

# **African-American Women and Personal Finances**

**Survey by Peter D. Hart Research Associates for Fannie Mae Foundation**

**Dec. 4, 2001**

© Fannie Mae Foundation 2001. All Rights Reserved.

## **Executive Summary**

### **1. African-American women have come a long way.**

- Most African-American women (74 percent) say that they have it easier financially than their mothers or grandmothers did. In fact, they believe that they have made more progress than African-American men—only 58 percent of African-American women think that African-American men have easier than they did a generation ago.
- The progress that African-American women have made is recognized by most men in the community: 81 percent of African-American men say that African-American women have it easier today (compared with only 54 percent of African-American men who say that they have it easier than their fathers or grandfathers did).

### **2. As a community, we control our own destinies.**

- More than two in three African-American women (68 percent) say that they are solely responsible for the financial planning and budgeting in their household—more so, in fact, than are women in general (55 percent).
- Most African-American women feel prepared to plan for their family's financial future (68 percent), to work on retirement arrangements (59 percent), and to care for an aging parent (50 percent).
- African-American women are not frightened by the responsibility. They are confident in their ability to improve their situation, and 63 percent believe that their family's financial situation will get better over the next year.

### **3. Many other African-American women still have a long way to go.**

- Many African-American women are responsible for their own finances out of necessity: they are less likely than women in general to be married (28 percent versus 54 percent of all women), and nearly one in five (19 percent) are single mothers.
- African-American women have fewer resources. Two in four (41 percent) have household incomes of less than \$30,000, compared with 33 percent of all women and 32 percent of African-American men in the same circumstances.
- Only 41 percent of African-American women own their homes, compared with 66 percent of all women.
- Half of African-American women (50 percent) say that they are just getting by or struggling.

**4. Consumer financial services offer African-American women opportunities for achieving their goals, but they are using these services in much smaller numbers.**

- African-American women share the same goals as most women: 36 percent believe that starting a retirement account is one of the things that contributes the most to financial security (38 percent of all women concur), 28 percent say the same about having a monthly savings plan (29 percent of all women), and 26 percent believe that owning a home is important (32 percent of all women).
- However, many African-American women are not using the consumer financial services that are the steppingstones toward their goals. Only 68 percent have opened a checking account (compared with 82 percent of all women), only two in five (40 percent) have started an IRA or 401(k) (55 percent of all women), and only 27 percent have obtained a mortgage to purchase a home (47 percent of all women).

**5. Understanding financial topics is a first step.**

- Many African-American women need help in understanding the consumer financial services that will help them achieve their goals: 50 percent feel only somewhat or not at all comfortable with their knowledge of retirement planning, 51 percent say the same about managing debt, 45 percent are not confident about their knowledge of what comprises a person's credit rating, and 57 percent are uncomfortable with the process of buying a home.

**6. Help has to begin with the fundamentals.**

- Nearly one-third (30 percent) of African-American women do not have a checking account, including 38 percent of 18- to 34-year-olds, 41 percent who have a high school education or less, 43 percent who have a household income of less than \$30,000, and 43 percent who are single mothers.
- Their reasons for not having a checking account include the perceptions that money orders and check cashing services are more convenient (31 percent), that it is too easy to overspend with a checking account (28 percent), that the fees are too expensive (19 percent), and that there are too many requirements (13 percent).

**7. Many would also like to own their homes but don't know where to start.**

- More than half of African-American women (54 percent) rent their homes, although 74 percent of these renters say that they would rather own.
- African-American women who rent see obstacles to homeownership that may be due simply to a lack of information—70 percent believe that their credit rating is not good enough to get a mortgage, 68 percent feel that they would have difficulty finding a mortgage lender they could trust, 64 percent are not confident that they would be approved for a mortgage, and 61 percent are not sure how to get started.