Paper or Plastic?  
The Potential Impact of Prepaid Cards on Personal Financial Management

By Lesley Morgan

Do you remember the television commercials where customers are dancing through the checkout line and one person stops everything in order to pay with cash? Although those commercials seemed far-fetched, they represent an emerging truth: We are becoming an increasingly cashless economy.

For the unbanked, our booming affinity for “plastic” can exclude them from everyday transactions, including making online purchases and paying bills by phone. Fortunately, stored-value cards, commonly known as prepaid cards, can help fill the gap between the cash and the cashless segments of society that now exist.

Prepaid cards function similarly to a debit card, but are not linked to a traditional bank account. The majority of prepaid card users are unbanked for a variety of reasons, including lack of proximity to bank branches, distrust of financial institutions, the need to maintain required account balances, and the inability to avoid or repay bank fees.

Prepaid cards can be purchased from non-bank retailers such as grocery stores, large box retailers and online merchants. Funds can be reloaded at these locations or through direct deposit. Most of the cards are also branded by a major credit card company and are accepted anywhere that company’s card can be used. (For more information on prepaid cards, please refer to www.stlouisfed.org/publications/itv/articles/?id=2168.)

According to the 2010 Federal Reserve Payments Study, prepaid card transactions accounted for five percent of all noncash transactions and were the fastest-growing type of noncash payment method,

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NEWS FROM THE MANAGING EDITOR

Looking Ahead

In the spring of 1997, the St. Louis Fed published the first issue of Bridges. In the winter of 2009-2010, we embraced the digital format and included even more information in each issue with the addition of online-only content. Now, 15 years after its launch, we are pleased to announce the transition of the newsletter to an online-only publication, beginning with the Spring 2013 issue.

Over the years, our intention has remained the same—to provide an informational tool for bankers, community development organizations, representatives of state and local government agencies and others interested in community and economic development issues and initiatives. This will not change with the transition from print to digital. In addition to our editorial staff, we also receive input from external advisers and expert contributors, with the goal of delivering the most helpful, useful and accurate content available to a broad range of readers.

By concentrating our efforts on a digital publication, we can take advantage of the many benefits of this electronic format, some of which include:

- **Expanded coverage** — While the length of an article will remain important in terms of overall balance, the amount of coverage we can offer will not be limited by the space constraints of print.

- **Links to external web sites** — Rather than having to physically go to a different source, cross-reference links can be followed effortlessly with a few clicks of a mouse.

- **Supplemental materials** — A digital format allows the addition of supporting materials (e.g., sidebars, primary documents) to any article.

- **Multimedia** — Technology encourages the use of multimedia content (e.g., videos, interactive illustrations) to bring stories to life and to provide greater depth and understanding.

Going digital also means going green—eliminating print offers a more environmentally friendly service to our readers.

In order for you to continue reading Bridges in a timely manner, we need to ensure that we have an accurate way to alert you when issues are available. Please take a moment to provide your e-mail address by visiting www.stlouisfed.org/br/subscribe/ so you won’t miss a single issue. You may also provide this information on the enclosed reply card.

We enthusiastically look forward to this next chapter, and thank you very much for your continued support of our newsletter.

Glenda J. Wilson

*Glenda Wilson is managing editor of Bridges and assistant vice president of community development at the Federal Reserve Bank of St. Louis.*

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**“Paper or Plastic” continued from Page 1**

with a transaction frequency increase of 21.5 percent in three years. The FDIC estimated in 2009 that of the 25.6 percent of U.S. households that were under- or unbanked, more than 35 percent utilized some sort of prepaid card for general spending purposes. The Mercator Advisory Group found that funds loaded onto prepaid cards totaled more than $42 billion, a 50 percent increase from 2009 to 2010. Usage rates of these cards can only be expected to rise.

**Goodbye Envelopes (Prepaid for Budget Management)**

Proponents of prepaid cards laud them as an effective financial management tool. One participant in a 2009 focus group for the Center for Financial Services Innovation explained, “I primarily use reloadable prepaid cards for items like gas, groceries and smaller bills like phone or Internet services. It’s easy to place the money into the account during the month and stay within the confines of the budget I have allotted to spend for these goods and services.” The convenient loading of funds to these cards makes money readily accessible and lowers time spent and costs for basic transactions. (See “Sample Potential Savings Using Prepaid” chart on Page 3). Some cards even feature high-tech “envelope method” management systems through online platforms that allow users to monitor their spending and create budgets (see sample online tracker on Page 3).

Many prepaid card users view the perceived fee transparency of these cards as a benefit. As a November 2011 National Public Radio segment pointed out, many consumers are frustrated with the penalty fees associated with bank accounts and would prefer to know the true cost of transactions ahead of time. In general, checking accounts are the most cost-effective, but for consumers who are short on funds, one overdraft charge can have a significant financial impact; prepaid card users avoid these fees altogether. Unfortunately, these same per-transaction charges make the true cost of the prepaid card hard to calculate and can reduce the user’s purchasing power. Additionally, non-bank-issued cards are not FDIC-insured, increasing a consumer’s risk to losing loaded funds. Since this industry remains largely unregulated, it is important for consumers to research products prior to purchase.

**Saving for a Rainy Day (Asset Building With Prepaid Cards)**

Prepaid cards are an innovative tool providing the unbanked with access to basic financial services. However, these products are far from a panacea. First, few of these cards offer savings vehicles for consumers; in fact, because the funds are readily accessible, they can actually be a disincentive to save. Some
card companies have introduced optional savings features on their cards, like NetSpend’s National Savings account, the Approved Card’s savings goal funds, and overdraft protection. However, the provision of these services depends on the card issuer, and utilization rates are unclear.

In addition, these cards presently offer no credit-building benefits to consumers who may lack sufficient credit histories. Despite appeals from prepaid card companies, the credit bureaus have been reluctant to create standard data reporting formats for “noncredit” transactions. TransUnion has indicated movement toward these capabilities, but it is unclear whether Equifax and Experian will follow and how prepaid cards will be factored into the FICO score calculation. Until these systems are established, low-credit individuals would benefit more from using secured credit cards for credit-building purposes.

**Taking it to the Bank (Prepaid as an Introduction to Traditional Banking)**

Although the safety and cost-effectiveness of these cards are vague, one thing is certain: Prepaid cards are here to stay. With employers and public benefit payers shifting toward electronic payments to reduce costs, utilization rates of these cards will continue to rise. In the future, competition within and regulations of prepaid card providers will increase, making these cards a safer and more affordable product for consumers.

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**Sample Potential Savings Using Prepaid**

John receives income from six checks per month, totaling $1,700. He uses cash to pay his rent, and money orders for his phone, cable and car insurance bills. He makes five additional monthly purchases for groceries and eating out. Below is a table showing sample monthly financial services costs utilizing three different options. Note that while a checking account could be the most cost-effective, potential fees could wipe out the savings.

<table>
<thead>
<tr>
<th>Check Cashing</th>
<th>Prepaid Card</th>
<th>Checking Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>SERVICES</td>
<td>AVERAGE FEES</td>
<td>SERVICES</td>
</tr>
<tr>
<td>Six checks cashed</td>
<td>$51.45</td>
<td>Two direct deposits</td>
</tr>
<tr>
<td>Three money orders</td>
<td>4.50</td>
<td>Four checks loaded</td>
</tr>
<tr>
<td>Cash withdrawal (rent payment)</td>
<td>4.50</td>
<td>Subtotal</td>
</tr>
<tr>
<td>Three bill payments</td>
<td>1.50</td>
<td>POTENTIAL FEES</td>
</tr>
<tr>
<td>Eating out and groceries</td>
<td>2.50</td>
<td></td>
</tr>
<tr>
<td>Monthly fee</td>
<td>6.48</td>
<td>Total Cost</td>
</tr>
<tr>
<td>Total Cost</td>
<td>$55.95</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SOURCE: Adapted from The Nonprofit’s Guide to Prepaid Cards, Center for Financial Services Innovation.

**Sample Online Spending Tracker for Prepaid Cards**

Some prepaid cards feature management systems that allow users to monitor budgets. In this example, the red part of the line indicates how much of the budgeted amount has been used; green is still available.

- **Grocery Budget**
  - Budget: $350
  - $213 spent

- **Phone Budget**
  - Budget: $90
  - $85 spent

- **Clothing Budget**
  - Budget: $100
  - $15 spent


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The rapid growth in the use of prepaid cards as “proxies” for checking accounts demonstrates the need for financial products suitable for the lifestyles of under- and unbanked individuals that are appropriate for meeting current banking needs. It is up to the regulated financial services sector to continue creating safe, affordable and innovative products to fill these gaps—and to see prepaids as one route among many to build access to wealth-building financial services for everyone.

Lesley Morgan is a graduate student in the George Warren Brown School of Social Work at Washington University in St. Louis and a practicum student in the Community Development Office of the Federal Reserve Bank of St. Louis.
Save Energy, Save Money: Making Homeownership More Affordable

By Richard Ockers, Adam Roberts and Katrina Sommer

For many low- to moderate-income (LMI) households, homeownership remains one of the only avenues to building personal wealth, albeit with limited success due to the ever-present challenge of rising living expenses. Focusing on what can be changed as opposed to what cannot may help homeowners meet this challenge. Although it can be difficult to influence the cost of maintenance, food and transportation, utility costs are a financial strain that can be partially controlled through structural and behavioral modifications.

In an effort to stabilize housing by enhancing affordability, the St. Louis County Office of Community Development (OCD), in partnership with Laclede Gas Company and a private developer, launched an energy study to determine the best combination of green building techniques to control utility costs. Patrician Place was designed to provide relevant comparisons. Therefore, all 10 homes share a common floor plan. The goal was to maximize utility savings through smart architectural design, such as strategically placed windows that allow for natural lighting versus costly artificial lighting. The control home was designed to meet the energy efficiency requirements of the 2003 International Residential Code (IRC), as adopted by St. Louis County, and contained standard-efficiency HVAC equipment—a natural gas furnace and water heater, and an electric air conditioner. The design of the nine green homes incorporated a number of different energy-efficient components, including increased air sealing and insulation, Energy Star windows, and high-efficiency natural gas and electric HVAC systems. The Energy Star ratings for the green homes ranged from 59 to 69, compared to the control home at 150 (lower scores are considered more energy-efficient). Furthermore, all of the green homes were certified to either the National Association of Home Builders’ Model Green Home Building Guidelines or LEED for Homes.

Data Collection

All 10 homes were sold to LMI persons willing to participate in this study. Each buyer received training on the energy-efficient features of their home and completed a survey designed to capture their energy-related behaviors. The data tabulated from this survey were supplemented by observations from quarterly visits. Laclede Gas Company employees visited each home regularly to ensure strategically located data loggers were operational and to extract the data stored on each device. The data loggers recorded temperature and humidity readings in five- to 15-minute intervals over the course of one year. Additionally, natural gas and electric utility bills were collected to analyze energy consumption relative to homeowner preference and general home operation.

The results of this study demonstrate that when homeowners correctly operate their home’s energy-efficient features,
they can realize a significant cost savings. Compared with the control home, the average green home saved approximately $200 annually; however, residents of some green homes experienced nearly twice the savings. Not surprisingly, the homeowners with less energy-conscious preferences and those who did not properly utilize their home’s energy-efficient features, such as the programmable thermostat, did not experience the full savings potential. This powerful information fuels the following policy recommendations to motivate and educate existing homeowners and future homebuyers about energy-efficient behaviors and habits in the operation of their households.

Policy Recommendations

The first recommendation gleaned from the evaluation of Patrician Place calls for a shift regarding homebuyer education. All homebuyers receiving federal assistance currently undergo a mandatory eight-hour homebuyer counseling course; unfortunately, this curriculum does not adequately address energy-conservation practices. All homebuyers, especially first-time purchasers, should be exposed to an energy-saving program that is easy to understand and execute. Doing so will help them achieve greater cost savings while simultaneously preserving valuable resources. In response to this data, OCD has created an energy-savings curriculum, Saving Money by Saving Energy, which will be delivered to all homebuyers benefiting from any federal, state or locally funded grants administered by OCD. The curriculum is also available to other agencies, lenders and residents upon request.

The second recommendation is to examine policies that will promote and expand voluntary green building certification programs in order to integrate the most cost-effective green building procedures into local building practice. Patrician Place findings indicate that these techniques are centered on smart architecture, energy-efficient mechanical systems, Energy Star products and appliances, insulation, air sealing, use of recycled materials, low-flow plumbing, and landscaping. Many of these procedures may already be integrated into construction practices across the nation; however, failing to promote these elements through green building programs provides incentives for builders to adopt lowest-cost, least-efficient construction techniques.

The final recommendation is to encourage the implementation of energy-saving home features. Currently, homeowners have access to many different resources that have the potential to help them utilize cost-saving measures that will lower their debt-to-income ratios and increase homeownership affordability—for example, federal, state and local tax incentives; utility rebate programs; low-interest home improvement loans; and the use of Energy Efficient Mortgages.

Improved energy efficiency and the subsequent cost savings are achievable and sustainable by all. The recession and depressed housing market are issues that affect every community. But by continuing to come together to help one another seize opportunities to save money, we will in turn make our communities stronger and more prosperous.

Richard Ockers is a project engineer at the Laclede Gas Company in St. Louis, and Adam Roberts and Katrina Sommer are senior community development analysts at the St. Louis County Office of Community Development.
Asset Building
A Means to Ameliorate Intergenerational Poverty in the Mississippi Delta

By Paulette Meikle

The Mississippi Delta (the Delta) is a region of persistent income inequality and pervasive intergenerational poverty. Several counties have sustained a poverty rate of 20 percent or higher for more than five decades. Current data show that more than one-quarter of families and over half of children under the age of 18 live in poverty. (See Table 1 on Page 7.) The Center for Community and Economic Development (CCED) at Delta State University (DSU) engages in development, teaching, outreach and research programs that improve and enhance the quality of life in this region, and advances strategies to use university resources to address poverty in the Delta.

In the Winter 2011 edition of Bridges, Ray Boshara, senior advisor and policy officer at the Federal Reserve Bank of St. Louis, presented several surprising findings about the financial and wealth habits of the poor. (See sidebar on Page 7 and www.stlouisfed.org/publications/br/articles/?id=2058.) Inspired by Boshara’s work, leaders at the CCED decided to incorporate asset building into the incisive poverty-reduction strategies employed by the Center. Building assets among the poor is a promising avenue for breaking the cycle of intergenerational poverty and for creating economic advantages for low-income families. In recognition of this, Asset Building Among Low-Income Families has become the signature undertaking for the CCED for the next three years. Boshara’s findings provide the foundational principles for this work. The CCED embraces the asset-building model, particularly strategies that enable low-income families to build personal financial wealth through savings and investments.

The broader vision of the Center addresses wealth disparity in the Delta by mobilizing community, regional and state organizations to engage aggressively in asset-building activities that stabilize low-income families and improve residents’ quality of life.

Current programs at the CCED are geared toward inspiring asset building among children and providing financial education and individual development accounts (IDA) for adults. The Children’s Savings Account (CSA) program at the CCED promotes, educates and expands opportunities for students from families who are unbanked or underbanked by allowing them to start educational savings accounts in local banks or credit unions. Program director Lakisha Butler recently noted, “We hope to raise funds to continue the program beyond the preliminary phase and establish more CSA sites statewide.” Hope Credit Union and Southern Bancorp
The Center for Economic Education and Research at DSU, the Institute for Community-Based Research, the Center for Population Studies at the University of Mississippi and other key strategic partners.

To launch CCED’s new development focus, the Memphis Branch of the Federal Reserve Bank of St. Louis recently hosted an asset-building symposium at DSU. The conference informed a diverse group of CCED stakeholders, policymakers and community development practitioners on sound antipoverty measures for low-income communities, including ownership and household asset-building strategies for the poor. The overall emphasis of the symposium was strengthening the balance sheets of Mississippi families for economic growth. A special session allowed community development practitioners, bankers and researchers to discuss regional innovative asset-building strategies. This session provided the CCED and its partners with facts, ideas and possible approaches for effectively implementing asset-building programs in Delta communities, with consideration for contextual social and cultural factors. Regional impediments were isolated and a practical and progressive policy framework to overcome them was offered.

Ray Boshara was a keynote speaker at the symposium. In his concluding remarks, Boshara argued that even in an era of financial austerity, asset building and saving are still the right ideas. For economic mobility, people need to save more. The CCED can help Delta families by designing and implementing effective projects that use creative ways to build assets.

### TABLE 1

**Poverty Measures in Eleven Alluvial Mississippi Delta Counties—2010**

<table>
<thead>
<tr>
<th>Mississippi Delta Counties</th>
<th>Median Household Income (in 2010 Inflation-adjusted $)</th>
<th>Percent of Families Below Poverty Level</th>
<th>Percent of Children (&lt;18 years) Below Poverty Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolivar County</td>
<td>$27,021</td>
<td>28.5</td>
<td>52.7</td>
</tr>
<tr>
<td>Coahoma County</td>
<td>$23,722</td>
<td>34.2</td>
<td>55.6</td>
</tr>
<tr>
<td>Humphreys County</td>
<td>$25,131</td>
<td>34.0</td>
<td>58.0</td>
</tr>
<tr>
<td>Issaquena County</td>
<td>$21,360</td>
<td>33.8</td>
<td>59.3</td>
</tr>
<tr>
<td>Leflore County</td>
<td>$22,438</td>
<td>31.6</td>
<td>52.5</td>
</tr>
<tr>
<td>Quitman County</td>
<td>$24,169</td>
<td>32.1</td>
<td>45.5</td>
</tr>
<tr>
<td>Sharkey County</td>
<td>$30,129</td>
<td>25.5</td>
<td>56.7</td>
</tr>
<tr>
<td>Sunflower County</td>
<td>$26,335</td>
<td>26.3</td>
<td>39.5</td>
</tr>
<tr>
<td>Tallahatchie County</td>
<td>$24,668</td>
<td>10.1</td>
<td>48.7</td>
</tr>
<tr>
<td>Tunica County</td>
<td>$29,994</td>
<td>24.3</td>
<td>35.2</td>
</tr>
<tr>
<td>Washington County</td>
<td>$24,917</td>
<td>31.7</td>
<td>52.7</td>
</tr>
<tr>
<td><strong>Average for 11 Counties</strong></td>
<td><strong>$25,444</strong></td>
<td><strong>28.4</strong></td>
<td><strong>50.6</strong></td>
</tr>
</tbody>
</table>

**Source:** Data from the 2010 U.S. Census. [http://factfinder2.census.gov](http://factfinder2.census.gov).

State Small Business Credit Initiative: Big Help for Small Business

By Lisa Locke

Historically, small businesses—defined as enterprises with 500 or fewer employees—have played a significant role in the American economy. According to the U.S. Small Business Administration, these companies represent 99.7 percent of all firms, employ about half of all private-sector employees and generated 65 percent of net new jobs over the past 17 years. During the Great Recession, however, lending to small businesses slowed and the underwriting standards of financial institutions became more conservative. Almost three years after the official end of the recession, small businesses continue to face challenges in access to credit, and there are increased concerns about their ability to survive. Access to credit provides an income stream to businesses and allows them to take advantage of growth opportunities. Without credit, businesses could be forced to cut back on employees and services, or even to close.

In an effort to stimulate small-business lending, investing and job creation, the State Small Business Credit Initiative (SSBCI) was created as part of the 2010 Small Business Jobs Act. The primary objective of the SSBCI is to enhance new or existing state programs that provide access to capital for small businesses and manufacturers. Congress appropriated $1.5 billion to the Initiative. The expectation is that this funding will generate the minimum bang for the buck of $10 in private investment for every $1 in federal funding, totaling $15 billion in lending.

Eligible State Programs

Eligible state programs for SSBCI funds include Capital Access Programs (CAP) and Other Credit Support Programs (OCSP), which include loan participation programs, collateral support programs, loan guarantee programs and venture capital fund programs. Each state has the opportunity to design a program that fits the needs of their communities, assisting business owners start new companies and/or expand existing entities.

CAP

A CAP is a loan portfolio insurance program in which the lender and borrower pay an up-front premium to a reserve fund held by the participating financial institution. The state matches the premium in the originating lender’s reserve fund. To be eligible for the program, the borrower must have 500 or fewer employees. The loan maximum is $5 million. This program encourages lenders to make loans they may not otherwise make.

OCSP

In a loan participation program, a state uses SSBCI funds to purchase part of a loan and may take a subordinate lien position to the lender. The state may also provide a lower interest rate to the borrower, which allows the small business to qualify for a loan for which it would not normally be eligible. In a collateral support program, the state uses SSBCI funds to deposit cash at a financial institution, which serves as partial collateral for loans. The state guarantees a portion of a loan under loan guarantee programs, and venture capital fund programs are used to attract more private investment for small businesses.

Under the SSBCI, all states may apply for the federal funds. States receive funding based on a statutory formula determined by the portion of local job losses relative to national losses, with each state receiving a minimum of $13.2 million. According to the Treasury Department, as of February 2012, 47 states, the District of Columbia, five territories and one municipality have been approved for $1.43 billion in SSBCI funding. Funds are distributed in thirds: 33 percent, 33 percent and 34 percent. States are required to have committed a minimum of 80 percent of prior funds before a second or third disbursement can be received from the Treasury. To date, all states that were approved for SSBCI funds have received the first disbursement. As of Dec. 31, 2011, states reported payouts of $60.3 million in SSBCI funds. In meeting the minimum bang for the buck expectations of a 10 to 1 match, this should lead to $600 million in small-business lending and investing.

Eighth District Programs

The seven states that comprise the Eighth District of the Federal Reserve Bank of St. Louis have been approved for just over $211 million in SSBCI funds. (See sidebar for program participation.) As each state starts to ramp up its SSBCI program, the funding provides an additional tool needed to grow and invest in local business. SSBCI provides much needed access to capital and, in turn, a small business has the ability to take the capital and turn ideas into reality. The Treasury Department will continue to provide technical assistance to states as the funds are disbursed. For additional information, visit www.treasury.gov/ssbc.

Lisa Locke is a senior community development specialist at the Louisville Branch of the Federal Reserve Bank of St. Louis.
Parents know quite well that early investments in life pay off. Nutrition, music, reading, sports—we know, and research has confirmed, that the earlier in life a child is exposed to these developmental opportunities, the better that child will do.

Well, it’s no different with building financial know-how and a stronger balance sheet: The earlier a child starts, the better off he or she will be.

Yet a critical tool is missing to bring this opportunity to millions of children nationwide: a savings product designed with children and their financial futures in mind. A useful model for developing an appropriate child savings account might be the “Roth at Birth” concept recently recommended by the nonpartisan, nongovernmental President’s Advisory Council on Financial Capability.

Here are five reasons why a child savings product makes sense.

1. **The time value of money**
   A child whose family makes an initial deposit of $500 at birth and then a modest $250 annual contribution will have (assuming a 5 percent annual return) more than $131,000 in savings by age 65—nearly $100,000 more than if they waited until age 25 to start investing. Raise the annual rate of return to 7 percent—historically, a reasonable rate—and the child saving from birth will have nearly $350,000 by age 65, a stunning $286,000 more than someone who waits until age 25 to start saving.

2. **Financial capability**
   It is not just more money that children will end up with. It’s also, and perhaps more importantly, a greater ability to manage their finances over time. Research by Marianne Hilgert and others shows that financial know-how is the result of regular saving, instead of the source. In fact, research by Christi Baker and Doug Dylla shows that “combining financial education and accounts seems to have a number of positive effects for some consumers, including active use of accounts, enrollment in financial education, demonstrated acquisition of knowledge and changed behaviors.”

3. **Educational and economic outcomes**
   The benefits of early saving and investing go beyond building financial capability. For example, William Elliott and Sondra Beverly found that youths who own an account are nearly seven times more likely to attend college than those lacking accounts—even after controlling for parental education, family income, race, academic achievement and other factors. Also, financial capital, along with family structure and educational attainment, are the three strongest predictors of economic mobility in America, according to researchers at the Heritage Foundation. Other research by Thomas Shapiro shows that the presence of even small amounts of wealth at the right moments can have a transformative effect on the life course. And in the recent SEED Initiative, researchers found that child development accounts instill a sense of security, reduce stress, encourage thrift and provide a sense of hope for the future.

4. **Benefits for lower-income children**
   Structured properly, such accounts could be treated like investments in individual development accounts (IDA) and would thus likely trigger Community Reinvestment Act (CRA) credit under the investment or service tests. Second, low-income families who make contributions would qualify for the “Savers Credit,” a federal matching deposit designed to...
encourage savings. Third, correctly structured, such accounts would not count against the asset test faced by low-income families who need food stamps, TANF or Medicaid through the child’s adolescence, or financial aid once in college.

5. Interest among financial institutions and policymakers

Preliminary conversations with financial services providers indicate strong interest in a child savings account. They see the potential of this low-risk method to build customer relationships as early as birth while engaging the entire circle of a child’s parents and relatives.

Recent surveys show that most Americans, including most young Americans, lack financial knowledge and skills, which lead to poor financial outcomes later in life. A savings product available as early as birth offers a chance to set generations of children on a different, and more prosperous, path in the years ahead.

Ted Beck, president and CEO of the National Endowment for Financial Education, is a member of the President’s Council on Financial Capability. Ray Boshara, senior advisor and policy officer at the Federal Reserve Bank of St. Louis, is advising the Council.

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**Have you HEARD**

**Deadline Extension for Independent Foreclosure Review Request**

People seeking a review of their mortgage foreclosure under the federal banking agencies’ Independent Foreclosure Review now have until July 31, 2012, to submit requests. Borrowers may request a review if they believe they suffered financial injury as a result of errors in foreclosure actions on their homes in 2009 or 2010 by one of the mortgage servicers covered by enforcement actions issued in April 2011. If the review finds that financial injury occurred, the borrower may receive compensation or other remedy. There are no costs associated with being included in the review. For more information, including eligibility requirements and participating servicers, call 888-952-9105 or visit https://independentforeclosurereview.com.

**USDA Mortgage Refinance Pilot Program**

The new Single Family Housing Guaranteed Rural Refinance Pilot Program, launched by the U.S. Department of Agriculture (USDA), is an effort to help rural borrowers refinance their mortgages to reduce their monthly payments. Available for homeowners who have loans that were made or guaranteed by USDA Rural Development, the program is operating in five states within the Eighth Federal Reserve District: Illinois, Indiana, Kentucky, Mississippi and Tennessee. Information is available at www.rurdev.usda.gov/HSF_SFH.html.

**Rural Economic Development Loan and Grant Program Funds Available**

The U.S. Department of Agriculture, Rural Business-Cooperative Service, is inviting applications for the Rural Economic Development Loan and Grant Program for Fiscal Year 2012. Funding to support $33 million in loans and $10 million in grants is currently available. The deadline for receipt of applications in the USDA Rural Development State Office is no later than 4:30 p.m. (local time) on the last business day of each month in FY 2012. For more information, go to http://tinyurl.com/876crlh.

**Fed Issues Statement Regarding Foreclosure Property Rental, CRA Consideration**

The Federal Reserve Board released a policy statement in April reiterating that residential properties acquired in foreclosure as part of an orderly disposition strategy may be rented. The Fed’s general policy is that banking organizations should make good faith efforts to dispose of foreclosed properties (other real estate owned, or OREO) at the earliest practicable date. In this context, and in light of current extraordinary market conditions, the statement explains that banking organizations may rent residential OREO properties without demonstrating continuous active marketing of the property for sale. Also, if OREO rental properties meet the definition of community development under Community Reinvestment Act (CRA) regulations, banking organizations may receive favorable CRA consideration. You can find all the details, including the full statement and the 2012 Banking and Consumer Regulatory Policy, at www.federalreserve.gov/newsevents/press/bcreg/20120405a.htm.

**Gov. Duke Urges a Broad Approach to Community Development**

Speaking at the 2012 National Interagency Community Reinvestment Conference in Seattle, Federal Reserve Gov. Elizabeth Duke said that financial institutions must take a broad, entrepreneurial approach to their obligations to serve low-income communities under the Community Reinvestment Act (CRA). She said the CRA rules provide an incentive to help banks and thrifts invest in affordable housing, financial services, economic development and neighborhood revitalization or stabilization. During times when community need is great and resources few, financial institutions should consider partnerships with community stakeholders, setting the stage for stronger credit demand in the future.

Financial institutions need to approach development holistically, relating it to jobs, education, transportation and healthcare. Modern sustainable communities will address not only housing issues, but also the resources needed to support people and create a good business climate.

Duke cited neighborhood stabilization efforts as examples of well-rounded approaches to development in distressed communities. She said land banks are just one example of new approaches to housing issues that have been successful in revitalizing low-value properties, and that the U.S. Department of Housing and Urban Development’s (HUD) Neighborhood Stabilization Program (NSP) provides a structure that helps community stakeholders identify the best local approach.

To read the full text of Gov. Duke’s keynote address, visit www.federalreserve.gov/newsevents/speech/duke20120327a.htm.
CALENDAR

APRIL

21-28
Money Smart Week—Metro St. Louis—Greater St. Louis
Sponsor: Multiple
www.moneysmartstl.org

25
Money Habitudes: Money Smart Week 2012—Louisville, Ky.
Sponsor: Louisville Branch of the Federal Reserve Bank of St. Louis
www.stlouisfed.org/event/431B

26
Sponsor: Federal Reserve Bank of St. Louis, Center for Social Development at Washington University in St. Louis
www.stlouisfed.org/community_development/events/?id=355

MAY

1-2
Assets@21: Lessons from the Past, Directions for the Future—Washington, D.C.
Sponsor: New America Foundation
http://newamerica.net/events/2012/assets21

3
CRA for Community-Based Organizations Workshop—St. Louis
Sponsors: Federal Reserve Bank of St. Louis, FDIC, OCC
www.stlouisfed.org/event/43FA

3
Tennessee Affordable Housing Coalition–West Regional Meeting—Jackson, Tenn.
Sponsors: Memphis Branch of the Federal Reserve Bank of St. Louis; Tennessee Affordable Housing Coalition; Southwest Tennessee Development District; Health, Educational Housing Facility Board of the City of Memphis
www.stlouisfed.org/community_development/events/?id=363

8-9
Innovation Finance WebCourse—Online
Sponsor: Council of Development Finance Agencies
www.cdfa.net, then look under “CDFA Upcoming Events” in the left sidebar

9-11
Sponsors: Federal Reserve Banks of St. Louis, Boston, Chicago, Cleveland, New York, Philadelphia and Richmond; William Penn Foundation; Penn Institute for Urban Research; Ford Foundation; HUD’s Office of Policy Development and Research; FHL Bank Pittsburgh
www.philadelphiafed.org/community_development/events/2012/reinventing-older-communities

16
Mississippi Gulf Coast/Delta AEI Small Business Conference—Jackson, Miss.
Sponsors: Alliance for Economic Inclusion, Jackson State University
http://msaeismallbusinessconference2012.eventbrite.com

JUNE

13-15
7th Annual Underbanked Financial Services Forum—San Francisco
Sponsor: Center for Financial Services Innovation
www.americanbanker.com/conferences/cfsi

19
CRA Officers Roundtable—St. Louis
Sponsors: Federal Reserve Bank of St. Louis, FDIC, OCC
communitydevelopment@stls.frb.org

19
West Tennessee Regional Entrepreneur Conference—Jackson, Tenn.
Sponsors: WestStar, Federal Reserve Bank of St. Louis
www.utm.edu/departments/weststar/events.php

20-22
Sponsor: Center for Community Progress
www.communityprogress.net/2012-conferences-pages-119.php?id=124

25-26
Southern Growth’s 2012 Chairman’s Conference—Chattanooga, Tenn.
Sponsor: Southern Growth Policies Board
www.southerngrowth.com/conference/conf.html

28-29
Policy Summit: Housing, Human Capital, and Inequality—Cleveland, Ohio
Sponsor: Federal Reserve Bank of Cleveland
www.clevelandfed.org/Community_Development/events/PS2012/index.cfm
RESOURCES

Financial Education Information Available Free of Charge from the St. Louis Fed

The Economic Education department at the St. Louis Fed offers materials for use in K-8 social studies classrooms that align with the common core standards. Also available are materials for use in economics, history, government and personal finance classes in grades 9 through 12, as well as resources for adults. You may also search a glossary of economics and personal finance terms. All of these materials are available free of charge. Visit stlouisfed.org/education_resources or contact Mary Suiter, manager of economic education at the St. Louis Fed, at mary.c.suiter@stls.frb.org.

Three New Podcasts on Job Creation Available from the Atlanta Fed

Retrofitting Institutions: Feeding Job Growth with Energy Hogs
Satya Rhodes-Conway and James Irwin, senior associates at the Center on Wisconsin Strategy, discuss how retrofitting public and institutional buildings spurs job creation in the real estate sector.

Trash to Treasure: Turning Waste into Jobs
Nancey Green Leigh, a professor of city and regional planning at Georgia Tech, discusses how to design a program that can create jobs from the waste diversion process.

Can the Jobs Gap Be Filled Through Temporary Public-sector Positions?
Philip Harvey, professor of law and economics at Rutgers University, discusses how his proposed direct job creation program would create temporary public-sector jobs and, in the process, help reduce unemployment.

To view the transcript or play the MP3 file of any of these podcasts, visit www.frbatlanta.org/podcasts/transcripts/economicdevelopment and scroll to the individual podcast title.