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Horizons program mobilizes communities to address rural poverty

By Joyce Hoelting

In 2006, the Community Affairs Offices of the Federal Reserve System partnered with the Brookings Institution to examine the issue of concentrated poverty. The resulting report, *The Enduring Challenge of Concentrated Poverty in America,* considers how place matters. It observes that places of poverty often (1) lack linkages and networks, (2) have a historical tendency toward poverty, (3) are isolated, (4) have experienced profound demographic changes, and (5) face entrenched conditions that economic growth alone does not address. In addition, the report describes a dearth of local expertise to address issues in poor communities, combined with poor local governance and a lack of trust among community members.[1]

Poverty in America is often associated with densely populated, inner-city neighborhoods. But in reality, people who live in rural places are more likely to be poor than people who live in urban settings.[2] The Federal Reserve report acknowledges that reality by including case studies from rural communities as well as urban ones. Although rural communities have many amenities to offer, they also have low population densities and long distances between people and services—features that seem likely to exacerbate the five challenges the report identifies.

PHOTO BY SCOTT STREBLE. PROVIDED BY UNIVERSITY OF MINNESOTA EXTENSION.

Residents of St. James, Minn., piece together a quilt symbolizing their town's participation in Horizons, a leadership development program designed to help small, rural communities prosper.

However, rural communities can prosper, despite isolation from the opportunities and resources available in urban centers. What accounts for this? Studies of rural prosperity indicate that *social capital*—the trust, bonds,

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Better deals on wheels: The effects of financial education on car buying

By Catherine Bell and Jeanne M. Hogarth

Vehicles are the most commonly held nonfinancial asset in the United States. Data from the Board of Governors of the Federal Reserve System's 2007 Survey of Consumer Finances show that 87 percent of U.S. households have a vehicle (broadly classified as a car, truck, SUV, minivan, and so on). Among households headed by individuals under age 35, the rate of vehicle ownership is about 85 percent.

A car is a big-ticket item, and purchasing one is typically the first major financial transaction for a young consumer. With a few exceptions, vehicle prices are subject to negotiation. Furthermore, a substantial amount of vehicle financing takes place through dealerships, which means that many transactions involve a dual decision on the price of the vehicle and the price of the financing. Sometimes it's difficult to unbundle the price of the car from the price of the financing offered. And while the Internet has helped make pricing and financing markets more transparent, there is still plenty of asymmetric information in the car-buying experience. In a situation where markets are complex and young buyers are inexperienced, the case for financial education is fairly clear.

But does it work? Specifically, do young consumers who receive financial education do better in the car-buying

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Minnesota Home Ownership Center case study illuminates costs of foreclosure counseling

By Leo T. Gabriel and Richard M. Todd

With a mission to promote successful homeownership, the Minnesota Home Ownership Center (Center), along with its partner agencies, provides services to families throughout Minnesota. The Center operates with the conviction that high-quality education, counseling, and related support services for potential and current homeowners will help families realize homeownership's long-term benefits. Although its services are open to all, the Center emphasizes support for low- and moderate-income Minnesotans and others who often face barriers to homeownership.[1]

In the recent housing boom and bust, demand for the Center's homeownership services has been high. Funding and deploying adequate resources to meet the demand is a constant challenge that raises questions about how the Center and its partners can sustain themselves and their valuable services.

With those questions in mind, the Center worked with us in 2009 to examine the cost of three of its primary programs: Home Stretch homeownership classes, pre-purchase homebuyer counseling, and foreclosure counseling. We sought to describe the general cost structure of each program and identify factors associated with high or low costs. Because of the current urgency of foreclosure problems, we focus this article on what we learned about the costs of foreclosure counseling.[2] Our examination shows

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Minnesota Home Ownership Center case study illuminates costs of foreclosure counseling

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that the cost per household counseled was fairly consistent across agencies and years. In other words, across the Center's network over a three-year period, the cost of counseling per household showed no systematic tendency to rise or fall as the number of households counseled rose or fell, which suggests that the Center and its agencies have no big, remaining efficiencies they can achieve. However, costs per household varied across agencies in ways that our data did not fully explain. This variability prompts us to conclude by recommending the use of target cost measures and cost reporting to identify efficiencies and best practices that could make the Center's programs more efficient and, thus, more sustainable.

A strategic, statewide partnership

According to community development policy consultant Doug Dylla, sustainability of programs is a concern for many nonprofit organizations providing homeownership services.[3] Dylla identifies strategies that homeownership organizations use to promote sustainability, including economies of scale (e.g., increasing the volume of existing services, such as by expanding into new markets), economies of scope (e.g., offering new services that complement existing services), collaboration with other organizations, and innovative technologies and business processes.

According to several researchers who conducted a case study of the Center's business strategies in 2007, the Center employs all of Dylla's strategies for reducing costs and achieving sustainability.[4] In 2001, the Center began a statewide partnership with agencies that were offering homeowner education and counseling programs. Under the partnership, the Center does not directly offer those services but helps its partner agencies by raising and distributing funds from private and public sources, establishing standards for counseling services, and providing professional training to certify agency staff. The Center also helps the agencies access new technologies and business processes, such as by contracting for shared software or building an interactive web site (www.hocmn.org) that features links to the partner agencies. By cooperating in these ways, the Center and its partner agencies may have already achieved significant economies of scale and scope. However, despite the efficiencies attained through the statewide partnership, the Center still faces the challenge of sustaining its operations. This motivated the Center to facilitate our study of its program costs.

Identifying the costs

With the help of the Center and its partner agencies, we set out to measure and compare the agencies' costs of delivering the Center's primary homeownership services. The Center wanted to know, for example, if the cost of providing the services varies with the providing agency's organizational type (Community Action Agency, or CAA;[5] nonprofit agency; or government agency) or its clients' location (Twin Cities/metro, nonmetro cities, or rural).

In our examination of the Center's foreclosure counseling programs (the focus of this article), our approach was to measure *social costs,* or the full costs to society, for three program fiscal years: 2006, 2007, and 2008, with each year beginning in October. Social costs include direct and indirect costs incurred by partner agencies. *Direct* costs are expenses traced to the delivery of services by agencies. For foreclosure counseling, examples include the counselors' salaries and benefits, credit report access fees, marketing, printing, and training. *Indirect* costs are expenses that are necessary for the delivery of services but cannot be traced directly to the services. Examples include administrator salaries, rent, utilities, telecommunications, and insurance. In addition, social costs include the value of "in-kind" contributions to agencies. Common in-kind contributions include donated meeting space, pro bono legal work, and waived fees for credit reports. The agencies estimated dollar values for these and other in-kind contributions. In summary, our cost concept is the market value of all the resources the agencies use to provide their foreclosure services.

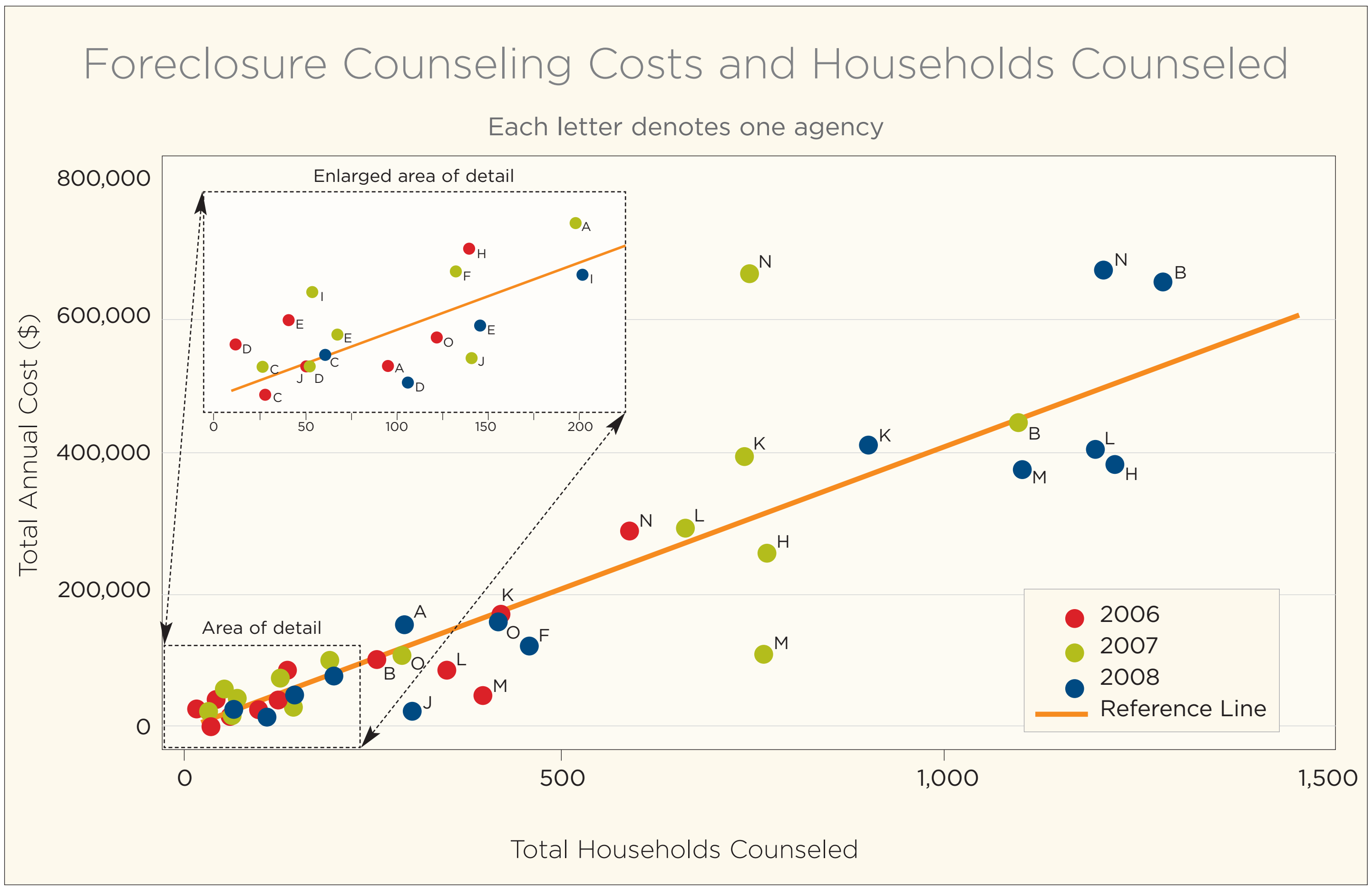
Costs per household stay roughly constant

With input from the Federal Reserve Bank of Minneapolis, the Center developed a survey for collecting data for the cost study. The survey was sent electronically to 19 partner agencies that provide foreclosure counseling services. Fifteen agencies submitted responses to the Center.[6] This group consisted of five CAAs, six nonprofit organizations, and four government agencies. Eight of the responding agencies are in the Twin Cities metro area, one is in a nonmetro city, five are rural, and one is statewide.

Thirteen of the partner agencies reported data on their foreclosure counseling costs for the 2006, 2007, and 2008 fiscal years, and two more provided data for 2007 and 2008, giving us 43 agency-years of data. In those years, the agencies counseled a total of almost 25,000 households facing foreclosure. The number of households counseled ranged from 20 at one rural CAA in 2006 to more than 1,000 at some metro agencies in 2007 and 2008 and more than 4,500 at one statewide agency in 2008. Because the experience of this statewide agency was so singular, we omit its three years of data from the foreclosure counseling cost analysis we present in the remainder of this article (unless otherwise noted).

The average cost of foreclosure counseling among the remaining 40 agency-years was $410 per household. The graph on page 3 illustrates how the total cost of providing foreclosure counseling rose approximately in fixed proportion to the number of households served. Each dot on the graph represents total foreclosure counseling costs and total households counseled over one fiscal year by one counseling agency. Fiscal years are coded by color, and agencies are coded by capital letters. For example, the blue-colored "N" in the upper right represents an agency that counseled just over 1,200 households in 2008 at a total cost of just over $670,000, while the red "N" in the middle represents the same agency in 2006, when it served just under 600 households at a cost of just under $300,000. The reference line in the figure shows what total costs would be if it cost exactly $410 to serve each household. The average relationship between actual costs and households served is well summarized by this reference line. (The good fit between the line and the points is confirmed by formal statistical tests.)

The roughly proportional relationship between total cost and households counseled suggests that the Center's agencies are capable of expanding the volume of their services over time with little change in cost per household. This capability may not hold over very short horizons, such as within an annual funding and budget cycle. However, even over the fairly short three-year period our data cover, the agencies ramped up from serving 2,560 households



at an average cost of $368 in 2006 to serving 8,989 households at a statistically indistinguishable average cost of $395 in 2008.[7] This implies that the Center and its partner agencies have, at a minimum, not failed to exploit any large or obvious economies of scale in their joint efforts. It is also consistent with (but does not in itself prove) the view that collaboration can contribute to overall efficiency, as suggested by Doug Dylla and others.

Personnel costs dominated the cost of providing foreclosure counseling. We computed personnel costs to include salaries; employer-paid benefits, insurance, and taxes; and fees for consultants and professional services. On that basis, total personnel expenses averaged 72 percent of total foreclosure counseling costs. In more tangible terms, the Center's foreclosure counseling agencies averaged personnel costs of $56,838 per full-time employee, and full-time employees counseled, on average, 192 households per year, or almost one per 1.3 working days. As a result, personnel costs per household served averaged $296. (At the omitted statewide agency, full-time employees counseled an average of 282 households per year, or more than one per working day.) Consistent with a wide range in their case loads, foreclosure counseling agencies reported from as few as one-eighth of a full-time employee to as many as 9 (or 12 if we include the statewide agency).

The five CAAs providing foreclosure counseling services reported somewhat higher costs per household than the five nonprofits and four government agencies we analyzed. The average cost per household counseled by the CAAs was $450, compared to $378 at the nonprofit agencies and $412 at the government agencies.[8] Nonprofit agencies have lower costs than CAAs because their nonpersonnel costs per full-time employee are reported at just $9,117, compared to a bit over $30,000 at both CAAs and government agencies. Government agencies, but not CAAs, make up for their higher nonpersonnel costs per employee with high average caseloads (244 households counseled per full-time employee, versus 176 at CAAs and 155 at nonprofits).

Our data do not clearly support geographic differences in the costs of providing foreclosure counseling. Our five rural agencies reported an average cost of $408 per household served, just slightly less than the $418 cost reported by our eight metro agencies. Our one nonmetro city agency and one statewide agency both report very low costs per household counseled ($158 and $208, respectively), with very low (city) or very high (statewide) caseloads. However, with only one agency of each type, we cannot reliably determine any geographic patterns.

Recommendations for further efficiency

The Center and its partner agencies have been able to meet an enormous increase in the demand for foreclosure counseling since 2006 while keeping the average cost per household counseled near $400. To us, this suggests that the Center is already helping the partner agencies achieve a high level of efficiency and flexibility in providing much-needed services. However, some agencies report moderately higher or lower costs than their peers, and a few report very different costs. We were not able to fully explain this variability around the generally proportional relationship that exists between total cost and the number of households served. It could arise for a number of reasons, such as:

- The agencies' costs might truly differ, in ways we did not measure;
- The agencies might use different accounting practices to record and report costs; or
- Although the Center trains the agencies to provide a standard level of service, some aspects of program delivery might differ across the agencies (and in some cases should differ, due to variations in local needs and circumstances).

Further data collection and analysis might benefit the Center by providing a deeper understanding of these and other possible explanations.

To that end, we recommend that the Center consider establishing cost targets for its programs based on the number of households served. Targets for direct costs could help the Center allocate funds, establish expectations, evaluate performance, and promote greater efficiency and sustainability.

With the cost data collected for our study, the Center could establish basic cost targets for its programs. A next step might be working with the partner agencies to develop more detailed but attainable targets for cost categories the agencies are expected to manage, such as salaries, staff development, workshop expenses, travel expenses, outreach/marketing expenses, printing, and professional fees. Flexible targets, based on the number and type of households served, agency type, location, and more, may be appropriate. Time standards, such as hours per workshop or lender negotiation, could also be considered. Funding decisions by the Center could be based on the established targets for direct costs plus a percentage allocation for indirect costs, with flexibility allowed for agencies that have special cost factors.

The establishment of targets would enable the Center to conduct regular *performance reporting,* a process in which differences between actual and targeted costs are analyzed. In that process, an agency with costs that exceed the targets may still be viewed as performing well if the excess costs were incurred in response to unexpected developments, such as an unanticipated increase in demand. Regular reporting will reveal such cases and lead to a better understanding of the factors that drive costs.

By using cost targets and cost reporting, the Center will gain a better understanding of whether reported cost differences among its partner agencies reflect true differences in efficiency as opposed to differences in services or accounting practices. This will help the Center and its partners more clearly identify best practices and promising innovations that can be shared to improve the quality and sustainability of their important homeownership services. cd

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1 *2008 Annual Report,* Minnesota Home Ownership Center.

2 A detailed report on the costs of all three primary programs was provided to the Center. A version is available at www.minneapolisfed.org/publications_papers/capapers/index.cfm.

3 *Getting to Scale: New Business Strategies for Homeownership,* NeighborWorks® Center for Homeownership Education and Counseling, NeighborWorks America, 2007.

4 J. Michael Collins, Ann DiPetta, Marcia Nedland, and Stephanie Pasquale, *Case Studies of New Business Strategies for Homeownership,* NeighborWorks® Center for Homeownership Education and Counseling, NeighborWorks America, 2007.

5 CAAs are private and public nonprofit organizations that implement the federal Community Action Program (CAP), which was established in 1964 with the passage of the Economic Opportunity Act. The goal of CAP is to fight poverty at the local level through social services, education, and advocacy.

6 The Center identified staff changes as a possible reason why a couple of the agencies failed to respond, but indicated that nonparticipation otherwise appeared random and free of nonresponse bias.

7 Average costs rose higher in 2007, to an average of $452 for the 5,815 households served that year, perhaps because the agencies were staffing up slightly in advance of an anticipated increase in demand in 2008.

8 The difference between costs per household at CAAs and the other agencies is statistically significant at a 10 percent probability level if each agency-year is treated as an independent observation. If we first average each agency's cost per household over time and test using only that one figure for each agency, the difference is no longer significant, due to the smaller number of observations treated as independent.

Horizons program mobilizes communities to address rural poverty

Prosperous rural communities often have a strong sense of purpose. They have residents who choose to work together to build on the community's strengths.

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bridges, and links that exist within a community—makes a difference. One study found that prosperous rural counties have 4.4 social capital establishments (e.g., bowling centers, eating and drinking places, clubs, religious and civic organizations) per 1,000 residents, compared to 3.2 in rural counties that are not prosperous.[3] The social capital built within local networks can be "invested" for the betterment of the community.

Resolving to work together as a community makes a difference, too. Prosperous rural communities often have a strong sense of purpose. They have residents who choose to work together to build on the community's strengths. Examples of such work include developing a vital retail sector, creating local food cooperatives, or promoting local arts and culture.

For seven years, university Extension programs in Idaho, Iowa, Minnesota, Montana, North Dakota, South Dakota, and Washington have, with funding and direction from the Northwest Area Foundation (NWAF), delivered a place-based program to help rural communities build social capital, define their purpose, and pursue prosperity. The program, called Horizons, marries NWAF's mission to reduce poverty and build prosperity with the land-grant Extension tradition of "rousing the people on the land."[4] (For more on NWAF's mission, visit www.nwaf.org.)

The design of Horizons has been tested and shaped through three program iterations and work in more than 200 communities. In October 2008, 103 communities started a new round of the 18-month program and will complete it in April 2010. Each iteration creates new learning and a renewed sense of commitment from the partner organizations. Horizons has demonstrated that although challenges remain, rural communities that become aware, engaged, and energized about poverty issues can make change happen. This article discusses the underpinnings and components of the program and describes how Horizons communities have become effective agents for change.

Horizons fundamentals

By creating change through local engagement, Horizons adds credence to the Federal Reserve researchers' assertion that *place matters*. But Horizons communities are also acting on the next logical assertion: If local conditions are both a cause and effect of local poverty, they can also be part of the solution. Horizons is predicated on several fundamental ideas:

- Poverty erodes resilience and hope in communities;
- Poverty reduction is a core responsibility of everyone in a community;
- Communities already possess talents, skills, and insights needed to address poverty, but they must build leadership in order to use them effectively; and
- To build leadership to address poverty, communities require resources from an experienced partner, leadership skill development and coaching, a community vision, concrete plans for poverty reduction, and help in putting those plans into action.

NWAF determined early on that the program would target communities with populations under 5,000 and poverty rates higher than 10 percent. The Extension organization in each participating state designs its Horizons application process and recruits communities to apply. In initial meetings with community members, the Extension staff who implement Horizons help the community understand that while the program offers opportunities, it also demands high levels of community engagement. Extension organizations then choose communities based on criteria established for the application process.

As the delivery organization for Horizons, Extension plays a pivotal role, providing communities with coaching, training, and connections to university resources and local, regional, and statewide partnerships. Extension collects evaluation data and is responsible for helping communities meet required performance thresholds.

The core of the Horizons program is an 18-month sequence of activities organized into four components: Study Circles, leadership training, community visioning, and community action.

Component 1: Study Circles prompt local conversations

Horizons begins with a series of frank community dialogues called Study Circles. These facilitated conversations about poverty are structured on a curriculum developed by Everyday Democracy, a project of the Connecticut-based Paul J. Aicher Foundation. (For more on Everyday Democracy and the Study Circles concept, visit www.everyday-democracy.org/en/index.aspx). Horizons communities are required to train local facilitators and recruit participants from all segments of the community. The groups meet for 12 hours of discussion over five Study Circles sessions, followed by an action forum. As a result, 30 to 100 members of each Horizons community gain a better understanding of poverty.

NWAF sets high thresholds for attendance at Study Circles, which can pose a challenge to delivery organizations. "I remember when we were mocking up fliers to recruit people to the program," says one program administrator. "I couldn't figure out what would motivate people to give up their Wednesday nights to go to a community room and talk out loud about something that causes most people to whisper."

But it wasn't as hard as originally thought. "People showed up," says Donna Rae Scheffert, a retired leadership-education specialist at University of Minnesota Extension who helped design the program. "I think the interest came from communities' genuine concern about the future. The curriculum talks about poverty, but it also gets people thinking about a vision for prosperity. The conversations gave people the chance to act on the desire to create a better place for the next generation." Community members also were attracted to the experience as a way to understand and solve problems as a community. "It brings back the community connections they had long ago, when grandparents and their parents used to all come together and talk and organize things," says one participant.

The Study Circles curriculum teaches that poverty is complicated. Local discussion often builds on that and focuses on the practical concerns of poverty, such as living-wage jobs and affordable housing, as well as other, more nuanced concerns. For example, in one community, the Study Circles discussions made more residents aware of the lack of handicapped accessibility in local apartment buildings.

In most Horizons communities, a deepened understanding of poverty leads to attitude shifts among community members and leaders. One participant describes the change: "A year and a half ago, if you had asked me or others in town about poverty, we would have said, 'There isn't much, it's not a big issue.' Some people would have said, 'It's just those people who are too lazy to get a job.' When you start looking at it, though … you realize that bad things do happen to people, that you can't always get a job that will support your family." One elected official describes shifting from the belief that "all you have to do is increase the amount of money you have and then you're out of poverty" to recognizing that there are many other aspects to the problem. Equipped with this understanding, he can see a wider range of policies that can address and begin to reduce poverty.

Independent evaluations confirm these shifts. Using a variety of evaluation methods, consultants hired by NWAF are tracking the progress of Horizons communities. Findings for the Study Circles component of the program indicate that the process of democratic dialogue was an eye-opening experience. Participants had statistically significant gains in knowledge about the causes of poverty, kinds of poverty, effects of poverty on communities, and strategies and actions that can reduce poverty.[5]

Component 2: Rousing the people through leadership training

For the next component of the Horizons program, communities are required to recruit at least three local trainers and involve a minimum of 25 people in 30 to 40 hours of leadership training. The training uses LeadershipPlenty®, a leadership and facilitation training curriculum developed by the Pew Partnership for Civic Change. Early placement of LeadershipPlenty in the sequence of program components reflects NWAF's thesis that leadership "is as important as good roads, great schools and clean water."[6] Initially, leadership training was the first component of Horizons, but following the program's pilot phase, program designers moved it after the Study Circles. The

PHOTO BY SCOTT STREBLE, PROVIDED BY UNIVERSITY OF MINNESOTA EXTENSION.

Townspeople from all walks of life gather for a community portrait in St. James, Minn., as their Horizons experience draws to a close. St. James is one of more than 300 towns that have participated in the 18-month program. (For more on Horizons in St. James, visit www.extension.umn.edu/Source/fall08/fall08-03.html.)

Horizons has demonstrated that although challenges remain, rural communities that become aware, engaged, and energized about poverty issues can make change happen.

move helped keep the focus on poverty reduction and also helped the community answer the question, Leadership for what?

LeadershipPlenty emphasizes the variety of leadership available to, and needed by, communities. It trains participants in essential skills such as resolving community conflicts, running meetings, working effectively with others, and designing inclusive decision-making processes.

An evaluation of 3,000 LeadershipPlenty participants from Horizons communities reveals that the curriculum is successful in strengthening the confidence and competence of new leaders. Coming into the program, most LeadershipPlenty participants did not view themselves as community leaders. Post-program, participants showed statistically significant gains in knowledge and leadership skills on all survey items, including group development, community action, group problem solving, and community development.

The evaluation findings describe results in growing local leadership: "As communities learned more about leadership, some came to understand the deficits in current leadership and many Horizons participants have run for elective office. One or more [participants] have run for elective office in 35% of … communities in all seven states. … Over and over again, participants told us of increased attendance at school board, city council and town board meetings."[7] In one American Indian nation, four out of six open seats on the tribal council were filled by Horizons participants. In another community, the race for mayor was fought out between two Horizons participants. Still other communities held elections in which long-entrenched leaders were replaced by new faces. Well over half of those interviewed by evaluators assert there is now more openness, more communication, and more opportunity for input in community decisions.[8] Participants, program managers, and NWAF all point to the emergence of new, diverse, and effective leaders and volunteers as the most exciting element of Horizons' success. Said one program participant, "We have new leaders in the community because of what we are doing here. People are volunteering for things that they had never even been invited to before."

Component 3: Creating a community vision

The third component of the Horizons program involves a visioning process that aims to profoundly alter the direction of the community. The visioning process requires communities to generate input from at least 15 percent of residents. A total of 23 percent of the population of participating communities actually became involved in providing input, completing surveys, attending meetings, or otherwise contributing to the community vision.[9]

Visioning events use a variety of processes, but the goal of each is to take stock of disparate themes, assets, activities, hopes, and concerns, and ask "So what?" until an answer emerges. As a result, participants create a picture of how they want their community to look in five to ten years. Below is one example of the vision statements created through this process.

> *Welcome to Our City, where people live, work, and play. Our beautiful city offers many recreational choices, community events, and an active arts community. Youth are healthy, active, and drug-free, and are a part of a positive multigenerational culture. Energy is renewable and sustainable. We welcome change that makes our community better, and we welcome you to visit or stay and live here with us.*

A shared vision is powerful. "Branding" is a concept some may consider overworked in organizational life today, but community visioning has some of its positive effects. Elements of vision statements are often seen in community literature or beautification themes. The uniting dynamic of a vision statement gives all community residents a sense of place, enabling them to focus on "us" rather than "me."

At the end of the visioning process, the community identifies two to five priority action areas that will help residents realize their vision, and volunteers sign up to lead action on those priorities. Once a list of volunteers is in place, the community decides what to do with a grant of up to $10,000 from NWAF. (The grant is contingent on communities meeting thresholds for participation, among other requirements.) Though the grant is an important resource for Horizons communities, some Horizons leaders believe the value of the grant pales in comparison to the value of a new direction for the community. The new direction, they find, enables the community to garner resources from a broader range of sources.

Component 4: Moving to action

In the final months of the project, with full buy-in from a large percentage of residents, the community moves forward with explicit action steps that address the priority action areas. Frequent training and technical assistance from Extension programs and a host of other resources guide the community. Master Gardener programs help residents grow community gardens. Local economic studies help communities better understand their business strengths. New links to outside resources establish new bonds of trust that can be leveraged in the future. Ongoing coaching from Extension helps communities maintain their focus.

A February 2009 program impact report from one state, South Dakota, paints a picture of the concrete actions taken for economic value and poverty remediation in Horizons communities. Examples include the launch of new businesses, day care centers, and youth programs; the establishment of needed services, such as transportation assistance; and the receipt of more than $1 million in grants for community projects. (A full list of the actions

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described in the South Dakota report appears in the sidebar at right.) Each action is a product of the energy, creativity, and commitment of Horizons community members.

Challenges and changes

Despite its success at moving communities from conversations to actions, Horizons is not without its challenges and missed opportunities. Poverty remains a serious issue in Horizons communities. While a majority of communities are implementing activities to address poverty, the activities are largely aimed at ameliorating its effects rather than creating long-term solutions. Other challenges include finding the right fit of the program with Native communities, tackling the difficult issue of race, and finding ways to blend an energized group of new leaders with established, elected leaders in communities.[10]

Still, Extension program managers believe they have witnessed a real shift toward improving many of the factors delineated by the Federal Reserve's poverty study, and evaluators confirm a host of changes in community structures. For example, Horizons participants who took part in a post-program panel study indicate that their communities have developed new leaders and have established connections to information and resources.

Horizons communities grow linkages and networks. A report from just one North Dakota town described newly formed linkages with the Eastern Dakota Housing Alliance, local banks, the North Dakota State Historical Society, and state workforce training programs. These partnerships, often facilitated by Horizons program managers, both reduce isolation and stem the perception of isolation.[11]

While demographic changes are often a condition of poverty, Horizons communities discover that diversity can be an asset upon which to build new futures.

Finally, Horizons at its best replaces a historical tendency toward poverty with an articulated vision for the future. Whatever the future of Horizons towns, the program demonstrates to most towns that it is possible to develop new local capacity, that needed expertise is just a phone call away, and that the best way to improve local decision making is to govern from the passions and abilities available in the community.

In creating their future, Horizons communities also embrace what was best about the past. One Horizons participant summarized the experience this way: "This is going back to how our community used to be … and should be." cd

Participants, program managers, and the Northwest Area Foundation all point to the emergence of new, diverse, and effective leaders and volunteers as the most exciting element of Horizons' success.

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NWAF continues to support poverty-reduction and prosperity-building efforts in communities that have completed the Horizons program, along with other efforts that build assets and wealth, affect public policy, and strengthen leadership capacity. New Horizons communities are not being recruited at this time, however. For more about Horizons and NWAF, contact Jerry Uribe at 651-224-9635 or juribe@nwaf.org.

1 To read the report, visit www.frbsf.org/cpreport.

2 Bruce Weber, Leif Jensen, Kathleen Miller, Jane Mosley, and Monica Fisher, *A Critical Review of Rural Poverty Literature: Is There Truly a Rural Effect?* Discussion Paper 1309-05, Institute for Research on Poverty. Available at www.irp.wisc.edu/research/undpov.htm.

3 Andrew M. Isserman, Edward Feser, and Drake Warren, *Why Some Rural Communities Prosper While Others Do Not,* a report to USDA Rural Development, May 2007. Available at www.ace.uiuc.edu/Reap/Papers.htm.

4 Scott J. Peters, "Rousing the People on the Land: The Roots of the Educational Organizing Tradition in Extension Work," *Journal of Extension,* Volume 40, Number 3, U.S. Cooperative Extension Service, June 2002.

5 Diane L. Morehouse and Stacey H. Stockdill, *Horizons Phase II Program Final External Evaluation Report,* NWAF, September 2008.

6 From www.nwaf.org.

7 Morehouse and Stockdill.

8 Brad Rourke, *Prevailing in the Long Run,* NWAF, September 2006. Available at http://bradrourke.com/wp-content/uploads/2009/09/Prevailing-in-The-Long-Run-Report.pdf.

9 Morehouse and Stockdill.

10 Ibid.

11 Rourke.

A catalog of community actions

The community action component of the Horizons program has spurred communities to pursue a variety of activities aimed at revitalizing local economies, addressing poverty issues, and procuring new resources. The February 2009 program impact report for South Dakota illustrates the breadth of activities Horizons communities have undertaken. Specific actions mentioned in the report are listed below.

Philanthropy and external linkages

- Three community collaborations were initiated with South Dakota State University colleges to address community issues/projects.
- Horizons communities obtained approximately $1,321,000 in grants for various projects.
- In an effort to retain local wealth, four communities started the process of creating a community foundation through the South Dakota Community Foundation.

Action for economic development

- Four new businesses were started.
- Three day care centers were opened; loan funding was obtained ($143,000) to open an additional center.
- Horizons steering committee members in one community started working with community leaders and state partners to explore the option of establishing a local wind farm.

Action to ameliorate the effects of poverty

- Four new housing renovation initiatives were created.
- Six thrift stores were opened.
- In one town, 30 residents graduated from a financial planning and debt reduction course. They report increasing their personal savings by a total of $16,000 while reducing their debt by a total of $24,000.
- Two communities initiated transportation services for citizens in need (e.g., to attend medical appointments).
- One community began addressing local issues of racism by holding community dialogues.

Community opportunities and youth

- Three youth centers were opened.
- One after-school program and one Boys & Girls Clubs program were established.

Health and wellness

- Four community gardens were established.
- Two community farmers markets were established.
- One community conducted a health screening for all children in the school district.
- Two health and fitness community sites were opened.

Source: Karla Trautman, *Horizons Community Development Project Program Impacts,* South Dakota Cooperative Extension Service, February 2009.

Defining "rural"

In common usage, the word "rural" refers to land areas and small towns that are "out in the country." Several U.S. government agencies have created technical definitions of "rural" that are widely used for programmatic and research purposes. For example, the U.S. Department of Agriculture defines a rural county as any county not economically dependent on a metropolitan area. For a helpful discussion of the various federal definitions, visit the "Measuring Rurality: What Is Rural?" page of the U.S. Department of Agriculture Economic Research Service's online briefing room at www.ers.usda.gov/Briefing/Rurality/WhatIsRural.

Better deals on wheels: The effects of financial education on car buying

Continued from page 1

experience than other young consumers? According to an evaluation of a financial education program for soldiers in the U.S. Army, the answer appears to be a qualified yes.

Two-day course covers car buying

Over the last several years, the Army Emergency Relief (AER) organization, the U.S. Army post at Fort Bliss in El Paso, Texas, and the Federal Reserve Board have been collaborating to provide financial education for young enlisted soldiers and evaluate the impact of that education on the soldiers' financial management behaviors. The soldiers attended a two-day financial education course while they were enrolled in the Army's advanced individualized training (AIT) for air defenders. AIT was the last step before the soldiers were posted to their first official duty stations.[1]

The financial education course was taught by staff from San Diego City College and funded by AER. About one-fifth of the course was devoted to purchasing a vehicle. The discussion covered comparison shopping and sources of information; getting a loan, with added material about credit reports and credit scores; shopping for insurance; and considering the long-term costs of ownership, including gas, maintenance, and repairs.

At the end of the course, soldiers completed a survey of financial behaviors that served as a baseline for the evaluation. The survey covered many aspects of money management, such as credit cards, checking accounts, and retirement saving, in addition to car buying. The average age in the baseline survey group was 21.7 years. A second group of similarly aged soldiers at Fort Bliss who did not participate in the financial education course served as a comparison group.[2] To provide second data points for our study, the soldiers who attended the financial education course later took a follow-up survey. Soldiers in the comparison group completed only one survey, which was conducted at the same point in time as the education group's follow-up survey.

Survey reveals savings

The evaluation results related to car buying, summarized in the table above, indicate that the soldiers who received financial education made better decisions than their peers.

As might be expected, a higher proportion of soldiers in the follow-up survey had their own vehicle, but those who went through the financial education program were less likely to lease and more likely to buy than those in the comparison group. (Given the risk of deployment, and given the constraints involved in leasing a car, ownership is a wiser choice than leasing for many young, enlisted members of the military.)

Those in the follow-up survey had smaller loan amounts, higher down payments, and a higher down-payment-to-loan ratio. The smaller loan amount could be the result of the higher down payment, but it could also represent obtaining a better price through improved negotiating skills learned from the course.

Soldiers in our follow-up survey also reported taking out shorter average loans than those in the comparison group—48 months versus 53 months, respectively—and they reported lower monthly payment amounts.[3] Both of these represent savings opportunities for the soldiers who took the financial education course.

In addition, even when we control for many other characteristics of the soldiers besides age, such as their years in the military, pay grade, gender, race, education, marital status, and prior family experiences, we find that those who took the financial education course were more likely to do better in the car-buying experience than those in the comparison group.

Teaching to the moment

Our survey results related to car buying support the idea that financial education can be a powerful tool for influencing consumer behavior. However, the results related to other behaviors suggest that there are limits to what financial education can do. Specifically, financial education seems to work best when the topic is relevant to the learner and when the teachable moment is at hand. We believe education about car buying was particularly relevant and timely for the soldiers at Fort Bliss because it was offered when they were just beginning their military careers. For many of the soldiers, purchasing a means of transportation was, or would soon be, a high priority. While the course "worked" for buying a car, it was not a significant factor in determining soldiers' behaviors with respect to managing their checking accounts, managing their credit cards, comparison shopping for credit or major purchases, or in saving for retirement.

In short, our survey results indicate that a small amount of financial education, delivered to the right group of consumers at the right moment, can have a significant, positive effect on the group's financial management behavior. Conversely, financial education that has little immediate relevance for consumers appears to have little effect. We believe this key finding has broad applicability to the design and delivery of financial education programs, and we encourage educators and policymakers to give it careful consideration. cd

Vehicle Ownership and Vehicle Loans

Survey Results Among the Baseline, Follow-Up, and Comparison Groups of Soldiers (Findings are expressed in percentages, except where noted)

Ownership and Loan Variables	Soldiers Who Received Financial Education		Soldiers Who Did Not Receive Financial Education (Comparison Group)
	Baseline Group	Follow-Up Group	
Vehicle ownership[abc]			
Do not own a vehicle	49.5	34.1	30.4
Own a vehicle	43.9	57.6	49.5
Lease a vehicle	7.5	8.2	20.1
Among those with a vehicle, have an outstanding loan or lease (counts both those who own and those who lease)[b]	35.0	45.7	53.2
Mean number of vehicle loans[c]	1.33	1.17	1.18
Mean size of vehicle loan[d]	$15,047	$13,369	$15,091
Mean down payment on vehicle loan	$2,709	$2,878	$1,984
Mean down-payment-to-loan ratio[b]	.18	.27	.17
Mean length of vehicle loan (months)[b]	52.5	47.6	53.1
Mean time remaining to pay off vehicle loan (months)	37.6	37.2	39.4
Mean monthly payment amount[b]	$310.53	$339.41	$358.46

a Significant at 0.05 between baseline and follow-up groups.
b Significant at 0.05 between follow-up and comparison groups.
c Significant at 0.05 between baseline and comparison groups.
d For this and subsequent variables listed in the table, zeros were excluded (i.e., soldiers who do not own a vehicle or do not have a loan were not included in the averaging).

Catherine Bell and Jeanne M. Hogarth are colleagues in the Division of Consumer and Community Affairs at the Board of Governors of the Federal Reserve System. Bell is a senior research assistant and Hogarth is the manager of the Consumer Education and Research section.

The analysis and conclusions set forth in this article represent the work of the authors and do not indicate concurrence of the Federal Reserve Board, the Federal Reserve Banks, or their staff. Mention or display of a trademark, proprietary product, or firm in the article by the authors does not constitute an endorsement or criticism by the Federal Reserve System and does not imply approval to the exclusion of other suitable products or firms.

[1] AIT generally takes place immediately after basic training; depending on the course of instruction, it can last 6 to 12 weeks. During the course of this study, most air defenders stayed at Fort Bliss after AIT or were deployed to South Korea or Southwest Asia.

[2] All soldiers in air defender AIT at Fort Bliss were scheduled to complete the financial education course. However, a minority of them was unable to participate due to conflicting duties assigned by the commanding officer. As far as we could tell, the factors determining whether an AIT soldier was able to complete the course were random. The comparison group consisted of soldiers at Fort Bliss who were in the same units after their AIT as the soldiers in our study but who did not receive financial education.

[3] As the table indicates, the baseline group's monthly payment was even lower than the follow-up group's monthly payment. However, like the comparison group, the baseline group had longer-term loans than the follow-up group, which can lead to higher total loan costs.

For further reading

Along with coauthor Daniel Gorin, who serves as a senior Community Affairs analyst at the Board of Governors of the Federal Reserve System, researchers Catherine Bell and Jeanne M. Hogarth have published the following papers about their work on financial education in the military.

Does Financial Education Affect Soldiers' Behavior? Working Paper, Networks Financial Institute at Indiana State University, August 2009. Available via the publications search tool at www.networksfinancialinstitute.org/thoughtleadership/publications/Pages/default.aspx.

"Teaching for the Test, and Life is the Final Exam." Presented at the annual conference of the Association for Financial Counseling and Planning Education, November 2009, Scottsdale, Ariz. Published in the *2009 Conference Proceedings*, available at www.afcpe.org/conference/past-conferences.php.

Join us on May 13 for **Targeted Financial Education: Lessons Learned with Soldiers at Fort Bliss**, a webinar featuring Jeanne M. Hogarth. For details, visit our online calendar at www.minneapolisfed.org/news_events/events/community.

News and Notes

Fed launches online regulatory filing tool

On January 25, the Federal Reserve System (FRS) unveiled Electronic Applications (E-Apps), a web-based tool that allows banking organizations supervised by the FRS to submit regulatory filings, directly or through their authorized representatives, via the Internet. As an alternative to paper submissions, E-Apps provides convenience and cost savings. There are no fees associated with using E-Apps, although users must comply with FRS security requirements.

More information about E-Apps, including user aids to assist in the filing process, is available at **www.federalreserve.gov/bankinforeg/eapps.htm.** E-Apps experts at each Federal Reserve Bank are available to answer questions about the new tool. To contact an expert at the Minneapolis Fed, call 612-204-5500.

New Fed guide explains credit card rule changes

A new online publication from the Board of Governors of the Federal Reserve System explains a set of recently instituted rules that are designed to protect consumers from unfair credit card practices. The rules, in effect since February 22, implement provisions of the Credit Card Accountability, Responsibility, and Disclosure Act of 2009.

The new publication, *What You Need to Know: New Credit Card Rules,* guides consumers through the key changes affecting their credit card accounts. As the publication explains, the new rules require credit card issuers to improve their account statements and disclosures, limit or eliminate certain fees and interest rate increases, and follow standard billing-cycle time frames. In addition, the rules prohibit creditors from issuing cards to consumers who are under age 21 unless the consumer either has the ability to make the required payments or obtains a cosigner's signature. To read the online guide, which also features a brief glossary of credit card terms and a list of links to other consumer protection resources, visit **www.federalreserve.gov/consumerinfo/wyntk/creditcardrules.htm.**

Family Housing Fund launches Twin Cities Community Land Bank

The Family Housing Fund, a nonprofit affordable housing developer based in the Twin Cities, has launched a new organization to facilitate community development and neighborhood stabilization in Minneapolis-St. Paul and the surrounding seven-county metropolitan area. Twin Cities Community Land Bank (TCCLB) was established in late 2009 as a tool to help local governments, neighborhood-based organizations, community development corporations, and nonprofit and for-profit housing developers acquire foreclosed properties and return them to productive uses. The new organization has raised $30 million to help neighborhoods recover from the foreclosure crisis and is committed to helping its community partners maximize funds allocated through the national Neighborhood Stabilization Program (NSP). For example, TCCLB will advance interim funds to allow local NSP grantees and applicants to respond quickly and effectively to property acquisition opportunities. The organization will lend to developers who are undertaking rehabilitation or new construction and will also provide community services, such as marketing and planning, to address barriers to revitalization.

In partnership with the National Community Stabilization Trust, TCCLB offers a two-pronged REO Property Acquisition Program. The first component of the program, called First Look, allows approved entities such as local governments and affordable housing developers to purchase REO (bank-owned) properties at a discount before they are publicly offered for sale. The second program component, Aged/Targeted Bulk Sale, allows the purchase of currently listed REO properties at an additional discount. As its name implies, the Aged/Targeted Bulk Sale program also allows the purchase of multiple REO properties clustered within a single neighborhood.

For more information on TCCLB, visit **www.tcclandbank.org.**

Minneapolis Fed releases two new Community Affairs reports

The Federal Reserve Bank of Minneapolis has added two new titles to its Community Affairs report series. In the first of the new reports, *Minnesota's Earned Income Credit Program: Utilization by Current and Former Welfare Households and the Impact of Policy Parameters*, Minneapolis Fed Community Affairs Economist Donald P. Hirasuna and University of Minnesota Professor of Applied Economics Thomas F. Stinson examine the utilization of a state earned income credit by current and former welfare recipients. The authors use two measures to analyze utilization: receipt of the earned income credit among all current and former welfare recipients and receipt among only those eligible for the credit. They also examine how receipt varies by demographic group, household earnings, and other factors. A version of the report originally appeared in the June 2009 *National Tax Journal.*

In the second report, *Gaining a Better Understanding of the Costs of Homeownership Programs: A Case Study and Recommendations for Minnesota's Home Ownership Center,* Minneapolis Fed Vice President Richard M. Todd and Bethel University Professor of Business Leo T. Gabriel share results of their analysis of the Minnesota Home Ownership Center's program costs. The authors examine the total costs of the Center's three primary programs—homeownership classes, pre-purchase homebuyer counseling, and foreclosure counseling—and offer recommendations for improving cost accounting to promote program efficiency. (The authors' analysis of the Center's foreclosure counseling services is the subject of the article "Minnesota Home Ownership Center case study illuminates costs of foreclosure counseling" in this issue.)

Both of the new reports are available at **www.minneapolisfed.org/publications_papers/capapers/index.cfm**.

Calendar

Targeted Financial Education: Lessons Learned with Soldiers at Fort Bliss. May 13. A webinar featuring Jeanne M. Hogarth, coauthor of the "Better deals on wheels" article in this issue. For details, visit our online calendar at www.minneapolisfed.org/news_events/events/community.

2010 Symposium on Small Towns and Rural-Urban Gathering. June 9–10, Morris, Minn. Theme: "Finding Solutions and Redefining Communities." Sponsored by the University of Minnesota Morris Center for Small Towns and Minnesota Rural Partners. Additional information: visit www.morris.umn.edu/services/cst/symposium/2010/index.php.

April is Financial Literacy Month

Financial education advocates have declared April **"Financial Literacy Month."** National- and state-level organizers have scheduled a variety of activities to promote better personal financial management. Ninth District highlights:

Affiliates of the national Jump$tart Coalition for Personal Financial Literacy (Jump$tart) will host events and promotions throughout April. One example is the **North Dakota Jump$tart Conference** on April 22 in Bismarck. For more on the North Dakota event, which is themed "Reflections of Financial Literacy," call 701-328-5654. To learn what's planned in other states, visit Jump$tart's state coalition directory at www.jumpstart.org/states/cfm.

The Federal Reserve Bank of Chicago and numerous partner organizations are sponsoring **Money Smart Week Michigan** in various locations throughout the state during April 17–24. The week features a series of free classes and activities for consumers of all ages. For a schedule of events, visit www.moneysmartweek.org.

The **2010 Minnesota Financial Fitness Conference** is April 20–21 in Alexandria, Minn. The conference will provide attendees with tools and best practices for promoting financial fitness. Sponsors include Family Assets for Independence in Minnesota, the Minnesota Financial Fitness Network, and West Central Minnesota Communities Action, Inc. For more information, visit www.minnesotafaim.org.