SIDLEY AUSTIN LLP
1501 K STREET, N.W.
WASHINGTON, D.C. 20005
+1 202 736 8000
+1 202 736 8711 FAX

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February 10, 2020

Samantha Deshommes
Chief, Regulatory Coordination Division
Office of Policy and Strategy
U.S. Citizenship and Immigration Services
Department of Homeland Security
20 Massachusetts Ave., NW
Mailstop #2140
Washington, DC 20429-2140

Re: Proposed Rule – U.S. Citizenship and Immigration Services Fee Schedule and Changes to Certain Other Immigrant Benefit Request Requirements, DHS Docket No. USCIS-2019-0010, RIN 1615-AC18, 84 Fed. Reg. 62,280 (Nov. 14, 2019); 84 Fed. Reg. 67,243 (Dec. 9, 2019)

Dear Ms. Deshommes:

The Immigrant Legal Resource Center (ILRC) submits this supplemental comment on the Proposal[1], which would place vital immigration benefits and services beyond the reach of a large and vulnerable swath of aspiring Americans. As ILRC argued at length in its December Comments, USCIS's fee raise proposal would have profound consequences for millions of people seeking to legally immigrate to the United States.[2] Among those targeted by the Proposal are children, the elderly, victims of domestic violence and trafficking, the disabled, and individuals from non-European countries who are underrepresented in the United States. But in many ways, the Proposal would exact its greatest cost on working families by hiking the rates for vital benefits and services beyond what studies have shown they can afford. Thereby, it threatens to change the make-up of the U.S. immigration system and to reshape America's yet unfolding history as a nation built upon the contributions of diverse immigrants.

The Agency has also failed to afford the public an adequate opportunity to respond to this potentially sea changing proposal. Neither has the Agency's choice to reopen review during this

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[1] The Proposal refers to the rule issued by the U.S. Citizenship and Immigration Service (USCIS), U.S. Department of Homeland Security (DHS), U.S. Citizenship and Immigration Service Fee Schedule and Changes to Certain Other Immigrant Benefit Request Requirements, DHS Docket No. USCIS-2019-0010, RIN 1615-AC18, 84 Fed. Reg. 62,280 (Nov. 14, 2019) (the November Proposal) and to 84 Fed. Reg. 67,243 (Dec. 9, 2019) (the December Proposal).

[2] ILRC incorporates in full its prior comments on this proposal. Immigration Legal Resource Center, Comment Letter on U.S. Citizenship and Immigration Services Fee Schedule and Changes to Certain Other Immigrant Benefit Request Requirements (Dec. 23, 2019) ("ILRC December Comments"), https://www.regulations.gov/document?D=USCIS-2019-0010-7084.

period and to retrospectively review comments submitted after the December comments deadline cured this deficiency. The Agency afforded the public just 45 days to review this pivotal Proposal over the holidays followed by an unanticipated 15-day comment period a month later. The review period for this proposal has been the sum of its inadequate parts. It is a far cry from a scenario in which the Agency might have provided a 60-day period up front so that stakeholders could plan for and organize their work to provide better data and comments on this lengthy and technical Proposal. The Agency's attempt to paper over that inadequacy through this surprise two-week comment period does not meet its legal duty to provide the public with an adequate opportunity to comment.

The stakes of adequate opportunity to comment could not be higher for working families who would bear the brunt of fee increases well beyond the means of the average American family. The Proposal will frustrate the substantive policies that the Immigration and Nationality Act (INA) is meant to promote through exorbitant fee raises. ILRC strongly opposes the Proposal and adds to its previous comment reasons the Agency's Proposal continues to be arbitrary and capricious and contrary to law in violation of the Administrative Procedure Act (APA).

I. The Agency's proposal continues to deprive stakeholders of a meaningful opportunity to comment, rendering it arbitrary and capricious.

As set out in ILRC's previous comment, the Agency's previous opportunity to comment was not meaningful because it afforded a wholly inadequate timeframe within which to review and respond to the Agency's December Proposal, which proposed significant and unexplained changes to the complex and lengthy November Proposal. The Agency scheduled a full 75% of the comment period for the Proposal to run through national and religious holidays. The November 14 proposal set a comment due date of December 16, which ran through Thanksgiving. The Agency one-upped itself by setting the December comment period to run through Christmas, Chanukah, Kwanzaa, and the run-up to the New Year (from December 9 to 30). During these periods, businesses, state and local governments, and federal government components, including the agency itself, were closed for significant time. The Agency's gamesmanship has deprived the public of a meaningful opportunity to comment by offering piecemeal and diminished commenting opportunities.

The time period for the December Proposal deserves particular mention. On December 9, USCIS gave the public less than 30 days over the winter holiday period to review and comment upon its latest fee schedule proposal labeled a "supplement." However, the term "supplement" proved to be a misnomer as the December Proposal advanced new legal theories to support transferring IEFA funds to ICE. This included arguing that activities "directly relate[d] to the investigation of the immigration adjudication naturalization process" could be permissibly reimbursed by the IEFA. USCIS provided a list of such permissibly funded activities. 84 Fed.

Reg. at 67,244-45. But the Agency's list was not a logical outgrowth of the November Proposal and the Agency provided no additional statutory basis for its new theory.

The December Proposal also suggested a $112 million transfer of IEFA funds to ICE, a nearly $100 million change from the November Proposal, which the agency supported with a platitude—a statement that "the resulting fee schedule would, all else remaining the same, be somewhere between those two levels"—rather than by providing an updated proposed fee schedule. 84 Fed. Reg. at 67,246. The public would not have notice of a fee schedule finalized from this Proposal. The final rule could not therefore be a logical outgrowth of this unexplained Proposal. The Agency has simply provided an inadequate opportunity for public comment, which is arbitrary and capricious and contrary to law.

II. The reopening of the comment period does not remedy the lack of meaningful opportunity to comment that the Agency has provided for the Proposal.

On January 24 of this year, the Agency announced that it would reopen and extend the comment period for the December proposal for an additional 15 days. 85 Fed. Reg. 4,243 (Jan. 24, 2020). The Agency also said that it would consider "comments received during the entire public comment period, including comments received since December 30, 2019." *Id.* For many reasons, these actions do not cure the inadequate opportunity to comment heretofore provided by the Agency on the Proposal.

First, the Agency's choice to consider comments outside of the comments period does not substitute for providing the public a meaningful opportunity to comment. It is hornbook law that comments submitted after the period for commenting are normally without binding legal effect on an agency. *See Nat'l Min. Ass'n v. Dep't of Labor*, 292 F.3d 849, 874 (D.C. Cir. 2002) (per curiam) (declining to consider an organizations challenge to an agency ruling that it "failed to raise … during the notice-and-comment period"). The December proposal expressly instructs that "[m]ail must be postmarked by the comment submission deadline." 84 Fed. Reg. at 67,243. Organizations in particular are entitled to rely on the Agency's representations as they decide how to allocate their scarce organizational resources between regulatory advocacy and their other core functions. The Agency's decision to consider comments submitted after the December period for comments offers nothing to rule abiding stakeholders who took the Agency at its word and worked to scale their advocacy to meet the Agency's represented deadline.

Second, the Agency failed to disclose the December proposal and the January 2020 reopening of the comment period in the Unified Regulatory Agenda. *See* Attachment A. "Executive Order 12,866 establishes the Unified Regulatory Agenda by requiring federal agencies to submit their planned rulemaking activity semiannually to the Office of Information and Regulatory Affairs (OIRA), which then makes the plans available to the public." Christopher J. Walker, *Modernizing the Administrative Procedure Act*, 69 Admin. L. Rev. 629, 645 (2017). It "is a critical resource for the public to understand an agency's regulatory plans for the near future." *Id.* This failure to disclose adds to the surprise created by the Agency's holiday proposal and current two-week extension. The public does not have a meaningful opportunity to comment when the Agency hides the ball regarding its rulemaking schedule with one hand and points to its consideration of belated comments with the other.

Third, the Agency's reopening of the comment period does nothing to offer the public a more meaningful opportunity to comment on critical information missing from the Proposal. For example, the agency has not provided enough information for the public to meaningfully comment on the Proposal's Alternative Fee Scenarios. The November Proposal offered six alternative fee schedules in relation to its proposed $207 million transfer of IEFA funds to ICE. These alternative fee schedules vary from budgeting $0 to ICE to $207 million. The December Proposal proposes a $112 million transfer to ICE of IEFA funds without providing a supporting fee schedule. In proposing everything, the Agency has proposed nothing. These alternatives obscure rather than clarify what USCIS's base assumptions are for the Proposal. We note that USCIS recently hosted its first and only demonstration of its cost-modeling software on February 3, 2020, just one week before the comment deadline. USCIS's presentation fell far short of allowing meaningful public engagement; it consisted of just a single, in-person demonstration with no provision for phone or online access. As a result, the vast majority of interested stakeholders across the nation who did not have the ability to travel to Washington, DC to attend this one in-person session could not offer questions or comments to USCIS on what was shown. Given the Agency's failure to make available critical information, the final proposal could not be considered a logical outgrowth of what it has offered. It is critical that stakeholders be given an adequate opportunity to know what the Agency is proposing.

III. The Agency's cost modeling demonstrates significant weaknesses that cannot be the basis of a valid final rule, and is a black box that requires explaining and meaningful opportunity to comment.

The Proposal uses what it calls activity-based cost (ABC) modeling, in which the time it takes to adjudicate or process a form, conduct certain checks, man phones and inform the public, are all inputs. The data USCIS uses for these inputs, however, is obsolete. USCIS explained during a public meeting that it is using data from FY 2016-2017, predating the Agency's adoption of policies that significantly increased efficiencies, such as the transition to online services such as Infopass that significantly cut down on processing time.

The ABC model presents further troubling issues. USCIS has not explained its source for its data on volume projections that it entered into the ABC model, a key driver of the fees set forth in the Proposal. For example, the Proposal projects the N-400 to take 1.57 hours to complete a case at a fee of $1,170, or $745 per hour. An EB-5 I-526 petition takes 8.65 hours at a fee of $4,015, or $464.16 per hour. The Agency leaves completely unexplained its choice to apply different hourly costs for different forms. The disparate hourly rates per form is plainly inconsistent with the agency's purported activity-based cost system. These two factors alone render the proposed fee changes arbitrary and capricious. Furthermore, the N-400 is for naturalization, while the EB-5 I-526 is for non-U.S. investors, drawing a clear picture that the cost per completion rate shows the fees are a wealth test rather than valid support for the proposed fees. With inaccurate and unexplained data, USCIS produced invalid bases for its Proposal.

In addition, USCIS justifies the Proposal based on understating its revenues and overstating its costs. The Proposal sets fees based on its budget; in other words, USCIS's budget is an input, not an output. The Proposal is premised on USCIS average budget of $4.67 billion in fees for 2019-20. Compare this to the 2018 budget of $3.8 billion, where fees brought in $3.6 billion. CIS has nowhere justified the approximately $1 billion increase in its budget that it seeks to recover through the fees as described in the Proposal. The Proposal also incorrectly claims the FY19 and FY20 revenue was $3.4 billion, yet DHS's congressional budget request shows that actual FY19 revenue was $3.6 billion.

As ILRC noted in its prior comment letter, USCIS is in fact driving up its own costs to justify a larger budget. In 2018, USCIS had 15,939 positions; but in the Proposal claims to need 20,958 positions, mostly in Fraud Detection and National Security and Service Center Operations. USCIS fails to explain why the increase of 5,000 in staff is merited, beyond noting that its workload has grown. However, this is due to longer adjudication times, due in large part to USCIS's own policy choices and mismanagement.

IV. The Proposal would inequitably and irreparably harm working families by pricing them out of the immigration system.

The Proposal would create irreparable harm by putting legal immigration benefits and services out of reach for otherwise eligible and meritorious applicants, depriving families of the chance to work and to pursue all of the opportunities enjoyed by those in the United States. A recent survey found that 37 percent of Americans could not afford to pay 100 dollars or more if presented with an unexpected medical bill, and 19 percent of that number could not afford to pay anything without accumulating debt. Ipsos Public Affairs, One in Five Americans Could Not Afford to Pay an Unexpected Medical Bill Without Accumulating Some Debt (Mar. 21, 2017) at 2 (Attachment B). Another more recent study showed that 69 percent of Americans have less than $1,000 in savings, and 45 percent reported having $0 in savings. THE MOTELY FOOL (Dec. 18, 2019), https://www.fool.com/retirement/2019/12/18/the-percentage-of-americans-with-less-than-1000-in.aspx (Attachment C); GOBANKINGRATES (Dec. 16, 2019), https://www.gobankingrates.com/saving-money/savings-advice/americans-have-less-than-1000-in-savings/ (Attachment D).

Similarly, the AARP Public Policy Institute found that more than one-third of working families ages 50 to 64 have less than $2,000 in savings. Catherine Harvey and William Shiflett, AARP Public Policy Institute, Liquid Savings of Working Households Ages 50-64 (May 2017) at 2 (Attachment E). It also found that Black and Latino households of the same age were less likely to have $400 or $2,000 of liquid savings than their white peers with similar income. *Id.* at 2-3. "For example, Latino households with income less than $55,800 (the median income among all households) typically have just 38 cents in liquid savings for every dollar in liquid savings held by a White household in the same income group. Among those with higher incomes, Black households have just 19 cents in liquid savings for every dollar White households have saved." *Id.* at 3.

Against this backdrop, USCIS proposes to charge $540 to seek asylum and employment authorization regardless of an applicant's ability to pay. *See* ILRC December Comments at 3. The Proposal would also raise the cost of a DACA renewal to $765 by imposing a new fee for renewals, where there was none, as well as other fees. *Id.* The Proposal would also effectively double the cost of for a green card to over $2,195 by unbundling filing fees for permanent residence applications, employment authorization, and travel document applications. *Id.* USCIS would also increase the cost of naturalization to $1,170 per person, an increase of 60%-83%. *Id.* At the same time, fee exemptions and waivers would virtually disappear. *Id.*

The Proposal would cause irreparable harm to families forced out of the legal immigration system by the fees USCIS proposes. The Agency's Proposal to raise fees beyond a level that average families can afford is arbitrary and capricious and a consequence that the Agency must consider as an important aspect of the problem with the Proposal.

Respectfully,

Melissa Rodgers
Director of Programs
Immigrant Legal Resource Center
1458 Howard St.
San Francisco, CA 94103

W. Hardy Callcott
Sidley Austin LLP
555 California St.
Suite 2000
San Francisco, CA 94104

Attachment A

RIN Data

DHS/USCIS **RIN:** 1615-AC18 **Publication ID:** Fall 2019

Title: U.S. Citizenship and Immigration Services Fee Schedule and Changes to Certain Other Immigration Benefit Request Requirements

Abstract:

The Department of Homeland Security (DHS), U.S. Citizenship and Immigration Services (USCIS) conducted a FY 2019/2020 fee review for its Immigration Examinations Fee Account (IEFA), pursuant to the requirements of the Chief Financial Officers Act of 1990 (CFO Act), 31 U.S.C. 901-03 and the Immigration and Nationality Act, section 286(m), 8 U.S.C. 1356(m). The CFO Act requires each agency's chief financial officer to "review, on a biennial basis, the fees, royalties, rents, and other charges imposed by the agency for services and things of value it provides, and make recommendations on revising those charges to reflect costs incurred by it in providing those services and things of value." As a result of the FY 2019/2020 IEFA fee review, DHS will propose to adjust USCIS' fee schedule via notice and comment rulemaking.

Agency: Department of Homeland Security(DHS)
RIN Status: Previously published in the Unified Agenda
Major: Yes
EO 13771 Designation: Regulatory
CFR Citation: 8 CFR 103.7
Legal Authority: 8 U.S.C. 1356(m)
Legal Deadline: None

Priority: Economically Significant
Agenda Stage of Rulemaking: Proposed Rule Stage
Unfunded Mandates: No

Statement of Need:

The CFO Act requires each agency's chief financial officer to "review, on a biennial basis, the fees, royalties, rents, and other charges imposed by the agency for services and things of value it provides, and make recommendations on revising those charges to reflect costs incurred by it in providing those services and things of value."

Summary of the Legal Basis:

The INA section 286(m), 8 U.S.C. 1356(m) and the CFO Act, 31 U.S.C. 901-03 require each agency's Chief Financial Officer (CFO) to review, on a biennial basis, the fees imposed by the agency for services it provides, and to recommend changes to the agency's fees. The proposed rule is also consistent with non-statutory guidance on fees, the budget process, and federal accounting principles. Finally, this rule accounts for, and is consistent with, congressional appropriations for specific USCIS programs including funding for the E-Verify employment eligibility verification program.

Alternatives:

Anticipated Costs and Benefits:

DHS is still considering the exact cost and benefit impacts of the proposed provisions.

Risks:

Timetable:

Action	Date	FR Cite
NPRM	11/14/2019	84 FR 62280
NPRM Comment Period End	12/16/2019	

Regulatory Flexibility Analysis Required: Yes
Small Entities Affected: Businesses, Governmental Jurisdictions, Organizations
Included in the Regulatory Plan: Yes
RIN Information URL: www.regulations.gov
RIN Data Printed in the FR: Yes

Government Levels Affected: None
Federalism: No
Public Comment URL: www.regulations.gov

Agency Contact:
Kika M. Scott
Deputy Chief Financial Officer
Department of Homeland Security
U.S. Citizenship and Immigration Services
Suite 4018, 20 Massachusetts Avenue NW,
Washington, DC 20529
Phone:202 272-8377
Fax:202 272-1480
Email: kika.m.scott@uscis.dhs.gov

Attachment B

One in Five Americans Could Not Afford to Pay an Unexpected Medical Bill Without Accumulating Some Debt

A Majority Believe Receiving a Large Medical Bill that they Can't Afford is Just as Bad as Being Diagnosed with a Serious Illness

Public Release Date: March 21st 2017

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One in Five Americans Could Not Afford to Pay an Unexpected Medical Bill Without Accumulating Some Debt

A Majority Believe Receiving a Large Medical Bill that they Can't Afford is Just as Bad as Being Diagnosed with a Serious Illness

New York, NY – According to a recent online study conducted by Ipsos on behalf of Amino, a majority of Americans (55%) say that they have received a medical bill that they did not budget for at some point in their lives. Women (62% versus 47%, men), the less affluent (65% versus 49%, earning over $50,000 annually), and those with no college degree (63% versus 45%, college degree) are among those most likely to say that they have faced this situation in the past.

When asked to estimate how much they could afford to pay towards an unexpected medical bill using funds they currently have set aside, such as a rainy day fund or savings account, not quite a quarter (23%) say that have at least $2,000 they could use without accumulating some debt. However, nearly as many (19%) admit that they could not afford to pay anything without accumulating some debt, and another 18% could only afford to pay up to $100 if presented with an unexpected medical bill.

- Across demographic groups, women (22%), lower income earners (32%), the less educated (25%), and those who are not married (27%) are especially likely to say that they could not afford to pay an unexpected medical bill without landing in debt.

- Those with no insurance (48%) or Medicaid (42%) also follow this pattern, though to a much greater extent.

On the other hand, similar proportions - just over one in ten Americans - say that they could afford to take either \$101-\$500 (15%), \$501-\$1,000 (12%), or again \$1,001-\$2,000 (14%) from their rainy day fund/ savings in order to pay an unexpected medical bill.

A majority of Americans perceive being diagnosed with a serious illness as being just as bad as receiving a large medical bill that they can't afford (53%). In contrast, not quite two in five (38%) believe the former is worse, versus 10% who say instead that receiving a large medical bill is worse. Older adults (63%, ages 55+), lower income earners (60%), those residing in the South (57%), and the unemployed (63%) are among the most likely to perceive being diagnosed with a serious illness as being just as bad as receiving a large medical bill.

When it comes to avoiding high medical bills, maintaining good insurance coverage (39%) is the top strategy used in America. Practising preventative care (33%) comes in closely behind, with a third saying that they are most likely to do this in order to avoid paying high medical bills. One in five (19%) report that not going to the doctor is their main strategy to avoid paying high medical bills, while only 7% opt instead to research doctors, facilities, and/or costs ahead of time. Very few (2%) mention something else.

- Americans who are insured through their employer are especially likely to rely on their insurance coverage (49%), while those with no insurance are instead significantly more likely to avoid going to the doctor altogether (56% vs. 14%, insured through employer).

Personal Finances: Health and Medical Budgeting/ Saving

Three quarters of Americans agree that their healthcare costs have gone up in the past few years (74%), and another two thirds want to lower their healthcare costs, but don't know how (64%). Two in five admit knowing that there are tools they can use to reduce their healthcare costs - but say that they don't use them (42%). For example, less than a third (32%) currently contribute to a health savings account (HSA) that allows them to save money tax-free against medical expenses.

- When it comes to being informed about their insurance coverage, three quarters of Americans say that they understand their insurance plan and how it works (73%). However, roughly half (49%) agree that their insurance doesn't provide them with enough information on healthcare costs.

When it comes to managing their finances, less than half (46%) report currently budgeting more than $50 a month for health and medical expenses (insurance premiums, unreimbursed expenses, prescriptions & over the counter medications, etc.). Americans are more likely to budget at least $50 a month for food (79%), transportation (59%), and debt payments (49%). Meanwhile, budgeting for personal care items (42%), savings/ investments (40%), or entertainment (38%) falls just slightly behind health/ medical expenses. Education (14%) is least likely to be top of mind, while almost one in ten (8%) say that they are not currently budgeting for any of these on a regular basis.

- Those most likely to be currently budgeting more than $50 a month on health and medical expenses include older adults (55%, ages 55+), the more affluent (52%), those living in the South (52%), those with a college degree (52%), and those who are married (51%). A majority of those who are insured through their employer (55%) or who purchased health insurance themselves (57%) also follow this trend.
- Similarly, Americans who have received an unexpected medical bill in the past are significantly more likely that those who haven't to be currently budgeting for health and medical expenses on a monthly basis (54% vs. 37%).

Looking at health and medical costs more specifically, Americans are most likely to be saving for doctor visits and services (34%), while another three in ten are doing the same thing for prescription drugs (28%) and insurance premiums (28%). Fewer are saving for over the counter medications (17%) or major surgeries or emergencies (15%), while 2% mention saving for something else. However, two in five (39%) say that they are not saving for any of these healthcare costs – especially lower income earners (47%), adults with no children living at home (43%), no college degree (46%), those who are not married (48%), those with no insurance (49%) or Medicaid (45%), those who are not budgeting monthly for health & medical expenses (55%), and those who have never received an unexpected medical that they did not budget for (49%).

- Neglecting to save/ budget more consistently for health and medical expenses might be explained by a lack of awareness as to how much these things really cost. For example, the median price to go to the doctor to fix a broken arm in America is $1,100[1]. When asked to guess the total cost for this, including what insurance covers plus what has to be paid out of pocket, the median response is $700. This includes nearly half (46%) who believe that going to the doctor for a broken arm will cost them no more than $500, and another 16% who think such a procedure costs between $500 - $1,000.

Americans are most concerned, financially, with the healthcare costs associated with major surgeries or emergencies (33%) – despite this expense falling to the bottom of the list when it comes to healthcare costs that Americans are actually saving up for. Concerns associated with the cost of insurance premiums (24%) fall onto a secondary tier, while not quite one in five say instead that they are most financially concerned about doctor visits and services (18%). Slightly fewer (15%) worry most about prescription drug costs, while only 4% mention being most concerned about over the counter medications, or something else (6%).

These are findings from an Ipsos poll conducted February 23 - 24, 2017 on behalf of Amino. For the survey, a sample of 1,006 U.S. adults over the age of 18 was interviewed online, in English. The precision of Ipsos online polls is measured using a credibility interval. In this case, the poll has a credibility interval of plus or minus 3.5 percentage points for all respondents surveyed.

[1] Figure provided by Amino database.

The sample for this study was randomly drawn from Ipsos's online panel (see link below for more info on "Access Panels and Recruitment"), partner online panel sources, and "river" sampling (see link below for more info on the Ipsos "Ampario Overview" sample method) and does not rely on a population frame in the traditional sense. Ipsos uses fixed sample targets, unique to each study, in drawing sample. After a sample has been obtained from the Ipsos panel, Ipsos calibrates respondent characteristics to be representative of the U.S. Population using standard procedures such as raking-ratio adjustments. The source of these population targets is U.S. Census 2015 American Community Survey data. The sample drawn for this study reflects fixed sample targets on demographics. Post-hoc weights were made to the population characteristics on gender, age, region, race/ethnicity and income.

Statistical margins of error are not applicable to online polls. All sample surveys and polls may be subject to other sources of error, including, but not limited to coverage error and measurement error. Where figures do not sum to 100, this is due to the effects of rounding. Ipsos calculates a design effect (DEFF) for each study based on the variation of the weights, following the formula of Kish (1965). This study had a credibility interval adjusted for design effect of the following (All respondents: n=1,006, DEFF=1.5, adjusted Confidence Interval=5.0).

For more information about Ipsos' online polling methodology, please go here http://goo.gl/yJBkuf

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For more information on this news release, please contact:

Chris Jackson
Vice President
Ipsos Public Affairs
202-420-2025
Chris.Jackson@ipsos.com

News releases are available at: http://www.ipsos-na.com/news-polls/

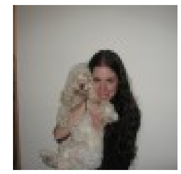
Attachment C

The Percentage of Americans With Less Than $1,000 in Savings Is Shocking

fool.com/retirement/2019/12/18/the-percentage-of-americans-with-less-than-1000-in.aspx

December 18, 2019

Maurie Backman
(TMFBookNerd)



Dec 18, 2019 at 11:36AM

We all need money in the bank for a rainy day. After all, you never know when your car might break down, your roof might spring a damaging leak, or your employer might call you up and inform you that you're a suddenly a free agent without a paycheck.

New data from GOBankingRates, however, reveals that 69% of Americans have less than $1,000 in savings. That means they're clearly nowhere close to having a complete emergency fund, and they're taking a very big chance with their finances.

Worse yet, 45% of Americans say they have $0 in savings. That's right -- not so much as a dollar socked away in a bank account. If you're one of them, it's imperative that you work on boosting your cash reserves -- before the next financial disaster in your life strikes.

IMAGE SOURCE: GETTY IMAGES.

Why aren't we saving more?

Nearly 33% of Americans are living paycheck to paycheck, which explains their glaring lack of savings. Meanwhile, 20% point to a high cost of living as the reason their bank accounts are in such a sorry state. But even if you're grappling with big bills on a limited income, chances are, there's some way for you to eke out a modest amount of savings. And the sooner you do, the better.

How to build your emergency savings

Ideally, you should have enough money in savings to cover three to six months of essential living expenses. That sum is meant to tide you over in the event of a job loss, but also, it can get you through costly home repairs, car issues, or medical bills.

If you have less than $1,000 in savings right now, or no savings at all, you'll need to start making lifestyle changes immediately to free up more cash. First, set up a budget so you can understand what your current bills cost you. From there, identify a few expenses you can cut back on, like dining out, taking rideshares, or paying for entertainment. Will it be easy to give these things up? No -- but you *can* live without them, and you may have to do so for a while if you want to build savings.

Of course, you could keep spending on modest luxuries like cable but make more drastic changes, like downsizing your living space or giving up a car. Doing so would actually be a quicker path to building an emergency fund, so if you're willing to make those sacrifices, it could help your finances in a very big way.

Another option? Get a second job on top of your main one to boost your income. About 38% of Americans say a bigger paycheck would help them build savings, and the good news is that you don't need to wait for your employer to feel generous to make that happen. Instead, you can join the gig economy by tutoring, pet-sitting, blogging, or consulting in whatever you're good at. The great thing about a side hustle is that its earnings won't be earmarked for existing bills, so you can take all of the money you make from it, minus taxes, and stick it into a savings account.

Building an emergency fund should trump all other financial goals you have -- including saving for retirement. If you're sitting on less than $1,000 in the bank, or, worse yet, $0, make changes immediately. If you don't, you'll probably have no choice but to rack up debt the next time an unplanned bill lands in your lap. And that, in turn, could kick-start a dangerous cycle that hurts your finances irreparably.

Attachment D

Survey: 69% of Americans Have Less Than $1,000 in Savings

gobankingrates.com/saving-money/savings-advice/americans-have-less-than-1000-in-savings/

December 16, 2019

Despite a strong economy, a majority of Americans seem to be struggling to save money, according to GOBankingRates' sixth annual savings survey.

Since 2014, GOBankingRates has polled Americans to find out how much they have in a savings account. This year, GOBankingRates asked adults from across the U.S. six questions to learn about their savings habits and what obstacles are keeping them from saving more. The results show that, compared with previous year's findings, there's a growing percentage of people with little to no savings. In 2019, 69% of respondents said they have less than $1,000 in a savings account compared with 58% in 2018.

"It's puzzling to me that if the economy is doing so well and that we're so close to full employment, that consumer confidence is up … that we haven't seen the numbers move much in people's ability to save," said Bruce McClary, spokesman for the National Foundation for Credit Counseling, which conducts an annual financial literacy survey.

The survey looks closely at the following topics:

Key Findings

Nearly 70% of Americans Have Less Than $1,000 in a Savings Account

The survey found that setting aside money seemed to be harder for Americans in 2019. In 2017, 57% of respondents said they had less than $1,000 in savings. That percentage edged up slightly to 58% in 2018.

This year, it shot up to 69%. Included in that figure are the 45% of respondents who have absolutely nothing in a savings account. The percentage of respondents with $0 in savings hasn't been that high since 2014, when GOBankingRates conducted its first savings survey.

"I find it very troubling that people can't come up with $1,000 in a savings account to cover expenses without borrowing money," McClary said. In fact, having $1,000 in savings wouldn't create enough of a cushion to cover many emergency expenses. That amount would just be "the starting point in the journey for achieving financial security — it shouldn't be the final goal," McClary said.

Women and middle-aged adults appear to be having the most trouble saving money. The survey found that 51% of women versus 38% of men have $0 in a savings account. And 53% of respondents ages 45 to 54 have no savings — the highest percentage of any age group.

A Quarter of Americans Are Focused on Retirement Savings

In addition to finding out how much (or how little) Americans have in savings, the survey sought to explore why people are saving. When asked what they are primarily saving for in 2020, 26% of respondents said "retirement" — making it the top savings goal.

Older adults were much more likely to be saving for retirement than younger respondents — with 74% of respondents ages 55 and older saying they were primarily saving for retirement. Men were slightly more likely than women to be saving for retirement — 28% versus 23%.

Boosting retirement savings is a great goal. But it can be risky to build a nest egg without first creating an emergency fund, McClary said. Without cash for unexpected expenses, people end up raiding their retirement accounts — which is a big mistake because you have to pay an early withdrawal penalty and taxes on the amount you take out of a retirement account such as a 401(k) or IRA, he said.

The survey found that 19% of respondents are saving for an emergency fund, making it the second-most popular savings goal after retirement. The survey also found that Americans are more likely to be saving for a vacation than for a car, home or an education.

Cost of Living Is Keeping Americans Down

One of the top reasons respondents said they aren't saving more is because the cost of living is high where they are. It seems to be more of a problem this year, with 20% of respondents saying cost of living was an obstacle to saving compared with 18% in 2018.

"[Cost of living] is a legitimate obstacle for people in parts of the country," McClary said. As the cost of living rises in many cities, people's budgets are getting tighter and tighter, leaving them with less cash to set aside for savings.

However, the biggest obstacle to saving is living paycheck to paycheck. Nearly 33% of respondents said this was preventing them from saving more — up slightly from 31% in 2018.

Adults ages 35 to 44 were the most likely — at 40% — to say that living paycheck to paycheck was keeping them from saving more. And women were much more likely than men to be facing this obstacle — 38% versus 27%.

Living paycheck to paycheck is a symptom of a bigger problem, McClary said. "It often is the result of an individual who doesn't have a spending plan and they're not tracking what they spend, they're not tracking their income. Because of that, things often fall off the rails."

Simply taking the time to sit down and put together a budget can often help people break the cycle of living paycheck to paycheck, McClary said. Although the survey found that 9% of respondents said not knowing how to budget was keeping them from saving more, there might be a much higher percentage of people who aren't using a budget to help them reduce spending and save more. The National Foundation for Credit Counseling's 2019 Financial Literacy Survey found that less than half of Americans said they have a budget and keep close track of how much they spend.

Americans Need Higher Salaries to Save More

Considering that living paycheck to paycheck was named the top obstacle to saving, it's not surprising that the top thing respondents said they needed to save more money was a higher salary. About 38% of respondents said that having a bigger paycheck would allow them to save more.

It is somewhat surprising, though, that younger adults weren't most likely to say they needed a higher salary to save more. In fact, adults ages 35 to 44 and ages 55 to 64 were most likely — with 44% of both groups — to say that earning more would help them save more. An equal percentage of men and women — about 38% — said having a higher salary would allow them to save more.

Lowering debt was the second-most common thing respondents said they would need in order to save more — with about 18% choosing this option. Although respondents said a high cost of living was one of the top obstacles to saving more, only 9% said moving to an area with a lower cost of living was the No. 1 thing that would help them.

Americans Prefer Savings Accounts, but Many Don't Have Any Savings

The survey found that respondents who are saving are most likely to store their money in a savings account versus a money market account, CD account, non-interest or interest-bearing checking account, or physical piggy bank or safe. About 33% of respondents said most of their savings are in a savings account. However, an almost equal percentage of respondents — 29% — said they don't have any savings.

A savings account can be a good place to store emergency funds because the money is easily accessible. But it's not a place to put retirement savings because interest rates on savings accounts are relatively low. For long-term savings, accounts such as a 401(k) and IRA are better because of the tax benefits they offer. They also allow you to invest in stocks or stock mutual funds, which tend to offer a higher rate of return than traditional savings accounts.

How Americans Can Save More

Although the survey found that Americans believe they're facing a variety of obstacles to saving, McClary said there are simple steps people can take to set aside more and improve their financial security.

Find motivation to save. Knowing that you need to save and being motivated to save are two different things. So if you need encouragement to save, consider the consequences of not saving, McClary said. "What would happen if you don't fix the issue of an empty savings account?" he said. If you think about the problems and what will happen if you don't do something now, that paints a pretty ugly scene. That can be motivating to do something quickly."

Make saving a priority. You shouldn't wait until the end of the month to see how much cash you have left over to put in savings. Instead, you should create a budget and include savings at the top of the list of essential expenses. To determine how much you can set aside, add up the expenses you must pay and determine what nonessential expenses you can cut to make more room in your budget to save. That doesn't mean you have to cut out everything you enjoy, McClary said. Look for free and cheap alternatives. Also, look for ways to lower your monthly bills by comparing rates from other service providers or negotiating with your current providers.

Automate savings. To ensure that you save money, ask your human resources department at work to deposit part of each paycheck directly into a savings account. "That set-it-and-forget-it guarantees success for even the worst savers," McClary said.

Find someone to hold you accountable. "Being held accountable to your goals is not something everyone can do for themselves," McClary said. "The chances for success are improved when you bring positive support and encouragement from others around you." Share your savings goals with a friend or family member, or enlist the help of a professional. The National Foundation for Credit Counseling has member agencies in all 50 states where you can sit down and work out a budget for free, McClary said. You can find a member agency in your area at NFCC.org.

Stop worrying about failing. A big reason people don't bother to budget and set savings goals is because they're afraid of failure, McClary said. But not trying guarantees failure. Instead of worrying about making mistakes, accept that it's OK to stumble every now and then on your way to reaching your financial goals, he said. Just make a commitment to learning from those mistakes.

ABOUT THE AUTHOR

Cameron Huddleston is an award-winning journalist with more than 18 years of experience writing about personal finance. Her work has appeared in Kiplinger's Personal Finance, Business Insider, Chicago Tribune, Fortune, MSN, USA Today and many more print and online

publications. She also is the author of *Mom and Dad, We Need to Talk: How to Have Essential Conversations With Your Parents About Their Finances*.

U.S. News & World Report named her one of the top personal finance experts to follow on Twitter, and AOL Daily Finance named her one of the top 20 personal finance influencers to follow on Twitter. She has appeared on CNBC, CNN, MSNBC and "Fox & Friends" and has been a guest on ABC News Radio, Wall Street Journal Radio, NPR, WTOP in Washington, D.C., KGO in San Francisco and other personal finance radio shows nationwide. She also has been interviewed and quoted as an expert in The New York Times, Chicago Tribune, Forbes, MarketWatch and more.

She has an MA in economic journalism from American University and BA in journalism and Russian studies from Washington & Lee University.

Attachment E

MAY 2017

Fact Sheet

Liquid Savings of Working Households Ages 50–64

Catherine Harvey and William Shiflett
AARP Public Policy Institute

Financial assets, not just income, are essential to economic security. Liquid assets, such as money in a bank account that is readily accessible, can keep households from falling into a harmful cycle of debt when they encounter unexpected events like car trouble or a job loss. Financial shocks like these are very common: in one study, 60 percent of households faced an expense or loss of income in the past 12 months for which they did not budget.[1]

Among those in the labor force, older households are more likely than younger households to have some minimal level of liquid savings in a formal account, such as a checking or savings account.[2] However, more than a third of pre-retirees—defined as households with members in the workforce who are between the ages of 50 and 64—have less than $2,000 in liquid savings. Low-income households are not the only ones that struggle to save; significant shares of middle-income pre-retirees also lack liquid savings. Black and Latino pre-retirees typically have lower liquid savings levels than White pre-retirees with similar incomes.

"Enough" Liquid Savings: Is There a Magic Number?

Households differ by size, location, and budget, making it impossible to say how much liquid savings is enough to be financially secure.[3] Recent research shows that many families, especially lower-income households, regularly build, deplete, and replenish their liquid savings.[4] Therefore, a point-in-time estimate of liquid savings is an imperfect measure of a household's ability to weather a financial disruption. Nevertheless, two surveys of American households have established benchmarks that provide a useful basis for making comparisons across demographic groups.

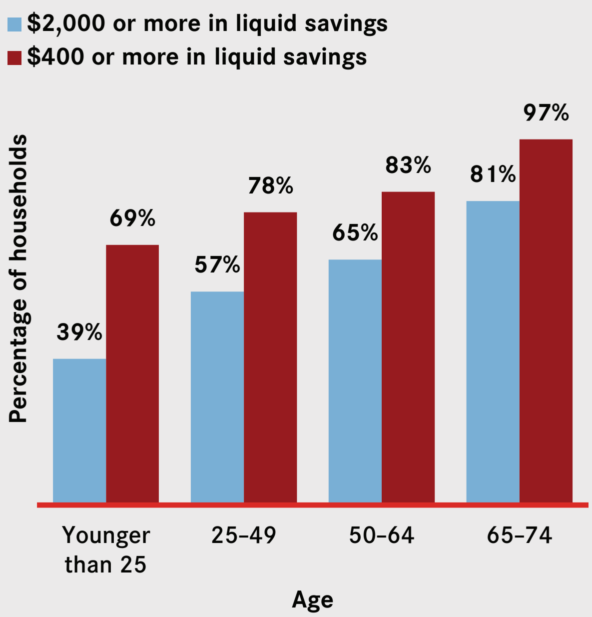
The Federal Reserve's 2015 Survey of Household Economics and Decisionmaking asks respondents about their ability to cover an unexpected expense of $400. Meanwhile, the 2014 Pew Survey of American Family Finances found that the median cost of a household's most expensive shock was $2,000.[5] Those two benchmarks represent a typical modest disruption and a typical worst-case shock. The following analysis gauged the adequacy of households' liquid savings against the $400 and $2,000 benchmarks, using the 2013 Survey of Consumer Finances from the Federal Reserve.

AARP Real Possibilities
Public Policy Institute

Older Households Are More Likely than Younger Households to Have Liquid Savings

The majority of all working households have at least $400 in liquid savings. With the exception of households headed by people younger than 25 years old, most households also have at least $2,000 in liquid accounts.[6] Older households are more likely than younger households to have liquid savings at or above these benchmarks (see figure 1).

FIGURE 1
Liquid Savings of Working Households by Age



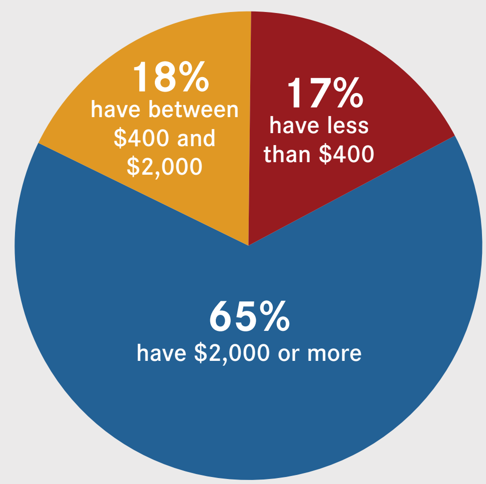
Source: Authors' tabulations of the Federal Reserve Board Survey of Consumer Finances, 2013.

Note: Liquid savings *are defined as funds in checking, savings, money market, and call accounts. All households have at least one earner in the labor force.*

More Than a Third of Pre-Retirees Have Less than $2,000 in Liquid Savings

A significant share of working households ages 50–64 have a relatively small savings cushion. More than one-third of these pre-retiree households (or 9.4 million) have less than $2,000 in liquid savings, which suggests that they are unprepared to cover the cost of a typical worst-case financial shock. About half of these vulnerable households, nearly 5 million, have less than $400 in liquid savings (see figure 2).

FIGURE 2
Liquid Savings of Working Households Ages 50–64 by Amount Saved



Source: Authors' tabulations of the Federal Reserve Board Survey of Consumer Finances, 2013.

Note: All households have at least one earner in the labor force.

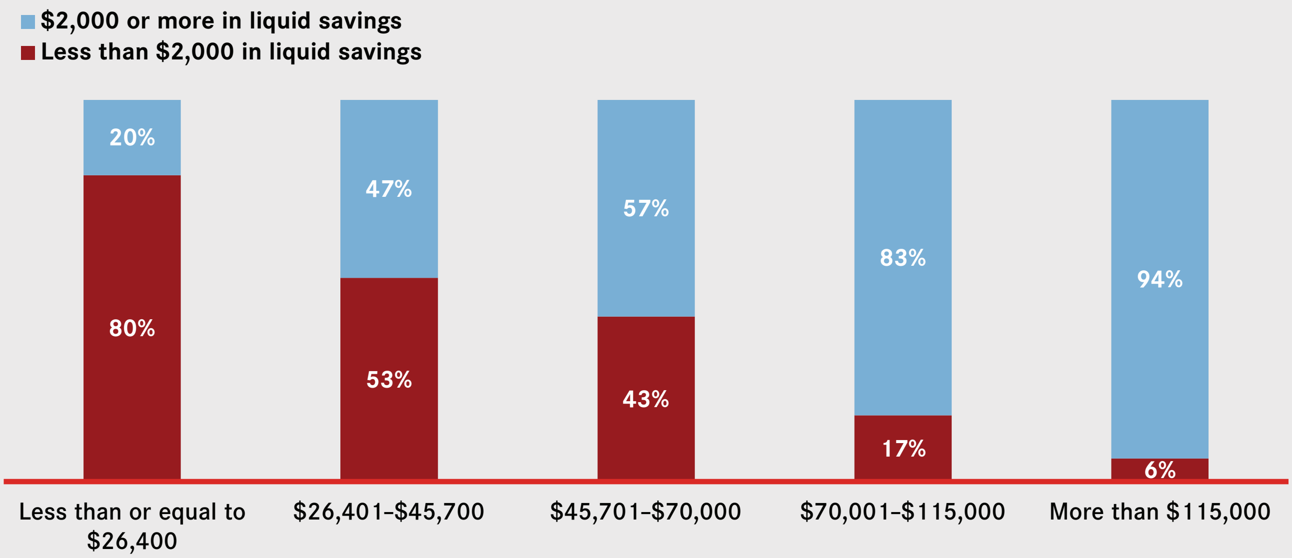
At All Income Levels, Pre-Retirees Experience Savings Shortfalls

The median liquid savings held by 50–64-year-old working households with income in the lowest quintile is just $230; not surprisingly, savings levels rise with income. The median liquid savings held by 50–64-year-old working households is $1,310 for the second lowest income quintile, $2,600 for the next quintile, $8,180 for the next, and $30,500 in liquid savings for the highest quintile. Yet some portion of working households at *every* income level has less than $2,000 in liquid savings (see figure 3). Nearly four in five pre-retiree households in the lowest income quintile have less than $2,000 in liquid savings. Even in the middle of the income scale, two in five pre-retirees fall short of the $2,000 liquid savings benchmark.

Black and Latino Pre-Retiree Households Have Lower Liquid Savings Levels Compared with White Households with Similar Income

Latino and Black pre-retiree households are less likely to have $400 or $2,000 in liquid savings

FIGURE 3
Liquid Savings of Working Households Ages 50-64, by Income

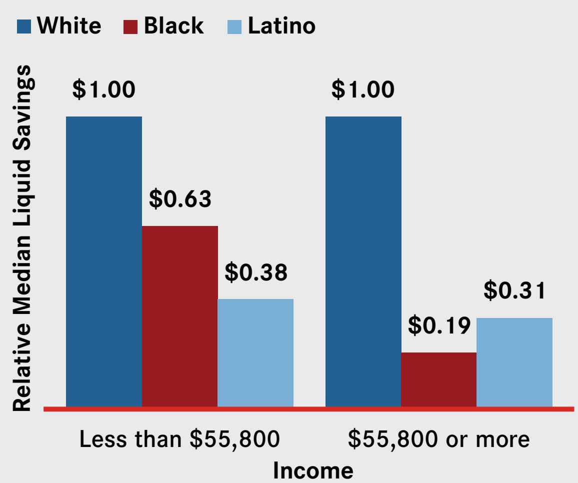


Source: Authors' tabulations of the Federal Reserve Board Survey of Consumer Finances, 2013.

Note: All households have at least one earner in the labor force.

compared with White pre-retirees. Disparities in liquid savings levels by race and ethnicity are evident even among households in the same income group (see figure 4). For example, Latino households with income less than $55,800 (the median income among all households) typically have just 38 cents in liquid savings for every dollar in liquid savings held by a White household in the same income group. Among those with higher incomes, Black households have just 19 cents in liquid savings for every dollar White households have saved.

FIGURE 4
Median Liquid Savings of Black and Latino Working Households Ages 50-64 for Every Dollar of White Working Households' Liquid Savings, by Income



Source: Authors' tabulations of the Federal Reserve Board Survey of Consumer Finances, 2013.

Note: All households have at least one earner in the labor force; $55,800 is the median income of all households, regardless of age. Race is that of the survey respondent, which is the head of household or spouse.

Liquid Savings Gaps Deserve a Closer Look

Millions of households have little to no liquid savings to cushion them from the unexpected. While liquid savings levels increase with age and income, a third of pre-retirees have less than $2,000 in liquid savings, which is the cost of a typical worst-case financial shock. Black and Latino pre-retirees have lower levels of liquid savings compared with their White peers earning similar income. These savings shortfalls and the factors that contribute to them deserve a closer look by researchers and policy makers.

1 Pew Charitable Trusts, *The Role of Emergency Savings in Family Financial Security: How Do Families Cope with Financial Shocks?* (Washington, DC: Pew Charitable Trusts, October 2015), http://www.pewtrusts.org/~/media/assets/2015/10/emergency-savings-report-1_artfinal.pdf.

2 In this paper, *liquid savings* is defined as funds in checking, savings, money market, and call accounts. This does not include other forms of liquid savings held outside of the traditional banking system.

3 Various measures and indices of income and asset sufficiency take into account family structure, location, and life stage. Insight Center for Community Economic Development, *Measuring Up: Aspirations for Economic Security in the 21st Century* (Oakland, CA: Insight Center for Community Economic Development, March 2013), http://kresge.org/sites/default/files/Measuring-Up-Economic-Security-in-21st-Century.pdf.

4 Jonathan Morduch, Rachel Schneider, Timothy Ogden, Anthony Hannagan, and Julie Siwicki, "Emergency Savings," *U.S. Financial Diaries*, June 2015, http://www.usfinancialdiaries.org/issue4-emersav; Diana Farrell and Fiona Greig, *Weathering Volatility: Big Data on the Financial Ups and Downs of U.S. Individuals* (New York, NY: JPMorgan Chase and Co. Institute, May 2015), https://www.jpmorganchase.com/corporate/institute/report-weathering-volatility.htm.

5 Pew Charitable Trusts, *Role of Emergency Savings*. The $2,000 figure is "an indicator of financial fragility" in another widely cited survey; Annamaria Lusardi, Daniel Schneider, and Peter Tufano, *Financially Fragile Households: Evidence and Implications* (Washington, DC: The Brookings Institution, Spring 2011), https://www.brookings.edu/wp-content/uploads/2011/03/2011a_bpea_lusardi.pdf.

6 Our findings are consistent with the results of the 2014 Pew Survey of American Family Finances, which found that 41 percent of households had less than $2,000 in liquid savings and 59 percent had $2,000 or more. Any discrepancies are likely the result of different age brackets used when sub-setting the data.

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601 E Street, NW
Washington DC 20049

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