

RESEARCH BRIEF #2

The Role of Faith-Based Organizations In Promoting Family Economic Success

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The Annie E. Casey Foundation

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October 2002



The Annie E. Casey Foundation



Acknowledgments

The Role of Faith-Based Organizations in Promoting Family Economic Success was written and prepared by Carolyn D. Hayden, Vice President, The National Economic Development and Law Center (NEDLC).

Established in 1969, NEDLC is a nonprofit public interest law and planning organization that specializes in community economic development. Based in Oakland, California, NEDLC works nationally in collaboration with others—community organizations, private foundations, corporations, and government agencies—to build the human, social, and economic capacities of low-income communities and their residents.

The principal researcher for this publication was Jewell Dassance, President, The Dassance Group, a consultant services group created to provide technical assistance and training in developing programs for children and families. Based in Washington, D.C., The Dassance Group provides support for churches, community-based and national organizations, government agencies, and schools.

Many people and organizations generously contributed their time and expertise to the research and preparation of this report. In particular, we thank The Annie E. Casey Foundation, and especially Senior Associate Carole Thompson, for their generous support. Thanks are also extended to Marsha Caldwell, NEDLC, for the support and expertise she provided to the project.

We are grateful to the representatives of each of the initiatives profiled in this report for sharing their time and experiences with us, as well as the following individuals and organizations who helped us with referrals and other critical information:



Ismael Ahmed
Arab Community Center for Economic
and Social Services
Detroit, MI

Damon Bethea
Aspen Institute, FIELD Program
Washington, DC

Jackie Dupont-Walker
Second Episcopal District
Washington, DC

Peter Genaurdi
Corporation for Enterprise Development
Washington, DC

Neill G. Goslin
National Center for the Urban Community
at Tulane and Xavier Universities
Tulane University
New Orleans, LA

Samuel Harrell
Zoe Life Enrichment Foundation
Harrisburg, PA

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National Federation of Community
Development Credit Unions
New York, NY

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Internal Revenue Service
Wage and Investment Operating Division
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The Congress of National Black Churches
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INTRODUCTION



INTRODUCTION

Despite rapid economic expansion in the 1990s, financial security eludes more than 32 million American families living in poverty,¹ and many millions more who live just above the poverty level on earnings too small to support their basic needs.

Unable to find full-time employment that pays a living wage, millions of Americans involuntarily work part-time, and many labor at multiple low-wage jobs in order to piece together a full-time income. Even when incomes are substantially above the poverty line, many families find themselves living on America's economic fringes, doing without the basics that most of us consider essential to a decent standard of living.

We have just emerged from an unprecedented era of sustained national prosperity, yet some of the poor and near poor are actually worse off now than they were five years ago. For them, relief came late and benefits were meager compared to the rapidly escalating wealth enjoyed by upper-income families throughout the 1990s.

It takes more than economic "good times" to bring poor and working-poor families into the financial mainstream and create secure futures for their children. A new paradigm for family economic success must be created, a model that includes living wages, savings and wealth-building strategies, employee benefits, nonprofit and faith-based services, government resources, and private philanthropy.²



Widely recognized for their valuable work in housing and community development initiatives, faith-based organizations are uniquely positioned to help shape and guide the new paradigm for family economic success. With spiritual support and biblical ministries, faith-based organizations are providing programs, education, and training to improve the economic success of individuals and families while strengthening communities nationwide.

¹ U.S. Census, 2000.

² Public/Private Ventures. *Making It: What It Really Takes to Live In Texas*. Philadelphia: Public/Private Ventures, December 2001.

BACKGROUND



Owing to the significant size of the religious sector, policymakers have increasingly begun looking to churches, synagogues, mosques, and other faith-based organizations to play a greater role in strengthening communities. Together, congregations, denominational organizations, and other faith-based organizations represent the third largest component of the nonprofit sector in the United States (after health and education). Congregations alone number about 350,000; collectively, their estimated yearly expenditures exceed \$47 billion.³

Faith-based organizations often provide the glue that holds neighborhoods together (some 14 percent of community development corporations are faith-based⁴) and they historically reach out to community members who are far removed from traditional services.

Over the past two decades, many houses of worship (and their related 501(c)(3) organizations) have increased the local administration and delivery of public social welfare programs.⁵ More recently, two important national initiatives have accelerated opportunities for faith-based organizations to extend their ministries: the Charitable Choice provisions of the

1996 Welfare Reform Act encourage states to involve community and faith-based organizations in providing federally funded welfare services to the poor and needy;⁶ and the White House Office of Faith-Based and Community Initiatives, established in 2001, exists to help coordinate those efforts.⁷

Which congregations are more likely to seek government grant dollars? According to a study by the Urban Institute, they are congregations with one or more of these characteristics: large, politically or theologically liberal, and predominately African-American. These faith-based groups are most likely to seek public monies for social services or community development initiatives, including housing and commercial development.⁸

The 1999 study reported that 57 percent of congregations—containing 75 percent of all religious service attendees—participate in or support social service projects. While large congregations (more than 500 participating adults) are more likely to sponsor ambitious programs, even faith-based organizations of modest size are making significant contributions to improving the lives of families traditionally underserved by mainstream institutions.

³ Hodgkinson, Virginia. From Belief to Commitment: The Community Service Activities and Finances of Religious Congregations in the United States. Washington, DC: NCCED, 1993.

⁴ Vidal, Avis C. Faith-Based Organizations in Community Development. Washington, DC: U.S. Department of Housing and Urban Development; Office of Policy Development and Research, August 2001.

⁵ Hayden, Carolyn C. Creating A National Coalition for Faith-Based Involvement in the Reauthorization of TANF. Oakland, CA: The National Economic Development and Law Center, 2000. Unpublished.

⁶ A Guide to Charitable Choice. Center for Public Justice. www.cjjustice.org/charitablechoice/guide/

⁷ Executive Order: Establishment of White House Office of Faith-Based and Community Initiatives. President George W. Bush. Jan 29, 2001. <http://www.whitehouse.gov/news/releases/2001/01/20010129-2.html>

⁸ Chaves, Mark. Congregations' Social Service Activities. Washington, DC: Urban Institute, Center on Nonprofits and Philanthropy Policy Brief No. 6., 1999.

TERMS



To provide context for the information presented here, the following explains three core terms used to describe the models (faith-based organizations), the focus of their efforts (to promote family economic success), and the broader setting in which the work is conducted (community development).

✦ **Faith-Based Organizations:** These are:

- (1) congregations;
- (2) national networks, which include national denominations, their social service arms, (Catholic Charities, Lutheran Social Services), and networks of related organizations (YMCA); and
- (3) freestanding religious organizations (which are incorporated separately from congregations and national networks, but have a religious base).⁹

✦ **Family Economic Success:** The presence of sufficient and predictable resources and connections available to meet basic family needs, aspirations for improving quality of life, ongoing investments in lifelong learning for the entire family, and assets that grow with the family over time, such as home ownership and retirement accounts.¹⁰

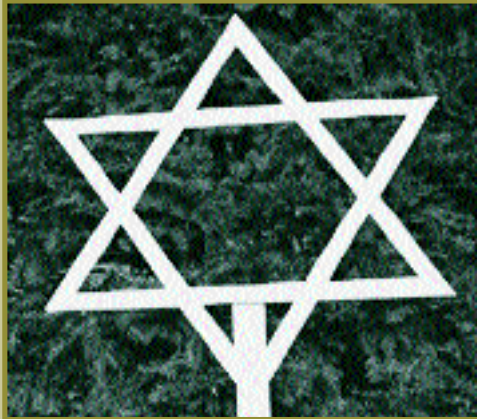
✦ **Community Development:** The ability to mobilize capital investment in affordable housing and physical redevelopment of extremely disinvested areas through creative public-private partnerships among neighborhoods, local government, and private financial institutions. Recognizing that the capital investment approach to rebuilding communities has inherent limits, nonprofit organizations are increasingly undertaking a broader set of strategies—known as “asset-based development”¹¹—which may include development of physical, economic, social, political, and/or human assets.

⁹ Castelli, Jim and John McCarthy. Religion-Sponsored Social Service Providers: The Not-So-Independent Sector. Washington, DC: Aspen Institute Nonprofit Sector Research Fund, 1997. Unpublished.

¹⁰ Family Economic Success Workgroup. Family Economic Success: A Framework for Making Connections. Baltimore, MD: The Annie E. Casey Foundation. February 2002.

¹¹ Stokley, Jan. Community Renewal of Family Economic Security. Oakland, CA: The National Economic Development and Law Center, 1996.

ASSET MODELS AND FAITH-BASED PROGRAMS



ASSET MODELS AND FAITH-BASED PROGRAMS

This report highlights contributions made by small and medium-sized faith-based organizations and others in improving outcomes for economic success of low-income families. The faith-based models profiled here were primarily interviewed by phone and/or in person. They were identified through significant outreach efforts to the public, private, and nonprofit sectors, including financial institutions, grant makers, and others who have worked with them or have immediate knowledge of their work. They include organizations operating in urban, suburban, and rural communities, and represent interdenominational, inter-faith, and interracial collaborations.

The models themselves conduct asset-building programs that are generally thought by informed observers to contribute to overall family economic success. In most cases, the programs focus on needs less likely to be traditionally associated with the activities of faith-based organizations. Their efforts include:

- ✦ Sponsoring workforce development programs and job-related training
- ✦ Providing economic literacy education and training
- ✦ Promoting the use of Individual Development Accounts
- ✦ Advocating for access to mainstream financial institutions
- ✦ Increasing access to credit and other financial services through the operation of credit unions
- ✦ Improving access to the Earned Income Tax Credit and tax preparation assistance
- ✦ Increasing opportunities for home ownership

Thousands of faith-based organizations across the nation are working to improve or sustain family economic success. The models profiled in this report represent some examples of programs that are making important contributions toward improving outcomes for low-income children and families.

ASSET MODELS AND FAITH-BASED PROGRAMS

Workforce Development

In the coming decade, one of the key challenges facing American workers and employers will be the development of practices and programs to ensure that low-skilled and hard-to-employ workers have access to economic opportunity and a means to support their families.

Over the past decade, considerable progress has been made in identifying how partnerships among

employers, workers, government, educational institutions, and community organizations can meet these goals. At the same time, the involvement of faith-based organizations has expanded owing to their location in communities where access to good jobs is limited and where people most in need of training and assistance reside. The following examples highlight the efforts of model programs that seek to bring workers and employers together.

Jobs Partnership Raleigh, North Carolina

Organization

During construction of a new parking lot for Pleasant Hill United Church of Christ in Raleigh, North Carolina, the Rev. Donald McCoy and the owner of C.C. Mangum construction company discovered a mutual need: The Rev. McCoy wanted to help unemployed and underemployed congregants find jobs, while businessman Chris Mangum was looking for workers. Believing that other congregations and employers had the same needs, the pair enlisted two dozen churches and businesses to collaborate as the Jobs Partnership, now a national program model for employment readiness training.

The mission of Jobs Partnership, established in 1996, is to bring churches and businesses together to mentor, train, and employ the most needy citizens, moving them from dependency to self-sufficiency. Churches agree to work together and mentor and support each neighbor they sponsor.

Four years after Jobs Partnership was established, 80 churches and 100 businesses were participating in Raleigh and Jobs Partnership programs had spread to more than 25 cities across the United States. Of the 300 people who started the program, 80% have graduated and 90% of the graduates are in full-time jobs. This success rate far exceeds comparable secular job-training programs.

Program Services

Jobs Partnership affiliates develop 12-week training and mentoring programs to equip their clients with basic workplace skills and ethics designed to help them achieve their employment goals. The curriculum uses biblical principles and includes money management and entrepreneurial training.

Churches in Jobs Partnership communities refer the majority of the participants. Businesses, ministers, and other individuals from community organizations and agencies provide training. Some of these partner organizations have paid staff to administer the program; others operate with volunteers.

This program is a national model recognized for its effectiveness in graduating participants and placing them in jobs, and has been cited in many articles as a “best practice” in employment training by government agencies and policy organizations.

ASSET MODELS AND FAITH-BASED PROGRAMS

Gospel Rescue Ministries Washington, DC

Organization

Gospel Rescue Ministries (GRM) is a 96-year-old organization established to transform lives and help homeless individuals find permanent housing. Its ministries include overnight shelter, affordable transitional housing, spiritual renewal and growth, education and job training. It is supported by 45 strong church partnerships that provide volunteers and funds. Private foundations, direct mail solicitations, and federal and city governments provide additional funding. Institutional donors include the Gwendolyn and Morris Cafritz Foundation, Verizon, the Fairchild Corporation, the Fannie Mae Foundation, the Abell Foundation, PEPCO, and the Eugene and Agnes Meyer Foundation.

GRM operates its education program through the School of Tomorrow in the Chinatown district of Washington, D.C. The program's mission is to enhance participants' skills and further their education. Program staff include an academic adviser, two GED coordinators, a career development specialist, a network systems administrator, and a CDL (Commercial Driver's License) instructor. The School of Tomorrow also generates revenue by fees charged for overnight shelter and for education classes.

Program Services

The School of Tomorrow's Career Development Workshops are designed to prepare individuals for the workplace. The program serves more than 900 students per year and has a 20 percent attrition rate.

The education program includes a wide range of classes and workshops including an individualized GED program, economic and workplace literacy, and training in the culinary arts or in computer basics (Word, Access, Windows, PowerPoint, Visual Basics, Excel, and HTML). After completing the educational program, graduates can begin to acquire savings by participating in a special program supported by Capital Area Asset Building Corporation.



ASSET MODELS AND FAITH-BASED PROGRAMS

Elijah's Promise

New Brunswick, New Jersey

Organization

Three churches—two Lutheran, one Episcopal—established Elijah's Promise as a Community Development Corporation (CDC) in 1989. Originally created to provide food, counseling, and case management to homeless and poor individuals, Elijah's Promise now provides an array of social services, health screening, culinary arts job training, and entrepreneurial training.

Elijah's Promise has graduated over 100 students to date and the job placement rate is 95 percent. Headed by the Rev. Lianne Fenston and directed by a 17-member board, the program operates on a budget of approximately \$750,000 per year. Funding comes from Middlesex County, partner churches, local businesses and foundations, including the Karma Foundation, Bonner Foundation, Food For All, Danellie Foundation, and United Way. Other partners providing support services—such as volunteers, internships, materials—include churches, schools, public agencies, and local businesses. This program is supported by the New Jersey State Faith-Based Initiative.

Program Services

Elijah's Promise operates a culinary school that provides intensive training to prepare low-income individuals for employment in the food service industry. During the 17-week course, participants learn culinary arts, basic math and communication skills, life skills, and job-readiness skills. Training includes hands-on work experience in the kitchen and in local food establishments. After a two-week internship, graduates are placed in jobs in established restaurants and institutions.



Elijah's Promise also provides a Micro-Enterprise Program to help low- and moderate-income individuals start small and home-based businesses. Participants learn how to write a business plan, develop a marketing strategy, and secure the resources and information needed to run a business. After completing the class, participants receive individual consultation and help in starting their businesses.

ASSET MODELS AND FAITH-BASED PROGRAMS

Good News Garage Burlington, Vermont

Organization

Lack of transportation prevents many low-income people from finding and keeping a job, taking children to child care, or accomplishing all the daily tasks many of us take for granted. Car ownership programs are among the most innovative new approaches to solving transportation barriers to employment. Good News Garage (GNG), a program of Lutheran Social Services of New England, is a “best practices” model in this field. Established in 1996, the program was developed by Executive Director Hal Colston to address the transportation-related barriers to work faced by residents of the mostly rural state of Vermont. GNG has a staff of 11 full-time employees and operates on a yearly budget of \$775,000. The organization is funded by Vermont’s Temporary Assistance for Needy Families (TANF) agency, foundation grants, church donations, and through the sale of used cars.

Program Services

GNG accepts donated cars, then reconditions and repairs them in its three-bay garage. In exchange for the cost of repairs, GNG gives the cars to TANF recipients and other low-income individuals; 232 cars were donated in 2000. The program also uses its garage to train low-income job seekers as mechanics and auto service workers. It has helped create similar car-ownership programs in New Hampshire, Massachusetts, and Connecticut, and it has created a manual that others can use to start their own programs.



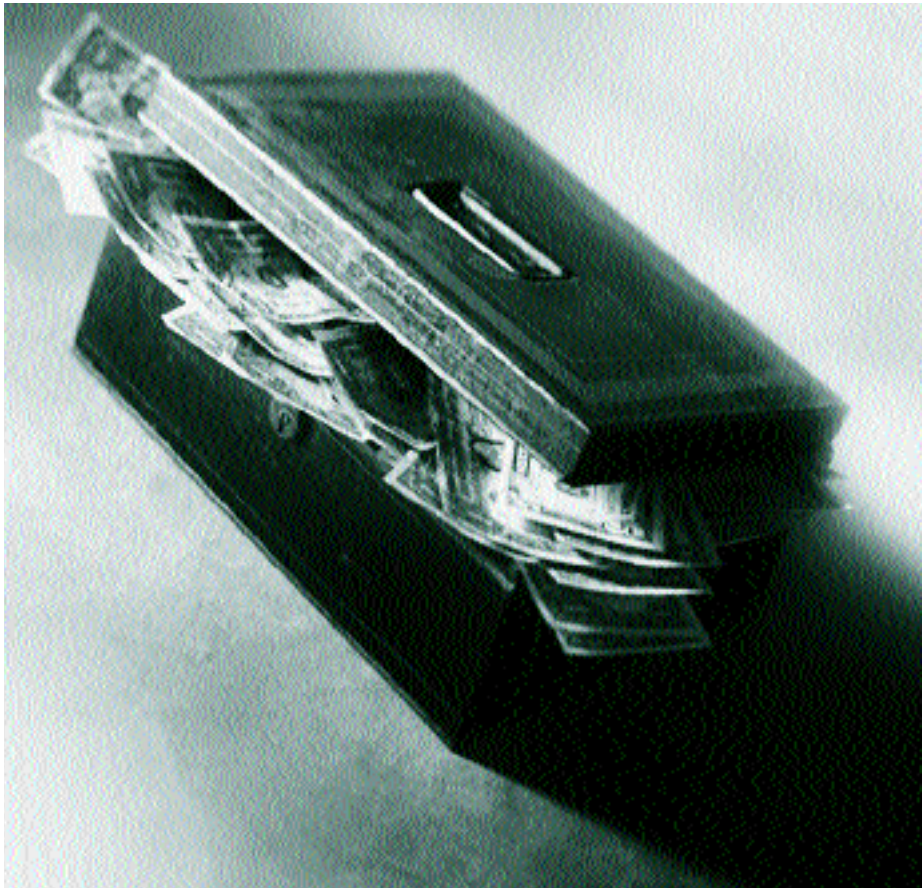
ASSET MODELS AND FAITH-BASED PROGRAMS

Financial Literacy

The opportunity for low-income families to achieve economic success is tied to their ability to access mainstream financial services, build and maintain credit, manage money effectively, and take advantage of vehicles for savings and wealth accumulation. In short, the competitive economic environment of the 21st century demands basic financial skills and knowledge. Without such skills, the poor and working poor are likely to pay more than necessary for financial services, to spend unwisely, or to fall into debt or bankruptcy.¹²

Increasingly, faith-based organizations are sponsoring financial literacy training, which teaches

participants skills such as money management, understanding credit reports, accessing banking services, investing, planning for retirement, or understanding interest rates for home ownership or other major purchases. Financial literacy training often is tailored to the needs of workshop participants. Some organizations combined training with housing-related programs; some conduct the services as an independent avenue to empowerment and self-sufficiency. The following are two examples of successful financial literacy programs.



¹² National Community Reinvestment Coalition. www.ncrc.org

Inner City Christian Federation Grand Rapids, Michigan

Organization

Inner City Christian Federation (ICCF) began in a very small way when an elderly woman in Grand Rapids, Michigan, donated a dilapidated house to her church. Through volunteer efforts, church members rehabilitated the house and sold it at an affordable price to a family who needed housing.

Impressed by this effort, city officials selected ICCF in 1983 to provide technical and administrative assistance to the Urban Homestead Program, which allows states to donate tax-delinquent lots for development by housing authorities or organizations such as Habitat for Humanity. Significant federal, state, and city funding followed. In 1986, ICCF initiated the Home Ownership Counseling Program; in 1988, Family Haven began to provide emergency shelter for homeless families; and in 1995, the Housing Opportunity Center was created to provide space for ICCF activities, education, and counseling services.

ICCF's mission is to provide housing opportunities and services that encourage family responsibility and independence, thereby helping to build stable communities. It is governed by a 13-member board of directors and staffed by 31 employees. Funded by churches, the Michigan Housing Authority, Fannie Mae, and the City of Grand Rapids Foundation, ICCF's annual report for 2000 lists over 600 partners who provide program resources and a budget in excess of \$1.4 million.

Program Services

ICCF builds and renovates rental housing with an emphasis on residential management and dignity, and it promotes home ownership through education and empowerment. The Home Ownership Program provides a wide range of services: affordable rental housing, home ownership classes, home leasing, and life skills counseling and education. Over a quarter of a century, ICCF has developed into a multi-service housing ministry that has repaired, constructed, or reconstructed nearly 400 units of housing.

More than 800 families have attended ICCF's six-hour financial literacy program. Participants learn to identify and overcome barriers to home ownership, receive training in budgeting and management skills, and get housing counseling to help them qualify for a mortgage. After completing the program, a family is eligible to lease an ICCF-renovated home, with payments applied toward its purchase.

ICCF's accomplishments to date include 504 graduates from the Home Ownership Program, 63 graduates from Home Buyers Clubs, 374 families completing the pre-purchase Borrowers and Foreclosure counseling, and 27 families graduating from Home Ownership Maintenance and Management workshops.

ASSET MODELS AND FAITH-BASED PROGRAMS

Organization for a New Equality Boston, Massachusetts

Organization

Believing that a new generation of civic leadership in America signaled a shift in thinking about racial discrimination, the Rev. Charles Stith established the Organization for a New Equality (O·N·E) in 1985 as a nonprofit civil rights organization dedicated to removing roadblocks that traditionally prevent specific groups from reaching their full economic potential. While concerned with educational, social, political, and legal initiatives to change negative attitudes and discriminatory practice, the Rev. Stith recognized a new generation of leaders who are working to create economic strategies that will promote equal opportunity for women and people of color.

Forums convened by O·N·E have brought together policymakers, opinion leaders, and political activists to design programs to create greater economic opportunity. These include four National Urban Economic Summits in which community leaders, federal regulators, government officials, and lending industry representatives convened to formulate an agenda to revitalize urban America. The recommendations generated at these summits served as an impetus for Community Reinvestment Act regulatory reforms enacted by President Bill Clinton in 1995.

O·N·E is governed by a 15-member board of directors chaired by the Rev. Joseph E. Washington and is staffed by six full-time employees and a number of volunteers.

Program Services

O·N·E operates a program called the Campaign for Economic Literacy, which represents a partnership involving churches, business leaders, community organizations, and financial institutions. It seeks to address the lack of financial experience and understanding that are barriers to economic advancement for low-income women. O·N·E has brought the program to more than 350,000 African-American parishioners and community residents nationwide—in Boston, St. Louis, Washington, D.C., Cleveland, Houston, and several boroughs of New York City. The campaign begins with a series of workshops announced through church bulletin inserts at host churches. Individuals may sign up for as many workshops as they wish, with topics such as “Beginning a Banking Relationship” or “Managing Your Money.” After workshops have been completed, the campaign ends with an Economic Opportunity Marketplace where consumers use their enhanced understanding of economic options to shop for financial products and services from local vendors.

Individual Development Accounts

The United States is well-known to have one of the lowest personal savings rates among industrialized nations, but the lack of savings is particularly acute among those with moderate or low incomes.

Individual Development Accounts (IDAs) are a growing strategy used to promote savings among low-income households. Through partnerships among financial institutions, faith-based organizations, community-based nonprofit organizations, schools, or employers, IDAs provide matching funds for deposits in savings accounts most often used for post-secondary education or job training, buying a home, or starting a small business. Participants also receive financial literacy training and counseling.

Although IDA programs have been implemented for a decade, they gained greater recognition in 1997 when

the Corporation for Enterprise Development launched a 2,000-account, 13-site, multi-year policy demonstration promoting this strategy. With the generous support of 11 foundations, the American Dream Demonstration was the first policy demonstration of IDAs as a social and economic development tool for low-income, low-wealth households.¹³ Since then, success stories of account holders nationwide have generated a high level of public- and private-sector interest in IDAs.

This strategy presents a win-win opportunity for everyone: financial institutions hope to maintain ongoing relationships with participants as they build assets, and community and faith-based organizations believe people who own assets will help build stronger families and better communities.

Christian Community Services Inc. Nashville, Tennessee

Organization

In response to racial tensions, pastors from two congregations—one black, one white—came together in 1997 to establish Christian Community Services, Inc. (CCSI) in Nashville, Tennessee. Dr. Rubel Shelly of Woodmont Hills Church of Christ and Dr. David Jones of Schraeder Lane Church of Christ developed Nashville's first collaborative model between black and white churches. CCSI's mission is to create a supportive and healthy community that empowers families to conduct quality, independent, and productive lives. CCSI is a 501(c)(3) nonprofit corporation with an annual operating budget of \$175,000.

Program Services

CCSI provides a number of support services to raise the economic status of low-income individuals and families, including a program that promotes building wealth through IDAs. The program encourages families to save monthly—for housing, to pursue education, or start a business—through a 2-to-1 match up to \$5,000. Currently, 45 families are involved in the program. Participants attend basic skills sessions and are required to complete a 13-week course in financial management.

¹³ Dailey, Colleen and Ray Boshara. "Achieving Economic Self-Sufficiency Through Asset Building: Opportunities for Low-Income Workers." Washington, D.C.: [The Corporation for Enterprise Development](#). Prepared for "Low Wage Workers in the New Economy: Strategies for Opportunity and Advancement," a conference hosted by Jobs for the Future, 2000.

ASSET MODELS AND FAITH-BASED PROGRAMS

The IDA program promotes access to assets for low-income families through its partnerships with Citizens Bank and SunTrust. Citizens, a minority-owned bank, provides account services and financial literacy training to IDA account holders. SunTrust is a newer relationship and will provide similar services.

CCSI collaborates with churches, the city, government agencies, and businesses. It also serves on Nashville's Community Economic Development Committee for Self-Sufficiency and received a Best Practice award from the U.S. Department of Housing and Urban Development for its work.

Good City Chicago, Illinois

Organization

Good City, formerly the Mid-America Leadership Foundation, is a 501(c)(3) Christian organization created to transform Chicago's impoverished communities by equipping local leaders with the tools necessary to turn their visionary ideas into viable and self-sustaining organizations. Currently, Good City focuses on three initiatives: Community Programs, which incubate and develop emerging ministries; America's Promise, a partnership between the Council of Leadership Foundations and Search Institute; and Community and Economic Development, which uses an asset-based approach to help low-income individuals move toward self-sufficiency.

Good City is governed by a 19-member board of trustees and guided by a 28-member board of advisers. These boards represent the broad range of stakeholders in the community including businesses, churches, nonprofit organizations, police, and universities. In addition, they are supported by a large pool of volunteers from an ecumenical mix of churches in the city. Contributions include financial as well as in-kind training resources and meeting space.

Program Services

The IDA program was established to help urban, low-income families in Chicago improve their economic status; 120 accounts are currently in place, with participant deposits matched at a 3-to-1 rate. Financial literacy training is provided to develop skills in budgeting and debt management, and to promote savings and access to banking services. Five participants have reached their goals for purchasing a home and three have opened a small business.

Local churches play a critical role in program implementation. Each participating church assigns site coordinators to identify program participants and monitor their progress as they move through the program. Churches and schools provide space for classes and help disseminate information to families. A number of lending partners, including ShoreBank, CitiBank, First Bank of America, Uptown National Bank, and Community Bank of Lawndale, service the IDA accounts. Other partner organizations include businesses and foundations that bring critical services needed to help participants achieve their goals.

Access to Mainstream Financial Institutions

Residents and organizations in minority and low- or moderate-income communities have historically encountered barriers to accessing credit from many mainstream lending institutions. To address this inequality, Congress in 1977 passed the Community Reinvestment Act (CRA), which states that “regulated financial institutions have continuing and affirmative obligations to help meet the credit needs of the local communities in which they are chartered.”¹⁴

The act established a regulatory process for monitoring the level of lending, investments, and services in low- and moderate-income neighborhoods that have been traditionally underserved. Understandably, with no safe place to store their savings—or earn interest on them—low-income households in such areas have far less ability to accumulate assets.

Approximately once every two years under the CRA, examiners from four federal agencies assess a large bank’s activities in low- and moderate-income neighborhoods. (Smaller banks and thrifts are monitored less frequently.) If a regulatory agency finds that a lending

institution is not serving these neighborhoods, it can delay or deny that institution’s request to merge with another lender, open a branch, or expand any of its other services.

Neighborhood residents and nonprofits have learned how to leverage the provisions of CRA to encourage financial institutions to meet their communities’ credit needs. The following example highlights the collective efforts of a faith-based organization to effectively leverage the financial resources of its members to encourage favorable lending consideration from local banks.



¹⁴ Community Reinvestment Act. Federal Deposit Insurance Corporation. www.fdic.gov/regulations/community/

ASSET MODELS AND FAITH-BASED PROGRAMS

Collective Banking Group Upper Marlboro, Maryland

Organization

In the early 1990s, Dr. Jonathan Weaver, Pastor of Greater Mt. Nebo AME Church, was denied a \$50,000 loan for renovations on his church—even though he had repaid a \$200,000 loan in good standing. After receiving a letter of refusal, Dr. Weaver advised the loan officers that his 750-member congregation would reconsider whether the bank was serving their needs. Within days, the \$50,000 loan was approved. After pastors from other African-American churches reported similar difficulties in securing loans from local banks, church leaders formed the Collective Banking Group (CBG) to confront the problem.

Established in 1995 by 21 African-American churches in the Washington, D.C., area, CBG was organized to empower the faith community to acquire equitable credit and economic resources for its congregations. CBG now represents 215 churches and over 250,000 congregants in suburban Maryland, Virginia, and the District of Columbia, with chapters operating in Baltimore and Richmond. CBG uses the power of the numbers represented by thousands of congregation members as potential customers to leverage agreements with financial institutions. Since its inception, the group has secured loan agreements totaling \$175 million.

Program Services

CBG began by educating congregants on how to effectively position themselves to acquire assets, access credit, and purchase homes. A Home Buyers Training Institute offers training on financing, banking, predatory lenders, and home maintenance. Training sessions are held at partner churches around the region. When

participants complete the training, they are guaranteed mortgage financing as a part of a covenant between CBG and local banks. CBG also organizes area-wide conferences that include workshops on a range of topics related to banking, educating home buyers, and achieving and maintaining economic success. Through strong collaborations, Collective Banking Group has demonstrated effectiveness in empowering churches and its membership to access economic justice.



Faith-Based Credit Unions

More than ten million U.S. households are estimated to be among the “unbanked”—lacking accounts at traditional financial institutions. Without bank accounts, many of these households spend a significant share of their limited incomes on basic payment services, cashing checks, and making long-distance payments. Life without financial savings is stressful and the unbanked are acutely aware that unexpected expenses or any interruption in their incomes could bring immediate hardship. These families often have no access to credit from mainstream financial institutions because personal financial crises caused them to miss scheduled debt service, rental, or utility bill payments. Impaired credit histories leave them dependent on high-cost lenders such as pawnbrokers, payday lenders, car title lenders, and small-loan finance companies.¹⁵

The KIDS COUNT Data Book 2000 reported that “low-paying jobs and lack of access to financial institutions make it difficult for many families to save money, accumulate modest assets, establish reliable credit, or qualify for auto loans and mortgages. While the number of bank branches per capita declined between 1985 and 1995, two-thirds of the closures were in low- and moderate-income communities.”¹⁶

Historically, commercial banks or other for-profit institutions have made it more difficult for minority groups and those from poor neighborhoods—whether resi-

dents, small businesses, or institutions—to borrow capital. A primary strategy used to address this problem is the creation of non-traditional funding sources to provide loans and other financial services to low-income or disadvantaged individuals and communities that are considered too risky or too expensive by commercial banks.¹⁷

One model—the Community Development Credit Union (CDCU)—serves tens of thousands of people and controls millions of dollars in aggregate assets from urban and rural low-income communities throughout the United States.

Just as churches played a central role in the civil rights movement of the 1960s, church congregations have united around the idea that neighborhoods deserve financial institutions that meet the needs of low-income residents. Faith-based credit unions—whose founding, governance, or membership is derived from a religious institution—provide access to a wide range of financial products and services. Because their communities often have been ignored by commercial lenders, many faith-based CDCUs are playing a historic role in bringing financial services to their communities.¹⁸

The following represents urban and rural models of faith-based credit unions and describes their roles in opening access to credit and providing other financial services in their communities.

¹⁵ Caskey, John P. Reaching Out To The Unbanked. Swarthmore, PA: Swarthmore College, 2001.

¹⁶ Kids Count Data Book 2000. Baltimore, MD: The Annie E. Casey Foundation. p 11.

¹⁷ Pew Partnership for Civic Change. Wanted: Solutions for America: What We Know Works. Richmond, VA: University of Richmond, 2001.

¹⁸ National Federation of Community Development Credit Unions. www.natfed.org

ASSET MODELS AND FAITH-BASED PROGRAMS

Vermont Development Credit Union Burlington, Vermont

Organization

Burlington Ecumenical Action Ministry established the Vermont Development Credit Union (VDCU), an inter-faith community development organization, in 1968. It was created to develop communities and to promote financial wealth among low-income and other underserved populations, including women, minorities, immigrants, and people of color. Founder Caryl Stewart sought to create a financial institution that integrated “human elements” into banking, using the North Carolina Self-Help Credit Union and Chicago’s South Shore Bank as models.

VDCU is governed by a 10-member board of directors who represent United Methodist, Episcopal, Presbyterian, and Catholic denominations, and a Jewish synagogue. Supported by a team of 21 professional and administrative staff, the credit union’s 8,000 members include working families living in subsidized housing, single parents, immigrants, entrepreneurs, students, and people with disabilities. Among its membership are more than 100 institutional investors or depositors, such as the Vermont Economic Development Authority and the Ben and Jerry’s Foundation.

VDCU currently has \$17 million in assets, and loan volume grew from \$235,000 in 1990 to \$11 million in 2001. Its 150,000 transactions for 2001 included basic banking services and loans. Eighty percent of loans were made to low-income individuals or families. Of those, 99 percent were for mortgages or mobile home purchases. Though many customers live in the neighborhood near VDCU’s Burlington storefront office, the credit union has members in 205 towns throughout Vermont.

Program Services

VDCU’s motto is: “We don’t say no, we say when.” Committed to working with members until they achieve their economic objectives, VDCU is a full-service credit union that provides all basic banking services as well as financial counseling, targeted planning, and assistance for implementing the client’s plan for achieving greater financial independence. VDCU provides loans for a wide range of purposes, including home purchase and improvement, energy efficiency, small business development, education and training, and debt consolidation. In addition to traditional auto loans, VDCU provides a special program to purchase and repair cars to reduce transportation-related barriers to work.

VDCU’s partnerships with businesses, foundations, and churches produce investments needed to sustain the work of the credit union. This program is one of the Aspen Institute’s Fund for Innovation, Effectiveness, Learning and Dissemination (FIELD) programs and is profiled in a number of publications that illustrate exemplary models of Community Development Finance Institutions.

Triumph Baptist Credit Union Philadelphia, Pennsylvania

Organization

Triumph Baptist Credit Union is a faith-based, nonprofit financial institution established to encourage financial empowerment for its members. Founded in 1974 and inspired by the vision of the Rev. James Hall, Jr., Pastor of Triumph Baptist Church, the credit union enjoys strong support from the pastor and congregation, even though its operations are separate from the church. Triumph is governed by an elected five-member board of directors. Thirty percent of the credit union's 800 members come from the congregation; others are participants in Triumph's many ministries. Prior to April 2001, when the first full-time president was hired, the staff consisted of volunteers. Today, 15 volunteer and paid staff support and operate the credit union, which has assets of \$500,000.

Program Services

Triumph Baptist Credit Union serves low-income individuals in its Philadelphia church community who are denied service at traditional banks because of poor credit records, failure to meet income guidelines, or other credit-related issues. Instead of falling victim to predatory lenders, credit union members enjoy a wide range of basic banking services such as checking or savings accounts and direct deposit. Financial literacy workshops are offered to both adults and children.

The credit union grants loans for many purposes, including debt consolidation, auto purchase and repair, education, and personal emergencies. Loans range from \$100 to \$30,000 with interest rates between 9 and 12 percent. Triumph has been certified as a Community Development Financial Institution by the U.S. Treasury Department's CDFI Fund. Borrowers are required to maintain a savings account for six months to demonstrate their ability to budget and to meet a commitment to repayment of a loan.



Earned Income Tax Credit and Tax Preparation Services

The Earned Income Tax Credit (EITC) is a refundable federal income tax credit for low-income working individuals and families. Congress originally approved the tax credit legislation in 1975 in part to offset the burden of Social Security taxes and to provide an incentive to work. The credit reduces the amount of federal tax owed and can result in a refund check.

Income and family size determine the amount of the EITC. To qualify for the credit, both the earned income and the modified adjusted gross income for 2001 must be less than \$28,281 for a taxpayer with one qualifying child, \$32,121 for a taxpayer with more than one qualifying child, and \$10,710 for a taxpayer with no qualifying children.¹⁹ The credit is capped at \$4,008 for a family raising more than one child in their home.²⁰

In addition to the EITC, individuals and families may be eligible to claim a child tax credit for up to \$600 for each qualifying child, depending on income and filing status.

Through its Corporate Partnership Program, the IRS operates a faith-based initiative to engage churches in promoting and encouraging eligible families to partici-

pate in the EITC. In a recent study, about 45 percent of EITC program participants indicated that they were saving money in a new account opened with their EITC refund. They said savings would be used to buy a home, educate children or grandchildren, purchase a vehicle, cope with emergencies, or finance retirement. With an estimated 19 million households now receiving the EITC and 10 million or more households without bank accounts, this type of program provides an important opportunity to bring low-income households into the financial mainstream.

Meanwhile, free tax preparation services are offered at thousands of locations across the country. Volunteer Income Tax Assistance (VITA) sites are supported by the IRS and have a strong track record for filing accurate tax forms. By combining free tax preparation services with the potential working capital provided by the EITC, faith-based institutions and other nonprofits are creating a foundation for family economic success.

The following are two examples of how faith-based organizations partner with others to facilitate access to the EITC and VITA services.

¹⁹ EITC Overview. The Internal Revenue Service. www.irs.gov

²⁰ Facts About the Earned Income Tax Credit: A Tax Credit for People Who Work. The Center for Budget and Policy Priorities. www.cbpp.org/eic2002/factseic-2002.pdf

ASSET MODELS AND FAITH-BASED PROGRAMS

Holy Family Catholic Church Seattle, Washington

Located in a low-income, mostly Hispanic Seattle community, Holy Family parish offers free income tax preparation to low-income individuals and families through collaboration with ten other organizations. Volunteers from the American Association of Retired Persons are trained and certified by the VITA program. The volunteers inform families of the federal EITC, screen them for eligibility, and ensure that eligible families receive the credit. Outreach to their target audience is provided through the parish, the Association of Community Organizations for Reform Now, the Neighborhood House, and word of mouth. Approximately 100 persons used the program in 2002.

Living Witness New Orleans, Louisiana

Living Witness is a 501(c)(3) nonprofit organization created by the Rev. John Pierre, Pastor of the Living Witness Church of God in Christ. Though originally focused on the needs of homeless individuals, Living Witness has expanded its scope of services to include a strong education component supported by a computer laboratory that is used by local families and organizations.

The Living Witness computer lab serves as a VITA site in the city of New Orleans. It is partnered with the National Center for Urban Community at Tulane University, which provides student volunteers who have been trained by the Internal Revenue Service to offer tax preparation services. The IRS provides equipment, materials, and forms needed for tax preparation.



Increasing Opportunities for Home Ownership

A number of faith-based organizations have focused on home ownership as their primary mission toward promoting family economic success. The Washington, D.C.-based Homeownership Alliance reported that ownership rates increased in 2001 compared to 2000, but that the rate among African Americans was not keeping pace with gains for white and Hispanic households. The data shows that home ownership rates increased nationwide from 67.5 percent in 2000 to 68 percent in 2001. Among African Americans, the home ownership rate was 48.1

percent, an increase of .3 percent, while Hispanics' home ownership was 48.8 percent, a 1.3 percent increase in the same period.²¹

Although the overall number of minority home owners continues to rise, there is still significant work to be done. The first example below illustrates the tremendous impact faith-based organizations can have on expanding services to minority home buyers; the second example portrays an approach used by the Islamic community to promote asset accumulation through home ownership while adhering to Muslim principles.

²¹ 2001 Homeownership Rates Improve, Homeownership Gap Widens for African Americans. Homeownership Alliance. 2001. www.homeownershipalliance.com/media/press/pressreleases/pressrelease_012502.htm

ASSET MODELS AND FAITH-BASED PROGRAMS

Mission of Peace

Flint, Michigan

Organization

Mission of Peace grew out of the need for affordable and decent housing for low-income families and seeks to move low-income families from rental housing to home ownership. The organization is an urban, faith-based Community Development Corporation that specializes in economic literacy training and provides one-stop shopping for potential home buyers.

The program is under the leadership of a 21-member board of directors. The Rev. Elmira Smith-Vincent, Executive Director, heads the organization and is supported by three certified housing counselors (one of whom is bilingual) and two administrative staffers. Volunteers share a variety of skills and services, including home maintenance training and counseling.

Program Services

Mission of Peace provides home-buyer education, and pre-purchase, post-purchase, and rental counseling. In addition to being prepared for the process of purchasing a home, families are provided with post-purchase support to ensure that they make a successful transition to ownership. More than 4,000 individuals and families have received housing counseling and other services.

Classes for economic literacy are scheduled weekdays and on Saturdays for those unable to attend during the week. The Homebuyer Club provides a wide range of services, including training sessions that focus on renters' rights and responsibilities, budget and credit counseling, purchasing and maintaining a home, and foreclosure avoidance.

Mission of Peace has partnerships with the local Housing and Urban Development (HUD) field office, lenders, real estate agents, the Detroit Fannie Mae Partnership office, local government, and area schools. It participates in HUD's Housing Counseling program administered by the Economic Development Division of the Congress of National Black Churches, and receives funding from local lenders and Fannie Mae. Recently, the HUD Community Builder and Regional HUD Homeownership Center nominated the organization as a HUD "Best Practices" agency in 2000, and Mission of Peace received HUD's "Simply the Best" award for creating affordable home ownership opportunities for 151 new home owners.²²

²² Franklin, Robert F. with foreword by Douglas W. Nelson. *Faith Into Action Resource Guide*. Baltimore, MD: The Annie E. Casey Foundation, 2001. (Some case study information extracted.)

ASSET MODELS AND FAITH-BASED PROGRAMS

LARIBA American Finance House Pasadena, California

Organization

In Islam, devout Muslims must follow the teachings of the Qur'an, which forbids riba (interest) and instructs that all parties to a financial transaction must bear equal financial responsibility for risks and profits. Interpretation of the scriptural prohibitions varies worldwide, but in many Islamic communities, this means that credit cards, interest-bearing savings accounts, and interest-charging home mortgages are not allowed.²³

The Islamic community has developed creative approaches to financing that encourage family economic success while adhering to religious principles. LARIBA American Finance House in Pasadena, California, was created in 1987 to provide a financing vehicle for acquiring assets such as homes and small businesses. LARIBA, an acronym for "Los Angeles Reliable Investment Bankers Associates," is licensed as a finance lender and does business in 26 states, with applications pending in at least three more. A dozen experienced commercial or investment bankers guide the organization. LARIBA is an approved Freddie Mac lender.

Program Services

The organization's services include lease-to-purchase arrangements for single-family homes, automobiles, medical equipment or clinics; owner-occupied home construction; small business startups; and trade financing.

The model used for home ownership is that LARIBA will pay cash for a house, test the monthly fair market lease rate within the community, and charge a family that monthly fee in a "lease-to-buy" agreement for a predetermined time period. While the cost bears out to be approximately the same as a mortgage, the rate of return is based on the rental and economic value of the transaction, not on a predetermined rate for the money lent to the customer.



²³ Principles of Islamic Banking. Sydney, Australia: Nida'ul Islam magazine. November-December 1995. www.usc.edu/dept/MSA/economics/nbank1.html

CHALLENGES AND OPPORTUNITIES



CHALLENGES AND OPPORTUNITIES

Faith-based organizations are uniquely positioned to provide supports, services, and connections that the underserved and “unbanked” need to achieve economic success and security.

While they have many opportunities to improve the lives of children and families in their communities, faith-based organizations face a number of challenges in implementing initiatives to bring about family economic success. We conclude by discussing a number of these.

✦ In general, the field requires significant technical assistance to ensure that organizations have strong infrastructures, including internal management and governance, financial management systems, effective boards of directors, and skilled staff. This is especially true for recipients of government funds, who must adhere to established accounting systems and follow strict reporting guidelines. Government grant makers can support their efforts by providing technical assistance, feedback, and resources to hire trained personnel, promote professional development, and update accounting systems.

✦ Community development activities are usually more capital-intensive than other social services, and only a portion of faith-based organizations possess the resources to engage in them. In cases where resources are limited, faith-based organizations can seek opportunities to expand their reach by partnering with existing CDCs and other nonprofits, and by developing a

role within the partnership that builds on their strengths, such as community outreach or education. By joining coalitions that support social justice, they may also make a significant impact by working to increase support of affordable housing or the use of Individual Development Accounts.

✦ The models in this report demonstrate the achievements of individual organizations, but there is little research to show the collective impact that faith-based organizations have on struggling communities. This important piece of the story needs to be told. Because data collection is expensive and labor-intensive, foundations and others interested in helping low-income communities should support research to demonstrate the role that faith-based organizations play in conducting community development initiatives.



CHALLENGES AND OPPORTUNITIES

✎ Faith-based organizations are uniquely positioned to function as partners in expanding the work of major foundations and other national organizations into low-income communities and communities of color. FBO's can function effectively as "translators" to communicate the benefits, appeal, and impact of savings and wealth-building approaches such as IDAs and access to the EITC as strategies for addressing issues relating to poverty. Major foundations that fund wealth-building initiatives can expand their reach by disseminating to faith-based organizations information that relates to the larger policy and demonstration work occurring in the field. Outreach strategies could include making information available to participants and leaders at large faith-based conferences and conventions, submitting information to clearinghouses, and using other media regularly accessed by these organizations and their members.

✎ Faith-based organizations provide outreach to the community and ready access to residents. They are uniquely positioned to "translate" community needs to their partners. In turn, networking is critical, especially reaching outside of normal circles and establishing relationships with private and public sectors both inside and outside the community. Faith-based organizations must recognize the importance of learning the culture, language, and values of those sectors.

RESOURCES



RESOURCES

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Collective Banking Group
Greater Mt. Nebo AME Church
401 Prince Georges Blvd.
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Elijah's Promise
18 Neilson St.
New Brunswick, NJ 08901
Rev. Lisanne Fenston, Program Director
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Website: www.elijahspromise.org

Good City
1111 North Wells St.
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Larry Dixon, Director Community Programs
Tel: (312) 322-3000
Fax: (312) 322-8881
Website: www.midamericaleaders.org

Good News Garage
1 Main St.
Burlington, VT 05401
Hal Colston, Executive Director
Tel: (802) 864-6017
Website: www.goodnewsgarage.org

RESOURCES

Gospel Rescue Ministries

John Jackson, Executive Director

School of Tomorrow

Marjorie Edmonds-Lloyd, Director

810 5th St. NW

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Tel: (202) 842-1731

Website: www.grm.org

Holy Family Catholic Church

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Friar Phillip Bloom, Pastor

Tel: (206) 767-6220

Contact: Ann Smiley Karman, Senior Tax Specialist, SPEC, Wage & Investment

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Inner City Christian Federation

816 Madison SE

Grand Rapids, MI 49507

Jonathan Bradford, Executive Director

Sue Ortiz, Home Ownership Program Manager

Tel: (616) 336-9333

Website: www.ICCF.org

Jobs Partnership

4208 Six Forks Road, Suite 320

P.O. Box 31768

Raleigh, NC 27622

Skip Long, National Director

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Website: www.tjp.org

RESOURCES

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Dr. Yahia Abdul-Rahman
Tel: 888-LARIBA1 or (626) 449-4401
Website: www.lariba.com

Living Witness
1528 Aretha Castle Haley Blvd.
New Orleans, LA 70113
Contact: Terrain Gillory
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Mission of Peace Community Development Corporation
877 East 5th Ave.
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Rev. Elmira Smith-Vincent
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National Economic Development and Law Center
2201 Broadway, Suite 815
Oakland, CA 94612
Tel: (510) 251-2600
Fax: (510) 251-0600
Website: www.nedlc.org

Organization for a New Equality (O·N·E)
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RESOURCES

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Vermont Development Credit Union
18 Pearl St.
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Website: www.vdcu.org

The Annie E. Casey Foundation

The Annie E. Casey Foundation is a private charitable organization dedicated to helping build better futures for vulnerable children and families in the United States. It was established in 1948 by Jim Casey, one of the founders of United Parcel Service, and his siblings, who named the foundation in honor of their mother.

Headquartered in Baltimore, the Foundation is the largest private foundation in the nation dedicated solely to the needs of vulnerable children and families, with assets of more than \$3 billion. The Foundation's grants are intended to help states, cities, and neighborhoods improve the life chances of the millions of American children at risk of poor educational, economic, social, and health outcomes. For more information, visit the Foundation's website at www.aecf.org.



The Annie E. Casey Foundation

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