

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

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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)
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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.

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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.

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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)

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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.)

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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.

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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