

## Philadelphia Campaign Connects Savings from EITC to Asset Building

Judith Ghebremichael knows first hand about the power of the earned income tax credit (EITC) and its role in building a better life. A mother of two young daughters, Judith has been claiming the EITC every year since 1996. "In the early years, I used my EITC money to pay for basic necessities for my daughters and myself," Judith says. "The first year's credit went to buy some decent furniture for our apartment. The second year, I used the money to buy a used car, and then in following years it helped me buy clothes—like coats and boots—for the kids, car repairs and even braces for my teeth. In 2003 I opened a matched savings account, and now I'm saving for a home."

Born in Ethiopia, Judith came to the United States when she was five years old. She works in data processing at the Transitional Work Corporation (TWC). In the evening, she goes to school at Temple University's Center City campus, working on a major in criminal justice. And, two or three times a week during tax season, she is a volunteer tax preparer at one of the free tax preparation sites sponsored by Philadelphia's Campaign for Working Families. In spite of her hectic schedule and the pressures of working, raising children, going to school and volunteering, Judith feels a strong sense of achievement and satisfaction. "I always had goals," she says. "It feels great to have money to save—for a house and for a rainy day."

### **Tax Credit a Boon to Families and Communities**

Judith is one of many city residents who have used the tax code to bolster their fragile finances and start down the path to accumulating assets and building a more secure future. The Campaign for Working Families (CWF), a partnership of nonprofit organizations, government and private business, is working hard to support that effort. Through the dedication of 384 IRS-trained volunteers at its free tax preparation sites, the Campaign helped to bring \$19.9 million in tax credits to low-income Philadelphia workers during the past tax season. This amount included the Earned Income Tax Credit (EITC), child tax credit, dependent care credit, education credit and state tax back refund. This was a 32 percent increase over the previous year's campaign. Eleven thousand families filed income tax returns in 2005 at the Campaign's 20 free tax sites, and the median income of Campaign tax filers was \$14,410.

The EITC is considered one of the most effective anti-poverty strategies ever developed, lifting nearly five million people above the poverty line each year. It can contribute a substantial amount of money to a struggling family's budget—for tax year 2004, workers raising more than one child in their home, with a family income of less than \$34,458, could claim an EITC of up to \$4,300.

The Campaign for Working Families first began in 2003, helping low-income families file their taxes for 2002. Over the past three years, the Campaign has brought a total of \$45.2 million to Philadelphia's low-wage working families and their communities, and saved these families approximately \$2.3 million—money they would have spent on commercial tax preparers' fees, charges and high-interest "refund anticipation loans."

But the Campaign is not limited to raising awareness of the EITC, and procuring and protecting refunds. It has been focused from the beginning on a broader, more lasting goal—building long-term family economic stability.

"Our emphasis has always been on connecting families and resources," says Campaign Executive Director Jean Hunt. "In addition to free tax preparation and helping families claim the EITC and other tax credits, we want to provide access to programs and services that can make a permanent difference in their lives. Improving their credit, using money wisely, utilizing public benefits to which they are entitled, investing in IDA's—all of these things can move a family toward self-sufficiency and financial stability."

### **Partners Bring Expertise and Experience to Long-Range Goals**

One of the greatest strengths of CWF is the broad range of organizations that have been engaged in the Campaign, right from the start. "An advisory group was convened in the spring of 2002 to shape the Campaign," says Sharmain Matlock-Turner, president of the Greater Philadelphia Urban Affairs Coalition, Campaign partner and its managing organization. "That group included business, banking, labor, legal and faith-based organizations; as well as representatives from the library system, a consumer credit counseling service, advocacy organizations and an urban affairs coalition. Meetings were held often, and the resulting group of 17 partners reflected a wide range of missions and capabilities. They brought different perspectives to the Campaign, but they all agreed on the focus: building self-sufficiency and financial literacy."

After three years, the Campaign is well-established in its tax preparation work and has expanded into other areas that support its long-term goals: homeownership counseling, credit counseling, and financial education.

Will Gonzalez, director of Ceiba, has been instrumental in the Campaign's work around credit and housing counseling. "Ceiba is a coalition of six organizations in the Latino community," says Gonzalez. "We were one of the founding partners of the Campaign. Ceiba is the name of a tree that grows in the Carribean—a tree that grows low to the ground, with sturdy, sprawling trunk branches. It provides a gathering place, where people can come together to talk. We have a long history of promoting homeownership as a community-building tool, and believe it leads to positive outcomes for families. We wanted to integrate homeownership, as well as other asset-building strategies, into the Campaign."

"This year we began to offer free credit reports to folks who got their taxes done, in a small-scale pilot effort. A housing counselor would get reports from three credit agencies and then review them with the tax filer. We're firm believers in one-on-one housing counseling—even those who own their homes already can benefit. The counseling gives us a chance to talk to families about IDAs (individual development accounts) and public benefits too."

### **Credit Counseling and Financial Education Well Received by Tax Filers**

Another partner organization, the Consumer Credit Counseling Service of Delaware Valley (CCCS), also is active in CWF's financial education and credit counseling initiative. "What the Campaign is doing is in line with our mission," says CCCS President Patty Hasson. "Our goal is to help people understand credit and the impact it has on their financial lives. This year we are offering a variety of financial education workshops each followed up with a free one-on-one credit report counseling session. A tri-merged credit report—with scores—is pulled and reviewed with a certified credit counselor who helps the client to understand the report and develop an action plan to improve credit worthiness."

CCCS managed a pilot program this year at one of the free tax sites, located at Local 1199C of the National Union of Health Care Employees. As people waited for tax preparation assistance, counselors offered to obtain their credit reports and talk to them, in a private office, about homeownership and ways they could use their refund. The counselors also answered questions about improving credit records. Ninety people participated in the service, and many were surprised to learn they have excellent credit reports. Tax filers talked about using their refunds to pay for utilities, back bills, school expenses for their children and other uses.

"Counselors found that people were responsive and happy to get the information," observes Hasson. "We have learned that the best way to provide the one-hour Credit Report Counseling session is right at a site, while people are waiting to get their taxes done. We've also learned that by establishing a relationship with the community organization that houses the tax site, clients are more willing to participate in education and on-site counseling."

### **Campaign Gears Up for Greater Impact and Lasting Change**

The Campaign for Working Families has an impressive record of growth in its first three years, but "bigger" is not the measuring stick they are using to judge their success. "We are looking to the future with two things in mind," says Jean Hunt. "First, we want to go deeper, to improve our practice or services, so that we have as much impact as possible. Our expansion will be driven by our determination to connect families—in a real way—to a wider range of resources that can help them build financial stability. Second, we want to advocate for changes in the marketplace and in policy that are needed to help families reach and sustain self sufficiency. Both of these things are necessary if low-income working families are going to move forward in Philadelphia."

Judging by the record of success in its first three years, and the enthusiasm of its partners, leaders and volunteers, the Campaign for Working Families will help many more people like Judith Ghebremichael not only save for a rainy day, but make their dreams come true.

