The Comprehensive Asset Building Model:

An Alternative to “Welfare” along the Texas-Mexico Frontera

by

Zoraima Alejandra Díaz, BA

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The Comprehensive Asset Building Model:
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APPROVED BY:
SUPERVISING COMMITTEE

______________________________
Bárbara J. Robles

______________________________
Lodis Rhodes
Dedication

I hope that this report will bring us one step closer to providing social and economic justice for low-income Latino families along the Texas-Mexico Frontera. I firmly believe that:

“Our desire is not that others might be relieved while you are hard pressed, but that there might be equality. At the present time your plenty will supply what they need, so that in turn their plenty will supply what you need. Then in turn there will be equality.” 2 Corinthians 8:13 – 14.
Acknowledgements

I thank God first and foremost for his grace in blessing me with so many opportunities and for his faithfulness in reminding me daily that “all things are possible with God.”

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allowing me to observe and learn from the amazing work they are doing to support low-income Latino families along the Texas – Mexico Frontera.

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Chapter 1. Introduction

Traditional welfare policies created and implemented by federal, state and city governments in the United States have focused on providing individuals and communities with only enough resources to achieve subsistence through consumption.\(^1\) This approach does not afford low-income individuals to become stakeholders in the welfare process that is supposed to enable them to escape poverty and become self-sufficient. Instead, traditional consumption based welfare policies create a dependence of low income individuals on public assistance programs that are transferred from generation to generation. This produces cumulative deficits of human, social, financial and cultural assets and in essence has “sustained the weak, but has not helped to make them strong.”\(^2\)

Comprehensive Asset Building Model (CABM) policies are alternative solutions to alleviating poverty and removing the barriers that perpetuate inequalities based on race and class. CABM policies require individuals and communities to take an asset based approach to learn about themselves and become stakeholders in their own development. These policies promote planning a vision for the future and increasing participation in activities that will affect their social and economic interests. By increasing individual and community level participation in understanding current needs, identifying assets, and creating
a vision for the future, the CABM enhances democracy. As a result of CABM initiatives individuals and communities are changed and empowered to continue to invest in themselves so that they fulfill their visions and become self-sustaining. This professional report presents a case for the use of the CABM to develop asset building policies for low-income working families and specifically highlights the success that has been accomplished thus far by applying this approach to low-income working Latino families living in the Texas – Mexico Frontera.

Asset development in the United States is rooted in the myth that “self-made” men accumulate wealth and that every person has the same abilities and opportunities to achieve the American Dream. In their work Black Wealth/White Wealth, Melvin Oliver and Thomas Shapiro discuss how their own contact with asset development policies and privileges, or the lack thereof, motivated them to explore the different spheres in which Blacks and Whites build assets in the United States. Intrigued by how variables including labor force participation, family composition, educational attainment levels, age, wage disparities, institutional discrimination and race create two distinct scenarios in which Blacks and Whites attempt to build assets, they embarked upon an area of research that had previously received little attention.
To date, there has been no comparative project that attempts to derive the collective asset building experiences of Latinos in the U.S., perhaps because Latinos in the United States are a community of multiple dimensions. While social and economic quantitative indicators capture their income, wealth, and asset accumulation, qualitative variables inform conclusions based on analysis of statistical variables. These variables reveal unique asset building strategies of a dynamic population composed of multiple generations, influenced by a strong connection to language and culture, impacted by a consistent influx of immigrants and responding to a changing family structure and self-identity. Latinos represent 12.5 percent of the U.S. population, 32 percent of Texas population and 74.5 percent of the population in the Texas – Mexico Frontera Region. The manner in which Latinos accumulate assets and the barriers they face will be of increasing importance to local, state and national discussions of asset building policies for low-income working Americans.

The following chapters are offered with the hope of raising the awareness of policy analysts, developers, and practitioners to the distinctive asset building deficiencies and capabilities of the Latino population with a specific emphasis on low-income working families and ex-offenders residing in the Texas – Mexico Frontera. Chapter two, Assets: The Difference between Poverty and Wealth, explains to practitioners, policy analysts, program developers, community based
advocates and community residents how income, assets, and wealth interact within the confines of traditional welfare policies and thus impact the asset development opportunities of low-income working Latinos. In Chapter three, *Moral, Economic, and Development Imperatives and Theories* explores attitudes towards poverty, and the responsibility of government agencies to the poor to understand how the application of such concepts to asset building policies will increase low-income individuals’ and communities’ capabilities to accumulate assets. Chapter four, the *Comprehensive Asset Building Model in the Context of the Texas – Mexico Frontera*, attempts to demonstrate that the proper application of welfare, poverty alleviating, asset building, community development and community economic development concepts embedded in CABM programs and policies will enable low-income individuals to transcend barriers associated with their racial and class status that have previously negatively impacted their ability to accumulate capital. In Chapter five, the *Southwest Border Family Asset Building Group: the Comprehensive Asset Building Model in Action*, demonstrates how Community Based Organizations located along the Texas-Mexico Frontera are actively creating opportunities for low-income working Latino families and communities to accumulate wealth. Chapter six, *Recommendations*, offers a combination of policy and program recommendations and ideas that are meant to enhance the asset building policies currently in place to better serve the needs of low-income working poor families. Throughout this
policy report special attention is paid to the manner in which U.S. asset-building policies have favored the development of assets for middle and upper class families and the radical alternative that CABM programs and policies provide as a means to balance the asset building “playing field” in favor of low-income, working Latino families, immigrants, and ex-offenders.
Notes


2 Ibid. pg. 3


4 Ibid. p. 129.

Chapter 2. Assets: The Difference between Poverty and Wealth

Introduction

Recent national debate has pondered if it is possible to create policies and programs that accumulate assets and build wealth for poor communities. Creating wealth for low-income working poor families can occur in a fashion similar to that of middle and upper income families and involves “identifying and investing in assets.” The debate surrounding asset development for the poor is informed by differentiating between income and asset poverty. In addition, examining historical federal asset-building programs and policies that facilitated the accumulation of assets for specific population groups provides a partial explanation for the growing wealth divide in the U.S.

Understanding Poverty

The historical development of the thresholds used to measure poverty in the United States provides a frame of reference to understand why the majority of poverty-alleviating policies are focused on increasing poor peoples’ income. The current official thresholds used to measure poverty are derived from the equation established by Mollie Orshansky in 1965, who used the economy food plan developed by the U.S. Department of Agriculture to design poverty thresholds as a “measure of inadequacy” that families should not live under. Interestingly, she
acknowledged that her original intention was not to design an official poverty measure; rather, she was trying to develop a tool to assess the “differentials in opportunity” among different demographic and economic status groups of households with children. While developing the formula, she noted that the use of income before taxes did produce a “conservative underestimate of poverty.”

This set the historical precedence of calculating appropriate income thresholds to measure “what is an inadequate” amount of resources for survival. Welfare policy in the U.S. has subsequently been designed to provide families with the amount of income necessary to consume the amount of goods to live above what is “inadequate.”

Today, poverty thresholds have evolved to measure the amount of money acquired through various forms of income before taxes, and does not include non-cash benefits or capital gains. While the federal definition of poverty is based on an annual income level, a monthly poverty level is more descriptive of the number of families that fall below the poverty level at various times throughout the year. The poverty thresholds for 2003 (Table 2.1) represent the amount of income a household must fall below to be designated as living in poverty.
Table 2.1

<table>
<thead>
<tr>
<th>Household Size</th>
<th>Annual</th>
<th>Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>1*</td>
<td>$9,573</td>
<td>$797.75</td>
</tr>
<tr>
<td>2*</td>
<td>$12,321</td>
<td>$1,026.75</td>
</tr>
<tr>
<td>3</td>
<td>$14,393</td>
<td>$1,199.42</td>
</tr>
<tr>
<td>4</td>
<td>$18,979</td>
<td>$1,581.58</td>
</tr>
<tr>
<td>5</td>
<td>$22,887</td>
<td>$1,907.25</td>
</tr>
<tr>
<td>6</td>
<td>$26,324</td>
<td>$2,193.67</td>
</tr>
<tr>
<td>7</td>
<td>$30,289</td>
<td>$2,524.08</td>
</tr>
<tr>
<td>8</td>
<td>$33,876</td>
<td>$2,823.00</td>
</tr>
<tr>
<td>9 or more</td>
<td>$40,751</td>
<td>$3,395.92</td>
</tr>
</tbody>
</table>


Poverty thresholds and the official equations used to determine the number of people living in poverty not only present a quantitative representation of the number of people who are sacrificing to make ends meet—they also dictate how federal dollars are allocated for income maintenance and asset development programs. For example, national poverty configurations resulted in the State of Texas receiving $330,851,514 in 2004 for the State Children’s Health Insurance Program (SCHIP). ¹²

There has been discussion of new measures that should be implemented in an effort to update the somewhat antiquated measurement of poverty, and these new measures could increase or decrease the amount of federal dollars allocated to
states for programs such as SCHIP. If the method of measuring poverty were modified to include income after taxes and exclude the Earned Income Tax Credit benefit, the poverty rate would increase from 12.1 percent to 19.1 percent. The antiquated official poverty measure does not reveal the true number of people who are living in poverty, and use of this measure indicates that many people may have been denied access to or been deprived of welfare benefits.

**Who are the Income Poor?**

As of 2002, the number of people living in poverty increased from 32.9 million to 34 million, representing 12.1 percent of the population. Disaggregated by race, 8 percent of Whites, 10.3 percent of Asians, 23.9 percent of Blacks and 21.8 percent of Latinos lived below the poverty threshold in 2002, as measured by their income levels. There is a complementary inequality witnessed among children: 28.6 percent of Latino, 11.7 percent of Asian, 32.2 percent of Black and 9.4 percent of White children were poor in 2002.

A closer look at who constitutes the poor suggests that there is an increasing incidence of working families living below the poverty level. The working poor are incredibly vulnerable in today’s society. Latinos are more likely to be categorized as working poor, as they are increasingly concentrated in low-wage occupations and have children in their families. Over one-third of Latino and Black families with at least one person working in the household live
in poverty, compared to 14 percent of White families (Table 2.2). A larger percentage of Hispanic and Black families with two or more persons working in their household also live in poverty.

### Table 2.2
**Working Poor Families with Children under 18 - 2002**

<table>
<thead>
<tr>
<th></th>
<th>Families</th>
<th>Single Women Headed Household</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Families with Only One Working Person</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Races</td>
<td>20.7</td>
<td>29.2</td>
</tr>
<tr>
<td>White Alone, not Hispanic</td>
<td>14.0</td>
<td>22.8</td>
</tr>
<tr>
<td>Black Alone</td>
<td>31.9</td>
<td>35.2</td>
</tr>
<tr>
<td>Asian Alone</td>
<td>9.8</td>
<td>13.2</td>
</tr>
<tr>
<td>Hispanic Alone</td>
<td>33.0</td>
<td>37.9</td>
</tr>
<tr>
<td><strong>Families with Two or More Working Persons</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Races</td>
<td>3.5</td>
<td>10.1</td>
</tr>
<tr>
<td>White Alone, not Hispanic</td>
<td>2.0</td>
<td>7.4</td>
</tr>
<tr>
<td>Black Alone</td>
<td>6.1</td>
<td>14</td>
</tr>
<tr>
<td>Asian Alone</td>
<td>3.6</td>
<td>N/A</td>
</tr>
<tr>
<td>Hispanic Alone</td>
<td>8.5</td>
<td>11.4</td>
</tr>
</tbody>
</table>


The larger representation of Latinos and African Americans families who are poor, although they have two or more family members working, can be partially explained by their concentration in the lower-skilled labor market. Research has demonstrated that real wages for individuals at the “bottom of the labor income
scale” are in fact declining.\textsuperscript{18} If this trend continues, it will necessitate that the working poor increase the share of their income that comes from assets.

**Concentrated Poverty**

Many low-income families in the U.S. reside in neighborhoods of concentrated poverty. Concentrated poverty affects not only individuals and their families, but their entire community, and results in low-performing services regarding housing, education, employment, health and safety.\textsuperscript{19} The concentration of poverty denies people access to institutions, networks and markets that allow others to advance socially and economically and improve their quality of life. Additionally, low academic performance is correlated with high concentrations of ethnic minorities living in poverty. Alan Berube and Thatcher Tiffany also note that elected officials should be especially concerned with the physical concentration of low-income working families,\textsuperscript{20} as they are obligated to determine how government policies and programs specifically impact the asset-building needs of their constituencies. At the moment, however, the main avenue for aid open to the poor is the government “welfare” program.

**Defining Welfare**

For many Americans, the concept of welfare is a government policy and series of programs reserved for the poor. Contrary to this popular belief, “welfare” in the
United States has numerous forms and its beneficiaries span across race and class lines.

Current welfare policies inhibit low-income working families from accumulating assets. Most welfare maintenance programs require beneficiaries to qualify for assistance through a means-tested or “asset-test” eligibility process.\(^{21}\) Thus, families are forced to spend down any assets that they may have in order to receive services from programs such as Medicaid, Medicare, TANF, Food Stamps and Supplemental Security Income. Welfare policies in the U.S. are premised on the idea that “poverty and hardship are defined by insufficient consumption” and therefore the solution is to give the poor more income so that they can increase their consumption levels.\(^{22}\)

Academicians, policy researchers, citizen-scholars and others advocate a structural change in public welfare policy that incorporates asset accumulation as a major tenet. The institutional integration of asset-building policies for low-income working poor individuals is one method that begins to encompass some of the welfare provisions presently afforded to upper and middle income individuals.

Most people do not identify asset-building policies that allow the majority of Americans to accumulate assets as a form of welfare. For instance, few would associate mortgage interest rate deduction tax expenditures as a form of welfare that benefits people who already have a home, the major asset building vehicle in
this country. The majority of Americans consider programs such as TANF and Food Stamps as welfare programs that benefit low-income working families. The average person would be shocked to learn that welfare programs that disproportionately benefit middle and upper income families accounted for $335 billion of the 2003 federal budget. On the contrary, the federal government only spent $41.3 billion on TANF and Food Stamp benefit outlays directly benefitting low-income working families in 2003.\textsuperscript{23}

Historical assessments of poverty in the United States have focused on income as the major component in the equation resulting in an individual’s poor status. Hence, the lack of an appropriate level of income produces poverty. In this sense, policy practitioners view income as monetary resources that sustain a household and that are primarily derived from work wages or salary, transfer payments and assets.\textsuperscript{24} Typical (middle-income) families depend on labor as their primary source of income, with poor families depending mostly on transfer payments and upper-income families depending on income generated from assets.\textsuperscript{25} Additionally, recent trends show that the share of income from property is increasing as the share from labor decreases, indicating that future asset-building policies should focus on developing assets in the form of property for the poor.
Defining Wealth

Wealth is “savings, investment and accumulation of assets.” Wealth is also an indicator of opportunities for individuals and families. While income is constantly generated and spent, wealth is characterized as ownership over specific financial resources. The accumulation of wealth can “create opportunities, secure a desired stature and standard of living, or pass class status along to one’s children.” When viewed within the context of families, wealth is a critical life-outcomes factor. Comprehending the importance of a comprehensive asset-building approach to solving poverty and creating meaningful community development requires a serious examination of the growing wealth divide in the United States.

Children with access to secure financial resources are less likely to engage in “high risk behaviors” including sexual activity, substance abuse, and academic underachievement. A family’s long-term economic assets (excluding income), their “wealth status,” has a greater impact on children’s development than does income poverty. For example, families with access to the resources that wealth provides are able to enroll their children in private schools, or leverage their current wealth to move into a neighborhood with better public schools. In the *Hidden Cost of Being African American*, Thomas Shapiro demonstrates, through a series of qualitative interviews with families, how wealth can transform families
and provide life-changing opportunities for their children. His depiction of the decisions that all families make about their children reveal the real opportunities that wealth provides.\textsuperscript{30} Families without wealth are often trapped in a cycle where their income is used to survive and pay off debts, and thus they do not have the ability to leverage other financial resources to improve their living situation.

When wealth is examined outside of individual families and placed within the context of the U.S. population, several important trends arise. In 1998, 83.4 percent of all wealth was owned by the top 20 percent of wealth holders, and the bottom 60 percent of wealth holders owned less than five percent. In 1999, approximately 41 percent of all households in the U.S. were considered to be asset poor as the value of their net worth was less than $4,151 which was not enough to cover three months of vital expenses without falling below the poverty level.\textsuperscript{31} During this same year, families with the lowest incomes also had fewer assets, as homeowners in the bottom income quartile and two-thirds of renters have “$500 or less in savings and other liquid assets.”\textsuperscript{32}

**Fiscal Impact of Current Federal Asset Building Programs & Policies**

In the past, several government programs and policies have provided middle- and upper-income families with mechanisms to accumulate assets and create wealth. Through a combination of government expenditures and outlays, government policies have provided incentives for individuals with wealth to
accumulate more wealth. Analysis of the 2003 Fiscal Year Federal Budget reveals that $335 billion was spent in federal asset-building policies and programs focused on individuals (this figure excludes spending on policies that promote asset development for corporations or for foreign aid). As a result of the design of current asset-building programs, over one-third of the $335 benefited the top one percent of Americans earning over $1,000,000 a year, while the bottom 60 percent of taxpayers received less than five percent.

Given the disproportionate amount of the federal budget that is used to allow individuals with already large amounts of wealth to acquire more, it is within reason that the President of the Levi Economics Institute concludes that “government policies and regulations have failed to temper …or mitigate the growing inequality in the distribution of well-being.” Government spending and taxation policies have not effectively reduced wealth and economic well-being inequalities generated by market forces. Current government agents have ineffectively used government asset-building resources to reward individuals with certain types of economic behavior or those with access to specific asset building mechanisms.

To understand the degree to which government policies are assuring the asset accumulation of those in higher income brackets, it is helpful to compare the federal asset-building policy budget to other federal government expenditures.
The government spends 15 times more on the $335 billion spent in federal budget asset-building policies than on direct investments in higher education, ten times more than investments in housing assistance programs and compares in stature to the $405 billion spent on the national defense budget in 2003.  

The 2003 federal asset-building budget included both budgetary outlays (direct spending) and tax expenditures, which are expressed as preferences in the U.S. tax code that reward certain types of economic behaviors. Since tax expenditures are a product of the tax code and are thus not line item appropriations, they have less visibility and are not as publicly scrutinized. Analysis of these outlays and expenditures are focused on the four major asset building categories that are discussed throughout this chapter: small business development, savings and investment, retirement plans and homeownership. 

**Homeownership**

Asset accumulation through homeownership is the most common form by which American families build wealth. U.S. asset building policies expressed through tax code provisions have made it increasingly profitable for families to accumulate assets through homeownership. During 2003, $110.5 billion was the full amount of the four principle federal tax expenditures that promote asset accumulation through homeownership. Deductions of interest paid on mortgages reached $69.9 billion in 2003 and represented the largest housing subsidy in the
Approximately $22.1 billion of those deductions were made for property taxes paid on homes that were occupied by their owners. Excluding the earnings of capital gains on homes considered principle residences accounted for $17.8 billion of tax expenditures, and the earnings from homeownership initiatives financed through state and local bonds cost $700 million.38

Projections reveal that approximately $389.9 billion in federal tax expenditures will be spent in deductions for mortgage interest rates for owner-occupied homes from 2003 to 2007. An additional $92.1 billion will be spent on property tax deductions for these same home owners and 91.1 in the exclusion of capital gains for principle residences during this same period.39

A much smaller amount of federal funds were spent during the same year as direct outlays supporting homeownership programs. Approximately $442.8 million was spent to support the HOME program, the Community Development Block Grant program through the U.S. Department of Housing and Urban Development, and the Affordable Housing Program administered through the Federal Home Loan Bank and through the U.S. Department of Agriculture Section 502 program. Therefore, of the $110.9 billion spent to support homeownership in 2003, barely 3.9 percent was spent in direct outlays to provide families with access to become homeowners, and 96.1 percent was spent to aid current homeowners accumulate wealth through their homes.40 Tax expenditures on homeownership that benefit
individuals with enough tax liability to claim a deduction are 236 times greater than direct homeownership programs outlays specifically intended to aid low- and moderate income families.

Families should continue to be encouraged to pursue homeownership as a means to accumulate assets. However, current federal asset-building policies targeted at homeownership need to be revised. Recent research postulates that the strategy employed in the U.S. intended to increase homeownership “has instead morphed into a vast subsidy for the best-off Americans.” David Clay Johnston explains that the design of the mortgage interest deduction gives larger subsidies to homeowners with larger incomes who purchase more expensive homes.

Table 2.3
Homeownership Federal Tax Deductions – 2000

<table>
<thead>
<tr>
<th>Income Categories</th>
<th>Percent Claiming a Deduction</th>
<th>Average Deduction</th>
<th>Average Tax Savings at Marginal Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000 - $25,000</td>
<td>11</td>
<td>$432</td>
<td>$65</td>
</tr>
<tr>
<td>$25,000 - $50,000</td>
<td>33</td>
<td>$1,704</td>
<td>$256</td>
</tr>
<tr>
<td>$50,000 - $75,000</td>
<td>63</td>
<td>$4,028</td>
<td>$1,128</td>
</tr>
<tr>
<td>$75,000 - $100,000</td>
<td>81</td>
<td>$5,991</td>
<td>$1,677</td>
</tr>
<tr>
<td>$100,000 - $200,000</td>
<td>90</td>
<td>$8,430</td>
<td>$2,613</td>
</tr>
<tr>
<td>$200,000 - $500,000</td>
<td>93</td>
<td>$12,845</td>
<td>$4,624</td>
</tr>
<tr>
<td>$500,000 to $1 million</td>
<td>91</td>
<td>$16,863</td>
<td>$6,678</td>
</tr>
<tr>
<td>$1 million to $5 million</td>
<td>68</td>
<td>$21,928</td>
<td>$8,684</td>
</tr>
<tr>
<td>$5 million and above</td>
<td>62</td>
<td>$25,528</td>
<td>$10,109</td>
</tr>
<tr>
<td>Average Deduction</td>
<td>27</td>
<td>$2,319</td>
<td>$395</td>
</tr>
</tbody>
</table>

As displayed in Table 2.3, a smaller portion of low-income households claimed a mortgage interest rate deduction when compared to middle- and upper-income families. While only 11 percent of homeowners earning between $10,000 and $25,000 claim a federal mortgage tax deduction, 91 percent of homeowners earning between $500,000 and $1 million a year did so. In fact, for every one dollar that families making under $10,000 saved through mortgage interest rate deductions, families making over $200,000 saved $29,000 in federal income taxes. Similarly mortgage interest rate deduction data reveals that in 2002, individual earning less than $10,000 per year constituted 0.19 percent of all people who filed mortgage income tax reductions.

Retirement Savings Accounts

The federal government spent $101.2 billion through various tax incentives to encourage employers and individuals to build assets through saving for their retirement. Employee-sponsored plans and individual plans, such as IRAs and Keogh plans, are the principle programs that allow individuals to build assets and plan for their future. These programs are designed to operate by accumulating income from earnings from formal employment arenas. Research has demonstrated that individuals who have employer-sponsored pension plans have higher education levels, higher earnings, and are more likely to be White males. Latinos tend to work in occupations that do not offer these employer provided
retirement savings plans and are thus excluded from accumulating assets by this means. Current projections reveal that $570.3 billion will be spent in federal tax expenditures to support employer sponsored pensions, IRA and Keogh plans from 2003 -2007.46

**Savings and Investment**

Asset-building policies that operate through savings and investment are an example of federal policies that favor the asset accumulation of individuals who already have assets. Capital gains and certain estate transfers create assets from wealth and unlike income generated from salaries, interest income created is not taxed. In 2003, a total cost of $121 billion accrued form tax expenditures on these savings and investment mechanisms.

This federal expenditure is another example of a government policy that aids those in upper income brackets to accumulate assets by providing tax incentives for their investments. Last year alone, the wealthiest one percent of all Americans received 69 percent in benefits from preferential tax rates provided on capital gains represented by an average benefit of $31,219.

Analysis of the federal budget capital gains and dividend rates, mortgage interest reduction rates and home property tax reduction combined represent 57 percent of asset-building outlays and expenditures in 2003, and disproportionately benefit individuals who have the most assets. Interestingly, these programs benefit the
top 20 percent of citizens with yearly incomes over $81,000. Furthermore, the top one percent of tax payers with yearly incomes over $1 million benefits from 34 percent of these tax savings policies.

Investments in an individuals’ human capital through higher education are also considered an asset-building mechanism. Direct federal expenditures for higher education in the form of loans and grants amounted to $16.9 billion in 2003, and $11.5 billion was spent in the form of tax expenditures for education deductions and tax credits.47

Current federal asset-building policies in no way make special provisions for low-income families. By design, the majority of federal asset-building programs operate as tax incentives and do not help low-income families who have low tax burdens. For example, last year the wealthiest one percent of Americans received $38,107 in tax benefits, an amount 8,988 times that of the poorest 20 percent of taxpayers, whose average benefit amounted to $4.24. In other words, upper-income families accumulated enough extra income to purchase a 2004 X3 3.01 BMW Sports Activity Vehicle. The poorest 20 percent of families, by contrast, did not even accumulate enough extra income to purchase an Adult Happy Meal from McDonald’s.
The U.S. Tax Code: Helping the Rich get Richer

The degree to which the U.S. tax code favors the accumulation of assets for wealthy Americans who own a home, have investments in stocks and bonds, receive un-taxed inheritances, and exhibit other wealth characteristics has already been mentioned throughout this chapter. This section serves only to give a few concrete, outrageous examples of how tax avoidance schemes are written into law and “under government rules [are] available to only a few Americans:” the very wealthy.\(^{48}\)

Exchange funds or swap funds serve as one example of how “tax laws currently grant certain favors to only to the very wealthiest.”\(^{49}\) Through exchange funds, investors are allowed to contribute $1 million of their stock in one company to a pool composed of similar contributions. When an individual decides to withdraw from the pool they are given a “variety of stocks held by the pool” as opposed to receiving their original shares or cash. This structure allows them to avoid paying taxes on the profits of the shares they put in the pool, where other investors would pay taxes on profits derived from any stocks that they sell. When this issue was raised to the Chief of Tax Policy at the Treasury Department he commented that the Bush Administration was “not for or against swap funds, but we are against taxes on capital gains in general so we will not take any action against these funds.”\(^{50}\) In addition, when asked about the same issue, the Congressional Joint
Committee on Taxation responded that there was no need to stop the operation of exchange funds because this class of investors “would find another way to avoid the tax.” These statements reflect the sentiment of a government administration that is not only comfortable with providing asset-building programs and incentives for wealthy individuals to continue to accumulate assets, but are also unopposed to sanctioning this same class of individuals when they create measures to avoid taxation as a means to increase their wealth.

**Overview of Historical Asset Building Policies in the U.S.**

The first national asset-building policy provided “pioneers” with 160 acres of land on a first come, first serve basis. The Homestead Act of 1862 gave over 400 million acres of federal property to individuals and businesses who acquired land through the railroads. This act initiated the process by which federal government policies and programs would create asset-building mechanisms for certain populations within the U.S. In the case of the Homestead Act, over 600,000 White families acquired land as Blacks were not eligible beneficiaries of this asset-building program. It also important to note that this federal policy also allowed certain individuals to amass huge quantities of property through their interests in private corporations such as the railroad industry, which accumulated massive amounts of free land.
The next major national asset-building initiative that provided many families with opportunities to accumulate assets was the creation of the Federal Housing Administration (FHA). Created in 1934 by President Roosevelt, the FHA was designed to provide homeownership opportunities to a larger spectrum of American families by providing guarantee mortgages “on single family homes for people who might not qualify under private banking guidelines.” The program has been riddled with budgetary and management issues and from its inception was designed to prioritize asset-building for White individuals and families through homeownership. This sentiment was clearly defined in a 1938 FHA underwriting manual that stipulated, “if a neighborhood is to retain stability, it is necessary that properties shall continue to be occupied by the same social and racial classes.” This government tax policy allowed tax dollars to maintain the racial segregation of neighborhoods throughout the U.S. This asset building policy created a “two-tiered structure of housing provision [that] was exaggerating the social inequalities,” that persists even to this day.

This, in turn, supported “redlining” practices that discriminated against Blacks and Latinos who were seeking home mortgages and initiated the introduction of predatory lenders into minority neighborhoods. With limited access to mainstream mortgage products due to discriminatory redlining activities, Latinos and Blacks were left with few alternatives but to engage in sub-prime mortgage
contracts to acquire assets as homeowners. Such policies were not only a violation of civil liberties—they excluded Latinos and Blacks from participating in mainstream asset-building mechanisms that allowed Whites to build wealth through conventional mortgage loans. Although these discriminatory asset development hindering practices still occur, Latinos and Blacks did receive some protections against such unscrupulous lending practices in 1975 and 1977 with the respective implementations of the Home Mortgage Disclosure Act and Community Reinvestment Acts.58

In addition to providing White middle and upper class individuals and families with direct asset-building opportunities through homeownership and land acquisition, the federal government also supported the largest publicly-funded human capital asset investment through the G. I. Bill of 1944. Under this national asset-building tool, over 2 million veterans earned college degrees, 8 million received vocational training and 4 million also “purchased homes with mortgage subsidies provided by the government.”59

The most recent federal asset accumulation programs are administered through the tax code and provide benefits for families with mortgage interest deductions and retirement savings plans. Asset accumulation through mortgage interest rate deductions again favors specific groups, and in this case, “favors home buyers who are more likely to be middle class or higher” as opposed to those who are
“more likely to be poor.” Similarly, pension and retirement savings benefits provide the top 20 percent of families with two-thirds of tax benefits and the bottom 40 percent of households receive 2.1 percent of benefits.

From their inception, federal asset-building policies, beginning with the gift of free land to White families and individuals through the Homestead Act of 1862, favored asset development of some groups over others. Although some policies have been amended, and newer initiatives have been developed in an attempt to reduce the discriminatory barriers that racial, ethnic and low-income individuals face in regards to benefiting from federal asset building policies, the intergenerational impacts of the historical polices outlined above that perpetuate wealth inequalities by race and class are evident in present day social and economic arenas.

**Examining Current Wealth Inequalities by Race and Class**

Latinos and Blacks continue to constitute a greater percentage of the U.S. population living in poverty as determined by their income level. Melvin Oliver, Edward Wolff and others have analyzed data from the U.S. Census Bureau’s Survey of Income and Program Participation, Panel Study of Income Dynamics and the Federal Reserve System’s Survey of Consumer Finances and documented that Latinos and Blacks are also disproportionately asset poor. Individuals who are asset poor often have little or no wealth. The growing wealth gap between
Whites, Blacks and Latinos is demonstrated by the disparity of asset ownership that exists between these groups.

Recent research conducted by Edward Wolff and Asena Caner of the Levy Economics Institute of Bard College reveal that asset poverty is more prevalent than income poverty, and that the severity of asset poverty increased from 1984 to 1999 for individuals in lower wealth distribution brackets, and that wealth inequality has increased. Using data from the Panel Study of Income Dynamics, Wolff and Caner found that according to the measure of net worth minus home equity (NW-HE) “the poor has negative wealth in 1999 and that minorities were twice as likely as Whites to be ‘asset poor.’” Wolff and Caner used three wealth measures to define asset poverty, net worth (NW), net worth minus home equity NW-HE and liquid wealth (LIQ) (Table 2.4).

Table 2.4
Wealth Measures

<table>
<thead>
<tr>
<th>Net Worth (NW)</th>
<th>Net Worth – Home Equity (NW-HE)</th>
<th>Liquid Wealth (LIQ)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Value of All Marketable Assets – Current Value of all Debts</td>
<td>Net Worth – Home Equity</td>
<td>Value of Cash and Other Easily Monteized Assets</td>
</tr>
</tbody>
</table>


Analysis of the NW, NW-HE and LIQ reveals that between 1984 and 1999, the median NW of the upper percentiles increased at a greater rate than those in the
lower percentiles, and as the 95th percentile increased by 61.2 percent (rising from $483,100 to $799,000), the poorest 10 percent of Americans increased their amount of debt to an average of $6,999. The different wealth measure reveal that 40 percent of all households were asset poor as calculated by NW-HE and 42 percent and approximately 26 percent were asset poor as calculated by the LIQ and NW measures. In addition, almost half of all households had less than $5,000 of LIQ assets to draw upon in the event of a financial emergency.64

The NW and NE-HE both demonstrate a significant gap between asset poverty of Whites and Non-Whites in the U.S. Although the asset poverty rate for Whites and Non-Whites decreased slightly from 1984 to 1999, the asset poverty rate of Non-Whites, 50 percent, is more than twice that of Whites: 19 percent as measured by NW in 1999. The NW-HE measure reveals that in 1999 close to three-quarters (69.3 percent) of Non-Whites are asset poor compared to less than half (40.1 percent) of Whites.

Table 2.5
Official vs. Asset Poverty Rates by Race
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>All Individuals</td>
<td>Official</td>
<td>14.4</td>
<td>12.8</td>
<td>14.5</td>
<td>11.8</td>
</tr>
<tr>
<td></td>
<td>Asset Based NW</td>
<td>24.4</td>
<td>25.4</td>
<td>24.8</td>
<td>27.9</td>
</tr>
<tr>
<td></td>
<td>Asset Based NW-HE</td>
<td>43.8</td>
<td>42.9</td>
<td>41.3</td>
<td>42.5</td>
</tr>
<tr>
<td>Whites</td>
<td>Official</td>
<td>10.0</td>
<td>8.3</td>
<td>9.4</td>
<td>7.7</td>
</tr>
<tr>
<td></td>
<td>Asset Based NW</td>
<td>19.3</td>
<td>20.2</td>
<td>20.2</td>
<td>19.7</td>
</tr>
<tr>
<td></td>
<td>Asset Based NW-HE</td>
<td>37.3</td>
<td>36.5</td>
<td>35.9</td>
<td>32.4</td>
</tr>
<tr>
<td>Blacks</td>
<td>Official</td>
<td>33.8</td>
<td>30.7</td>
<td>30.6</td>
<td>23.6</td>
</tr>
<tr>
<td></td>
<td>Asset Based NW</td>
<td>52.2</td>
<td>51.1</td>
<td>51.4</td>
<td>57.6</td>
</tr>
<tr>
<td></td>
<td>Asset Based NW-HE</td>
<td>78.4</td>
<td>75.2</td>
<td>74.0</td>
<td>75.6</td>
</tr>
<tr>
<td>Hispanics</td>
<td>Official</td>
<td>28.4</td>
<td>26.2</td>
<td>30.7</td>
<td>22.8</td>
</tr>
<tr>
<td></td>
<td>Asset Based NW</td>
<td>37.7</td>
<td>35.4</td>
<td>30.5</td>
<td>52.3</td>
</tr>
<tr>
<td></td>
<td>Asset Based NW-HE</td>
<td>62.4</td>
<td>53.7</td>
<td>44.3</td>
<td>77.2</td>
</tr>
</tbody>
</table>


Perhaps the most drastic and alarming comparison is that witnessed between the official and NW poverty measures (Table 2.5). The asset poverty situation looked bleak for Blacks and Latinos in 1998. According to the NW-HE measure, 75.6 percent of Blacks and 77.2 percent of Hispanics were asset poor in 1998 compared to 32.4 percent of Whites. Additionally, while the asset poverty rate as measured by NW-HE has decreased for Whites from 1984 to 1998 by 4.9 percent, and by 2.8 percent for Blacks, the asset poverty rate for Latinos has increased by 14.8 percent. Further research shows that in 2000, 23.2 percent of Whites, and half of Latinos (50.2 percent) and Blacks (52.4 percent) had median NW between zero and $10,000. One out four Latino and Black households in 2000 had a median NW that was zero or negative. Although asset-building policies should be designed to lift all asset poor households out of poverty, urgent action is needed to assist those that are “living in the red.”
Explaining Current Wealth Inequalities by Race and Class

In *Black Wealth/White Wealth* Oliver and Shapiro outline three concepts to provide a “sociologically grounded approach to understanding racial differentials in wealth accumulation,” and these approaches support what they believe are “opportunity structures” that have hindered the asset accumulation of Blacks and thus created “massive wealth inequalities between the races.” Although the three concepts are used to explain how Blacks have not had equal access to asset-building mechanisms, some parts of the concepts can be applied to explain the inability of Latinos to access the same asset-building tools. The following examples explain how Melvin and Shapiro’s three concepts could apply to Latinos:

**Racialization of State Policy.** According to Melvin and Shapiro, state policies that prevented Blacks from attaining certain types of employment rendered them ineligible for free land acquisition, excluded them from becoming homeowners, denied them equal access to education and prevented them from participating in pension savings programs from “the beginning of slavery throughout American history.” They refer to the current wage disparities or earnings gap that exists between White and Blacks and attribute this to the historical disadvantage expressed through the underinvestment in human capital of Blacks in the U.S. Current wage and salary differentials between Whites, Blacks and Latinos demonstrate the racial discrimination is still expressed through economic systems in the U.S. When males with equal levels of education, a master’s degree, are compared, Whites on average earn approximately $68,000, Blacks earn $51,000 and Latinos earn $61,000. Wage disparities reveal that Latinos were also impacted by discriminatory state policies that prevented them from investing in their human capital. In addition, they site the historical exclusion of Latinos and Blacks from participating in Social Security pension programs due to their over-representation in agricultural and domestic occupations. They also note that
current U.S. tax code benefit individuals with a diversified pool of assets concentrated in investments, providing preferential asset development for Whites.71

**Economic Detour.** Given that Blacks were not allowed to partake in certain types of businesses and were restricted from participating in the “open market,” they were not able to flourish as entrepreneurs.72 Latinos also faced barriers in accessing adequate levels of capital in their communities to open small businesses. Perhaps the continued presence of immigrant entrepreneurs has created the divergent paths that Latino and Blacks now follow in regards to small business development.

**Sedimentation of Racial Inequality.** The effective sedimentation of racial inequality, according to Oliver and Shapiro is measured by wealth which “captures the historical legacy of low wages, personal and organizational discrimination, and institutionalized racism” that have caused Blacks to exist in a lower economic and social “stratificational order of American society.”73 The barrier that Blacks and Latinos experienced in regards to entering certain workforce occupations, their inability to access equally funded public education systems, spatially segregated living restraints along with other discriminatory policies created layers of injustice that prevented them from accumulating assets to pass on to future generations. Instead the same economic and social systems, policies and programs that enabled Whites to build “cumulative advantages” left Blacks and Latinos to accrue “cumulative deficits.”74 Essentially, Whites received a card reading *proceed to Park Place* while Latinos and blacks were dealt a *do not pass go, do not collect $200* card.

**Latinos: “Locked-out” of Homeownership**

Homeownership is the single most important vehicle for families and individuals to accumulate assets.75 Latinos lag behind Whites and Blacks in their accumulation of assets through homeownership, as is evidenced by their homeownership rates for the second quarter of 2003; nationally, Latinos have the lowest rate of homeownership (46.1 percent) when compared to Blacks (46.5 percent) and Whites (74.5 percent).76 The lower homeownership rate among
Latinos is partly explained by the fact that banks, mortgage companies, and realtors, along with other groups, have failed to create a culturally relevant affordable housing market for the majority of Latino families. Individuals involved in the production of housing are primarily concerned with pre-qualification characteristics for mortgage products that do not serve the Southwest Latino border population. By only considering one or two heads of a household in the mortgage application, they are excluding the added income that is contributed by extended family members or multiple generations of families that reside in the same family household.

Latino households are often comprised of extended families that contribute to the economic well being of that entire household. Therefore, although the head of household may have a limited income, the contribution of all the family members increases the overall household’s income and would allow them to make adequate house payments. Current mortgage products are not designed to allow for documentation or consideration of the overall household income that would allow for a greater number of Southwest (SW) border families to purchase a home. Again, the private market has instituted barriers that prevent Latino families from accessing the primary vehicle to accumulate wealth: owning a home. These obstacles create problems in Texas Latinos’ ability to obtain a home of primary residence and to purchase additional properties, limiting their possibility of
accumulating assets that would generate additional earnings in the form of passive income.

This is only one example of how dominant forces in the housing market are perpetuating inequalities by essentially “shutting” certain families out of the market. Other sources of inequality in the housing system include traditional measures of credit history and scoring, traditional measures of work history that do not account for legal work in informal markets, and the inability of SW border families to access appropriate mainstream financial services, specifically mainstream lenders. Additionally, language and communication patterns are used to oppress families as many mortgage products and contracts are only available in English.

In addition to the three ideas that Oliver and Shapiro have outlined that construct past and present barriers to Blacks accumulation of assets, Latinos face one additional obstacle: legal status. Due to their undocumented status, many working poor Latinos are contributing to welfare programs but are ineligible to receive benefits. The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) enacted drastic changes on the “welfare system” and significantly impacted the type and amount of support extended to immigrants in this country. It is possible to describe the 1996 PRWORA as an insidious attack on the many working poor immigrants who contribute to the
social and economic fabric of the U.S. As a reflection of the changes enacted by the 1996 PRWORA, current welfare regulations ban immigrants who arrived after 1996 from receiving income support through TANF, SSI, Food Stamp, and Medicaid programs. They are further inhibited from accumulating assets through pension and retirement savings through programs such as Social Security. The influence of this federal asset-restricting and inhibiting legislation has immense short and long-term impacts for immigrants, their families and their communities. Immediate impacts affect the incomes of a large number of elderly immigrants who are now living in poverty and do not have access to SSI.

As Shapiro and Oliver mentioned, wealth, or the lack thereof, reflects historical inequities. In fact, according to the National Council of La Raza’s Economic Mobility Initiative, “Hispanic workers are the least likely of all Americans to have access to – or participate in employer-provided pension plans.” Many elderly Latino immigrants, for example, worked in occupations that did not provide them with savings through retirement programs or access to participate in Social Security. Thus, when they reached an age where they were no longer able to work, they could not draw on Social Security. For many elderly immigrants, the “SSI program acts as a replacement for Social Security benefits.” Without access to SSI, they are unrightfully penalized by a government system that excluded them as participants in saving for retirement. The long-term effect of
such policies will add to the deficits that generations of low-income working immigrant Latino families accumulate. The children of non-citizen working immigrants will incur the financial cost of supporting their elderly parents in the years to come, as state and federal government policies intentionally excluded them from participating in asset-building programs that favor middle and upper income citizens in the U.S. The long-term impact of increasing the educational trajectory of children of immigrants is also a critical factor that impacts their ability to accumulate assets and provide for a household that often maintains multiple generations of family members.

Immigrants are also negatively affected by current asset building policies related to homeownership, such as receiving mortgages with higher interest rates and having to provide additional forms of identification. In addition, many Latino immigrants are wary of participating in services provided by mainstream financial institutions, as they have a negative perception of traditional banks due to past experiences with mainstream financial markets in home countries.

The exclusion of Latino undocumented immigrants as eligible recipients of certain “welfare” benefits and institutionalized asset-building programs has had deleterious effects on their social and economic status. Although many Latino immigrants have suffered as a result of their undocumented status while in the U.S. certain Latino immigrant sub-groups have benefited from direct federal
government programs and policies especially deigned to augment their asset-building capabilities. During the first twenty years of Cuban migration to the U.S. over $1.5 billion in federal expenditures of the U.S. Cuban Refugee Program were allocated to assist approximately 486,000 Cuban refugees. In addition local, state and federal expenditures provided special educational scholarships and courses for Cuban physicians to prepare for licensing exams and to certify individuals with a background in teaching. For example, the current positive social and economic status of many Cubans is a result of aggressive “government resettlement assistance, job training, job placement” and other federal economic development initiatives that targeted their incorporation into American society upon their immediate arrival as immigrants. According to one academician, “no other Latino group has had access to such support or has been able to repeat this successful form of economic transition.” The extent of federally funded economic integration of certain groups of Cuban immigrants is also enhanced their ability to accumulate assets through mainstream mechanisms in a rate that far exceeds that of other non-federally assisted Latino immigrant sub-group populations. The U.S. Latino population is extremely diverse, and their “mode of incorporation into the economy and society varies substantially by ethnic groups, immigrant status, gender and by the structure of the regional labor markets;” thus they are not equally served by current uniform federal asset building programs and policies.
Nationally, Latinos have felt the effects of increasing income inequalities and a “growing division between the haves and the have-nots.” Shifting from a national to state focus reveals interesting trends and demonstrates various dimensions of asset poverty and wealth inequalities that exist between various communities within Texas.

**Assets Status of Individuals & Families in Texas**

When assets of individuals are examined within the State of Texas, interesting trends emerge. The Center for Enterprise Development has recently compiled a State Asset Development Report Card that ranks each state in terms of their asset outcomes, asset policy and tax policy and accountability. A summary of the complete asset measures for Texas are provided in Table 2.6.

**Table 2.6**  
Summary Asset Measures for Texas

<table>
<thead>
<tr>
<th>Measure</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Assets</td>
<td></td>
</tr>
<tr>
<td>Mean Net Worth</td>
<td>$81,313.63</td>
</tr>
<tr>
<td>Asset Inequality by Race</td>
<td>3.07</td>
</tr>
<tr>
<td>Asset Poverty</td>
<td>25.5%</td>
</tr>
<tr>
<td>Asset Poverty by Race</td>
<td>0.539</td>
</tr>
<tr>
<td>Asset Poverty by Gender</td>
<td>0.77</td>
</tr>
<tr>
<td>Households with Zero Net Worth</td>
<td>17.1%</td>
</tr>
<tr>
<td>Homeownership Rate by Income</td>
<td>1.866</td>
</tr>
<tr>
<td>Households with Checking Accounts</td>
<td>28.7%</td>
</tr>
<tr>
<td>Households with Savings Accounts</td>
<td>54.57%</td>
</tr>
</tbody>
</table>
In the State Asset Development Report Card, the Mean Net Worth reported accounts for a sum of assets including stocks, mutual fund shares, real estate, mortgages, business and vehicles less any outstanding liabilities such as credit card debt, bank loans, store loans and other unsecured loans and explains the “level of wealth for the average family” in Texas. The state ranks 43rd when compared to other states. Almost one-fifth (17.2 percent) of Texas households have zero or negative assets, and have no financial assets to depend on. Only five other states have a larger percentage of their population that are in a similar critical asset status.

The level of asset inequality by race in Texas reveals that assets in Texas are not equally distributed by race, as White-headed households have a net worth that is three times that of Nonwhite-headed households. Furthermore, the asset poverty measure demonstrates that one out of four households in Texas does not have enough wealth in assets to sustain them above the poverty level for three months should they have a loss of income or are unable to support themselves without outside assistance. The asset poverty rate by race is measured by dividing the asset poverty rate of white households by that of non-white households and in
Texas demonstrates another inequality by race as non-white households’ asset poverty rate is twice as high as that of white-households.\textsuperscript{94}

Homeownership is another asset indicator that sheds light on the inequalities that exist between the upper and lower income populations in Texas. The homeownership by income ratio reveals that there are four homeowners in the lowest income quintile for every seven homeowners in the highest income quintile.

The small number of households with checking accounts (28.7 percent) and savings accounts (54.6 percent) can be partially explained by the limited access of many Texas residents to mainstream financial services.\textsuperscript{95} Unfortunately, while the CFED State Asset Development Report Card does capture many critical indicators that demonstrate the unequal reserves of assets and wealth in Texas, it is not able to capture the entire picture. Many residents in Texas participate in methods of group savings that operate outside of the formal financial industry. Instruments such as tandas\textsuperscript{1} are used by many Latino residents along the South Texas Frontera as a means of accumulating savings. While not considered a

\begin{itemize}
  \item Tandas are a method of group savings, commonly referred to as rotating credit and savings associations (ROSCAs) in the academic literature (Vélez-Ibañez, 1983). Individuals join a group of friends, family and community members and each person contributes the same amount of money to the reserve each month. At the end of every month one person is rewarded the entire amount until each person has received their turn.
\end{itemize}
formal “asset,” tandas do serve as a financial resource for families. Tandas, along with other non-mainstream culturally relevant financial capital instruments, represent a unique asset development feature particular to the Latino community in Texas.

Temporary Assistance for Needy Families (TANF) and Medicaid asset limits and vehicle value exclusion amount indicate the permissible amount of assets that a household is allowed to maintain in order receive services from the public assistance programs. The low $2,000 threshold for Medicaid and $1,000 threshold for TANF\textsuperscript{96} essentially prevents low-income families from accumulating assets as they attempt to prepare themselves to become self-sufficient. The small amount of allowable assets in Texas is extremely troubling, given that families are limited to 60 months of TANF assistance and are then completely on their own. Asset-building programs and policies are necessary measures that must be implemented to aid low-income working poor families in achieving self-sufficiency.

**The Earned Income Tax Credit (EITC): The Tax Codes’ Answer for Low-Income Families**

Although there are hundreds of mechanisms built into the U.S. Tax Code that provide middle-and upper-income families with tax breaks and asset building opportunities, one program does exist to help low-income working families: the
Earned Income Tax Credit (EITC). The Earned Income Tax Credit is a refundable tax credit for low-income working families administered by the Internal Revenue Service (IRS). The IRS describes the intent of the EITC as a “means to offset the burden of social security taxes and to provide incentives to work” for low-income individuals and families. Since its creation in 1975, many low-income families have benefited from the financial support that the EITC provides. In 2003, an estimated 21 million workers were eligible to receive the EITC. Projections reveal that federal government expenditures for the EITC are expected to reach $37.3 billion in 2007.

Families qualify according to their filing status and adjusted gross income levels (Table 2.7).

<table>
<thead>
<tr>
<th></th>
<th>Married Filing Jointly</th>
<th>Single</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without Children</td>
<td>AGI* &lt; $12,230</td>
<td>AGI &lt; $11,230</td>
</tr>
<tr>
<td>With One Qualifying Child</td>
<td>AGI &lt; $30,666</td>
<td>AGI &lt; $29,666</td>
</tr>
<tr>
<td>With More than One Qualifying Child</td>
<td>AGI &lt; $34,692</td>
<td>AGI &lt; $33,692</td>
</tr>
</tbody>
</table>

* AGI = Adjusted Gross Income


In addition to the adjusted gross income levels, individuals must meet all of the other 17 rules outlined for this program that range from stipulations regarding
qualifying children to immigration status.\textsuperscript{102} Recent data reveals that claim rates for eligible families varies across the U.S., and between 15 to 20 percent of eligible families fail to claim their EITC benefit.\textsuperscript{103}

**Latino Participation**

Unfortunately, although more Latino families are eligible for the EITC, research has shown that low-income Latinos are the least likely of all racial groups to be informed of the program and participate less than their Black and White counterparts. In fact, in 2001 only 18.4 percent of Latinos received the EITC nationally.\textsuperscript{104} In 2000, Latinos received $507 million in EITC refunds and Dr. Barbara Robles has calculated that they could have received an estimated $2.58 billion in refunds had they participated in the program at levels equivalent to the White population.\textsuperscript{105} Despite the low participation rate of Latinos, the National Council of La Raza describes the EITC as the “most effective and efficient anti-poverty program for Hispanic Americans,” and that Latinos disproportionately benefit as they are a comprising a larger share of low-wage workers with children.\textsuperscript{106} In 1998, over one-third (34.2 percent) of all Latino households received the EITC with an average refund of $1,764, compared to one-fourth of Black households and 12.9 percent of White households.\textsuperscript{107} During that same year, EITC benefits lifted 1.2 million Latinos above poverty. \textsuperscript{108}
Barriers to Latinos Participation

Despite the enthusiasm of organizations such as NCLR, many Latino families display characteristics associated with individuals who are less likely to file taxes and receive EITC benefits. In order to receive the EITC benefit, families must file a tax return. Several researchers have found that individuals, who receive government assistance, belong to a racial or ethnic minority group, or have less than a tenth grade education are less likely to file tax returns, therefore preventing them from receiving the EITC.\textsuperscript{109} Indicators document the lower educational levels and increased dependence on public assistance that increase the likelihood that Latinos will not file a tax return and forgo the opportunity to receive the EITC benefit.\textsuperscript{110} Language barriers and an inability to access information regarding appropriate tax preparation services, further prevent Latinos from obtaining the asset building benefits that the EITC provides.\textsuperscript{111} In addition Robles (2003) and other Southwest Border Family Asset Building Initiative\textsuperscript{2} partners have identified the following barriers that inhibit Latinos ability to receive EITC benefits:

- **Difficulty obtaining adequate identification documents**

\textsuperscript{2} The Southwest Border Family Asset Building Initiative is a coalition of community based organizations, national and regional foundation and academic institutions that are providing tax preparation and asset building programs for low-income families along the U.S. – Mexico Border.
• Difficulty obtaining a Social Security Number

• General fear and lack of trust regarding official government entities

• Increased occurrence of seasonal employment

• Increased prevalence of receiving wages in cash\(^{112}\)

• Inability to access culturally relevant EITC information

• Increased exposure to predatory tax preparers

• Over-representation in employment in occupations where taxes are not deducted including farm and domestic labor.\(^{113}\)

• Immigration Status

• Family living arrangements\(^{114}\)

As noted above, citizenship status is an impediment for low-income working Latinos; and Rule 4 of the EITC Eligibility Regulations indicates that an individual must be U.S. citizen or “Resident Alien,”\(^{115}\) to receive the EITC. This is yet another example of U.S. policy that disregards the value of undocumented immigrants working in the U.S. Furthermore, even “resident aliens” and citizens who do not live in the U.S. for more than half of the year are also not eligible, although they perform work here.\(^{116}\) Immigrants and citizens who work in the U.S. but also migrate to live and work in another country such as Mexico
throughout the year and do not spend over 6 months in the U.S, are negatively impacted by this regulation.

In addition to the barriers mentioned above, certain characteristics of Latino families may reduce the impact of EITC benefits. For example, the average Latino family is larger than that of the average White family, and EITC benefits only provide a designated amount for families with two or more children. Therefore, families with more than two children essentially receive less of a benefit, as they have to stretch their refund farther. Seasonal and migratory workers are also negatively impacted by their inability to demonstrate through official documentation that they were financially responsible for supporting a child during a continuous six month period. Migrant working families often share the responsibility of “primary care taker” among family members and extended kin during their migratory working period. Thus, the individual nature of the EITC only allows one person to “claim” a qualifying child to receive their benefit, although parents, grandparents, aunts and uncles may live together and share financial responsibility over a child throughout the year.

**EITC as a Resource to Asset Building**

The EITC not only provides families with an opportunity to escape temporary poverty, but also has powerful asset-building capabilities. Only five percent of families choose the option of receiving their benefit disbursed throughout the
year; the majority of individuals opt to receive the entire amount in one disbursement. The average EITC benefit is greater than the average recipients’ monthly earnings. Families can use this one-time lump sum to pay down existing debt, cover medical expenses, invest in education, use as a down payment for a home, or deposit as savings for future use. In fact, one research study found that 49 percent of all respondents intended to save some of their refunds and Latinos were 2.4 more times as likely as Whites to express an intention to save their EITC return. In 2002, sixty-one percent of families that received the EITC earned less than $20,000 per year and twenty-nine percent of recipients earned less than $10,000 per year. The EITC could be a powerful source for families such as these to leverage to build future assets.

**Why Should we Advocate Assets for the Poor?**

Families of any size and structure, and belonging to any race and class, have the ability to accumulate a range of assets. Assets are important not only because of their monetary value, but because they provide individuals, families and communities with opportunities. Assets are often defined as tangible or intangible and can be viewed as individual, collective or both. Tangible assets are represented by financial goods and include stocks, savings, bonds, homes, vehicles, mutual funds, certificates of deposit, IRAs, equity in property, checking accounts, natural resources and hard assets other than real estate such as jewelry,
Intangible assets include human capital, access to credit, access to capital, cultural capital, social capital, political capital, community assets and common assets. Intangible assets provide individuals with a great selection of opportunities or “life chances,” and allow individuals to increase their tangible assets.

Michael Sherraden discussed assets as the “stock of wealth in a household,” that generally provide the following welfare benefits:

- **Improve household stability.** Assets allow families access to resources to depend on in times of a financial crisis or emergency that might otherwise cause them to fall into income poverty. For example, if a family with assets loses a main income earner who becomes suddenly ill and has many medical expenses, they can draw upon their savings to survive until the sick individual can return to work.

- **Create an orientation toward the future.** Knowledge of access to assets allows individuals and families to plan for future endeavors and create long-term plans and strategies, as opposed to living in the present day survival mode. Sherraden points out that “the proposition here is that [an] orientation towards the future begins in part with assets, which in turn shape opportunity structures, which in turn are quickly internalized. This process might be called the construction of future possibilities.” Working poor families are often consumed with the pressure of meeting their daily needs. Knowing that they have access to assets, such as a matched savings, IDA program, that provides them with money to use for a home down
payment, can allow them to continue to work to supply their basic needs while planning for the future purchase of a home.

- **Stimulate development of other assets.** Once individuals begin to accumulate assets they are able to leverage those assets to acquire others. For example, individuals who are able to purchase a home can later use that home to acquire a second home or to borrow against their home to invest in their children’s human capital by supporting them financially as they enroll in higher levels of education.

- **Enable focus and specialization.** Access to assets allows low-income working individuals to stop “spending their time in a wide variety of tasks because they do not have sufficient assets to enable greater focus and specialization.”¹²⁶ Assets allow people to maintain themselves and their households while they draw on these resources to invest in themselves so that they acquire additional skills and “get ahead.”¹²⁷ Assets should enable people to acquire a variety of skills to meet the changing demands of current labor markets. Low-income working families can leverage their assets in a way that allows them to increase their human capital skill levels and also invest their financial assets in a wider variety of traditional and non-traditional asset building mechanisms.

- **Provide a foundation for risk taking.** When low-income individuals have the security of knowing that they have assets to fall back on, then the “ability to take risks with a safety net is increased.”¹²⁸ Low-income individuals may then be able to take a risk and enroll in an education or job skills program or perhaps engage in developing their own business. Many Latino families are currently involved in “risk
taking” activities as they participate in unregulated informal economic activities. Their incorporation into mainstream asset building and financial markets will enhance their ability to “take risks” to purchase a home, invest in the stock market, or enroll in an institution of formal higher education.

- **Increase personal efficacy.** Assets serve as a vehicle for low-income individuals and families that enables them to leave a place of dependency on government programs and embark on a path of self-sufficiency. Assets also provide low-income families with a greater sense of control over their financial and social situations. The opportunities that assets afford low-income working families and communities enhances their quality of life and allows them to participate in a wider array of social, cultural, educational and economic activities.

- **Increase social influence.** Assets provide individuals and families with tangible and intangible benefits that can be passed on to future generations and represent power and influence aside from their economic value.

- **Increase political participation.** As individuals accumulate assets, they are more interested in the systems that regulate and facilitate their access to wealth building opportunities. This is evidenced by the great participation of individuals with assets who take part in local, state and national elections and belong to associations that lobby on their behalf to increase their asset accumulation through government programs and policies.
• **Enhance the welfare of offspring.** Assets provide families with income security that provide for their daily survival needs and for additional benefits. Shapiro demonstrates with great detail the extent to which families with assets are able to provide additional benefits for their children through enriching the types of extra-curricular activities in which they participate or investing in their primary education at the best private schools.

• **Increase civic participation.** As individuals and families accumulate assets they are in turn increasing the level of assets maintained in their communities. Latino families specifically residing along the Texas-Mexico Frontera demonstrate the impact that assets have on the ability of families not only to increase the assets of their immediate community but also of their extended community. Access to assets allows them to maintain strong ties with their family members that transcend national “borders.” Evidence has also shown that many Latino working-poor families not only use their assets to improve their living conditions within the U.S. but also with their native communities within Mexico through the use of remittances. One recent example documented the monumental transformation of a small town in Mexico that was made possible through the continued support of community members that were now working and residing in New York.

The cumulative welfare benefits of assets as outlined above provide tremendous opportunities for individuals and families. Melvin Oliver expands on Sherraden’s definition of assets as a “special kind of resource that an individual, organization,
or entire community can use to reduce or prevent poverty and injustice, revealing their power to transform lives and revitalize communities. Research has also demonstrated that assets enable families to cope with unemployment. Assets in the form of homeownership and savings positively impact the high school graduation rate of children. In effect, an asset-based policy for the poor would serve as a compliment to the current income-based welfare or antipoverty strategy. Without denying the vital role of income support to meet the daily needs of low-income families, asset-building approaches enhance current poverty-alleviating programs by introducing the acquisition of assets to build wealth, offering a long-term solution for self-sustainability.

An asset-building strategy would reduce the negative effects of social and economic exclusion that the low-income poor currently experience, providing positive welfare effects that income-based strategies alone do not produce. Additionally, asset building policies for the poor would increase the level of social cohesion of entire communities. The intersection between alleviating poverty and community development are added welfare benefits that tend to occur as spillover effects of asset building policies directed at individuals and families. A comprehensive inquiry into the asset-building public policies that facilitate the accumulation of assets through homeownership, savings and investments,
retirement plans and education of middle- and upper-income families reveals the necessity to include low-income families in this effort.

**How Do You Build Assets for the Poor?**

Asset building strategies for low-income families must occur in a comprehensive manner in the context of three areas: education, acquisition and expansion. First, low-income families must be provided with an opportunity to receive **education** about income, assets, and wealth and thus be exposed to an informational and educational asset building arena. Low-income families are less likely to have access to traditional financial institutions\(^\text{135}\) that are the primary conduits where individuals and families learn about financial assets.

The second context involves immersing low-income families in an asset buyers’ market with a menu of asset building tools that are designed to meet their needs, where they can begin to **engage** in asset accumulation. This involves building on current asset tools for low-income families such as Individual Development Accounts and using resources specifically targeted for this population, such as the Earned Income Tax Credit, to leverage their asset building capabilities.

The third area involves providing low-income families with an opportunity to **expand** the current assets that they have acquired to include those most commonly obtained by middle- and upper-income families. As low-income families become informed about the asset building options that exist, they are
equipped with a knowledge to command their own future investment capabilities, and can begin to accumulate milestone assets through programs exclusively for their benefit; they must then be incorporated into the asset development system that builds assets through homeownership, savings and investments, education, small business opportunities, and retirement and pension plans. The Comprehensive Asset Development Model provides a structure and detailed description of how asset-building policies and programs become a reality and is explained in detail in Chapter Four of this report.

**Conclusion: Implementing Asset Building Programs for the Poor**

It is of the utmost importance that policy analysts, government agents, foundations, academics, community-based practitioners and low-income community residents themselves understand that the best designed, appropriately funded asset-building policy or program is destined to fail if the delivery mechanism is not correctly developed. Asset building programs for low-income and asset poor individuals must mirror those included in the CABM which are flexible and adjust to the specific asset building needs of unique and diverse communities while they are supported by federal and state funding formulas. They must also follow the trend of recent decentralization of government programs and enlist the involvement of local business, non-profit, and community based institutions. As a national “welfare” policy, the most appropriate
implementation strategy is one that not only keeps Community Based
Organizations and local level government agents involved in developing and
promoting asset building programs, but also keeps them at the forefront of the
program delivery.
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37 *Hidden in Plain Sight: A Closer Look at the $335 Billion Federal Asset-Building Budget*, p.4.

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Chapter 3. Moral, Economic and Development Imperatives & Theories

The author of this report is personally committed to finding asset-based solutions for low-income families living along the Texas-Mexico frontera. This chapter examines existing theories which suggest that there is a moral imperative for society to address the needs of poor families and include them in social progress and the national agenda. The discussion surrounding wealth, asset and income inequalities are largely quantitatively based. The implications of the growing wealth, asset and income inequalities experienced among communities of color are not as clear-cut. A conversation regarding what the U.S. government’s role should be in addressing the growing divide of economic and social well being along race and class lines will inevitably be shaped by the moral values of those involved in such a conversation. The moral values of individuals and communities shape our interpretation of public problems and guide our policy responses. The following questions regarding moral economic and community development initiatives were informed by a number of theories including those of Mary Jo Bane, Amartya Sen, Lawrence Mead, Timothy Bartik, Michael Sherraden who debate the extent to which society is obligated to respond to the needs of the poor in general, and allowed the author to consider:
• Does society have a moral obligation to increase the assets and asset development capabilities of low income families residing along the Texas – Mexico frontera?

• Is there an economic imperative that justifies the role of government to ensure that low-income working families have equal access to build assets?

• How can Community Economic Development theory be use to inform for the Comprehensive Asset Building Model?

  The debate surrounding asset development for low-income families is like any other social policy issue impacted by a variety of moral convictions, religious motivations, and human civil rights imperatives. Institutionalized government policy is thus shaped by the prevailing “moral and religious commitments” of our nation’s political leadership\(^\text{136}\) and impacts the asset building capabilities of all people in the U.S. The examination of the social justice teachings of the Catholic Church and scriptural arguments of Protestant believers reveals how some of the dominant religious contingencies frame their response of the role of government in meeting the needs of the poor. Lastly, this author presents an additional scriptural framework derived from her own interpretation of biblical passages, devoid of any specific religious affiliation, to propose a moral obligation grounded in humanistic and civil society applications for providing assets for low-income working families.
Catholic Social Teachings – Economic Justice for All

The Catholic Church in the United States and abroad has been involved in alleviating poverty for centuries. In 1986, Catholic bishops throughout the United States adopted the *Economic Justice for All: A Pastoral Letter on Catholic Social Teaching and the U.S. Economy* as a means to provide an explanation of the religious values that enlighten their conception of how poverty and economic policies interact in the United States. This statement defines what the Catholic Church believes are the three principal economies in the U.S:

- **The First Economy** includes individuals who are prospering in the increasingly global market place.

- **The Second Economy** is composed of individuals who are suffering from a decline in real incomes and are stressed by job insecurity, the inability to access health care, rising educational costs for children and unstable retirement prospects.

- **The Third Economy** includes individuals and families that are struggling to make ends meet and are among the most “discouraged and despaired.”

These three economies support Catholic tradition that believes that “economic life” incorporates all people who are members of God’s human family. Individuals and families included in the “First Economy” are those who have seen their income, assets and wealth holdings increase over the years.
Individuals in the First Economy are likely to be the recipients of what is projected to be on average $6 million in inheritance in the coming years. Individuals and families living in the Third Economy are those who are income and asset poor. When viewed in a purely economic context, approximately 12.1 percent of income poor and 27.9 percent of asset poor individuals exist in this segment of the U.S. economy. Catholic doctrine requires members of society to prioritize the needs of the “least among us;” in this context, individuals and families who are asset poor are the “least among us,” as the ownership of assets are of increasing importance in our modern economic lives.

Members of the Catholic faith are instructed to use their values to form a foundation to build economic policies and programs that “protect human life, promote strong families, expand a stable middle class, create decent jobs and reduce the level of poverty and need in our society.” The Catholic Framework for Economic Life provides a detailed set of guiding principles that reflect Catholic values and include:

- The Economy exists for the person, not the person for the economy.
- All economic life should be shaped by moral principles. Economic choice and institutions must be judged by how they protect or undermine the life and dignity of the human person, support the family and serve the common good.
- A fundamental moral measure of any economy is how the poor and vulnerable are faring.

- All people have a right to life and to secure the basic necessities of life (e.g., food, clothing, shelter, education, health care, safe environments, and economic security).

- All people have the right to economic initiative, to produce work, to just wages and benefits, to decent working conditions, as well as to organize and join unions or other associations.

- All people, to the extent they are able, have a corresponding duty to work, a responsibility to provide for the needs of their families and an obligation to contribute to the broader society.

- In economic life, free markets have both clear advantages and limits; government has essential responsibilities and limitations; voluntary groups have irreplaceable roles, but cannot substitute for the proper workings of the market and the just policies of the state.

- Society has a moral obligation, including governmental action where necessary, to assure opportunity, meet basic human needs, and pursue justice in economic life.

- Workers, owners, managers, stockholders, and consumers are moral agents in economic life. By our choices, initiative, creativity and involvement, we enhance or diminish economic opportunity, community life and social justice.

- The global economy has moral dimensions and human consequences. Decisions on investment, trade, aid, and development should protect
human life and promote human rights especially for those most in need wherever they might live on this globe.\textsuperscript{142}

Catholic viewpoints also emphasize that the quality of economic policy discussions have increasing implications for the poor.\textsuperscript{143} The quality of economic policies and programs is enhanced by introducing an asset development agenda for low-income individuals and families. Additionally, Catholic teachings call special attention to the need to solve the growing wealth inequality that is dividing the United States. At the time of the publication of the 10th Anniversary Edition of \textit{Economic Justice for All}, two percent of the wealthiest families in the United States owned 28 percent of total net wealth, and 57 percent was owned by the top 10 percent of families.\textsuperscript{144} The large level of inequality is further exhibited when financial asset ownership excludes the value of an individual’s home and reveals that in 1983, two percent of the U.S. population owned fifty-four percent of all total financial assets.

Catholic reflections on the growing wealth divide in the United States extend beyond a concern over an unequal distribution of assets. They also interpret the social implications of wealth inequality as representing an “uneven distribution of power in society” and an unbalanced level of participation in political and social spheres.\textsuperscript{145} A group of Catholic Bishops find the “disparities in income and wealth in the United States to be unacceptable.”\textsuperscript{146} While they are not suggesting that everyone should have equal levels of wealth, the size of
current wealth inequities threaten the social cohesion of communities within the
United States as well as the ability of those in poverty to meet their basic needs
and fully participate in the economic arena. The increasing wealth inequalities
also reflect an “uneven distribution of power” and result in staggered
participation levels in social and political spheres.

Catholic social teachings not only provide their members with a religious
framework to guide their moral perspectives on poverty, but they also call them
to actively work to decrease its negative affects. The Catholic Call to Action is
based on two primary moral principles, social solidarity and participation, which
are supported by the overarching themes of a commitment to preserving human
dignity and maintaining a “preferential option for the poor.” Catholic
believers contend that the preservation of social solidarity will result from
“fundamental changes in social and economic structures that perpetuate glaring
inequalities and cut off millions of citizens from full participation in the
economic and social life of the nation.”

Current income-based welfare policies do not allow individuals to plan
for the future or even visualize a life independent of assistance. Catholics also
believe that the principle of participation dictates that the “most appropriate and
fundamental solutions to poverty will be those that enable people to take control
over their own lives.” The Comprehensive Asset Building Model, by design,
creates a fundamental change in the asset development structures that currently
exist in the United States. By tailoring mainstream asset development tools such as homeownership to meet the needs of low-income families, the CAMB is engaging these families as “players” in the social and economic arena. As families begin to accumulate assets in each of the human, social, cultural, intellectual, and financial capital domains, they are reducing current wealth and opportunity inequalities and creating a foundation to protect future generations from experiencing the impacts of these inequities. In his work, *Assets for the Poor*, Michael Sherraden demonstrates that assets provide individuals with the power to manage their own destinies by giving them hope for the future.\(^{150}\)

Although individuals are primarily referenced as the object impacted by the interaction of poverty and the U.S. economy, Catholic social teachings also speak to the necessary role of community in this sphere. The idea that the poor are generally excluded from many avenues of American society is a central principle that shapes Catholic opinion that “in every instance we must summon a new creativity and commitment to eradicate poverty in our midst and to guarantee all Americans their right to share in the blessings of our land.”\(^{151}\) A Comprehensive Asset Building Model is an approach that embodies this direct call to action along with the intention of including poor people by allowing them to “share in the blessings of our land,” which translates into equal opportunities to accumulate assets and wealth. The CABM represents a creative solution that provides families with a viable means to escaping poverty while taking control
of their own destiny. It presents low-income working families with an opportunity to fully participate in social and economic spheres as active partners in our American society.

*Economic Justice for All* also instructs Catholic believers to understand the stigma that social programs that are aimed to benefit the poor receive. The pastoral letter specifically reminds its congregation that “some of the more generous subsidies for individuals and corporations are taken for granted and not even called benefits but entitlements.”152 This clearly represents the asset development programs that currently facilitate the asset accumulation of millions of middle and upper income families in the United States. Again, Michael Sherraden demonstrates that provisions provided under the United States tax code have enabled many families to build wealth through home mortgage deductions on more than their primary residential property and consider this wealth building opportunity a right, not a public welfare benefit. Students (including this author) who are able to take advantage of government subsidized Federal Stafford Loans to increase their human capital assets do not typically categorize this benefit as a form of government welfare. Low-income working families deserve to be afforded an equal opportunity to build wealth through assets without the social stigma attached to traditional welfare benefits; just as many upper and middle class families have.
In summation, Catholic teachings embody five basic principles supporting the role of government in assuring asset building opportunities for the poor. First, Catholics believe that “the responsibility of alleviating the plight of the poor falls on all members of society;” therefore, we are each responsible for contributing to the development of asset-building mechanisms for low-income people in the U.S. Second, Catholics firmly assert that “every person has a right to participate in the economy,” and since wealth building is now an essential part of the U.S. economy, low-income individuals must be provided with viable options to engage in vital asset-building economic activities. The third principle, “poor people must be empowered to take charge of their own futures and become responsible for their own economic advancement,” supports the use of asset building as a means to alleviate poverty as opposed to a one-tiered income maintenance approach. Assets provide low-income families with the authority to take command over their economic future. The fourth principle highlighted through the Economic Justice for All doctrine is the necessary involvement of the government to amend the U.S. tax code to create a more progressive tax system that will reduce the “severe inequalities of wealth in the nation.”

The final and most important principle espoused by Catholic social teachings is the belief that as individuals and as a larger community we have a “special obligation to the poor,” derived from the commandment that we “love one’s neighbor as one’s self.” Meeting our societal “special obligation to the poor” requires the implementation of a Comprehensive Asset Building Model to
expand asset building opportunities to low-income individuals and demonstrate our love for them by providing them with economic access equal to that provided to middle and upper income individuals.

**Welfare Policy based on Religious Faith: A Catholic and Protestant Perspective**

Recently two renowned social scholars, Mary Jo Bane and Lawrence M. Mead, have used their own religious faiths to describe what they believe is “society’s obligation to the poor” and how this impacts welfare policy in the United States. These scholars combine the use of policy analysis with theological reflection to demonstrate the importance of including a religious perspective in national policy debates of social issues. The growing wealth divide among Americans is a social issue that is informed by their intelligent dialogue.

**A Catholic Welfare Policy Perspective**

As a Catholic, Mary Jo Bane refers to the theme in Catholic social teachings that places great importance on the “supreme value of human life” and “society’s responsibility to the poor.” In her reflections, she recalls that she relied upon religious teachings and moral values to inform the decisions she made as a developer of national social welfare policies such as Temporary Assistance for Needy Families. Drawing from experience as a national policy maker, Bane calls on current national policy makers to consider the “causes of
poverty that are rooted in discrimination and social injustices." She pays special attention to the fact that many of the poor are low-income due to situations that are out of their control, and that individuals are affected by the economic health of their entire community.

Bane has argued in past works that current welfare programs are overly concerned with eligibility and in fact create an “eligibility-compliance culture” that does not allow for programs and policies to aid clients “achieve self-sufficiency.” It is exactly the current income-based welfare programs with means-tested eligibility requirements in the form of asset tests that perpetuate an intergenerational transfer of deficits within low-income families and guarantee their future dependence on such programs. Additionally, income-based poverty-alleviating programs are diametrically opposed to allowing low-income families to accumulate assets, and effectively hinder any opportunity for these families to prosper economically. Bane also considers race a critical factor, along with real “discrepancies in social capital that inhibit advancement” for low-income individuals. There is no question that race is a critical factor that reveals the real inequalities of wealth distribution in the U.S., as asset poverty is a constant among communities of color. For Bane, Jesus’ instruction to “love one’s neighbor” is a moral imperative to help low-income families overcome “barriers to entry or exclusion from the resources of the society.” A Comprehensive Asset Building Model illustrates love for one’s neighbor and provides low-
income families with direct access to resources within government agencies and private institutions that facilitate asset accumulation in American society.

Bane’s analysis of poverty reaches beyond the traditional measures of income levels, or even net wealth, and borrows from Amartya Sen’s concept of understanding poverty. Sen’s concept of poverty includes the measure of income along with measuring the “deprivation of basic capabilities.” Combining these concepts, Bane recommends that public policies focus on ways to alleviate the “capability deprivation”\textsuperscript{163} of the poor. Traditional measures of poverty focus only on income levels and thus produce welfare policies with the primary objective of providing individuals with the amount of income necessary for a “minimally decent life.”\textsuperscript{164} Although this empirical measure of poverty is easily applicable to every individual across the United States, it does not reveal the true level of social and economic inequalities.

As Bane reflects further on Sen’s concepts of poverty and those of Catholic believers, she finds that they agree on two key principles. The first is that “income and wealth are instrumental in living a good life, not as goods in themselves.” This speaks to the value of assets and the effects they produce on an individual’s life. It is not the asset itself that adds value to a person, but rather the impact that asset has on their quality of life. Thomas Shapiro illustrates this point throughout his book, \textit{The Hidden Cost of Being African American}, as he shares the stories of families with and without assets. In one
example, a family knows they have assets so they do not have to worry about the threat of temporary or permanent job loss. Families with little or no assets live under the stress of the need to maintain constant employment to survive. The second principle that Bane and Sen agree on is that individuals must have opportunities to develop their own skills, opportunities for inclusion in society, and opportunities to actively participate.\textsuperscript{165} When considering the many dimensions of poverty in the U.S., Bane notes that many individuals feel the compounded effect of lacking more than one of the abovementioned opportunities.

In her analysis of the role of government in alleviating the poor, Bane maintains that the federal government is a key player. However, she also relies on the Catholic “concept of subsidiarity” to explain that smaller government agents, along with community and voluntary organizations, play a critical role in serving the poor.\textsuperscript{166} The direct connection of local community agents to residents in need enhances their ability to target policies for the specific needs of their population and implement them in a manner that is relevant and respectful. The Comprehensive Asset Building Model is designed to garner the resources and intelligences of local communities as the primary partners in implementing asset building programs.

As a model of actions that individuals in society should take to help the poor, Bane specifically sites the ministry of Jesus Christ.\textsuperscript{167} She reflects on his
personal conviction to heal the sick, drive out devils, and cure blindness and deafness, increasing their personal capabilities so that they could contribute to the larger community. If as Christians we are called to emulate the life of Jesus, then we assume our role in helping individuals gain access to all of the opportunities necessary that will allow them to participate fully in society. A character modeled after that of Christ would identify with the needs of the poor and show compassion towards them specifically.

After laying a moral foundation for why society should address the needs of those living in poverty, Bane focuses on the racial injustice that is manifested by the higher levels of African Americans and Hispanics living in poverty in the U.S. She determines that the prevalence of poverty witnessed among these communities warrants “special policy attention.”168 The conditions of poverty within the Hispanic population are further impacted by the immigrant communities. Bane notes that in 2000, approximately one-third of Hispanics who were poor were immigrants, and that an additional one-third were children either born in the U.S. to immigrant parents or second generation Latinos.169 Scriptural doctrines again lend themselves to an interpretation of how policy should relate to poor immigrants living in poverty. Current income-based welfare policy limits the amount of assistance that is provided to immigrants due to their status as non-citizens. Undocumented immigrants are further ineligible for most government benefits and asset building programs.170 The current
welfare policy framework of the U.S. does not allow immigrants equal access to income-based welfare programs and traditional asset development programs. According to both New and Old Testament scriptures, society is to pay special attention to providing for “aliens in a foreign land.” Adherence to this provision would eliminate the current barriers imposed upon immigrants in the U.S. to accessing poverty alleviating benefits and wealth development mechanisms.

A Protestant Welfare Policy Perspective

Lawrence Mead offers another scriptural interpretation that is derived from his personal perspective as a Protestant as opposed to one that is framed by church-wide teachings and refers heavily to the New Testament. He feels that “nurturing personal responsibility” is a key tenant to fighting poverty and is necessary to be a “good citizen.” In direct contrast to Catholic teachings, Mead disagrees that biblical scriptures present a compelling call for prioritizing the needs of the poor. Mead’s interpretation on the poor focuses on a paternalistic structure that emphasizes the obligations of recipients of public assistance and places less importance on their rights or needs. Referring to church organizations such as the U.S. Catholic Conference as the institutional church, he feels that they have required the government to support the poor while requiring little if anything from the poor in return for government assistance.
In evaluating poverty, Mead includes the traditional standards of income levels and also introduces the concept of “deservingness” of individuals who make themselves poor as “undeserving”, and offers examples of those who either fail to work or have children out of wedlock as belonging to this group.\textsuperscript{175} He also adds that, although there are a large number of individuals living in poverty in the U.S., the majority do not “suffer” and are far better off when compared to people living in poverty in countries outside of the Western Hemisphere.\textsuperscript{176}

Additionally, he notes that the majority of poor people do not participate in the labor force at the same rate as those who are not poor. During 2001, for example, 69 percent of adults at all income levels worked compared to 38 percent of individuals living below the poverty level. Interestingly, of families that were headed solely by females, a larger proportion of both populations living below and above poverty worked during 2001 (58 percent and 80 percent respectively).\textsuperscript{177} Although he acknowledges that the growing majority of people living in poverty are working age adults and their children, he does not acknowledge that many of these adults face real barriers to employment.

Continuing on the theme of the non-deserving poor who are unemployed because they choose not to work, Mead builds his case refuting the social teaching approach to poverty taken by Catholic believers. He refutes the Catholic bishops’ claim there is a “chronic and growing job shortage” that
impacts the opportunities of low-income individuals to work by noting that the U.S. has generated more jobs “in recent decades than the whole of Europe.” Furthermore, he notes that “millions of unskilled immigrants, legal and illegal,” flock to the U.S. to take low-paid jobs that “native-born poor adults do not take.” He fails to make the connection that the jobs these immigrants hold are also low paying and that many immigrants in the U.S. are also income and asset poor.

Mead notes that although Jesus did say, “you will always have the poor with you wherever you go,” and that he did show compassion on the poor, this does not evidence any special priority that Jesus placed upon this group. He also questions the characteristics of poor people in Jesus’ day compared to what we consider poor in the modern U.S., suggesting again that the poor in the U.S. suffer significantly less when compared to the great famines, wars, oppressions, mass enslavements and plagues of ancient times. He also notes that Jesus required that people have faith and believe in his healing power before he would heal them so that they could participate in society. Mead describes this level of faith as a requirement of individuals in need to be “active participants of their own salvation,” as Jesus sought to promote “autonomy and responsibility” among those whose distress he healed.

Mead also attempts to place poverty and those who live in poverty in a community context. Again he repudiates that the gospel anywhere offers a special call to prioritize the needs of the poor, and points out that Jesus spent just
as much time healing the disadvantaged as those with class status and wealth. He also stresses that scriptural verses reveal that every person is expected to use whatever resources they have available to them for “good purposes.”¹⁸¹ He references the parable of talents as an example of how the gospel supports the opposite of retribution: “to every one who has will more be given, but from him who has not, even what he has will be taken away.” Mead even goes so far as to say that Jesus would endorse a system that would “want government to be forthcoming to those in need but also expect accountability from its recipients and would maintain ordinary expectations about deservingness.”¹⁸² Lastly, Mead asserts that many of the poor living in modern society have “visibly failed to observe God’s commandments,”¹⁸³ and that scripture affirms an individuals’ obligation to work: “if anyone will not work, let him not eat.”¹⁸⁴

In summary, Mead argues that scripture does not set a precedent for all people to prioritize unequivocally the needs of the poor above other members of society. His religious interpretation of biblical scriptures supports his belief that Jesus would help those who are “deserving.” His idea of an appropriate welfare response to poverty is premised on the ideas that the poor need to have higher incomes, and that a prerequisite to any form of government assistance is work. According to Mead, God’s idea of a unified society is best achieved by their integration into society through their active work status.
A Strictly Scriptural Moral Poverty Alleviating/Asset Building Argument: The Author’s View

For many Christians, regardless of their religious or non-religious affiliation, biblical scripture provides God’s instructions for life on earth and beyond. As a written document, it has various interpretations which can result in its use to support opposing sides of the same issue, as noted above with Mary Jo Bane and Lawrence M. Mead. In addition to her scriptural analysis in her discussion of Catholic social teachings on poverty and economic justice, Bane stresses the importance of ethical analysis in public policy making. She correctly points out that many policy decisions are impacted by society’s values, especially when empirical information is unavailable or inconclusive. This author emphatically agrees with Bane in this regard, and for that reason she has chosen to construct her own moral argument explaining why society has an obligation to provide low-income working individuals with equal opportunities to accumulate assets. This argument is derived from her personal study of biblical scripture and reflection and is based upon one essential principle: to love one another. As an expression of our love for one another, God instructs us to be merciful towards immigrants, to defend the rights of the poor and to give, share, and serve each other.

Throughout both the New and Old Testament, God gives many blessings to his people, as an expression of his love for us. As an example for the world to
follow, God demonstrates the first principle, “for God so loved the world, he
gave his one and only Son, that whoever believes in him shall not perish but
have eternal life.”\textsuperscript{185} Therefore, God expects us to follow his example to be
“imitators of God ... and live a life of love,”\textsuperscript{186} and give from what we have for
each other, following his lead, out of love. It is not necessary to interpret this
directly to mean, \textit{if you as an individual have assets then you should freely give
them to people who do not.}

This scripture can be applied to current asset-building policies in the U.S.
to direct each of us to share and include our fellow men and women in accessing
equal \textbf{opportunities} to accumulate assets. To a certain extent, access to these
equal opportunities depends on a person’s personal freedom. Sen also
discusses the relevance of freedom as a necessary capability that people need in
order to develop.\textsuperscript{187} In the U.S., access to opportunities can be used as a proxy
to measure an individual’s level of freedom. The extent to which an individual
is denied access to certain opportunities, such as asset or wealth building,
demonstrates how their personal freedom is restricted. He concludes that
poverty occurs when individuals are deprived of basic capabilities; thus, the
exclusion of low income families from traditional asset development program
and policies reinforces their poverty status. Sen’s definition of poverty as a
“capability deprivation” speaks not only to limited financial resources but also to
the inability of individuals to accumulate human, social, cultural and intellectual assets due to institutionalized impediments.

Through God’s love we are instructed to specifically “defend the cause of the weak and the fatherless; maintain the rights of the poor and oppressed.” Adherence to this directive will have diverse expressions depending on the time and place in which we are living. In the U.S., many individuals continue to experience the effects of past oppression. Analysis of current economic arenas demonstrates that some members of society continue to be poor in a financial sense and are oppressed due to their limited opportunities. The increasing level of wealth inequalities between Whites, Blacks and Latinos in the U.S. is but one example. As policy practitioners, we should “maintain the rights of the poor and oppressed” by implementing the Comprehensive Asset Building Model that tailors current asset building policies to afford low-income families the opportunities to accumulate assets. Defending the rights of the poor requires us to challenge current systems that inhibit the poor from fully participating in their own economic development, as they are excluded from building assets through mechanisms that favor middle and upper income individuals and families.

Additionally, God provides special instructions to our social responsibility in regards to how we should treat immigrants. Several scriptural passages direct us, saying “do not mistreat an alien or oppress him.” Since the passage of the 1996 Personal Responsibility and Work Reauthorization Act,
welfare and poverty-alleviating policies have explicitly mistreated and oppressed immigrants in the United States. As residents of this country, we benefit directly from the labor of immigrants. As working members of our society, documented and undocumented immigrants contribute to social insurance programs such as Social Security and Medicare, and to social safety net programs such as Food Stamps, TANF, and Medicaid, that they are ineligible for due to their immigrant status. By denying immigrants access to basic social services, such as TANF benefits and food stamp provisions, we are oppressing them through discriminatory policies. As a nation of immigrants, it is shameful to operate a mortgage financing system that charges immigrants a higher interest rate and requires them to make larger down payments and supply several verifiable forms of identification. As Christians, we are obligated to promote the development of asset-building policies tailored to meet the needs of low-income immigrants in the U.S. as a means of extending the same access to accumulating assets that are provided to citizens. The Comprehensive Asset Building Model is designed to accommodate the preferences of immigrant consumers, understand their financial needs, and provide them with meaningful access to mainstream financial institutions and economic markets in the U.S.

Another expression of the principle to love one another is witnessed through serving, sharing and giving. Just as God loved the world and has given many blessings, he instructs us to “use whatever gift he has received to serve
others, faithfully administering God’s grace in its various forms.” The Comprehensive Asset Building Model embodies this instruction and uses the assets and capabilities that individuals and communities currently possess as a leverage to gain access to expanded opportunities. Through the CABM, communities are encouraged to serve each other, offering their skills to improve the situations of every member of society.

In the Book of Acts, Chapter 20, Paul demonstrates how he has shared his possessions, which he acquired through his own work: “you yourselves know that these hands of mine have supplied my own needs and the needs of my companions. In everything I did, I showed you that by this kind of hard work we must help the weak, remembering the words the Lord Jesus said himself ‘it is more blessed to give than to receive.’” This scriptural reference dictates that as a society we should work hard to support ourselves, and in addition, we have to help those in need.

Many Americans have benefited from receiving a quality public education and the work opportunities it provides. They have also benefited from a preferential tax code that rewards individuals who use their human capital to produce wealth through assets. These individuals should follow Jesus’ instructions and Paul’s example and support the inclusion of low-income families into asset-building systems as a way to share the rewards of their own hard work. Finally, scripture gives a specific recommendation to the non-poor:
“command those who are rich …to put their hope in God … Command them to do good, to be rich in good deeds, and to be generous and willing to share.”

Sharing binds communities and if income and asset-wealthy individuals will share the opportunities they have been given to accumulate assets with low-income individuals, then all our communities will be stronger and more productive.

**Expanding Democracy Imperative**

Comprehensive Asset Building Model policies also reinforce the characteristics that contribute to a strong democracy: “interdependence, engagement, and participation.” The accumulation of both tangible and intangible assets have a long history in the United States, and essentially, “asset accumulation of independent capital is the American Dream.” Intangible assets such as education contribute to building individual human capital. This human capital asset allows an individual to actively participate in the workforce and support himself or herself and their family. Latino families hold strongly to the idea that a “college education is the most important factor for a young person to succeed in the world today.” Latino families value the idea of education as an asset that will enable their children to fully participate in this democratic society.
Intangible assets are also reflected in cultural values that support democracy. For example, Latinos in the United States have the highest labor force participation rates of any other group. During 2001, 68.1 percent of all Latinos who were of working age were active participants in the labor force compared to 67.2 percent of Whites and 65.4 percent of Blacks.

In addition to exhibiting high rates of labor force participation, many Latinos, often males, choose certain types of labor because of their values, which resonate with those commonly associated with the American Dream. Take, for example, Latino males who participate in the labor force as day laborers. These individuals are often seen as participating in this informal market due to a deficiency in language and skills. However, research has shown that certain day laborers adhere to a “survivalist strategy of value,” meaning that they seek this type of work for the autonomy, flexibility, control and diversity of tasks that it provides.

There is a prevalence of individuals along the border who participate in the informal market as street vendors, day laborers, food cart merchants, and domestic workers who are “producing goods and services that enhance their community’s wealth.” These individuals are acting as full citizens in the United States and instead of viewing themselves from an asset-deficit perspective, they have used their skills to become full participants in the workforce and are therefore active participants in this democratic society. They
value the ability to control their businesses, be self-employed and have flexible work choices and environments. Additionally, as entrepreneurs of small businesses, they are connected to their communities and invest their assets locally.

Assets also enhance certain rights that should be provided to citizens in any democracy. In this case, the “citizens,” or “citizenship,” is not confined to individuals who are legally designated as members of the United States, but instead refers to citizens in the sense that we are all human beings living and interacting in this country. Given this definition, under a true democracy, citizenship requires the provision of specific social rights. British sociologist T.H. Marshall argued that the state sector has a responsibility to provide “adequate income, health care, education, housing and other social goods,” to poor individuals who did not have access to these provisions. He asserts that poor individuals could not be considered true citizens if they did not have these essential elements that were their social rights as citizens of a democracy.

Marshall’s theory of social rights is parallel to the CABM since both advocate that individuals and communities need access to financial, social, human, intellectual and cultural capital in order to be productive citizens. When individuals have access to adequate public education, they can invest in their human capital and increase their probability of maintaining consistent employment with high earnings from income. This in turn will allow them to
support their family, invest in a home, and become active participant in their immediate community. CABM policies enhance the above mentioned social rights of citizens while allowing them to accumulate assets and wealth.

Government agents, policy analysts and developers, and community development practitioners need to implement more widespread use of CABM programs as a means to provide citizens with basic social rights. Although the state sector is responsible for ensuring that social rights are equitably distributed, current inequalities in access to health care, education, housing, employment, asset development mechanisms, mainstream financial institutions and access to capital demonstrate that it has not performed this task effectively and thus, must do so to ensure that all individuals in the U.S. have an opportunity to actively participate in democracy.

**Market Failure Imperative**

Access to increased financial benefits is not the only reason requiring an asset-building approach for alleviating poverty. There also exists an imperative to include the poor in the major social and economic sphere from which they are currently excluded. For example, many low-income families do not have access to mainstream financial institutions and services. The absence of mainstream financial institutions in working poor communities precludes low-income families from engaging in asset building activities, such as saving and investing, when they have the desire and capacity to do so. Lack of access to an
appropriate choice of financial services is often prevalent among low-income immigrant communities and causes them to rely on high-cost financial transactions that deplete their financial resources. 204 The lack of access to financial mainstream markets is market failure. This market failure exists as low-income individuals cannot save because they do not have access to mainstream financial institutions that are available to middle and upper income individuals.

The market failure approach justifies the role of government intervention in asset development projects for low-income families, because asset-building benefits social welfare. When the market fails, the local economy is negatively affected because individuals and communities are not able to reach their full potential. Government should therefore intervene to correct this market failure, allowing individuals to participate in mainstream financial markets and asset development strategies and thus creating individual and community benefits.

The burden on the part of the asset-building specialist lies in showing that markets have failed to serve low-income families and that the benefits of government interventions to solve for market failure outweighs the costs of any intervention. 205 Recent research demonstrates that “22 percent of low-income families (over 8.4 million) earning under $25,000 per year” do not have access to a bank account. 206 Furthermore, lack of access to mainstream financial services inhibits low-income individuals’ ability to establish credit and access
standard mortgage products. Bartik argues that the market failure approach is favorable, since it focuses the use of government resources and produces outcomes that can be measured by the dollar benefits they produce.\textsuperscript{207}

Although asset building for low-income families will generate financial benefits, they also produce benefits that allow families to have hope for the future, plan for future generations, and gain control over their economic and social environment.

The social and economic benefits of expanding asset building programs and policies to low-income individuals through the implementation of the Comprehensive Asset Building Model justify the role of government in repairing the current market failure that denies low-income families access to mainstream financial resources, products and asset development tools. Economic benefits of expanding asset-building opportunities to low-income working families by means of providing them access to mainstream financial services include the following:

\begin{itemize}
  \item \textbf{Savings in Government Payment Transfer Costs.} By subsidizing and promoting bank account ownership among low-income populations, the government would save financial resources as it would be able to electronically transfer income support payments and EITC refunds electronically to each recipient. This would also reduce the amount of federal funds spent in recovering lost income transfers.
\end{itemize}
Eliminate the Loss of Current Welfare Instruments. Currently, many low-income individuals lose the total benefit that welfare instruments such as EITC provide, because they have to transfer their benefits into cash using fringe banking services. This costs both the recipient and the government a significant amount. By aiding low-income families in acquiring access to bank or credit union accounts, government funds will be saved and families can avoid paying high fees to cash their EITC refunds.

Create more Homeowners. By incorporating low-income individuals into mainstream financial service markets, government agencies will aid these individuals and families in establishing credit. Additionally, low-income families will gain an expanded knowledge of mortgage products that they can use to purchase a home.

Increase Education Levels. Through the provision of access to mainstream financial services, low-income families will embark upon a path leading to wider financial asset accumulating mechanisms. Transaction accounts are the primary product used by low-income households and provide them with avenues to learn about other financial products and asset building behaviors thus increasing their “financial literacy” levels.

Increase Savings and Assets. Supporting the integration of low-income families into mainstream financial services expands their opportunities to save financial resources through traditional savings mechanisms. In fact, research has shown that “low-income families with deposit and savings accounts are more likely to own other assets such as savings and retirement accounts, homes, cars, and life insurance, than are those without accounts.” As low-income families gain access to traditional
asset accumulating tools such as savings accounts, they will increase their short term and long-term wealth holdings.

- Reduce Future Dependency on “Welfare” Benefits. As low-income families are provided with asset-building opportunities through savings, education and homeownership, they will increase their income and wealth. In addition, they will be better prepared to support future generations and thus reduce their dependence on traditional welfare programs such as TANF, Food Stamps and Medicaid.

The relationship between access to appropriate financial services and income and asset building has been steadily increasing for several years. Asset development also benefits entire communities as individuals undergo positive “behavioral changes and the accumulation of economic assets that may benefit the rest of society as well as the individual poor savers.” The benefits of providing asset building opportunities to low-income working families far outweighs the costs of government intervention in this market failure and pale in comparison to the $110.5 billion spent in federal funds to aid the top one percent of wealthy Americans who continue to accumulate assets.

Theories Guiding the Comprehensive Asset Building Model

Critical Theory

Asset building policies and programs need to be examined from a critical theory perspective to provide low-income individuals and communities with knowledge of what rights and avenues they have for accumulating assets. This
requires a thorough investigation of the current institutional asset-building policies that have supported the asset accumulation of the middle and upper classes in the United States. Such an investigation would portray the extent to which dominant groups in society have created processes that preclude many members of our society from obtaining wealth. Michael Sherraden demonstrates that government policies have a long history of supporting mechanisms that allow certain populations the resources to accumulate assets and transfer them to future generations. The vast majority of Americans have accumulated assets through homeownership and pension funds that are linked to their employment.\textsuperscript{211}

A critical theory perspective applied to asset building policies reveals that Latinos have been historically discriminated against in the workforce and as a result, have not had access to the asset building opportunities of upper and middle class Whites. Even as recently as 1999, approximately 11 percent of Latino workers experienced some kind of discrimination.\textsuperscript{212} Low-income Latinos face the largest barriers in regards to discrimination in the workplace, thus prohibiting them from an opportunity to build financial, intellectual, social or human capital assets.

Additionally, a critical theory perspective would acknowledge that even when Latinos, Blacks and Whites have the same educational levels ranging from those who do not have a high school diploma to those who have a Master’s
Degree, Latinos and Blacks earn less than their White peers. Median income levels for Latinos in every educational attainment category are less than that of Whites at similar educational levels. This unequal distribution of income levels due to earnings is attributed to consistent discrimination against Latinos and must be acknowledged and addressed. A critical theory approach to this issue is vital for Latinos to begin to accumulate wealth from earnings at a level of parity with Whites.

Adherence to a Critical Theory approach encourages families to gain knowledge and an “awareness” of the systems that create barriers preventing them from becoming homeowners. By identifying and understanding these barriers, community residents can work together to create policies and practices that will allow them to become homeowners and take advantage of the institutionalized mechanisms to accumulate wealth through mortgage interest rate reductions on income tax.

A history of racial, economic and social oppression has created communities within the United States that continue to experience the effects of a legacy of disadvantage. Low-income communities of color often exist in isolation, and are perceived from an outside perspective as a holding place for people with limited assets and multiple deficiencies. Activists and community members are currently challenging the lens through which their neighborhoods have traditionally been viewed. By taking a CABM approach to revitalizing
communities, the lens is now focused on the individual and institutional resources that these communities possess.\textsuperscript{214} Additionally, CABM strategies recognize the importance of involving residents in creating a design and vision for their own communities and realize that programs designed without their input are unsustainable.

**Community Economic Development Theory**

Two of the various outcomes of the Comprehensive Asset Building Model policies is Community Economic Development (CED) and Community Development (CD). The CED and CD fields evolved from the Civil Rights Movement, the War on Poverty and President Lyndon B. Johnson’s Great Society policies, and serve as a means to revitalize low-income minority communities throughout the U.S. CED is a distinct alternative to traditional economic development that is based on efforts of the civil sector as opposed to the state or the private market. CED serves as a method to revitalize communities, as it is a process that involves:

“any activity that results in the strengthening of the economic, social or cultural base of the community, through activities that strengthen the local capacity to address local needs and enhance the community’s ability to rebuild itself.”\textsuperscript{215}

Community control of program ideas and implementation is the foundation for CED and will ensure that sustainable development occurs whether outside support fluctuates or diminishes over time. This definition of CED has four essential
parts that are applicable to the Comprehensive Asset Building Model framework and are worth dissecting to understand how they complement the values of asset building for the poor and create comprehensive change.

The first part of the definition of CED, “any activity that results in,” describes CED as a dynamic process that requires more than discussions, analysis, proposals. CED, similar to CABM, requires action to fulfill its purpose. Although the activities vary by size and scope, they are indispensable elements that motivate individuals, unite communities, and involve them in the process of CED. Similarly, CABM involves a stage of assessment and design, but its true power is revealed as families and communities begin to accumulate assets. Thus, although it contains a vital collaborative and developmental stage, the action of asset building that occurs as families open checking and savings accounts, begin saving for retirement, purchase a home, achieve higher levels of education, and open a business reveal its true transformative potential.

The second part of CED occurs as a result of the “activity” that is “strengthening of the economic, social or cultural base of the community.” Recognition of the positive attributes that communities possess is a vital component of CED and must be accomplished by the residents and Community Based Organizations (CBOs) themselves, as they are best able to identify their economic, social and cultural foundations along with aspects that need to be strengthened.
The third part involves organizing activities that “strengthen the local capacity to address local needs.” To be effective, a CBO must identify the “local needs” of the communities they serve. Although there are many overarching issues, such as poverty, unemployment and low educational levels, that transcend many low income communities, the manner in which they are manifested are unique to certain locales. The CABM requires CBOs to identify their local community’s needs and to design programs and policies that meet them effectively. For example, William Julius Wilson attributes many of the problems that African American males face in inner cities to the flight of industries that resulted in massive unemployment. Unemployment along the Texas – Mexico border region has also been a major concern, as some counties experience unemployment rates as high as thirteen percent. However, unemployment along the border is largely attributed to the loss of major textile manufacturing industries that have relocated to other areas and also to a lack of industry diversification due to the historical legacy of agricultural employment. A Community Based Organization would understand the local needs of this community with many middle-aged displaced workers who need additional skills and training that can be applied in employment not involved with textile manufacturing. In addition to identifying local needs through the CABM, CBOs “strengthen the local capacity” of communities not only to meet their needs but to go beyond meeting basic needs. In the case of many semi-rural and colonia communities in the Texas-Mexico Frontera, CBOs represent
culturally sensitive and community vested agents that are working to revitalize these locals despite their geographic isolation and lack of infrastructure.

The fourth, and one of the most important elements in CED, is its goal of “enhancing the community’s ability to rebuild itself.” Through CABM, communities are collaborators in creating a system that will sustain the improvements. Often, traditional economic development occurs as a piecemeal process addressing one issue at a time, resulting in uncoordinated delivery of services. When programs are uncoordinated and services are not integrated, they are less likely to generate positive growth, as they are funded categorically and designed to address a narrow issue assuming that focused programs operate in a vacuum within communities. Families within communities have multiple needs that need to be addressed by a critical mass of services in order to have more than a marginal benefit. Although communities do need to receive outside services in order to sustain improvements, they must be involved in rebuilding themselves.

Historically, communities have relied solely on outside resources to address their social and economic issues. This reliance on outside resources leads to a dependence on traditional economic development that maintains a self-interest driven motivation on behalf of the businesses involved that is often purely profit-driven. Through “enhancing the community’s ability to rebuild
itself,” the CABM is equipping residents with resources that will promote long term improvements and have the community’s self interest in mind.

Much social welfare policy has been focused on a framework of consumption, so as to deliver programs that will allow individuals and communities with the resources they need to survive. This focus does not allow communities or individuals to formulate a vision to identify what capacities need to be strengthened to insure future sustainable development. When CBOs implement CABMs, they concentrate on establishing patterns to strengthen local capacities they are focusing on the assets that communities posses and reinforce them so there can be a stronger source of support in the future.

**Development from Below**

The CABM embodies a form of regional development theory described as “development from below” as opposed to development from above. As CABM practitioners design programs and policies that increase the community’s capacity to “take control of their own institutions to create the life style desired in the region,” this facilitates communities to meet their own needs and move towards a self sufficiency, thus decreasing their dependence on outside resources. Asset building policies and programs are intended to reduce the long-term dependency of individuals and communities on government assistance.
Development from below also seeks to increase the goods and services that a region, city or town produces for its own and outside consumption. This requires a deliberate allocation of energy and resources within the community in a manner that “generates” positive development. Agropolitan development is used within a development system and commonly refers to a region’s control of local renewable resources, increased training of the labor force and incubation of certain industries that will lead to a greater “export” of goods and services. CABM programs can use this method to take control of individuals as a resource and focus human capital investments in areas that are plagued by high unemployment rates to enable them to specialize in producing goods or services that are unique to that area and draw on the cultural capital of the labor force.

Additionally, the CABM follows a development from below framework as it requires a thoughtful reinvestment of resources such as financial capital. Local residents, business entities and governments are encouraged to buy locally, circulating capital and revenues within the communities of origin. Another critical component of the CABM and that is derived from the “development from below” theory involves the promotion of small businesses. While the “development from below” theory specifically encourages “small scale labor intensive industries,” various CABM programs and policies aim to increase the presence of micro-entrepreneurs within their communities.
This type of development is vital to CABM programs along the Texas - Mexico *frontera*, since many individuals are already active in entrepreneurial activities in both the formal and informal labor market.

**Conclusion**

The discussion and creation of an agenda to provide asset-building opportunities to low-income working families requires a reevaluation of fundamental principles and not just a review of national fiscal priorities. Political leaders and policy analysts need to be challenged not only to discuss the programmatic details of policies that promote asset accumulation for the poor, but also and more importantly, to accept the moral, economic, and developmental obligations inherent in serving this population in an equitable manner.

The implementation of a Comprehensive Asset Building Model is controversial because it aims to adapt current government policies, programs, mainstream financial institutions, and moral attitudes that lack compassion to expand asset building opportunities to low-income working families. Guided by Community Economic Development, Community Building and Critical Theories, the CABM captures the voice of low-income working communities and affords them the capacity to reclaim their human, social, financial, cultural and intellectual capital. The three- pronged approach of education, engagement,
and expansion allows low-income working families to fully participate in the economic and social arenas of U.S. society.
Notes


139 Ibid.

140 Ibid.

141 Ibid. p. 5.

142 Ibid., p.2.

143 Ibid., p. 27.

144 Ibid. p. 75.

145 Ibid. p. 76.

146 Ibid.

147 Ibid.

148 Ibid.

149 Ibid.

150 Sherraden, p. 141.

151 *Economic Justice for All*, pg. 77.

152 Ibid. p. 78.

153 Ibid. p. 77.

154 Ibid. p. 79.
177 Ibid. p. 61
178 Ibid. p. 64
179 Ibid. p. 71
180 Ibid. p. 73
181 Ibid. p. 74
182 Ibid. p. 76
183 Ibid. p. 77
184 Ibid. p. 78

196 Email from Lodis Rhodes, Professor, LBJ School of Public Affairs, The University of Texas at Austin, “November 18, 2003,” to Zoraima Diaz, Date, 2003.


199 Ibid.

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202 Ibid.


205 Oden, Michael, Urban Economic Development Policy Lecture, University of Texas at Austin, 9/2/03.


209 Ibid.


211 Sherraden.

212 Brieffeld, p..8.

213 Ibid.


217 Texas Comptroller of Public Accounts, Texas Regional outlook, The South Texas Border Region, June 2002, Austin, TX.


222 Ibid.

223 Ibid.
224 Ibid.
Chapter 4. The Comprehensive Asset Building Model in the Context of the Texas – Mexico Frontera

The sixteen Texas counties that are directly positioned along the Texas - Mexico Frontera represent distinct bi-cultural and bi-national communities. A dynamic bilingual and multi-ethnic population inhabits the frontera that stretches across these sixteen Texas counties and the Mexican states of Chihuahua, Coahuila, Nuevo Leon, and Tamaulipas. This socially and economically vibrant international border separating Texas and Mexico spans across 1,092 miles, and in 2002 was home to 2.1 million people in Texas alone.\(^{225}\)

Residents of this area rely on symbiotic relationships based on a shared connection of commerce and culture. The bicultural nature of this region facilitates cross-border commerce that is a vital component of the economic arena and is a unique and essential element that allows many residents to accumulate social, financial, human, cultural and intellectual capital. Although this is one of the fastest growing regions in the U.S., few of the benefits of economic and demographic growth have enhanced the asset-building capacity of thousands of low-income frontera residents. While there is resilience witnessed among the communities along the frontera that is unparalleled in any other area in Texas, there are also several characteristics that create economic, social, and cultural hardships for residents and impede their development of comprehensive assets.
This chapter describes the four steps used to design and implement a Comprehensive Asset Building Model in the context of the Texas – Mexico Frontera. The first step necessitates that the CABM partners complete a paradigm shift in approaching poverty and welfare programs. The second step involves engaging all of the CABM partners to create a vision for their community. In step three, CABM partners identify a core set of sustainable asset indicators that capture the community’s human, social, financial, intellectual and cultural capital assets and deficiencies. The last step in the process involves recognizing local, state, and national policies, legislation and trends, and analyzing their current and future impacts on the CABM. The explanation and development of the CABM reveals the inherent need to integrate meaningful asset development strategies for low-income working families residing in frontera communities.

Step 1: Paradigm Shift

The paradigm shift requires practitioners to change the way they view poverty and poverty-alleviating programs. Traditional social welfare and poverty elevating policies are premised on the idea that “poverty is simply a matter of low income or low levels of consumption.” Income maintenance programs ignore the social and economic barriers that perpetuate poverty and exclude low-income Latinos from participating in the traditional asset development systems of the
United States. Income maintenance welfare policies increase inequality, produce
temporary welfare, prevent asset accumulation and perpetuate an
intergenerational transfer of poverty and cumulative deficits within low-income
families. Current asset-accumulation programs both inhibit low-income
individuals from accumulating assets and prevent communities from creating
sustainable development. Traditional welfare policies erode the existing
financial, human, social, cultural, and intellectual assets of low income
individuals and communities (Table 4.1.).
Table 4.1
Income vs. Assets Paradigm Shift

<table>
<thead>
<tr>
<th>Contemporary Income Maintenance &amp; Asset Development Programs</th>
<th>Comprehensive Asset Building Model Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theory: Income = Consumption</td>
<td>Theory: Assets + Income = Wealth</td>
</tr>
<tr>
<td>Population Focus: Low-Income Families</td>
<td>Population Focus: Low-Income Families</td>
</tr>
<tr>
<td>✗ Exclude low-income families</td>
<td>✓ Serve low-income families</td>
</tr>
<tr>
<td>✗ Prevent asset accumulation</td>
<td>✓ Facilitate asset accumulation</td>
</tr>
<tr>
<td>✗ Perpetuate the cycle of poverty</td>
<td>✓ Break the cycle of poverty</td>
</tr>
<tr>
<td>✗ Perpetuate an intergenerational transfer of cumulative deficits</td>
<td>✓ Promote an intergenerational transfer of wealth</td>
</tr>
<tr>
<td>✗ Inhibit Sustainable Community Economic Development</td>
<td>✓ Create Sustainable Community Economic Development</td>
</tr>
<tr>
<td>✗ Perpetuate Negative Stigma attached to “welfare benefits”</td>
<td>✓ Eliminate the negative stigma attached to “welfare benefits”</td>
</tr>
<tr>
<td>↑ Inequality</td>
<td>↓ Inequality</td>
</tr>
</tbody>
</table>

The asset building approach resembles that of the business-drive approach to community development that requires creating wealth as a means to address poverty. Comprehensive Asset Building Model policies represent a solution to remedy the negative impacts that occur as a result of traditional income-based welfare policies and to achieve sustainable development in Latino low-income
The CABM also represents a radical solution to the failing income-based welfare system because it meets the qualifications of an action that “faces a system that does not lend itself to your needs and devises a means by which to change that system.” 228 The CABM aims to adapt current asset development policies in the U.S. that have facilitated the accumulation of significant amounts of wealth within many middle and upper class families to meet the unique needs of low-income working poor Latinos.

**Step 2: Designing a Vision**

The vision for the CABM is conceived from the voices of community residents and practitioners, and incorporates core components and values that are necessary to achieve success in their region. Having a vision for the CABM to achieve is critical, as “my people without a vision will perish.” 229 Actively involving community residents in developing a vision is of utmost importance. Community residents are “uniquely qualified” to provide ideas and goals for improvement, as they are completely vested partners in the process. 230 Visioning empowers residents and places them in a position of control over decision-making processes. Residents are no longer on the sidelines of community development or mere beneficiaries of asset building policies, but are instead at the helm, formulating strategies, negotiating resolutions and implementing change.
Visioning secures a place for community residents “at the table,” and ensures that their concerns are articulated and their goals are accomplished.

Practitioners and community members initiate this step by identifying core components and values. The vision is an expression of the community’s values and can include, for example, the desire to strengthen families, protect children, preserve the natural environment and provide for future generations. The values are translated into action as programs, and policies are created to achieve the vision. Residents’ participation in creating this vision empowers them to be active participants in the entire CABM process as they have now been given an opportunity to dictate policy and create programs. The vision statement provides the CABM with goals and outcomes that are supported by the community’s faith in accomplishing this endeavor. By affirming a vision statement, individuals are empowered to work diligently to bring that vision into fruition. Communities are encouraged to create CABM vision statements for their neighborhoods, cities and the entire Texas-Mexico Frontera.

Several community-based organizations currently operating along the Texas-Mexico Frontera have used this approach to create monumental changes in the life opportunities of their residents. Proyecto Azteca, for example, a community-based organization in the South Texas Frontera, uses this framework and allows the Board of Directors (composed of 13 low-income farm workers and
colonia residents) to create the vision for all of their projects. Their vision for residents living in the surrounding San Juan area led to the creation of the sweat equity-based Cascaron Project that was tailored to provide low-income working families with an opportunity to purchase an affordable home (less than $15,000) and begin to build financial assets through homeownership. Their vision clearly articulates the improvements community members desire to see in regards to affordable housing and led to the creation of a project that directly met that need.

Vision statements are also constructive when they apply to a larger area and unite residents from neighboring geographical constituencies. The following quote is an excellent vision and faith statement that applies to the South Texas Border and could be applied to the entire Texas-Mexico Frontera:

“Explaining South Texas has always been a challenge: Where others see lines on a map, we see limitless horizons of opportunity. Where others see two cultures, side-by-side, we recognize our home: bicultural, bilingual a combination of the best, transformed into one.”

The acknowledgement of the bilingual and bicultural assets of this region embodies an asset based framework and depicts these distinct characteristics of the Texas – Mexico Frontera in a positive light. The bilingual and bicultural assets contribute to a foundation from which a CABM is constructed for this region. Furthermore, the statement not only recognizes a variety of assets that are unique to the Frontera, but also clearly expresses a vision to use these assets and
faith in the positive “limitless horizon of opportunity” that will be produced. This statement supports the implementation of a CABM that incorporates several financial, social, human, cultural and intellectual capital assets in an effort to expand the asset accumulation capabilities of Texas – Mexico Frontera residents.

The author’s own vision for the CABM is to restore social and economic justice among Texas – Mexico Frontera communities and provide low-income working families with equal access to the “freedoms” and “capabilities” that this democracy currently provides to selected groups. In doing so, I seek to promote policies, programs and practices that build on the assets of the community while generating opportunities for prosperity that elevates families and allows them to accumulate wealth and assets in an equitable manner. My vision involves demolishing the existing barriers that inhibit the inclusion of low-income working families as full participants in our economic and social arenas, and constructing bridges that leverage their current stock of human, cultural, intellectual, financial and social assets to rise out of income and asset poverty.

This vision requires the participation of residents, local businesses, all levels of government, community-based organizations, large corporations, and academic institutions as partners working towards the goals designed in the CABM. As partners in the CABM process, they must assume their shared responsibility to providing equal access to asset-building mechanisms to low-
income working families. Perhaps most importantly, my vision requires that all partners actively play their role in implementing the CABM to increase the Latino Community Equity$^{234}$ along the Texas – Mexico Frontera. My faith supports my inclination that the national movement to support asset-building policies for low-income working families has much to learn from the examples of CABM initiatives of our Frontera.

**Step 3: Identifying Indicators**

The processes used to identify indicators for the CABM must include a variety of stakeholders. Various partners including business owners, CBOs, community residents, government agents, foundation sponsors, students, and academicians should all provide input to develop reliable and valid indicators. It is also important to remember that the CABM indicators are attempting to capture simplifications of complex problems and processes. Additionally, CABM should take note of how the different indicators are interrelated and impact each other. The CABM categorizes indicators by the type of human, social, financial, intellectual and cultural capital that they represent. For example, housing affordability is categorized as a financial capital indicator as it represents access or the lack thereof, that individuals have to obtaining financial capital assets through homeownership.
Financial Capital

Financial capital is commonly considered in tangible forms including savings and checking accounts, real estate, stocks, bonds, certificates of deposit, pension and retirement savings, mutual funds, and vehicles. In Latino communities, additional financial capital assets are captured through remittances that provide economic security for the immediate and extended families of Latinos living outside of the U.S. Each kind of financial capital asset provides a benefit for individuals and families and is a critical component of asset accumulation and wealth building. For example, transaction accounts provide families with a means to track their living expenses and avoid paying high user fees charged by alternative service providers. They also provide families with a resource to draw from in times of financial emergencies. The majority of low-income households only have access to basic financial capital provided through transaction accounts and their average savings is very low: $200 or less.

Homeownership is another critically important example of financial capital that provides economic and social welfare benefits for families and communities. Homes are a financial capital resource that provides families with direct benefits for survival as they are a source of shelter and also accumulate wealth through home equity. Although homeownership rates are lower for families in the lowest income quintile, this form of capital accounted for 80
percent of their net wealth in 2001.\textsuperscript{238} Additionally, homeownership provides several positive impacts for the stability of children, families and communities.\textsuperscript{239} A diversified pool of financial resources that include those mentioned above and some that are unique to Latino \textit{frontera} communities are provided for low-income families through CABM programs.

**Human Capital**

Human capital is often acquired through formal educational institutions or through workforce training, and development and is usually described in terms of “hard” and “soft” skills.\textsuperscript{240} Hard skills are often the technical or “task-related” skills that an individual requires to learn a trade or expand their knowledge in a given field of work. Soft skills are often classified as skills that enable people to navigate social work environments and communicate effectively.\textsuperscript{241} Investments in human capital allow individuals to gain access to employment as a result of their increased hard and soft skill set. Additionally, human capital investments provide individuals with access to gaining financial capital as they increase their income through wages and provide economic security and mobility for their families.

Much qualitative and quantitative research has documented the powerful impact of human capital investments in low-income communities. Entire families can be lifted out of poverty when one family member is able to obtain access to a
higher education and transform his or her earning potential. Human capital investments are the most promising for youth and return $3 to $4 for each dollar invested, and provide youth with the skills they need to be self-sustaining adults.\textsuperscript{242} Although the returns to education are not equal for Whites, Blacks and Latinos an investment in human capital achieved through higher education provides more than a direct return through wages, and includes access to a wider network of individuals and increased knowledge of how to navigate formal institutions. Investments in the human capital along the \textit{frontera} are desperately needed in order to “increase educational achievement of poor children and to raise the skills and labor market prospects of adults at the bottom of the economic ladder.”\textsuperscript{243} Investments in the human capital of \textit{frontera} residents through the CABM will increase the asset-building capacity of youth and adults and provide for an alleviation of poverty for future generations.

\textbf{Cultural Capital}

In addition to financial capital assets it is often difficult to quantify the existence or impact of cultural assets in Texas – Mexico \textit{frontera} communities. For example, research has described the importance of \textit{tandas} in Latino communities.\textsuperscript{244} \textit{Tandas} provide individuals with formal and informal means to save money as a group and then access the savings in turn. Often these funds are used to cover the necessary expenses of a ceremonial or special event such as a
Although the operation of *tandas* is primarily an economic activity, it depends on the cultural understandings of *confianza* and *acuerdos* that exist between members of Latino communities. These cultural concepts represent feelings of trust and mutual obligation that members of Latino communities hold towards each other. While it is difficult to quantify and produce statistical analysis on these types of cultural assets, CABM practitioners know that they exist and are an important component to a comprehensive asset building model designed to operate and complement the cultural characteristics of Texas-Mexico *frontera* communities.

**Social Capital**

Investment in social capital builds networks and “foster a variety of local development projects and involve more people in cooperative endeavors.” The cooperative endeavors create a sense of mutual responsibility between community members that were formerly disconnected. Asset building in low-income neighborhoods thus leads to individual and community development. Robert Putnam has suggested that “social capital is disproportionately important” to low-income individuals because they “have little economic capital and face formidable obstacles in acquiring human capital.” Latinos have and continue to face obstacles accumulating financial assets through income earned in the labor market and through homeownership and thus social capital is of great importance.
Lisa Servon describes three levels of social capital that can be analyzed and applied to the Latino community to leverage future forms of asset development. She defines bonding social capital as “capital that connects people within a community and helps them to survive or get by.”

Latino communities are full of examples of bonding capital that exist in kin relationships, through extended family or community connections. This social capital is often connected to a system based on acuerdos between individuals. Friends and relatives trust their social capital relationships when they need assistance with something. The system of acuerdos enhances social capital bridges in Latino communities because it reinforces a sense of mutual responsibility between community members.

Servon describes bridging social capital as connections that exist across communities that allow them to get ahead. Latino immigrants are a prime example of how bridging social capital assets are used within the Latino community. Immigrants often use “weak connections” to navigate their way from their home country to a new locality within the United States. They often depend on the connections between communities for job referrals, placements, housing and other essential survival needs.
**Intellectual Capital**

The third type of social capital that Servon mentions is related to the connections of individuals or communities “to political and financial institutions which enable communities to build on their other forms of social capital and bring additional resources to the community,”²⁵⁰ and I believe it describes instead the intellectual capital³ of communities. The third sector, by way of community-based organizations, needs to continue to develop this aspect of intellectual capital in Latino communities. Concentration on this intellectual capital connection will surely facilitate the accumulation of financial and human capital within low-income Latino communities.

A cooperative relationship between community groups and the surrounding formal institutions is necessary to revitalize communities.²⁵¹ These cooperative relationships exchange a diverse set of resources to create a power base that must be used for to meet the immediate needs of communities in the short term and establish a long term plan for future sustainable development. The involvement of the third sector through community-based organizations is necessary as they have direct access to the unique social, cultural and human capital assets of their residents along with knowledge of the specific problems

³ The concept of “intellectual capital” is derived from Dr. Lodis Rhodes of the LBJ School of Public Affairs at the University of Texas at Austin.
they face. Outside institutions possess direct access to financial capital resources, fiscal social networks, political social circles and influence, and can share these resources with low-income community members through the CABM.

**Unique Characteristics Revealed by Selected CABM Characteristics**

Identifying the appropriate financial, social, human and cultural capital assets that justify the implementation of the CABM is a challenging operation that necessitates careful attention to various social, economic and cultural characteristics of the Texas-Mexico *Frontera* region. The process of identifying the CABM indicators should begin by determining the assets individuals and communities currently possess and then clarifying the characteristics of a given region that will establish possible future policies and procedures it could adopt to enhance these assets. Although some of the indicators listed in Table 4.2, such as income distribution, poverty rates, education levels, and electoral participation are often used in traditional economic development, others including types of income, housing affordability, and those listed under cultural capital are unique to a Latino CABM. The CABM approach incorporates factors that contribute to total family asset building.
Table 4.2  
Comprehensive Asset Building Model Indicators for Latino Communities on the Texas-Mexico Frontera

<table>
<thead>
<tr>
<th>Financial K</th>
<th>Social K</th>
<th>Human K</th>
<th>Cultural K</th>
<th>Intellectual K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty Rates</td>
<td>Family Size</td>
<td>Unemployment Rates</td>
<td>Bilingual Households</td>
<td>Community Based Organizations</td>
</tr>
<tr>
<td>Types of Income</td>
<td>Youth Population</td>
<td>Population Growth</td>
<td>Church (Spiritual &amp; Cultural Practices)</td>
<td>Non-Profit Intermediaries</td>
</tr>
<tr>
<td>Family Net Worth</td>
<td>Electoral Participation</td>
<td>Education Levels</td>
<td>Community Events</td>
<td>Community Colleges and Universities</td>
</tr>
<tr>
<td>Housing Affordability</td>
<td>Community Based Organizations</td>
<td>Exemplary or Recognized Public Schools</td>
<td>Family Dynamics</td>
<td>Citizen Scholars</td>
</tr>
<tr>
<td>Purchasing Power</td>
<td>Crime and Safety Rates</td>
<td>Child Care Affordability</td>
<td>Remittances</td>
<td></td>
</tr>
<tr>
<td>Savings Behavior</td>
<td>Compositions of Population: Racial, Gender and Age</td>
<td>Uninsured Rates</td>
<td>Raffles</td>
<td></td>
</tr>
<tr>
<td>Earned Income Tax Credit</td>
<td>Es-Offender Population</td>
<td>Adult Literacy Rates</td>
<td>Acuerdos</td>
<td></td>
</tr>
<tr>
<td>Micro-Entrepreneurs</td>
<td></td>
<td></td>
<td>Tandas</td>
<td></td>
</tr>
<tr>
<td>Individual Development Accounts</td>
<td></td>
<td></td>
<td>Loteria</td>
<td></td>
</tr>
<tr>
<td>Raffles</td>
<td></td>
<td></td>
<td>Cultural Income Maintenance</td>
<td></td>
</tr>
<tr>
<td>Remittances</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings Behavior</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Ingenuity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The CABM indicators listed in Table 4.2 are not exhaustive, and are designed to allow practitioners the flexibility to add indicators that may be unique to their area. The CABM strategy integrates each of the five major asset capital areas. However, it is possible for some indicators to impact more than one area of assets. Remittances, for example, could be classified as both cultural and financial capital since they apply to both areas. For the primary purposes of the CABM implemented along the Texas-Mexico Frontera, remittances will be considered cultural assets, as they are not maintained for local financial investment. Nonetheless, remittances are an excellent example of a cultural asset, as they represent a form of financial support between kin members of transnational families across international borders that are highly utilized by Latino communities.

The following selected indicators represent the best case for the promotion of CABM strategies in the Texas-Mexico Frontera Region. Analysis of these indicators reflects a combination of human, cultural, social, financial and intellectual assets and deficits.

**Savings Behavior**

The savings behavior of Latinos is an essential financial asset indicator for the CABM. Based on research collected from several IDA programs, it has been documented that the extreme poor save more that middle and working poor.²⁵²
This is reflected in the Latino population, and in 2001 the average annual savings of Latino families earning from $20,000 to $40,000 was $858 compared to the average savings of families that earn less than $20,000 which was $1,350.\textsuperscript{253} The high amount of savings of extremely low-income Latino families demonstrates that they can save money despite their exclusion from mainstream institutional asset building structures. The positive savings behavior also demonstrates the urgent need for CABM practitioners to provide the appropriate frameworks and stimulus to facilitate future development of savings products in Latino communities along the Texas – Mexico frontera.

Although we are unable to collect data demonstrating the average savings rates of families in different income classes that reside in each of the Texas-Mexico frontera counties, ethnographic research demonstrates the active savings behavior of individuals living in these areas. For example, the use of tandas is commonplace among communities in the South Texas frontera. Many individuals who work for local government agencies such as Cameron County participate in tandas.\textsuperscript{254} Although individuals have access to a mainstream financial institution, many continue to participate in tandas with family members or groups of friends.
Economic Ingenuity

The impact that an investment in education has on individuals and their families is evident in the expansive impact it can have on a family’s asset building capabilities. The investment in human capital through education, combined with the cultural capital of South Texas frontera communities, demonstrates the power of asset-building programs that are designed and controlled outside of mainstream financial markets and in the hands of community members.

One South Texas frontera family was able to utilize the educational background of their son to transform a community savings vehicle, a tanda, into a mainstream financial savings product. Manuel Villareal has had a savings account at the local credit union since 1964. He was also a member of a tanda that was called WIRE. The members of the tanda included himself, his wife, his 2 in-laws, two of his sons and one of his daughter’s in-law. Each of the group members contributed $25 a month and received their share when it was their turn. One of Manuel’s sons received a bachelor’s degree in business, and when he returned home, he shared some of the financial skills that he had learned with his parents. They then decided to invest their informal tanda though an investment banker. The group members formed an organization and created by-laws; they continue to meet once a month to discuss the status of their investments and
contribute $25 each. So far, one of the members has been able to withdraw from the group and used the money he earned from his investment to begin a separate college savings plan for his daughter. Manuel intends to continue saving and use this asset building mechanism to provide his grandchildren with financial support while they attend college.\textsuperscript{256} It is this combination of cultural, intellectual, human, financial and social capital assets that facilitates the creation and implementation of the CABM in \textit{frontera} communities.

**Cultural Income Maintenance**

The use of \textit{tandas} are an excellent example of mechanisms that Texas – Mexico \textit{frontera} residents use to substitute for a lack of access to mainstream financial services, and in some cases for people who have access to traditional savings and checking accounts, \textit{tandas} provide them with an opportunity to exhibit a preference for non-mainstream savings and asset building behavior. The continued use of “informal” community-operated savings mechanisms reinforces the cultural capital of community members and increases the intellectual capital of the community.

The use of \textit{loterías} is another example of a culturally-specific financial practice that provides Texas-Mexico \textit{frontera} families with a locally-generated and unique form of income maintenance. \textit{Loterías} are similar to American Bingo, where random images are called and individuals try to create a pattern on their
game card, based on those images, to win the game and receive a prize. Families in the *frontera* may host a game of various players in their home as a way to raise money to cover additional household expenses. For example, one individual made a variety of homemade crafts to give as prizes and then sold game cards to friends and family for a *lotería* in her home. She was able to raise over $200 to cover medical expenses for hospital bills that her son had incurred and insurance did not cover. In this context, the use of *lotería* did not serve as an asset building tool for future use, but rather as a much needed “income patch” that provided this family with access to financial resources from a cultural community economic activity. This behavior also reinforces the *frontera* culture that thrives on the ingenuity of its residents to create informal economic activities to meet their “welfare” needs.

Similar to the use of *Loterías*, many individual partake in raffles that are used to generate additional income for families and individuals or to meet unanticipated financial obligations. This informal economic activity occurs when an individual or family member takes one of their possessions and sells tickets for a designated amount, and then gives the item to the person whose ticket is randomly selected. In one case, a Cameron County employee sold raffle tickets for an engagement ring for $10 a piece and sold 200 tickets. She was able to
generate $2,000 to cover the unexpected financial expenses she had incurred. Used cars are also often raffled in this same manner.

A final example of culturally-generated informal economic activity demonstrates the richness of social capital that is consistent with “frontera culture.” Although many individuals initiate informal economic activities such as raffles and loterías on their own behalf, entire communities often come together to organize the same events. Recently, Hilario Diaz, a South Texas frontera resident, in conjunction with four of his compadres4 initiated a raffle and barbeque plate sale to raise additional funds for a friend who was in a motorcycle accident and incurred severe head injuries. The individual is an example of one of the many working poor who is employed without health insurance and does not qualify for Medicaid.259 Therefore, the community united to initiate a raffle to raise funds to help cover his medical expenses. The cultural and social capital that is embodied in communities that care for each other is an essential component that supports the CABM in the Texas-Mexico frontera.

Foreign Born Population

The Brownsville, Laredo and McAllen Metropolitan Statistical Areas (MSA) are three areas within the entire border region that experienced

4 Compadres is a term used in Texas-Frontera communities to denote friendships that simulate kin relations.
tremendous population growth from 1990 to 2000. In fact, the McAllen and Brownsville MSAs lead the nation in terms of population growth as they were the 4th and 28th fastest growing areas in the U.S. during the past decade.\textsuperscript{260} Population growth will continue to foster the creation of new social networks along with the expansion of existing ones. Much of the abovementioned population growth in the Texas-Mexico frontera is due to the increasing influx of immigrants into frontera cities. Current demographics reveal that in some counties, such as Presidio, Hudspeth, Starr and Maverick, over one-third of the population is foreign born (33.2 percent, 35.8 percent, 36.9 percent and 37.8 percent, respectively).\textsuperscript{261} The continued infusion of immigrants into border communities will further contribute to the existing combination of social and cultural capital assets that are unique to the border.

The constant migration of immigrants into border cities has especially affected the South Texas frontera. Thirty-four percent of the population growth in the Brownsville-Harlingen-San Benito area and 25 percent in the McAllen area from 1990 to 1999 was due to international migration.\textsuperscript{262} County level data reveals that in Cameron County 8.6 percent of foreign born individuals arrived between 1990 and 1999 compared to 11.1 percent in Starr County.\textsuperscript{263} In each of these major frontera MSAs, current demographics show that over one-fourth of the population is composed of foreign-born individuals, compared to 13 percent in
the entire State of Texas.\textsuperscript{264} The increasing trends in population growth due to immigrants are predicted to continue, as 2.3 million residents populate the border in 2005, and forty percent of that population growth will be due to immigration.\textsuperscript{265} Investment in cultural assets will be replenished as immigrant populations supply the foundation of the \textit{frontera} regions’ population and preserve certain cultural and social assets that are associated with the immigrant experience, while expanding current social networks.

Unfortunately, there are also some negative implications to the concentration of immigrants along \textit{frontera} communities. The increase of population due to immigration has affected the number of families living in poverty. Research has shown that immigrants who arrived to the Unite States during the 1990s were less skilled and earned lower wages than those who had previously immigrated.\textsuperscript{266} Additionally, the average immigrant worker from Mexico earns 40 percent less than a comparable native worker.\textsuperscript{267} Immigrants without certain legal documents are unable to take advantage of asset building tools such as EITC to leverage their asset-building capabilities. Low wages and high unemployment, along with increasing job competition and increasing cost of living expenses, have created a situation where both immigrant and native born low-income families in South Texas have limited resources to utilize for basic survival. High poverty levels and continued population growth are creating an
increasing demand for innovative solutions to how best integrate “New Americans” into local economies.

**Poverty Rates**

Residents of the border counties face formidable obstacles to building their financial capital assets, and many are concentrated in communities with extremely high poverty rates. Pronounced poverty rates along *Frontera* counties demonstrate the need for long term CABM policies that will provide families with secure financial assets to depend on during times of financial crisis. Almost one-third (30.3 percent) of the individuals in the combined border counties were living below the poverty level in 1999, compared to 15.4 percent of residents throughout the State of Texas (Figure 1.1).\(^\text{268}\) In eight counties, over one-third of individuals were living below the poverty level, and in Starr County alone over half of the population was living in poverty. Poverty rates for the three largest metropolitan statistical areas (MSAs) along the border, Brownsville-Harlingen-San Benito, McAllen, and El Paso, also exceeded that of the State of Texas (33 percent, 36 percent, and 24 percent, respectively). The concentration of poverty in border counties negatively impacts the financial asset development of individuals in this region.
While pervasive poverty rates continue to maintain a stronghold in the majority of the Texas-Mexico *Frontera* region, less than ten percent of families in the U.S. are similarly impacted.\textsuperscript{269} Current family compositions reveal that families with small children are increasingly affected by poverty.

A large portion of the population living in poverty along the Texas-Mexico *Frontera* is under the age of eighteen. In the Brownsville, McAllen and Laredo MSAs, over one-third of the families live in poverty, and in the South
Texas *Frontera* over forty percent of families with children under five years of age live in poverty.\textsuperscript{270} Although there has been great economic growth along the Border, the benefits have not reached thousands of families with children residing in this region.

**Economically Disadvantaged Youth**

National educational enrollment trends indicate that current and future public school student populations are increasingly racially and linguistically diverse and economically disadvantaged. In 2001, half of all public schools throughout the country served populations where 50 percent of the students were economically disadvantaged. Schools with large numbers of students who are economically disadvantaged have higher concentrations of Black and Latino students and also have fewer parents volunteering, higher rates of student absenteeism, and lower percentages of students displaying a positive attitude towards academic achievement when compared to schools with fewer economically disadvantaged students.\textsuperscript{271} In addition, public school children who are economically disadvantaged are more likely to be designated as at-risk and adversely affected by teenage pregnancy, juvenile delinquency and low academic achievement.\textsuperscript{272}

The large proportion of families living in poverty dictates that children living in these families are designated as Economically Disadvantaged by the
State of Texas. In the South Texas Frontera specifically, during 2002 the vast majority (92.8 percent) of children in Brownsville were classified as economically disadvantaged.273

Students who are identified as at-risk are perhaps the most in need of specific efforts to increase their families’ economic status through CABM initiatives. In an effort to support their families during this current stage of their educational development CABM should specifically implement programs targeted at increasing their human capital assets by expanding the students’ educational trajectories.

Unemployment Rates

Another characteristic that hampers the ability of border county residents to accumulate financial, social, human and intellectual capital is the high unemployment rate. The frontera region has experienced consistently high unemployment rates throughout the last decade.274 Many of the border counties have experienced tremendous growth over the last ten years. However, several combined economic and social factors perpetuate a consistently high unemployment rate in this area. During 2003, for example, thirteen of the border counties experienced unemployment rates above that of the 6.8 percent average for the State of Texas (Figure 4.2).275 The average unemployment rate of the border counties during 2003 was 10.3 percent and several counties, such as Starr
and Maverick, had unemployment rates that were considerably higher (18.9 and 22.7 percent, respectively). The unemployment rates of the Brownsville (11 percent), McAllen (13.6 percent) and El Paso (9.7 percent) MSAs were also above that of the State of Texas in 2003.

**Figure 4.2**
**Unemployment Rates of Texas Frontera Counties in 2003**

![Unemployment Rates of Texas Frontera Counties in 2003](source)

The high levels of unemployment create a challenging environment for current residents to secure stable work that pays an adequate salary. The lack of access to secure, adequate employment makes *frontera* residents less able to build financial capital through earned income. In addition, if residents remain unemployed, they are less able to increase their human capital assets since they are not developing
or enhancing work skills. By remaining outside of the formal labor market, individuals lose opportunities to learn about formal work structures and institutions. This in turn decreases their intellectual capital. Their social capital is also at risk of remaining stagnant and may even decrease if individuals are not making new connections or maintaining past connections with other individuals and institutions within the labor force.

The unemployment rate in the McAllen area during 2003 was 13.6 percent, and more than twice that of the entire state (6.3 percent). Interestingly, although McAllen was the 4th fastest growing MSA in the nation, it sustained this extremely high unemployment rate. The simultaneous high unemployment and growth rate phenomenon witnessed in McAllen demonstrates that although the region is growing, not all residents are reaping the benefits of the areas economic growth. One South Texas border region industrial foundation attributes the high unemployment rates in the Texas-Mexico border region to a surplus of labor that has existed since the early 1990s “despite the significant job growth” that has occurred.278 The mismatch of high levels of economic growth and high levels of unemployment reinforce this region’s designation as an urgent human capital investment zone. Additionally, consistently high unemployment rates reflect a need for future financial capital investments in this region. The CABM strategy aims to resolve high levels of unemployment by ensuring that human, social,
financial, cultural and intellectual capital resources are tapped and developed to increase *frontera* residents’ involvement in the labor force.

**Education Levels**

Lower levels of education, reflected by the small percentage of individuals living in *frontera* counties who have received a bachelor’s degree when compared to residents in other parts of the state, are another indicator demonstrating a need for present and future human capital investments. The McAllen, Brownsville and Laredo MSAs have the lowest percentage of residents over 25 with bachelor’s degrees, 12.9 percent, 13.4 percent and 13.9 percent, respectively, compared to 23 percent for the state.\(^{279}\)

Although many individuals aspire to acquire a college degree, many residents in the *frontera* region are struggling to receive a high school diploma. The majority of border counties’ high school completion rates are below that of the state of Texas (Figure 4.3). The average high school completion rate for the combined counties, 56.6 percent, is significantly below the average for the rest of the state (75.7 percent) and in Starr County only 34.7 percent of residents completed high school.\(^{280}\)
Lower levels of education acquired by residents in border communities significantly impacts the types of jobs for which they are qualified. An investment in education contributes to an individual’s human capital assets and allows them to use the knowledge they gain for higher levels of employment. Educational investments also enhance the social capital assets of communities as individuals have a greater source of knowledge and experience that they are capable of sharing within their networks.

Recent trends in the labor market exhibit that more new job opportunities are demanding individuals with higher levels of education and skills. Nationally,
well over half (70 percent) of new jobs projected for the next decade will require individuals with some education beyond high school and 40 percent will require an associate’s degree as a minimum requirement. In conjunction with the increasing trend of jobs requiring education beyond the high school level is the decreasing trend of workforce opportunities for individuals with less than a high school diploma. This is evidenced through the loss of over 13 million jobs attainable by workers with less than 12 years of education since 1980.\textsuperscript{282} It is becoming more evident that the youth need to be armed with at least a bachelor’s degree in order to meet the increasing educational standards of the workforce.

Although the impetus for individuals to complete higher levels of education is demonstrated by the immediate impact it has on their ability to secure adequate employment, support their families and invest in assets for their future, it also has several effects on communities at large. Hispanics who earn a bachelor’s degree will pay more than twice as much in taxes as those with only a high school diploma. If we were to ensure that more Latino students finish high school and receive a bachelor’s degree, public and individual benefits would result. Revenue would be saved in several public welfare, health and law enforcement programs. Programs that would benefit from this increased source of revenue include Social Security, Medicaid, Medicare, food stamp programs, school breakfast and lunch programs, low-income energy assistance programs, and federal, state and county
jails. The increase in revenue attributed to Latinos with bachelor’s degrees will increase the public revenue available for federal, state and local income, property and sales tax. In addition, there would also be an increase in disposable income for these individuals that will lead to higher consumptions levels, a higher standard of living and less dependence on government assistance programs. This would prevent another loss like the one Texas suffered during 1997-1998, when $44.8 billion dollars in earnings and taxes were lost due to the number of high school students who dropped out. Dr. Steve Murdock also projects that decreasing the education gaps between Latinos and non-Latinos in Texas would “increase Texas’ aggregate income by more than $300 billion annually.”

If we were to project Latino college completion rates to match that of White students (30%), while keeping their high school graduation level constant, an estimated $15 billion would be made in additional federal tax payments, due to their increased income. This increase in income would produce $6.6 billion in contributions to Social Security and Medicare. If we were to increase the high school completion level of Latinos to that of White students (91% graduation rate), thus increasing the pool of Latinos eligible to enter a public college or university, the amount of federal tax payments produced would be about $91 billion. The U. S. Census Bureau estimates the value of lifetime earnings to be $600,000 more for a person with a bachelor’s degree. Increasing the number of
Latinos who complete a bachelor’s degree is an investment in human capital that has monumental positive asset building impacts for themselves, their families and their communities.

Trends in employment along the border mirror those of the U.S. In fact, the health care sector is the fastest growing industry in the South Texas Frontera, and job opportunities in this industry will increasingly require employees that have an associates, bachelors or advanced degrees. Strategic human capital investments in education are a critical component of the CABM in frontera communities. The current low levels of educational achievement and growing educational requirements in the labor force are yet another indicator that warrants further development of CABM for in this community. Given that never before has the relationship between educational success and economic and social prosperity been so clearly defined the low levels of educational achievement in frontera counties indicate that this is an emergency human capital investment zone. Urgent CABM implementation strategies need to be deployed to ensure that young frontera residents are well-equipped with educational investments in their human capital so that they can provide for themselves as adults and contribute to their communities.

Educational leaders emphatically agree with the statement of Dr. Julieta Garcia, President of the University of Texas at Brownsville: “[W]e need to do a
better job of educating this population.”289 She is in agreement with the predictions of state demographer Steve Murdock in expressing that investing in the human capital of Latino youth is not only important for their own future asset-building and wealth accumulating potentials, but that “the Great State of Texas will be in a steady demise—economically, socially, and politically” if Latino youth residing along the Texas-Mexico frontera forgo urgent human capital investments through education today.

**Wage Depressed Area**

According to research conducted by the Federal Reserve Bank of Dallas, wages in the Brownsville-Harlingen-San Benito and McAllen-Edinburg-Mission areas are at least 4.5 percent below wages paid in comparable occupations throughout the State of Texas.290 The lower wages received by individuals working along the border partially explains the concentration of low household incomes in this region. Household income is another indicator that provides an excellent assessment of the Texas-Mexico Frontera region’s financial capital assets. By focusing on household income distributions as a measure of financial capital assets, it is evident that there is a larger concentration of households along the entire Texas – Mexico Frontera region with annual household incomes that are less than $50,000 when compared to the U.S.291
In the South Texas *frontera* almost half of the households (49 percent) earn less than $20,000 per year and almost 20 percent earn less than $10,000 per year. Over 40 percent of households in the Laredo MSA earn less than $25,000 per year. This is important to note because it requires that CABM development policies be carefully designed so that low-income working families can build assets while maintaining access to the public benefits they currently receive.

**Homeownership Rates and Housing Affordability**

When assets are represented through homeownership, they have a positive impact on the well-being of families and specifically children. The stability of a home supports students, and parents who are homeowners experience fewer child behavioral problems and have an increased probability that their children will graduate from high school.\(^2\)\(^92\) Congresswoman Nydia M. Velasquez comments that “despite the unprecedented growth of our economy over the past decade, the stock of affordable housing in this country continues to shrink, seriously impacting struggling low and moderate income families.”\(^2\)\(^93\) The homeownership and housing affordability rates reflected in the *frontera* counties offer hope and concern regarding the future of asset-building policies along the *frontera*.

Housing affordability rates are a CABM indicator that allows practitioners to assess the financial asset building opportunities of Latino families along the Texas-Mexico border. Current housing affordability rates indicate that a little
over half of the population residing in the Texas-Mexico border region can afford to buy the median priced home in these areas. In the McAllen and Brownsville MSAs, 56 percent of families can afford the median priced home. In El Paso, a slightly higher part of the population, 62 percent, can afford to buy the median priced home. Realistically, there are fewer households that can afford the median priced home along the frontera since the previously mentioned statistics assume that all households have “good credit” and are able to make a 20 percent down payment. Homeownership is one of the key components to asset accumulation. Investments in this financial asset need to be improved upon to expand the asset-building capabilities of low-income working Latino families by increasing the affordability rates.

The homeownership indicators reveal that this is a current strength for demonstrating the asset building potential for low-income Latino communities and families along the frontera. The homeownership rates for frontera residents are above the 46.1 percent of Latinos nationally, and resemble the national homeownership rate of Whites, 74.5 percent. The average homeownership rate for the entire Texas-Mexico frontera is 67.6 percent, and in five individual counties, over 75 percent of the residents are homeowners. Although this is a positive sign for the CABM, the value of the homes owned by frontera residents is of some concern. While many individuals are homeowners, the value of their
homes is on average less than that of the average homeowner in the entire state of Texas (Figure 4.4).

**Figure 4.4**
Median Home Values of *Frontera* Residents


In six of the *frontera* counties, the average home value is less than that of the State of Texas, and in two counties the home values are a little over half of the average for the state. The value of a home immediately impacts the asset leverage capabilities of the homeowner. Home values also affect the intergenerational transfer of wealth that occurs from generation to generation. Practitioners should carefully evaluate the home values of their residents and
determine whether current conditions warrant the addition asset building resources towards increasing home values for frontera residents.

**Lack of Access to Financial Resources**

Many Latino households along the Texas-Mexico Frontera do not have adequate access to mainstream financial markets, resources and products. Furthermore, nationally Latino elected leaders agree that “major points of concern are providing education and credit assistance to the newer Hispanic arrivals who lack understanding as to how U.S. financial markets and institutions work.”

Inadequate access to mainstream financial services drains the limited financial resources of many Latino low-income families. For example, for a low-income person who is “unbanked,” cashing his or her payroll check at a local check cashing outlet can cost approximately $250 per year. In addition, low-income families lose income by paying for exorbitantly priced tax preparation services and predatory refund loan anticipation tools in order to access EITC refunds.

**Special Population Focus: Ex-offenders’ Asset-Building Barriers**

The many barriers that Texas – Mexico Frontera residents such as homeownership, unemployment, low education levels, lack of access to mainstream financial services, and poverty are heightened for ex-offenders. The 56,394 ex-offenders living in the frontera encounter the same challenges faced
by all *frontera* residents that impact their ability to accumulate assets, and are further inhibited by the collateral consequences they confront.\(^5\) The five major collateral consequences that are mandated public policy and program restrictions enacted at the state and federal level severely impact every ex-offender, their family and their community. Texas is ranked as one of the worst states with laws and policies that “create roadblocks to reentry – unfair or counterproductive barriers” that apply to employment, public assistance and food stamps, voting, and public housing.”\(^{301}\) CABM practitioners working in the three largest *frontera* counties should be particularly cognizant of the asset building barriers of ex-offenders with drug convictions, as 38 percent of Hidalgo, 30 percent of Cameron County and 29 percent of El Paso county ex-offenders carry drug-related felony convictions.\(^{302}\)

**Employment Restrictions**

Employment eligibility and accessibility are major obstacles included in the collateral consequences that directly impact the asset building capacity of ex-offenders in the *frontera*. Currently, many ex-offenders’ ability to locate employment is negatively impacted by restrictions placed on the type of employment they are able to hold as a result of their criminal background.

\(^5\) Ex-offenders in this report include all individuals that are currently on Texas State Parole or Probation and thus exclude any individuals serving under Federal supervision.
Research has also shown that employers are “less willing to hire ex-offenders” when compared to other job applicants.\textsuperscript{303} One Texas Department of Criminal Justice Parole Division staff member noted that in Texas, “ex-offenders start out behind the eight ball and stay there,” meaning that they lose either way.\textsuperscript{304} This same staff member also mentioned that ex-offenders “will always have the stigma of having been in prison” and in relation to employment they are unfortunately “the last hired and the first fired.”\textsuperscript{305} Entire frontera communities suffer from the multiplier effects of ex-offenders who are unable to secure employment, as their unemployed status adds to the already tremendously high double digit unemployment rates.

\textbf{Unemployment & Education Levels}

High unemployment and low education levels also negatively impact ex-offenders’ ability to accumulate financial, social, human and intellectual capital. The high unemployment levels create a challenging environment for ex-offenders to secure adequate work and are limited to the types of employment for which they are eligible due to their prior convictions.\textsuperscript{306} Limited access to employment options are further compounded by the fact that many ex-offenders have low levels of education or significant work experience\textsuperscript{307} as is evidenced by the 44 percent of ex-offenders on parole with less than a high school diploma.\textsuperscript{308} The higher unemployment rates in border counties increase the likelihood that they
will not be able to secure employment and therefore are less able to build financial capital through earned income. If they remain unemployed, ex-offenders are less able to increase their human capital assets, since they are not developing or enhancing work skills.

The consequences ex-offenders face also impacts their community’s ability to accumulate assets. Ex-offenders who are unable to locate consistent employment can not contribute financial resources derived from work to support their families, nor can they reinvest earnings within the community. Ex-offenders that are able to find employment will more than likely earn lower wages, as *frontera* communities are a waged depressed area. Low wages and high unemployment along with increasing job competition, as well as increasing cost of living expenses, create a situation in which ex-offenders and their families along the border have limited resources to use for basic survival, and have limited opportunities to accumulate financial, social, human, cultural and intellectual capital and increase their likelihood of living in poverty.

**Poverty Levels**

The concentration of poverty in *frontera* counties negatively impacts the financial asset development of individuals and the community in this region, and creates formidable challenges for ex-offenders to accumulate financial assets upon their reentry. As ex-offenders reenter border counties, they often arrive
back to families that are facing many economic hardships. The addition of another individual into the family unit exacerbates the stress on limited financial resources that the families already experience.

**Social Capital Impacts**

Perhaps the most critical assets affected by the lack of involvement of ex-offenders in the local labor force are cultural and social capital. Their social capital remains stagnant and may even decrease if they are not making new connections or maintaining past connections with individuals and institutions within the labor force. Exclusion from formal labor markets also inhibits their ability to accumulate assets for the future as they will not be saving for their retirement through pension plans. Ex-offenders are critically at risk to be considered “asset poor” in the later stages of their life, especially if they were unable to contribute to pension savings programs, such as Social Security, while they were incarcerated.

Latino communities within the U.S. have historically demonstrated high levels of workforce participation and have the highest workforce participation when compared to any other group. This trend is witnessed to a large extent within border communities where the vast majority of the population is Latino. Ex-offenders who are not able to secure workforce placement may erode the high workforce participation level that is a core cultural asset of Latinos in this region.
While not contributing to this cultural asset through their workforce exclusion, they risk depleting the asset as younger generations observe their lack of participation in the labor force.

Ex-offenders also face varying voting restrictions as a collateral consequence that denies them from fully participating in democracy as a citizen of the United States and thus impacts their social capital assets. Felon disenfranchisement is currently estimated to impact between four and five million Americans. In Texas, inmates, parolees and probationers are barred from voting unless their sentence has been “fully discharged” or they have been pardoned. Recent research has begun to explore how the inability to vote and participate in the creation of public policy at the local, state and federal levels, hinders the goal of reintegration of ex-offenders and CABM practitioners should further consider the impacts of this restriction on the individual and community assets of ex-offenders in the frontera region. The inability of ex-offenders to exercise their right to vote, one of the most basic forms of civic participation, will decrease their overall involvement in local networks and lead to the erosion of critically important social capital assets of border communities.

**Education Restrictions**

As ex-offenders lose their ability to vote they are unable to object to the enactment of public policies such as the 1998 Higher Education Act, which
denies them access to Federal Financial Aid and hinders their human capital asset building capabilities. In June 2003, more than 92,841 college students nationally were affected by the ban and could not secure Pell grants, Stafford Loans, or work study opportunities to assist them in their financing of their pursuit of higher education. Collateral consequences associated with a past criminal drug-related conviction, therefore, deny an ex-offender access to educational resources that are increasingly necessary to obtain and maintain employment in the United States and especially in the frontera region.

The financial asset building capability for families of ex-offender students who are ineligible for federal financial aid are also inhibited. Federal law prohibits ex-offender students and their families from claiming the “Hope Credit” of $1,500 in tax credits if the student has a prior drug conviction.

The denial of federal financial aid is “double punishment” because it disproportionately affects low income ex-offender students. Border communities are feeling the effects of this “double punishment” as ex-offenders who return to this region are less able to pursue higher education and increase their human capital due to their larger concentration of drug related offenses. Without access to higher education they can not invest in their own human capital and face limited job opportunities.
Housing and Welfare Restrictions

Housing accessibility is another major obstacle that ex-offenders encounter as a result of their criminal history that impacts the asset building capabilities of their families. Building financial capital through homeownership is the most important asset-accumulating vehicle for low-income families, and for an ex-offender the first step towards homeownership entails finding temporary housing. The ability to secure a stable residence is an essential foundation that is necessary not only for basic survival but also as a platform for building human, social, cultural and intellectual capital assets.

The current reentry process is not designed to guarantee that ex-offenders are able to locate affordable and adequate housing upon their immediate release from prison. With little financial resources, they depend heavily on family and friends for their basic housing needs. According to U.S. Federal Code, ex-offender are not allowed to live in publicly-assisted and operated housing facilities. The two main provisions of this code that impact the asset building abilities of ex-offenders allows:

- **Public Housing Authorities to deny ex-offenders access to project based public housing**

- **Privately operated apartment complexes to deny ex-offenders housing through the Section 8 Tenant Based Housing Assistance Program by refusing to accept their subsidized vouchers.**
• Ex-offenders families to be immediately evicted under the “One Strike You’re Out” policy if they take in a family member who is an ex-offender with a prior drug conviction.319

These policies place families in a compromising position when they have to choose between helping a loved one and maintaining their public housing eligibility status. The lack of access to stable and affordable housing further complicates the ability of families to successfully achieve reunification and save for future home purchases and is a daily struggle for many families along the frontera. For example, in Cameron County, ex-offenders who have been convicted of a drug-related offense are ineligible for housing provided through the Brownsville Housing Authority (BHA) within five years from the date of their last conviction.320 According to Ms. Mendez, the Director of Section 8 Housing Programs for the BHA, the “majority of families that are denied access to public housing are ineligible due to a family member who has a drug conviction that occurred within the last five years.”321 Ms. Mendez also commented that many families continue to be negatively affected by these restrictions even after their eligibility has been reinstated. Low-income families of ex-offenders thus face special barriers to securing affordable housing and participating in homeownership programs that are operated through Federally Assisted Housing Authorities.
Along with experiencing decreased access to employment and housing opportunities, ex-offenders are often ineligible to receive cash assistance and food stamps through the TANF program. Again low-income ex-offenders are disproportionately impacted by the 1996 Personal Responsibility and Work Opportunity Reconciliation Act that permanently bars individuals with drug related convictions from receiving TANF benefits or food stamps for their lifetime. The negative impact for ex-offenders and their families along the frontera living in the three largest MSA is very real, since almost one-third of the convictions for parolees alone are drug related. Low-income families along the border are impacted by the inability of ex-offenders with drug related convictions to receive TANF benefits, as they place an additional strain on already limited household resources and bar them from participating in any asset-building programs operate through TANF.

Exclusion from EITC Benefits

The key qualifying provision for the EITC is that an individual receive earnings from work. However, ex-offenders are not eligible to receive credit for any earnings they receive while incarcerated. Furthermore, ex-offenders do not receive credit for any earnings that they have accumulated upon their re-entry while working through a work release program or while staying in a half-way house. Provisions of the U.S. Tax Code do not consider the earnings that ex-
offenders receive from such work as “earned income.” As a result, as ex-offenders are attempting to provide for themselves and their families while facing a myriad of social and economic collateral consequences they are further inhibited from accessing opportunities to accumulate assets due to these tax code regulations that exclude them as eligible for the EITC although they are working.

Ex-offenders are encountering far more severe ramifications as a result of the effect of the unique challenges (consistently high unemployment and poverty rates, low education levels, depressed wage rates, a lack of safety net programs and others) in the border region that are compounded by the dismal collateral consequences they face. Collateral consequences that are attached to drug convictions have particularly disastrous impacts on frontera communities and can cause families to be evicted, to face a shortage of food and clothing due to the loss of cash assistance benefits to an ex-offender family member, and to confront huge educational expenses incurred from an inability to receive federal financial aid. The high rate of ex-offenders with drug convictions disproportionately inhibits the asset-accumulating ability of frontera communities and perpetuates an intergenerational transfer of cumulative deficits among a class of people whose voices have little power. The application of a CABM approach with targeted programs to meet the needs of the 56,394 state ex-offenders residing in frontera counties will improve their ability to accumulate financial, human, social, cultural
and intellectual assets and contribute to an intergenerational transfer of wealth within their communities.

In addition to identifying and evaluating how each of the above mentioned CABM asset indicators contributes to a practitioner’s understanding of what components need to be included in a region’s CABM, it is also important for practitioners to evaluate other activities that occur outside of the direct community. The CABM does not exist in a vacuum. The following trends inform practitioners of other activities occurring that will affect the success of the CABM in achieving CED, CD, alleviating poverty, and the facilitation of long-term asset accumulation for low-income frontera families.

**Step 4: Identifying Local, State and National Trends**

**Emerging Markets**

After reviewing the CABM indicators highlighted in the previous section that reveal a need for meaningful financial, social, human, cultural and intellectual capital investment in communities along the Texas-Mexico frontera, one might wonder how these areas have been identified as “emerging markets.” Recently much attention has concentrated around the many “emerging markets” that have been identified in urban areas across the United States, where there are “vast undervalued assets that are largely unseen by conventional businesses.”\(^{326}\) Individuals involved in attracting private enterprise to “emerging markets” have
attributed the previous disinvestment of businesses in these areas to stereotypes, market neglect, and bad data. Proponents of this theory assert that businesses should concentrate on the spending power of previously ignored communities by focusing on indicators including retail spending power, the number of people per households, density of consumers, building permit activity, informal cash economies and business growth. Calculations performed on statistics describing the national Latino purchasing power reveal that an estimated $20 billion of Latino purchasing power is concentrated along the Texas – Mexico frontera. The increasing purchasing power of Latinos, along with the tremendous population growth, partially explains the recent attraction of large corporations in classifying border regions as “emerging markets.” Emerging market analysts typically examine indicators such as those mentioned above to determine if an area is an emerging market. The South Texas border region is an excellent example of an area that would be identified as an emerging market when analyzed by the following emerging market indicators:

- Growth. The McAllen – Edinburg-Mission MSA and the Brownsville-Harlingen-San Benito MSA were the 4th and 28th fastest growing areas in the nation and 1st and 5th fastest in the State of Texas from 1990 – 2000.

- Population Density. The McAllen-Edinburg-Mission MSA and Brownsville-Harlingen-San Benito MSA have population densities of
360 and 351 people per square mile. This number is lower that the actual density due to an undercount of undocumented immigrant residents in these geographic areas.\footnote{331}

- Per Capita Income Level. \textit{From 1991 – 2001 the per capita personal income level increased from $9,852 to $13,413 in the McAllen-Edinburg-Mission MSA.}

- Building Permits. \textit{From 1990 to 2003 single family housing building permits increased from 1,217 to 6,418 in the McAllen-Edinburg-Mission MSA and from 641 to 3,132.}\footnote{332}

- Per Capita Sales. \textit{From 1990 to 2002 per capita sales have increased from $6,484 to $9,057 in the McAllen-Edinburg-Mission MSA.}\footnote{333}

- Household Size. \textit{The average household consisted of 3.4 and 3.6 persons for the Brownsville-Harlingen-San Benito and the McAllen-Edinburg-Mission MSAs in 2000.}\footnote{334}

The classification of \textit{frontera} regions as emerging markets could have several negative effects for CABM programs, and policies and low-income working families. For example, outside large multinational businesses are not locally vested in \textit{frontera} communities and are not always interested in increasing opportunities for residents to build assets through the creation of living wage jobs with health and pension benefits. Thus, CABM practitioners need to take a proactive stance in determining how their communities are going to develop in
order to create an environment for residents to build assets as opposed to merely equipping them with additional income to consume a wider variety of products.

Comprehensive Asset Building Model practitioners also need to remain cognizant of businesses that may use the cultural assets unique to the frontera region for the sole purpose of promoting their products. The financial service industry is an example of a business enterprise that has taken note of Latinos’ power as consumers and is working to capture this active market. Banks throughout the U.S. are voraciously seeking to capture a piece of the Latino purchasing power. Currently, over 300 banks throughout the U.S. accept the Matricula Consular card in an “effort on focusing on the $20 billion in money transfers Hispanics send to Latina America each year.”

The director of the community development for the American Bankers Association commented that “banks have found it to be very successful in reaching the Hispanic community.” According to the head of Hispanic marketing for a large multinational bank, these banks view remittances as a “way to get Latinos into the door to sell them more sophisticated and bigger ticket services.”

Another senior vice president for GE Financial services commented that they have focused on Hispanics because they are underserved by the financial service industry and as a result consider themselves “in a very pioneering space.” Statements such as these demonstrate the need for CAMB to proceed with caution when analyzing
intentions of multinational financial institutions. Although there is an obvious need to provide low-income Latinos with wider access to mainstream institutions, there also remains a need to provide these communities with meaningful financial products.

Additionally, large multinational banks have begun to market to the preferences of Latinos by remodeling bank branches in areas with high Latino concentrations using “brighter colors and playing Mexican-tinged Muzak to create a community storefront flavor.” Efforts such as this may serve to decrease the number of Latino individuals who are “un-banked” but are not approaching the community with an interest in providing opportunities for them to accumulate financial assets or market financial products specifically designed to complement their unique financial situations. Banks that consider themselves “pioneers” as they attempt to introduce a diverse array of mainstream financial services to Latino communities are not acknowledging the history of community financial activities that are native to Latino culture. These self-proclaimed “pioneers” are obviously not aware of informal financial activities such as Rotating Credit Associations that serve as a vehicle for Latino families to participate in group financial services.” Their lack of recognition of established community-based financial activities demonstrates their sole interest in capturing the Latino market as a source of future profits. CABM practitioners should
actively monitor businesses such as these banks to determine if they have a plan to increase the long-term asset-building capabilities of Latino communities.

Expanding financial services to immigrant communities involves more than simply “banking” the “un-banked.” During the *Financial Access for Immigrants: Learning from Diverse Perspectives*, Federal Reserve Bank of Chicago Conference (April 15-16, 204) one panelist asserted that immigrants’ participation in financial markets is important because it “measures immigrant success” and it “measures society’s progress in successfully incorporating immigrants.” Again, this comment demonstrates a narrow view of what “providing immigrants with access to financial services” really means. It is inappropriate to assume that U.S. society has achieved success by providing immigrants with access to basic financial services such as banking and checking accounts, which is implied by the above statement. True “success” would provide immigrants with the full range of financial products and services that are provided to other groups and have allowed them to accumulate assets through mainstream financial mechanisms. When native born and immigrant Latinos have reached parity with Whites in regards to asset accumulation through homeownership, pensions and retirement savings, and stocks and investments, then society might be closer to success as measured by the provision of meaningful financial market participation.
Furthermore, if banks were interested in building assets for Latino immigrants, rather than just capturing this part of the market, they would use their incredible lobbying power to help gain social and economic equity for immigrants in the U.S. Multinational banks could demonstrate their genuine interest in the prosperity of Latino immigrants by pressuring the U.S. Congress and the President to improve U.S. immigration policies that provide legal status to working undocumented immigrants. Without such activities on the part of banks, their current interest in expanding financial services to Latino communities appears to be one of capturing profits from an ‘emerging market.’

**Fragile Social Safety Net**

Comprehensive Asset Building Model practitioners should be aware of the fragility of the current social safety net in the U.S. Edward Wolff notes that “it is not surprising that the fraying of the social safety net…has led to a growing sense of economic insecurity in the country,”[^342] and this sentiment is also felt in *frontera* communities. Given the recent trends in federal and state policies to deconstruct the social and economic government safety net programs that provided families with support during times of unemployment through cash assistance, and the increasing importance of workforce participation in current welfare programs, low-income communities are increasingly vulnerable during times of economic recession.[^343] Practitioners implanting CABM initiatives...
should note that the asset building capabilities of individuals concentrated in low skilled labor markets will be significantly impacted by shrinking social and economic safety nets. Research demonstrates that Latinos have been “twice as likely to feel the budgetary cutbacks” in social safety net programs compared to the general population. Locally thousands of families in the frontera region are at risk, as their financial prosperity is concentrated in personal income from earnings and they have fewer savings and other resources of financial assets on which to draw.

Additionally, current executive branch government agents are attempting to implement proposals that would inhibit the asset accumulating capabilities of recipients of one of the largest social safety net programs administered through the U.S. Department of Agriculture. The proposed regulatory modifications would change the 2002 Farm Bill and only allow states to exclude savings in IDAs that are restricted for home purchase, higher education or business development from counting under the asset test for the Food Stamp Program. The alteration of this regulation would thus inhibit the asset-building capabilities of low-income working families that are saving through IDAs and intend to use their assets in a manner not related to purchasing a home, starting a business or pursuing higher education. This change could greatly impact CABM in frontera regions that are helping families to accumulate assets through IDAs to save for
pension and retirement, home renovation, lot acquisition, or to repair or purchase a family vehicle.

**Employment Projections**

After considering the status of several of the abovementioned CABM indicators such as unemployment rates, education levels, and trends, including the fragility of the social safety net, practitioners should involve themselves in increasing ally types of capital assets for low-income individuals and monitor how employment projections will either hinder or help the development of asset building programs. In examining employment projections, practitioners need to stay grounded in the CABM framework that prioritizes individual and community development and considers their needs before, as opposed to adjusting the community to prioritize the sustainability of the private market, as in traditional economic development models.  

In order to provide Latinos in *frontera* communities with resources that will enable them to maintain long-term assets CABM practitioners need to evaluate past, present and projected labor market trends to know what areas will increase employment in the future and what types of employees businesses will need. By doing so, practitioners can then focus human capital investments in the areas that will enable local Latino residents to hold high paying jobs and increase all of their assets in each category. Currently, practitioners are aware of the
growing sectors of employment along the border. There exists a combination of growth in the professional and business service sectors and an overwhelming growth in education and health service sectors in each of the major MSAs located along the border (Table 4.3).

Table 4.3
Growth of Selected Industry Sectors in Selected Frontera MSAs

<table>
<thead>
<tr>
<th></th>
<th>Manufacturing (%)</th>
<th>Educational and Health Related Services (%)</th>
<th>Professional and Business Services (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brownsville MSA</td>
<td>7.2</td>
<td>7.5</td>
<td>2.8</td>
</tr>
<tr>
<td>El Paso MSA</td>
<td>-6.3</td>
<td>6.0</td>
<td>0.8</td>
</tr>
<tr>
<td>Laredo MSA</td>
<td>-15.4</td>
<td>6.3</td>
<td>7.3</td>
</tr>
<tr>
<td>McAllen MSA</td>
<td>-13</td>
<td>10.1</td>
<td>-7.4</td>
</tr>
<tr>
<td>Texas</td>
<td>-3.7</td>
<td>4.0</td>
<td>-0.1</td>
</tr>
</tbody>
</table>


As noted in Table 4.3, each of the *frontera* MSAs, with the exception of Brownsville-Hatlingen-San Benito MSA, has experienced declines in the manufacturing industries and growth in educational and health-related services. Interestingly, each of the major *frontera* MSAs have health-related employers listed among their top ten employers. In fact, in Laredo, Mercy Hospital is the top private employer, and Valley Baptist Medical Center is the top employer in Harlingen. The Brownsville Medical Center and Valley Regional Medical Center are the top third employers and fifth largest employers in Brownsville, and
employment in health field in from 1990 to 2000 increased from 25,763 to 63,428 jobs. The Sierra Providence Health Network and Las Palmas Del Sol Regional Hospital are the top first and third private employers in El Paso. Additionally, the McAllen Medical Center and Columbia Rio Grande Health Care center are the top second and fifth private employers in the McAllen area. These figures support the focus of providing the youth population along the border with the necessary human capital investments to work in health-related industries that will increasingly require higher levels of education. Given the current low percentage of individuals in the frontera region with al least a high school or bachelor’s degree intense human capital investments are required in order for current residents to fill future occupations.

Conclusion

The Comprehensive Asset Building Model process involves the four steps outlined above. Beginning with a shift in the way poverty is viewed and ending with understanding how trends impact the CAMB, the process is designed to capture the skills of a variety of stakeholders. The CAMB process is also fluid and can be adapted to meet the specific needs of individual frontera counties. It is of the utmost importance that practitioners use the financial, cultural, social, human and intellectual capital asset indicators to evaluate the progress of the CABM in their respective communities.
Notes


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232 Interview with David Arizmendi, Director, Proyecto Azteca, by SWBFABG Research Team members, San Juan, Texas, March 27, 2004.


238 Ibid.


241 Beeferman, p. 5


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245 Interview with Juanita Valdez-Cox, Texas State Director, La Union del Pueblo Entero, by SWBFABG Partners, San Juan, Texas, July 29, 2003.


248 Ibid.

Servon.


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Villareal interview.

Villareal interview.

Interview with Valerie Resendez, Native Brownsville Resident, Austin, Texas, December 3, 2003.


Interview with Hilario G. Diaz, Title 5 Project Director, Cameron County, with Zoraima Diaz, Brownsville, Texas, March 27, 2004.


U.S. Census Bureau, Census 2000.


Ibid.


Ibid.

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277 Ibid.


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285 Natalia Martinez, “A Learning Crisis” Hispanic Trends, (Winter 2003) p. 31

286 Ibid. Increasing Hispanic Participation in Higher Education

287 Texas Comptroller of Public Accounts, Texas Regional Outlook: The South Texas Region. (Austin, Tex., June 2002).


289 David V. Gibson and Pablo Rhi-Perez, p. iv.


182


295 Texas A&M University Real Estate Center.


300 Author’s calculations based on data provided by the Texas Department of Criminal Justice Parole Division and Community Justice Assistance Division.


302 Author’s Calculations based on data provided by Texas Department of Criminal Justice Parole Division.

304 Interview with Virginia Gibbons, Open Records Coordinator, Parole Division, Texas Department of Criminal Justice by Zoraima Diaz on March 30, 2004, Austin, TX.

305 Gibbons Interview.


315 Levi and Appel Ibid.

316 Ibid I Need to get Educated.


318 Ibid. Levi and Appel.


320 Interview with Linda Mendez, Section 8 Program Director, Brownsville Housing Authority, by Zoraima Diaz Brownsville, TX, Mar 17, 2004.

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345 Email from Robert Widrow, Proposed Food Stamp Regulations Impose Restrictions on Treatment of IDAs, May 24, 2004.


Chapter 5. Southwest Border Family Asset Building Group: The Comprehensive Asset Building Model in Action

Background

Current asset development policies and programs conducted by Community Based Organizations (CBOs), demonstrate how frontera communities are achieving sustainable community economic development through the implementation of a Comprehensive Asset Building Model (CABM). The Southwest Border Family Asset Building Group (SWBFABG) is an exceptional example of the Comprehensive Asset Building Model in action. As a coalition composed of nine-community based organizations, national, international and local foundations and one university research partner the SWBFABG is an illustration of how asset development models can be applied to help low income working Latino families accumulate social, human, financial, cultural and intellectual capital. Although the program is in its infancy, the progress thus far is extremely encouraging.6

Together the coalition of community members, practitioners and foundation sponsors have designed and implemented a strategic program to provide low income working families residing along the U.S.-Mexico Frontera with access to affordable

6 The author’s observation of this Comprehensive Asset Building Model in action was made possible through her appointment as a Research Assistant under the supervision of Dr. Barbara Robles of the L.B.J. School of Public Affairs at the University of Texas, and with the foundation support of Ms. Anna Marie Argilagos, Senior Consultant at the Annie A. Casey Foundation.
and reliable tax preparation and asset building services. The strategic alliance of a
variety of academic, foundation and community based partners began in its formative
stages during 2003. As the principal financial sponsor, the Annie E. Casey
Foundation was also joined by the U.S.-Mexico Border Philanthropy, the New
Mexico Community Foundation, the Arizona Community Foundation and the El Paso
Community Foundation as foundation partners of the SWBFABG project.

The Southwest Border Family Asset Building Group embodies the three
principle components of the CABM, education, engagement and collaboration. The
education component is fulfilled through an exchange of knowledge between
community residents, foundation partners, community based organizations and
academic researchers. Knowledge is shared in a variety of ways as foundation
partners and academics inform local CBO partners of national trends or legislation
that may affect their asset building programs, while community residents inform
policy practitioners of cultural nuances that also impact the asset building programs
for low-income working individuals residing in CBO service areas.

The principle of engagement is met at every step of the process. Each of the
partners was engaged in the conceptual discussions that guided the development of
the SWBFABG’s initiatives. Once in place, each of the partners maintained a voice
in directing the implementation of the first phase of program delivery. Community
residents were engaged through their involvement as planning partners and as
participants participating in tax filing preparation services, financial literacy classes
and homeownership assistance. By providing community members with access to 
safe and reliable tax preparation assistance, CBOs are decreasing the risk that low-
income working families face from predatory tax preparers. CBOs are also providing 
families with mechanisms to leverage their EITC refunds by engaging them to invest 
in traditional asset accumulating vehicles such as homeownership and mainstream 
bank savings accounts. Furthermore, CBO partners and community members 
continue to be engaged in the evaluation and modification process as they give 
feedback to improve the 2005 initiative.

Expansion has also been consistent in each part of the SWBFABG. For 
example, the site based partners implementing the tax preparation services has grown 
to include 54 sites alone in 2004. The CBOs are also expanding the types of asset 
building services that they provide for their communities. The Sparks Housing 
Development Corporation for example, has recently expanded their service provision 
to include a commercial kitchen incubator for aspiring entrepreneurs. The project 
is an example of how CBOs are helping community members not only to be engaged 
in mainstream financial activities such as using savings and checking accounts, but 
they are also working to expand their asset building options by providing access to 
educational resources, job training, and homeownership mechanisms. The CBOs 
referenced throughout this chapter are the Sparks Housing Development Corporation
based in the Sparks *Colonia*\(^7\) outside of El Paso, and La Union del Pueblo Entero (L.U.P.E.) and Proyecto Azteca located in San Juan, Texas.

**Relationships Built on Trust, Accountability, Accessibility and Commitment**

The relationships of the SWBFABG partners and clients are multidimensional and at the core are based on trust, accountability and accessibility. From the inception of the EITC working group meeting held in July of 2003, several CBO partners expressed hesitation with the idea of working on a team with academic research partners. Their previous experiences with colleges and university institutions left them disappointed, and frustrated. Evidently, many researchers often come into low-income *frontera* communities, conduct surveys, assessments, and then publish their work in academic journals but fail to produce something that is of value to the community. In the words of one anxious partner the university researchers, “come in poke and prod and then leave you high and dry.”\(^{350}\) Understanding that CBO partners had such experiences in the past, it was of the utmost importance to establish a relationship built on trust in order to proceed.

Trust is established when SWBFABG partners are accessible and accountable to each other and their clients. For example, during the initial stages of the planning process, Dr. Barbara Robles as the lead academic research partner produced valuable

\(^7\) *Colonias* in Texas represent residential unincorporated subdivisions of land located along the Texas-Mexico *frontera* that lack basic infrastructure such as electricity, paved roads, water and sewer systems.
information on the EITC refund trends for the frontera counties involved. She shared this information with the other partners during the EITC Working Group session and further volunteered her data analysis skills and any resources available to her through the university to the other partners. Similarly she has made herself available to assist the CBO partners with projects that are not directly linked to EITC tax preparation data analysis. By assisting the Sparks Housing Development Corporation with revisions and edits to a grant proposal during a 2004 EITC Roll-Out Site Visit, she demonstrated her level of commitment to the organization and her accessibility to meet their needs beyond what was required through the SWBFABG.

Another example of commitment not only to the SWBFABG but to the community also involves the Sparks Housing Development Corporation. The current Executive Director was on staff and working full-time for over a one-month period prior to being paid as a result of some financial difficulties the organization experienced. In addition, during the recent renovation of their main office, staff members who are regularly assigned to projects such as Mujeres en Accion\(^8\) and the EITC Campaign assisted in building, painting and framing the office complex.

Volunteers and employees of the SWBFABG El Paso Collaborative also demonstrate an outstanding heartfelt commitment to building assets for low-income

\(8\) Mujeres en Accion is a Community Based Group that is organized through the Sparks Housing Development Corporation. The group consists of women residing in the Sparks colonia community who work collaboratively to address health, safety, and education issues on a local level.
families through their work. One SWBFABG explains that “a big customer service component is involved in building assets in the community, and is a central part of keeping the volunteers involved.” She added that “it’s out of my pocket that I take them to lunch,” as a small token to express her appreciation of their hard work as volunteer tax preparers. The director of this site also explained that honesty is an important component to building trust with the clients. This year was the first year that the SWBFABG requested that each individual complete a survey while they were having their taxes prepared. At first SWBFABG volunteers encountered hesitation from individuals who asked, “why do you want all this information?” The director of the site carefully responded to their questions by explaining that “it will help us get more funding to serve [you] better, you know, the computers are not free.” She later commented that explaining why they were requesting additional information from the clients helped them understand and not just think that the staff was “a bunch of nosy people.” A strong foundation built on trust, accountability, accessibility and commitment is a vital component of the CABM and requires actions and intentions like those demonstrated by the SWBFABG partners thus far.

Creating a successful CABM for Frontera communities requires adherence to the four essential steps that are designed to meet the needs of the low-income Latino communities and include: undergoing a paradigm shift, designing a vision, identifying comprehensive asset indicators and additional trends. Practitioners and community members must work collaboratively throughout the four steps to create a
CABM that encompasses their voices and produces programs and policies that are applicable to the community and that enhance their asset building capacity.

**Step 1: Paradigm Shift**

The multiple partners of the SWBFABG have in one way or another adopted a paradigm shift in the way they view poverty and poverty alleviating programs as is evident through the products and services they offer, and the approach they take to community building and development. For example, L.U.P.E. staff members shared their perspective as a CBO committed to serving the community;

“the U.S. has a value of individuality, poor people are poor because they failed to take advantage of the same opportunities that are everywhere, and from this a charitable perspective is created towards the poor and has produced a system of delivering services that takes away responsibility and dignity from the people. This system says ‘I am the provider, sit there until I help you, you are the beneficiary.’ These programs are implemented and designed to fail, then the blame is structured to blame the recipient. For us its not about service, its about engagement. True engagement means responsibility and people will rise to the level of your expectation.”

Their approach to alleviating the ills of poverty that *colonia* residents along the Texas – Mexico *frontera* encounter rests on three basic pillars; responding to the needs of the people, investing in their self-development and transforming their communities through participation and advocacy. Through the programs and services that they provide, L.U.P.E. is giving its clients “a hand up” instead of a “hand-out.” They are not interested in merely giving families provisions to live, day to day, as an income based welfare policy does. Instead, they are working diligently to provide families with asset-building opportunities such as access to GED, ESL and job skills training,
or the prospect of becoming a homeowner through their Cascaron affordable housing initiative. As a CBO they aim to transform families and create lasting intergenerational transfers of wealth while building “stronger healthier communities,” a goal that is consistent with the paradigm shift of the CABM.

**Step 2: Designing a Vision**

Many of the CBO partners in the SWBFABG have vision statements that are consistent with that of the CABM. For example, the Sparks Housing Development Corporation allows for fifteen women residents of the *colonia* who are members of *Mujeres en Accion* to design the activities and agenda for the CBOs programs. Thus far the group has surveyed the needs of the community and developed an action agenda and presented it to the County Commissioner. Included in their agenda are future plans to create a full service health clinic within the *colonia*, community laundromat, and child care center. As representatives of the community they are the best equipped to determine what kinds of programs and services need to be developed to improve the living conditions and asset-building opportunities of low-income families in this area.

**Step 3: Identifying the Indicators**

The coalition of the various partners represents a unified core working group that merges financial support, policy analysis, academic research, advocacy, and genuine knowledge from field experience. Consistent with the CABM process the SWBFABG began by soliciting the concerns of community members and CBO
partners to gain a sense of what their concerns were regarding asset building policies and programs or the lack there of in these areas and develop a working set of CABM indicators. Over a series of Consultative Sessions held at the LBJ School of Public Affairs the following themes emerged and informed the identification of relevant indicators:

- EITC contributes to the asset building capabilities of low-income working families
- Latinos are less informed about the EITC
- Latinos do not participate in EITC at the same rate as other population groups
- Latino families are larger than non-Latino families
- High Refund Anticipation Loan fees hamper the asset building capabilities of Latinos that do receive the EITC
- Latinos who are eligible are more likely to rely on commercial tax preparers service
- Many Latinos need to use self-employed, Schedule C and C-EZ forms
- Many Latinos have unreported income earned through informal workforce activity
- Clients would like to pay for the services they receive
- Clients would like to cash their checks when they receive them
• It is difficult to criticize predatory lenders when the CBO, government agencies, and private business can not provide low-income families with viable alternative and affordable services

• Clients need tax preparation and resolution services year round, not just during the tax filing season.

In addition, the knowledge that was shared during consultative and planning sessions between the CBOs and SWBFABG partners demonstrated their commitment to “make plans with people, not for them” as they incorporated various community residents’ participation in each level of the process to develop and implement the initiative. The CBOs involved in the SWBFABG offer an array of services that increase the human, financial, social, cultural and intellectual capital of their residents and communities in addition to providing EITC tax preparation and asset building services. The truly comprehensive approach to community building is evidenced through the variety of programs and services the CBO partners offer and is described in Table 5.1.

Table 5.1
La Union del Pueblo Entero Partner Programs and Services

<table>
<thead>
<tr>
<th>Types of Program</th>
<th>Description</th>
</tr>
</thead>
</table>

9 Currently Juanita Valdez-Cox is the Texas State Director of L.U.P.E. and David Arizmendi is the Director of Proyecto Azteca and are both based out of San Juan, Texas.
| Capital                      | Mano De Ayuda                                                                 | Provide a variety of social and economic services geared towards strengthening families and communities including:  
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Social, Human, Intellectual, Financial</td>
<td></td>
<td>- Assisting individuals with completing Immigration applications and obtaining work papers.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Official government document translation services.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Preparation of notarized documents for submission to a variety of government agencies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Intervention services with local government officials on the clients behalf.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Auto title transfer and other legal title services.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Workers rights, compensation and reinstatement services.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Free legal services through a partnership with the South Texas Civil Rights Project.</td>
</tr>
<tr>
<td>Engaged Area</td>
<td>Activity</td>
<td>Description</td>
</tr>
<tr>
<td>--------------</td>
<td>----------</td>
<td>-------------</td>
</tr>
<tr>
<td>Human, Social, Intellectual</td>
<td>Programa Escalera</td>
<td>Provides ESL and Literacy classes and a variety of self-development classes to “help people build the skills they need in today’s society.”</td>
</tr>
<tr>
<td>Social, Intellectual, Human, Financial</td>
<td>ACLF Financial Literacy/Homeownership Classes</td>
<td>A series of presentations provide families with asset development management training including: savings and checking account management, obtaining property tax credits and exemptions, home insurance protection procedures, and household financial management techniques.</td>
</tr>
<tr>
<td>Cultural, Social, Intellectual</td>
<td>Juntos Adelante</td>
<td>Develops grassroots leaders working to transform a “culture of poverty to a culture of plenty” through active community engagement. There are currently 34 Colonia Committees, 65 Committee Leaders and 677 Committee Activists working on this project.</td>
</tr>
<tr>
<td>Financial, Human, Social</td>
<td>Cascaron House Kit</td>
<td>Provides a home kit that includes a basic wood frame house with a wood foundation, three bedrooms, one bathroom, kitchen and living room, and is 24 feet by 36 feet. In addition electrical wiring, fixtures, plugs, switches, breaker box, breakers, PVC and copper plumbing, faucets, sinks, toilet, outdoor washing connections, water heater, sheetrock, and caliche foundation. Clients are also able to borrow tools and machinery to complete the process of building their Cascaron home. Each home price ranges from $12,500 to $17,000 and is determined by the optional choices included such as central air conditioning and monthly payments do not exceed $100.</td>
</tr>
<tr>
<td>Financial, Social</td>
<td>Home Addition, Finalization, and Infrastructure</td>
<td>Allows families to access financial capital to make improvements to their home.</td>
</tr>
<tr>
<td>Financial, Social</td>
<td>Lot Acquisition</td>
<td>Families are provided with zero percent interest loans to pay off their current developer financed lot purchase contract that may carry a 14 – 18 percent interest rate.</td>
</tr>
<tr>
<td>Expansion</td>
<td>Colonia IDA</td>
<td>Provides families with an opportunity to participate in a matched savings program to reach a goal of $600. Families must</td>
</tr>
<tr>
<td>Area of Impact</td>
<td>Program Description</td>
<td>Details</td>
</tr>
<tr>
<td>----------------</td>
<td>---------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Financial, Human, Intellectual</td>
<td>Colonia Savings Incentive</td>
<td>To further encourage families to continue to save through mainstream financial institutions, this program provides families that have completed the Colonia IDA program with $100 per month for 4 consecutive months. The families are also provided with a savings account at First National Bank with the monthly service charge waived for a year following their completion of the program.</td>
</tr>
<tr>
<td>Cultural, Social, Human, Intellectual, Financial</td>
<td>Community Development Loan/Grant Fund</td>
<td>Non-profit organizations, neighborhood groups, and educational institutions that provide human and social capital enhancing programs to colonia residents are eligible to receive loans and grants from the Community Development Loan/Grant Fund.</td>
</tr>
<tr>
<td>Financial, Cultural, Social, Human</td>
<td>PULGA Micro Enterprise Loan</td>
<td>Colonía residents are able to apply for loans through the PULGA program to purchase equipment and technology for their entrepreneurial small business endeavors.</td>
</tr>
<tr>
<td>Human, Social, Financial</td>
<td>La Familia- Emergency Support Loans</td>
<td>Emergency loans for medical treatment, transportation to work, funeral services, critical utility bills and other family services are available for colonia residents through the La Familia Emergency Support Loan program. Access to this program prevents colonia resident families from accessing financial capital from predatory lenders and pawnshops to sustain themselves during an economic crisis.</td>
</tr>
</tbody>
</table>

The practitioners at L.U.P.E. from their own lived experiences as members of this community confirm what academic research has documented concerning the fact that many low-income immigrants are more likely to seek small loans from informal networks, primarily family members. The programs offered by L.U.P.E. compliment the practices of low-income immigrant communities and offer them loan products such as the La Familia Emergency Support Loan that lends small amounts.
for emergencies from the CBO itself, which has become an institutional member of the community family.

As well grounded CBO practitioners, L.U.P.E. staff are well aware of the “bi-
furcated” financial system in the U.S. that cause low-income working families to
encounter asset-eroding fringe financial services as they do not have access to the
asset-building services that mainstream financial institutions provide.360 One vivid
eexample of the fringe financial service providers that prey on the low-income
L.U.P.E. community members are the unscrupulous promoters of RALs (Refund
Anticipation Loans). Academic research has documented that cities in the “U.S.
South and West are home to low-income neighborhoods with the highest
concentrations of tax preparers.”361 In the context of the South Texas frontera, car
dealers and furniture stores often have a dual role as vendors and tax preparers.
Community Based Organization staff, recant stories explaining that such vendors
often make mistakes in preparing a families tax return, then issue them an EITC
refund through a RAL that is tied to a purchase within the store. When the families
later discover that they were ineligible for the supposed EITC refund amount they are
left in a situation where they have to repay the IRS and are locked into a high interest
rate payment on a car or furniture purchase that was made using their anticipated
EITC refund.362

Another primary CBO partner involved in the SWBFABG is the Sparks
Housing Development Corporation operating in the Sparks Colonia located
approximately 15 miles outside of El Paso, Texas. The majority of households in Sparks are extremely low-income and are still plagued by a lack of appropriate street pavement, community health clinic, sidewalks, street lighting, flooding, inadequate garbage and waste water disposal and limited entry and exits to the major highway system. The Sparks Housing Development Corporation is also providing vital asset-building programs and services for *colonia* residents that build their human, intellectual, social, financial and cultural capital (Table 5.2).

### Table 5.2
**Sparks Housing Development Corporation Programs and Services**

<table>
<thead>
<tr>
<th>Types of Capital</th>
<th>Program</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>Human, Social</td>
<td><strong>Sparks Library</strong> The library facility is the only public library within 20 miles of the Sparks <em>colonia</em> and offers fiction, non-fiction, and educational resources for residents.</td>
</tr>
<tr>
<td></td>
<td>Human, Social</td>
<td><strong>Computer Training</strong> Currently the program allows 15 students per class that are given hands on computer training in the Sparks Computer Lab. Clients are also assisted with resume development and there is currently a waiting list for future participants.</td>
</tr>
<tr>
<td>Engagement</td>
<td>Human, Social, Financial, Intellectual, Cultural</td>
<td><strong>Mujeres en Accion</strong> This program coordinates the activities of women in the Sparks community and includes: voter registration, training on handling community safety issues, group counseling for grandparents who are primary care givers, production of ceramic arts and crafts, and diabetes and Alzheimer’s awareness sessions.</td>
</tr>
</tbody>
</table>

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10 Currently Frank Desales is the Executive Director of the Sparks Housing Development Corporation.
As the Sparks Housing Development Corporation continues to grow, they hope to expand the current asset-building services they provide to include an IDA program and the creation of more affordable housing units. Staff is also concerned with increasing the mobility of its residents by solving the traffic congestion caused by large eighteen wheeler trailers that block the main entry point to the colonia. Members of the Mujeres en Accion group also plan on selling some of their handmade ceramic products to generate revenues to help the CBO become self-sustaining in the future. As a CBO they are also working to expand the type of services they can provide “in house” such as larger bilingual classes since “the community college can’t meet our demand.”

**Special Tax Preparation Needs**

The Community Based Organization SWBFABG partners know the needs of their community members because they involve them in every step of the process.
By staying in touch with their members they are able to provide services that meet their specific needs. Many of the community members in San Juan are involved in work activity that is considered self-employed, as they “sell tacos, clean houses, wash clothes, are vendors at the flea market, sell jewelry, and run day care services in their home.”

L.U.P.E. staff in particular realize that claiming the EITC not only allows such self-employed individuals to access a large sum of financial capital, but the process produces real social, human, and cultural capital benefits. Although immigrants are not eligible for the EITC, it is of vital importance to establish a tax record documenting their immigration status and demonstrating to the INS that they are working and therefore are not at risk of becoming a ward of the state!

Nationally, research has demonstrated that individuals who are self-employed are more likely to seek the services of a tax preparer. This sentiment was echoed the SWBFABG tax preparers who had clients that needed to use the 1099 forms. The staff of SWBFABG CBOs stressed the importance of tax preparation for volunteers and paid staff who have to process clients returns that have special needs such as self-employed workers or those that migrate throughout different states and require assistance in filing federal and state income taxes.

**Identifying the Real Culprit**

L.U.P.E. staff would agree with many academicians that fault private banks for the lack of access to financial services that many low-income families encounter. According to L.U.P.E. staff, the “real culprit is traditional financial institutions” that
do not provide low-income *frontera* families with access to appropriate financial services. In their opinion, predatory lenders “fill in that gap, and in the process exploit the situation,” that low-income families face. Well grounded in the reality that low-income families do need access to some kind of financial services, L.U.P.E. staff caution that is unrealistic to advocate a complete removal of predatory financial service providers from the market, without giving clients a viable alternative.

How CBOs Specifically Leverage EITC Benefits to Build Assets

The Earned Income Tax Credit benefits are not directly linked to asset building tools. In fact, the National Council of La Raza has commented that the EITC “could be used much more effectively than it is now to broaden social and economic mobility goals further” for Latino families. The CBOs involved in the SWBFABG have created appropriate links that allow families to harness the leveraging power of the EITC and build assets by offering:

- **Homeownership Counseling**
- **Financial Literacy Education**
- **Individual Development Accounts**
- **Housing Down Payment Assistance Programs**
- **Innovative Mortgage Financing Products**
- **Leadership Development Training**
- Small and Micro Business Incubator Programs
- Workforce Development Training.
- Property Tax Foreclosure Prevention Programs
- Immigration Application Processing Services.

The CBOs involved in the SWBTGI are real “pioneers” transforming the face of financial service products and asset building mechanisms as they coordinate the tax preparation linked with asset building services that their members receive. For 2003, the maximum benefits for low-income families amount to $4,204 for a family with two or more qualifying children, $2,547 for a family with one qualifying child and $382 for a family with no children. 371 This is a significant amount of money for a low-income family to receive all at once and can be used to improve their human, financial, social, cultural and intellectual assets through the programs provided by the SWBFABG CBO partners.

CBO staff have designed programs that enable individuals who are citizens or legal resident aliens and are eligible to receive the EITC to leverage their EITC to help other members of their families to gain proper immigration status. When families receive their EITC they are guided through a process of filing immigration documents with INS that can exceed an initial cost of $1,585 per person. 372 By helping individuals to leverage their EITC for immigration purposes of other family members they are decreasing the stress low-income working frontera families
experience from the threat of deportation and helping them escape the extraordinary fees charged by lawyers, consultants and notaries in the area.\textsuperscript{373} By gaining legal status families social, human, and intellectual capital resources are increased as they are now eligible for a variety of traditional asset building programs, such as saving through Social Security.

Programs such as the \textit{Colonia} IDA provides families with access to a 2 to 1 matched savings program where they can deposit their EITC refund and later use their savings for a down payment on a home. Additionally, families can use the same saving mechanism and purchase property for home, make structural home improvements or to pay property taxes.\textsuperscript{374} The idea behind leveraging the EITC is essentially to “help people do more with their money.”\textsuperscript{375} The asset leveraging activities of the SWBFABG CBO partners demonstrate the tangible and intangible effects that asset building programs have on low-income families and communities.

\textbf{Allowing the Experts to be Experts}

The involvement of community based organizations in the SWBFABG demonstrates the importance of their knowledge of the communities they work in that “goes beyond data sets and models.”\textsuperscript{376} In one case for example, although the academic researchers and national foundation partners may have initiated the gathering of various CBO partners to partake in a “cross fertilization” of ideas during the strategic EITC learning group, the CBO partners as the “experts” shared their “field” knowledge with the researchers and foundation members. Rather than coming
into the CBO as the credentialed “expert” on the issues discussed, the academic research partners displayed their respect for their CBO partners and learned from the CBOs’ frontline experience. For example, at one point when asked what type of EITC software was preferable, the Program Development Director of L.U.P.E. immediately responded,” well there is Intuit, taxfreedom.com, Orrtax, ProSeries” speaking with knowledge of the technical subject matter.

These same CBO experts stress that “it is important to understand the community background and then learn the technical details.” L.U.P.E. staff understands the needs of the community, “where they are hurting,” and then meet those needs through established programs. L.U.P.E. directors also constantly invests in the human capital of their community members as they engage in “development of people from the community rather than importing experts, so that staff understand the members questions, situations, build their trust and maintain their staff.” As L.U.P.E. and other CBOs train members of their respective communities to operate a variety of asset building programs they are increasing the entire community’s intellectual knowledge base. By engaging local community members in the design, implementation and evaluation process of asset building programs, CBOs are preparing another generation of “experts.”

In 1998 President Clinton commented that the EITC “is not about more governmental or social workers, or more services. It’s about more groceries and a car, more school clothes for the kids and more encouragement and hope to keep doing
the right thing.\textsuperscript{378} The extent to which he is correct has yet to be determined on a national scale. As much as the CABM reinforces the use of the EITC as an asset building leverage for the down payment on a home, savings for education or business entrepreneurship, perhaps families are more interested in using part or all of their EITC to meet immediate financial needs.

The Southwest Border EITC Campaign Tax Exit Surveys conducted in conjunction with the tax preparation services provide through the SWBFABG partner, Sparks Housing Development Corporation reveals interesting information about how Sparks \textit{colonia} residents have used their EITC refunds (Table 5.3).

\begin{table}[h]
\centering
\caption{Selected Southwest Border EITC Campaign Tax Exit Survey Results for Sparks Housing Development Corporation}
\begin{tabular}{|l|c|c|}
\hline
\textbf{Question 8} & \textbf{Response Rate} & \\
\hline
\textbf{Have you ever used your EITC refund for:} & \textbf{Rate} & \\
\hline
A) Down Payment for a Home & 5 & 0 \\
B) Down Payment for a Car & 15 & 0 \\
C) Down Payment for a Household Appliance & 5 & 0 \\
D) Down Payment for a Computer & 0 & 5.3 \\
E) Down Payment for Furniture & 2.5 & 5.3 \\
F) Help a Family Member with Immigration Fees for a Green Card & 0 & 21.1 \\
G) Pay Property Taxes & 7.5 & 0 \\
H) Pay Medical Bills & 0 & 5.3 \\
I) Small Business Expenses & 0 & 47.3 \\
J) For Personal Expenses & 50 & 0 \\
K) For Personal or a Dependent Child’s School Expenses & 7.5 & 5.3 \\
L) Other & 7.5 & 10.5 \\
\hline
\end{tabular}
\end{table}
The majority of clients that responded in English spent their past EITC refunds on personal expenses compared to the majority of Spanish speaking clients who spent their EITC refunds on small business expenses. The second most selected option for spending EITC refunds chosen by English speaking participants was a car down payment (15 percent). Interestingly, the second most popular use for EITC refunds among Spanish speaking participants were directed towards helping family members with immigration for a green card fees. Half of all English speaking respondents and almost half of Spanish speaking participants lend or borrow money from families members during emergencies. When asked about what kind of asset building services they were most interested in learning about almost one-third of English speaking respondents expressed an interest in small business or self-employment options and almost one-quarter of Spanish speaking respondents expressed an interest in learning more about matched-savings accounts. The overwhelming majority of both English and Spanish speaking clients responded that they do not send money to a family member that does not live with them, insinuating that this is not a community that relies on remittances to transfer financial capital resources.

**Connecting Community and Individual Wealth**

The CABM programs and policies of the SWBTGI go beyond developing wealth for individual people. The *Cascaron* Project for example is about more than
building a physical house to help families to accumulate wealth through equity, “we didn’t just build five houses we transformed five families that will go on.”

L.U.P.E. is invested in more than asset-building for individuals, their programs transform their communities. They stress the principle that “community involvement is an integral part of the process, not just one time help.” They involve the community in events such as celebrating the birthday of Cesar Chavez. This year over 800 people joined together to march through the streets of San Juan to commemorate the life of Cesar Chavez. L.U.P.E. organized this event and drew adults, children and youth advocates from San Juan, McAllen, Harlingen and other local frontera communities to celebrate by participating in cultural events while promoting the EITC Campaign.

**Step 4: Observing Trends: Keeping their Eyes and Ears Open**

Consistent with the CABM, SWBFABG CBO partners are aware of national, state and local trends that either enhance or hinder their asset building programs and policies. By keeping abreast of national EITC regulation changes they are better equipped to serve their clients and adapt their asset-building programs to respond to any necessary changes. While planning for the 2004 tax filing season, L.U.P.E. staff members discussed the “pre-certification” movement on behalf of the IRS and described it as the “disqualification” agenda as they felt that the goal of the program was to “weed people out.” The difference in opinion between frontline CBO staff and IRS policy regulators demonstrates the importance of intellectual capital.
Frontera CBO staff members point out that IRS staff do not always understand the “familial relationships” of residents in frontera regions, and for that reason they misinterpret their filing status. Current IRS regulations require several detailed documents that prove one person has responsibility over a child and can therefore claim them. L.U.P.E. practitioners assert that this type of classification does not take into consideration the fact that many low-income frontera families live together with extended family members in one household, where “aunts, uncles, grandparents are all financially responsible for children, and grandchildren.” Current documentation forms are not designed to adapt to the nuances of such living situations and as a result, CBO staff diligently work to provide families with services that best accommodate their needs while meeting federal regulations.

While working with academic and foundation partners, CBO staff are able to evaluate national trends and compare them with activities in the community. For example, national research has demonstrated that Latinos who do not speak English are more likely to seek tax preparation services. Trends in EITC receipts reveal that more than half of all filers from 1999 to 2002 in the San Juan area received an EITC refund in the average amount of over $2,000 (Table 5.4). Similar receipts for the Sparks colonia show an increase in the percentage of community members who received an EITC refund from 51 percent in 1999 to 60 percent in 2002. Over this four year period the average amount of the EITC refund for the Sparks colonia residents also increased from $2,091 to $2,283. The concentration of low-income
working families in these two specific *frontera* communities is demonstrated by the 

fact that the majority of tax filers received an EITC refund compared to less than one-

fourth of residents throughout the state of Texas during this same period. The use of 

Refund Anticipation Loans throughout the frontera counties is more reflective of the 

overall usage throughout the State and ranged from 47 percent in 1999 to 51 percent 


Table 5.4

**EITC Refund Data from 1997 – 2002**

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<td>Avg.</td>
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<tr>
<td>Counties</td>
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Upon completion of the 2004 tax filing season data collection effort, a more in-depth 

analysis will demonstrate the characteristics of individual tax filers in *frontera* 

counties and the extent to which they claimed the EITC, what size refund they 

received, and whether they used RALs to receive their refund “immediately.”

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Analysis of these trends will aid the SWBFABG partners in developing tax preparation products and services that meet the changing needs of *frontera* residents. It will also help them to design asset building leverage products that use the EITC refunds of their clients to effectively “make their money do more.”

**Conclusion: What have we learned?**

Race, class and power are linked and people of color have been struggling within these confines for centuries. The internal and external struggles of low-income Latino *frontera* communities have been well documented by academic researchers and community historians alike. Nationally the asset-building agenda for low-income working families has given little attention to the successful and original asset building strategies of Latino communities and specifically those in the Texas-Mexico *frontera*. While CBOs such as *Proyecto Azteca* have received recognition for their innovative strategies to increase homeownership opportunities for low-income *colonia* residents by national non-profit organizations such as the Annie E. Casey Foundation and the National Congress for Community Economic Development, the national debate on asset-building for the poor is dominated by a Black and White lens.

Nationally discussions of the “culture of poverty” focus on the plights of low-income residents of many of America’s major urban cities that are suffering from the loss of industry. A review of the literature would also find that “community development”, “community economic development”, “community revitalization” and
similar subjects predominantly review initiatives and examples of CDC and CDFIs in the Northeastern U.S. and make little mention of the unique asset-building tools currently used in Latino *frontera* communities. The author of this report senses a resistance on the behalf of community building practitioners and organizations of urban areas to learn from the asset-building example of Latino *frontera* communities.

A national asset-building agenda would be wise to include the voices of Latino *frontera* CBO practitioners and residents who can share the “*frontera’s*” response to poverty as exhibited by the innovative community and grassroots collaborative programs already launched and successfully expanding.
Notes

349 Interview with Frank Desales, Executive Director, Sparks Housing Development Corporation, by SWBFABG Research Team on 13, 2004, El Paso, Texas.

350 Site visit to L.U.P.E. with Maria Gomez-Murphy, Executive Director, Way of the Heart: Promotoras Institute, with SWBFABG Partners, July 28, 2003, San Juan, Texas.

351 Interview with Aracely Barrios, Special Projects Coordinator, Family and Community Services Department, El Paso County, with SWBFABG Research Team Members, March 12, 2004.

352 Ibid.

353 Interview with Margaret Grubbs, El Paso Collaborative Downtown Metro Site Director, with SWBFABG Research Team Members, March 12, 2004.

354 Ibid.

355 Ibid.

356 Site visit to L.U.P.E. with David Arizmendi, Director Proyecto Azteca, with SWBFABG Partners, July 28, 2003, San Juan, Texas.

357 Ibid.

358 Institute for Democratic Renewal and Project Change Anti-Racism Initiative, A Community Builder’s Tool Kit: A Primer for Revitalizing Democracy from the Ground Up (California), p. 10.


360 Ibid. pg. 8.

362 Site visit to L.U.P.E. with David Arizmendi, Director Proyecto Azteca, with SWBFABG Partners, July 28, 2003, San Juan, Texas.


364 Interview with Frank Desales, Executive Director, Sparks Housing Development Corporation, by SWBFABG Research Team on March 13, 2004, El Paso, Texas.

365 Site visit to L.U.P.E. with Juanita Valdez-Cox, Texas State Director, L.U.P.E., with SWBFABG Partners, July 28, 2003, San Juan, Texas.

366 Ibid.


368 Interview with Margaret Grubbs, El Paso Collaborative Downtown Metro Site Director, with SWBFABG Research Team Members, March 12, 2004.

369 Site visit to L.U.P.E. with Juanita Valdez-Cox, Texas State Director, L.U.P.E., with SWBFABG Partners, July 28, 2003, San Juan, Texas.

370 Sandra Gallardo and Eric Rodriguez, Hispanic Families and the Earned Income Tax Credit, National Council of La Raza, Issue Brief, no. 1, April 2000. p. 8


372 Site visit to L.U.P.E. with Juanita Valdez-Cox, Texas State Director, L.U.P.E., with SWBFABG Partners, July 28, 2003, San Juan, Texas.

373 Ibid.

374 Site visit to L.U.P.E. with David Arizmendi, Director, Proyecto Azteca, with SWBFABG Partners, July 28, 2003, San Juan, Texas.

375 Ibid.

Site visit to L.U.P.E. with Vaughn Cox, Program Development Director, L.U.P.E. with SWBFABG Partners, July 28, 2003, San Juan, Texas.


Site visit to L.U.P.E. with David Arizmendi, Director, Proyecto Azteca, with SWBFABG Partners, July 28, 2003, San Juan, Texas.

Site visit to L.U.P.E. with Juanita Valdez-Cox, Texas State Director, L.U.P.E., with SWBFABG Partners, July 28, 2003, San Juan, Texas.

Ibid.

Berube, p. 2.
Chapter 6. Recommendations

Several federal, state, and local level policy and program initiatives are necessary to improve the asset-building capabilities of families and individuals residing in Texas-Mexico Frontera communities. The reduction and/or elimination of barriers that currently inhibit the asset accumulation of low-income working families will allow them to access traditional asset accumulating mechanisms. As community residents, policy analysts, Community Based Organization practitioners, academics, foundation representatives and legislators analyze a range of comprehensive asset building indicators collectively, it will become more evident that comprehensive asset building programs designed to meet the unique needs of the communities they serve and providing long-term initiatives that will lead to prospering families are critically necessary investments in the Texas Mexico frontera region.

Several recommendations are offered with specific levels of implementation targeted at various government, private market, and civil sectors. Specific recommendations tailored to increase the asset-building capacity of ex-offenders are provided throughout the multi-level tiers.

Federal Government Level Initiatives

Current federal legislative initiatives, including increasing Pell Grants, allowing Financial Education to be counted as a work activity under TANF guidelines
and establishing grants for local organizations along the border that provide tax preparation services to low-income individuals and reduce the cost of electronic filing are measures that would enhance the positive outcomes of a Comprehensive Asset Building Model in frontera communities. The various initiatives listed below address a specific financial, human, social, cultural, and intellectual capital asset. Supporting the passage of these individual pieces of legislation not only promotes an asset building approach to community development and poverty alleviation, but also serves an urgent need to foster the development of a comprehensive national asset building agenda targeted at serving low income working families in the United States.

- **SB 813 TANF Financial Education Promotion Act.**

  Upon passage, this piece of legislation would “require a State to promote financial education under the Temporary Assistance to Needy Families program and to allow financial education to count as a work activity under that program.” Thus, individuals who are receiving TANF benefits may enroll in financial literacy education classes and increase their understanding of asset-building programs. The information they gain as participants in these classes will arm them with knowledge of how they can carefully invest their current financial, human, social, cultural and intellectual capital assets and lay a foundation for their long-term social and economic endeavors.

- **SB 1532 Financial Literacy Community Outreach Act.**

  Implementation of this bill would create a clearinghouse for all federal financial literacy activities and provide grants to non-profits, schools, and local governments that are currently running financial literacy programs. This bill aims to provide CBOs and other public service-oriented state institutions with a central location to access financial literacy curriculum and financial resources to support their asset building education programs.

- **SB 685 Low Income Tax Payer Protection Act.**
This act would create grants for organizations that specifically provide tax preparation services to low and middle income individuals and families, reduce the use of refund anticipation loans, and reduce costs and increases the speed of e-filing. The goal of this piece of legislation is to simultaneously decrease the number of families that remain “unbanked” and that use “high interest refund anticipation” services.\textsuperscript{385} SB 685 truly embodies the spirit of a comprehensive asset based framework as it seeks to support CBOs in their asset building services to low income individuals in their respective communities.

- **SB 532/HR 1088 Colónias Gateway Initiative Act.**

Approximately $16 million in grants would be awarded each year from 2004 to 2009 to organizations that would use this funding pool for homeownership counseling, financial education, and access to financial services in communities along the U.S. Mexico Border.\textsuperscript{386} This initiative intends to focus on the delivery of financial resources to local organizations that operate in the U.S. – Mexico Border communities and expand their ability to produce asset building programs for low-income families residing along the border. The bill has bi-partisan support from senators in each of the Border States, which should increase its likelihood of being enacted into law.\textsuperscript{387}

- **HR 3180 College Opportunity Act for All.**

This legislative bill increases access to financial and human capital resources for Latinos by addressing several equity issues. First, the bill intends to increase Pell Grant funding, resulting in the maximum grant amounts allowed per student of $11,600 in the 2009-2010 school year. The resolution would also protect working students’ financial assets by allowing them to save more of their earnings and shield them from the current student loan tax which costs approximately $500 per student.

Secondly, the bill would create a simpler financial aid application, the “FAFSA EZ.” Additionally, it would repeal the 1998 Drug-Free Student Loan Act, that prohibits any student convicted of a past drug felony from receiving federal financial aid. Students of color are disproportionately affected by this problem and repealing the stipulation would increase their access to financial capital to invest in their human capital through higher education.\textsuperscript{388} A competitive grant program designed to expand the “post-baccalaureate degree opportunities at Hispanic Serving Institution,”\textsuperscript{389} thus increasing the capacity of HSI’s, that serve a predominantly Latino student body, to expand their students’ educational trajectories.
Lastly, the bill specifically creates a Public Service Scholarship program that provides students with up to $17,500 in loan forgiveness if they enter teaching, child care, nursing and child welfare service careers. Students who reside along the border can utilize this additional form of financial aid to increase their human capital by working in public service areas along the border such as teaching, child care, nursing and other health related fields and thus contribute to fruitful community development as they increase their individual assets.

- **Amend the U.S. Tax Code. Amendments should include the following provisions:**

  1. Consider any income gained by ex-offenders from wages received from work during an incarceration period for up to 3 years from their release date as qualifying “earned income” for the EITC. Additionally, consider any earnings ex-offenders received while working under specified work release programs or during placement at a half way house as “earned income” eligible for the EITC.

  2. Institute the TANF-EITC. Currently, cash payments for work activities administered under TANF programs are non-taxable and are therefore not considered earned income, although the individual must be participating in an assigned work activity. For example, several staff of the Raul Yzaguirre School for Success (Brownsville, Texas) are employed through the Texas Workforce Commission and receive TANF cash assistance in exchange for their work at the school in the welfare-to-work program. However, they would not be eligible to receive EITC benefits. The TANF-EITC would provide individuals in similar situations with an EITC refund that is 50 percent of the amount awarded for an individual with similar earnings working outside of TANF welfare-to-work sponsored programs.

- **Immigration Reform.** National government agents need to amend immigration legislation to provide the undocumented working population with legal status. In addition parents with children born in the U.S. should also be granted citizenship along with all foreign born individuals with a U.S. born sibling. Furthermore, individuals who have been working in the U.S. for more than three consecutive years should also be provided with formal U.S. citizenship.
Non-Profit Foundations

Non-profit foundations have in the past and will in the future continue to play a vital role in the development and implementation of CABM programs and policies. As is evidenced through the SWBFABG, non-profit foundations can actively participate in each of the four steps of the CABM process. As collaborative partners committed to alleviating poverty and creating asset building opportunities for low-income working Latino families through innovative methods, foundations must continue to support the efforts of CBOs in various ways.

1. **Provisions for the Vision.** As a central partner in the CABM, foundations need to continue to provide financial resources to CBOs with innovative ideas for additional CABM programs and policies. By supplying CBOs with the provision to achieve their vision for their specific CABM, increased community development in *frontera* communities is inevitable.

2. **Multimedia Networking.** Foundations can also enhance the development of CABMs by providing CBOs with increased technical support to specifically document their program activities at the community level through the use of film and music. Foundations can sponsor the creation of multimedia case studies that document the current asset building efforts of organizations such as L.U.P.E., Proyecto Azteca and the Sparks Housing Development Corporation to share with communities around the nation. As national foundations, they are the best suited to share the details of the asset building activities occurring along the *frontera* with a
wider audience of practitioners, community members, financial institutions, academic researchers, private enterprise and government entities. Through their efforts to “spread the word” about the awesome asset building and asset leveraging programs located along the Texas-Mexico Frontera and describing the power of community based collaborative partnerships such as the Southwest Border Family Asset Building Group, foundation partners can expand the network of individuals and communities committed to providing meaningful solutions to create intergenerational transfers of wealth and increased sustainable community economic development within low-income communities of color. Foundation partners should specifically aim to use their “voice” to reach a larger national audience of “policy makers” and increase their knowledge of the unique asset building characteristics of Latinos along the frontera in order to ensure that national asset building agendas also pertain to low-income Latino communities.

3. **Bringing People Together.** In addition to increasing the support base for CABM practitioners foundation partners must also maintain their role as conveners of “cross fertilization”\(^{11}\) between CBOs, academic researchers, government agencies, community advocates, private businesses and other foundations. Foundation partners should expand their efforts to develop CABM strategies by bringing current CABM practitioners to share their “best practices” with other interested partners.
4. **Creating a Pipeline.** Foundations partners must also work to increase the representation of community level CABM practitioners and students of color within their own institutions. The incorporation of “experts from the field” will only enhance the efforts of foundation partners as they support the grassroots asset-building initiatives of CBOs along the *frontera* and throughout the nation. Foundations involved in community development should actively seek student interns, fellows and scholars from programs such as the Congressional Hispanic Caucus Fellowship, the Hispanic Association of Colleges and Universities Internship and the Public Policy and International Affairs that will expand the practical knowledge base of students of color who are committed to creating opportunities for asset building for low-income families across the U.S.\(^{12}\) By providing young scholars, community activists and CBO practitioners with an opportunity to discover first hand, the role that a foundation partner can play in the CABM process, current foundation representatives will develop a pipeline for future foundation partners who are committed to

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\(^{11}\) Cross-Fertilization is a term frequently used by Dr. Barbara Robles to describe the exchange of ideas concerning a certain subject matter between individuals from a range of backgrounds or disciplines.

\(^{12}\) The author for example was blessed to have received a Graduate Research Assistant position through the support of the Southwest Border Family Asset Building Group sponsored through the Annie E. Casey Foundation that allowed her gain experience in the field concerning asset building initiatives occurring in low-income Latino *frontera* communities. As a result she was able to share some of her research with other scholars through an international exchange during the 5th Symposium on Sustainable Development: Theories, Strategies and Global Governance Systems on August 2, 2004 in Baden-Baden, Germany.
increasing community development and alleviating poverty in low-income communities.

**State Government Initiatives**

In addition to federal policies, the following recommendations are offered as initiatives that the State of Texas should implement in order to increase the asset-building capacity of low-income working families.

- **Increase the Asset Cap.**

  Currently there are several asset caps that apply to various public service assistance programs. In Texas for example, most Medicaid participants are not allowed to maintain an amount above $2,000 in assets in order to meet the programs eligibility requirements. Low level asset caps force families to spend down assets that they have in order to receive needed public assistance. This prevents them from accumulating assets for future investment while benefiting from public assistance for temporary survival. The state of Texas should increase the asset cap for public assistance program eligibility to $8,000. Additionally, the State should create a provision to update the asset cap during each legislative session to accurately reflect the amount of money a family would need to stay above the poverty level for 6 months without any earnings from employment. This asset cap should also not include restricted assets (e.g. Individual Development Accounts of Community & Individual Development Accounts).

- **A Progressive Texas State Income Tax.**

  The State of Texas is supported by a regressive tax system that places an unfair burden of tax collection on low-income families. For example, a family that earns under $18,000 per year will pay 17.6 percent of their income on state and local taxes compared to a family that earns over $82,000 who pays only 5.1 percent of their income in taxes. Texas depends on sales tax for 55 percent of its overall revenue. This large dependence on sales taxes for general state revenue places a larger burden on low-income families as they will spend a larger percentage of their total income on sales taxes, compared to higher income families. In addition to focusing on sales taxes, the state applies a larger percentage of the sales tax on good rather than services. Interestingly, over the
last ten years the service industry has grown one and a half times faster than the retail trade sector. The antiquated Texas tax structure has resulted in a massive budget shortfall of $10 billion dollars for the 2004 – 2005 biennium. To compensate for these budget shortfalls the state of Texas could expand the sales tax to include taxation of services that are currently untaxed and are more frequently used by businesses and higher-income families, which would generate an estimated $3.7 billion in new revenue per year. Instituting a state income tax would generate another $6 billion in new revenue funds. Finally, a state EITC policy should be implemented to model that of the federal EITC policy.

South Texas Border Region

In addition to federal and state level recommendations to increase the capacity of low income families to comprehensively increase their assets, the following recommendations are offered to meet the specific needs of Latino residents along the South Texas Border Frontera. Although these specific recommendations are designed for implementation in the South Texas Frontera, they are flexible and can be adjusted to conform to the needs of other U.S. – Mexico Frontera regions. Each of the recommendations are meant to increase the financial, human, cultural, social and intellectual capital assets of South Texas residents by increasing their opportunities and expand their education and secure meaningful employment.

- Individual Property Development Program

An asset building approach to community development encourages Community Based Organizations to create programs to help individuals to develop property and build affordable housing for other community members to rent and buy. This approach provides community members with an opportunity to expand their base of financial assets through real estate development as opposed to allowing non-profits to buy property from individuals who do not presently have the capital to renovate them and allowing the non-profit organizations to acquire those assets. By maintaining the ownership of the property, individuals are building their financial assets and increasing the Latino
Community’s equity. The IPPD program will also maintain a strong training component that will provide local residents with access to classes including, land planning, development, construction, leasing and property management.

- **Community Based Temporary Staffing Agency**

  Community Based Organizations should create a network of temporary agencies to service local businesses in the South Texas border region. These jobs would serve the temporary employment needs of residents who may be transitioning from one type of career to another or are investing in their human capital by attending school part time.

- **Community Based Hospital and Health Care Center**

  Community Based Organizations should create a ten year plan to purchase a hospital or health care center in the South Texas Frontera region. As previously noted, health care is the fastest growing industry in the area and is projected to continue to increase as the population increases, thus demanding more services. The South Texas Frontera region should adopt a model similar to the Centro de Salud Familiar La Fe Inc., located in El Paso, Texas. This community health center provide a full range of services including primary health evaluations, pre- and post-natal care, family planning, case management, dental translation health education, radiology and pharmacy and social services.397

- **Community Learning for Economic Opportunity in Health Program**

  The Community Learning for Economic Opportunity in Health Program (CLEOH) will be administered through a collaborative effort by the University of Texas at Brownsville (UTB), Cameron Works Inc., Valley Baptist Medical Center, Brownsville Medical Center, and the Valley Regional Medical Center. The program design and detailed implementation strategy will be recommended by a working group consisting of one representative of each of the above agencies and five local community members (with a stipulation that at least 2 community members be under the age of 24).

  A collaborative initiative is needed to increase the amount of investment in human capital for residents of the STBR in the health related fields. The recent unsuccessful attempt of Sen. Eddie Lucio to provide $19.2 million in State funds for the Lower Rio Grande Valley Regional Academic Health Center (RAHC) illustrates that initiatives that are primarily driven by one entity will not secure the
needed resources to produce the necessary educational and training initiatives for this area.

The CLEOH Program will include four academic programs: a Master’s RN Program, an RN Program, an LVN Program, and a Health Related Occupations Program. The Master’s RN, LVN and Health Related Occupations Program will be two year programs while the RN Program will consist of four years of study.

Nationally, Latinos experience a 30 percent drop out rate when enrolled as students in nursing programs. Research on this issue reveals that Latinos most commonly site economic hardship involving the need to support their families and lack of proper educational preparation as the reasons that cause them to drop out of nursing programs.

To combat these barriers to Latino students success in the nursing and health related fields the CLEOH program will provide comprehensive educational, social and economic services in addition to academic enrollment in a two- or four-year degree program. CLEOH Program Comprehensive Services will include:

- **Academic Services.** Students will have access to both a professional and student mentor for their field area. Professional mentors will be provided through the private and public health care agencies that are part of the CLEOH Consortium. Student mentors will be recruited from within the program. Additionally, students will have access to 15 hours per week of personal academic tutoring sessions. Finally, additional preparation materials and tutorials will be provided for those who are required to take state licensure examinations. Academic counseling and services will be coordinated by the CLEOH Academic Program Advisor.

- **Social Services.** Many students who are enrolled in the variety of programs may already have a family that they will need to continue to support although they are enrolled in a fulltime academic program. Social service programs will be coordinated by the CLEOH Social & Economic Service Program Advisor. This individual will help the students apply for the appropriate CLEOH Child Care and Room and Board Stipends. This person will also be

• **Economic Services.** The CLEOH Social & Economic Service Provider will aid individuals in applying for Room & Board (Housing) Stipends. In addition he/she will facilitate financial literacy workshops for the program participants depending on their financial expertise.

• **Micro-Entrepreneurial Business Services**

  Services provided to businesses, such as janitorial services, are another growing industry in the South Texas Frontera Regions. Community Based Organizations should increase their investment in developing micro-entrepreneurs within the region that will develop small businesses targeted to provide janitorial, administrative and web-based video and music industry services to larger businesses in the area.

• **Develop the Rio Grande Valley Frontera Plaza (RGVFP)**

  The Brownsville Community Development Corporation, in conjunction with State Sen. Eddie Lucio’s local staff and community residents, should spearhead the creation of the Rio Grande Valley Frontera Plaza. Using the Comprehensive Asset Building Model, the vision for the Rio Grande Valley Frontera Plaza will be derived from the voices of local community members. In order to maintain alignment with the broader goals of the CABM the Rio Grande Valley Frontera Plaza Project will include the following:

  1. Priority access to local bidders for construction, design and financing proposals.

  2. Priority access to local business owners to any retail space that is created.

  3. Encouragement for local businesses to locate in the RGVFP by allowing them to pay rent on retail space determined as a percentage of gross sales as opposed to a traditional base rental agreement.

  4. Employment of the Native American tribal “theory of thirds” to enable residents to have direct ownership of the RGVFP. This model ensures that
community residents maintain partial ownership by directing one-third of any projects' profits for individual benefit. It also dictates that project designs include a mechanism for a third of any profits generated be dedicated reinvested for ongoing development and that a third be used for immediate community benefits. Therefore, a third of the profits will benefit individual community members who will be able to purchase small shares, RGVFP Community Investor Units, in the RGVFP project. Another third of the profits will be directed to support the creation of the Brownsville Community Foundation, which will also be controlled by a Board of Directors comprised of local community residents. The remaining third of the project profits will be used to support the Business Development Services and IDA programs of the Acción Texas Brownville Satellite office. As of December 31, 2003, in five years the Acción Texas Brownsville Satellite Office has generated over 957 small business loans and distributed $3,326,996 in financial capital for local entrepreneurs. By supporting the Business Development Services and IDA programs through the Acción Texas Brownsville Satellite office, the RGVFP will be reinvesting in the financial and human capital of future business owners who are local residents.

South Texas Youth Asset Building Initiatives

In the Brownsville MSA, over one third of the population is under the age of 18 and 40 percent of families with children live below the poverty level. With 98 percentage of children designated as economically disadvantaged, there is an inherent need to implement a CABM approach to increase the educational trajectories of students in the South Texas frontera. To successfully implement a CABM approach, the CABM partners must identify that schools, communities, families and students have, in the past, operated in educational institutional frameworks that failed to comprehensively integrate each of the primary partners in student achievement. Education begins and ends with a student, in a family that is immersed in a community and instructed by a school. The same factors ranging from family composition to income level that are used to identify students as economically
disadvantaged can be utilized by communities, schools, businesses, government agencies and foundations working in tandem to strengthen families and positively influence students by expanding their asset development horizon.

Asset-building policies need to target youth who are living in poor families, and in order to do so, the policies must be implemented in a place where they have direct access to these students and their families: schools. The CABM approach allows for community practitioners and parents to operate in an environment that utilizes the assets of the community and specifically public schools, essentially adopting the Community School concept that supports the integration of social, economic, and family services within the public school domain. CABM program design and operation would be managed by non-profit community based organizations that use the public school interface to gain access to their primary market, economically disadvantaged youth.

The UTB Youth Entrepreneurship Program, Raul Yzaguirre School for Success Asset Building Incubator Project, Raul Yzaguirre School for Success IDA Program and the Hanna High School Community/Individual Account Program are examples of CABM programs that will invest in the human, social, cultural, financial and intellectual capital of children and families in the South Texas Frontera. Each of these programs are original recommendations created by the author that would serve as effective program “templates” for this and other frontera communities.
The Raul Yzaguirre School for Success Asset Building Incubator Project (RYSSABIP) is the most comprehensive of the four abovementioned proposals. The RYSSABIP is an excellent example of an asset building policy that assumes some of the traits associated with the community school social and economic programs. The RYSSABIP will be administered by an Asset Building Coordinator who will oversee the initiatives that reflect the three principles of the CABM education, and expansion:

- **Education.** The first part of the program involves creating a financial literacy class for parents, and developing a financial literacy curriculum for students.

- **Engagement.** This is perhaps the most robust part of the RYSSABIP. To begin EITC preparation and basic banking services will be provided for parents whose children attend the school. Parents and community members will learn about the Financial Literacy/EITC classes by advertisement during the Charro Days Parade. A Financial Literacy/EITC Information float will be used to market the asset building services provided by the school. In addition a Financial Literacy/EITC booth will be produced during the accompanying Sombrero Festival. Charro Days and the Sombrero Festival are local cultural events in which the entire community participates and children are excused from attending school to participate in the festivities. Advertising the RYSSABIP during Charro Days and the Sombrero Festival would utilize the cultural capital assets of the local community by tapping into cultural community wide events. Such an endeavor will produce positive economic outcomes for families who become involved and lay a foundation for other schools to implement meaningful asset building strategies for families on their campuses. Engaging parents in asset building programs will also be accomplished through the EITC Tax Preparation component of the RYSSABI.
As parents learn about their taxes and the tax structure they will become engaged in this federal component that allows for many upper and middle class families to accumulate assets.

The RYSSABI will provide these basic services through a partnership established with Wells Fargo Bank. The Wells Fargo Bank will operate a bank branch that provides basic checking and savings accounts. The bank branch within the school provides families with access to mainstream financial services and will facilitate their engagement into the mainstream financial service market. Furthermore each child attending the school will receive a basic savings account upon their enrollment and will maintain their IDAs using this branch facility.

- **Expansion.** The third component of the RYSSABI involves expanding the asset building capabilities of parents and children. Expansion efforts will involve developing a First Time Homebuyer program in conjunction with the Brownsville Community Development Corporation. The BCDC is the main supplier of affordable homes in the Brownsville area. Parents engaged in the RYSSABI programs will have access to completing a separate First Time Homebuyer series and will be assisted in purchasing a home.

Each of the IDA and CIDA programs assume a four percent interest rate on deposits that are made solely by the program and are restricted in the sense that they cannot be accessed to make withdrawals until the student has completed a specific program. If students do not complete high school and do not enroll in an institution of higher learning, they will not receive the money in their IDA. Additionally, if they do not complete an Associate’s, Technical or Bachelor’s degree, the student would be responsible for repaying the amount they withdrew from the IDA up to that point.
Each of the programs will be funded through a combination of federal, state and foundation sources. Schools will also be encouraged to create an IDA Endowment Fund of at least $2,500,000 that will generate revenue as an alternative source, in the event that one of the three major funding sponsors should cease to participate.

- **UTB Youth Entrepreneurship Program.** This three-month summer program, hosted by the University of Texas at Brownsville, is designed to prepare students who have completed the sixth grade to pursue a path of entrepreneurship both during and beyond junior high and high school. Upon their completion of the program, students will receive an Entrepreneurial IDA that they can use for future college tuition expenses. For example, the typical student will receive $1,000 upon completion of the UTB Entrepreneurial Summer Program. Each year that the student completes a grade with a 90 percent attendance rate they will receive $1,000 in their account with an additional $1,500 upon their acceptance to an institution of higher learning. Assuming that there are no deposits made from the individual student and that they complete each grade, they will begin with $1,000 and graduate with $8,398.29. This is a significant financial resource that will enable them to invest in their human capital and expand their educational trajectory beyond high school.
### Table 6.1
**Youth Entrepreneurship IDA**
(assumes a 4% interest rate)

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Deposit</th>
<th>Earnings</th>
<th>Balance</th>
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</thead>
<tbody>
<tr>
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<td>$0</td>
<td>$1,000</td>
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<tr>
<td>2013</td>
<td>Grade 8</td>
<td>$1,000</td>
<td>$40.00</td>
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<tr>
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<td>Grade 9</td>
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<tr>
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<td>Grade 10</td>
<td>$1,000</td>
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<tr>
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<td>Grade 11</td>
<td>$1,000</td>
<td>$169.86</td>
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<tr>
<td>2017</td>
<td>Grade 12</td>
<td>$1,000</td>
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<tr>
<td>2018</td>
<td>College Acceptance</td>
<td>$1,500</td>
<td>$265.32</td>
<td>$8,398.29</td>
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</table>

- **Raul Yzaguirre School for Success IDA Program.** The RYSS IDA Program is a component of the RYSSABI and will be administered by the Asset Building Coordinator. The program would give each of the 84 Pre-K students with an IDA with an initial deposit of $1,000. The students would then receive a $500 deposit for each grade that they complete with a 90 percent attendance rate. Assuming that they start with $1,000 and only receive $500 per year and a $1,000 bonus when they are accepted to college, they would have $11,378 to use to defray the cost of pursuing higher levels of education.
Table 6.2
Raul Yzaguirre School for Success IDA Program
(assumes a 4% interest rate)

<table>
<thead>
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<th>Earnings</th>
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</thead>
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<td>$500</td>
<td>$84.06</td>
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<td>College Acceptance</td>
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<td>$399.14</td>
<td>$11,378</td>
</tr>
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</table>

- **Hanna High School Health Occupations Community Individual Development Account.** This program would give students in the Health Professions track at Hanna High School $2,000 when they enroll in the program and $1,500 for each year they complete with a 90 percent attendance rate and $1,000 when they are accepted to college. When they graduate from high school, they would have approximately $10,058 to use towards school. This program is slightly different from the previously described IDA programs, as the students would have to complete a degree in a health occupations-related field and then return to the South Texas Frontera to work for a specified period of time. Thus, the program is appropriately named a Community Individual Development Account, as it directly ties the financial capital matched savings account investment with the future human capital investment of local students who in turn will invest in the community through
their local employment. This program would be sponsored by 50 percent foundation, 10 percent federal, 10 percent state, and 30 percent from the major South Texas Region Hospital coalitions.

In his book *Asset for the Poor*, Michael Sherraden shares a powerful example of the limitless possibilities that access to assets provides, especially in regards to youth. He recounts a story of a wealthy individual, Eugene Lang, who promised 61 low-income junior high students in Harlem that if they all graduated from high school he would pay for their college education. The overwhelming majority of students graduated. Sherraden asserts that the students in this class graduated at a much higher rate than their low-income or economically disadvantaged peers from similar schools because they knew that there were financial capital asset resources available for them to use to pursue a higher education. Thus, the potential assets allowed them to have a vision of their future and a tangible dream. The *frontera* regions cannot wait for a wealthy individual to grant one cohort of public school students the opportunity to access financial assets to invest in their future human capital. Measures such as those outlined above that focus on the human capital development of *frontera* youth are absolutely vital to ensuring that this young generation has opportunities to increase their human, social, financial, cultural and intellectual capital assets so that they can contribute to their communities and provide for an intergenerational transfer of assets in the years to come.
Specific Programs and Policies to Target Ex-offenders

Several federal, state, and local level policy and program initiatives are necessary to improve the asset-building capabilities of ex-offenders residing in frontera communities. The reduction and elimination of barriers inhibiting asset accumulation of ex-offenders will decrease the negative impacts of collateral consequences in individuals, families and communities. The following recommendations are offered as initial steps to create opportunities for the successful reintegration of ex-offenders and to increase their asset building potential.

Federal Level

- **Apply a comprehensive asset building model approach to the reentry process.** This would include a simultaneous evaluation of various programs targeted towards enabling ex-offenders to effectively build their social, human, financial, cultural and intellectual capital assets. A comprehensive approach to social service provision would include streamlining the various programs offered by different government, private and non-profit entities for ex-offenders within border communities to ensure that they receive a more comprehensive set of services.

- **Eliminate mandatory minimum sentencing for minor drug offenses.** Current mandatory minimum sentencing has reduced the discretion of judges to determine an appropriate sentence for offenders convicted of minor drug offenses. This policy has resulted in non-violent drug first time drug offenders receiving average sentences that are longer than the average sentence for “rape, child molestation bank robbery or manslaughter.” The over-representation of Latinos from border counties who are incarcerated due
to drug convictions resulting from mandatory minimum sentencing needs to be addressed through the elimination of this sentencing practice.

- **Repeal federal “One Strike You’re Out” Public Housing Policy.**
  Legislative action at the federal level is required to amend the 1996 Housing Opportunity Program Extension Act, and implement provisions prohibiting public housing authorities and the private housing establishments that accept Section 8 Vouchers, from evicting families who are housing an ex-offender with a drug related criminal history. This legislative amendment would also protect families from immediate eviction when a member of their household is suspected of participating in drug related activity.

- **Implement “best interest of the child” standard for Public Housing Policy.**
  This standard would require public housing authorities and private housing establishments who accept Section 8 Vouchers to consider the impact of eviction on the children of a family before they move to immediately evict them if one member of the household is suspected of participating in drug related activity.

- **Repeal the ban on financial aid for drug convictions.**
  Repealing this provision of the 1998 Higher Education Act would allow students with a drug related felony conviction to be eligible for federal financial aid. Allowing students with drug related offenses to receive federal financial aid will increase opportunities for them to build their human capital through higher education pursuits.

**State Level**

- **Implement a Child Support Payment Program in Texas Prisons.**
  This program would allow offenders to accumulate financial capital from employment earning that they generate while they are incarcerated.
Increasing the presence of private prison labor programs that pay at least minimum wage would provide a revenue source from which inmates would receive a salary that could only be used towards making child support payment while they serve their sentence.

- **Implement Inmate Work Evaluation Program in Texas Prison.** This program would require correctional staff to complete a work evaluation for all inmates who are involved in prison labor. Ex-offenders could use this work evaluation as an alternative to a letter of recommendation when they begin seeking employment upon their reentry to the “free world.”

- **Opt out of the Lifetime TANF and Food Stamp Benefits Ban.** States have the option of choosing to adopt or opt out of the lifetime ban on TANF and Food Stamp programs for ex-offenders with drug-related convictions. Over 30 percent of ex-offenders in two of the major MSAs along the border have prior drug convictions and are directly impacted by this collateral consequence. Lifting this ban would provide ex-offenders with basic social services to support their reentry process.

- **Examine the spillover effects of policies that deny social services to ex-offenders as they reenter society in Texas border counties.** One example might include requiring TDCJ to examine the impact of TANF and Food Stamp ineligibility of ex-offenders with drug convictions and the extent to which ineligible ex-offenders suffer from a food shortage upon their reentry. Additionally, an evaluation of the impact that the TANF lifetime ban has on the ability of women ex-offenders in border communities to become self-sufficient and actively participate in the community could quantify some of the spillover effects incurred as a result of a denial of social service provision due to an individual’s prior drug conviction.
• **Establish Drug Courts in each of the Texas – Mexico Border Counties.**
  Drug courts have proven to reduce recidivism rates, criminal activity levels and drug use of its participants.\(^{406}\) Drug courts also provide significant cost savings when compared to traditional forms of adjudication.\(^{407}\) Legislation should be enacted that would extend the mandated requirement of drug court implementation to border counties regardless of their population size. Current Texas statutes only require counties with populations of more than 550,000 to provide this alternative to incarceration for minor drug offenders.\(^{408}\)

• **Create TDCJ Direct Resource Centers in McAllen and Brownsville.** The creation of a TDCJ Direct Service Centers in the two largest MSAs in the South Texas Border Region would provide rehabilitation and reentry services to the 1,593 ex-offenders that are currently on parole in Cameron and Hidalgo counties. An additional 463 ex-offenders residing in surrounding border counties could also be served by these two new Direct Resource Centers.

• **Increase the number of drug rehabilitative service providers in South Texas border counties.** Ex-offenders in South Texas need access to affordable inpatient and outpatient drug rehabilitative services. Increased access to such services could reduce the recidivism rate of 38 percent of the ex-offenders in Hidalgo County and 30 percent of those in Cameron County who have drug-related convictions.\(^{409}\)

• **Create a Border Counties Re-Entry Service Coordination Commission (BCRESC).** The BCRESC would coordinate the re-entry services provided through the Texas Department of Criminal Justice, Texas Department of Human Services, Texas Workforce Commission, Texas Commission on Alcohol and Drug Abuse, Texas Department of Housing and Community Affairs, Texas Veterans Commission, City and County Public Housing Authorities, private service providers, and non-profit agencies in Border
Counties. The BCRESC would provide government and non-profit organizations with increased capacity to help ex-offenders navigate the reentry process and create a more comprehensive service delivery system.

- **Support the creation of a South Texas TIFA Chapter.** Ideally, this chapter could be located in the McAllen area and serve families who have loved ones involved in the criminal justice system. A South Texas TIFA Chapter is necessary considering that 50 percent of all parolees are located in Hidalgo and Cameron Counties. By placing the chapter in McAllen families from several surrounding border counties would have access to the support services provided by TIFA.

- **Create Transicion de la Prision a la Comunidad.** Modeled after the La Bodega de la Familia, this organization would implement a Family Case Management approach to serving ex-offenders in border communities with drug addictions. As a community based organization, Transicion de la Prision a la Comunidad could use a family-centered approach to rehabilitation of ex-offenders and shift from “an individualistic, criminal-punishment model and toward a collaborative, public health model.” Using culturally relevant and sensitive methods to reintegrate ex-offenders will improve their life chances and asset building capabilities.

**Conclusion: Where Do We Go From Here?**

Each of the recommendations, whether at the national, state or local level, are necessary to improve the asset building capacity of low-income families. The recommendations proposed that relate to ex-offenders are especially important, as their asset-building capacity is hindered by the additional collateral consequences they face. In reality the correct implementation of the above recommendations will
occur incrementally as policy windows open in the right economic, social and political domains. Although the CABM adopts a comprehensive approach to policy implementation, a step by step process would initiate the complete immersion of CABM type policies and programs and lead to the creation of a national agenda to promote asset-building policies for low-income working families.

When the guiding principles of education, engagement and collaborative expansion, are applied to CABM programs and policies, meaningful outcomes are produced for low-income working families that increase their human, cultural, social, economic and intellectual capital. The Texas-Mexico Frontera maintains a variety of examples of the transformative power that is captured in the reclamation of capital by low-income working families and communities through CABM programs and policies. This region is also an excellent example of what productive, meaningful coalitions between foundations, community based organizations, academic institutions, neighborhood residents, local, state and national government agents and private businesses can produce. In the case of the Southwest Border Family Asset Building Group the various partners involved have achieved great success thus far in breaking down barriers and building bridges to help families escape poverty in the short term and achieve intergenerational prosperity in the long-term.

The Comprehensive Asset Building Model invokes a cyclical process that addresses the local needs of a community and increases their capacity to become self-sufficient. It requires government, corporate businesses, academic institutions and
small and large non-profit organizations to jointly assume their role as catalysts supporting the implementation of an asset based alternative approach to alleviating poverty and creating community economic development in low-income Latino communities. The CABM is designed to be flexible to meet the specific needs of any low-income population and was demonstrated through its application to various communities along the frontera with unique needs, such as the youth, immigrant or ex-offender populations. Achieving economic and social parity for low-income working families and communities is the civil rights movement of the 21st Century. National leaders have much to learn from the examples of CBOs along the Texas-Mexico frontera that are rectifying social and economic inequalities one community at a time by building an infrastructure tailored to create asset building opportunities for their families. It is the authors hope that the information discussed in this report will bring increased attention to the alternative response to poverty that exists among frontera communities and support her belief that as a society we are obligated to work together to support a “welfare” agenda that stems from the acceptance that:

“Our desire is not that others might be relieved while you are hard pressed, but that there might be equality. At the present time your plenty will supply what they need, so that in turn their plenty will supply what you need. Then in turn there will be equality.” 2 Corinthians 8:13 -14.
Notes


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VITA

Zoraima Diaz was born on May 26, 1979 in Washington D.C. to Ninfa Ruiz Diaz and Hilario Garcia Diaz. She attended the Lyndon B. Johnson Science Academy where she received her High School Diploma in 1997. Upon her graduation from high school she enrolled at the University of Texas at Austin where she received Bachelor of Arts Degrees in Government and Mexican American Studies in May of 2001. Zoraima completed her Congressional Hispanic Caucus Institute Fellowship in the Leadership Development Department of the National Council of La Raza in Washington D.C. from September, 2001 to May, 2002. In August of 2002 began her graduate studies at the Lyndon B. Johnson School of Public Affairs. During her first summer she completed a Texas Association for Community Development Corporations Lone Star internship with the Neighborhood Housing Services of Austin. She was also selected by the National Congress for Community Economic Development to participate in their 2003 Emerging Leaders Program. During her second year the LBJ School she worked on the Southwest Border Family Asset Building Group Initiative under Dr. Barbara Robles.

Permanent Address:   1425 Mulberry Lane

Brownsville, TX 78520

This report was typed by the author.