

Basic Editing Example Pages

Credit

Credit score data is one of the most discussed categories of indicators, but is one of the

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least used in practice as an outcome measure. Many organizations are working with

clients to obtain free annual credit reports, or gathering credit reports at intake as part of

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financial counseling, services or lending. A few organizations are using credit reports as

Comment [J1]: Should this read "scores"?

ongoing measures of various credit outcomes. The credit score itself is controversial.

Changes in the score may be non-linear—that is a 30 point movement from 520 to 550 is

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not the same as a 30 point movement from 650 to 680. Accessing reports with credit

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scores involves payments to credit information providers (the 'bureaus') and involves

technical and legal issues. The Credit Builders Alliance has developed innovative

techniques to facilitate the collection of credit data, but also is aiding organizations to

better understand how to increase credit scores. While this is laudable, it emphasizes the

reasons that a single FICO score measure may be misleading. Of course, because FICO

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scores are used in so many contexts, it may itself be viewed as an asset. But as a proxy

for overall financial conditions, scores are not enough.

In general, credit data is also a lagging indicator of reality and ideally will be pulled

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through multiple draws at standardized time increments. Key informants complained that

scores are too slow to move even as people's behavior improves (credit reports are like a

grade point average—it takes time for positive performance to outweigh past mistakes).

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Rather than look at raw scores, one strategy is to document changes in a credit score of at

least 50 points, as well as various data from the report, such as a reduction in consumer

revolving debt or whether or not clients have opened new lines of credit. There is very little investigation into how well credit report data reflects other asset-building indicators, although the consensus among practitioners is that it is likely that credit report data is consistent with measures of financial capacity, income, assets and risk management. This is an area which has great promise as an indicator in theory, but prompts many concerns and questions in practice. In particular, the current credit crisis may result in changes in how credit is accessed and reported, imposing limitations on how much clients could improve or weaken their credit report if they wanted to (for example, credit limits may be lowered unilaterally by lenders, which will be definition change ratios in the report).

Comment [J4]: Is this what you mean, or should it be lines of debt?

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Net Worth or Savings.

In many ways this topic is at the core of asset building—do participants in programs have in total more in assets than debt and is that ratio increasing? However, this is not a simple calculation. First, these data are difficult to obtain. When the Survey of Consumer Finances and other government-sponsored phone surveys ask about assets, dozens of questions are required. Every category and type of asset must be reviewed, including liquid financial assets such as bank accounts, as well as hard to value property and esoteric assets. Likewise, debt can also be hard to measure, especially if revolving debt, personal loans, and loans with variable rates and terms are included. Simple and unambiguous measures such as ownership of a home or car have merit, but are not universally applicable. Even a simple indicator like a bank or investment account balance may be problematic since account balances will vary over time and need to be averaged over multiple periods to provide accurate data. Discussions of possible measures in this category have a tendency to devolve into subjective judgments about which assets are

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'real' and which debt is 'good.' These types of considerations are steeped in assumptions and biases and should be approached with great caution.

Buffers against Risk (or Risk Management, or Safety Net/ Insurance)

Buffers against risk is an important category, particularly in light of the credit crises and economic downturn in 2008. This is among the least-utilized category of measures among practitioners, although one that is of growing interest. There are few sources of administrative or behavioral data in this category; instead practitioners rely strongly on self-reported measures of insurance coverage, access to public or private benefits, and reliance on social networks. Program participants' perceptions of their ability to weather a crisis may be a reliable indicator, but there has been little field testing about how well these indicators predict current or future behavior.

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Income

Collection of income data is ubiquitous in the asset-building field. This is somewhat ironic since the asset-building movement is rooted in Michael Sherraden's *Asset and the Poor*, in which Sherraden argued that social policy should emphasize less income-based subsidies and place a greater emphasis on savings and assets. One reason that income dominates data collection is that verifying income at program intake or meeting income qualifications at various milestones is common across programs and often required by public funders.

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- Comment [J6]: Is this the movement you are referring to?
- Comment [J7]: Should this read "Assets"?
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- Comment [J8]: This should read either: "should emphasize fewer income-based subsidies" or "should emphasize income-based subsidies less", but I'm not sure which is your intended meaning.
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As they do with assets or debt, professional survey takers generally ask a battery of questions to verify whether or not all income sources are included. Collecting income data near tax time (the Current Population Survey March Supplement is run in March for a reason) is a proven strategy for obtaining more reliable income figures from program participants. But even tax-ed income may neglect non-taxed benefits, tax credits, and under- or unreported income. Income measures are generally biased downwards and will be systematically biased based on time of year and even demographic group. Of course, income generally needs to be measured relative to the local market area and adjusted for household size. The most important indicator may actually not be income amount or changes in income over time, but income relative to spending, or even how the program participant perceives the stability of his or her income. Having an income that is viewed as steady and keeping up with the cost of living may be a better indicator of financial security and asset building. In the end, data on income is a measure that is very easy to understand, and changes in income can be a good proxy for financial security. More importantly, income provides a benchmark for various financial ratios regarding assets, debt and budgeting.

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3. Selecting Data Points

The most basic decision criteria regarding data collection is simple: the benefit of collecting an additional piece of information should just equal the costs of collecting that information. For most organizations such a formula is a luxury as data points are dictated by outside funding sources. From the perspective of establishing a key set of aggregated measures, however, this is an important concept. The benefits of collecting data include how influential that evidence will be. Does it provide information that answers a critical

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question for public policy or practice? Is it the best and most credible form of information relative to other viable alternatives? Does the information lead to the potential for improvements in service delivery? The costs include not only the direct cost of acquiring the information on a paper or electronic form or survey, but also the cost of maintaining the data—managing errors, missing records and edits over time. Costs also include training organizations and staff to collect data, enforcing standards, checking/auditing data and dealing with staff and agency turnover. They also include costs to clients in terms of time, frustration and personal privacy. In the extreme case, programs might collect so much data that the effects of the intervention are ruined. Many of the programs interviewed view current reporting standards as burdensome and too costly to the client.

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In addition to the costs and benefits, the role of potential biases in the data collected must be considered. Reliability refers to how consistently data is collected or how participants respond across program locations, and/or over time. Carefully designed standardized indicators will reduce the bias introduced by variations in how and when data is collected. To the extent a common procedure or protocol can be used, including standardized wording of survey questions and administration, reliability can be increased. Validity refers to how true the data measure is relative to reality. Both can create bias in the data being collected. All data has some form of bias or error; however, the degree of bias can be reduced by carefully implementing collection procedures, testing methods and careful observations.

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Comment [J10]: Clarify here—both what? Reduced reliability and validity? You might re-word the whole sentence to: “Both reliability and validity are necessary to obtain unbiased data.”

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The problematic bias is that which is systematic across program participants such that some groups will have a tendency to deliver information that deviates from the truth in a predictable yet unobserved way. The fact that all clients under-report income creates biased data. It may not be a problem if all clients under-report in a similar way; however, it can be problematic if certain groups under-report to a greater or lesser degree, and that is not measured. More worrisome for longitudinal data are patterns of bias that vary by time of year such that if income is measured in April in one year and July the next, clients will under-report more in the latter than the former. The influence of desirability is another common type of bias, where some clients will provide the answers they think are most appropriate as opposed to those that reflect their current situation. Procedural bias is another problem. Clients may 'learn' how to respond to questions over time, or staff may even begin to coach clients on how to respond in order to boost outcome indicators.

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