Finance Agency, which oversees Fannie Mae and Freddie Mac, will soon have new leadership that also needs to be held accountable for supporting affordable homeownership for all Americans.



Right-Side Up Tax Policy

The vast majority of tax incentives go to the richest Americans, rather than those who need it most. This is an upside-down approach to how tax spending ought to be structured, and the Tax Cuts and Jobs Act of 2017 heightened this by giving large tax cuts to the wealthy and corporations while, for the most part, leaving out working families. It also left [households of color even further behind by providing larger benefits for White households regardless of income](#). Instead of supporting the wealthy, we should be using the tax code to help working families and households of color build wealth.

- **Help low-income families access free tax preparation services by making VITA—the Volunteer Income Tax Assistance program—permanent and increasing its funding.** VITA is a community-based program that has provided free tax preparation services to lower-income Americans across the country for half a century. Congress has never formally authorized the program, and funding constraints limit VITA sites' ability to serve more working families in their communities. Increasing federal funding from \$15 million to \$30 million annually would allow VITA to increase free tax preparation services to hundreds of thousands of more low-income households. [More funding and a permanent VITA program](#) are particularly necessary, with this year being the first filing season after passage of the new complex tax law and continued funding and service constraints at the IRS. VITA will play a key role in making sure low-income tax filers can successfully weather a difficult tax season and access the refunds they depend on for survival.
- **Encourage working families to use tax time to save for emergencies.** Families that receive large refunds at tax time through the Earned Income Tax Credit often use the windfall to catch up on bills, pay down debt and make important purchases. Tax time is also a key moment to encourage families to set a little aside for emergency savings. Policymakers should take steps to encourage families to save at tax time. The [Refund to Rainy Day Savings Act \(S. 3220 in the 115th Congress\)](#) would allow tax filers to defer 20% of their tax refund, which

would accumulate interest for six months before being deposited into the filer’s direct deposit account. It also includes a pilot program to match deferred tax refunds for lower-income filers, further encouraging the use of the tax credit as an emergency savings tool.

- **Provide every child, at birth, with the economic resources needed to begin building long-term economic security and generational wealth.** Under the [American Opportunity Accounts Act](#), each of the approximately four million children born every year would receive an American Opportunity Account seeded with an initial \$1,000 deposit administered by the Department of the Treasury. Until they turn 18, children from low- and moderate-income families will have their accounts boosted through direct deposits of additional, automatic yearly investments of up to \$2,000. At age 18, the funds could be used by the child to invest in wealth-building opportunities, such as a higher education or homeownership. The American Opportunity Accounts Act would help address wealth inequality and the growing racial wealth divide by ensuring that all children benefit from the program, regardless of what economic circumstances they are born into or what actions their parents take.

Endnotes

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Prosperity Now (formerly CFED) believes that everyone deserves a chance to prosper. Since 1979, we have helped make it possible for millions of people, especially people of color and those of limited incomes, to achieve financial security, stability and, ultimately, prosperity. We offer a unique combination of scalable practical solutions, indepth research and proven policy solutions, all aimed at building wealth for those who need it most.