



# WOMEN IN GOVERNMENT

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# Family Finance

*Strengthening the family through finance*

Family Finance

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## EARNED INCOME TAX CREDIT IS VITAL FOR WORKING-POOR FAMILIES IN RURAL AMERICA

*By William O'Hare, Annie E. Casey Foundation*

In Tax Year 2006, 23 million families claimed about \$50 billion through the Earned Income Tax Credit (EITC), making it the largest federal program that provides cash supports to low-income working families in the United States. The EITC is especially important to rural families throughout the United States. Among poor and near-poor families, those in rural areas are more likely to be working, and they are more likely to be working in low-wage jobs. More than a third (37 percent) of people residing in rural America live in low-income families (incomes less than twice the poverty line) compared to only 29 percent in urban areas. These factors contribute to the higher rate of EITC receipt in rural areas across

the country, and underscore the importance of the benefit to these families. Receipt of EITC in rural areas also has been boosted in recent years by programs designed to make sure all those families who are eligible get this benefit.<sup>1</sup>

While only 16 percent of tax filers in the U.S. in Tax Year 2005 were from rural areas, rural EITC filers claimed 20 percent of the EITC dollars. On average rural EITC recipients collected a little over \$1,900 each. In virtually every state, the rural population is more dependent on EITC than the urban population is. Also, nearly all the 23 states that have adopted a state EITC program are heavily urban states.

The amount of money received by the average rural family may not seem like much to more affluent families, but for low-income families it can be an enormous help. Research shows that for kids growing up in low-income families, even a small boost in income can lead to better child outcomes; a few thousand dollars a year can have significant impacts.

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1. See The Annie E Casey Foundation [http://www.aecf.org/upload/PDFFiles/FES/fes\\_eitc.pdf](http://www.aecf.org/upload/PDFFiles/FES/fes_eitc.pdf) for more information.

## MICHIGAN'S "FORECLOSURE LIFELINE" IMPOSES A 90 DAY FREEZE ON FORECLOSURE PROCEEDINGS

*By Jessica Rial, Graduate Fellow*

This summer the State of Michigan passed a package of legislation known as the "Foreclosure Lifeline." House bills 4453, 4454 and 4455 went into effect early July, and lawmakers hope they will reform the process for home foreclosures in Michigan by imposing a 90 day "freeze" on foreclosure proceedings. Borrowers now have a mandate to request a meeting with the lender to attempt to modify their mortgage. One of the goals of loan modification is to get all housing-related expenses under 38 percent of the borrower's gross income, said State Representative Shanelle Jackson (D-Detroit), primary sponsor of HB 4453. (Download the legislation featured in this article at [www.womeningovernment.org/familysuccess/legislation](http://www.womeningovernment.org/familysuccess/legislation))

Jackson's bill prohibits foreclosure by advertisement unless the requirements of the mortgage negotiation program have been completed. "I campaigned to get to the state house to help address the foreclosure epidemic," Jackson said. "There is not a family that I know that is not affected by foreclosure."

The key components of the "Foreclosure Lifeline" legislation include:

- requiring lenders to send written notice to the borrower informing them of the 90 day freeze;
- requiring that the notice include contact information for the lender as well as housing counselors from the Michigan State Housing



*Michigan State Representative Shanelle Jackson*

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Development Authority and the State Bar of Michigan's lawyer referral service;

- requiring that if the borrower and the lender agree to modify the loan, the mortgage will not be foreclosed if the buyer abides by the terms of the agreement; and
- requiring lenders to proceed with judicial foreclosure, instead of foreclosure by advertisement, if the parties could not reach a modified mortgage agreement and financial calculations show that the borrower should have been eligible for an agreement.

As part of the reform, the borrower would have to contact a housing counselor within 14 days after notice is sent to the borrower if they want to attempt to modify their mortgage loan. The housing counselor would then have 10 days to set up a meeting with the lender and the borrower. The borrower would be able to decide if they want the housing counselor to be at the meeting with the lender.

If a mortgage modification is reached and the borrower has not complied with the terms in the first year, then the lender can proceed to foreclosure by advertisement as soon as the borrower defaults within that first year.

Foreclosure and unemployment are pervasive in Michigan. In the month of June alone, 4,150 Wayne County<sup>1</sup> homeowners (approximately 1 in 8,200 housing units) received a foreclosure filing in a region where the foreclosure trend continues to rise.<sup>2</sup> In June 2009, the seasonally adjusted unemployment rate was 15.2 percent for Michigan and 16.3 percent for Detroit.<sup>3</sup>

Jackson, who was elected to her first term in 2007, said one of the first things she understood about the State of Michigan was its lack of regulation on subprime lenders. She was the primary sponsor of HB 4596—her first bill—which took effect Jan. 1, 2009. The legislation provides for the registration of mortgage loan officers and

creates a special fund for the fees from the registration of mortgage loan professionals.

Since 2008, Jackson has supported legislation related to blight and foreclosure moratoriums. In April 2008, she introduced a bill on enacting a foreclosure moratorium. During this time, she said there was a lack of political will to move the moratorium legislation forward, despite the fact the seasonally adjusted unemployment rate was 7.9 percent in Michigan—almost half its current rate—and 8.3 percent in the Detroit metropolitan area.<sup>4</sup>

Jackson discussed three barriers to passing the Lifeline legislation. “The first barrier was getting people to even conceive the concept of a moratorium—it was a barrier for both Democrats and Republicans,” she said.

“The second barrier was getting people to be less concerned with what industry is going to say. The best we could do with the broker and the banker associations was to get them to be neutral.” A common complaint from Jackson's constituents was not being able to communicate with their mortgage companies.

A third barrier was getting the majority-Republican State Senate to take up the package of bills. “We had people calling legislators on both sides of the aisle—letting them know from their districts this is not something you can avoid dealing with,” Jackson said.

Jackson credits the work of State Representative Andy Coulouris, Chairman of the Banking and Financial Services Committee, for designing the bills as a caucus concept that everyone started to pay attention to it. “Andy started to understand that this is one of the issues you can't avoid,” she said. “Having his support and having him be a chief negotiator was very powerful. He represents a very urban district in one of Michigan's largest and poorest cities.”

Jackson also endorses the efforts of the Moratorium NOW! Coalition to Stop Foreclosures and Evictions, which advocates for a two year moratorium on mortgage foreclosures and evictions. ■

1. Wayne County contains 34 cities, including Detroit.

2. RealtyTrac, <http://www.realtytrac.com/TrendCenter>

3. United States Bureau of Labor Statistics, <http://www.bls.gov/data/>

4. United States Bureau of Labor Statistics, <http://www.bls.gov/data/>

## TEXAS PASSES WORKFORCE AND ECONOMIC DEVELOPMENT LEGISLATION

By Jessica Rial, Graduate Fellow



State Representative  
Patricia Harless

This spring, the Texas State Legislature passed three bills in support of small business and workforce training. The legislation was passed through the House Committee on Technology, Economic Development, and Workforce—a newly formed committee that has jurisdiction over the state's technology and science innovations, workforce issues, and economic development.

State Representative Patricia Harless (R-TX), a member of the Technology, Economic Development, and Workforce Committee, has represented District 126 since first being elected in 2006. Her district includes parts

of Harris County—the most populous county—and is part of the Houston-Spring-Cypress metropolitan area.

“One of the main goals of the committee was to ensure that Texas would stay competitive by not only keeping the businesses already in the state, but attracting new ones,” Harless said.

Harless is a Joint Author of HB 394, which requires the governor to consider making Texas Enterprise-Fund grants to:

- small-businesses in this state that commit to create additional jobs;
- small businesses from outside the state that commit to relocate to this state; and
- individual projects that create 100 or fewer jobs.

The Texas Enterprise Fund (TEF) was created to attract new jobs and employers to Texas. The fund is intended to create economic development incentives. Prior to HB 394 there were no statutory requirements in place specifying how the grants are awarded. More specifically, there was nothing encouraging the incentives to be directed to promote small business development. Small businesses create two-thirds of all new jobs in the state.

HB 2169 authorizes the Texas Workforce Commission (TWC) to adopt rules that allow use of the Skills Development Fund (SDF) to create incentives for public community and technical colleges, in

# FEDERAL STIMULUS PRODUCES UNPRECEDENTED WAVE OF UNEMPLOYMENT INSURANCE REFORMS

However, Additional Billions in UI Funding Still Available to Many States

By Christine Riordan, National Employment Law Project

On February 17th, President Obama signed the American Recovery and Reinvestment Act (ARRA) into law, launching an initiative to modernize state unemployment insurance programs with the help of over \$7 billion in federal incentive funds. These modernization goals focus on bringing more workers into the UI system by updating eligibility rules. Currently, over 14.9 million workers in the United States are unemployed, up by 7.4 million since the beginning of the recession in December 2007. A full one-third of unemployed workers have remained out of work for six months or longer, and the lack of employment opportunities has resulted in only one job opening for every six jobless workers nationwide.

States responded to the ARRA incentive funding to make sure more families coping with unemployment could access benefits in the midst of the recession. The federal stimulus legislation has produced an unprecedented wave of reforms in 29 states, bringing tens of thousands of workers into the unemployment system. At the same time, however, billions in stimulus funding allocated for state unemployment insurance systems has also been left untouched.

The ARRA created financial incentives for states that adopt a set of policy reforms aimed at addressing outdated gaps that leave far too many workers ineligible for benefits. Many of these reforms address a “UI gender gap” that often leaves jobless women without access to benefits. In numerous states throughout the country, for example, part-time workers –70 percent of which are women – are ineligible for unemployment insurance, as are workers who must leave a job due to family reasons (such as to care for an ill family member, or domestic violence).

The ARRA incentives address these gaps by providing funding for best-practice policies that are known to increase UI reciprocity. For example, a state receives the first one-third of its funding allotment (determined by the US DOL) by implementing an “alternative base period,” which allows workers to count their recent earnings when needed to qualify for benefits. Many low-wage and women workers are often deemed ineligible for benefits when a state lacks this policy – not because they failed to work enough to qualify for benefits, but simply because of antiquated eligibility rules that ignore their most recent earnings. Prior to ARRA, only 19 states had an alternative base period in place; since February, an additional 15 states have enacted this important policy.

In order to qualify for the remaining two-third of ARRA incentives, states can choose among a number of options that target certain groups that fall through the cracks of the unemployment system, including part-time workers and women with families. Specifically, to qualify for the additional ARRA incentive funds, a state must provide benefits to workers in a least two of the following four categories:

- Part-time workers who are denied benefits because they are required to actively seek full-time employment;
- Individuals who leave work for compelling family reasons, specifically including domestic violence, caring for a sick family member or moving because a spouse has relocated to another location for employment;
- Workers with dependent family members who would qualify for up to \$15 or more in weekly benefits per

dependent (up to a total of \$50) to help cover the added expenses associated with dependent care;

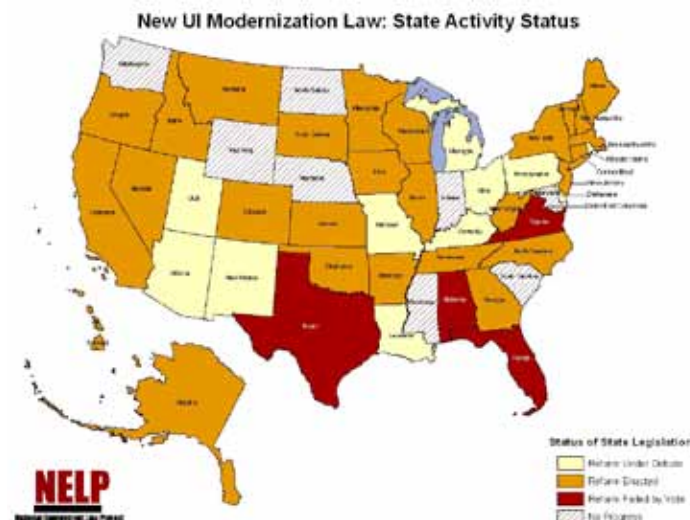
- Permanently laid-off workers who require access to training in order to improve their skills with the help of an extra 26 weeks of additional unemployment benefits.

In the time since the ARRA has passed, record numbers of states have taken advantage of incentive funding and expanded UI eligibility criteria. For example, 13 new states have adopted the alternative base period (two more adopted legislative fixes to fully comply with the ARRA), bringing the total number of such states to 34 (see the ABP map below).

States Adopting the Alternative Base Period Before and After the ARRA



In addition to the alternative base period, seven new states enacted measures authorizing part-time workers to collect benefits (four more states adopted legislative fixes to qualify for funding), bringing the total to 27 states with this reform. Another fourteen states have adopted reforms or technical fixes to existing policies that enable workers who can establish compelling family reasons for leaving work to receive benefits. (See the map below for the status of ARRA incentive legislation.)



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partnership with one or more employers, to provide workforce training. This is an effort to create and retain employment opportunities in Texas. Additionally, the bill authorizes the TWC to commit money to prospective out-of-state employers who establish businesses within Texas under such a program.

“Texas is known as a very business-friendly state, and this bill continues the effort to foster economic growth,” Harless said. “In the past, TWC would not commit training funds to prospective new employers, which put Texas at a competitive disadvantage. The purpose of this bill is to give a competitive advantage in bringing new businesses to Texas by assisting them financially with the training of new employees using already allocated funds.”

HB 2169 encountered little resistance, and received no nay votes in the House or the Senate. The target audience is prospective employers who commit to establish a place of business within state, and potential employees who need training to remain competitive for high-demand jobs, but don't have the money to pay for it.

The Texas State Comptroller's report, *Texas Works 2008: Training and Education for All Texans*, states that Texas faces growing shortages of the skilled workers that help attract and retain business. According to the U.S. Department of Education, 90 percent of the fastest-growing jobs in the new information and service economy will require some postsecondary education.

HB 1935 establishes the Jobs and Education for Texas grant program to counter the shortages by providing grants

to public junior colleges, public technical institutes, and eligible nonprofits that foster workforce development in emerging industries and high-demand occupations. In addition, the comptroller of public accounts is authorized to award scholarships to public junior college or public technical institute students who demonstrate a financial need and are training for a high-demand occupation. The bill also creates a Green Job Skills Development Fund and Training Program.

Harless, who opposed HB 1935, because it created an entirely new fund, the Jobs and Education for Texas Fund, which needs approximately \$17.5 million every year to continue. “While creating jobs and continuing the education of our workforce is important, during a time when we faced a budget shortfall, this fiscal impact was too much for me to be able to support the measure,” she said. “There was also concern about the access to the program for potential service providers, and ensuring that it was equally accessible for new programs, and that the incumbent providers were not being favored.”

Harless also serves on the Committee on State Affairs and the Redistricting Committee. She has worked at the grassroots and finance committee level for several local, state, and national campaigns. A fourth generation Texan, Patricia has deep roots in the community as an active small business and civic leader.

To download the bills mentioned in this article, visit [www.womeningovernment.org/familysuccess/legislation](http://www.womeningovernment.org/familysuccess/legislation) ■

These reforms have been critical in supporting families facing unemployment, who use benefits to pay for necessities such as housing, food, and medical care. In fact, workers and families that receive benefits are much less likely to slip into poverty than jobless workers who are ineligible for UI, and are less likely to cut back on necessary medical care or forego groceries that become prohibitively expensive for families without income support. Additionally, since benefits are spent immediately on basic needs, local communities – particularly those that are hard-hit by unemployment – receive a stimulus boost from UI benefits.

For assistance with recovery act legislation, email [gwentworth@nelp.org](mailto:gwentworth@nelp.org).

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WIG is a national, non-profit, bi-partisan organization of women state legislators providing leadership opportunities, networking, expert forums, and educational resources to address and resolve complex public policy issues.



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