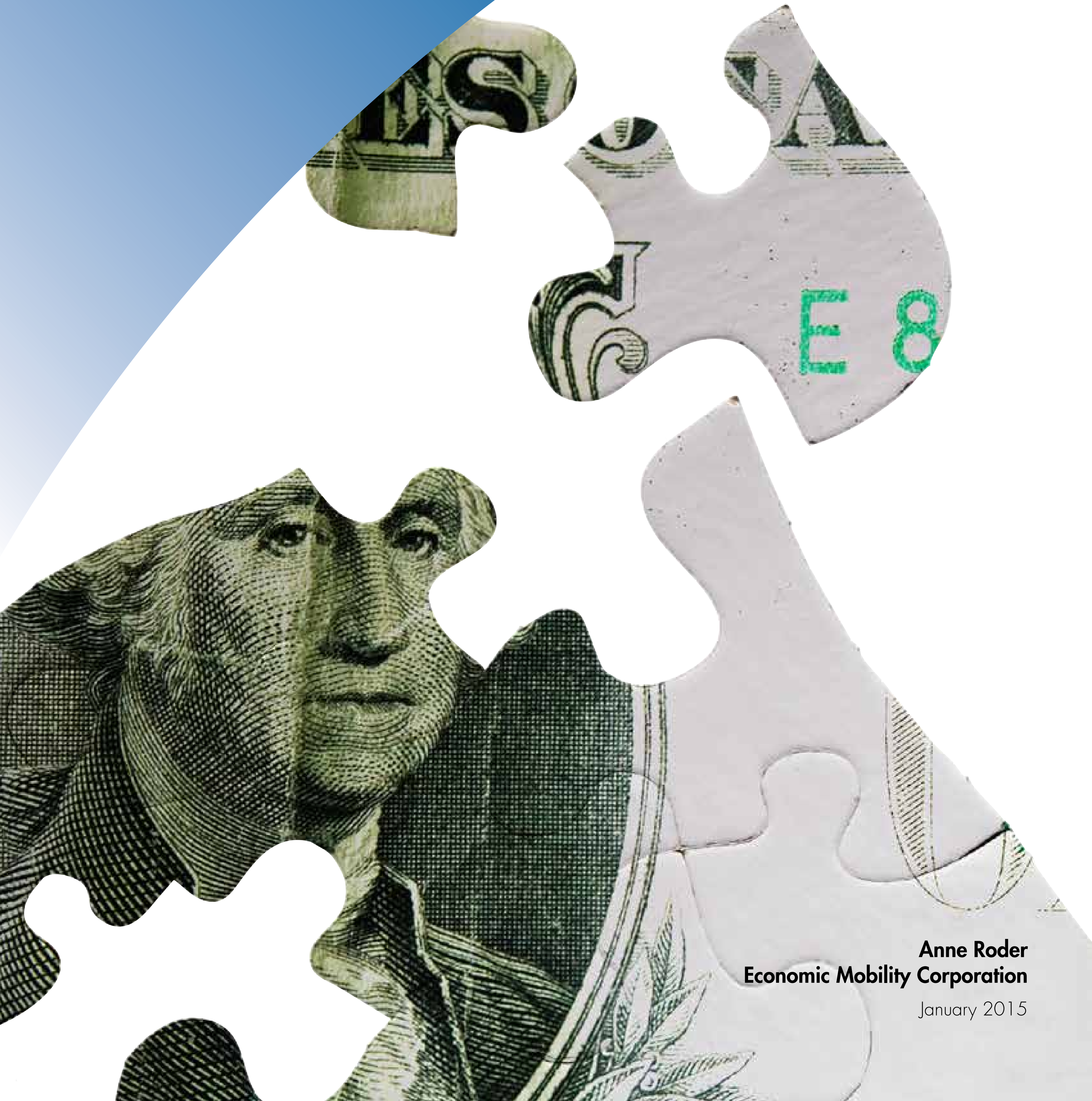
Building Stronger Financial Futures:
Interim Findings from the Evaluation of LISC's Financial Opportunity Centers



Anne Roder
Economic Mobility Corporation

January 2015

MOBILITY

The Economic Mobility Corporation (Mobility) identifies, develops and evaluates programs and policies that enable disadvantaged individuals to acquire the education, skills and networks needed to succeed in the labor market so that they can support themselves and their families.

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Several other people contributed to this report. Noga O'Connor prepared the survey data and Audrey Waysse pulled and prepared the credit report data for analysis. Caitlin Van Dusen edited the report. Penelope Malish designed the publication.

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Executive Summary

Low-income families and families of color face substantial challenges to achieving financial stability. Populations that were already vulnerable in the labor market fared worse during the Great Recession, from 2007 to 2009. Blacks, Hispanics, high school dropouts, and unskilled workers experienced the highest increases in unemployment rates during this time (Hout et al. 2011). Periods of unemployment and low wages make it difficult for families to save. In 2011, 78 percent of low-income households were liquid-asset poor; that is, they did not have enough savings or other financial assets to cover basic living expenses for three months at the federal poverty level (Brooks et al. 2014). These families have to borrow to weather crises, such as job loss, illness, or unexpected expenses, and often must rely on high-cost forms of credit due to their limited credit histories or low credit scores. Low-income families' lack of financial assets and lack of access to low-cost forms of credit hinder their ability to purchase homes, health services, and quality education, limiting their potential for achieving economic mobility.

In an effort to improve low-income families' financial well-being, the Local Initiatives Support Corporation (LISC) provides community organizations financial support and technical assistance to operate Financial Opportunity Centers (FOCs). FOCs strive to help individuals become consistently employed, improve their credit rating, and increase their net income and net worth. Based on the Centers for Working Families model developed by the Annie E. Casey Foundation, FOCs provide individuals a combination of financial counseling, employment assistance, and income support counseling. The first step is to help participants achieve positive net income by removing barriers to employment, obtaining public benefits, and reducing expenses. The next step is to engage participants in credit-building activities to improve their credit scores, which in turn will help them further reduce expenses, access low-cost forms of credit, and build wealth.

In 2010, LISC received a Social Innovation Fund grant from the Corporation for National and Community Service (CNCS) to expand and evaluate the FOC model. LISC contracted with the Economic Mobility Corporation (Mobility) to conduct an independent study of the effectiveness of five FOCs in Chicago. The study is also supported by a grant from the MacArthur Foundation. To assess program effectiveness, we use a quasi-experimental design that compares FOC participants' outcomes to those of a similar group who sought assistance with employment and training from the city's workforce centers.

Our interim report describes the characteristics of the FOC participants and programs, examines whether the sites engaged individuals in the intended services, and assesses the program's impact on participants' credit scores and credit usage one year after program entry. The report uses data from: (1) phone surveys completed with study participants at the time of program entry, (2) credit reports accessed at the time of program entry and one year later, (3) FOC program records on the services participants received during the year after program entry, and (4) interviews with directors and staff, observations of program activities, and focus groups with participants.

Engaging Job Seekers in Integrated Services

Each FOC program had at its core a financial counselor, an income support counselor, and an employment counselor. Financial counselors were required to complete an assessment that gathered information about participants' income, expenses, assets, and debts and to generate a budget and balance sheet that showed participants their net income and net worth. Counselors reviewed participants' credit reports and FICO credit scores with them. Counselors were then expected to engage participants in credit building; that is, making regular payments on existing or newly obtained loans or credit cards. Income support counselors were expected to screen participants for public benefits eligibility and help them access the benefits for which they qualified. Employment counselors were expected to help participants find jobs. Key findings regarding program implementation during the first year after program entry include:

- Engaging individuals who are seeking employment in integrated services is challenging. Only 30 percent of the FOC study participants received counseling in all three core service areas.
- Fifty-four percent of the FOC participants received financial counseling. Most of these participants completed the initial financial assessment, and about half received counseling on loans or credit cards that could help them build their credit. Less than 3 percent enrolled in LISC's credit-building program.
- Participants ages 25 and above were more likely than young adults ages 18 to 24 to receive the intended services. Participants who had more recent credit activity and/or collection agencies contacting them were more likely to receive more-intensive services.

Interim Impacts on Credit Scores and Credit Usage

Credit scores have come to play an increasingly important role in people's lives. Lenders use credit scores to determine individuals' likelihood of defaulting on a loan, which affects the types of products and interest rates they offer. Insurance companies use scores to determine the pricing of premiums based on risk. Utility companies base security deposit requirements on scores. Credit card companies use scores to set interest rates and fees. Employers use credit reports to assess the character of job candidates, and landlords use them to predict the behavior of potential tenants. Consequently, individuals with poor credit scores or a lack of credit history face difficulties obtaining loans and credit cards, pay higher rates and fees for financial products and services, and may be excluded from employment and business development opportunities.

At program entry, 46 percent of FOC participants did not have a credit score due to a lack of recent credit activity. Seventy percent of participants who had credit scores had subprime scores, which signify high risk to lenders. The FOC program's primary credit-related goals were to help participants who were unscored to become scored and to help those who had scores to improve their scores by using credit responsibly. During the year after program entry, we found that:

- FOC participants made more on-time payments on trade accounts and were more likely than members of the comparison group to have paid any trade accounts on time.
- Despite the increased payment activity among the FOC participants, the program did not have a significant impact on increasing participants' credit scores or helping those who were unscored become scored.

Conclusions

Our findings based on the first year of implementation suggest the following key lessons.

- ***Organizations can help low-income individuals take positive steps toward building or rebuilding their credit histories, but improving credit scores or becoming scored may take more than a year for unemployed or financially distressed individuals.*** Most FOC participants needed time to complete training, obtain employment, and earn a steady income before they could work on credit building. Additionally, most of the increase in payment activity occurred among participants who had recent credit activity but subprime scores when they entered the program. Improving the scores of individuals with negative credit histories may take more than a year.
- ***Employment programs seeking to engage job seekers in integrated services may need to require participation in financial and income support counseling.*** Individuals seeking employment assistance may not think they can benefit from meeting with financial or income support counselors. The sites that required these meetings before individuals could receive help with finding a job engaged higher percentages of participants in these services.
- ***Effective credit building depends on having well-trained financial counselors.*** Shortly after study enrollment ended, LISC tested the financial counselors and found that many needed training on reading credit reports and identifying how best to help participants. LISC subsequently increased its efforts to gain counselors' buy-in to the credit-building approach and to train them on how to implement it.

Our final evaluation report will assess whether the FOC program helped participants obtain jobs, increase their net income, access mainstream forms of credit, and build their net worth two years after program entry.

Chapter 1

Introduction

Low-income families and families of color face substantial challenges to achieving financial stability. Populations that were already vulnerable in the labor market fared worse during the Great Recession, from 2007 to 2009. Blacks, Hispanics, high school dropouts, and unskilled workers experienced the highest increases in unemployment rates during this time (Hout et al. 2011). Since the end of the recession, the real wages of low-income workers have declined (Hall 2014), and the number of all workers involuntarily employed part-time remains unusually high (Cajner et al. 2014). Periods of unemployment and low wages make it difficult for families to save. In 2011, 78 percent of low-income households were liquid-asset poor; that is, they did not have enough savings or other financial assets to cover basic living expenses for three months at the federal poverty level (Brooks et al. 2014). These families often have limited credit histories or low credit scores, and as a result they have to borrow money to weather crises and often must rely on high-cost forms of credit, which further reduces their ability to accumulate wealth.

A household's wealth can be measured by its net worth, or the value of its assets minus the value of its debts. Wealth inequality has increased over the past 30 years, with large disparities between White households and Black and Hispanic households and between lower- and higher-income households. The wealth gap between races is substantially larger than the income gap. In 2010, the average income for Whites was about twice that for Blacks and Hispanics, while on average Whites had six times the wealth of Blacks and Hispanics (McKernan et al. 2013). A lack of assets has significant implications for families' overall well-being. Wealth provides for short- and long-term financial security. It helps families navigate periods of economic distress due to job loss, illness, or unexpected expenses. Beyond offering stability, wealth facilitates economic mobility. It enables families to purchase homes, health services, and quality education, and can be used to produce more wealth (Keister and Moller 2000; McKernan et al. 2009).

Access to financial services such as checking accounts, bank loans, and savings opportunities is important in helping families deal with abrupt changes in income. Families without a bank account are less likely to have savings, and those without savings are less likely to pay bills on time. Without savings, credit, or insurance, families who experience sudden changes in income can face food shortages, utility cutoffs, or eviction (Barr and Blank 2009; Stegman and Faris 2005). Research has found disparities in the use of financial services across racial and income groups. Families without access to mainstream banking institutions and forms of credit are vulnerable to predatory loan practices and to higher fees for basic financial transactions, such as cashing checks and paying bills (Barr and Blank 2009). These families often turn to fringe financial institutions, including payday loan providers, pawnshops, rent-to-own stores, and refund-anticipation loan providers. These fringe financial institutions not only offer high-cost forms of credit but also do not report their clients' on-time payments to credit-rating agencies (Murrell 2003). As a result, the payments individuals make to these alternative institutions do not help them build their credit profile or improve their credit scores. Fringe financial institutions do, however, report accounts to the credit agencies when they become delinquent.

Credit scores have come to play an increasingly important role in people's lives. Lenders use the scores to determine individuals' creditworthiness and likelihood of defaulting on a loan, which affect the types of products and interest rates they offer. Insurance companies use credit scores to predict the likelihood of individuals filing claims and to determine the pricing of premiums based on risk. Utility companies base security deposit requirements on credit scores. Credit card companies use the scores to set interest rates and fees, and landlords use the scores to predict the behavior of potential tenants (Smith and Duda 2010; Fellowes 2006).

Certain employers use credit reports to assess the character of job candidates. Despite a lack of evidence about the usefulness of credit histories as an indicator of job performance, employers' use of credit checks appears to be widespread. According to a 2012 member survey by the Society for Human Resource Management (SHRM), 47 percent of employers checked the credit histories of at least some job candidates (SHRM 2012). Another 2012 survey of retail chain companies found that 30 percent used credit history checks as a pre-employment integrity screening to reduce theft (Hollinger and Adams 2014). A survey of a nationally representative sample of low- and moderate-income households that had credit card debt found that nearly a quarter of unemployed individuals said an employer had requested to check their credit report as part of the job application process. Ten percent had been told that they would not be hired for a job due to information revealed by their credit report (Traub 2013).

While institutions' reliance on credit scores increased access to home mortgages and other types of credit products for individuals with low credit scores in the 1990s and early 2000s, this population faces high interest rates, fees, and down payments. The availability of high-priced credit for these individuals led to a surge in consumer debt and personal bankruptcy during this period (Draut and Silva 2003). After the financial crisis, credit card companies raised interest rates for many consumers and also imposed stricter rules and lower credit limits, making it more difficult for consumers to obtain credit (Weston 2011).

While high debts and poor credit scores are barriers to building wealth for some, others lack a history with the major credit bureaus and therefore do not have a credit score. Mainstream lenders are reluctant to extend loans to individuals without credit scores because they are seen as risky and inexperienced in managing credit. As do individuals with low scores, unscored individuals end up paying high rates, fees, and down payments for basic financial transactions (Maas 2008). One estimate of the lifetime costs of a poor credit score is just over $200,000, based on the differences in interest rates paid on private student loans, credit cards, automobile loans, mortgages, and home equity loans (Weston 2011).

Policy Responses to Improving Families' Financial Stability

Federal policies to improve the financial well-being of low-income families have primarily focused on efforts to increase income. Policies such as the Workforce Investment Act have offered a combination of remedial education, vocational training, on-the-job training, subsidized work experience, life skills training, and job search assistance. The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) transformed welfare policy by requiring that welfare recipients take part in activities to prepare for work. Evaluations of employment and training programs and efforts to help welfare recipients transition from welfare to work have had mixed results. While some studies have demonstrated modest gains in program participants' employment and earnings, these gains tend to fade over time, and many people continue to work in low-wage jobs without benefits (Holzer 2008).

These findings, coupled with persistent poverty rates and increasing income and wealth inequality, have led to support for new strategies for increasing the income and financial stability of low-income individuals and families. One strategy is to increase the take-up of income supports among low-wage workers, including the Earned Income Tax Credit (EITC), the Supplemental Nutrition Assistance program (SNAP), childcare assistance, and subsidized health care. Research has found that rates of take-up of these benefits among poor working families is low. For instance, while SNAP receipt increased along with unemployment levels during the recession, nearly four in 10 eligible working households with children did not participate in SNAP in 2008. One study using 2001 data found that only 5 percent of low-income working families received a full package of Medicaid, the Children's Health Insurance Program (CHIP), SNAP, and childcare subsidies (Mills et al. 2011). These findings prompted initiatives to increase awareness of and access to these income supports among low-wage workers. One study has found that such efforts were successful in increasing SNAP and childcare subsidy receipt in programs where initial rates of receipt of these benefits were low (Miller et al. 2012).

Another recent response to continuing poverty and economic inequality is the promotion of social policies that seek to build the assets of poor and low-income families. Historically, federal policy efforts to increase assets among low-income families were limited to housing policies targeted at expanding homeownership. The Federal Housing Administration (FHA) insurance program provides federal guarantees on individual mortgage loans. Though this program was established in the 1930s, discriminatory practices excluded Black families and communities from benefiting from these loans through the 1950s (Oliver and Shapiro 2006). Not until the civil rights movement and new legislation in the 1960s did FHA-insured loans begin to target lower-income borrowers (Carliner 1998).

More-recent asset-based policy efforts seek to increase savings among low-income families to stimulate their accumulation of other types of assets. The focus of federal policy in this area has been the promotion of Individual Development Account

(IDA) projects. IDAs are savings accounts that encourage individuals to save for buying a home, starting a business, paying for education, or preparing for retirement by providing matching funds when money is withdrawn from the account for one of these purposes (DeMarco et al. 2008). Studies suggest that IDA programs can increase savings and rates of homeownership, business ownership, and educational attainment. IDAs have also been shown to reduce the likelihood of individuals obtaining high-interest-rate mortgages and foreclosing on a home, although studies have not found positive impacts on net worth (Mills 2005; Mills et al. 2008; Rademacher et al. 2010). However, questions remain about the potential of IDA programs to assist a broad range of low-income individuals, including those who do not have income to invest or who have significant debts.

Recently, researchers and policy advocates have promoted wealth-building strategies that provide financial education and counseling with the goals of increasing use of mainstream financial services and products, reducing debts, and building positive credit profiles. Financial and credit counseling have been part of the Homeownership Education and Counseling (HEC) services provided in Department of Housing and Urban Development (HUD) programs since the 1960s (Birkenmaier and Tyuse 2005). More recently, there have been smaller-scale efforts to provide financial education to individuals transitioning from welfare to work, those participating in housing subsidy programs, and other low-income populations (Anderson et al. 2007; Collins 2009). Recognizing that most assets are purchased using some form of credit as well as savings, financial education and credit counseling have become a more institutionalized part of IDA programs (Birkenmaier et al. 2012).

Several reviews of studies of financial education programs in a variety of settings have concluded that the evidence about their effectiveness in improving individuals' knowledge and behavior is mixed. The reviews also found that the financial education field suffers from a lack of rigorous research, particularly concerning low-income individuals (Gale et al. 2012; Hastings et al. 2012; Collins and O'Rourke 2010). Researchers have suggested that financial education and counseling should be provided by social service agencies and colleges in order to extend the reach of asset-building strategies. However, there is limited evidence about whether such organizations can effectively engage individuals and produce positive outcomes. One recent study using a quasi-experimental design followed individuals participating in a transitional jobs program, half of whom were offered financial counseling. The study found that 12 months after program entry those offered financial counseling were more likely than those not offered counseling to have a decrease in the percentage of their debt that was past due; however, the intervention had no effect on credit scores (Wiedrich et al. 2014).

Financial Opportunity Centers

This report presents interim findings from a study of Financial Opportunity Centers (FOCs), programs that seek to increase low-income families' financial stability by providing integrated services in three core areas: financial counseling, employment assistance, and income support counseling or help accessing public benefits to supplement income from work. The study aims to contribute to the evidence about whether and how social service organizations can use integrated services to help low-income families build income and wealth and become more financially stable. FOC employment services often provide an entry point through which individuals participate in financial coaching and assistance accessing income supports. Employment services include basic job readiness training and placement as well as assistance accessing basic education, computer skills training, and occupational skills training. FOCs offer financial education and individualized financial coaching focused on budgeting, saving, and credit building. They also help individuals solve specific problems, such as high debt or credit report errors. FOCs also provide assistance in accessing public benefits by helping individuals navigate eligibility and enrollment processes.

FOCs strive to help individuals achieve a range of goals, including consistent employment, improved credit ratings, and increased net income and net worth. The FOC model stipulates that the three core services work best when they are integrated. The first step of the program is to help participants achieve positive net income by removing barriers to employment, obtaining public benefits, and reducing expenses. The next step is to engage participants in credit-building activities; that is, making regular payments on existing or newly obtained loans or credit cards. This strategy differs from a credit-repair approach, which focuses on reducing debt and paying off accounts in collections and which may not improve credit scores in the short term. FOCs expect that a focus on credit building will help participants improve their credit scores more quickly, which in turn will help them further reduce expenses and build wealth. The FOC model also posits that community-based organizations are better able than other agencies to provide an individualized level of assistance in a trusted, familiar, and accessible environment—factors that can be important in reaching underserved populations that may be alienated from mainstream financial and labor markets.

FOCs receive financial support and technical assistance from a nonprofit intermediary organization, the Local Initiatives Support Corporation (LISC). LISC has been assisting organizations in Chicago in implementing the FOC model since 2005.[1] In 2010, LISC received a Social Innovation Fund (SIF) grant from the Corporation for National and Community Service (CNCS) to expand and evaluate the FOC model as part of CNCS's efforts to support innovative, community-based solutions for improving the lives of people in low-income communities. Since then, the FOC model has expanded to 70 centers in 25 cities around the country. LISC arranges for training for FOC financial counselors, convenes FOC staff members periodically for peer learning meetings, and maintains a database that FOC staff use to provide services and track participants' progress. In addition to identifying funding to support the centers' work, LISC helps them secure AmeriCorps workers to help provide services, if necessary. As we discuss in Chapter 2, LISC requires participating organizations to implement certain features and policies of the FOC model, but other program design decisions are left to the organizations.

The FOC program is an important model for the workforce development and asset-building fields. It seeks to address a number of barriers to wealth accumulation among low-income families of color, including low financial literacy, behavioral and psychological barriers to using financial services, and institutional barriers to accessing financial services and products. The program is based on the Centers for Working Families model initially developed by the Annie E. Casey Foundation that is now being implemented in more than 30 cities and regions across the country with the support of private foundations, corporations, and public funds. By combining financial counseling with employment services and income support counseling, the model has the potential to broaden the reach of asset-based policy to individuals who lack a steady source of income or who have accumulated significant debt.

The Study

The study of the FOC program is primarily supported by the SIF grant LISC received from CNCS, which aims to build evidence of program effectiveness as well as an understanding of how programs are successful and how they can be improved. The study is also supported by a grant from the MacArthur Foundation. LISC contracted with the Economic Mobility Corporation (Mobility) to conduct an independent study of the effectiveness of five FOCs in Chicago. Given that the FOC network in Chicago had been operating for several years and that other sites were fairly new, LISC and Mobility felt that a study of the Chicago programs would provide the truest test of the fully implemented FOC model. The five organizations in the study were selected from the 11 programs operating in Chicago at the time because (1) they built the FOC services into employment programs, which was the model we were interested in testing; (2) they served diverse communities; and (3) they represented a mix of agency types and service offerings.

Research Questions

Our final report will assess the FOC programs' impact on a range of outcomes two years after program entry, including participants' employment, credit scores, net income, and net worth. In this interim report, we address the following research questions:

- What were the demographic characteristics and financial situations of the FOC participants at the time they entered the program?

- What are the characteristics of the five organizations in the study and key differences in program design that may have influenced their success in implementing the FOC model?
- Did participants receive the intended services? In what important ways did the implemented model differ from the planned model? How did the provision of services vary across the five organizations?
- Were certain subgroups of participants more likely than others to receive the intended services?
- Did the FOC programs improve individuals' credit scores and credit usage one year after program entry?

Methods and Data

To assess program impacts, the study uses a quasi-experimental design that compares FOC participants' outcomes to those of a similar group who sought assistance with employment and training from the city's workforce centers. The design addresses a primary concern with using quasi-experimental methods to evaluate voluntary programs; that is, the potential selection bias that results from differences in motivation between program participants and nonparticipants. The study focuses on individuals who were seeking assistance with employment and job training from the FOC programs—the same motivation as the comparison group members who were seeking assistance from the workforce centers. The benefits of this approach are that the comparison group members and FOC participants were likely to be in similar employment situations, to be similarly motivated to find employment, and to be navigating the same or similar labor, housing, and financial markets.

Despite the advantages of this approach, the characteristics of members of the FOC program and comparison groups were unlikely to be identical at the time of study enrollment. Therefore, we utilized a propensity score matching approach to select the final sample; that is, we matched comparison group members to FOC participants at the individual level based on their likelihood of being in the FOC program group given their demographics, recent employment experience, and financial situation. Only FOC participants and comparison group members who were sufficiently close matches were included in the final sample. Researchers have found that propensity score matching has been effective in replicating experimental results from evaluations of employment and training programs when three criteria are met: (1) the data for the intervention and comparison groups are collected using the same data source; (2) the participants and nonparticipants reside in the same local labor market; and (3) the data contain variables relevant to modeling the program participation decision (Smith and Todd 2005). The FOC study meets these criteria. We provide details about how we constructed the comparison group in Appendix A.

To answer the research questions for this interim report, we collected data using the following methods:

- **Baseline survey of participants.** We conducted a phone survey of FOC participants and comparison group members at the time they sought assistance from their respective agencies. The survey gathered information about study participants' education, recent employment history, financial practices, financial stability, family income, expenses, assets, and liabilities, as well as demographic data such as age, race and ethnicity, gender, criminal record status, housing status, and family structure.

- **Participants' credit reports.** We accessed participants' credit reports from TransUnion, one of the three major credit bureaus, at the time of program entry and one year later. The credit reports include credit scores and information about use of credit-based products, such as mortgages, installment loans (e.g., automobile loans and student loans), credit cards, and other revolving forms of credit. The reports also include a history of lenders' inquiries for individuals' credit reports when they apply for credit, accounts referred to collections, and public records related to their financial health, such as bankruptcies, tax liens, and civil judgments from the previous seven to 10 years. The box on page 8 provides definitions of credit report terms used in this report.

- **FOC program data.** We collected data from the performance management system that LISC maintains and that all FOC organizations use to track program participation. The data include whether participants received services in each of the three core areas of the FOC model as well as the number of hours of services received and the duration of their participation in the program. The data also include the types of financial, employment, and income support issues that participants worked on with the FOC counselors.

- **Site visits.** To learn about differences in the five organizations' program structure and content, we conducted interviews with FOC staff members, observed program activities, and conducted focus groups with participants. The staff interviews included the program directors, counselors in the three core program areas, as well as career coaches and job readiness instructors. Activities we observed included FOC orientations, job readiness and life skills workshops, and financial workshops (where provided).

Study enrollment took place from October 2011 to August 2012 for the FOC participant group and from October 2011 to December 2011 for the comparison group. We conducted baseline surveys and collected credit report data at the time of program entry and one year later for 802 FOC participants and 996 comparison group members. Our analyses of the characteristics of the FOC participants, the implementation of the FOC program, and differences in outcomes across the five study sites include the full sample of 802 FOC participants. As described in Appendix A, the final sample for the analysis of the program's interim impacts on credit scores and usage includes 730 FOC participants and 974 comparison group members who were sufficiently close matches based on their demographic and financial characteristics at the time of enrollment. We are also pulling study participants' credit reports and conducting follow-up surveys two years after program entry to gather information about changes in participants' employment, credit scores, credit usage, net income, and net worth. Our final report will assess the FOC program's impact on this full range of outcomes.

Credit Report Terms

Credit scores

The credit scores analyzed in this study are FICO scores, a universal scoring system that uses data from the three major credit bureaus. FICO scores play a critical role in individuals' access to financial services and products. Credit scores are a function of payment history on trade accounts (e.g., loans and credit cards), debt-to-credit ratio, length of credit history, types of extended credit, and variables related to recent transactions. FICO scores range from 350 to 850.

Subprime scores

Subprime scores signify high financial risk. While different lenders use different thresholds for determining subprime scores, a score below 620 is generally considered subprime.

Unscored

Credit reports may indicate that an individual is unscored due to insufficient credit history. To have a credit score, individuals generally must have at least one trade account that has been open for six months or more and have had activity on an account in the past six months.

Trade accounts

Credit reports include information about three types of trade accounts that remain on the report for as long as they are active or, if they are no longer active, for seven to 10 years from the date of last activity. *Installment accounts*—most commonly mortgages, car loans, and student loans—have fixed terms and require regular payments. *Revolving accounts* include credit cards, charge cards, and home equity lines of credit, which have open terms and minimum payments that vary with the balance. *"Open" accounts* have no credit limit and must be paid in full at the end of each month. Examples include utility, telecommunications, and child support accounts. For each trade account, credit reports include the credit limit, balance, late payments, amount past due, date opened, payment history over the previous two years, and date closed, if applicable.

Thin files

Individuals are said to have "thin" credit files if they have few active trade accounts or only new accounts on their credit reports. Many lenders will not offer their best terms to applicants with thin files, because there is little information for them to review. In this report, we define thin files as credit reports with fewer than three open trade accounts.

Negative rating

Trade accounts are reported as having a negative rating if the most recent payment was made late or the account was in collections or charged off to bad debt—that is, if the creditor has declared that the debt is unlikely to be collected.

Historical negative information

Credit reports include information on the number of trade accounts on the report that have had past-due payments and the number of payments on all accounts that have been past due.

Derogatory public records

Credit agencies collect information from the courts on items that lenders may consider negative. These include bankruptcy filings, tax liens, and civil judgments or debts owed through the courts as a result of a lawsuit. These records remain on the credit report for seven to 10 years.

Collections

Credit agencies report any accounts that have been sent to a third-party debt-collection agency during the past seven years.

This Report

In this report, we present our interim findings regarding the implementation of the FOC model across the five study sites and the impact of the program on participants' credit scores and credit during the year after program entry. In Chapter 2, we describe the five organizations in the study, how each integrated the FOC program into its existing services, and differences in program design that might influence their success in engaging individuals in the services and helping them achieve the targeted outcomes. In Chapter 3, we describe the characteristics of the FOC participants and their financial situations when they entered the programs, including their employment, income, expenses, assets, debts, and credit scores. In Chapter 4, we examine participants' receipt of the FOC services during the first year after program entry. We discuss to what extent individuals received the intended services and whether program participation levels varied across participant subgroups. We draw lessons about how differences in program structure may have influenced the organizations' ability to engage participants in the FOC services. In Chapter 5, we present the interim findings on the FOC program's impact on participants' credit scores and credit usage, comparing the outcomes of FOC participants to those of members of the comparison group. We also present differences in outcomes among subgroups of participants. In the final chapter, we discuss the implications of these preliminary findings for efforts to increase low-income families' financial stability.

Chapter 2

The Five Study Sites

This study focuses on five community-based organizations in Chicago that implemented the FOC model. The five organizations differed in a number of important ways that could affect their success in implementing the program. In this chapter, we describe key differences between the five organizations as well as differences in the structure and content of their FOC programs. Later in the report, we consider how these differences may have influenced each program's ability to engage participants in the FOC services, in order to draw lessons for the field. In our final report, we will consider how these differences may have influenced the organizations' effectiveness in helping participants achieve the targeted outcomes.

The Organizations

The five organizations differ in organizational type, age, size, sources of funding, the traditional focus of their programs, and how they integrated the FOC model into their existing services. These differences could influence the organizations' success in numerous ways. Agencies may be more successful when the FOC services are consistent with their existing mission and complement the other services they offer. Organizations with more experience providing the types of services at the core of the FOC model may be more effective. While the FOCs all received funding through LISC, each organization also funded the program—particularly the employment services—through other sources. Funding through public contracts tends to have more performance standards than private funding, but research has found that such standards can lead to unintended consequences, such as the provision of short-term services and the tendency to target easier-to-place clients (Heinrich 2007; Heinrich and Lynn 2000). Organizations that rely more on private funding may have the flexibility to provide more-intensive, tailored services. Finally, agencies that have been implementing the FOC model for longer may be more successful because they have had time to identify challenges and solutions.

Figure 1 Characteristics of the Five Organizations in the FOC Study

	AH	IDPL	MFS	NLEN	TCP
Agency type	Multiservice	Workforce	Multiservice	Workforce	Workforce
Years in operation as of 2011	112	34	154	12	20
Number of individuals served annually	20,000	9,000	53,000	1,000	500
Annual budget, 2011–2012	$13 million	$11 million	$38 million	$1.8 million	$6 million
Primary funding sources	73% public, 15% private contributions/ foundations	63% public, 19% private contributions/ foundations	62% public, 12% private, 14% program fees	30% public, 59% private contributions/ foundations	28% public, 38% private contributions, 24% transitional job contracts
Traditional programmatic focus	Emergency services, social services	Employment, education, job training	Counseling, social services	Employment and job training	Employment and job training
Year of FOC implementation	2006	2005	2011	2005	2008
Integration of FOC program into agency's other services	Integrated into some of the agency's employment and job training programs	Stand-alone program and offered to participants in the agency's other employment and job training programs	Stand-alone program; participants may be referred to agency's social services	Integrated into all of the agency's employment and job training programs	Stand-alone program; participants may be referred to the agency's other employment programs

Note: Annual budgets and annual numbers served are for all of the agencies' services, not just the FOC program.

Figure 1 summarizes the characteristics of the five organizations in the study at the time study enrollment began, in October 2011. These were the primary differences:

- Two were multiservice agencies with a primary focus on emergency and family services. Both had served Chicago communities for more than a century. Three were workforce development agencies that had opened within the past 40 years.
- The FOC program was a stand-alone program at two agencies, two integrated the FOC services into their existing employment and training programs, and one agency did both.
- The agencies varied in size, with annual budgets ranging from under $2 million to $38 million and an annual number of individuals served ranging from 500 to 53,000.
- Three received more than 60 percent of their funding from public sources while two relied primarily on private sources.
- Three agencies had been operating their FOC programs for five to six years, one for three years, and one for four months.

Following are descriptions of each of the organizations and how they integrated FOCs into their services.

Association House (AH)

Founded in 1899 as a settlement house to assist new immigrants, Association House is a nonprofit multiservice organization in the Humboldt Park community that provides child welfare, behavioral health, education, and employment services to help adults and youth become self-sufficient. Association House's traditional focus is on emergency services, and it continues to serve thousands of community residents through its food pantry and intensive case- management services. From 2011 to 2012, its overall operating budget was about $13 million, and it served about 20,000 individuals annually. Nearly three-quarters (73 percent) of its revenue came from grants and fees from government agencies, and 15 percent came from foundations, trusts, and other charitable contributions. Employment and training services accounted for about 20 percent of the agency's annual program expenses.

In 2006, Association House opened a career center to provide adult education and employment services. At the same time, the organization began providing FOC services for individuals participating in its career center programs. How the FOC services were integrated with the career center programs changed over time. During the study period, FOC services were available to individuals who participated in job readiness training, customer service skills training, and a transitional jobs program, and to individuals taking GED preparation classes who were looking for employment. In January 2013, Association House decided to end its FOC program. A case manager and financial counselor continued to provide limited FOC services to existing participants through May 2013, about nine months after the study enrollment period ended.

Instituto Del Progreso Latino (IDPL)

IDPL is a nonprofit workforce development organization founded in 1977 with a mission of contributing to the "development of Latino immigrants and their families through education, training, and employment that fosters full participation in the changing U.S. society while preserving cultural identity and dignity." IDPL serves about 9,000 people annually in five locations in the predominantly Hispanic communities of Pilsen, Little Village, and Back of the Yards. Its programs include occupational training, classes in GED preparation, citizenship, and English as a second language, a career pathways program for single mothers, youth development programs, a charter high school, and an alternative high school, the Rudy Lozano Leadership Academy (RLLA). Its operating budget from 2011 to 2012 was about $11 million, with 63 percent of its funding coming from government sources and 19 percent from foundations, private grants, and contributions.

IDPL was part of the first group of organizations to implement the FOC model in Chicago in 2005. Prior to implementing FOC, IDPL had provided job readiness and job placement services. With FOC, the organization added financial coaching, assistance with public benefits, and career development training. During the first year of the study period, IDPL partnered with The Resurrection Project (TRP), a community development organization with experience in financial counseling and education services, to provide financial counseling to FOC participants. The financial counselors offered services on-site at IDPL but were employed by TRP. Shortly after the study enrollment period concluded, IDPL decided to end this arrangement and hired financial counselors internally. FOC was both a stand-alone program at IDPL and a set of services offered to participants through the agency's occupational training programs. During the study period, IDPL also integrated the FOC services into its alternative high school, targeting graduating seniors and the parents of enrolled students, and into its career pathways program for working single mothers.

Metropolitan Family Services (MFS)

The MFS FOC is the newest program among the five study sites. It began operating in June 2011 out of Kennedy King College (KKC), a community college in Englewood, and serves the Englewood, Washington Park, and Woodlawn communities, on the South Side of Chicago. When the study began, the FOC program at KKC was run by Jane Addams Hull House (JAHH), a multiservice agency founded in 1889. The FOC model was integrated into an employment and training program for students and residents of Englewood that had been run by JAHH for the previous four years. The staff had started providing income support services for participants about nine months prior to the integration of FOC and added financial counseling services when the FOC program began. However, four months into the study enrollment period, JAHH ceased operations. With LISC's assistance, in January 2012 the FOC program was transferred to Metropolitan Family Services (MFS). Given that the program was already located at KKC, it did not have to move when JAHH shut down. The entire staff remained on board, and program operations were largely uninterrupted by the change.

MFS is a nonprofit multiservice agency founded in 1857 with a mission to strengthen families and communities by providing services in economic stability, education, emotional wellness, and empowerment to adults, youth, and seniors. Its traditional programmatic focus is providing counseling to families involved with the state's family services department and the city's housing authority. MFS also offers domestic violence counseling, legal aid, and services to improve individuals' parenting skills. Prior to taking on the FOC program, MFS had operated a program that provided employment and financial literacy services to public housing authority residents. Agency-wide in 2012, MFS had an annual budget of about $38 million and served about 53,000 people in seven communities in Chicago and its suburbs. Its primary revenue sources were government grants (62 percent), program service fees (14 percent), and private contributions (12 percent).

Within MFS, the FOC program is part of the Economic Stability division, which also comprises the agency's other employment programs. The FOC program operates independently from MFS's other programs and MFS does not provide any other services at KKC; however, FOC staff may refer participants to needed services at other MFS locations.

North Lawndale Employment Network (NLEN)

NLEN is a nonprofit workforce development organization founded in 1999 to address the employment needs of the North Lawndale community. Its mission is to improve residents' earning potential through innovative employment initiatives that lead to economic advancement and improved quality of life. In 2012, the organization had an annual operating budget of $1.8 million. NLEN serves about 1,000 individuals annually. About 59 percent of its revenue comes from foundation and corporate contributions and 30 percent from government sources.

Like IDPL, NLEN was part of the first group of organizations to implement the FOC model in Chicago in 2005. The organization began offering financial counseling and income support counseling to community residents using its resource room. NLEN also integrated the full FOC model into its flagship employment program, U-Turn Permitted, a four-week job readiness program for individuals with felony convictions. During the study enrollment period, NLEN also integrated the full FOC model into a new urban weatherization training program and into a shorter version of the job readiness program, called U-Turn Express, for community residents without felony convictions.

The Cara Program (TCP)

The Cara Program is a nonprofit workforce development organization founded in 1991 to help adults affected by homelessness and poverty to find employment. The organization provides training in life skills, job readiness, and career development, as well as job placement and job retention assistance. The job retention assistance incorporates financial services, including budgeting and saving through a matched savings program. TCP also operates Cleanslate, a program that provides transitional jobs in neighborhood beautification to help individuals build job skills and earn income. In 2011, TCP had an annual operating budget of about $6 million and served about 500 people. Its primary sources of funding were private contributions (38 percent), government contributions (28 percent), and business contracts for its transitional jobs program (24 percent).

While TCP is located in downtown Chicago and serves people citywide, its FOC program is located in Chicago's Quad Communities. The Quad Communities FOC was originally operated by a multiservice community agency. With LISC's assistance, TCP assumed management of the program in 2008, redesigned the program, and hired new staff. The Quad Communities FOC program operates independently of TCP's traditional program, although FOC participants who are eligible and interested may be referred to the traditional program or to Cleanslate.

FOC Program Structure and Content

Each FOC program had at its core a team of counselors, including a financial counselor, an income support counselor, and an employment counselor. LISC required that the FOC financial counselors complete a financial assessment of each participant using a template that LISC designed. This assessment gathered information about their income, expenses, assets, and debts so that counselors could generate a budget and a balance sheet that showed participants their net income and net worth. The financial counselors were also required to pull participants' credit reports and FICO credit scores and review the information with them. In order to increase participation in this financial assessment, LISC expected the agencies to require that participants meet with a financial counselor to complete this assessment prior to receiving assistance with finding a job from the employment counselor. In the past, LISC had found that once participants obtained jobs, it was difficult to persuade them to come back to the program to complete this assessment—and potentially to benefit from the financial counseling. As noted in the introduction, the financial counselors were also expected to engage participants in credit-building activities.

Credit Building Versus Credit Repair

LISC expected the FOC financial counselors to take a credit-building approach as opposed to a more traditional credit-repair approach. Credit building entails making on-time payments on a financial product, such as an installment loan or credit card, which are then reported by the creditor to the major credit bureaus. The goal is to build a recent positive credit history, which helps the unscored to become scored and helps those with low scores to improve their scores. Installment loans, such as student loans, car loans, or mortgages, must carry a balance and require a monthly payment to help individuals build credit. That is, once loans are paid in full, they are no longer active and do not continue to build credit. Individuals can also build credit continually by using credit cards regularly and paying the bills on time.

Organizations help individuals with credit building by providing credit education and by counseling them to open, use, and make on-time payments on a loan or revolving credit account. Individuals who have limited or no credit history and are unscored as well as those who have subprime scores face barriers to accessing mainstream forms of credit. Organizations may help these individuals to access credit-builder loans, in which the money borrowed is kept in an account and given to the borrower upon repayment of the loan, or secured credit cards, which require individuals to deposit funds in a bank account as collateral (Chenven 2014). LISC developed a program called Twin Accounts, which was designed to help participants build their credit scores (see the box on page 49 for more information about Twin Accounts).

By contrast, counselors using a credit-repair approach may advise individuals not to use credit cards at all and to focus instead on reducing debts, disputing errors on reports, and paying off accounts in collections. In the credit-building approach, resolving credit report errors and developing plans to deal with debt are complementary to building positive credit. Advocates of the credit-building approach believe that it is the best way to help someone with no or limited credit history to establish or reestablish a credit score, and that it can help individuals with low credit scores to boost their scores more quickly than a credit-repair approach alone can.

LISC did not prescribe what the income support and employment counselors should do beyond working with participants to achieve the program's goals. That is, income support counselors were expected to screen participants for public benefits eligibility and help them access the benefits for which they qualified. Employment counselors were expected to help participants find jobs.

The five FOC programs differed in a number of ways that could influence how effectively they implemented the three core FOC services. Figure 2 provides a summary of key differences in program design across the five sites. The differences include the following:

- All five programs provided job readiness training to help people prepare for, find, and retain employment. However, the training varied in duration and content, and three of the agencies allowed participants who were considered to be job-ready to bypass the training in its entirety or in part.
- The programs differed in the additional employment, education, and job training services they offered to FOC participants, such as career counseling, basic education classes, occupational training, and subsidized employment opportunities.
- Some programs required participants to meet one-on-one with a financial counselor and an income support counselor prior to receiving job-search assistance from the employment counselor; others did not have this requirement.
- At some programs the meetings with the financial counselor and income support counselor took place prior to the job readiness training or while participants were attending training; at other programs these meetings took place after they had completed the training.

Figure 2 **Differences in FOC Program Elements Across the Five Study Sites**

	AH (N=198)	**IDPL** (N=196)	**MFS** (N=169)	**NLEN** (N=67)	**TCP** (N=172)
Length of job readiness training	2.5 weeks	5 weeks	4 days	4 weeks or 3 days	3 to 4 weeks
Option for job-ready clients to bypass job readiness training	Starting only midway through study period	Yes	No	No	Allowed to bypass certain classes
Transitional jobs provided	Yes, for individuals with criminal convictions	No	No	Yes, for those who completed the 4-week job readiness program	Yes, for those who completed the job readiness program
Occupational training or adult education services offered	GED prep and customer service training	Alternative high school, GED, ESL, health-care, and manufacturing training	GED and college classes at host site, Kennedy King College	Urban weatherization training	Life skills and job retention program
Sequencing of financial and income support counseling	Meet counselors while in training	Meet counselors prior to training	Meet counselors prior to training	Meet counselors while in training	Meet counselors while in training
Meeting with financial counselor required to receive employment services	Not during most of the study enrollment period	Yes, in a group and one-on-one	Yes, one-on-one	Yes, one-on-one	Yes, in a group
Meeting with income support counselor required to receive employment services	Not during most of the study enrollment period	Yes	Yes	No	No

Given that participants in the study came to the FOC programs to receive assistance with finding a job, these differences in the five programs' content and structure could have affected their ability to meet the goal of engaging participants in financial counseling and income support counseling. One might expect that programs with more-intensive employment or training services would be better able to engage participants in intensive financial counseling. Requiring meetings with the financial counselor and income support counselor prior to participating in job preparation services or before meeting with the employment counselor may also increase participation, as the one-on-one job search assistance provides an incentive to follow through with the income support and financial counseling.

Following are brief descriptions of how the FOC programs operated at each organization.

Association House (AH)

Individuals seeking employment and training services at Association House attended an orientation that introduced the agency's workforce development programs and FOC services. During the study period, most FOC participants enrolled in a 2.5-week, 39-hour job readiness class, with new cycles beginning once every five weeks. About midway through the study enrollment period, AH created a fast-track version of the FOC program in which participants who were deemed employable did not have to participate in the job readiness classes and could immediately meet with the employment counselor. AH also expected to offer the FOC services to participants in its other employment and training programs.

However, due to a lack of funding for these programs during the study period, only 9 percent of study participants took part in AH's transitional jobs program and only 2 percent were enrolled in either the agency's GED classes or occupational training. The transitional jobs program participants received the same services as others but also worked part-time in a subsidized job for up to five months.

AH's job readiness class included instruction in computer skills, nonverbal communication, résumé writing, interviewing, identifying transferable skills, and conducting a job search. The class also included two workshops run by the financial counselor on budgeting and credit. During the 2.5 weeks, participants were expected to meet one-on-one with the financial counselor to complete a financial assessment as well as with an income support specialist. Unlike the other FOC programs in the study, the income support specialists at AH were not part of the FOC staff but part of another department in the agency. AH also provided a career coach who ran a workshop on goal setting and met with participants individually to help them address potential barriers to employment, including lack of education or training. Participants who completed the job readiness training could then meet with the employment counselor both one-on-one and in a job club to receive assistance in finding a job.

In the few months prior to the start of the study, AH had experienced turnover among its FOC staff, including a change in program director, and the new staff did not implement procedures that had previously been in place. Despite LISC's mandate, it was not until May 2012 (about two-thirds of the way into the study enrollment period) that AH began requiring participants to meet with the financial counselor, income support counselor, and career coach before meeting with the employment counselor to search for a job.

Instituto Del Progreso Latino (IDPL)

Individuals attended an orientation about the FOC program and other services available at IDPL. The first step for those interested in the FOC program was to schedule appointments with the counselors. The first appointment was a group session during which the financial counselor reviewed the information they would need to complete the financial assessment. After this session, participants met one-on-one with the financial counselor, income support counselor, and career coach. The financial counselor completed the financial assessment. The career coach helped them complete a career inventory, develop a résumé, and complete a technology assessment. Participants came away from these initial meetings with one-year career, financial, and technology plans.

Participants were required to attend all of these meetings and to be job-ready before they could meet with the employment counselor to search for a job. Those who needed more preparation took part in a five-week, 66-hour career development program that included instruction in basic computer skills, job readiness skills, financial literacy, and career exploration. After completing this program, they could meet with an employment counselor for help with their job search. Participants could also choose to take part in occupational training offered at IDPL. During the first year after program entry, 6 percent of study participants had enrolled in occupational training at IDPL.

As noted earlier, during the study enrollment period IDPL also integrated the FOC counseling services into its alternative high school, the Rudy Lozano Leadership Academy (RLLA). Only RLLA students who were age 18 or older were eligible for the study. Fifteen percent of IDPL's study participants attended RLLA. During the study enrollment period, the FOC counselors were located at the high school, where services were more likely to be provided in a group setting than in the regular FOC program. FOC counselors ran workshops for the students, gave presentations during school meetings and events, and met jointly with students and their academic advisers. Interested students could also meet with the FOC counselors one-on-one. Shortly after the study enrollment period ended, in August 2012, the FOC staff moved out of RLLA due to funding cuts. Counselors continued to provide services to the students, but on a more limited basis.

Metropolitan Family Services (MFS)

MFS's FOC program served both community residents and students attending Kennedy King College. Individuals attended an orientation at the program's college campus site to learn about FOC services. Those interested in FOC made appointments to meet with the financial counselor and the income support counselor. These appointments typically took place in the week after orientation, during which time participants could take classes in basic computer skills at the program's FamilyNet Center.

After meeting with the counselors, participants were expected to take part in a four-day, 16-hour job readiness training, which included sessions on setting goals, identifying transferable skills, and résumé writing. Then participants met one-on-one with the employment counselor, who helped them customize their résumés and provided job leads. Participants were required to meet with the financial counselor and income support counselor before they could meet with the employment counselor to search for a job. While the FOC program did not provide other education or training services directly, it referred participants interested in GED or college classes to an adviser at Kennedy King College.

North Lawndale Employment Network (NLEN)

Study participants were enrolled in one of three programs at NLEN that incorporated the FOC services. About half of the participants took part in U-Turn Permitted, which served individuals who had felony convictions. This program required individuals to pass a drug test and complete an assessment to determine whether they were ready to commit to the program and to making life changes. Just over a quarter of NLEN's study participants took part in an urban weatherization training, which required that individuals reside in the city, have a high school diploma, pass a drug screening, and test at the 10th-grade level or better in reading and math. Slightly less than a quarter of study participants took part in U-Turn Express, which was open to all community residents who did not have criminal backgrounds.

U-Turn Permitted provided a week of anger management classes and three weeks of job readiness training. The FOC financial counselor ran a workshop during the third week of the program. In addition, participants were required to meet with the financial counselor one-on-one at some point during the four weeks to complete the financial assessment and in order to continue receiving employment services. Participants were also encouraged, though not required, to meet with the income support counselor during the four-week program. Graduates could then participate in Sweet Beginnings, NLEN's beekeeping business, which provided subsidized employment for up to 90 days to help people build their work experience and gain skills in customer service, manufacturing, and shipping. NLEN also had contracts with other employers for subsidized positions for program graduates. Six percent of the NLEN participants in the study worked for Sweet Beginnings, and 15 percent worked in other subsidized positions.

In addition to assistance from the FOC counselors, U-Turn Express offered three days of job readiness training, and the urban weatherization program offered five weeks of occupational training. As in U-Turn Permitted, participants in these programs were required to meet one-on-one with the financial counselor to complete a financial assessment in order to continue receiving employment services.

The Cara Program (TCP)

Individuals attended an orientation to learn about the FOC program as well as about TCP's traditional employment program and Cleanslate, its transitional jobs program. Those interested in the FOC services were required to attend a three-to-four-week job readiness program. In the first week, participants attended a workshop during which they completed personal and professional assessments that identified potential barriers to employment, their need for supportive services such as food or housing assistance, and their job readiness, including math, reading, and basic computer skills. A community resource specialist then reached out to participants to help them access needed income support benefits.

During the second week, all participants attended workshops, based on TCP's traditional program, that covered conflict management, self-esteem, problem-solving, and stress management. During this week, participants also attended two financial literacy workshops run by the financial counselor during which they completed a financial assessment. They could then schedule one-on-one meetings with the financial counselor to work on credit or other financial issues. During the third week, staff met with participants to recommend job preparation classes, such as basic computer skills, emailing, résumé writing, interviewing, and completing applications. Participants attended these classes during the fourth week. Staff also met weekly with participants who needed additional support to help them address employment barriers such as substance abuse, criminal records, or lack of a high school diploma.

Once the participants were considered job-ready, they met with the employment counselor to search for a job. Participants could also be referred to TCP's traditional employment program or to Cleanslate. During the year after program entry, 5 percent of study participants took part in TCP's traditional program and 4 percent worked in transitional jobs through Cleanslate.

Summary

There are a number of organizational and programmatic differences across the five study sites that could influence their success in implementing the FOC model. The organizations differed in agency type, traditional programmatic focus, experience with providing the core FOC services, funding sources, and the length of time they had been operating the FOC program. While all of the programs provided counseling in the three core areas of the FOC model, including completing a financial assessment developed by LISC, they differed in the employment services they offered, the sequencing of the FOC services, and which program elements participants were required to take part in prior to meeting with an employment counselor to search for a job.

Chapter 3

Characteristics of the FOC Study Participants

In this chapter, we describe the FOC participants in the study, including their demographics, financial situations, and credit profiles at the time they entered the program. The data reveal that all the participants faced substantial financial hardship when they came to the FOC programs. Most were unemployed, and those who had worked during the previous year had low earnings. The income of more than three-quarters of participants placed them below the poverty level. More than 60 percent relied on SNAP to make ends meet.

Apart from consistently low income, participants' financial situations varied. Nearly half had both assets and debts while 40 percent had no assets and 26 percent reported no debts. About half had both negative net income and negative net worth. Nearly all participants did not have enough savings or other liquid assets to cover basic expenses for three months.

Participants' credit profiles at program entry also varied substantially. Just over half (54 percent) had a credit score, while 46 percent were unscored. Most of those with scores had subprime scores (scores below 620). Among those with scores, just over half had minimal open trade lines, while 43 percent had three or more open accounts.

There were some significant differences in the demographics and financial situations of the participants served across the five study sites. In this chapter, we present the characteristics of all 802 FOC study participants. In Appendix B we present key differences in participants' characteristics by site.

Demographic, Family, and Household Characteristics

The FOC participants in the study were almost exactly half male and half female (Figure 3). Nearly two-thirds were Black and a third were Hispanic. Seventeen percent were born outside of the United States, and nearly a third primarily spoke a language other than English at home. Their average age at program entry was 37 years. Just under a quarter were young adults ages 18 to 24. Thirty-eight percent of participants had ever been convicted of a crime, including misdemeanor and felony convictions.

Participants' family structures and living arrangements varied. Twenty percent of participants were married or living in a marriage-like relationship at the time of program entry; 62 percent had never been married (Figure 4). Most (71 percent) had children, about half had children under age 18, and 37 percent lived with at least one of their own children who was under age 18. Nineteen percent of participants lived alone, 23 percent with a parent, 17 percent with extended family members,[2] and 12 percent with unrelated individuals. The median household size was three.

Figure 3 FOC Study Participants' Background Characteristics

Among all participants	N=802
Gender	
Female	55%
Male	45%
Race	
Black/African American	64%
Hispanic	33%
White/Other	3%
Citizenship/Primary Language	
Born in the United States	83%
US citizen	91%
Primarily speaks a language other than English at home	31%
Age	
Average	37
18 to 24	22%
25 to 54	70%
55 to 77	8%
Other	
Has ever been enlisted in the armed forces	4%
Has a physical, mental, or other health condition that limits ability to work	13%
Has ever been convicted of a misdemeanor or felony	38%

Figure 4 FOC Study Participants' Marital Status and Children at Program Entry

Among all participants	N=802
Marital Status	
Single, never married	62%
Married	15%
Living in a marriage-like relationship	5%
Separated, divorced, or widowed	18%
Children	
Has any children	71%
Has any children under age 18	51%
Lives with at least one of his/her own children under age 18	37%

Education and Recent Employment Experience

Two-thirds of the FOC participants had at least a high school diploma or GED (Figure 5). About half (52 percent) said they had attended college at some point, but only 12 percent had earned a college degree. Just over a third of participants (34 percent) had at some point attended vocational, technical, trade, or business training beyond high school, and among these three-quarters said they had received a diploma or certificate. At the time of program entry, 11 percent of participants were attending college or a training program.

Most participants (91 percent) had worked for pay at some time prior to entering the FOC program. Just under half had worked for pay at any point during the year prior to program entry (Figure 6). On average, participants had worked during four of the previous 12 months. Participants who had worked at any point during the previous year earned an average annual income of $15,253 and worked an average of 1,433 hours. Only 11 percent of participants were working at the time of program entry. Figure 6 provides the average and median annual earnings and hours worked for all participants (including those who did not work at all) and for those who worked at any point during the year prior to program entry.

Figure 5 **FOC Study Participants' Highest Degree Earned at Program Entry (N=802)**

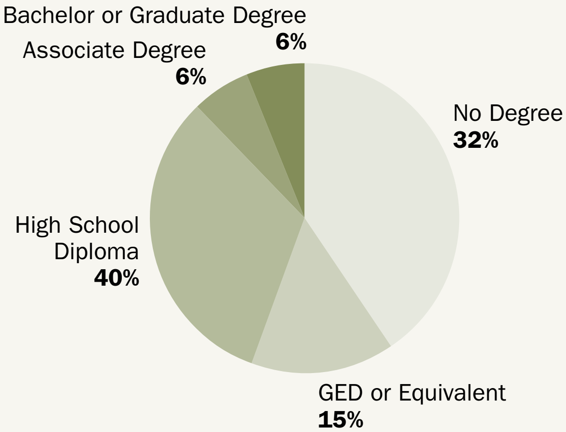


Figure 6 **FOC Study Participants' Employment and Earnings in the Year Prior to Program Entry**

Among all participants	**N=802**
Worked at any time during the year	45%
Working at the time of program entry	11%
Average annual earnings (including those with zero earnings)	$6,904
Median annual earnings (including those with zero earnings)	$0
Average hours worked (including zero)	649
Among participants who worked at any point during the year	**N=363**
Average annual earnings	$15,253
Median annual earnings	$13,158
Average hours worked	1,433

Note: Figures in this table are for FOC participants only and do not include the employment and earnings of participants' family members who lived with them.

Financial Situation

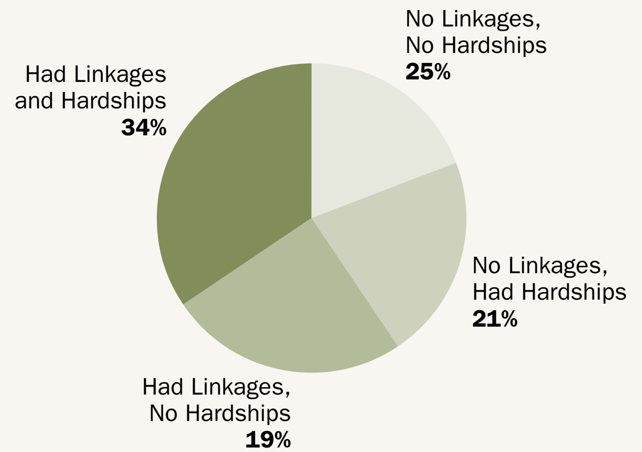
At the time of program entry, we asked participants questions about their housing, income, expenses, assets, debts, and other aspects of their financial situation both for themselves and for family members who lived with them (when applicable). We defined "family" as those related by blood, marriage, romantic partnership, or adoption; "family" could therefore include one or more family heads and their dependents; that is, the people for whom they were financially responsible. We did not ask participants to report on the finances of unrelated individuals who lived in their households, and some participants might have chosen not to report information about relatives in the household whom they did not consider to be part of their family unit or whose financial information they did not know.

When asked to rate their current financial situation on a scale of one to 10 where one was the worst and 10 was the best, two-thirds of the FOC participants chose between one and four; only 5 percent chose a rating between eight and 10 (Figure 7). While most FOC participants faced hardship as a result of low earnings and unemployment, there was substantial variation in their use of mainstream financial institutions and in the types of material hardship they faced. At the time of program entry, just over half of the participants had linkages to mainstream financial institutions through savings or checking accounts, retirement accounts, mortgages, car loans, student loans, or credit cards. Just over half reported at least one form of material hardship, including being behind on rent, mortgage, or utilities payments, having or being at risk for having their car repossessed or their utilities disconnected in the past year, bouncing checks in the past three months, paying less than the minimum on credit card balances, being in bankruptcy, and being contacted by collection agencies about unsettled claims. Just under a third of participants said they

Figure 7 **FOC Study Participants' Financial Situation at Program Entry**

Among all participants	**N=802**
Rating of current financial situation where 1 is the worst and 10 is the best	
1 to 4	67%
5 to 7	28%
8 to 10	5%
Has linkages to mainstream financial institutions	54%
Has any type of material hardship	55%
Sets aside money for savings on a regular basis	29%
Has a written spending plan for monthly expenses	37%
Has health insurance coverage	45%

Figure 8 **Financial Situation of the FOC Study Participants (N=802)**



set aside money for savings on a regular basis, and just over a third said they had a written spending plan for their monthly expenses. Only 45 percent of participants had some type of health insurance coverage at the time of program entry.

As shown in Figure 8, about a third of FOC participants had linkages to mainstream financial institutions and also reported some form of material hardship. A quarter had no linkages to mainstream financial institutions but also reported no forms of material hardship. Only 19 percent of participants were in the best-positioned group, having both financial linkages and no material hardship. The following sections provide details about the housing status, income, expenses, assets, and debts of the FOC participants and their families.

Housing Status at Program Entry

Just over half of participants rented their home, while 12 percent were homeowners (Figure 9). Twenty-eight percent said they lived rent-free and 40 percent of this group said they had lived in their current home for less than a year, suggesting that their situations may have been unstable. Nearly a quarter of all participants lived in public or subsidized housing, and 6 percent were homeless.

Figure 9 **FOC Study Participants' Housing Status at Program Entry**

Among all participants	**N=802**
Housing Status	
Owns house or apartment	12%
Rents house or apartment	54%
Lives in house or apartment without paying rent	28%
Homeless or living in a shelter	6%
Has lived in current home for less than one year	30%
Lives in public or subsidized housing	23%

Income, Expenses, and Net Income During the Month Prior to Program Entry

Most participants (92 percent) reported having income greater than zero in the month prior to program entry. Total gross family income in the month prior to program entry among all FOC participants, including those reporting zero income, averaged $1,220; median income was $750. Seventy-nine percent of FOC participants had income in the month prior to program entry that placed them below the poverty level; 58 percent had income below 50 percent of the poverty level.[3] Average expenses in the month prior to program entry were $1,586; the median amount was $1,349. Nearly all participants (99 percent) reported expenses greater than zero. In the month prior to program entry, participants' average net income (income minus expenses) was –$366; median net income was –$286. Only 29 percent of participants had net income greater than zero.

Figures 10 and 11 present participants' most common sources of income and most common expenses. The most common reported income source in the month prior to program entry was SNAP, received by 61 percent of participants. Less than a third of participants received income from any one of the other sources. Just over a quarter received financial help from family or friends, while 19 percent had earnings from their own work and a quarter had income from family members' work. The most commonly reported expenses were food, phone, Internet and cable service, public transit fare, utilities, and rent or mortgage payments.[4]

Figure 10 Percent of FOC Study Participants Receiving Each Source of Income in the Month Prior to Program Entry

Among all participants	N=802
SNAP	61%
Financial help from family or friends	28%
Earnings from family members' work	25%
Earnings from participants' own work	19%
Unemployment insurance	14%
Cash assistance (TANF, General Assistance)	7%
Interest on savings account	7%
Interest on checking account	5%
Supplemental Security Income (SSI)	5%
Child support	4%
Social security	3%

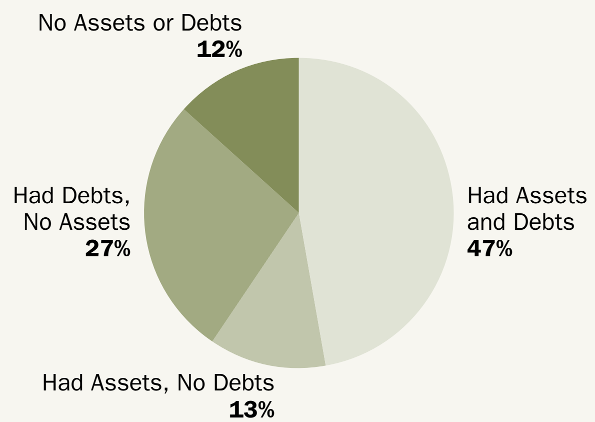
Figure 11 Percent of FOC Study Participants Incurring Each Type of Expense in the Month Prior to Program Entry

Among all participants	N=802
Food used at home (including food purchased with SNAP benefits)[5]	96%
Phone, Internet, or cable	83%
Public transportation fare	70%
Electric, gas, or other fuel	62%
Rent or mortgage	58%
Eating out	55%
Gasoline	30%
Car insurance	28%
Medical bills and copayments	24%
Car repair or maintenance	19%
Water or sewer	17%
Health insurance premiums	17%
Credit card or store card payments	11%
Check or money-order cashing fees	10%
Bank or credit union fees	10%

Assets, Debts, and Net Worth at Program Entry

At the time of program entry, 60 percent of FOC participants reported having assets of any kind and 74 percent reported having debts of any kind. Nearly half had both assets and debts while 27 percent had debts but no assets (**Figure 12**). Among the participants who had any assets, the median value of their combined assets was $2,660, while the average value was $36,190. Among the participants who had any debts, the median amount of their combined debts was $6,700, while the average amount was $26,468. Participants' average net worth (the value of their assets minus the value of their debts), including that of participants who reported having no assets or debts, was $2,171. Participants' median net worth was –$500. Comparatively, the median net worth across US households in 2011 was $70,359.[6] At the time of program entry, only 32 percent of participants had a net worth greater than zero. Nearly all (94 percent) were liquid-asset poor.

Figure 12 **Percent of FOC Study Participants Who Had Assets and Debts of Any Kind at Program Entry (N=802)**



Figures 13 and 14 present the most common assets and debts that participants held. The most common asset was a checking account (although only a third of participants had one), followed closely by a car or other vehicle and cash not kept in a bank account. The most common debts were unpaid medical bills, unpaid utility bills, and student loans.

As noted earlier, just over half (55 percent) of participants reported at least one form of material hardship. Following are details about the types of hardships they faced:

- Sixteen percent of participants reported that they were behind on either mortgage or rent payments. As noted earlier, only 12 percent of participants owned a home, and 58 percent of these participants had a mortgage. Of those with a mortgage, 29 percent were behind on mortgage payments. Of the 433 participants who paid rent, 27 percent were behind on making rent payments.

- About a quarter (26 percent) of all participants said they were behind on utilities payments, while 17 percent said they had had utilities disconnected during the past year or were in danger of having this happen.
- One-third of participants owned at least one vehicle. Fifty-seven percent of this group still owed money on a vehicle loan, and 9 percent said they had either had a vehicle repossessed in the past year or were in danger of having this happen.
- One-third of participants had a checking account, and 11 percent of this group said they had bounced checks at least once per month in the past three months.
- Fourteen percent of participants said they had credit cards or store cards, and of this group 59 percent said they had credit card or store card debt. Only 14 percent of those who had credit cards said they had paid the balance in full each month during the past three months. Forty-five percent had paid the minimum owed, 26 percent had paid more than the minimum but less than the full balance, and 16 percent had paid either less than the minimum or nothing.
- Twenty-nine percent of participants said collection agencies were contacting them about unsettled claims.
- Seven percent of participants said they were either in bankruptcy or in the process of filing for bankruptcy.

Figure 13 **Percent of FOC Study Participants Who Held Each Type of Asset at Program Entry**

Among all participants	**N=802**
Checking account	33%
Vehicle	32%
Cash not in a bank account	29%
Savings account	18%
Home	12%
Second vehicle	8%
Retirement account	5%

Figure 14 **Percent of FOC Study Participants Who Held Each Type of Debt at Program Entry**

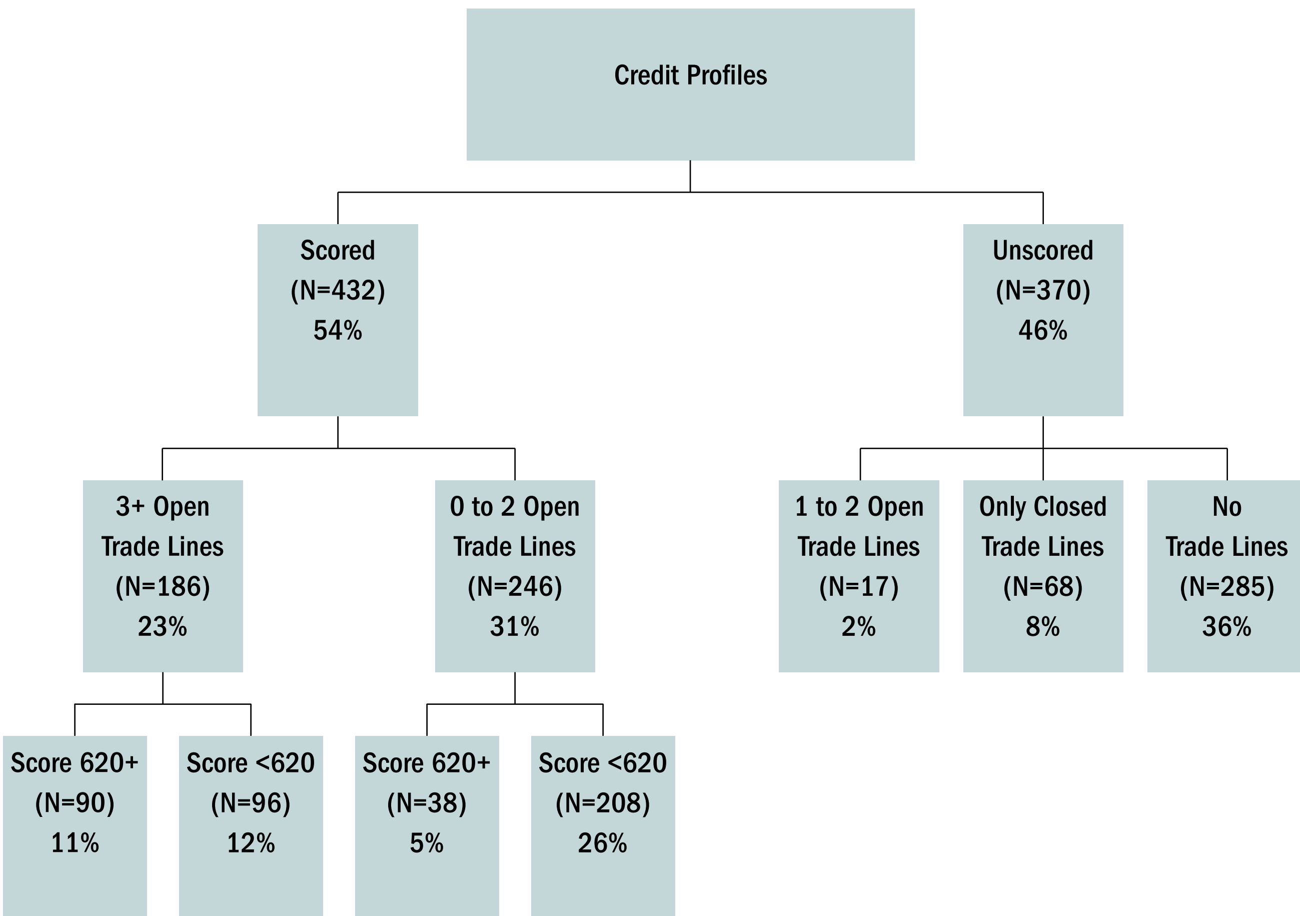
Among all participants	**N=802**
Unpaid medical bills	37%
Unpaid utility bills	26%
Student loans	25%
Late rent payments	14%
Back taxes	13%
Loans from family or friends	10%
Credit card or store card debt	8%
Vehicle loan	6%
Unpaid legal bills	6%
Mortgage	6%

Credit Scores and Activity on Participants' Credit Reports at Program Entry

Credit Scores

As noted earlier, the study sample included participants for whom we were able to access credit information from TransUnion, one of the three major credit bureaus, at the time of program entry and one year later (see the box on page 8 for a description of the items included in a credit report). As shown in Figure 15, 46 percent of the FOC participants did not have a credit score at the time of program entry, because they did not have sufficient credit activity. Just 16 percent of all FOC participants, and 30 percent of those who had scores, had prime scores. Participants' credit scores ranged from 434 to 808; the median score at program entry was 568; the average was 586.

Figure 15 **FOC Study Participants' Credit Profiles at Program Entry (N=802)**



Note: All percentages in Figure 15 are out of all 802 FOC participants.

At the time of program entry, males were less likely to have credit scores than females. Young adults ages 18 to 24 were less likely to have scores than older participants. Individuals who had less than a high school diploma were less likely to have scores than those who had a high school diploma, GED, or college degree. Those who did not have children under age 18 were less likely to have scores than those who did. Participants who were unemployed at program entry, those who had lower income, and those who had lower debts were less likely to have credit scores.[7] After controlling for differences in education, family composition, and finances, differences in the likelihood of Black and Hispanic participants being scored were not statistically significant.

Trade Accounts

Nearly two-thirds of the FOC participants had any trade accounts, including open and closed accounts, on their credit reports at the time of program entry. However, only 45 percent had any open trade accounts. More than three-quarters (77 percent) of all participants, and 57 percent of those who had credit scores, had either no open trade accounts or a minimal number (one to two) on their reports at program entry (**Figure 15**). Most participants who were unscored had no trade accounts, either open or closed, on their credit reports.

The median number of open trade accounts among those who had any was three, with a range from one to 18. **Figure 16** shows the percent of all participants who had various types of trade accounts. Nearly half of all participants had at least one account on the report that had never been delinquent. Just under half had any trade accounts with a current negative rating, either because the most recent payment was made late or the account was in collections or charged off to bad debt. The average number of accounts with negative ratings among those who had any negative accounts was three, with a range from one to 22. Among participants with any trade account debts on their reports, the average amount of debt was $28,505 and the median was $9,078.

Derogatory Public Records and Collections

Recent derogatory public record filings and collection account activity can negatively affect credit scores. At program entry, 19 percent of participants had a derogatory public record on their credit report, the most common of which was a civil judgment (**Figure 17**). Nearly two-thirds of all participants had accounts in collections listed at program entry. Among those who had any collections, the average number was three, with a range from one to 23.

Figure 16 Trade Account Activity on FOC Study Participants' Credit Reports at Program Entry

Among all participants	**N=802**
Had any trade accounts (open or closed)	64%
Had any open trade accounts	45%
Had any open installment accounts	29%
Had any open revolving accounts	20%
Had any open "open" accounts	15%
Had any trade accounts that were never delinquent	46%
Had any trade accounts (open or closed) with a negative rating	48%
Average trade account debt on credit report	$15,781
Median trade account debt on credit report	$467
Among participants who had any trade account debt	**N=444**
Average trade account debt on credit report	$28,505
Median trade account debt on credit report	$9,078

Figure 17 Percent of FOC Study Participants with Derogatory Public Records and Collections on their Credit Reports

Among all participants	**N=802**
Any derogatory public records	19%
Bankruptcy filing	5%
Tax lien	3%
Civil judgment	14%
Any accounts in collections	66%

Summary

The study participants faced significant barriers to financial stability when they entered the FOC program. Most had income in the previous month that placed them below the poverty line, and nearly all lacked sufficient savings to cover basic expenses for three months. Participants' level of education, recent work experience, use of mainstream financial institutions and forms of credit, and credit profiles varied substantially. Although most FOC participants were unemployed when they entered the program, some had substantial recent work experience, while others had not worked for more than a year. Some had multiple links to mainstream financial institutions through bank accounts and loans, while others had none. Just over half of participants had recent credit activity, and most of these participants had subprime credit scores. However, just under half did not have sufficient credit activity to be scored. Just over half had recently faced some type of material hardship, such as being behind on paying bills or at risk of losing housing or vehicles. This suggests that the programs would need to tailor their services and strategies to engage people and meet their diverse backgrounds and needs.

Chapter 4

Implementation of the FOC Program at the Study Sites

As described earlier, at the core of the FOC model is the provision of services in three interconnected areas: financial counseling, employment counseling, and income support counseling. While the five organizations in the study offered different types of employment services and took different approaches to organizing the FOC services within their program, they were all expected to provide counseling in these three core areas. In our final report, we will analyze information from the follow-up survey to learn whether FOC participants were more likely than comparison group members to receive employment, financial, and income support assistance during the two years after program entry. This chapter examines to what extent participants received the intended services during the year after program entry and how much variation there was in the implementation of the program across the five study sites during this period. Each FOC organization tracked the types of counseling services its participants received, the topics discussed, and whether participants took part in the agency's occupational training or subsidized employment programs. They did not track attendance and completion of the initial set of job readiness classes that some participants were required to attend prior to meeting with the FOC employment counselor to search for a job.

The data reveal that there was significant variation in the implementation of the FOC program across the study sites. As we explain in more detail in the next chapter, our analysis uses an intent-to-treat (ITT) framework, and the study sample includes all individuals who attended an orientation about the FOC program, decided to participate in the program, consented to being included in the research, and completed the baseline survey, regardless of whether or not they ever received services. The data indicate that 86 percent of participants in the study sample met the sites' enrollment criteria, ranging from 68 percent at AH to 96 percent at MFS (**Figure 18**).[8] At AH and NLEN, this meant that participants completed assessments and came to the first day of job readiness or skills training. At IDPL, MSF, and TCP, this meant that participants met with staff to schedule appointments with the FOC counselors.

Overall, 61 percent of the 802 FOC study participants received counseling in at least one of the three core areas of the FOC model, ranging from 31 percent at AH to 90 percent at NLEN (**Figure 19**). Thirty percent of the FOC study participants received the full bundle of employment, financial, and income support counseling. As shown in **Figure 20**, the highest percentage of participants received all three types of counseling at IDPL (57 percent), and the lowest percentages received all three services at AH (17 percent) and at TCP (14 percent). This was due to the small number of participants who received income support counseling at these two sites.

Figure 18 Percent of FOC Study Participants Who Met the Sites' Enrollment Criteria

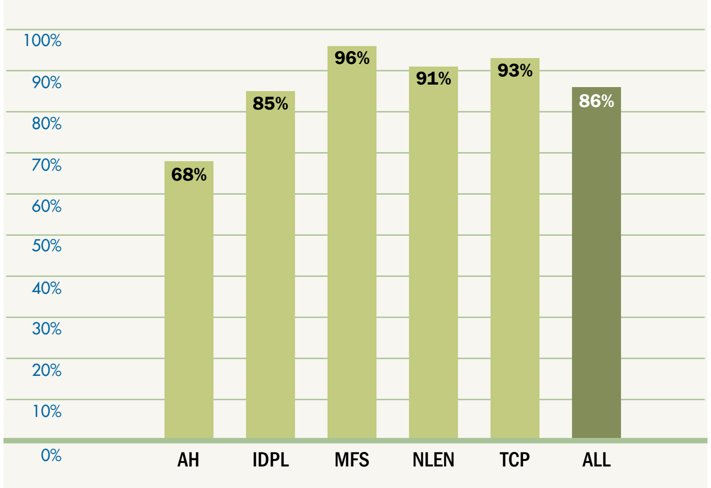


Figure 19 Percent of FOC Study Participants Who Received Counseling in Any of the Three Core Areas

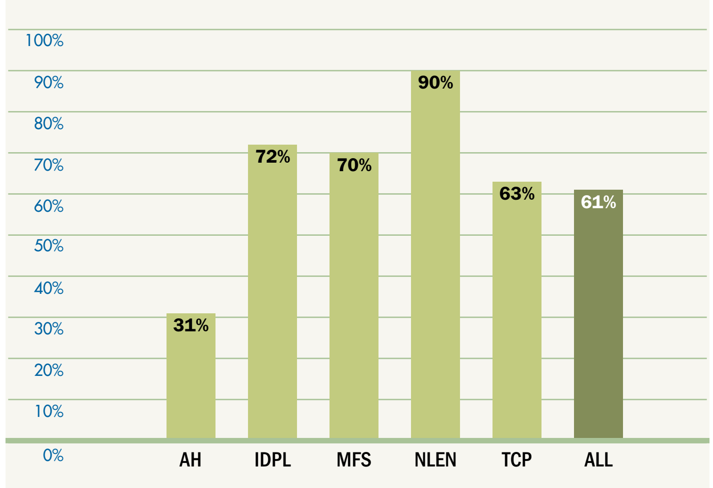


Figure 20 Percent of FOC Study Participants Who Received All Three Core Services

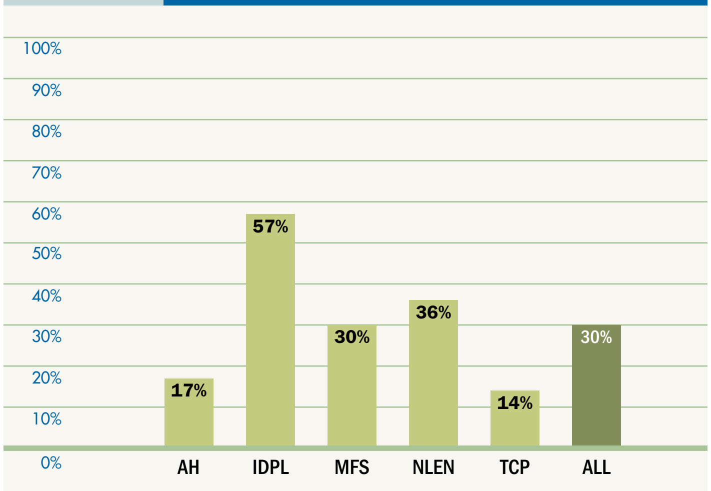
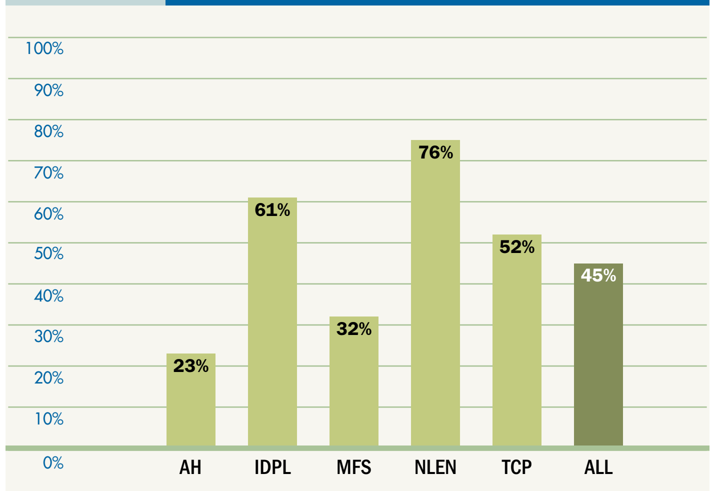


Figure 21 Percent of FOC Study Participants Who Received Both Employment and Financial Counseling



As noted earlier, LISC mandates that the FOCs require participation in an initial financial counseling session before clients can meet with the employment counselor to search for a job. For the most part, the sites complied with this mandate, though exceptions were made. Forty-five percent of study participants received both employment and financial counseling, ranging from 23 percent at AH to 76 percent at NLEN (**Figure 21**). About 7 to 10 percent of participants received employment counseling without financial counseling at four of the five sites. At AH, where staff did not implement this rule until several months after study enrollment began, 22 percent of the participants who met with the employment counselor had not yet met with the financial counselor.

The FOC model expects that participants will stay in touch with the program for at least three years to work on building credit and assets and for assistance with employment and career advancement. For this interim report, we examine data on the services participants received during the year after program entry. Thirty-nine percent of the FOC study participants received some type of counseling over a period of three or more months after program entry (Figure 22). Among the 490 participants who received any counseling services, 64 percent received counseling over a period of three or more months after program entry (Figure 23), ranging from 32 percent at TCP to 84 percent at MFS.

Participants' level of interaction with the counselors varied significantly. During the year after program entry, among the 490 participants who received any counseling, 27 percent had contact with any of the counselors on one to three days, 50 percent on four to 12 days, and 23 percent on 13 or more days. Among those who received any counseling, the programs provided an average of 4.3 hours of counseling per participant during this year, ranging from 1.6 at NLEN to 9.1 at IDPL (Figure 24).[9] In the following sections, we describe the types of services the FOC participants received within each of the core FOC areas.

Figure 22 **Duration of Participation Among the FOC Study Participants (N=802)**

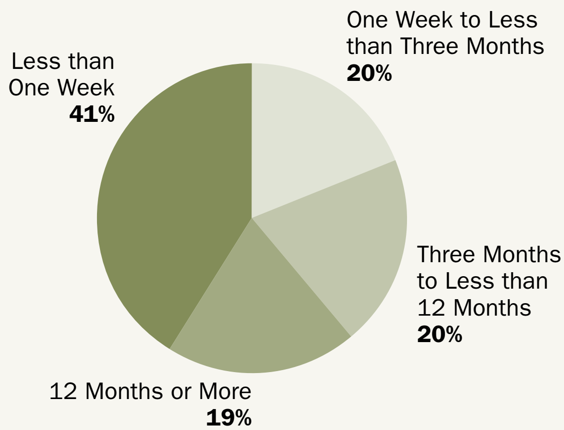


Figure 23 **Duration of Participation Among the FOC Study Participants Who Received Any Counseling (N=490)**

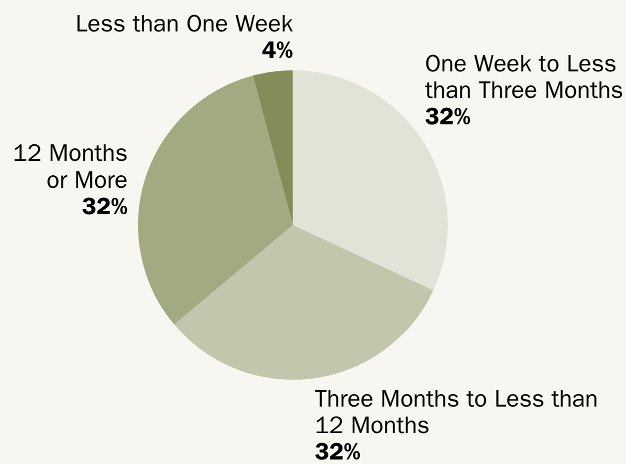
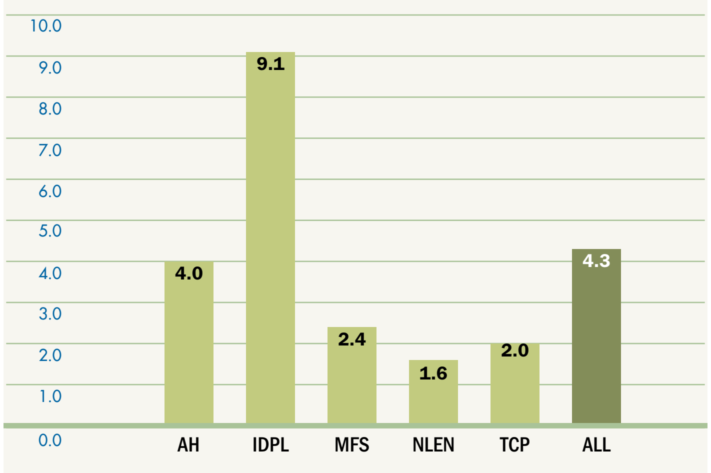


Figure 24 Average Hours of Counseling Received Among FOC Study Participants Who Received Any Counseling



Financial Counseling

Just over half (54 percent) of the FOC study participants received financial counseling, ranging from 23 percent at AH to 81 percent at NLEN (Figure 25). Among the 432 participants who received any financial counseling, 64 percent had contact with the financial counselors more than once during the year after program entry. The number of days on which participants had contact with the financial counselors ranged from one to 16, with an average of three days. The average duration of financial counseling was 22 weeks. In total, participants received from a few minutes to six hours of financial counseling, with an average of 1.3 hours.

Figure 26 presents the percentage of all FOC study participants who received counseling on various financial topics. The most common type of financial assistance the programs provided was reviewing participants' credit reports, income, expenses, assets, and debts. The financial counselors used the information gathered to create a budget and balance sheet for each participant that included their net income and net worth. The counselors had the opportunity to discuss a wide range of issues with participants. Just over a quarter of all participants received counseling on trade or credit accounts, such as home loans, car loans, student loans, credit-building loans, or credit cards. Eighteen percent of all participants received counseling on managing delinquent bills or judgments, bankruptcy, or debt consolidation, while 17 percent received help with financial assets, such as savings or checking accounts, retirement accounts, or life insurance.

Figure 27 presents differences across the sites in the types of financial counseling participants received, only among those who received any financial counseling. Nearly all of those who received any financial counseling completed the review of their budget, balance sheet, and credit report—the expected first step in the process. As noted earlier, the FOC model calls for counseling participants to make on-time payments on either new or existing trade accounts, including loans and credit cards, in order to build their credit profiles and scores. The percent of financially counseled participants who received counseling on trade accounts varied across the sites, from 10 percent at TCP to 94 percent at MFS. More than half of financially counseled participants at IDPL received counseling on trade accounts, while 44 percent received counseling on managing debts. Participants at AH received counseling primarily on savings vehicles and debt management. Differences between the sites in the percentage of participants who received counseling on managing debts were not related to the percentage who had debts, which did not differ significantly across the sites. The differences were also not related to the percentage of participants who were facing material hardships, as this percentage was lowest at AH and highest at TCP.

Figure 25 **Percent of FOC Study Participants Who Received Financial Counseling**

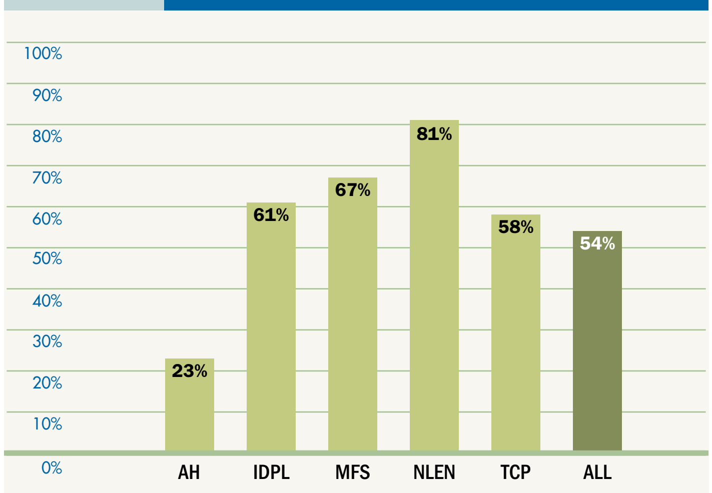


Figure 26 **Percent of FOC Study Participants Who Received Financial Counseling on Each Topic (N=802)**

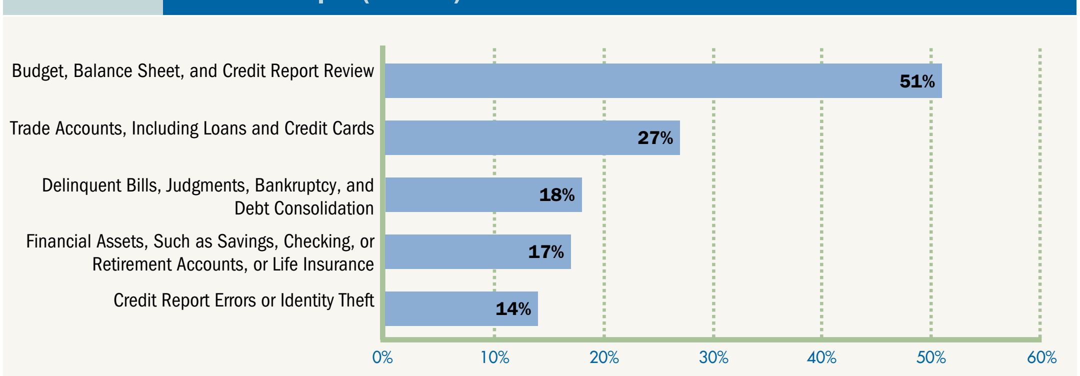


Figure 27 Percent of FOC Study Participants Who Received Counseling on Each Topic, Among Those Who Received Any Financial Counseling

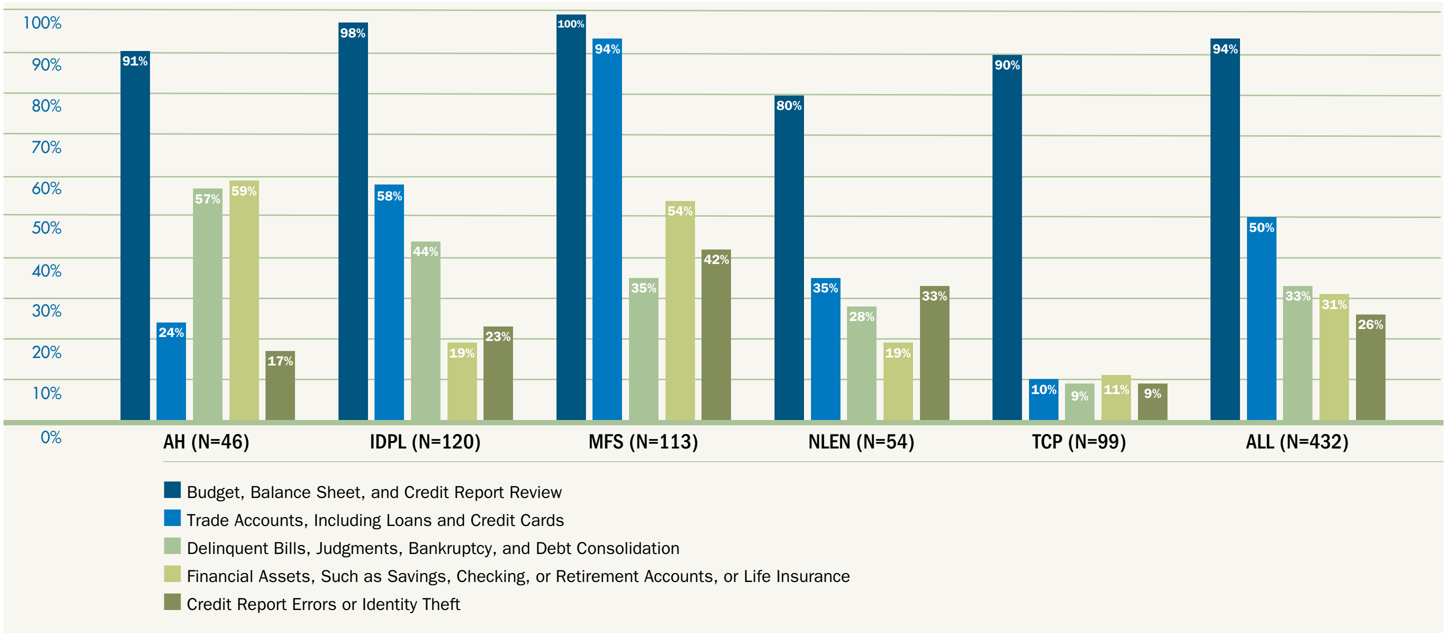
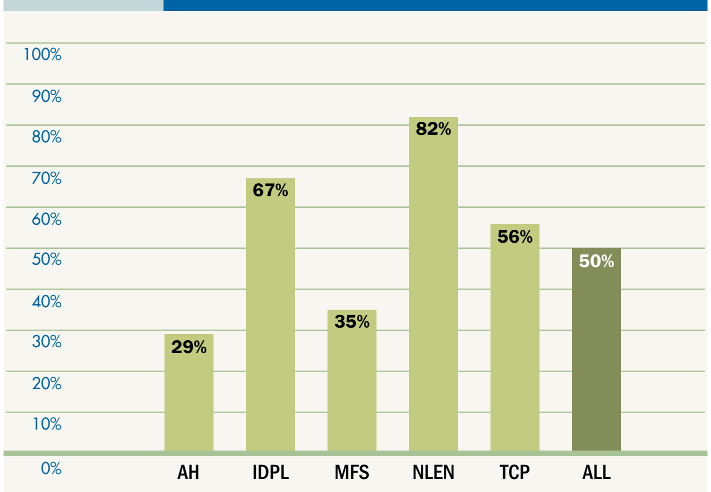


Figure 28 Percent of FOC Study Participants Who Received Employment Counseling

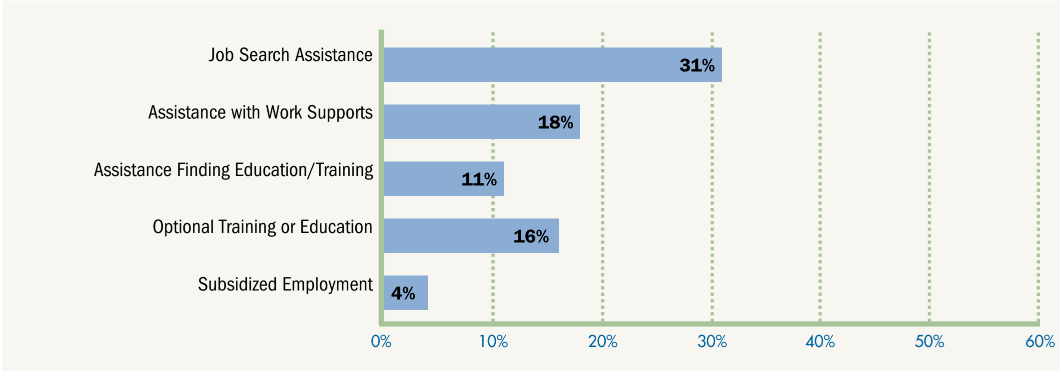


Employment Counseling

Half of the FOC study participants received employment counseling, ranging from 29 percent at AH to 82 percent at NLEN (Figure 28). Among the 400 participants who received any employment counseling, 76 percent had contact with the employment counselor more than once during the year after program entry. The average number of days on which participants had contact with the employment counselors was seven; the median was four. The average number of hours of employment counseling provided was 4.5, while the median was 1.5.

The most common services the FOC employment counselors provided were job search assistance, assistance with work supports (such as transportation, clothing, or licenses), and assistance finding education or training programs (Figure 29). At the three sites that operated subsidized employment programs—NLEN, AH, and TCP—between 4 and 9 percent of study participants took part in these programs. Sixteen percent of study participants took part in occupational training or basic education classes provided by the FOC sites or, in the case of MFS, provided by its partner and host site, Kennedy King College.

Figure 29 Percent of FOC Study Participants Who Received Each Type of Employment Service (N=802)

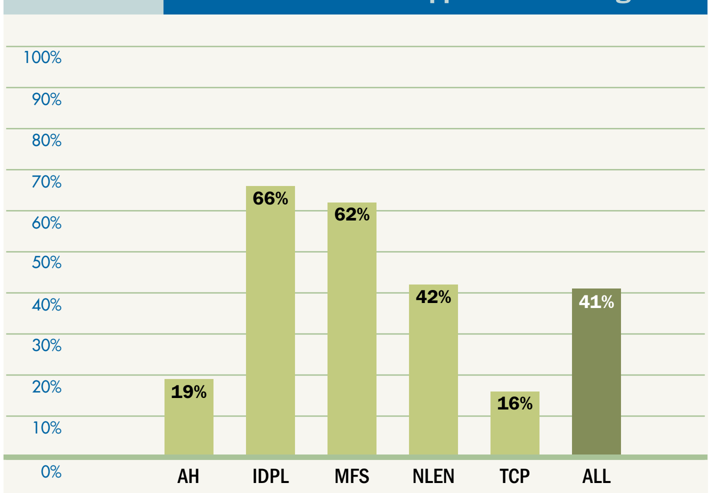


Income Support Counseling

Forty-one percent of FOC study participants received income support counseling, ranging from 16 percent at TCP to 66 percent at IDPL (**Figure 30**). Among the 328 participants who received income support counseling, 61 percent had contact with the income support counselor more than once during the year after program entry. On average, participants had contact with the income support counselor on two days, with a range of one to 12 days. Participants received just under an hour of income support counseling, on average.

About a third (35 percent) of the FOC study participants completed a benefits screening. Of those who were screened, 43 percent were found to be eligible for at least one benefit. Ninety percent of those found to be eligible received assistance with at least one type of benefit. The most common benefits with which the FOC programs assisted participants were SNAP, medical assistance, and emergency cash assistance.

Figure 30 Percent of FOC Study Participants Who Received Income Support Counseling



Differences in the Receipt of FOC Services Among Subgroups of Participants

After accounting for the differences found across the five study sites, we examined whether certain subgroups of participants were more likely than others to receive the full set of FOC counseling services or services in any of the core areas. We examined differences by gender, race, primary language, age, family structure, education level, and by whether participants were disabled or homeless, had criminal records, recent employment experience, linkages to mainstream financial institutions, credit scores, subprime scores, or had experienced material hardship, as well as by the value of their assets, debts, income, and expenses. We provide a full list of the variables examined and their relationship to the service receipt indicators in Appendix A. The significant relationships between participants' characteristics and engagement in the FOC services follow.[10]

Certain demographic subgroups of participants were less likely to engage in the FOC services:

- One consistent finding across all of the measures of program participation was that young adults ages 18 to 24 were less likely than participants ages 25 and above to receive the intended services.
- Participants who did not have a high school diploma, GED, or higher degree were less likely than those who did to receive any counseling. They also participated for fewer weeks and received fewer hours of financial counseling.
- Participants who had children under the age of 18 were less likely to receive employment counseling or a combination of employment and financial counseling than those who did not have children under the age of 18. They also received services for a shorter duration.
- Participants who had not worked at all during the two years prior to program entry were less likely to receive counseling in all three core service areas than those who had worked at any point during this time. They received fewer hours of counseling overall and were less likely than those who had worked to receive any employment counseling.
- Participants who reported that they had a health condition that limited their ability to work at the time of program entry received more hours of financial counseling and were more likely to receive any income support counseling than those without a limiting health condition.

Participants' financial situations at program entry were also related to the level of services they received.

- Participants who had greater total expenses received more hours of financial counseling and participated in the program for more weeks overall.

- Participants who had three or more open trade accounts were more likely than those with fewer open accounts to receive financial counseling as well as both financial and employment counseling. They also participated in the program for more weeks overall.

- Participants who had greater total trade account debt on their credit reports received more hours of financial counseling and had more frequent contact with the financial counselor.

- Participants who reported that collection agencies were contacting them about unsettled claims at the time of program entry were more likely to receive counseling services of any sort, any financial counseling, and more hours of financial counseling.

- Participants who had recently experienced a greater number of material hardships participated for a shorter duration, received fewer hours of financial counseling, and were less likely to receive counseling in any of the three core areas.

Summary

The interim results on program participation indicate that there was substantial variation in the implementation of the FOC model both from how LISC intended the model to be implemented and across the five study sites. Across the sites, 30 percent of study participants received counseling in all three core service areas, while 61 percent received counseling in at least one of the three areas. We found significant differences across the study sites in the extent to which they engaged participants in the intended services. A summary of these differences is included in Appendix B. In Chapter 2, we discussed how differences in organizational characteristics and program structure and content might have influenced the sites' success in engaging people in the FOC services. Our initial observations, based on the first year of program participation, suggest the following:

- Requiring participation in financial counseling in order to receive help finding a job from the employment counselor appears to be an effective strategy for engaging participants in at least the initial financial assessment. The four sites that did this throughout the entire study period engaged higher percentages of participants in financial counseling than the one site that did not. Furthermore, the three sites that required a one-on-one meeting with the financial counselor, as opposed to attendance at a group financial workshop, engaged higher percentages of participants in financial counseling beyond the completion of the financial assessment.

- IDPL and MFS, the two sites that required meetings with the income support counselor before participants could receive employment services, engaged the highest percentages of participants in this service.

- Nineteen percent of participants across the sites took part in occupational training, basic education, or transitional job opportunities offered by the FOC agencies (or at Kennedy King College, in the case of MFS). During the year after program entry, participants who took part in these more-intensive employment and training services were more likely than those who did not to receive counseling in all three core service areas (49 percent versus 26 percent), to receive financial counseling beyond completion of the initial financial assessment (65 percent versus 36 percent), to receive more than an hour of financial counseling (37 percent versus 24 percent), and to participate in the FOC program for three months or more (69 percent versus 32 percent).

- Most of the organizational differences across the sites did not appear to be related to the sites' ability to engage individuals in the FOC services. However, the three workforce development programs engaged higher percentages of participants in employment counseling than the two multiservice agencies did.

We also found that certain subgroups of participants were more likely than others to engage in the FOC services. Participants who had more open accounts and greater debts on their credit reports, greater expenses, or collection agencies contacting them about claims were more likely to receive more-intensive services, particularly more hours of financial counseling. However, participants who reported a greater number of material hardships participated for less time and received less financial counseling. Young adults ages 18 to 24, participants with less than a high school diploma, those who had not worked during the two years prior to program entry, and those who had children under age 18 were less likely to receive services and/or received less-intensive services.

Chapter 5

Interim Findings on the FOC Programs' Impact on Participants' Credit Scores and Credit Usage

As noted in the introduction, this report focuses on the FOC programs' impacts on participants' credit ratings and credit usage one year after program entry. We use an intent-to-treat (ITT) analysis framework to assess program impacts; that is, we present the impacts for all participants who sought employment assistance from the programs, regardless of whether or not they actually ended up receiving services. There are two primary reasons for using an ITT framework. First, it helps to address the potential selection bias that results from differences in motivation between program participants and nonparticipants, which is a primary concern with using quasi-experimental methods to evaluate voluntary programs. The final analysis sample of FOC participants and comparison group members includes individuals who had similar demographics and financial situations at the time of program entry. By including everyone who sought assistance, regardless of whether or not they eventually received the assistance, we are comparing two groups who were not only demographically similar but who were also similarly motivated at the time of study enrollment. Second, an ITT framework addresses the relevant policy question of whether the FOC program model is effective based on its ability to both engage people in the intended services and achieve the targeted outcomes. In Appendix C, we present the findings on the program's impact on the subset of FOC participants who received any financial counseling services.

The primary credit-related goals of the FOC program were to help participants who were unscored at program entry to become scored and to help those who already had credit scores to improve their scores. As discussed earlier, the FOC model calls for a credit-building approach. Therefore, the program's interim goals are to help participants establish linkages to mainstream financial institutions and to show positive activity on their credit reports. Opening trade accounts and making regular payments are expected to help the unscored to become scored. While some participants face barriers to accessing and managing credit, the FOC programs are expected to help them increase their income and access credit so they can begin to build credit histories. For those who already have trade accounts and scores, it is expected that making regular on-time payments on their accounts will help build their credit profile, decrease the number of accounts with negative ratings, and improve credit scores over time. Given these goals, we examined the FOC program's impact on the following credit-related outcomes one year after program entry:

- whether individuals had increased their credit score or became scored
- whether individuals had a credit score
- whether participants had a prime credit score (620 or greater)

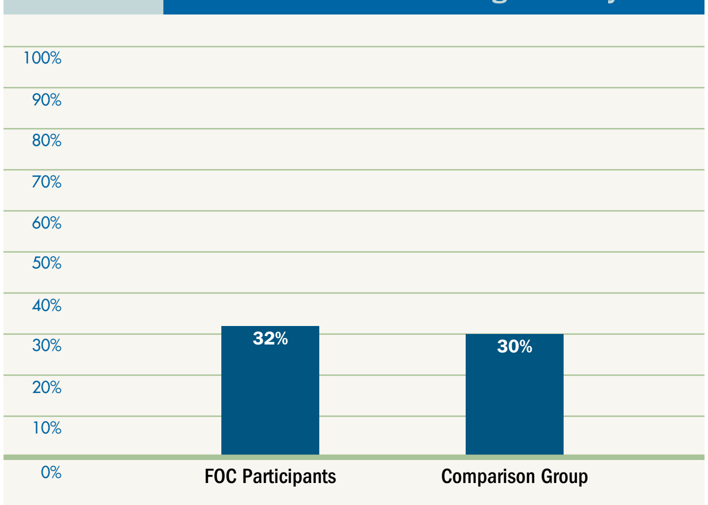
- the change in credit score among those who had a score both at program entry and one year later
- whether individuals had any open trade accounts on their reports
- whether individuals had made any payments on trade accounts during the year, including both late and on-time payments
- whether individuals paid any trade accounts on time during the year
- the number of on-time payments made on trade accounts during the year
- whether individuals had achieved a reduction in the number of trade accounts with negative ratings

This analysis includes the 730 FOC participants whom we were able to match to members of the comparison group, and 974 comparison group members. These 730 participants are similar both demographically and in terms of their receipt of program services to the larger group of 802 participants included in the previous chapters.[11] Appendix A includes a detailed discussion of the matching methodology and presents the characteristics of the matched treatment and comparison groups.[12] As we describe in detail in this section, we did not find program impacts on FOC participants' credit scores one year after program entry. However, FOC participants made more on-time payments on trade accounts and were more likely than members of the comparison group to have paid any trade accounts on time during the year after program entry. These interim steps could lead to better scores and other improvements in financial outcomes in the future.

Impacts for All FOC Study Participants

As noted earlier, due to a lack of credit history and recent credit activity, nearly half of the FOC study participants did not have credit scores when they entered the program. Given the diversity of participants' credit situations at program entry, the primary research question was whether the program increased the likelihood that participants increased their credit scores (among those who had a score at program entry) or that unscored participants attained a credit score (among those who were unscored at program entry). As shown in Figure 31, about a third of the FOC study participants achieved one of these goals one year after program entry, a percentage that did not differ significantly from the percentage of comparison group members who attained one of these goals during the same period.

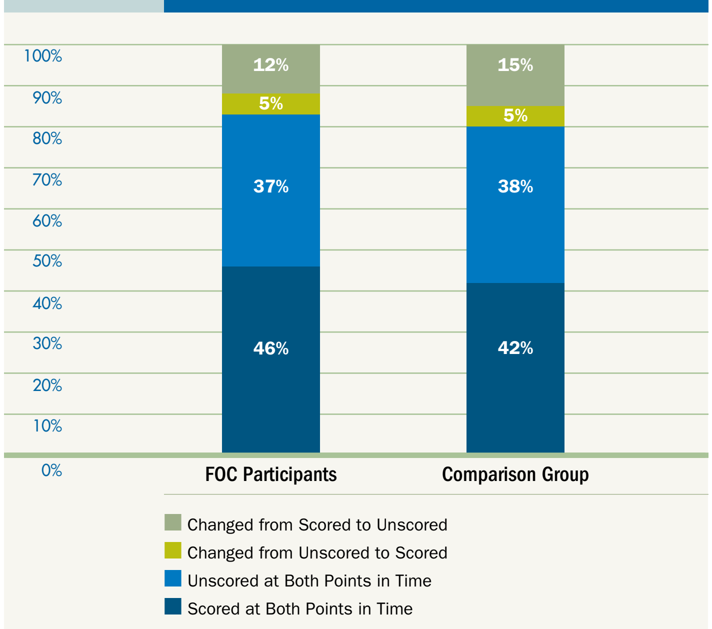
Figure 31 Percent of All Study Participants Who Had an Increase in Credit Score or Became Scored One Year After Program Entry



We found that some participants who had credit scores at program entry had become unscored one year later. Having a credit score requires maintaining at least one trade account that has been open for six months or more and that shows activity in the past six months. Even if individuals' credit reports show closed trade accounts, they might still be unscored due to a lack of recent activity. One reason the percentage of study participants with credit scores one year after program entry might have decreased is because participants who lost jobs chose not to use available credit or to seek new forms of credit. Research has found that recently laid-off workers rely more on debit cards than other consumers, which may reflect a desire to avoid going into debt or an expectation that their credit limits will be lowered (Hayashi and Stavins 2012). Another reason for the decline in study participants with credit scores may be the tightening of credit markets since the financial crisis peaked, in 2007. After the recession, credit card companies raised interest rates for many consumers, which may have led some individuals to reduce spending or credit use (Swift 2014). Banks also reduced lending, particularly to Black and Hispanic consumers (Jourdain-Earl 2011). Previously scored individuals who reduce their use of credit or who cannot access new forms of credit may become unscored due to a lack of activity.

Figure 32 illustrates the change in study participants' credit status one year after program entry. While most participants' credit status remained unchanged, more participants in both the FOC and comparison groups changed from being scored to unscored than changed from being unscored to scored. As noted in Chapter 3, 57 percent of the FOC participants who had credit scores at program entry had "thin" credit files, or fewer than three open trade accounts on their report. Nearly all study participants (96 percent) who changed from being scored to unscored had thin files at the time of program entry.

Figure 32 **Change in the Credit Status of All Study Participants One Year After Program Entry**



Given this finding, we examined whether the FOC program had an impact on the percentage of all participants who had a credit score one year after program entry. As shown in Figure 33, the percentage of study participants who had a score declined for both groups over the year after program entry. While the decline was smaller for the FOC participants than for the comparison group, the difference between the groups was not statistically significant.

We examined the FOC program's impact on the percentage of participants who had prime credit scores one year after program entry. As illustrated in Figure 34, the change in the percentage of FOC study participants who had a prime score one year after program entry was small and not significantly different than the experience of comparison group members.

Figure 33 **Percent of All Study Participants Who Had Credit Scores**

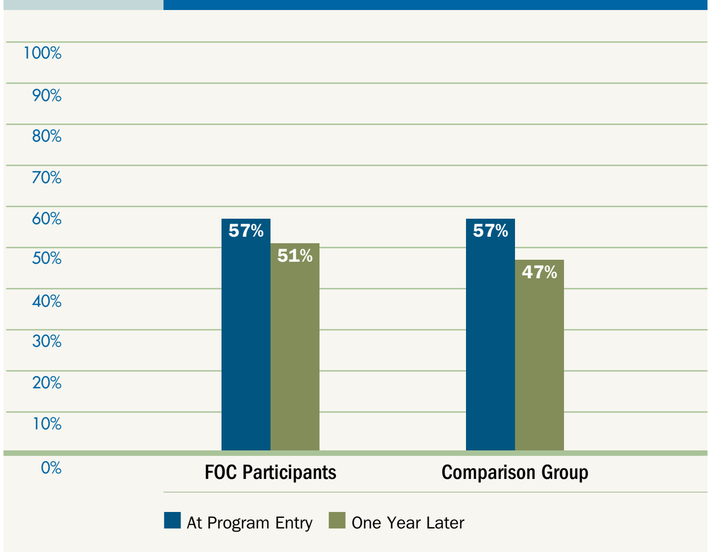
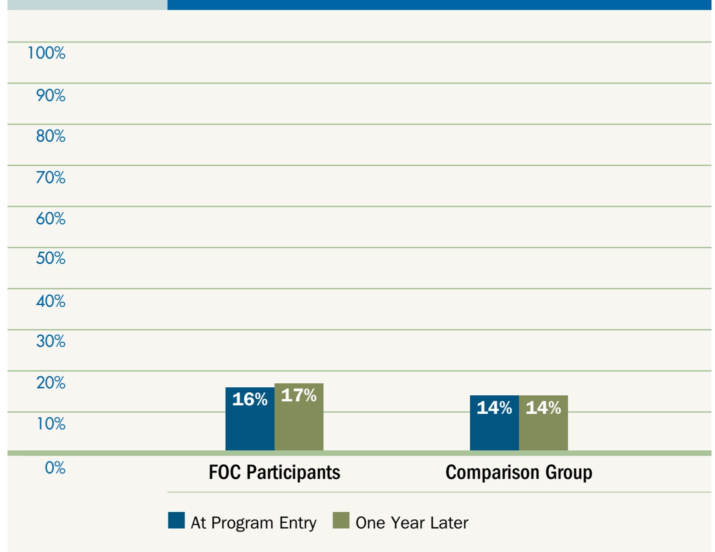


Figure 34 **Percent of All Study Participants Who Had Prime Credit Scores**



We also examined the change in credit scores among the subgroup of study participants who had credit scores both at program entry and one year later. Average credit scores among the FOC study participants had increased by six points one year after program entry (Figure 35).[13] Fifty-nine percent of FOC study participants who had credit scores at program entry as well as one year later experienced an increase in their scores, while 39 percent experienced a decrease (Figure 36). The average increase in scores among those who had an increase was 36 points, while the average decrease in scores among those who had a decrease was 39 points. These changes were not statistically different from the changes the comparison group members experienced.

Figure 35 **Average Credit Score Among Study Participants Who Had Scores Both at Program Entry and One Year Later**

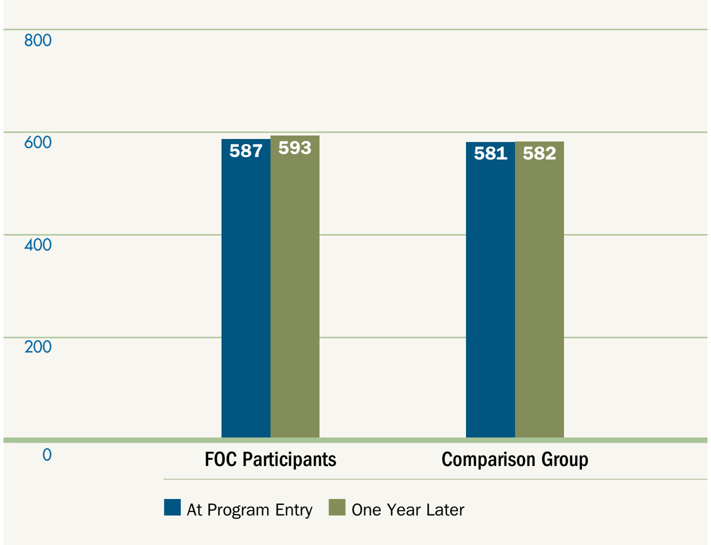
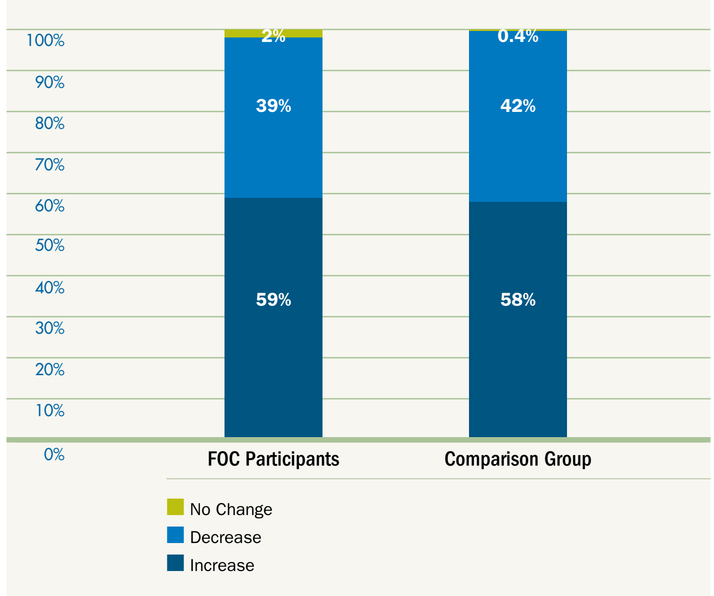
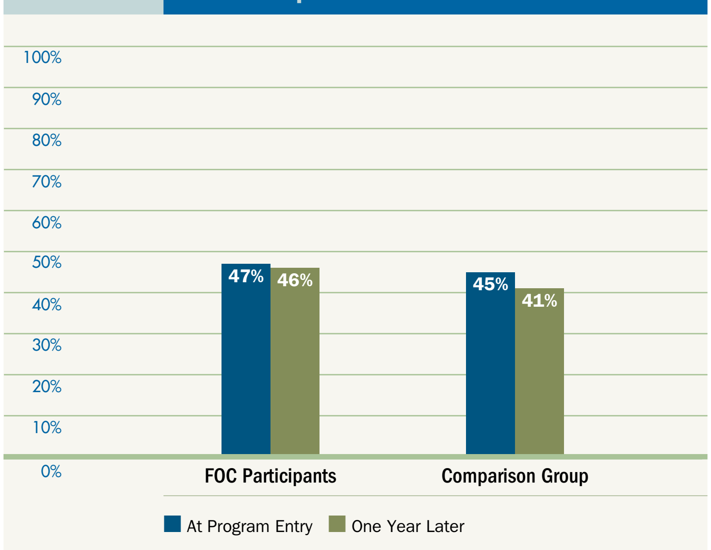


Figure 36 **Type of Change in Scores Among Study Participants Who Had Scores Both at Program Entry and One Year Later**



Given that most FOC participants were unemployed and had either little credit history and no credit score or substantial debts and poor scores at the time of program entry, it is likely that more than a year was needed to realize gains in credit scores. Participants first needed to achieve positive net income so they could begin building credit, then they needed time for their credit scores to improve as a result. As noted at the beginning of this section, we also examined whether the FOC program had an impact on positive activity being reported on participants' credit reports, such as having open trade accounts, making payments on accounts, and reducing the number of accounts with negative ratings.

Figure 37 **Percent of All Study Participants Who Had Any Open Trade Accounts on Their Credit Reports**



As noted earlier, trade accounts on a credit report include installment accounts, such as mortgages, car loans, and student loans, as well as revolving accounts, such as secured and unsecured credit cards. There were no significant differences between the FOC study participants and comparison group members in terms of whether they had any open trade accounts on their credit report a year after program entry (Figure 37). There were also no differences in whether participants from each group had opened any new trade accounts during the year. The average number of open accounts among those who had any was four, and this number remained unchanged one year after program entry.

The percentage of participants who had any trade accounts with a negative rating decreased by three percentage points over the year after program entry, but this change was not significantly different than the change among comparison group members. Twenty-three percent of FOC study participants experienced a decline in the number of accounts with negative ratings, but this change was also not significantly different than the decline among comparison group members (27 percent).

The percentage of FOC study participants who made any payments on trade accounts (whether on time or late) increased from the year before to the year after program entry, but this change did not differ significantly from the change among comparison group members (**Figure 38**). However, we found that the percentage of FOC participants who paid any trade accounts on time increased from the year before to the year after program entry, and this change was significantly greater than that among the comparison group members (**Figure 39**).[14] The increase in the number of on-time payments FOC participants made on all trade accounts in the year after program entry was also significantly greater than the number that comparison group members made. In our final report, we will examine participants' credit outcomes two years after program entry to determine whether the increased payment activity was sustained and whether it led to improved credit scores for the FOC participants.

Figure 38 **Percent of All Study Participants Who Made Any Payments on Trade Accounts**

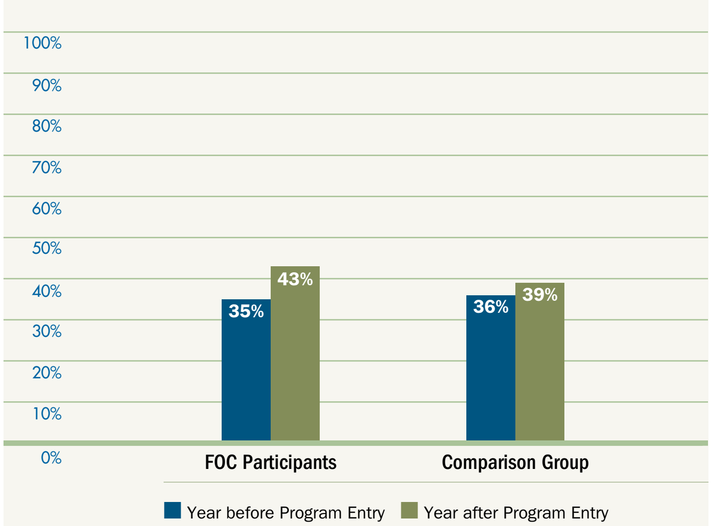
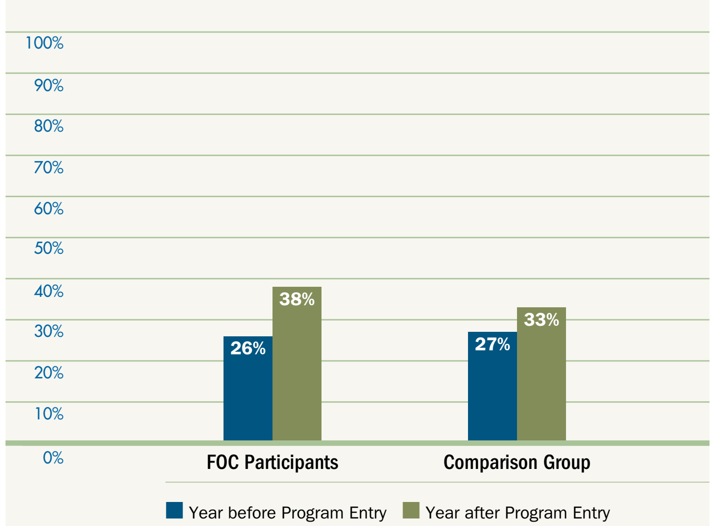


Figure 39 **Percent of All Study Participants Who Paid Any Trade Accounts On Time****



***Difference significant at p<.05 level*

Differences in Program Impacts Across the Study Sites

We examined whether program impacts on credit ratings and use varied across the five study sites, creating a matched comparison group for each individual site. None of the differences between the FOC participants and comparison group members were significant at the site level. Given the sample sizes at the individual sites, the differences between the FOC participants and comparison group members at each site would need to have been substantially larger than they were to generate statistically significant results. We also analyzed regression models that included variables for each site to examine whether there were significant differences with the comparison group, controlling for differences in participants' characteristics. This approach takes advantage of the larger sample size to detect whether any differences found are statistically significant. Most differences between FOC participants at each site and comparison group members were not significant. The exceptions were that from the year before to the year after program entry, the percentage of NLEN participants who had an open trade account and the percentage who paid any trade accounts on time increased more than the percentages among the comparison group members, while MFS participants had greater increases in the number of on-time payments made on trade accounts.[15] In Appendix B, we present the differences in participants' outcomes across the five study sites.

Differences in Program Impacts for Subgroups of Participants

We explored differences in program impacts on credit ratings and use for subgroups of participants using multivariate regression analysis with interaction terms between treatment status and the subgroups of interest. We examined whether treatment effects differed by race, gender, age, education level, criminal history, recent work experience, whether participants had credit scores or were unscored, and the number of open trade accounts at the time of program entry. Program impacts did not differ across most subgroups of participants with the following two exceptions:

- Among study participants who were age 25 or older, FOC participants were more likely than comparison group members to have increased their credit score or to become scored. They were also more likely to have a credit score a year after program entry and to have made any payments on trade accounts during the year.
- Among study participants who had more recent credit activity (defined as three or more open trade accounts) at program entry, FOC participants had a greater average increase in credit scores than comparison group members.

Relationship Between Intensity of Program Participation and Outcomes

As we discussed in Chapter 4, there was great variation in the level of services the FOC participants received. We expected that the programs would need to engage individuals at a fairly intensive level in order to help them achieve the targeted outcomes. Therefore, we examined how outcomes varied by the level of services participants received, controlling for differences across the sites and in participants' characteristics.[16] These findings should be interpreted with caution because there are likely unmeasured differences between the motivations and capabilities of the participants who received more-intense and less-intense services.

We found that the intensity of services the participants received was associated with their credit usage and credit rating outcomes. However, whether or not participants received bundled services—that is, any counseling in all three service areas—was not associated with whether they achieved the targeted outcomes. The factors that were associated with the outcomes were receiving more hours of counseling, participating in the program for longer, and receiving financial counseling beyond the initial completion of a budget and balance sheet.

From the year before to the year after program entry, the group of participants who received any FOC services for three months or more had a greater increase in making payments on trade accounts than the group who received services for less than three months (**Figure 40**).[17] This group also had a greater increase in paying any trade accounts on time (**Figure 41**) and a smaller decrease in being scored 12 months after program entry. Participants who received more hours of financial counseling during the year after program entry had greater increases in payment activity. Additionally, as illustrated in **Figure 42**, the group that received more than an hour of financial counseling did not experience the decrease in being scored experienced by the group who received less or no counseling. Participants who were engaged in the program for three months or more and for more hours were more likely to receive intensive financial counseling services; that is, counseling beyond the completion of a budget and balance sheet. This included counseling on building credit, credit repair, and managing debts, loans, bank accounts, retirement accounts, or other financial assets. The participants who received more-intensive financial counseling were more likely than those who did not to either have an increase in credit score or to become scored (**Figure 43**).[18]

Figure 40 **Percent of FOC Study Participants Who Made Any Payments on Trade Accounts by Length of FOC Participation**

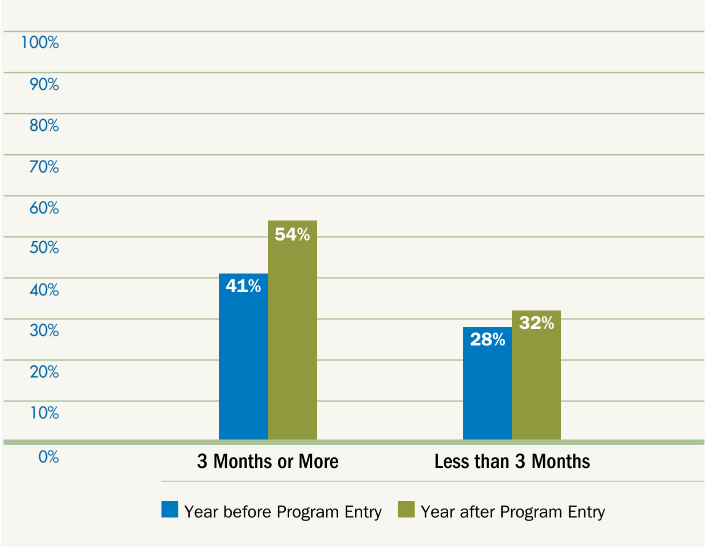


Figure 41 **Percent of FOC Study Participants Who Paid Any Trade Accounts On Time by Length of FOC Participation**

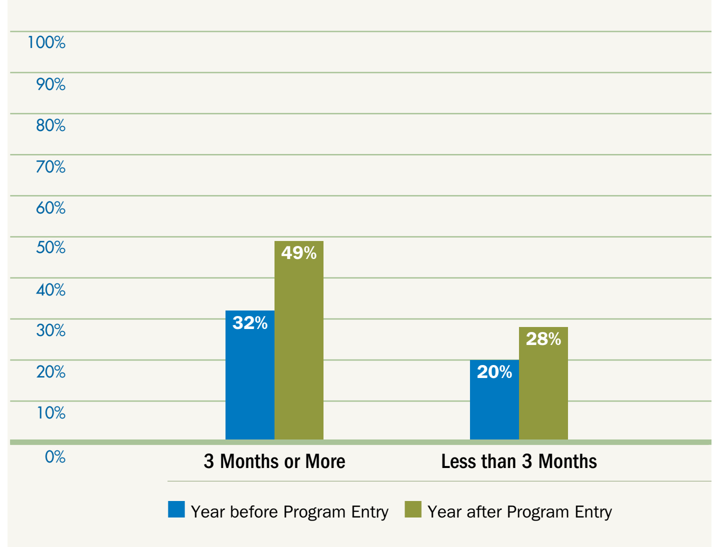


Figure 42 **Percent of FOC Study Participants Who Had a Credit Score by Hours of Financial Counseling Received**

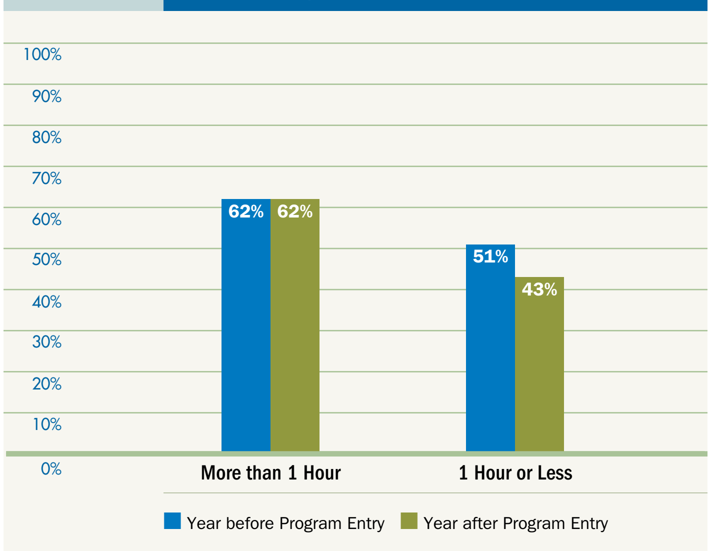
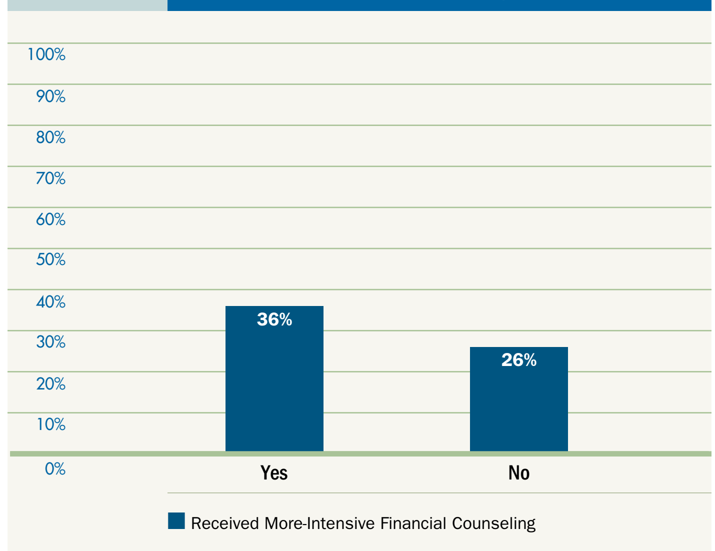


Figure 43 **Percent of FOC Study Participants Who Had an Increase in Credit Score or Became Scored One Year After Program Entry**



Twin Accounts

To help low-to-moderate-income families build credit and save money, LISC developed the Twin Accounts program as a resource the FOC financial counselors could offer participants. Twin Accounts participants are issued a 12-month, $300 loan, the proceeds of which are transferred to a locked savings account, where the money remains until the loan is paid off. Interest on the loan is fixed at 9 percent for the term of the loan. LISC's financial partner, Justine PETERSEN, maintains a master savings account with Citibank and deposits the proceeds of each loan into a sub-account in each participant's name. Participants then make monthly payments of $26.24, which Justine PETERSEN reports to the major credit bureaus. As long as participants make the payments on time, LISC matches each monthly payment dollar for dollar. The match serves as an incentive for participants to take part in the program and engage in credit-building behavior. At the end of the loan term, participants who have made 12 on-time payments have $300 in savings, $300 in matching funds, and potentially improved credit. LISC limits the use of the earned match funds to opening a secure credit card so that participants may continue to build credit after the loan term.[19]

It has been challenging for the FOC programs to enroll participants in Twin Accounts. To be eligible, individuals must want to build their credit, have sufficient income to cover the monthly loan payments, and have either no credit score or a low score at program entry. Fewer than 2 percent of all FOC study participants, and 3 percent of participants who received any financial counseling, enrolled in Twin Accounts during the study period. While the number of participants is too small to draw any conclusions about the effectiveness of the Twin Accounts program, it is interesting to note that among the 14 study participants who enrolled in Twin Accounts, the number who had a credit score increased from six at program entry to 11 one year later, and the number who had a prime credit score increased from two at program entry to eight one year later.

Summary

While we did not find significant impacts on FOC participants' credit scores one year after program entry, there were impacts on whether participants had positive activity on their credit reports during this time. Namely, FOC participants were more likely than comparison group members to pay any trade accounts on time, and they made more on-time payments during the year after program entry. If sustained, this payment activity could lead to improved scores and other positive financial outcomes over time. Our analyses suggest that the program was more likely to have an impact on the credit outcomes of certain subgroups of participants, including individuals age 25 or older and those who had more recent credit activity when they entered the program. At the site level, the results suggest that NLEN and MFS participants experienced greater increases in payment activity during the first year after program entry. While this may be related to differences in participants' engagement in financial counseling, it may also be due to differences in the other outcomes participants achieved, such as changes in employment, net income, or net worth, which we will explore in our final report. We also found that participants who took part in the programs for longer and those who received more financial counseling were more likely to achieve positive credit outcomes.

Chapter 6

Conclusions

The FOC evaluation seeks to determine whether offering integrated employment, financial, and income support counseling to individuals seeking assistance with finding a job is an effective strategy for improving the financial well-being of low-income families. This interim report examines whether the study sites were able to engage individuals in the three core service areas and help them improve their credit scores and use of credit during the year after program entry. Our findings based on the first year of implementation suggest the following key lessons.

- ***Organizations can help low-income individuals take positive steps toward building or rebuilding their credit histories, but improving credit scores or becoming scored may take more than a year for unemployed or financially distressed individuals.*** Individuals seeking employment assistance from the FOCs needed time to complete training, obtain employment, and earn a steady income before they could work on credit building. Additionally, most of the increase in payment activity occurred among participants who had credit scores at program entry, and most of these individuals had subprime scores. Improving the scores of people with negative credit histories may take more than a year.

- ***The credit-building approach requires employment programs to continue to engage participants after they have obtained a job, which can be challenging.*** Policy advocates have suggested that employment programs can provide an opportunity to engage individuals in financial planning and credit building because people may be more willing and able to take advantage of these services once they have obtained employment. However, FOC staff found it difficult to get participants to return to the program for these services after they had found a job. The findings suggest that programs need to be designed to keep participants engaged in financial education and/or counseling while they attend training and search for a job, as well as offer incentives for participants to return for financial counseling services after they obtain jobs.

- ***Programs need to develop strategies and services to meet the specific needs and goals of the low-income job-seekers they serve.*** The FOC sites that tailored pre-employment assistance to match the job readiness of their participants were more likely to retain them and engage them in more-intensive one-on-one job-search assistance. The sites that conducted the initial financial assessment in a one-on-one setting were more likely to engage their participants in more-intensive financial counseling.

- ***While services need to be tailored to participants' needs, employment programs seeking to engage job seekers in integrated services may need to require participation in financial and income support counseling.*** Individuals seeking employment assistance may not think they can benefit from meeting with financial or income support counselors. The sites that required these meetings before individuals could receive help with finding a job engaged higher percentages of participants in these services, increasing the potential for participants to benefit from integrated services.

- ***Effective credit building depends on having well-trained financial counselors.*** The percentage of participants who received credit-building counseling was low at some sites, and less than 3 percent of all participants enrolled in Twin Accounts, LISC's credit-building program. Shortly after study enrollment ended, LISC tested the financial counselors and found that many needed training on reading credit reports and identifying how best to help participants. LISC subsequently increased its efforts to gain counselors' buy-in to the credit-building approach and to train them on how to implement it.

Our final evaluation report will assess the FOC program two years after program entry. We will examine whether its integration of financial, income support, and employment counseling helped participants obtain jobs, increase their net income, access mainstream forms of credit, and build their net worth.

Endnotes

1. In Chicago, the programs supported by LISC are called Centers for Working Families (CWF), the name of the model initially developed by the Annie E. Casey Foundation.
2. Extended family members include any relative other than a parent, child, or sibling.
3. To determine the percentage of participants below the poverty level, we used the Census Bureau's definition, which varies by family size and composition and excludes noncash forms of income, such as SNAP.
4. The 42 percent of participants who reported having no rent or mortgage payments includes the 6 percent who were homeless, the 4 percent who owned a home but did not have a mortgage, and the 8 percent who said they lived in public or subsidized housing and paid no rent. The reasons the other 23 percent of participants did not pay rent are not known, although 78 percent of these individuals lived with an unrelated person or an adult relative whom they may not have included as a member of their family, as "family" was defined in the survey.
5. Sixty-one percent of all participants reported receiving SNAP benefits and 63 percent reported spending money on food used at home not including any food purchased with SNAP benefits.
6. Corporation for Enterprise Development. Accessed May 1, 2014. http://scorecard.assetsandopportunity.org/2014/ measure/net-worth
7. All differences in the likelihood of having a credit score cited are significant at the p<.05 level or greater.
8. Unless otherwise indicated, all figures in this chapter include all of the FOC study participants: AH (N=198), IDPL (N=196), MFS (N=169), NLEN (N=67), TCP (N=172), All (N=802).
9. Only participants who received any type of counseling are included in Figure 24: AH (N=62), IDPL (N=141), MFS (N=119), NLEN (N=60), TCP (N=108), All (N=490).
10. To analyze whether participation rates differed across subgroups of participants, we used multivariate regression analyses that controlled for differences in participant characteristics and site effects. See Appendix A for details about the models.
11. The most significant differences between the samples are that the group of 730 was somewhat less likely than the full sample of 802 participants to be Hispanic (27 versus 33 percent) and somewhat more likely to have at least a high school diploma or GED (74 versus 68 percent). The groups did not differ on the primary program participation measures from Chapter 4 by more than one percentage-point.
12. Because the sample for the comparison group analysis includes 730 FOC participants and not the full sample of 802 participants, baseline percentages reported in this chapter may differ slightly from those reported in Chapter 3.
13. Figures 35 and 36 are based on the subset of FOC participants who had credit scores at both points in time and who were matched to members of the comparison group. The Ns are 319 for the FOC participants and 532 for the comparison group members.
14. Figures 38 and 39 comprise all study participants, as the program's goal was to help all participants open or maintain open accounts and make payments on them. We also examined the subset of 450 FOC participants who had trade accounts on their reports during the year before as well as the year after program entry and found that the percentage who paid any of their accounts on time increased from 39 percent during the year before program entry to 56 percent during the year after program entry. Among the 705 comparison group members who had trade accounts at both points in time and were matched to the FOC participants, the percentage with accounts paid on time increased from 41 to 51 percent. The difference in the change between these two groups was not statistically significant.
15. Given the greater risk of obtaining false positive results when testing for significant differences across a large number of variables, we focused on differences significant at the p< .05 level.
16. We provide a full list of the variables examined and their relationship to the outcomes in Appendix A.
17. Across the five sites, 316 FOC participants (39 percent) received services for three months or more, and 486 (61 percent) received services for less than three months.
18. Across the five sites, 332 FOC participants (41 percent) received more-intensive financial counseling and 470 (59 percent) did not.
19. Secured credit cards require a cash deposit, which becomes the credit line for the account.
20. For individuals who are unscored, TransUnion returns a report indicating that the person was not scored due to insufficient credit.
21. We examined the sensitivity of the results to using radius matching with a caliper of .1 of the standard deviation of the log odds of the propensity scores, and to matching using the five nearest neighbors within a caliper of .2 of the standard deviation of the log odds of the propensity scores. Both strategies produced virtually the same results.
22. Unless otherwise noted, the statistics in this section are among the full sample of FOC participants: AH (N=198), IDPL (N=196), MFS (N=169), NLEN (N=67), TCP (N=172), All (N=802).
23. Differences significant at p<.05: MFS v. NLEN.
24. The numbers of participants who had credit scores at both points in time are as follows: AH (N=64), IDPL (N=109), MFS (N=74), NLEN (N=21), TCP (N=75), All (N=343).
25. Differences significant at p<.05: MFS v. IDPL and TCP v. IDPL.
26. The change in the percentage of participants with open trade accounts was significantly greater at NLEN than at both IDPL and TCP at the p<.05 level.
27. Differences significant at p<.05: NLEN v. AH.
28. Differences significant at p<.05: NLEN v. AH.
29. Differences significant at p<.05: MFS v. AH and MFS v. IDPL.
30. We present the characteristics of the treatment group members who received financial counseling and matched comparison group members in Figure C8.
31. Figures C3 and C4 are based on the subset of FOC participants who received financial counseling, had credit scores at both points in time, and were matched to members of the comparison group. The Ns are 191 for the FOC participants and 501 for the comparison group members.

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Appendix A: Data Sources and Methods

To assess the impact of a program, it is necessary to understand how program participants' outcomes compare to the outcomes they would have experienced without the intervention. The evaluation of the FOC program uses a quasi-experimental design that compares FOC participants' outcomes with a matched comparison group of individuals who are equivalent across a range of demographic, labor market, and financial characteristics but who did not participate in the FOC program. As we describe in more detail below, to identify an appropriate comparison group, we first recruited individuals for the study who were seeking services similar to those sought by individuals from the FOC programs. We then used propensity score matching techniques to identify individuals in this group who were similar to those in the FOC group.

The Study Sample

The sample of FOC participants includes individuals who sought assistance with employment and training from the five FOC programs and who consented to take part in the study. All FOC study participants attended a program orientation at one of the sites, during which FOC staff members explained the study. Staff members then collected consent forms and contact information from those who agreed to take part, so that they could be called to complete the baseline survey. To be eligible for the study, individuals had to be at least 18 years old. The study sample includes only individuals who were seeking assistance with employment and training and who were expected to participate in the three core FOC services; that is, employment, financial, and income support counseling. Though the programs also served people who were primarily seeking financial or income support assistance and those who were offered assistance in only one core area, these individuals are not part of the study. Enrollment of the FOC participant sample took place from October 2011 through August 2012.

The comparison group sample consists of low-income adults who sought employment and training assistance from five City of Chicago Workforce Centers that were located in or near the communities in which the FOC programs operated. Mobility hired recruiters who presented the study to individuals attending orientations about the workforce centers' services. We established basic eligibility criteria in order to increase the likelihood of recruiting individuals who would be similar to those in the FOC participant sample. To be eligible for the study, individuals had to be at least 18 years old, to have earned annual income over the past year within 200 percent of the federal poverty guidelines for their family size, and to be seeking assistance with employment and/or job training. Individuals who were only filing for unemployment insurance or other benefits and were not seeking employment or job training assistance were not eligible for the study. The recruiters collected consent forms and contact information from those who were eligible and who agreed to be part of the study so that individuals could be called to complete the baseline survey. Enrollment of the comparison group sample took place from October through December 2011.

The study design addresses the potential selection bias that results from differences in motivation between program participants and nonparticipants, which is a primary concern with using quasi-experimental methods to evaluate voluntary programs. Study participants in both the FOC and comparison groups were motivated to seek assistance with employment and training from community agencies. They also faced the same or similar labor, housing, and financial markets. As described in Chapter 5, the evaluation uses an intent-to-treat (ITT) analysis framework to assess program impacts; that is, individuals are included in the analysis regardless of whether they ended up receiving services from the FOC program or workforce center.

Data Sources

We contracted with a survey firm, Research Support Services (RSS), to conduct the baseline surveys by telephone with members of both the FOC and comparison groups. To be included in the study sample, individuals in the FOC group had to complete the phone survey within two weeks of intake and members of the comparison group within three weeks of intake. The time frame for the FOC group was slightly shorter, so that the surveys were completed prior to the receipt of the FOC counseling services, and the participants' responses reflected their knowledge of their credit and finances prior to reviewing their credit reports and finances with the financial counselor. The surveys gathered detailed information about participants' employment, education, income, expenses, assets, debts, and demographics. RSS completed surveys with 829 FOC participants and 1,071 comparison group members.

Once study participants had completed this baseline survey, we attempted to access their credit reports from TransUnion, one of the three major credit bureaus. We made a second attempt to access their credit reports one year after study enrollment. Individuals were removed from the study sample if we were unable to access a credit report for them at program entry as well as one year later.[20] We were unable to access some reports either because we could not find a match in the system using the identifying information collected at intake or because the TransUnion system indicated the person was deceased. Out of the 829 FOC participants and 1,071 comparison group members surveyed, we removed 27 FOC participants and 75 comparison group members from the sample because we could not access their credit reports.

The final sample available for the analyses in this report included 802 FOC participants and 996 comparison group members who completed the baseline survey and for whom we were able to access credit reports both at the time of study enrollment and one year later.

Treatment of Missing Data

The baseline survey asked detailed questions about participants' sources of income, expenses, assets, and debts, and the dollar amounts of each. We then summed these items to calculate total earnings, total income, total expenses, net income, total assets, total debts, and net worth. While the amount of missing data for any one variable was low, once the hundreds of variables were used to calculate the totals, the number of missing cases was unacceptable. In order to retain as much of the study sample as possible, we employed a multiple imputations (MI) approach to deal with missing values. Diagnostics showed our data to be missing at random.

There were a total of 122 variables indicating the exact dollar amounts of items that needed imputing. Each of these variables followed a yes/no question about whether the person had the item. While some cases were missing on the yes/no questions, more often the amount was missing for individuals who indicated that they had the item. In those cases, we knew that the person had the item and that the amount was greater than zero. For those missing on the yes/no question, an amount of zero was a plausible value if the person did not have the item. In order to address both scenarios appropriately, we performed MI separately for those who said they had the item but the amount was missing and for those who were missing on the yes/no question for the item. The first MI, for those who said they had the item, was limited to values greater than zero and based on the values only for those who had the item. The second MI, for those missing on the yes/no question, was not restricted in this way and was based on the values for all respondents, including those who reported a value of zero.

Attempts to perform regression-based MI failed due to the extreme skewness of some of the imputed variables. Such skewness is common in variables that represent dollar amounts, especially if the variables also accept a value of zero. Instead, we used Fully Conditional Specification (FCS) as our imputing technique—a strong alternative for instances when the more traditional regression-based MI cannot be used (Van Buuren 2007). We were able to successfully perform FCS for each variable, following the common practice of five imputations.

Propensity Score Matching

As expected, there were some differences between the characteristics of the individuals who sought services from the FOC programs and those who sought assistance from the workforce centers. Therefore, we used propensity score matching techniques to select the final analysis sample. The propensity score is the probability of treatment assignment conditional upon individuals' observed characteristics. In this case, the propensity score is the probability of being in the FOC program group, conditional upon individuals' observed demographic characteristics, recent employment experience, and financial situation at the time of enrollment. We matched individuals in the FOC and comparison groups based on these estimated probabilities. As described below, only FOC participants and comparison group members who were sufficiently close matches were included in the final analysis sample. Researchers have found that propensity score matching performs well in replicating experimental results when three criteria are met: (1) the data for the intervention and comparison groups are collected using the same data source, (2) the participants and nonparticipants reside in the same local labor market, and (3) the data contain variables relevant to modeling the program participation decision (Smith and Todd 2005). The FOC study meets these criteria.

Previous research has confirmed that the critical variables for modeling participation in employment and training programs are employment and earnings during the two years prior to program entry. Looking two years back is important because research indicates that people who volunteer for employment and job training programs have typically experienced a drop in earnings just prior to entering the program (Dehejia and Wahba 2002; Heckman et al. 1997). As a result, their earnings in the year prior to program entry may not be indicative of their earnings capacity prior to their loss of employment. Therefore, we included variables for earnings and hours worked during the previous two years in the propensity score model. While individuals in the study were seeking employment and/or job training assistance, some individuals who applied to the FOC programs might have been motivated to enroll by the additional financial counseling services the programs offered. Therefore, we also included factors expected to influence individuals' decision to seek financial counseling services, including their level of financial distress, willingness to change their financial situation, and ability to manage credit (Elliehausen et al. 2007). Figure A1 lists the variables included in the model to estimate the propensity scores.

We fit a logit model using the control variables in Figure A1 to produce the propensity scores. As researchers have suggested, we matched the samples by the log odds of the propensity score, which is more likely to be normally distributed (Austin 2011). Matching on the log odds of the score is appropriate for choice-based sampling where the treatment and control group pools are obtained from different sources and the number of people in each group does not reflect the likelihood that an individual with given characteristics will participate in the program in the full universe (Heinrich et al. 2008). There are many ways to implement propensity score matching. Recent research suggests that with sufficient sample overlap and well-balanced covariate distributions, impact estimates should be relatively insensitive to the details of how the matching is undertaken (Heinrich et al. 2008; Mueser et al. 2007). We tested several strategies, including matching with and without replacement, one-to-one versus many-to-one matching, and nearest-neighbor matching, and tested each to determine whether the method balanced the treatment and comparison groups on the covariates.

The analysis of interim program impacts in this report uses radius matching within a specified caliper distance with replacement. Radius matching does not limit the number of cases that are matched with a given participant as long as the cases are close enough (that is, within the specified caliper distance). Research has found that estimates are more stable and make better use of all available data if they consider all comparison cases that are sufficiently close to a treatment case, rather than making a one-to-one match (Heinrich et al. 2008). The mean outcome for cases matched with a given treated case is the estimate of the outcome that would occur if the treatment group member had not received the service. There is no uniformly agreed-upon definition of the maximum acceptable distance between scores. As suggested by Austin (2011) and others, we used a caliper of width equal to .2 of the pooled standard deviation of the log odds of the propensity score.[21] Matching with replacement allows a comparison group member to be matched with multiple treatment group members.

To implement the propensity score matching, we used the psmatch2 module in Stata, developed by Leuven and Sianesi (2003). Nine percent of individuals in the FOC group had propensity scores that were outside of the area of common support; that is, their scores were outside of the range of scores of the comparison group members. These sample members were dropped, reducing the size of the FOC group to 730. The final analysis sample includes 974 comparison group members.

All but one of the 72 FOC participants who were outside of the area of common support were Latino, and they were more likely than those within the area of common support to be non-English-speaking, to lack a high school diploma, to be unscored, and to have few assets and debts. Most (50) were IDPL participants, while 20 participated at AH, one at MFS, and one at TCP. The IDPL participants who were not matched included 21 of the 29 individuals participating in the FOC located at IDPL's alternative high school.

Following the matching, we tested for statistically significant differences in the sample means between the treatment group and the weighted comparison group to assure that the propensity score balanced the independent variables. As Austin (2008) suggests when using many-to-one matching methods, we examined the weighted standardized percentage difference in each variable between the groups and considered the groups balanced if the standardized percentage bias was less than 10 percent. None of the differences were equal to or greater than 10 percent. Figure A1 presents the means of the variables for the treatment group and weighted comparison group as well as the standardized percentage bias.

To control for remaining differences between the groups, we used multivariate regression analysis to assess whether differences in the change in outcomes between the treatment group and weighted comparison group were statistically significant. We used logistic regression for the dichotomous outcome variables and ordinary least squares (OLS) regression for the continuous outcome variables.

Additional Analyses

In Chapter 4, we used multivariate regression analysis to assess whether certain subgroups of FOC participants were more likely than others to receive the intended services. This analysis included the 802 FOC participants. We used logistic regression for the dichotomous participation variables (e.g., the likelihood of receiving various types of counseling) and OLS regression for the continuous participation variables (e.g., the duration of participation in weeks and the hours of counseling). The models included the variables in **Figures A2 and A3** as well as dummy variables for the individual sites. Figures A2 and A3 summarize the statistically significant relationships between participants' characteristics at program entry and their receipt of the FOC services.

In Chapter 5, we used multivariate regression analysis to assess the relationship between the level of FOC services participants received and their credit outcomes. We used logistic regression for the dichotomous outcome variables (e.g., the likelihood of having a score or making payments) and OLS regression for the continuous outcome variables (e.g., credit scores). The models included controls for participants' characteristics and dummy variables for the individual sites. **Figure A4** presents the significant relationships between the service receipt and credit outcome variables.

Figure A1 Characteristics of the FOC Group and Weighted Comparison Group at Program Entry After Matching

	Treatment (FOC) Group	Comparison Group	Standardized Percentage Bias
Average earnings during the two years before program entry	$13,150	$13,214	−0.3
Average number of hours worked during the two years before program entry	1,224	1,246	−1.3
Average total value of assets	$22,311	$18,551	5.4
Average total value of debts	$21,151	$18,378	5.1
Average total income in the month before program entry	$1,164	$1,140	1.5
Average total expenses in the month before program entry	$1,410	$1,318	6.9
Average age	37.3	37.7	−3.4
Male	47.0%	49.5%	−5.1
Black	69.8%	68.9%	2.0
Hispanic	26.8%	27.4%	−1.7
Primarily speak a language other than English at home	26.6%	25.5%	2.6
US citizens	94.2%	93.3%	4.0
Do not have a high school diploma	26.2%	26.4%	−0.6
Have a college degree	13.6%	13.3%	0.7
Have a criminal conviction	39.9%	40.0%	−0.3
Have a health condition that limits their ability to work	13.7%	13.4%	0.9
Married	19.0%	16.6%	6.3
Have never been married	63.2%	62.4%	1.5
Have any children under age 18	50.7%	51.2%	−1.0
Average number of family members in the household	3.0	2.8	9.3
Homeowners	11.8%	10.0%	5.8
Homeless	7.0%	8.0%	−4.1
Receiving SNAP	62.2%	63.1%	−1.9
Have filed for bankruptcy in the past year or are in the process of filing for it	7.4%	6.6%	3.2
Have collection agencies contacting them about claims	30.2%	31.5%	−3.0
Are behind in making rent or mortgage payments	16.2%	15.8%	0.9
Are behind in making utilities payments	27.3%	28.0%	−1.6
Do not have a credit score	42.6%	43.1%	−1.0
Have a subprime credit score	41.2%	43.0%	−3.6
Average number of derogatory public records on credit report	0.30	0.29	1.8
Average number of trade accounts with balances on credit report	2.1	2.0	2.6
Made late payments on trade accounts in the year prior to program entry	9.2%	9.0%	0.7
Average number of trade accounts on credit report that were never late	3.4	3.2	4.0
Number of inquiries into credit in the past year	1.5	1.5	1.5

Note: To balance the groups, the final logit model includes interaction terms for gender by criminal conviction status and for race (Black) by criminal conviction status, no high school diploma, and currently married.

Figure A2 Relationship of Participants' Characteristics to Receipt of Program Services

	Received Counseling in Any of the Three Core Areas	Received Counseling in All Three Core Areas	Received Employment and Financial Counseling	Duration of Service Receipt (All Services)
Male				
Black				– *
Age less than 25	– **	– **	– ***	– ***
Does not have a high school diploma	– *			– *
Has a college degree				
Has a health condition that limits ability to work				
Primarily speaks a language other than English at home				
Married or in marriage-like relationship				
Never married				
Has child under age 18			– **	– *
Number of family members in household		+ *		
Homeowner		– **		
Homeless				
Lives in public or subsidized housing				– **
Has a criminal conviction				
Has worked during past two years		+ **	+ *	
Working at program entry				
Receiving SNAP				
In bankruptcy or filing for it				
Collection agencies calling	+ *			
No credit score				
Subprime credit score				
Number of linkages to mainstream financial institutions				
Number of indicators of material hardship	– *			– ***
Total income				
Total expenses				+ ***
Total assets		+ ***		
Total debts (all types)				
Total trade account debt on credit report				
Net income greater than zero				
Net worth greater than zero		– **		

*** p<.01 **p<.05 *p<.10

Figure A3 Relationship of Participants' Characteristics to Receipt of Program Services

	Any Financial Counseling	Hours of Financial Counseling	Any Employment Counseling	Any Income Support Counseling
Male				
Black	– *	– ***		
Age less than 25	– ***	– ***	– **	– **
Does not have a high school diploma		– *		
Has a college degree				
Has a health condition that limits ability to work		+ **		+ *
Primarily speaks a language other than English at home				
Married or in a marriage-like relationship				
Never married				
Has child under age 18			– **	
Number of family members in household				
Homeowner				
Homeless		– *		
Lives in public or subsidized housing				
Has a criminal conviction				
Has worked during past two years			+ **	
Working at program entry			– **	
Receiving SNAP				
In bankruptcy or filing for it				
Collection agencies calling	+ *	+ **		
No credit score				
Subprime credit score				
Number of linkages to mainstream financial institutions				
Number of indicators of material hardship		– ***		
Total income				
Total expenses		+ **		
Total assets				
Total debts (all types)				
Total trade account debt on credit report		+ ***		
Net income greater than zero				
Net worth greater than zero				

*** p<.01 **p<.05 *p<.10

Figure A4 **Relationship Between Level of Service Receipt and Credit Outcomes**

	Positive Credit Outcome	Has Score One Year after Program Entry	Has Prime Credit Score	Credit Score	Has Open Trade Accounts	Has Made Any Payments in the Past Year	Has Paid Any Trade Accounts On Time in Past Year	Number of Accounts with Negative Ratings
Received counseling in all three core service areas			+ *		+ *			
Received counseling in any of the three core service areas			+ **		+ *			
Received any financial counseling			+ ***		+ *		+ *	
Hours of financial counseling received	+ **	+ **	+ **		+ **	+ ***	+ ***	+ *
Received any counseling services for three months or longer		+ **	+ *		+ *	+ ***	+ ***	+ ***

Appendix B: Findings for the Individual FOC Programs

Differences in Participants' Characteristics Across the Study Sites

There were some significant differences in the demographic characteristics of the participants served across the five study sites. Following is a description of the participants at each site, with a particular focus on the ways in which they differed from participants at the other study sites. Figure B1 provides a summary of the key demographic characteristics that differed across the five study sites.

Association House (AH)

Association House served a higher percentage of women (64 percent) than did the other sites and was the only site to serve a racially diverse group, including both Black and Hispanic participants (54 percent and 40 percent, respectively). Just over a third (36 percent) of participants primarily spoke a language other than English at home. Forty-three percent did not have a high school diploma. Twelve percent were currently married, and 55 percent had children under the age of 18. AH participants were more likely than those at other sites to have a health condition that limited their ability to work (18 percent) and to be homeless (11 percent). About a quarter lived in public or subsidized housing. Only 39 percent had worked at any point during the year prior to program entry.

Only 42 percent of AH participants had linkages to mainstream financial institutions. They were less likely than participants at other sites to report any material hardships (46 percent), such as being behind on rent payments or having utilities disconnected. AH participants were more likely than those at other sites to receive Supplemental Security Income (SSI) in the month prior to program entry (10 percent) and to receive food assistance other than SNAP, including WIC and food from a food pantry. Twenty-seven percent had net income greater than zero at program entry, and median net income was –$238. AH participants were less likely than those at other sites to have debts (68 percent), and about half (52 percent) held any assets. Twenty-nine percent had net worth greater than zero; median net worth was –$200. Fewer AH participants (43 percent) had a credit score at program entry than at all other sites. They were the least likely to have derogatory public records or open trade accounts on their credit report.

Instituto Del Progreso Latino (IDPL)

IDPL served a population that differed in many ways from those of the other organizations in the study. Nearly all of the IDPL participants were Hispanic, and more than half (57 percent) were born outside of the United States. Almost a third (31 percent) were not US citizens. Most IDPL participants said they primarily spoke a language other than English at home (82 percent). Forty-four percent did not have a high school diploma. IDPL participants were more likely than those at the other sites to be married (37 percent) and to live with their children (58 percent). IDPL clients were the least likely to have a criminal conviction (14 percent), a health condition that limited their ability to work (7 percent), and to live in public or subsidized housing (8 percent). IDPL participants were more likely than those at the other sites to be employed during the year before program entry (56 percent). On average, they had greater annual earnings from work ($18,680) in the past year than participants at the other sites.

IDPL participants were more likely than those at the other sites to have linkages to mainstream financial institutions at program entry (70 percent). They were the least likely to receive SNAP (38 percent) and the most likely to receive unemployment benefits (26 percent) or to have income from family members' work (36 percent). IDPL participants were significantly more likely than those at the other sites to be homeowners (28 percent), to own or lease a car (63 percent), to have a checking account (52 percent), and to have credit cards (27 percent). In the month before program entry, they had both greater income and greater expenses, on average, than participants at the other sites. Thirty-one percent had net income greater than zero, and IDPL participants had the lowest median net income among the sites, at –$565. IDPL was the only site where median net worth was greater than zero, although it was only $50; 54 percent of participants had net worth greater than zero. IDPL participants were the most likely among the sites to have credit scores at program entry (64 percent) and to have prime scores (34 percent). They were less likely to have derogatory public records than participants at most of the other sites and the most likely to have open trade accounts on their credit reports (58 percent).

Metropolitan Family Services (MFS)

MFS targets both community residents and students at Kennedy King College, where the program is located. More than 90 percent of participants at MFS were Black and 60 percent were female. MFS served the highest percentage of participants who were under age 25 (28 percent). Eight percent were currently married, and about half had children under age 18. Thirty percent had a criminal conviction, and 17 percent had a health condition that limited their ability to work. MFS served the highest percentage of participants (30 percent) who lived in public or subsidized housing. Three-quarters of MFS participants had at least a high school diploma or GED. A quarter of MFS participants were attending education or training at the time of program entry, a substantially higher percentage than at the other sites. Fewer than half (43 percent) of all participants had worked at some point during the year prior to program entry.

Just over half (55 percent) of MFS participants had linkages to mainstream financial institutions, and 59 percent reported having any material hardships, the most common of which were being behind on utilities payments or being contacted by collection agencies about claims. MFS served the highest percentage of participants who had received Temporary Assistance for Needy Families (TANF) or General Assistance in the month prior to program entry (11 percent). MFS participants were more likely than those at other sites to be covered by some type of health insurance, although 48 percent had no coverage. Twenty-eight percent of participants had net income greater than zero; median net income was –$345. MFS participants were the least likely among the sites to own or lease a vehicle (30 percent) and were the second most likely to have student loans (34 percent). Twenty-eight percent had net worth greater than zero; median net worth was –$1,500. Just over half (53 percent) of MFS participants had a credit score at the time of program entry. Forty-six percent had open trade accounts on their credit reports (the second highest percentage among the sites).

North Lawndale Employment Program (NLEN)

NLEN served the highest percentage of men (76 percent) among the five sites and the highest percentage of participants with a criminal conviction (67 percent). More than 90 percent of its participants were Black, and only 12 percent were young adults under age 25. Only 4 percent were married, and NLEN participants were the least likely to live with any of their children (25 percent). They were more likely to have lived in their homes for less than a year (39 percent). Most NLEN participants (82 percent) had at least a high school diploma or GED. NLEN served the lowest percentage of participants who had worked at all during the year prior to program entry (38 percent).

NLEN participants were the least likely among the sites to have linkages to mainstream financial institutions at the time of program entry (40 percent). They were the least likely to have any health insurance coverage (27 percent) and the most likely to report having medical debt in collections (30 percent). NLEN participants' most common sources of income were SNAP (67 percent) and financial help from family or friends (36 percent). They were more likely than those at other sites to have made child support payments in the past month (16 percent) and were more likely to have spent money eating out (66 percent). Twenty-two percent had net income greater than zero; median net income was –$242. NLEN participants were the least likely to have a checking account (19 percent). They were the most likely to have child support arrears (7 percent), to owe back taxes (26 percent), and to have any unpaid medical bills (47 percent). A quarter had net worth greater than zero; median net worth was –$1,000. Just under half (48 percent) of NLEN participants had a credit score at program entry. A higher percentage (7 percent) of NLEN participants had tax liens on their credit report than those at the other sites, and 78 percent had accounts in collections.

The Cara Program (TCP)

Nearly all participants at TCP were Black and 51 percent were female. TCP participants were older (40 years old, on average) than those at the other sites; only 10 percent were under age 25. More than half (58 percent) had been convicted of a crime. Only 5 percent were married, and TCP participants were the most likely among the sites to live alone (25 percent). Eight percent of participants were homeless. Seventy-nine percent had at least a high school diploma or GED. Forty-nine percent had worked at some time during the previous year.

About half (53 percent) of TCP participants had linkages to mainstream financial institutions. TCP participants were the most likely (63 percent) to report some type of financial difficulty, including bankruptcy (11 percent) and collection agencies contacting them about claims (35 percent). TCP had the highest percentage of participants with any income in the month prior to program entry (96 percent), largely because it had the highest percentage who received SNAP (77 percent). TCP participants were the second most likely to have received financial help from family or friends (34 percent). They were the least likely to have food expenses outside of food purchased with SNAP or to have spent money eating out. One third had net income greater than zero in the month prior to program entry, and median net income was –$203.

TCP participants were the least likely among the sites to have any assets (48 percent) but the most likely to have any debts (80 percent). They were the most likely to have student loans (35 percent) and late rent payments (20 percent). Only 37 percent of TCP participants had any health insurance coverage, while 46 percent had unpaid medical bills. TCP participants had the lowest median net worth among the sites, at –$3,038; only 16 percent had net worth greater than zero. Fifty-eight percent of TCP participants had a credit score at program entry. They were more likely than those at other sites to have civil judgments (20 percent) and accounts in collections (81 percent) on their credit reports. TCP participants were the most likely among the sites to have any trade accounts on their credit reports (70 percent) but the least likely to have any open trade accounts (39 percent).

Differences in Program Implementation Across the Study Sites

Chapter 4 provides details about the implementation of the FOC program across the study sites. A summary of the key findings about implementation for each site follows.

- IDPL was the most successful in engaging participants in counseling in all three core areas and was the only site to achieve this with more than half of its participants. The site counseled over a third of all participants on loans and credit cards and about a quarter on managing debts. IDPL provided the greatest number of hours of counseling per participant among the sites and engaged more than half of participants in services for three months or longer.
- NLEN engaged three-quarters of its participants in a combination of employment and financial counseling services, the highest rate among the sites. The site counseled nearly a third of all participants on loans and credit cards and helped about a quarter with credit report errors and identity theft issues. NLEN engaged the highest percentage of

Figure B1 Demographic Characteristics of FOC Study Participants Across the Five Sites at Program Entry

	AH N=198	IDPL N=196	MFS N=169	NLEN N=67	TCP N=172
Female	64%	55%	60%	24%	51%
Male	36%	45%	40%	76%	49%
Black	54%	8%	94%	92%	97%
Hispanic	40%	91%	4%	3%	2%
Age 18 to 24	26%	27%	28%	12%	10%
Married	12%	37%	8%	4%	5%
Living with any of their children	46%	58%	46%	25%	38%
Do not have a high school diploma	43%	44%	24%	18%	21%
Have a criminal conviction	41%	14%	31%	67%	58%
Homeless	11%	2%	6%	4%	8%
Have a health condition that limits their ability to work	18%	7%	17%	9%	13%
Employed at all during the year prior to program entry	39%	56%	43%	38%	49%
Have any linkages to mainstream financial institutions	42%	70%	55%	40%	53%
Have any material hardships	46%	55%	59%	54%	63%
Net income greater than zero	27%	31%	28%	22%	33%
Median net income	–$238	–$565	–$345	–$242	–$203
Net worth greater than zero	29%	54%	28%	25%	16%
Median net worth	–$200	$50	–$1,500	–$1,000	–$3,038
Do not have a credit score due to insufficient credit history	57%	36%	47%	52%	42%

participants in employment counseling among all of the sites. Nearly two-thirds of its participants received services for three months or more.

- MFS engaged the highest percentage of participants in financial counseling services beyond completion of the budget and balance sheet. The site counseled nearly two-thirds of its participants on loans and credit cards. It engaged more than half of participants in services for three months or longer. However, MFS was less likely than the other sites to engage participants in employment counseling to help them find a job.

- TCP engaged the smallest percentage of participants in counseling in all three core areas, largely due to the small percentage who received income support counseling. The site engaged about half of its participants in a combination of employment and financial counseling services, although few received financial counseling beyond the completion of a budget and balance sheet. The average duration of participation at TCP was the second shortest.

- AH was the least likely among the sites to engage its participants in counseling in all three core areas or in any one of the three areas, with just under a third of participants receiving any of the core services. AH engaged participants in services for the shortest amount of time, on average, among all of the sites. While AH stopped providing the FOC services about nine months after the study enrollment period ended, this alone does not explain the low levels of service provided. Participation rates were low regardless of when individuals entered the program.

Differences in Outcomes Across the Study Sites

In this section, we present the differences in participants' credit-related outcomes across the five study sites. A similar percentage of participants across the five sites either had an increase in score or became scored one year after program entry (**Figure B2**).[22] After controlling for differences in participants' characteristics, the percentage of participants who had one of these positive outcomes was not significantly different across the sites. The percentage of participants who had credit scores declined one year after program entry at all five study sites (**Figure B3**). The decline at MFS was less than that at any of the other sites, but it was significantly different only from the decline at NLEN, after accounting for differences in participants' characteristics across the sites.[23]

Figure B2 Percent of FOC Study Participants Who Had an Increase in Credit Score or Became Scored One Year After Program Entry

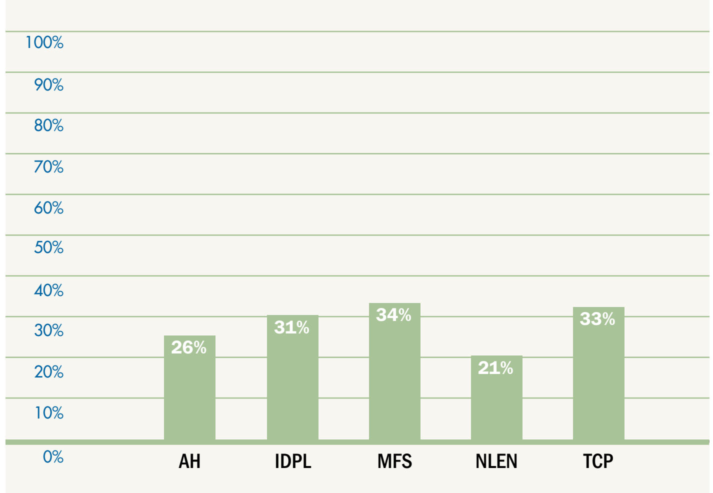
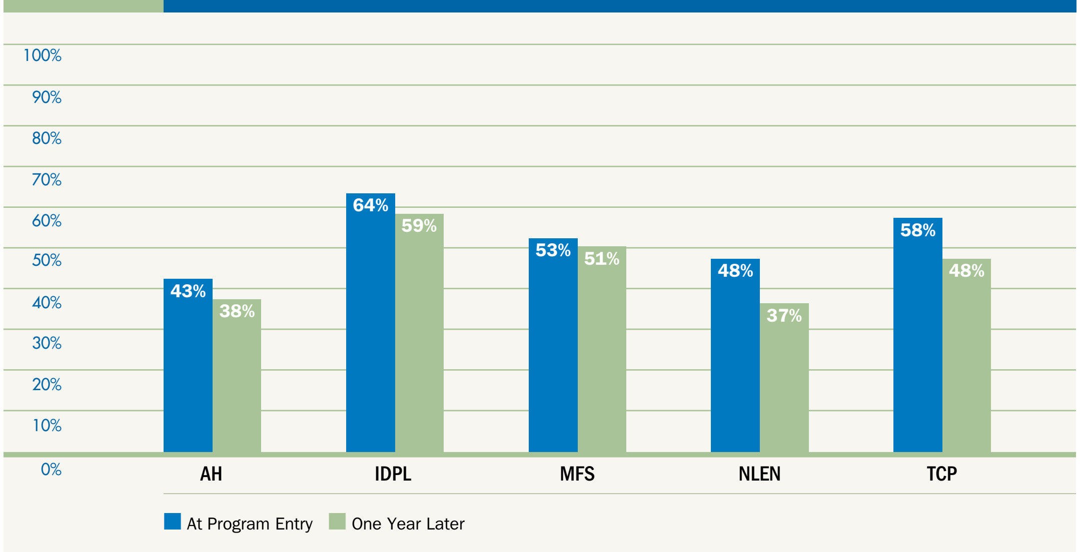
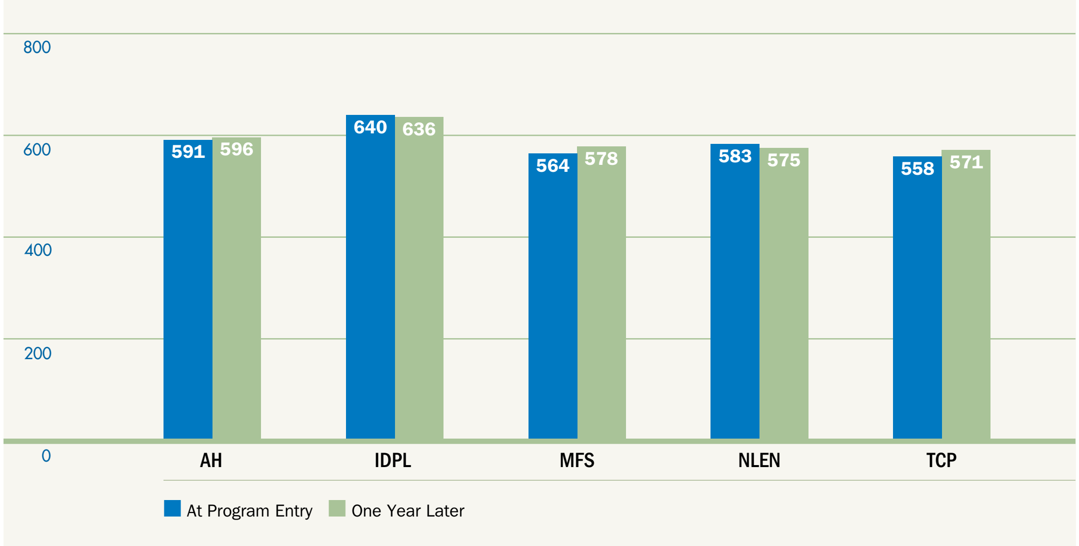


Figure B3 Percent of FOC Study Participants Who Had a Credit Score



The percentage of all participants who had prime credit scores remained virtually unchanged between program entry and one year later across the five sites. IDPL had the highest percentage of participants with prime scores at both points in time (34 percent). The percentage at the other sites ranged from 9 to 13 percent at both points in time.

Figure B4 **Average Credit Scores Among FOC Study Participants Who Had Scores Both at Program Entry and One Year Later**



Among the FOC participants who had credit scores both at program entry and one year later, average scores increased over the year at MFS, TCP, and AH by six to 14 points, while they decreased at IDPL and NLEN by four to eight points (**Figure B4**).[24] The changes in scores were significantly different between MFS and IDPL and between TCP and IDPL. Given the small number of participants at NLEN with scores at both points in time, differences with the other sites did not reach statistical significance.[25] Across the five sites, between 48 and 65 percent of participants who had scores at both points in time had an increase in score after one year, while 32 to 52 percent had a decrease in score (**Figure B5**).

Overall, the percentage of participants with any open trade accounts remained the same one year after program entry (**Figure B6**). Only NLEN had a substantive increase in the percentage of participants with open trade accounts, due to the increase in the percentage who had open installment accounts (loans).[26] We examined the percentage of participants with trade accounts with positive balances, which can be a positive indicator of credit building if the balance is less than 30 percent of the amount of credit available. This percentage did not significantly change over time.

Figure B5 **Type of Change in Scores among FOC Study Participants Who Had Scores Both at Program Entry and One Year Later**

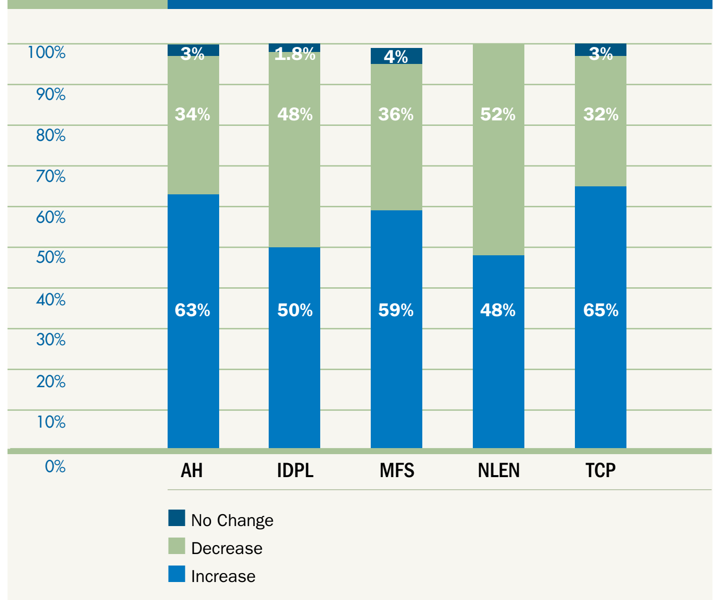
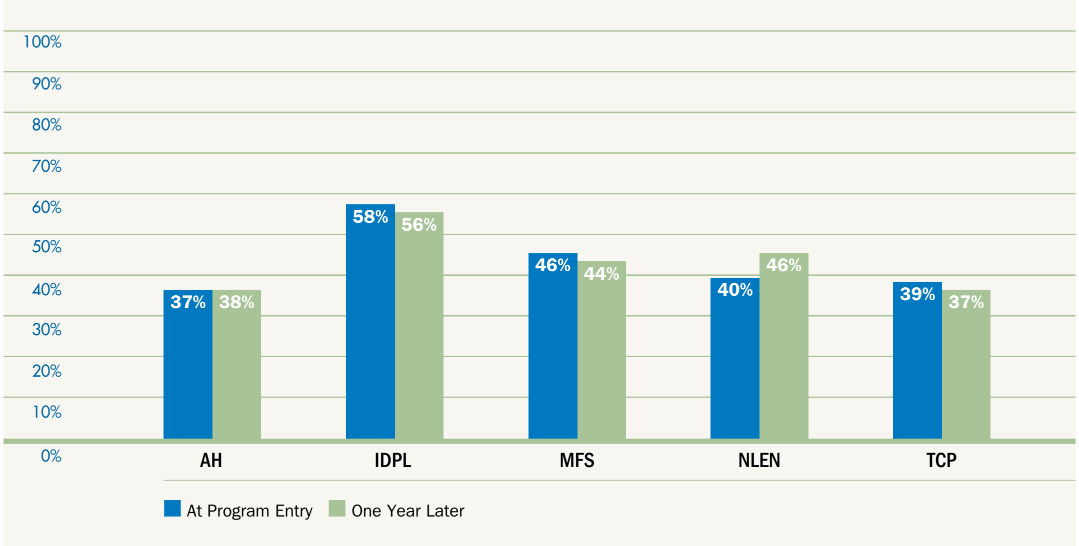
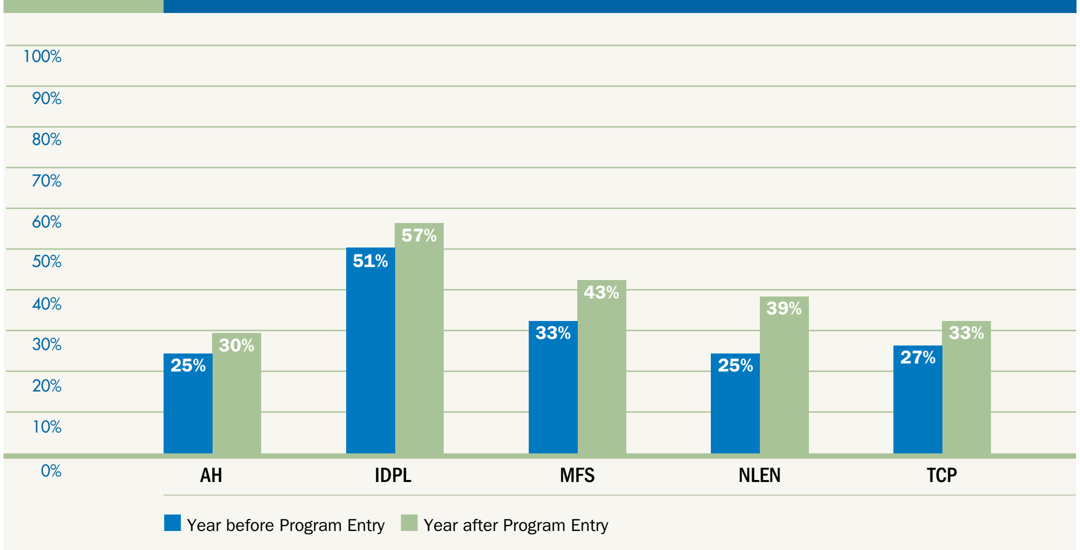


Figure B6 **Percent of FOC Study Participants Who Had Any Open Trade Accounts**



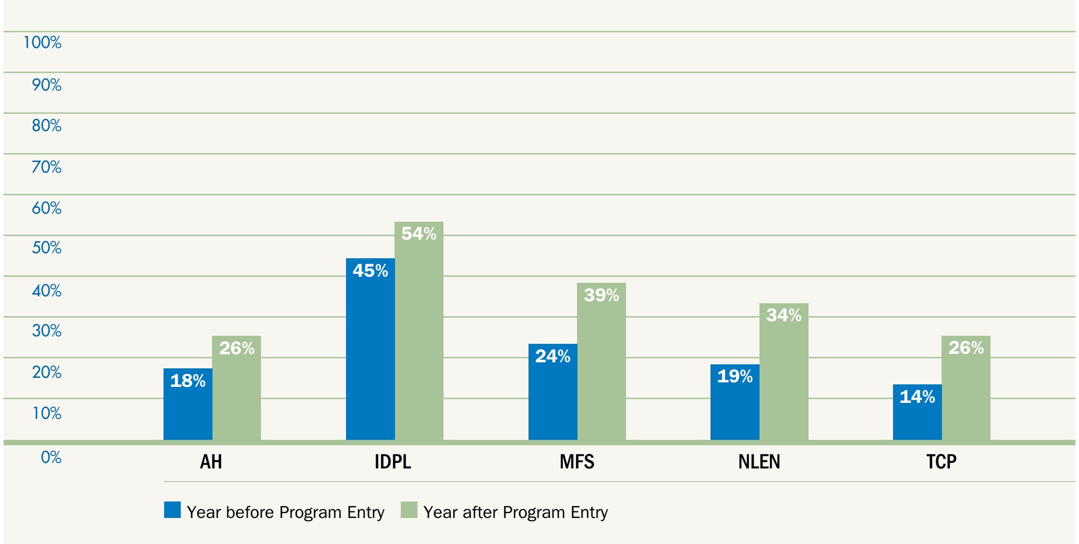
At all five sites, the percentage of participants who made any payments on a trade account (whether on time or late) increased from the year before to the year after program entry (**Figure B7**). The largest percentage changes were at NLEN and MFS. After accounting for differences in participants' characteristics across sites, the increase in the percentage of participants making payments at NLEN was greater than the percentage at AH, but other differences across the sites were not statistically significant.[27]

Figure B7 **Percent of FOC Study Participants Who Made Any Payments on Trade Accounts**



From the year before to the year after program entry, there were also increases at all five sites in the percentage of participants who paid any trade accounts on time (**Figure B8**). After accounting for differences in participants' characteristics, those at NLEN were significantly more likely than those at AH to pay any accounts on time, while other differences across the sites were not statistically significant.[28] From the year before to the year after program entry, MFS participants had greater increases than AH and IDPL participants in the number of on-time payments made, while other differences between the sites were not statistically significant.[29]

Figure B8 **Percent of FOC Study Participants Who Paid Any Trade Accounts On Time**



Appendix C:
Impacts for FOC Participants Who Received Financial Counseling

In addition to examining program impacts for everyone who sought assistance from the FOC programs, we examined the program impacts on FOC participants who received any financial counseling services. While the FOC model emphasizes the provision of integrated services, program administrators expected that participants who received any financial counseling would experience improved credit scores and credit usage. The estimated impacts in this section represent the effect of the treatment on the treated (TOT)—in this case, the effect of the program only on those who received financial counseling; the estimates do not apply to all participants who sought assistance from the FOC programs. We repeated the matching process described in Appendix A to create a comparison group for the FOC participants who received financial counseling. The characteristics of the FOC participants who received financial counseling and the weighted comparison group after matching are presented in Figure C8. While we matched participants on factors that we expected would influence their decision to participate in financial counseling, there is a greater chance than there is with the ITT estimates that there are unmeasured differences in FOC participants' and comparison group members' motivation that could influence their outcomes and bias the impact estimates. Therefore, caution is warranted in interpreting the results.

With the exception of Figures C3 and C4, the figures in this appendix include 403 FOC participants who received financial counseling and 975 comparison group members.[30] Our findings for the group of FOC participants who received financial counseling are largely the same as for the group overall. We did not find significant differences in whether participants had increased credit scores or became scored, but FOC participants who received financial counseling were more likely than comparison group members to have paid any trade accounts on time during the year after program entry.

Among the FOC participants who received financial counseling, 34 percent either had an increase in score or moved from being unscored to scored one year after program entry. This percentage was only slightly higher than that for the entire group of FOC participants and was not significantly different than the percentage for the comparison group (31 percent). Among the group of FOC participants who received financial counseling, the percentage who had a credit score decreased between program entry and one year later. While the decline was less than that for the comparison group, the difference was not statistically significant (**Figure C1**). The percentage of counseled FOC participants who had prime scores increased slightly between program entry and one year later, although the change was not significantly different from that of the comparison group (**Figure C2**).

Among the 191 FOC participants who received financial counseling and had credit scores both at program entry and one year later, there was not a significant change in average scores (**Figure C3**)[31] Fifty-nine percent of participants experienced an increase in scores, while 40 percent experienced a decrease in scores (**Figure C4**). The average change among those who had an increase in scores was 38 points, while the average change among those who had a decrease in scores was 44 points. As in the overall group of FOC study participants, the changes in scores among FOC participants who received financial counseling did not differ significantly from the changes the comparison group experienced.

We examined whether those who received financial counseling had increases in positive activity on their credit reports, such as opening or maintaining open accounts and making payments, which over time may lead to increases in scores and becoming scored. As shown in **Figure C5**, FOC participants who received financial counseling did not experience a decrease in having open trade accounts, which occurred among comparison group members, although the difference in the change between the two groups is not statistically significant.

The FOC participants who received financial counseling had slightly larger increases than the FOC group overall in the percentages who made any payments and who paid any trade accounts on time during the year after program entry (**Figures C6 and C7**). As with the full sample, the difference between the FOC participants and comparison group members who paid any trade accounts on time was statistically significant.

Figure C1 Percent of Participants Who Had a Credit Score

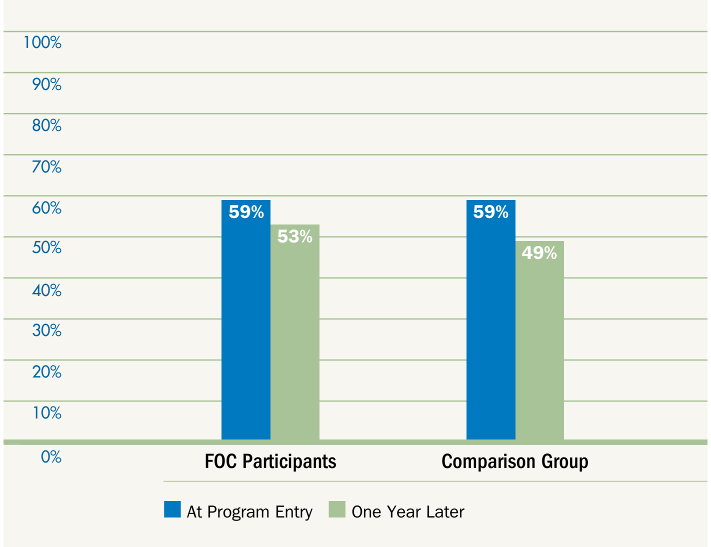


Figure C2 Percent of Participants Who Had a Prime Credit Score

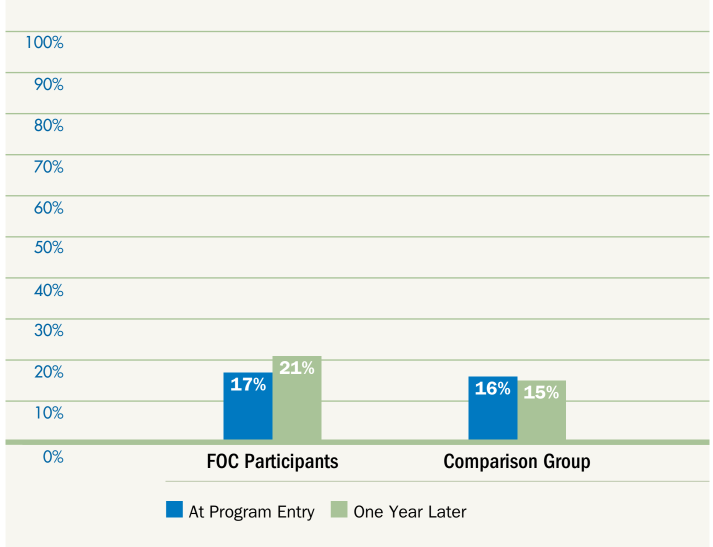


Figure C3 Average Credit Scores Among Participants Who Had Scores at Both Points in Time

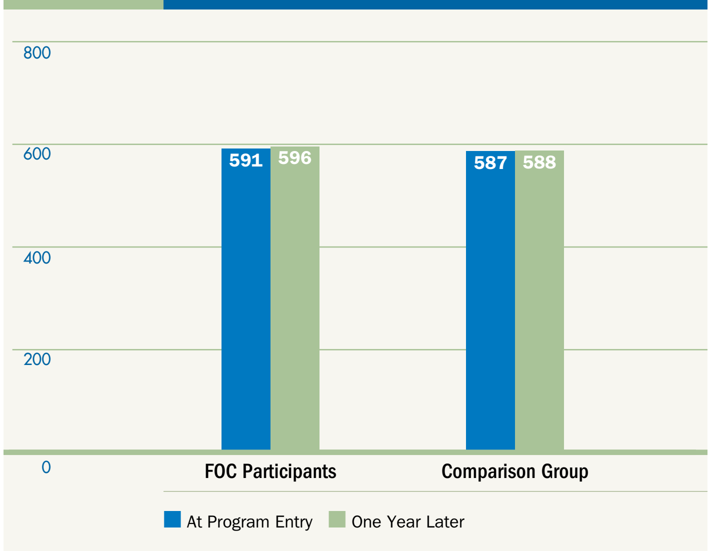


Figure C4 Type of Change in Scores Among Participants Who Had Scores at Both Points in Time

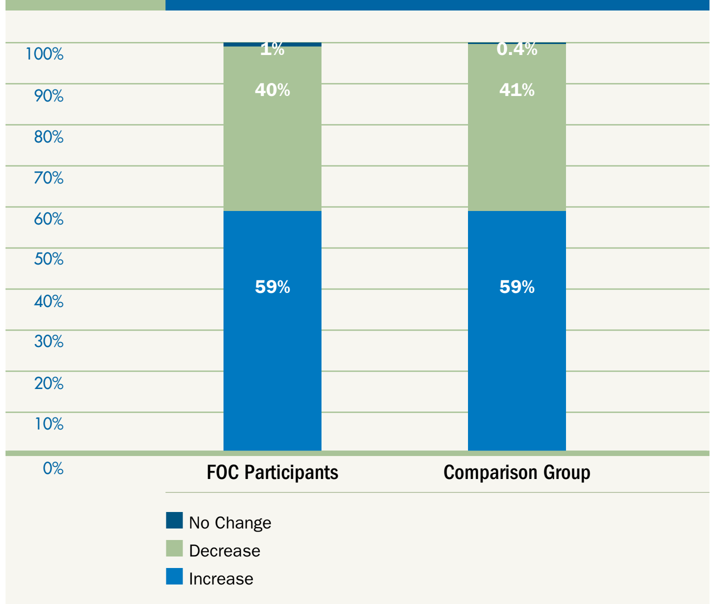


Figure C5 **Percent of Participants Who Had Any Open Trade Accounts**

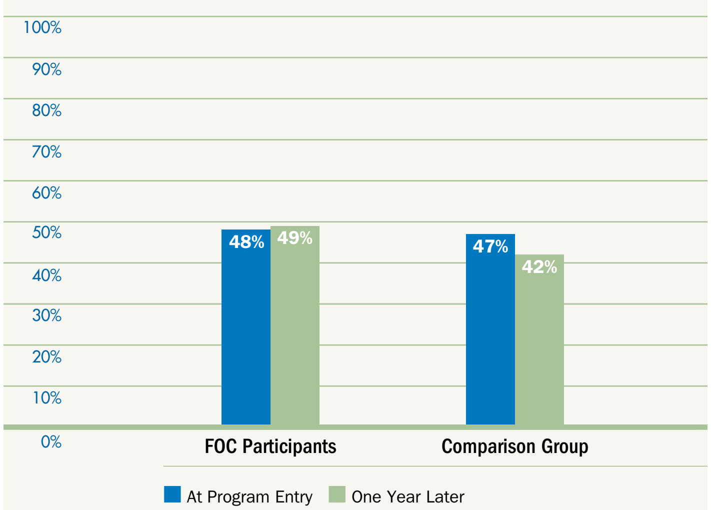
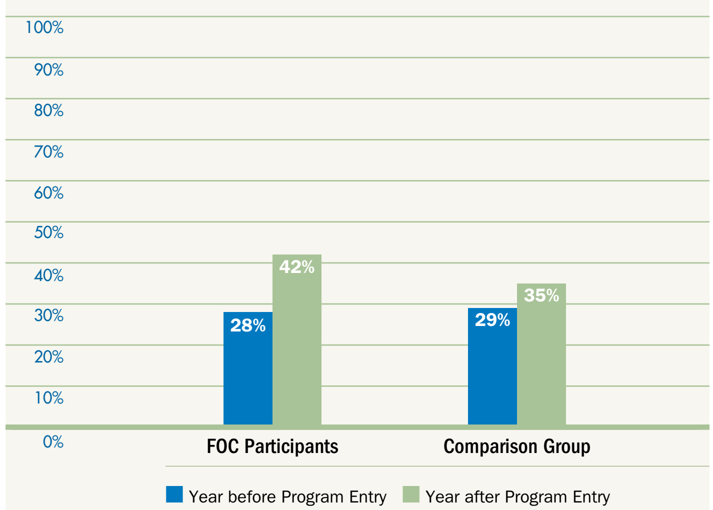


Figure C6 **Percent of Participants Who Paid Any Trade Accounts On Time***



**Difference significant at p<.10 level*

Figure C7 **Percent Who Made Any Payments on Trade Accounts**

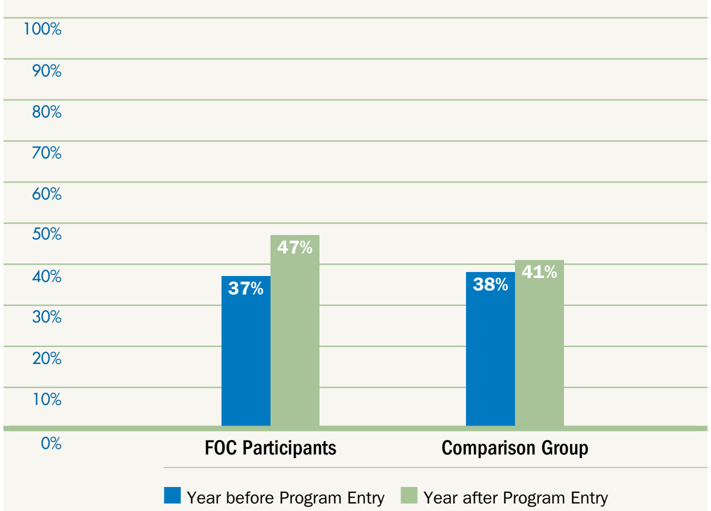


Figure C8 **Characteristics of the FOC Participants Who Received Financial Counseling and the Weighted Comparison Group at Program Entry After Matching**

	Treatment (FOC) Group	Comparison Group	Standardized Percentage Bias
Average earnings during the two years before program entry	$13,597	$13,686	−0.4
Average number of hours worked during the two years before program entry	1,239	1,266	−1.7
Average total value of assets	$23,632	$21,242	3.3
Average total value of debts	$20,679	$18,280	4.9
Average total income in the month before program entry	$1,205	$1,223	−1.0
Average total expenses in the month before program entry	$1,405	$1,332	5.7
Average age	38.6	39.0	−3.0
Male	51.1%	52.1%	−1.9
Black	69.9%	69.3%	1.4
Hispanic	26.9%	27.4%	−1.3
Primarily speak a language other than English at home	25.3%	24.1%	2.9
US citizens	93.8%	92.8%	4.2
Do not have a high school diploma	22.8%	23.5%	−1.7
Have a college degree	14.4%	14.1%	0.9
Have a criminal conviction	40.4%	39.6%	1.8
Have a health condition that limits their ability to work	12.7%	13.1%	−1.3
Married	18.4%	17.8%	1.4
Have never been married	63.3%	60.9%	4.9
Have any children under age 18	47.9%	48.1%	−0.4
Average number of family members in the household	2.9	2.7	7.0
Homeowners	12.4%	11.1%	4.3
Homeless	5.2%	5.4%	−0.8
Rent their home	56.8%	58.2%	−2.8
Receiving SNAP	61.3%	61.6%	−0.6
Have filed for bankruptcy in the past year or are in the process of filing for it	7.0%	6.8%	0.5
Have collection agencies contacting them about claims	31.7%	31.5%	0.4
Are behind in making rent or mortgage payments	17.6%	17.5%	0.2
Are behind in making utilities payments	25.9%	27.1%	−2.6
Do not have a credit score	41.2%	43.3%	−4.3
Have a subprime credit score	41.2%	43.0%	−3.6
Average number of derogatory public records on credit report	0.310	0.301	1.1
Average number of trade accounts with balances on credit report	2.3	2.2	4.0
Made late payments on trade accounts in the year prior to program entry	9.4%	8.6%	2.7
Average number of trade accounts on credit report that were never late	3.82	3.55	3.7
Average number of inquiries into credit in the past year	1.5	1.5	0.1

Note: To balance the groups, the final logit model included interaction terms for gender by criminal conviction status and for race (Black) by criminal conviction status, no high school diploma, and currently married.

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