Municipal Financial Empowerment:

A Supervitamin for Public Programs

Strategy #1: Integrating Professional Financial Counseling

Department of Consumer Affairs
Office of Financial Empowerment

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Introduction: Financial Empowerment as a Supervitamin for Public Programs

At a time of both shrinking government budgets and increasing caseloads, less public funding will mean less service and worse outcomes … *in the absence of innovation*.

This report, which documents how New York City introduced professional financial counseling into key City services, is the first in a series that build the case for fully integrating financial empowerment and asset building strategies into core social service delivery to achieve better outcomes, potentially with less investment.

The rapidly emerging field of municipal financial empowerment has already produced compelling evidence that the innovative strategies being used nationwide to improve residents' financial stability have this "supervitamin" effect when inserted into traditional social services. Those receiving homeless prevention or workforce development services, for example, achieve better and quicker results when financial empowerment programming is woven into the delivery of the primary social service.

This should come as no surprise to those in the social service field, since underlying financial instability is often the primary backdrop, if not the actual presenting cause, for those receiving services. From their mission perspective, helping these individuals and families become more financially capable and stable facilitates better success with their presenting social service needs, as well as the longer-lasting sustainability with those successes given the cushion to withstand future income shocks without losing ground.

An investment in quality financial empowerment strategies and the mandate to integrate them effectively will pay greater dividends in more cost-effective service delivery, fundamentally improving mainstream social service programmatic outcomes while potentially saving money.

New York City and the Field of Municipal Financial Empowerment

In 2006, Mayor Michael R. Bloomberg launched the first Office of Financial Empowerment (OFE) within the Department of Consumer Affairs (DCA). OFE's mission is to educate, empower, and protect New Yorkers with low incomes so they can build assets and make the most of their financial resources. Toward that end, OFE uses financial empowerment strategies that focus on four pillars of work: providing professional financial education and counseling, connecting people to effective opportunities to begin building assets, helping people access safe and affordable banking opportunities, and employing targeted consumer protections to safeguard assets.

This unique approach to leveraging the powers and opportunities of municipal government in the field of asset building has been replicated in cities across the country through the Cities for Financial Empowerment (CFE) Coalition, launched in 2008 by Mayor Bloomberg and San Francisco's then-Mayor Gavin Newsom. CFE now includes 11 municipalities comprising over 18 million residents, each implementing a range of financial empowerment strategies through their mayoral administrations.

The Supervitamin Effect

In 1991, Michael Sherraden published a seminal book, *Assets and the Poor*, positing the importance of building assets while boosting income. Since then, asset building has emerged as a significant and innovative approach to moving people out of poverty to greater self-sufficiency by providing supports and services to help them keep more of their income to grow savings and assets. Although the field has expanded to incorporate thousands of savings, banking, and asset building efforts nationwide, to a large degree, it has remained a boutique industry within the broader social service and antipoverty programming in this country.

With the entrance of large municipal players into the field, there is an opportunity to integrate their strategies for financial stability into city services.

Financial stability is overall economic security that can sustain an individual or family for months and years, not just days and weeks. Income and income supports such as housing subsidies and public benefits are necessary but not sufficient for overall financial stability. A household also requires financial knowledge and access to affordable financial products and services to build cushions against financial shocks and downturns. Significant levels of debt work against financial stability. A helpful measure of financial security is the concept of "asset poverty," which is not having enough assets or net worth to survive for three months after an interruption of income. The Corporation for Enterprise Development's recent report, *Building Economic Security in America's Cities*, shows that asset poverty rates are much higher across the board than income poverty rates, suggesting that a focus on assets, rather than simply income, will yield more lasting impact. Moreover, there is an iterative quality to income and asset distress, with predatory businesses taking unfair and often illegal advantage of those desperate for quick solutions.

It is this platform of overall financial stability that boosts the effectiveness and improves the outcomes of the delivery of traditional social service programming—the supervitamin effect.

1. Just as complete nutrition is the first step to good health, a stable financial foundation is a fundamental step to fighting poverty, allowing individuals and families to more fully benefit from programs and services designed to help them improve employment prospects, avoid eviction or homelessness, or establish safe homes after facing a situation of domestic violence, to name just a few of many such examples.

2. Just as physical health helps fight off illnesses, financial stability helps families and individuals **withstand financial shocks** and setbacks. As much progress as a social service intervention might accomplish, gains can be easily lost when foundational financial stability falters. Such subsequent faltering not only undoes the progress achieved, but then occasions an additional investment to begin again. The inability to afford car repair, for example, could mean the inability to show up for a new job.

3. Just as certain vitamins are beneficial at varying stages of development, financial empowerment strategies can and should be adapted to **serve unique client needs at important transition points**. For some, financial empowerment groundwork can help a social service program to succeed, such as cleaning up and improving credit scores before applying for housing, employment, or a loan modification. For others, subsequent safe banking opportunities can help the newly employed make optimum use of new and regular income streams, as another example.

Demonstrably successful financial empowerment strategies are being implemented, and increasingly integrated, at large scale in New York City, San Francisco, San Antonio, Seattle, and other leading municipalities, yielding significant results and lessons learned on the opportunities and challenges of this "supervitamin" approach. The time has now come to act at state and federal levels.

I. Integrating Professional Financial Counseling in New York City

This report documents the approaches New York City has taken to develop one-on-one professional financial counseling and embed it within social service delivery systems.

Professionalizing the Field

Getting Started with Integration

Integrating financial counseling into core City service delivery systems creates robust and comprehensive support to New Yorkers with low incomes struggling to make ends meet, but only if those counseling services are of demonstrably high quality. In the past three years, New York City has effectively integrated professional financial counseling into several types of social services, including homeless prevention, workforce development, domestic violence interventions, adult education, welfare to work, community courts, and more. Despite the variety of services, the delivery models are generally either through a large City agency or through community-based organizations with significant ties to local residents.

To develop a professional, consistent service model, the first step is to establish standards, expectations, and rigorous measurement and evaluation systems, as well as a training and certification process for the new cohort of professional and skilled staff.

Overview of the Model, Standards, and Expectations

Before integrating financial counseling with other services, there must be a common definition and understanding of what constitutes financial counseling, service level standards, and outcomes and success measures for evaluation. Setting consistent goals and service level expectations distinguishes financial counseling work and ensures impact measurement.

For example, New York City's definition of financial counseling is to convey personalized—not general educational—information to directly and measurably improve a client's unique financial situation. The model relies on a comprehensive financial health assessment that financial counselors complete with each client in order to understand their unique needs and current financial condition. This allows counselors to develop a customized service plan to help clients achieve milestones along their path to achieving their financial goals and, ultimately, their goals for their individual or family stability. Outlining a clear path and timeline to reaching personal goals encourages clients to return and to see the progress they are making over time toward their goals. Expectations for client service levels and outcomes (to reduce debt, improve credit, increase savings, etc.) also provide consistent standards and guidance for financial counselors and for integration partners as well as clients.

Establishing Certified Training Program for Counselors

The financial education field has traditionally had relatively low barriers for providers to offer the service and limited standards for qualification. The availability of substantive financial education curricula has made it rather easy and low cost for nonprofit organizations to offer general classes and workshops. Wanting to tweak messages to their communities or target populations, many service providers have admirably taken on the task of customizing curricula for their own financial literacy programs by leveraging any existing staff knowledge or experience. Understandably, this has led to a field where content, expertise, and knowledge transfer can vary widely between and even within the same organizations. Reliable, general information is not enough to help guide participants through complex financial decisions or challenges. Setting a rigorous high standard generates client and partner confidence as well as the support of professionals in the field. Establishing an academic partnership offers consistent and complete training to ensure that there is a professional foundation for service providers.

OFE piloted and then rapidly expanded our Financial Empowerment Center initiative with a clear model in mind: free, one-on-one, professional, and individualized financial counseling. We selected as partners nonprofit providers with experience delivering financial education and counseling, a knowledge of the community, and a commitment to managing and tracking quality and impact.

In order to ensure the quality and consistency of services at the different Financial Empowerment Centers, we developed a formal training program in Financial Education and Counseling in partnership with the City University of New York (CUNY) in 2009. This program has been delivered at no cost to community members on a semiannual basis. As a measure of its rigor, CUNY now widely markets this professional training as a full-semester 3-credit course within its School of Professional Studies.

Spotlight: Personal and Consumer Finance Course for Providers

The City requires all Financial Empowerment Center counselors to take and pass CUNY's "Personal and Consumer Finance" course, which is well attended by other nonprofit financial education providers and, more recently, staff in social service organizations serving youth, immigrants, and low-income adult populations. Class sessions cover a range of topics, including: how and why to take control of one's financial life; banking and money management; smart use of credit; debt, bankruptcy, and identity theft; consumer protections and regulations in New York City; investments and future planning; homeownership and foreclosure prevention; benefits and insurance; negotiation principles; counseling techniques; communications principles and making strategic referrals.

Material is intended for inclusion in counseling and educational sessions. Participants are assessed twice during the course to gauge their mastery of the content. They also role-play and complete homework assignments to reinforce the content and techniques they learn each class.

Evaluation and Performance Tracking

The Financial Empowerment Center initiative is rigorously evaluated using an outcome-driven client management system that tracks numerous data points for clients based on customized service plans suited to their particular needs.

Codifying definitions of success for each service not only provides a consistent and professional standard but also enables integration partners to incorporate services into their existing program goals and measures. The Financial Empowerment Centers focus on outcomes where clients achieve specific numerical increases in the following measures of financial stability:

- ❑ Banking and Financial Services Access and Affordability: Open a bank account and/or reduce spending on transactional financial services
- ❑ Improved Budgeting and Money Management: Increase income-to-expense ratio
- ❑ Improved Credit History and Access: Establish credit history or improve credit score
- ❑ Debt Reduction: Reduce debt and/or improve debt-to-income ratio
- ❑ Establish or Increase Savings: Increase savings by a percentage of income

Implementation: Integrating with Human and Social Services

Organizational Planning: Identifying and Building Successful Partnerships

After establishing a standardized counseling model with professional training and rigorous measurement and evaluation criteria, the next step is to identify and carefully select appropriate partners for the successful integration of financial counseling with other services. There are several essential qualities to a successful integration partnership.

Aligning Overall Goals and Performance Measures

Organizations with connected client goals and measures make ideal partners. Improved outcomes for both services are easier to measure and identify by using financial counseling as a tool to achieve joint objectives.

> *It is impossible to put a price on the value of teaching financial literacy to newly employed individuals. By providing information about using work supports and demystifying banking and personal budgeting, people build confidence and can imagine using these practices in their own lives, which serves as both a motivator and a plan to economic self-sufficiency, ensuring continued employment.*
>
> – Liza Ehrlich, Chief, Parks Opportunity Program

Organizational philosophy and culture are important factors in the successful integration of financial counseling into service delivery. Integration requires that partners have mutually agreed upon, identifiable needs and goals that will be met, or an interest and commitment to model experimentation.

Aligning goals and expected outcomes must occur on multiple levels: at the leadership level, the program management level, and among the frontline workers. The "buy-in" of agency leadership is key, though alone will not produce ideal partnerships. Leaders can identify and leverage the potential touchpoints (or areas of client contact) that offer the most synergy, as well as convene a dynamic team of program managers to begin sketching out how the financial counseling could best be integrated. Once convened, these program managers should be engaged to brainstorm opportunities to design integration points that will enable the counseling to meet existing organizational or client needs, address current challenges that may be resolved with additional support from financial counselors, or help to establish new goals for the clients or programs. Program managers can also be engaged to consider resource flows and needs within a given program.

Frontline staff must also be engaged in the integration approach, not only to provide feedback about how financial counseling can best meet their existing client needs, but also to ensure they see the value of financial counseling services to support their clients, are empowered to make good client referrals, and identify additional touchpoints for integration. Several ways to accomplish this include encouraging all staff to meet with a financial counselor themselves, hosting financial empowerment workshops to provide an overview of the issues to be dealt with in a counseling session, and organizing regular meetings among financial counselors and other staff. For agencies with strong synergies to financial empowerment, staff members may even be encouraged to participate in substantive trainings such as financial counseling training.

For genuine integration, one-on-one financial counseling must be distinct from either existing services or organizational aspirations. If services are perceived as additional resources the organization would prefer to have in-house, then integration will likely be stunted. If organizations perceive financial counseling to be an infringement on their services or they would prefer to manage financial counseling services themselves, then staff and managers may have misaligned incentives. Partners may believe their clients need the service, but may hesitate to make referrals because they want to show they are already providing sufficient financial guidance. If partner staff know their management would prefer services be provided in-house, they may be reluctant to refer. On the other hand, when services are distinct but complementary to those at the partner organization, integration is both natural and sustainable.

Lessons Learned

You can overcome difficulty aligning goals or touchpoints for integration by conducting interviews with staff as well as by encouraging staff to use the financial counseling service.

Example

➤ Job retention is a goal for most workforce development providers. Discussions with staff identified a simple retention barrier: participants run out of money for subway fare to get to work.

☛ **Solution:** Financial counseling could help clients save, even a small amount, to purchase subway fare to prevent missing work and a loss of earnings or employment.

Linking Financial Outcomes to Program or Client Needs

Determining the impact that each financial goal can have in a client's life makes it easier to identify how enhanced financial stability can lead to improved outcomes for other social services. Social service managers and staff are often on the front lines when financial challenges block their client's success. When a client is turned down for a job placement due to a low credit score or denied a mortgage modification due to high consumer debt, it inhibits service providers from reaching their ultimate outcome of helping clients find job placements or affordable housing. Overcoming these financial obstacles can open the pathway for counselors to help clients with other personal needs and goals.

Interviews with frontline staff over the years have uncovered numerous client needs translating into programmatic goals that financial counseling outcomes can help achieve. Table 1 (page 13) provides some examples of client needs (and social service goals) that have been identified. These goals may be accomplished with the support of complementary financial counseling outcomes both co-located and truly integrated within service models.

> *"When clients are trying to qualify for mortgage assistance, getting help to reduce their other debts and create a sustainable budget can make the difference in being approved or not."*
>
> – Matt Hassett, Program Manager, Mortgage Assistance Program

Lessons Learned

Client outcome measurement matters, and it is important to align the outcomes being measured not only with the partner organization but also with realistic time horizons.

Example

➤ Foreclosure prevention efforts by housing counselors and legal services providers present an excellent opportunity for integrating financial counseling. The loan modification process, however, is generally slow and can be unpredictable. While going through the process, many homeowners struggling to afford their mortgages also have difficulty keeping up with payments on other debts and household expenses. In addition to being generally harmful to homeowners' financial stability, these problems can complicate eligibility for potential modifications should they become available.

☛ **Alternative:** Integrate professional financial counseling into targeted homeownership programs that have specific financial requirements, such as a maximum debt-to-income ratio, and short time horizons so that financial counselors can have a measurable impact. For example, New York City's Mortgage Assistance Program (MAP) provides loans that help homeowners achieve mortgage workouts. Potential MAP clients who would not otherwise have qualified due to their consumer debt and/or household budget were referred for financial counseling with clear expectations and defined time horizons.

Program Planning

Client Touchpoints for Integration

Another key consideration is selecting the right integration points to introduce financial counseling. It is important to select the most beneficial points within the suite of services to add financial counseling—often when participants are able to see the added benefit of counseling, and not the actual moment of crisis when it is unlikely that a client can meaningfully and productively engage in appropriate steps.

Successful Integration Points

Within large social service agencies or organizations, there may exist multiple opportunities to incorporate additional services, some more productive than others. Selecting successful integration points depends on finding the right moments of transition and introducing financial counseling to complement the experience of the client in engaging with the system.

Examples of transition points include prisoner reentry, exiting an abusive relationship, and reentering the workforce after a period of unemployment, just to name a few. It is important to note that the integration of financial counseling services must build on the needs of clients' particular life transition point—living freely after a period of incarceration, self-sufficiency, and managing new income, to continue the examples taken above.

In finding successful integration points within a life transition, it is very important to remember that financial counseling is best incorporated before an urgent need or crisis occurs or after the client has started to receive assistance. Attempting to deliver financial counseling *during* a crisis or urgent need will yield minimal results and likely will frustrate all involved because financial knowledge simply is not the highest priority need during crisis. In addition, interviews with program managers and frontline staff can yield significant guidance on where and how clients will be best positioned to benefit from counseling.

See Table 1 (page 13) for examples of relevant touchpoints, needs, and outcomes from both the client and social service perspectives.

Lessons Learned

Insert financial counseling when clients will be able to focus on the intervention, not in a moment of immediate crisis.

➤ Integrating financial counseling into services for people at risk of eviction can be especially challenging if it occurs at a moment of crisis, such as at the housing court on the day of a judge's decision to evict a resident. Most clients may be preoccupied with their immediate, urgent housing need and are not likely to be interested in focusing on financial counseling.

☛ **Alternative:** Working with clients who are seeking to prevent eviction by applying for emergency assistance grants can be days or weeks before a potential eviction. At this pre-crisis moment, it can be easier for clients to take important steps toward managing their finances by meeting with a counselor.

Interrupting access to other services is not sensitive to client needs and experience and is not an effective integration. New integrated services should be introduced at a time when participants are able to understand the added value of the service in helping them achieve their personal goals.

➤ Individuals interviewing for job placement programs or enrolling in benefits programs are often orienting themselves to a multitude of new services and are focused on accessing the primary service need. Introducing an additional service at this point can be perceived as a "bait and switch" rather than a complementary service to help achieve their other goals. Once participants are oriented to the primary program or service, it is easier for them to see the linkages between their primary goal (i.e., getting a job) and how financial counseling can help them achieve it.

☛ **Alternative:** Worksite training during work hours in the context of a career training opportunity provides a secure moment when participants are focused on improving their skills, professional marketability, and removing barriers to job placement (such as a poor credit score or inability to save funds for emergency needs).

Client Needs and Customization

Once a partner social service agency has been identified, goals aligned, client needs identified, and integration touchpoints selected, it is essential to reflect on the varied needs of client groups. Especially when working with diverse social services, customization of services to match client type is important when preparing staff—both financial counselors and frontline referring staff—and outreach and communication strategies.

The financial counseling model is based on a comprehensive financial health assessment that counselors complete with each client to better understand the scope of their individual financial needs and goals. By understanding a client's unique financial circumstances and broader goals, counselors can tailor their service plans, as well as the right financial milestones to outline for each client. For example, if a client is seeking an apartment but doesn't have enough savings for a deposit or a strong enough credit history for landlord approval, financial counselors will help create a realistic savings plan and identify ways to improve credit such as establishing a credit line, or paying bills on time and paying down debt. This model allows financial education to go far beyond general information and help individuals incorporate financial management into their daily lives as a tool for achieving their goals and growing their assets in the long term.

In working closely with the City's Department of Homeless Services (DHS), which provides shelter for more than 37,000 people each night, we identified both client needs and opportunities for financial counseling interventions. For example, employed but recently evicted individuals have very different needs and interests in financial counseling than chronically homeless and unemployed individuals. Tailoring both the counseling experience and program outcome to the target population helps to set expectations appropriately.

Table 1. Social Service / Financial Counseling – Integration

Client Type	Client Needs	Financial Outcomes	Touchpoint
Workforce Development or Back-to-Work	• Employer credit screening for job applicants • Eliminate fear (or reality) of fund seizures or wage garnishment • Withstand financial emergencies and stay on track with career goals • Avoid high-cost predatory lending and save on financial transactions • End debt collection harassment to improve job productivity and retention	• Improve credit history and score • Reduce debt • Improve money management, budgeting, and income/expense ratio • Save for emergencies • Safe banking • Eliminate debt collection	• Job-readiness and career training • GED or Literacy classes • Resume and interview workshops • On-boarding with job placement • Exit interviews from job placement programs
Foreclosure Clients	• Create comprehensive realistic budget • Address outstanding consumer debt • Eliminate as much consumer debt as possible • Save on financial transactions • Negotiate debt settlement/debt consolidation plan	• Improve money management • Cut down on expenses and increase available income • Reduce debt • Improve income/expense ratio • Improve credit report, credit score	• Homeownership organizations • Credit workshops and fairs • Foreclosure counselors or lenders
Homeless Prevention Clients	• Open affordable banking account • Savings goal for a deposit • Reduce debt or establish credit • Benefits screening • Avoid high-cost predatory lending	• Safe banking • Improve money management • Reduce debt • Improve credit history and score	• Shelter staff referrals • After moving out of shelter • Eviction prevention staff
Small Business Clients	• Create personal budget to separate from business finances • Avoid high-cost predatory lending and save on financial transactions • Create savings goal • Open affordable banking account • Eliminate consumer debt	• Improve money management, budgeting, and income/expense ratio • Save for emergencies • Qualify for business loan • Eliminate personal debt • Improve credit history and score • Safe banking	• Small business fairs • Business workshops • Small business lenders
Domestic Violence Survivors	• Open affordable banking account • Eliminate fear (or reality) of fund seizures or wage garnishment • Create realistic budget • Eliminate as much consumer debt as possible • Benefits screening	• Safe banking • Reduce debt and increase available income • Improve credit history and score	• Family justice centers and community organization referrals • Shelter staff referrals • Legal service referrals
Adult Education	• Open affordable banking account • Create realistic budget • Eliminate consumer debt • Employer credit screening for job applicants • End debt collection harassment • Benefits screening • Improve job productivity and retention	• Safe banking • Reduce debt and increase available income • Improve credit history and score • Improve money management • Negotiate with creditors/debt collection agencies	• Adult education program • English as a Second Language • GED or Literacy classes • Library or immigrant service organization • Workforce development programs
Reentry Clients	• Create realistic budget • Set up payment plan for child support arrears or court costs • Eliminate as much consumer debt as possible • Employer credit screening for job applicants • Housing credit screening for apartment seekers • Open affordable banking account	• Reduce debt and increase available income • Improve credit history and score • Improve money management • Safe banking	• Job-readiness and career training

> *We see a lot of people who could have avoided their housing crisis but had just mismanaged finances over time. With this help, they can avoid losing their housing and stay stably housed in the future.*
>
> – Sara Zuiderveen, Assistant Commissioner, Prevention Services, Department of Homeless Services

Aligning Capacity for Scale

While the asset building community has a lot to offer the social service world in terms of customized solutions and the impact of financial stability, there is a great deal to be learned from social service providers about effectively scaling services to large numbers of low-income populations. New York City social services reach tens of thousands of clients each day. Beyond the example of the City's DHS sheltering 37,000 people each night, some 44,000 people apply for Homelessness Diversion through Cash Advance assistance or Emergency Assistance (also known as "One Shot") annually, and the Parks Opportunity Program workforce training staffs 1,500-2,000 participants every year.

Effectively scaling services requires a focus on two parts: capacity and demand. In terms of capacity, you need a sufficient number of trained and professional financial counselors to provide services to interested clients.

In terms of client demand, you need social service delivery partners who will generate an appropriate flow of clients, considering the potential pool of clients and the likely take-up rate for services, as well as the timing and location of interaction with clients.

One question to consider at this point is whether the financial counseling will be required or strongly encouraged. A second question is whether to use hard or soft referrals. Hard referrals typically specify the need for counseling and number of visits along the lines of a doctor's referral and might even schedule an actual appointment, whereas in a soft referral you would merely provide a list of options, locations, and hours. If groups, classes, or workshops had been the prior model, adaptations will be needed to determine how to funnel groups into one-on-one meetings and smooth out client flow to meet the daily volume requirements of financial counseling.

Lessons Learned

- Hard referrals or actual on-site handoffs provide the greatest opportunity for success. Coordination will require clear and easy-to-follow protocols, materials, training, and support for frontline staff of the lead agency. Trial and error is often needed to figure out the best mechanism.

Putting this into practice, early planning conversations with prospective partners should cover the potential volume at each integration point, the partner caseload, and the capacity of financial counselors to meet this caseload, as well as the potential flow of clients. Will client flow be punctuated and periodic, or steady over time? Can the program provide sufficient client referrals and financial counselor time?

Finally, program administrators need to align these capacity and timing considerations for both initial piloting as well as full-scale rollout. These conversations present opportunities to explore whether additional resources exist to bring on new or additional counselors, and when and where to place resources and push client referrals.

Matching volume to service level is essential because these operations are often bound to provide all clients the same level of service. It is difficult for large operations to try to roll out a new program with only a small subset of their participants. This is particularly true of social services where equity and access must be equivalent across their delivery to participants.

Lessons Learned

If touchpoints and partner culture rely on large-scale events, try to identify smaller subsets for individualized services. When possible, larger groups should be broken down by type of client, as well as by each client's unique needs when financial counseling is introduced. Rather than announcing the services in a suite of activities, provide specific topics and issues and break out the client groups in advance or concurrently with the parallel events.

➤ Low-touch, high-volume activities such as large-scale events can be difficult to integrate with the one-on-one financial counseling model unless client groups and financial counseling interests are specifically addressed separately from the full-scale event.

☛ **Alternative:** Organizing mini-sessions and workshops on specific and client-focused topics can help bridge the transition in some cases.

➤ Certain programs may be lower-volume, such as domestic violence, and cannot allow for outside referrals on-site. Thus, matching regular hours and connection with services can be challenged by having insufficient volume to merit the counselor.

☛ Strong integration and hard referrals for a sufficient volume of clients can be achieved by having on-site staff responsible for scheduling financial counseling appointments and ensuring a full caseload for financial counselors.

Putting It All Together: Operationalizing the Integration

As with any new program or service, the next step after the planning and program design phase is to pilot, adapt, and bring to scale. Many lessons learned in the pilot phase will help you to adapt the model and make it more likely to succeed at scale. Evaluation and data tracking are helpful throughout this process to quantify the outcomes both for the clients and for the program. If clients are better able to move through the primary service they are receiving due to the financial intervention, you will be able to make a stronger case for allocating sufficient resources to maintain and grow the integration. Tweaking the model to make sure that you achieve not only volume but outcomes for clients will strengthen the case.

Lessons Learned

After the planning and program design phases, we began the implementation phase, keeping in mind that the number of clients served is not itself a proxy for success. Our goal became to find a model that ensured not only volume but outcomes for clients.

➤ High-volume partners may not be ideal partners unless their approach aligns easily with financial counseling outcomes or their operations can accommodate the one-on-one model.

➤ Identifying complementary goals, and touchpoints, and aligning implementation can turn a low-volume site into a successful site.

If the partner model serves large client volume, identifying relevant opportunities for financial counseling is the key to scaling.

➤ In large social service organizations client engagement may be high volume, longer term, and may include entitlements as well as additional supportive services. Working to incorporate new elements in large operations requires the development of specific mechanisms tailored to existing client flows.

☛ **Opportunity:** Develop a solid referral model with a focus on reaching interested frontline staff with additional services that complement access to entitlements. By training staff to make targeted referrals, integrated partnerships can leverage high-volume, low-touch models by identifying opportunities for higher touch with clients.

Piloting

Matching these large-scale service delivery mechanisms with individualized financial counseling resources can be achieved by piloting on a smaller scale and enlisting the support of a program liaison with deep understanding of on-site operations. Although seemingly counterintuitive, in some cases it can be more challenging for a large organization to separate a subgroup of their clients in order to manage a pilot program because it is operationally easier to roll out a program to an entire division or an organization believes that any services must be available to their entire client base to ensure equity. Outlining how and when new services will move from pilot to phase-in to full scale can alleviate unnecessary administrative burden on partners and the risk of over- or under- referrals to available financial counseling staff.

Re-evaluate and Adjust Referrals

In formalizing partnerships with some agencies, referral streams can be unpredictable and erratic, varying widely between a periodic extreme of highs and lows. It has become clear that to serve clients' needs fully, volume alignment is essential to scaling financial empowerment services. However, this does not mean that services must be at full capacity before integration can occur.

Once a successful pilot program has been launched, referral mechanisms must be re-evaluated at each level of scale. For example, what is effective in one office, where referrals can be made on-site, may need to be adjusted to account for multisite cross-referrals and different processes across multiple offices. If the pilot phase used a soft referral mechanism, once the program goes to scale there may be sufficient financial counseling capacity to make the new service a requirement by mandating participation.

Mandating Participation

Mandating participation in financial counseling can be an effective way to force appropriate integration with necessary interventions. However, it is essential that the design and timing allow for all clients to receive service without bottlenecks at various program points. In addition, mandated referrals must have exceptionally well-thought-out linkages to other client needs and program goals. Otherwise, the program risks client disengagement and potentially wasted time and resources for both the counselor and client.

For example, if a client has to meet a certain financial benchmark to remain qualified for another social service program (such as savings or debt levels to qualify for housing or loan assistance), then mandating becomes more relevant to the client and more measurable for the financial counselor.

Lessons Learned

When putting it all together—aligned goals, relevant touchpoints, and customization for client needs—the integration of financial counseling must be clearly communicated by the program design and messaging to clients.

➤ Working with community courts, we found that financial counseling has been more successful when offered as an alternative to something less desirable. The court offering financial counseling as an alternative to a fine for illegal vending, for example, led to client participation and successful engagement.

II. Case Study: Homeless Services

Early on, the opportunities for Homeless Services clients to connect to financial counseling were evident. New York City's DHS, in particular, had a strong interest at the top level to innovate on ways to reduce homelessness in New York City and move families into stable long-term housing. The potential impact and cost savings from uniting these interventions was also evident to high levels in the Mayor's office as well as within the programmatic and evaluation divisions at OFE and DHS.

Program Planning

Intensive work with middle management to insert proven financial counseling ensued: meetings with staff managing programs, review of maps, locations of mutual interest, guided linkages with some of their stronger providers, and connections to service providers in the field to identify programmatic alignment, client needs, and volume.

Two innovative programs for homeless prevention and rapid re-housing, Advantage and HomeBase, were identified to pilot the integration of financial counseling at scale due to their high-touch model and programmatic elements.

Pilot Implementation: On-Site Placement of Counselors

With the expansion of Financial Empowerment Center counseling in 2009, OFE and DHS identified several organizations that provide homeless prevention services as City contractors interested in housing on-site financial counselors. Financial counselors were placed in three different HomeBase offices, and services were made available to homeless prevention, diversion, and post-shelter clients (such as Work Advantage).

Touchpoints: Referrals and Requirements

DHS made financial education a standard part of its existing Work Advantage program model, a rental subsidy that helped employed shelter residents transition from temporary emergency shelter to subsidized rental housing. A financial education requirement was added for participants to be eligible for matching funds on their savings account, linking the matching funds to written certification signed by their financial counselor or workshop leader that confirmed they had participated in at least six hours of work together.

Early Results

Work Advantage clients who received financial counseling were more likely to save, to save more, and to achieve their incentive matching funds. Despite the discontinuation of the Advantage program (formerly Work Advantage) in 2011, the partnership has remained one of the most successful integration efforts.

Expansion—Next Steps

We are now in the process of working to establish full-scale integration, including staffing financial counselors based at nonprofit organizations near shelter sites to facilitate counseling to shelter clients, provide resources to shelter residents with Income Savings Requirement, and emergency assistance for families.

Lessons Learned

- ➤ **The right touchpoints are essential.** We initially piloted placing a financial counselor at a high-volume model office for shelter residents and job placement programs. This office serves thousands of clients who are completing requirements for shelter residence by enrolling in job placement and other supportive services. However, this multiservice office stimulated a low numbers of referrals. We discovered that clients spend many hours at the office and are not likely to stay for additional service. Additionally, because the client flow is already highly structured with color-coded offices and client files directing people to services, it was not the ideal location for staff to make referrals outside of this entrenched, prescriptive system.

- ☛ After we expanded the referral network for these providers to include any of the Financial Empowerment Centers Citywide, we saw an immediate increase in referrals. Clients were able to engage with the financial counselor when they could make the appointment at a time and location that was more convenient for them.

- ➤ **Customize the appropriate process for clients and service providers.** In our initial integration mandating financial education to trigger a new savings match program, the program was too new to specify the point in the process when the financial counseling needed to occur as part of integration design. As the integrated program rolled out, we found a bottleneck when many participants attempted to complete their required counseling hours at the end of the program. Aside from the bottleneck, the timing was a missed opportunity as ideally the integration of counseling would have occurred earlier on in the flow of the primary service, so the financial counselors could have actually assisted with the savings and banking process, rather than advising after the fact. Once discovered, this process was able to be modified accordingly.

III. What's Next

Sustainability: Evaluating Results across Multiple Program Goals and Desired Outcomes

While we know from our existing partnerships that other social services are indeed benefiting from the supervitamin effect of financial counseling as clients experience the alleviation of financial symptoms that hinder their work, we have yet to fully quantify the impact on client and program goals and the cost savings to the City. Support for the supervitamin approach should fund demonstrations of improved outcomes across multiple interventions through data analysis and streamlining measures.

Coordinating data across systems and agencies in order to compare client stability measures with program outcomes and cost reductions is the next phase of this work. Large-scale ramp-up of the approach New York City is taking is possible with careful data-file matching of the metrics captured in financial counseling, such as individual credit scores, personal debt reduction, and savings, with the outcomes sought by the traditional antipoverty interventions.

Knowledge Transfer: Professionalizing the Field at Scale

The road ahead also requires investments in financial empowerment training for a multitude of service providers, from social workers to public benefits caseworkers, to income tax preparers, and many others delivering critical social services. In this respect, significant private and public funders of social services can insist upon meaningful integration of financial empowerment "supervitamins" into funded work to achieve these enhanced outcomes. For example, the Financial Literacy and Education Commission (FLEC) holds tremendous potential. This amalgamation of federal agencies, which is chaired by the Secretary of the Treasury and made up of the heads of 20 additional federal agencies, has developed a National Strategy for Financial Capability, and it has rolled out a set of core competencies. Beyond expanding financial knowledge, FLEC members could formally pledge to identify opportunities for structural integration of financial counseling within federal programs in the same way New York City has in local programs.

Particularly in times of significant need, such promising innovative approaches, designed for scale, could represent the next generation of smarter and more effective work in the broad spectrum of social service delivery.

Municipal Financial Empowerment:

A Supervitamin for Public Programs

Strategy #2: Professionalizing the Field of Financial Education and Counseling

NYC

Michael R. Bloomberg
Mayor

Department of Consumer Affairs
Office of Financial Empowerment

Jonathan Mintz
Commissioner

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We thank our academic partners who are vanguards in elevating the field of financial counseling to credit-bearing status: The City University of New York (CUNY) School of Professional Studies and the Columbia University School of Social Work. Without the leadership and guidance of Senior Vice Chancellor for University Relations and Secretary of the Board of Trustees Jay Hershenson and Professor Joyce Moy at CUNY and Dr. Jeanette C. Takamura, Dean of the Columbia University School of Social Work, this new phase of professionalism would not have occurred.

Our implementation partners have been more than cooperative—they have fully embraced this gold standard delivery approach. We greatly appreciate the combination of dedication, innovation, and excellence in delivery from the teams at Bedford Stuyvesant Restoration Corporation, East River Development Alliance, Neighborhood Trust Financial Partners, Phipps Community Development Corporation, and The Financial Clinic.

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Finally, we deeply appreciate the constant support and encouragement of Mayor Michael R. Bloomberg, First Deputy Mayor Patricia E. Harris, Deputy Mayor for Health and Human Services Linda I. Gibbs, and Center for Economic Opportunity Executive Director Veronica M. White. By making innovation toward better service delivery and excellence the expectation, they created and nurtured the origins of everything we accomplished … and continue to strive toward.

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Introduction

This Report, the second in a series about the "supervitamin effect" of improved social service outcomes when integrating financial empowerment and asset building strategies into public programs, details New York City's efforts to provide high-quality, effective financial counseling at scale and professionalize the field itself. The Report further highlights the City's understanding that to realize the supervitamin effect of integrating financial counseling, such counseling must be of consistent, demonstrable, and superior quality.

The need to professionalize this field is critical given widespread variability in the quality and consistency of current financial education and counseling programming, the importance to recipients of counseling services, and the supervitamin effect that financial empowerment programming can have when successfully integrated.[1] Efforts toward professionalization undertaken by the Department of Consumer Affairs Office of Financial Empowerment (OFE) include establishing standardized client outcomes with a rigorous data tracking system, developing intensive financial counselor trainings, standardizing the approach to financial counseling, and developing a professional network of practitioners. This approach has played out in OFE's development of our now publicly funded Financial Empowerment Centers, which offer free, professional, one-on-one financial counseling services. In addition to the dozens of such Centers across New York City, other partners and private funders have now begun replicating this model across the country, leading us to the tipping point in professionalizing this field as a whole.

The Supervitamin Effect in Brief

Financial stability is overall economic security that can sustain an individual or family for months and years, not just days and weeks. Income and income supports, such as housing subsidies and public benefits, are necessary but not sufficient for overall financial stability. A household also requires financial knowledge and access to affordable financial products and services to build cushions against financial shocks and downturns.

The supervitamin effect is the integration of financial empowerment (or stability) programming and the role it plays in improving the outcomes of traditional social service programming. This innovative approach to service delivery seeks better, faster, and less costly outcomes at a time when antipoverty efforts are more pressed than they have been in a generation to do "more with less."

The impact of financial empowerment programming is just beginning to take root and gain momentum. Financial Education Networks are popping up in city after city, as well as in recent federal efforts. And the robust, standardized version of financial education and counseling programming exemplified by New York City's Financial Empowerment Centers is being replicated in cities across the country, thanks to a replication initiative by the Cities for Financial Empowerment Fund (CFE Fund), a project of Living Cities, through a generous grant from Bloomberg Philanthropies.

As cities across the country engage in more standardized, high-quality counseling services for people with low incomes, we believe it is time to set a national standard. As steps in that direction, the federal Financial Literacy and Education Commission, which convenes regularly at the U.S. Department of the Treasury, revised its National Strategy for Financial Capability in 2011, including a set of core competencies that should become part of general public financial knowledge. And the new Consumer Financial Protection Bureau has a dedicated Division of Consumer Education and Engagement, with separate Offices of Financial Education and Financial Empowerment.[2]

I. Demand for Financial Education

Over the last few decades, the field of financial education has expanded tremendously, with thousands of nonprofit organizations, financial institutions, schools, and government agencies offering diverse forms of financial education. The growth has been necessary, prompted by record consumer debt levels, zero or negative savings rates (in particular in this population, savings for retirement), high foreclosure rates, and record unemployment rates nationwide.

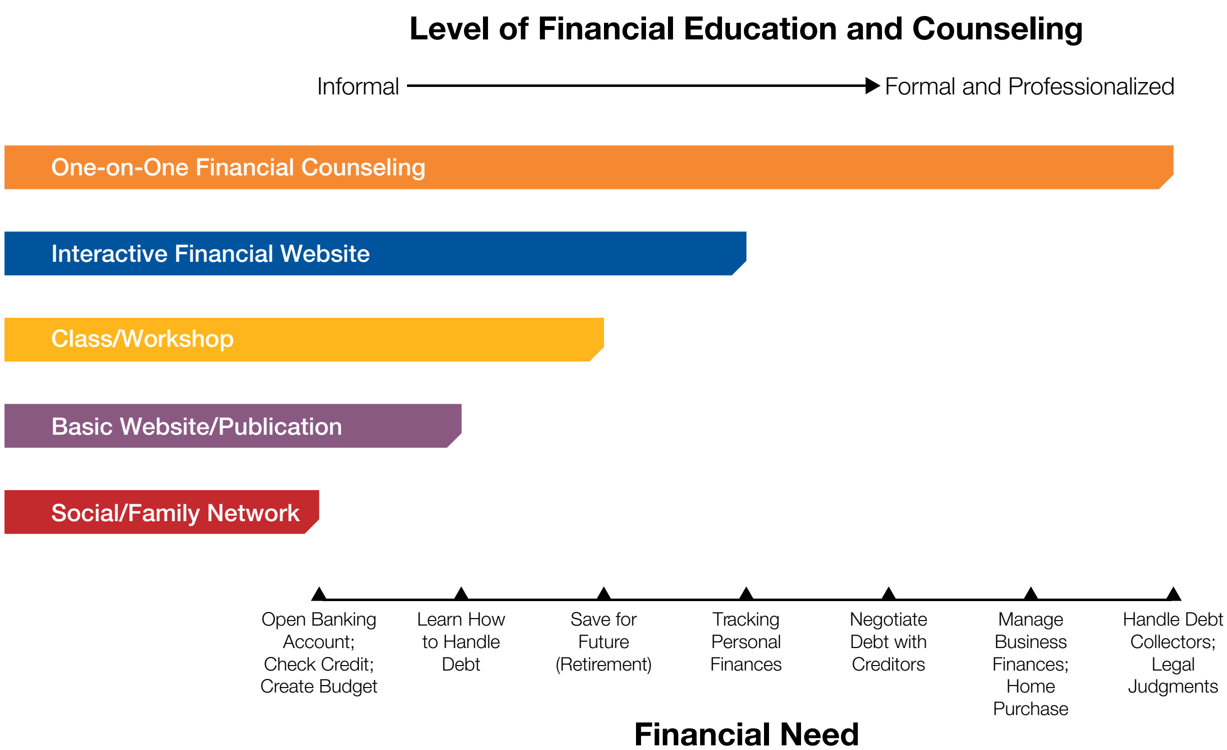
The increasing complexity of available financial instruments for borrowing and saving has made safe and affordable choices, when they do exist, difficult to identify and access. And many financial products available to households with low incomes are designed with expensive features, often obscured from consumers, which lead them into further trouble.

Dangerous Financial Products and Services Targeted Toward Those with Low Incomes

- So-called “courtesy” overdraft bank account loans
- High- and hidden-fee prepaid card products
- High interest auto loans and car title loans
- Usurious online or storefront payday loans
- Expensive and unnecessary tax refund-related products
- Tuition loans marketed as “financial aid”
- High-fee check cashers
- So-called “debt relief” or “debt settlement” scams
- “No-doc” mortgages

The range of available financial education—including casual advice, publications, classes, high-quality financial counseling—reflects the breadth of consumer needs. Those with relatively uncomplicated questions and few problems may turn solely to their social networks for tips on managing bills or setting up cell phone service, for example. Others may seek information from more professional sources, including at workshops or online. Finally, those with complicated financial questions may seek help from a professional who can address their specific financial situation. See Figure 1 below.

Figure 1. Continuum of Financial Need and Level of Financial Education and Counseling



Most established models of financial education focus on long-term wealth creation, but families with low incomes typically wrestle with a number of underlying stability issues that must be addressed first. Specialized training to recognize and address these priority issues is both critical and the right first step toward longer-term planning.

II. The State of the Financial Education Field

Despite decades of varying approaches to financial education, after reviewing the state of the field the U.S. Government Accountability Office concluded that there exists no consistent approach, delivery mechanism, or technology that stands out as a best practice.[3] The quality of service content, service providers, and evaluation varies dramatically. Accordingly, individuals and families in need of such services have little guidance when seeking them, which only increases their vulnerability.

Employing best practices in content, delivery, and evaluation to achieve professional quality in this field, OFE offers a three-pronged approach:

1. Establish standardized client outcomes and a rigorous data tracking system
2. Professionalize financial counselor trainings
3. Standardize the approach to financial counseling

Establishing Standardized Client Outcomes and a Rigorous Data Tracking System

Financial education providers, funders, and policymakers alike have long been frustrated by the inconsistency of impact measures, which makes it impossible to aggregate and compare the outcomes of services. As a result, providers cannot report on service outcomes, evaluators cannot determine program impacts, policymakers cannot interpret program findings, and funders cannot measure the impact of investments.

A critical component for professionalizing the delivery of financial education and counseling has been to implement an outcomes-driven service delivery model. This includes both agreement about the key outcomes that financial counseling should achieve as well as the technological infrastructure to ensure that data related to milestones and outcomes are captured accurately and consistently across service provider organizations and service delivery sites.

OFE standardized a 30-milestone client outcome tool, then customized an integrated database system that Financial Empowerment Center counselors use as a case management tool to track client progress against four distinct service plans: Banking, Credit, Debt, and Savings. Each service plan encompasses high-achievement outcomes and midpoint milestones that are continually refined. Further, the database is shared, enabling each and every service provider working at over 25 different locations to "speak the same language" when it comes to client program impact.[4] Moreover, this system's ability to aggregate data provides macro-level snapshots of client need and counselor performance, allowing program managers to identify trends and adjust service interventions nimbly. Aggregate data ultimately is analyzed and shared with over 15 funders, who then possess a common understanding of program impact.

Financial Empowerment Center Achievements as of June 30, 2012

Total Clients Served: **17,160**

Total Counseling Sessions: **32,042**

Total Amount of Savings: **$870,296.72**

Total Amount of Debt Reduced: **$7,048,703.93**

> *The Office of Financial Empowerment in New York has set the bar for training counselors and tracking outcomes. Citi believes its work with OFE has helped to move people out of poverty and towards greater self-sufficiency. This latest Report once again demonstrates the gold standard for financial counseling. It focuses on outcomes attained to demonstrate grant impact, and also provides a wide array of demographic data and milestones to show movement even before outcomes are reported.*
>
> – Eileen A. Auld, Senior Vice President, Regional Director
> New York Tri State, Citi Community Development

Professionalizing Financial Counselor Trainings

From the perspective of a government agency implementing a financial education and counseling initiative, the most essential component of professionalizing the delivery of financial education and counseling is the standardization of counselor trainings. Inconsistent models for training practitioners leave governments vulnerable to attack for not ensuring consistently high quality from those delivering financial education services to clients.

To that end, OFE set the bar for quality professional training at the top, partnering with established educational institutions to develop and deliver training at both the undergraduate and graduate levels in credit-bearing courses.

Course: *Consumer and Personal Finance*

Developed by OFE in partnership with The City University of New York (CUNY), *Consumer and Personal Finance* is a 45-hour, three-credit undergraduate course offered by CUNY's School of Professional Studies through its Financial Studies Certificate Program. Service providers across all fields may enroll. OFE requires all counselors working at Financial Empowerment Centers to take and pass the course. A key element of the training is the combination of a comprehensive personal finance curriculum oriented toward low-income challenges with practical applications. While students can apply the skills they learn to their own lives, they complete the course armed with the skills and orientation to improve their clients' financial situations.

Undergraduate Financial Counseling Course at a Glance

Students learn the fundamentals of managing personal finance, with particular emphasis on low-income challenges, including:

- Goal setting and budgeting
- Banking services and products, including savings
- Relevant consumer protection laws
- Building, maintaining, and repairing credit
- Effectively counseling people in financial crisis and negotiating with creditors
- Debt collection, debt settlement, and bankruptcy
- Benefits screening
- Investments
- Homeownership

Students lacking a formal background in social work or counseling learn the basics so they can conduct a counseling session with clients from any background.

Spotlight: Open Enrollment Matters

Program implementers should open enrollment in financial counseling courses to a wide array of partners and individuals, if they want to make integration possible. Courses in New York City are available to practitioners across all fields, including members of OFE's Financial Education Network (FEN), a community of financial education and financial counseling providers; staff at other City agencies and partner nonprofit organizations; and the general student bodies at the schools where the courses are offered. This open format gives partners the opportunity to access high-quality training for staff in core aspects of financial management and learn best practices in effective counseling delivery. It also improves the integration of financial counseling within partner social service agencies, the subject of the first Report in the "supervitamin" series, so that asset building can be integrated into the regular services provided to fragile populations. To date, partner schools have reaped the rewards of these partnerships, experiencing heavy course enrollment.

> *The course that these counselors have just completed sets a new standard for the profession. Now, with the help of experienced and talented counselors, financial guidance will be offered to some of our city's most vulnerable residents.*
>
> – CUNY Senior Vice Chancellor for University Relations and Secretary of the Board of Trustees Jay Hershenson

Course and Field Placement: *Personal Financial Management and Financial Counseling Skills*

As a way to integrate financial counseling into broader social services, OFE partnered with the Columbia University School of Social Work (CUSSW) to offer the graduate-level course P*ersonal Financial Management and Financial Counseling Skills* as a prerequisite to a field placement in financial empowerment and counseling. The curriculum features content areas similar to the CUNY course, but also examines behavioral economics techniques to help promote positive behaviors, the intersection of race and wealth, and integration of financial education and asset building into other social service programming. For the final project, students must develop a program that can be implemented in their current field placement, integrating behavioral economics techniques into financial education, asset building, and/or access to banking work.

Demographics of First CUSSW Graduate Course

- Students have worked or are interested in working with veterans and military families; urban youth; HIV/AIDS patients; microfinance; seniors; domestic violence survivors; and other high-needs groups
- Almost 25 percent are international students or recent immigrants to the United States
- 75 percent are studying program management or administration

CUSSW Statistics

- 50 percent want to work as direct service clinicians
- About 60 percent leave New York City after graduation to pursue their careers
- Almost 45 percent work outside of the Tri-State region

Students from Columbia's inaugural class have already begun implementing their programs. One student started a program for a family services organization in Queens, N.Y. The student designed a two-step workshop series that she provided for youth served within her program. Another student designed a project to serve youth aging out of foster care; interestingly, at the agency where this student works, three of her coworkers had previously attended the CUNY class and were using the financial education content for their own clients.

CUSSW attracts a highly diverse set of students, making this partnership even more influential to the next generation of social workers working to integrate professional financial counseling into social service delivery nationally and around the world.

Spotlight: Other Training Partnerships

One NYC One Nation

In 2011, the Mayor's Office of Immigrant Affairs launched One NYC One Nation, which established five Immigrant Civic Engagement Zones to provide tools to immigrant communities. As part of the focus on financial literacy, the program identified community and immigrant leaders interested in becoming financial counselors. Eight leaders received training through CUNY's *Consumer and Personal Finance* course to help immigrant families in their communities.

New York City's Administration for Children's Services (ACS)

Recognizing the need for youth who are aging out of foster care to have a sound understanding of finances before they leave the system, ACS committed to build capacity for financial counseling within its nonprofit partners. In 2011, ACS provided scholarships for 10 case workers to attend the CUNY course to ensure that financial education and asset building can be integrated into its regular services for this fragile population.

Standardizing the Approach to Financial Counseling

As described in the first Report in this series, New York City's approach to financial counseling is one that conveys personalized—not general educational—information to directly and measurably improve a client's unique financial situation. The model relies on a comprehensive financial health assessment that Financial Empowerment Center counselors complete with clients at intake to understand their unique needs and current financial condition. Comprising a personal income statement and balance sheet and detailed assessment of clients' personal debt, the assessment allows counselors to develop customized service plans to help clients achieve tangible milestones along their paths to achieving their short- and long-term goals for financial stability and growth. Counselors also complete a second financial health assessment three to five months after the initial client visit.

Based on the financial health assessment, standard sessions can include:

- Budget counseling, with realistic spending plans and obtainable goals
- Credit education, including the review and repair of credit reports and scores; establishment of credit histories; debt management strategies; and tips to handle debt collection/harassment problems
- Discussion of appropriate bank and credit union products and services, in particular safe banking products negotiated by OFE, and counseling on how to advocate with financial institutions for the best and most appropriate products and services
- Guidance on appropriate and viable savings and asset building opportunities
- Strategic referrals to legal services, free or low-cost tax preparation, benefits counseling, and other social services as appropriate
- Longer-term financial coaching geared toward asset building goals

See Figure 2 on page 12.

Figure 2. Financial Empowerment Center Counseling Process: Assessment to Outcomes

Intake: Financial Health Assessment

As a first step, counselors work with clients to create a budget. The budget sets spending limits, savings goals, and helps clients achieve financial empowerment outcomes.

Note: *In cities where there is no preexisting infrastructure of providers doing benefit screening, the Financial Empowerment Center model should be enhanced to include benefit screening.*

↓

Service Plan Selection

Banking	Credit	Debt	Savings

↓

Standardized Milestones

Banking	Credit	Debt	Savings
1.Obtain all documents needed to open account 2. Use ATM card 3. Use debit card 4. Set up direct deposit for recurring payments 5. Use online/auto bill pay 6. Agree to open or transition to safe account 7. Open safe account	1. Review credit report with client 2. Review credit score with client 3. Alert credit bureau about errors on credit report and request their removal 4. Alert lender(s) about errors on credit report 5. Verify that error(s) removed from credit report 6. Alert credit bureau about ID theft 7. Alert lender(s) about ID theft 8. Establish credit 9. Obtain credit builder loan or secured credit card	1. Review credit report with client 2. Identify debt owners 3. Send debt verification letters 4. Develop payment plan with client 5. Alert lender(s) about ID theft 6. Prepare referral documents for bankruptcy 7. Assist client to negotiate debt consolidation	1. Assign spending journal 2. Complete realistic budget 3. Include savings plan in budget 4. Open savings account 5. Save monthly 6. Set up auto deduction or auto transfer to savings account 7. Explore opening a SaveUSA account (limited tax time savings opportunity)

↓

Outcomes

Banking	Credit	Debt	Savings
• Opened safe account • Transitioned to safe account • Used account for recurring deposits for more than six months	• Established credit history • Increased FICO at least 35 points	• Decreased debt at least 10 percent	• Increased savings by 2 percent of net income • Set up recurring savings allocation

III. Moving Toward a National Delivery Standard

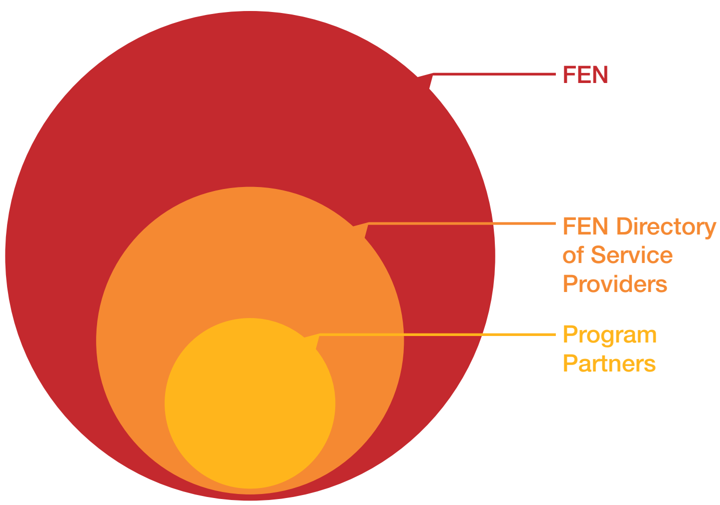
Building Capacity: Financial Education Network (FEN), FEN Directory of Service Providers, and Program Partners

Developing a professional network of practitioners, similar to state Bar Associations and Certified Financial Planners, is another key to professionalizing the delivery of financial education and counseling. Across the country, city governments are beginning to realize the value of developing communities of financial education providers, and are convening Financial Education Networks (FENs) to provide an infrastructure for the emerging field of financial counseling and asset building.

Networks like New York City's FEN, San Francisco's Smart Money Network, and Seattle's Financial Education Providers Network have already connected service providers to share best practices, explore ways to use the network to improve service delivery to clients, and improve how residents get access to services. From a federal vantage point, the President's Advisory Council on Financial Capability has recently established Financial Literacy Councils across the country, and the Consumer Financial Protection Bureau has issued a notice for comment on its "Communities for Consumers" initiative, both aimed at fostering citywide networks in this area.

New York City's FEN consists of three overlapping subgroups, shown in Figure 3.

Figure 3.



FEN

The FEN includes every organization that works in the field of financial education, including for-profit banks that offer seminars about various savings tools; nonprofit debt consolidation companies; City agencies that integrate some level of financial education into their social services; funders; and organizations that regularly make referrals to the FEN (e.g., foreclosure prevention organizations). The FEN comprises more than 150 organizations.

FEN Directory of Service Providers

OFE created an online, easily accessible database of nonprofit organizations that regularly provide free or low-cost financial education and counseling services. New Yorkers can access these organizations by calling 311, the City's 24-hour customer service hotline, or visiting OFE's website nyc.gov/ofe. There are approximately 70 financial education service providers included in the City directory.

Program Partners

This small group includes Financial Empowerment Center contractors as well as partners to whom OFE provides capacity grants to grow their financial education, training, data collection, and other financial empowerment efforts. There are approximately 20 organizations in this subset.

These groups serve three distinct audiences through a variety of supports as shown in Table 1 below.

Table 1

Audience	FEN	FEN Directory of Service Providers	Program Partners
Consumers[5]			
Provide free and low-cost financial education resources to the general public; accessible through 311 and online		X	X
Providers participate in Citywide outreach and marketing efforts to general public		X	X
FEN Members[6]			
Convene regular FEN Forums which provide information and resources on important topics facing financial educators	X	X	X
Set standards for financial counseling outcomes to improve client services and fundraising			X
Provide training and professional development opportunities for FEN staff		X	X
Offer capacity-building grants for evaluation, program development, and training		X	X
Networking opportunities among FEN members and with other organizations providing complementary services	X	X	X
Clearinghouse of financial education tools and resources for providers through a monthly electronic newsletter and a dedicated section on the OFE website	X	X	X
Facilitate fundraising opportunities		X	X
Government and Policymakers[7]			
Gather data from financial education organizations to inform public programs and policies		X	X
Disseminate information on policies, rule changes, and relevant issues through FEN communication channels	X	X	X

> *"Being a member of the Financial Education Network has helped Ariva grow our program and build capacity. With the skills our staff learned at financial counseling training, they are able to analyze clients' credit reports and explain to clients the importance of paying down credit card debt as well as using only 30 percent of their credit limit. After "graduation," staff helped 69 percent of our participants improve their credit scores by an average of 18 points and decreased debt levels by an average of $1,185. Using a grant from OFE, Ariva was able to pull credit reports for clients who participated in our Financial Education Workshop Series."*
>
> – Diana Breen, Executive Director, Ariva

The Financial Empowerment Center Approach

New York City's Financial Empowerment Centers are the first manifestation of this new, professional approach to financial education and counseling. Initially supported with private dollars, Centers are a strong example of an innovation that makes the case for—and secures—public funding. As of 2011, the City's Financial Empowerment Centers are funded through New York City's budget. At these Centers clients get free one-on-one financial counseling delivered by professionals, all of whom have taken and passed the City-designed course offered at CUNY. The advice clients receive targets individuals' specific financial situations and offers solutions that address those unique needs. These services have been delivered at scale, with approximately 30 Centers located in neighborhoods in all five of the City's boroughs.

The Financial Empowerment Center approach:

- Triages consumers' financial situations, sets goals, and establishes a specific plan of action with each client
- Delivers services at scale because they are embedded in existing multiservice organizations to provide on-site opportunities for cross-referrals
- Systematically tracks data and outcomes for client management and evaluation
- Integrates counseling into a range of City and nonprofit service delivery mechanisms to make interventions more effective
- Leverages infrastructure, established relationships, and resources from the City and nonprofit lead entities
- Establishes an ongoing coaching/mentoring relationship with the client
- Provides linkages to strategic referrals, including benefits access, legal assistance, and tax assistance (through the Volunteer Income Tax Assistance program)

Moving Toward National Standards and National Certification

The professionalization of a field of service requires not only setting a very high bar for quality services but also a high degree of standardization of service provider training, service delivery metrics, performance outcomes, and impact measurement. Financial counselors must be trained on a standardized curriculum covering the full panoply of unique financial issues affecting individuals with low and moderate incomes. Ultimately, national standards and certification will facilitate a growing body of clear, measurable evidence about the quality of financial education and counseling for federal agencies, funders, service providers, and consumers alike.

The tipping point for professionalizing the financial counseling field is substantially closer to reality, thanks in part to an initiative by the CFE Fund to replicate in other cities New York City's model of Financial Empowerment Centers and financial counselor training. The initiative was announced April 2012. The first round of applications for the CFE Fund grant, which required integration plans for Financial Empowerment Center services as well, attracted detailed proposals from 48 cities representing 29 states, one U.S. Commonwealth, and affecting nearly 30 million residents. The CFE Fund will work with these and other cities around the country to bolster their financial empowerment efforts. Cities ultimately selected through the application process will identify and demonstrate a commitment to counselor training by partnering with local colleges and universities to offer credit-bearing courses that meet high standards. They will adopt New York City's approach to identifying key programs into which financial counseling services can be integrated. And they will develop or grow both local financial education networks and participate in a national learning network.

Beyond philanthropy, government support is moving the field toward professionalization. In New York City, public funding for Financial Empowerment Centers is contingent upon service providers completing the City's training. State agencies distributing funds for social service programs could similarly support financial counseling by including or repurposing funding opportunities for integrated financial counseling service delivery that meet standards for professionalization as a component of the core social services programs they support. Further down the road, states could leverage lessons learned from funding such programs to create and refine certification or licensing requirements for financial counselors. And the federal government can also play a strong role in encouraging this approach to professional financial counseling, based on comprehensive training and rigorous evaluation, both through agencies' programmatic guidance and integration into core funding priorities.

Three key criteria of a nationally scalable financial counseling accreditation are:

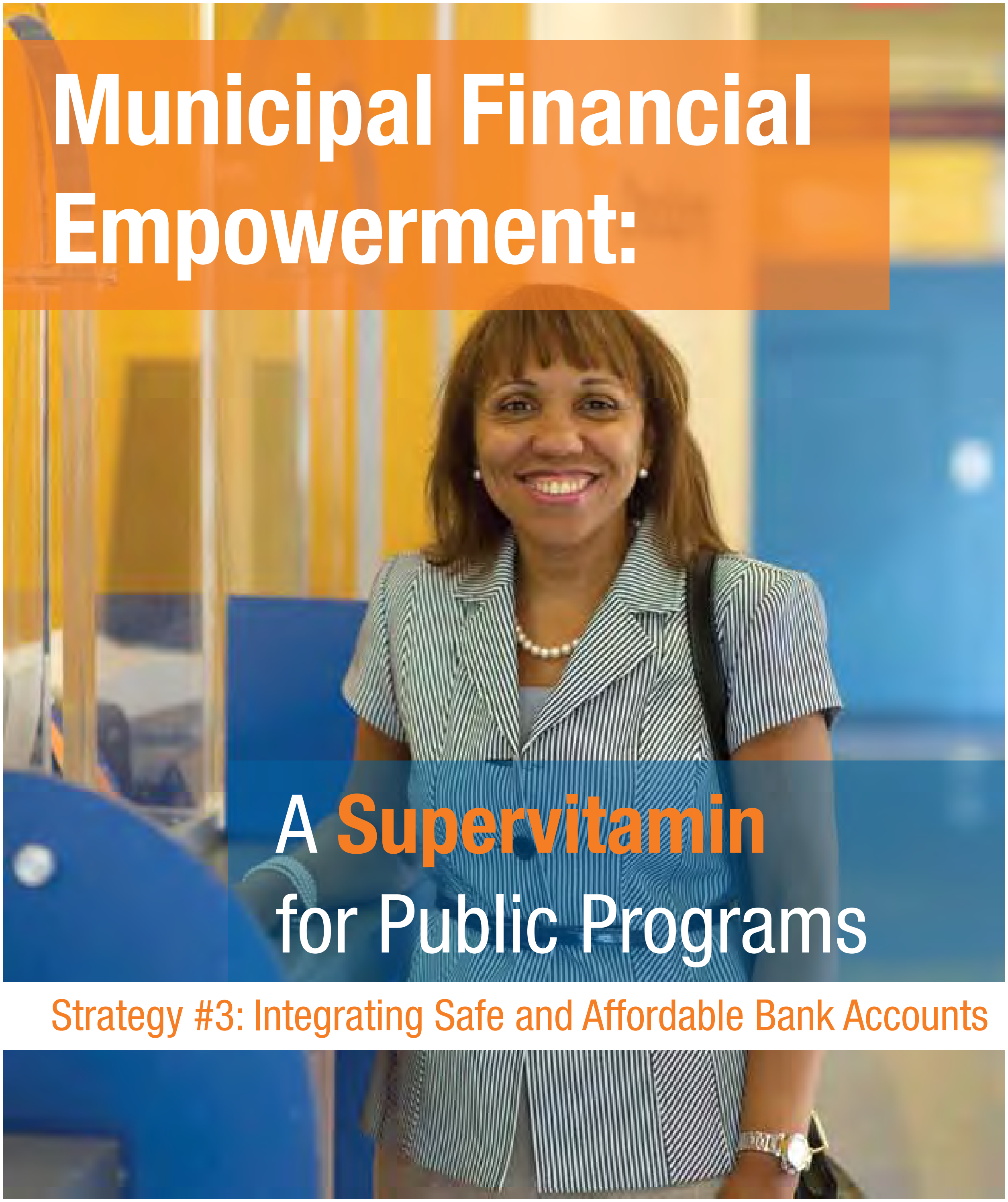
- **Content:** Course materials and evaluation of student performance must follow a rigorous, standardized curriculum while allowing for local modification. These curricula must be approved and monitored by a designated accrediting board comprised of academics, practitioners, and government officials.
- **Delivery:** Courses should be offered by community colleges or through other accredited university systems.
- **Mandate:** Federal agencies, financial education funders, and state and local governments should require staff to achieve the national accreditation for programs supported by their funds.

The building blocks are falling into place to professionalize the field of financial education and counseling. The Department of the Treasury and other members of the Financial Literacy and Education Commission have begun work to define more specific and measurable objectives to help agencies assess their current financial capability activities. The Consumer Financial Protection Bureau has launched a Financial Education Program Evaluation Project to assess the effectiveness of several existing programs to identity best practices and common metrics to promote effective financial education programs. These and similar efforts, combined with the growth in the number of cities that will be providing professional financial counseling through the CFE Fund grant and the further integration of funding for these services in state and federal programs, should move the field toward creating national standards and national certification.

Endnotes

1 See Department of Consumer Affairs Office of Financial Empowerment (2011), Municipal Financial Empowerment: A Supervitamin for Public Programs. Strategy #1: Integrating Professional Financial Counseling.
2 The Division also includes Offices of Service Members, Consumer Engagement, Older Americans and Students, each of which is doing exciting work within the same field for its own constituencies.
3 United States Government Accountability Office: Report to Congressional Committees; Financial Literacy: A Federal Certification Process for Providers Would Pose Challenges. June 2011. Executive Summary
4 New York City Financial Empowerment Center counselors speak eight languages, including English; Spanish; Bengali; Chinese-Cantonese; Chinese-Mandarin; French; Hindi; Nepali.
5 Helping connect New Yorkers to the broad array of financial education services available to them
6 Building capacity with technical assistance and professional development opportunities
7 Creating programs and making policy recommendations based on the collective experience of Financial Education Network members

Municipal Financial Empowerment:



A Supervitamin for Public Programs

Strategy #3: Integrating Safe and Affordable Bank Accounts

Department of Consumer Affairs
Office of Financial Empowerment

Michael R. Bloomberg
Mayor

Jonathan Mintz
Commissioner

Municipal Financial Empowerment: A Supervitamin for Public Programs

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Acknowledgments

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We greatly appreciate the enthusiastic cooperation and energetic approach to account openings and ongoing data collection of the following financial institution partners who worked with us to provide appropriate products that met our needs and the needs of New Yorkers: Amalgamated Bank, Bethex Federal Credit Union, Brooklyn Cooperative Federal Credit Union, Capital One Bank, Carver Federal Savings Bank, CheckSpring Bank, Citibank, Cross County Savings Bank, Flushing Bank, Habib American Bank, Lower East Side People's Federal Credit Union, JPMorgan Chase, M&T Bank, Municipal Credit Union, New York Community Bank, Neighborhood Trust Federal Credit Union, Popular Community Bank (formerly Banco Popular), Ridgewood Savings Bank, Sterling National Bank, and Union Settlement Federal Credit Union.

Without our City agency partners, implementation of our banking initiatives would not have been possible. We thank the following for working with us so closely on these innovative approaches: Department of Parks & Recreation, especially the team at Parks Opportunity Program (POP); Office of Payroll Administration; Mayor's Office of Operations; Administration for Children's Services; Department of Citywide Administrative Services; Department of Sanitation; Department of Environmental Protection; Department of Education; Department of Homeless Services; Human Resources Administration; Department of Transportation; Department of Information Technology & Telecommunications; Department of Youth and Community Development; New York City Fire Department; New York City Housing Authority; and New York City Police Department.

The Department of Consumer Affairs' talented staff members who are dedicated to our financial empowerment work and have contributed to this report include: Cathie Mahon, Deputy Commissioner for Financial Empowerment; Tamara Lindsay, Deputy Director of OFE Programs and an author of this report; Mitchell Kent, Director of Legislative Policy and Special Counsel; I-Hsing Sun, Director of OFE Programs; Nathalie Gons, Director of OFE Research and Evaluation; and Monica Copeland, Program Officer for Financial Services and Asset Building.

Finally, we deeply appreciate the ongoing support and encouragement of Mayor Michael R. Bloomberg, First Deputy Mayor Patricia E. Harris, Deputy Mayor for Health and Human Services Linda I. Gibbs, Center for Economic Opportunity (CEO) Executive Director Kristin Morse, and former CEO Executive Director Veronica M. White. They continue to hold our Department and our programs to the highest standards of excellence.

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Introduction

This report, the third in a series about the "supervitamin" effect of improved social service outcomes when integrating financial empowerment and asset building strategies into public programs, details New York City's efforts to increase access to safe and affordable banking accounts.

When Mayor Michael R. Bloomberg launched the Office of Financial Empowerment (OFE) at the Department of Consumer Affairs (DCA) as part of his Administration's broader antipoverty efforts, it was with the intention to educate, empower, and protect New Yorkers to improve their financial stability so they and their families could get ahead.

Access to savings and affordable banking accounts are fundamental components of consumer empowerment, self-sufficiency, and poverty alleviation strategies. In a recent report the Federal Deposit Insurance Corporation (FDIC) found that nearly 20 percent of U.S. households with low incomes do not currently have a banking account.[1] Through research that OFE commissioned, we found that 825,000 adults in New York City do not have a banking account.[2] Reaching the unbanked has been a Bloomberg Administration priority because a lack of banking access is linked with poverty. With only alternative financial services as an option, the unbanked must pay to access their own money, are charged for every transaction, and have limited opportunities to save money. An OFE study revealed that New York City residents spend approximately $225 million on check cashing fees alone, not counting the cost of money orders, bill paying, wire transfers, etc.[3]

Breaking this costly reliance on alternative financial services is a cornerstone of OFE's work because having a mainstream banking account is the only way to access formal savings opportunities. As research has demonstrated, savings and asset building are critical steps toward stabilizing finances and securing a more sound financial future.[4] Creating a pathway to banking helps individuals to successfully navigate the financial system, with the end goal of enhancing their ability to build savings and assets. Ultimately, we want to ensure that households with low incomes keep every single dollar they earn and receive.

As traditional social service providers look for ways to enhance efforts to meet clients' needs, prioritizing access to a banking account and services can make a difference by providing the necessary financial foundation for clients to be more self-sufficient, while also enhancing the work of the host program. Particularly in programs that incorporate recurring flows of funds to participants, the financial stability boosted by bank accounts also bolsters impact and outcomes of the host program: the supervitamin effect.

Spotlight: Safe and Affordable Banking Products Negotiated by OFE

By addressing key customer concerns, leveraging OFE research findings, and making account terms palatable to a sufficient number of mainstream banking institutions, OFE has introduced a number of safe and affordable banking products over the last few years.

Opportunity NYC Account/NYC SafeStart Account:
Originally designed for individuals enrolled in New York City's conditional cash transfer pilot, the Opportunity NYC Account served as a launching pad for the NYC SafeStart Account, a safe starter bank account available to all New Yorkers. The NYC SafeStart Account has very low minimum balance requirements, ATM-only access to funds, no monthly fees, no overdraft fees (notably before the federal regulation prohibiting these fees), and allows multiple payers to directly deposit funds. Participating financial institutions also agreed to leniency regarding prospective account holders' poor checking account histories (ChexSystems) that did not involve fraud and agreed to provide data to OFE.

NYC First Account:
Recognizing the potential of working with participants in the City's Summer Youth Employment Program (SYEP), OFE negotiated a more full-featured account with partner financial institutions. This account included a debit card with VISA or MasterCard logos that account holders could use either as a PIN-based debit or signature-based credit card.

NYC Direct Deposit:
The goal of NYC Direct Deposit, OFE's latest program, is to increase the number of City employees who directly deposit their pay. City employees can access a completely free checking account through one of seven partner financial institutions … as long as they directly deposit their pay. The accounts have no monthly fees, no minimum balance requirements, and no marketing of courtesy overdraft.

The Supervitamin Effect in Brief

As described in our first two supervitamin reports, financial stability is overall economic security that can sustain an individual or family for months and years, not just days and weeks. Income and income supports such as housing subsidies and public benefits are necessary but not sufficient for overall financial stability. A household also requires financial knowledge and access to affordable financial products and services to build cushions against financial shocks and downturns. It is the integration of financial stability programming into other programs that provides the supervitamin effect, boosting the effectiveness and improving the outcomes of traditional social service programs at a time when antipoverty efforts are being pressed to do the proverbial "more with less."[5] Reports #1 and #2 focused, respectively, on integrating professional financial counseling and professionalizing the field of financial education and counseling.

This third report focuses on the insertion of safe and affordable banking accounts into existing social service programs to facilitate payment to target populations that are highly unbanked. The crux of this idea is that the primary program outcomes—whether they are employment re-entry programs, disability payments, or payments to directly assist families with low incomes—will be enhanced by inserting a safe and affordable banking account.

The insertion of a bank account has its maximum impact as a supervitamin for public programs when four key lessons learned are observed:

- Lesson1: Identify program partners who recognize that supervitamin interventions would benefit their program participants
- Lesson 2: Identify programs with participants who are most likely to be unbanked
- Lesson 3: Identify programs that push out funds, particularly through recurring payments
- Lesson 4: Take advantage of the enrollment structure of the program

Beyond Rhetoric: Most Frequently Cited Reasons for Being Unbanked

- Do not have enough money: **50 percent**
- Lack proper identification: **14 percent**
- Lack time to open an account: **14 percent**
- Bank fees are high and/or hidden: **12 percent**
- Do not understand the banking system: **10 percent**
- Prefer anonymity of check casher: **6 percent**
- Do not trust the banking system: **4 percent**
- Listed on ChexSystems: **2 percent**

Source: Slipping Behind, Pew Health Group

I. Why Bank Accounts Matter

Studies show that being "banked"—or using a bank account—is associated with, and may even lead to, increased financial stability.[6] Those with mainstream accounts, as compared to those without, tend to keep more of their earnings, fare better against financial shocks, and save more. Multiple sources have concluded:

- Those who are unbanked have lower median household incomes and are more likely to live in poverty compared to those with bank accounts.[7]
- Those who are unbanked are less likely to be employed than their banked counterparts.[8]
- Those who are unbanked are more likely to use high-cost loans.[9]
- Those who are banked are better able to pay their bills and save for the future.[10]
- Those with bank accounts are more likely to save and sustain their savings behavior.[11]

Lack of banking access is also tied directly with poverty. As described in the Introduction, nearly 20 percent of U.S. households with lower incomes—nearly seven million households—lack a banking account, according to a recent FDIC report. Of these unbanked households, about 66 percent rely heavily on fringe financial services such as check cashers, or they simply transact with cash. In New York City, 825,000 adults do not have a banking account, with high numbers of these individuals concentrated in just 10 traditionally low-income neighborhoods, according to research commissioned by OFE.[12]

Depositing and managing money through a mainstream bank account provides households with low incomes with better opportunities both to save and access credit vehicles. OFE's *Neighborhood Financial Services Study* found a close linkage between holding a bank account and having formal savings; only four percent of those lacking a bank account have any retirement savings, while 31 percent of those with bank accounts have such savings. The study found that savings is linked to overall financial stability with "saver" households being roughly one-half as likely to experience financial instability, compared to their non-saver counterparts. And, with a heavy reliance on costly and predatory alternative financial services such as expensive and unnecessary tax refund-related products, high-fee check cashers, debt relief scams, high- and hidden-fee prepaid cards, and money orders, unbanked individuals are more susceptible to theft and are unable to find safe ways to save money.

For some unbanked individuals, declining to open a bank account is connected to previous negative experiences or fears about the application process. Studies cite the following reasons that individuals remain unbanked: having inadequate funds to warrant a bank account; mistrust of being banked based on past negative experiences; and the fear of garnishments. A significant percentage of the unbanked—49 percent, according to the FDIC report—were banked at one time.[13]

Unbanked individuals can greatly benefit from financial services offered by banks, such as free bill pay, linked savings accounts, and the ability to transact easily without reliance on cash. Individuals without accounts pay a high price, measured as a proportion of earnings, for the fringe services they use instead. The challenge is to find ways to address this dichotomy between a more stable financial outlook when using a banking account and the very real reasons people remain unbanked.

OFE's Priority Features for Safe and Affordable Checking Accounts

Fees

- Reasonable monthly maintenance or service fee (to date, under $5)
- Free use of in-network ATMs to deposit or withdraw funds, or to check account balances
- No fees to use debit card
- No overdraft option for debit card purchases or ATM withdrawals

Minimums and Transactions

- Low minimum balance and initial deposit requirements
- Multiple ways to check account balance for free (online, by phone, through text messages, at ATMs)
- Waived monthly fee for reasonable transaction requirements (i.e., direct deposit or five combined point of service and ATM transactions)

II. Lessons from the Field: Designing Accounts Despite Challenges

Initially, OFE's strategy for increasing access to banking focused on designing products to meet the needs of New Yorkers with low incomes. Our work was guided by the central findings of our *Neighborhood Financial Services Study*, which identified a critical and fundamental mismatch between the mainstream banking products offered and the unbanked population's expressed needs and concerns. We set out to negotiate a safe and affordable account with terms that addressed core concerns about high and unpredictable fees to which the City could attach its name. At the same time, the account had to be palatable to a sufficient number of mainstream banking institutions that would agree to voluntarily offer it to large target populations.

The Citywide Financial Services Study that we commissioned led to our initial strategy to focus on 10 high-poverty neighborhoods that comprise 48 percent of all unbanked New York City residents. Next, we partnered with community-based organizations (CBOs) with a strong community presence and easy access to clients. We highlighted the benefits of the NYC SafeStart Account by coordinating account-opening events and working with CBOs on outreach. We also incorporated the message of safe banking into all of our outreach efforts, as well as our large-scale marketing campaigns, including the launch of the Financial Empowerment Centers, the annual tax season campaign, and all of our presentations to service providers. Thanks to our committed partners whose organizations promoted the benefits of banking, our strategy succeeded in raising awareness, but it did not result in a significant increase in banking. We found ourselves wondering why more people were not signing up for this great new account.

We identified a number of challenges:

- Most unbanked New Yorkers are unbanked for a reason. Often, they have chosen not to use a bank account, defaulting to alternative financial services because of previous negative experiences with banks, including the inability to maintain high minimum balance requirements, rumors about (or experience with) frozen accounts and garnishments, overdraft fees, and ChexSystems barriers. OFE's *Neighborhood Financial Services Study* found that approximately 42 percent of unbanked adults held an account in the past.[14]

- The actual transactional needs of consumers were greater than we expected them to be in the initial product design process. The NYC SafeStart Account tackled the issue of ChexSystems directly; we worked with financial institutions on a more lenient process if the potential account holder completed a financial counseling session.[15] And despite features such as a low minimum balance and no monthly fees, the account did not function like a full checking account or even a prepaid card, which meant clients could not access some desired features, such as online bill pay or a debit option.

- The primary appeal of check cashers is that they meet multiple short-term transactional needs using clear, up-front prices. This comes at a high cost, but, in some cases, products such as money orders can be less expensive than at mainstream banking institutions. In New York State, these establishments also benefit from the perceived "seal of approval" of State regulation. Moreover, check cashers have a community presence that is often seen as comparatively more welcoming and familiar to residents. Finally, general purpose reloadable cards (known as prepaid cards) are available through check cashing locations. They have increased in popularity over the last few years and are seen as viable alternatives to bank accounts.

- Entrenched negative perceptions of banks clearly played a role. Consumers and some organizations mistrusted banks based on previous experiences, word-of-mouth networks, and a media focus on the fiscal crisis.

- Connecting individuals to a banking account quickly emerged as only the first step, not the last. Experience proved that for individuals, receiving recurring payments was a key factor to account usage.

- OFE focus groups found that people were prioritizing other issues such as rent, child care, and debt, which they deemed more important than the lack of a bank account.[16]

> *I needed $25 to (open the account) and a minimum balance of $500. I wasn't really concerned about that now. I was just trying to figure the steps to take care of my credit report. Right now is just not the time for me. There are things that I've started that I want to finish.*
>
> – Focus Group Participant

These challenges combined to spark a significant shift in our thinking about banking access. We turned to our previous supervitamin integration work, using the platform of financial stability as a way to reimagine our banking access strategy.

Spotlight: The Role of "Prepaid" Cards

Increasingly, more consumers are turning to prepaid cards as a way to conduct everyday financial transactions. Loads onto prepaid cards are projected to reach $167 billion by 2014. These cards are readily accessible, allow for anonymity, are not subject to ChexSystems screens, and facilitate day-to-day financial transactions, leading those who are unbanked to perceive that all of their banking needs are being met. While prevalent, these cards can be associated with high and hidden fees, and provide little or no structural opportunities to save money or otherwise build assets. In anticipation of Consumer Financial Protection Bureau regulation, OFE has developed a few minimum guidelines for responsible prepaid products:

- No fees to check ATM balance or transaction history
- Free use of in-network ATMs to withdraw cash
- Multiple free balance reloads through direct and cash deposits
- No credit options
- FDIC insured up to $250,000
- Regulation Equivalent protections (e.g., protection from unauthorized use, error resolution rights)

III. Supervitamin Integration: Access to Banking as the Foundation for Financial Stability

Bank accounts are a key gateway to greater financial stability. They can reduce costs, facilitate better management of personal finances, provide greater access to financial safeguards, and structurally link to easier and automatic savings opportunities. Particularly in social service programs that incorporate funding streams, individuals' financial stability resulting from having bank accounts also may enhance their service program outcomes.

Social service program participants face multiple hardships ranging from momentary shocks which can affect immediate financial stability to chronic issues which have an ongoing impact on their ability to be self-sufficient over the long term. They are managing unstable housing, lack of transportation, costly child care, and debt, among other things, all the while trying to maintain their presence in the program. This juggling act ultimately may influence their ability to successfully complete a program, meet outcomes, and move toward self-sufficiency.

OFE has leveraged the City's control of funds, linkages to social services, and close relationships with financial institutions to improve the supply of affordable financial products to reach unbanked individuals.

Through these efforts, we have identified a number of lessons about optimal delivery channels through social service and work-based programs so that participants view connecting to mainstream banking as part of the primary program itself, thus strengthening their financial foundation and potentially enhancing the provider's outcomes. This is the supervitamin at work.

> *"Asset development has been a critical investment strategy for helping low-income households overcome poverty. Supporting asset development, by integrating safe and affordable bank accounts into our already strong network of service, has the potential to be a game changer."*
>
> \- Linda I. Gibbs, Deputy Mayor for Health and Human Services

Lesson 1: Identify program partners who recognize that supervitamin interventions would benefit their program participants

Many traditional antipoverty program providers and other core social service agencies struggle to achieve desired goals, due, at least in part, to the financial instability of their program participants. Providers who recognize the link between their clients' financial instability and their inability to achieve desired goals are open to supervitamin interventions that would be helpful. These providers prove to be the best partners, particularly if they share complementary programmatic goals. For example, New York City's Department of Parks & Recreation operates a transitional employment program—Parks Opportunity Program (POP)—in which participants work in the City's parks, playgrounds, and recreation centers to prepare for long-term employment as a way to move from public assistance into employment. While the program is rooted in job training and workforce development, the focus is also on support services that strengthen participants' self-sufficiency capabilities, which can include ensuring that money earned through the program is managed well. We designed a program to safeguard and leverage participants' earnings by guiding unbanked participants in opening safe and free direct deposit accounts for their new incomes through the specially negotiated NYC Direct Deposit program.

> *"A bank account is good for savings. I take $50 or $60 and put it into my holiday account. It's hard to save if you don't have a bank account because you're anxious to spend it."*
>
> \- Taikeyma Dawson, Parks Opportunity Program (POP) Participant

Lesson 2: Identify programs with participants who are most likely to be unbanked

With all banking access efforts it is important to target resources to programs typically populated with high numbers of unbanked individuals. It is equally important, however, to identify large-scale delivery channels to give financial institutions the incentive to offer a specially negotiated account. Such an account needs terms that address consumers' core concerns about high and unpredictable fees and are safe enough to merit a City's brand. At the same time, the account needs to appeal to a sufficient number of mainstream banking institutions that will voluntarily offer it to large populations.

In the example of New York City's Summer Youth Employment Program (SYEP), participants had never been part of the banking system and represented an attractive pool of tens of thousands of prospective new young adult customers. The size and appeal of this target market opened the door to partnerships with large financial institutions and yielded the development of more safe and affordable transactional accounts.

Lesson 3: Identify programs that push out funds, particularly through recurring payments

A key lesson in brokering large-scale access to banking is to identify opportunities that involve control over the distribution of money, ideally recurring flows. New York City's Opportunity NYC, which measured the impact from recurring cash incentives, was just such a program. By requiring program participants to deposit their incentive money into a bank account—in the case of the unbanked, the Opportunity NYC Account—the City assured that funds were not reduced by check cashing and other fringe service fees. The promise of recurring payments from a trusted source further leveraged meaningful participation from a broad range of mainstream financial institutions in offering the Opportunity NYC Account.

This lesson applies to the SYEP example, as well. As described, tens of thousands of young adults participate in New York's SYEP, with the City pushing out recurring payroll checks totaling $31 million.[17] OFE worked with financial institutions to create the multifunctional, safe NYC First Account for this program, and more than 2,000 SYEP participants opened this account to receive their wages.

Another income stream opportunity was the City's own direct payment to over 300,000 employees and independent contractors. NYC Direct Deposit, OFE's most recent program, leverages consistent payroll payments as a way to connect unbanked employees to a bank account whose terms meet our standard of ensuring free, safe, ongoing access to earnings.

Lesson 4: Take advantage of the enrollment structure of the program

As a key tenet of behavioral economics, taking the necessary action is most likely when it is easiest, and this has certainly proven true for bank account enrollment.

In the example of the City's Opportunity NYC program, participants essentially had to deposit their incentive payments directly into a bank account. Unbanked participants were led to enroll in the City's negotiated Opportunity NYC Account as part of general program enrollment processes. Financial institutions were on-site to facilitate account opening.

With NYC Direct Deposit we sought to leverage the onboarding moment of new City employees by hosting account-opening events in conjunction with new employee orientation sessions. Such sessions also included financial education describing the benefits of banking, so employees would be less likely to postpone that action.

Our work with the New York City Housing Authority (NYCHA), in particular its Office of Resident Economic Empowerment and Sustainability (REES) which strives to help residents increase their incomes and assets, also focuses on the right moments to introduce bank account opening to residents. One such moment is when NYCHA residents pay their rent at a partner financial institution. Many of the banks included in NYCHA's partner list are also OFE partners that offer the NYC SafeStart Account. NYCHA residents are educated about the account through an outreach campaign, and branch staff is asked to highlight this connection when NYCHA residents come in to pay their rent.

Spotlight: Opportunity NYC

In 2007, New York City's conditional cash transfer pilot (Opportunity NYC) offered cash incentives in an attempt to break the cycle of poverty. The stream of monetary rewards provided an opportunity to enroll participants in a banking account through which they could receive their payments and ensure that participants would not be spending money to access these rewards. As a result, the Opportunity NYC Account was born. This specially designed account offered no overdraft protection, low (or no) minimum balance requirements, and no monthly fees.

Less than half of Opportunity NYC's target population had a bank or credit union account upon program inception. However, 18 months later, MDRC* reported that the program increased a participant's bank account ownership by 22 percent and participants' average savings by $221.

Furthermore, participants in Family Rewards (formerly Opportunity NYC) exhibited greater positive financial services usage behaviors compared to an identical group who did not participate in this program. According to MDRC[†], Opportunity NYC decreased participants' reliance on check cashers: seven percent less used them to cash checks; five percent less used them to pay bills.

** MDRC, a nonpartisan social policy research firm, evaluated the Opportunity NYC program. The evaluation was based on a Randomized Control Trial (RCT). Participants were randomly assigned to either the program group, which received the incentives, or the control group, which was not offered incentives.*

[†] *MDRC Opportunity NYC Report, 2010*

IV. Implications for the Future

The supervitamin integration approach offers successful banking access opportunities to assist social service providers to more effectively meet their own programmatic outcomes. This ensures that valuable dollars provided to program participants are managed effectively through a banking account while also making it easier for participants to connect to mainstream financial institutions and strengthen their financial foundation.

Our next stage of banking access supervitamin work will focus on two promising areas:

1. Expanding employer-based access to banking initiatives
2. Boosting immigrant service delivery by leveraging access to banking opportunities

The latter builds upon OFE's forthcoming research, the *Immigrant Financial Services Study*. Real opportunity also will be found in the U.S. Department of the Treasury's upcoming requirement, beginning March 2013, that all federal benefit and non-tax payments, such as Social Security and Supplemental Security Income (SSI) payments, be made electronically rather than through paper checks.

Spotlight: Working with the Treasury Department on the Banking Supervitamin Effect

The U.S. Department of the Treasury has funded OFE's pilot with the New York City Department of Parks & Recreation to assist in and study the opening of direct deposit banking accounts for those participating in the Parks Opportunity Program (POP), the City's largest public job training program. During the pilot, interested participants met with bankers on-site to open an account and enroll in direct deposit. During orientation sessions, information about the account was provided and pilot project staff dedicated time to explaining the account and its benefits. Complete research results are expected to be available in fall 2012, but even initial participation data shows dramatic impact. Approximately 55 percent of participants signed up for direct deposit, largely by selecting OFE's negotiated safe account available through the NYC Direct Deposit program; in comparison, past uptake was only 15 percent. Recognizing the beneficial value a bank account was having on their job training participants, POP program managers chose to permanently integrate this new banking and related financial counseling integration even after completion of the Treasury pilot.

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15 ChexSystems is an account verification service for financial institutions that provides reports indicating past bank account history, specifically fees incurred or mismanagement of an account. Financial institutions will use these reports to determine whether or not an applicant can open an account.
16 This is based on OFE focus groups with individuals who received financial counseling services at one of New York City's Financial Empowerment Centers, which provide free, one-on-one financial counseling. Participants were asked about their experiences at the Centers and also their thoughts on the NYC SafeStart Account.
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Municipal Financial Empowerment:

A Supervitamin for Public Programs

Strategy #4: Targeting Consumer Financial Protection Powers

NYC

Department of Consumer Affairs
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Strategy #4: Targeting Consumer Financial Protection Powers

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Acknowledgments

Over 40 years ago, then-Mayor of the City of New York John V. Lindsay urged the New York City Council to create the Department of Consumer Affairs (DCA).

> *"This bill represents a milestone in consumer protection at the municipal level. It would permit consumer law enforcement that is truly meaningful, for it would allow the city to stop some of the abuses practiced by the handful of dishonest merchants who prey upon the unwary and the misinformed.*
>
> *It would also provide the only form of redress that restores the consumer's losses and denies the offenders the profits of illegal dealings."*
>
> – Joint announcement of Mayor Lindsay and Bess Myerson Grant, then-Consumer Affairs Commissioner, about proposed legislation as reported in *The New York Times*, April 23, 1969

On April 29, 1969, the official date of DCA's creation, the Council passed the landmark Consumer Protection Law that gave the Department its broad authority to protect the public from deceptive business practices, making it the first municipal agency of its kind in the country. This commitment, combined with these local consumer protection powers, have given rise to a Department whose decades of work reflect the single strongest such entity in the country, one that has become a model for other such departments at local, state, and national levels worldwide.

On December 18, 2006, Mayor Michael R. Bloomberg announced the creation within the Department of the Office of Financial Empowerment (OFE)—the very first program to be implemented under the Center for Economic Opportunity and part of the Administration's innovative efforts to fight poverty in New York City. With a specific mission to educate, empower, and protect individuals and families with low incomes, OFE expanded DCA's role beyond securing benefits or tackling abuses to improving people's economic circumstances, particularly in the financial services marketplace.

The Department gratefully acknowledges the City leadership and City employees who have dedicated themselves to empowering consumers and businesses to ensure a fair and vibrant marketplace for more than 40 years.

Finally, there were many talented staff members who contributed to this report. Special thanks to Peter Bruland, Amelia Erwitt, Fran Freedman, David Friedman, Deborah Garner, Debra Halpin, Erich Lazar, Kay Sarlin, Max Selver, Marla Tepper, and Laurel Welton.

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Introduction

Consumer protections safeguard all consumers from predatory practices and enable honest businesses to thrive by ensuring a fair and vibrant marketplace. More than just a regulatory tool, consumer protections—for example, protections against abuse by debt collectors, deceptive advertising by used car dealers, or improper service by process servers—are the backbone of an effective financial empowerment strategy for individuals and families with low incomes.

This report, the fourth in the series "Municipal Financial Empowerment: A Supervitamin for Public Programs," details how New York City has targeted consumer financial protection powers to enhance the effectiveness of public programs in two key ways:

1. Ensuring that financially destructive predatory practices do not reverse the valuable gains that clients in public programs make toward exiting poverty.
2. Reducing the public resources required to redress the destructive impact of predatory financial practices.

To protect the most vulnerable consumers in the financial marketplace, New York City's Department of Consumer Affairs uses a three-pronged approach:

I. Municipal Consumer Protection Regulations
II. Outreach and Education to Businesses and Consumers
III. Consumer Advocacy

New York City Department of Consumer Affairs

Hailed by the federal Consumer Financial Protection Bureau (CFPB) as the gold standard for local consumer financial protection[1], New York City's Department of Consumer Affairs (DCA) uses several tools to achieve our mission of empowering consumers and businesses to ensure a fair and vibrant marketplace. DCA:

- **Licenses and regulates problematic industries.** DCA licenses more than 81,000 businesses in 55 industries, including debt collectors, process servers, used car dealers, and home improvement contractors, giving the Department the ability to set and enforce standards for fair business practices and help businesses establish their own legitimacy.

  In addition, DCA enforces many other important local laws, including the City's Consumer Protection Law, which outlaws deceptive consumer sales and advertising practices across the retail sector. DCA is also the designated local consumer protection enforcement agency for key state laws, such as weights and measures accuracy regulations governing the retail gasoline and home heating oil delivery industries.

- **Mediates individual consumer complaints against businesses.** The City fields thousands of consumer complaints each year. When a complaint falls within DCA's jurisdiction, DCA mediates between the consumer and the business. In some cases, if the issue cannot be resolved satisfactorily, DCA refers the case to the Department's Adjudication Tribunal. Additionally, when consumer complaints reveal a pattern of abusive business practices, DCA's Legal Division pursues affirmative litigation against offending businesses, sometimes even seeking the revocation of a license.

- **Enforces generally applicable regulations barring deceptive advertising and sales practices.** DCA inspectors, investigators, and attorneys work Citywide to enforce local and many state consumer protection laws. In addition to tens of thousands of street-level inspections every year, the Department takes legal action to halt deceptive practices such as falsely advertising Refund Anticipation Loans (RALs). Legal enforcement can also include padlocking business locations or suspending or revoking City licenses.

- **Conducts outreach campaigns to educate consumers and businesses about their legal rights and responsibilities.** DCA uses marketing campaigns, publications, website and social media tools, speaking engagements, and business seminars to educate both consumers and businesses about their legal rights and responsibilities. Press coverage of DCA enforcement actions is an additional powerful tool for helping consumers to avoid predatory business practices and businesses to comply with the law.

- **Advocates for local, state, and federal consumer protections.** DCA recommends legislation, issues formal rules, holds public hearings, and weighs in on policies and regulations at every level of government to make business practices that deceive or defraud consumers illegal. Local consumer protection experience has contributed greatly to the strength of DCA's voice to policymakers across the country.

- **Negotiates safe banking products and coordinates access to free and low-cost financial counseling and education.** DCA has partnered with financial institutions to improve the supply of affordable banking products with no or low fees to help consumers increase their financial stability. DCA also coordinates the City's Financial Empowerment Centers, which offer free one-on-one professional financial counseling, and the Financial Education Network (FEN), a consortium of government, nonprofit, and financial sector partners.

The Supervitamin Effect in Brief

Public antipoverty programs currently face a uniquely difficult challenge. Dwindling government resources and increasing demand for services are forcing municipalities to do more with less. City governments across the country are starting to address this challenge with an innovative approach: integrating financial empowerment programming into core social services.

Financial instability is an undercurrent among city residents presenting with social service needs across the country. By integrating financial empowerment and asset building strategies into public programs, cities have found a way to boost clients' financial stability which, in turn, strengthens the effectiveness and impact of the primary services they receive: the "supervitamin" effect.

The supervitamin approach has its roots in the growing field of municipal financial empowerment. In 2006, New York City Mayor Michael R. Bloomberg launched the first municipal Office of Financial Empowerment (OFE) within DCA. OFE's financial empowerment strategy focuses on four pillars of work:

1. Professional financial education and counseling
2. Asset building
3. Safe and affordable banking access
4. Targeted consumer protections to safeguard assets

The first three reports in the supervitamin series detail, respectively, New York City's efforts to integrate professional financial counseling into key social services; professionalize the field of financial counseling to ensure quality and consistency in service delivery; and increase access to mainstream banking accounts by incorporating them into public programs.

Municipal financial empowerment efforts reach well beyond New York City.

Co-founded by Mayor Bloomberg and then-Mayor Gavin Newsom and co-chaired by New York City and San Francisco, the Cities for Financial Empowerment (CFE) Coalition now comprises 12 municipalities serving approximately 19 million people. CFE Coalition cities collaborate to make financial empowerment a core part of their antipoverty strategies.

The CFE Fund, which launched in 2012, is strengthening the field of municipal financial empowerment further through grant making and technical assistance. For example, the CFE Fund supports five cities with over $16 million to replicate New York City's Financial Empowerment Center model and integrate financial counseling into core social services.

I. Municipal Consumer Protection Regulations

DCA uses our licensing and enforcement tools to regulate industries that can negatively impact consumers' financial stability. For example, for clients of workforce development and housing programs, gains like a new job or paying rent or a mortgage on time can be derailed quickly by financial distress. This section highlights several industries where DCA has made significant inroads in safeguarding consumers' finances.

Debt Collectors

Debt collectors can cause considerable damage to consumers' finances, in particular when illegal collection leads to frozen bank accounts, garnished wages, and ruined credit scores.

All debt collection agencies that seek to collect personal or household debts from New York City residents must have a DCA license no matter where the agency is located. DCA currently licenses 1,338 debt collection agencies from all 50 states and nine foreign countries.[2]

New York City's debt collection regulations provide the strongest consumer protections in the country, banning debt collectors from engaging in harassment and deceptive practices, and also ensuring that consumers receive accurate and complete information about debts they owe so they do not fall victim to predatory practices. NYC-licensed debt collectors:

- Must provide specific information about each consumer debt they attempt to collect.

  The information provided to consumers must include:
  - Name of the original creditor
  - Amount of the debt
  - Information about the right to dispute the debt

  When consumers ask for proof that they owe the debt, the collection agency must provide verification which must include:
  - A document from the original creditor that shows the consumer made the purchase and owes the debt.
  - A copy of the final account statement from the original creditor and a document that lists the total principal amount and each additional charge or fee, including the total, date incurred, and description for each charge or fee.

- Cannot collect on usurious payday loans that trap consumers in cycles of high-cost debt.

- Must disclose if the statute of limitations on the debt has expired, along with information about legal rights.

- Must confirm in writing any payment schedule reached.

- Must give consumers a call-back number to a phone that is answered by a live person and the name of that person.

DCA leverages our licensing and enforcement powers to secure restitution for consumers when debt collectors use illegal harassing tactics or attempt to collect on debts that are not owed or were already paid. Since 2008, DCA has erased over $6 million in wrongful debt collection. DCA also revokes the licenses of collectors that engage in sustained patterns of illegal collection practices.

In addition, DCA has extended our regulatory reach to a burgeoning offshoot industry with even more aggressive players: "debt buyers." These businesses buy old debt and then try to collect money, sometimes by taking consumers to court.

Particularly when a collector is pursuing debts no longer or never owed, but also when harassing consumers for debt they do owe, illegal debt collection practices can seriously undermine consumers' efforts to stabilize and improve their finances. Illegal collection efforts that damage consumers' banking relationships, credit scores, and employment can create long-lasting impediments to financial stability, preventing individuals and families from escaping poverty.

Process Servers

In the case where a business sues an individual, litigation begins with the filing of a complaint in court and the delivery of court documents (known as "process") by process servers to the individual against whom the complaint is brought. When process is not served, consumers do not know they need to defend themselves.

Debt collectors commonly sue consumers who they claim owe a debt. In cases where process is not served, consumers find out about legal action against them only after a judge issues a default judgment. To collect on the judgment, the collector may freeze a consumer's bank accounts or seize account funds, actions that can have a long-range devastating impact on credit scores. These judgments and frozen bank accounts are particularly troubling in the context of the high incidence of errors in the underlying debt collection.[3]

DCA licenses both process serving agencies and individuals who serve process. Under the City's licensing law, agencies and individuals must meet basic standards of accountability and integrity. For example, individuals who want to serve process must submit to a criminal background check.

In response to concerns about improper service of process, including servers who lied about actually delivering court documents to individuals (so-called "sewer service"), New York City became the first jurisdiction in the country to require process servers to carry a Global Positioning System (GPS) device that records the date, time, and location where any process was served or attempted to be served. Additional legal requirements for which DCA successfully fought include:

- Individuals who serve process must pass a written examination regarding proper legal service of process.

- Process serving agencies must:
    - Prepare a monthly compliance report of their review of the completeness and accuracy of the records maintained by each individual process server, fostering accountability for employees' work.
    - Keep electronic records of process served or attempted for at least seven years.

- Both agencies and individuals must:
    - Notify DCA of all court hearings in which proper service is contested ("traverse hearings").

Aimed at ending the improper service that can lead to deeply damaging default judgments, DCA's efforts ensure that consumers have a chance to defend themselves in court against wrongful collection attempts, thus protecting their hard-earned assets from being improperly garnished or frozen.

Spotlight: Process Server Statistics

- There are currently 1,060 individual process servers and 135 process serving agencies operating in New York City.[4]

- About one in 10 people who took the process server exam during the February 2012 renewal period failed the test. Individuals were given two attempts to pass the exam. If they failed the exam two times, they had to reapply for the license if they wanted to pursue serving process in New York City.

- Since 2008, DCA submitted 1,054 charges against individual process servers who failed to comply with the law.

- In 2012, DCA fined process serving agencies and individual process servers nearly $150,000 for failing to comply with the law.

Used Car Dealers

A car is not only one of the single most expensive purchases people with low and moderate incomes make over several years, but often also a critical work support, needed to commute to a new job or to run a small business. Predatory used car dealers who lure consumers into larger-than-anticipated purchases through illegal tactics such as "bait-and-switch" advertising, contract irregularity, and overly costly financing drain consumers' hard-earned assets and saddle them with high debt, limiting their ability to get ahead.

DCA licenses 659 used car dealers who must comply with a long list of industry-specific regulations, as well as general consumer protection laws such as those requiring truth in advertising.[5] DCA has targeted enforcement and investigations to end deceptive practices by used car dealers, often through industrywide sweeps.

Spotlight: Used Car Dealer Enforcement

- Since 2009, DCA has secured nearly $6 million in restitution for consumers who were deceived by used car dealers.

- DCA has issued 1,076 violations to used car dealers since 2008. The most common charge is for engaging in deceptive business practices, among them the "bait and switch" tactic of falsely advertising low-price cars that in fact had been sold already, then pressuring consumers to buy a different, costlier car once at the dealership.

Tax Preparers

The Earned Income Tax Credit (EITC), available to tax filers with low incomes, is the country's single largest antipoverty program.[6] Since 2002, New Yorkers have claimed almost $20 billion in refunds through the EITC alone. These refunds, often the single largest check an individual or family with low incomes will receive all year, are put to important uses like rent or mortgage payments, transportation and childcare, and building short-term and long-term savings. Applied toward these goals, tax refunds can boost outcomes in core social services like housing assistance, workforce development, and savings programs.

Professional income tax preparers play a key role in securing these benefits.[7] DCA has used consumer protection powers to ensure that preparers transparently disclose their qualifications and the costs of preparation and do not deceptively siphon anticipated refunds with deceptive advertising and sales practices.

For many years up until the product's virtual demise, cracking down on deceptive advertising of Refund Anticipation Loans (RALs) was an enforcement priority for DCA. RALs, which are high-interest loans based on a filer's estimated tax refund, were often deceptively marketed by tax preparers as "instant refunds" or "rapid refunds." RALs impose a high price on filers who, in reality, can get their refund in its entirety quickly and for free from the Internal Revenue Service (IRS). Filers taking out a RAL are obligated to pay back the full amount of the loan, plus interest, even if their refund is less than expected. RALs unnecessarily take money from tax filers' refunds that they could be using to bolster their overall financial stability.

Prior to federal regulatory action that now has largely curbed RALs' prevalence in the marketplace, DCA addressed the issue locally through a combination of disclosure and advertising regulations that allowed the Department to get ahead of the curve and limit RALs' negative impact on financial stability in a variety of ways:

- Requiring that advertisements of RALs conspicuously state that a RAL is a loan and include the lender's name.

- Prohibiting tax preparers from using come-ons like "fast cash" that disguise the fact that a RAL is a loan.

- Requiring tax preparers to have all customers read and sign a disclosure form that explains both the meaning of a RAL and the terms of the loan, including the interest expressed as an Annual Percentage Rate (APR).

DCA's rules also require tax preparers to distribute to customers key information developed by the Department that helps tax filers make informed decisions about the services they are procuring. The Department translates information in several languages. For example, tax preparers must:

- Post exactly how tax preparation fees are calculated, and fees may not be based upon the amount of the refund.

- Give customers a statement of all charges and copies of all tax forms filed.

- Notify customers whether or not they will represent them at an audit, and also provide year-round contact information.

Spotlight: Tax Preparer Enforcement Sweeps

DCA conducts annual enforcement sweeps to ensure that tax preparers comply with the law, targeting tax preparers who received violations in previous years and those in neighborhoods with large immigrant populations and high RAL usage. During the 2013 Citywide enforcement sweep, DCA conducted 636 inspections; 197 of these inspections resulted in a violation. Inspectors wrote nearly 600 charges for illegally promoting RALs, violating consumer disclosure requirements, and misrepresenting tax preparer qualifications.

Home Improvement Contractors

Home improvement contractors perform a wide variety of construction, repair, and remodeling tasks on residential buildings. Just like buying a car, home repairs and improvements often represent the largest expense those with low and middle incomes will make.

Under New York City law, home improvement contractors working for individual homeowners must be licensed by DCA. To qualify for a DCA license, an applicant must pass a criminal background check and either hold a bond or pay into the Home Improvement Contractor Trust Fund. DCA can use the Trust Fund to reimburse aggrieved homeowners up to $20,000. Currently, DCA licenses 11,117 home improvement contractors.[8]

In 2012, complaints against home improvement contractors were DCA's second highest complaint category; in previous years complaints against home improvement contractors were often the top complaint category. Since 2008, DCA has secured more than $27 million in restitution for consumers who were defrauded by home improvement contractors who, among other abuses, took upfront payments and then neglected to complete the work.

Spotlight:
Protecting Homeowners after Hurricane Sandy

Hurricane Sandy devastated many areas of New York City and damaged thousands of homes. Home repairs were a top priority for residents trying to get back on their feet, and home improvement contractors were on the front lines repairing homes in the most severely damaged neighborhoods soon after the storm. Knowing that the combination of desperation, overwhelming need, and federal assistance dollars would create an opportunity for predatory practices, DCA quickly engaged in a two-pronged strategy involving public awareness and licensing.

Public Awareness Campaign

- Media outreach to arm consumers with needed information to protect themselves from unlicensed, deceptive home improvement contractors.
- Targeted mailing to residents in affected ZIP codes. Postcards included tips for safely working with licensed home improvement contractors, including warning against paying the full price for repairs upfront in cash.
- Distribution of informational flyers for homeowners in partnership with state and federal agencies, business partners, and groups of licensed home improvement contractors.

Licensing

- DCA expedited the licensing process for new home improvement contractors so they could contribute to the storm recovery while making sure they complied with New York City law.
- DCA worked with home improvement retail businesses to distribute outreach information about getting a Home Improvement Contractor license to promote the recovery process.

DCA's public awareness campaign and licensing efforts limited abuses by home improvement contractors in the storm's aftermath. To handle deceptive practices that did occur, DCA made sure that forms to file complaints against home improvement contractors were available at the NYC Restoration Centers established by Mayor Bloomberg in devastated areas. DCA also accepted complaints through regular channels, including online and 311, the City's 24-hour customer service hotline.

II: Outreach and Education to Businesses and Consumers

Enacting and enforcing consumer protections are vital to safeguard consumers from fraudulent practices, but all too often these protections come into play *after* consumers have suffered setbacks. Equipping both businesses and consumers with the knowledge and tools they need to make smart decisions *in the first place* is also vitally important to protect consumer assets.

As part of our outreach strategy, DCA has conducted several Citywide public awareness education campaigns targeted at asset protection, using both traditional and earned media—including enforcement announcements—to disseminate information.

Launched in 2010, "Protect Your Money" is a multi-phased, multi-faceted Citywide public awareness education campaign to help New Yorkers take advantage of City services to empower themselves to manage and protect their money. Avoiding predatory services and scams is a central component. Two examples—predatory schools and predatory debt settlement services—follow. The campaign has featured advertisements in subway cars and stations, on buses, on bus shelters and telephone kiosks, online and in newspapers, and testimonial videos.[9]

In 2012, DCA launched "Good for Customers. Great for Business." This campaign alerted businesses about tools to make it as easy as possible for them to follow the law and do right by their customers. Tools include inspection checklists, the City's first online Live Chat for businesses, and publications, including *10 Things Every Business Should Know*.

DCA's targeted community outreach and education initiatives include:

- Participation in community events to address hot-button consumer issues and industry events to help businesses understand City laws and licensing regulations.
- Regularly scheduled meetings with business and trade associations, Chambers of Commerce, Business Improvement Districts (BIDs), Community Boards.
- Distribution of business publications and consumer publications, among them *Debt Collection Guide, Home Improvement Consumer Guide, Used Car Sales Consumer Guide*.
- Trainings for businesses on City rules and regulations at industry-specific Open Houses.
- Trainings both for Financial Empowerment Center counselors using curriculum that covers relevant consumer protection laws, debt collection, debt settlement, and bankruptcy, and for Financial Education Network (FEN) partners at FEN Forums about issues that impact consumers' financial stability.

Whether through public awareness education campaigns, press announcements, or community events, public outreach elicits consumer complaints about unscrupulous businesses, which helps DCA focus enforcement and mediation efforts.

Predatory Schools

There is more than $1 trillion in outstanding student debt in the United States.[10] Unaccredited schools and General Educational Development (GED), certificate, and associate degree programs that lure potential students by making false promises of guaranteed job placement and six-figure incomes contribute substantially to this crisis. In addition, predatory schools fail to disclose to students whether or not credits will transfer to other schools and that "financial aid" is actually a loan, often totaling tens of thousands of dollars that students must pay back with interest. Consumers with low incomes are hit particularly hard by schools that prey upon their circumstances, leaving them with a worthless degree and a high debt burden for years to come.

In 2011, DCA partnered with the Mayor's Office of Adult Education to launch *Know Before You Enroll*, part of the Department's Protect Your Money campaign. Campaign ads highlighted abuses at proprietary schools and for-profit colleges and alerted New Yorkers to free and low-cost alternatives, among them education and training opportunities and financial education. The campaign featured *Know Before You Enroll* tips, which included advising students to attend a licensed school only; cautioning that, even if a school is licensed, students should thoroughly research the program; and informing students that they have the right to file a complaint when they are deceived.

The campaign generated dozens of media interviews, elicited hundreds of consumer complaints, and sparked multiple conversations with the industry. A coalition of groups, including IAVA (Iraq and Afghanistan Veterans of America) and SVA (Student Veterans of America), is nationally replicating the campaign.

Spotlight: One New Yorker's Student Debt Story

Garvin is a 26-year-old Brooklyn resident who completed a two-year associate's degree program at a school that was advertised on television. When he attempted to transfer his credits to the City University of New York (CUNY) to get his bachelor's degree, he discovered that his credits were not transferable. Not only did Garvin owe $25,000 in student loans for the associate's degree, but he had to start college over and enter CUNY as a freshman.

Garvin was able to reduce some of his debt through free financial counseling at one of New York City's Financial Empowerment Centers and is currently working toward his bachelor's degree.

Although Garvin was able to get help managing his debt, student loan debt has long-lasting impacts on individuals' ability to pay for housing and find a job after completing school.

Predatory Debt Settlement Services

In 2011, DCA spotlighted predatory "debt help" scams in a Protect Your Money campaign ad and also declared debt settlement the Department's top fraud at the Federal Trade Commission (FTC) annual Top Frauds press conference involving City, state, and federal protection and advocacy agencies.

Debt settlement companies target vulnerable consumers with aggressive advertising bearing false promises of debt relief. Often these companies tell consumers to stop making payments to creditors and instead pay into a special "settlement" or escrow account as the company negotiates lump-sum payments for less than consumers owe. Meanwhile, creditors keep charging consumers late fees and interest, so debt may double or triple. And consumers can still face legal actions by creditors trying to collect debts.

In most cases, debt settlement companies' irresponsible tactics worsen the problem, generally leading to increased debt, litigation and account seizures, and long-term damage to credit ratings. The FTC has found that less than 10 percent of consumers successfully settle their debts using debt settlement companies.[11]

DCA's outreach and education included distribution of an informational flyer about predatory debt settlement services, translated to Chinese and Spanish. The flyer included an alert about new consumer protections that went into effect on October 27, 2010, in particular:

- For-profit debt settlement companies that sell their services by phone cannot legally charge a fee before they settle or reduce a debt.
- Money that a debt settlement company asks consumers to set aside in an "escrow" or "settlement" account belongs to consumers. Consumers may cancel the account at any time, and the escrow company must refund all of the money minus any fees the settlement company legally earned.

Both the campaign ad and informational flyer urged consumers to avoid debt settlement companies and instead visit a free New York City Financial Empowerment Center. Since opening in 2008, Centers have helped New Yorkers collectively reduce more than $12 million in debt.[12]

Consumers struggling with debt can afford neither the fees charged by predatory debt settlement companies nor the long-term damage to their credit. Poor credit reports and low credit scores present serious impediments to financial stability, employment, ability to secure housing, and other basic needs.

III: Consumer Advocacy

Efforts to protect vulnerable consumers go beyond direct municipal powers. New York City has worked with state and federal partners to advocate for protections for consumers with low incomes to ensure that predatory practices do not derail their progress toward achieving positive outcomes in antipoverty programs. Two key DCA advocacy campaigns center around payday lending and exempt funds.

Payday Lending

Payday loans are short-term, high-interest loans that advance people money based on their upcoming paycheck. Marketed as a tool for managing one-time financial crunches and largely used by people earning between $15,000 and $25,000 per year, payday loans have proven to be debt traps fraught with costly fees and triple-digit interest rates.[13] Rather than being used for one-time financial emergencies, payday loans instead are used to cover longer-term financial shortfalls over many months, with 69 percent of borrowers using them for recurring payments like utilities, car, food, rent, and mortgage. The average person using payday loans will take out 10 loans and spend nearly 200 days in debt over the course of one year.[14] In the long term, these loans create cycles of debt that erect major barriers to clients' ability to achieve success across the spectrum of antipoverty programs. For example, being trapped in high-cost payday loan debt can make it more difficult for a family trying to exit homeless shelters to be able to pay rent or can force public benefits recipients to use part of their checks to pay off debt.

While payday lending is effectively illegal in New York State under the state's 25 percent criminal usury cap, check cashers have been pressuring lawmakers for years to give them a special exemption to make minimally underwritten short-term loans.

DCA has used our strong voice and on-the-ground consumer experience to try to prevent the passage of legislation that would erode the usury cap by authorizing high-cost paydaylike loans. Representatives from DCA have met with legislators individually, testified before the State Assembly, written formal memoranda in opposition, and published editorials and other public statements calling attention to the dangers of legislation to authorize problematic loans with interest rates in excess of New York's longstanding usury cap. DCA eventually played an instrumental role in securing the public opposition of the Governor and key legislators to proposed legislation in 2013, effectively killing the bill.

Advocacy to oppose legalizing usurious short-term loans and to strengthen regulations against them is taking place in New York and in more than 20 states around the country.[15] By simultaneously offering vulnerable consumers high-cost and hard-to-escape debt, these loans represent one of the single greatest threats to financial stability of consumers with low incomes.

Spotlight: Cracking Down on Internet Payday Loans

Payday lenders have taken to the Internet with deceptive advertising, promising cash that is "just one click away." Just as it is unlawful to make usurious loans in person, it is illegal to provide these loans to New York State residents through the Internet. DCA has used several tactics to crack down on Internet payday lenders, including:

- Leveraging DCA's debt collection licensing authority to take legal action against debt collectors attempting to collect on payday loans illegally made to New Yorkers over the Internet.
- Mailing warnings to over 1,000 debt collection companies that it is illegal to collect on payday loans made to New Yorkers over the Internet.
- Issuing warnings about Internet payday loans as part of consumer outreach and education efforts.

Exempt Funds

Due to inadequate consumer protections safeguarding money legally exempt from seizure in individuals' banking accounts, debt collectors previously have had the ability to freeze all funds available in a person's accounts to collect on debt the person owes. DCA supported the New York State Exempt Income Protection Act, which more effectively and clearly protects the money in people's bank accounts necessary to meet their basic needs like food and shelter from being improperly frozen by debt collectors. The bill was signed into law in 2009. Under the law:

- A bank may never take or freeze the first $1,740 in a person's bank or credit union account to pay a judgment, whether or not the account has exempt funds.

- A bank must leave at least $2,500 in the account if a person receives direct deposit of exempt funds, which include Social Security benefits, Supplemental Security Income (SSI) benefits, veterans' benefits, Civil Service and federal retirement and disability benefits, military annuity and survivors' benefits, to name several.[16]

In 2010, DCA submitted formal comments to proposed federal regulations to deal with the issue of accounts containing statutorily exempt funds being improperly frozen due to garnishment orders. Federal rules went into effect in 2011 to ensure two months of exempt benefits payments remain fully available to recipients. These rules, which do not preempt stronger state laws, work in concert with the New York State protections.

Fear of account freezes and garnishment are significant barriers that drive many people out of the mainstream banking system or discourage them from opening accounts in the first place. However, those with mainstream bank accounts, compared to those without, tend to keep more of their earnings by avoiding high-cost alternative financial services, faring better against financial shocks, and saving more. Bank accounts create a structure to pay bills on time, maximize income, and develop smart spending habits. These important milestones to achieving long-term economic stability are solidified when consumers know that the money they put in a bank account to meet basic needs is protected by law from being improperly frozen by debt collectors.

Conclusion

For clients in public programs who are working toward long-term economic stability, targeting consumer financial protection powers to safeguard them from predatory practices can ensure that they achieve core program outcomes like on-time rent and mortgage payments, employment, financial independence from an abusive partner, and more.

In short, consumer protections are an intrinsic component of financial empowerment strategies.

Recognizing this dynamic, the Consumer Financial Protection Bureau (CFPB) in 2013 launched a partnership with New York City and the Cities for Financial Empowerment (CFE) Fund to replicate embedding consumer protection and financial empowerment strategies like those implemented by DCA into local governments around the country. Through these efforts, DCA and municipalities nationwide can continue to respond to changing market conditions to ensure that honest businesses operate freely while safeguarding vulnerable consumers from deceptive and predatory practices to protect public investments in their financial stability.

Endnotes

1 Mayor Bloomberg and Consumer Financial Protection Bureau (CFPB) Director Cordray Announce Partnership to Replicate Local Consumer Protection and Financial Empowerment Models Based on New York City's Department of Consumer Affairs. News from the Blue Room. 2 April 2013. http://www.nyc.gov/portal/site/nycgov/menuitem.c0935b9a57bb4ef3daf2f1c701c789a0/index.jsp?pageID=mayor_press_release&catID=1194&doc_name=http%3A%2F%2Fwww.nyc.gov%2Fhtml%2Fom%2Fhtml%2F2013a%2Fpr124-13.html&cc=unused1978&rc=1194&ndi=1

2 Information is effective August 27, 2013 per DCA's Instant License Check: http://www.nyc.gov/html/dca/html/licenses/license_check.shtml

3 In Fiscal Year 2008, DCA mediated 811 debt collection complaints involving billing disputes, harassment, and misrepresentation that resulted in consumer refunds totaling $2,090,451.24. Breakdown follows: 580 billing dispute complaints; 67 harassment complaints; 164 misrepresentation complaints.

4 Information is effective August 27, 2013 per DCA's Instant License Check: http://www.nyc.gov/html/dca/html/licenses/license_check.shtml

5 Information is effective August 27, 2013 per DCA's Instant License Check: http://www.nyc.gov/html/dca/html/licenses/license_check.shtml

6 EITC Calendar Year Report, December 2012. http://www.eitc.irs.gov/central/abouteitc/

7 Many cities, including New York, also promote free tax preparation services through Internal Revenue Service-certified Volunteer Income Tax Assistance (VITA) Centers. Over the last nine years, New York City's VITA network has prepared over 575,000 tax submissions claiming over $435 million in EITC refunds alone. VITA sites do not offer Refund Anticipation Loans (RALs).

8 Information is effective August 27, 2013 per DCA's Instant License Check: http://www.nyc.gov/html/dca/html/licenses/license_check.shtml

9 DCA's Protect Your Money Video Series is available online on DCA's website and YouTube channel. See: http://www.nyc.gov/html/ofe/html/policy_and_programs/protect_your_money.shtml or http://www.youtube.com/nycdca

10 Consumer Financial Protection Bureau. http://www.consumerfinance.gov/blog/our-proposed-rule-on-student-loan-servicers/

11 Debt Settlement: Fraudulent, Abusive, and Deceptive Practices Pose Risk to Consumers. U.S. Government Accountability Office. 22 April 2010. http://www.gao.gov/products/GAO-10-593T

12 The first report in the Supervitamin Series highlights the Financial Empowerment Center initiative. "Municipal Financial Empowerment: A Supervitamin for Public Programs. Strategy #1: Integrating Professional Financial Counseling." New York City Department of Consumer Affairs. December 2011. http://www.nyc.gov/html/dca/downloads/pdf/SupervitaminReport.pdf

13 "Payday Lending in America: Who Borrows, Where They Borrow, and Why." The Pew Charitable Trusts. 18 July 2012. http://www.pewtrusts.org/our_work_report_detail.aspx?id=85899406010

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Municipal Financial Empowerment:

A Supervitamin for Public Programs

Strategy #5: Integrating Asset Building

NYC

Michael R. Bloomberg
Mayor

Department of Consumer Affairs
Office of Financial Empowerment

Jonathan Mintz
Commissioner

Municipal Financial Empowerment: A Supervitamin for Public Programs

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We owe an important debt to the policymakers and advocates who have been crucial voices in the push to take OFE's successful programs, designed for scale, to the height of their potential. The Financial Security Credit Act that was introduced in the House of Representatives in 2013 is one example of the importance of their support of this work.

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Introduction

Financial stability affords families with low incomes a bulwark against the crises of sporadic income, unexpected expenses, and a reliance on predatory fringe services and also provides an opportunity to start actively planning for a solid financial future. Achieving a stable financial foundation is difficult, especially during lean economic times. Described in this report are cutting-edge efforts, many realizing national scale, to make financial stability more attainable.

Dr. Michael Sherraden's pioneering 1991 work, titled *Assets and the Poor: A New American Welfare Policy*, helped shape the development of a new approach to addressing poverty called asset building.[1] Sherraden argued that given convenient accounts and the right incentives, poor families can save despite having very limited incomes—and that building up savings to guard against financial shocks is a key component of financial health.

Recent work has focused on identifying simple, flexible, and manageable steps for families with limited income to save for the shorter term or for emergencies. Such short-term savings opportunities are crucial in guarding against unforeseen expenses that can create financial havoc for households who are living paycheck to paycheck. Assets in the form of short-term savings can also diminish households' need to draw down public and nonprofit resources and enable them to achieve the optimal outcomes of traditional antipoverty programs such as workforce development and stable housing.

The Supervitamin Effect in Brief

In 2006, as part of his Administration's innovative efforts to fight poverty in New York City, Mayor Michael R. Bloomberg launched the first municipal Office of Financial Empowerment (OFE) within the Department of Consumer Affairs (DCA). OFE's mission is to educate, empower, and protect individuals and families with low incomes; our financial empowerment strategy focuses on four pillars of work:

1. Professional financial education and counseling
2. Asset building
3. Safe and affordable banking access
4. Targeted consumer protections to safeguard assets

Currently, public antipoverty programs face a uniquely difficult challenge. Increasingly, shrinking government resources and increased demand for services have driven municipalities to do more with less. City governments across the country are addressing this challenge with an innovative approach: integrating financial empowerment programming into core social services. This approach, which aims to boost clients' financial stability and strengthen the effectiveness and impact of the primary services they receive, is known as the "supervitamin" effect.

The first four reports in the series "Municipal Financial Empowerment: A Supervitamin for Public Programs" detailed, respectively, New York City's efforts to integrate professional financial counseling into key social services; professionalize the field of financial counseling to ensure quality and consistency in service delivery; increase access to mainstream banking accounts by incorporating them into public programs; and target consumer financial protection powers to ensure that predatory practices do not reverse the valuable gains that clients in public programs make toward exiting poverty.

This report, the fifth and final report in the series, describes OFE's efforts to integrate asset building strategies, in particular short-term savings opportunities, in public programs to help households take a crucial step toward their long-term savings goals. Indeed, assets are critical to achieving—and sustaining—financial empowerment.

I. Why Assets Matter

Assets are essential to families with low incomes. Having unrestricted savings provides a safe reserve when families' expenses exceed their incomes. Many families with low incomes in New York City find it difficult to stay ahead financially each month. Although they earn income, they are often paying a large amount for rent, groceries, transportation, and child care. In fact, over 45 percent of families with low incomes in New York experience what is known as liquid asset poverty.[2] This means these households would not have enough savings to survive at the poverty level for three months if they no longer received a regular income. However, if these families were able to save small amounts of money in short-term savings instruments, the financial cushion could help them weather economic shocks such as job loss, medical bills, or emergency expenses. According to a 2010 Urban Institute study, having liquid assets in even modest amounts (up to $1,999) is significantly related to lowered incidence of material hardship.[3]

In the past, the asset building field has focused on large or more long-term assets such as homeownership, retirement plans, savings bonds, or college savings. When a family has an asset like a home, it can be leveraged for important financial goals such as paying for their children's education. Similarly, retirement savings help families plan for the future and can sometimes be leveraged for other purposes such as loans. But these types of assets may feel out of reach to families with low incomes who are living paycheck to paycheck. In addition, although over half of the employers in the United States encourage employees to save for retirement in defined contribution plans such as a 401(k) plan, over 25 percent of households have withdrawn these savings for non-retirement needs, amounting to $70 billion in withdrawals annually.[4] The breaching of these accounts indicates that many families are using defined contribution plans as their emergency savings when other options may not be available to them.

When low-income families with few large assets and weak credit scores do not have short-term or emergency savings, their options are limited. They may rely on borrowing from friends or family members who have similarly constricted financial reserves. Households may also turn to high-cost, potentially predatory options such as payday loans to help cover basic expenses. Lastly, these families may turn to public agencies for help in the form of food stamps, energy assistance, rental assistance, housing subsidies, or shelter. All of these options may lead to added stress and further private or public indebtedness—which could be avoided with the financial cushion that asset building strategies can create.

From our beginning, OFE recognized the importance of asset building because of the clear difference access to assets has on the lives of families with low incomes, allowing them to handle income disruptions safely and avoid predatory financial products and services that offer quick fixes with lasting negative effects.

The importance of assets is also apparent at the programmatic level; social service providers on the front lines assisting such families see firsthand how the lack of assets can limit the impact of the investments of their services. A lack of assets often means that clients' gains are lost after minor financially disrupting events, or that gains cannot occur until financial stressors are assuaged so people can focus their efforts instead on taking advantage of programmatic interventions. This risk of tenuous gain extends even to large and hard-fought asset gains—for example, when households withdraw funds from their 401(k) savings to manage an immediate crisis.[5]

Having assets helps clients, providers, and municipal entities in the following ways:

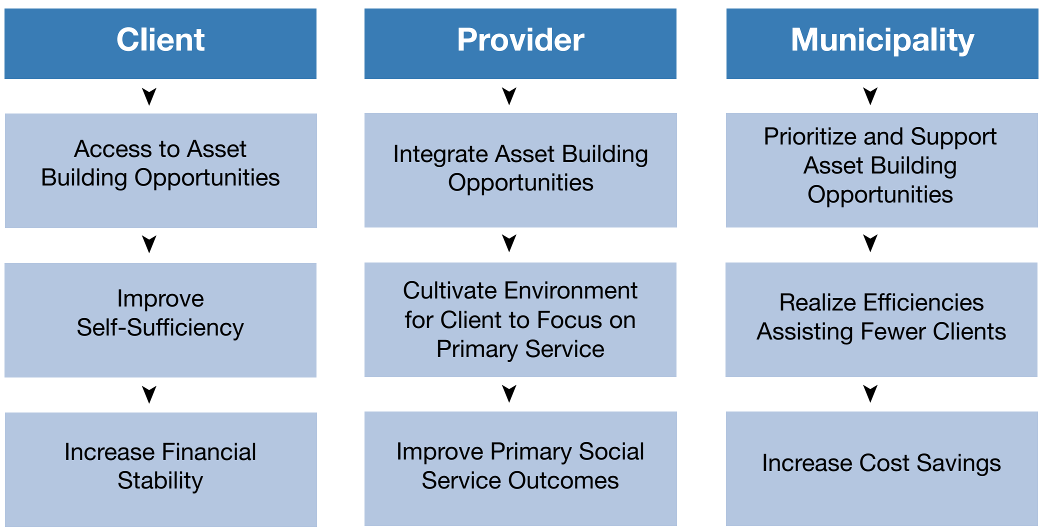
1. ***Increasing financial stability:*** Asset building is the ultimate goal of financial empowerment strategies because it moves clients away from solely addressing crisis moments and furthers opportunities for a more solid financial foundation. Asset building strategies help clients build longer-term cushions against financial shocks, fostering self-efficacy and greater self-sufficiency. OFE has focused on finding manageable, short-term solutions since our work, notably the SaveUSA initiative, has illustrated that households need an on-ramp opportunity to move them to longer-term savings goals.

2. ***Improving primary social service outcomes:*** Asset building also benefits social service providers and municipalities. An affordable housing client grappling with an eviction notice must focus fully on solving that problem and cannot attend to other, less immediately pressing issues. When clients have a stable financial foundation of assets from which to draw, they are often better able to avoid or reduce the severity of crises, potentially improving the likelihood that they will succeed in achieving programmatic and personal goals.

3. ***Providing cost-saving opportunities:*** Along with improving outcomes, providers and municipalities can conserve their much needed resources by integrating asset building strategies into services. Savings, whether short- or long-term, can help clients withstand financial crises that might otherwise require additional program services or support or a reinvestment of the same social service multiple times. Prioritizing asset building can be especially beneficial to municipalities since clients often turn to public safety nets as a way to address immediate crises or manage ongoing shortfalls. When these needs are met, client reliance on public resources may diminish.

4. ***Providing viable alternatives to high-cost and predatory lending:*** Fighting against the current of quick-fix products such as payday lending, pawnshops, and title loans can be a challenging effort for cities given the market saturation and political strength of those industries. For cities, having high numbers of residents caught in the expensive debt cycles caused by such products can be destabilizing for any number of public investments made in social safety net programs. Emergency savings funds can be a powerful alternative for families facing financial crises—allowing them to rely on their own resources rather than turning to dangerous lending instruments.

Figure 1. Benefits of Assets to Clients, Providers, Municipalities



With these benefits in mind, asset building is embedded into OFE's approach to financial empowerment work. Fundamentally, this has involved integrating savings opportunities into program design, in particular prioritizing short-term savings as an on-ramp to longer-term asset building for families with low incomes. The act of building up personal savings, even in small amounts, prevents families from living strictly in the present and allows them to plan for the future in a tangible way. The first step is often helping clients find extra income in their budgets in order to begin saving. In addition, clients need accessible and appropriate financial products in which to save their limited resources. As they begin saving for the short term, in an affordable and appropriate savings vehicle, clients can begin thinking about longer-term savings like retirement.

Incorporating short-term asset building opportunities and appropriate products into our financial empowerment work, along with the antipoverty work of our municipal and nonprofit partners, has provided a number of promising results.

Spotlight: Asset Building as a Counter to Payday Lending

A payday loan is a short-term unsecured loan that is issued by check cashers or other non-bank lenders to individuals who have verifiable income or proof of employment. Although the loan amount issued may be relatively small, individuals who obtain payday loans often have to renew their loans because they are still short on funds when it is time to pay back the original loan amount. As a result of the high interest rates (often triple digits) and the costs associated with multiple loan renewals or "flips," borrowers pay very high fees to cover recycled debt. Payday lending is a huge industry—12 million Americans take out payday loans annually, spending approximately $7.4 billion on loans that average $375. The average borrower is in debt for almost half the year, spending $520 in interest to continually reborrow the loan.[6]

Having options such as flexible savings accounts or low-cost emergency loans could help these individuals avoid hundreds or even thousands of dollars in annual fees, which place borrowers in precarious financial positions. Payday loans are illegal in New York due to a usury cap, but payday lending, which is available in many other cities across the country, as well as online, affects low-income families' ability to build assets.

II. Integrating Asset Building to Improve Self-Sufficiency and Organizational Efficiency

OFE's asset building work is underpinned by the importance of increasing access to safe and affordable bank accounts. As outlined in *Strategy #3: Integrating Safe and Affordable Bank Accounts*, the third supervitamin report, and other studies, having a bank account is an important step in strengthening a household's financial foundation. Many OFE programs aim to improve banking access, through negotiating with financial institutions to create or promote safe and affordable products. OFE is also exploring ways to develop products that make savings a simple and risk-free opportunity for families with low incomes. Identifying the right account for asset building is just part of the equation, as a product can only go so far in improving financial stability; the other equally vital aspect is finding the right partners and moments to make the integration meaningful. Some important findings follow.

Timed Interventions

Tax Season

The tax season was identified as a unique savings moment because, for many households with low incomes, refundable tax credits such as the Earned Income Tax Credit (EITC) could serve as the initial funds for a savings account. Tax credits like the EITC were initially created to incentivize work and to provide extra funds for families with low incomes; seen through the supervitamin lens, a credit like the EITC has the additional benefits of providing an initial deposit for a savings account and serving as a way to cushion a household during brief periods of economic hardship. The tax refund can be the largest lump sum received all year—in 2012, the average EITC refund was $2,200[7]—making tax time an opportune moment for families to begin building assets. In New York City, filers can also save money by preparing returns for free through Volunteer Income Tax Assistance (VITA) sites, online, or through negotiated low-cost programs with commercial preparers.

Tax refunds help increase self-sufficiency by creating an on-ramp to savings to cover unexpected expenses that may arise throughout the year. In recent years this on-ramp has been made far simpler through the ability to split a refund into multiple accounts such as a checking account, savings account, or prepaid card.

With this in mind, in 2008, OFE created and implemented a tax time matched savings account program called $aveNYC. Due to the early promising results of that program, in 2010, the federal Social Innovation Fund (SIF) awarded a grant to the Mayor's Fund SIF Collaborative to replicate and test the program, now known as SaveUSA, in four cities. The Collaborative includes the Mayor's Fund to Advance New York City, the Center for Economic Opportunity (CEO), OFE, and MDRC, a nonpartisan education and social policy research organization.

The $aveNYC and SaveUSA programs take advantage of the split refund to help families save. Participants who saved a minimum of $200 of their tax refund until February 1 of the following year received a 50 percent match. If participants saved $1,000, they could earn the maximum match amount of $500. Participants always had access to their funds, risk-free, but would not receive the match if they withdrew their funds prior to February 1.

Promising results from both programs demonstrate that families with low incomes can and will save if given the right access and incentive to do so. The average income of SaveUSA participants was $17,928 and on average they saved $500.[8] Notably, over 75 percent of the accounts were still open at the end of a year and 39 percent of savers pledged again the following year.[9] See Table 1.

SaveUSA at a Glance (2011–2013)

- Tax time matched savings program
- Offered at select Volunteer Income Tax Assistance (VITA) sites in Newark, N.J.; New York City; Tulsa, Okla.; San Antonio, Texas
- Negotiated savings account features (e.g., no ATM access, no maintenance fees, limited ChexSystems review)
- 4,771 new savings accounts opened
- $4,529,338 in total savings (initial deposit plus match)
- Less than $20,000 average adjusted gross income for participants

Note: Total savings are based on preliminary estimates for 2013.

Table 1. Save USA Highlights

Year	Number of New Accounts	Total Savings (Initial Deposit plus Match)	% of Returning Savers	% of Full Year Savers
2011	1,664	$977,000	n/a	73%
2012	1,679	$1,527,284	39%	75%
2013*	1,428	$2,025,054	33%	n/a**

*Figures provided are based on preliminary projections.

**Final number will be available in early 2014.

Promising Results from $aveNYC and SaveUSA

- Findings from the $aveNYC evaluation, along with early results from SaveUSA, demonstrate that families with low incomes can and will save when given the opportunity.
- Participants appear to have used their savings instead of incurring new debt to meet financial shortfalls.
- Participants who received the match typically used the money to pay household expenses, reduce debt, or cover emergencies.
- The match is a powerful motivator to help families make the decision to save a portion of their refund and not withdraw the funds.
- Without access to the SaveUSA account, few eligible tax filers directly deposited their refund dollars into another savings product.
- People who withdrew their money early were typically experiencing financial hardship or unemployment.

Developing the long-term sustainability of the SaveUSA program has been an essential component of program implementation. OFE has been pursuing a policy pathway for ensuring public investment in this program as a component of the tax code, as well as through further replications in other cities. See section III.

As the SaveUSA framework gains momentum and an increasing number of cities and service providers replicate their own version of a matched tax time savings program for low- and moderate-income earners, there is a growing urgency to understand better the impact and cost implications of the match rate and savings threshold. In other words, what is "the sweet spot" of incentivizing savings participation and amount saved, while keeping the match rate as low as possible to minimize cost and allow for scale?

Replication efforts will be housed within a larger effort, the SaveUSA Coalition. Led by OFE, CEO, and the Cities for Financial Empowerment (CFE) Fund, the SaveUSA Coalition aims to find the best way to leverage the windfall moment of a tax refund by identifying social service providers who can embed tax time saving in their program model and develop a savings on-ramp for their clients. To date, the SaveUSA model has focused solely on VITA sites, which provided an easy-to-access infrastructure for this type of tax-related intervention. However, after a number of years implementing the model through the VITAs, the time is right to build upon this foundation and identify other target audiences for whom tax time savings would be effective. This expanded SaveUSA approach will provide further evidence that tax time savings build assets. The Coalition will also assist with bringing the model to scale nationally and in a variety of program and client contexts.

Key Partners

Agency-Based Programs

While the tax season provides a direct link to potential income and savings opportunities, public programs provide another way for municipal governments to integrate asset building. Many agencies have the right infrastructure to promote asset building either through payment methods or regular interaction with clients, including referrals to more targeted financial counseling. Table 2 shows examples of how OFE has worked with sister municipal agencies to tailor and insert asset building approaches in order to improve the outcomes of their programs. Although the primary services of these agencies are not asset building, the examples illustrate promising ways to use asset building strategies in social service settings.

Table 2. Asset Building Strategies in Social Service Settings

Type of Agency	Description
Housing	The New York City Housing Authority (NYCHA) Office of Resident Economic Empowerment & Sustainability (REES) has worked with OFE to offer NYCHA residents financial empowerment services. These services have included financial counseling, access to credit reports, and introductions to the NYC SafeStart Account, a safe, affordable account with low minimum balance requirements, no monthly fees, and no overdraft fees. There are also programs that benefit residents who are City employees. For example, NYCHA employees who live in public housing can take advantage of payroll deductions for rent payments, free checking accounts offered by OFE's NYC Direct Deposit partners, and the Earned Income Disallowance (EID). The EID allows tenants who have been out of work to accept jobs without having their rent increase immediately. Employees can leverage this period of reduced rent to save and pay down debt. Due to these targeted financial interventions, expected supervitamin effects for the host, NYCHA, include clients with rent arrears catching up on rent faster and reduced recidivism. Working with the New York City Department of Housing Preservation & Development (HPD), OFE is piloting financial counseling for participants in the Family Self-Sufficiency (FSS) program. The FSS program is a job training, placement, and education program for HPD Section 8 Voucher holders. The program provides financial rewards for participants, increasing their earnings and helping to reduce the disincentive to work because rent amount is tied to income. Once participants' rent is due to increase because of an increase in employment income, they are able to keep their rent at the same rate while contributing the increase into an escrow account eligible for up to a dollar-for-dollar savings match. After completing five years in the program and meeting graduation requirements, participants receive a check with all the funds they accumulated in their escrow account during their participation. Participants can graduate from the FSS program with substantial savings, and HPD is looking for ways to help clients better manage and leverage these savings. The program aims to ensure that participants use these funds to start down a pathway to being more financially stable, reducing the need to draw down on public assistance while moving into independent housing.

Table continued on next page.

Type of Agency	Description
Human Resources Administration	The Human Resources Administration's Jobs Plus program integrates financial counseling and access to financial products into a workforce development program for public housing residents. Job Plus counselors have referred their clients to OFE's NYC SafeStart Account. Partners anticipate participants who gain employment and begin saving will see improved job retention by being better equipped to handle financial emergencies that might otherwise disrupt work.
Homeless Services	OFE worked with the Department of Homeless Services on Work Advantage, which helped residents receiving rental subsidies save a portion of their income in matched saving accounts so that they could become self-sufficient. OFE provided Work Advantage clients with information on accessing affordable and safe financial institution products and services that could help them save and make their money grow. The shelter staff also provided the clients with information on tax credits and free tax preparation options. Clients who received this intervention saved more than their counterparts who did not, providing them with the means to sustain living in independent housing and potentially guard against recidivism back into shelter.
Youth and Community Development	In addition to working with the Department of Youth and Community Development (DYCD) Summer Youth Employment Program (SYEP) to connect participants to checking accounts, OFE has also promoted the integration of savings accounts to DYCD's Out-of-School Youth (OSY) and Young Adult Internship Program (YAIP) providers. The young adults in these programs are paid, and the participants are encouraged to save during the program and as they seek permanent employment. Similar to a workforce integration with an adult population, partners anticipate participants who save while working will see improved job retention by being better equipped to handle financial emergencies that might otherwise disrupt work; and, given a somewhat younger audience, the ability to foster a savings commitment early on.
Across Multiple Agencies	In 2009, OFE created EasySave, which allowed City workers to directly deposit payroll deductions into a savings account in partnership with the Municipal Credit Union (MCU). Unlike retirement accounts or other defined contribution plans, there were no penalties for withdrawals, savings could be used for multiple purposes, and the account came with an ATM card. This program was offered at several City agencies and demonstrated that employers can help employees make the most of their paychecks by making automatic savings a regular part of the payroll process. EasySave aimed to provide City workers an easy mechanism since the savings commitment was automatically transferred from a worker's pay every month. This flexible financial cushion would be easy to access in case of economic shocks that might impact work productivity.

Targeted Populations

OFE has also worked with a variety of client populations to stress the importance of saving as a way to become financially stable, achieve greater self-sufficiency, and protect against financial emergencies that can diminish gains made in other social service interventions. OFE's work in New York City with targeted populations is outlined below; nationally, efforts to work with targeted populations on asset building have included programs that help older adults, people with disabilities, foster care youth, entrepreneurs, and more.

Immigrants

Immigrants with low incomes who are cash earners and saving money in their homes are a particularly vulnerable population. Money stashed at home can be lost, stolen, or accidentally destroyed. Also, immigrants may be less familiar with the financial services available throughout the City, have concerns about the types of identification needed to open a banking account, or worry that financial institutions will not speak their language.

OFE has worked with organizations such as the Mayor's Office of Immigrant Affairs and the New York Immigration Coalition to connect immigrants to savings products like the NYC SafeStart Account. These savings accounts, in particular through credit union partners, have flexible identification requirements, which allow individuals to open accounts with Individual Taxpayer Identification Numbers (ITINs) or foreign passports. Such products help shorten immigrant pathways to accessing mainstream financial services.

Spotlight: Asset Building and Immigrant Groups: Findings from the Immigrant Financial Services Study

In 2012, OFE fielded the Immigrant Financial Services Study, one of the first field research initiatives in New York City to look specifically at the financial needs and practices of recent immigrants. The study, which focused on three distinct first-generation immigrant groups—Chinese, Ecuadorian, Mexican—revealed a number of key findings around asset building in these communities.

Research showed that regardless of income levels or banked status, all three immigrant groups were saving and showed high levels of savings discipline and savings aspirations. For example, 74 percent of unbanked Mexicans and 69 percent of unbanked Ecuadorians reported that they had savings. Even among those in the overall sample who reported household income of under $300 a week, 80 percent reported some level of savings.

In addition, the study identified a number of areas where misperceptions about the account opening process impeded financial access. Perceived barriers such as identification requirements and language spoken at the bank branch were identified by Mexican and Ecuadorian survey respondents as reasons for not opening an account—even though our supply-side research showed that of the 15 financial institution branches surveyed, 13 had flexible identification requirements and all 15 had Spanish-speaking staff.

The Immigrant Financial Services Study reveals a gap between the demand and supply of financial products in New York City that could help immigrant communities build assets and move forward financially. This lack of access to appropriate products and services, despite strong demand for them, means that first-generation immigrants face great challenges in strengthening the financial security of their households.

Disaster Relief and Preparedness Initiatives

Following Hurricane Sandy, OFE shared information with a number of City agencies on the NYC SafeStart Account as a savings option for those who might have been unbanked and receiving Federal Emergency Management Agency (FEMA) payments. The savings accounts were readily available for households that wanted to take advantage of direct deposit or start saving in the event of future disasters. Hurricane Sandy also underscored the importance of having savings set aside for unexpected expenses such as home repairs, down payments if families have to relocate, or if employment is interrupted. Without these savings, the impact of the storm was even more pronounced for some vulnerable New Yorkers, highlighting the need for asset building strategies to be incorporated into disaster preparedness work as well as recovery efforts.

Spotlight: Asset Limits as Barriers to Asset Building

Despite the numerous benefits that assets have for social service investments, having assets can reduce clients' benefit levels, which poses a challenge to integrating asset building in public programs.

In order to determine who qualifies for government assistance, programs use different ways to calculate need. Some benefits programs are "means-tested," meaning a family's income and savings are taken into consideration for program eligibility. In many cases, in order to qualify for programs, a family has to demonstrate that they have few financial resources or assets. While these asset tests help determine who is in need of assistance when there are limited resources, it is prohibitive for families who eventually want to get off public benefits and build wealth.

Asset limits create a disincentive to save—families may spend down savings or they may not attempt to save for fear of losing their benefits. However, having the ability to save could help these families move off benefits and live independently. To demonstrate that these barriers can in fact be lifted while still serving those in need, six states have eliminated asset limits for Temporary Assistance for Needy Families (TANF) and 36 have eliminated asset limits for Supplemental Nutrition Assistance Program (SNAP).[10]

III: Additional Opportunities for Asset Building

In this section we highlight policy changes and innovations that would boost the impact of antipoverty services and expand the reach of asset building initiatives to more families with low incomes.

Policy Changes

Financial Security Credit

Although the SaveUSA program will be expanded through the SaveUSA Coalition, the only way to truly bring this powerful opportunity to scale is through affecting a change in the federal tax code. OFE's SaveUSA program (originally $aveNYC) was created with this broader goal in mind, to benefit savers with low incomes across the country. OFE has supported current legislation for a Financial Security Credit, a federal tax credit that would provide a match for qualified contributions into a range of savings vehicles, including no-risk, shorter-term products. The purpose behind this legislation is to add a refundable credit to the tax code that provides low- and moderate-income families with additional incentives to save on a national scale. For those with higher incomes subsidies such as the mortgage interest deduction, property tax deduction, and preferential rates for capital gains and dividends already exist, but there are no targeted incentives for low- and moderate-income filers. Since over 45 percent of the current federal asset building subsidies through the federal tax code go to the top 1 percent of households, something like the Financial Security Credit would be an important new way to incentivize saving in households with low incomes.[11]

Innovations

To bring asset building to scale and maximize the impact of antipoverty work, integrating asset building strategies must be foundational to the way that nonprofits and governments provide services, with agencies and municipalities continuing to take a closer look at the right method and mix of how these strategies can be deployed within programs. There are a variety of levers that can be used to integrate asset building—increasing access to appropriate products; developing new programs, products, or incentives targeted to consumers with low incomes; and identifying additional integration points. Some examples follow.

Children's Savings Accounts

Children's savings accounts, or CSAs, are an asset building tool that is garnering interest in several states, including New York. CSA programs are integrated in a variety of settings such as schools, social service organizations, or governments, and use a state's 529 product or accounts issued by financial institution partners. While the models vary, the goal is to engage families in saving for their child's education, starting when the child is very young. A current leader in this effort, the City and County of San Francisco, created a Kindergarten to College program (K2C), which provides every kindergartner a college savings account with a $50 deposit. Since 2010, more than 8,000 accounts have been opened.[12]

New York City organizations who are currently implementing some form of school-based savings include Juma Ventures and The Children's Aid Society. These organizations have been working with different age groups to test messaging and incentives to encourage children and their families to save for the future.

Prize-linked Savings

Prize-linked savings are an additional way to encourage saving as an asset building strategy. Promoted by the Doorways to Dreams Fund (D2D) and launched in Michigan in 2009 as part of a program called Save to Win,[13] prize-linked savings offer credit union members chances to enter into drawings for cash prizes when they save. As members save money in savings accounts or certificates of deposit, the deposits act as entries into sweepstakes. There is no risk to the initial deposit, and both small and large cash prizes are available. The simple accounts and low required dollar amounts in the program design work well for savers with low incomes, and the cash prizes provide an incentive to save.

Prize-linked savings are unavailable in New York State; legislation that would allow this savings opportunity was introduced but vetoed in 2013. However, in addition to Michigan, prize-linked savings programs have already been implemented in states such as Nebraska, North Carolina, and Washington.

Basic Needs Savings Accounts

Families often struggle with food and health expenses, which can lead them to social service providers or City agencies for further assistance, including food stamps or emergency care. Although the implementation and account structure would need to be worked out, savings accounts targeted to basic needs and designed in partnership with local partners such as the Food Bank For New York City would allow families to save a small amount of money as a way to cover recurring food costs or assist with ongoing medical care.

Conclusion

Achieving financial stability is at the core of such challenging personal accomplishments as finding and keeping a job, transitioning out of shelter, leaving an abusive relationship, avoiding criminal behavior that leads to recidivism, and more. With the supervitamin series of reports we have shown proven strategies that New York City and other cities are using to ensure that municipal financial empowerment programs start families and individuals with low incomes on a path toward financial stability:

- Integrating professional financial counseling
- Professionalizing the field of financial education and counseling
- Integrating safe and affordable bank accounts
- Targeting consumer financial protection powers
- Integrating asset building

Of these strategies, asset building is the penultimate goal and outcome. As described, assets not only help clients of public programs get ahead in tough times … but also help them achieve lasting financial stability.

Through the efforts of New York City, its Department of Consumer Affairs Office of Financial Empowerment, and cities across the country, evidence continues to build that integrating financial empowerment programming into core social services yields gains for clients, providers, and municipalities. The innovative, proven program and product designs described in the supervitamin series have paved the way for new and creative models for integration throughout social service delivery and have significant potential for expansion and scale.

Endnotes

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