

Financial skills for a lifetime

Miltoria Fordham is executive director of Partners for Self-Employment, Inc. The Miami non-profit helps low-income people save to buy a first home.

Q. How does your savings program work?

A. We help people save for the down payment for their first home. We have an Individual Development Account, which is a matched-savings program for people who meet poverty guidelines. For every dollar the client saves, up to \$1,000 a year for two years, we will match it with \$2. So if you save \$1,000, we will give you \$2,000. The money must be used to buy a first home or to expand a business. We are in a partnership with Habitat for Humanity and with Miami-Dade Housing. Since 2005, we have helped every Habitat home purchaser save for their down payment or closing costs. Since 2003, we have assisted 69 people, six of them to expand a business and the rest to buy their first home.



FORDHAM

Q. How do you teach poor people to save?

A. It's very easy. We have a set of eight lessons. The first is avoiding predatory lending. We involve the participant, ask them for examples. They say: That pay-day loan store charges extra for loans, so that is predatory. Then we work out a budget with them. People don't realize they can actually save. First they must look at what they spend. Some spend a lot on hair and nails. We ask them, What can you cut back on? Put the savings in a coffee can at your desk. Drop your change in it. At the end of the year, count it. I once saved about \$100 in nine months that way.

Q. Do the lessons stick?

A. You have to create a habit of savings. That's why we require them to deposit at least \$20 per month into their account. It's amazing. We always tell them they have to save extra, because they'll have expenses for the home, too. What happens if the toilet backs up? If they can't fix it, it runs over, ruins the carpet and costs more. You need extra savings for emergencies.

Q. What's a real-life example?

A. I had a client once, a big guy. He said he couldn't save, he had three kids to feed and a house. I said, do you have lunch every day? He said, don't I look like I eat? How much do you spend? He said \$8 a day. Who cooks dinner? He said he cooks sometimes. Why don't you cook some extra so you can have it for lunch the next day?

So he started taking his lunch. Then he started clipping coupons. He couldn't believe how much he was saving. He had agreed to save \$88 per month for two years, or \$2,000 total. In about 16 months he had saved \$3,500. Then one day, he had to leave his job. He needed money to pay rent and feed his family for a few months until he found another job. He lost the match. But he thanked us because he had the savings. Not everybody ends up with a house, but they end up with an education. They understand the benefit of savings, of setting goals.

Q. How did you start with Partners for Self-Employment?

A. I used to be a buyer for department stores. Then I went back to school to be a teacher. In the schools, I was asked to do some community work. That's how I found this group. I've found that, if the parents learn, they teach their kids. One young man came with his mother. She couldn't speak English, so he translated. We trained him, he trained her. The last loan she got from us was for \$10,000. She is a vendor who delivers fish and produce to the Haitian community. She bought a house. He's now in college and still trains our Creole-speaking clients. When you actually see people being helped — that alone would be a lot. Financial literacy is great for the community.

Editorial Board member Susana Barciela prepared this report.