



**Youth IDA Program Proposal
for the
Bethlehem Community Center in
Chattanooga, TN**

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**“A handout may meet the immediate need, but how does it
contribute to the ultimate goal of setting the recipient aright?”**

➤ **George Grant** in *Welfare Reformed: Biblical Principles*

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Executive Summary

As of the fall of 2002, the Bethlehem Economic Development Center (EDC) has focused on the needs of those 18 years or older. The EDC has been convicted of its need to expand its target population and incorporate within the existing organization a program designed to develop a strong foundation of young, Christian, indigenous leaders, who can gain the needed assets to achieve their dreams as well as impact the financial and spiritual future of Alton Park and Piney Woods. This vision has led to the exploration in this paper of a youth Individual Development Account program to help youth save for productive assets. Through this program, the churches of the South Chattanooga will have an opportunity to help Alton Park and Piney Woods youth receive secondary or vocational education, start a small business, or develop skills in the growing computer industry. The culture of poverty will begin to be attacked at its root, as these youths are able to pass on their financial education and spiritual mentorship to future generations and as the youths build the assets needed to help their children achieve their dreams.

Definitions

- **Assets:** Something a person owns that has value, such as stocks, house, pension, education, or skills.
- **Net Financial Assets:** A person's assets excluding equity accrued in a home or vehicle and minus any loans or debt that they have acquired.¹
- **Individual Development Account (or IDA):** Matched savings accounts that are designed to help those of limited means accumulate a few thousand dollars for purchasing productive assets such as homes, higher education, or business start-ups. Individuals save monthly for 1 to 4 years, and have their savings matched by funders. Funding organizations include financial institutions, foundations, churches, and state and local governments. Community organizations, usually tax-exempt, non-profits counsel and monitor participants, provide financial literacy training, control matching fund, and authorize account withdrawals. Participants attend financial literacy classes as a requirement of the programs.
- **IDA Saver:** The individual, who participates in the IDA program by saving monthly for a permissible use.
- **USA Microenterprise:** A very small business with no more than five employees, one of which is the owner. It needs no more than \$25,000 in loan capital.

Problem Statement:

Approximately three-quarters (73%) of African American children in the U.S. have grown up in households that have no net financial assets.ⁱⁱ As few people have ever spent their way out of poverty, there must be an increase in asset accumulation within African American communities in order to stop the intergenerational cycle of poverty.

Background of Problem:

For the past two decades, the child poverty rate in the U.S. has consistently remained about 20% and about 2 to 3 times that rate in most distressed urban areas.ⁱⁱⁱ According to the U.S. Census Bureau, 14.5 million children, or more than 1 in 5 youths, live at or below the poverty line.^{iv} Lacking the money and assets to invest in their futures, the American dream of owning a house or car, of attaining a higher education, or of starting a business is out of reach for children living in low-income communities, such as Alton Park.^v The high rate of child poverty also has drastic impacts on the economy of America. It results in as high as \$130 billion in inadequate academic skills, future higher rates of unemployment, poor worker health, increased use of welfare and other public transfer programs, as well as increased incidence of crime.^{vi} The high percentage of children trapped at or below the poverty line can no longer be ignored. How much worse does the plight of millions of American children have to get before this country hears their cry for help?

The poor are less likely to save than the non-poor, as it requires a sacrifice to be made of resources in the present.^{vii} With fewer resources available to meet their subsistence requirements, the poor have a much more difficult time saving. Certain public-policy mechanisms, such as IRAs and interest deductions, enable non-poor to accumulate assets and yet are inaccessible to the poor.^{viii} It is possible that the scarce resources and restricted access combine within the culture of the poor to create a worldview that excludes saving.^{ix} Poverty continues to persist in part largely due to the inability of the poor to accumulate assets.^x When attacking the problem of child poverty, one cannot exclude the introduction of long-term saving.

Demographics of Alton Park: Analysis of the Socio-Economic-Political Context^{xii}

The Alton Park and Piney Woods communities (ZIP Code 37410) are located in the southern part of the city of Chattanooga, Tennessee. The majority of the population of Alton Park can be found in a roughly one-mile radius about the Bethlehem Center as the northern and southern ends of the district have a high concentration of commercialization and industrialization. In 2000, the estimated population of Census Tract 19, which includes the Alton Park and Piney Woods neighborhoods, was 4,171 residents. In the last 20 years, the community has watched as its numbers steadily decreased at rate of 21.76% compared to the U.S. growth rate of 13.15%. The residents have experienced a history of broken promises and exclusion from the progress known by other communities in Chattanooga, Tennessee.

Percent Change That Occurred Between 1990 and 2000 Census

SUBJECT	CENSUS TRACT 19	U.S.A.
TOTAL POPULATION	21.76% DECREASE	13.15% INCREASE
MALE POPULATION	18.7% DECREASE	13.2% INCREASE
FEMALE POPULATION	23.9% DECREASE	13.9% INCREASE

The Alton Park and Piney Woods communities are predominately female (57.1%) and African American (94.8%). Single parents head up the majority of family households. A fairly young neighborhood, the average age of a Census Tract 19 resident is 27.3, which is lower than the overall U.S. average. This is partially due to the abnormally high percentage of young people 24 and under, who reside in Census Tract 19 as well as the decline that has occurred over the past few years of those 55 years of age and over.

Demographics of Census Tract 19 According To 2000 U.S. Census

SUBJECT	NUMBER	PERCENT	U.S. PERCENT
Total Population	4,171	100.0	100.0
SEX & AGE			
Male	1,789	42.9	49.1
Female	2,382	57.1	50.9
24 Years or Under	1,962	47.1	35.3
Median age (years)	27.3	N/A	35.3 years
RACE			
African American	3,995	95.8	12.9
Caucasian	153	3.7	77.1

Low levels of education and high rates of illiteracy mark the Alton Park and Piney Woods communities. Over 60% of age 25 and over lack a high school diploma or its equivalent. The historic

The State of Education in Alton Park and Piney Woods

Subject	Lack a High School Diploma or GED
AGE	
25 and Over	60%

¹ For more detailed tables see Appendix 4.

and continuing trend of low high school graduation rates is only perpetuated by the area's public schools, which rank among the lowest in the state. One key to breaking the intergenerational cycle of poverty is to dramatically improve the educational structure within Alton Park and Piney Woods.

While a high concentration of commercialization and industrialization can be found in the northern and southern extremes of Alton Park, the average travel time to work, while equal to the US average, reflects the fact that the residents are forced to commute outside of the neighborhood for employment.^{xii} This can be debilitating for a community in which almost half of its residents are without a private means of transportation and single parents head up the majority of the households. The extreme lack of jobs can be due to the fact that the industries inside of Census Tract 19 tend to look outside of the community to hire skilled employees, which in turn cut down on the potential cash flow that these industries could produce for the neighborhood.^{xiii}

At Alton Park and Piney Woods present states, future economic growth remains an unlikely development. The majority of the population falls below the age of 24, and over 40% of the population falls below the age of 20. Nationally, only 35.5% of the population falls below the age of 24. The population Census Tract 19 is also growing older with an approximately 11% increase over the past ten years. The percent of those 25 to 44 years, who are in the prime of their work careers, has dropped in the last ten years by approximately 5% in comparison to the national increase of approximately 12%. This decrease only further increases the unlikelihood that the younger and older generations within Alton Park and Piney Woods will be able to find a way out of poverty.

Demographic Percent Comparison		
Subject	Census Tract 19	National
AGE		
24 or Under	47.1%	35.3%

Percent Change From 1990 to 2000		
Subject	Census Tract 19	National
AGE		
25-44 Years	5.2% DECREASE	11.5% INCREASE
45-55 Years	10.9% INCREASE	5.3% INCREASE

The percent of African American homeowners in Hamilton County is lower than the state and nation. The gap between the African American and Caucasian homeowners is approximately 29 percentage points. The Chattanooga Hope VI proposal only promises to

Percent Of Home Ownership By Race			
Home Ownership	National Percent	State Percent	County Percent
African American	47.5%	50.0%	Less than 44.0%
Caucasian	73.0%	74.1%	73.0%

perpetuate this problem within Alton Park and Piney Woods. The number of available homes for sale is limited and all of these homes are located in areas that exclude rental properties.

Three Alternatives for Solving the Problem of Child Poverty

1. Do nothing.

Failing to address this problem will have the following adverse affects on the future of Alton Park and Piney Woods Communities:

- Increase in child poverty.
- Higher rates of unemployment.
- Increase use of welfare and other public transfer programs.
- Inadequate academic skills.
- Increase in poor worker health.
- Increase in incidence of crime.

2. Continue current course of action.

Continuing on with a fragmented approach to poverty, which addresses the results of poverty and not the problem itself will result in the following:

- Youth prepared for service-orientated jobs, which do not pay livable wages.
- An increase in adults dependent upon subsidy programs.
- An increase in the percentage of residents with zero net financial assets.

3. Develop Youth Individual Development Accounts coupled with an Entrepreneurial Program.

As a result of an IDA program, youths will:

- Invest in themselves in the form of education, training, computers, business development, or homeownership.
- Become more future-orientated.
- Become more community orientated.
- Develop leadership and public speaking skills.
- Begin to develop healthy attitudes about money management and the economy.
- See that it is possible to move out of poverty.
- Have better access to quality schools, higher education, and meaningful skills training that are necessary for youth to achieve economic success and stability in adulthood.
- Change the culture of poverty that exists in these communities.
- Save money.

General Background Information On Youth IDAs

There is no sense in the Bethlehem Economic Development Center reinventing the wheel. This report draws on the experiences from existing youth IDA programs in the U.S. in order to develop a sound faith-based youth IDA program for the Bethlehem Center.

In November of 2000 there were only 19 youth IDA programs in the nation with accounts open.^{xiv} There are now twenty-two established and well-developed youth IDA programs. The most successful of the existing youth IDA programs have not stood alone.^{xv} The majority of the organizations have made their IDA programs an **important component of other pre-existing youth services**. Incorporating them into other programs, such as youth entrepreneurship, internships, job training, computer training, as well as sports can further enhance the overall quality and effectiveness of the organizations.^{xvi} Financial literacy classes are another essential component of any youth IDA program.^{xvii} Any savings program aimed at youth needs to be relevant to their lives and include enjoyable social interactions.

The majority of youth IDA directors have found family involvement to be another critical key to the success of the youth involved in their programs.^{xviii} Family engagement with the program has created an increase in rates of savings and has caused the youth to more consistently save.^{xix} A program can extend or adapt a current adult IDA program to youth to develop a family IDA model. The unique needs of the young people must be kept in mind if an organization desires to incorporate a youth IDA program into a pre-existing adult program. Parental involvement should always be a youth IDA program's primary objective, but if this is not an option a program should develop a system of support and mentors.

Matching funds alone are not going to build the motivation required to keep youth from dropping out of the program.^{xx} Other short-term incentives are needed to maintain the full and interested participation of young people.^{xxi} A youth IDA program needs to create a structure of short-term goals. One program offers a pizza and video night if everyone in the group can achieve 100% of the minimum savings for three months.^{xxii} CoolWallStreet.com offers youth with the opportunity to compete around with youth from around the country in investing fictional monies in Wall Street. Short-term, lower cost items can be used as incentives to encourage the youths to begin long-term savings.^{xxiii} Earned income requirement can be another means by which to increase the relevancy of the experience for the young people saving for their goals as well as provide a context for financial literacy education.^{xxiv} With clear goals in mind and earned income, the IDA becomes a means to an end for the youth.

The structure and participants of the program alone cannot assure the success of a program. The staff is another essential component to a youth IDA program. Both the experience in working with young people and with programs that are designed to meet developmental needs of youth are essential

requirements for a staff.^{xxv} While youth IDAs are a relatively new field, it is still important to obtain a staff of qualified youth workers, who understand the unique needs of young people as well as the intricacies of developmental work.

Summary of Key Points to Running a Successful Youth IDA Program

- Run the IDA program with other youth services.
- Offer financial literacy classes.
- Make the program relevant to the lives of the participants.
- Include enjoyable social interactions.
- Incorporate families and mentors.
- Create a structure of incentives and goals for the youth.
- Hire staff that have experience in working with young people and with programs that are designed to meet the developmental needs of youth.

Within the new field of youth IDAs, there are approximately twenty-two youth IDA programs. The following chart has the characteristics of a few of these programs. The EDC can use one or more of these programs as a model. For a more in depth look at the programs, see Appendix 2.

#	PROGRAM NAME	TARGET POPULATION	MIN & MAX DEPOSIT	MATCH RATE	SAVINGS GOALS	OTHER
1	SuccessChecks Youth IDAs of Community Impact!	Young people 15 to 24 in a residential area of the city of Nashville.	\$10 & \$40 per month	3-to-1 for education.	Secondary Education or Small Business Development	Writing a financial education curriculum.
2	Bridges of Life Options for Social Development	Young people, who are about to leave foster care system.	None. Match the balance of the savings	One-to-one	First and last months' rent.	Largest youth IDA program.
3	Hawaii IDA Collaborative					2 nd Largest program.
4	Juma Ventures: MoneySmart	Poor youth and young adults in San Francisco Bay area.		One-to-one with the exception of three-to-one for higher education.	Post-secondary and/or vocational education; rent assistance; 1 st time home-ownership; small business development; child care assistance for education or employment; computers.	At the core of the program's mission is its personal financial training for youth.
5	Wyandotte IDAs (WIDA)	Youth in Kansas City, KA eligible for Temporary Assistance to Needy Families or Earned Income Tax Credit.	\$10 & \$30 per month.	Two-to-one.	Post-secondary education; 1 st time home-ownership; small business development.	Three-year pilot project.
6	Youth\$ave of REACH	Youth living in REACH housing in Portland, OR, between 9-18.	Match up to the first \$600 dollars saved & any community service hours performed.	Two-to-one.	Any activity that is artistic, athletic, or educational.	Money management classes with reading material assigned every month.
7	Youth\$ave of Rocky Mtn. Mutual Housing Association	Middle school students too young to be paid employment.			Summer camps, such as art and sports.	Youth plan and implement fundraising activities to earn money.
8	Beaumont High School Academy of Fine Arts	9 th to 12 th graders				Provides skills and practical experience for world of work.

EDC Youth IDA Program

Objectives of Youth IDA Program:

Goals:

1. To reduce the overall level of poverty within the EDC's target population.
2. To develop Christian indigenous leaders within the community.
3. To develop relationships between urban and suburban churches in South Chattanooga.

Impacts:

1. An increase in the median net financial assets among the youth.
2. Improved financial literacy among the youth of Alton Park and Piney Woods.
3. An increase in the level of education of the residents.
4. An increase in the number of small businesses within the Economic Development Center's target population.

Outcomes:

1. The youth participating in the program will be able to attend the school of their choice, start their own micro-enterprise, or invest in computer technology and/or education.
2. Urban and Suburban churches will form teams and provide the mentorship and matching funds needed to support one or more youths from the church, so that they might participate in the youth IDA program.

The Structure of the EDC Youth Individual Development Account Pilot Program



1. Eight-Week Financial Literacy Class.

The youth chosen by their churches will meet once a week for a basic financial literacy class. The class will be team taught by the IDA staff and local pastors. The church mentors will be strongly encouraged to attend these scheduled classes. Parents will be required to attend two classes.

2. One-on-one Meeting.

At the close of the eight-week financial literacy class, each youth will meet at his/her home with the youth program director and his/her parents/guardian(s) present. The youth will declare at the meeting what his/her savings goal will be. The staff member will help the student determine the minimum amount he/she specifically needs to save to make a sensible and attainable goal for the two-year period in the program. The Memorandum of Understanding will be signed at this meeting.

3. Open Savings Account.

After the last one-on-one meetings have been completed, the youth will come together to open their saving accounts at the Bethlehem Community Development Credit Union. A small party for the participants, parents, pastors, IDA staff, and other key leaders will follow this event.

4. Make Monthly Deposits and Attend Monthly Group Meetings.

The youth are required to make monthly deposits of no less than \$10 and no more than \$40. In a span of three months, the youth are not allowed to miss more than one deposits. The missed deposit must be made up within three months. Any missed deposits will be announced at the monthly group meetings.

The participants will be divided into at least two groups. Each group will choose a monthly meeting time. The youth will be required to attend all the meetings. A portion of each meeting will be used to cover more advanced financial material and information. The groups will compete for the best average monthly deposit rates as well as participate in an investment game in which the groups will be given a fictional \$50 to invest over a 4-month period.

5. Reach Savings Goal.

At the close of the two-year period, the savings and matching funds will be handed over to the institution or vender of the participant's savings goal. If the youth still has a year before being able to attend the school of his/her choosing, then the money will be set-aside in another savings account. The money will not be touched until the youth are ready to attend the college or university of their choosing.

Basic Elements of the EDC Youth IDA Program



Youth IDA Program Guidelines:

- Minimum deposit of \$10 per month.
- Maximum deposit of \$40 per month.
- Two-to-one match for savings intended for micro-enterprise development or computer technology.
- Three-to-one match for savings intended for school.
- Not allowed to miss more than one month's deposit in a three-month period. The deposit must be made up within the three-month period.
- MIS IDA will be used to track all monthly deposits and matching funds.
- Transfer custodial guardianship of savings account over to EDC.
- Receiving earned income from some source of part-time work/job.
- Plan and participate in 20 hours of community service per year of involvement in the program.
- Parental agreement to attend two classes chosen by the EDC.
- Attend an eight-week financial literacy class.
- Attend every monthly meeting of his/her IDA group.
- Participate in the program for two years.
- Must use match funds for additional education, micro-enterprise development, or computer technology/education.
- Declare at the start of participation what he/she will use match funds for.

Criterion for Participation:

- Application required.
- Between 13-17 years old.
- A member of a local church.
- Enrolled in either middle or high school, or attending GED classes; cannot drop out of school during participation in the program.

Implementation

1. Host Focus Groups:

Each group will consist of six to ten individuals.

Group 1: middle school students

Group 2: middle school students

Group 3: high school students

Group 4: high school students

Group 5: local community leaders

Group 6: local church leaders from urban and suburban churches

Group 7: adult residents of the target population

Each focus group will be informally hosted at the Bethlehem Center in attempt to develop a youth IDA program that best fits the community. The future participants of the program as well as the community as a whole needs to be involved in every step of the developmental process. Each group will be asked the following questions:

- Is there a need more pressing than savings/assets that ought to be addressed first?
- How can the participants raise money for their share of the savings? Should the EDC help them in raising the money for their savings accounts? How might the community and local churches help to raise matching funds?
- What other youth services should run in conjunction with the IDA program?

2. Develop A Youth IDA Board:

- **Members:** middle school students, high school students, past and present youth IDA account holders, the youth IDA program director, the Bethlehem Center's executive director, local pastors, and community leaders.
- **Duration on Board:** The executive director of the Bethlehem Center and the program director will be full time members of the board. The first board will be divided into two groups. One group will serve a term of two years while the other group serves an initial term of three years. This will enable future members to serve rotating terms of two years. This ensures that there will always be experienced and new members on the board at all times.
- **Responsibilities:** Having input into the development of the program; helping with the implementation of the program; making future amendments to the program; and overseeing the future direction of the program.
- **Requirements:** New members must participate in orientation and relevant training that will enable them to understand the EDC's vision for the youth IDA program as well as the role of the board within the program.

3. Form Urban And Suburban Church Partnerships:

Interested South Chattanooga churches will be paired, so that one urban and one suburban church form a partnership. One or more poor young people will be chosen from the churches to participate in the youth IDA program. The churches will be required to provide mentors and some of the matching funds for the youth's savings goal. If the youth is unable to meet a monthly minimum deposit, he will approach the IDA program director. A meeting will be held with the youth, IDA program director, and two pastors from the youth's church team. They will determine whether or not the youth has a legitimate reason for being unable to provide the required minimum savings. If approved, the churches will provide the youth with a job in which he/she will be paid \$6/hour. The money will go directly into the youth's savings account.

4. Approach Banks Located In South Chattanooga:

As banks receive a hundred percent tax credit for donating money to distressed communities, they make an ideal partner for the youth IDA program. Local banks can direct donations towards overhead cost, matched funds for the savings accounts, as well as scholarships for students attending a higher educational institution. This money will be used to supplement the church funds.

5. Research Three Financial Literacy/Entrepreneurship Curricula To Determine The One That Best Fits The Alton Park And Piney Woods Communities:

- 1) Select three curriculums.
- 2) Review the three curriculums.
- 3) Contact the publishers and request approval the names and addresses of organizations currently using their curriculum.
- 4) Develop a survey to send out to the organizations.
- 5) Use review of curriculums and the returned surveys to decide which curriculum best fits the target population.

6. Churches Select Youth Participants To Sponsor And Mentor.

7. Hire Youth Mobilizers:

One or more participants of the youth IDA program will be hired as youth mobilizers. They will be responsible for facilitating meetings, implementing and directing the community service projects, as well as searching and applying for grants.

8. Work With The Youth To Develop Community Service Projects.

Estimated Yearly Budget

MATCHED AMOUNTS	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual Total
# of Accounts	15	15	15	15	
Maximum Monthly Deposit Amount	\$40	\$40	\$40	\$40	
Individual Deposit Total	\$120	\$120	\$120	\$120	
Participant Total	\$1,800	\$1,800	\$1,800	\$1,800	\$7,200
MATCHED AMOUNTS	\$5,400	\$5,400	\$5,400	\$5,400	\$21,600
Technical/ Administrative Costs					
Executive Director—Time for Program Development	\$1,500	\$1,500	\$1,500	\$1,500	\$6,000
Program Director	\$8,750	\$8,750	\$8,750	\$8,750	\$35,000
Meeting Costs (Curriculum, etc.)	\$150	\$150	\$150	\$150	\$600
Youth Mobilizer Assignment	\$350	\$350	\$150	\$150	\$1,000
Program Costs					
Transportation (\$0.35)	\$150	\$150	\$75	\$75	\$450
Training & Conferences	\$500	\$125	\$100	\$100	\$825
Technology & Support	\$200	\$200	\$75	\$75	\$550
Postage & Mailings	\$52.54	\$52.54	\$5,2.54	\$52.54	\$210
Food	\$325	\$325	\$325	\$325	\$1,300
Community Service Projects	\$500	\$500	\$500	\$500	\$2,000
Administrative Cost					\$47,935
Total Costs					\$69,535

Obstacles to Implementing a Youth IDA Program:

- Youth IDA programs are relatively new.
- The lack of family support in urban contexts must be dealt with in order for a program to succeed in an urban community.
- Failure can occur when excitement and anticipation is created long before sources of funding can be found.
- It is difficult to find consistent volunteers/mentors.
- Programs are designed as if IDAs and Micro-funding were unlimited.^{xxvi}
- Transportation for participants to and from meetings.
- Students tend to be forgetful.
- Prom and Christmas season are big obstacles to obtaining the required savings every month.
- Most foundations want to fund programs that are nationally based, which makes it difficult to find funding for small, community-based proposals.

Appendix

A-1: Demographic Tables

I. Percent Change That Has Occurred Between the 1990 and 2000 Census

SUBJECT	CENSUS TRACT 19 ² PERCENT CHANGE	U.S.A. PERCENT CHANGE
TOTAL POPULATION	21.76 % DECREASE	13.15 % INCREASE
SEX AND AGE		
MALE POPULATION	18.7 % DECREASE	13.2 % INCREASE
FEMALE POPULATION	23.9 % DECREASE	13.9 % INCREASE
UNDER 5 YEARS	40.4 % DECREASE	12.5 % INCREASE
5 TO 24 YEARS	1.5 % INCREASE	4.5 % INCREASE
25 TO 44 YEARS	5.2 % DECREASE	11.5 % INCREASE
45 TO 54 YEARS	10.9 % INCREASE	5.3 % INCREASE
55 TO 59 YEARS	35.6 % DECREASE	49.4 % INCREASE
60 TO 64 YEARS	24.6 % DECREASE	27.9 % INCREASE
65 YEARS AND OVER	23.7 % DECREASE	8.42 % INCREASE
HOUSEHOLD TYPE		
TOTAL HOUSEHOLD	19.38 % DECREASE	14.72 % INCREASE
FAMILY HOUSEHOLDS	25.27 % DECREASE	11.27 % INCREASE
MALE HOUSEHOLDER	256 % INCREASE	39.78 % INCREASE
FEMALE HOUSEHOLDER	19.01 % DECREASE	20.95 % INCREASE
NON-FAMILY HOUSEHOLDS	3.81 % DECREASE	22.83 % INCREASE
LIVING ALONE	6.22 % DECREASE	20.59 % INCREASE
RACE ALONE OR IN COMBINATION WITH ONE OR MORE RACES		
AFRICAN AMERICAN	23.70 % DECREASE	15.58 % INCREASE
CAUCASIAN	96.15 % INCREASE	5.90 % INCREASE

² Census Tract 19 includes Alton Park and Piney Woods.

II. Fact Sheet: Demographics of Alton Park and Piney Woods

SUBJECT	NUMBER	PERCENT	NATIONAL PERCENT
Total Population	4,171	100.0	100.0
SEX AND AGE			
Male	1,789	42.9	49.1
Female	2,382	57.1	50.9
Under 5 years to 24	1,962	47.1	35.3
25 to 54 years	1,449	34.7	43.6
55 years and over	816	19.6	20.2
Median age (years)	27.3	(X)	35.3 years
RACE			
One race	4,122	98.8	97.6
African American	3,954	94.8	12.3
Caucasian	129	3.1	75.1
American Indian and Alaskan Native	2	0.0	0.9
Asian	5	0.1	3.6
Native Hawaiian and other Pacific Islander	15	0.4	0.1
Some other races	17	0.4	5.5
Two or more races	49	1.2	2.4
Race alone or in combination with one or more other races			
African American	3,995	95.8	12.9
Caucasian	153	3.7	77.1
American Indian or Alaska Native	17	0.4	1.5
Asian	15	0.4	4.2
Native Hawaiian and other Pacific Islander	22	0.5	0.3
Some other race	27	0.6	6.6
HOUSEHOLDS BY TYPE			
Total households	1,543	100.0	100.0
Family households (families)	1,038	67.3	68.1
With own children under 18 years	556	36.0	32.8
Married-couple family	268	17.4	51.7
With own children under 18 years	88	5.7	23.5
Female householder, no husband present	691	44.8	12.2
With own children under 18 years	445	28.8	7.2
Non-family households	505	32.7	31.9
Householders living alone	452	29.3	25.8
Householder 65 years and over	174	11.3	9.2
Households with individuals under 18 years	668	43.3	36.0
Households with individuals 65 years and over	410	26.6	23.4
HOUSING TENURE			
Occupied housing units	1,543	100.0	100.0
Owner-occupied housing units	463	30.0	66.2
Renter-occupied housing units	1,080	70.0	33.8
HOME OWNERSHIP	National Percent	State Percent	County Percent
African American	47.5	50.0	Less than 44.0
Caucasian	73.0	74.1	73.0

A-2: Narrative of Existing Youth IDA Programs

1. SuccessChecks Youth IDAs of Community IMPACT! (Nashville, TN)

An affiliate of Community IMPACT!USA, Community IMPACT! Nashville (CI!) is a neighborhood-based youth and community investment non-profit organization that is empowering young people ages 15 to 24, so that they might be able to take control of their individual futures and the futures of their neighborhoods. Its mission is to help mobilize neighborhood residents, businesses, and other existing organizations around educational and economic opportunities for young people. The program provides young people with more than just an opportunity to pursue additional educational opportunities. The participants also learn valuable skills, such as community organizing, public speaking, and conducting community-building projects, that will help them become leaders in their communities.

Currently, Community IMPACT! reaches a geographical area that includes approximately 9,000 residents. This area extends from 5th Street to 14th Street and from Davidson Street to Ellington Parkway. Its strategic partners in the neighborhood include Rediscover East!, Tennessee Network for Community Economic Development, Stratford High School, and The Martha O'Bryan Center. Over the next two years, CI! will expand its target group and begin operating in an additional neighborhood.

How the program works:

- IMPACT Funds, community bank accounts, are established by neighborhoods and are overseen by residents and neighborhood stakeholders to ensure that youth attain a higher education and build assets.
- IMPACT! Scholarships ranging from \$500 to \$3,000 are awarded to any student, who might not otherwise continue their education. The money for the scholarships come from the IMPACT Funds.
- Youths from the neighborhood can invest in a Youth Individual Development Account (IDA). It is an innovative program, which allows the youth to save money for educational purposes or to start a business. The young people save from \$10 to \$40 per month for a total of two years. Money from the IMPACT Fund matches their savings at a 3-to-1 rate.
- Youth are the heart of CI!. Four Youth Mobilizers have been recently hired this past year. These young people are participants of the IDA program. They are working part time to recruit business partners and youth to join the program, conduct community-building projects, research for potential grants, and write grants. They are currently collecting data about the neighborhood and

the partners they have recruited. An Urban Geography/geo-mapping class at Stratford High School will be using this information in the 2002 to 2003 school year.

Youth IDA Program Structure:

1. Parents/Guardian, youth, and program director sign ‘Memorandum of Understanding.’
2. Eight-week financial literacy class/pre-training period.
3. Young people start youth IDA Account.
4. Young people attend monthly group meeting and participate in 20 hours of community service.
5. Awards ceremony with presentation of scholarships.

2. Bridges of Life Options of the Center for Social Development (St. Louis, MO)^{xxvii}

Bridges of Life is the largest youth IDA program with 90 accounts currently open. It targets young people, who are about to leave foster care systems. As an Independent Living Program (ILP), the vision of Bridges of Life is to expand the traditional ILP of St. Louis County by focusing on prevention, future orientation, and savings education. Each foster child within the program receives a savings account at Mercantile Bank. The money is earned by doing tasks that are related to the program. Upon completion of the program, the students receive the balance in their accounts plus a one-to-one matching. The foster children are permitted to use the funds for the first and last months’ rent. While it is not a high-return investment, a stable housing situation lays a foundation for beginning life as an independent adult.

4. Hawaii IDA Collaborative^{xxviii}

It is the second largest youth IDA program with just over 35 accounts open.

5. Juma Ventures—Money\$mart (San Francisco, CA)^{xxix}

Founded in 1993 as a non-profit organization, Juma Ventures is the 3rd largest IDA program with just over 35 open accounts. The organization is dedicated to the idea that creative entrepreneurship can create positive social change. As a result of their vision to provide youth and young adults in the San Francisco Bay Area with a clear, viable pathway to transition out of poverty and the achieve the American Dream, Juma launched Money\$mart, which is its youth IDA program. The program is set up with a three-to-one matching for higher education and a two-to-one matching for all other expenses. At the core of the program’s mission is its personal financial training for youth.

Possible Uses for Money\$mart

- Post-secondary and/or vocational education.
- Rent assistance.

- First-time home ownership.
- Small business development.
- Childcare necessary for education or employment.
- Purchase of computers.

6. Wyandotte Individual Development Accounts (WIDA)

WIDA is a collaborative effort among Heart of America Family Services, the University of Kansas School of Social Welfare, City Vision Ministries, Firststar Bank, and Wyandotte High School. Established as a pilot project, the program began in January 2000 and will run through 2003. With a matching rate of two-to-one, the participants will be able to save a total of \$3,240 through the three-year demonstration period. Faculty and graduate students from K.U. School of Social Welfare are helping to plan and facilitate meetings, support and advocate for IDA participants, as well as evaluate the program.

Participants in WIDA must:

- Live in Kansas City, Kansas.
- Be eligible for Temporary Assistance for Needy Families (TANF) or the Earned Income Tax Credit (\$26,473 or less annual income for households with one child).
- Provide valid identification (tax, returns, etc.).
- Attend 6 WIDA economic education meetings per year.
- Deposit a minimum of \$10 and a maximum of \$30 per month into an IDA account.
- Participate in the WIDA evaluation process.

Possible Uses for the WIDA Account

1. Post-secondary education.
2. First-time home ownership.
3. Small-business development.

At the start of 2000, WIDA had a difficult time recruiting participants. As many did not believe that anyone was just going to give them money for saving, it took the program a year to get the first 75 participants. There is now a waiting list to get into the program. Only six members have dropped out of the program. All six losses were due to family emergencies, which made it impossible to save.

7. Youth\$ave of REACH Community Development Corporation Inc. (Portland, OR)^{xxx}

In 1998, REACH of Portland, Oregon, developed a youth IDA program that was designed to teach youth living in REACH housing how to save money and plan for the future using a goal-

orientated approach. Each of the participants, who range anywhere in age between nine and eighteen, saves for an activity that is educational, artistic, or athletic. Through the use of education, peer support, and matching funds, the program cultivates goal setting and money saving habits in young people, who are trapped in poverty.

Specific features of Youth\$ave Program:

- Money management classes with reading materials assigned every month. Professionals in the field speak at the classes.
- A free Washington Mutual savings account with no mutual balance.
- A 2:1 match for the first \$600 put into the savings account.
- An opportunity to participate in community service activities with REACH or other organizations of their choosing. These hours also earn matching funds.

Success of Last Year's Youth\$ave Graduate:

- Completed 155 hours of community service.
- Saved \$2,100 in Washington Mutual accounts.
- Received \$6,117 in match money towards their goals.
- Successfully saved for 22 goals, including musical instruments, computers, and martial arts and dance classes.

8. Youth\$ave of Rocky Mountain Mutual Housing Association (Denver, CO)

Youth\$ave of Colorado targets middle school students, who are too young for paid employment. The program guides youths through the planning of implementation of fundraising efforts to earn money for their IDAs. The short-term goals are used to motivate the youths to save for longer-term goals. Students raise the funds over a nine-month period and use their savings to pay for summer camps, such as art and sports.

9. Beaumont High School Academy of Finance (St. Louis, MO)

Youth IDAs have been incorporated into the school's Finance Academy, a 4-year program that focuses on providing young people with skills and practical experiences to prepare them for the world of work. The students transition into the Academy during 9th grade by signing up for the Academy's elective courses that are offered at Beaumont High School. The program includes financial planning, economic, international business, and dressing for success, as well as job shadowing and paid internships. Its IDA program is a part of the United Way of Greater St. Louis' IDA initiative.

10. Marshall Heights Community Development Organization (Washington DC)^{xxxii}

Marshall Heights is a community development organization with over 20 years of experience and executing a sophisticated and comprehensive neighborhood development strategy that builds strong community where families can live and work. The organization is partnered with Bank of America.

The following is a list of other existing youth IDA programs:

- 11. Near East IDA Program (Indianapolis, IN)**
- 12. Consuelo Zobel Alger Foundation (Honolulu, HI)**
- 13. Kahiku (Honolulu, HI)**
- 14. Parents and Children Together (Honolulu, HI)**
- 15. Wise Teen of Mountain Association Community Economic Development/Owsley**
- 16. County Action Team (Boonville, KY)**
- 17. Acre Family Day Care (Lowell, MA)**
- 18. Holt High School Individual Development Account Program (Holt, MI)**
- 19. Youth Credit Union Program of Progressive Neighborhood Federal Credit Union
(Rochester, NY)**
- 20. Alternatives Federal Credit Union (Ithaca, NY)**
- 21. Latin America Youth Center (Washington DC)**
- 22. Straights Area Federal Credit Union (Michigan)**
Rachel Dugal – bridgetosavings@graffiti.net
- 23. Forest Area Federal Credit Union (Michigan)**
Sue Schaub – sues@forestarea.com

A-3: Youth IDA Memorandum of Understanding

**Youth Individual Development Accounts
Memorandum of Understanding
Between Participants, Parent/Guardian, and BEDC**

Participant (youth): _____

Parent/Guardian: _____

Sponsor: _____ The Bethlehem Economic Development Center (EDC) _____

The following Agreement outlines the rights and responsibilities of the participants (youth) and parent as well as what the EDC will offer.

YOUTH AGREE TO:

I agree to attend 8 weekly sessions for economic literacy training, prior to opening my IDA account. I also agree to attend supplementary monthly meetings once per month for the duration of my time in the program.

I agree to save toward the following asset: (check one)

- Post-secondary education
- Micro-enterprise small business development
- Computer technology or education

I agree that my IDA, including all of my deposits and my match funds, can only be used for one of the assets mentioned above. Upon the successful completion of this program, I also understand that this money shall not be given to me directly, but shall be sent by the BEDC directly to the institution of higher learning I will attend or to a vender for the start-up costs of a small business.

I aspire to save \$ _____ making _____ required deposits at the rate \$ _____ per month into my IDA Account held by the Bethlehem Center Credit Union and these deposits will be matched at a 3:1 rate for higher learning or 2:1 rate for any other asset.

I agree for all of my deposits to be made either in cash, by check, or money order from some form of Earned Income work for the purpose of this IDA program.

I agree that only the dollars up to the \$40 maximum per month will be matched and any dollars above this, including the interest earned, will be deposited into my account without a 3:1 or 2:1 match.

I understand that these accounts are “custodial accounts” requiring two signatures for withdrawal. I understand that the EDC’s Director of youth IDAs will act as the custodial agent for the account and that his signature (or the person approved by the board of The Bethlehem Center should the director be unable to fulfill that role) along with that of the account holder is necessary for any withdrawal. I also understand that my parents or guardian waive access to this money and consent to the EDC as custodial agent.

I agree to not miss more than one deposit in a three-month period, agree to replace the missed deposit before the end of a three-month period, and understand that more than one missed deposit in this time frame will mean dismissal from the program. Students will be notified by the Program Director by mail within (30) days if they miss more than two deposits within a two-month period and pending termination from the program.

When a student misses their first deposit they are required to attend a one-on-one session with the Program Director or his/her designee.

I agree to participate in the 20 hours of community service that is required of me during each year that I am in the program.

I understand that if I am unable to make the minimum monthly deposit of \$10.00 I will contact the Program Director immediately to arrange for volunteer work to be done in the community and be paid by BEDC in "time dollars" (\$6.00 per hour) so I can make my monthly deposit.

I understand that withdrawals from my IDA account must be approved by the Program Director in compliance with the completion of the program and withdrawal form. Emergency Withdrawals from my IDA account are not advised and are limited, however, if needed it must be reimbursed before the end of the three-month period.

I agree to respect the right to privacy of all program participants by keeping confidential any personal or financial information shared in the course of the program.

I agree that amendments of this agreement can be made by either EDC or myself provided both parties are in concurrence with the agreement changes.

I may terminate participation in the _____ Program at any time, but the match monies will be forfeited. All savings deposited by me, plus accumulated interest, will be returned. I also understand that failure to meet the program requirements will result in termination, and all savings deposits by me, plus accumulated interest will be returned. All matched monies will be forfeited.

In the event of my death during this program, I agree that all savings deposits by me will be returned to my parent or legal guardian. The match for this account will be returned to the Reserve Fund.

PARENTS/GUARDIANS AGREE TO:

Attend two classes over the duration of the child's involvement with the program; one on how to raise money-smart kids and one on adult financial management.

Assist their children in setting a savings goal and developing a plan on how their children will earn money for their goal.

Waive access to this account as "custodial agent."

Parents agree to allow their children to go on field trips relating to the IDA program.

Sign this form, which allows their kids to participate in EDC and shows support of the savings goal and the eligible activity.

PARENTS/GUARDIANS ARE ENCOURAGED TO:

Be familiar with the requirements for documentation, so that they can help their youth track earnings and match award.

Participate in the Awards Ceremony.

Read with their youth about money issues.

Discuss family finances with their youth.

EDC AGREES TO:

Match youth savings at a 3:1 ratio for higher learning or at a 2:1 ratio for other asset goals (based on the savings goal indicated by the student and the scheduled monthly deposits at the specified amount of deposit). Money saved and matching funds must be used towards an approved eligible activity as indicated in the youth agreement section of this Memorandum of Understanding.

Act as custodial agent for each of these accounts and act in a responsible manner towards the goal of assisting the IDA account holder to reach his/her declared goal.

Provide classes and group meetings for IDA savers and parents.

Provide staff to conduct the IDA groups and maintain one-on-one contact.

Work with each young person regarding the status of his or her Bethlehem Community Development Credit Union savings account and match money earned to date.

Help youth get connected to jobs.

Provide “time dollars” in return for work performed should the IDA saver not have match money due to factors outside of his/her control.

Work with youth in groups and individually to keep them on track and prepared to meet their savings goal and obtain the eligible activity.

Secure matching funds.

Provide program evaluation.

Sign this form agreeing to accept the youth in EDC’s _____ Youth IDAs and accepting the savings goal and eligible activity.

We have all read and agree to the above rights and responsibilities for _____ to participate in EDC’s _____ Youth IDA Program. The declared asset of a _____ (i.e. college education) will be worked toward, and we will all work to make sure that the goal is reached. All three parties approve of the eligible activity or activities, which are written below. Parents or guardians understand that these accounts are “custodial accounts,” waive access to this money, and consent to EDC as the custodial agent.

Parents or guardians understand that the EDC's Director will act as the custodial agent for the account and that his signature (or the person approved by the board of the Bethlehem Center should the Director be unable to fulfill that role) along with that of the IDA account holder is necessary for any withdrawal. Parents waive, release, and discharge EDC employees, officers, and agents from all liability for any personal injury, or property damage which the youth may incur because of participation in the IDA program. Parents and youth also understand that any photographs taken during EDC activities are the property of the EDC, and may be used in public relations documents at EDC's sole discretion.

Youth IDA Participant's Signature

Date

Parent or Guardian's Signature

Date

EDC Program Director's Signature

Date

A-4: Deposits and Matched Funds

Month:	Youth #1: Saving for higher education and making \$40 deposits.		Youth #2: Saving for higher education and making \$10 deposits.		Youth #3: Saving for other options and making \$40 deposits.		Youth #4: Saving for other options and making \$10 deposits.	
	deposit	match	deposit	match	Deposit	match	deposit	match
1	\$40	\$120	\$10	\$30	\$40	\$80	\$10	\$20
2	\$80	\$240	\$20	\$60	\$80	\$160	\$20	\$40
3	\$120	\$360	\$30	\$90	\$120	\$240	\$30	\$60
4	\$160	\$480	\$40	\$120	\$160	\$320	\$40	\$80
5	\$200	\$600	\$50	\$150	\$200	\$400	\$50	\$100
6	\$240	\$720	\$60	\$180	\$240	\$480	\$60	\$120
7	\$280	\$840	\$70	\$210	\$280	\$560	\$70	\$140
8	\$320	\$960	\$80	\$240	\$320	\$640	\$80	\$160
9	\$360	\$1080	\$90	\$270	\$360	\$720	\$90	\$180
10	\$400	\$1200	\$100	\$300	\$400	\$800	\$100	\$200
11	\$440	\$1320	\$110	\$330	\$440	\$880	\$110	\$220
12	\$480	\$1440	\$120	\$360	\$480	\$960	\$120	\$240
13	\$520	\$1560	\$130	\$390	\$520	\$1040	\$130	\$260
14	\$560	\$1680	\$140	\$420	\$560	\$1120	\$140	\$280
15	\$600	\$1800	\$150	\$450	\$600	\$1200	\$150	\$300
16	\$640	\$1920	\$160	\$480	\$640	\$1280	\$160	\$320
17	\$680	\$2040	\$170	\$510	\$680	\$1300	\$170	\$340
18	\$720	\$2160	\$180	\$540	\$720	\$1440	\$180	\$360
19	\$760	\$2280	\$190	\$570	\$760	\$1520	\$190	\$380
20	\$800	\$2400	\$200	\$600	\$800	\$1600	\$200	\$400
21	\$840	\$2520	\$210	\$630	\$840	\$1680	\$210	\$420
22	\$880	\$2640	\$220	\$660	\$880	\$1760	\$220	\$440
23	\$920	\$2760	\$230	\$690	\$920	\$1840	\$230	\$460
24	\$960	\$2880	\$240	\$720	\$960	\$1920	\$240	\$480
Total:	\$3840		\$960		\$2880		\$720	

A-5: The Advantage of Early Investing^{xxxii}

Jasmine and Alisha are twins. Jasmine opened an IRA at age 19 and deposited \$2000 a year until she was 25. Alisha started at age 26...look at what happened...

Hypothetical Yearly Return: 12.60% (Historical return of Small to Mid Caps last 71 years)

Jasmine, Invested Early			Alisha, Started Later		
Age	Deposit	Accumulated	Age	Deposit	Accumulated
19	2,000	\$ 2,000.00	19	0	\$ 0
20	2,000	\$ 4,252.00	20	0	\$ 0
21	2,000	\$ 6,787.75	21	0	\$ 0
22	2,000	\$ 9,643.01	22	0	\$ 0
23	2,000	\$ 12,858.03	23	0	\$ 0
24	2,000	\$ 16,478.14	24	0	\$ 0
25	2,000	\$ 20,554.38	25	0	\$ 0
26	0	\$ 23,554.38	26	2,000	\$ 2,000.00
27	0	\$ 26,060.41	27	2,000	\$ 4,252.00
28	0	\$ 29,344.02	28	2,000	\$ 6,787.75
29	0	\$ 33,041.37	29	2,000	\$ 9,643.01
30	0	\$ 37,204.58	30	2,000	\$ 12,858.03
31	0	\$ 41,892.36	31	2,000	\$ 16,478.14
32	0	\$ 47,170.80	32	2,000	\$ 20,554.38
33	0	\$ 53,114.32	33	2,000	\$ 25,144.24
34	0	\$ 59,806.72	34	2,000	\$ 30,312.41
35	0	\$ 67,342.37	35	2,000	\$ 36,131.78
36	0	\$ 75,827.51	36	2,000	\$ 42,684.38
37	0	\$ 85,381.77	37	2,000	\$ 50,062.61
38	0	\$ 96,139.88	38	2,000	\$ 58,370.50
39	0	\$ 108,253.50	39	2,000	\$ 67,725.18
40	0	\$ 121,893.44	40	2,000	\$ 78,258.56
41	0	\$ 137,252.02	41	2,000	\$ 90,119.13
42	0	\$ 154,545.77	42	2,000	\$ 103,474.14
43	0	\$ 174,018.54	43	2,000	\$ 118,511.89
44	0	\$ 195,944.87	44	2,000	\$ 135,444.38
45	0	\$ 220,633.93	45	2,000	\$ 154,510.38
46	0	\$ 248,433.80	46	2,000	\$ 175,978.68
47	0	\$ 279,736.46	47	2,000	\$ 200,152.00
48	0	\$ 314,983.26	48	2,000	\$ 227,371.15
49	0	\$ 354,671.15	49	2,000	\$ 258,019.91
50	0	\$ 399,359.71	50	2,000	\$ 292,530.42
51	0	\$ 449,679.03	51	2,000	\$ 331,389.26
52	0	\$ 506,338.59	52	2,000	\$ 375,144.30
53	0	\$ 570,137.25	53	2,000	\$ 424,412.49
54	0	\$ 641,974.55	54	2,000	\$ 479,888.46
55	0	\$ 722,863.34	55	2,000	\$ 542,354.41
56	0	\$ 813,944.12	56	2,000	\$ 612,691.06
57	0	\$ 916,501.08	57	2,000	\$ 691,890.13
58	0	\$ 1,031,980.22	58	2,000	\$ 781,068.29
59	0	\$ 1,162,009.73	59	2,000	\$ 881,482.90
60	0	\$ 1,308,422.95	60	2,000	\$ 994,549.74
	14,000			70,000	

Youth IDA Program Implications

The majority of residents in urban communities do not save. A youth IDA program provides the young people of these neighborhoods with perhaps their first short-term savings goal. It is hoped that as the youth accomplish their savings goals, saving will become incorporated into their daily lifestyles. These short-term savings goals will lead to long-term saving that benefits both the individual as well as the American economy.

A-6: African American Small Business Ownership And The National Economy

The Facts:

- 2/3rds of African Americans dream of starting their own businesses.^{xxxiii}
- In the mid-1990s, new businesses started by African Americans rose 26%, three times greater than the increase among the general population during the same time period.^{xxxiv}
- In 2001, more than one million African Americans owned small businesses in the USA.^{xxxv}
- In 1997, minority businesses accounted for more than 15% of the American business.^{xxxvi}
- Opportunities in traditional areas of high black employment have been decreasing.^{xxxvii}
- In June 2001, African American unemployment jumped 8.4%, twice the white average.^{xxxviii}
- Dramatic layoffs and cuts are expected in the manufacturing sector, an area in which African Americans are concentrated.^{xxxix}
- When the economy slows down, African Americans and Latinos are the first to see their gains go.^{xl}
- 4/5ths of all jobs are created by small businesses.^{xli}
- The two ways to create wealth in America are investing and small business ownership.^{xlii}
- African Americans earned more than \$572 billion in 1999, a pool of income with the potential to create a huge market for black-owned businesses and black controlled industries.^{xliii}
- There is an 80 to 90 percent failure rate for small businesses.^{xliv}
- The failure rate for small businesses is less for those that start with a business plan.^{xlv}

Youth IDA Program Implications

“A surprising number of young, aspiring entrepreneurs walk in our midst—but because they do not receive entrepreneurship training in school, most may never act on their entrepreneurial vision. Then we all lose.”^{xxlvi} A youth IDA program provides the EDC with the opportunity to equip entrepreneurial youth with the skills and assets needed to successfully start a small business. Participants, who decide to save for a small business, will go through an entrepreneurship curriculum in addition to the required money management classes. This will enable more young people to start local business that increase the number of jobs available within the community as well as increase the amount of capital flow that both stays in and come into the community.

A-7: Students Paying for Their College Education

“Students that have to contribute something for their own education tend to value it more. They tend to be better students. They tend to come to class. They tend to do their assignments. They tend to work up their potential.”

- Vicki Hampton, an associate professor at Texas Tech University in Lubbock, Texas.^{xlvii}

Students, who work full-time and attend classes full-time, have a harder time. *“Their grades suffer and they’re told to forget about it. Or they suffer personally and they’re not enjoying their college experience and decide they’re better off just working.”*

- Jonathon Orszag, managing director of Sebago Associates, an economic consulting firm that conducted a study on working college students.^{xlviii}

“The key to survival today for any college student is management of money. It doesn’t matter how much you make. It’s how you manage what you make. It’s very, very basic.”

- Gordon Wadsworth, author of *Creative Ways to Pay for College and Stay out of Debt*.^{xlix}

Youth IDA Program Implications

A youth IDA program has the potential to address all of these issues. Students work hard to save money during middle or high school for college. Their work and full participation is rewarded with a match fund that at least doubles the amount in their savings account. Each participant in the program is required to go through a money management class. The IDA savers will be able to enter college with the necessary survival skills needed to pay for college as well as have savings that permits them to cut down on the number of hours they otherwise would be required to work in order to pay their way through school.

A-8: The Disturbing Truth On The Affordability Of Colleges And Universities

I. Five Continuing Trends That Have Emerged Over The Past Two Decades.¹

- 1. College has become less affordable—as measured from the perspective of American families.**

- Over the past two decades, the cost of attending two and four year public and private colleges has grown more rapidly than inflation and family income.
- Between 1980 and 2000, the percent of family income required to pay for tuition increased for all families, except for the top 20% as measured by family income.
- The lowest-income families have lost the most ground, which is a major factor in lower rates of college attendance.
- In 1980, four year colleges/universities consumed 13% of family income for low-income families, by 2000 the rate increased to 25%. For two-year colleges, tuition increased from 6% to 12% of family income during the same period.

2. Financial aid grants have increased, but not as fast as tuition.

- The average federal Pell Grants (aid to financially needy students) at a public four-year college/university covered 98% of the tuition in 1986, but dropped to 57% in 1999.
- State grant aid awards (need-based and non-need-based) paid 75% of tuition in 1986 and 64% in 1999.

3. More students are borrowing to pay for college and the amounts borrowed are greater.

- From 1989 to 1999, the average cumulative debt of college and university seniors in the BOTTOM income quartile grew from \$7,629 to \$12,888 in constant dollars.

4. For the past 20 years, the states and public colleges have raised tuitions most steeply during times of economic difficulty.

- In the recessions of the early 1980s and 1990s, tuition at public institutions increased sharply.
- This pattern is recurring in the current economic downturn.

5. State support of higher education has risen faster than inflation and enrollment over the last 20 years, despite some years of budget cuts.

- Tuition, however, has been the fastest growing source of revenue for public colleges and universities. It has soared by 10% annually since 1980.

The decline in college affordability is a broad national concern. Its most pernicious effects are on low-income Americans, those who already attend college in low numbers and, when they do enroll, must borrow more in relation to their income. This increased dependence upon debt presents social problems for many low-income groups, who may be inhibited from enrolling due to their fear of debt, who are

more likely to be supporting their families while attending school, and whose families cannot help repay loans.^{li}

II. A Closer Look At The Affordability Of Higher Education In Tennessee.^{lii}

A. Trends over the past ten years.

➤ Tuition and Fees:

At public two year institutions increased by 42% (from \$1,149 to \$1, 626).

At public four year institutions increased by 62 % (from \$2,002 to \$3, 246).

At private four year institutions increased by 37% (from \$9,722 to \$13,289).

Public institution figures come from 1992 and 2000; private institution figures come from 1991 and 2000.

➤ Income:

The median family income increased 13% (from \$50,129 to \$56, 461).

Figures come from the years 1991 and 2000.

➤ Appropriations:

Appropriations per students increased by 2% (from \$5, 022 to \$5,135).

The figures come from the years 1992 and 2000.

➤ Student Financial Aid:

State grant aids per student increased by 2% (from \$113 to \$116).

State spending on aid to low-income students equaled 17% of the Federal Pell Grant Aid distributed in Tennessee.

The figures come from the years 1990 and 1999.

B. 2000 Higher Education Report Card for the state of Tennessee.^{liii}

SUBJECT	TENNESSEE	TOP STATES
Preparation (C-)		

High School Completion		
18 to 24 year olds with a high school credential	86%	93%
K to 12th Grade Student Achievement		
Low-income 8 th graders scoring at or above “proficient” on the national assessment exam in math.	5%	19%
Participation (D-)		
18 to 24 year olds enrolled in college.	27%	42%
Affordability (C)		
Family’s ability to pay.		
Percent of income needed to pay for college expenses minus financial aid: 1. at a community college 2. at a public 4-year institution 3. at a private 4-year college.	1. 19% 2. 23% 3. 57%	1. 17% 2. 19% 3. 30%
Share of income that the poorest families need to pay for tuition at the lowest priced colleges.	13%	9%
Average loan amount that students borrow each year.	\$3,609	\$3,094
Completion (C)		
Persistence		
First year community college students returning for second year.	54%	64%
Freshmen entering four-year colleges/universities returning for their sophomore year.	74%	84%
Completion		
First time, full time student completing with bachelor’s degree within five years.	45%	66%
Certificates, degrees, and diplomas awarded at all colleges and universities per 100 graduate students.	14%	20%

Youth IDA Program Implications

Low-income families have lost the most ground in the past two decades in terms of the affordability of college and university tuition. To achieve the American dream of a higher education,

young people from poor families must first incur a substantial amount of debt. Youth IDA programs provide poverty-stricken communities with the opportunity to financially support their young people as they move on to college. The money management classes required by youth IDA programs imparts the skills the students need to financially complete their college education. The matching funds, which are earned by the hard work and persistence of the young participants, enables the youth to decrease the amount of loans needed to pay for their college education as well as to decrease the number of required work hours during their school years. Youth IDA Programs provide the nation with the ability to bridge the ever increasing gap that exists between the number of students from each class that are able to attend a higher learning institute.

A-9: Average Annual Earnings Per Work Experience^{liv}

Youth IDA Program Implications

The new field of youth individual development accounts promises to not only teach young people how to better manage their money and to build assets, but to also provide the youth with the opportunity to receive a higher education. The latest U.S. Census shows that as a person's educational achievements increase, so does their level of expected earned-income. IDAs then provide young people with the opportunity to achieve the American dream of a higher education, increase their income, as well as learn the importance of building their net financial assets.

Workers ages 25 to 64 years old earn more money the more education they have.

	Full-Time, Year-round Workers	All workers (including part-time and seasonal)
Doctoral Degree	\$89,400	\$81,400
Professional Degree	\$109,600	\$99,300
Master's Degree	\$62,300	\$54,500
Bachelor's Degree	\$52,200	\$45,400
Associate's Degree	\$38,200	\$33,000
Some College	\$36,800	\$31,200
High School Graduate	\$30,400	\$25,900
Not High School Grad	\$23,400	\$18,900

Figures are in millions of 1999 dollars.

A-10: Expanding The EDC's Youth IDA Program's Target Population³

A Comparison Of Chattanooga By Zip Codes^{lv}

	ZIP 37405	ZIP	ZIP	ZIP	ZIP 37410	National
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³ Census Tract 19 incorporates ZIP Code 37410 (Alton Park and Piney Woods).

	North Chattanooga	37407 East Lake	37408 Highland Park	37409 St. Elmo	Alton Park, Piney Woods	
General Statistics for 2000						
Total Population	12,918	7,836	1,944	3,111	4,467	285,412,4000
Number of Households	6,245	3,200	706	1,237	1,672	107,079,466
2000 Population by Race						
Caucasian	84.0%	64.7%	10.0%	52.8%	5.9%	74.7%
African American	12.0%	30.4%	83.3%	41.9%	91.6%	12.4%
Asian Pacific Islander	1.6%	0.8%	1.1%	0.6%	0.4%	3.9%
Other	1.0%	2.2%	4.4%	2.9%	0.8%	6.6%
2000 Population by Gender						
Male	48.2%	47.3%	52.0%	49.8%	43.7%	49.1%
Female	51.8%	52.7%	47.9%	50.2%	56.3%	50.9%
2000 Income Figures						
Median Household Income	\$38,339	\$22,041	\$16,996	\$25,497	\$17,387	\$41,369
HH Income Under \$50K	64.4%	85.8%	92.5%	79.3%	92.9%	58.8%
HH Income \$50K to \$100K	26.1%	12.9%	6.8%	18.4%	6.6%	29.1%
HH Income Over \$100K	9.5%	1.3%	0.7%	2.3%	0.5%	12.1%
2000 Housing Figures						
Average Home Value	\$175,915	\$74,373	\$73,624	\$73,533	\$62,430	\$165,558
Average Rent	\$325	\$190	\$135	\$227	\$147	\$414

Demographic Characteristics of the ZIP Codes^{lv}

1. Distressed Neighborhoods: ZIP Codes 37407, 37408, & 37410

At the low end of the socioeconomic spectrum, youth, single parenthood, poverty, high unemployment, and public assistance characterize these neighborhoods. They are top-ranked for

shopping at malls and buying children's items. They splurge on fast food and spend leisure time going to bars and dancing. They tend to own television, stereos and VCRs, and watch a lot of TV.

2. Low Income—Young and Old: ZIP Code 37409

This consumer type incorporates the extremes of the age distribution, the very young and the elderly, which is reflected in their lifestyles: purchases of infant toys, toy cars and trucks, jewelry, and household items such as flatware and washing machines. They are most likely to drive 2-door sedans or upper/middle-sized cars. Almost half of the households are single parent or single-person.

3. Newly Formed Households: ZIP Code 37405

This moderate-income market is physically active. Unemployment and poverty are low with half of the work force employed in the manufacturing and service industries. Average home value is 40% below the national average. They are active in bowling and playing billiards/pool, performing volunteer work and taking domestic trips. Most drive older cars and use coupons for groceries.

Youth IDA Program Implications

The EDC's youth IDA program should target the distressed communities with initial focus on ZIP Code 37410. As the EDC staff expands and grows more adept at running this new program, the target population should expand to the other neighboring distressed communities. Future long-term plans would then incorporate churches and youth that fall within ZIP Codes 34707 and 34708 into the IDA program. Youth IDA groups can be formed in such a way that they either integrate the different communities or keep the neighborhoods separate. This latter approach may further enhance the competition between the youth IDA groups by running off of competition that already exists between existing high schools.

Endnotes

ⁱ Wealth can be defined either in terms of a person's *net worth*, or the straightforward value of all assets minus any debts, or in terms of a person's *net financial assets*. According to Melvin L. Oliver and Thomas M. Shapiro in *Black Wealth/White Wealth*, while "net worth gives a comprehensive picture of all assets and debts" it does not

provide a reliable measure of command over future resources for one's self and family. "Net financial assets, by contrast, are those financial assets normally available for present or future conversion into ready cash...In contrast to net worth, net financial assets consists of more readily liquid sources of income and wealth that can be used for a family's immediate well-being....net financial assets seem to be the best indicator of the current generation's command over future resources, while net worth provides a more accurate estimate of the wealth likely to be inherited by the next generation. Page 58-60.

ⁱⁱ Rationale and Options for a Children's Savings Account Demonstration. CFED. September 2000.

ⁱⁱⁱ Rationale and Options for a Children's Savings Account Demonstration. CFED. September 2000.

^{iv} www.idanetwork.org.

^v Rationale and Options for a Children's Savings Account Demonstration. CFED. September 2000.

^{vi} www.idanetwork.org.

^{vii} IDAs, Savings, and Asset Accumulation by the Poor. Center for Social Development: Washington University in St. Louis.

^{viii} IDAs, Savings, and Asset Accumulation by the Poor. Center for Social Development: Washington University in St. Louis.

^{ix} IDAs, Savings, and Asset Accumulation by the Poor. Center for Social Development: Washington University in St. Louis.

^x IDAs, Savings, and Asset Accumulation by the Poor. Center for Social Development: Washington University in St. Louis.

^{xi} The following information was obtained from a 1998 Alton Park demographic study that was commissioned by the Bethlehem Center as well as from the 2000 US Census.

^{xii} Demographic Study of Alton Park. The Sallie Crenshaw Bethlehem Center. 1998.

^{xiii} Demographic Study of Alton Park. The Sallie Crenshaw Bethlehem Center. 1998.

^{xiv} See **Background: Youth IDA Programs with Accounts Open (November 2000) for a list and description of the youth IDA programs** and **A-3: Narrative of Existing Programs**.

^{xv} www.idanetwork.org.

^{xvi} www.idanetwork.org.

^{xvii} Rational and Options for a Children's Savings Account Demonstration. CFED. September 2000.

^{xviii} Rational and Options for a Children's Savings Account Demonstration. CFED. September 2000.

^{xix} www.idanetwork.org.

^{xx} www.idanetwork.org.

^{xxi} www.idanetwork.org.

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^{xxvi} Justine Peterson Housing and Reinvestment Corporation Linking Micro-Enterprise & IDAs. Sheri Flanigan-Vazquez.

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^{xxix} Asset Building IDAs: A Public Policy Report from the Ewing Marion Kauffman Foundation: Spring 2001.

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^{xxxi} www.ncced.org/cpp/boa.html.

^{xxxii} Morgan Stanley. 2002.

^{xxxiii} www.africana.com/DailyArticles/index_20010904.htm; Lee Hubbard. *Getting Your Own Small*

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