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News Release

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Over One-Third of Maryland Households Are One Crisis Away from Financial Devastation

State Ranks 23rd Overall in Financial Security of Residents, Leads Nation in Policies Adopted to Help Struggling Families

Washington, D.C. — Despite an improving national economy, 34.8% of Maryland households are in a persistent state of financial insecurity, according to a report released today by the Corporation for Enterprise Development (CFED). The number of households who have little or no savings to cover emergencies or to start building a better life has barely budged from last year's 35.6% level. The report also found that state policies are helping to improve the financial security of Maryland residents.

CFED's 2014 *Assets & Opportunity Scorecard* defines these financially insecure residents as "liquid asset poor," which means they lack adequate savings to cover basic expenses at the federal poverty level for even three months in the event of an emergency such as a job loss or health crisis. Included among Maryland's "liquid asset poor" are a majority of those who live below the official income poverty line of $23,550 for a family of four, as well as many who would consider themselves middle class. Fully 14% of households earning between $77,857 and $125,940 annually have less than three months of savings (i.e., less than $5,887 for a family of four).

The *Scorecard* provides rankings for the 50 states and District of Columbia on both the ability of residents to achieve financial security and, for the first time, policies designed to help them get there. While Maryland receives an average outcome ranking of 23, it leads the nation when it comes to policies.

"Nationally, policies at all levels of government helped stem the tide of the recession's damage to household finances. They protected consumers from foreclosure and abusive financial practices, helped raise wages and connected families to the financial mainstream," said Andrea Levere, President of CFED. "Without strong policies that address the challenges facing low- and moderate-income families, wealth and income inequality will continue to grow and our nation's economy will continue to struggle."

The *Scorecard* evaluates how residents are faring across 66 outcome measures in five different issue areas—Financial Assets & Income, Businesses & Jobs, Housing & Homeownership, Health Care and Education. Maryland ranked 23rd in the overall assessment of how residents are faring, falling two spots from last year's 21st-place rank. Despite having the third lowest rate of income poverty in the nation, Maryland still receives a "C" in Financial Assets & Income, meaning many residents are not building wealth or achieving economic security. The average Maryland borrower is carrying around $12,651 in credit card debt (ranked 45th) and 4.31% of borrowers are 90 days or more overdue on debt payments (ranked 42nd), a sign of severe financial distress. Maryland received an "A" in Education, with high rates of college attainment: 43% of adults have at least a two-year degree and 37% have at least a four-year degree, the 8th and 5th highest rates in the country, respectively. Maryland's lowest score is in Housing & Homeownership, where it earned a "C." Maryland has the third highest delinquent mortgage rate in the country, indicating that a significant number of homeowners are at risk of losing their homes. The state ranked 38th in affordability of homes, with the median housing value 3.9 times higher than the median income.

The *Scorecard* also evaluates 67 different policy measures to determine how well states are addressing the challenges facings residents. Maryland has the strongest policies in the country aimed at decreasing poverty and creating more opportunities for low- and moderate-income families. These policies have helped lessen the impact of factors such as high cost of living and extreme income inequality that pose particular challenges for state residents. Maryland ranked near the top across all five policy issue areas assessed by the *Scorecard*, including Financial Assets & Income (ranked 1st), Businesses & Jobs (ranked 23rd), Housing & Homeownership (ranked 1st), Health Care (ranked 6th) and Education (ranked 1st).

"While Maryland ranks first in the nation in Financial Assets & Income, that does not reflect the high amount of credit card and student loan debt or the overall lack of savings for many Maryland families," comments Robin McKinney, Director of the Maryland CASH (Creating Assets, Savings and Hope) Campaign. "Maryland CASH will support several bills this legislative session to specifically address student loan debt. To curb mounting student loan debt, we need to make sure all parents and students have access to the Financial Aid Shopping Sheet developed by the U.S. Department of Education, so they can make informed decisions about how to finance higher education and how to compare financial aid packages."

Published annually, the *Assets & Opportunity Scorecard* offers the most comprehensive look available at Americans' ability to save and build wealth, fend off poverty and create a more prosperous future. It explores how well residents are faring in the 50 states and the District of Columbia and assesses policies that are helping residents build and protect assets across the five issue areas listed above.

According to the nonprofit Maryland CASH Campaign, overall, Maryland has done a good job at passing legislation that can help improve the financial security of its residents, but there is not enough funding invested to fully implement that legislation. Because of this, the Maryland CASH Campaign's 2014 Policy Agenda includes:

- Financial Aid Shopping Sheet
- Student Loan Debt Forgiveness
- Modifications to scope and composition of the Financial Education and Capability Commission

Nationally, the *Scorecard* data reveal that five years into the economic recovery, millions of American families are still treading water in the deep end. While indicators such as unemployment, foreclosure rates and credit card debt show a slow but steady decline, the general picture remains one of declining economic mobility and widening wealth and income inequality. Among other key findings:

- The average college debt for students graduating increased 8% from $27,150 in 2011 to $29,400 in 2012. As student loan debt increased, so did the student loan default rate. Fifteen percent of borrowers in 2012 defaulted on their student loans within three years of starting repayment, up from 13% in 2011.
- The percent of employees participating in employer-provided retirement plans continued to decline from 47% in 2007 to 44% in 2012.
- Although the racial wealth gap narrowed slightly between 2010 and 2011, households of color still fall far behind white households. They have approximately one-tenth the median net worth of white households ($12,377 and $110,637, respectively) and are considerably less likely to own a

home. The homeownership rate for households of color is 26 percentage points lower than the rate for white households (46% and 72%, respectively).

- Only eight states (Maryland, New York, Maine, New Jersey, Connecticut, Washington, Minnesota and Rhode Island) have adopted 50% or more of the 67 policies that can support family financial security. Meanwhile, seven states (Idaho, Missouri, South Dakota, Alabama, Alaska, Mississippi and Wyoming) have adopted fewer than one-quarter of the policies.

To read an analysis of key findings from the *2014 Assets & Opportunity Scorecard*, click here. To access the complete *Scorecard* visit http://assetsandopportunity.org/scorecard.

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CFED empowers low- and moderate-income households to build and preserve assets by advancing policies and programs that help them achieve the American Dream, including buying a home, pursuing higher education, starting a business and saving for the future. As a leading source for data about household financial security and policy solutions, CFED understands what families need to succeed. We promote programs on the ground and invest in social enterprises that create pathways to financial security and opportunity for millions of people. Established in 1979 as the Corporation for Enterprise Development, CFED works nationally and internationally through its offices in Washington, DC; Durham, North Carolina; and San Francisco, California.

To improve policies and programs that promote financial security and opportunity, CFED is the backbone organization for a national Assets & Opportunity Network, which is comprised of more than 1,300 advocates, service providers, researchers, financial institutions and others representing all 50 states and DC. To learn more about the Assets & Opportunity Network, visit http://assetsandopportunity.org/network.

The Maryland CASH (Creating Assets, Savings and Hope) Campaign (www.mdcash.org) is a statewide network of organizations that promotes programs, products and policies that increase the financial security of low- to moderate-income individuals and families across Maryland. Maryland CASH advocates on behalf of these families, as well as provides financial education programs such as the Maryland CASH Academy (www.mdcashacademy.org). Their partner organizations provide free tax preparation sites offering access to appropriate financial services and benefits screening. For more information, contact Ms. Robin McKinney, Director of the Maryland CASH Campaign, at robin@mdcash.org or 443.692.9422.