

Gap Analysis of the Current Financial Services Network in Calhoun County

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**The W.E. Upjohn Institute for Employment Research
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When do “gaps” exist in the financial services network?

■ Gaps can exist when:

- Programs do not address the key barriers faced by persons striving to gain financial self-sufficiency.
- Organizations lack the capacity to meet demand for their services.
- Criteria or costs exclude those who would legitimately benefit from the service.
- Information networks are inadequate in reaching all groups who are in need of the service.




What is our objective in conducting a “gap analysis” of financial services?

- To answer this question: If the community had one additional dollar to spend on improving the financial situation of economically- disadvantaged individuals, where should it be spent?



Steps in the Process

- Identify characteristics of low-income individuals in Calhoun County.
- Assess community needs as seen by service providers.
- Survey financial service customers.
- Examine current programs.
- Analyze and recommend.




Characteristics of Low-income Individuals in Calhoun County

Using the public use microdata sample (PUMS data) from the 2000 U.S. Census, a 5 percent sample of the population of Calhoun County was examined to identify characteristics unique to individuals living at or below 150 percent of the poverty line.



Low-income residents have low levels of formal education.

- In 2000, 37.8 percent of low-income adults ages 25 and over did not have a H.S. diploma, compared to only 16.8 percent of all county residents.
- The portion of low-income adults who completed an Associates degree (2-year degree) or higher level of education was only 5.7 percent in 2000, compared to 23.9 percent of all county residents.




Many low-income teenagers and young adults are “adrift.”

- Of those living at or below 150 percent of the poverty line:
 - 20.6 percent of teens ages 16 to 19 were neither employed nor enrolled in school.
 - 30.4 percent of young adults ages 19 to 24 were neither employed nor enrolled in school.

Many low-income residents are detached from the labor force

Characteristics of Persons Ages 16 and Up	Persons Below 151% Poverty		Persons Above 150% Poverty	
	Count	Percent of Sample	Count	Percent of Sample
Total in Sample	1,004		4,529	
Full-time & Year-around Employment				
w/ work hours > 35 per week last year	247	24.6%	2,638	58.2%
w/ work weeks > 45 last year	205	20.4%	2,578	56.9%
Unemployment Rate	14.8%		3.8%	
Participation Rate	42.3%		68.1%	



Persons under age 35 and females with children are over-represented among the poor.

- 23.1 percent of persons between ages 16 to 34 live at or below 150 percent of the poverty line, compared to only 15.4 percent of those age 35 and older.
- 21.2 percent of females with children are low-income, compared to 17.7 percent of the population ages 16 and up.

Perhaps the biggest problem is a changing economy with too many low-wage jobs.


Forecast of Top Occupations by Number of Annual Openings 2000 to 2010

Occupation Title	2000 Employment	Annual Openings	2002 Average Hourly Wage (\$)
Combined Food Prep/Serv Wrkr, Inc Fast Fd	2,670	231	6.92
Retail Salespersons	3,905	214	9.52
Cashiers	3,135	192	7.85
First-Line Sup/Mgrs of Retail Sales Wrkrs	2,780	102	16.91
Waiters and Waitresses	1,350	99	6.88
Child Care Workers	1,420	76	8.65
Home Health Aides	955	59	8.82
Nursing Aides, Orderlies, & Attendants	1,610	54	10.38
Carpenters	1,210	52	17.17
Stock Clerks and Order Fillers	1,360	50	11.31
Food Preparation Workers	820	49	8.40
Janitor/Cleaner, Ex Maid/Housekeep Cleanr	1,435	47	10.59
Cut/Punch/Press Mach Settrs/Opr/Tndr, M/P	1,120	45	11.45
Registered Nurses	1,395	45	23.68
Bartenders	875	41	7.20




Assessing Needs

- The service-provider perspective
- The customer perspective




Assessment of community needs as seen by service providers:

Three focus groups were conducted with representatives of local non-profit, governmental, and community organizations. These individuals provided insight on the common problems seen by the providers of financial services.



Many problems, a few common themes...

- Customers are often not aware of or are hesitant about available programs.
- Seniors need services dealing with shelter issues and prescription drug costs.
- Affordable dental care is difficult to find.
- Financial literacy skills need improvement.



Many problems, a few common themes... (continued)

- Transportation options are limited. Repairs to worn-out cars is a major cost drain.
- Basic literacy and English language skills are often lacking.
- Affordable child care is especially limited for persons working non-traditional work hours.



The Customer Perspective

- The Institute's survey of three diverse customer bases
- Community Action Agency's 2003 survey
- Analysis of data from "Call 211"



Financial Services' Customer Surveys

Over 100 surveys were completed by service customers from Guardian, Michigan Works!, and Neighborhoods Inc., using a survey form prepared for this report.



Survey responses were very reflective of each organization's specific clientele.

- Top Guardian MMA responses: no other needs, help with prescription costs.
- Top Neighborhoods Inc. responses: assistance with first month of rent, finding a place to live, finding a job, transportation.
- Top Michigan Works! responses: finding a job, job skills training, education completion, finding a place to live.



Community Action Agency's 2003 Barrier Survey

In the summer of 2003, the Community Action Agency surveyed all service recipients regarding the barriers preventing their self-sufficiency. Nearly 1,200 surveys were completed.



CAA Survey – Top 10 Barriers to Success Cited by Participants

1. Physical & mental health problems
2. Disability
3. No H.S. diploma
4. Credit and money problems
5. No college degree
6. Not enough jobs
7. Transportation problems
8. Divorce or single parent situations
9. Not able to work around the house
10. Need job training



Analysis of “Call 211” data

The “Call 211” call center provides a central referral point for financial service providers in Calhoun County. They provided us with data on 18,210 calls received between September 2003 and June 2004.

Referral Rates for First Time Callers to “Call 211”

Top 211 Service Needs of First Time Callers

<u>Description</u>	<u>Referred Count</u>	<u>Unmet Count</u>	<u>Portion of Total Calls Unmet</u>
Gas Bill Assistance	205	45	18.0%
Rent Assistance	95	102	51.8%
General Food Assistance	161	2	1.2%
Electric Bill Assistance	102	35	25.5%
General Apparel	80	4	4.8%
Prescription Expense Assistance	54	26	32.5%
Home Maintenance Services	53	6	10.2%
Dental Care	37	20	35.1%
Transportation	20	24	54.5%
Household Goods	43	1	2.3%
Mortgage Assistance	22	19	46.3%
Subsidized Rental Housing	32	2	5.9%
Water Bill Assistance	20	12	37.5%
Emergency Shelter	21	11	34.4%
General Legal Aid	22	1	4.3%

The percentage of first time callers whose problems go unmet by not receiving a service referral varies greatly by type of need. This data suggests that the most serious service gaps are related to transportation, rent and mortgage payments, utility bills, and dental care.



Current programs addressing the financial needs of low-income residents:

- For-profit businesses – some good and a lot of bad.
- Government programs and non-profit organizations – numerous operations serve a large clientele.



For-Profit Financial Services

The good...

- Commercial banks – Our analysis suggests mainstream financial services such as free checking accounts are readily available in Calhoun County, even in or near many low-income areas. However, other barriers may still exist in the form of ID and employment verification requirements.



For-Profit Financial Services

The bad...

- Sub-prime lenders – High interest rate mortgage and auto lenders. Many are legit, but others hide fees and unfavorable terms.
- Rent-to-own stores – Offer furniture, appliances and electronics for sale, usually on a one- or two-year lease payment plan. Prices are high, and interest rates are nearly impossible to determine.
- Payday lenders – These companies provide quick loans for extremely short durations of one to four weeks. Financing costs are extremely high—usually 500% to 1,200% APR or higher.

Government Programs

Traditional and often limited only to the very poorest families.

- FIP Income Support – Cash payments available only to extremely poor families with children.
- FAP Food Assistance – Provides food stamps to low-income households.
- Emergency Assistance – Some government funds are available for emergency payments such as utility bills and repairs.

Non-profit Programs

A wider variety of programs offering mainly non-cash assistance.

- Food and clothing – The most widely available assistance, usually distributed from donated supplies.
- Housing – Subsidized rental units, home purchase programs, and assistance with repair and upkeep.
- Emergency funds – Usually limited to once-a-year cash payments toward expenses such as past-due utility bills or rent.
- Hands-on services – specific assistance programs for unique needs, i.e. senior transportation, supervision of persons with mental disabilities.
- Education – Budget classes, job training, English language and other skill improvement programs.



Findings: Few Key Service Gaps

- Cash assistance for utility bill and rent payment emergencies is too limited. The existing programs are good, but funding is not stable year-round.
- Dental care is not available to enough low-income residents. High costs and a lack of willing dentists are limiting treatment to only the most severe cases.
- Income maintenance programs are extremely limited, have strict eligibility requirements, and leave participating families far below the poverty line. Although this is a statewide problem, it is worth noting since these individuals are extensively reliant on local non-profit service providers as well.



Policy Recommendations

- Promote “Call 211” to the same level of awareness as 911.

We believe a centralized referral system is the most effective way of helping the greatest number of people. Continuous resource development will be needed to ensure the system’s capacity keeps up with call volume as it becomes better known.



Policy Recommendations

- Strive to capture “teachable moments” when working with low-income individuals. Money management and decision-making skills are essential to improving one’s financial situation; however, it is difficult to improve these skills in the midst of a crisis. Instead, it is important to reach people before problems arise or when their motivation is high.



Policy Recommendations

- Try turning emergency grants into negative interest rate loans.

For example, if an individual needs to pay a large utility bill, they would be provided with a loan instead of a grant, which they would be rewarded for paying back by a refund of part of their money. This rewards financially responsible behavior, maintains greater funding for the program, and could even be used to help customers rebuild their credit history.



Policy Recommendations

- Develop a Community Development Credit Union (CDCU) to provide an alternative to the high-cost private sector lenders.

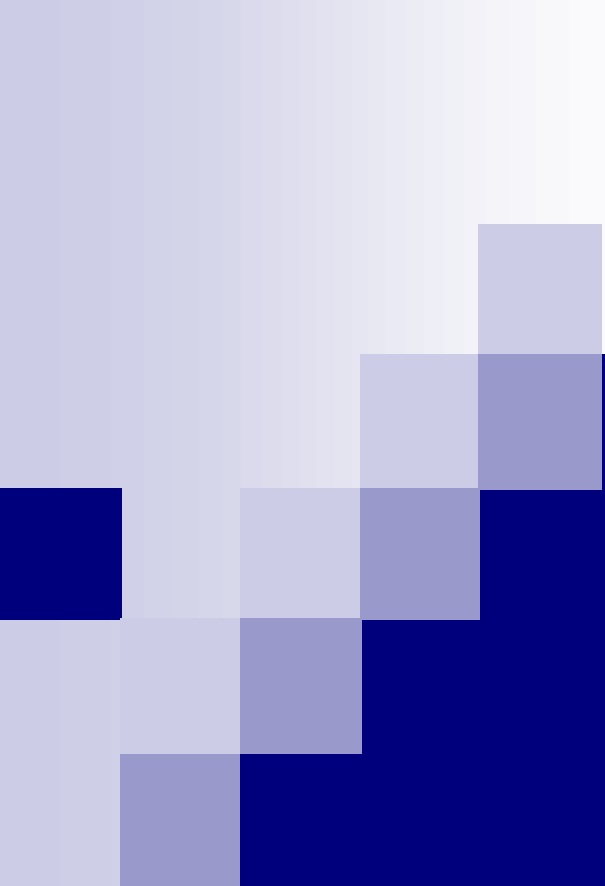
A CDCU will serve all community members without facing the same regulations and concerns as traditional banks and credit unions.



Policy Recommendations

- In the long-run, the solution is to develop the “human capital” of today’s low-income residents.

The greatest challenge facing low-income individuals is that they do not have the skills or work experience necessary to get beyond the plentiful supply of low-wage, dead-end jobs.



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