

# American Saver

*You Can Build Wealth*

## America Saves Through Homeownership

In mid-December, America Saves launched a new "build wealth through homeownership" initiative planned by the campaign's Homeownership Advisory Committee.

The initiative is supported by new research revealing that home equity represents well over one-half of the personal wealth held by lower income and minority homeownership households. And their wealth is far greater than that of comparable non-homeowning households.

The purpose of the new program is to promote personal wealth accumulation through the building and preservation of home equity. The initiative includes widely disseminating homeownership wealth-building messages and services throughout the networks of national housing organizations.

The messages include those found in a new brochure and website sub-page. They offer basic advice related to five themes: preparing for homeownership financially; purchasing a home; making home loan payments on time; availability of help for those who have difficulty making payments on time; and using caution in borrowing home equity.

Advisory Committee co-chair Pamela Banks, who serves as Vice President of Regulatory Compliance at Fannie Mae, said: "We expect to make great progress towards expanding homeownership opportunities for under-served Americans." Fannie Mae and the Fannie Mae Foundation are providing important support for the new initiative.

Eighteen national organizations are playing an important role in planning and implementing the initiative, including Neighborhood Reinvestment Corporation, The Enterprise Foundation, and the National Congress for Community Economic Development.

## PHILADELPHIA SAVER

# Saving for a Home of Her Own

For the better part of five years, Christina Doyle has been trying to get her finances in order. A single mother of two children with no child support, a limited income, and chronic health problems, she faced an uphill battle.

"I just got so frustrated with almost catching up, then something happens and everything gets screwed up," Ms. Doyle said. "I'd get depressed and hit rock bottom and wouldn't do anything about it for a while. Then I'd start up again. I just wanted the bills paid."

About a year ago, she was attending a workshop on basic banking and saving information sponsored by Dignity Housing, a subsidized housing program that also offers life skills workshops. At the workshop, she picked up a pamphlet on Philadelphia Saves.

She had some reservations about contacting the campaign. "I'm a very independent person. I don't like asking for help too much," she said, adding that she felt like needing help was a sign of "bad character."

But, she braced herself for the criticism she expected and sent in the coupon asking for more information about the program. "I figured, whatever they have to say to me — that I've done everything all wrong — I'll just take it." The warm and helpful response she got from Philadelphia Saves Project Coordinator Christine Slovic came as a pleasant surprise. "It helped that Christine was so nice," she said.

Saves got her started with a pre-purchase homeownership program

offered by Consumer Credit Counseling Service. "I went in to get a budget," she said, and they also pulled up a copy of her credit report. "They just basically worked slowly with me," walking her through the process of clearing up her credit record.

"When I tried in the past, I always looked at it like, I have to get it done all at once and ended up stressing myself out," she said. The CCCS adviser helped her see that she needed to take things one step at a time, telling her,



*"When I tried in the past, I always looked at it like, I have to get it done all at once."*

Christina Doyle

"You can't get to the end without first starting somewhere."

A year later she has just one outstanding bill left, which she expects to pay off in February when she gets her income tax refund. "One more thing, and I'm done. I'm so happy," she said. Then she plans to start saving toward her ultimate goal, buying her own home.

With no fat in her budget, she plans on saving the remainder of her income tax refund, whatever she can from her paycheck, and any extra money she can earn babysitting and taking on other jobs. She also plans to take advantage of the homeownership workshops and materials that Philadelphia Saves offers. "I'm hoping by next year I'll have enough saved and enough information to start looking for a home."



## Financial Market **facts**

### January 2004

Money market account	0.49%
1-year CD	1.15%
5-year CD	3.12%

### U.S. Savings Bonds

EE Bond	2.61%
I Bond	2.19%

### Mortgage Rates

30-year fixed rate mortgage	5.87%
15-year fixed rate mortgage	5.19%
1-year adjustable mortgage	3.85%

**Sources:** *The New York Times*, "Data Bank," pg. BU 12, January 11, 2004 and [www.savingsbond.gov](http://www.savingsbond.gov), January 9, 2004.

## Family Wealth **facts**

### Home Wealth, 2001

#### Homeownership rate

All households	68%
Low income	40%
Moderate income	57%

#### Home equity/Net wealth\*

All households	42%
Low income	80%
Moderate income	60%

\*Percentage of net wealth represented by home equity for homeowners.

**Source:** Federal Reserve Board 2001 Survey of Consumer Finances.

## Savings Strategies

# The Importance of Emergency Savings

**B**uilding an emergency savings fund is the top goal of American Savers. Nearly 6,000 of the some 15,000 Savers who have enrolled locally or nationally have chosen "emergency savings" as their first wealth-building goal.

### Why Build an Emergency Fund

This is a sound choice. Having an emergency savings fund may be the most important difference between those who manage to stay afloat and those who are sinking financially. That's because maintaining emergency savings of \$500 to \$1,000 allows you to easily meet unexpected financial challenges such as:

- repairing the brakes on your car;
- buying your child a new pair of needed shoes;
- replacing a broken window in your house;
- paying for a visit to the doctor when your child has the flu;
- covering the dental expense of filling a painful cavity;
- paying for a parking ticket; or
- flying to visit a sick parent.

The emergency fund not only allows you to cover these expenses, it also gives you the "peace of mind" that you can afford these types of financial emergencies.

Not having an emergency savings fund is an important reason that many individuals borrow too much money at high interest rates. For example, with emergency savings, Americans probably would not have to take out \$2 billion a year in payday loans at interest rates that average 300 to 500 percent.

### Where to Keep Emergency Savings

It's usually best to keep emergency savings in a bank or credit union savings account. These types of accounts offer easier access to your money than certificates of deposit, U.S. Savings Bonds, or mutual funds.

But not too easy. Keeping your money in a savings account makes it much less likely that you will use these savings to pay for everyday, non-emergency expenses. That's why it is usually a mistake to keep your emergency fund in a checking account.

You may well need at least \$100 to open the savings account and a \$200

minimum balance to avoid monthly fees. In most areas, however, there are several financial institutions with lower minimums. Also, banks and credit unions may waive the minimums if you have other accounts at that institution.

If you become a Saver in a local America Saves campaign, a number of participating financial institutions will make available to you low- or no-minimum savings accounts. Check the America Saves website for information about local campaigns.

### How to Find Money to Save

There are many places to find money to save. Start with the loose change that many people accumulate. Americans typically save more than \$100 in loose change each year. Use this change to open and grow a savings account.

If you receive a tax refund or Earned Income Tax Credit, use a portion of this money to begin or increase savings. Since the Tax Credits average nearly \$2,000, you may be able to open a savings account and still have plenty of money to pay off debts or cover other expenses.

Try to deposit money saved by cutting back on small, unnecessary expenditures. The America Saves "Build Wealth Not Debt" pamphlet and America Saves website list more than 20 ideas for reducing spending. These ideas range from packing a lunch, to switching from daily lattes to daily coffees, to not bouncing checks. You'll find even more ideas in the "Quarter Saved" column on the next page.

Building an emergency fund may be easier if you involve your whole family in meeting this challenge. After you've explained the importance of emergency savings to your spouse or children, they may even help build the account. And, they will be more likely to understand why it's more important for you to increase these savings than to pay for expensive gifts at birthdays or Christmas.

Another way to accumulate the \$500 to \$1,000 of emergency savings is to ask your bank or credit union to automatically transfer funds from checking to savings monthly. Automatic savings is the easiest savings. What you don't ever see, you may never miss.

# A Quarter **Saved** is a Quarter **Earned**

**N**o one knows better than Savers how to find the extra dollar here and quarter there that, over time, add up to substantial savings. Here are a few of their savings tips.

Before making a purchase, I think of how many hours I have to work to purchase that item. For example, if you make \$10 per hour and want to purchase an \$80 jacket, you would have to work eight hours to pay for that jacket. I have talked myself out of many purchases using this method.

KAREN ROMA  
BINGHAMTON, NY

I have a credit card that provides a \$1 credit for every \$100 in charges. I pay all my grocery bills, gas, restaurant, and any other purchases I make with that card, so it adds up quickly. When I accumulate \$2,500 in purchases, I call and get a check for \$25. I never pay interest, as I pay the entire bill on time each month.

BARBARA BRODY  
FT. LAUDERDALE, FL

With six brothers and sisters, six children, nine grandchildren and thirteen in-law brothers and sisters, I send a lot of cards — birthday, graduation, new baby, etc. I discovered that thrift stores or garage sales are a great place to find great cards. In our area, they cost as little as 10 to 25 cents for a card and envelope. I have no problem finding a wide variety of high quality cards at this inexpensive price. If you buy some of each type, you will always have a card for every occasion that comes up. It truly saves time and money.

SHERRIE WIELAND  
ROSEBURG, OR

Keep your tires properly inflated to improve fuel efficiency as much as six percent. Change your oil, fuel, and air filters regularly. This can boost fuel economy up to 10 percent. Clean your fuel system with cleaners and additives to increase gas mileage up to 15 percent.

BRIAN M. FAZIO  
CLEVELAND, OH

I live in an apartment complex where the thermostats for the hot water heaters are set at 140 degrees. Since I have a granddaughter visiting me, I had them turn the thermostat to the lowest possible setting. I did it for safety reasons, but I also cut my electric bill in half.

MARY J. MCLAUGHLIN  
NEWPORT BEACH, CA

We allocate \$100 a week for grocery expense. I created a weekly contest whereby whoever spends the least on a daily meal plan (not including myself) will receive the savings at the end of the week. Here is how it works: My husband takes three days, my son takes three days, and I take one day. We each plan our meal for the prospective day. It must include veggies as well as the other food groups. What we don't have at home, we must go out and purchase. The average savings per week has been \$43. My husband and son have each taken home the loot and are very competitive with each other. When my son wins, I don't have to give him lunch money each day, which again saves on the family budget. My husband has started a vacation fund with his savings, so it's a win/win situation for me.

RHONDA FINLEY  
TROTWOOD, OH

## Send your savings tips to:

American Saver, c/o Consumer Federation of America Foundation, P.O. Box 12099, Washington, D.C. 20005-0999.

If we select your tip for publication, we will send you a \$50 EE Series Savings Bond (initial value \$25). Please include your name, mailing address, and phone number so we can contact you to arrange for your savings bond.

Save by using less of products like laundry soap and toothpaste. Toothpaste commercials show a large amount of toothpaste on the brush when only a small amount is required to do the job. You can use a quarter less laundry soap and save. For many products, there's no need to use what is recommended on the container.

ROBERT SITZBERGER  
MILWAUKEE, WI

## American Saver

*American Saver* is the quarterly newsletter of the America Saves campaign, a national program to encourage and assist Americans to save and build wealth more effectively.

The campaign is coordinated by the non-profit Consumer Federation of America (CFA), supported by national foundations, and advised by dozens of non-profit, government, and business groups. A generous grant from the New Century Financial Corporation supports the publication and distribution of the *American Saver*.

Questions about how to start a local savings campaign in your area should be directed to: Nancy Register, America Saves, c/o CFA, P.O. Box 12099, Washington, D.C. 20005-0999; 202-387-6121 (phone); 202-265-7989 (fax); nregister@consumerfed.org.

*American Saver* Editor: Barbara Roper

### New Century Supports American Saver

The New Century Financial Corporation recently provided a generous grant to America Saves to defray the growing expenses of the *American Saver* newsletter. The newsletter is currently mailed to more than 12,000 Savers and supporting organizations, and this number is growing rapidly.

# News

## FROM LOCAL CAMPAIGNS

*Note: This is not an exhaustive list of the activities of all America Saves sites, but rather a sampling of activities from several of the local campaigns. For a more complete list of America Saves campaigns, be certain to visit our website at [www.americasaves.org](http://www.americasaves.org).*

The Tennessee Credit Union League has agreed to promote **Tennessee Saves** statewide through work with local coalitions, wealth building coaches at credit unions, and posters and brochures in lobbies. **Henderson County Saves** kicked off its campaign in September, and **Nashville Saves** has scheduled its kick-off for February.

**Philadelphia Saves** has enrolled more than 800 Savers. The campaign plans an outreach effort to local employers during the first part of 2004.

**Okaloosa Saves** (FL) has scheduled workshops for several county government departments, including the health department. A money seminar for Savers is also planned.

Since November, **Northwoods Saves** (WI) has been providing volunteers and information for a 3- to 5-minute weekly television spot.

**Northland Wisconsin Saves** has scheduled several test presentations during January and February.

**Milwaukee Saves** has begun offering motivational presentations in conjunction with the Housing Authority of the City of Milwaukee. The campaign was featured on a 30-minute local television program, "Inside-Outside Milwaukee."

**Louisville Saves** (KY) helped to put on a half-day women and money conference, in which the Kentucky State Treasurer Jonathan Miller also participated. The event served as the kick-off of the campaign pilot program. Nearly 100 women participated, and ten enrolled as the first Louisville Savers.

**Kansas City Saves** has enrolled nearly 1500 Savers. The campaign recently participated in an "Opportunities in the African American Economy Conference," which was sponsored by the Fannie Mae Kansas City Partnership Office, FDIC, Federal Reserve Bank of Kansas City, and the Office of the Comptroller of the Currency.

**Indy Saves** partnered with Consumer Credit Counseling Service and Family Services to host the educational seminar, "SpendRight," which was promoted in a prominent article in the local newspaper. The campaign has enrolled nearly 600 Savers.

**Columbus Saves** (OH) launched its pilot project in January. Religious organizations, a non-profit employment service, a Latin outreach program, and other human services organizations have agreed to serve as host sites.

**Georgia Saves** celebrated its statewide kickoff in October at the

Federal Reserve Bank in Atlanta, with more than 125 government agencies, non-profit organizations, corporations, and financial institutions participating. Governor Sunny Perdue declared the day Georgia Saves Day. The campaign website is now up and running at [www.georgiasaves.org](http://www.georgiasaves.org).

During the first annual **Cleveland Saves** "Roll Your Change Week" in October, a total of 1,798 people deposited \$152,355.38 in change. Mayor Jane Campbell proclaimed the week "Roll Your Change Week" at a special event in City Hall. More than 350 branches of 17 financial institutions participated, and other businesses and organizations distributed posters and coin wrappers and promoted the event in newsletters or on websites.

**Charlotte Saves** has enrolled more than 1000 Savers. The campaign has launched a series of twice-monthly, community-wide workshops through the library with an accompanying radio program.

**Arizona Saves** will offer training about Arizona Saves to all the IRS volunteer tax preparers (VITA) in Phoenix, Mesa, and Tempe as part of their Earned Income Tax Credit campaign. Brochures will be distributed at all VITA sites, and wealth coaches will talk about the importance of saving.

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P.O. Box 12099  
Washington D.C. 20005-0999

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