ANNIE E. CASEY FOUNDATION
MAKING CONNECTIONS INITIATIVE

MAKING CONNECTIONS CROSS-SITE SURVEY: FOCUS ON HOUSEHOLD ASSETS AND DEBTS

Kadija Ferryman

August 2005

THE URBAN INSTITUTE
WASHINGTON, DC

Making Connections Cross-Site Survey

Focus on Household Assets and Debts

Often, efforts to help low-income families improve their economic circumstances focus primarily on employment and income. But assets and debts also play a critical role in a family's economic success. In the short term, savings can help a family weather a dip in income or unanticipated expenses, and over the longer term can provide the resources for investments in a reliable car, homeownership, or college. Correspondingly, families in vulnerable economic circumstances can sometimes become over-burdened with debt, incurring high interest costs and undermining their longer term prospects.

This brief uses data from the baseline *Making Connections* cross-site survey to describe and explore patterns of assets and debts among households living in the ten Making Connections neighborhoods.[1] We begin by presenting 15 key measures of household assets and debts, based on survey responses, and compare levels among *Making Connections* neighborhood residents to households in the surrounding counties. Next, we describe variations in assets and debts for different categories of households, in order to understand whether some groups may need more assistance than others in accumulating savings or reducing debts. And finally, we explore the extent to which a household's connections--to economic opportunity, to formal helping services, or to informal networks and supports – influence levels of assets and debts.

Summary of Findings

This exploratory analysis shows that many residents of the Making Connections neighborhoods appear to be in precarious financial circumstances. Only about half the households in the Making Connections neighborhoods are saving, and many are amassing debt, not just "good debt" such as home mortgages, but also kinds of debt that can be particularly detrimental to financial security, which we refer to as "bad debt" in this brief. Making Connections households are less likely to have either assets or debts than households in the surrounding counties, even after controlling for their lower income levels. In other words, Making Connections residents are particularly isolated from opportunities for economic advancement.

As one would expect, poor households have fewer assets than households with higher incomes, but poor households are also substantially less likely to report most kinds of debt. However, two forms of bad debt are just as prevalent among poor households as among all households in the

[1] The MC baseline survey was conducted in ten sites from 2002-2004. The ten sites are Denver, CO; Des Moines, IA; Hartford, CT; Indianapolis, IN; Louisville, KY; Milwaukee, WI; Oakland, CA; Providence, RI; San Antonio, TX; and Seattle, WA.

Making Connections neighborhoods – medical debt and loans for furniture and appliances. Households with children in the Making Connections neighborhoods are less likely to have financial assets, and more likely to have some types of bad debts than childless households. In particular, families with children are more likely to be paying off loans for furniture or home appliances and medical bills.

A household's connections – to economic opportunity, to formal helping services, and to informal social networks – appear to play a role in determining levels of assets and debts. In particular, households with stronger connections to economic opportunity are more likely to be accumulating assets. But these households are also more likely to have both good and bad debts, and may need assistance in managing or controlling their indebtedness in order to build financial security over the long-term. In addition, households with more extensive relationships with their neighbors (engaging in civic activities, or giving or getting help from neighbors) are more likely to have a savings account. This finding may offer opportunities to build on existing civic or voluntary organizations to provide information and education about asset building and financial management.

Finally, households who live in more distressed and socially disorganized neighborhoods are less likely to have savings, car loans, or credit card debt – even after controlling for characteristics of the households themselves. This finding suggests that residents of these types of neighborhoods may be more disconnected from the economic mainstream than similar households in more socially cohesive neighborhoods.

Measuring Assets and Debts

Fully documenting a family's "balance sheet" is extremely difficult, and the *Making Connections* survey did not attempt to collect all the detailed information that would be required to determine net worth. Nonetheless, the survey provides considerable information about the kinds of assets and debts of respondent households. Specifically, respondents were asked whether they are saving, and for what purpose; and whether they are paying off debts, and if so, what types of debt and the total amount of their debts. In addition, the survey obtained information about employer-provided retirement benefits, as well as several important non-financial assets, including homeownership, car ownership, and a computer at home. [2]

This information has been used to define five groups of indicators that, together, provide a profile of a household's potential resources and liabilities.

---

[2] Most of the indicators used to describe assets and debts come from the Income and Assets section of the Making Connections cross-site survey. In some cases, these questions focus on the respondent only and in other cases the questions focus on the spouse and/or the entire household.

1) Financial Assets -- Although the survey does not ask how much money respondents have in savings, it does provide considerable information about the incidence of savings and efforts to save;

- Is the household saving for something?
- Does the respondent have a savings account?
- Does the household have savings to use in an emergency?
- Does the household receive income from interest, dividends, or rent?

2) Job-Related Assets – The survey also provides basic information about important assets that a household may accumulate through employment. These assets may be important to a family's long-term well-being, even though they are not readily available or fully liquid:

- Does respondent's and/or spouse's job provide retirement benefits?
- Does respondent's and/or spouse's job provide life insurance or disability insurance?

3) Other Assets – Information is available from the survey on several important non-financial assets that can potentially contribute to employment success or longer-term wealth accumulation:

- Does the household own its home?
- Does the respondent own a dependable car?
- Does the household own a computer?

4) Good Debt – Some types of indebtedness represent investments in a family's long-term security or economic advancement. Although it is not always clear which debts are "good" for a family's longer-term balance sheet, and which are "bad," we have classified three types of debt as being generally positive:

- Does the household have a mortgage loan?
- Is the household paying back a student loan?
- Is the household paying back an automobile loan?

5) Bad Debt – In contrast, we classify three other types of debt as "bad debt," because they seem more likely to reflect borrowing to cover excess expenditures or emergencies rather than investments in the future:

- Is the household paying off credit card debt?
- Is the household paying off loans for furniture or household appliances?
- Is the household paying off medical debt?

It is important to note that the distinction between "good" and "bad" debts is imperfect. Some people may charge costs associated with a small business start-up to their credit cards, so that what appears to be "bad" debt is actually an economic investment. And other people may take out a home equity loan to pay-off credit card balances or medical expenses, so that an apparently "good" debt obscures very precarious financial circumstances. In addition, credit cards may sometimes be used to cover medical debt or the purchase of furniture, so our indicators may understate the share of households with specific types of debt.

Only about half the households in the Making Connections neighborhoods are saving, and many are amassing debt, including bad debt.

Many Making Connections households lack assets, including savings to fall back on in case of an emergency as well as work-related assets and non-financial assets that can help build longer term security. Table 1 reports the percentage of all households in the ten MC neighborhoods who have each type of asset (Annex Table 1 provides the same information separately for each MC site).

Slightly more than half (56 percent) of all households in the Making Connections neighborhoods report that they are saving for something, and 50 percent have a savings account. National data indicate that about eight out of ten low-income families have either a checking or a savings account, suggesting that residents of the Making Connections neighborhoods have relatively low savings rates.[3] Only about one in three households (35 percent) say they would be able to draw upon savings in the event of an emergency, and only one in ten (11 percent) report that they receive interest income. A much larger share of the households in Seattle's Making Connections neighborhood have financial assets. Specifically, 72 percent have a savings account and nearly half say they could use savings in an emergency. Respondents in Louisville appear to have the lowest rates of financial asset ownership across sites, with only 37 percent reporting that they have a savings account and about 28 percent able to rely on savings in an emergency.

Table 1: Asset Ownership Among Households in the MC Neighborhoods

	% of households
Financial Assets	
Saving for something	55.8
Savings account	50.3
Savings for emergency	35.1
Investment income	10.5
Employment Assets	
Retirement plan	25.9
Life insurance	25.7
Disability insurance	19.0
Other Assets	
Computer at home	43.6
Dependable vehicle	64.3
Homeowner	34.1

Note: All households across the 10 MC sites; N=7,496.

A smaller share of Making Connections households have employment-related assets. Specifically, only about a quarter (26 percent) report having an employer-sponsored retirement program and the same share have employer-sponsored life insurance. An even lower share of households (10 percent) have long-term disability insurance through their jobs. Making

[3] Barr, Michael S. "Banking the Poor: Policies to Bring Low-Income Americans Into the Financial Mainstream": Brookings Institution: September 2004.

Connections households in both Des Moines and Seattle are more likely to have employer-sponsored benefits; 42 percent of respondents in Seattle have a retirement plan and about 34 percent have life insurance, and in Des Moines' Making Connections neighborhood about one third of respondents have retirement plans and life insurance.

In the "other" assets category, almost two thirds of respondents (64 percent) report having a dependable vehicle. Less than half (44 percent) have computers at home and only 34 percent of Making Connections households are homeowners. The computer ownership rate is less than the national average of 56 percent[4] and the homeownership rate falls considerably below the national average, even for lower income households. The Department of Housing and Urban Development estimates that 66 percent of all households, and 52 percent of low-income households own their homes[5]. Homeownership rates in the Making Connections neighborhoods of Des Moines, San Antonio and Seattle are substantially higher than in the other sites, and come much closer to the national rate for low-income households.

The share of Making Connections households who have incurred debts is considerably lower than the share who own at least some assets. Nonetheless, a substantial minority are paying back debt, including what we have classified as bad debt. Table 2 reports the percent of all households in the ten MC neighborhoods who have each type of debt (Again, Annex Table 1 provides the same information separately for each MC site).

The most common type of debt among Making Connections residents is credit card debt, with a third of households (33 percent) reporting that they are paying off credit cards. Among bad debts, about one in five households (19 percent) report that they owe medical bills, and a much smaller share (7 percent) are paying off loans for furniture or household appliances. In the Making Connections neighborhoods of Des Moines, Indianapolis, and Louisville, much larger shares of households report medical debt.

Table 2: Indebtedness Among Households in the MC Neighborhoods

	% of households
Good Debts	
Mortgage loan	19.4
Student loan	11.1
Car loan	21.0
Bad Debts	
Credit card bills	32.5
Furniture or appliance bill	7.2
Medical debt	19.2

Note: All households across the 10 MC sites; N=7,496.

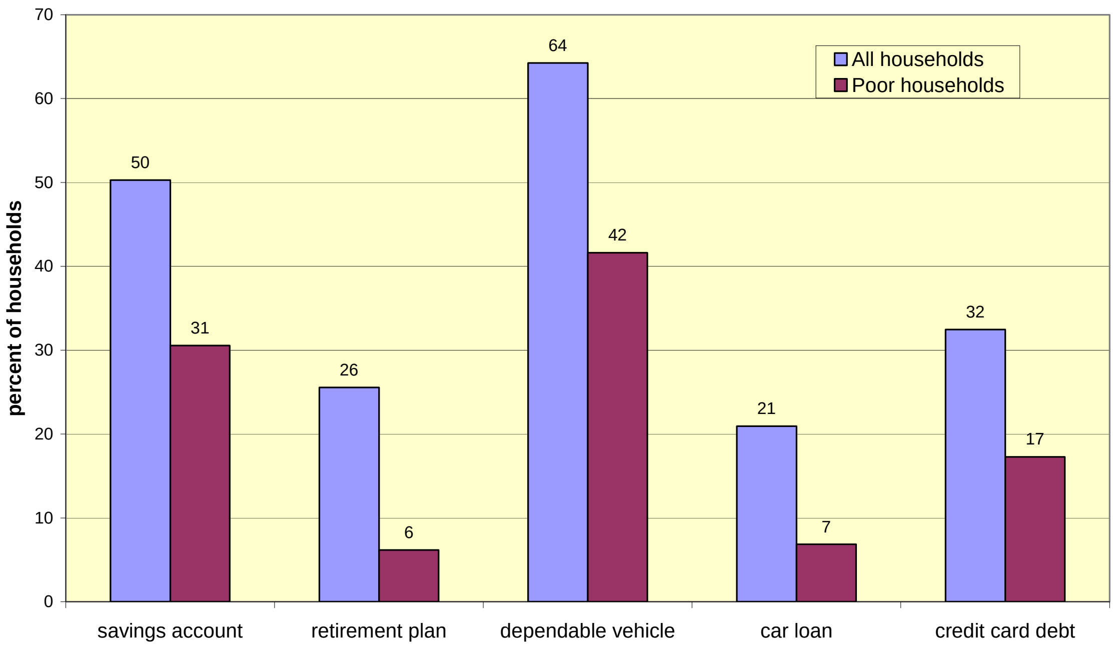
Relatively few Making Connections households have debts that represent investments in the future. Only 19 percent have mortgage loans, 21 percent have car loans, and 11 percent are paying off student loans.

[4] From US Census Bureau, Current Population Survey, September 2001.

[5] HUD-PD&R tabulations from the 1997 American Housing Surveys. Used percentages of people with household income between 0-80% of HUD-Adjusted Area Median Income.

One would expect poor households to have fewer assets than households with higher incomes, and indeed, a substantially smaller share of Making Connections households whose incomes fall below the poverty line report having assets in each category. Interestingly, however, poor households are also substantially less likely to report each category of debt. Chart 1 summarizes the differences between poor households and all households in the Making Connections neighborhoods, focusing on one indicator from each category of assets and debts. Only 31 percent of poor households have a savings account, compared to about half of all

Chart 1: Assets and Debts Among Poor Households in the Making Connections Neighborhoods



households. And only 17 percent of poor households are paying off credit card debt, compared to 32 percent of all households. Although the share of poor households who are encumbered by debt is relatively small, it seems likely that their circumstances are especially precarious and that they may need special assistance in paying off debts or accumulating assets.

Moreover, two forms of bad debt are just as prevalent among poor households as among all households in the Making Connections neighborhoods. Specifically, 17 percent of poor households are paying off medical bills and 6 percent are making payments for furniture or household appliances. These liabilities could seriously threaten the financial stability of households with incomes below the poverty line, undermining their chances of progress toward economic security as recent studies show a strong connection between medical debt and bankruptcy[6].

Making Connections households are less likely to have either assets or debts than households in the surrounding counties, even after controlling for their lower income levels.

Households living in the counties surrounding the Making Connections neighborhoods are substantially more likely to have all types of assets and debts than the Making Connections households. Table 3 reports the share of households with each type of assets and debts for the ten MC neighborhoods and the surrounding counties (see Annex Table 2 for site-by-site values of the county information). In general, the gap between the Making Connections neighborhoods and the surrounding counties is about 15 percentage points for assets, 5-10 percentage points for good debts, and 5-10 percentage points for bad debts. The only exception is in the area of medical debt, where Making Connections households are more likely to be paying off a medical debt than respondents in the surrounding counties.

Table 3: Assets and Debts in the MC Neighborhoods and Surrounding Counties

	MC Neighborhoods	Counties		MC Neighborhoods	Counties
Financial Assets			**Good Debts**		
Saving for something	55.8	77.3	Mortgage loan	19.4	41.8
Savings account	50.3	74.9	Student loan	11.1	14.6
Savings for emergency	35.1	67.1	Car loan	21.0	34.9
Investment income	10.5	31.5			
			Bad Debts		
Employment Assets			Credit card bills	32.5	49.6
Retirement plan	25.9	52.5	Furniture or appliance bill	7.2	6.4
Life insurance	25.7	47.8	Medical debt	19.2	14.8
Disability insurance	19.0	19.1			
Other Assets					
Computer at home	43.6	69.3			
Dependable vehicle	64.3	85.5			
Homeowner	34.1	61.7			

Note: All households across the 10 MC sites;neighborhood N=7,496; county N=6,997.

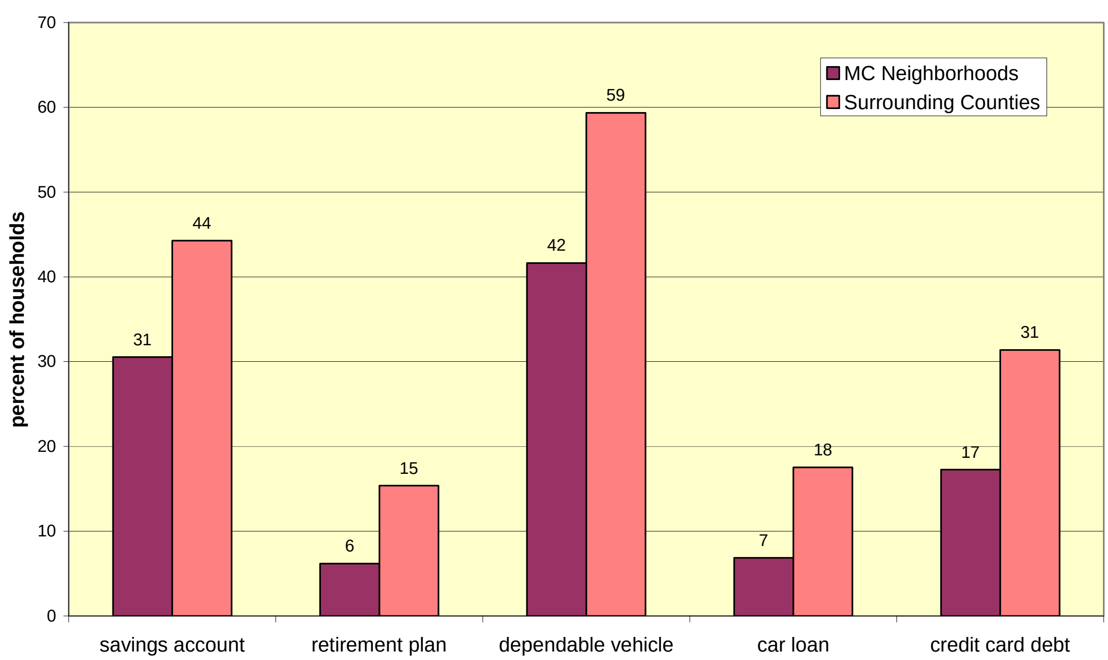
The difference between households in the Making Connections neighborhoods and those in the surrounding counties stems in part from differences in income levels. Only 12 percent of county households have incomes below the poverty line, compared to 34 percent of Making Connections households. However, even when we focus on poor households, those living in

[6] See Himmelstein et al. “Illness and Injury as Contributors to Bankruptcy” 2004; and “Medical Debt and the High Cost of Being Poor” The Access Project, 2005.

the Making Connections neighborhoods are still less likely to have assets than their counterparts in the surrounding counties. Chart 2 compares poor households in the Making Connections neighborhoods and surrounding counties for one indicator from each category of assets and debts. The gap between poor households in the MC neighborhoods and poor households in the surrounding counties is 13 percentage points for savings accounts, 9 points for retirement plans, and 18 points for dependable vehicle. Poor households in the Making Connections neighborhoods are also less likely to have most types of debts. Specifically, the gap for car loans is 11 points and the gap for credit card debt is 14 points. However, poor households in the Making Connections neighborhoods are just as likely to be paying off furniture loans and medical bills as poor households in the surrounding counties.

These results suggest that Making Connections neighborhood residents are particularly isolated from opportunities for economic advancement. Their rates of asset ownership are low, even after accounting for their low income levels. Thus, it may be appropriate to focus explicitly on asset-building strategies for neighborhood residents. While many neighborhood residents lack assets, they appear to have avoided accumulating debts. Rates of medical debt, however, are relatively high, especially among Making Connections residents with incomes below poverty. Strategies that seek to improve access to mainstream financial systems should include education on how to avoid bad debts. Moreover, households that have accumulated substantial liabilities – especially for medical bills or furniture and appliance loans – may need targeted help paying off these debts in order to become more economically secure.

Chart 2: Assets and Debts Among Poor Households, MC Neighborhoods and Surrounding Counties



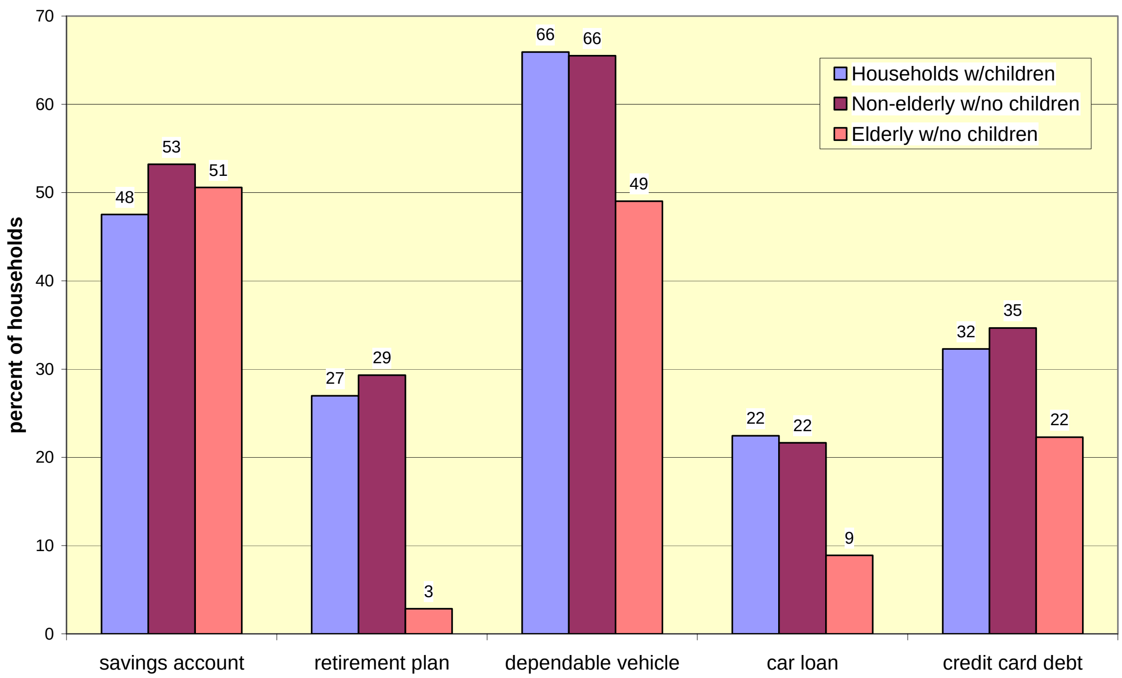
The following sections of this brief explore differences in levels of assets and debts among different types of households within the Making Connections neighborhoods. Our purpose is to understand whether some kinds of households may be making progress toward economic security and wealth building, while others are in particular need of assistance in this area. We focus special attention on households with children and on minority and immigrant households.

Households with children are less likely to have financial assets, and more likely to have some types of bad debts.

In order to assess the financial challenges facing different types of Making Connections residents, we divided households into three categories: households with children, non-elderly households without children, and elderly households without children[7]. Across all ten Making Connections neighborhoods, 48 percent of households have children, 43 percent are non-elderly with no children, and 9 percent are elderly with no children.

[7] First we grouped all households with a child present, regardless of age of respondent, into the "households with children" category. Then we took the households without any children present and divided them into households with no elderly present and no children, which is the "non-elderly without children" category. The remaining childless households with only elderly is classified as the "elderly without children" category.

Chart 3: Assets and Debts Among Different Types of Making Connections Households



Households with children are somewhat less likely than childless households to have financial assets. As shown in Chart 3, less than half of families with children have a savings account (48 percent), compared to 53 percent of non-elderly households without children. In addition, fewer families with children report that they could use savings in the event of an emergency (31 percent) or that they receive any interest income (6 percent). However, families with children are just as likely as non-elderly households without kids to have employment assets. They are also just as likely to own a dependable vehicle and a home computer, but they are substantially less likely to be homeowners. Specifically, only 29 percent of families with children are homeowners, compared to 35 percent of non-elderly households without children.

Elderly households without children reflect a very different pattern. A relatively large share report financial assets, but few have employment-related assets or non-financial assets. More specifically, just over half of elderly households (51 percent) report that they have a savings account, 39 percent could fall back on savings in the event of an emergency, and 15 percent receive income from investments. However, only 3 percent of elderly households have a retirement account from their job[8] and just under half (49 percent) own a dependable vehicle. Elderly households are the most likely to own the homes in which they live; over half of all elderly households in the Making Connections neighborhoods are homeowners.

[8] It is important to note that the question about work-related benefits was only asked of households with a working respondent or spouse. Thus, elderly retired people may have retirement benefits from their previous jobs that would not be reported here.

Families with children and non-elderly households without children are equally likely to have good debts—with about 12 percent in each group reporting student loans, about 22 percent paying car loans, and 20 percent paying mortgage loans. About the same proportion of each group also report that they are paying off credit cards. However, families with children are more likely to be paying off loans for furniture or home appliances and medical bills. Specifically, 10 percent of families with children have incurred debts for furniture or appliances, compared to only 5 percent of non-elderly households without children. And 23 percent of families with children have medical debts, compared to only 17 percent of non-elderly households without children.

Elderly households without children generally report less indebtedness than the non-elderly. They are much less likely to have car loans (probably because they are less likely to own cars), but only a small share have mortgage loans (8 percent), despite their high rate of homeownership (53 percent). In addition, elderly households without children have lower levels of bad debt, including credit card balances (22 percent), furniture and appliance loans (2 percent), and medical bills (13 percent). This means that a substantial share of elderly households in the Making Connections neighborhoods – especially those that own their homes -- have important assets, but relatively low indebtedness.

Making Connections respondents are more likely to be paying off a medical bill than respondents in the surrounding counties, and among Making Connections respondents, it is households with children who are the most likely to be paying off this kind of bad debt. When we focus just on families with medical debt, we see that they have high asset ownership rates, as they are more likely to have a savings account, a retirement plan and a dependable vehicle than those households with children overall (as well as households with children without medical debt). However, though their asset picture may not look bleak, the data show that this population is not only struggling with medical debt, but is more likely to be paying off other kinds of debts, both good and bad. For example, 49 percent of families with medical debt are also paying down a credit card compared to about 32 percent of households with children overall. Also, these families are more likely to have difficulty paying bills and finding money to cover prescription medicine costs.

Differences between racial and ethnic groups in the Making Connections neighborhoods are mostly the result of poverty.

When we compare patterns of assets and debts across racial and ethnic groups in the Making Connections neighborhoods, we see quite substantial differences. In general, non-Hispanic white households are the most likely to have assets of all kinds, and the most likely to have both good debts and bad debts. Hispanic immigrant households are generally the least likely to report either assets or debts. But most of these differences appear to be related to the lower income levels among minority and immigrant households, compared to non-Hispanic whites in the Making Connections neighborhoods.

In fact, when we focus on households with incomes below the poverty line, there are only a few meaningful differences between racial and ethnic groups. Specifically:

- Hispanic immigrants are the most likely to report that they could fall back on savings in an emergency.
- US-born Hispanics and Asians as well as non-Hispanic whites are more likely than blacks or immigrant households to be homeowners.
- US Blacks are the least likely to have access to a dependable car.
- Asian immigrants are the most likely to have home computers.

These differences may suggest specific opportunities to design targeted assistance for particular groups of households in the Making Connections neighborhoods.

As discussed earlier, households with incomes above the poverty line are more likely to have assets than poor households. Even so, asset ownership is relatively low in the Making Connections neighborhoods, even among households whose income exceeds the poverty level. About two-thirds of households above the poverty line have a savings account, and 40 percent have retirement accounts or life insurance. The homeownership rate among non-poor households in the Making Connections neighborhoods – 46 percent -- is also relatively low by national standards[9]. Non-poor households also are more likely to be encumbered by debts, including good debts such as school and car loans, but also bad debts. For example, almost half (46 percent) of households above the poverty line are paying a credit card bill. Households not in poverty are also slightly more likely to be paying for appliances and medical bills.

A household's connections – to economic opportunity, to formal helping services, and to informal social networks – appear to play a role in determining levels of assets and debts.

The Making Connections initiative seeks to reduce the isolation of many families who live in poor neighborhoods, strengthening their connections to economic opportunities, to formal helping services, and to informal social networks. The expectation is that stronger (and more effective) connections will help families make progress toward greater economic security and improve the overall well-being of both adults and children. Therefore, this section explores possible linkages between a household's "connectedness" and its levels of assets and debts. While it is too early in the Making Connections initiative to evaluate the effectiveness of efforts

[9] HUD-PD&R tabulations from the 1997 American Housing Surveys.

to strengthen connections, this analysis can highlight ways in which different types of connections might help residents build assets and manage debt.

Table 4 summarizes the results from an analysis of how different factors are related to a household's asset or debt levels, *other things being equal.* In other words, it shows whether and how factors such as long-term employment, civic participation, or high housing costs may contribute to either asset accumulation or indebtedness, after controlling for other relevant characteristics of Making Connections households.[10] This analysis helps highlight key conditions or characteristics that might offer opportunities to help families accumulate assets or manage their debts more effectively.

Not surprisingly, households who appear to have stronger connections to economic opportunity are more likely to be accumulating assets. But these households are also more likely to have both good and bad debts, and may need assistance in managing or controlling their indebtedness in order to build financial security over the long-term. Specifically, respondents who have at least completed high school and those who have held the same job for more than three years are more likely to have assets – including both savings and job-related employment savings. They are also more likely to have both car loans and credit card bills, but not medical debt.

One might expect that households with two or more workers would also be financially stronger, but in fact, these households appear to be struggling. Other things being equal, they are *less* likely than the average Making Connections household to have job-related retirement savings, more likely to have to have car loans, and more likely to have medical debt. This surprising finding suggests that in the Making Connections neighborhoods, households that have multiple workers are not achieving greater financial security, but may have multiple part-time or intermittent jobs, without retirement or health care benefits.

[10] These results are based on multivariate regression models for households in the Making Connections neighborhoods. A technical appendix explaining the models is forthcoming.

Table 4: Factors Contributing to Assets and Debts in the Making Connections Neighborhoods – Other Things Being Equal

	Savings Account	Retire-ment Savings	Car Loan	Credit Card Debt	Medical Debt
Connections to Economic Opportunity					
Completed at least high school	+	+	+	+	
Two or more workers		-	+		+
Held same job for 3+ years	+	+	+	+	
Connections to Formal Helping Services					
Use financial services	+			+	
Connections to Informal Networks					
Civic participation index	+	+		+	+
Help seeking index	+			+	+
Help giving index	+		+		
Economic Hardship					
Difficulty paying bills	-		+	+	+
Housing costs					+
Income below poverty	-	-	-	-	-
Income over $30,000	+	+	+	+	-
Type of Neighborhood					
High poverty cluster	-		-	-	
Medium poverty cluster					+
Household Controls					
Family with children			+		+
Elderly	+		-	-	
Homeowner	+	+	+	+	+
Immigrant		-			+
Black	+	+			
Hispanic				-	
Asian	+	+			

"**+**" means a statistically significant, positive result found
"**-**" means a statistically significant, negative result found
blank means no statistically significant result found

About 90 percent of respondents in the Making Connections neighborhoods report that they have used financial services, such as a bank, check cashing service, or money transfer service. Other things being equal, these respondents are more likely to have a savings account, but also more likely to have credit card debt. This suggests that connections to various financial service providers encourages or enables households to save, but that these connections can also result in households becoming encumbered with bad debts. Connections to financial services appear to have no impact on the likelihood that a household will have medical debts.

Relationships among residents in the Making Connections neighborhoods have the potential to play important roles in supporting individual families and improving community-wide conditions. An analysis of informal social networks has developed three summary indicators of a household's relationships with neighbors: an index of civic participation, an index of help-seeking behavior, and an index of help-giving behavior.[11] Respondents who score high on any of these indicators are more likely to have a savings account. This suggests that people who are actively engaged with their neighbors in civic and volunteer activities are also making at least some efforts to accumulate assets for the future. It may offer opportunities to build on existing civic or voluntary organizations to provide information and education about asset building and financial management.

Respondents who score high on the help-seeking index are more likely than the average to have bad debts, including both credit card debt and medical debt, suggesting that financial difficulties may be among the reasons they are seeking help from neighbors and friends. And, other things being equal, respondents who score high on the help-giving index are more likely to have car loans, but not credit card or medical debt, suggesting that they may be in a position to give help because of their relatively strong financial position. Considerably more in-depth information would be needed to understand these linkages fully, but in some Making Connections neighborhoods there may be opportunities to build upon existing help-seeking and help-giving networks to provide financial literacy training or information and materials about asset building and financial management.

Community conditions and economic hardship also contribute to assets and debts among Making Connections residents.

A family's asset and debt picture may be affected not only by individual connections of various types, but also by social conditions in the surrounding neighborhood. For example, other things being equal, families who live in distressed and socially disorganized communities may have less incentive or ability to plan and save for the future. And in contrast, families who live in highly cohesive neighborhood environments may be encouraged by these conditions to manage their finances more effectively. Therefore, we explored possible interactions between conditions in a family's immediate neighborhood and their savings and debt responses, building on an ongoing analysis of neighborhood conditions in the Making Connections neighborhoods.[12] Specifically, block groups from the ten sites were classified into three categories using latent class analyses. This analysis combined block groups based on the percentage of single parents, degree of residential mobility, percentage of long tenure residents, home ownership, social cohesion, and poverty rate.

---

[11] Manjarrez, Carlos. 2005. "Social Networks and Civic Participation in Making Connections Neighborhoods".
[12] This is based on neighborhood social disorder categories developed by Robert Goerge of Chapin Hall Center for Children at the University of Chicago.

Table 5: Descriptions of Making Connections Sub-neighborhoods

Type of Sub-neighborhood		% of Making Connections Sample	% Single Parent Families	Residential Mobility	% Long Tenure Residents	% Home Ownership	Social Cohesion	Poverty Rate
1	Most Distressed	37%	High	High	Low	Low	Low to Medium	High
2	Mixed	33%	Low	Low	High	High	High	Medium
3	Least Distressed	30%	Low	High	Low	Low	Medium	Low to Medium

Households who live in more distressed and socially disorganized neighborhoods are less likely to have savings, car loans, or credit card debt – even after controlling for characteristics of the households themselves. This finding suggests that residents of these types of neighborhoods may be more disconnected from the economic mainstream than similar households in more socially cohesive neighborhoods. The asset and debt picture for families living in neighborhoods with moderate levels of social cohesion do not differ significantly in most respects from those in the healthiest communities, except that they are more likely to have medical debt. Again this suggests that – other things being equal – living in a more socially cohesive community may help families avoid some types of bad debt.

Finally, we explored possible linkages between a family's economic hardship or distress and its assets and debts. As discussed earlier, households with incomes below poverty are less likely to have all types of assets and debts, while those with annual incomes over $30,000 are more likely to have assets and most kinds of debts, but not medical debt. Not surprisingly, families who report that they have had difficulty paying bills are less likely to have savings and more likely to have debts, including medical debt. And, other things being equal, households with high housing costs are more likely to be paying off medical debts, suggesting that unaffordable housing may be a major source of vulnerability for families in the Making Connections neighborhoods.

This exploratory analysis shows that although some Making Connections residents have financial and other assets, many including families with children, are struggling to build assets and to deal with debt, both good and bad. Although for some the situation may not appear to be promising, there are opportunities to help residents to improve their financial situations.