

OKLAHOMA COUNTY VITAL SIGNS

volume 1, edition 2

IMPLEMENT FINANCIAL EDUCATION.
INCREASE INCOME.
BUILD SAVINGS. GROW ASSETS.
**DEVELOP STRONG FAMILIES AND
INFLUENCE THE CONDITION OF ALL.**

STRONG FAMILIES
EDITION

“WELCOME TO THE SECOND ISSUE OF VITAL SIGNS. THIS ISSUE FOCUSES ON THE CHALLENGES FACED BY FAMILIES AND, MORE SPECIFICALLY, TO THE INSTABILITY THAT IS CREATED WHEN A FAMILY’S INCOME IS NO LONGER SUFFICIENT TO COVER HOUSEHOLD EXPENSES.”

The landscape for the financial stability of families has shifted dramatically due to the continued economic downturn. As we prepared this report, we encountered numerous examples of people who previously would have been labeled as middle class, but now find themselves in need of assistance.

The signs and symptoms of these concerns seem to be everywhere. The Oklahoma Department of Human Services reported recently that the number of Oklahomans receiving food stamps or Medicaid benefits now exceeds one million. Reports show that mortgage, bank loan, credit card and utility delinquency rates continue to rise. Perhaps the most interesting sign comes from a temporary, free dental clinic in Tulsa set up and operated by volunteers. Over 2,000 people waited in line for free dental care; many of these people were employed full time, but didn’t have either dental insurance coverage or funds to pay for dental care.

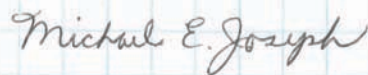
Another focus of this report is homeless families. We’re pleased to include some of the results from the recent Point-in-Time count conducted by The Homeless Alliance. As you will see, many families seem to be increasingly unable to make mortgage payments and other expenses, such as utilities. Many families are forced to choose among basic necessities, such as food, medications, rent or mortgage payments, utilities, or other necessities.

A weakened and unstable family unit increases a family’s vulnerabilities in many areas. One disturbing trend relates to human trafficking – criminal activity in which people, including children and entire families, are forced into a form of servitude. Some of the activity involves forced prostitution or other endeavors that are sexual in nature, while others involve forced labor. Surprisingly, this problem has become so severe and prevalent in Oklahoma that we plan to devote the next issue of Vital Signs to this single topic.

The challenges are varied, and there is no “one-size-fits-all” solution. One area that shows improvement is the growing number of available programs that help people learn to better manage their finances. Some of these programs are discussed later in this edition.

We hope this information is helpful to you. If you have any comments, please call the United Way staff at 523-3532 or send an email to vitalsigns@unitedwayokc.org.

Best regards,



MICHAEL E. JOSEPH

Chair, United Way Research & Community Initiatives Advisory Committee
Partner, McAfee & Taft



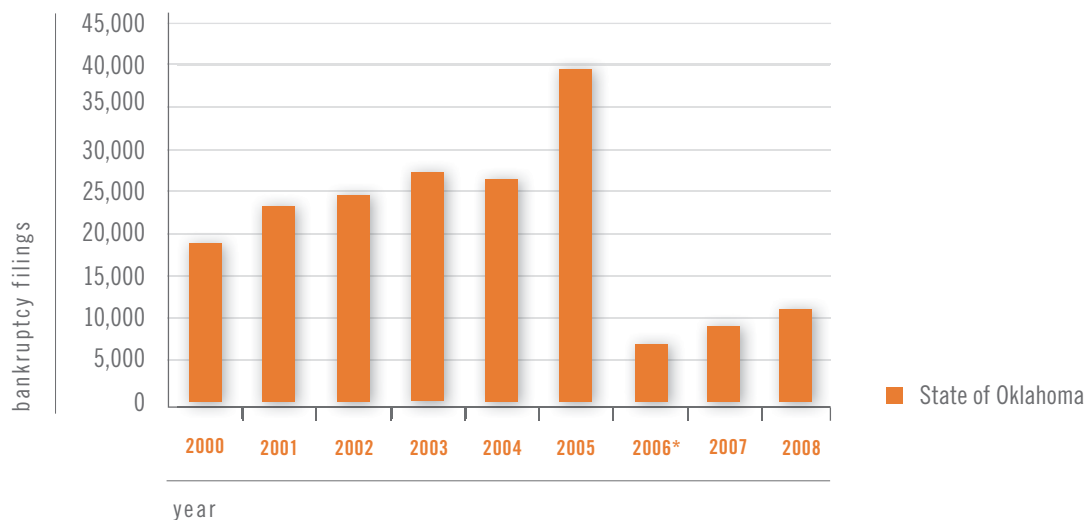
DIAGNOSIS: FINANCIAL EDUCATION IS INSTRUMENTAL IN ACHIEVING FINANCIAL STABILITY

Many families working full-time in Oklahoma are struggling to gain or maintain economic security. These families are most likely just one emergency, such as an unexpected medical expense or car problem, away from a financial crisis. The number of Oklahomans in Oklahoma County living in poverty grew to 16.1% in 2008, up 2% from the year before.¹ A family of four living on \$22,050 or less per year is living in poverty.²

In 2009, 14,209 Oklahomans filed bankruptcy, increasing 27% from 2008.³ The Bankruptcy Reform Act of 2005 made filing bankruptcy more difficult, which is one reason for the significant drop in filings from 2005 to 2006. Since then, there has been a steady increase in the number of families struggling with finances and those who have filed for bankruptcy. In 2009, Oklahoma well exceeded the number of filings from each of the last three years. An increase in bankruptcy filings correlates to an increase in financially unstable families in Oklahoma.

Research indicates financial education in schools and in the workplace better prepares individuals to achieve and maintain financial stability. Financial education enables individuals to make informed judgments and effective decisions about the use and management of their money. The typical student who graduates from high school likely does not have the basic skills to manage personal finances. Many are unable to balance a checkbook or develop a household budget and have limited or no knowledge of basic financial principles involved with earning, spending, saving, and investing.⁴

TOTAL BANKRUPTCY FILINGS: PERSONAL AND BUSINESS



source: American Bankruptcy Institute

* The Bankruptcy Reform Act in 2005 made it difficult to file bankruptcy

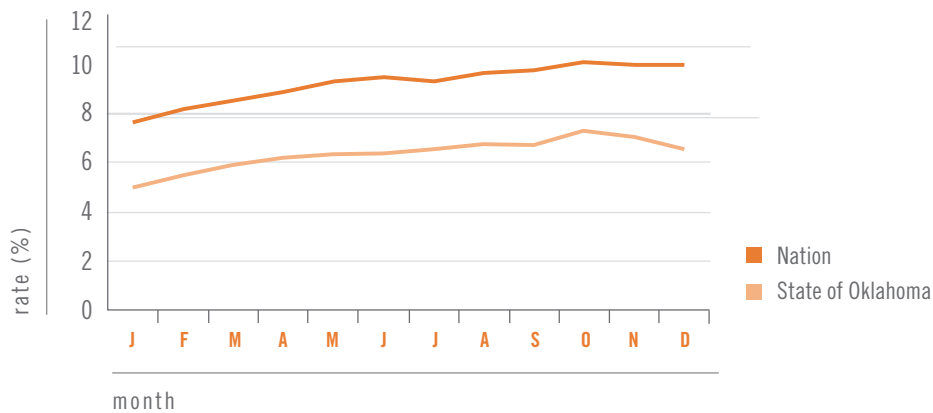
1. American Community Survey Database. U.S. Census Bureau. Web. <<http://www.census.gov/acs/www/>>.

2. U.S. Department of Commerce Bureau of Economic Analysis. Web. <<http://www.bea.gov/>>.

3. American Bankruptcy Institute. Web. <<http://abiworld.org/>>.

4. Jumpstart Coalition for Personal Financial Literacy. Web. <<http://www.jumpstartcoalition.org/>>.

2009 UNEMPLOYMENT RATE



source: U.S. Bureau of Labor Statistics

GIVEN THE COST OF LIVING TODAY, A FAMILY NEEDS TO EARN AT LEAST 2.5 TIMES THE FEDERAL POVERTY LEVEL TO BE CONSIDERED FINANCIALLY STABLE IN MOST COMMUNITIES.⁵

INCREASE INCOME

To avoid poverty and become financially stable, adults must have a steady job and earn sufficient income to support themselves and their families. However, Oklahoma's unemployment rate has been increasing. As of January 2010, 6.7% of Oklahomans were unemployed, presenting almost a 2% increase from one year ago. Although high, it is just under the nation's unemployment rate of 9.7% as of January 2010.¹ The average wage per job in Oklahoma is \$8,758 below the national average, while the minimum wage is \$7.25 per hour.¹

As more Oklahomans lose their jobs, many are turning to universities, community colleges and trade schools to enhance their job skills in the hopes of obtaining a higher paying job as the economy improves. For the Fall 2009 semester Oklahoma's public colleges and universities saw an increase in the number of students enrolled. Oklahoma's community colleges experienced the largest percentage increase in the higher education tiers at 10%.² Oklahoma City Community College increased enrollment 14.5% in the Fall 2009 semester.²

One strategy that helps families increase and maximize their income, and begin to save and increase assets, is the Earned Income Tax Credit (EITC). EITC is a refundable federal and state income tax credit for low to moderate income working individuals and families. To qualify, taxpayers must earn less than \$48,279 annually and file a tax return, even if they did not earn enough money to be obligated to file.³ The EITC can provide a family with as much as \$5,657.³ This tax credit is one of the largest and most effective wage support programs for low to moderate income families.⁴

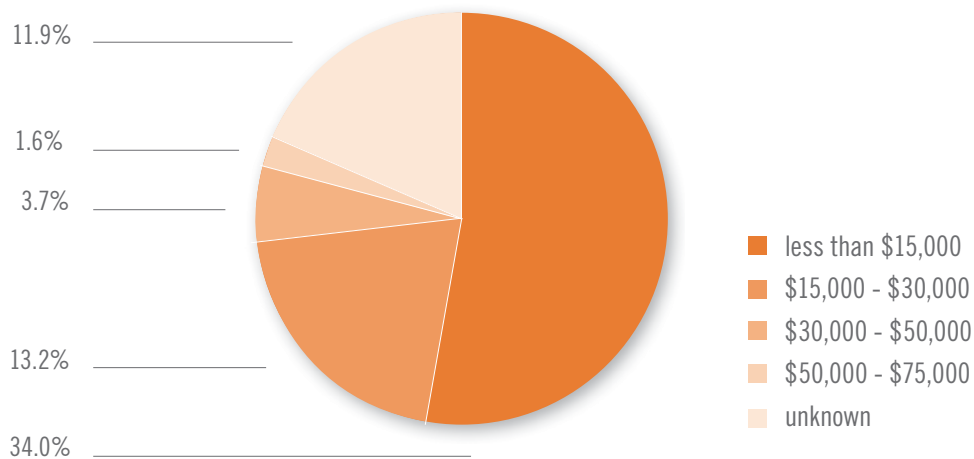
BUILD SAVINGS

Savings are essential for surviving a financial emergency and dealing with unbudgeted expenses; yet, 10% of Oklahoma households do not have a savings or checking account.⁶ These households are considered **unbanked**. According to the FDIC, “access to an account at a federally insured financial institution provides households with the opportunity to conduct basic financial transactions, save for emergency and long-term security needs, and access credit on affordable terms.”⁶

Some households have a relationship with a bank, yet rely on alternative financial services such as payday loans, rent-to-own agreements, pawn shops, or check-cashing services; these households are considered **underbanked**. 21.9% of Oklahoma households were **underbanked** in 2009.⁶

In Oklahoma, 355 payday loan businesses are operated by 40 different companies.⁷ Payday loans are expensive cash advances that must be repaid in full by the borrower’s next payday. In Oklahoma the annual percentage rate for a two week \$100 loan is 390%. “A typical borrower pays \$793 for a \$325 loan.”⁸

INCOME OF UNBANKED HOUSEHOLDS IN OKLAHOMA



Source: FDIC National Survey of Unbanked Households, December 2009.

ONLY 2% OF PAYDAY LOANS ARE MADE TO BORROWERS WHO CAN AFFORD TO REPAY THE LOAN WHEN IT FIRST BECOMES DUE.⁸

1. *The Self Sufficiency Standard for Oklahoma* 2009. Rep. Center for Women’s Welfare and University of Washington, School of Social Work, 2009. Print

2. *U.S. Department of Health and Human Services*. Web. <www.hhs.gov>.

3. *IRS.gov*. Internal Revenue Service. Web. <<http://www.irs.gov>>.

4. Holt. *The Earned Income Tax Credit at 30: What We Know*. Washington, DC: The Brookings Institution.

5. *Goals for the Common Good, The United Way Challenge to America*. Publication. United Way of America. Print

6. *FDIC National Survey of Unbanked and Underbanked Households*. Rep. Federal Deposit Insurance Corporation, December 2009. Print

7. *Oklahoma Department of Consumer Credit*. Web. <<http://www.ok.gov/okdocc/>>.

8. King, U. Parrish, L & Tank, O. *Financial Quicksand: Payday lending sinks borrowers in debt with \$4.2 billion in predator fees every year*. Durham, NC: Center for Responsible Lending.

AN EXPERT WEIGHS IN: DIFFICULT TIMES REMAIN

Like the country as a whole, central Oklahoma has experienced a difficult economic recession. Although our area was one of the last to enter the national downturn, economic and financial conditions in our region deteriorated rapidly once we did. From late 2008 to the end of 2009, unemployment in the greater Oklahoma City area increased from less than 4% to more than 6%. Personal incomes stagnated and public finances suffered from decreasing revenues. Delinquencies on mortgages, bank loans, credit cards, and utility bills in our region rose steadily. By late 2009, over one in nine home mortgages in Oklahoma was either past due or in foreclosure. At the same time, many of the costs faced by our families, including health care, food and fuel either continued to increase or remained elevated by historical standards. Not surprisingly, demands on our region's nonprofit agencies grew markedly at a time when financial support for these agencies became ever more strained.

But despite the recent bad news, there are still reasons for optimism for families in central Oklahoma. The local economy has recently shown signs of stabilization and even recovery, as layoffs have subsided and growth in some local industries has resumed. And because of our much later entry to the recession, overall economic and financial conditions here remain much better than in the nation as a whole. No large metropolitan area in the nation had a lower unemployment rate in December 2009 than Oklahoma City. And while home foreclosures and other delinquencies have continued to rise, our housing markets and banking conditions remain fundamentally better than in most other parts of the country. Driven by strong gains prior to the recession, our per capita income now exceeds that of the nation for the first time since the early 1980s. At the same time, our cost of living remains low. Our median home price is still more than 20% lower than the national average, despite recent sizable home price declines in many parts of the country. Finally, the generosity of Oklahomans has shown through during this difficult period, as evidenced in part by the very successful recent United Way of Central Oklahoma campaign.

To be sure, some difficult times remain for many central Oklahoma families and the agencies that serve them. But the dark clouds are beginning to be replaced by sunnier skies, and the future for our region continues to look very bright indeed.



Chad R. Wilkerson

CHAD R. WILKERSON

Oklahoma City Branch Executive
Federal Reserve Bank of Kansas City

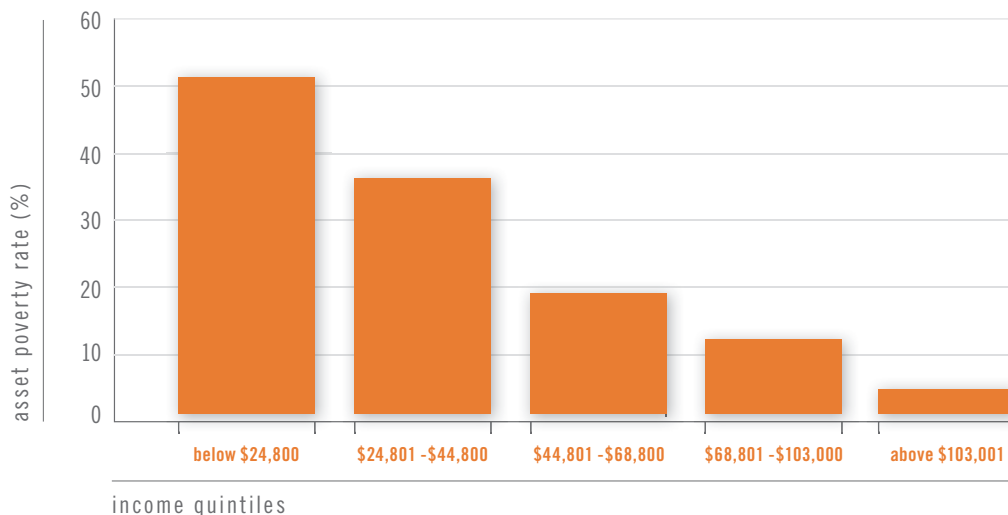
THE MOST FREQUENT CALL TO HEARTLINE 211 OVER THE LAST TWO YEARS INVOLVED REQUESTS FOR FINANCIAL ASSISTANCE.⁴

GROW ASSETS

Many families in Oklahoma have been able to accumulate assets to build net worth. These assets are the resources and capabilities that allow families to achieve financial stability.¹ Assets are not only important for middle and upper-income families, but for the low-income as well. Research shows that assets increase household stability, decrease financial worry and decrease the likelihood of poverty from one generation the next.²

The most common asset for most families is their home; yet many households in Oklahoma are asset poor. “A household is asset poor if it lacks the resources to subsist at the poverty level for three months if it loses its source of income.”³ Even middle-income families are asset poor; almost one in five households in Oklahoma earning \$44,801 to \$68,800 are asset poor.³

ASSET POVERTY BY INCOME IN OKLAHOMA*



Source: 2009-2010 Assets and Opportunity Scorecard

*A household is asset poor if it lacks the resources to subsist at the poverty level for three months if it loses its source of income.

1. Blatt, David. "New Brief Discusses Importance of Assets for Opportunity." *Oklahoma Policy Institute*. Print.
 2. *Goals for the Common Good, The United Way Challenge to America*. Publication. United Way of America. Print
 3. *2009-2010 Assets and Opportunity Scorecard*. Rep. Cfed. Print.
 4. *Monthly 211 Call Center Reporting*. Rep. 211 Oklahoma. Web. www.211oklahoma.org.



FOR: Action

ADDRESSING: Strong Families

Rx

Implementing a financial education program in the workplace is a simple way to help families in Central Oklahoma become financially stable. One out of four employees is financially stressed; spending an average of 20 hours a month of work time on personal financial problems. Employers benefit from a financially educated workforce in several ways; increased employee productivity and allegiance to their company, reduction in absenteeism and turnover, and increase in contributions to 401(k) plans. .

20% OF EMPLOYEES HAVE FINANCIAL PROBLEMS SEVERE ENOUGH TO NEGATIVELY AFFECT PRODUCTIVITY.¹

1. *The Case for Financial Education in the Workplace*. Federal Reserve Bank of Kansas City.

BEST IN PRACTICE

OPUBCO COMMUNICATIONS GROUP

An employee benefits survey in 2005 indicated a need and desire for financial education in the workplace. OPUBCO researched several training alternatives and ultimately chose Dave Ramsey's Financial Peace at Work. After the first year 74 graduates had paid off \$219,102 in debt and accumulated \$123,521 in savings for a total of \$342,623 or \$4,630 on average per person. One graduate of the program said, "[It] gave me great ideas on how to handle my money, be debt free, and live a more stress free life. I never knew how much of my stress came from money issues."

SHEET METAL WORKERS UNION

Working as the business manager with the Sheet Metal Workers Union for more than 15 years, Perry Sneed began seeing a trend in withdrawals from the 401K plans through their hardship provision and became concerned. "Many of the members view their 401K as a savings account, rather than a retirement plan," Perry explains. Now when a member applies for a hardship he receives information about financial education classes at Consumer Credit Counseling Services, a United Way Partner Agency. If a member applies for a second hardship he is required to attend classes at CCCS and provide a certificate of completion. This requirement of workplace financial education has proven to be successful, as there has been a 70 percent reduction in the number of members borrowing from their retirement plan.

AMERICAN FIDELITY ASSURANCE COMPANY

American Fidelity Assurance Company believes people perform at a higher level when they feel secure about their health and the welfare of their families; that is why their colleagues are offered financial education through their employee assistance program, LifeWorks, and various Lunch and Learns. Through these programs colleagues are able to access self-help tools and resources ranging from healthy lifestyle habits to budgeting and retirement planning. American Fidelity Colleague, Tammy Townsend shares her story; "I jumped at the chance to tell my own colleagues at my company's Lunch and Learn sessions how I got out of over \$55,000 in debt in just two years. I have all my debt paid, except my house, and now have a 6-month emergency fund saved. I feel more in control of my life than I have ever been."

HOMELESS FAMILIES IN CENTRAL OKLAHOMA

CHRISTI JERNIGAN, BLAIR SCHOEB, DAN STRAUGHAN

Insider's
Perspective

For some time, the fastest growing group in the homeless population was homeless families. This situation was only made worse by a lack of specific services for homeless families. One can only imagine the challenges of getting a child to school every day when you don't have a home to call your own. The number of homeless families has been growing for several years, as documented through the annual Point-in-Time count. The most recent count, taken in January 2010, showed a slight decrease in the number of homeless families. While this is good news, the real cause for celebration lies in the recent efforts to help these families move back into permanent housing as quickly as possible. For the past few years, the Homeless Alliance, a United Way Partner Agency, has responded to this growing challenge by developing a plan that combines services of several agencies to address the challenges facing these families. In 2009, over 200 families were successfully served through programs of United Way Partner Agencies.

For many years there has been a common adage that most people are only one paycheck away from homelessness. This seems to be truer today during this economic downturn. It has been particularly hard on middle and lower-middle class families. The increases in medical expenses, gasoline, and utilities have been acutely felt. Many homeless families were, at one time stable and able to pay their bills, but lacked sufficient savings. There are proven strategies that prevent families from losing their homes in the first place. Studies and experiences from other communities have shown that it is far less expensive to provide preventative measures, such as assistance with utilities or car repairs, than to bring a family out of homelessness.

The barriers to returning to a normal life for homeless families are expensive and very difficult to overcome. Families need money to pay the first and last month's rent on a new apartment, including the damage deposit. In addition, families will need to initiate utility services by paying a deposit, as well as any outstanding and overdue bills. A job that will pay the bills and access to financial education is also vital. If a family does not have a working car, then their new home needs to be close to bus lines or within walking distance of the family's necessities.

Homeless children face their own set of challenges. Frequently, they don't get enough sleep or enough to eat making it difficult for them to learn. These children might not have had the opportunity to bathe or have their clothes laundered, which can lead to them being stigmatized at school. Families that are homeless tend to move around a lot and as a result, the children will change schools far too often.

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U.S. Department of Health and Human Services. Web. <www.hhs.gov>.

ONE IN TEN OKLAHOMA
HOUSEHOLDS DO NOT
HAVE A BANK ACCOUNT.



United Way of Central Oklahoma
P.O. Box 837
Oklahoma City, Oklahoma 73101
www.unitedwayokc.org
405-236-8441

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For questions or comments, please contact Blair Schoeb, Sr. Vice President, bschoeb@unitedwayokc.org or
Heather Elmenhorst, Director of Research, helmenhorst@unitedwayokc.org.

