



A Scan of Municipal Financial Capability Efforts

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Section 01

Introduction

As the connection between financial capability and social mobility is made evident, both public and private actors are increasingly interrogating the drivers of personal financial health and investing in the innovation of products and services designed to improve the condition of economically vulnerable individuals.

Service providers are learning more about the ways individual financial wellness can be inhibited by beyond an individual's control, and a growing number of programs reflect an ambition to address the unique needs of consumers more holistically in order to create a pathway from financial stability to sustainable wealth-building. Across cities, regions, and states, critical financial health issues are uniting coalitions of multi-sector partners with the goal of aligning policy and infrastructure with newly identified objectives for financial empowerment.

Yet these advancements still leave many lessons to be learned and gaps to be filled. For example, the complexity of the field continues to present a significant barrier to broader coordination between financial capability efforts. The existing policies and regulations that govern our cities and financial systems complicate equality of access to key wealth-building tools, and a shortage of resources prohibits service providers from reaching many of the financially vulnerable residents who could benefit from their services. Still, municipal leaders recognize that the financial stability of their residents is a core ingredient to the overall health of their communities. There is a strong appetite among cities to better understand how financial capability initiatives can be coordinated, refined, and expanded at the municipal level to reach all residents.

This high-level scan of existing U.S. financial capability initiatives and the ways they fit together lends insight into the role that cities and their core institutions can play in promoting residents' personal economic growth. This study, funded by JPMorgan Chase & Co. and executed by Urbane Development (UD), leverages primary and secondary research to explore features of the broad range of programs and policy efforts that make up the financial capability landscape of the U.S. This examination focuses particularly on programs deployed by and within municipalities. Please note that

the views and opinions expressed in the report are those of the authors and do not necessarily reflect the views and opinions of JPMorgan Chase & Co. or its affiliates.

The current state of financial capability in urban areas has been illuminated through research conducted by the National League of Cities, the Urban Institute, and Prosperity Now (National League of Cities, 2017; Rice et al., 2018; Ellwood and Patel, 2018). Building upon this picture of existing conditions, this work intends to provide policymakers, practitioners, and funders with a roadmap of approaches that can be taken to improve the outlook of financial capability and economic mobility among residents. This study specifically seeks to identify state, regional, and municipal financial capability initiatives with a measurable track record of effectiveness; innovative funding strategies and partnerships; and best practices that position cities and their partner service providers to maximize the positive impact of financial capability efforts.

The challenge of coordinating these efforts is perhaps rooted in their very terminology, which lacks uniformity. Drawing from the literature and from interviews with practitioners, this study begins with an exploration of the meaning and assumptions assigned to financial capability as it is used in the field. The research methodology that informed the study, which included a literature review, a series of interviews with more than 30 practitioners, and two site visits, is then detailed. Following the methodology is a series of key findings that emerged from analysis of all three research inputs. Each is related to the municipal financial capability landscape as a whole but is supported by specific local examples. The study also features a set of highlights from site visits with practitioners in the cities of Denver and Miami.

Lastly, the report synthesizes core insights gleaned from this research and makes recommendations designed to guide stakeholders to actions that will accelerate the forward momentum of municipal financial capability efforts.

Section 02

Defining Financial Capability

Terminology

There is no consensus on the definition of financial capability, but certain key assumptions related to the term are detectable in its use. Financial capability is often used interchangeably with financial health and financial empowerment. Each is used to describe conditions of an individual's or family's economic security and potential for growth. In some cases, each term carries nuances that lead to its applicability in specific research or interventions.

Financial capability encompasses knowledge, access, and action related to the effective management of financial resources (Birkenmaier, Sherraden, Frey, Callahan, & Santiago, 2016; Consumer Financial Protection Bureau, 2014; Frindell, 2018). The foundation of capability is an understanding of financial concepts, also referred to as financial literacy, which helps people make decisions and create plans regarding personal finance. While knowledge is a priority for many service providers, financial literacy alone cannot put individuals or families in control of their finances; they must also have access to safe and affordable tools with which to act on that knowledge (Belser, 2018; Paxton, 2018; Phillips, 2018). Financial tools, such as a bank account or a line of credit, are frequently characterized by fees, regulations, or cultural barriers that prevent financially vulnerable households from utilizing them. The accessibility of these tools is just as critical to financial capability as the knowledge of how to use them (Belser, 2018; Huang, Nam, Sherraden, & Clancy, 2015; Paxton, 2018; Sherraden, 2013).

When financial knowledge and access are put into action, the results might be viewed quantitatively or qualitatively (Rice, 2018). Financial capability implies the power to cover expenses and plan ahead, thereby facilitating healthy financial behaviors. Indicators like an individual's credit score, savings amounts, debt-to-income ratio, and expenses as a percent of income provide opportunities for quantitative measures of capability (Beesing, 2018; Birkenmaier et al., 2016; FINRA, 2016; Miller, Reichelstein, Salas, & Zia, 2014). Some service providers assign specific



thresholds of success to these indicators, but in many cases, a household's financial capability goals are more effective and reachable when they are tailored to its unique needs (Phillips, 2018).

Qualitatively, financial capability implies well-functioning personal financial systems, resilience to manage income disruption or financial emergency, and the potential to pursue opportunities for wealth growth (Parker, Castillo, Garon, & Levy, 2016; Ratcliffe, 2018). In this context, financial capability is sometimes referred to as financial health. Like mental and physical health, financial health is influenced by myriad social and place-based determinants like the neighborhood in which an individual lives (Parker et al., 2016; Purnell, 2015). Service providers recognize key amenities that are critical to the financial health of residents, including access to housing, high-quality care, and employment and training opportunities (Arispe, 2018; New York City Department of Consumer Affairs, 2017; Seeley, 2018).

Challenges of disparate definitions for the field

Just as definitions of financial capability lack uniformity, approaches to improve financial capability among residents are myriad and disparate. Service providers have varying visions of financial health, and they prioritize knowledge, access, or action differently depending on the needs of the community they serve.

Financial capability programs reflect this diversity of intention, but there are some consistent models used in cities across the country. One such model is financial counseling or coaching, which is seen as one of the most promising strategies to help individuals improve their financial health (Bogle et al., 2016; Theodos, Simms, Treskon, Stacy, Brash, Emam, Daniels, & Collazos, 2015). In the coaching model, a client meets with a financial expert, nonprofit staff member, or volunteer who helps them set, prioritize, and achieve their financial goals through personalized strategies and skills development. In contrast, financial counseling is practitioner-driven. The provider acts as a teacher or adviser by addressing specific issues (NeighborWorks America, 2014).

Today, the terms counseling and coaching are often used interchangeably, as direct-service providers tend to blend the two methods together. The Cities for Financial Empowerment (CFE) Fund works with cities to launch Financial Empowerment Centers (FEC) where this one-on-one coaching/counseling can take place, a model that was pioneered by the NYC Department of Consumer Affairs (DCA), which houses the city's Office of Financial Empowerment (OFE).

Bank On is another initiative that has been widely implemented. Bank On coalitions bring together municipalities, nonprofit and community organizations, and other stakeholders to expand banking access locally. The CFE Fund supports these local coalitions nationally, with participating cities adopting the program in iterations. Local coalitions use the Bank On platform for a variety of strategies designed to connect households to bank accounts and other financial products (Erwitt, 2018).

A third consistent model takes the form of incentivized savings programs. These programs use dedicated accounts to help families build savings, usually for a particular purpose; savings for children or for education are common goals (Belser, 2018). Money contributed to

the account by the family is matched by a public or private funder, encouraging and amplifying the impact of savings behavior.

Tax preparation services are broadly used and perhaps the most uniform model of financial capability service deployed in cities. The Volunteer Income Tax Assistance (VITA) program is made up of a network of grantees, some of whom are federally funded¹, who provide free tax preparation services to low-income, elderly, and disabled workers as well as those with limited English proficiency. VITA preparers are valuable resources who help financially vulnerable groups recuperate their maximum tax refund without paying an expensive preparation fee. In addition to assisting with navigation of the complex tax landscape, VITA volunteers also connect clients to additional financial capability tools and services (McKinney, 2018; Prosperity Now, 2017). For many low- and moderate-income households, an annual federal income tax refund, including the refundable Earned Income Tax Credit (EITC) is the largest source of funds, other than income, received each year (Office of the Comptroller of the Currency, 2018). Yet the IRS estimates that one in five eligible workers does not claim their EITC refund each year (Office of the Comptroller of the Currency, 2018).

Other models of financial capability services, however, are locally designed and more specifically tailored to the identified needs of the city in which they are deployed. Because there is no real consensus on the definition of financial capability and the desired outcomes of these programs may vary from one city to another, it is difficult to codify a strategy for evaluating the effectiveness of

¹ Not all VITA partners receive funding, and those that do receive funding often receive a very small amount. For instance, the Miami-Dade VITA coalition receives \$4.50 per tax document prepared. A Miami VITA organization that helps 100 families prepare their taxes receives only \$450, despite the fact that serving 100 families requires approximately five staff or volunteer members, 250 hours of work, and access to computers, printers, phones, etc. (Bachmann, 2018).

each intervention. Service providers tend to identify their own metrics for success based on the goals of the program. Cities and nonprofits are sometimes able to secure third-party evaluations that use data to identify strengths and opportunities for improvement in a specific program, but these studies do not facilitate evaluation across disparate programs or allow service providers to easily share knowledge and data with each other.

The disparity of program models and goals also makes it challenging to enact industry standards for quality. Service providers consider the caliber of their programs to be of top importance, recognizing that quality conveys value and helps establish credibility in the services (Benavides, 2018). Financial coaches, counselors, and other direct financial service providers come from a variety of backgrounds and are typically required to complete training when they come on board. Many providers turn to national third-party training programs and models, such as NeighborWorks America and the CFE Fund. The training makes the model more expensive, but it promotes effectiveness and consistency of service within each program (Atkinson, 2014; Theodos et al., 2015). Yet because there are no nationally recognized qualifications or core competencies (Consumer Financial Protection Bureau, 2017) for financial counselors and other direct financial service providers, some organizations encounter issues with quality through no fault of their own (Frindell, 2018; Kline, 2018). In some cases, service providers need experience in social work in addition to financial competencies in order to more comprehensively address the needs of the populations they serve (Porro, 2018).

Need for financial capability programming at the municipal level

With the changes at the Bureau of Consumer Financial Protection (BCFP), it appears that support for public financial capability programs is weakening on the federal level. However, local governments are pioneering and amplifying the resources available to their economically vulnerable residents (Birkenmaier et al., 2016). On a macro level, cities work to encourage economic growth and development in order to boost employment, improve neighborhood conditions, and increase access to amenities for residents. Cities are increasingly also playing a key role to boost the financial wellness of residents on an individual level through tools that include municipally funded programs and partnerships with key local players. While not all cities have the power to allocate funding or to launch programs, they can play a pivotal role in convening multi-sector partners that can contribute funds or incubate programs. Municipalities can also encourage the integration of financial empowerment programming into existing services and advocate for federal, state, and local policies encouraging economic mobility for vulnerable populations (Prosperity Now, 2011). As of March 2018, 52 cities nationwide have invested in financial empowerment programming, including through an Office of Financial Empowerment dedicated to the research and implementation of such policies (Cities for Financial Empowerment Fund, 2018).

These 52 municipalities, among others, recognize that residents' financial health has an impact on the overall health of cities. Residents with a financial safety net are less likely to face eviction and homelessness, miss utility payments, or require public benefits (McKernan et al., 2016). Gains in social service interventions of all kinds, from immigration services to addiction recovery, can be dependent on the clients' financial wellness (Cities for Financial Empowerment Fund, 2017; New York City Department of Consumer Affairs, 2013). Cities need financially stable and educated residents to demonstrate that they have the necessary workforce and pool of potential consumers to attract new businesses (Paxton, 2018). In the long run, financially healthy residents contribute more to the local economy, cultivate stable housing, and are better able to provide conditions in which their children will succeed (McKernan et al., 2016).



Section 03

Methodology

This report is the culmination of primary and secondary data collection and analysis designed to shed light on city-sponsored financial capability programming. The research was divided into three phases. The first phase consisted of a literature review of relevant research to contextualize the financial capability landscape and identify best practices in the field. In the second phase, Urbane Development interviewed more than 30 stakeholders and industry experts to better understand financial empowerment from the perspective of direct

providers, program evaluators, and policymakers. For the third phase, Urbane Development conducted field research in two cities with a demonstrated record of employing innovative and effective financial capability programming.

PHASE 1

Literature Review

The literature review scanned academic papers, policy briefs, white papers, program evaluations, and case studies pertinent to a range of topics identified by Urbane Development in partnership with JPMorgan Chase & Co. The themes, which were adjusted throughout the process based on additional findings and insights gleaned from interviews, include:

- A lexicon of financial capability definitions, including programs and organizations that may not consider themselves part of the industry but whose work is relevant;
- The barriers financially vulnerable populations face and the ad hoc programming designed to address their needs;
- A scan of precedents that have the potential to be adapted for use in different settings;
- The role of municipal agencies to implement, fund, or advocate for asset-building programs, safe and affordable banking products, consumer education, and relevant policies; and
- A summary of city-led initiatives in which to couch further findings and recommendations.

PHASE 2

Interviews

Urbane Development conducted 32 interviews with stakeholders who are experts in financial capability program design, implementation, evaluation, and policymaking, including:

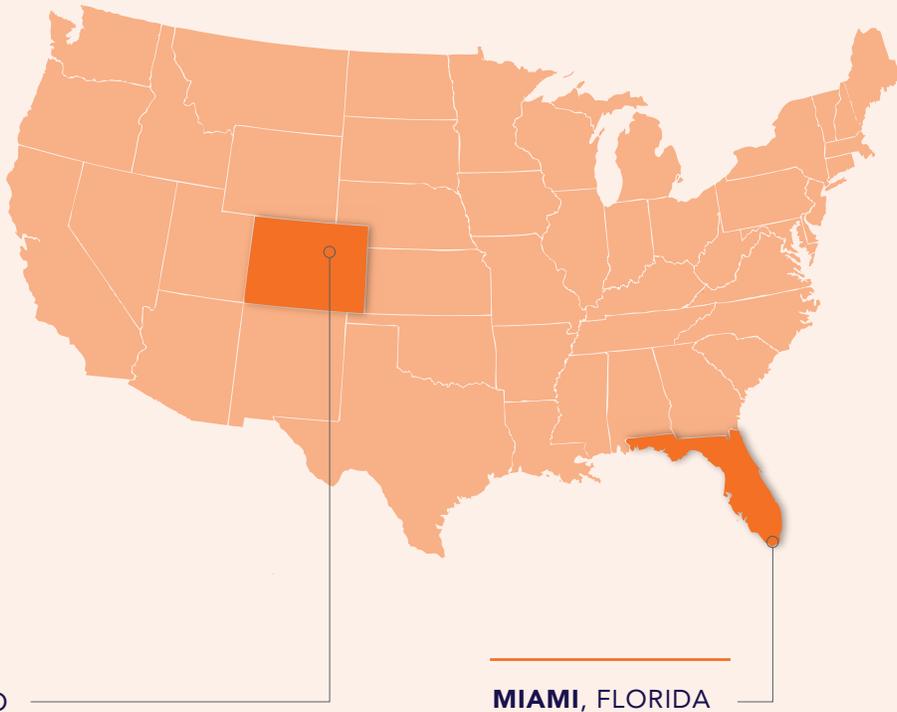
-  9 representatives of advocacy groups and organizations;
-  3 funders and fiscal sponsors;
-  7 direct service providers and nonprofit staff;
-  7 public officials in a range of municipal agencies;
-  2 financial technology developers; and
-  4 academic institutions and think tanks

The interviews sought to understand the variety of programs cities offer, with an eye toward the challenges they are intended to address and the specific populations targeted. The interviews also highlighted service provision by looking at different public-private partnership models and the role of nonprofits in delivering services. Interviewees were also asked to discuss program efficacy, specifically the use of formal evaluations and data collection informing program development. Lastly, interviews touched on existing gaps or unmet needs in existing service provision or policy that is needed to address financial capability citywide.

PHASE 3

Site Visits

Urbane Development organized site visits to two cities to observe financial capability programs in action. The visits were intended to highlight partnership dynamics between municipal agencies and nonprofit organizations and to solicit first-hand accounts, from direct-service providers and public officials, of successful financial inclusion initiatives. Urbane Development sought cities whose innovative financial capability programming demonstrates continued success. In addition, cities that offer a range of services and products tailored to the populations they serve and the strengths of their partners were given particular consideration. Based on these criteria, Urbane Development selected Denver, Colorado, and Miami, Florida.



DENVER, COLORADO

Denver, which launched an Office of Financial Empowerment in 2015, is a municipal partner of the Cities of Financial Empowerment Coalition and as such offers the traditional portfolio of financial capability programs, including Bank On and Financial Empowerment Centers. However, Denver's unique geopolitical structure allows them to leverage regional offices to coordinate programs. This has led them to develop The Five Pillars of Economic Development, a unique approach that frames financial inclusion as a product of accessible housing, health care, transportation, education and training, and child care. Moreover, Denver's Office of Financial Empowerment supports their nonprofit providers through a unique form of capacity building.

MIAMI, FLORIDA

Miami's Financial Empowerment Center has been operational since 2014 and demonstrates a phased approach to programming that has been modified based on data-based insights. As one of the first cities to join the CFE Coalition, Miami's programs have evolved over the years to meet the needs of local communities, particularly the large immigrant population that resides in the city. Moreover, with the support of the city, Miami's leading nonprofits have created a coalition that works collaboratively to address a range of direct and indirect issues facing financial stability. These organizations also share a comprehensive data collection and management system, which allows them to improve their programming in real time.

Section 04

Key Findings

Goals of Financial Capability Programs

Access to financial products and services

Financial capability programs offered in cities across the United States take different forms, but each is equipped with features designed to help residents meet financial goals. Some programs focus on connecting participants to the goods and services that are necessary to meet their goals. Financial tools and services are an important component of financial capability and financial health; safe, affordable bank accounts enable households to conduct transactions (e.g. make purchases and pay bills) and build savings. Research shows that even a small amount of savings can protect financially vulnerable families from being evicted, losing utilities, or going into debt when an emergency or income disruption occurs (McKernan, Ratcliffe, Braga, & Kalish, 2016). Yet, for a variety of reasons, an estimated 7 percent of households nationwide do not have a checking or savings account, and an additional 20 percent have an account with a mainstream financial service provider that does not meet all of their needs (Burhouse, Chu, Ernst, Goodstein, & Lloro, 2016). High-quality services, such as loan counseling and tax preparation, can be equally difficult for families to access and afford.

In Maryland, high living costs can make income volatility particularly harmful to a household's financial health. More than a third of the state's residents lack sufficient assets to weather a financial emergency. Recognizing a need for tools to help financially vulnerable households build economic stability, CASH Campaign of Maryland has conducted a major initiative around VITA. CASH Campaign of Maryland uses tax preparation as an opportunity to connect willing clients to financial coaches who leverage personalized, strengths-based approaches to help clients meet financial goals. An online platform allows the organization to reach financially vulnerable households in surrounding communities as well. Like the tax preparers, financial coaches are thoroughly trained volunteers. The CASH Campaign of Maryland prioritizes the hiring of certified individuals with the understanding that clients deserve to have high-quality services; however, the high cost of these employees can be challenging (Johnson & McKinney, 2018).

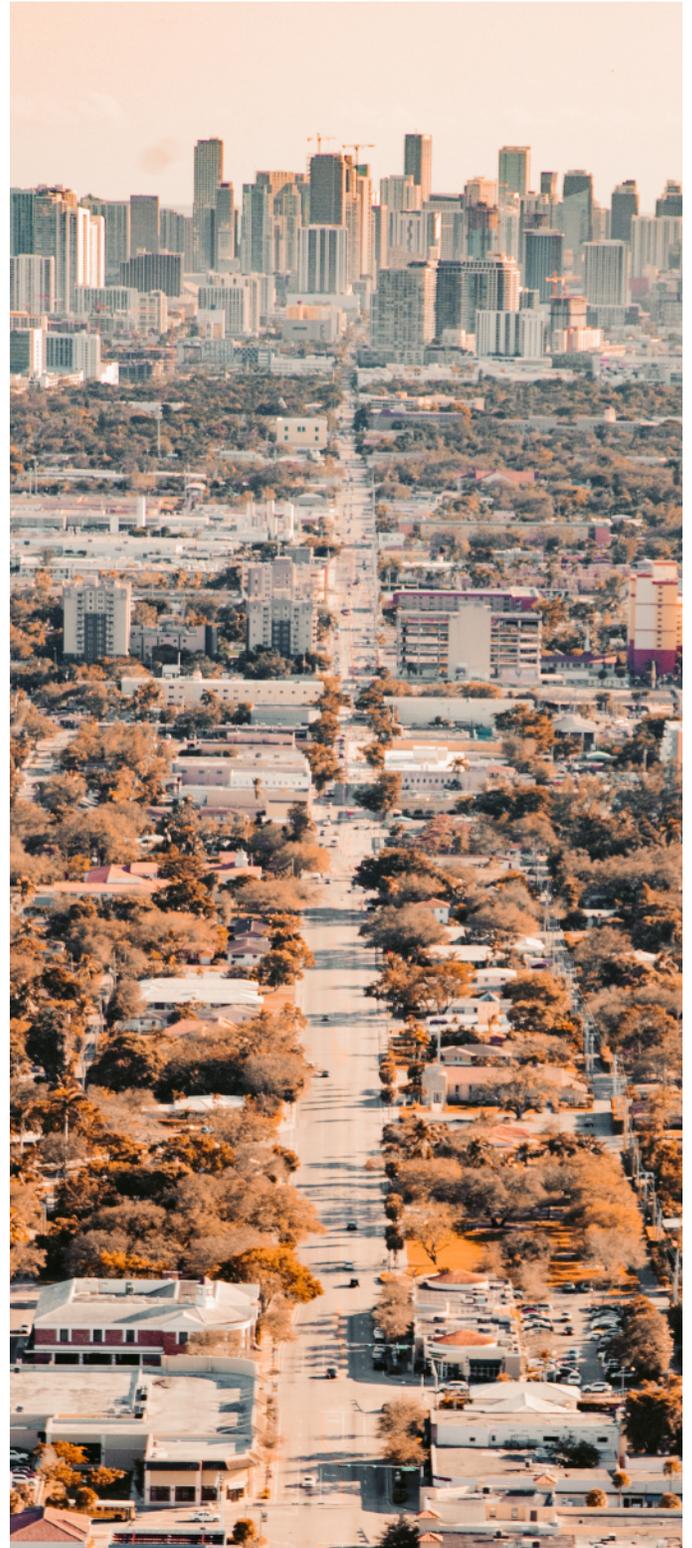


Economic mobility

Other programs aim to increase participants' potential for economic mobility. Financial capability programs have the greatest potential for long-term impact when married with other opportunities for wealth building (Rice, 2018). In an era where people are increasingly unlikely to dream of being better off financially than their parents, these programs assess the key factors that facilitate asset building and aim to put families on the path toward sustainable, intergenerational wealth (Kline, 2018).

Denver's Office of Financial Empowerment (OFE) centers its programming on the development of five pillars that have been identified as critical for economic mobility. Namely, the programs focus on housing, health care, child care, education or training, and transportation (Bogle, Acs, Loprest, Mikelson, & Popkin, 2016; Seeley, 2018). Reliable and affordable access to each of these pillars gives families a stronger chance of avoiding income disruptions and increasing overall earning potential. Growth and stability of income can then lead to increased savings, debt reduction, and improved credit scores (Birkenmaier et al., 2016; Seeley, 2018). Denver has partnered with local and regional financial providers, along with other stakeholders, in a coalition that aims to leverage these five pillars to improve economic mobility among the region's financially vulnerable households (Seeley, 2018).

San Antonio nonprofit Family Service Association of San Antonio, Inc. (Family Service), whose clients may spend half of their income on rent and tend to have relatively low educational attainment rates, organizes part of its programming around similar scaffolding. The organization connects clients to education and job training opportunities with a local community college. While participants are working toward a certification or degree, Family Service provides them with one-on-one financial counseling in addition to key wraparound services like case management, child care, and assistance with rent, transportation, and utilities. The program has high graduation rates, and graduates tend to return for more education or training opportunities as they embark on an upward career trajectory (Arispe, 2018). Like the Denver OFE, Family Service helps program participants maintain stability in the five key pillars so they are better equipped to work toward higher-paying employment opportunities.



Barriers to Financial Stability

Cost of Living

The previously defined five pillars of economic mobility typically represent a household's most costly expenses, and these costs are some of the highest barriers keeping financial capability out of reach for families across the country. Necessary monthly expenses like housing, utilities, and transportation impede the economic stability of those whose incomes are not keeping up, leaving cost-burdened individuals and families with less money to cover other expenditures or to build savings (Ornati, 2018).

In particular, housing is more than just a monthly expenditure; homelessness and the risk of becoming homeless are deeply disruptive conditions that can threaten the affected individuals' physical and psychological health, educational and job performance, and overall financial wellness (Beesing, 2018; Enterprise Community Partners, 2014). Nationwide, the cost of housing is growing significantly faster than household incomes. Wages have risen by 7 percent nationwide in the past five years, but housing costs have risen by more than 14 percent (Prosperity Now, 2018). A third of all households are cost-burdened, meaning they pay more than 30 percent of their income in housing expenses (Joint Center for Housing Studies of Harvard University, 2017). Rates are higher among renters: an estimated 46 percent of White renters are cost-burdened, as are 53 percent of renters of color (Prosperity Now, 2018). The inequity of housing cost by tenure is further exacerbated by tax credits that heavily favor homeowners over renters. For every 11 dollars in federal tax benefits that goes to homeowners, only 1 dollar goes to renters (Lazio, 2015).

The high rate of cost burden can be partially attributed to the prevalence of low-wage work. More than three-quarters of households earning less than \$30,000 annually are cost-burdened, and over 70 percent of households that earn less than \$15,000 pay more than half of their income in housing costs (Joint Center for Housing Studies of Harvard University, 2017). Nationwide, there are 8.3 million households that earn less than 50 percent of their Area Median Income (AMI), do not receive government housing assistance, and either pay more than half of their income in housing costs or live in severely inadequate conditions. This number has been trending upward over the past five years (U.S. Department of Housing and Urban Development, 2017).

Housing expenses encompass both the cost of shelter and the cost of utilities, and the latter can be particularly burdensome for individuals and families who are already struggling to afford a home. Transportation is another necessity and major expense that is wrapped up in housing costs. The housing crisis is causing low-income residents to move out of cities in search of more affordable homes, but moving farther from job centers can increase the time and cost of getting to work (Seeley, 2018).

The growing imbalance between wages and housing, utility, and transportation costs requires a holistic approach to financial stability. In this context, San Antonio's Family Service provides crucial benefits to low-income households. The program focuses on increasing wage-earning potential through education and training while providing assistance for three major living expenses shelter, utilities, and transportation thereby reducing cost-burden in the short term while improving the outlook of income to expense ratios in the long term (Arispe, 2018).

As housing grows more costly, a shortage of affordable housing further intensifies the housing crisis. In cities like Denver, housing is being built, but new units on the market tend to be unaffordable or inaccessible for low-income residents (Schneider, 2018; Seeley, 2018). For every 100 households in the United States that earn less than 50 percent of AMI, only 62 affordable units are available (Joint Center for Housing Studies of Harvard University, 2017). In the 10 most expensive U.S. cities, housing costs are rising faster for the financially vulnerable than for the wealthy: the cost of housing in these cities' low-income neighborhoods rose by 150 percent between 2000 and 2016, compared to 109 percent in high-income neighborhoods (Joint Center for Housing Studies of Harvard University, 2017).

The shortage of affordable housing stock is particularly evident in cities like Miami and New York City. In Miami, the housing shortage is exacerbated by recent hurricanes, among other factors. Because Florida has no income tax, localities rely heavily on development for their tax base and therefore have little incentive to push for affordable housing. Additionally, funds intended for public housing development have been swept into general funds in recent years (Beesing, 2018). Service providers like Branches and United Way of Miami-Dade recognize that financial capability programming is of

little use to residents until they are stably housed. Though these organizations are not equipped to provide emergency shelter services, they focus their resources on helping clients hold on to the housing they already have and avoid foreclosure (Bachmann, 2018; Benavides, 2018).

In the city of New York, an affordability crisis, caused in part by an increase in demand for affordable housing that has outpaced growth in a very limited supply of available units, puts further strain on the affordable housing lottery. The few who win the housing lottery may still have not prepared an application that adequately proves their qualification for the unit. To support New Yorkers seeking affordable housing through the lottery system, its OFE operates a program called Ready to Rent in partnership with the NYC Housing Preservation & Development (HPD), the city agency that oversees the lottery system, that provides financial counseling services tailored for

assisting clients in the preparation of applications for the lottery (Brooks & Davis, 2018).

In addition to the rising cost of housing, stagnant wage growth, particularly among low- and moderate-income households, contributes to financial instability. Employment trends show that employers are creating more low-wage jobs and relatively fewer living-wage jobs, and this pattern is projected to continue over the next decade (Conway & Dawson, 2016). If incomes had kept pace with broader economic growth over the past 30 years, median incomes would easily match rising housing costs that serve as a barrier to economic stability (Joint Center for Housing Studies/Harvard, 2018).



Debt

It is not uncommon for Americans to be weighed down by debt, which can be a significant financial stressor and barrier to savings and asset building. Some forms of debt may be an indicator of positive financial health; for example, those with secured debt on a mortgage who are able to continuously make timely payments are typically more financially secure (McKernan et al., 2016). However, an estimated 25 percent of the adult population in America is behind on debt payments for at least one account (National Foundation for Credit Counseling, 2018). Nearly 15 percent of those in debt are more than 90 days late on one or more accounts (Prosperity Now, 2018). In total, approximately 77 million Americans owe an average of \$5,178 on nonmortgage debts (Ratcliffe et al., 2014). Nearly 58 million households owe an average of \$15,654 in credit card debt, and it is estimated that those in debt spend an average of \$904 each year on interest alone (Issa, 2017). These issues are pervasive, but it can be very difficult for financial capability service providers to help affected individuals navigate out of debt because such strategies require a high level of technical knowledge among staff (Frindell, 2018).

In some cases, city residents can attribute their debt issues to heavy municipal fines imposed for various minor civil offenses. A recent report by the Department of Justice highlighted the impact of fines issued by the city of Ferguson, Missouri, and the devastating penalties imposed on those who cannot afford to pay the fines (United States Department of Justice Civil Rights Division, 2015). The report found that Ferguson was essentially balancing its own budget through revenue generated by fines and fees extracted from residents. A coalition in San Francisco saw the Ferguson report as an opportunity to highlight a similar problem in its own city.

The Back on the Road coalition released a report entitled “Not Just a Ferguson Problem,” pointing to San Francisco policies like suspending drivers’ licenses for unpaid court debt as unproductively harsh penalties that are further harming the financial stability of vulnerable residents (Brown, 2018). In fact, 40 percent of those who had had their license suspended due to unpaid traffic tickets lost their job as a result (Brown, 2018). In another example, homeless residents can be fined \$200 for camping in the city; if they do not pay, they can be charged an additional \$300 civil assessment fee. The resulting \$500 in debt can create barriers to public housing in San Francisco (Brown, 2018). These reports illuminate a nationwide issue of how city debt-collection policies serve to strip poor communities of the building blocks of financial health. When cities respond to unpaid

debt with additional fines, driver’s license suspension, or wage garnishment, they deprive their most economically vulnerable residents of tools that could help them stabilize financially (Ratcliffe, 2018).

Student debt is increasingly problematic, as many college graduates or students who do not complete a degree are encumbered by student loan debt that applies crippling limitations to their short-term and long-term opportunities. In 2015, the percentage of students in debt was 70 percent higher compared to students who borrowed money for school in 2005. At 15.8 percent, default rates on student debt are nearly twice as high as other kinds of debt (Prosperity Now, 2018). Even for those who can afford to make payments, debt payments affect graduates’ ability to translate income into wealth-building assets; college graduates with debt need to save for an average of 12 years in order to afford a down payment of a median-priced home, compared to 7.6 years for graduates with no debt (Bleemer, Brown, Lee, Strair, & van der Klaauw, 2017). Students who attend for-profit colleges have higher levels of debt (Prosperity Now, 2017). In many cases, students enrolled in such schools leave school without earning sufficient credits for graduation due to cost, even after incurring massive amounts of debt for the program (Frindell, 2018).

Finally, small-dollar lenders like payday and installment lenders, though they typically offer loans in amounts less than \$500, have the potential to create overwhelming debt for those who depend on them (Servon, 2016). Among low-income households, access to high-cost alternative lenders may increase the incidence of difficulty paying the mortgage, rent, and utility bills by 25 percent and double the odds that the household will file for bankruptcy (Melzer, 2011; Skiba & Tobacman, 2011). These statistics are driven partly by a high rate of financial vulnerability among those who use alternative financial services, but researchers have also found that high-interest rates and fees can trap low-income individuals in an endless cycle of debt as they work to pay off the cost of servicing and continue to cover other costs of living. Payday loans, in particular, contribute to ongoing debt: the vast majority of payday loans are rolled over or followed by another payday loan within two weeks (Burke, Lanning, Leary, & Wang, 2014).



Access to Safe and Affordable Banking Products

As will be discussed later, several municipalities have partnered with financial institutions to connect city residents to safe, affordable bank accounts and to develop banking products that can meet unbanked and underbanked residents' needs. But a bank account alone is not enough. Many city residents face more complex barriers preventing them from accessing affordable credit. These barriers reflect broader social challenges and may require solutions that can address these nonfinancial obstacles.

Despite their exorbitant and predatory interest rates, check cashers and payday lenders are often the only providers of small-dollar loans, which are frequently needed by financially vulnerable households. As highlighted in a recent Federal Reserve survey, around 40 percent of all respondents indicated they could not come up with \$400 in an emergency without going into debt (Larrimore, Durante, Park, & Tranfaglia, 2017). Alternative financial service providers are plentiful in low-income urban neighborhoods, making them significantly more accessible to these households than mainstream banks. These providers also offer benefits of

their own: loans can be obtained much more quickly than through traditional banks or lending circles (Frindell, 2018; Servon, 2016).

A widespread dependence on high-cost lenders highlights a significant need for safe and affordable banking services that are more accessible to low-income individuals and other marginalized groups. There are few quality savings products that serve this population, and few safe alternatives for small-dollar lending (Phillips, 2018; UnidosUS, 2018). These loans are particularly in demand among individuals who have potential to build a positive credit history through the borrowing and repayment of small loans (Frindell, 2018). Without a credit history, these individuals are unable to qualify for higher-cost loans at most mainstream financial institutions. The difficulty of building credit history is especially harmful to immigrants, who leave behind their native credit history when they come to the U.S. Immigrants can also be restricted from taking out loans by regulations that require a potential borrower to present a government-issued form of identification. Identification is a particular issue for the estimated 11.1

million undocumented immigrants nationwide, most of whom are concentrated in 20 metropolitan areas (Passel & Cohn, 2017). The New York City metropolitan area, which contains the highest concentration, is home to an estimated 1.15 million undocumented immigrants (Passel & Cohn, 2017).

Other populations face similar difficulties related to identification and qualification for loans from traditional banks. People experiencing homelessness, the formerly incarcerated, youth in the foster system, low-income older adults, transgender individuals, and those with mental illness and disabilities have difficulty accessing or completing applications for government identification, in large part because these applications usually require that the applicant submit at least one other major form of identification (Center for Popular Democracy, 2014; Wilson, 2009). Therefore, lack of government-issued ID can hinder access to mainstream financial products and services, and in turn impede financial capability. The inability to access products for savings and credit harms the potential for financial capability among many in these populations.

Vulnerable Populations

Economic insecurity affects a broad range of city residents, but there are specific groups for whom financial wellness can be particularly difficult to attain. Various systemic and logistical barriers prevent these populations from engaging with mainstream financial services that facilitate positive savings, credit, and asset building.

Immigrants

Immigrants can face significant barriers to mainstream financial services. Many immigrants are among the working poor, with low or inconsistent incomes and little or no credit history. Costs related to legal status changes are high: As of May 2017, there was a \$725 fee for a naturalization application, a \$1,760 fee for a family reunification petition, and a \$660 fee for a reentry permit application (National Council of La Raza, 2017). The cost of these fees has increased by 545 percent in the last two decades (Terry & Lindsay, 2017). To navigate the expensive and confusing process, many immigrant families turn to legal experts and notarios, individuals who represent themselves as legal service providers, particularly around immigration issues but have no such qualification, for assistance.

However, fraud is very common among these service providers. In a survey of 100 immigration practitioners, 70

percent of respondents reported that they had worked with a victim of immigration fraud. Notario scams can cause significant financial hardship for victims. In many cases, fraudulent providers charge their clients thousands of dollars for immigration-related services (e.g. filing documents). But the services are sometimes not rendered or are mischaracterized and have no legal basis. Delays in applying for legal status due to a belief that a notary has done so on a victim's behalf, can threaten the ability of victims to remain in the country. More than 40 percent of survey respondents said that victims had failed to report the fraud in order to avoid jeopardizing their own immigration status (Catholic Legal Immigration Network, Inc., 2017). Practitioners in Denver and Nashville identified the pervasive harm that notarios cause immigrant communities in those cities (Murphy, 2018; Seeley, 2018).

Federal regulatory requirements prohibit those without proper identification from opening bank accounts or accessing credit through traditional financial institutions, and those with limited English proficiency face logistical obstacles to financial inclusion. Trust also poses a major barrier to mainstream financial services for many immigrant populations (Frindell, 2018). Many immigrant groups cannot access financial capability programs or mainstream financial services efforts due to language and cultural barriers; service providers struggle to offer programs, paperwork, and coaching and counseling in the vast array of languages spoken by different immigrant populations, and other cultural barriers may exacerbate the language gap (McKinney, 2018; Pisanont, 2018).



Returning Citizens

Individuals returning to communities after incarceration face significant financial hardship due to high costs of fines and fees in addition to diminished employment opportunities. As a result of policies that over criminalize the poor, an estimated 80 percent of the incarcerated are low-income individuals (Eisen, 2014). The cost of fines and fees related to incarceration is exorbitant, particularly for those who are already financially vulnerable. A 2015 study found that the average debt incurred by court-related fines and fees was \$13,607, and nearly half of all individuals and families involved with the criminal justice system are unable to afford these costs (Ella Baker Center for Human Rights, 2015).

Further, fees charged to access basic needs and services while in prison coupled with extremely low wages paid for work in prison create conditions for increased financial vulnerability upon an individual's return to society. Fees also strain the families of incarcerated persons. A study found that 34 percent of families with an incarcerated member went into debt simply by paying fees for phone calls and visits (Ella Baker Center for Human Rights, 2015). Incarcerated women, who are much more likely than other women or incarcerated men to require medical attention for physical and mental health issues, are forced to pay high costs for medical care while in prison and therefore face amplified stress related to finances. Harner et al. (2017) found that women earned an average of only 42 cents per hour for prison-approved work but were charged five dollars for each medical visit. As a result, 73 percent reported foregoing necessary medical care because of the cost (Harner, Wyant, & Silva, 2017).

Court fines and prison fees pile debt upon those leaving incarceration, but these individuals have more difficulty paying off outstanding debt because they face additional barriers to housing and employment with a criminal record (Bastien, 2018). One study found that 18 percent of families were evicted, denied housing, or disqualified from public housing eligibility when a formerly incarcerated family member returned (Ella Baker Center for Human Rights, 2015). The same study found that more than two-thirds of formerly incarcerated individuals in the same study were still unemployed or underemployed five years after their release. Those able to find employment are also likely to find low-paying jobs: The total earnings of returning citizens were found to be reduced by 2 percent for White men, 6 percent for Latino men, and 9 percent for Black men in 2010 as a result of former incarceration (Barber & Bucknor, 2016; Schmitt & Warner, 2010). The expungement of criminal records can be challenging and costly, and few financial capability programs address this important problem (Murphy, 2018).

Individuals with Disabilities

Those living with disabilities face a number of complex obstacles to financial stability. Members of the disability community are more likely to require costly health care and support services, and many are employed in low-wage or temporary jobs or have difficulty retaining gainful employment (Goodman, Morris, & O'Day, 2017). In many cases, misinformation and asset limits tied to critical benefits like Medicaid and Social Security Disability Insurance (SSDI) discourage people with disabilities from working or attending post-secondary school (Brooks & Davis, 2018). As a result, these individuals have a more difficult time securing crucial building blocks of financial health, like a savings cushion to help protect against pervasive income volatility.

The 2015 National Financial Capability Study found that people with disabilities are more than twice as likely to have difficulty covering expenses and paying bills as those without a disability, and they are more than twice as likely to have past-due medical bills. They are also less likely to be connected to safe, affordable banking products and financial services (Goodman, Morris, & O'Day, 2017). In many existing financial capability programs, direct service providers are not adequately equipped to help individuals with disabilities navigate complex eligibility requirements associated with disability programs. In partnership with the National Disability Institute and the Mayor's Office for People with Disabilities, New York City's OFE is launching a pilot program to address this issue. EmpoweredNYC will provide specialized training to financial counselors so they can provide tailored and high-quality services to New Yorkers with disabilities and their families (Brooks & Davis, 2018).

Veterans

A significant number of those who join the armed forces are financially vulnerable. Many also join for the college tuition benefit that can be earned by veterans of the United States military, because higher education would otherwise be unaffordable (Wood, 2018). Despite this benefit, those who emerge from military service may continue to face financial instability at higher rates than their nonveteran counterparts: nearly one-third of veteran job seekers are underemployed, a rate 15.6 percent higher than nonveteran job seekers (Barrera and Carter, 2017). In Denver, the Department of Veterans Affairs requested a financial coach or counselor specifically trained to work with former armed service members (Seeley, 2018). Yet one practitioner attested that lack of access to financial tools tends to pose a greater challenge to veterans' financial capability than access to knowledge; veterans can identify and want to make prudent financial decisions, but many lack the necessary resources (Wood, 2018).



Existing Interventions

Financial Coaching

Because the effectiveness of financial coaching programs has been well-established through evaluation, the model is universally used by every city with a strong Office of Financial Empowerment (Bogle et al., 2016; Ratcliffe, 2018; Theodos, Simms, Treskon, Stacy, Brash, Emam, Daniels, & Collazos, 2015). Coaching programs are widely available but tend to be used primarily by low- to moderate-income residents, and their potential benefits are myriad. For example, Miami's OFE provides financial coaching to 350 individuals each year and has seen budgets established, savings increased, and credit scores lifted by an average of 150 points (Porro, 2018). Additionally, the model promotes self-efficacy by encouraging clients to define and achieve their own goals (Atkinson, 2014).

Most cities' OFE partners with nonprofits and community-based organizations that already offer direct services to residents. In many cases, these providers are equipped with training in case management and social work that uniquely positions them to address clients' needs more holistically; providers with this training can be extremely helpful in addressing an array of co-occurring challenges (Porro, 2018). San Francisco's



OFE integrates coaching into social service delivery, working with service providers and case managers to strengthen financial and social service outcomes, such as job and housing stability (Kline, 2018).

Cities and nonprofits alike have found that financial coaching can have a greater impact on residents when it is integrated into a variety of other kinds of services that residents already access, including homeless prevention, workforce development, legal services, and services for returning citizens (Kline, 2018; Murphy, 2018). Financial capability is therefore sometimes referred to as a "Supervitamin" for other human services (Cities for Financial Empowerment Fund, 2017; New York City Department of Consumer Affairs, 2013). Capitalizing on this insight, New York City's OFE works with many community-based organizations that offer support programs and social services as host sites for its Financial Empowerment Centers, and provides guidance and technical support to other New York City agencies that integrate financial counseling into their programs, most notably Jobs-Plus and YouthPathways, two of the NYC Human Resource Administration's workforce development initiatives (Brooks & Davis, 2018).

Co-locating financial coaching programs with other city programs is a common practice. Nashville uses its Financial Empowerment Centers for co-located services featuring financial coaching along with a number of nonprofits, including homeless service providers (Murphy, 2018). Baltimore is one of several cities that integrates financial coaching into its tax preparation services (Johnson & McKinney, 2018). In San Antonio, one-on-one financial coaching is integrated into Family Service workforce development programs. Clients receive their financial counseling along with the suite of wraparound services, including case management, child care, and assistance with rent, transportation, and utilities. These amenities help provide participants with the financial stability needed to achieve the goals they set in coaching (Arispe, 2018).



Despite these patterns in the deployment of financial coaching models, programs vary widely in their approach vis-à-vis the duration of the sessions, the range of topics covered, and the training of financial coaches and counselors. Some coaching programs focus on the application of positive financial behaviors, like reducing debt, growing savings, and building credit; some are designed to hone income earning or workforce development skills; and others aim to improve housing security (Brooks & Davis, 2018; Kline, 2018; Seeley, 2018). Coaches come from a variety of backgrounds and are not typically required to meet any accreditation standards. Most programs require coaches to complete training before working with clients; however, because there are no industry standards, training may look very different for different service providers (Atkinson, 2014; Theodos et al., 2015). These differences contribute to varying outcomes across programs and clients, but financial coaching has been found overall to have significant positive impacts on money management, debt, savings, and financial self-efficacy (Theodos et al., 2015).



Bank On

Bank On is a nationwide effort sponsored by the Cities for Financial Empowerment (CFE) Fund. Focusing specifically on the 7 percent of households nationwide who lack access to a bank account and the additional 20 percent of households that have an account that does not meet all of their financial needs, Bank On is designed to connect these unbanked and underbanked populations with useful, safe, and affordable mainstream banking products (Burhouse, Chu, Ernst, Goodstein, & Lloro, 2016). The CFE Fund and its Bank On coalition partners have worked with local, regional, and national financial institutions to create products that meet the Bank On National Account Standards, which are specifically tailored to the needs of these financially vulnerable populations. Bank On also explores strategies that would allow low-income residents to access key services from traditional banks with the same ease with which they can access services from payday lenders and check cashers.

The CFE Fund provides national support to local coalitions, who work to expand banking access locally in more than 75 cities. These cities often use the platform for a local push to connect unbanked or underbanked residents to financial services. Denver infuses Bank On into its regional economic mobility work; in partnership with the city of Boulder, Denver leverages the platform to reduce the number of underbanked households throughout the region (Seeley, 2018). San Francisco is one of many cities that uses its Bank On initiative to work with financial institutions on the development of products that better serve underbanked residents (Erwitt, 2018). To address the lack of safe alternatives to payday lenders for small dollar loans, for example, a revolving loan fund that would facilitate a similar loan product is being explored (Seeley, 2018).

A number of local coalitions use Bank On to launch innovative programs designed to promote access to financial services among specific populations. These programs take many forms, including Summer Youth Employment Programs and re-entry services for the formerly incarcerated.

As previously noted, data from municipal Bank On programs have shown that the model has succeeded in linking city residents to safe, affordable bank accounts. But having a bank account alone does not constitute financial capability. For example, a bank account does not necessarily address access to affordable credit, which has implications for financial stability and wealth-building.

Summer Youth Employment Programs



Summer Youth Employment Programs connect millions of young people nationwide to summer jobs and are designed to encourage positive financial behaviors among youth as they begin to earn paychecks (Consumer Financial Protection Bureau, 2014). Financial education has been found to be most effective when implemented at a relevant point in time, such as when a young person starts their first job, when concepts related to financial management feel useful and can be practiced immediately (Fernandes et al., 2014). A study of 40 summer youth employment programs found that 74 percent of youth participants were low- to moderate-income, and 76 percent were provided with some form of financial training along with employment opportunities (The United States Conference of Mayors, 2016).

With support from the CFE Fund as part of their Summer Jobs Connect initiative, financial training is a key component of Miami's Summer Youth Employment Program.

The program focuses on high-school youth up to age 19, because practitioners found youth under age 19 are less likely to have experience with the finance and banking system, and have not yet established financial habits (Porro, 2018). In addition to one-on-one financial coaching, youth are guided through the process of opening a personal savings account through a partner bank or credit union. These accounts are noncustodial, therefore they do not require a parent or guardian's signature and cannot be accessed by other family members. A mobile DMV unit is enlisted to help students acquire the state-issued identification necessary to open this bank account. Youth participants in the program work for nine weeks for the city or a nonprofit, earning an average of \$2,600. Data from the partner financial institutions demonstrate that many were able to save a significant portion of these wages (Porro, 2018).

This initiative has cast light upon a need for more youth-friendly financial products. Summer Youth Programs tend to steer participants toward free or low-cost checking and savings accounts, and some cities are able to coordinate with local banks and credit unions to connect youth to tailored products. In most cases, however, there is still a general need for products that are easy to use and have no or low fees. Financially vulnerable youth may not have a parent or guardian who has sufficient experience to help navigate the process of opening an account, and fees can create a major barrier to access (McKinney, 2018). An additional barrier is created by regulations that can make it difficult for youth to open accounts: Some financial institutions require parental signatures and/or state-issued identification (Consumer Financial Protection Bureau, 2014).



Re-entry Services

Lansing, Michigan, used a grant from the CFE Fund to promote banking access among returning citizens. Many of the city’s returning citizens did not have a bank account prior to their incarceration, and those who have been incarcerated face extreme difficulty in opening an account after prison due to an account that developed a negative balance while the individual was incarcerated, a lack of proper identification, identity theft during incarceration, and other barriers.

The Bank On 2.0 grant was designed to last two years and help up to 100 returning citizens open new accounts. Rather than simply connecting returning citizens to financial services, the Bank On 2.0 Grant Project incorporated an empowerment model into the process of selecting and opening a bank account: returning citizens were encouraged to interview banks to determine which account is best, rather than accepting what is offered (Paxton, 2018). Although the project has terminated, Lansing’s Office of Financial Empowerment

continues to deliver financial counseling to this population and provide wraparound re-entry services like clothing, housing, insurance, government-issued identification, and job readiness. Through Lansing’s financial counseling program, they assist in opening accounts with Bank On partner institutions (Paxton, 2018).

Additionally, in 2017, Lansing’s OFE applied to be and became the contractor with the state of Michigan for the Offender Success program to offer wraparound services, including housing, health and behavioral health, employment readiness, job placement, and social supports, to high-risk reentry citizens. The program attempts to catch participants in the pre-sentencing stage, then works closely with the parole board and police department throughout the parole, probating, and sentencing stages in order to embed Bank On throughout the criminal justice pipeline.



VITA

The Volunteer Income Tax Assistance (VITA) program offers free tax preparation and filing services to assist low- and moderate-income individuals and families with their annual tax returns (IRS, 2018). VITA is geared toward workers who earn \$54,000 or less per year, persons with disabilities, older adults, and persons who speak limited English. VITA sites are typically operated by nonprofit and community-based organizations in partnership with cities.

Cities’ roles in VITA programming vary; many provide financial and material support such as marketing, personnel, and office space. For example, the city of Philadelphia funds advertising for its VITA grantee leading up to tax time, ensuring that VITA locations and services are well-publicized on the city’s website, on public buses, and through street outreach teams. The

city of Lansing, Michigan, helped to organize its local coalition of VITA preparers over a decade ago and continues to provide grantees with administrative office space and utilities (Prosperity Now, 2011; Prosperity Now, 2017).

City residents who use VITA services benefit by avoiding costly tax preparation fees, enabling them to maximize their annual tax return. For financially vulnerable families, a tax refund, including the Earned Income Tax Credit (EITC), can provide a once-yearly financial boost, enabling them to pay off debts, build savings and begin to plan for a more stable financial future (Office of the Comptroller of the Currency, 2018).

Recognizing VITA’s value as an entry point to additional financial services, cities and their partners have started

thinking about VITA more strategically (Lubell, 2018; McKinney & Johnson, 2018). Clients seek VITA services at a moment when they are open and seeking financial advice (McKinney & Johnson, 2018). The process of completing a tax return enables a client to build a trusted relationship with an expert who is well-positioned to advise them on future financial transactions. In Baltimore and surrounding areas, CASH Campaign of Maryland is building additional services into their VITA programming (McKinney & Johnson, 2018). By co-locating legal support or offering warm referrals to trusted legal services, CASH Campaign of Maryland supports clients' need for assistance around more complicated transactions such as starting a business or bankruptcy.

Empowerment is another important benefit of VITA programming. Navigating the financial landscape is challenging, even for English-speakers and those who are familiar with the domestic banking system. VITA programs give people a sense of control over their financial lives. Clients leave with a complete set of documents and information that can be used toward the next set of transactions, towards building economic stability and mobility (McKinney & Johnson, 2018).



Asset-Building and Matched Savings

Financial assets are important to financial stability, and assets have implications for economic mobility. Research shows that economically stable families are better prepared to manage economic shocks, and therefore can focus on future-oriented activities rather than focusing on day-to-day events (Lewis, O'Brien, Jones-Layman, O'Neill, & Elliott, 2017). For city leaders, promoting financial stability is important because financially stable residents contribute to the local economy and are well-positioned to support future economic growth (An Evaluation of Financial Empowerment Centers, 2017). In addition, a growing body of research finds an association between financial stability specifically having assets and nonfinancial indicators of household well-being (Wolf et al., 2015).

Traditionally, asset building has been focused on long-term savings such as homeownership or building retirement savings (Municipal Financial Empowerment: A Supersupplement for Public Programs, 2013). While this type of asset building is supported through the federal tax code, these types of assets may not be attainable for low- or moderate-income families. Therefore, families that could benefit the most from asset-building activities have not been able to access the same opportunities that are available to higher-income households.

Given the likelihood of income disruptions or unplanned expenses, low- and moderate-income families struggling to make ends meet are particularly vulnerable to financial shocks (Sandstrom and Huerta, 2013; Servon, 2018). What starts as a minor setback, such as a late bill payment, can spiral into a long-term financial issue, like damaged credit. But research shows that modest savings can prevent families from experiencing hardships such as missing rent or mortgage payments, late utility payments, delaying or avoiding medical care, going without food or incurring debt when an emergency occurs (McKernan et al., 2016).

Families who have saved between \$250 and \$750 are less likely to suffer such hardships, yet a recent Federal Reserve survey estimated that nearly half of all families could not come up with \$400 in the event of an emergency (Larrimore et al., 2017). When a financial emergency does occur, savings can be even more important than income. Research finds that low-income families with at least \$2,000 in savings are less likely to experience hardship than middle-income families with no savings (McKernan et al., 2016).

In 2011, New York City launched \$aveNYC, a matched savings program targeted toward low- and moderate-income taxpayers at tax time, which was later replicated in four cities as a rigorous randomized control trial through a Social Innovation Fund grant as Save USA (CFE Fund, 2016). The program was available to city residents who accessed tax preparation services at selected VITA sites (Municipal Financial Empowerment: A Supervitamin for Public Programs, 2013). Participants who saved a minimum of \$200 of their tax return until February 1 of the following year were eligible for a 50 percent match; participants could receive a maximum match of \$500. Participants were not prevented from accessing their savings before the target date; however, they were ineligible for the match if they withdrew funds ahead of time.

A preliminary evaluation of \$aveNYC confirmed that low-income families are willing and capable of saving money and that many used their savings to pay for household expenses, reduce debt, or cover the cost of unexpected expenses (Municipal Financial Empowerment: A Supervitamin for Public Programs,

2013). Further, those who did withdraw funds early were typically driven to do so by financial hardship such as unemployment (Municipal Financial Empowerment: A Supervitamin for Public Programs, 2013). Even among those who did not receive the savings match due to early withdrawals, savings were a source of funds that might not otherwise have been available, protecting some families from incurring debt or material hardship. Further, the pilot showed that tax preparation services and tax refunds can be important as a savings tool.

Financial assets are also associated with positive nonfinancial outcomes, such as future-oriented thinking and positive educational outcomes for youth. Research shows that children who have educational savings accounts with a balance as low as a couple hundred dollars are more likely to attend college and more likely to graduate (Kline, 2018). These outcomes are linked to psychological benefits; savings can activate the motivation to attend college and enable youth and their families to see themselves as people who save for college (Lewis et al., 2017).



Recognizing these potential benefits, San Francisco implemented the Kindergarten to College (K2C) initiative, a universal savings program for each incoming kindergartener enrolled in the public school system (Kline, 2018). Each new K2C account is funded with \$50 in seed money and families are offered opportunities to earn an additional \$90 in incentives by contributing to their account and registering online. The opt-out enrollment process has been identified as an important component of the model. It avoids a common barrier to saving, the disconnect between parents' intention to save and their ability to act on it (Kline, 2018). San Francisco city leaders have committed to funding this program and have allocated more than \$1 million annually for deposits and basic program staffing. The city is seeking to leverage its investment by attracting support from private philanthropy. Since K2C was established in 2011, several other cities have used the model to develop similar programs (Copeland, 2017).

FinTech

Technology plays an increasingly important role in the financial services industry; the use of mobile banking among U.S. households, for instance, rose from 55 percent in 2013 to 60 percent in 2015 (Burhouse et al., 2016). Financial technology, or fintech, is empowering users to manage money in novel ways that can be more affordable and convenient than traditional banking services. Additionally, fintech solutions have the potential to scale, thus impacting more people, without costing municipalities and nonprofit partners fees for overhead, staffing, and program materials (Sledge, 2018).

Increasingly, banks, funding networks, and think tanks are partnering with entrepreneurs to build fintech with the potential to address barriers faced by the financially vulnerable (Gorham & Dorrance, 2017; Sledge & Griffin, 2016). As an example, an app called Even helps the working poor cope with the income fluctuations that are common among low-paying jobs. The product offers an income boost to the worker during a low-wage week, which the worker then repays during a high-wage week. Because the product is subscription-based, there is no incentive for Even to keep its clients in debt, making the tool safer than payday lenders that accomplish a similar goal (Ogden & Morduch, 2017).

EARN is a nonprofit that leverages technology to encourage members to build financial stability by creating a regular habit of savings. Based in San Francisco, EARN's SaverLife.org platform rewards users as they build their savings. To date, over 110,000 people have joined SaverLife.org to increase their savings (Phillips, 2018). For every month users save \$20, EARN

matches their savings with \$10 (EARN, n.d.). Within SaverLife, EARN sponsors Savers Win, a tax-time initiative that incentivizes app users to save their tax refund for the chance to win up to \$25,000 in prizes (EARN, n.d.) In addition to its regular services, the platform provides initiatives designed to improve overall financial health. SaverLife, which is available to anyone over the age of 18, marries weekly financial coaching via the app with a rewards program for increasing savings (Phillips, 2018).



Additionally, families in need of Supplemental Nutrition Assistance Program (SNAP) benefits can receive guidance from FreshEBT, a tool that allows them to track the balance and transactions of their food stamps. Although research finds that SNAP recipients are not receiving nearly enough assistance on average—more than 80 percent of recipients run out of funds in the first nine days of the month—use of FreshEBT proved to help 80 percent of users extend the funds by an additional two days (De La Rosa & Chen, 2017).

MyPath, a national organization committed to increasing economic opportunities for low-income youth, is designed with the end-user in mind. The platform, which includes a web-based app, addresses the financial needs of youth aged 16 to 24 earning their first paychecks, often as part of a summer youth employment program (MyPath, n.d.). To maximize enrollment and engagement, the app includes youth-friendly and interactive goal setting, as well as access to savings and checking accounts that meet the National Youth Banking Standards (Business Wire, 2017).

Some fintech startups are looking to other place-based actors, like schools, employers, and municipal service providers, to effectively channel fintech to the financially vulnerable. Capway, an app that provides financial education and will soon offer a prepaid debit card, bank-issued debit cards, and savings challenges, is

leveraging an array of localized actors to deploy its services. Capway's model involves partnering with schools, employers, financial institutions, and community-based organizations and creating a tailored program within the app specifically for the market's constituents (Capway, n.d.).

Employer-based financial tools have been widely explored, but there remains some question of whether this channel would only benefit the stably employed or those employed by firms willing to make the extra effort to facilitate fintech adoption (Thomas, 2018). Platforms that are easy to implement and provide equal benefit to employers may, therefore, hold the most promise. Alice, for example, is an employer-based benefits tool that facilitates pre-tax spending on qualified expenses, like child care, health care, and public transportation (Alice,

n.d.). The platform automatically finds eligible expenses on the employee's connected credit or debit card, then adds the tax-free amount to the employee's paycheck and allows the employer to reduce payroll taxes. A startup called Token Transit is using local transit authorities to reach its intended user base. The platform allows riders to purchase and use public transit fares on their smartphone; riders who cannot afford the upfront cost of a money-saving monthly pass can pay their fare in single increments until they have paid the full cost of a pass, then ride for free for the rest of the month (Token Transit, 2017). Because the app reduces costs and increases convenience for riders and transit authorities alike, the authorities are incentivized to help scale the innovation by implementing the platform and promoting engagement among riders.



Debt Repayment Solutions

Financial capability implies the power to cover expenses and plan ahead, thereby facilitating access to critical financial products and services, including debt repayment (Birkenmaier, Sherraden, Frey, Callahan, & Santiago, 2016; Consumer Financial Protection Bureau, 2014; FINRA, 2016; Miller, Reichelstein, Salas, & Zia, 2014). An estimated 25 percent of the adult population in America is behind on debt payments for at least one account. Nearly 15 percent of those in debt are more than 90 days late on one or more account (Prosperity Now, 2018). Although this debt is generated from a range of sources, experts in the field identified fees and fines, utility payments, and college loans as the forms of debt that are within their purview to address. To that end, municipal agencies and their nonprofit partners are deploying debt repayment initiatives and advocating for policy changes to mitigate the effects and improve the overall financial outlook of residents.

Fees and Fines

The San Francisco Treasurer's Office, for instance, is working to curb fees and fines levied on marginalized groups. In the wake of social upheaval in Ferguson, Missouri, and the ensuing DOJ report (United States Department of Justice Civil Rights Division, 2015), San Francisco launched the Financial Justice Project, housed within the Office of the Treasurer. This initiative is designed to "assess and reform" how monetary judgments impact San Francisco's most vulnerable residents (The Financial Justice Project, n.d.), recognizing that government programs and courts too often levy fines on people, partly to balance public budgets, which can have the unintended consequences of pushing people into poverty (The Financial Justice Project, n.d.). The project promotes economic opportunity by advancing reforms to fines, fees, and systems that decrease the debt and financial burden for low-income families, remove significant barriers to success, help low-income families preserve assets, and ensure consequences are based on people's ability to pay. The goal is to identify the fees and fines that most affect residents while generating little gain for the government (Brown, 2018).

For instance, more than 4 million Californians, 17 percent of California adults, had their driver's license suspended as punishment for not paying fees and fines for unpaid traffic tickets, missed court dates, or delayed payments (Brown, 2018). Research shows that more than 40 percent of people who have their license suspended ultimately lose their jobs. PolicyLink is part of a coalition that has successfully sponsored a bill in the state of California to end the practice of suspending driver's licenses for minor offenses or unpaid fees and fines (Bastien, 2018), and the Financial Justice Project continues to work with the San Francisco Superior Court to reinstate all suspended licenses.

Many low-income San Franciscans also struggle to pay for high-cost transportation fines and fees. Fines and fees such as parking tickets, towing fees, and boot fees start small but quickly snowball to several hundred dollars with late fees and penalties. On average, it costs San Franciscans \$550 to get their car back when it is towed. Left unpaid, these tickets can result in the loss of a car, often a low-income person's only asset. Ten percent of cars are never retrieved from the tow lot in San Francisco, presumably because the owners cannot afford to get them out. Thanks to reforms passed in 2018, fewer lower-income San Franciscans will have to make this choice. San Francisco's local transit agency now offers reduced rates based on ability to pay. It reduced boot and tow fees by more than 50 percent for people below 200 percent of the Federal Poverty Level, and created new, low-income payment plans and community service options (Brown, 2018).

Returning citizens face an array of administrative fees, including fees for fingerprinting, report fees, and monthly fees to cover the cost of probation. These fees can add up to thousands of dollars per person. These fees are not intended to be punitive; rather, they are intended to recover the cost of criminal justice services. When these fees cannot be paid, they generate debt, resulting in wage garnishment, bank levies, and significant barriers to reentry. Yet less than 20 percent of this debt is ever collected (Brown, 2018). In light of this research, San Francisco became the first county in California to eliminate all local criminal justice administrative fees in 2018. After the legislation passed, San Francisco officially discharged more than \$32.7 million in debt stemming from these fees that loomed over 21,000 people (Brown, 2018).

Through a collaborative effort of the District Attorney and the San Francisco Superior Court, people struggling with homelessness can clear their quality of life citations if they receive 20 hours of social services help. Citations for offenses like sleeping or camping where it is prohibited

are often given to homeless individuals. The tickets start at \$200 and grow to nearly \$500 when people are unable to pay them. A recent survey found that 90 percent of people experiencing homelessness are unable to pay the fines, which can create barriers to employment and housing (Brown, 2018).

In light of these findings, the San Francisco-based Financial Justice Project released a set of recommendations and is working to implement them, in partnership with other city agencies and programs. They work to advance a range of reforms depending on the goal of the fine or fee, and the population that receives it. In some cases, the solution might be to base a fine or fee on ability to pay. In other cases, the Financial Justice Project works with departments to offer a pathway to accountability that does not require money. And in some cases, reforms include eliminating fees that are intended to generate revenue for the city but are largely charged to low-income people (Brown, 2018).

In addition to city-sponsored initiatives, grassroots efforts have also emerged. In 2016, a coalition of nonprofits in the Bay Area created Debt Free San Francisco, a coalition working to eliminate the impacts of court-ordered debt on the city's most vulnerable communities (Desai, 2016). The coalition has identified goals it seeks to achieve, including the elimination of license suspensions for unpaid fees and fines; clearing of past debt and dismissal of court-ordered fees and fines for low-income individuals; and providing alternatives to full, lump-sum payments (Desai, 2016).

Utility Payments

Utility payments for gas, water, and electric were also cited as a significant source of debt for low-income residents. Recognizing an opportunity to pay down debt through utilities, in 2014 the National League of Cities launched Local Interventions for Financial Empowerment through Utility Payments or LIFT-UP. This two-year pilot was conducted in five cities: Savannah, Georgia; St. Petersburg, Florida; Louisville, Kentucky; Newark, New Jersey; and Houston, Texas (Belser, 2018). Each participating municipality owned and operated their water utilities and were affected by debt generated by unpaid bills (National League of Cities, 2016). In fact, in 2013 more than 116,000 Houston residents were

delinquent on water bills with the city, generating almost \$60 million in overdue water bills, almost \$500 per person (Zinn, 2016)

LIFT-UP was designed to help cities recoup lost revenue from unpaid bills while connecting residents behind on payments to financial empowerment services (National League of Cities, 2016). Residents were offered free one-on-one financial coaching sessions during which coaches helped them restructure their payment plans (Belser, 2018). LIFT-UP funded incentives such as reduced or waived fees, extensions on water shutoffs, and one-time credits to accounts to provide participants with some immediate assistance. To encourage on-time payments, cities provided reminders through calls and text messages that also boosted financial knowledge and motivated their long-term debt-reduction goals (National League of Cities, 2016).

At the end of the two-year pilot, the National League of Cities, in partnership with the Center for Financial Security in Madison, Wisconsin, conducted an evaluation of LIFT-UP (Belser, 2018). The results showed positive results for participating cities. For instance, in St. Petersburg, residents saved an average of \$140 by avoiding late fees and experienced a 53 percent decrease in the likelihood of having their services terminated (National League of Cities, 2016). In Houston, 64 percent of participating households were more likely to pay their bills more frequently and had lower utility bills of \$170 on average (National League of Cities, 2016).

Student Debt

Student debt generated by college loans is also a persistent challenge and one that cities are increasingly beginning to address through debt-repayment programs and new policies. Although few cities have targeted programs, existing financial capability initiatives are available to support residents. In Denver, for instance, city officials are among the most frequent users of the Office of Financial Empowerment's Financial Coaching programs, citing college loans and student debt as the main reason for using the services (Seeley, 2018). The city is also working to pass a loan repayment program for city employees to both reduce the burden and incentivize talent to choose public service careers (Seeley, 2018).

In 2015, the state of Washington passed the College Affordability Program, which sought to address student debt by going to the heart of the problem: the cost of tuition. The act lowered tuition at state colleges by 5



percent and 10 percent over the 2015 and 2016 academic years for a total of 15 percent reduction (College Affordability Program, 2018). As city and state legislatures increasingly recognize the burden of student debt on low-wage workers, whose earnings perpetuate the effects of loans, they are making some adjustments to this program. Beginning in the 2017 academic year, annual tuition for state colleges will not increase by more than the state's annual growth in median hourly wages (College Affordability Program, 2018).

In Maryland, the College Affordability Act, which passed in 2016, provides a personal income tax credit for student loan debt relief (Maryland Personal Income Tax: College Affordability Act Enacted, 2016). The state set aside \$5 million for this initiative, and it will increase its investment to \$10 million (McKinney, 2018). Students with at least \$20,000 in undergraduate student debt and at least \$5,000 in unpaid loans qualify for a credit of up to \$5,000 (Maryland Personal Income Tax: College Affordability Act Enacted, 2016). Through the act, the state also matches \$250 annually to cover tuition costs. Recognizing the extent to which student debt disproportionately impacts low-income and minority students, higher match amounts are provided to low-income participants (McKinney, 2018).

In Tennessee, attempts to address issues of class and racial inequity resulted in the Tennessee Promise program, a commitment by the governor to cover five semesters of tuition for students enrolled in community colleges (Tennessee Promise, n.d.). The program, which launched in 2014, is focused on attainment; graduation rates have increased by almost 60 percent (Siner, 2018). Although the focus is not on debt repayment, it levels the playing field as fewer students rack up debt (Siner, 2018).

Valuable Insights

Lack of a universal standard for financial coaching and counseling creates inconsistencies in quality of services

As a model, financial coaching and counseling have been widely replicated. It is among the most promising strategies to meet the financial needs of low- to moderate-income residents, largely because of its ability to address the individual needs of clients through a portfolio of tools and skills that both increase awareness of available tools and resources and motivate them to make lasting changes in their financial lives (Linkow, 2016). However, the lack of consistent training and tailoring of services has led to concerns in the field over the quality of services offered by financial coaching and counseling programs. To date, both of these types of programs lack regulated certification standards that ensure staff is delivering consistent and high-quality services (Young, 2018).

Although most programs require coaches and counselors to complete some training, they come from a variety of backgrounds and typically do not have to meet any accreditation standards. (Atkinson, 2014; Theodos et al., 2015). Experts in the field attribute this oversight to the lack of consensus on the definition of financial coaching and counseling. References to financial counselors, coaches, and case managers are often used interchangeably, despite different profiles, training, and purposes (Young, 2018). Broadly, financial counseling refers to practitioner-driven services where the provider acts as a teacher or adviser by addressing specific issues. Financial coaching, on the other hand, is client-driven. By providing guidance, tools, and accountability, coaches empower clients to define their personal financial goals and develop actionable strategies to achieve them (NeighborWorks America, 2014).

The CFE Fund's FEC Public program takes the Financial Empowerment Center financial counseling model originally developed by New York City's OFE and replicates the program. The program requires that partners train counselors in accordance with detailed Counselor Training Standards, often delivered through local community colleges or national training providers and supplemented with ongoing professional development (Cities for Financial Empowerment Fund, 2017). By contrast, NeighborWorks, a nonprofit that designs training for financial coaching programs, relies less on content expertise and more on using "specific techniques and approaches", such as brainstorming solutions and reframing client perspectives, that are grounded in real-world application and ongoing feedback (Linkow, 2016).

Miami's Financial Capability Collaborative employed yet another model to address uniformity and competencies in services. The collaborative, a partnership between United Way of Miami-Dade, the city of Miami, and local nonprofits Branches and Catalyst, was designed to improve the quality of services including financial coaching informed by expertise of each individual organization (Benvenides, 2018). Although this strategy provides much-needed cultural competency, particularly in areas with large immigrant communities, such as Miami and San Antonio, it also leads to "inconsistencies in execution in the field," risking the long-term success of programs (Codday et al., 2016).

Some experts associate the difficulty of crafting universal standards with the challenge of recruiting appropriate staff; programs struggle to find counselors and coaches that have the capacity to perform at both the social services and financial management level (Hatcher-Mays, 2016). Yet this is exactly what Denver's OFE hopes to achieve: According to staff, their existing training curriculum is limited and over-specialized. In partnership with the Financial Health Institute, they are redesigning their training through a behavioral economics lens to marry the skills and expertise of social workers and financial planners in their financial coaches (Seeley, 2018).

By contrast, cities adhering to the CFE Fund's model hire counselors based on their aptitude for working with low-income populations or cultural competency in addition to a background in financial services (Cities for Financial Empowerment Fund, 2017). In fact, Miami's Financial Empowerment Center, one of the first cities to reproduce the CFE Fund's financial counseling model,



selects counselors based on their training in social work, in addition to financial knowledge. In their experience, hiring counselors with backgrounds exclusively in financial management leads to fewer positive outcomes (Porro, 2018).

The variation in background, training, and accreditation creates a need for professionalizing the field of financial coaching. Leaders in design and implementation of financial coaching programs are advocating for standards that would further professionalize coaches. In fact, in 2018, the CFE Fund released Counselor Training Standards and Code of Ethics in an effort to continue professionalizing the field (Cities for Financial Empowerment Fund, 2018).

Some experts, for instance, see the need for including greater supervision that would help coaches manage professional and ethical issues that come up in one-on-one sessions (O'Rourke et al., 2012). To that end, as of 2018, Denver was working to create a training consortium that would specify a curriculum and evaluation standards with other CFE coalition members, including Lansing, Michigan, and Nashville, Tennessee (Seeley, 2018). Although the consortium has struggled to secure funding, these cities continue to pursue this effort in an effort to train more qualified financial coaches and counselors (Seeley, 2018).

Similarly, in 2016, United Way of Miami-Dade received a \$300,000 grant from JPMorgan Chase & Co. to fund the Financial Capability Academy ("the Academy"), a center that provides ongoing professional development for practitioners in the field (United Way of Miami-Dade, 2016). Described as an informal learning platform for providers, the Academy facilitates quarterly meetings and training that encourage organizations to collaborate as they create new content (United Way of Miami-Dade, 2018). The goal is to ensure that financial coaches and service providers stay on the cutting edge of advancements to further professionalize the field (United Way of Miami-Dade, 2016).

Financial Health Institute

Denver, Colorado

In 2012, in response to concern that existing financial coaching curricula was neither resonating with coaches nor addressing the needs of clients, the Financial Health Institute (FHI) partnered with Denver's Office of Financial Empowerment to reimagine the training they provided to the city's financial coaches. Using a research-based approach, FHI developed a curriculum rooted in behavioral economics. The training, a year-long integrated learning program, blends the principles of behavioral economics, psychology, neuroscience, sociology, and adult learning with traditional financial literacy. Recognizing that learning is an iterative process, FHI's program provides ongoing training and support beyond a two-day intensive course through online webinars and virtual learning platforms. The classes are updated regularly to reflect changes in research and to respond to the needs identified by professionals.

Unlike standard training, this blended approach to financial coaching starts with the individual first and then moves onto an assessment of their economic conditions. Specifically, this interdisciplinary program is designed to engage social workers who are trained to work with clients on a range of personal and sensitive topics. In FHI's experience, clients want help addressing their financial challenges, but the services to which they have access are not necessarily geared toward solving these problems. According to FHI, social workers' human-centered approach to care positions them to discuss their clients' economic challenges. The goal is to equip case managers to navigate the financial landscape, which is frequently intertwined with other systemic issues facing their clients.

To that end, FHI and Denver's OFE have partnered with the Metropolitan State University Continuing Education Unit to recruit participants in the social work track. Furthermore, recognizing the need for widespread buy-in, FHI offers customized subscription payments for municipal agencies to keep costs low and incentivize participation in the training. This allows the training to be embedded into city organizations. Although mPowered, a nonprofit contractor with the city, trains all the city's coaches, FHI trains all the city case managers, leadership, and human services personnel. Currently, FHI has 60 organizations participating in their programs across the region; they are working toward engaging 200 across the country.

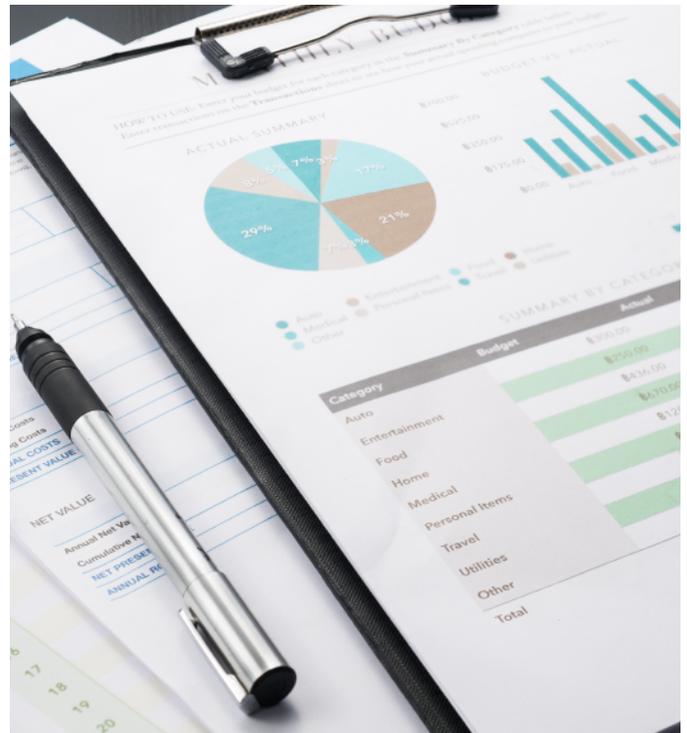
Access to data to inform and improve programming is critical, yet challenging

Although the definitions of financial capability differ tremendously, and the range of program objectives also varies, the role of data to inform and develop the field is consistently highlighted as the key to its success. Yet the collection of and the access to data remains challenging across the board. Data privacy is at the forefront of this challenge particularly for fintech companies, which collect large volumes of sensitive data on their customers for the purpose of better marketing products, or tracking the success of their services. Although fintech firms are subject to a select number of federal regulations, they are not regulated by a federal banking regulatory agency, which makes their access to data problematic vis-à-vis data privacy laws (Ng, 2018).

In turn, nebulous privacy laws have an impact on establishing data ownership. Currently, privacy laws are unclear as to whether the consumer, the bank, or the fintech provider are owners of the data generated through the use of the product or service (Phillips, 2018). This is particularly true of apps or web-based platforms that share data with financial institutions. For EARN, whose fintech platform incentivizes savings accounts through a matched-savings program, data ownership poses a challenge for product evaluations or future iterations of the services they provide (Phillips, 2018). As data ownership and privacy continue to be threatened by breaches in cybersecurity, this also discourages financial capability service providers from recommending their clients use fintech solutions to manage their finances (Brown, 2018).

Even where data ownership is not a concern, accessing financial data requires numerous consents from the companies and consumers in possession of the data, which can delay evaluations, causing the data to become outdated (Consumer Financial Protection Bureau, 2014). In Denver, the partnership between Mi Casa, mPowered, and Guaranty Bank leans heavily on a shared-data system, which enables each member of the team to better guide clients through the network of services. However, as a financial institution, Guaranty Bank faces additional barriers to data sharing per FDIC regulation (Martinez, 2018).

Program evaluators noted that research requiring access to credit bureau data is often the most complicated. According to the CFPB, it is increasingly standard practice for financial capability programs to review individual credit reports to understand the effectiveness of products and services, especially as they relate to credit (Consumer Financial Protection Bureau, 2014).



However, requesting data of credit bureaus is often a lengthy process, particularly for city agencies and partners seeking independent evaluations of their programs, which gives third parties access to sensitive information (Lubell, 2018).

Jeff Lubell, Director of Housing and Community Initiatives at Abt Associates, recalled that evaluations of HUD's Family Self Sufficiency (FSS) programs were complicated by the inability to access credit score and credit report data for housing assistance recipients in jurisdictions they wished to use as comparison groups: these scores were not included in HUD administrative data, and Abt Associates did not have consent forms from the comparison groups (Lubell, 2018). Ultimately, Lubell and his team worked with Experian Credit Bureau and FICO to create a synthetic comparison group to use to benchmark changes in scores over time for FSS households that were part of the study (Lubell, 2018). Although workarounds exist, these limitations in the data mean that results of studies are not always replicable.

The Financial Capability Collaborative, a partnership between the city of Miami and nonprofits United Way of Miami-Dade, Catalyst Miami, and Branches, attempted to standardize data collection to better understand the impact of financial capability programs and scale the initiatives (United Way of Miami-Dade, 2018). The collaborative, which was the product of a \$20,000 grant from Prosperity Now in 2014, created an integrated data

collection and data management system under the hypothesis that it would lead to better service outcomes (Catalyst Miami, 2018). Together, these organizations tracked the number of people served, referrals from partners, and the outcomes of financial programs, including income, savings, credit, and debt amounts (United Way of Miami-Dade, 2018).

They also had to come to an agreement on how key terms and concepts were defined, including which credit reporting agency was to be used and how to differentiate between “good” and “bad” debt (United Way of Miami-Dade, 2018).

Another significant challenge regarding data collection and management was the use of technology. Each organization used different platforms, which complicated the integration of data systems (United Way of Miami-Dade, 2018). In response, the Collaborative began using Change Machine, a data-management system created by the Financial Clinic and also used by Denver’s Office of Financial Empowerment and local nonprofits (Seeley, 2018). Change Machine is designed to overcome technology barriers through a platform that facilitates database sharing. However, challenges persist. Although the collaborative was instrumental in reaching a consensus on the most critical financial capability areas that merit data collection and analysis, each organization has a different area of focus, meaning data collection and use is not standardized across organizations (Catalyst Miami, 2018).



Service Continuum

Miami, Florida

The city of Miami approaches financial capability through a continuum of services that serve residents at every age and stage of life. The suite of programming was developed through a collaborative consisting of three local nonprofit organizations, United Way of Miami-Dade, Catalyst Miami, and Branches, in partnership with the city of Miami.

Miami’s ACCESS framework, which stands for Assets Capital Community Savings and Success, is the city’s guiding strategy. Miami’s comprehensive approach ranges from connecting families in crisis to public benefits, to financial counseling that helps residents reach financial stability and build wealth. Youth engagement is a priority for Miami. The city’s Summer Youth Employment program pairs professional work experience with financial coaching, helping youth build positive financial habits early on.

United Way of Miami-Dade initially served as a coordinating entity bringing financial capability partners together. The collaborative identified redundant services and underserved areas, developed shared protocols for better coordination, and established quality standards for programming. Each nonprofit partner offers programs tailored to serve specific populations, though clients can access services through any agency and receive the same high-quality service.

Catalyst Miami focuses on low-income individuals and families. Its programming is geared toward meeting clients’ immediate financial needs such as tax preparation, small-dollar loans, and enrollment in public benefit programs. Catalyst also works with clients on saving and credit building, laying the foundation for financial wellness.

Branches’ programming has a comprehensive financial wellness approach to financial stability. Programs include financial education and coaching for children, youth, and adults, small business development, free tax preparation services, reliable transportation solutions, and public benefit screenings. Branches’ 2Gen curriculum, based on ASPEN’s Two-Generation approach, begins with basic lessons geared towards kindergarten-age children and intensifies through college-age youth, covering relevant topics at each stage of life. The goal is to engage students and their families in the learning and coaching program continuum. The organization supports asset building and asset preservation, helping clients achieve long-term financial goals.

Empowerment

Financial capability programs aim to help clients gain and utilize knowledge and experience needed to improve their economic circumstances (Birkenmaier, Sherraden, Jacobson Frey, Callahan, & Santiago, 2016). Emerging evidence suggests that interventions that both address clients' self-efficacy and help clients build financial knowledge and experience are more effective than those that do not deal with internal capabilities (Birkenmaier, Sherraden, Jacobson Frey, et al., 2016). Several cities have adopted a philosophy of self-efficacy or empowerment, and specifically orient service delivery around empowering clients.

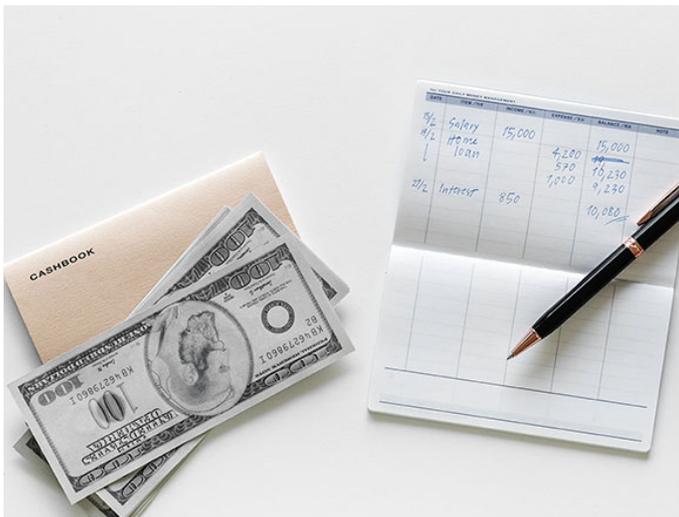


VITA

Tax preparation services have potential to empower clients as they take steps toward economic stability and mobility. VITA pairs clients with experts who assist with tax returns, enabling clients to gain knowledge and experience about the process. This practice gives clients a sense of control over understanding their tax forms and the information used to prepare them. Further, clients who successfully complete their returns receive a complete set of financial documents. As a result, they leave better prepared to manage future financial decisions and transactions (McKinney & Johnson, 2018). Some VITA sites are incorporating complementary services, such as legal aid, to help newly empowered clients take the next steps toward meeting their financial goals.

Bank On

Lansing, Michigan's Bank On program is oriented toward helping target populations develop the tools and experience needed to manage their own financial decisions. Returning citizens enrolled in the program interview financial institutions to understand which products and services are best suited for their needs. This approach is designed to give clients control over their own decisions, which few experienced while incarcerated.



Professionalizing Financial Coaching Services

Professionalism is an underlying principle of United Way of Miami-Dade's service delivery (Benavides, 2018). The agency aims to prepare clients for future professional interactions by conveying what will be expected of them. Similar to the Financial Empowerment Centers operated by New York City's OFE, clients are required to make appointments for their coaching sessions, as they would for a paid service. This approach also creates a more professional environment, encourages clients to take their sessions more seriously, and helps to reinforce expectations around other professional services (Benavides, 2018). As part of its Financial Empowerment Center work, the CFE Fund is also leading an industry-wide collaborative effort to advance the professionalization of financial counseling and coaching for those with low incomes, convening expert stakeholders to share perspectives as well as developing Counselor Training Standards and a Counselor Code of Ethics (Cities for Financial Empowerment Fund, 2018).

Preparing Clients for Major Purchases

Branches operates a purchasing program to support clients who seek to buy vehicles. Clients receive traditional coaching services, such as assistance with reducing debt and improving credit, in order to qualify for more favorable loan terms. Clients are also counseled about the cost of ownership beyond the vehicle purchase price (e.g. insurance, maintenance, registration and related fees) and the responsibility of vehicle ownership (e.g. liability concerns). Clients who successfully complete the program are connected to approved lenders and can receive support around financing decisions. This program ultimately prepares clients for future financial investments, such as home buying.

Support from city leadership is critical for the success of financial capability efforts

Buy-in from city agencies is critical to establishing streamlined services that can address various challenges affecting families' financial conditions. Designating a city official to lead efforts and creating a structured home within the government creates a culture of financial capability across internal and external partners.



Services

In Denver, the OFE coordinates programs and initiatives addressing barriers related to health, transportation, housing, jobs and entrepreneurship, and child care to help individuals and families stabilize (Seeley & Salas, 2018). The OFE is organized into six major areas including Financial Empowerment Centers, Bank On, the Financial Empowerment Training Network, a Regional Economic Mobility Network that brings together public and private partners to coordinate services and address gaps, the Innovation Hub to test new strategies, and the Consumer Financial Protection Division. This coordinated approach makes economic mobility a priority citywide and brings together leaders from the public and private sector to develop innovative solutions.

In Nashville, the mayor created an Economic Inclusion Advisory Committee to study economic conditions and recommend short-, medium- and long-term actions the city could take to improve the financial well-being of all city residents (Economic Inclusion, Nashville Mayor's Office of Resilience, n.d.). The initiative was developed in response to recent economic growth in the region, the recognition that not all Nashville residents shared in the benefits, and the acknowledgment that financial instability poses a threat to future economic development. The advisory committee's recommendations included integrating financial empowerment services into social services offered to vulnerable populations, enabling the City to more effectively serve clients.

Building Capacity Among Nonprofit Partners

The need to build capacity among nonprofit partners to deliver financial capability programming is a challenge in several cities. While Nashville is home to nearly 3,000 community-based and nonprofit organizations, these organizations vary in their capacity to deliver financial empowerment services (Economic Inclusion, Nashville Mayor's Office of Resilience, n.d.). To meet the need for personnel to deliver financial capability services, the city developed a professional development and mentoring program for social service providers and community-based organizations to train financial counselors and support staff. The city also developed a steering committee to develop standards for assessing financial empowerment programming across agencies, ensuring consistency and high quality across programs.

Funding

Not all cities can allocate funding to launch financial capability programming. However, cities can play a pivotal role in convening partners that can contribute funds or incubate programs. For nonprofit partners, city involvement provides leverage that may translate to financial support from local philanthropy. In Miami, financial capability services are provided by a collaborative composed of three agencies. Although United Way of Miami-Dade played a coordinating role and Prosperity Now provided initial funding, the city of Miami was a key partner along with Branches and Catalyst of Miami (Benavides, 2018).

Integrating financial capability services improves program outcomes

Increasingly, practitioners across other service sectors have shown interest in integrating financial capability components into existing social services rather than creating stand-alone programs. By folding financial empowerment tools and resources within housing, education, and community health centers, professionals can extend the reach and overall impact of these programs (Prosperity Now, 2018). Although financial capability resources can be integrated into other services in myriad ways, there is one purpose: to address central and tangential barriers families face in achieving financial stability (Prosperity Now, 2018).

Interviews with experts revealed the extent to which municipalities are committed to integrating financial capability programs within other city services. In some instances, cities and partner organizations strive to diversify the skills of existing talent; in other cases, they develop partnerships to leverage the expertise of other entities. Denver, for instance, is developing internal capacity to embed financial capability tools into existing services. Specifically, the OFE, in partnership with the Financial Health Institute, provides financial capability training to case managers serving Denver's Human Services offices (Salas, 2018). They are also enrolling city staff in administrative roles to create a culture of financial capability throughout city government (Young, 2018).

San Antonio's Family Service, funded in part through the city's OFE, combines financial capability and workforce readiness in their Workforce and Financial Sustainability portfolio. The workforce program has traditionally focused on education opportunities, partnering with community colleges to provide access to GED classes, ESL courses, college preparatory courses, and job training in a community with lower than average high school and college graduation and attainment rates. In response to workforce clients seeking financial assistance, Family Service strengthened the referral system between the financial empowerment branch and the workforce components. Since the city of

Co-Locating Financial Coaching in Public Housing

Recognizing the need for ongoing financial support, housing organizations across the country are increasingly providing their clients with access to financial capability services. These services include financial coaching and counseling and tax preparation assistance in addition to traditional housing-related services like pre-purchase and foreclosure counseling. In 2017, Prosperity Now surveyed more than 60 public housing organizations that integrate financial capability programming (Prosperity Now, 2018). Of those organizations, more than 90 percent have dedicated financial coaches or counselors providing the services, many of whom are new staff trained in financial capability. Only 32 percent of respondents rely on housing specialists or caseworkers (Prosperity Now, 2018).

In fact, capacity building and upskilling was identified as a best practice by an in-depth study of three housing assistance programs—CHN Housing Partners in Cleveland, Resurrection House in Chicago, and Ready to Rent in New York City—that incorporate financial capability into their services (Dorrance et al., 2018). This report, authored by the Center for Community Capital and the University of North Carolina at Chapel Hill in 2018, revealed the importance of building capacity to reflect the different skillsets needed as financial programs are implemented (Dorrance et al., 2018).

More than 60 percent of the housing organizations surveyed by Prosperity Now provide in-house financial coaching, suggesting staff members are equipped with the skills to help clients achieve debt, credit, and savings goals (Prosperity Now, 2018). However, 50 percent of the programs refer their clients to external organizations for tax preparation services, as the skillset is more challenging to build in-house (Prosperity Now, 2018). To that end, most organizations rely on partners to shape their programming or offer services and products that fit their clients' needs: more than half partner with mainstream banks and more than 40 percent partner with credit unions.

Continued on pg. 37

San Antonio received funding from the CFE Fund to launch a Financial Empowerment Center initiative in 2013, Family Service has expanded its program. In addition to six staff offering strictly financial counseling services, Family Service has three dedicated counselors that combine workforce development and financial empowerment resources (Arispe, 2018).

Across the board, service providers have learned that facilitating access to financial information and connecting families to trusted financial services can boost their programmatic outcomes (Prosperity Now, 2017). To that end, some cities choose to co-locate services. San Francisco's OFE, an agency with a long history of providing innovative financial capability services to the city's residents, follows this model. As part of their portfolio of financial capability programs, the city partners with community colleges to provide financial coaching and access to safe and affordable banking products to students in need. Although both the city and college contribute funds, the school provides back-end support, including staff, space, and outreach. Community colleges offering these services noticed a higher persistence rate—the percentage of students who return to any institute for their second year—compared to the state average of 50 percent (Brown, 2018).

At the time of writing this report, Nashville's Office of Economic Opportunity and Empowerment also co-located its Financial Empowerment Centers within the sites of other direct services provided through the city or its nonprofit partners. At the time of the research, Nashville was working to integrate financial counseling into nonprofits that serve returning citizens and provide reentry services (Murphy, 2018). Nashville also partners with providers of homeless services. Leveraging the impact of its approximately 3,000 nonprofits, the OFE provides one-on-one financial counseling at shelters and homeless advocacy groups. They believe that embedding financial empowerment resources in spaces that serve Nashville's neediest populations is a best practice (Murphy, 2018).

Co-Locating Financial Coaching in Public Housing

Continued

The success of these efforts is perhaps best visible in the evaluation of the Family Self-Sufficiency (FSS) program, a Department of Housing and Urban Development (HUD) initiative established by Congress in 1990 to help participants in rental assistance programs achieve greater economic security.

In 2017, Abt Associates completed an evaluation of the FSS program administered by Compass Working Capital, a Boston-based nonprofit organization dedicated to helping households enrolled in the HUD rental assistance program build assets. The evaluation revealed that after an average of 40 months in the Compass FSS program, participants' earnings increased, and welfare payments decreased compared to their peers (Geyer et al., 2017). Their credit and debt outcomes, metrics tracked by 88 percent of Prosperity Now-surveyed organizations and considered a best practice in the industry (Prosperity Now, 2018), exceeded expectations (Geyer, 2017).

United Way, a nonprofit organization serving cities throughout the country, also promotes this concept of integrated service delivery. Its One Stop Shop centers partner with community-based organizations to offer multiple financial services in one place, thereby reducing redundancy and strengthening retention of participants (United Way of Miami-Dade, 2016). In San Francisco, the local chapter of United Way sponsors SparkPoint centers that offer free financial and career coaching and education to help residents increase their income, manage their credit, and build their assets (SparkPoint, 2018). To date, there are 21 SparkPoint locations in the Bay Area committed to serving 200,000 residents. Rather than expecting every nonprofit to become an expert in each relevant area, the model draws on the strengths and resources of over 200 regional partners, integrating them in ways that benefit users (Brown, 2018).

Nonprofits are well-suited to overcome the challenges of integrating FinTech

Despite considerable developments in the fintech space, uptake among potential clients remains a challenge among creators of inclusive products and services, preventing companies from scaling successfully (Brown, 2018; Pisanont, 2018). Limited information about available fintech options and the cost of Internet access or mobile data plans contribute to limited use (Brown, 2018). Therefore, fintech providers have little incentive to either develop new solutions tailored toward traditionally marginalized populations or scale existing ones. Research suggests that fintech is adopted most readily among better-educated individuals, who are less likely to be financially vulnerable, and some populations who could benefit from the tools may lack necessary digital fluency (Gorham & Dorrance, 2017).

In other instances, the products and services are only available in English, making it difficult for non-native speakers to use the tool. In conversation with Joyce Pisanont, Director of Programs for National CAPACD, she revealed the need for fintech solutions in languages accessible to Asian and Pacific Islander communities.

Only a few apps are available in Chinese and virtually none are translated into other relevant languages, such as Burmese, Nepalese, and Bhutanese. This makes it impossible for service providers to vet and recommend the products to their clients (Pisanont, 2018). From the fintech perspective, providing apps in different languages is both a cost and capacity issue. EARN currently only offers their programs in English (Phillips, 2018). While they plan to offer a Spanish version in 2019, they explained the complexity of translating non-static products and content that changes every two weeks. In addition to updating the product itself, they would also need to provide customer service and daily content in other languages, virtually creating a new product altogether (Phillips, 2018).

Although startups need a channel through which the financially vulnerable can access fintech tools, they also need to be able to build products that are functional and attractive. This need is often at odds with creating a tool that is trustworthy from the perspective of people who, for myriad reasons, function outside of the financial mainstream to some extent (Gorham & Dorrance, 2017). In total, 11 percent of unbanked households cited mistrust of banks as their primary reason for not having a bank account (Burhouse et al., 2016). The trust gap seems to persist when technology is introduced: nearly one-third of respondents in a survey of people of color indicated that they were uncomfortable with banking online out of concern for the security of their personal information (National CAPACD, National Urban League, and National Council of La Raza, 2014).

At the city level, providers see their role as helping residents navigate different tools and platforms and make sense of the messaging they receive from app developers and financial institutions (Davis, 2018; Brown, 2018). This is particularly challenging in larger municipalities, like New York City, where the diversity of residents adds another layer of complexity. Cultural mores and language barriers often lead to greater mistrust in the financial system. As city officials, agencies do not endorse a specific tool, product, or financial institution; however, they can educate residents and direct service providers by connecting them to trusted research and information (Davis, 2018).



Despite these challenges, there are opportunities to reduce the barriers and increase adoption by way of partnerships between fintech startups and nonprofits. Community-based nonprofits are familiar with the unique needs of their clients and are well-positioned to encourage the adoption of relevant tools (Sledge & Griffin, 2016). The National Association for Latino Community Asset Builders (NALCAB), for instance, believes the nonprofits in their network, many of which are community-based organizations, can be a bridge to trusted fintech products (Frindell, 2018).

Local organizations can also inform culturally competent digital solutions to improve the finances of immigrant or minority families (Frindell, 2018). Mission Asset Fund's online platform, for instance, adapted the lending circle model popular in communities from the Global South to help families build credit and manage their personal finances (Mission Asset Fund, 2014). Since launching in 2008, Mission Asset Fund has served more than 9,000 clients across the country, generating \$8 million in zero-interest loans, of which 99 have been repaid. Their service has saved clients approximately \$1.6 million in fees and interest (Mission Asset Fund, 2018).

Because community-based nonprofits work directly with populations in need, they can also be a valuable resource in the creation of design platforms that appeal to their intended users (Sledge & Griffin, 2016). A partnership between EarnUp, a technology platform designed to help people repay debt, and GreenPath, a national nonprofit provider of in-person counseling services for the financially vulnerable, provides an illustrative example of constructive collaboration. GreenPath was having trouble retaining long-term client relationships because of its resource-intensive services, while EarnUp faced difficulty reaching people who were under financial stress. After engaging in a co-design process that relied heavily on feedback from GreenPath clients, the two organizations created a Simple Payment Plan that married EarnUp's technology with GreenPath's counseling model in a tool that facilitates debt repayment. The partners worked together to establish metrics for measuring the impact of their work and found promising engagement outcomes after a 10-month trial (Gartner & Dole, 2018).

Similarly, nonprofits can provide insights into the kinds of barriers that might prevent marginalized groups from populations adopting fintech products, and opportunities to collaborate can help bypass these obstacles. The MyPath app can be used without downloading it to a phone or other device, circumventing data restrictions and the need for internet access often faced by low-income youth (Brown, 2018).

Finally, nonprofits can help mitigate trust issues among financially vulnerable populations by supplementing mobile tools with in-person services, something the majority of consumers still want to access (Gorham & Dorrance, 2017). One study found that mobile tools were less appealing when employed alone. Neighborhood Trust Financial Partners, a community-based financial empowerment organization with experience successfully coaching residents through in-person services, piloted PayGoal in 2015, a mobile tool designed to help users create and meet savings goals. An evaluation by the UNC Center for Community Capital found that continued engagement with the tool was low (Gorham, 2016). Users found generic messaging to be a hindrance to trust and confidence in the tool (Center for Financial Services Innovation, 2016). In response, Neighborhood Trust launched WageGoal in 2017, a mobile wage-management tool geared toward employers and designed to provide employees with their wages in advance (Neighborhood Trust Financial Partners, n.d.).

Another platform, MyBudgetCoach, was designed to accomplish similar goals and found much greater success by integrating personal coaching. The platform was designed to be used in between in-person sessions with a financial coach; some users access a remote online interface to communicate face-to-face with a financial coach instead. In both cases, engagement was relatively high. One-third of users completed at least four financial coaching sessions and one-half of those users made significant progress toward their savings goals (Collins, Gjertson, & O'Rourke, 2016).

Public-nonprofit partnerships can address consumer protection needs

Partnerships between municipalities and nonprofit organizations are a critical feature of financial capability programming. These cooperative relationships enable both partners to leverage the others' strengths towards identifying and engaging clients in appropriate services. In conversations with city leaders and nonprofit partners, both entities expressed a desire to create seamless programming that would enable clients to access an array of financial capability programs and related services, regardless of where they entered.

Given nonprofit providers' proximity to the community, they are well-positioned to observe emerging issues that may impede clients' financial health. While members of some communities have long-standing ties to local officials and may have direct channels to policymakers, others may lack established relationships or experience in engaging local officials. Nonprofit organizations can play a critical role in raising concerns with the city on clients' behalf, particularly for community-wide issues that could be best addressed through municipal efforts.



Elder Financial Abuse

Given the nation's aging population, elder financial abuse, broadly defined as stealing or defrauding someone from material goods and/or resources (Department of Health and Home Office, 2000; Gilhooly et al., 2016), is a significant concern. According to demographic trends, people older than 65 will represent more than one-fifth of the U.S. population by 2030 (Beach et al., 2010). Older adults may fall victim to fraud, the intentional deception, concealment, or misrepresentation about goods or services (Beals, DeLiema, & Deevy, 2015). Since fraud schemes are often tailored to attract people from specific demographic or socioeconomic groups, older adults may be targeted through frequent advertising or solicitation. Older adults are also vulnerable to exploitation, the illegal or unauthorized use of a person's resources (Houry & Mercy, 2016). Financial exploitation is often perpetrated by someone known to the victim, such as a relative, caregiver, or neighbor.

Incidence of elder financial abuse can be difficult to measure due to varying definitions of the problem. But examples of recent studies estimate that between 2 and 9 percent of older adults are affected by some form of financial abuse after age 60 (Beach et al., 2010; Peterson et al., 2014). Older adults who are medically vulnerable or from socioeconomically disadvantaged groups are more likely to report being victims of financial abuse (Peterson et al., 2014).

In Denver, city officials have partnered with the police department to make presentations at senior centers about common fraudulent schemes (Seeley, 2018). The City is also developing trainings on available resources for older adults who have been victims of fraud (Seeley, 2018).

Compared to the general population, Asian American seniors tend to be older and experience higher rates of poverty (National CAPACD, 2017). Limited English contributes to cultural isolation, even among those who have lived in the U.S. for decades (Pisanont, 2018). Language barriers and lack of familiarity with the American financial system leaves many older adults vulnerable to fraud and predatory financial products, and lack of trust in financial institutions means that these seniors are more likely to use cash for financial transactions (Pisanont, 2018). One potential

solution is a multi-generational approach that focuses on educating and empowering Asian immigrant families (Pisnanont, 2018).

Notario Fraud

Several municipalities have identified the need for policies banning notarios who routinely commit fraud, such as requiring up-front payment for immigration services that are not legal or providing no service at all. Nonprofit providers serving minority communities in Denver identified a pattern of clients who had been defrauded by notarios and worked to bring the issue to the city's attention. In response, city officials are working with the Mexican Consulate and local attorneys to identify and prosecute bad actors and to help residents get their money back (Seeley, 2018). The city is also exploring ordinances to regulate immigration services in order to provide some level of guidance to consumers who need help navigating the immigration process.

Consumer Protection

The Bureau of Consumer Financial Protection (BCFP), the federal agency responsible for consumer protection in the financial sector, is evolving. A changing regulatory environment is challenging for financial services and fintech providers who cannot anticipate regulatory changes, including those organizations that seek to develop innovative products with potential to better serve marginalized communities.

In jurisdictions that do not have strong consumer protection laws, nonprofit organizations have highlighted the need for oversight around new products and services, particularly those geared toward marginalized communities. For example, attorneys general in several states have filed suits against individual actors for misrepresenting products and services, or for charging fees deemed to be excessive.

Some cities are taking a more comprehensive approach by developing consumer protection agencies or creating consumer protection functions within an existing agency. New York City has a robust consumer protection function led by its Department of Consumer Affairs (DCA). The DCA leads advocacy and enforcement actions on behalf of city residents in the financial marketplace (Davis & Brooks, 2018).



With support from the CFE Fund, Denver is developing its own consumer financial protection bureau within the Department of Human Rights (Seeley, 2018). Denver identified the need for new city ordinances to eliminate bad actors who are preying on vulnerable populations, including immigrants, refugees, and older adults. The new consumer protection bureau provides a forum where consumers can file complaints and track their case through the investigation and resolution process (Ojeda, 2018). Clients are also referred to nonprofit partners who can assist with immediate needs while cases are pending. Complaints may also inform policies to protect consumers.

In San Francisco, individual agencies are taking on pieces of the consumer protection function for concerns within their jurisdiction (Kline, 2018). A coordinated function does not exist at present, but establishing a robust, city level consumer protection function is among the Office of Financial Empowerment's advocacy priorities.

Emerging Concerns

Student Loans and Debt

Student loan debt is a significant barrier to financial stability. Between 2010 and 2017, the median student debt increased by 21 percent (Prosperity Now, 2017). This increase reflects growth in higher education enrollment. The fastest growing segments include private and for-profit schools; the latter tend to target low-income students, students of color, and other financially vulnerable populations (Prosperity Now, 2017; Bastien, 2018). In fact, data published in 2014 by the Survey of Household Economics and Decision-Making indicate that student loan debt differs along racial and ethnic lines. Among 25- to 55-year-olds, over 39 percent of Blacks and 30 percent of Whites reported having some type of student debt, including debt for their relatives' education (Braga, 2016). This trend is also visible across income brackets. A 2016 study by the Brookings Institution revealed that low- and moderate-income Black students are twice as likely to have student debt compared to their White counterparts. In fact, Black students accumulate close to \$8,000 more in debt than White students, and these disparities persist after graduation (Grinstein-Weiss et al., 2016).

Student debt delinquency and defaults tend to be concentrated in low-income areas, although borrowers have much smaller debt amounts. A 2015 study by Demos shows this phenomenon may be attributed to lower graduation rates among low-income students attending four-year public colleges: Their drop-out rate is 10 percent higher than overall student borrowers (Huelsman, 2015). In 2014, New America Foundation released a report indicated that nearly two-thirds of those who default on student loans have no degree (McCann and Delisle, 2014). Though students who drop out may accumulate less debt, they also have fewer job opportunities and smaller earnings to be able to pay off their loans, thus perpetuating class inequity (Huelsman, 2015).

Student debt contributes to the housing affordability

crisis, which has implications for economic growth and development in cities. Educated young people who cannot afford high rents move elsewhere. In Denver, financial capability programming is offered to the population broadly; specifically, the city does not turn anyone away. City employees who are struggling to manage student debt are among the heaviest users of financial capability services (Seeley, 2018).

Student debt also affects economic mobility. Carrying significant student debt hinders an individual's ability to invest in wealth-building activities like homebuying or saving for retirement. Those who are able to buy homes may be overleveraged, paying more for credit due to the amount of debt they hold, leaving them vulnerable to income disruptions or financial shocks due to the amount of income required to cover a monthly mortgage payment (McKinney & Johnson, 2018).

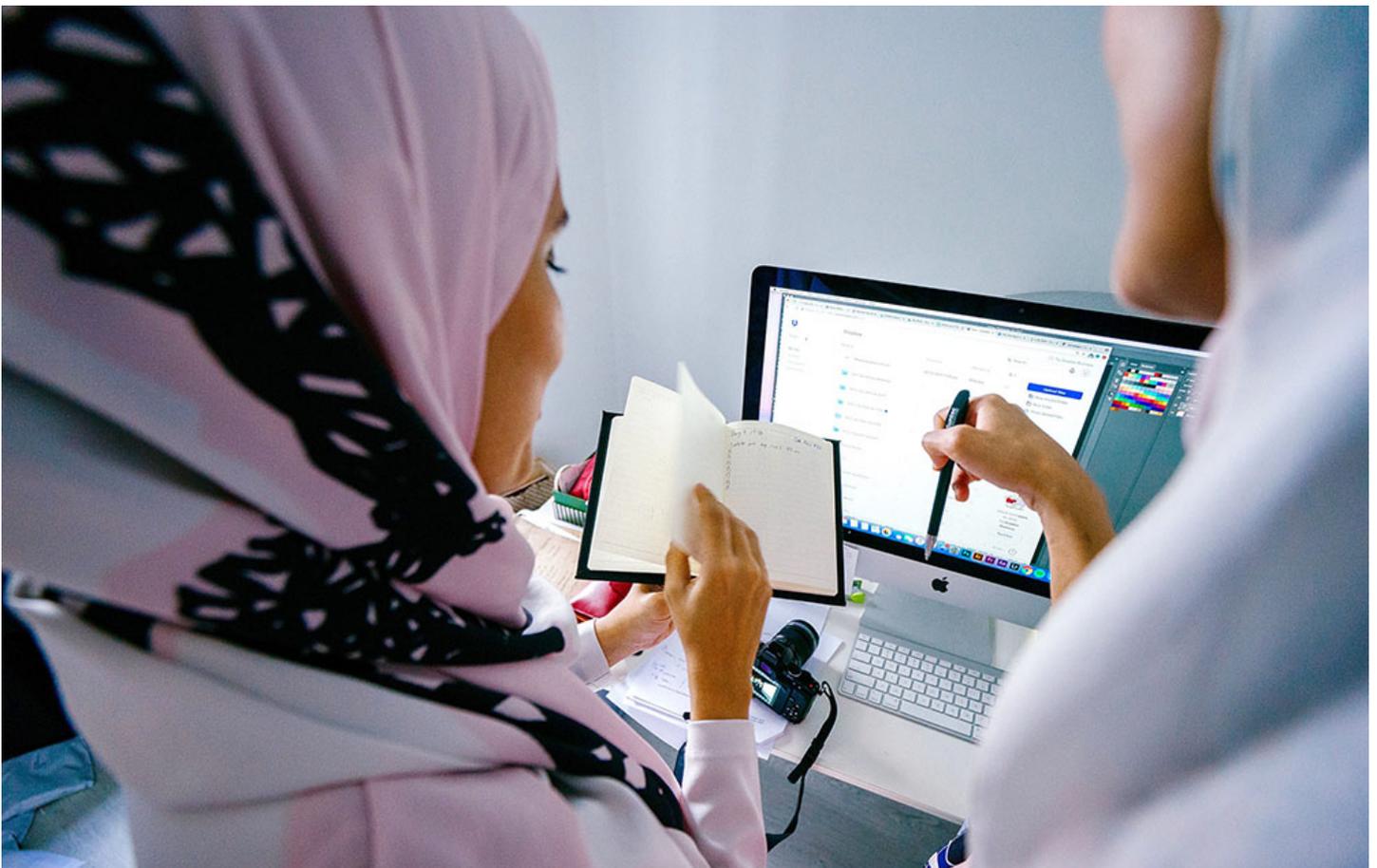
Branches has taken a proactive approach to help students understand student debt and its implications and avoid it when possible. Branches' approach begins with elementary school children who are taught basic financial lessons using cartoons and other age-appropriate materials. As youth age, the lessons become more complex and address a range of financial matters, such as opening a bank account, working and paying taxes. Branches works with high school students to complete the FAFSA. The agency supports students entering college by helping them develop realistic budgets to manage their funds, such as planning for twice-yearly student loan disbursements.

Following the December 2017 release of a report with the New York Federal Reserve Bank, Student Loan Borrowing Across NYC Neighborhoods, which was the first neighborhood-level examination of student loan outcomes and confirmed that the student loan debt burden is not shared evenly across borrowers, DCA in New York City hosted several student debt clinics that



offered targeted financial counseling and legal aid services regarding student loan debt on designated days (Davis & Brooks, 2018). The clinics have been organized in partnership with the Financial Empowerment Centers and elected officials at community-based organizations. The agency also held a public hearing with thought leaders in the space and heard testimony directly from New Yorkers on their experiences with loans, loan services, and for-profit schools, as well as their perspectives on the confusion, support, or lack of options they face when looking for a financially healthy way to address student loan debt. Using this research, DCA is now employing a multi-pronged approach of education, enforcement, and advocacy to address the student loan debt crisis.

The amount of debt held by financially vulnerable families is a related area of concern, including student loans, credit card, and mortgage debt. As the population ages and older workers with limited savings and outstanding debt obligations begin to leave the workforce, cities may face the challenge of providing services for aging residents who do not have sufficient financial resources to draw on (Wood, 2018).



Future of Work and Income Insecurity

The nature of work in the U.S. is continuously changing. Millions of workers are employed in insecure jobs characterized by limited or non-existent benefits, unpredictable schedules, and unstable income (Standing, 2011). Rising income volatility is one indication of these changes. Income volatility increased by 30 percent between the 1970s and 2000s (Dynam et al., 2012), and the growth in hourly and contract-based jobs suggests that more U.S. households will face unstable earnings in the future (Katz & Krueger, 2017; Standing, 2011; Weil, 2014).

Existing studies on working conditions that are common among low-wage occupations offer insights into workers' income dynamics. Among hourly retail workers, irregular schedules interfere with the ability to plan household spending, such as arranging for child care or supplementing one's income through a second job (Henly & Lambert, 2014). Week-to-week variation in the number of work hours makes it difficult to budget or save, compounding the negative consequences of low-income (Schenck-Fontaine et al., 2017).

A worker who struggles to afford regular monthly expenses is in a precarious position given the likelihood of experiencing a common shock such as unexpected car repair or medical bill (Sandstrom and Huerta, 2013; Servon, 2016). What starts as a minor setback can spiral into a long-term financial crisis with far-reaching consequences, such as a decreased credit score due to missed bill payments or eviction following unpaid rent. Therefore, the size of the workforce employed in insecure positions is of concern.

Demand Exceeds Supply of Programming

Considering the variety of resources cities are dedicating to building financial capability, there are still gaps in the programs and services offered to residents. Yet perhaps it is the very vastness of the field that accounts for the unmet needs identified by practitioners and service providers. Programs, including financial coaching and related services, have proven successful in helping clients advance towards financial stability. But city officials and nonprofit providers consistently identified needs that outstrip capacity to serve as an ongoing programmatic challenge.

New York City's OFE operates one of the largest and best resourced financial capability programs in the U.S. and acknowledges that it could reach even more New Yorkers who have financial needs and who could benefit from services (Davis & Brooks, 2018). Services are offered in multiple languages at over 20 sites across the city, but, given the scale and size of the city, services are not always available when, where, and for as many people who need them. Nine financial coaches are currently working in Denver, but the city estimates a need for 40 or 50 to meet current demand (Seeley, 2018). In fact, Denver continues exploring a training consortium to greatly expand the number of qualified financial coaches (Seeley, 2018; Wood, 2018) that build on the CFE Fund's Counselor Training Standards and Code of Ethics, released in 2018 (Cities for Financial Empowerment Fund, 2018).

In Miami, VITA programming has transformative effects on families that can access a tax refund. But funding constraints limit the number of city residents who can benefit from this service. As the number of organizations offering VITA services grows, the program has been able to expand its geographic reach. But adding sites means that more locations compete for a limited amount of funding (Bachmann, 2018). Karla Bachmann, Director of Financial Services at Branches, characterized the challenge by saying, "The more the coalition grows, the fewer people each organization can serve at any one site."

A related concern is the difficulty in engaging hard-to-reach populations, including limited-English speakers, migrant workers, people who live in areas that are not well served by transportation, and other populations that are marginalized in some way.

Unmet Needs

Small Dollar Loans

Across the board, municipal agencies and nonprofit partners identified the difficulty of accessing small-dollar loans as a barrier to residents' financial stability. Many mainstream financial institutions do not offer small-dollar loans in the traditional sense of the product. Instead, they offer extensions on existing lines of credit or allow overdraft amounts to be taken out of checking accounts. Even in communities where these services are available, few residents qualify due to poor or nonexistent credit histories (Frindell, 2018) and withdrawing overdraft amounts result in fees they cannot afford.

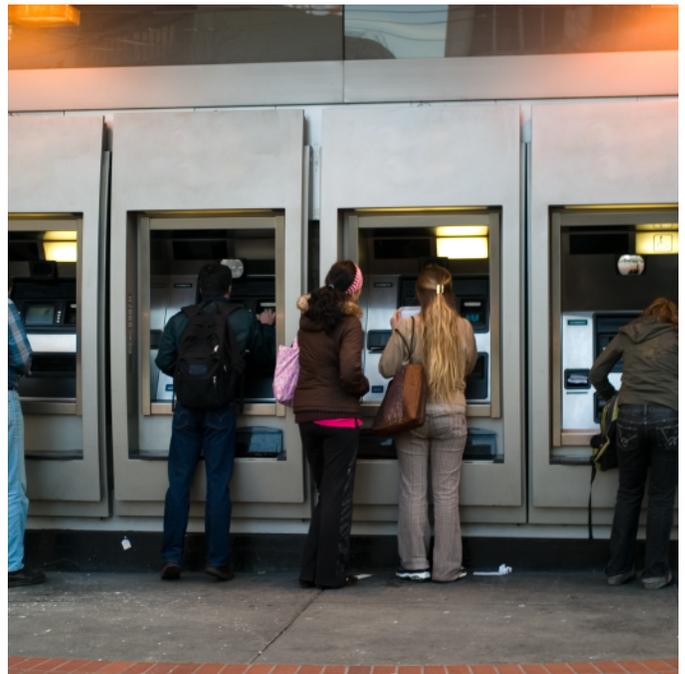
Community development financial institutions (CDFIs) have traditionally filled this gap by offering small-dollar solutions. However, most CDFIs are geographically constrained, which limits access. Capital Good Fund, for instance, a CDFI that offers a range of small-dollar loans geared toward the financially vulnerable—including emergency loans, immigration loans, and car refinancing loans—is only active in Rhode Island, Massachusetts, Delaware, and Florida (Capital Good Fund, n.d.).

Research indicates that those who are unable to secure small-dollar loans are more likely to seek alternative financial services, such as payday lenders and check cashers, to make ends meet (Burhouse et al., 2016). These alternative financial services providers offer the added benefit of providing immediate access to cash (Frindell, 2018). Moreover, they are plentiful in low-income urban neighborhoods where residents are less likely to have bank accounts, offering low- or no-barrier services accompanied by interest rates and fees that are often exorbitant or predatory (Servon, 2016).

The high-interest rates and fees associated with these products and services can trap low-income individuals in an endless cycle of debt as they work to pay off the cost of services and continue to cover other costs of living. Payday loans, in particular, contribute to ongoing debt: The vast majority of payday loans are rolled over or followed by another payday loan within two weeks (Burke, Lanning, Leary, & Wang, 2014). Though alternative loans are typically small—less than \$500 on average—they can still be harmful to those who depend on them (Servon, 2016). Among low-income households, access to

high-cost alternative financial service providers may increase the incidence of difficulty paying the mortgage, rent, and utility bills by 25 percent and double the odds that the household will file for bankruptcy (Melzer, 2011; Skiba & Tobacman, 2011). Yet service providers revealed they do not know where to direct clients in need of \$500 or down payment assistance (McKinney, 2018).

Small-dollar loans, however, play a critical role in the economic mobility of residents. They provide the financially vulnerable with opportunities to build credit, which can prevent downward spirals following financial shocks (Ratcliffe, 2018). In response, some cities are exploring lending circles to provide small loans with terms that can be met by low-income residents. Some experts believe the success of small-dollar loan programs may rest in partnerships between nonprofits and financial institutions (Frindell, 2018). For example, the National Association for Latino Community Asset Builders (NALCAB) encourages their nonprofit members to reach out to Community Development Financial Institutions, credit unions, and banks, some of which have lending initiatives that are trying to address this need (Frindell, 2018).





Affordable Housing

Across the country, cities are experiencing affordable housing shortages. Research indicates the shortage is a function of supply: Although housing is being built, new units on the market tend to be unaffordable or inaccessible even as the cost of existing units becomes prohibitive for low-income residents (Schneider, 2018). In fact, for every 100 households in the United States that earn less than 50 percent of AMI, only 62 affordable units are available (Joint Center for Housing Studies of Harvard University, 2017). In Denver, as of February 2018, the city assessed the need for 32,000 units; yet they are building 300 units a year. Even then, most new units are apartments or single-family homes, which eliminates the potential of homeownership and asset building for many low- and moderate-income families (Seeley, 2018).

San Antonio is also facing a housing stock crisis. However, the problem is complicated by the cost of rent. Service providers indicated that residents are paying between 40 and 50 percent of their income on rent, making it impossible to build savings or pay off debt (Arispe, 2018). In fact, nationally, an estimated 46 percent of White renters are cost-burdened, as are 53 percent of renters of color (Prosperity Now, 2018). These high-cost burden statistics can be partially attributed to the prevalence of low wages among financially vulnerable populations. More than three-quarters of households earning less than \$30,000 per year are cost-burdened, and over 70 percent of households that earn less than \$15,000 per year pay more than half of their income in housing costs (Joint Center for Housing Studies of Harvard University, 2017).

Site visits in Miami revealed the extent to which affordable housing shortages are affecting residents. In the 10 most expensive U.S. cities, of which Miami is one, housing costs are rising faster for the financially vulnerable than for the wealthy: The cost of housing in these cities' low-income neighborhoods rose by 150 percent between 2000 and 2016, compared to 109 percent in high-income neighborhoods (Joint Center for Housing Studies of Harvard University, 2017). It is not surprising that the United Way of Miami-Dade is responding to a housing crisis that is forcing families to live in motels and shelters (Benevides, 2018). In fact, service providers are less concerned with homeownership than they were with providing their clients with access to temporary housing (Bachmann, 2018).

Although service providers consider it the main driver of financial insecurity, addressing housing alone is oversimplifying the issue. Miami's local economy is dominated by tourism and the tangential industries that support it, which generate low-wage work with virtually no benefits (Beesing, 2018). Denver is facing a similar issue: To afford housing in Denver requires an annual income of \$57,000, which is more than most low-income and waged workers earn (Seeley, 2018). Per the reports of nonprofit organizations, lack of affordable housing is pushing many of their residents outside of the city-proper, making this a regional problem (Salas, 2018).

Section 05

Network Analysis

Our analysis of municipal financial capability programs revealed common elements across cities. This graphic illustrates key programmatic features, as identified by city officials in Denver and Miami, that were critical to their success. Each city’s approach is tailored to meet the needs of their specific constituents, but we found the following component structures in both.



Section 06

Recommendations

The following recommendations capture key insights informed by direct service providers, researchers, and policymakers in the financial capability sector. Although not exhaustive, they address tactical and strategic measures that city governments, in partnership with nonprofit organizations, can implement to improve the impact and efficacy of financial capability programs and services offered to their most vulnerable residents.

Dedicated financial capability staff member within city government

Given varying social, economic and political contexts, cities have taken different approaches to financial capability programming. Creating a structural home for programming within the city government is critical to city agency buy-in and program sustainability. Dedicated city leadership conveys the importance of financial capability initiatives, promotes continuity, and encourages buy-in from other city agency leaders, nonprofits, and

philanthropic partners. One potential barrier to program effectiveness is the traditionally siloed approach to city services, where different agencies are focused on specific domains. But achieving economic mobility involves intervening in different aspects of client's lives. Designating a lead city official ensures that programs and services are organized around unified goals and that each agency understands its role in the broader initiative.

Standardize data-sharing policies for city governments

As financial capability programs look to scale and providers in the field look to professionalize, there is an opportunity to standardize datasharing policies in ways that can inform and improve existing initiatives and services. City governments can advocate for data laws and regulations that both protect consumers and grant them access to valuable data collected by nonprofit organizations, municipal agencies, and financial partners.

Access to these data can greatly impact innovations in the kinds of products and services they provide or encourage banks and lenders to develop. Additionally, city agencies and nonprofit organizations should consider adopting a shared data platform, similar to Change Machine, that addresses the incompatibility of data management systems across the public and private spectrum of providers.

Cross-training and capacity building of service providers

Cities have highlighted the importance of professionalism and financial expertise when offering financial capability programming. As cities seek to reach more residents, the need for appropriately-trained personnel can limit growth and expansion. Building on the strategy of co-locating services, cities can train agency staff to deliver financial capability services. Agency staff that has experience working with the target populations with financial training would be well-positioned to address clients' intersecting

needs. Cities can also explore training financial experts in social work skills such as case management. This approach is being tested by nonprofit organizations that are facing similar barriers to expansion. It empowers financial experts to approach clients with a better understanding of conditions in their personal lives that may intersect with their financial lives, and potentially lead to more appropriately tailored services.

Advocate for the translation of financial collateral, products, and services

One of the most significant barriers facing non-native English speakers is the absence of financial products and services in their country. In immigrant communities with elevated mistrust of financial institutions, language barriers further discourage the adoption of banking products. Although there are significant and legitimate challenges to translating collateral into multiple languages, particularly in the fintech space, there is a potentially tremendous impact on immigrant

communities, which are disproportionately excluded from the financial ecosystem. There is an opportunity for city government to advocate for translated financial collateral, products, and services into the languages reflected in the diverse communities they serve. As an alternative, city government could fund translation services through community-based organizations, recognized as trustworthy actors by immigrants.

Launch collaborative services

Partnerships that include Cities and nonprofit organizations are critical to reaching diverse segments of the population and tailoring services to meet their needs. Collaboratives must ensure that clients receive the same quality of service, regardless of where they enter. Collaboratives can promote well-functioning programs by investing time and resources up front to establish common metrics and standards, understand each organization's areas of expertise, delineate roles to avoid

overlapping services, and map out clear referral strategies. Cities can facilitate partnerships by serving as an external convener, or by attracting a partner to serve in that role. Additionally, Cities can help foster cross-sector collaborative planning, similar to Denver's Five Pillars of Economic Mobility. This positions the work of financial capability to be part of the social sector's broader mission of reducing poverty and improving opportunities for residents.

Leverage fintech solutions to scale financial capability initiatives

As banks, nonprofits, and think tanks increasingly enter the fintech space, there is an opportunity for city governments to leverage the fintech solutions that address the needs of financially marginalized communities. Although fintech has the potential to scale quickly and reach more people without incurring the same costs as in-person services, it is rare to see consistent uptake of apps. In part, the problem lies in a lack of trust in fintech solutions within city government, which requires educating City officials and public employees that engage directly with residents of the variety of tools available to them and which are better suited to address the needs of diverse constituents. This requires creating a rubric by which municipal

agencies can vet and evaluate the reliability and trustworthiness of the services, including data privacy, efficacy, and other potential pitfalls facing vulnerable persons. Cities must also work with fintech providers and nonprofit partners to create robust dissemination standards that overcome the current barriers to adoption, including providing apps in multiple languages and addressing limited internet access and data usage. Perhaps most importantly, municipalities must work with nonprofit organizations and community-based organizations to build trust in the government and financial institutions without which adoption will lag, particularly in immigrant and minority communities that tend to harbor greater mistrust.

Section 07

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