The people of the United States have persevered in the face of a hostile political and economic environment over the past three years. The affirmative decisions to restrict access to health care, particularly for women; to no longer provide fair housing protections to renters, particularly Black renters; and to cut SNAP benefits for more than 3 million men, women, and children—among many other policy and administrative actions—have had overlapping and cascading effects on the economic well-being of many U.S. households. In response, there has been strong collective action in communities across the country regarding how to improve our social and legislative environments.

By highlighting national, state, and local data trends in outcomes and state policy responses, the 2020 Prosperity Now Scorecard reveals prospective steps we can take to improve the climate of our country. While some national economic indicators reflect the slow, consistent recovery that has marked the past 8 years—surging stock market values; unemployment rates below 4%; foreclosure rates below 1%; and household poverty rates returning to their pre-recession levels—there remains significant opportunity for legislators and policy advocates to address the drivers of economic inequality, and to develop a more comprehensive distribution of the recovery’s benefits among all U.S. residents.

So, how do we begin to distribute the benefits of the recovery more evenly amongst all households? We can start by addressing the income inequality that has increased over the past few years; decreasing the uninsured rates that have risen among both adults and children; and stabilizing home costs which have seen an increase at a rate several times greater than average household incomes. Additionally, given that the wealth of the median household has risen over the past four years, we must hold elected officials accountable to ensure that this growth is also distributed in a manner that addresses historical racial wealth inequality.

The bright side is that we can begin to strengthen our economy through policy, culture change, and collective action. We can close the divide between the wealthiest Americans and the average U.S. household by combatting the adverse racial narratives and biases that underlie our socioeconomic policies. Additionally, we can work together to reverse current growth trends that have plagued multiple generations of individuals in our country while re-establishing – and better enforcing – legal protections for historically targeted groups. Lastly, we can reinforce universal safety net programs.

Because we recognize that the aforementioned priorities affect countless U.S. residents, we constructed this report to amplify the stories of people these revised policies should be designed to help. These are people who, through circumstances beyond their control, have found themselves on the wrong side of the trends we hear about in the monthly unemployment or foreclosure reports. People like:

- Martha Allen-Shabazz, who perseveres daily to support her family despite being forced to take low-wage work after earning multiple college degrees;
- Derrick Kennedy, who weathered unexpected health issues that subsequently caused him to incur thousands of dollars in property tax debt that almost caused him to lose his home;
- AJ Collette, who has overcome addiction and incarceration to become financially secure through his participation in a management externship and an emergency savings program.
What’s Most Important: Stories from the Prosperity Now Community

Each story highlighted in this report, and those included in our other research, helps illustrate the interconnected nature of people’s physical and economic health. Martha, Derrick, and AJ encountered obstacles that either magnified existing financial maladies or created new ones, bringing them and their families to the brink of financial ruin. However, their tremendous efforts paired with the help, care, and compassion of their respective communities created the conditions through which they’ve been able to recover. Through the efforts of policy advocates and legislators across the country, those conditions can be made universal and permanent.

Preserving Stability Through Savings

AJ Collette is a father of five, and the newly-minted Head of Operations and Production at Flourish Bakery, a social enterprise that offers employment opportunities and access to general support to Utahns who, like AJ, are in recovery from addiction or re-entering the workforce following incarceration. AJ first joined Flourish as an intern, using the opportunity to build a more secure and stable life for himself and his family. AJ’s immediate goal once he completed the internship was to establish an emergency savings fund to aid his family as they navigated an increasingly unaffordable rental housing market. He was able to put away three months of savings as a buffer, and has since begun working with the AAA Fair Credit Foundation’s savings and financial counseling programs to build on the foundation he’s established.

Many others in AJ’s position are in far worse shape. They remain caught in the maw of the courts and carceral systems: buried under medical debt related to disability or addiction; and have limited access to professional or housing connections. Three in ten Utah households are liquid asset poor, meaning that they do not have enough cash or savings to subsist at the federal poverty level for three months in the absence of income. Nationally, 37% of households are liquid asset poor, including 58% of Black and Hispanic or Latino households.

In response, organizations like the AAA Fair Credit Foundation, a Prosperity Now Community Champion, have led the charge to provide a comprehensive safety net for the households and families most affected by the decline in the state’s historically prosperous industries. Martha Wunderli, Executive Director at the AAA Fair Credit Foundation, has advocated for statewide savings programs, including Individual Development Accounts, for over 15 years. Over that time, Wunderli has assisted hundreds of men and women like AJ—people who have put their all into building a successful life on their own terms, but have been hindered by structural barriers. Martha notes:

“We see [people’s] financial situation, and it’s heart-stopping. Close to 60 or 65% [of them] are unbanked…. They also have huge medical debt and huge court costs…. The average debt was $10,000—and these people don’t have jobs because they’re coming back into the community. To reinstate your [driver’s] license in Utah can cost as much as $1,400, but you need your license to get to work and to medical care…[with] suburban sprawl and the remoteness of rural areas.”

Rather than building impediments to financial security like onerous sales taxes on subsistence spending like groceries, or implementing work requirements to restrict access preventative health care, statehouses should
work to open avenues to prosperity for their constituents. Focusing energies on repealing savings penalties for public benefit programs, like asset limits, at the federal and state levels would be a light legislative lift that would free up state budgets, rather than constrain them. Also, by funding savings programs like the Individual Development Accounts that Martha Wunderli and other advocates have pushed for – and that states like Oregon and Utah have implemented – governments can provide platforms for long-term financial security.

In a nation as prosperous as ours, people like AJ shouldn't have to struggle to access the resources necessary to achieve financial security and resilience; or move heaven and earth on their own to beat the odds and get the help they’re seeking. By removing barriers to saving rather than building them, policymakers would expand opportunity and provide an exponentially profound benefit to thousands of families in states across the country.

### Ending the Low-Wage Debt Trap

Consumer debt can be a healthy way to build financial security or even cover rainy-day emergencies. However, access to safe forms of consumer debt varies widely from community to community. This is particularly true when comparing White communities to communities of color, which exemplifies why action is needed to ensure credit can be beneficial—not predatory—for all consumers who need it.

For those among the 53% of consumers who are lucky enough to have access to prime credit with a credit score of 720 or higher, taking on debt to buy a car; to finance a home; or even just to cover unforeseen short-term expenses can be an ideal option to create wealth and prosperity. This is exactly the bill that’s been sold to most Americans—borrow today for a better future tomorrow. But for many consumers, especially the 47% with subprime credit, or near prime credit scores below 720—or others who have no credit history at all—turning to credit while having volatile income means a future that comes with a potential predatory debt trap. These less-than-prime consumers and consumers without credit are locked out of access to safe credit products. Instead, they are shepherded toward a vicious cycle of lower-quality alternative credit products with exorbitant interest rates, compounding fees and the frequent need to take on additional loans to pay off the ones previously taken out. The right tools and solutions—like a well-regulated alternative credit market and a strong Consumer Financial Protection Bureau fully empowered to enforce such regulations—must be put in place to ensure a more level credit playing field.

Martha Allen-Shabazz is a 62-year-old great-grandmother in North Carolina who has known she needed help dealing with her finances for years. Being a single mother and needing to cover standard living expenses meant she was never able to get a well-paying job even after earning college degrees in both business and psychology. Despite these degrees and many years of experience as a childcare provider, she found herself in a position of not having the “right” degree or certifications. These challenges led her to work in one of the nearly 25% of jobs in a low-wage occupation in North Carolina. During a time in life when many American
What's Most Important: Stories from the Prosperity Now Community

workers begin looking forward to retirement, Martha continues to work two jobs just to run her household, pay her car loan and keep a roof over her head.

Even though Martha has two jobs, it still isn’t always enough—especially when she isn’t scheduled for enough hours at work. For example, this past holiday season, Martha was only needed for one day of work, adding her to the 20.1% of households across the country who experienced income volatility in the past year. Though work schedules and incomes might ebb and flow, the bills—car payments, insurance, rent—don’t take time off. When families are barely scraping by, many of them will turn to help wherever they can get it. For the lowest-income earners, this often means temporarily turning to public assistance programs. For others like Martha who make too much to qualify for assistance, but too little to meet their financial needs, the only option is often to turn to credit. For households of color, the most accessible option is frequently turning to alternative—and often costly—financial services like auto-title loans, rent-to-own services and similar entities. According to the most recent FDIC National Survey of Unbanked and Underbanked Households, Black households were more than twice as likely as White households to use these alternatives (11.6% of Black households compared to 5.6% of White households). This is an unsurprising fact given the higher prevalence of services like payday lenders in Black and Latino communities overall. As Prosperity Now describes in The Ever-Growing Gap and Forced to Walk a Dangerous Line, Black and Latino households have significantly increased exposure to wealth-stripping financial products like these compared to White households, contributing to the ongoing racial wealth divide in this country.

Credit and debt can absolutely be the right choice for some consumers in these situations. But not everyone experiences and accesses credit the same in this country. Martha shares: “Like many African American families, we didn’t learn the value of credit. A lot of us came up in a situation where we were not economically in a position to save, and we didn’t learn how to be financially stable… I just want to be educated. I think that’s where a lot of problems come from…because we’re not educated in financial wellness or being financially stable.” For Martha, the education she needed in order to learn the ins and outs of healthy credit access came when she heard about the work of Prosperity Now Community Champion Marquita Robertson and The Collaborative. Marquita was able to work with Martha to help build her financial capability and connect her to the resources she needs rather than being forced to turn to frequently predatory alternative lending options.

It is critical that advocacy for this kind of financial capability education by groups like The Collaborative expand so that families retain the opportunity to develop debt solutions that go beyond high-cost loans. This can help to ensure that families don’t fall victim to predatory debt through poorly regulated payday, car-title and other short-term lending. In some states, like North Carolina, advocates like Marquita are working to ensure policymakers take action to prevent these debt traps by protecting against predatory small-dollar lending products. Rate caps and other restrictions on predatory lending products coupled with financial capability services and policies designed to boost and stabilize wages will help more families like Martha’s avoid these alternative credit sources in the first place.

Over the past several years, the federal Consumer Financial Protection Bureau has pulled back considerably from efforts to seek enforcement actions against bad financial providers. This includes recently proposed federal regulations related to payday lending and debt collection rules that would leave consumers more vulnerable in the marketplace. In light of this regulatory backslide, policymakers should enact solutions at the state and federal levels that restrict predatory financial practices and build alternatives that empower families of color to safely access credit for a rainy day, a brighter tomorrow or a more prosperous future.
Making Homeownership Affordable

Derrick Kennedy is a native of Detroit, Michigan, who owns a home that he’s lived in since the 1980s. He lives just around the corner from his father’s house. He has planted deep roots in this neighborhood, and as a homeowner, felt stable enough to continue his educational goals toward earning a bachelor’s and master’s degree. But even with things seemingly heading in the right direction, Derrick has experienced circumstances that threatened to upend his finances.

Derrick’s health took an unexpected turn for the worse preventing him from working, causing bills to pile up alongside growing property tax debt that he was unable to pay. This hardship triggered a tax-debt putting him on the path to a potential foreclosure action to be placed on his house.

Derrick’s story isn’t unique in this country. Whether due to the rising unaffordability of homeownership—with median housing prices now 3.71 times higher than median incomes—or the costs of maintaining a home, many families across the country are teetering on the edge of constant housing instability. For households of color, these struggles can often feel less like burdens and more like an insurmountable wall. More than one in every four homeowner households (27.7%) in this country are feeling the financial strain of spending a disproportionate amount of their monthly incomes—greater than 30%—just to cover housing costs and are considered cost-burdened homeowners. Among homeowners of color, this percentage rises to nearly 36%. With homeownership an increasingly difficult goal to reach and maintain as housing prices continue to grow faster than incomes, renters are feeling even greater housing stress. Nearly half of all renters in this country (49.7%) are considered housing cost-burdened, a figure that rises to 54% for renter households of color.

These challenges, as overwhelming as they may seem, are ones that can be mitigated—and hopefully reversed—when the right policy solutions and programmatic supports are put in place. Derrick obtained support from Wayne Metropolitan Community Action Agency (Wayne Metro), a Prosperity Now Community Champion based in Detroit, that was able to help him work through his expenses and take advantage of a local program that helps low-income homeowners with tax debts keep their homes by having these debts and their tax rates reduced to a manageable amount. With this assistance, he was able to stay in the home he owns in the very neighborhood in which he grew up and lived his life. However, the work doesn’t stop there, and new solutions are around the corner that can help others in similar situations.

Michigan now has an opportunity to build off strides and victories already seen to preserve housing in Detroit and the surrounding Wayne County. This opportunity comes through a new property tax relief proposal for low-income homeowners that would make property tax debts dramatically more affordable. Known as Pay as You Stay (PAYS), this policy proposal before the Michigan Legislature eliminates interest, penalties and fees owed by a property tax debtor; limits the balance due to back tax only or 10% of the home’s taxable value, whichever is less; and allows the homeowner to pay back the remaining balance over three years at zero percent interest. Providing this relief acknowledges that low-income homeowners are often far more vulnerable to financial shocks that can quickly spiral into a mountain of debt and put a family’s home at risk, as was the case for Derrick. Michigan policymakers who support PAYS recognize the greater long-term value
of keeping families stable and healthy in the homes they own. These leaders have placed homeownership as a priority over any short-term revenue losses from debt forgiveness, rather than to allow vacant houses to idle in city or county land banks while generating no revenue.

This policy is just one example of new solutions being developed to promote stable housing, and to allow families to build wealth and prosperity. Policymakers should also enact innovations being proposed at the federal level that would significantly restructure our current tax system focused on housing with the goal of keeping more people like Derrick in their homes. One such proposal, the Homeowners Post-Purchase Tax Credit, would create a flat, refundable tax credit of $1,200 for all homeowners with a mortgage. The credit would allow more homeowners of all incomes to cover the expenses of owning a home whether they are expected, like property tax bills, or unexpected, like an emergency repair. But low-income homeowners and households of color who are less likely to have savings would especially benefit by covering a far greater share of their monthly housing costs than for higher-income homeowners, making them less susceptible to a financial rainy day.

These policies, along with others found within the Scorecard’s Homeownership and Housing issue area, are promising solutions to help families thrive in an ever-shifting economy. “I’ve been going through a transformation of sorts,” says Derrick. “I’m changing my values. What I mean by that is that I’m seeing what’s important. When you have peace of mind knowing that your bills are paid, when you have peace of mind knowing that you have relationships, health, and strength, then that’s what’s most important.”

Exploring the Link Between Health and Wealth

Access to affordable health care has been constricted since 2016. Both the overall uninsured rate and the rate of uninsured low-income children increased in both 2017 and 2018 following six years of consistent decline. These outcomes are the direct result of federal and state governments stripping or obstructing access to affordable health care. Federal and state lawmakers must prioritize opening avenues to access, and lessen restrictions placed on low-income individuals’ ability to access public health care options.

While many states on the forefront of the opioid and rural incarceration crises—like Kentucky, West Virginia and Maine—have expanded Medicaid eligibility, some have also instituted restrictive work requirements that prevent many in need from accessing vital care provided through that expansion. In communities with limited health care options like Southern Utah or Northern Maine, these restrictions can represent the difference between a regular paycheck and food insecurity; treatment and relapse; or prosperity and indigence.

The Census Bureau’s September Income, Poverty, and Health Insurance estimates found that, because of federal and state-level policy action to restrict Medicaid access, roughly 1.7 million more people went without health insurance in 2018 than in 2017. The Scorecard’s state data suggest that those stripped of their health insurance were disproportionately people of color. From 2017 to 2018, overall uninsured rates increased in 35 states, but the uninsured rate among people of color increased in 46 states. And yet, rates of White adults that reported being in poor or fair health increased in more states over the same time period than did the rates for
adults of color. Not only does this finding demonstrate that the restrictions to health care access transcend racial or ethnic group distinctions, but that access to insurance alone is insufficient in ensuring that all people receive adequate and affordable care.

Both Derrick Kennedy and AJ Collette have weathered extraordinary medical challenges that threatened the economic security of their households. Derrick endured a medical emergency that placed heavy limits on his ability to work, and on his ability to address the mounting costs of maintaining his Detroit home. For AJ, being uninsured meant frequent trips to the emergency room, from which an avalanche of medical debt loomed. In both cases, failing health was a precursor to financial, employment, and housing insecurity. As Derrick stated, “I was trying to struggle on my income to maintain finances the best I could, but when challenges hit I was overwhelmed.”

Derrick is not alone. One in eight households fell behind on their bills in 2017, including more than a quarter of those households with at least one member with a disability. Similarly, one in eight households skipped regular doctor visits due to excessive costs in 2018. Earlier in this report, Martha Wunderli described the connection between household wealth, the availability of employment opportunities, and people’s physical well-being. The data corroborates her observation, suggesting that when people are expected to meet their full financial obligations on limited incomes—like Derrick—the cost of medical care can be far greater than the price of the doctor visit itself. And when illness prevents individuals from working, but regular work is a requirement for accessing health insurance and avoiding an overwhelming debt burden, those costs can become insurmountable.

Building an infrastructure based on the development of stronger, more equitable policy is critical as we identify ways to support people suffering from both sudden and chronic ailments. For Derrick, a health challenge led to immense financial strain, and a subsequent housing crisis. For others, the inverse is true, as burdensome housing costs can make it harder to maintain prescription regimens or obtain needed health services. These overlapping challenges underscore the necessity for policymakers to view financial and housing policies as contributing to public health, and policy providing wider access to affordable health care as a housing, employment, and income issue. Policymakers can alleviate this burden by moving forward on legislation to expand Medicaid to all who need it, remove work restrictions and other barriers to access to care, and limit the amount that care providers and insurance companies are able to charge patients.

Where We Go from Here

As the Presidential campaign progresses throughout the year, voters—as well as the entire nation—will scrutinize the aforementioned struggles, experiences and policies while making decisions about who gets the privilege to thrive in this American economy. Every state has an AJ, a Martha or a Derrick. Every state has people who, through their individual challenges, exemplify the deep disparities that exist beneath the surface of our broader economy. As candidates campaign to voters that they have the right solutions to meet their needs, we must remind them that these are stories of real people in our country that they must directly address.

These issues and inequities we highlight in the Scorecard underscore the interconnectedness of our financial lives, our health and our hopes for building a tomorrow that might be better than today. They also demand that our policymakers exhibit their desire and ability to enact policies that can create the social and economic change needed to reverse the harms of the past, and to secure a more equitable future for all.
Now is the time for us to draw the attention of our policymakers to the voices we amplify here, and the many like them across the country who are ready for solutions that will make these hopes come to fruition. These are potential solutions that:

- Break down barriers to saving by eliminating savings penalties for public assistance programs;
- Make housing affordable no matter where people live by giving them the relief and support they need to keep their homes through proposals like Pay As You Stay;
- Stop one trip to the emergency room from spelling out financial ruin by expanding Medicaid or limiting the cost of medical care;
- Turn our tax system right-side-up by restructuring how we incentivize homeownership through the tax code;
- Help families be financially prepared for a rainy day with Individual Development Accounts; and
- Build access to safe, affordable and well-regulated financial products and services, freeing people to pursue their aspirations without fearing a mountain of crushing debt.

Every box that gets checked on a ballot this year is a chance to advance these solutions, and to send our demands for political leaders to bring about the change we seek.

Partner with us in our mission to create a more equitable society for all by joining our campaigns and actively engaging your federal, state and local policymakers. Becoming a part of our campaigns will assist you in establishing connections with your representatives with a single click. We also encourage you to become a member of the Prosperity Now Community to remain up-to-date on our latest policy developments, learning events, and programmatic innovations as well as opportunities to connect with your fellow Community members across the country. Additionally, members of the Prosperity Now Community are provided with real-time updates regarding the Scorecard including: new outcome measures; updates to our local-level data; and our continued development of the Scorecard as a powerful tool to build connections between health and wealth, and the policies that promote this holistic outlook.

Together, throughout 2020 and beyond, we can share widely and loudly this vision of our nation where all families have a clear path to financial security, wealth and prosperity!