



NEWS RELEASE

Center for Public Policy Priorities

900 Lydia Street Austin, Texas 78702 PH: 512.320.0222/FAX: 512.320.0227 www.cppp.org

FOR IMMEDIATE RELEASE:
September 12, 2007

CONTACT: Don Baylor, 512 320-0222, X108
baylor@cppp.org

Our Grade Is In: Texas Receives “F” in Financial Stability ***Nat’l Report Finds Texans Are Not Financially Prepared for the Future***

Austin, TX— When it comes to our ability to achieve financial success, Texas residents are falling behind the rest of the country, according to a report released today by the national Corporation for Enterprise Development (CFED). According to the *2007-2008 Assets and Opportunity Scorecard*, Texas was just one of five states that earned an “F” based on poor performance in the following areas: Financial Security, Business Development, Homeownership, Health Care, and Education.

“Without strong policies to promote financial stability, it is no surprise that Texas flunked this national test,” observed Don Baylor, Senior Policy Analyst for the Center for Public Policy Priorities. “Texas could improve its grade by matching the deposits families make into college savings accounts, implementing credit reforms to curb predatory lending, and removing the penalties in public assistance programs for working families who save.”

The Findings:

The report finds that Texans have among the nation’s lowest rates of household net worth (45th); home ownership (44th overall); and savings (42nd in interest-bearing accounts) and among the highest uninsured rates (49th in employer-sponsored insurance and 51st in low-income children and parents without insurance). Texans are also far more likely to use high-cost lending products (ranking 43rd in subprime loans). Full findings are available at <http://www.cfed.org/focus.m?parentid=31&siteid=2471&id=2476&stateid=43>.

Some of the Good Things Texas is Doing:

Texas has made the following strides in increasing financial stability:

- ***The Texas First Time Homebuyer Program.*** The program offers below-market interest rates on mortgages for eligible first-time homebuyers or those who have not owned a home in the past three years.
- **Increased CHIP Asset Limits.** In 2007, the Texas Legislature adopted more reasonable asset limits in the CHIP program by increasing from \$5,000 to \$10,000 the amount of countable assets a family may have and still qualify and improving the vehicle allowances.
- ***The Texas Tomorrow Fund II Save and Match Program:*** In 2007, the Texas Legislature authorized the *Texas Save and Match program*, which goes into effect in 2008. The program creates a mechanism to match contributions to the *Texas Tomorrow Fund II* (TTF II) made by

families with incomes below the state median household income. However, the Legislature did not fund this initiative. TTF II is a pre-paid tuition program that enables families to begin saving for future post-secondary education expenses by purchasing tuition units at current prices.

Some of the Good Things Texas Could Do:

Texas needs to do more to make financial security a reality. The state should:

- ***Protect consumers from predatory lending:*** A range of high-cost lending products proliferate in Texas with minimal to no regulation or rate limits. Payday lenders (registered as “credit services organizations”) charge exorbitant rates while operating freely outside state regulation. Legislators should cap rates on payday loans, limit rollovers, and enact a reporting requirement for payday lenders. Property tax lending also has emerged as a product that can strip homeowner equity and increase the risk of foreclosures. State regulators should inform homeowners of less costly options, while ensuring that the closing costs for property tax loans are not excessive.
- ***Establish incentives for college savings:*** At least eight other states provide matching funds for residents who make deposits into state-administered 529 college savings programs. While Texas has authorized the Save & Match program for the Texas Tomorrow Fund II, the Legislature appropriated no funding for the program. The Texas Legislature should fully fund the Save & Match program and establish a matching provision for the 529 College Savings Program. Finally, state officials should exempt these programs from counting as assets when determining a family’s eligibility for public benefits.
- ***Expand Education and Outreach:*** Many low-income Texans are unaware of the savings options available to them, do not possess the financial literacy skills to take advantage of these options, or do not recognize the value of saving for the future. For example, hundreds of thousands of eligible Texas families do not claim the Earned Income Tax Credit (a federal income tax credit), losing out on billions of dollars each year. The state should develop an asset-building campaign in partnership with low-wage employers to promote the Earned Income Tax and Child Tax Credits and fund free tax preparation for low-income families to maximize the nearly \$5 billion in EITC refunds each year.

Top performers on the 2007-2008 *Scorecard*—those states that earned an overall A in performance measures—include Hawaii, Iowa, Maine, Massachusetts, Minnesota, Montana, New Hampshire, Vermont, Wisconsin and Wyoming. In addition to Texas, Louisiana, Arkansas, Arizona, and Nevada scored an overall F.

This release is a joint partnership between CFED, CPPP, and the Texas Asset Building Coalition. For more Texas data and to access the complete *Assets and Opportunity Scorecard* for Texas, visit <http://www.cfed.org/focus.m?parentid=31&siteid=2471&id=2476&stateid=43>.

The Center for Public Policy Priorities is a nonprofit, nonpartisan policy research organization committed to improving conditions for low-and moderate-income Texans.