

# The Brookings Institution

Metropolitan Policy Program  
*Matt Fellowes, Senior Research Associate*

## Defining the Policy and Market Resource Context for Asset Building

NCCED 2005 Annual Conference – Asset Building Institute





## Defining the Policy and Market Resource Context for Asset Building

I

What is the family context for expanding asset ownership?

II

What is the policy and market resource context for asset building?

III

What are the promises and perils of this policy and market context?



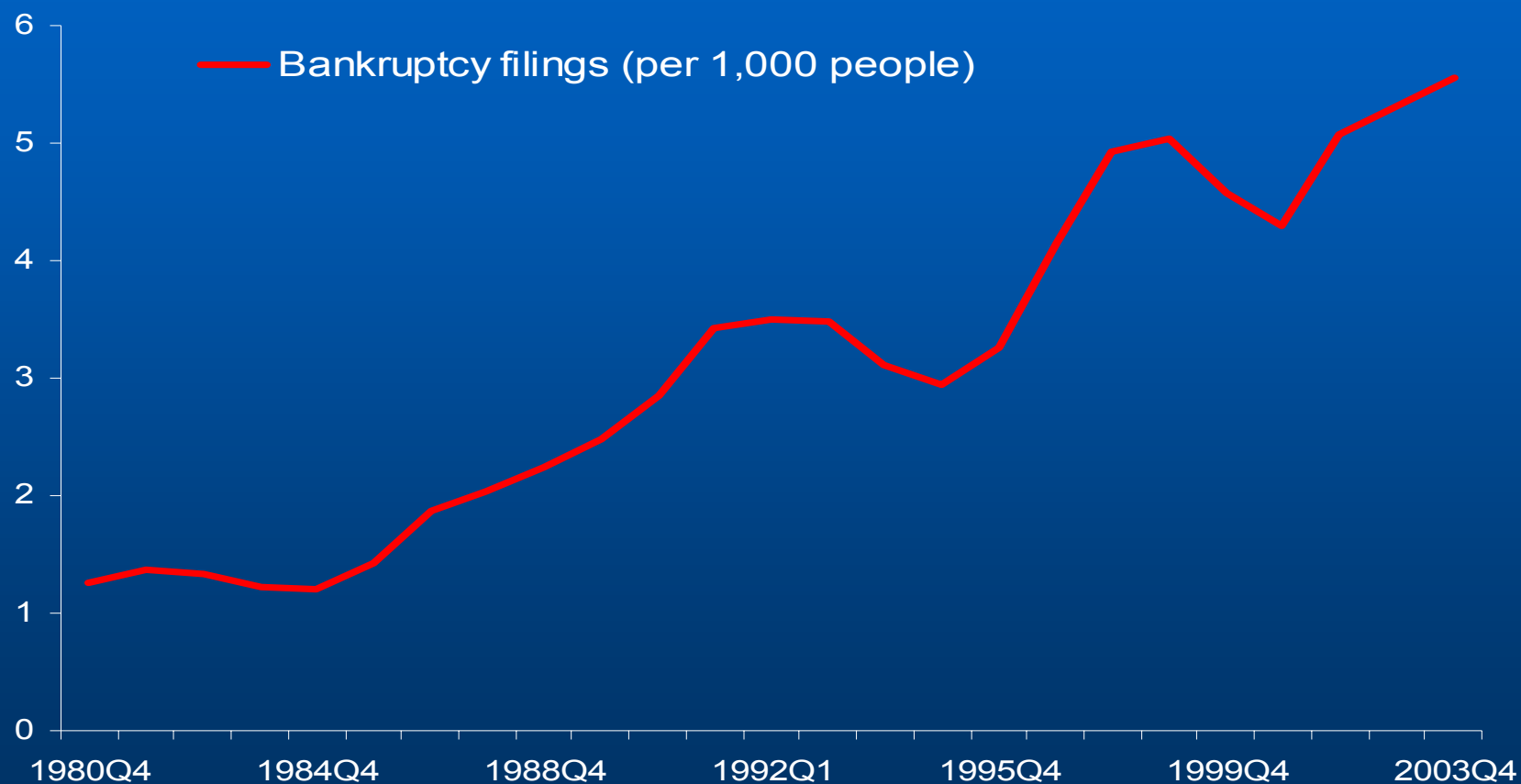
## How are low income families fairing in the ownership society?



A seesaw comes to mind...



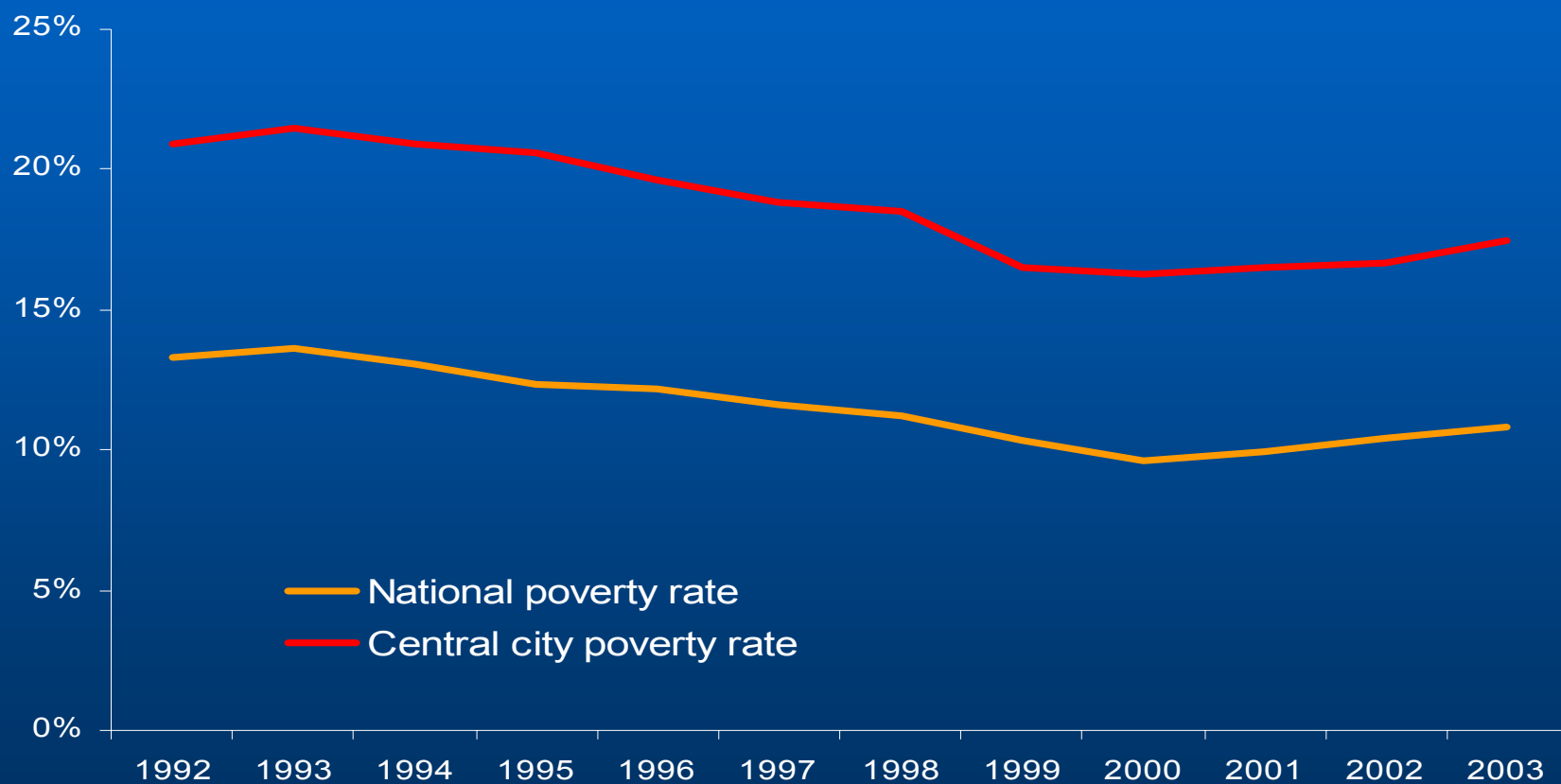
# Homeownership is up, but so are foreclosures and bankruptcies



Source: Fellowes and Katz (2005), The Brookings Institution



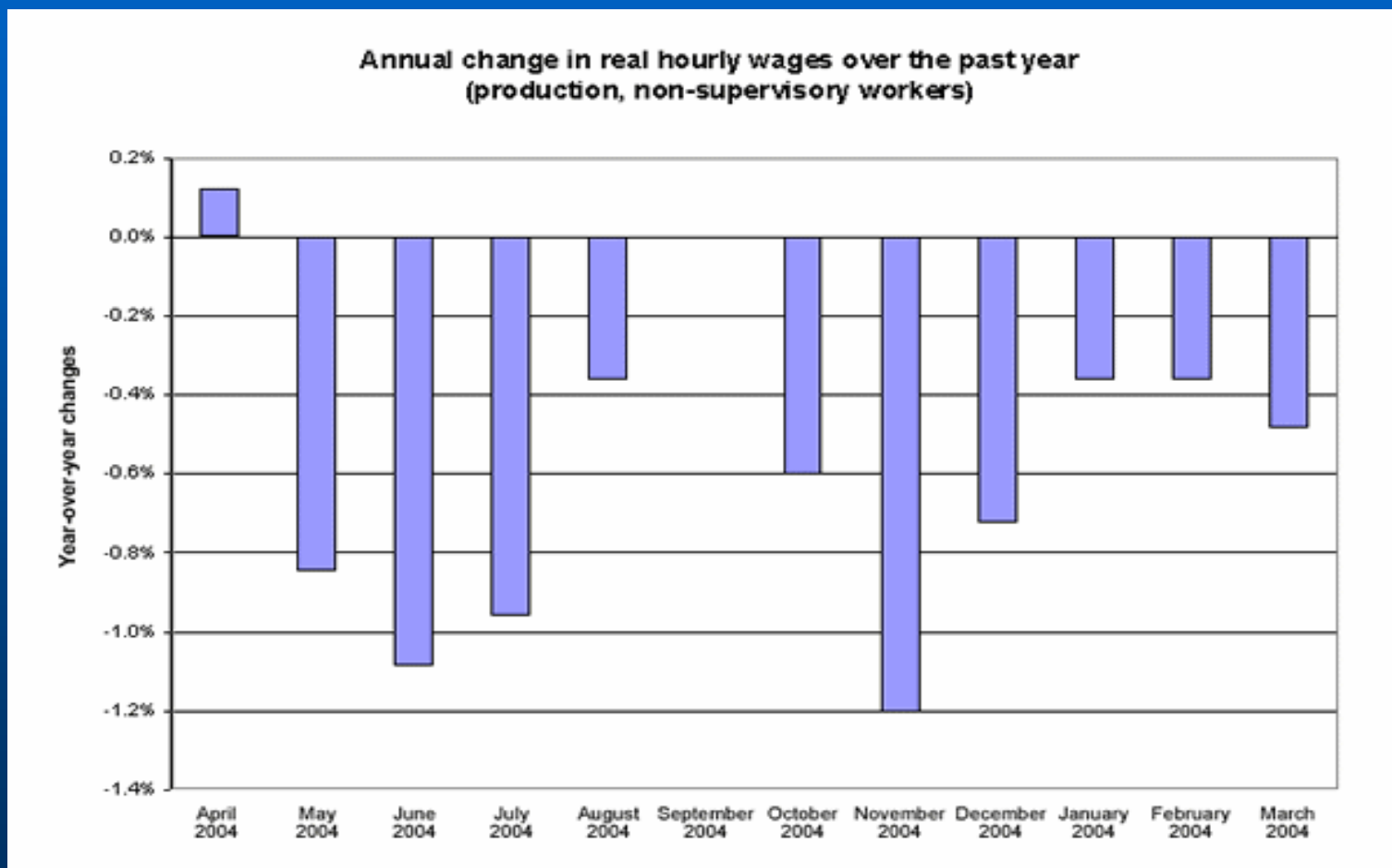
# Welfare rolls are down, but the poverty rate is trending up



Source: Fellowes and Katz (2005), The Brookings Institution



# Unemployment is falling, but wages lagged inflation 11 of the last 12 months



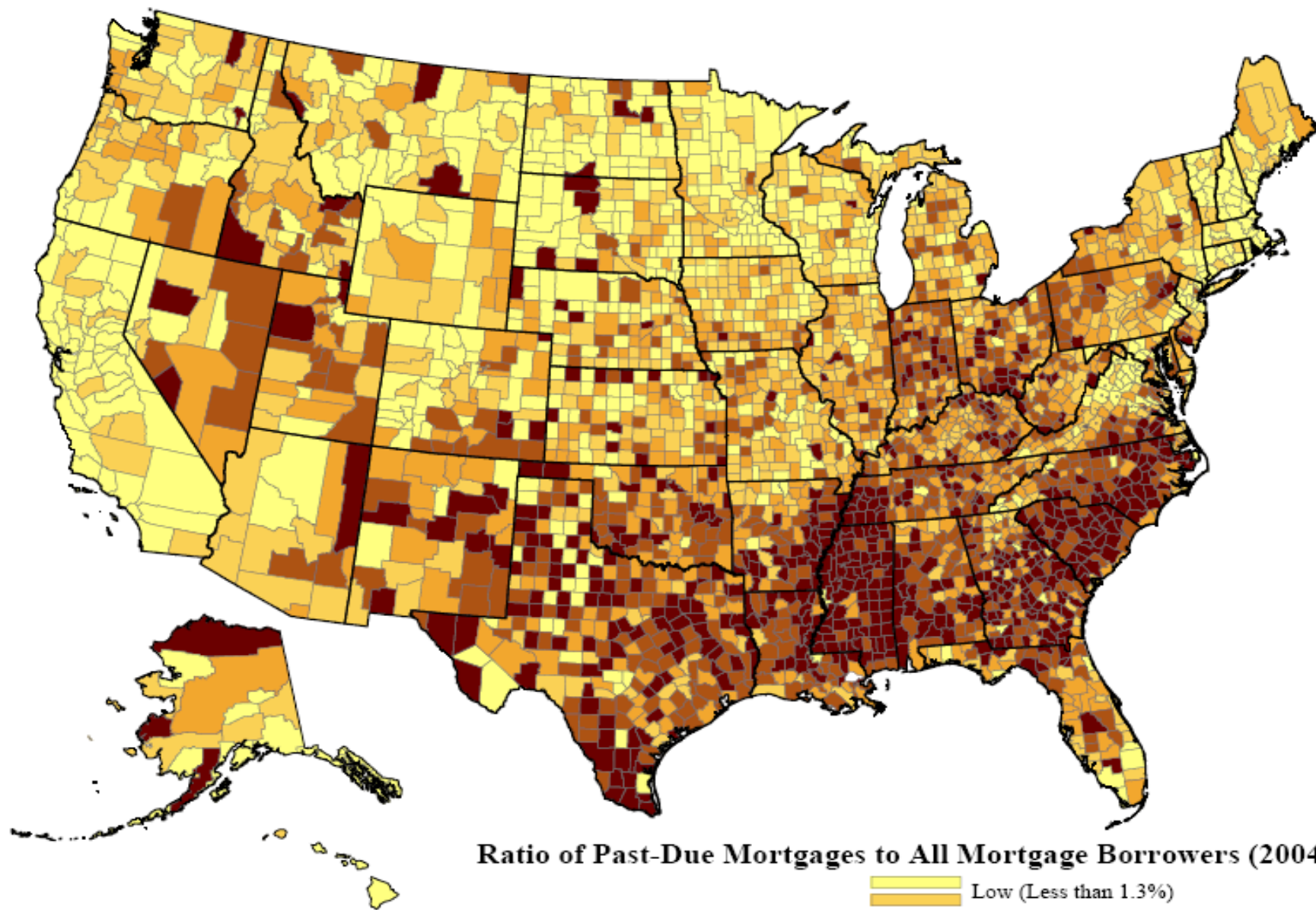
Source: Economic Policy Institute



**Bottom line:** An increasing number of low-income families work and own assets like homes; but at the same time financial insecurity has significantly increased.

Of course, none of these trends are even across the country.





**Ratio of Past-Due Mortgages to All Mortgage Borrowers (2004)**

- Low (Less than 1.3%)
- 
- 
- High (More than 3.5%)

Source: Matthew Fellowes, Senior Research Associate, The Brookings Institution  
 Note: Data displayed by county; past due mortgages are 60 days + past due





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The **federal government** is disinvesting from traditional programs, and reinvesting in trickle-down growth

1. Spending cuts

2. Regulatory changes

3. Tax cuts



Meanwhile, a flurry of **state and market innovation** is going on, including within traditional poverty reduction strategies

## 1. Broaden access to jobs

**Includes:** Workforce development, spatial access to jobs, economic development, education..

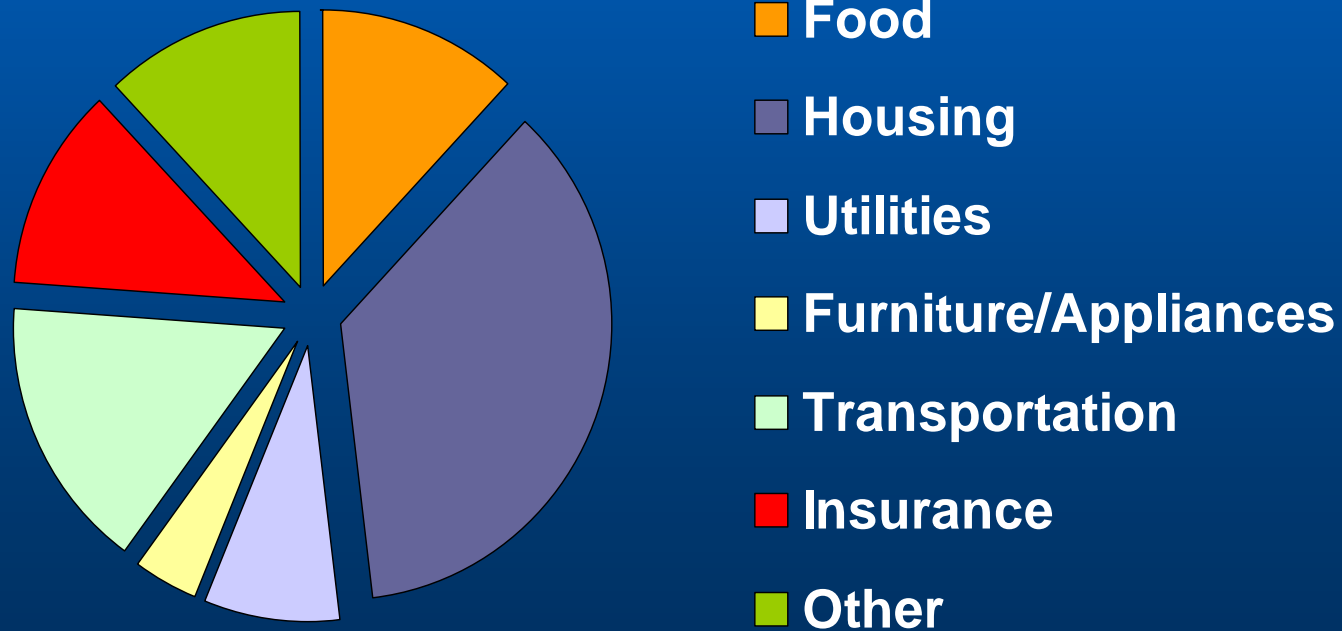
## 2. Make work pay

**Includes:** Minimum wage laws, access to federal benefits (e.g., EITC), asset development, worker benefits..



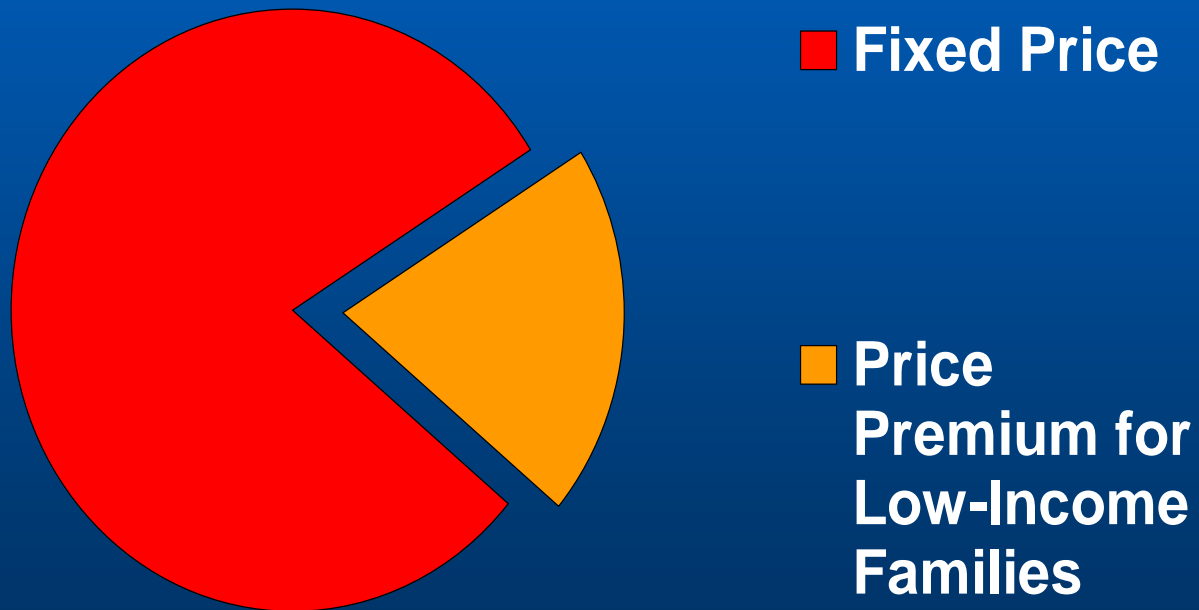
But, there is also a 3<sup>rd</sup> set of strategies emerging, which hold out a potentially powerful set of opportunities

### 3. Reduce the costs of living



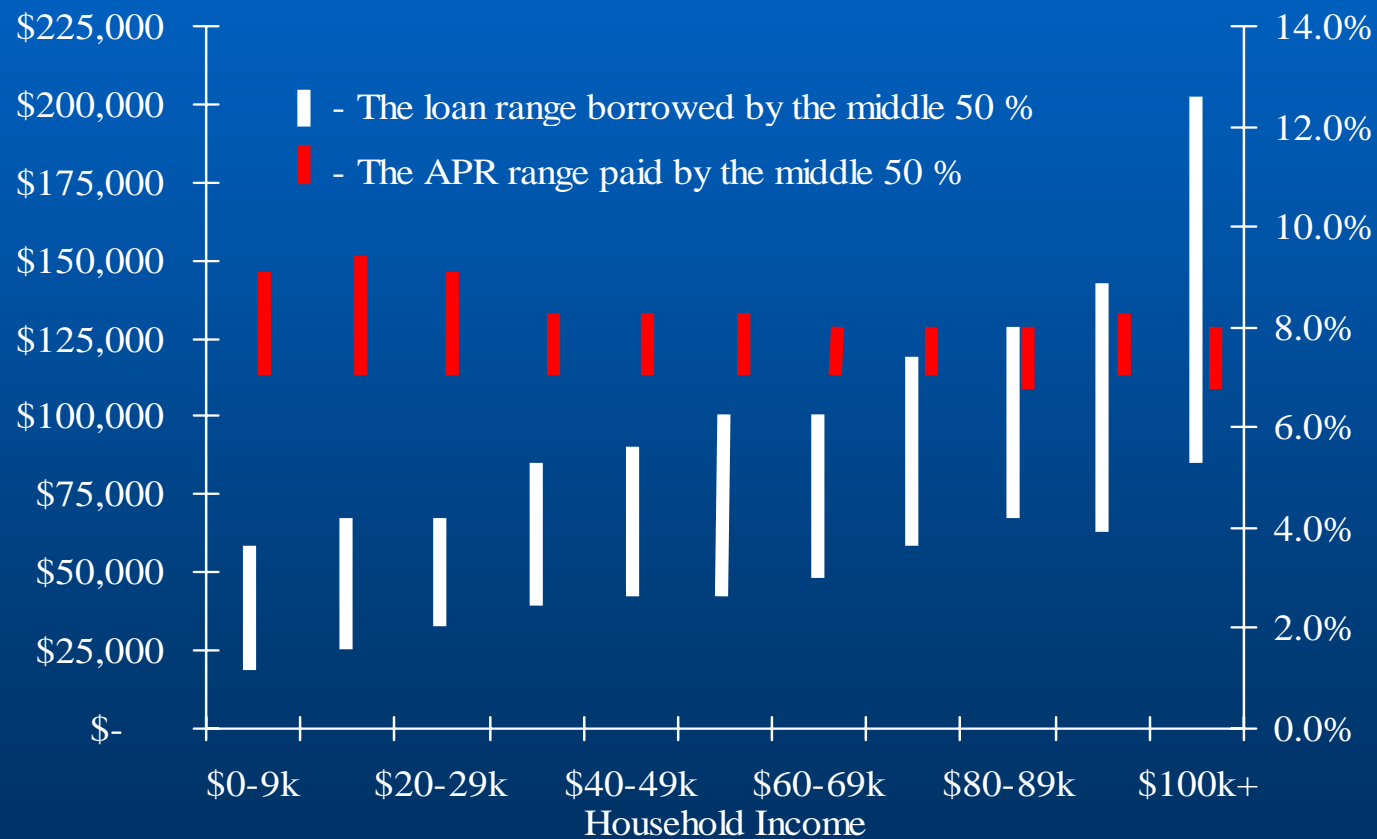


Low-wage families pay higher prices than higher income HH for nearly every basic necessity





# For example, low-income families pay higher prices for mortgages



Source: Fellowes and Katz (2005), The Brookings Institution



Potentially thousands of dollars in extra income can be put back into the pockets of low-income working families for investments in educations, homes, and retirements.

- **\$100s** more to buy the same car
- **\$100s** more to borrow the same amount of money for an auto loan
- **\$100s to \$1,000s** more to insure the same car and driver
- More to buy food in their neighborhood
- **\$100s** more to access the same amount of money
- **\$100s** more to borrow the same short-term loan amount
- **\$100s** more to establish the same type of utility service
- **\$100s** more to borrow the same amount of money for a home loan
- **\$100s** more to insure the same value of a home
- **\$100s** more to buy the same appliances and furniture





To do this, state and market leaders are contending with three major causes of higher prices

## Higher Risk



## Market Abuses



## Information Deficits



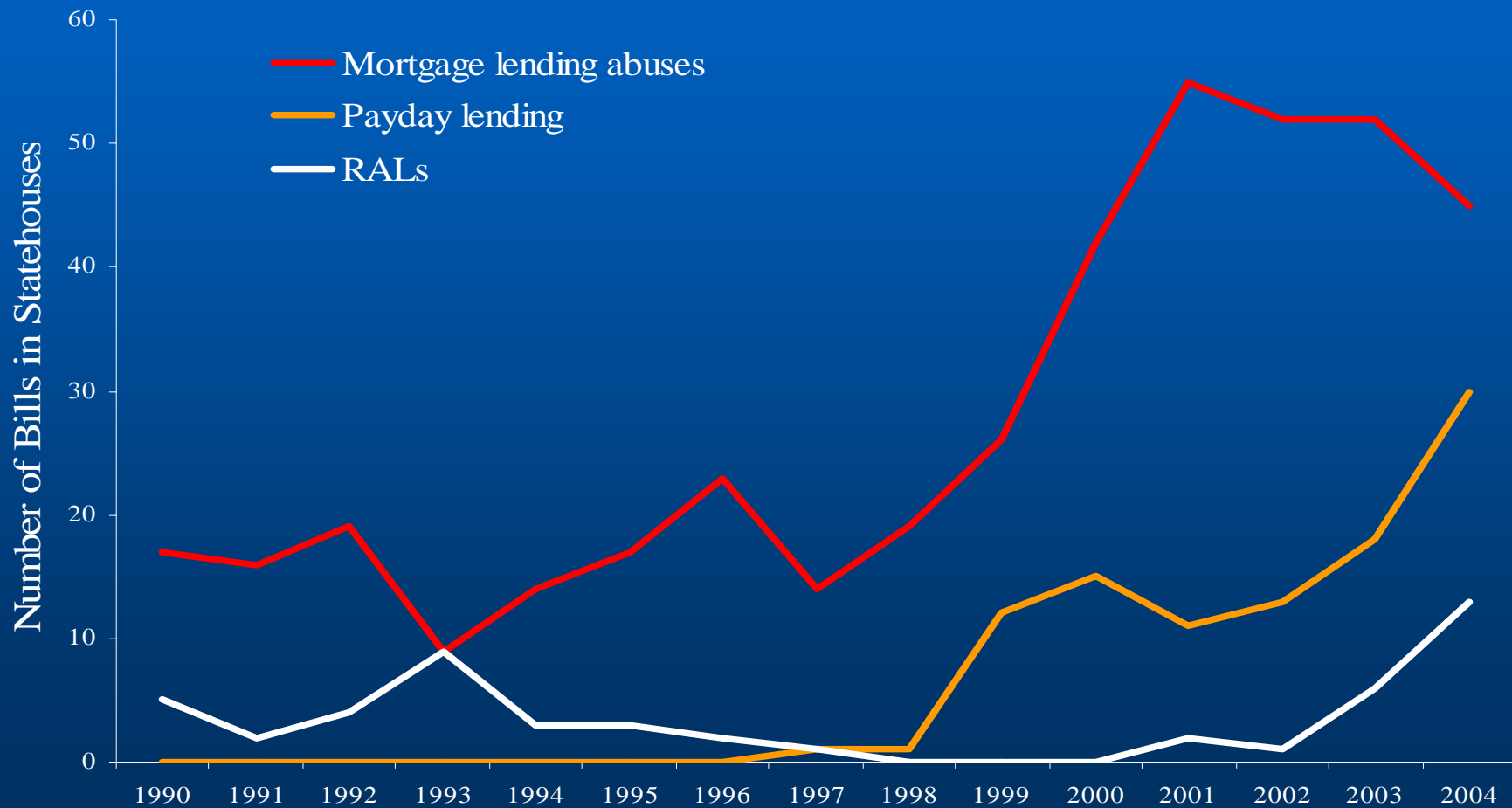


**State and market leaders** have taken a number of steps to address these problems in the past decade, particularly the last four years.

Here are some examples:



Statehouses and the private sector have taken a number of steps to reduce **market abuses**. For example:



Source: Matthew Fellowes, The Brookings Institution



Statehouses and the private sector have taken a number of steps to reduce **risks of doing business**.

Among other strategies, they have moved to:

1. **Subsidize higher risks**



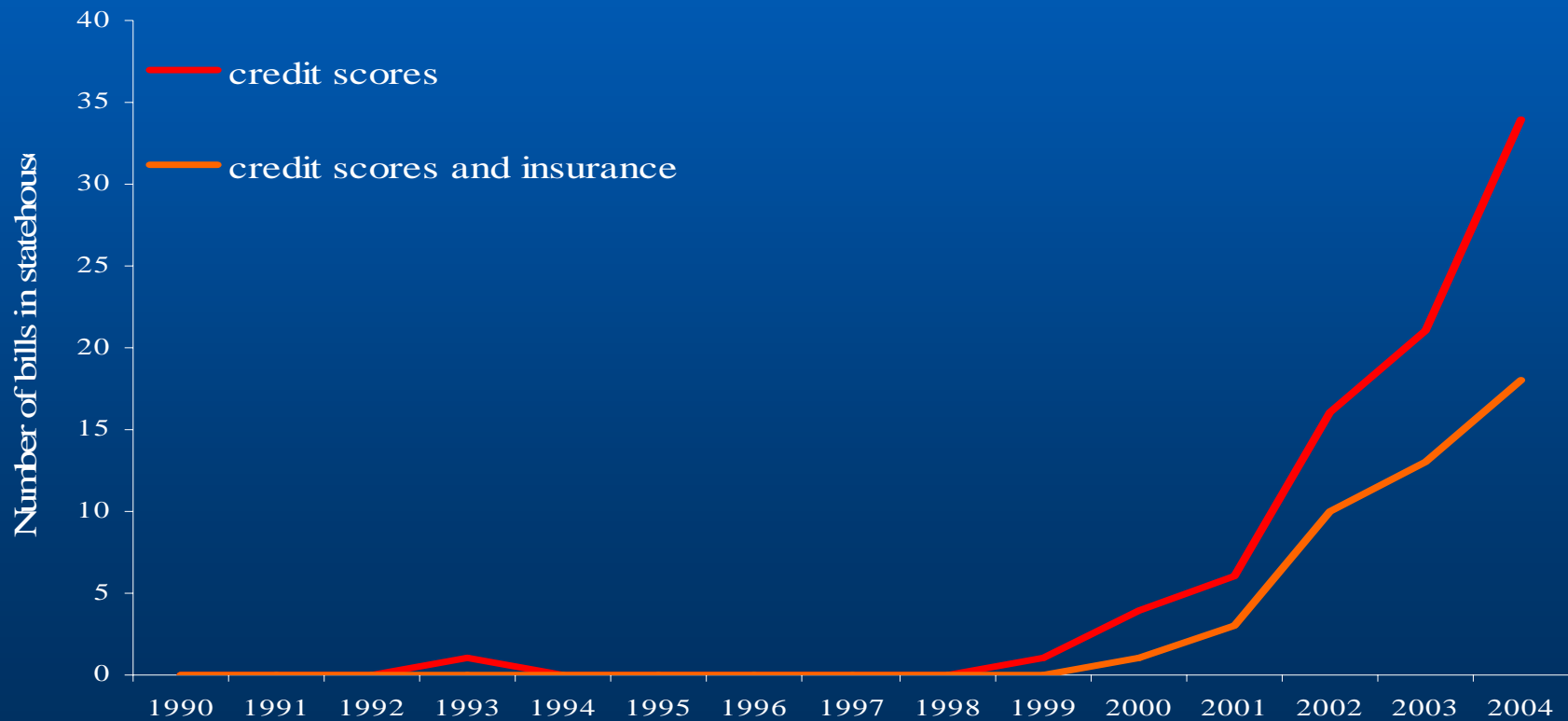
2. **Pool risks among consumers**





Statehouses and the private sector have taken a number of steps to reduce **risks of doing business.**

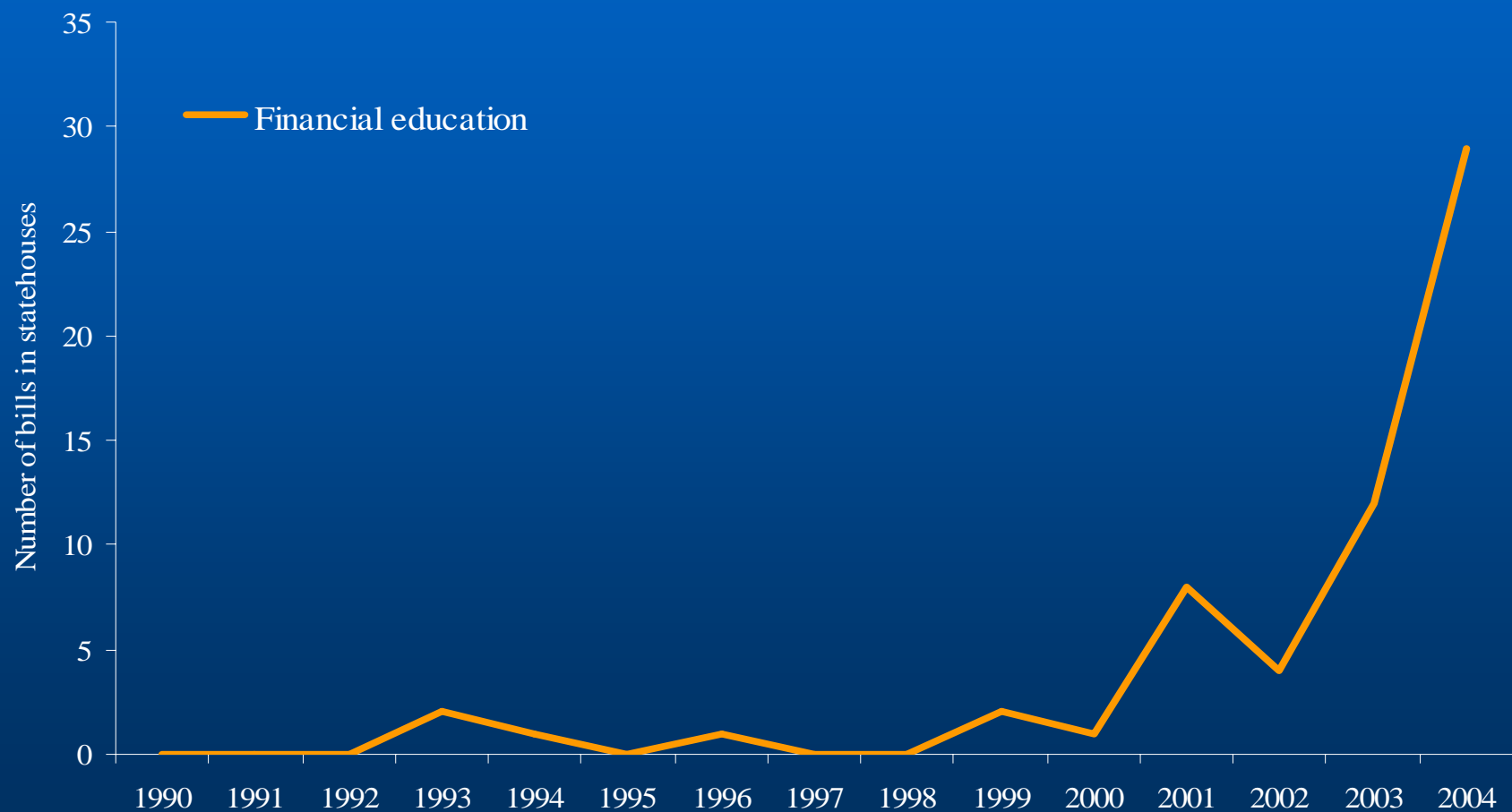
### 3. Examine how risk is measured



Source: Matthew Fellowes, The Brookings Institution



# Statehouses and the private sector have taken a number of steps to boost **market transparency**.



Source: Matthew Fellowes, The Brookings Institution



For these reasons, state economies – both the rules in the marketplace and the opportunities for working families – are transforming in ways that work to build assets.

New earmarked expenditures, regulations, and market innovations are defining this innovation





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Is this a good or a bad development for working families?

Time will tell.

In the meantime, it's important to note that:

State and market innovation is predictably uneven

Much of the focus is on traditional policies

The federal government is trying to usurp state power in many areas



It is absolutely essential that efforts to help low-income families invest and preserve assets involve more than just new government programs;

**Leaders must also harness the self-interest of entrepreneurs and area businesses.**

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#### Urban Center Becomes Metropolitan Program

In a major promotion, the Center on Urban and Metropolitan Policy this month became the Brookings Metropolitan Policy Program—and the first new Brookings department established since 1948. The new status reflects the rising importance of metropolitan issues to the domestic and global challenges Brookings seeks to address.

▶ read an open letter from Brookings President Strobe Talbott

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June 21, 2004

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#### Mechanisms for Market-Based Land Use Control

Using case studies and a national survey, this paper examines transfers of development rights (TDRs) and other market-based land preservation techniques like mitigation banking and density transfer fees.

### IMMIGRATION

#### Washington Goes Polyglot

Metro Washington's "limited English proficient" (LEP) population

