FES: Keep It
An Overview of Financial Service Strategies and Tools

Cathie Mahon
Community Development Consultant

Margins to Mainstream: A Peer Exchange Workshop — October 24-25, 2003 — Baltimore, MD
Sponsored by the Annie E. Casey Foundation, and co-organized by Coalition of Community Foundations for Youth (CCFY) and Rural Development Philanthropy Learning Network (RDPLN) — The Aspen Institute
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Keep it: Tools and Strategies

- Getting People Banked - Linking people to products and services that meet their needs.

- Financial Education.

- Improving Credit Standing.
Keep it: Indicators

Keep It Indicators these tools address:

- Low-income families have and are using affordable financial services.
- Families gain financial literacy and improving credit standing over time.
- Families can obtain the loans they need.
- Families can avoid the pitfalls of predatory or fringe lenders and financial service providers.
Keep It: Tool

Getting People Banked – key products and services:

- Wire transfer services
- Low-cost transactions (check-cashing; money orders; bill payment)
- Rent processing for public housing residents
- Savings and checking accounts
- Credit builder loans
- Payday alternative loans (PALs)
Keep It: Strategy

- Getting People Banked – Delivery strategies
  - Establishing or expanding community-owned financial institutions, particularly community development credit unions (CDCUs) or banks (CDBs).
  - Partnering with mainstream financial institutions to serve the community better.
  - Hybrid services between community orgs. and fin. institutions.

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Keep It: Criteria

Things to Think About

- Starting a CDFI: Must have community development mission and predominantly engage in financial activities.
- Partnering with FIs: Frequent disconnects between community groups and FIs. Important for partners to understand the business (and limitations) of each.
Keep it: Tool

- Financial Education – Key Components
  - Budgeting
  - Money management
  - Financial planning
  - Avoiding pitfalls of predatory lenders
  - Understanding credit reports and scores

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Keep It: Strategy

Financial Education – Delivery Strategy

- Broad-based public education campaigns
- Community-based training programs (by non-profit organizations)
- One-on-one counseling or mentoring
- School-based programs

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Keep It: Criteria

- Things to think about
  - Must fit with organizational mission and direction.
  - Is the organization ready to take this on?
  - Incentive for attending. What will bring people in the door?
  - Is there sufficient trust with prospective participants to delve into financial questions?
Keep It: Tool

- Improving Credit Standing – key components
  - Intensive Counseling
  - Debt negotiation and advocacy
  - Negotiating payment plans
  - Debt consolidation or credit repair loans

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Keep it: Strategy

- Improving Credit standing- Delivery strategy
  - Some group sessions (possible)
  - Primarily one-on-one assistance
    - Counseling services
    - Reviewing credit report
    - Disputing and negotiating credit blemishes
    - Negotiating payment
  - Links back to banking products and services (savings, credit builder loans, etc.)
Keep it: Criteria

Things to think about

- Must have capacity and training.
- Hard negotiating skills.
- Clear path for working people out of bad credit problems for long-term.
- Trust factors- is this organization actually putting the person in a better position.
Keep it: Hot button issue addressed with these tools

- Predatory Lending
  - Getting people banked – links them to better and more affordable products
  - Financial Education – better informed consumers will (hopefully) avoid pitfalls
  - Improved credit rating – people’s credit history affects what products they qualify for.

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These Tools Make Grow It Strategies Possible.

- Asset Development
  - Being linked to financial institutions is critical success factor in asset growth.
  - Education increases amount of retained family earnings thus enabling asset growth.
  - Improved credit will ensure people qualify for asset-based loan products (e.g. mortgages, business loans, student loans, etc.)

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Resources

- National Federation of Community Development Credit Unions
- National Endowment for Financial Education
- FDIC *Money Smart*
- Fannie Mae
- Consumer Federation of America
- Consumer Credit Counseling Services
- Neighborhood Reinvestment Corporation
- New York Mortgage Coalition