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GETTING A GREEN CARD FOR COMMUNITY INVESTMENT

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Communities & Banking

Communities & Banking magazine aims to be the central forum for the sharing of information about low- and moderate-income issues in New England.

LETTER FROM THE EDITOR

In this issue, we investigate the promise and pitfalls of the EB-5 visa program, which promotes foreign investment in underserved areas in exchange for green cards. The Brookings Institution's Audrey Singer and Kim Zeuli of Initiative for a Competitive Inner City summarize their studies. Meanwhile, Robert Clifford's map shares research on a different kind of visa. And at New Hampshire's Endowment for Health, Kelly Laflamme describes efforts to smooth immigrants' integration into communities.

This issue also considers factors that keep low-income individuals from breaking out of poverty. April Yanyuan Wu and Boston College colleagues, for example, note that few have pensions. HomeStart's Linda Wood-Boyle strikes a hopeful note on eviction-prevention efforts that can help renters without hurting landlords. Deborah Youngblood of Crittenton Women's Union explains how comprehensive mentoring helps poor women move up. Nikhil Kaza and Center for Community Capital colleagues suggest a way low-income people might simultaneously save on energy and get a better mortgage.

Daniel Barrick, New Hampshire Center for Public Policy Studies, describes a data-gathering effort to help an urban school system meet new challenges. And the Urban Institute's Caroline Ratcliffe and Signe-Mary McKernan conduct research on worries about repaying student loans. An intriguing Viewpoint, by Duke University's Nicholas Carnes, details the consequences of having few members of the working class in Congress.

We hope you will enjoy this variety and send us your feedback.

Best,
Caroline Ellis

Managing Editor
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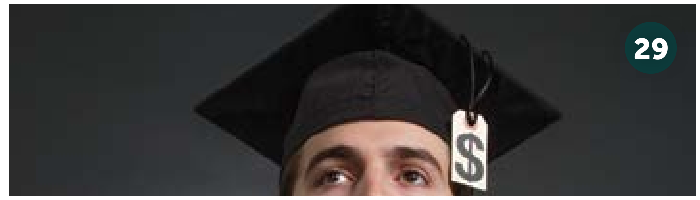

Contents | Winter 2015

THE EB-5 VISA PROGRAM FOR IMMIGRANT INVESTORS

Audrey Singer
THE BROOKINGS INSTITUTION

COVER STORY

A U.S. visa program can benefit lower-income communities by providing a green card for foreign investment in development that otherwise might not be funded.

The EB-5 visa program was designed to provide green cards to foreign nationals who invest in economic development in the United States, especially in lower-income areas. Understanding of the program is still evolving, with more communities trying to tap what they see as a potential source of inexpensive, patient capital.

Overview

Interest in the federal EB-5 immigrant investor visa program surged as the Great Recession made traditional bank financing more difficult to access. Although the program was created as part of the 1990 Immigration Act, it has come into focus more recently as developers have begun exploring EB-5 funding for new projects. Foreign nationals must invest $1 million in a U.S. business (or $500,000 in low-income, distressed areas) and create or preserve at least 10 jobs.[1] In exchange, the immigrant investor receives a green card or permanent residency.[2]

The majority of EB-5 investments are administered through regional centers, which pool investments and are authorized by U.S. Citizenship and Immigration Services (USCIS) to develop projects. Regional centers are usually private entities, but some are run by states or municipalities, and others are public-private partnerships, often involving regional economic development organizations. The program prioritizes investments in areas of high unemployment by reducing the threshold from $1 million to $500,000 if the investment is located in a "targeted employment area" (TEA). TEAs are geographic areas that are either rural or experiencing an unemployment rate of at least 150 percent of the national average.[3]

The scale of the program is small relative to the entire permanent-resident admissions policy. Less than 1 percent of all green cards go to EB-5 investors annually. Up to 10,000 visas are available each year to investors and immediate family members, but as recently as 2007 only 800 visas were used. By 2013, the total was moving toward 7,000. Some high-profile fraud cases among regional centers marred the program's reputation and highlighted vulnerabilities both for immigrant investors and for overall success. Despite the scale of the program and the harmful cases, projects that make use of EB-5 funding do have the potential to benefit communities by providing local job opportunities, both short and long term. So far, EB-5 financing has been used for projects that include large commercial-property developments, assisted-living facilities, and manufacturing plants.

Reaching for Goals

A central purpose of the program is to aid regional economic development, especially in distressed areas. The majority of investments currently are in TEAs. But how well does the program achieve its goal of benefiting such areas? There are questions around job creation that are worth exploring. Do communities benefit from EB-5 in the form of more jobs or better jobs? Are they long-term jobs? Do workers in targeted communities benefit, or do others from outside the community get the jobs?

Without much reliable data to assess program performance, it is not clear that it is meeting its goals. There are several possible reasons. First, although the EB-5 goals parallel those of regional and local economic development organizations, most such entities do not use EB-5. Furthermore, there are no incentives in the program to encourage partnerships or coordination. Nevertheless, some of the biggest successes include partnerships between regional centers and economic development organizations or municipalities, such as the Philadelphia Industrial Development Corporation, the City of Dallas Regional Center, and CMB Regional Export in San Bernardino. Partnering with economic development agencies that have a stake in their communities makes sense.

Second, although the TEA provision is set up to help communities that need economic stimulation, there is no guarantee that they get it. At the very least, the EB-5 program requirements ensure that at least 10 jobs are created or preserved for every investment of $500,000 for at least two years. For a $250 million project with 20 percent EB-5 financing, for example, $50 million would be required to demonstrate that 1,000 new jobs were generated or preserved. Many new projects, particularly in real estate (and most projects are in real estate), should easily meet the job-creation requirements.

However, over time, the number of direct and indirect jobs generated by an EB-5 project will likely change. Many initial jobs will be related to the construction of the project itself. Depending on the nature of the enterprise (for example, mixed-use commercial, independent-care facility, manufacturing), the number of jobs may shrink (construction) or grow (expanded services or retail).

Third, there is nothing in the program that stipulates that the jobs go to residents of the TEAs. Is it likely that most of the new or

Channeling Foreign Direct Investment to the Inner City through EB-5

Kim Zeuli
INITIATIVE FOR A COMPETITIVE INNER CITY

The federal government's EB-5 Immigrant Investor Program is a tool that cities could use to attract new sources of capital to underserved neighborhoods. The Initiative for a Competitive Inner City (ICIC) spent a year analyzing the economic development potential of the program and recently released "Increasing Economic Opportunity in Distressed Urban Communities with EB-5."

The EB-5 program has the potential to direct $5 billion to $10 billion annually to inner cities and other underserved areas. Its job-creation requirement means it also has the potential to generate 100,000 jobs annually. ICIC's research identified 178 EB-5 projects nationwide, finding that most of the jobs initially created by EB-5 capital were linked to construction for real estate projects. Although construction jobs end, the projects ultimately enable businesses and organizations with more-permanent jobs to come in.

Entrepreneurs may also use EB-5 direct investments to start new businesses. E3 Investment Group, for example, created the E3 Cargo Trucking Company in Indianapolis. The company is structured as a partnership between E3 Investment Group and EB-5 investors. Each investor makes a $500,000 investment into the partnership, which finances the purchase and operation of trucks. In addition to the truck drivers, the company will hire people for administrative positions. But more research is needed to fully understand the quantity and quality of jobs being created by EB-5 investment.

Interest in the program has increased over the last decade, leading to a proliferation of new EB-5 regional centers. ICIC research found that every state has at least one regional center. Although some cities may not be adequately served by the local regional center, the biggest problem is a weak or nonexistent relationship between community and economic development organizations and EB-5 centers. Moreover, the regional centers find it increasingly challenging to develop a robust pipeline of suitable investment opportunities. Instead of investing in establishing new regional centers, which require significant start-up capital, cities should consider building EB-5 networks with community and economic development organizations, philanthropic organizations, and other key stakeholders that could develop strategic EB-5 priorities.

Last year there were more than 6,300 EB-5 applications, and that number is expected to come close to the program's 10,000-visa limit in 2014. Organizations like ICIC that focus on the inner city hope to see that the limited resources target transformative projects that support urban entrepreneurs and create high-quality jobs. Aligning EB-5 center priorities with economic and community development priorities will help move the program in the right direction. Additional policy changes are also critical. The EB-5 program needs to provide stronger incentives or modify its approval process to ensure that EB-5 capital is being used as originally intended—to support projects that would not have been funded otherwise, especially in parts of the country that need it most.

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The ICIC research was supported by the Surdna, Garfield, and Boston foundations.

preserved jobs go to residents? That would require a good match between jobs created and residents' skills. Nothing prevents the hiring of non-TEA residents for the jobs. Indeed it is likely that most of the workers are from outside the TEA. Thus, although economic benefits may accrue to the community in the medium or long term, there may not be an immediate boost.

Since the EB-5 program is intended to promote jobs and economic growth, especially in TEAs, it is fair to ask why more collaboration between regional economic development agencies and regional centers doesn't occur. Each partner stands to benefit from the other's expertise. Experienced regional centers have the knowledge of the complex visa program and how to get investments through the process. Economic development organizations know the local development context, have access to multiple funding streams and tax credits, and are well positioned to identify which projects are best for their communities.

Projects that make use of EB-5 funding have the potential to benefit communities by providing local job opportunities.

Toward Greater Community Impact

Unless regional centers or economic development entities attempt to measure the short- and long-term impacts and direct and indirect effects of EB-5 financing, it will continue to be difficult to assess the effects on communities that are supposed to benefit. However, there are a few ways that local leadership can proactively move investments in the right direction for a region.

First, it will take the participation of key municipal actors to use EB-5 financing for projects that offer good economic growth opportunities in low-income communities. Recently, a new regional center to be operated by the state of Michigan was set up—the second state-operated center, after Vermont's. Designation of the center marks an intentional strategy to improve economic development conditions in the distressed city of Detroit and beyond. As the new regional center proceeds, it should be evaluated thoroughly to improve understanding of the economic impact at the appropriate level of geography. In other words, the impact of any single EB-5-financed project should be first measured as it affects the immediate community.

Second, coordination between economic development organizations and regional centers would encourage development projects that are both strategic and regionally appropriate. It is more likely that new EB-5 development projects will sync better with economic targets if they involve local economic development organizations bringing homegrown goals to the table. Furthermore, economic development agencies might want to consider stipulating that a certain percentage of jobs go to local TEA residents, where feasible.

Third, tracking the economic impact of individual projects on local communities is valuable. Not only will regions develop a sense of the kind of impact that is possible through these kinds of partnerships, the projects can serve as models for other regions.

Finally, regional development professionals just getting into the EB-5 realm should educate themselves on how the program works in practice, the potential pitfalls, and the risks for both their projects and the immigrants they sponsor. Several existing models for creating effective partnerships can help development professionals understand the actors, agencies, and hazards of using EB-5 funds for regional economic development.

Audrey Singer *is a senior fellow at the Brookings Institution, based in Washington, DC. Contact her at ASinger@brookings.edu.*

Endnotes

[1] It appears that as long as the jobs exist at the time the immigrant applies to have conditions removed from the green card, the jobs requirement has been met. There are no criteria for the jobs lasting more than two years, a designated period that seems to vary in practice. See http://www.uscis.gov/working-united-states/permanent-workers/employment-based-immigration-fifth-preference-eb-5/eb-5-immigrant-investor.

[2] For more on the program, see the U.S. Citizenship and Immigration Services site, http://www.uscis.gov/working-united-states/permanent-workers/employment-based-immigration-fifth-preference-eb-5/eb-5-immigrant-investor; Audrey Singer and Camille Galdes, "Improving the EB-5 Investor Visa Program: International Financing for U.S. Regional Economic Development" (report, Brookings Institution, Washington, DC, 2014), http://www.brookings.edu/research/reports/2014/02/05-eb-5-investor-visa-program-singer-galdes; and Kim Zeuli and Brian Hull, "Increasing Economic Opportunity in Distressed Urban Communities" (report, ICIC, Cambridge, Massachusetts, 2014).

[3] The rules about TEAs are vague. It appears that as long as a state official certifies the geography as meeting the threshold, then it gets approved. More study is needed.

An Urban School System

Collects the Data

Daniel Barrick
NEW HAMPSHIRE CENTER FOR PUBLIC POLICY STUDIES

As a New Hampshire school district focuses on boosting student success, it is diagnosing its toughest challenges through a new embrace of data.

Over the past 15 years, Manchester, New Hampshire, has undergone an impressive revival. The city's sprawling Amoskeag Millyard, which fell into decline in the last century after the textile industry departed, is now home to high-tech companies, upscale restaurants, galleries, and new college classrooms. Elm Street bustles with bistros and coffee shops. A minor league baseball park, a performing arts arena, and an expanded art museum draw visitors to the city year-round.

Schools and the Economy

One critical segment of Manchester, however, has not experienced the same turnaround: the public school system. A new report from the New Hampshire Center for Public Policy Studies indicates that although standardized-test scores and other success measures have seen some gains over the past decade, there are increasingly worrisome trends.

Achievement gaps by students' economic status and race, a decline in the college-going rate of high school graduates, and a steady rise in economic hardship for students districtwide are concerning. At some grade levels, the achievement gaps are actually growing. Student results also vary considerably within the district, often reflecting differences in the number of low-income students or English-language learners from building to building.[1]

Manchester is not alone. Many midsize cities nationwide are struggling with the same concerns. Every child deserves access to opportunity, and local economies need educated workers. In Manchester, we know that if we're to compete for the innovative, highly skilled workers of the 21st century, a thriving school system is essential. Good schools attract new residents, improve the local labor pool, and help stem social problems such as drug use, teen pregnancy, and crime.

Until now, a lack of data on long-term trends has been a barrier to success. Data are needed to help residents and officials understand the connections between broad demographic patterns, district spending, and student outcomes. How can schools map out strategies for improvement otherwise?

That is why, for the past year, the New Hampshire Center for Public Policy Studies has been working with officials in Manchester's school district and with community leaders from across the city to bring clarity to the discussion. Our starting point was simple: provide an objective, data-driven overview of the city's schools so policymakers can diagnose the roots of problems and set priorities. We looked at a range of information: state reports, internal district assessments, U.S. census data, state vital records, public health records, and more. (See "Understanding the Population.")

Collecting data, however, is only the first step. Through public disclosure and discussion of that data, we aimed to garner the interest and energy of a broader set of participants—people and organizations that would normally never find their way to a school board meeting. We reached out to business groups, institutions of higher education, social-service providers, immigrant communities, young professionals, and nonprofits, among others, to understand their expectations for the city's students. That helped build shared goals such improving outcomes for all students, closing gaps in performance along racial, ethnic, and socioeconomic lines, and achieving both equity and accountability across the school system. Ideally, the data will serve as a springboard to action and engagement from the entire community.

The Time Is Now

Why the urgency? To be sure, Manchester's schools are vibrant places with lots of innovative approaches to education. The diversity of the student body and the 70-plus languages spoken add to the district's vitality. Many city businesses and nonprofits have partnered with the district to provide mentoring opportunities or to expand science and technology courses. And local colleges offer options for high school students to participate in challenging, college-level classes.

Some cities use data rigorously as part of improving student performance. The Strive Partnership, which originated in Cincinnati and now has affiliations with communities nationwide, has pioneered one model. In New England, the Boston Opportunity Agenda tracks data with the goal of increasing educational success for all residents. The Portland, Maine, school district in early 2014 unveiled its own "district scorecard," which sets targets for two dozen indicators of student success.

In Manchester, the data-collection goal has been to provide demographic trends as context and, in doing so, to suggest the importance of engaging a broader array of participants. As one of the most homogenous states in the country, New Hampshire did not undergo the kind of wide-scale integration of its school system that much of the rest of the Northeast experienced over the past two generations. Instead, the state initially saw immigration from highly educated, high-income families who were able to provide strong support for their children at home, boosting test scores, graduation rates, and other measures of success. In those decades, Manchester, the state's only urban center, experienced the same trends.

But in recent years, both the state and the city have seen changes in long-term migration patterns. In Manchester, the population is increasingly diverse. Measures of poverty, especially for children, have risen. Nonwhite and Hispanic students now make up 35 percent of the student body, up from less than 20 percent a decade ago. And in nearly one in five of Manchester households, English is not the primary language. Although that is roughly the national rate, it is more than twice the state figure. Manchester's diversity adds to the richness of the school experience, but adapting the educational system to such diversity is a relatively new challenge for the city.

Fielding All Perspectives

Any improvement campaign must involve the setting of concrete goals, collaboration among partners from government, business, and nonprofits, and the transparent reporting of results. Such efforts are already afoot in Manchester. The city health department, for instance, has been working to understand neighborhood-based health outcomes and gather data to design a strategy for improving living conditions in the city's most impoverished neighborhoods. It's an initiative that has drawn in leaders from the city's public and private sectors to promote collective action toward a range of health, education, and economic policy changes.

Similarly, the Granite United Way, recognizing that reading at grade level at age 8 is correlated with higher high school graduation rates, has been working to improve reading levels for struggling third graders at a handful of Manchester schools. Administrators collect data on student outcomes to track exactly which students are succeeding, and how quickly, in order to understand how to expand the outreach to other schools most effectively. Such efforts have served as examples of how to unite parties from different sectors around a common problem. On the state level, meanwhile, many other organizations are working to improve understanding of the links between education, health, and other factors that determine early childhood well-being.

Of course, presenting data on Manchester's schools is one thing.

Understanding the Population

Among the questions that the New Hampshire Center for Public Policy Studies data review was intended to answer are: which groups of students are most at risk; which changes in instruction and spending might yield the greatest benefit; and how are forces outside the school walls affecting outcomes?

The center looked into the following: births data (including births to unwed mothers and low-income mothers, and low-weight newborn trends); changes in low-income status, homelessness, and low English proficiency by school; and variations in test scores, graduation rates, and college-going by race/ethnicity, economic status, and student disability.

Population Characteristics

	2000		2012 (estimates)		
	Manchester	NH	Manchester	NH	United States
Total population	107,006	1,235,786	110,209	1,320,718	316,128,839
Median age	34.9	37.2	37.4	41.9	37
Median household income	$40,774	$49,467	$54,644	$63,280	$53,046
			percent		
Population under 18	23.7	25.0	21.1	20.8	23.5
Poverty rate	10.6	6.5	17.0	10.0	14.9
Unemployment rate (April 2014)	2.6	2.7	4.6	4.3	5.9
Population with high school diploma or higher	80.7	87.4	88.0	91.8	85.7
Population with a bachelor's degree or higher	22.3	28.7	26.5	34.6	28.5
Foreign-born population	9.4	4.4	11.1	5.4	12.9
English not primary language at home	19.6	8.3	17.6	7.9	20.5
Hispanic	4.6	1.7	7.2	3.0	16.9
Non-Hispanic White	89.3	95.1	82.2	91.8	63.0
Black	2.1	0.7	4.8	1.3	13.1
Asian	2.3	1.3	3.7	2.3	5.1
Owner-occupied housing units	46.0	69.7	48.5	70.9	65.5

Sources: U.S. Census and the American Community Survey.

Figuring out how to use the data to improve student outcomes is an altogether different challenge and will be hashed out in the coming months in public forums and in meetings with policymakers. School improvement is a challenge that has to be tackled by the entire community. Although we are still in the early stages of this effort, we fully intend to bring many more voices into the conversation.

Daniel Barrick *is the deputy director of the New Hampshire Center for Public Policy Studies, based in Concord. Contact him at DBarrick@NHPolicy.org.*

Endnote

[1] Daniel Barrick, "Manchester's Education Benchmarks: Using Data to Map a Pathway to Success" (report, New Hampshire Center for Policy Studies, Concord, New Hampshire, September 2014).

Applying Research to Create Real Pathways out of Poverty

Deborah Youngblood
CRITTENTON WOMEN'S UNION

In the complex arena of promoting economic mobility among low-income, single-parent households, a model called Mobility Mentoring is showing promising results.

According to the U.S. census, 4.1 million women in poverty are the sole providers for their families. Households headed by a single working mother represent less than 25 percent of all working families, yet almost 40 percent of all low-income households.[1]

For such women, caring for children complicates the process of moving up out of poverty. Single mothers rely on limited financial resources to cover big-ticket expenses such as quality child care, needs for larger housing, and family medical expenses. At the same time, they must juggle significant time commitments to activities that help fulfill their children's emotional and physical needs. The poverty conundrum often seems intractable.

Developing a Theory

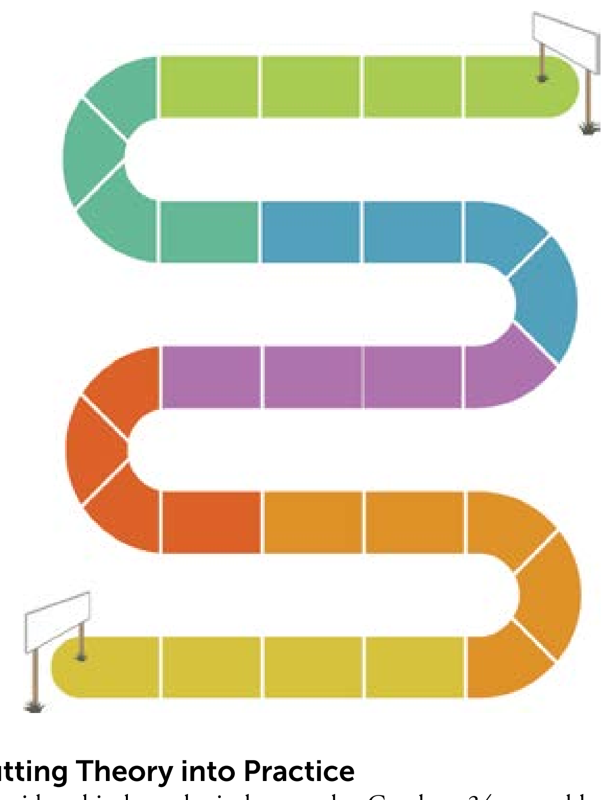
Crittenton Women's Union (CWU), a Boston- based nonprofit with the mission of transforming low-income women's lives so that they can attain economic independence and create better futures for themselves and their families, has been working hard to design new solutions to the poverty conundrum.

What really works in promoting economic mobility for very low-income single mothers? That question led to the development of CWU's theory of change. The resulting tools and programming are showing promise amid a fairly discouraging environment of widening opportunity gaps and lessening overall economic mobility.

In 2006, CWU embarked upon the strategic development of a new framework for promoting economic mobility. Tapping current research and many combined years of social-service practice, agency employees produced a comprehensive theory of change called the Bridge to Self-Sufficiency. The theory asserts that in order to become self-sufficient, individuals need to optimize their lives within five primary domains: family stability, well-being, financial management, education, and career management. Deficiency in even one of those areas can seriously weaken a person's ability to attain economic independence.

The Bridge to Self-Sufficiency is integral to a new pilot program, Mobility Mentoring services. Typically, social-service programs focus on a single program area. For example, there are organizations that specialize in finding people housing, boosting parenting skills, or securing job training. Rarely do we find social-service organizations that address the overlapping nature of the issues that families face.

The Mobility Mentoring approach rests on the premise that in order to effectively promote sustainable economic independence, all areas identified along the Bridge to Self-Sufficiency need to be addressed effectively and in conjunction with one another. Mobility Mentoring proponents also believe that long-term, individualized coaching is the best vehicle for supporting individuals toward their self-sufficiency goals. Long-term coaching provides guidance and, over time, builds participants' decision-making, problem-solving, goal-setting, and reasoning skills. The transfer from an external process of being guided by a mentor to an internal process in which participants essentially mentor themselves promotes sustained, long-term success after the formal intervention.



Putting Theory into Practice

Consider this hypothetical example. Carol, a 34-year-old single mother of two young children, is encouraged by a mentor to enroll in community college and obtain her associate's degree. Carol had started college twice before but each time was derailed by circumstances that prompted her to withdraw.

With the help of her mobility mentor, Carol is able to identify nursing as a career she wants to pursue. Jobs in this field are available and pay enough to sustain Carol and her children. Armed with more concrete plans and with support in place, Carol goes back to school. However, in her third semester, Carol's estranged ex-husband returns and starts legal proceedings to obtain custody of their children. Carol knows him to be an abusive and unfit parent and is terrified of potentially losing custody.

Carol's first impulse is to manage this new crisis by putting everything else on hold. Her mobility mentor offers her a different perspective and points out that while Carol needs to address the current challenge, withdrawing from school again and derailing her own goal achievement may not be the best strategy. Her own educational progress could work in her favor and allow her to successfully protect her children. Carol and her mobility mentor work together on effectively containing the crisis, addressing it but not allowing it to undermine all the positive aspects of Carol's life. Over time, with practice, Carol will internalize such behavior. She will be able to do a better job of addressing and meeting day-to-day obstacles using the long-term planning skills the mentor helps her learn.

The coaching model is informed by recent developments in brain research that posit that experiences of social discrimination, entrenched poverty, and trauma can directly undermine brain development and the skills most needed for success.[2] The research finds that the well-documented stress of living in poverty—recurring threats to personal well-being and safety, food and shelter insecurity, violence, social discrimination resulting in low self-esteem, and so on—can have significant negative effects on decision-making processes and the ability to plan effectively for the future.

At the risk of over-simplifying: If one's experiences are primarily crisis-oriented, which is common in very low-income households struggling to make ends meet, then a reactive response to the immediate crisis is the most likely coping mechanism. Unfortunately, being reactive comes at the expense of long-term goal setting and goal achievement.[3]

The mentoring approach provides answers to questions that participants face on a regular basis:

- How much do I really need to earn in order to support myself and my family?
- Which jobs pay a family-sustaining wage and offer career pathways and critical benefits, and who is hiring?
- What kinds of training and soft and hard skill sets do I need to obtain those jobs and maintain them?
- What other aspects of my life do I need to address in order to achieve long-term stability?
- How can I find answers to such questions and effectively use that information to build a positive, productive, self-sufficient life?

The practice of Mobility Mentoring, while still in the pilot stage, is showing early evidence of effectiveness. In CWU's most intensive five-year program, single parents apply to engage in ongoing coaching through Career Family Opportunity (CFO) and are accepted on the basis of demonstrated motivation and willingness to actively pursue self-sufficiency through education, training, and program support.

So far, CFO participants receiving Mobility Mentoring services are achieving excellent outcomes. As of June 30, 2013, we saw the following:

- 50 percent of participants were pursuing higher education and training, which is higher than for comparable community programs;
- of the 50 percent *not* enrolled in school, 95 percent had already earned a college degree or had completed advanced training while in the program; and
- 68 percent were employed (43 percent in careers that pay enough to fully sustain their families without government assistance). In comparison, at program entry, none were employed in positions paying enough to sustain their families.

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Poverty today is different from poverty in decades past. The current knowledge-based economy has transformed the labor market to one in which family-sustaining jobs require advanced education or training as well as sophisticated soft skills. Mobility Mentoring effectively combines well-researched tools that illuminate what people need to develop concrete, informed, individualized pathways out of poverty.

The program is a guiding framework for low-income individuals working to transform the course of their lives. One participant expressed gratitude for the help to "envision and structure my education, career, and financial goals in such a way that they finally seem attainable. Long-term goals are made into a series of short-term goals. This way the journey is more manageable. I feel like I *can* get from here to there. My family does not have to continue to be part of that statistic of female-headed households living in poverty. I have been heard, understood, and supported in my plan to lift my boys and myself from a life of mere survival into the realm of achievement and self-sufficiency."

Deborah Youngblood, PhD*, is vice president of research and innovation at Crittenton Women's Union in Boston. Contact her at dyoungblood@liveworkthrive.org.*

Endnotes

1 See Deborah Povich, Brandon Roberts, and Mark Mather, "Low Income Working Mothers and State Policy: Investing for a Better Economic Future" (Working Poor Families Project policy brief, winter 2013–2014), http://www.workingpoorfamilies.org/wp-content/uploads/2014/02/WPFP_Low-Income-Working-Mothers-Report_021214.pdf.

2 For a general overview of the brain-science literature on executive functions, see Russell Carlock, "Defining and Measuring Executive Functions in Adults: Applications for Practice and Policy" (white paper, Center on the Developing Child, Harvard University, Cambridge, Massachusetts, July 2011).

3 For a detailed overview of how brain science research informs the model, see Elisabeth D. Babcock, "Using Brain Science to Design New Pathways out of Poverty" (Crittenton Women's Union brief, 2014), http://www.liveworkthrive.org/research_and_tools/reports_and_publications/ef_report.

VIEWPOINT

Seeking More Working-Class Americans in Congress

Nicholas Carnes
DUKE UNIVERSITY

The shortage of working-class politicians has consequences for economic policy, but there may be ways to encourage more to run.

Something historically unprecedented almost happened in Maine in 2014. In the race for the House of Representatives in Maine's second district, there was a chance that a candidate from the working class—a candidate who had worked primarily in manual labor or service-industry jobs before getting involved in politics—would replace a sitting member who was also from the working class. Troy Jackson, a state senator who works full-time as a logger when the Maine legislature isn't in session, was running for the seat being vacated by Maine Congressman Mike Michaud, a former factory worker.

If Jackson had won, it would have been the first time in American history that two former blue-collar workers had served in the same congressional seat back to back. Since 1789, House seats have changed hands more than 14,000 times. Former lawyers have succeeded other former lawyers, and former business owners have succeeded other former business owners. But a former blue-collar worker has never succeeded another former blue-collar worker in the House of Representatives.

That record remains. In June, Jackson lost his primary. When voters in Maine's second district went to the polls in November, their choices for U.S. House were a university administrator or a businessman.

Class Differences

Working-class Americans almost never run for any political office, let alone in races as expensive as congressional campaigns. (See "The Cost of Winning an Election.") If millionaires in the United States formed their own political party, that party would make up just 3 percent of the population, but it would have a majority in the House of Representatives, a filibuster-proof super-majority in the Senate, a 5-4 majority on the Supreme Court, and a man in the White House. If working-class Americans were a political party, that party would have made up more than half of the country since the start of the 20th century, but its legislators (those who last worked in blue-collar jobs before getting into politics) would never have held more than 2 percent of the seats in Congress.

The economic gulf between working-class Americans and the people who represent them in the halls of power raises important questions about our democratic process. Should we care that so many politicians are drawn from the top economic strata and so few come from the working class? Do lawmakers from different classes actually behave differently in office?

For the last seven years, I've been studying the links between the economic backgrounds of politicians and the choices they make in office. There's a school of thought in the United States that argues it shouldn't matter what our leaders' backgrounds are. "A rising tide lifts all boats." "The business of the nation is business." Regardless of our social classes, we all want prosperity, the argument goes, so what's the harm in letting affluent Americans and white-collar professionals call the shots in government?

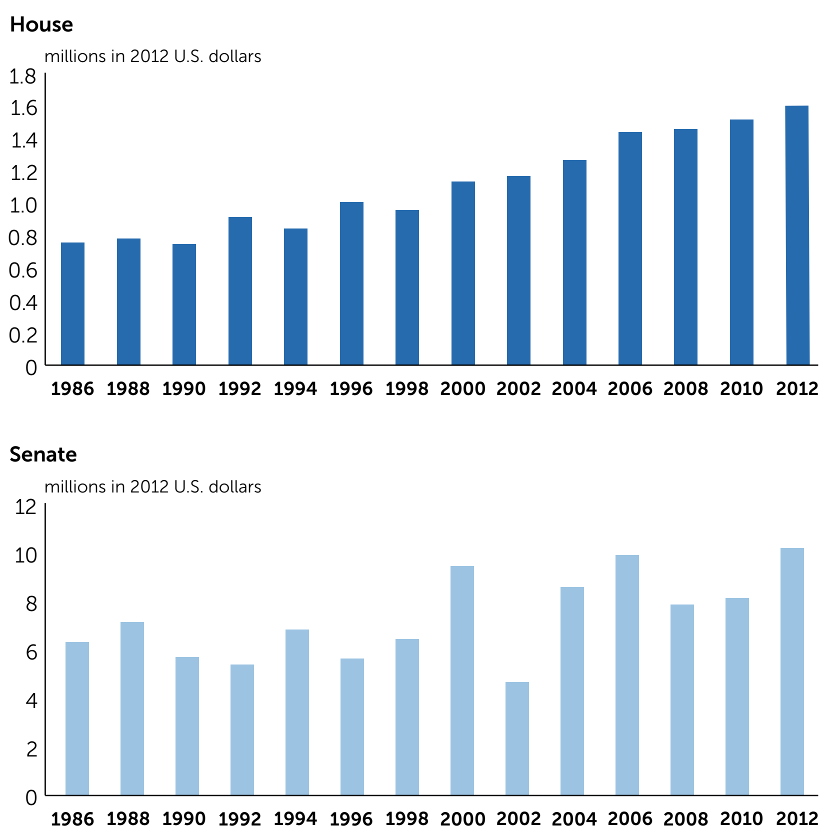
Unfortunately, what I've found in my research is squarely at odds with such rosy ideas about class and politics. Public opinion researchers have known for decades that Americans from different economic classes tend to have different views about economic issues. Understandably, working-class Americans tend to be more progressive or proworker, and wealthy Americans, at least on average, want the government to play a smaller role in economic affairs. We may all want prosperity, but Americans from different classes may have different ideas about how to get there.

Politicians are no exception. When I examine data on how members of Congress vote, I find clear differences between legislators from the working class and those from white-collar backgrounds (that is, legislators who had white-collar jobs themselves; those raised by white-collar parents don't seem to behave differently from those raised by working-class parents, at least on average). Legislators who worked primarily in white-collar jobs before getting elected to Congress—especially profit-oriented jobs in the private sector—tend to receive far higher scores in the Chamber of Commerce's annual ranking of members' voting patterns. Legislators who worked primarily in blue-collar jobs tend to vote the probusiness position far less often.

I find similar patterns when I examine other measures of how lawmakers behave: voting scores computed by the AFL-CIO, data on the kinds of bills lawmakers introduce, surveys of lawmakers' personal views about economic issues, and aggregate-level data on the economic policies that state and city legislatures enact. At every level of government, in every time period, and in every stage of the legislative process, legislators from different classes seem to bring different perspectives to public office.

These differences ultimately add up to a lot in the aggregate: the shortage of lawmakers from the working class tilts economic policy in favor of the outcomes that affluent Americans tend to prefer. Business regulations are more relaxed, tax policies are more favorable to the well off, social-safety-net programs are thinner, and protections for workers are weaker than they would be if our political leaders looked more like the nation as a whole. The scarcity of politicians from the working class ultimately makes life harder for the people who can least afford it.

The Cost of Winning an Election, 1986–2012



Source: The Brookings Institution, Vital Statistics on Congress.

Barriers

Why, then, are there so few working-class Americans in office? To date, scholars of U.S. politics have more hunches than hard evidence. However, the data I've studied suggest that the working class itself probably isn't the problem. It's true that workers tend to score a little lower on standard measures of political knowledge and civic engagement: for instance, only about 22 percent of blue-collar workers report that they follow public affairs most of the time, compared with about 37 percent of managers and professionals. But there are still many qualified workers. If even only half a percent of blue-collar workers have what it takes to govern, that would be enough to fill every seat in Congress and in every state legislature more than 40 times—with enough leaders left over to run a few thousand city councils.

Something other than qualifications seems to keep many talented working-class people from running for office. In my research, I'm trying to pin down exactly what that is. There are many obvious suspects: differences in ambition, free time, disposable income, fundraising potential, and the like. Another important possibility is candidate recruitment. Most people who run for office are first encouraged to do so by

Why Care Who's in Congress?

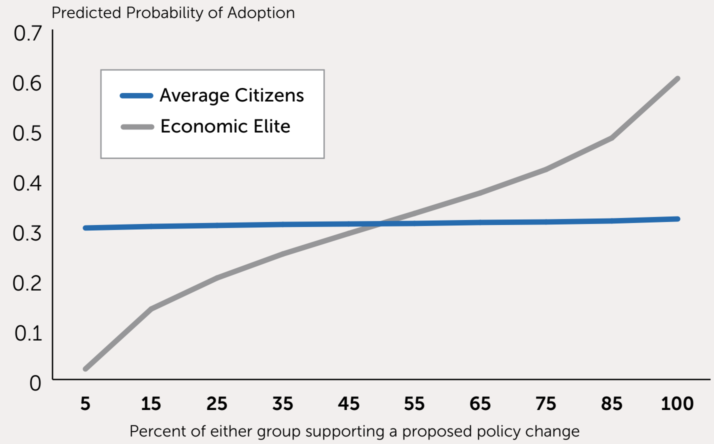
Martin Turrin

In early 2014, a Princeton study looked at the relationship between the income of those supporting a given policy and the likelihood that the policy would be adopted. The researchers surveyed the top 10 percent of earners to denote the "economic elite." "Average citizens" are those earning the median income.

When more members of the economic elite support a given policy, there is a higher probability of policy adoption. Increased support, in contrast, from average citizens for a policy change does not correlate with an increased chance of adoption.

Martin Turrin *was an intern at the Federal Reserve Bank of Boston at the time of this writing.*

Likelihood of Adoption of Policies Supported by Average Citizens and the Economic Elite



Source: M. Gilens and B.I. Page, "Testing Theories of American Politics: Elites, Interest Groups, and Average Citizens," *Perspectives on Politics* (fall 2014).

party leaders, interest groups, and potential donors. My research (although preliminary) suggests that qualified working-class citizens are less likely to be pushed to run, even for the local and county offices that serve as gateways to state and federal government. Candidate recruitment seems to be part of the problem.

But candidate recruitment could be part of the solution, too. In New Jersey, the AFL-CIO runs a candidate-training program for working-class citizens. Since it was founded in 1997, the New Jersey Labor Candidate School has helped identify, recruit, and train hundreds of working-class candidates. The program's graduates have a 75 percent win rate and have won almost 800 elections for offices ranging from school boards to the state legislature. Similar labor candidate schools are now in the works in California, Nevada, New York, Oregon, Connecticut, and Maine.

These programs are still in their infancy, and compared with the entire scope of American electoral politics, they're only a drop in the bucket. But they seem to hold promise for increasing diversity of thought in government. In 1945, the House and the Senate were each 98 percent men. In the decades since, party leaders and interest groups have deliberately recruited female candidates, and today women make up 19 percent of Congress.

If citizens and groups that care about equality start investing in programs to recruit and support working-class candidates, someday we might see more workers running and winning—and producing economic policies that are more in step with the needs of the less fortunate. We might even see a former blue-collar worker hand off a U.S. House seat to someone else from the working class.

Nicholas Carnes *is an assistant professor of public policy at the Sanford School at Duke University and the author of* White-Collar Government: The Hidden Role of Class in Economic Policy Making.

Why Don't Lower-Income Individuals Have Retirement Saving Plans?

April Yanyuan Wu, Matthew S. Rutledge, and Jacob Penglase
BOSTON COLLEGE

Lower-income individuals' lower employment rate—and the smaller probability of their working for an employer that offers pensions—underlie the pension gap between higher- and lower-income groups.

About half of U.S. private-sector workers do not participate in a retirement plan at their current job.[1] Not surprisingly, nonparticipants are more likely to have lower incomes. Low participation is becoming a more serious concern as individuals will need more retirement savings due to declining Social Security replacement rates and longer lifespans.

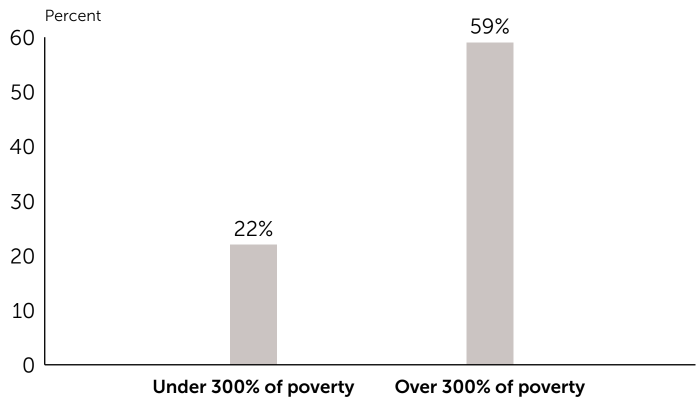
In response, policy experts have proposed ways to expand participation in 401(k) plans and similar employer-based savings plans. Assessing the potential of these options requires a precise understanding of why individuals, particularly those with lower incomes, do not have pensions. A recent study concludes that the key reasons for the lack of pension participation among lower-income individuals are a lower likelihood of being employed and, if employed, of working for an organization that offers a plan.[2] The most effective way to increase coverage would be to provide all workers with access to a plan and automatically enroll them.

Mechanics of Pension Participation

Obtaining an employer pension involves four steps. First, to be associated with a plan, an individual must work regularly. Lower-income individuals, perhaps because they have less education and fewer job skills, have weak labor-force attachment and higher unemployment rates.

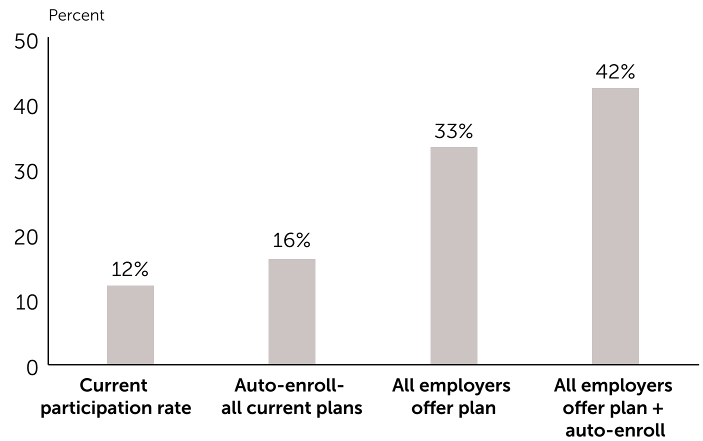
Second, a worker must work for an employer that offers a pension to at least some of its employees. Previous research finds that

Average Pension Participation Rates for Individuals Age 50–58, by Household Income, 1992–2010



Source: Bank-level call reports (the Federal Financial Institutions Examination Council Consolidated Reports of Condition and Income).

Potential Upper-Bound Effects of Policy Alternatives on 401(k) Participation Rates of Lower-Income Individuals Age 50–58



Source: Bank-level call reports (the Federal Financial Institutions Examination Council Consolidated Reports of Condition and Income).

lower-income workers are less likely to be at organizations offering fringe benefits like health insurance, paid time off, and disability insurance.[3] Less is known about their likelihood of working for a company offering a pension.

Third, if a pension is offered by the employer, the worker must be eligible for coverage. Many enterprises make pension plans available only to workers with sufficient tenure and hours worked.

Finally, to participate in a pension plan, the eligible worker must actually take up the employer's offer. That issue is not relevant for defined benefit plans, which usually feature mandatory automatic enrollment and guarantee a certain benefit level. In contrast, participation in a 401(k) is voluntary, and many of the factors that limit voluntary 401(k) participation among workers at all income levels—liquidity constraints, high discount rates, insufficient tax incentives, and insufficient financial literacy—are particularly relevant for those with lower incomes.[4] The net effect is that lower-income people are much less likely than their higher-income counterparts to participate in a retirement plan. The question is, Where are the weak links in the participation chain?

To answer that question, we used data from the 1992–2010 waves of the University of Michigan's *Health and Retirement Study* (HRS), a longitudinal survey covering households with members over age 50.[5] The main sample consists of respondents age 50 to 58 who answered the pension questions and whose household income is less than 300 percent of the poverty line (about $39,000, based on a weighted average between the one- and two-person households in our sample). The analysis compares older lower-income individuals to older individuals with household incomes of more than 300 percent of the poverty line. For the core sample of lower-income individuals, the average pension-participation rate at a current job was just 22 percent during the 1992–2010 period, well below the 59 percent rate for higher-income individuals. (See "Average Pension Participation Rate for Individuals Age 50 to 58.")

What is the relative importance of the four links in the pension participation chain: employment, employer offer, eligibility, and take-up? The percentage of the sample employed is an unconditional probability. The remaining three elements are all conditional probabilities that rely on meeting the previous condition. (For example, conditional on being employed, does the employer offer a pension plan to any of its workers?) The four probabilities (P) multiplied together equal the percent who participate in pensions. (See "Pension Participation Chain.")

The results show that the low participation rates of lower-income respondents are driven primarily by weak labor-force attachment and by working for a firm without a pension. (See "Pension Participation Rate and Its Components" and "401(k) Participation

Pension Participation Chain

(P)=Probability

Source: Authors' illustration.

Pension Participation Rate and Its Components, Individuals Age 50–58, 1992–2010

Condition	Under 300% of poverty line	Over 300% of poverty line
Individual is working	49%	79%
Firm offers pension if working	× 59%	× 82%
Worker is eligible if firm offers	× 89%	× 95%
Worker takes up if eligible	× 86%	× 95%
Pension participation	**=0.22%**	**=0.59%**

Source: Wu and Rutledge, "Lower-Income Individuals without Pensions."

401(k) Participation Rate and Its Components, Lower-Income Individuals Age 50–58, 1992–2010

Condition	Under 300% of poverty line
Individual is working	42%
Firm offers pension if working	× 44%
Worker is eligible if firm offers	× 84%
Worker takes up if eligible	× 78%
401(K) Pension participation	**=0.12%**

Source: Authors' calculations.

Rate and Its Components.") Only about half of the lower-income individuals are working, and among those who are working, only about 60 percent work for companies that offer a pension. That is where the most serious trouble spots for participation lie. Eligibility and take-up rates among lower-income workers also help to explain their low participation but are considerably less important as they are between 85 percent and 90 percent.

Can Policy Changes Help?

In considering how policy changes could expand pension participation, it is important to exclude the individuals in the sample who work for organizations that offer defined-benefit coverage, because defined-benefit plans are in the process of disappearing from the private sector.[6] Policy options to expand coverage generally involve some type of defined-contribution plan.

When the defined-benefit workers are excluded from the sample, the take-up rate for lower-income workers drops from 86 percent to 78 percent. From this vantage point, take-up rates are a weaker link than is apparent from looking at the full sample. The overall participation rate also drops because each link in the chain is weaker.

To assess the implications of policy reforms, the conditional probabilities for each link in the participation chain can be used for a back-of-the-envelope calculation. For example, if all existing 401(k) plans offered full-scale auto-enrollment, it could increase the potential take-up among eligible lower-income individuals from 78 percent to as much as 100 percent. One hundred percent is an upper bound as individuals would still be able to opt out.

To calculate the participation rate under such a policy change, the four probabilities are multiplied together. The participation rate would be, at maximum, .42 (working) x .44 (company offer) x .84 (eligible) x 1.0 (take-up rate) = 16 percent. (See "Potential Upper-Bound Effects of Policy Alternatives.") Compared with the baseline rate of 12 percent, this type of auto-enrollment policy is an improvement, but it helps only those who already have access to a plan.

A more ambitious proposal would be to require all employers

Obtaining an employer 401(k) or pension involves:

1. working regularly
2. working for an employer that offers a plan
3. having enough tenure and hours
4. taking up the employer's offer

to offer pensions to their workers, similar to a universal IRA. In that case, both the offer rates and eligibility rates are assumed to rise to 100 percent. If the take-up rate remains unchanged from the baseline of 78 percent, the potential participation rate would increase to 33 percent (.42 x 1 x 1 x .78).

Taking it one step further, if all workers were eligible *and* they were auto-enrolled, the participation rate would be, at most, 42 percent (.42 x 1 x 1 x 1). These policies could also be paired with features such as automatic escalation in the saving rates to help ensure that participants are putting enough aside. Of course, providing universal pension coverage in the workplace would still leave a large fraction of lower-income individuals without coverage because of their low employment rates.

§

Among today's older lower-income individuals, the most important reasons for low pension-participation rates are a lack of employment and employment with organizations that do not offer pensions. These findings suggest that the most potent approach for boosting pension participation would be requiring employers to offer *all* workers access to a retirement saving plan that includes auto-enrollment. But because such a policy would not help lower-income individuals of working age who are unemployed, it will also be critical to support measures to boost employment.

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Endnotes

[1] Alicia H. Munnell and Dina Bleckman, "Is Pension Coverage a Problem in the Private Sector?" (Issue in Brief 14-7, Center for Retirement Research at Boston College, Chestnut Hill, Massachusetts, 2014).

[2] April Yanyuan Wu and Matthew S. Rutledge, "Lower-Income Individuals without Pensions: Who Misses Out and Why?" (working paper, Center for Retirement Research at Boston College, Chestnut Hill, Massachusetts, 2014).

[3] Henry S. Farber and Helen Levy, "Recent Trends in Employer-Sponsored Health Insurance Coverage: Are Bad Jobs Getting Worse?" *Journal of Health Economics* 19 (2000): 93–119.

[4] Defined *benefit* implies that a certain amount of money is guaranteed periodically in retirement based on years of service and past earnings. That is in contrast to defined-*contribution* plans, where the pension does not include a guaranteed payout. Instead, the onus is on the employee to contribute and choose investments, though most employers provide matching contributions.

[5] See http://hrsonline.isr.umich.edu/. Throughout our study, "household" refers to the individual and his or her spouse, if present, ignoring the characteristics of any other household member.

[6] Some workers are covered under both defined benefit and 401(k) plans. These workers are excluded in the analysis discussed here.

We would love to get more letters. If you send them, we will print them.

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Facing Eviction

Homelessness Prevention for Low-Income Tenant Households

Linda Wood-Boyle
HOMESTART INC.

Homelessness prevention saves low-income people from trauma and upheaval while potentially saving property owners from the high costs of the eviction process.

Scarce affordable units and sky-rocketing market rents have created a housing crisis for low-income individuals and families.

The National Low Income Housing Coalition estimates that a minimum-wage worker would need to work 140 hours per week, 52 weeks per year, to be able to reasonably afford a two-bedroom apartment in the Greater Boston area, for example.[1] After years of waiting and navigating a seemingly endless maze of bureaucracy, some low-income households may be lucky enough to receive an affordable rent subsidy (also known as subsidized housing), which allows tenants to pay no more than 30 percent of their monthly income to rent. However, even for low-income tenants residing in subsidized housing, keeping up with monthly rent payments can be a struggle.

Who Gets Evicted

A disabled single mother with two children, for example, might receive $800 per month in Social Security benefits. With an affordable housing subsidy, she is guaranteed a subsidized monthly rent of no more than $240. That leaves $560 for the three-person household's utility bills, food, clothing, transportation costs, school supplies, medication co-pays, and all other monthly expenses. It's easy to see how any unexpected expense—car repairs, a family member's funeral, an emergency-room visit—could throw a low-income household's monthly budget into chaos.

Each year, Boston Housing Court hears more than 5,000 eviction cases, and more than half of those cases (57 percent in 2011) are filed against tenants residing in subsidized housing.[2] Although their rent is intended to be affordable, such tenants are 60 percent more likely to face eviction in Boston Housing Court. (See "Tenants Facing Eviction in Boston Housing Court.")

Of subsidized housing tenants facing eviction, the vast majority (85 percent) are being evicted because of nonpayment of rent. Approximately 36 percent of the eviction cases will result in execution of eviction, which means that low-income tenants lose their housing and face imminent homelessness. The consequences of eviction and homelessness are particularly devastating for low-income tenants for whom finding an affordable market-rate apartment is a near impossibility. Additionally, these households are often excluded from the Commonwealth's safety net for the most vulnerable and at risk. A family evicted from subsidized housing may be barred from accessing the state emergency-shelter system for three years.[3]

Eviction-prevention programs can help keep such individuals and families in their homes, out of shelters, and off the streets. These programs work one-on-one with at-risk tenant households, providing case management to address the tenant's barriers to ongoing rent payment, linkages to public benefits and other income-maximization resources, landlord-tenant mediation, advocacy in housing court, and emergency grants of financial assistance toward the tenant's back rent. These services help create an agreement between landlord and tenant to stop the eviction and preserve the tenancy.

One example of a successful eviction-prevention intervention is HomeStart's Court Intervention Project (CIP), a program that works to prevent eviction and homelessness among Boston Housing Authority (BHA) public-housing tenants facing nonpayment eviction in Boston Housing Court.

In 2010, HomeStart received a four-year grant from the Oak Foundation with the goal of preventing 75 BHA public-housing-tenant evictions per year. From 2010 to 2013, HomeStart was able to vastly exceed that goal. CIP intervened to successfully prevent a total of 554 BHA public-housing tenant evictions, with more than 97 percent of tenants continuing to reside in their apartments one year later.

HomeStart chose to target BHA public-housing tenants for several reasons. At the time the program was implemented in 2010, BHA was the plaintiff in the single largest number of eviction cases filed in Boston Housing Court, and BHA public-housing tenants represented 15 percent of all subsidized housing eviction cases.[4] Additionally, targeting BHA public-housing tenants would allow HomeStart to assist a large number of tenants who were each being evicted by a single property owner.

This created an opportunity for HomeStart to work with BHA to ascertain the average cost to the housing authority per tenant eviction and to use the metrics to perform a cost-benefit analysis of the program's services. Working closely with BHA staff, HomeStart was able to identify a significant number of costs associated with forced eviction. (See "Costs Associated with Forced Eviction from Boston Public Housing.")

Potential Savings

In comparison, HomeStart estimates that there are minimal costs associated with CIP. Including staff salaries, administrative and occupancy costs, and small grants of emergency rental assistance that are paid directly to BHA, HomeStart spends $1,570 per BHA public-housing tenancy preserved, making CIP's eviction-prevention services 84 percent less expensive than forced eviction.[5] On the basis of these compelling results, BHA agreed in 2012 to partner with HomeStart to financially sustain the program going forward. The unprecedented commitment from BHA allowed CIP to continue operation after its original grant funding from the Oak Foundation.

Low-income tenants residing in Boston's subsidized housing units are facing high rates of nonpayment eviction in housing court. Eviction-prevention programs like HomeStart's Court Intervention Project provide great social and financial benefit. Low-income, at-risk households are saved from the trauma and upheaval of homelessness, and property owners are saved from the high costs of forced eviction and reoccupancy.

Eviction prevention also helps reduce the high cost of homelessness. The Massachusetts Housing and Shelter Alliance estimates that a homeless individual residing in Massachusetts creates an additional cost burden for state-supported services (homeless shelter, emergency room visits, incarceration, and the like) that is $9,372 greater per year than for an individual in housing.[6] Each time a homeless family enters the state-run emergency-shelter system, the cost to the state is estimated at $26,620.[7] Investing more resources in eviction prevention helps a community save on the high cost of homelessness by stopping homelessness before it starts.

Tenants Facing Eviction in Boston Housing Court in 2011

	All Boston renter-occupied housing units	Boston subsidized rental housing units
Number of units	144,100	50,900
Annual number of tenants facing eviction in Boston Housing Court	5,197	2,970
Percent of tenants facing eviction each year	3.6	5.8

Source: U.S. Census Bureau, "American Housing Survey for the Boston Metropolitan Area: 2007," http://www2.census.gov/library/publications/2009/demo/h170-07-3.pdf; and the Boston Housing Court Research Report.

Costs Associated with Forced Eviction from Boston Public Housing

Grievance panel staff time spent at nonpayment hearings	$11
Property management staff time spent at nonpayment hearings	$11
Legal staff time spent at nonpayment hearings	$30
Stipend for tenant panelist	$23
Filing and service costs for court summons and complaint	$181
Property management staff time spent preparing case and appearing in court	$145
Legal staff time spent preparing case and appearing in court	$200
Constable fee for move-out and storage	$904
Refurbishment and reoccupancy of newly vacant unit	$8,000
Loss of rent due to unit vacancy	$266
Occupancy staff time spent screening prospective tenants for newly vacant unit	$250
Total cost associated with forced eviction	$10,021

Source: Boston Public Housing Authority

Linda Wood-Boyle *is the president and executive director of HomeStart Inc., based in Boston. Contact her at woodboyle@homestart.org.*

Endnotes

1 See National Low Income Housing Coalition, *Out of Reach 2014*, http://nlihc.org/sites/default/files/oor/2014OOR.pdf.

2 This and all other data regarding the number of cases in Boston Housing Court come from Project Hope, "Boston Housing Court Eviction Report," http://www.prohope.org/pdfs/Boston Housing Court Project combined FINAL.pdf.

3 State law bars from the emergency-shelter system those families who were evicted from any type of subsidized housing for nonpayment, other types of lease violations (such as criminal activity), or fraud. Because the state family-shelter system is perpetually over capacity, even with strict regulations in place, there's no real traction to change the regulations. See www.mass.gov/hed/docs/dhcd/hs/a-8712sos-filing.pdf.

4 The number of eviction cases filed in 2010 was self-reported to HomeStart by the Boston Housing Authority.

5 HomeStart provides stabilization and support services but not additional financial assistance. The idea is that the tenant's rent is designed to be affordable, so if the crisis situation can be resolved, rent should be sustainable going forward. We did follow-up tracking on tenants served during the Oak pilot, and found that 97 percent of tenants remained in their apartments after one year and 95 percent remained after two years.

6 Massachusetts Housing and Shelter Alliance, "January 2014 Home and Healthy for Good Progress Report," http://www.mhsa.net/matriarch/DocumentViewDirect.asp_Q_PageName_E_HHG_Report_January2014.

7 Dennis P. Culhane, "Ending Family Homelessness in Massachusetts: A New Approach for the Emergency Assistance (EA) Program," http://www.ppffound.org/documents/whitepaper.pdf.

Energy Efficiency and Mortgage Risks: Implications for the Northeast

Nikhil Kaza, Roberto G. Quercia, and Chao Yue Tian
UNIVERSITY OF NORTH CAROLINA

Residential energy efficiency can be promoted by linking it with mortgage finance.

Increasing energy efficiency is not only one of the easier ways to transition to a low-carbon future, it also can lower mortgage risks. Low-income households have a disproportionately high energy burden relative to their income, so promoting energy efficiency can be useful. With the residential sector accounting for one-fifth of U.S. energy consumption, a recent McKinsey report suggested that energy-efficiency investments in homes could produce $41 billion in annual savings.[1] Increasing residential efficiency of the housing stock would benefit both the environment and the pocketbook.

Significant barriers to adopting efficient technologies and practices exist, however, including lack of knowledge, uncertainty about the returns on investments, and split incentives. In the residential sector, financing large up-front costs is particularly difficult because home-valuation practices favor cosmetic improvements over efficiency upgrades. One way to overcome that barrier is to tie energy efficiency to the mainstream housing-finance system. Recent research shows that energy efficiency is associated with lower mortgage risks, and that could lead to a novel way to finance efficiency.

Energy Use in the Northeast

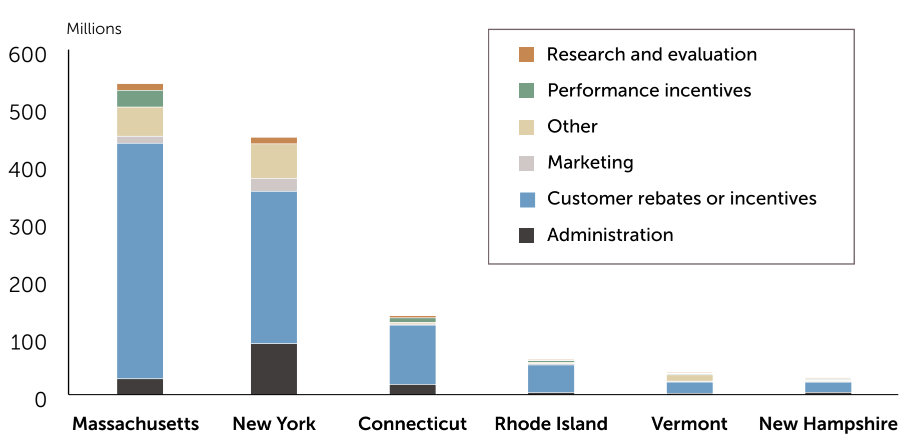
The Northeast census region (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, New Jersey, New York, and Pennsylvania) has 18 percent of the U.S. households but consumes more than 23 percent of the energy, according to the 2009 Residential Energy Consumption Survey by the Energy Information Administration.[2] Furthermore, household energy expenditure (excluding transportation) is 28 percent higher in the Northeast compared with the rest of the United States. This has distributional implications, too. Northeast households within 150 percent of the poverty line spend 26 percent more on energy than average low-income households nationwide. Heating costs are a substantial portion of their energy budgets, and because the Northeast experiences relatively harsh winters, any program or policy to promote energy efficiency should pay rich dividends.

Between 2006 and 2010, U.S. utility-funded energy-efficiency programs doubled (from $2 billion to $4.8 billion).[3] Most programs are concentrated in California and Oregon in the West and Connecticut, Massachusetts, New Jersey, and New York in the Northeast. These states represent almost 70 percent of total energy-efficiency spending nationwide, with Massachusetts spending the most. (See "Expenditures on Energy Efficiency, 2012.") Interestingly, efficiency expenditures do not seem to translate into higher numbers of Energy Star houses in those states.[4] Except for New York and New Jersey, the market penetration of the Energy Star label is less than 15 percent for new construction in the Northeast.

The Role of Housing Finance

Energy efficiency could be promoted by linking the upgrades with housing finance. That is the rationale behind Energy Efficient Mortgages (EEM). EEMs were touted as a solution to financing the large up-front costs associated with energy-efficiency measures.[5] They allow some flexibility in underwriting so that borrowers can qualify for larger loans to implement energy-saving improvements or can purchase homes that meet certain performance criteria.

Expenditures on Energy Efficiency, 2012



Source: Regional Energy Efficiency Database

EEMs backed by the Federal Housing Administration and the Department of Veterans Affairs have yet to catch on, however. The problem has been transactional complexity, poorly developed lender guidance, limited benefits for lenders, and lack of consumer information. Less than 1 percent of mortgages are EEMs. It therefore makes sense to think about linking energy efficiency with traditional mortgages. Traditional residential mortgages offer the potential to create the scale necessary for energy-efficiency investment because they rely on the mainstream financial system.

Current underwriting standards do not recognize the potential lower risks associated with energy-efficient housing. All things being equal, lower and less volatile utility costs might provide a household with some cushion to pay its mortgage in case of crisis. Energy efficiency might also be a marker of financial savvy. If mortgages held by homeowners in energy-efficient homes have lower risks than those in less efficient homes, then good credit policy would merit more-flexible underwriting standards or even consideration in loan-level price adjustments. Additionally, more-accurate information on risks may enable lenders to develop mortgage products that meet both consumer and investor needs better. Valuing energy efficiency in mortgages also will require homeowners and buyers to pay closer attention to homes' performance metrics, resulting in larger investments in the sector.

In a study conducted with the support of the Institute for Market Transformation (IMT), the authors examined 70,000 mortgages nationwide and found that the odds of default of households in Energy Star–rated houses are a third lower than those of households in conventional residences.[6] The odds of prepayment are also 28 percent lower. Prepayment decreases the profitability of loans for lenders and therefore increases the overall cost of borrowing. Within Energy Star houses, families that live in more-efficient residencies (defined by Home Energy Rating System, or HERS) have lower odds of either prepayment or default, suggesting an associative link between energy efficiency and mortgage performance.[7]

The researchers found that in the Northeast, the default odds of the Energy Star households are 42 percent lower than for other households, although the prepayment odds are higher (21 percent). That result is driven by small sample size (~1,700 mortgages) and the lower proportion of Energy Star households. However, the associative link between default and energy efficiency is fairly consistent.

According to a study by the Joint Center for Housing Studies at Harvard University, two-fifths of home-remodeling spending is for building-envelope replacements and system upgrades (including electrical and HVAC systems). Boston, Providence, and New York metros are among the largest average home-improvement spenders.[8] One way to harness that market toward energy efficiency is to find mechanisms to encourage time-of-sale improvements on energy-efficiency measures. Such measures are especially likely to help lower-income borrowers, who often purchase older, less-energy-efficient homes.

The U.S. Environmental Protection Agency should encourage more lenders to join the Energy Star program to broaden the consideration of energy efficiency in mortgage underwriting. Currently, there are at most two lending partners in each of the Northeastern states that offer mortgages based on energy efficiency.

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The research described here is but a first step toward internalizing energy metrics in housing finance. One should keep in mind the difference between design efficiency and energy conservation. Although the latter is primarily related to the consumer's behavioral response, the former is about the relative efficiency of equipment and the built environment. If the main goal of public policy is to reduce energy consumption rather than to promote energy efficiency, then better measures of energy savings that accrue from behavioral changes, forgone demand, and consumption patterns should be considered in future studies to capture more fully the impact of energy efficiency on mortgage risks. Other concerns could be addressed using other datasets and different research designs. However, even with observational studies such as this one, we can point to associative links that are worth exploring.

Maine and Vermont produce more than one-fifth of their consumed energy from renewable resources, while some other Northeast states are not far behind. Although the emphasis on decarbonizing the energy systems is laudable, saving a kilowatt-hour on site has been shown to translate to a 3-kilowatt-hour savings of primary energy.[9] Linking energy efficiency to the traditional housing-finance system has the potential to remove some of the barriers that have been holding back rapid gains. In addition to increasing energy efficiency in general, such linkages have the potential to particularly benefit low-income residents, who are highly sensitive to the volatility of the energy burden. By offsetting the costs of up-front investments and therefore increasing the adoption rates of energy efficiency measures, this initiative can help residents in low-income communities to meet their housing needs.

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Mapping New England

Intensity of Demand for H-1B Visas, 2012

Robert Clifford
FEDERAL RESERVE BANK OF BOSTON

The employment-based H-1B visa allows for temporary employment of foreign guest workers in "specialty occupations." Demand is largely for STEM-related occupations (science, technology, engineering, math). About 97 percent of H-1B requests are from metropolitan areas, where STEM jobs tend to be concentrated. For example, 55 percent of New England's H-1B visa requests come from the Boston, Massachusetts–New Hampshire area.

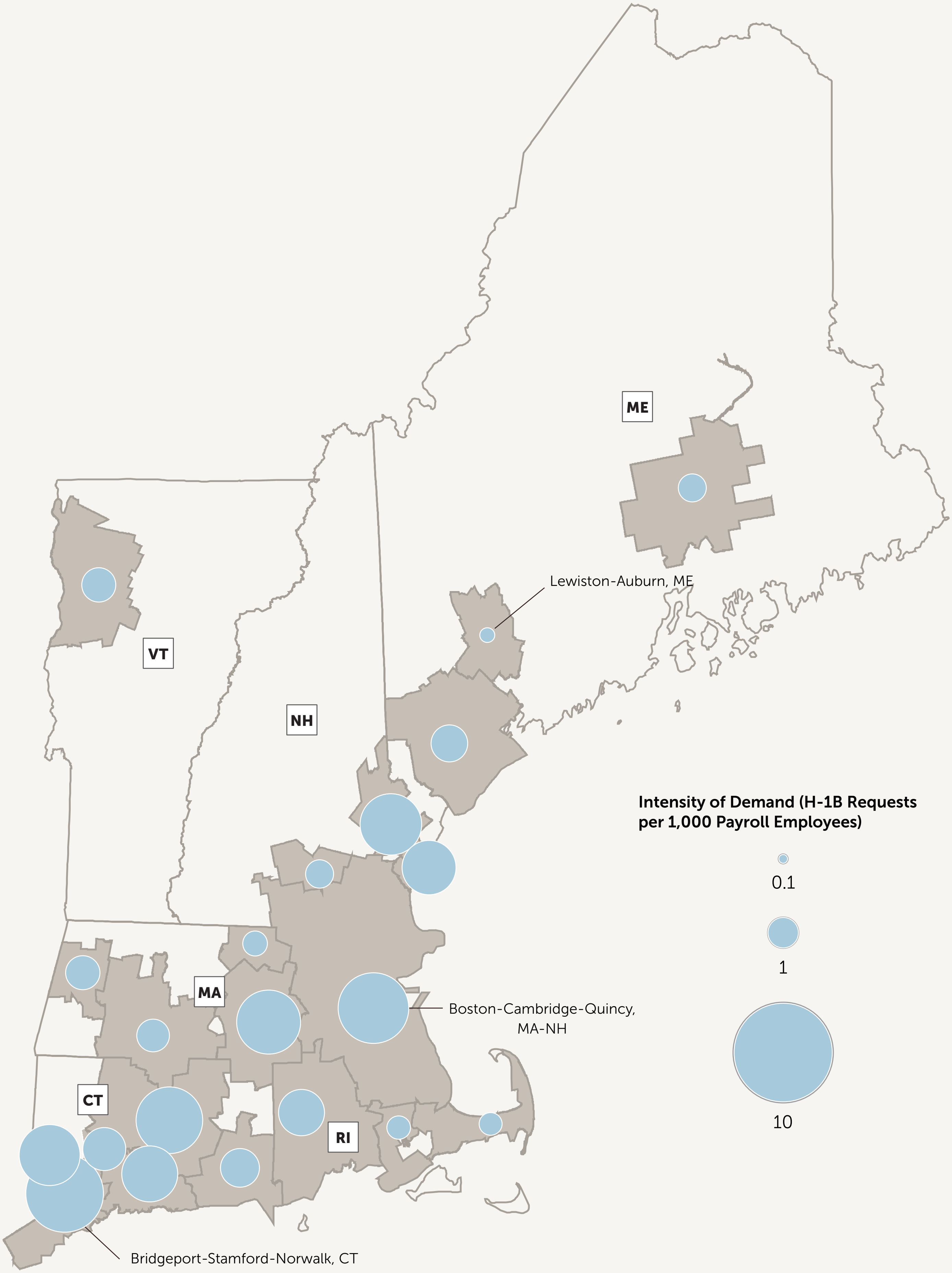
When H-1B requests are normalized to total employment by metropolitan area, the Bridgeport-Stamford-Norwalk, Connecticut, area is shown to have had the highest H-1B demand in New England in 2012: 6.6 requests per 1,000 payroll employees. Demand was large in other Connecticut metropolitan areas, along with Boston and Worcester. However, the intensity of demand in New England was relatively small compared with that of Silicon Valley, which showed 23.9 requests per 1,000 payroll employees.

Total Intensity of Demand, FY 2012

	H-1B Requests	Payroll Employment	Intensity of Demand
United States	371,557	130,287,700	2.9
New England	25,247	6,763,630	3.7
Massachusetts	14,758	3,202,080	4.6
Connecticut	7,115	1,620,620	4.4
Rhode Island	1,210	453,020	2.7
New Hampshire	1,375	612,710	2.2
Vermont	266	294,090	0.9
Maine	523	581,110	0.9

Source: Office of Foreign Labor Certification Labor Condition Application database FY 2012 and U.S. Bureau of Labor Statistics, Occupational Employment Survey 2012.

Note: This map is based on data from Robert Clifford, "Demand for H-1B Visas in New England: An Analysis of Employer Requests for Highly-Skilled Guest Workers" (report, New England Public Policy Center, 2014). H-1B requests are from the Labor Condition Applications employer file, a first step in the application process.


ME
VT
NH
MA
CT
RI
Lewiston-Auburn, ME
Boston-Cambridge-Quincy, MA-NH
Bridgeport-Stamford-Norwalk, CT
Intensity of Demand (H-1B Requests per 1,000 Payroll Employees)
0.1
1
10

Creating Welcoming Communities

Kelly Laflamme
ENDOWMENT FOR HEALTH

Creating a welcoming environment for immigrants can smooth integration with the wider community and ultimately improve health outcomes.

As communities across the United States begin to see the benefits of fostering a welcoming culture for immigrants, support is coming from a growing number of municipal governments, individuals, and nonprofits.[1] In New Hampshire, for example, the Endowment for Health—acting on its belief in the importance of social inclusion for good health—has been laying the groundwork for municipalities in the state that want to establish integration initiatives.[2]

Responding to Change

America is diversifying like never before. And as it does, a growing number of cities and towns are recognizing the economic and social benefits of fostering a welcoming culture for new and diverse populations. A grassroots-driven movement called Welcoming America has already been tested in 60 immigrant gateway communities, among them Nashville (Tennessee), Dayton (Ohio), Boise (Idaho), and Greensboro (North Carolina). Community by community, participants are working to create an inclusive culture and smooth the process of weaving immigrants into the social fabric of their new hometowns.

New Hampshire is a state that has seen its foreign-born population increase by 30 percent over the past decade.[3] And at 7 percent of New Hampshire's workforce, immigrants are contributing significantly to the state's economic and cultural vitality.[4] Even so, there are concerns about data showing that serious health disparities disproportionately affect immigrants and refugees as well as nonimmigrant people of color.

It is critical to ensure that, as the state's diversity increases, health disparities do not also increase. That is why, in 2013, the Endowment for Health launched an Immigrant Integration Initiative in New Hampshire. The effort emphasizes mutual respect and incorporation of differences, with the goal of increasing immigrant engagement in all aspects of community life. The Endowment believes that, in the words of the World Health Organization, "societies that enable all citizens to play a full and useful role in the social, economic, and cultural life of their society will be healthier than those where people face insecurity, exclusion, and deprivation."[5]

Endowment for Health President Steve Rowe has a long-term take on the issue. "When we look through our windshield," he notes, "we see a different New Hampshire than we see in our rear view mirror. We must prepare for future ahead of us. Our changing demographics will determine our future workforce, and a prosperous economic future depends on successful integration today."

Four Towns Take Up the Challenge

The Endowment for Health has modeled its approach on efforts under way in Colorado, Ohio, Illinois, and Idaho. Recognizing that the first step in integration is to arrive at a plan that both newcomers and longstanding community residents can embrace, the foundation released a Request for Planning Proposals in December 2013. It subsequently awarded an $11,000 planning grant to each of four communities in the state: Concord, Laconia, Manchester, and Greater Nashua. Promising structures already in place contributed to the award decisions.

Concord

In Concord, New Hampshire's capital, Second Start has been a hub for newcomers for many years, providing English classes and other adult education programs. It was a natural choice to be the lead organization for that city's planning process. The 2010 U.S. census indicates that 5.5 percent of Concord is foreign born. The city is home to a variety of immigrants, including refugees from Iraq, African nations, and Bhutan. The city's immigrant-integration planning process is building on the strength of Second Start, with strong community leadership from New American Africans, the Bhutanese Community of New Hampshire, the city government, and the local Chamber of Commerce.

Laconia

Laconia's experience with newcomers has been largely through participation in refugee resettlement. Although the immigrant population in Laconia is small compared with towns to the south, efforts to welcome newcomers have been intentional and have involved key city leaders, including the chief of police and the mayor. Leading the planning effort in Laconia is the Lakes Region Partnership for Public Health, which has prior experience offering both cultural-competency training for health-care providers and health education and outreach to Bhutanese refugees. The planning team also includes the local family-resource center, faith institutions, law enforcement, the school district, institutions of higher learning, and the United Way.

Manchester

New Hampshire's largest city was built by waves of immigrants: French Canadians, Irish, and Greek, to name a few. Today's immigrants come from Africa, Asia, the Middle East, Eastern Europe, and the Americas. Latinos make up the largest group. There also are many refugees who have been resettled in Manchester. In 2009, the city government and community leaders came together to create the Manchester Task Force to address concerns over the resettlement. The city's immigration-integration planning effort features a partnership between that task force and the community-based Organization for Immigrant and Refugee Success.

Greater Nashua

The newcomer population in Nashua is composed largely of Latinos, Portuguese-speaking Brazilians, and Asians. The new immigration-integration planning effort builds upon the Gate City Health and Wellness Immigrant Integration Initiative, which has been effective in raising issues of integration with city entities such as the school district and the police department. Led by the United Way of Greater Nashua, the new planning process also incorporates the efforts of New Hampshire's Welcoming America affiliate.

> Promising structures already in place can be predictors of immigrant-intergration success.

Collaboration for Change

The planning work funded by the Endowment for Health grants are likely to benefit from the fact that the chosen communities are already in collaboration mode.

As Eva Castillo, of the New Hampshire Alliance for Immigrants and Refugees, says, "The process of integration does not happen in a vacuum. It takes the whole community to embrace and allow the process to happen."

The Endowment for Health values that collaborative spirit in addition to each grantee's unique approach. At the same time, it requires teams to incorporate in their efforts specific elements gleaned from what has worked in immigrant-integration planning efforts around the country:

- an experienced, neutral facilitator must shepherd the process;
- local government must be committed and at the table;
- teams must commit to participating in a "Community of Practice" convened by the Endowment for Health;
- towns must seek additional funders for the implementation phase; and
- teams must demonstrate a commitment to the two-way process of immigrant integration by balancing the views of both newly arrived and long-standing community members.

All teams will be addressing concerns such as increasing economic opportunities for immigrant workers and cultivating stronger relationships between immigrants and other community members. The ultimate measuring stick of the four-year initiative will be whether or not immigrants report increased social inclusion and integration.

Partnerships are integral to the process, and the Endowment for Health is working to enrich them. That is part of the organization's field-building approach to its mission—a field being a community of organizations and individuals working toward a common goal and using a set of common approaches.[6] A partnership with the Massachusetts Immigrant and Refugee Advocacy Coalition has led to the creation of a peer-learning community called the Immigrant Integration Community of Practice, which creates space for representatives of the four New Hampshire communities to share strategies and lessons, engage in problem solving, and offer mutual support.

Amy Marchildon, director of Services for New Americans for Lutheran Social Services, is one participant. "A community of practice is incredibly important and valuable for New Hampshire because communities are at different stages with experience and exposure to immigrant integration," she says. "We're all learning from the expertise of one another, and we're able to share this information with our local communities."

The Endowment for Health believes in spreading the learning. Its approach to choosing grantees for immigrant-integration planning and its use of communities of practice may provide ideas for other New England municipalities trying to do a better job of welcoming New Americans and tapping the richness of diversity.

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Who Is Most Worried about Student-Loan Debt?

Caroline Ratcliffe and Signe-Mary McKernan
URBAN INSTITUTE

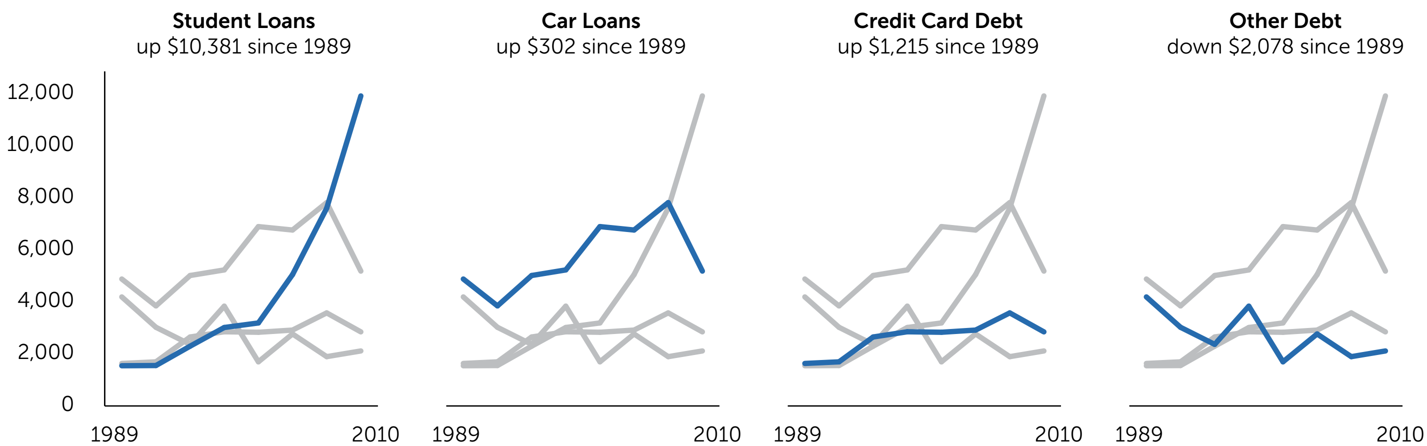
Across demographic and economic groups, more than half of individuals with student loans feel concern about their ability to repay.

As Americans pursue and invest in more education, they accrue more student-loan debt. Student-loan debt has become an increasingly important component on the balance sheets of many Americans. In 1989, student loans were a relatively small component of the debt held by 29-to-37-year-olds. By 2010, they were second only to mortgage debt. (See "Student-Loan Debt Increasing.") Growing student-loan debt has contributed to generations X and Y having less wealth than their parents' generation had at the same age 25 years ago.[1]

For a deeper understanding, it is instructive to consider exactly who has student-loan debt and who is worried about their ability to repay.[2] According to the FINRA Investor Education Foundation's 2012 National Financial Capability Study (NFCS), 20 percent of all U.S. adults over age 20—and 35 percent of people in their 20s and 30s—have student loan debt.[3] Strikingly, more than half (57 percent) of people with student loans are concerned that they may be unable to repay the debt. The concern cuts across demographic and economic groups but is more prevalent among women, people with financially dependent children, people not employed full time, and people with lower household incomes.

Student Loan Debt Increasing

Average family debt of 28–37-year-olds, excluding primary mortgage debt, in 2010 dollars



Sources: Authors' tabulations of the 1989, 1992, 1995, 1998, 2001, 2004, 2007, and 2010 Survey of Consumer Finances (SCF).
Notes: All dollar values are presented in 2010 dollars and data are weighted using SCF weights. Other debt includes nonprimary residential mortgages, lines of credit not secured by residential real estate, installment loans excluding student and vehicle loans, and other debt (e.g., loans against pensions or life insurance, margin loans).

Who Has Student-Loan Debt?

Student-loan debt is not exclusive to those who have been to college. Nine percent of people with no more than a high school degree have student-loan debt. They could have incurred the debt for a nondegree training certificate or by funding a child's education. As much as 25 percent of people with some college education but no college degree have student-loan debt. Some of those people could still be in school, others may have completed a nondegree certificate, and still others may have failed to complete the degree for which they took out the loan. The incidence of student-loan debt is slightly higher for those with a college or graduate degree: 30 percent and 28 percent, respectively.

People in households with incomes below $25,000 are 86 percent more likely to worry about repaying their student loans.

Student-loan debt is held by adults across the income spectrum but decreases sharply with age. Across four income groups (less than $25,000, $25,000 to $50,000, $50,000 to $100,000, and more than $100,000), a similar 18 percent to 21 percent of people hold student-loan debt. The likelihood of having student-loan debt falls from 40 percent of people in their 20s to 30 percent of people in their 30s, 19 percent of people in their 40s, and 4 percent of people age 60 and older.

African Americans and Hispanics are about twice as likely to have student-loan debt as whites. While 16 percent of whites have such debt, 34 percent of African Americans and 28 percent of Hispanics do. This difference is consistent with the fact white families have six times the wealth of African American and Hispanic families and are five times more likely to receive large gifts or inheritances.[4] Greater family wealth translates into greater opportunity, as adults can use the wealth to finance educations for themselves, their children, or their grandchildren.

Who Is Worried about Repayment?

Fifty-seven percent of people with student loans are concerned about being unable to repay them. To understand who is most worried, we used a regression framework to measure the relationship between student-loan repayment concern and person-level and household-level characteristics. The regression model separately examines each characteristic—educational attainment, household income, age, race/ethnicity, the number of financially dependent children, gender, living arrangement, employment status, and region—while controlling for the remaining characteristics.

People with college degrees are less worried about repayment. People with some college but no degree and people with graduate degrees are 13 percent to 14 percent more likely than people with college degrees to be concerned about repaying student-loan debt. People with some college include those who did not complete their degree and those who received a nondegree certificate that is not as valuable as expected, possibly driving the higher rates of repayment concern. People with graduate degrees could have loans for both college and graduate school, increasing their repayment stress.

Individuals in lower-income households are substantially more likely to have concern about their ability to repay their student loans. For example, compared with people in households with incomes above $100,000, people in households with incomes below $25,000 are 86 percent more likely to worry about repaying their student loans. The concern is nearly as great for people with incomes between $25,000 and $50,000, who are 72 percent more likely to worry about repayment.

Having financially dependent children is strongly related to concerns about student-loan repayment, likely because of competing needs and expenses. Compared with adults who have no financially dependent children, adults with two financially dependent children are 18 percent more likely to be concerned about repaying their student loans. People not employed full time are more worried, even when controlling for household income.

African Americans and Hispanics are about twice as likely to have student-loan debt as whites.

People who live in the Northeast have greater concerns about ability to repay student-loan debt than people in the rest of the country. According to a report from the Federal Reserve Bank of New York, several Northeastern states have above-average student debt per borrower.[5] Although some of these same states have below-average student-loan delinquency rates, the higher debt levels could increase stress and concern around ability to repay.

Race and ethnicity, as a well as household structure, are not significantly related to concerns about student-loan repayment. Although the descriptive statistics show that African Americans are more likely than non-Hispanic whites to worry about student-loan repayment, there is no statistically significant difference between the two groups after controlling for person-level and household-level characteristics, including income and employment status.

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Student-loan debt has seen sharp increases in recent years, topping $1.2 trillion dollars in 2014. On average, the benefits of postsecondary education outweigh the costs for people able to complete their degree.[6] Nonetheless, the short-term burden of repaying loan balances and interest can delay homeownership, building a rainy-day fund, and saving for retirement.

As prospective students contemplate their path, they should consider the likelihood of finishing their degree, earnings in their field of study, and the type of student loan they want (federal or private). Once students have debt, income-contingent repayment initiatives in federal loans can help them meet their obligations with less financial strain. Loans do help students finance their education, but the goal is to complete the degrees without getting buried in debt. Early steps in the right direction can help people move up the wealth-building ladder and attain economic security.

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