



Wealth Creation
Microfinance, Building Assets, and South Carolina’s Poor

Introduction

Nearly 15 % of South Carolinians lived below the poverty level in 2005 (U.S. Census Bureau and Bureau of Labor Statistics, *Current Population Studies: Annual Demographics Survey*, March Supplement, Table POV46: Poverty Status by State: 2005). More than a third of us (35%) lived below 200% of the poverty level. Poverty is pervasive in the Palmetto State. Associated with those high levels of poverty is the state’s poor performance on comparative measures of well-being as shown in Table 1.

The first part of this Policy Perspective will examine strategies for alleviating poverty and increasing incomes in South Carolina so that greater numbers of South Carolinians can consume more basic, social, and economic goods.

The second part of this policy brief will specifically evaluate micro-finance institutions (MFIs) and micro-credit, a set of financial tools gaining currency among South Carolina development practitioners, although largely associated with developing countries (i.e., countries like Kenya, Bangladesh, Peru, Jamaica, South Africa). The brief examines important lessons South Carolina policy makers can take away from the developing world regarding antipoverty measures and innovative strategies that may or may not work in South Carolina.

Finally, recognizing the need to expand access to economically sufficient, socially responsible, and sustainable sources of incomes for South Carolina’s most vulnerable citizens, the last section of this brief analysis will highlight intervention points where interested stakeholders can take immediate action to alleviate poverty and assist the poor in building assets.

Table 1 South Carolina Ranking Among States	
Measure	SC Ranking*
National Assessment of Educational Progress, Reading Grade 4	41
National Assessment of Educational Progress, Math Grade 4	32
Annual Dropout Rate	38
Life Expectancy	48
Infant Mortality Rate	10
Low Birth-weights	4
Obesity	3
Annual Average Unemployment Rate	3
Food Stamps Recipient Rate	8
*For all rankings, 1 = highest ranking	
Source: South Carolina’s Indicators Project, University of South Carolina	

Those measures suggest that significant parts of South Carolina function more like a “developing state”—what we used to call a “Third World” republic—contained within a “First World” nation.

Tools to Create Wealth in South Carolina Low-Income Communities

Among the most promising tools, in terms of (1) innovation, (2) potential to impact significant numbers of poor people, and (3) sustainability, are individual development accounts (IDAs), micro-savings, childhood savings accounts and a South Carolina earned income tax credit.

South Carolina Earned Income Tax Credit

The earned income tax credit (EITC) rewards work while reducing poverty. The EITC provides a refundable credit which is based on the Analysts credit the federal EITC with lifting more children out of poverty than any other government program—2.7 million in 2002. Joseph Llobrera and Bob Zahradnik “A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty,” Center for Budget and Policy Priorities (2004) at <http://www.cbpp.org/5-14-04sfp.htm>



The Center on Budget and Policy Priorities estimated in 2004 that a state EITC for South Carolina would cost between \$38 million and \$153 million depending upon the size of the credit. “Estimating the Cost of a State Earned Income Tax Credit” at <http://www.cbpp.org/2-1-06eic.htm>. Those figures are generally below the \$129 million annual cost of last year’s small business tax cut (Fiscal Impact Statement at http://www.scstatehouse.net/sess116_2005-2006/prever/3007_20050331.htm) or the \$959,000,000 annual cost for the Governor’s income tax plan (Fiscal Impact Statement at http://www.scstatehouse.net/sess116_2005-2006/prever/3007_20050119.htm)--both when fully

phased in. Lower income citizens won’t have received a penny of either tax cut.

The first state-supported Earned Income Tax Credits was initiated in 1975, the same year that the federal program was introduced. Today, 19 states and the District of Columbia have some form of earned income tax credits, which are based on a percentage of federal credit. South Carolina can and should be among these states. The credit has been a tremendous tool in assisting working families to move beyond the poverty line.

Individual Development Accounts

Individual Development Accounts (IDAs) are another of a set of asset accumulation devices which have evolved in recent decades, including Individual Retirement Accounts (IRAs), 401(k)s, Individual Training Accounts, and 529 College Savings plans.

IDAs are passbook savings accounts with a difference. Across the United States, 20,000 families are using IDAs to build capital. Working low-income families, typically under 200 percent of the federal poverty level, make deposits in accounts with cooperating financial institutions. These accounts are matched, sometimes at a multiple of the deposit, at withdrawal when the funds are used for specified purposes—usually home purchase, post-secondary education or microenterprise investment. Match funds come from Federal and state governments, private sector organizations and individuals. The programs are coordinated by community-based organizations.

The U.S. experience with Individual Development Accounts suggests that the ability and willingness of the poor to save depends in part on incentives and institutional structures. Michael Sherraden, *Assets and the Poor: A New American Welfare Policy* (1991).

As part of the Family Independence Act of 1995, our General Assembly provided that: “Families on AFDC and those not receiving welfare but whose household income falls below one hundred eighty-five percent of the federal poverty level may own an Individual Development Account. Contributions to and interest on these accounts are tax free, and a recipient may accrue up to ten thousand dollars in the account. Withdrawals used for education or job training or to start a business or to purchase a home are tax free. Withdrawals for other purposes are not tax free.” §12-6-1220, *S.C. Code of Laws of 1976, as amended*



The South Carolina Association of Community Development Corporations has run an IDA program

since 2001. The Association has helped establish 225 IDAs in 18 South Carolina counties. Those South Carolinians have saved over \$202,000.

Microsaving and Financial Transactions for the Poor

We tend to believe the poor don't have money to save. In fact, facilitating savings is an important component of providing full micro-financial services. Savings are important to establishing economic security since they assist in cushioning shocks and may serve as an important entry point for the “unbanked”—those with no deposit-taking accounts at any financial institution—to establish sustained relationships with commercial financial institutions. According to the Corporation for Enterprise Development (CFED), South Carolina ranks near the bottom (44 out of 50 states) in terms of households with checking accounts.

State Level Policy Options to Encourage IDAs

1. **Create IDA programs supported by CDBG and TANF funds.** Community Development Block Grant (CDBG) and Temporary Assistance for Needy Families (TANF) funds can be used for IDA programs. Currently, CDBG funds are used in at least 6 states, and TANF and related welfare-to-work funding sources are used in at least 9 states, and Puerto Rico, to support IDA programs
2. **Create a tax credit to leverage private sector contributions to IDAs.** Currently, seven states offer a tax credit for individuals and businesses who contribute money to an IDA program. Though non-profit organizations lack tax liability, they can partner with other organizations that may want to lower tax payments, to participate in these programs. Tax credit rates range from 5 to 75 percent, depending on the state. An additional 16 states have appropriated state general revenue funds (including moneys leveraged from state IDA tax credits) to support IDA programs, including administration, technical assistance and matching components. CDBG and state general revenue funds may be used to leverage federal matching funds for IDAs, through the Assets for Independence Act.
3. **Appropriate state general revenue funds to support IDAs.** Nine states and the District of Columbia have appropriated state general revenue funds (including moneys leveraged from state IDA tax credits) to support IDA programs, including administration, technical assistance and matching components.
4. **Provide initial deposits for IDAs to spur savings and attendance in financial education classes.** States could tweak the IDA model to encourage more low-income individuals to open these accounts by providing a modest initial deposit into an IDA to spur savings and interest in becoming financially educated. This initial deposit could provide to jumpstart the savings habit or in addition to matching grants.
5. **Allow savings in IDAs to be used for debt reduction.** In addition to setting savings goals for particular asset, IDA participants may also need to pay down debts for medical expenses, a business, or other purposes. This would allow indebted families who do not feel financially able to start an IDA, 529, 401(k) or other savings plan work towards their debt reduction goals. For example, the Hoopa Valley American Indian Tribe in California allows families to save in one IDA for debt reduction, while saving in another for an asset. States could adopt this model with their own IDA programs.

Parrish et al., *State Asset Building Policy Options*, New America Foundation and Center for Social Development (June 2006), 8-9 at http://gwbweb.wustl.edu/csd/Publications/2006/State_Policy_Options.pdf

Commercial financial institutions like banks and credit unions are best positioned to facilitate savings. They have not developed financial products for “down stream” customers due to lack of outside incentives and insufficient industry-wide research on how to tap into the financial capital within poor communities. Changing the incentives to which banks respond is easier than changing their internal thinking. Economic development stakeholders can leverage the federal Community Reinvestment Act of 1977, which mandates that banks set aside a percentage of their profits for community development, to design and pilot savings schemes *that work for the poor and operate through banks.*

Mark Schreiner and Jonathan Morduch , “Replicating Microfinance in the United States: Opportunities and Challenges” (2001), 44-45, at <http://129.3.20.41/eps/dev/papers/0109/0109002.pdf> citing John P. Caskey, “Reaching Out to the Unbanked” manuscript, Swarthmore College (2000) propose a five-step approach to reaching low-income customers through banking programs which help meet Community Reinvestment Act obligations:

1. Conveniently-located, low-cost mini-branches offering regular banking services and fee-based check-cashing, wire transfers and money orders. See Union Bank of California’s “Cash and Save” outlets as a model.
2. Low-minimum balance accounts with low-cost money-orders rather than checking, saving the bank from bounced-check risk.
3. Special savings accounts, not unlike Christmas Club accounts, that are premised on regular, small deposits timed to income flows.
4. Quick, deposit-secured loans for emergencies.
5. Partnerships with community-based organizations to promote the services and provide consumer education.

These programs can be run by banks, credit unions or community development financial institutions. The federal Community Development Financial Institutions Fund has so far provided over \$300 million to encourage such efforts. Several states, including Pennsylvania provide tax credits, matching funds, and other incentives to spur banks to expand in low-income communities. By 2000, over \$5.5 billion was under the management of Community Development Financial Institutions.

Child Savings Accounts

The Corporation for Enterprise Development (CFED), along with Washington University Center for Social Development (CSD), University of Kansas (KU) School of Social Welfare, and the New America Foundation, are piloting a child savings account program named SEED: Saving for Education, Entrepreneurship, and Downpayment.



“The 1,000-plus families saving in the SEED Initiative are demonstrating the power and promise of children’s savings accounts. With more than one-third of American children, and half of all minority children, born into families with negligible savings to weather emergencies or invest in their futures, these long-term savings accounts have the potential to break the cycle of childhood poverty,” said Andrea Levere, president of CFED. SEED accountholders in twelve sites have already accumulated over \$1 million in savings and match funds. CFED, “Groundbreaking Initiative Encourages Children’s Savings” (May 30, 2006) at <http://www.cfed.org/newsroom.m?id=29&parentid=7&pubid=109>.



SEED accounts allow families to build capital so that poor children can go to college. “\$1,000 invested for 18 years at a 6% rate of return yields nearly \$3,000. Add \$100 per year and the sum jumps to more than \$5,000. Contribute \$50 per month to the base and the total reaches more than \$22,000.” College graduates typically earn 80 % more than high school graduates, but 2 in 5 children never attend a day of college. *The SEED Policy & Practice Initiative: Why SEED Accounts?* at <http://www.cfed.org/focus.m?parentid=31&siteid=288&id=291>.

Microfinance: A Tool for South Carolina?

One of the most popular poverty alleviation tools to gain wide currency within the development field in the past 30 years is micro-finance institutions (MFIs). Simply stated, MFIs make very small loans to very small businesses. The typical initial loan is less than \$50 to a business employing only the owner. Some MFIs also accept savings deposits from the poor. The best of these institutions have been credited with putting money into the hands of poor, but economically active, individuals who leverage these resources to create businesses that better secure and smooth out their household income stream.

Profits from microenterprises are used to expand educational access for young children¹ and build better housing for families. Profits even facilitate more balanced power sharing between men and women at the household level; many MFI clients are women—wives, mothers, and daughters—who are bringing cash into the household and, as a result of their entrepreneurship, are more valued as capable household decision-makers by their male counterparts.

¹ In most developing countries, the bulk of what Americans classify as K-12 education is paid for by parents not governments

Microfinance Institutions The Grameen Bank Model

The most renowned microfinance institution, the Grameen Bank, uses a form of lending known as “peer” or group-based lending. “In this model, small groups of individuals determine which among them will get loans, put pressure on each other to pay them back, and provide fellow members with moral support and advice. Loan amounts tend to be small and are meant to provide the borrower with the means to begin or expand a business enterprise. Nobody else in the group can get a loan until the first one is largely paid back. Consequently, group pressure replaces collateral....”

Richard P. Taub, “Making The Adaptation Across Cultures And Societies: A Report On An Attempt To Clone The Grameen Bank In Southern Arkansas,” *Journal of Development Entrepreneurship*, 3:(1), (1998) 53-69.

Given the success of microfinance institutions at alleviating poverty in some developing contexts—the most well-known example being the 2006 Nobel Peace Prize laureate Bangladesh’s Grameen Bank (see box above)—that American policy makers, community development activists, and philanthropists are looking to the MFI experience “over there” to see what can be applied here. As noted by George Wallace in *Using Microenterprise Programs in the Rural United States*, “according to the Directory of U.S. Microenterprise Programs (1997), programs have grown from only a few in 1985 to 266 in 44 States in 1996.” U.S.-based MFIs and microenterprise programs have continued to multiply since this data was captured almost a decade ago.

In South Carolina, a state which has a significant rural population, like most countries in which MFIs operate, and nationally lagging social indicators, the potential for applying the MFI model may seem even greater than in other state contexts. At a recent symposium on asset development and wealth creation for low-income South Carolinians, hosted

by the Federal Reserve Bank of Richmond's Community Affairs Division, microenterprise development was discussed in several sidebar conversations as a promising rural development tool whose potential had yet to be tapped in South Carolina.

But is this positive outlook warranted, given what we know about the *successes* and *failures* to replicate the MFI model here in the United States, particularly in rural contexts? *The evidence, such as it exists, suggests that—for the poorest South Carolinians and for rural South Carolinians—it is not.* Still, in some contexts, microenterprise may be a part of the solution for alleviating poverty in our state.

“How useful will MFIs be as a poverty alleviation and economic development tool in South Carolina?” is really three questions:

1. Who would be the target audience (i.e. expected clients) for MFI assistance—“the poorest of the poor,” former and current Temporary Assistance to Needy Families clients, rural entrepreneurs, start-ups or established enterprise owners? –
2. What would be the desired outcomes for those assisted through MFIs—poverty alleviation, economic self-sufficiency, full-time employment, wealth and asset creation?
3. What are the costs and benefits that would accrue to South Carolina from wider support and implementation of microenterprise programs across the state?

Who is being targeted? MFIs in developing countries often state they are assisting the “poorest of the poor”. This statement refers to the most vulnerable members of the society, who are not only poor—since living below poverty is often the rule not the exception in developing countries, but have non-reliable income sources for daily sustenance and few if any assets to buffer themselves against economic shocks, such as the death of the family breadwinner, contraction of HIV/AIDS or displacement due to civil war. Life at

the economic margin is precarious in the face of economic shocks.

Claims of serving the “poorest of the poor” may help these organizations obtain funding, but they are less than entirely accurate in describing whom MFIs actually assist. Clients are usually not located in rural contexts, but in urban or locations or just outside urban areas. Few MFIs offer loan packages that specifically address the special needs of agriculturally-oriented entrepreneurs, such as deferred and balloon payments, which would be required for farmers who earn income only when crops are harvested. Moreover, lower population densities in rural areas discourage MFIs from venturing into rural communities given the higher per-borrower costs associated with lower population densities. Finally, numerous international MFI are biased against lending to start-ups; they target pre-existing enterprises, Thus they reach those who already have sources of income and own assets—not the “poorest of the poor”.

The lending methodologies described above exist for very good reasons, not because international MFIs are disinterested in serving the most vulnerable. First, anyone marginally familiar with agriculture knows that it is a risky business. Crops fail and prices vary due to factors beyond the control of farmers, making agricultural loans taboo for micro-lenders. As a result, few MFIs focus on agricultural entrepreneurs, given the pressure put on them by international donors to reach sustainability (i.e. receiving enough in interest payments to cover operational costs). Second, given the failure rate of business startups, the most successful MFIs have lent to clients with proven business acumen and determination—clients with pre-existing businesses. In this way, institutions protect themselves against potentially non-performing assets by focusing on more mature entrepreneurs. But, perhaps, the most important factor influencing MFI lending patterns is the fact that lending to the poor costs more money than lending to traditional, commercial bank borrowers.

Typically, MFI clients don't go to the bank; the bank comes to them. MFI personnel go out into the field to assess the viability of businesses, monitor lending groups, and collect payments. As a result, more staff and time is required to manage individual loan portfolios, thus driving up the cost of doing business with the poor. Those MFIs that have proved sustainable focus on the "readily accessible poor"—where population densities are highest and risks of default are lowest.

Looking at South Carolina, what lessons can we take away from the constraints faced by international MFIs? First, while targeting the "poorest of the poor" or the most vulnerable segments of society is desirable, it is not always possible when using microfinance as a poverty alleviation tool. As noted by Mark Schreiner and Jonathan Morduch in *Replicating Microfinance in the United States: Opportunities and Challenges*, researchers in the U.S. "... suggest that microfinance may help about 1 in 100 displaced workers become self employed who otherwise would not have, and, according to Schreiner (1999a), the ratio for people on public assistance may be closer to 1 in 1,000" (48). If we use Temporary Assistance to Needy Families (TANF) recipients (i.e., women with children on public assistance) as a rough proxy for the poorest of the poor, the applicability of MFI strategies as a sustainable, income source that lifts a critical number of these individuals out of poverty (not simply removing them from the public assistance rolls) is questionable.

To put it plainly, "...most poor Americans who use microenterprise programs are not among the poorest. Rather, they have the most assets, the most years of school, the most skills and experience, the strongest support networks, and one or more wage jobs." (Schreiner and Morduch, 31.) To extend microenterprise programs to poorer and less well-educated folks, many MFI programs in the United States have invested heavily in training alongside loan disbursements. Then, micro-entrepreneurs who lack experience and relevant education can

"catch-up." But, the cost effectiveness and efficacy of providing these trainings has been questioned; we will explore that topic later in this section.

Still, microenterprise development among the poorest in the United States does take place in respectable numbers. According to a 1997 analysis conducted by the U.S. Bureau of Census, cited in Schreiner, households with incomes below \$10,000 created 2.6 percent of all ventures started in the United States. With adequate targeting and reasonable expectations, microenterprise programs in South Carolina could be effective in taking would-be or established entrepreneurs to the next level using sufficient funding and the right mix of technical support.

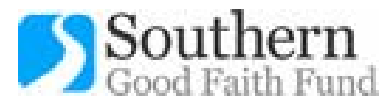
Second, the usefulness of establishing microenterprise programs to specifically *target the poor in rural areas* is not completely clear. While data exists on the average loan sizes of MFIs, gender breakdown of clients, repayments rates, data is not generally disaggregated according to geographic locus—rural versus urban. Even without hard numbers, certain lessons from the MFI experience abroad and what we know about them in the U.S. can give some insights into how MFIs and microenterprise programs might fare in rural South Carolina.

Generally speaking, the U.S. economy's structure presents more roadblocks to establishing microenterprises than developing economies, where entrepreneurs largely operate in the informal sector, unlike the majority of entrepreneurs in the U.S. As a result, establishing businesses of any type can be more costly. Looking at the rural sector specifically, the potential for rural economies to support significant numbers of entrepreneurs is limited. A small town can only support so many seamstresses, hairdressers, mechanics, and day care centers—markets that microentrepreneurs are likely to enter because of lower start-up costs and required technical expertise to participate.

These insights are supported by the experience of Arkansas' Southern Development Bancorporation (Southern), "a company created in rural Arkansas to upgrade the economy of the southern half of the state by using credit to encourage entrepreneurship and business development." (Taub, *Doing Development in Arkansas*). In 1986, then governor William J. Clinton invited stakeholders from Chicago's Shorebank Corporation to Arkansas to turn around the state's economically depressed regions.

Shorebank had been enormously successful in revitalizing Chicago's South Shore area, which had been in decline since the 1960's, by reinvesting in the housing market and commercial retail space. The Shorebank Corporation took up the offer and went to Arkansas in hopes of replicating their success, albeit with different tools than those used in Chicago and in a radically different context (rural and southern).

Southern, comments, the MFI never reached sustainability (i.e. ability to cover its operating costs) nor did it reach the high level of aspiration pinned onto it. Taub specifically states, "The Good Faith Fund was featured on national television when it had almost no achievements commensurate with its budget and aspiration, and those aspirations were confused with achievement." "Poster children" were picked to provide the heart-warming stories that a thirsty set of stakeholders and the public required. Why—given both the political will and resources expended to ensure the success of the entire Arkansas Southern Development strategy—did it not prove as successful as most anticipated? Again, the challenges of rural development come through clearly here. "The Arkansas story," as Taub goes onto note, "is a very different one. In Chicago's South Shore, the story was revitalization. In Arkansas, it was dealing with a long-term, depressed economy."



Rural South Carolina, to a significant extent, shares similarities with rural Arkansas. The Arkansas experiment featured here has much to say about how carefully tools need to be designed and applied to be effective in regions where economic underdevelopment is not the exception, but the rule.

What outcomes do we desire for those assisted through MFIs? More specifically, what do we hope to gain from MFIs in South Carolina: poverty alleviation, economic self-sufficiency, full-time employment, asset building and wealth creation, or a combination of these? MFIs have a strong allure in an "ownership society" which professes to value individualism, and "boot-strapping" your way to economic independence (Morduch & Schreiner, 48). However, stakeholders must recognize that "[e]ven with effective, universal microfinance the most common routes out of poverty will remain acquiring a good wage job and acquiring more human capital." (Schreiner, 49)

Income from self-employment is often low because most low-income micro-entrepreneurs start with low levels of investment and go into sectors with low barriers to entry.... Thus, they have low productivity and face high competition. Small firms in depressed areas also often face low demand because they often sell services that their customers could do for themselves or do without. All of this leads to high effort, high risk, and low profits."

Mark Schreiner, "The Material Conditions for Microenterprise Programs in the United States and the Third World," Working Paper No. 00-2, Center for Social Development, George Warren Brown School of Social Work, Washington University in St. Louis (2000), 13 at

<http://www.microfin.com/files/UWash/Schreiner%20on%20US%20microenterprise.pdf>.

A microfinance institution called the "Good Faith Fund" was one of the tools developed for the new environment. Yet, as Richard Taub, a University of Chicago scholar asked to chronicle the work of

Microenterprise programs have an important place at the table when thinking about innovative poverty alleviation, asset development, and employment strategies, but they are not the guests of honor. MFIs will probably *only work for a few at the margins*, but not the masses of those individuals displaced by factory closings, retrenched in the agricultural sector, seeking employment after TANF or never have gained a meaningful foothold in the job market.



In fact, experts indicate that the primary impact of microenterprise development programs “both in the United States and in the third world seems not to be increased income but rather smoother income in the face of shocks.” The outcomes that the majority of potential clients can reasonably expect from microenterprise programs may be poverty alleviation—but not poverty elimination.

What are the costs and benefits that would accrue to South Carolina from wider support and implementation of microenterprise programs across the state?

Unlike their sister organizations in developing countries, microenterprise programs in the U.S., particularly those that combine loans and training, will probably not be able to measure their effectiveness and efficiency by looking at the bottom-line (costs vs. income). MFI sustainability, as measured by the ability to meet operational costs, is not likely to be reached in South Carolina, given both the low population densities, particularly in rural areas, and the limited number of entrepreneurs who demand MFI and microenterprise development services.

As a result, if South Carolinians believe MFIs to be an important poverty alleviation tool given the direct benefits (increased income and improved sense of self-value) to beneficiaries and the positive “spillover” effects that it has on the society (demonstrating the usefulness of applying private sector principles to create positive social change), then policy makers and donors working in the state need to be prepared to measure the success of MFIs using indicators other than their ability to earn profits. The number of those assisted, the quality of that assistance and reductions in poverty for recipients should be the measures of microenterprise programs.

In concluding this section, our focus as interested economic development stakeholders is to expand access to *economically sufficient, socially responsible, and sustainable sources of incomes* for South Carolina’s most vulnerable citizens. Therefore, “[a]dvocates for the poor must seek not more microenterprise but rather more human development, defined as greater capability of people to do and to be the things they have reason to want...” (Schreiner, 33). To the extent the microfinance satisfies these criteria, it should be wholeheartedly supported wherever opportunities arise.

This *Policy Perspective* was written jointly by Tammy Palmer and John Ruoff.

Tammy Palmer returned to her South Carolina home last year after several years in East Africa, especially Kenya, working on issues of poverty for the Global Education Partnership and the United States Agency for International Development.

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Immediate Actions for Legislators, Policymakers, and Philanthropists, and Community Development Activists

The following are recommendations for immediate action that interested economic development stakeholders can take in South Carolina

Legislators/Policymakers:

- ✓ *Create, pass, and appropriate funding for a South Carolina Earned Income Tax Credit, modeled after the federal program*
- ✓ *Eliminate or raise asset ceilings for individuals on public assistance, particularly those enrolled in IDA & child savings accounts – Researchers who track savings and participation under IDA and child savings accounts state unambiguously that asset means tests for public assistance programs (such as TANF and SSI) inhibit savings among eligible populations.*
- ✓ *Create a child savings account program for South Carolina's most vulnerable children, using the lessons learned from the SEED program.*
- ✓ *Adopt legislation to stop predatory lending practices like payday loans, title loans and Refund Anticipation Loans that suck assets out of communities and make asset building harder.*

Philanthropists:

- ✓ *Support innovative programs in innovate ways – Donors must be as innovative as the programs they seek to support. Public-private partnerships should be encouraged, particularly when there are areas where the private sector operates more efficiently in the achievement of public social goods, like asset building among the poor.*

Community Development Activists:

- ✓ *Work with regulators to create incentives for commercial banks and credit unions to develop financial products and services to poorer*
- ✓ *Build microfinance and microenterprise components into community development corporations that focus on individual lending, impart specific skills and not general business development courses (i.e. how to write business plan), and continue after initial business startup or expansion.*

SOUTH CAROLINA FAIR SHARE POLICY PERSPECTIVES

Our intention with *Policy Perspectives* is to explore more fully than the *Legislative Update* format allows important issues facing everyday South Carolinians. We hope to provide a better explanation of the roots of problems and creative approaches to solving them.

South Carolina Fair Share's interests and concerns are broad. This issue's subject is asset development and wealth creation. Future Perspectives will cover the variety of consumer and family issues that occupy our advocacy work.

We look to our community to assist us in preparing *Policy Perspectives*. We invite other organizations and persons working to better South Carolina to join us in producing future *Policy Perspectives*. If you have an issue that you think should be a subject of a *Policy Perspective*, please give us call.



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