

1-1-2004

Gap Analysis of the Current Financial Services Network in Calhoun County

George A. Erickcek

W.E. Upjohn Institute for Employment Research, erickcek@upjohn.org

Bridget F. Timmeney

W.E. Upjohn Institute for Employment Research, timmeney@upjohn.org

Brad R. Watts

W.E. Upjohn Institute for Employment Research

Follow this and additional works at: <https://research.upjohn.org/reports>

Citation

Erickcek, George A., Bridget F. Timmeney, and Brad Watts. 2004. "Gap Analysis of the Current Financial Services Network in Calhoun County." Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. <https://research.upjohn.org/reports/80>

This title is brought to you by the Upjohn Institute. For more information, please contact repository@upjohn.org.

Gap Analysis of the Current Financial Services Network in Calhoun County

The W.E. Upjohn Institute for Employment Research
George A. Erickcek
Bridget Timmeney
Brad Watts

Executive Summary

This report provides an assessment of the adequacy of the current financial services network, which includes for-profit, non-profit and government providers, in Calhoun County and offers recommendations on what steps could be taken to improve the delivery of these services. The focus of the report is primarily on addressing the needs of low-income individuals and households.

The county's for-profit, non-profit and public providers offer a wide selection of financial services for low-income individuals, as well as for individuals with special needs. Our interviews with the county's service providers left us impressed with both the level and availability of services.

The following is a summary of our findings:

- The major long-term barriers stopping individuals from advancing are employment related. Many low-income individuals are only marginally attached to the area's labor market and/or are stuck in low-wage, part-time jobs which offer very limited career ladders. Moreover, they do not have the skills or educational achievement levels necessary to compete for the area's higher-paying jobs.
- The working poor rarely have the resources to handle unexpected financial crises, such as medical expenses, high heating bills, major or on-going car repairs, or a job loss. The most numerous emergency calls received by the county's 211 Call Center are for assistance in paying the rent or utility bills.
- Current programs providing emergency fund assistance for the payment of heating and gas bills and rent are insufficient to meet the needs of many low-income households in Calhoun County.
- Improved financial management skills can help persons of limited income avoid costly financial mistakes and improve their living conditions; however, the

inability to keep and advance from low-wage jobs will bar many individuals from achieving financial success.

- Clothing, food assistance, and low-cost, one-time services such as financial advice or holiday gifts are the most adequately provided services for low-income residents. Conversely, the largest gaps cited typically involve more complex or expensive services, such as dental care, transportation and the development of jobs skills.
- Some individuals face multiple barriers to financial success, making it extremely difficult to effectively meet their needs. The positive impact of one intervention can be totally erased by the negative impact of an unaddressed barrier.
- Existing financial service providers do not, for the most part, appear to be hampered by capacity constraints. However, funding limitations, and eligibility and referral requirements are more of an issue.

The following is a summary of our comments on policy recommendations:

- Calhoun County’s service providers should first be praised for a job well done. During our interviews, we were impressed with the professionalism and motivation of both the managers and front-line service providers.
- Linking individuals in need to the available financial service programs that may help them remains a challenge. A major part of the problem is that many people do not think about financial issues until they are at a crisis point. Because of this, we recommend that an enhanced awareness program be conducted with the goal of making the county’s Call 211 program as well known as the 911 emergency number.
- The need to instill better financial knowledge and budgeting skills in low-income service recipients was almost universally mentioned by focus group participants. We recommend efforts be increased to reach individuals at “teachable moments”—before long-term money problems have a chance to develop.
- The burden of gas and electric bills on low-income households is significant. Additional funding and/or programs should be used to address the problem with grants, loans, or rate subsidies. But at the same time, long-term dependency should be discouraged. We recommend that a “negative interest” loan program be enacted which provides emergency loans to persons to assist in paying their gas and electric bills. If the person pays back the loan, he/she receives 25 percent of the amount back as a bonus. Of course restrictions should be applied regarding its usage.

- An alternative to high interest-rate “payday loans” and other forms of financing aimed at low-income individuals should be developed. The creation of a community development credit union in Battle Creek and Albion could provide a low-cost financing and banking option for individuals with low income or poor credit history.
- Perhaps the greatest problem facing most financial service clients is an inability to participate successfully in the working world. In regard to this core problem, financial services can provide only a temporary band-aid. Long-term relief will come only from increased development of human capital in low-income residents of Calhoun County. This requires improvements in the education, job skills, financial literacy, and living environment of a diverse group of individuals—a task far beyond the scope of this report or its participants. Furthermore, economic development efforts need to continue in Calhoun County to ensure that economic opportunities are available in the community.

Introduction

The purpose of this report is to provide an assessment of the adequacy of the current financial services network, which includes for-profit, non-profit and government providers in Calhoun County. In addition, we offer recommendations on what steps could be taken to improve the delivery of these services. While middle and upper income families can also suffer due to financial illiteracy, financial crises and unemployment, the focus of this report is primarily on addressing the needs of low-income individuals and households.

Many households residing in Calhoun County are not financially secure. This is especially true for many low-income households who face three major challenges:

- Insufficient human capital in terms of training, education and work experience to secure good-paying, full-time and year-round jobs.
- Lack of financial literacy.
- Personal/family challenges e.g., unemployment, divorce, substance abuse, and health, housing and transportation emergencies.

At the same time, low-income households face the challenge of managing their limited budgets in an environment peppered with serious financial traps. Rent-to-own schemes, “payday” lenders, high-interest credit card debt, and subprime market equity lenders can push uninformed individuals and households into serious financial difficulty that can lead to bankruptcy.

Unfortunate lifestyle choices, harmful personal relationships, and simple “bad luck” push many individuals and households into poverty and financial instability, as well. Although perhaps unquantifiable in terms of its monetary effect, problems such as domestic violence, drug and alcohol abuse, and peer or family pressures have been mentioned repeatedly as destabilizing factors in many of the households seeking help. Furthermore, the financial success of low-income individuals and households can be cut low by unforeseen setbacks such as a medical emergencies, car problems or home repairs. For middle-income households with insurance these unfortunate events can be weathered, but for low-income households they can be a disaster.

Of course all of the above factors are interrelated. Financial problems are a major cause for divorce and can lead to substance abuse, for example. Still, it is important to note that many high-income households are financially insecure due to these problems as well.

To resolve any one of these challenges would take significant resources and talent which few communities have. Moreover, since these challenges are interrelated, the task of improving the financial situation of the county’s vulnerable households or individuals can appear insurmountable.

Economists, when affronted with such a massive issue as trying to provide an environment where all households and individuals can gain financial security, tend to step back from the “big picture” and instead start their analysis by asking a simple

question: “If the community had one additional dollar to spend on improving the financial situation of economically-disadvantaged individuals where should it be spent?”

To address this question, an inventory of current efforts in Calhoun County to promote and provide financial stability and security was completed. Fortunately, in 2003 the Financial Services Initiative (FSI) compiled a comprehensive listing of the programs/activities available to assist households and individuals. FSI identified more than 60 listed programs offering a wide range of services (see Appendix A). While many are free and open to the general population, others are accessible only to households or individuals who meet specific eligibility criteria. As a part of this study, we contacted or attempted to contact all of these agencies to gain a firm understanding of these programs.

The FSI inventory focused on identifying the services provided by non-profit and governmental agencies, although it did list several private financial counseling providers as well. It was outside the intended scope of the FSI effort to identify the services provided by banks and non-bank financial service providers. In this report, we also examine the programs and services offered by banks and other financial service providers, such as payday loan outlets, rent-to-own stores and subprime lenders.

The second step in our analysis was to conduct a needs assessment. In the original design of this research effort we had hoped to be able to obtain this information directly from low-income individuals through a survey. While some survey information was gathered, this approach proved to be unrealistic and, in many respects, unnecessary. By tapping into the wealth of previous studies conducted in Calhoun County regarding the barriers facing economically-disadvantaged residents, analyzing the current call records of the County’s 211 system and interviewing the county’s service providers, we believe we have obtained a solid understanding of the needs and barriers facing low-income residents. In addition, using the Census 2000 Public Use Microdata Sample (PUMS) we were able to construct a statistical profile of the county’s low-income residents.

In short, this analysis has two goals. The first goal is to identify any existing gaps in the current service delivery system which may cause undue hardship to households or individuals in need of financial services. Gaps can exist when:

1. Programs do not address key barriers facing households and individuals as they strive to gain financial self-sufficiency.
2. Organizations do not have the capacity to meet the demand for their services.
3. Criteria or costs exclude households or individuals who would benefit from the program(s).
4. Information networks are inadequate in reaching households or individuals who would benefit from the program(s).

The second goal of this report is to offer feasible and realistic policy recommendations. Again, from the point of view of an economist, we want to identify where that extra dollar should be spent to generate the biggest impact in helping low-income households gain financial security. At the same time, we must be fully aware that the additional dollar (or extra \$1,000 dollars) does not go very far.

Characteristics of Low-Income Individuals Living in Calhoun County

Overall, low-income individuals living in Calhoun County

- completed fewer years of schooling,
- are less likely to be attached to the labor market,
- are stuck in low-wage occupations if they are in the labor market, and
- are more likely not to have access to a car than higher-income individuals.

The Public Use Microdata Sample (PUMS) from the 2000 U.S. Census offers us the opportunity to build a complete social/economic profile for a five percent sample of the individuals living in Calhoun County. In particular, it allows us to capture statistics on 1,004 individuals who were older than 16 years of age and who had incomes of less than 150 percent of federal poverty line in 1999.

School Completion

Of the 790 individuals in this sample who are 25 years or older and have incomes of no more than 150 percent of the poverty line, 37.8 percent dropped out of high school and only 5.7 percent completed either an Associate's Degree (two-year technical degree) or a Bachelor's Degree or higher (Table 1). In comparison, only 16.8 percent of all Calhoun County residents did not complete high school, and 23.9 percent have an Associate's Degree or higher level of education. Just over 56 percent of the sample earned a high school diploma or GED and then stopped their formal education.

Table 1

Education Achievement of Person 25 years or Older	Persons <150% poverty	
		Percent
Total in Sample	790	
Dropout	299	37.8%
HS Grad or GED	446	56.5%
Associate's Degree	28	3.5%
Bachelor's Degree or higher	17	2.2%

Source: U.S. Census 2000 PUMS

For the 37.8 percent of the sample who did not complete high school and for many of the individuals who earned only a high school degree, their future earnings potential is limited. While being more financially literate could help them manage their limited income better, it is their limited income potential that will, most likely, hold them back from gaining financial stability and security.

Many individuals in the above sample who did not complete high school are nearing retirement or have already retired. A key question as we turn to the future is what is the current situation facing young adults living in poverty? To address this issue, we focused on young adults living at 150 percent or less of the poverty line.

As shown in Table 2, two-thirds of teenagers between the ages of 16 to 19 years, living at or below 150 percent of the poverty line, are still in school and either working or not working. **However, 20.6 percent of the teenagers between the ages of 16 to 19 years (one out of five) were neither in school nor had a job.** Being disengaged from both activities at such a young age will only make it more difficult to reconnect in the future.

Table 2 also shows the employment and schooling activities of individuals between the ages of 19 and 24 years who are living at 150 percent of the poverty line or less. For this older group, 28.4 percent are still in school (most likely Kellogg Community College, Albion College or Davenport) and/or working. For these individuals, the sacrifices they are making today should pay off in the future in terms of finding better-paying jobs and careers. Nearly 50 percent are working, but one-third are neither working nor attending school. It is possible that a large portion of these individuals are raising infants. However, without gaining either post-high school training or work experience, the economic outlook for many of these young adults is not promising.

Table 2
Education and Employment Situation of Young Adults

<i>Teenagers: Ages 16 to 19</i>		Persons<151% poverty	
Number in Sample		102	Percent
Enrolled in School & Not Working		47	46.1%
Enrolled in School & Working		21	20.6%
Employed but No School Enrollment		13	12.7%
No Job or School Enrollment		21	20.6%

<i>Young Adults: Ages 19 to 24</i>		Persons<151% poverty	
Number in Sample		112	Percent
No Job Enrolled in School		11	10.8%
Job & Enrolled in school		18	17.6%
Employed but no school enroll		49	48.0%
No job or school enrollment		34	33.3%

Source: U.S. Census 2000 PUMS

Failure and Detachment in the Labor Force

Given that many of the individuals living at or below 150 percent of the nation’s official poverty line dropped out or only completed high school, it is not surprising that as a group, they faced a 14.8 percent unemployment rate (Table 3). In comparison, individuals making more than 150 percent of poverty, face a much lower 3.8 percent unemployment rate.

What is more disturbing is that only 42.3 percent of the adults (16 years or older) earning at or below 150 percent of poverty are participating in the labor force – either employed

or looking for work (Table 3). In other words, 57.7 percent are either caring for children, going to school full-time, disabled, or have simply given up and are not actively seeking work. In comparison, 68.1 percent of the persons living above 150 percent of the poverty line are attached to the labor market.

Only 8.5 percent of the sampled persons 16 years and older living at or below 150 percent of the poverty line received public assistance income (Table 3). Only 10.3 percent received Social Security Disability income (SSI). Finally, as is also shown in Table 3, language appears to be only a modest problem, since only a small fraction of the county's low-income residents—3.4 percent—do not speak English at home, and only 1 percent, of the sample, said that they do not speak English well.

**Table 3
Employment and Other Characteristics**

Persons older than 15 years:	At or Below 150% of Poverty		Above 150% of Poverty	
	Number in Sample	Percent	Number in Sample	Percent
With public asst income	85	8.5%	193	4.3%
w/ Social Security Disability Income	103	10.3%	217	4.8%
w/ any income	842	83.9%	4215	93.1%
w/ Wage & Salary Income	414	41.2%	3178	70.2%
w/ Self employment income	37	3.7%	245	5.4%
Full-time & year-round workers?				
w/ hours>35 per week last year	247	24.6%	2638	58.2%
w/ weeks>45 last year	205	20.4%	2578	56.9%
Unemployment Rate	14.8%		3.8%	
Participation Rate	42.3%		68.1%	
Language				
speak non-English at home	34	3.4%	195	4.3%
ability to speak English=not well or not at all	10	1.0%	29	0.6%

Source: U.S. Census 2000 PUMS

Low-Wage Jobs with Few Hours

For low-income persons who are in the workforce, many are in occupations which generally pay relatively low wages (Table 4). Nearly 8 percent are in food preparation or sales, while 4.2 percent are in cleaning and maintenance. Still, 9.4 percent are in production occupations (manufacturing), which can offer greater potential for advancement for individuals with modest formal education achievement. The most alarming statistic in Table 4 is that 18.2 percent of low-income individuals between the

ages of 16 to 64 years of age in the sample are not in school and did not list an occupation.¹

In all, 41.2 percent of individuals living at or below 150 percent of the poverty level earned wage and salary income. In other words, they are among the working poor. While low-wages are a major contributing factor to the low annual earnings of these individuals, they are also held back by holding part-time and/or seasonal jobs. Less than 25 percent of the low-income persons in the sample held jobs that offered more than 35 hours of work per week and only 20.4 percent held employment that lasted for more than 45 weeks. For higher income individuals, 58.2 percent held full-time jobs, and 56.9 worked for more than 45 weeks during the previous year.

Table 4
Occupations of Individuals Earning at or Below 150 Percent of Poverty

Occupation Category	Number of persons under 151% poverty	
	Number	Percentage
Total in Sample	1004	40.0%
No occupation under 64 yrs. and not in school	183	18.2%
Management	25	2.5%
Business & Financial	9	0.9%
Computer & Math		
Architecture & Engineering	1	0.1%
Life, Physical, Social Sciences		
Community & Social Svcs	8	0.8%
Legal	1	0.1%
Education & Library	14	1.4%
Arts, Design, Sports, Media	12	1.2%
Healthcare Practitioners & Tech	7	0.7%
Health Support	27	2.7%
Protective Service	9	0.9%
Food Prep & Service	79	7.9%
Cleaning & Maintenance	42	4.2%
Personal Care & Service	26	2.6%
Sales	79	7.9%
Office Admin	67	6.7%
Farming & Ag	6	0.6%
Construction	25	2.5%
Install, Maintain, Repair	17	1.7%
Production	94	9.4%
Transport	47	4.7%
Military	7	0.7%

Source: U.S. Census 2000 PUMS

¹ Persons listing “no occupation” are either not looking for work, or have not worked in the past four years. All other persons are directed to list their current occupation or, if unemployed, to list their most recent occupation.

Age is a factor as well. Young adults, just starting out, can face a long period of unemployment before they obtain starting-level positions, which will likely pay relatively low wages. As individuals gain work experience and additional training they can hopefully move up their career ladders to higher-paying jobs and out of poverty. As shown in Table 5, 21.3 percent of the persons, 16 years and older, who lived at or below 150 percent of poverty level were between 16 and 24 years of age in 2000. These persons accounted for 28.1 percent of all similarly-aged persons in the county.² By comparison, nearly 40 percent of all persons 16 years and older, who lived at or below 150 percent of poverty were between 35 and 64 years of age in 2000; however, this group only accounted for 13.9 percent of all persons in that age group in the county. If the same percentage of mature adults, between the ages of 35 and 64, lived at or below 150 percent of poverty as the county's population of 16 to 24 year olds, their sample size would have more than doubled from 397 persons to 805 persons.

Table 5
Age of Persons and Poverty Status

<i>Persons 16 years and older</i>	At or below 150% poverty level	% of those within 150% of Poverty	% of age group in county living <150% of poverty
Total sample	1004		
Age 16 to 24	214	21.3%	28.1%
Age 25 to 34	171	17.0%	18.9%
Age 35 to 64	397	39.5%	13.9%
Age 65+	222	22.1%	19.3%

Source: U.S. Census 2000 PUMS

Family status also matters as shown on Table 6. While 27.1 percent of all females older than 15 years of age lived in at or below 150 percent of poverty in 2000, only 11.8 percent of married females with children were equally poor.

² Based on the PUMS 5 percent sample for the county.

**Table 6
Females and Poverty**

Number of females 16 years of age or older	At or below 150% of poverty		Over 150% of poverty	Percent of all persons at or below 150% of poverty
		Percent		
Total Number of Females	619		2284	27.1%
w/ own children under 6 yrs	49	7.9%	138	35.5%
w/ own children 6 to 17 yrs	85	13.7%	437	19.4%
w/ children both <6 and 6-17	51	8.2%	113	45.1%
w/child<6 & married	18		108	16.7%
% of female w/ child<6 married	36.7%		78.3%	
w/child 6 to 17 & married	37		357	10.4%
% of female w/ child 6-17 married	43.5%		81.7%	
w/child & married	55		465	11.8%
% w/ child & married	41.0%		80.9%	

Source: U.S. Census 2000 PUMS

Transportation Barriers

The lack of transportation can be another major problem facing low-income individuals. As shown in Table 7, 15.1 percent of individuals living at or below 150 percent of poverty did not have access to a vehicle in 2000. This compares with only 3.6 percent for higher income individuals. Moreover, 42 percent of the individuals living at or below 150 percent of poverty resided in households with access to one vehicle, compared to 22.1 percent of higher income persons.

**Table 7
Vehicles Availability**

Number	Below 151 Poverty	
0	137	15.1%
1	381	42.0%
2	265	29.2%
3	98	10.8%
4	16	1.8%
5	4	0.4%
6	6	0.7%
Total Sample	907	100.0%

Source: U.S. Census 2000 PUMS

Neighborhood Analysis

A person's neighborhood can have a strong bearing on his/her financial well-being. Individuals living in low-income neighborhoods are less likely to obtain job leads from neighbors and friends through informal job networking than are persons living in more affluent areas. In some instances, employers have been known to hold unwarranted negative biases toward persons living in certain neighborhoods. In addition, residents living in low-income areas tend to be more vulnerable to crime and illegal drug activities than in other areas. Finally, as production and service jobs continue to move to suburban locations, job seekers residing in older inner-city neighborhoods may become increasingly isolated.

Neighborhood conditions have a significant impact on property values as well. For most households who own their home, it is by far their largest asset. Homeowners in low-income neighborhoods usually find that the values of their homes do not grow as fast as in more affluent areas. In highly blighted areas, home values may even deteriorate. Moreover, as houses in many low-income areas are older-than-average, their owners most likely face higher maintenance costs.

In Table 8, we list the census tracts where more than 15 percent of the residents lived in poverty in 2000. Overall the average poverty level for the 12 tracts stood at 22.3 percent, compared to 7.6 percent in the county's remaining tracts.³ Nine of the tracts are in the Battle Creek-Springfield urbanized area, while the remaining three are in Albion. As shown in the table, these census tracts lost 7.3 percent of their 1990 population during the decade, while the county's remaining tracts gained nearly 5 percent in population. A growing population base is important to supporting property values and neighborhood commercial activities. While these tracts accounted for 25.4 percent of the county's total population, they housed nearly 50 percent of the county's residents who were at or below poverty.

³ See the appendix for maps of Calhoun County Census 2000 tracts.

Table 8
Low Income Neighborhood Characteristics

Census Tracts	Location	Population	Population Change 1990 to 2000	Population In Poverty	Poverty Rate	Total Labor Participation Rate	Total Unemployment
Tract 4	NW. Central Battle Creek	2,832	1.3%	836	29.6%	55.8%	11.9%
Tract 36	Albion	2,403	-4.4%	657	27.7%	58.7%	9.4%
Tract 5	SW. Central Battle Creek	3,499	3.0%	938	26.8%	66.4%	9.4%
Tract 2	E. Central Battle Creek	4,542	-9.0%	1110	24.8%	64.8%	10.1%
Tract 7	SE. Central Battle Creek	3,602	7.5%	739	24.6%	47.6%	14.1%
Tract 6	S. Central Battle Creek	3,891	3.1%	862	22.4%	61.5%	11.2%
Tract 3	NW Central Battle Creek	2,117	-34.3%	462	22.1%	60.5%	10.2%
Tract 34	Albion	2,351	-19.5%	295	18.2%	74.6%	14.8%
Tract 33	Albion	2,390	-11.5%	403	17.6%	55.5%	6.0%
Tract 26	Springfield	1,435	-32.0%	188	15.2%	52.9%	7.7%
Tract 10	N. Battle Creek	4,487	0.8%	670	15.2%	59.2%	7.6%
Tract 21	E. Battle Creek	1,470	-5.0%	223	15.2%	53.6%	6.4%
Total		35,019	-7.3%	7,383	22.3%	59.8%	10.2%
County		138,025	1.5%	15094	11.3%	62.8%	5.8%
Percent of County		25.4%		48.9%			
County Outside of High Poverty Areas		103,006	4.9%	7,711	7.6%	63.8%	4.4%

Source: 2000 Census

Not surprisingly, residents in these 12 economically disadvantaged census tracts suffered higher rates of unemployment and were less attached to the labor market. The average unemployment rate in these 12 tracts reached above 10 percent in 2000, compared to the 4.4 percent average rate for the remaining county tracts. The labor participation rate—the percentage of persons 16 years and older who are in the labor force (working or looking for work)—dipped under 60 percent, while it was nearly 64 percent for the other 27 tracts in the county.

In short, many of the county’s low-income residents are housed in areas of concentrated poverty, which not only limits their access to informal job networking opportunities but also dampens property value appreciation (if they are homeowners).

Finally, Calhoun County is slightly more racially segregated than other urbanized counties in the state. Racial segregation brings its own set of economic challenges to the community, including negatively impacted property values, divided communities, limited multi-racial/cultural social networks, and a loss of the quality of life that comes with living in a culturally diverse and integrated region.

A common method used to measure the racial diversity of an area is an Index of Segregation. If the Index is 0.0, it means that the racial composition of an area’s neighborhoods (in this case defined as Census Tracts) is all the same. Conversely, an Index of 1.0 would indicate that neighborhoods were populated by only all white, or all black residents. As shown in Table 9, Calhoun County’s Index of Segregation was 0.61 in 2000, slightly lower (improved) from its 1990 reading of 0.63. Wayne (Detroit) has the highest Index score, 0.86 followed by Berrien County, while Midland County has the lowest, 0.38.

Table 9
Index of Segregation

Index of Segregation		1980	1990	2000
County	City			
Wayne	Detroit	0.82	0.85	0.86
Muskegon	Muskegon	0.73	0.77	0.78
Berrien	Benton Harbor	0.73	0.74	0.75
Genesee	Flint	0.84	0.81	0.75
Saginaw	Saginaw	0.81	0.82	0.73
Kent	Grand Rapids	0.73	0.69	0.62
Calhoun	Battle Creek	0.55	0.63	0.61
Jackson	Jackson	0.74	0.7	0.53
Washtenaw	Ann Arbor	0.48	0.49	0.51
Ingham	Lansing	0.47	0.49	0.51
Kalamazoo	Kalamazoo	0.57	0.53	0.48
Bay	Bay	0.5	0.49	0.46
Midland	Midland	0.44	0.43	0.38

Source W.E. Upjohn Institute and U.S Census

Labor Demand

A person with low-skills and limited formal education can still find employment in Calhoun County; the problem is that the job will likely offer low wages with few benefits, and be part-time and/or seasonal. Table 10 lists the 30 occupations which are expected to experience the faster growth in annual job openings in Calhoun, Branch and Barry counties from 2000 to 2010. Of the top 10 fastest growing occupations in the three-county region, six pay an average wage of less than \$10.00 per hour. The total number of annual job openings expected during the 10-year period that on average paid less than \$10.00 per hour in 2002, is 961.

In addition, many of the low-wage positions that are in strong demand have relatively short career ladders and high turnover rates, suggesting that the work environment is questionable. In short, a lack of education and training will not necessarily keep you from finding a job, just from finding a good-paying job. At the same time, it should be noted that an increase in training or education does not provide a guarantee that an individual will find a good job in the area.

Table 10
Forecasted Annual Openings from 2000 to 2010.

Occupations	2000 Employment	Annual Openings	2002 Hourly Wage
Combined Food Prep/Serv Wrkr, Inc Fast Fd	2,670	231	\$6.92
Retail Salespersons	3,905	214	\$9.52
Cashiers	3,135	192	\$7.85
First-Line Sup/Mgrs of Retail Sales Wrkrs	2,780	102	\$16.91
Waiters and Waitresses	1,350	99	\$6.88
Child Care Workers	1,420	76	\$8.65
Home Health Aides	955	59	\$8.82
Nursing Aides, Orderlies, & Attendants	1,610	54	\$10.38
Carpenters	1,210	52	\$17.17
Stock Clerks and Order Fillers	1,360	50	\$11.31
Food Preparation Workers	820	49	\$8.40
Janitor/Cleaner, Ex Maid/Housekeep Cleanr	1,435	47	\$10.59
Cut/Punch/Press Mach Settrs/Opr/Tndr, M/P	1,120	45	\$11.45
Registered Nurses	1,395	45	\$23.68
Bartenders	875	41	\$7.20
Bookkeeping/Accounting/Auditing Clerks	1,525	40	\$13.46
Production Workers, All Other	1,630	40	NA
Laborers Freight/Stock/Materl Movers-Hand	910	39	\$12.00
Customer Service Representatives	795	38	\$14.04
Office Clerks, General	1,220	36	\$11.33
Automotive Service Technicians/Mechanics	785	35	\$16.26
First-Line Sup/Mgrs: Construction/Extract	780	34	\$30.74
Machinists	550	32	\$15.39
First-Line Sup/Mgrs: Production/Operator Workers	1,075	32	\$24.79
Postsecondary Teachers, All Other	980	32	NA
Team Assemblers	1,170	31	\$12.75
Truck Drivers, Heavy & Tractor-Trailer	935	31	\$16.11
Business Operations Specialists, AO	1,065	29	NA
Motor Vehicle Operators, All Other	595	29	NA
Landscaping & Groundskeeping Workers	490	28	\$10.18

Source: DLEG - Calhoun, Barry and Branch Counties - Hourly wages:2002 Kalamazoo-Battle Creek MSA

Assessment of Need for Financial Services

To assess the need for financial services for low-income and special needs populations, we took the following steps.

- Conducted three focus group sessions of non-profit and public service providers to identify the major problems facing low-income individuals.
- Attempted to conduct our own survey of low-income clients/customers of several of the county's financial service providers.
- Analyzed the findings of previous needs assessment reports prepared in the county, as well as the call report records of the county's Call 211 program.

Focus Group Session with Service Providers

In April we conducted three focus group sessions of financial service providers in Calhoun County. The participating organizations and their representatives are listed in Appendix B. The following are the common themes regarding customer needs raised during the focus group sessions:

- **Lack of access to services due to information gaps and policy issues.** Customers are often not aware of the services available or hesitate in using services. At least one person cited the need for "wrap around" program delivery. Another person mentioned the need for mentors or advocates who could guide customers to the appropriate set of services (this is especially true for seniors). Policy issues which hinder the delivery of services include overworked service providers who are burdened with too many cases (should be no more than 40 cases per worker according to one participant). Moreover, several argued that strict eligibility requirements are blocking many persons from receiving the services they could use.
- **There are gaps in the delivery of services to seniors.** Expand programs for seniors including: 1) homeowner assistance programs (home upkeep, finding/securing contractors, and other shelter issues); 2) financial assistance for out-of-pocket medication costs; 3) adult foster care/assisted living options; and 4) advocates or mentors to assist seniors in finding and retaining needed services.
- **Access to medical services, especially dental services, should be expanded.** For adults with low income, affordable dental care is extremely limited. Unlike general medical care, many dentists require up-front payments. It is also very difficult to find dentists willing to donate their services or accept reduced fees. Most low-income dental treatments are available only on an emergency basis, such as in the case of a tooth extraction. This is a key employability issue due to the negative visual perception of individuals with missing and/or rotten teeth. In addition to dental services, participants also cited lack of the funding for sight, hearing and podiatry services.

- **There are an insufficient number of financial education/budgeting skills programs.** Although some budgeting classes are available, participants favored one-on-one budget sessions, since they allow specific problems to be addressed and have a greater likelihood of actually changing the spending/budgeting behavior of customers. One of the greater challenges is to get customers to address existing problems before it is “too late” and their financial situation becomes unmanageable. Second, there are no compliance certification standards for the services offered, and the services are not comprehensive. Individual programs that were suggested included 1) free tax preparation; 2) assisting parents in teaching their children the value of money and money management; 3) retirement planning beyond social security; and 4) debt resolution. One participant suggested a buyout loan program that would free individuals from predatory lenders. Another suggested foreclosure lending for high risk individuals.
- **Poor transportation options are a common problem.** Inadequate bus schedules, geographic boundaries, the lack of reliable vehicles and the high cost of car insurance all impede persons from getting to and from work. Certain areas (Urbandale was mentioned) are not well served by the bus system, although overall public transit seemed to get OK marks. The Care-A-Van program was mentioned as being effective, but expensive to maintain. Automobile programs (i.e. Goodwill Wheels to Work) are available, however, in the discussion of budgeting, old and worn-out cars were mentioned as a frequent financial problem, because of operating costs or frequent repairs.
- **Basic literacy skill training is needed.** Comprehensive GED classes are now extremely limited in Battle Creek according to one participant. Services in Battle Creek only provide studying assistance for passing the “modules” of the test, not overall skills. Also more classes are needed to assist persons to overcome language barriers, especially English as a second language. More Hispanics have moved into the region who are not able to read/write or speak English. The County employs a full-time translator, but there isn’t enough available to teach basic English language skills to Spanish-speakers. Employability skills training including basic computer skills certification for employers are also needed.
- **Affordable child care for second and third shifts is very limited.**
- **More specialized concerns were cited as well.** These included 1) housing issues such as emergency foreclosure financing, mortgage/rental assistance, rehab grants, forgivable loans for home needs i.e., roofs, furnaces, and for needed improvements outside of MSHDA guidelines; 2) emergency relief money/loans for families/individuals facing expensive car repairs or medical charges; 3) grant program funds for personal development needs, such as programs that would pay for job-related tools or the first month’s rent on an apartment; 4) grant programs for entrepreneurs; 5) programs to subsidize computer distribution and internet access; 6) improved funding for Operation Graduation, which provides housing and short-term loans to independent high school students.

Survey of Current Clients/Customers of Financial Services Agencies

Guardian Inc., which provides financial services for seniors and disable populations, Neighborhoods Inc., which assists low-income, first-time homebuyers, and Michigan Works!, which offers job search/training assistance for displaced workers, all agreed to survey a sample of their customers/clients as a part of this study. The tabulated results of these surveys are show in Table 11.

The survey of Guardian's customers⁴ reflects a population that is being well served, as shown by the fact that they cited few additional immediate needs. Although most of those surveyed were senior citizens, only 3 of the 29 individuals, who returned their surveys, cited an immediate medical need.

The nine Neighborhoods, Inc potential home buyers who completed the survey cited many more immediate needs, however. In fact, on average, each person listed 6.6 immediate needs with four having 9 or more. Not surprisingly, housing issues topped their needs list. Additionally, 4 of the 9 surveyed marked down an immediate need for prescription coverage, medical insurance, help with utility bills, and help with debt management.

To no surprise, assistance in finding a job (nearly 50 percent) and in job skills training ranked high among the 73 individuals polled at Michigan Works!. Education completion assistance and transportation were also cited by more than 25 percent of those surveyed.

Finally, the returned surveys from Neighborhoods Inc. and Michigan Works! customers clearly show the large scope of services needed by some individuals. More than 20 percent of the job seekers at Michigan Works! also have an immediate need for rent assistance, emergency home repair, dental care, and help in paying their utility bills.

Analysis and Review of Recent Needs Assessment Studies and Statistics

Fortunately, several recent surveys and reports have been completed in Calhoun County that provide a good understanding of the problems being faced by the county's low-income residents. Moreover, we obtained access to the individual call reports from the county's Call 211 program (excluding personal information), which provided a rich database of both requests for services by county residents and the ability of the county service providers to respond.

⁴ Guardian survey recipients were all participants in the Money Management Assistance program, which consists primarily of persons over age 60.

Table 11 - Results of Customer Surveys

	Seniors Citizens (Guardian)		Potential Home Buyers (Neighborhoods Inc.)		Job Seekers (Michigan Works!)	
Number of surveys completed	29	100.0%	9	100.0%	73	100.0%
No Other Immediate Need	12	41.4%	1	11.1%	13	17.8%
HOUSING						
Finding A Place To Live	0	0.0%	6	66.7%	21	28.8%
Assistance with First Month Rent	0	0.0%	7	77.8%	19	26.0%
Emergency Home Repairs	1	3.4%	3	33.3%	7	9.6%
Assistance with Paying Mortgage	0	0.0%	0	0.0%	8	11.0%
MEDICAL						
Help Paying for Prescriptions	2	6.9%	4	44.4%	9	12.3%
Help with a Physical Disability	0	0.0%	0	0.0%	3	4.1%
Help with a Medical Bill	0	0.0%	3	33.3%	12	16.4%
Access to medical insurance	0	0.0%	4	44.4%	14	19.2%
Access to medical care	0	0.0%	1	11.1%	4	5.5%
Family or Child Counseling	0	0.0%	2	22.2%	4	5.5%
Access to a Dentist	1	3.4%	1	11.1%	18	24.7%
General Household and Financial						
Help with Utility Bills	0	0.0%	4	44.4%	19	26.0%
Education Completion Assistance	0	0.0%	3	33.3%	21	28.8%
Transportation	0	0.0%	5	55.6%	19	26.0%
Job Skills Training	0	0.0%	1	11.1%	23	31.5%
Help wit Debt or Credit Card Assist in Finding Additional Services	0	0.0%	4	44.4%	17	23.3%
Finding Legal Advice	0	0.0%	2	22.2%	10	13.7%
Child Care	0	0.0%	2	22.2%	7	9.6%
Baby Formula	0	0.0%	3	33.3%	7	9.6%
Tax Preparation Assistance	0	0.0%	0	0.0%	2	2.7%
Help Finding a Job	0	0.0%	0	0.0%	1	1.4%
Help Finding a Job	1	3.4%	5	55.6%	35	47.9%

Community Action Agency 2003 Survey

The Community Action Agency of South Central Michigan (CAA) surveyed its recipients in the summer of 2003 to identify the barriers that are stopping them from reaching self-sufficiency. The survey achieved an impressive 48 percent response rate with nearly 1,200 individuals responding. Of those responding, 83 percent were female, 35 percent were over the age of 70, and 20 percent were between the ages of 24 to 44 years of age.

Table 12
Top 10 Barriers to Success

	All Programs	Primarily Working-Age Adults		Primarily Seniors	
		Head Start	Housing	Nutrition & Seniors	MI Enrolls
1	Physical/Mental Health Problems	Credit/money problems	Credit/money problems	Physical/Mental Health Problems	Disability
2	Disability	Divorced/Single Parents	Physical/mental Health	Disability	Physical/Mental Health Problems
3	Need High School Diploma	No College degree	Need High School Diploma	Need High School Diploma	Need High School Diploma
4	Credit/Money Problems	Not Enough Jobs	Not enough jobs	No College Degree	No College Degree
5	No College Degree	Need Job Training	Disability	Not able to do work around the house	Not able to do work around the house
6	Not Enough Jobs	Need High School Diploma	No college degree	Credit/Money Problems	Credit/Money Problems
7	Lack of Transportation	Lack of Child care	Need Job Training	Don't know	Lack of Transportation
8	Divorced/Single Parents	Physical/Mental Health Problems	Lack of Transportation	Divorce/Single Parents	Unable to Read
9	Not able to do work around the house	Inconsistent child support payments	Divorced/single parents	Not Enough Jobs	Don't Know
10	Need Job Training	Don't know	Lack of child care	Need Job Training	Other

Source: Community Action Agency (CAA) of South Central Michigan 2003 Community Needs Assessment

The survey results are sorted by the following CAA programs: Education/Early Children, Housing, Nutrition and Michigan Enrolls. Education/Early Children (Head Start, Early Childhood Services, and Fatherhood/Male Involvement Program) and Housing (IDA accounts, weatherization, home repair, emergency services) programs are used largely by individuals between the ages of 24 and 44 years of age. In all, 93 percent of the clients using CAA Education/Early Children programs were between 18 and 44 years of age. Turning to CAA's housing programs, 55 percent of the recipients were in the same age group.

At the same time, the agency’s nutrition (Emergency Food Assistance Program for persons 60 years and older, Elder-Pac, Meals-on-Wheels, Congregate Meal Sites) and Michigan Enrolls (assisting older individuals in completing their Medicaid enrollment forms) are geared toward the region’s older residents. In total 89 percent and 74 percent of the clients in CAA Nutrition and Michigan Enrolls were 55 years or older, respectively.

The major findings of the survey sorted by CAA programs are shown in Table 12 and Table 13, with Table 12 identifying the top 10 barriers to success identified by the respondents and Table 13 listing the top 10 needs to eliminate these barriers.

**Table 13
Top 10 Barriers that Need to be Eliminated**

	Primarily Working-Age Adults		Primarily Seniors		
	All Programs	Head Start	Housing	Nutrition & Seniors	MI Enrolls
1	Jobs with Benefits	Higher Paying Jobs	Higher Paying Jobs	Help Around the House	None
2	Higher Paying Jobs	Jobs with Benefits	Jobs with Benefits	None	Help Around the House Support
3	None	Help with College Degree	Reliable Transportation	Jobs with Benefits	Services for Disability
4	Help Around House	Improved Job Skills	Improved Job Skills	Support Services for Disability	Reliable Transportation
5	Reliable Transportation Support	Regular Child Support	Completing High School	Don't know	Jobs with Benefits
6	services for Disability	Completing High School	Help with College Degree	Reliable Transportation	Don't Know
7	Improved Job Skills	Affordable Child Care	Budgeting/Financial Planning	Higher Paying Jobs	Improved Job Skills
8	Completing High School	Budgeting/Financial Planning	Affordable Child Care	Learning to Read Better	Higher Paying Jobs
9	Budgeting/Financial Planning	Reliable Transportation	Stable Place to Live	Completing High School	Budgeting/Financial Planning
10	Help with College Degree	None	Support Services for Disability	Improved Job Skills	Learning to Read Better

Source: Community Action Agency (CAA) of South Central Michigan 2003 Community Needs Assessment

Not surprisingly, for respondents in the two programs populated primarily by working-age adults, employment, training and financial issues ranked high on both lists. Credit and money problems topped both the Head Start and Housing clients list of major barriers, while the lack of higher paying jobs and jobs with benefits reached the top of their list of barriers. Moreover, respondents in both programs clearly recognized the

importance of further education and job training to get ahead. Of all survey respondents, 34 percent did not have a high school diploma, and 44 percent stopped their formal education with the completion of high school or the obtainment of a GED. At the same time, the report’s findings suggest that many of the participants have good workplace know-how skills in that “43 percent of all participants indicated that finding and or keeping a job was not a problem for them, however the need for a higher paying job, a job with benefits or help improving their current employability through training and or education was communicated as a need.”⁵

Yes we can!

In 2001, the W.K. Foundation in partnership with other organizations and neighborhood residents founded the “Yes we can!” effort to identify neighborhood strengths in Battle Creek and to promote resident-driven community development activities. The focus of the “Yes we can!” initiative is to “help young people create brighter futures” and “empower adults with the skills we need to provide for ourselves and our families.”

The organization focuses on the neighborhoods surrounding the following elementary schools which serve residents in the census tracts listed on Table 8.

**Table 14
Location of Neighborhood Schools**

School	Census Tract
Franklin	Tract 6
McKinley	Tract 2
Post	Tract 7
Prairie view	Tract 14
Roosevelt	Tract 5
Washington	Tract 10
Wilson-Edison	Tract 4

While the focus and mission of “Yes we can!” goes well beyond addressing the need for financial services by low-income individuals, several of its findings are helpful and insightful. As shown on Table 15, better-paying jobs and access to the training necessary to obtaining these jobs were mentioned often during the neighborhood meetings. In addition, during at least one of the meetings, the need for budget classes was highlighted.

⁵ Community Action Agency (CAA) of South Central Michigan, *2003 Community Needs Assessment*, page 10.

Table 15
Neighborhood Visions Identified by “Yes we can!”

School	Visions for an Economic and Financially Secure Neighborhood
Franklin	<p>People would be more educated about the need to be trained about finances, the need for planning for their children's education and retirement.</p> <p>More stable jobs and training</p> <p>We need financial resources and a list of other available resources in the community.</p>
McKinley	<p>More training sessions/centers for jobs</p> <p>Adult education programs</p> <p>Access to Affordable childcare</p> <p>Neighborhood is desirable and [families would] move in and purchase homes</p>
Roosevelt	<p>There is increased home ownership</p> <p>Vocational center would be offering more services and more people would be attending.</p> <p>People are able to afford something other than just their basis needs. They can afford a little luxury and recreation.</p> <p>See more than just an increase in minimum wage jobs.</p> <p>People improving their homes.</p>
Post	<p>People have security and buying homes, reduced rentals.</p> <p>More stable and well-paid jobs.</p>
Prairieview	<p>More minimum wage paying jobs with on-the-job training provided...[so that residents can] hold down jobs.</p> <p>Small industry hiring workers and paying \$11 per hour for 50 newly hired workers</p>
Wilson-Edison	<p>People have better skills and knowledge about how to manage their assets- they are better at things like budgeting, saving and investing.</p>

Call 211

One measure of need in Calhoun County is the number and nature of calls being received by the County’s 211 Call Center. From September 1, 2003 to June 30, 2004, the center received 18,210 calls for assistance ranging from a simple request for a telephone number to an urgent need for emergency shelter. While the calls being received by the County’s 211 center, do not by any means provide an estimate of the county’s economically-distressed population; they do offer a good sample of the types of needs the county’s more economically-distressed residents have.⁶

3 One major exception is emergency medical assistance, which is more likely addressed at health clinics, urgent care centers or emergency rooms without the need for a phone call.

Table 16

Top 211 Service Referrals for First Time Callers			
Description	Referred Count	Unmet Count	Portion of Total Calls Unmet
Gas Bill Assistance	205	45	18.0%
Rent Assistance	95	102	51.8%
General Food Assistance	161	2	1.2%
Electric Bill Assistance	102	35	25.5%
General Apparel	80	4	4.8%
Prescription Expense Assistance	54	26	32.5%
Home Maintenance Services	53	6	10.2%
Dental Care	37	20	35.1%
Transportation	20	24	54.5%
Household Goods	43	1	2.3%
Mortgage Assistance	22	19	46.3%
Subsidized Rental Housing	32	2	5.9%
Water Bill Assistance	20	12	37.5%
Emergency Shelter	21	11	34.4%
General Legal Aid	22	1	4.3%

Source: Call 211

Since a high percentage of the calls can be repeat calls reflecting the urgent needs of a small number of economically-distressed individuals or families, we examined both the records of total calls as well as for first-time callers in the analysis. More than 30 percent of first-time callers sought assistance in paying rent and utilities bills (gas and electric) and 70 percent of these individuals were referred to a service provider. Requests for general food assistance made up another 9 percent of the calls and all but 1.2 percent were referred to a service provider.

It is important to note that first-time callers seeking assistance in paying their gas and/or electric bills and looking for a food pantry were more likely to get a referral to a service agency that may have been able to help, than those seeking assistance with paying their rent. Of course, getting a referral is no guarantee of obtaining assistance, but it does suggest that the county's social services delivery network is in a better position to assist in these areas than in others.

Table 17 lists the top fifteen requests for assistance from all callers from September 1, 2003 to June 30, 2004.⁷ Again, assistance in paying utility bills and rent topped the list,

⁷ Calls for general information, such as telephone numbers, addresses, and hours of operations for service organizations were removed from the list.

along with general food assistance. It is interesting to note that only 5.5 percent of the food assistance requests and 3.9 percent of the clothing request went unmet. As was true with first-time calls, the county’s service providers’ network had the most difficulty in meeting the needs of renters, individuals in need of transportation, and of individuals behind on their water bills.

Table 17
Top 15 Requests from All Callers for Services

Description	Unmet Count	Referred Count	Portion of Total Calls Unmet
Gas Bill Assistance	888	1,430	38.3%
General Food Assistance	72	1,238	5.5%
Electric Bill Assistance	424	923	31.5%
Rent Assistance	889	816	52.1%
General Apparel	18	441	3.9%
Household Goods	64	323	16.5%
Prescription Expense Assistance	239	260	47.9%
Home Rehabilitation/Repair	37	243	13.2%
Water Bill Assistance	317	180	63.8%
Holiday Programs	14	145	8.8%
Subsidized Rental Housing	10	135	6.9%
Transportation	178	114	61.0%
Dental Care	97	112	46.4%
Diapers	10	106	8.6%
Emergency Shelter	73	106	40.8%

Source: Call 211

It is likely that many of these requests for emergency assistance in paying utility bills or rent are the result of one-time events, such as the loss of a job or an accident and not the result of long-term financial problems. If this is the case, it is also clear that financial programs which could enable households to bridge these short-term gaps in earnings would be extremely helpful.

The type and nature of the requests vary for different age groups as shown on Table 18 and Table 19. Table 18 shows the top five requests that were referred to a service provider and Table 19 shows the top five requests that went unmet for four different age groups. For the county’s senior population, home maintenance and repair ranked high on the list reflecting the fact that many own their own home, while in the younger age groups, assistance in paying rent ranks high.⁸

⁸ Again it is important to note that medical needs are typically addressed through alternative means, particularly among the younger age groups.

Table 18
Referrals by Age Group

Ages 65+			Ages 30 to 49		
<u>Description</u>	<u>Referral Count</u>	<u>Percent</u>	<u>Description</u>	<u>Referral Count</u>	<u>Percent</u>
Total	403		Total	3,698	
Gas Bill Assistance	70	17.4%	Gas Bill Assistance	709	19.2%
Home Rehabilitation/Repair	52	12.9%	General Food Assistance	690	18.7%
General Food Assistance	35	8.7%	Electric Bill Assistance	521	14.1%
Home Maintenance Service	33	8.2%	Rent Assistance	381	10.3%
Electric Bill Assistance	23	5.7%	General Apparel	212	5.7%
Ages 50 to 64			Under 30		
<u>Description</u>	<u>Referral Count</u>	<u>Percent</u>	<u>Description</u>	<u>Referral Count</u>	<u>Percent</u>
Total	1,140		Total	2,217	
General Food Assistance	234	20.5%	Gas Bill Assistance	430	19.4%
Gas Bill Assistance	197	17.3%	Rent Assistance	338	15.2%
Electric Bill Assistance	114	10.0%	Electric Bill Assistance	256	11.5%
Rent Assistance	73	6.4%	General Food Assistance	251	11.3%
General Apparel	73	6.4%	General Apparel	136	6.1%

Source: Call 211

In summary, the county’s economically-distressed residents face both long-term and short-term challenges. The CAA and “Yes we can” findings clearly show that the long-term need expressed by low-income residents is for better jobs that pay higher wages and provide benefits. The responders are also aware, however, that they will need more education and more advanced skills to qualify for these jobs.

In the short-term, many low-income individuals face difficulty in paying monthly bills. It is likely that for the majority of these individuals, these instances are rare and are triggered by an unfortunate event, such as the loss of employment, a major car repair, divorce or a medical emergency.

The challenge to the county’s financial services community is to provide the means for individuals to weather the short-term crises while retaining the financial stability to save and invest in their long-term future.

Table 19
Unmet Needs by Age Group

Ages 65+			Ages 30 to 49		
<u>Description</u>	<u>Referral</u> <u>Count</u>	<u>Percent</u>	<u>Description</u>	<u>Referral</u> <u>Count</u>	<u>Percent</u>
Total	157		Total	1,953	
Home Main & Rehab.	41	26.1%	Gas Bill Assistance	418	21.4%
Gas Bill Assistance	29	18.5%	Rent Assistance	409	20.9%
Electric Bill Assistance	16	10.2%	Electric Bill Assistance	243	12.4%
Dental Care	9	5.7%	Water Bill Assistance	204	10.4%
Rent Assistance	8	5.1%	Prescription Expense Asst.	138	7.1%
Ages 50 to 64			Under 30		
<u>Description</u>	<u>Referral</u> <u>Count</u>	<u>Percent</u>	<u>Description</u>	<u>Referral</u> <u>Count</u>	<u>Percent</u>
Total	522		Total	1,238	
Rent Assistance	96	18.4%	Rent Assistance	369	29.8%
Gas Bill Assistance	95	18.2%	Gas Bill Assistance	328	26.5%
Prescription Expense Asst.	53	10.2%	Electric Bill Assistance	121	9.8%
Electric Bill Assistance	38	7.3%	Water Bill Assistance	81	6.5%
Transportation	26	5.0%	Transportation	39	3.2%

Description of the Current Programs Offered in the County to Address the Financial Service Needs of Low-Income Individuals and Households

As shown above, the major long-term problem facing many low-income individuals is that they lack the education, training and work experience to get beyond holding low-wage jobs. In addition childcare, transportation difficulties, and the negative neighborhood impacts can increase the likelihood that low-income individuals do not make successful attachments to the labor market. Finally, low-income individuals are highly vulnerable to one-time events which can lead to a financial crisis.

Nevertheless, another barrier facing individuals of low income is the inability or difficulty in managing their income in order to both achieve the best standard of living possible given their budget constraints and establish a solid credit history.

In this section of the report, we examine the current level and type of financial services being offered in the for-profit marketplace, as well as by non-profit and government agencies. Unfortunately, we and other researchers across the nation have found that low-income residents live in an unhealthy financial environment. Many are limited to using financial services that charge extremely high interest rates and can trigger a downward spiral leading to personal bankruptcy. Moreover, we are worried that the county's non-profit and governmental financial service providers may not have the tools necessary to offer an alternative route.

Private For-Profit Financial Services

Private financial service institutions provide a wide range of tools and programs that are available for low-income residents in Calhoun County. These services range from standard banking services to credit cards to rent-to-own centers. Several are subject to much criticism, especially payday lending outlets and rent-to-own centers.

Commercial Banks

In Table 20, we identify all of the bank branches in the county and their service fees and requirements for opening and maintaining both checking and saving accounts. Many of the county's banks are geographically accessible to low-income users. For instance, Chemical Bank Shoreline has three branches in Albion. It requires no minimum opening deposit for checking or savings accounts and does not charge any monthly service fee for checking. Fifth-Third Bank also does not charge a monthly service fee for checking at its four branches in Battle Creek; although it does require a \$50 minimum opening deposit for checking and savings. For most potential customers, the only requirement hurdle may be the need for a second form of identification, such as a pay stub, tax return, credit card, or birth certificate—although this situation is not necessarily tied to one's income level.

Unfortunately, all of the banks do have charges and penalties that are more likely to impact low-income customers than their more affluent customers. As shown on Table

20, all banks charge a penalty if a customer closes their savings account shortly after it is opened, an action that could occur if the individual is struck with a major emergency expense. For instance, Comerica Bank's \$7.00 monthly service fee is charged if a customer's balance falls below \$250 and has the potential of becoming an \$84.00 annual fee. In addition charges for insufficient funds are also more likely to negatively impact low-income customers who are more likely to maintain low balances. In short, the county is well served by commercial banks at very reasonable rates, particularly for low-income customers who shop around and remain aware of the usage requirements.

While most analysts agree that commercial banks play an important and positive role in meeting the needs of low-income residents, there is also widespread agreement that payday loan outlets, sub-prime lenders, many credit card companies, and rent-to-own stores do not. Nevertheless, it can be argued that all four provide a service not available elsewhere to low-income residents.

Table 20 Bank Services and Fees in Calhoun County					
Name	Street	City	Minimum Open Deposit for Checking	Minimum Open Deposit Savings	Monthly Service Fee Checking
Bank One, National Association	30 Hill Brady Road	Battle Creek	\$ -	\$ 25.00	0
Chemical Bank Shoreline	200 West Cass Street	Albion	\$ -	\$ -	0
Chemical Bank Shoreline	1301 North Eaton Avenue	Albion	\$ -	\$ -	0
Chemical Bank Shoreline	131 West Michigan Avenue	Marshall	\$ -	\$ -	0
Chemical Bank Shoreline	115 West Drive South	Marshall	\$ -	\$ -	0
Citizens Bank	207 South Superior Street	Albion	\$ 100.00	\$ 50.00	0
Comerica Bank	170 Capital Avenue, S.W.	Battle Creek	\$ 50.00	\$ 300.00	\$7 unless homeowner, or \$250 minimum, direct deposit
Comerica Bank	1535 West Michigan Avenue	Battle Creek	\$ 50.00	\$ 300.00	\$7 unless homeowner, or \$250 minimum, direct deposit
Comerica Bank	25 West Michigan Avenue	Battle Creek	\$ 50.00	\$ 300.00	\$7 unless homeowner, or \$250 minimum, direct deposit
Comerica Bank	215 North 20th Street	Battle Creek	\$ 50.00	\$ 300.00	\$7 unless homeowner, or \$250 minimum, direct deposit
Comerica Bank	780 Capital Avenue, N.E.	Battle Creek	\$ 50.00	\$ 300.00	\$7 unless homeowner, or \$250 minimum, direct deposit
Comerica Bank	5700 Beckley Road	Battle Creek	\$ 50.00	\$ 300.00	\$7 unless homeowner, or \$250 minimum, direct deposit
Comerica Bank	192 East Columbia Avenue	Battle Creek	\$ 50.00	\$ 300.00	\$7 unless homeowner, or \$250 minimum, direct deposit
Comerica Bank	106 Redfield Plaza	Marshall	\$ 50.00	\$ 300.00	\$7 unless homeowner, or \$250 minimum, direct deposit
Fifth Third Bank	630 Capital Avenue, S.W.	Battle Creek	\$ 50.00	\$ 50.00	0
Fifth Third Bank	67 West Michigan Mall	Battle Creek	\$ 50.00	\$ 50.00	0
Fifth Third Bank	6081 B Drive North	Battle Creek	\$ 50.00	\$ 50.00	0
Fifth Third Bank	700 North Avenue	Battle Creek	\$ 50.00	\$ 50.00	0
Flagstar Bank, FSB	15386 South Helmer Road	Battle Creek	\$ 50.00	\$ -	5
Hillsdale County National Bank	105-109 West Main Street	Homer	\$ 100.00	\$ 100.00	0
Homestead Savings Bank	415 South Superior Street	Albion	\$ 50.00	\$ 100.00	0
Independent Bank - South Michigan	1001 East Columbia	Battle Creek	\$ 50.00	\$ 100.00	0
Independent Bank - South Michigan	720 Capital Avenue, Southwest	Battle Creek	\$ 50.00	\$ 100.00	0
Independent Bank - South Michigan	701 North Avenue	Battle Creek	\$ 50.00	\$ 100.00	0
Independent Bank - South Michigan	2151 W. Columbia	Battle Creek	\$ 50.00	\$ 100.00	0
Monarch Community Bank	801 West Michigan Avenue	Marshall	\$ 100.00	\$ 100.00	\$5 or \$300 minimum, direct deposit
Monarch Community Bank	15975 W. Michigan Avenue	Marshall	\$ 100.00	\$ 100.00	\$5 or \$300 minimum, direct deposit
Monarch Community Bank	107 N Park Street	Marshall	\$ 100.00	\$ 100.00	\$5 or \$300 minimum, direct deposit
National City Bank of Michigan/Illinois	450 North Avenue	Battle Creek	\$ -	\$ 300.00	0
National City Bank of Michigan/Illinois	65b South 20th Street	Battle Creek	\$ -	\$ 300.00	0
National City Bank of Michigan/Illinois	44 West Michigan Mall	Battle Creek	\$ -	\$ 300.00	0
National City Bank of Michigan/Illinois	2550 Capital Avenue, Southwest	Battle Creek	\$ -	\$ 300.00	0
National City Bank of Michigan/Illinois	2521 Capital Avenue, S.W.	Battle Creek	\$ -	\$ 300.00	0
Southern Michigan Bank & Trust	100 Burr Oak Street West	Athens	\$ 100.00	\$ 100.00	0
Southern Michigan Bank & Trust	5350 Beckley Road, B Drive North	Battle Creek	\$ 100.00	\$ 100.00	0
Southern Michigan Bank & Trust	202 North Main Street	Tekonsha	\$ 100.00	\$ 100.00	0
Standard Federal Bank National Association	140 Columbia Avenue West	Battle Creek	\$ 50.00	\$ 25.00	\$6 or \$250 minimum, direct deposit
Standard Federal Bank National Association	25 Capital Avenue, Southwest	Battle Creek	\$ 50.00	\$ 25.00	\$6 or \$250 minimum, direct deposit
Standard Federal Bank National Association	6030 B Drive North	Battle Creek	\$ 50.00	\$ 25.00	\$6 or \$250 minimum, direct deposit
Standard Federal Bank National Association	124 West Michigan Avenue	Marshall	\$ 50.00	\$ 25.00	\$6 or \$250 minimum, direct deposit
TCF National Bank	290 E. Columbia Avenue	Battle Creek	\$ 100.00	\$ 50.00	0
TCF National Bank	1 North Bedford Road	Battle Creek	\$ 100.00	\$ 50.00	0
TCF National Bank	1295 Capital Avenue, Northeast	Battle Creek	\$ 100.00	\$ 50.00	0
Kellog Community	41 2nd Steet	Battle Creek	\$ -	\$ 5.00	0
Kellog Community	6427 B Drive North	Battle Creek	\$ -	\$ 5.00	0
United Savers	247 Avenue E	Battle Creek	\$ -	\$ 5.00	\$4 or \$300 minimum, direct deposit
Marshall Community	839 West Green Street	Marshall	\$ 10.40	\$ 50.00	\$2 or \$300 minimum direct deposit

Table 20 Continued - Bank Services and Fees in Calhoun County

Name	Street	City	Monthly Service Fee Savings	Transaction Fees Savings in Minimum Account	Closing Account Fee	Nonsufficient Funds
Bank One, National Association	30 Hill Brady Road	Battle Creek	\$4 if below \$250 daily balance	\$3.00 after 4 withdraws	\$20 within 90 days	\$30
Chemical Bank Shoreline	200 West Cass Street	Albion	\$3 if below \$300 balance	0	\$20 within 45 days	\$27
Chemical Bank Shoreline	1301 North Eaton Avenue	Albion	\$3 if below \$300 balance	0	\$20 within 45 days	\$27
Chemical Bank Shoreline	131 West Michigan Avenue	Marshall	\$3 if below \$300 balance	0	\$20 within 45 days	\$27
Chemical Bank Shoreline	115 West Drive South	Marshall	\$3 if below 300 balance	0	\$20 within 45 days	\$27
Citizens Bank	207 South Superior Street	Albion	\$3 if below \$150 balance	\$10 after 10 withdraws	\$20 within 120 days	\$27
Comerica Bank	170 Capital Avenue, S.W.	Battle Creek	\$4.50	\$3 per after 6 transactions	\$10 within 6 months	\$30
Comerica Bank	1535 West Michigan Avenue	Battle Creek	\$4.50	\$3 per after 6 transactions	\$10 within 6 months	\$30
Comerica Bank	25 West Michigan Avenue	Battle Creek	\$4.50	\$3 per after 6 transactions	\$10 within 6 months	\$30
Comerica Bank	215 North 20th Street	Battle Creek	\$4.50	\$3 per after 6 transactions	\$10 within 6 months	\$30
Comerica Bank	780 Capital Avenue, N.E.	Battle Creek	\$4.50	\$3 per after 6 transactions	\$10 within 6 months	\$30
Comerica Bank	5700 Beckley Road	Battle Creek	\$4.50	\$3 per after 6 transactions	\$10 within 6 months	\$30
Comerica Bank	192 East Columbia Avenue	Battle Creek	\$4.50	\$3 per after 6 transactions	\$10 within 6 months	\$30
Comerica Bank	106 Redfield Plaza	Marshall	\$4.50	\$3 per after 6 transactions	\$10 within 6 months	\$30
Fifth Third Bank	630 Capital Avenue, S.W.	Battle Creek	\$4 or \$200 min balance	\$5 per after 3 transactions	0	30 plus 7 per day
Fifth Third Bank	67 West Michigan Mall	Battle Creek	\$4 or \$200 min balance	\$5 per after 3 transactions	0	30 plus 7 per day
Fifth Third Bank	6081 B Drive North	Battle Creek	\$4 or \$200 min balance	\$5 per after 3 transactions	0	30 plus 7 per day
Fifth Third Bank	700 North Avenue	Battle Creek	\$4 or \$200 min balance	\$5 per after 3 transactions	0	30 plus 7 per day
Flagstar Bank, FSB	15386 South Helmer Road	Battle Creek	\$1.50 or 150 min balance	0	0	25
Hillsdale County National Bank	105-109 West Main Street	Homer	\$5 or 100 min balance	0	\$15 if less then 90	25
Homestead Savings Bank	415 South Superior Street	Albion	quarterly balance based activity and amount maintained if 3	0	10	30
Independent Bank - South Michigan	1001 East Columbia	Battle Creek	\$5 per quarter if below \$100	0	\$10 if within 60 days	26
Independent Bank - South Michigan	720 Capital Avenue, Southwest	Battle Creek	\$5 per quarter if below \$100	0	\$10 if within 60 days	26
Independent Bank - South Michigan	701 North Avenue	Battle Creek	\$5 per quarter if below \$100	0	\$10 if within 60 days	26
Independent Bank - South Michigan	2151 W. Columbia	Battle Creek	\$5 per quarter if below \$100	0	\$10 if within 60 days	26
Monarch Community Bank	801 West Michigan Avenue	Marshall	\$1 or \$300 min balance	0	\$30 if within 90 days	25
Monarch Community Bank	15975 W. Michigan Avenue	Marshall	\$1 or \$300 min balance	0	\$30 if within 90 days	25
Monarch Community Bank	107 N Park Street	Marshall	\$1 or \$300 min balance	0	\$30 if within 90 days	25
National City Bank of Michigan/Illinois	450 North Avenue	Battle Creek	\$3 or \$300 min balance	\$14 after 15 transactions	\$20 if before 6 months	30
National City Bank of Michigan/Illinois	658 South 20th Street	Battle Creek	\$3 or \$300 min balance	\$14 after 15 transactions	\$20 if before 6 months	30
National City Bank of Michigan/Illinois	44 West Michigan Mall	Battle Creek	\$3 or \$300 min balance	\$14 after 15 transactions	\$20 if before 6 months	30
National City Bank of Michigan/Illinois	2550 Capital Avenue, Southwest	Battle Creek	\$3 or \$300 min balance	\$14 after 15 transactions	\$20 if before 6 months	30
National City Bank of Michigan/Illinois	2521 Capital Avenue, S.W.	Battle Creek	\$3 or \$300 min balance	\$14 after 15 transactions	\$20 if before 6 months	30
Southern Michigan Bank & Trust	100 Burr Oak Street West	Athens	\$3 or \$200 min balance	\$1 after 6 transactions	\$15 if before 90 days	25
Southern Michigan Bank & Trust	5350 Beckley Road, B Drive North	Battle Creek	\$3 or \$200 min balance	\$1 after 6 transactions	\$15 if before 90 days	25
Southern Michigan Bank & Trust	202 North Main Street	Tekonsha	\$3 or \$200 min balance	\$1 after 6 transactions	\$15 if before 90 days	25
Standard Federal Bank National Association	140 Columbia Avenue West	Battle Creek	\$3 or \$250 min balance	\$1.50 after 6 transactions	0	28
Standard Federal Bank National Association	25 Capital Avenue, Southwest	Battle Creek	\$3 or \$250 min balance	\$1.50 after 6 transactions	0	28
Standard Federal Bank National Association	6030 B Drive North	Battle Creek	\$3 or \$250 min balance	\$1.50 after 6 transactions	0	28
Standard Federal Bank National Association	124 West Michigan Avenue	Marshall	\$3 or \$250 min balance	\$1.50 after 6 transactions	0	28
TCF National Bank	290 E. Columbia Avenue	Battle Creek	\$3 or \$3000 min balance	0	0	33
TCF National Bank	1 North Bedford Road	Battle Creek	\$3 or \$3000 min balance	0	0	33
TCF National Bank	1295 Capital Avenue, Northeast	Battle Creek	\$3 or \$3000 min balance	0	0	33
Kellog Community	41 2nd Street	Battle Creek	0	0	\$5 within 90 days	20
Kellog Community	6427 B Drive North	Battle Creek	0	0	\$5 within 90 days	20
United Savers	247 Avenue E	Battle Creek	0	0	0	25
Marshall Community	839 West Green Street	Marshall	0	0	0	18

Payday Lenders

Payday lenders offer short-term loans at extremely high interest rates. They are typically used by low-income individuals who have a checking account but few alternative means to obtain an emergency short-term loan. To illustrate how a payday loan works, we set up the following factious scenario regarding a woman named Kathy, who is steadily employed, and has a checking account at a local bank, but due to bad credit from her divorce, is unable to carry credit cards or qualify for an unsecured bank loan.

Two weeks from payday, Kathy's car breaks down, and she needs \$600 to repair it quickly, as it is her only means to get to work. Unable to afford the entire amount, she goes down to a payday lender and postdates a check for \$400 to be cashed in two weeks, the next time she will receive a paycheck. Using the fee structure of Pay Connection⁹, the provider would lend Kathy \$300, keeping \$100 for a service fee. In other words, the provider is charging an annualized percentage rate of 651.8 percent! Payday lenders charge annualized interest rates of between 300 percent to as high as 1,303.6 percent for short-term loans.¹⁰ However, this is not where the company truly makes its money. After paying her rent and other monthly bills, it is possible that Kathy will not be able to pay off the \$400 loan. If that is the case, the lender will gladly rollover the loan for another 2 weeks for an additional \$100. According to a study prepared by the Woodstock Institute using data from the state of Illinois, the average payday customer rolls over a loan 12 times.¹¹ If Kathy is the typical customer, this means she will pay \$1,200 for the \$300, 24-week loan.

Defenders of payday lending argue that they provide a needed service for emergency cash. And, they are correct; few of their customers have an alternative source for these funds in times of emergency. However, it is also very clear that if the customer had a credit card or was eligible for a commercial banking or credit union loan, his/her financial costs would be substantially less.

Rent-to-Own

Rent-to-Own stores provide a quick way to buy household furniture, electronics and appliances.¹² These operations are set up to allow customers to make weekly or monthly rental payments on goods with the agreement that they will own the product at the end of a roughly one- or two-year period. However, unlike traditional installment financing, if the customer is unable to make a payment mid-way through the lease-term, they may choose to return the product without further penalty. Although seemingly generous, the

⁹ Available at www.paydayconnection.com

¹⁰ According to the Woodstock Institute payday lenders face only a 1 to 1.3 percent loss rate on their loans which does not justify their high rates. Marti Wiles and Daniel Immergluck, "Unregulated Payday Lending Pulls Vulnerable Consumers Into Spiraling Debt" *Reinvestment Alert* March 2000, Number 14.

¹¹ Illinois Law does not allow a payday lender to roll over a loan more than 3 times; however, it does not require a waiting period between loans. Hence, after the third roll over, the lender just issues a new loan to the indebted customer (called a "touch and go" loan) and restarts the count of potential rollovers.

¹² In preparing this analysis, Institute staff visited three rent-to-own stores in the Kalamazoo market.

period in which they can return an item is not immediate, and typically occurs only after they have made payments more than equal to a typical retail price.

At one rent-to-own center, the annual interest rate ranged from 34 percent to 50 percent depending on the length of the loan, two years and one year, respectively. In addition, prices of goods at rent-to-own stores are higher than what are found elsewhere. At one of the stores that we visited, a 48 inch HDTV was listed at \$2,903.74, while Yahoo.com listed the same unit at \$1,497.90. James H. Carr and Jenny Schuetz found in their study on the industry that prices at rent-to-own stores are effectively 2 to 3 times higher than retail.¹³ If one factors in list price inflation as a form of finance charge, the true annual rate of interest paid by rent-to-own customers may exceed 150 percent.

Subprime Lending

During the 1990s, deregulation, new information technologies and increased competition pushed the financial industry into new territory in terms of lending. Lending institutions, including the rapidly growing number of non-bank mortgage lenders, started to offer subprime loans to potential borrowers who had been too “risky” in the past. The dramatic liberalization of mortgage credit created new opportunities for homeownership and for low-income homeowners to borrow against the equity in their homes. From 1994 to 2003, the mortgage volume in subprime loans rose at an average annual rate of 25 percent, compared to a 17.6 percent increase in total mortgage lending (both unadjusted for inflation).¹⁴

New opportunities usually come at a cost and subprime mortgage lending is no different. Subprime loans carry higher interest rates since borrowers have weaker credit histories than traditional borrowers. A national study found that the rate for serious delinquency (more than 90 days late) for subprime loans reached 7.4 percent, compared to only 1 percent for traditional prime loans.¹⁵ Second, the loan-to-value ratio tends to be higher for new mortgages, as customers usually have less money available for the down payment. This only increases the interest costs of the loan. Finally, the structure of subprime mortgages often calls for a balloon payment after several years. The balloon payment structure allows lower interest rates to be charged to the borrower, but requires the borrower to be able to refinance the loans fairly soon. To quote Edward Gramlich, a governing board member of the Federal Reserve:

Subprime borrowers pay higher rates of interest, go into delinquency more often, and have their properties foreclosed at a higher rate than prime borrowers. Many subprime lenders operate under the highest lending standards, but fraud, abuse

¹³ James H. Carr and Jenny Schuetz, *Financial Services in Distressed Communities: Framing the Issue, Finding Solutions*. Washington, D.C.: Fannie Mae Foundation, 2001 as reported in Kenneth Temkin and Noah Sawyer, *Analysis of Alternative Financial Service Providers* Washington, D.C.: Fannie Mae Foundation.

¹⁴ Federal Reserve System *Mortgage Statistical Annual*, March 2004

¹⁵ Edward M. Gramlich, “Subprime Mortgage Lending: Benefits, Costs, and Challenges.” Paper given at the Financial Services Roundtable Annual Housing Policy Meeting, Chicago, Illinois, May 21, 2004.

and predatory lending problems have also been a troublesome characteristic of the subprime market.¹⁶

Subprime lending activity is particularly high in minority neighborhoods nationwide. A 2000 Department of Housing and Urban Development found that subprime loans are five times more likely to occur in black neighborhoods than in white neighborhoods.¹⁷

In summary, subprime lending offers an avenue to homeownership that was not there before, however, at a cost that is often not fully understood by the borrower. It allows, low-income homeowners a new opportunity to access the financial equity they have built in their home, but at a cost that many do not fully understand. While the net benefit of subprime lending is difficult to determine; it is very clear that for the uninformed borrowers, subprime lending can and has resulted in the loss of their homes. The problem is only heightened by the unethical practices of a few “predatory” lenders who knowingly hide or misinform the borrower about the true costs and terms of the loan.

Other private financial services such as credit cards, pawnbrokers, tax refund preparers and automotive lenders also provide the opportunity for low-income persons to obtain needed credit at high rates. For individuals with poor credit histories these options may be the only ones available. In addition, the risk of default on loans can be higher for this population than for more affluent populations; this can justify charging higher interest rates (although not as high as being posted at many of these outlets). However, the potential risk of these loans only underscores the old adage “buyer beware” or better yet “buyer be scared.”

Defenders of nonbank financial services such as those above tend to agree that some may charge excessive interest rates; however, it is a market with modest entry costs and thus is open to competition, which should keep prices and interest rates down. Second, they argue that if these activities were forced to close, it would eliminate all access to credit for some low-income residents. On one of our visits to a rent-to-own store, the manager said “everyone deserves nice things,” and he argued that his store offered the means to provide those.

Richard Brooks in *Forbes Magazine* argues that instead of closing these activities, they should be compelled to provide documentation of the credit worthiness of their customers which can be used to establish a sound credit history, since they do not participate with the three major credit reporting bureaus.

With proper reporting, low-income borrowers could establish favorable credit records, which would make them more attractive to traditional lenders. Studies have found that a significant portion of fringe borrowers have solid repayment behavior. As a consequence, “good” borrowers would have the option to leave the fringe market for the lower borrowing rates of the traditional retail credit market.¹⁸

¹⁶ Ibid. pg3.

¹⁷ HUD *Unequal Burden: Income and Racial Disparities in Subprime Lending in America* 2000.

¹⁸ Richard Brooks, “Credit Where It’s Due.” *Forbes.com* April 12, 2004. www.forbes.com

It is a good argument, but there are better ways for low-income borrowers to establish a solid credit history than to be forced to pay high interest rates in order to prove themselves creditworthy.

Government and Non-profit Financial Services

The variety of government and non-profit financial services in Calhoun County is quite large, as is clearly shown by the excellent inventory of services prepared by the Financial Services Initiative (FSI) shown in Appendix A. In this review of the score and capacity of existing services, we have categorized the services into three broad types: Income support, Emergency Services, Job Training, and Informational.

Our key finding in reviewing existing services is that with the strong exception of emergency loan or grant funds, capacity constraints are not an issue in the provision of financial services at their current service levels (although funding for these activities remains weak). State and federal budget cuts have reduced the adequacy of income support programs, however, as is shown below. Also, the special financial services needs of targeted populations such as seniors, the homeless, and individuals with disabilities are being better met than other populations.

The major challenge of getting the word out regarding these services is still present; however, with “Call 211” and ongoing marketing efforts by individual agencies, this challenge is being at least partially addressed.

Income support

The Family Independence Agency (FIA) through its Family Independence Program (FIP) provides the backbone to the county’s income support efforts for low-income individuals. To be eligible for FIP, a low-income household must meet fairly severe income guidelines, and have at least one child who is under 19 years of age (and attending school, if old enough); however, expectant mothers are also eligible. Other eligibility requirements also apply, including a limit of \$3,000 on cash assets. The basic income support of the FIP is shown in the Table 21. In brief, the maximum assistance provided depends on household size and whether the family is receiving earned or unearned income. It is important to note that FIP falls short in providing sufficient income support to push households to the federal poverty guidelines, let alone out of poverty. For example, for a four-person household with earned income, FIP support ends when the household’s income reaches \$11,064, which is only 58.7 percent of the federal poverty guidelines.

In addition to FIP, the Family Independence Agency provides child development and care programs that are also means-tested as shown in Table 22. For a family of four with a gross monthly income of \$1,600 (\$19,200 per year), FIA will pay 95 percent of the FIA rate for childcare.

Finally, FIA also operates the Food Assistance Program (FAP), commonly known as “food stamps”. The maximum allowance for food assistance is shown in Table 22. In general, any household below 200 percent of the federal poverty level is eligible for some level of support.

Table 21
Maximum Assistance Provided by the Family Independence Program (FIP)

Unearned income ¹						
House hold size	Maximum monthly assistance	Maximum annual assistance	Assistance cutoff (monthly income)	Assistance cutoff (annual income)	Federal poverty guidelines	Assistance cut-off as percentage of federal poverty guidelines
1	290	3,480	290	3,480	9,310	37.4%
2	386	4,632	386	4,632	12,490	37.1%
3	475	5,700	475	5,700	15,670	36.4%
4	578	6,936	578	6,936	18,850	36.8%
5	674	8,088	674	8,088	22,030	36.7%
6	807	9,684	807	9,684	25,210	38.4%
Earned income ²						
House hold size	Maximum monthly assistance	Maximum annual assistance	Assistance cutoff (monthly income)	Assistance cutoff (annual income)	Federal poverty guidelines	Assistance cut-off as percentage of federal poverty guidelines
1	290	3,480	563	6,756	9,310	72.6%
2	386	4,632	683	8,196	12,490	65.6%
3	475	5,700	795	9,540	15,670	60.9%
4	578	6,936	922	11,064	18,850	58.7%
5	674	8,088	1,043	12,516	22,030	56.8%
6	807	9,684	1,209	14,508	25,210	57.5%

Endnotes:

¹ Unearned income (unemployment benefits, SSI, etc.) is budgeted dollar-for-dollar when computing the amount of assistance a client is eligible for. Every dollar of unearned income reduces the amount of FIP assistance the client is eligible for by a dollar, until the maximum amount of assistance is reached for a given household size. For example, a three-person household with \$300 unearned monthly income is still eligible to receive \$175 in monthly FIP assistance. ($\$475 - \$300 = \$175$)

² Earned income is budgeted using a formula when computing the amount of assistance a client is eligible for. Monthly earned income is reduced by \$200 and then an additional 20% to arrive at budgeted monthly income. $[(\text{EI} - \$200) * 80\% = \text{budgeted income}]$ Budgeted income is compared to the maximum level of assistance a household is eligible for and benefits are provided to equate budgeted income with the maximum assistance for a given household size. For example, a three-person household with \$300 monthly earned income has budgeted income of \$80. $[(\$300 - \$200) * 80\% = \$80]$ This household is eligible for \$395 of monthly FIP assistance. ($\$475 - \$80 = \$395$)

Source: Family Independence Agency

Table 22
Child Development and Care Program Income Eligibility

Gross Monthly Income Family Group Size of 1 or 2	\$0- \$1496	\$1497- \$1533	\$1534- \$1570	\$1571- \$1607	No FIA assistance if gross monthly income is over \$1607
% of FIA Rate Paid	95%	90%	80%	70%	-----
Gross Monthly Income Family Group Size 3	\$0- \$1847	\$1848- \$1895	\$1896- \$1943	\$1944- \$1990	No FIA assistance if gross monthly income is over \$1990
% of FIA Rate Paid	95%	90%	80%	70%	-----
Gross Monthly Income Family Group Size 4	\$0- \$2198	\$2199- \$2255	\$2256- \$2311	\$2312- \$2367	No FIA assistance if gross monthly income is over \$2367
% of FIA Rate Paid	95%	90%	80%	70%	-----
Gross Monthly Income Family Group Size 5	\$0- \$2551	\$2552- \$2616	\$2617- \$2681	\$2682- \$2746	No FIA assistance if gross monthly income is over \$2746
% of FIA Rate Paid	95%	90%	80%	70%	-----
Gross Monthly Income Family Group Size 6	\$0- \$2902	\$2903- \$2976	\$2977- \$3050	\$3051- \$3123	No FIA assistance if gross monthly income is over \$3123
% of FIA Rate Paid	95%	90%	80%	70%	-----
Gross Monthly Income Family Group Size 7	\$0- \$3253	\$3254- \$3336	\$3337- \$3418	\$3419- \$3500	No FIA assistance if gross monthly income is over \$3500
% of FIA Rate Paid	95%	90%	80%	70%	-----
Gross Monthly Income Family Group Size 8	\$0- \$3604	\$3605- \$3695	\$3696- \$3786	\$3787- \$3877	No FIA assistance if gross monthly income is over \$3877
% of FIA Rate Paid	95%	90%	80%	70%	-----
Gross Monthly Income Family Group Size 9	\$0- \$3955	\$3956- \$4055	\$4056- \$4155	\$4156- \$4254	No FIA assistance if gross monthly income is over \$4254
% of FIA Rate Paid	95%	90%	80%	70%	-----
Gross Monthly Income Family Group Size 10 +	\$0- \$4309	\$4310- \$4417	\$4418- \$4525	\$4526- \$4634	No FIA assistance if gross monthly income is over \$4634
% of FIA Rate Paid	95%	90%	80%	70%	-----

Source: Family Independence Agency

Table 23
Food Assistance Maximums (Food Stamps)

Examples of monthly net Income	One Person	Two Persons	Three Persons	Four Persons	Five Persons	Six Persons	Seven Persons	Eight Persons
\$0	\$141	\$259	\$371	\$471	\$560	\$672	\$743	\$849
\$300	\$51	\$169	\$281	\$381	\$470	\$582	\$653	\$759
\$600	\$10	\$79	\$191	\$291	\$380	\$492	\$563	\$669
\$1000	\$10	\$10	\$71	\$171	\$260	\$372	\$443	\$549

Source: Family Independence Agency

Emergency Services

As was clearly shown in the 211 Call Reports, emergency assistance for utility bills is a major challenge for individuals with low income. FIA also provides financial assistance for eligible households if they are unable to pay their heating or electric bills. Unfortunately, low-income households are eligible only after the service has been turned off, and the FIA will only provide for a portion of the bill. FIA pays the difference between the household's "expected payment" for its heating and electric bill and the actual bill. For example, if a family of four is facing a \$200 heating bill, it is expected to contribute 78 dollars and FIA will pay the remaining \$122. Low-income families may also be eligible for LIHEAP dollars but must apply to the Michigan Department of Treasury.

Every October, the Community Action Agency of South Central Michigan obtains emergency funds to help low-income households pay their utility bills (\$179,000 in October, 2003). However, the money typically runs out by April, even with the strong community-supported Walk for Warmth Fund Drive, which this year raised \$15,000. April is a particular harsh month because it is when the 12-month average heating payment plan expires, and households must come up with the difference between the estimated average and the actual amount used for heating for the year.

Once the CAA funds are exhausted, households who are not FIA eligible (or cannot pay their share of the heating bill) are often referred to the Salvation Army.

Other necessities are provided by various organizations around the county. Charitable Union provides clothing assistance to anyone who obtains a referral from another agency. Local food pantries in partnership with the Salvation Army and CAA provide emergency food services. In fact, as was shown in the analysis of the Call 211 reports, a very high percent of the requests for food and clothing assistance was met (at least referrals were given).

Training

Training is not, in itself, a financial service; however, it provides the means for financial stability and income growth for households. Goodwill Industries and Michigan Works! are the primary providers of training services and job search assistance for unemployed workers who need additional assistance in finding employment. In addition, Kellogg Community College—especially with its Regional Manufacturing Center at the Fort Custer Industrial Park—has been a leader in developing training programs that address the training needs of area businesses, thus helping to insure the employability of its graduates. In this study we focus mostly on the provision of training and job search skills needed by unemployed individuals to get back to work.

Michigan Works! provides comprehensive services to businesses and job training customers within Calhoun, Barry and Branch counties. Primary funding sources for these workforce development programs include the Workforce Investment Act (WIA), Work First, and Employment Services. Some of the services include but are not limited to:

occupational and interest/ability assessment, case management, life skills training, occupational skills training, on-the-job training, job search training, work maturity skills training for youth, job development, basic labor exchange services, rapid response activities, and where funding allows, supportive services.

Specifically related to financial services, Calhoun Intermediate School District subcontractor staff provides one-on-one budgeting or financial management as part of the counseling process, particularly when a client is considering entering occupational skills training. Customers learn about the services through word of mouth, billboards, television and radio ads, brochures, newsletters, public speaking engagements by staff and board members, newspaper ads, job fairs, and agency networks and referrals. No fees are charged.

Eligibility is determined by the funding source. Work First eligibility determination is done by the Family Independence Agency, and clients are receiving some form of cash assistance. For individuals receiving cash assistance other than food stamps, participation is mandatory. Employment Services are available to the general public—both employers and job seekers. Adult and Youth Workforce Investment Act programs have income eligibility criteria, and the Dislocated Worker Program requires that a person be laid off from a job demonstrating little prospect of rehiring in the same or similar occupation, or that the lay-off be part of a plant closure. This program includes a wide variety of skill levels, educational levels and work experience.

The current service level has stretched the organization past its capacity limits due to federal and state funding reductions during a time of increased demand for services. Programs do not generally have waiting lists other than the WIA funded occupational skills training program opportunities that run out of funding toward the end of the fiscal year (June). Sometimes individuals may need to postpone their enrollment in training until Fall.

Michigan Works! services rely on the network of community services, so quite an extensive “working relationship” exists. These include AARP, FIA, MRS, Strive, Veterans staff, Goodwill Industries, the public schools, Neighborhoods, Inc., and the Community Action Agency.

Goodwill Industries offers the following programs which can improve the financial situation of individuals by providing employability skills and training. Goodwill does not offer classes on budgeting or financial self-sufficiency separate from these programs. Many of these offerings are limited to participants who are referred by partnering agencies.

1. Goodwill Works Program - Calhoun Intermediate School District has a contact with Goodwill Industries to conduct a seven-week program, five times a year. The program is offered for individuals who have been unsuccessful in finding employment, generally after at least four weeks of searching. Program eligibility also requires that the referral be a repeat Work First participant who has multiple barriers to employment. This program is a sheltered work-readiness program.

The first two weeks of the program focuses on life skills training including employability skills and job search skills. This includes some instruction on personal finance issues.

During the remaining five weeks of the program, individuals work at Goodwill Industries in a sheltered workshop environment. The focus of this segment of the program is to reinforce the importance of key employability skills, such as showing up to work on time, calling-in if unable to be to work on time, and following directions. The participants are paid the minimum wage, \$5.15 per hour.

On average, 66 percent of the participants complete the program. It should be noted that some individuals quit the program because they have found better paying jobs. On average, 15 individuals enroll in each session, and the session's capacity is approximately 20 people.

2. Subcontract with Michigan Rehabilitation Services (MRS) for evaluation/assessment services. Goodwill conducts a one-day, six-hour skills assessment, paper-and-pencil test. On average, Goodwill schedules twelve individuals to take the test and only three show up. Goodwill has three days to return the report to MRS, and only MRS referrals can take the assessment.
3. Work Adjustment Training (WAT) This is a four-week program for MRS referrals only. Its focus is on employability skills (showing up at work on time) and on-the-job evaluation. Participants are paid \$5.15 per hour, the minimum wage.
4. Retraining of Injured Workers This is a fee-for-service activity of Goodwill Industries which it hopes to expand. Goodwill contracts with private employers to provide retraining services for individuals who have been injured on the job. The idea behind the program is that the quicker the injured workers get back to a work environment, the quicker they recover.
5. School-to-work which is funded by MRS and the ISD. High school seniors are assigned to work for four hours per day, two days a week, for 9 to 18 weeks. Forty students per year (mornings and afternoons) take advantage of the program with 12 to 15 students in each session. The program targets students with disabilities and stresses employability skills.

Goodwill industry is looking to add a workplace placement service component to the program.

The major challenge Goodwill faces is finding work for the participants. Goodwill is constantly searching for contracts with private firms in the area for light assembly, sorting, and other types of services.

Financial Literacy

Calhoun has a wealth of agencies that not only provide financial literacy classes but also offer one-on-one financial counseling. This includes several private for-profit financial service/planning agencies that offer their services pro bono. In our interviews with these service providers, it was stressed over and over again that one-on-one services were key in helping individual better manage their funds.

Turning first to the private service providers, the Estate Group, for example, provides budget counseling at no charge for families who find themselves deep in debt.

GreenPath Solutions, the local office of the Consumer Credit Counseling Service of Michigan, does not charge any fees for counseling, budgets or action plans either. They specialize in developing repayment plans for persons and households to manage their outstanding debts. One of the major challenges they found when working with individuals in financial difficulty is their lack of self-esteem. This is especially the case with single moms. Other problems that these providers have found, especially for young families under the age of 35, is credit card debt. Many individuals fall victim to “credit card creep” where they max out on several different cards.

A major challenge in the delivery of financial literacy programs is finding the teachable moment. Neighborhoods Inc. is well positioned to take advantage of one of these moments – when an individual or family wants to buy their first home. This can be an especially effective time to discuss financial issues, since the purchase of a home is usually considered a “big step” and may be a strong motivational goal for improving one’s credit score and spending habits.

Neighborhoods Inc. provides financial literacy classes for individuals of low income who are interested in buying a home. The classes offer basic home budgeting skills with special attention given to potential problems associated with credit card debt and the use of payday lenders. The program has been offered for two years. Class size varies from between 6 to 17 individuals; the maximum size for the class is 25, but they have never reached that limit. Over the past two years, 200 to 250 persons completed the training. There are three instructors who are certified to teach the program, so the organization has the capacity to offer more classes and assistance if the need arises. In addition, the program has been offered at participating churches, and they have conducted workshops with individuals involved in STRIVE, a program designed to assist young adults. These sessions are above and beyond the four scheduled classes per year. Neighborhoods Inc. classes are available to all, and there is no charge (which is becoming a financial challenge to the organization). The program is marketed through the weekly Shopper and flyers generated by Neighborhoods Inc.

Starting in July, the Community Action Agency of South Central Michigan is providing a series of budget classes which will cover topics such as what to look for in a new home, mortgages, foreclosures, credit reports, and the pitfalls associated with using payday loans. The series will contain 12 classes in all.

Another “teachable moment” for financial literacy is typically in high school before individuals have had an opportunity to develop debt or reinforce bad habits. Neighborhoods Inc. has developed and presented several programs designed for the youth audience. Marshall High School offers two courses in its Life Management curriculum that address the need for financial budgeting. Its class “Independent Living – Life after High School” is particularly relevant as it covers “managing income, and selecting and maintaining affordable living space.” Lakeview High School also offers a class in consumer education where “students will learn practical lifetime skills to help them manage their money.”

Unfortunately, an examination of the course offerings at Battle Creek Public Schools on the High School and Middle School level reveals that instruction of household finance issues is not provided. Given the fact that poor financial decisions are made by both college bound and non-college bound students, the addition of a personal finance class should be considered in the middle or high school.¹⁹

Special Populations

Senior Citizens

The county’s senior population is specifically served by several organizations. The Community Action Agency of South Central Michigan operates targeted food programs including “Meals on Wheels” and other programs. Burnham Brook offers transportation services at no charge, prescription assistance including an insurance coverage program, nutritional programs, and assistance with Medicare and Medicaid forms. The Area Agency on Aging offers additional assistance on legal issues, guardianship, care management, and caregiver support.

Guardian Incorporated offers a wide range of financial services, many of which are targeted toward meeting the needs of seniors. These services are listed below in order of eligibility requirements – most restrictive to least restrictive:

- **Guardianship** – Determined and referred by the Probate Court, guardianship is provided for clients that are unable to make decisions on their own behalf. This includes decisions about medical care or housing placement. Programs are funded through client fees, Community Mental Health, Area Agency on Aging or United Way.
- **Conservator** – The role of conservator is similar to that of guardianship, however, clients are generally referred, not determined, by the court system. Guardian, Inc. performs conservator duties to individuals of all ages, though primarily minors and adults with mental and other disabilities. Funding comes

¹⁹ The three current life -skills course offerings are Family Relations, Nutrition and Foods and Parenting.

strictly from client fees, since the program is an optional form of assistance, and not the result of a court-determined inability to make decisions.

- **Representative Payeeship** – This service is for anyone who is unable to manage their monthly social security, disability or other benefit checks. Clients are typically referred by the social security administration or caseworkers. Guardian, Inc. establishes a budget with the client, then pays all bills and appropriates personal money based on an agreed upon schedule. The service profile includes frail elderly persons, developmentally disabled, mentally ill, minors and young families.
- **Money Management Assistance** – Targeted to seniors over the age of 60 and funded through the Calhoun County senior mileage, this program assists clients with managing assets and paying bills. There is no fee for this service for seniors, though services are available to those under age 60 on a sliding-scale fee basis. Program referrals are through senior services agencies and Medicaid. The staff person also recruits from senior complexes, word of mouth, and ads in the Enquirer and Shopper.
- **Sheltered Banking Program** – This is a pilot program that will become operational in July 2004. Initially, they will attempt to target eight to ten low-income county residents who are not currently connected with a bank.

Conclusions and Policy Recommendations

Final Evaluation of Existing Non-profit and Governmental Financial Services

The major purpose of the analysis is to identify any gaps in the delivery of financial services to low-income residents of Calhoun County. We were unable to uncover any major gaps in services. Indeed, we found the number and quality of service providers in the county to be excellent. During our interviews we found that most financial service providers will not turn away a person in need, as long as they meet eligibility requirements. Some, especially those offering financial literacy classes, have the training capacity (though not necessarily the funding capacity) to serve more individuals. Still we found the following gaps in the current delivery system:

- A lack of dependable year-round funding for utility and rent payment assistance.
- A lack of access to dental care for low-income households. This is becoming an employment issue as well as a health issue, as personal appearances are becoming increasingly important in the service economy.
- Insufficient funding and strict eligibility requirements for income maintenance programs. Of course, this is a statewide, if not a national problem. However, it is still important to note that due to inadequate funding of these programs, hardworking residents can still fall below the poverty line and face severe financial issues.

Policy Recommendations

1. Promote “Call 211” to the level of awareness of “Call 911”

Outreach will always remain an issue for service programs. It is likely that there are many individuals in need who are unaware of currently available programs that could help them. In general, persons do not think about and may ignore information about financial services providers until they are confronted with a major crisis.

The county’s service agencies have made great use of the “Shopper” weekly newspaper as a means to get the word out about their services and special events. Moreover, One Economy provides a wealth of information for the Battle Creek area at their website: www.thebeehive.org. These efforts and resources should be maintained, but the problem will persist that individuals in an immediate emergency situation may not have seen or read the “Shopper” and may not have access to a computer or be aware of the www.thebeehive.org web site.

It is our recommendation that enhanced efforts should be made to promote and market Call 211 as *the* source for social services assistance. In fact, the goal should be to make 211 as well known as 911. In times of crisis, it is easier to recall a three-digit phone number than the name of an agency that you once saw in an article. However, for this

program to be effective resources will need to be allocated to maintain call-handling capacity as usage grows. Furthermore, as “Call 211” evolves into a first-stop point of contact with the local services network, it will be important to ensure that phones are fully staffed by persons who are both knowledgeable about all local services and trained to handle an extremely wide range of potential call scenarios.

2. Strive to Capture Teachable Moments

Financial difficulties are not restricted to low-income individuals. There is ample evidence from the thousands of personal bankruptcies filed by middle-class households nationwide that financial difficulties occur in all income groups. However, low-income individuals do not have the luxury to act unwisely with their finances. In short, more affluent households can afford to mismanage their money; low-income households cannot.

In addition, low-income households are being targeted by subprime lenders, payday loan lenders, rent-to-own outlets and others with the promise of “easy money” and immediate delivery of goods. These establishments often mask the total cost of their services, which can be extremely high. Moreover, low-income households are much more vulnerable to emergency financial situations that may force them to turn to high-cost lenders. A medical emergency for an uninsured householder, a major car repair for a low-wage worker, or a non-working furnace to a low-income family can quickly force them into the hands of high-cost financial service providers.

Still, most individuals do not spend much time thinking about managing their money. It is only at certain moments, “teachable moments” when a person may be receptive to being taught money management skills. As discussed earlier, one such moment is when a person or couple is seeking financing to purchase their first home. Another is in high school, before bad habits are established. However, often the moment arrives only after it is too late. Two interviewed private financial planners, who offer their services pro bono, said that it is often the case that their assistance is sought only after the individual does not see any options left. In these cases, the planners can offer little help but to confirm that there are no options left and recommend bankruptcy.

It is hopeful that if individuals were made aware of the hidden costs and extremely high interest rates being charged by payday lenders, rent-to-own places, credit card companies and subprime equity lenders, they would alter their actions. This would suggest that financial management is an important life skill, worthy of greater emphasis by all service providers.

3. Negative Interest Rate Emergency Loans for Utilities and Rent

Many low-income individuals and households are unable to pay their gas and electric utilities bill and/or monthly rent. Emergency funds for the payment of utilities at

CAA are typically exhausted by April each year, even after the strongly supported Walk for Warmth drive.

One solution is for the Calhoun County community through its foundations and personal donations to enlarge the funds for these emergency needs. While such an effort may be warranted, a larger emergency fund will not address the issue of dependence nor will it provide an incentive for self-sufficiency.

We recommend the consideration of enacting an emergency loan fund for individuals seeking assistance in the payment of utilities bills and rent. The loan fund would be unique in that it would have a negative interest rate. If the person repays the loan within a set period, he/she would get 25 percent of the loan back. If the person does not repay the loan it turns into a grant.

The advantage of such a program is twofold. First, it would help preserve the loan fund, as the repaid loan (negative the 25 percent payment) could be lent out again. Second, it provides an incentive for the individual to payback the loan and earn the pride of being financially responsible and not “on the dole.” For many, the difference between accepting a helping hand (a loan) instead of a hand out is significant and can be a first step for self-sufficiency.

Of course, procedures would have to be designed to discourage some from “gaming” the program e.g. taking the loan only to earn the 25 percent bonus. In addition, efforts should be made to discourage “repeat” customers. It is likely that many of the loans will be converted to grants and the fund may still be exhausted. Still the program would extend the life of the fund pool and provide an opportunity and an incentive for an individual or household to be more self-sufficient.

4. Development of a Financial Alternative: Community Development Credit Union (CDCU)

A major problem facing low-income individuals and households is that there are often few credit options available to them except for very expensive financial service providers. This is a problem regardless of whether the person has a banking relationship or not, as highlighted by fact that to obtain a “payday loan”, a person must have a checking account.

We strongly support Guardian Inc.’s new pilot “sheltered banking program” which is being funded by the W.K. Kellogg Foundation. The program directly addresses the costly barrier facing the community’s unbanked and underbanked residents. Without a bank account, individuals are prey to expensive check cashing and bill paying methods.

We also recommend that the community take the next step and establish a Community Development Credit Union (CDCU) that will not only provide transaction services, but loans as well, to individuals with poor or no credit histories. Community Development Credit Unions are one of the few available options that can compete against payday

lenders and other high-interest rate lenders. CDCUs are similar to tradition credit unions. They offer checking and savings accounts and make personal loans to their members. The major differences are:

- Their focus is on serving all community residents, regardless of income or membership in a specific group.
- Under certain circumstances, they can accept outside capital sources, such as below-market government loans and private funding.
- The combination of a stated mission of community service, available outside capital, and their non-profit status makes a CDCU much less risk-averse than a traditional credit union.

One of the unique products offered by many CDCUs are small consumer loans made to individuals with little or no credit history. These loans are typically too small and too risky for commercial lenders to provide profitably. However, they are essential to compete effectively against payday loans and other high-interest financing. These personal CDCU loans are typically used for medical expenditures, auto purchases or repairs, tuition payments, and general purchases. These small loans account for 55 percent outstanding CDCU loans and average \$2,010 in size.²⁰

Community development credit unions are currently in use nationwide. Tables 24 and 25 list the CDCUs that are currently operating in Michigan.

The following examples of loan programs highlight the types of products available at existing CDCUs.

1. Chicago's North Side Community Federal Credit Union offers a "Hot Funds/Cold Cash" program which offers loans of up to \$500 at 16.5 percent interest with no credit report required.
2. In Cleveland, the Faith Community United Credit Union offers small loans at 17 percent with no credit check required through its Grace Loan program.

In both cases, bad loan write off rates are higher than their other products, but are within an acceptable range. In fact, both CDCUs are looking to expand the product.²¹ Indeed, the performance of CDCU loans is not that different from traditional credit unions. According to a 2002 survey conducted by the Coalition of Community Development Financial Institutions, total delinquencies of more than 60 days accounted for 1.94 percent of the CDCU loan portfolio, compared to 0.8 percent for traditional credit unions and 2.53 percent at commercial banks. In addition, total CDCU net loan losses were 0.92 percent of total loans outstanding compared to 0.5 percent for credit unions and 0.97 percent for banks.²²

²⁰ CDFI, *Providing Capital, Building Communities, Creating Impact* FY 2002, pg 27.

²¹ Clifford Rosenthal "Partnering with Community Development Credit Unions" *Community Development* Summer 2002.

²² Ibid pg.30.

We recommend that a Community Development Credit Union be established in Battle Creek with a branch located in the Albion area.

Table 24
Low Income and "Faith Based" Credit Unions
Currently Operating in Michigan

Service Area	Name of Credit Union
L'Anse	Baraga County CU
Claire	Central Michigan Community CU
Crystal Falls	Eagle Country CU
Detroit	New Rising Star CU
Fife Lake	Forest Area CU
Flint	Foss Avenue Baptist Church CU
Frankfort	Frankfort Community CU
Bessemer	Gocebic County CU
Harbor Beach	Harbor Beach Community CU
Manistique	Manistique CU
Powers	Menominee County CU
Manistee	Morton Manistee CU
Oscoda	Northland Area CU
Traverse City	Northwest Consumers CU
Rock	Rock Community CU
Cheboygan	Straits Area CU
Lake Linden	Torch Lake CU

Source: National Credit Union Association

Table 25
Community Development Credit Unions

<u>Area</u>	<u>Name of Credit Union</u>
Ann Arbor, MI	Second Baptist Church of Ann Arbor FCU
Escanaba, MI	Delta County CU
Saginaw, MI	Bethel AME Church FCU

Source: National Federation of Community Development Credit Unions

4. **Taking the Long View—Development of Human Capital**

The greatest challenge facing low-income individuals is that they do not have the skills or work experience necessary to get beyond the plentiful supply of low-wage, dead-end jobs. This challenge has no easy solution. Kellogg Community College offers excellent training programs for occupations which do offer good wages and solid career ladders. However, it is extremely difficult for individuals who have been out of the classroom for many years with little savings to pay and find the time to take additional training.

Several interesting programs are currently being pursued in the region. The area's Community Action Agency offers individual development accounts (IDA) for education, where the person's savings are matched 3 to 1 (funded through TANF). The individual

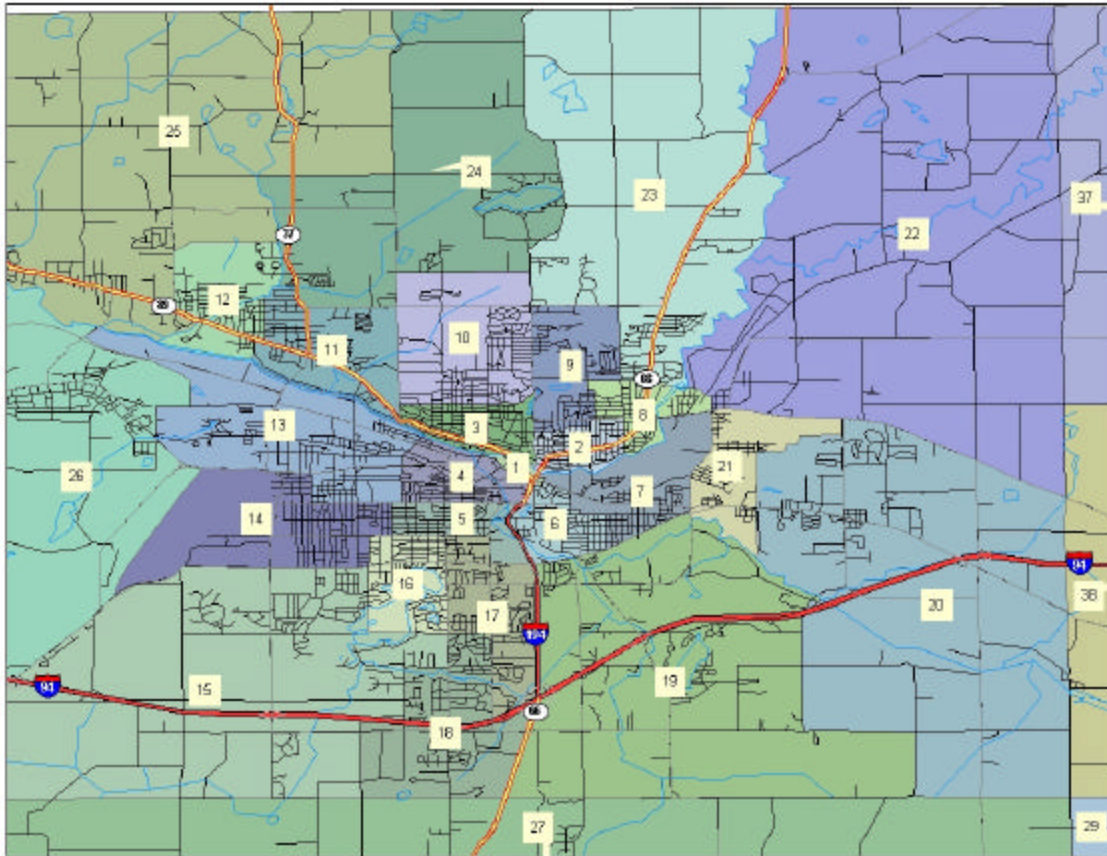
saves \$25 per month and once they get to \$1000, it is matched with \$3,000. At the start of the program, a participant must declare the purpose for his/her IDA. Community Action Agency has 20 filled slots for the programs in Calhoun County. Currently 13 individuals are saving for the purchase of a home, two are saving to start a business and five hope to fund education/training. Surprisingly, there is no one waiting for the program—in fact there are openings—a sign that the program is less successful than hoped. Unfortunately, it is possible that some potential users of the program think that there must be a “catch” to the program. Others may find it difficult to save \$25 each month on a regularly basis, or may feel that progress toward the \$1000 goal is too slow. Although new money will be available for the program in 2006, the program is very small and has not attracted much interest, leaving its future in doubt.

An example of a more ambitious program to consider comes from Grand Rapids. There a private company, Cascade Engineering, has spearheaded a program to encourage inter-firm career development. Multiple firms have come together to create a system where workers from “bottom rung” companies—those with low-skill, low-wage jobs—are the first to be considered for openings at “higher-rung” companies offering better wages and benefits. The idea is to provide a long term incentive for low-level employment while workers gain the experience and skills to advance. Unfortunately, this program has so far generated only a few success stories.

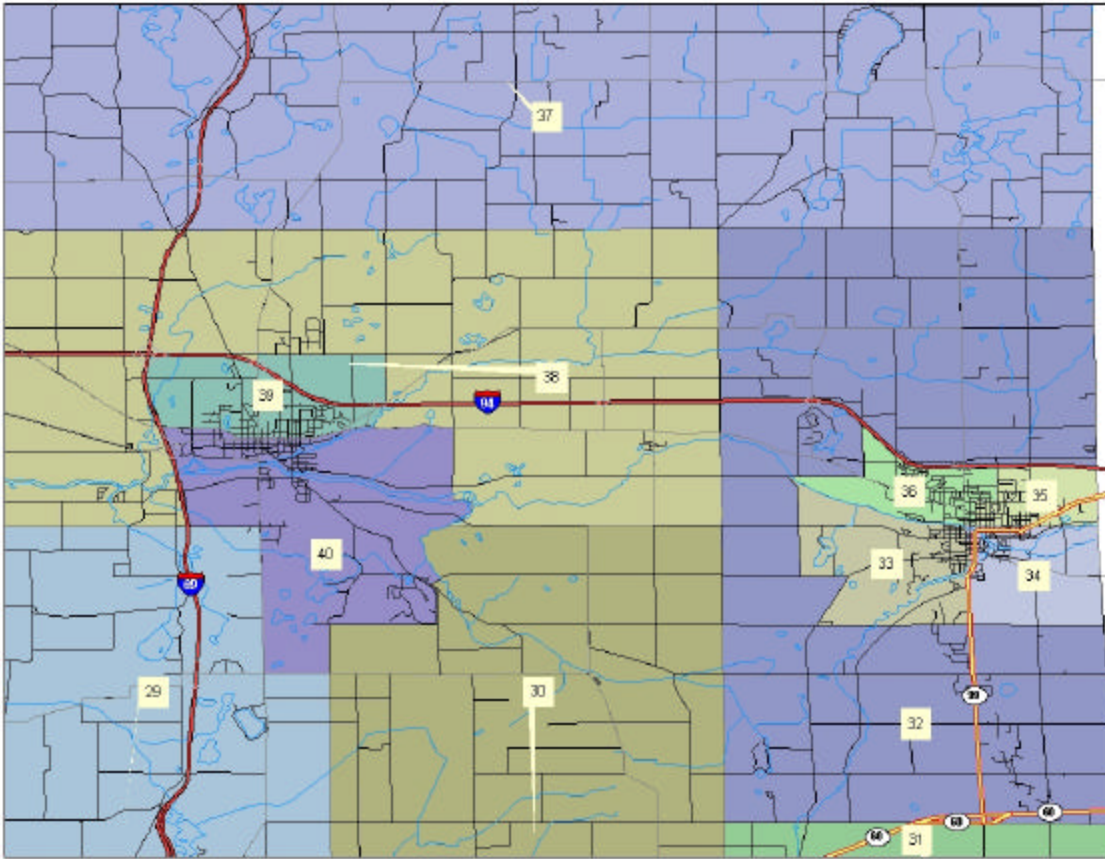
There are other interesting programs nationwide that should be considered as well. However, we do not have any solutions to this long-term challenge.

Appendix

Battle Creek Area Census Tracts



Central and Eastern Calhoun County Census Tract Map



**Financial Services Initiative: Ensuring a Financially Health Community
July 20, 2004**

Type of Assistance	Agency/Program	Program Description	Eligibility Criteria
Direct Financial (and Related) Help	Family Independence Agency - Family Independence Program (FIP)	Provides cash assistance to families with children and pregnant women to help them pay for living expenses such as rent, heat, utilities, clothing, food and personal care items.	Children must be under age 18, or age 18 or 19 and attending high school full-time and expected to graduate before age 20. The child's parents, stepparents, and siblings who live together normally make up the FIP group. Related caretakers or legal guardians may be included in the group if the parent is not in the home.
Direct Financial (and Related) Help	Family Independence Agency - Food Assistance Program (formerly known as Food Stamps.)		Must meet FIA criteria. FIA worker will screen.
Direct Financial (and Related) Help	Family Independence Agency—State Disability Assistance (SDA)	Provides cash assistance to disabled adults to help them pay for living expenses such as rent, heat, utilities, clothing, food and personal care items.	Must meet FIA criteria for a disabled individual. SDA may also be provided to the caretaker of a disabled person or to a person age 65 or older. An SDA group can be either a single person or spouses who live together.
Direct Financial (and Related) Help	Family Independence Agency—The Refugee Assistance Program (RAP)	A federal program that helps persons admitted into the U.S. as refugees to become self-sufficient after their arrival. Temporary RAP cash assistance and medical aid is available to refugees who are not eligible for FIP (TANF) or Medicaid for up to 8 months after their entry into the U.S. Employment services, health screenings and foster care services for unaccompanied minors are other FIA services available to refugees.	The U.S. Immigration and Naturalization Service (INS) determine immigration status. Eligibility for RAP cash assistance and medical aid is available to persons with the following immigration statuses for up to 8 months after their entry into the U.S., if otherwise eligible: Refugee or Asylee; Cuban/Haitian Entrant; Amerasian; Parolee; Victim of Trafficking.
Direct Financial (and Related) Help	Family Independence Agency—Medicaid	Health care coverage for low-income individuals and families.	Low Income. There are many types of Medicaid. A FIA worker can assist with reviewing qualifications for particular plans.
Direct Financial (and Related) Help	Social Security Administration and Family Independence Agency—Supplemental Security Income (SSI)	A cash benefit to needy persons who are aged (at least 65), blind or disabled. It is a federal program administered by the Social Security Administration (SSA). States are allowed the option to supplement the federal benefit with state funds. In Michigan, SSI benefits include a basic federal benefit and an additional amount paid with State funds. The amount of the state benefit varies by living arrangement.	SSA issues the state funded benefit for SSI recipients in the following living arrangements: Adult Foster Care (Domiciliary Care or Personal Care); Home for the Aged; Institution (long-term care facility).
Direct Financial (and Related) Help	Salvation Army—Food Assistance	Emergency food available, year round with 30-day interval.	Referral from FIA may be required from FIA clients. Coop Pantry Pacs: \$22 buys \$50 worth of food, four times a month as available.
Direct Financial (and Related) Help	Salvation Army—Utility Assistance	Available by grant. Emergency basis only (shut off notice required). Gas and water on an emergency basis as funds are available. (No funds for nonessential services such as cable or telephone.)	Access once a year.

Direct Financial (and Related) Help	Salvation Army—Rent Assistance	Available by grants, i.e. CDBG and FEMA.	On an emergency basis only (eviction, foreclosure, or referral from shelter program required).
Direct Financial (and Related) Help	Salvation Army—Transportation Assistance	For in state travel only.	Available most of the year, biannual eligibility. State of MI residency required.
Direct Financial (and Related) Help	Salvation Army—Emergency Shelter	Three days in a local motel.	If shelters are full and client must remain in town due to employment or legal concerns.
Direct Financial (and Related) Help	Salvation Army—Prescription Drugs	Assistance with prescriptions.	Available most of the year. Biannual eligibility (or to maximum limit of \$150).
Direct Financial (and Related) Help	Community Action Agency – Emergency Food and Shelter Program (EFSP)	Assist up to a 30-day supply of primary fuel, electric and water.	Client must show proof of all household income, shut off, payment history, regular bill, decision notice from the FIA. All CAA emergency services are capped at \$400.
Direct Financial (and Related) Help	Community Action Agency – Emergency Services Contract	Assist in one-time emergency utility, shelter, property taxes, emergency hotel/motel assistance.	Must show proof of all household income, shut off notice, delinquent property tax, eviction notice, payment history, decision notice from FIA. All CAA emergency services are capped at \$400.
Direct Financial (and Related) Help	Community Action Agency – Walk for Warmth	Assist in one-time emergency utility assistance.	Must present proof of all household income, payment history, shut off notice, and decision notice from FIA. All CAA emergency services are capped at \$400.
Direct Financial (and Related) Help	Community Action Agency – State Emergency Fund	Assist those meeting the 125% poverty income guidelines with one-time emergencies such as utilities, prescription, rent, appliances, etc.	Must present proof of all household income, payment history, shut off notice, and decision notice from FIA. All CAA emergency services are capped at \$400.
Direct Financial (and Related) Help	Community Action Agency – TANF Funds	Assist those meeting the 200% poverty income guidelines with one-time emergencies for those who have at least 1 child under the age of 18.	Must present proof of all household income, payment history, shut off notice, and decision notice from FIA. All CAA emergency services are capped at \$400.
Direct Financial (and Related) Help	Community Action Agency – MPSC/MCAAA Funds	Assist those meeting the 200% poverty income guidelines with one-time emergency utility services.	Must present proof of all household income, payment history, shut off notice, and decision notice from FIA. All CAA emergency services are capped at \$400.
Direct Financial (and Related) Help	Community Action Agency – MPSC/FIA Funds	Assist those meeting the 150% poverty income guidelines with one-time emergency utility services.	Must present proof of all household income, payment history, shut off notice, and decision notice from FIA. All CAA emergency services are capped at \$400.
Direct Financial (and Related) Help	Community Action Agency – Commodity Supplemental Food Program (CSFP) or Food in the Box	Foods are distributed on a monthly basis. The CSFP program has two different tiers: Mothers, infants and children (MIC) and seniors 60 years or older.	Must meet the income guidelines of 130% for seniors and 185% for those under 60 years.
Direct Financial (and Related) Help	Community Action Agency – The Emergency Food Assistance Program (TEFAP)	A distribution is held January, May, and September.	Individuals must show proof of income in order to certify eligibility prior to the distribution. Individuals must meet the 130% poverty income guidelines if under 60 and 160% if over 60 years of age.
Direct Financial (and Related) Help	Community Action Agency – Tax Rebates	Provides Earned Income Tax Credit Assistance through a grant provided by the W.K. Kellogg Foundation.	Available Mid-January to April 15th.

Direct Financial (and Related) Help	Charitable Union – Clothing Assistance	Provides free clothing and bedding for individuals and families in immediate, short-term need. Specializes in school clothes for children and adults seeking employment.	Anyone, but requires a referral from any human service agency, church or school.
Direct Financial (and Related) Help	Local Food Pantries and Food Banks	Information not entered for these organizations.	Information not entered for these organizations.
Direct Financial (and Related) Help	American Red Cross	Provides relief to victims of disaster.	Must have an emergency such as fire, tornado, etc.
Direct Financial (and Related) Help	Family Health Center	Provides medical and dental assistance to low income individuals.	Low income.
Direct Financial (and Related) Help	Calhoun County Senior Services – Senior Prescription Program	Provides a discount prescription card to qualifying seniors.	60 years of age and older and no prescription coverage.
Planning & Asset Preservation	CAASCMs IDA Program	Through match with TANF funds, individuals can receive a 2:1 or 3:1 match for saving \$25 per month toward an asset purchase of a home, post-secondary education or starting/expanding a business.	Assist those under the 200% poverty income guidelines and have one child less than 18 years of age with asset building. Clients must be willing to save for 6-36 months and attend required financial literacy and asset building classes.
Planning & Asset Preservation	CAASCMs Financial Literacy Program	Through the Housing Resource Center, individuals in Battle Creek can receive financial literacy training.	Must reside in the City of Battle Creek, or if MSHDA qualified all five sites.
Planning & Asset Preservation	Neighborhoods Inc.'s Financial Literacy Program	This is a five-week class that helps individuals develop sound financial behavior. The class covers budgeting, saving money and planning for the unexpected emergencies. This class is taught at Neighborhoods Inc. but has also been modified for church groups, non-traditional students, and other organizations. This class can be taught at churches, schools etc. if there is a large interest within one specific group.	Open to anyone.
Planning & Asset Preservation	Estate Group's Savings and Investments	Offers a wide variety of services to meet the financial objectives of individuals. One program is investment Analysis and Planning.	Open to anyone.
Planning & Asset Preservation	Arbor Mortgage	Savings and Investment Counseling	Open to anyone.
Planning & Asset Preservation	Michigan Works! – Life Skills (Job Training)	Various Job Training Components	Low-income
Planning & Asset Preservation	Work First	Orientation and Case Management	Low-income
Planning & Asset Preservation	Strive	Employment readiness	At-risk youth
Planning & Asset Preservation	Budgeting (higher education) Kellogg Community College	Budgeting classes DISCONTINUED CLASSES	Open to anyone.

Planning & Asset Preservation	Spring Arbor College	Accounting	Open to anyone.
Planning & Asset Preservation	Davenport University	Accounting	Open to anyone.
Planning & Asset Preservation	Welfare to Work - Goodwill	Job Training Programs	Low-income
Planning & Asset Preservation	Work First	Orientation and Case Management	Low-income
Education and Training	Neighborhoods Inc. - Homeownership	Offers a series of three classes that prepares an individual or family for homeownership. The classes are a basic orientation to purchasing a home, how to budget once you own your home and how to understand the legal documents involved with purchasing a home.	Anyone.
Education and Training	Habitat for Humanity – Homeownership	Homebuyers club is a class that is offered to persons purchasing home through Habitat for Humanity. This class covers many topics in regards to budgeting and homeownership and finances. This class is taught at the Community Action Agency.	Habitat for Humanity customers
Education and Training	Neighborhoods Inc. - Financial Literacy	This is a five-week class that helps individuals develop sound financial behavior. The class covers budgeting, saving money and planning for the unexpected emergencies. This class is taught at Neighborhoods Inc. but has also been modified for church groups, non traditional students and other organizations. This class can be taught at churches, schools etc. if there is a large interest within one specific group.	Anyone.
Education and Training	Burnham Brook – Financial Literacy	Several one-time classes are offered that are geared towards financial planning. These classes change in their content each time they are offered. For instance, in April the class is estate planning. The schedule for classes can be obtained through the program desk at Burnham Brook.	Senior citizens in Calhoun County.
Education and Training	Battle Creek Public Schools/Junior Achievement – Financial Literacy	Through Battle Creek Public Schools, Junior Achievement educates children on finances and financial responsibility.	Currently, only offered through Battle Creek Public Schools

Education and Training	Neighborhoods, Inc. – Budgeting	This budgeting class is geared towards people who are homeowners or who are close to purchasing a home. This class helps people develop everyday budgets and helps them plan for household emergencies like furnace problems. This is a one-time class but is offered many times.	Available for anyone who is purchasing a home or recently purchased.
Education and Training	The Haven - Budgeting	This program offers refocusing on finances through conservative shopping and budgeting. This program is designed to help the homeless re-educate themselves on how to budget money.	Homeless community in Calhoun County and limited surroundings area.
Financial Counseling	Neighborhoods Inc. – One on One	This program is a one on one counseling. It is for people who are close t foreclosure or having difficulties making house payments. Neighborhoods will work with people and help them come to solutions prior to losing their home.	Any homeowner in the State of Michigan.
Financial Counseling	Greenpath Solutions – One on One	They offer one on one credit counseling for a charge but it is a sliding scale fee. They will help a customer get their bills under control and help them clean up any credit issues. They also will help customers who are close to foreclosure or having problems repaying their mortgage.	Anyone.
Financial Counseling	Guardian Inc. – Money Management Assistance Program	This program goes into the homes of individuals who are struggling with personal financial tasks (writing checks, balancing checkbooks, reviewing benefits) and provides individual assistance.	Anyone. Senior Millage funding is available for low-income seniors living in Calhoun County.
Financial Counseling	Summit Pointe/Venture Behavioral Health - One on One	They will work with clients that are having financial issues and help them work toward resolution.	Must be a client of this organization.
Financial Counseling	Salvation Army - One on One	They will work with people who are having short-term issues like paying the rent, gas bills, etc. They will then get them to other agencies to see what programs they may qualify for i.e., FIA assistance.	Battle Creek area.
Financial Counseling	Safe Place – One on One	They offer one on one financial education.	Must be in the Safe Place program.
Rebuilding Financial Health	Neighborhoods Inc./Home Ownership Lending Program	Provide credit repair assistance for individuals.	Persons seeking home ownership.
Rebuilding Financial Health	Neighborhoods Inc./Financial Fitness Education Program	Provides group training on credit repair, retraining on financial issues, refocus financial priorities and energies, and counseling on attitudinal changes.	Open to organizations and agencies.

Rebuilding Financial Health	The Haven/Budgeting Classes	Provides budgeting classes that are geared towards refocusing of financial priorities/energies and retraining on financial issues.	Participants in Haven programs; as requested by organizations and agencies.
Rebuilding Financial Health	Greenpath Debt Solutions/Debt Management Program	Provides one on one debt management; which includes credit repair, retraining on financial issues, and refocusing financial priorities and energies.	Must have an income. Those that have too much debt versus income are not eligible.
Rebuilding Financial Health	Community Action Agency/Financial Management and Economic Program	Provides an eight (8) session program which covers credit repair, refocusing of financial priorities/energies, retraining on financial issues, and attitudinal changes and other areas concerning personal finances.	Low to moderate income according to Michigan income guidelines.
Financial Crisis Intervention	FIA - State Emergency Relief (SER) (See 'Direct Financial Help' for a breakdown of programs.)	The State Emergency Relief (SER) Program provides immediate help to individuals and families facing conditions of extreme hardship or for emergencies that threaten health and safety. Through a combination of direct financial assistance and contracts with a network of non-profit organizations such as the Salvation Army and local Community Action Organizations, SER helps low-income households meet emergency needs such as heat and utilities, home repairs, relocation assistance, home ownership services, burial.	The SER program is primarily designed to maintain low-income households who are normally able to meet their needs but occasionally need help when unexpected emergency situations arise. The SER program is not an appropriate solution to ongoing or chronic financial difficulties.
Financial Crisis Intervention	Greenpath Debt Solutions – Debt	Assists with getting bills under control, negotiating with creditors and cleaning up credit issues.	Anyone. Based on a sliding scale.
Financial Crisis Intervention	Guardian Inc. – Representative Payeeship	Individual's Social Security income is brought in; basic needs are paid out by the agency, as well as personal funds.	Social Security determination is made on the ability of the individual to management his/her own monthly benefit check.
Financial Crisis Intervention	Guardian Inc. – Conservatorship	Individual's assets are obtained by the agency, brought in and managed for the individual's benefit.	Probate Court determination is made on the ability of the individual to manage their assets.