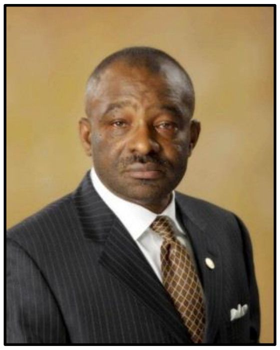

The Anti-Poverty Soldier

Community Action

By Clarence Hightower, Ph.D.

Empowerment and asset building strategies to reduce poverty

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Income is important but insufficient. Our focus is to build assets to get people out of poverty.

- Andrea Levere

To empower people and strengthen their political voice, we need to help them gain access to the sources of power in any society. Typically those include assets such as skills that are marketable, economic resources, and social supports. This is essential if we are to make a difference.

- Geeta Rao Gupta

A decade ago America's sub-prime mortgage crisis served as the major catalyst to a larger financial emergency which is now known as The Great Recession. In the wake of this disaster, poverty and unemployment skyrocketed toward record levels and millions of American's lost their homes. According to RealtyTrac nearly 18 million American homes have been foreclosed on since 2007.

The regions hardest hit by this epidemic were the South, West, and Midwest, which included the metropolitan areas of Chicago, Detroit, and the Twin Cities. Most affected in the Twin Cities were the neighborhoods of North Minneapolis and St. Paul's East Side. And as was the case nationwide, it was working class families of color disproportionately affected by this catastrophic trend, whose dreams of homeownership lay shattered in the streets.

Yet as devastating as this fate would be to any family, imagine the outrage one must feel upon discovering that your economic independence and security was essentially bought and sold by the pure greed of others. As many financial experts have demonstrated, the housing bubble was not merely a random market trend, but in large part the result of discriminatory and pernicious lending practices that targeted people of color.

During the height of the foreclosure crisis *The New York Times* editorial board wrote that: "Pricing discrimination — illegally charging minority customers more for loans and other services than similarly qualified whites are charged — is a longstanding problem. It grew to outrageous proportions during the bubble years. Studies by consumer advocates found that large numbers of minority borrowers who were eligible for affordable, traditional loans were routinely steered toward ruinously priced subprime loans that they would never be able to repay."

Understandably, it is this type of appalling, long-standing behavior on the part of the financial industry and other power brokers that leaves people disenfranchised, despondent, cynical, and even nihilistic. Yet there are still ways to combat such rampant discrimination, and moreover, there are tangible tools and strategies for poor and working class families to take control of their financial destiny and put poverty and the risk of poverty in their rearview mirror.

Homeownership is a wonderful goal and for those of us fortunate enough to achieve it, likely the greatest financial asset we will ever accumulate.

However, homeownership is not the only asset that one can acquire. In fact there are a plethora of assets that can be obtained and as Ronni Mott of the *Jackson Free Press* notes, “Building wealth — that is increasing assets and net worth (the difference between what you own and what you owe) — is a vital link to ending poverty.”

Mott further notes that “Having a job that pays a living wage is only one aspect of lifting oneself out of poverty. Even when people have jobs, many are just one paycheck — or one medical emergency — from financial disaster. The hand-to-mouth existence of many poor and low-income people keeps them from breaking their cycle of poverty when they have no resources to fall back on.”

In considering this statement, it becomes clear that the only way for families to truly escape the clutches of poverty, particularly generational poverty, is to accumulate and grow personal assets. Such assets may include a savings account, an automobile, educational credentials, certified skills, a life insurance policy, a retirement account, land, a small business, and even income supports such as the Earned Income Tax Credit (EITC).

The Foundation of the Mid South has called the EITC “one of the most successful anti-poverty tools in the United States,” revealing that the EITC lifts millions above the poverty line each year. Unfortunately, millions of eligible Americans fail to take advantage of this benefit, either because they are unaware of it, unsure of whether or not they qualify, or don’t know how to apply.

Another critical tool out of poverty, as demonstrated by renowned scholar Michael Sherraden, is the advent of the Individual Development Account (IDA). It was nearly 25 years ago when Sherraden changed the way many economists viewed asset building with his landmark book *Assets and the Poor*.

It was here that Sherraden emphasized the use of Individual Development Accounts (IDAs) to help people take control of their financial lives and climb out of poverty. A matched savings program, an IDA is specifically designed to help low-income households save money that can be used to acquire assets such as a home, a small business, or a post-secondary degree/certificate.

There are a number of proven strategies to help lift and keep people out of poverty. And building assets is no doubt paramount among them. Yet at the end of the day, as many have forcefully pointed out, “poverty is still a math problem.” So while we can serve low-income people in helping them to earn a college diploma, buy a house or a car, or start their own business, there are other realities that still must be transformed. Because there are still not enough living wage jobs, affordable housing units, vocational/educational opportunities, or adequate funding for programs that make these things possible.

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