

Time to put more North Carolinians on prosperity grid

We all benefit daily from a power grid, and we can tell if our connection is working by walking into a room and flicking a switch. Go on, try it now - lights on, lights off.

Similarly, we also depend on a prosperity grid, which connects us to resources necessary for economic opportunity, including bank accounts, affordable housing and quality education. Unfortunately, getting plugged into the prosperity grid is a bit more difficult, and far too many North Carolinians remain disconnected.

Currently, 1.6 million residents in our state are asset poor. In the event of a loss of income, nearly a fifth of us lack property, savings accounts and investments to buffer the blow. As we cope with record unemployment and the rippling effects of a strained economy, how can we ensure North Carolina survives these difficult times and emerges as a leader for prospering communities?

A recent report by the N.C. Assets Alliance spells out the ingredients for sustainable and thriving communities. Even more importantly, it is a proposal to move toward an inclusive economy by ensuring that all North Carolinians have the ability to acquire assets, including the poor. "A Prosperity Grid for North Carolina" asserts that by improving access to quality education, affordable housing, sound financial services and small business ownership, North Carolina will remain economically competitive.

But first, two questions must be answered. First, can the poor save? Individual Development Accounts (IDAs), which match savings used for assets, have

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already resulted in millions of dollars of asset purchases by low-income households in North Carolina, primarily through homeownership. Findings of a 2008 national survey of IDA programs by the Corporation for Enterprise Development (CFED) are striking: of the 650 families surveyed who made an IDA-assisted home purchase in the past five years, only one foreclosed. North Carolina leads the nation in the use of this creative financial tool to create new savers and asset holders.

Second, should the poor save?

The research points us to an unequivocal yes. Creating opportunities for all families to hold assets will help stimulate and stabilize our economy. Studies show that children in households with assets are healthier, perform better academically and hold higher goals for the future. They are more likely to obtain high school diplomas, enroll in college and positively contribute to the economy and community life.

Unfortunately, funding streams for IDA programs are beginning to dwindle. The Corporation for Enterprise Development (CFED) determined that \$200 per low-income resident should be invested in an IDA program to sustain matching fund and operating expenses. Most IDA programs in our state are operated through community-based agencies and are largely funded by North Carolina's Department of Labor through the federal Assets for Independence Act. It costs about \$2,500 to support an individual through the program, which can leverage up to \$5,000 in savings. This effort can yield long-term returns by building home equity, retaining jobs in the community and fortifying the tax base for communities and the state.

However, several IDA programs have recently closed due to lack of administrative funding. The need for state and federal policies that provide permanent funding for asset-building programs is urgent. At the federal level, the Savings for Working Families Act of 2009 (currently reintroduced in the Senate and the House) would authorize funding for an additional 2.7 million IDAs, a three-fold increase over previous legislation. At the state level, the Departments of Commerce and the Department of Social Services, which together manage the Community Development Block Grant (CDBG), the Community Services Block Grant (CSBG), and Temporary Assistance for Needy Families (TANF) funds for the state, should allocate more of those federal dollars to North Carolina IDA programs as an effective economic recovery strategy. The growth of our collective economy depends upon it.

We once listened to a very successful fundraiser describe money and assets as "energy." Energy on a power grid must flow out to the homes that need it in order to be useful. While most North Carolinians do not have to worry about electricity, far too many of our citizens remain disconnected from the prosperity grid. In other words, they have no "asset energy" to sustain them in the event of a financial black-out. If assets are energy, then let there be light for all of us.

Solita Denard is a master's of social work candidate and research assistant at UNC. Michal Grinstein-Weiss, PhD, MSW, MA, is an assistant professor of social work.

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