Financial Counseling to Drive Impact

Ann Solomon, Strategic Initiatives Manager

National Federation of Community Development Credit Unions
The Need for Counseling

Most Households Are Facing a Financial Challenge
The intersections among savings-limited, income-constrained, and debt-challenged households in 2013

- Savings-limited (55%): Unable to replace 1 month of income with money in cash and checking and savings accounts
- Income-constrained (47%): Report having spent as much as or more than they made over the past year
- Debt-challenged (8%): Spend 41% or more of gross monthly income on debt repayment

Consumers Seek Personal Support

“...lower-income households, less-educated households, older households, and households located in rural areas continue to rely on bank tellers as their primary method for accessing their bank accounts.” – FDIC, 2015 National Survey of Unbanked and Underbanked Households

“Trust and relationships remain key to moving toward greater financial stability...[very low income people] prefer to seek guidance and advice from people instead of technology.”

– Federation, 2015 From Distrust to Inclusion Insights into the Financial Lives of Very Low-Income Consumers
CU Financial Counseling Field

Percentage of Credit Unions Offering Financial Counseling

Credit Unions Tracking Results of Financial Counseling?

- Yes: 38%
- No: 62%
Value of Impact Measurement

“More so than ever before, the community development field is under the gun to prove that it is making a difference in its targeted markets.” - Sean Zielenbach, Federal Reserve Bank of Boston

“Improving financial health becomes the new basis of competition” – Ron Shevlin, The Financial Brand
Initiative Goals:

- Strengthen CU financial counseling field
- Combine counseling with financial products
- Track and demonstrate standard impact measures
## Pathways Impact Metrics

<table>
<thead>
<tr>
<th>Outputs</th>
<th>Intermediate Outcomes</th>
<th>Long-Term Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Members served</td>
<td>• “Take action today” completed</td>
<td><strong>Member Impact:</strong></td>
</tr>
<tr>
<td>• Counseling sessions provided</td>
<td>• Unbanked now banked</td>
<td>• Increase financial capability</td>
</tr>
<tr>
<td>• Action plans created</td>
<td></td>
<td>• Increase member savings</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Decrease member debt</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Establish credit</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Improve credit category</td>
</tr>
</tbody>
</table>

**Institution Impact:**
- Membership growth
- Net Promoter score
- Product adoption
- Decrease delinquency
Pathways Platform

- Guided counseling session
- Integrated soft credit pulls
- Financial assessment and action plans for clients
- Automated “nudge” text reminders for clients on actions
- Measure progress over time
- Create reports on program effectiveness and impact
Pathways Alpha Pilot Participants

Credit Union Pathways to Empowerment: Alpha Cohort
Pathways Pilot Reach

- Over 1,000 people served
- Over 1,300 counseling sessions
- 2,800 action steps developed

Source: Pathways to Financial Empowerment – Preliminary Data. National Federation of Community Development Credit Unions & Neighborhood Trust Financial Partners
Pathways Demographics

Race
- Hispanic/Latino: 46%
- African American: 30%
- Caucasian: 19%
- Other: 4%
- Mixed Race: 1%
- Asian: 1%
- Native American: 1%

Gender
- Male: 35%
- Female: 64%

Source: Pathways to Financial Empowerment – Preliminary Data. National Federation of Community Development Credit Unions & Neighborhood Trust Financial Partners
Pathways Demographics

**Education Level**
- Less than High School: 21%
- Some high school: 6%
- High School Grad/GED: 29%
- Some college: 5%
- College degree: 30%
- Postgraduate studies: 4%
- No response: 5%

**Employment**
- Full Time: 74%
- Part Time: 6%
- Unemployed: 4%
- Other: 4%
- Retired: 4%
- Student: 8%

Source: Pathways to Financial Empowerment – Preliminary Data. National Federation of Community Development Credit Unions & Neighborhood Trust Financial Partners
Source: Pathways to Financial Empowerment – Preliminary Data. National Federation of Community Development Credit Unions & Neighborhood Trust Financial Partners
Credit Scores

Source: Pathways to Financial Empowerment – Preliminary Data. National Federation of Community Development Credit Unions & Neighborhood Trust Financial Partners
Early Outcome Data

- Over 50% of clients complete action steps
- Over 20% of clients open new products with the credit union after counseling

Source: Pathways to Financial Empowerment – Preliminary Data. National Federation of Community Development Credit Unions & Neighborhood Trust Financial Partners
# Loan Adoption in Early Months

<table>
<thead>
<tr>
<th>Loan Products</th>
<th>Count</th>
<th>Loans Outstanding</th>
<th>Median Loan Principal</th>
<th>Loans Adopted After Counseling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto Loans</td>
<td>115</td>
<td>$1,836,190</td>
<td>$17,647</td>
<td>48</td>
</tr>
<tr>
<td>Credit Cards</td>
<td>15</td>
<td>$34,095</td>
<td>$1,750</td>
<td>11</td>
</tr>
<tr>
<td>Home Equity Line/Loan</td>
<td>13</td>
<td>$559,472</td>
<td>$65,000</td>
<td>1</td>
</tr>
<tr>
<td>Line of Credit</td>
<td>13</td>
<td>$26,880</td>
<td>$1,600</td>
<td>0</td>
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<tr>
<td>Mortgage Loans</td>
<td>4</td>
<td>$180,890</td>
<td>$42,000</td>
<td>0</td>
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<tr>
<td>Personal Loans</td>
<td>193</td>
<td>$251,244</td>
<td>$1,000</td>
<td>80</td>
</tr>
<tr>
<td>Secured Loans</td>
<td>39</td>
<td>$185,584</td>
<td>$4,505</td>
<td>15</td>
</tr>
<tr>
<td>Unsecured Loans</td>
<td>50</td>
<td>$198,287</td>
<td>$3,500</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>442</strong></td>
<td><strong>$3,272,646</strong></td>
<td></td>
<td><strong>166</strong></td>
</tr>
</tbody>
</table>

Pathways Beta Expansion 2017

1st Choice Credit Union

Opportunities Credit Union

Guadalupe Credit Union

Missoula Federal Credit Union

Santa Cruz Community Credit Union

Community CU of Southern Humboldt
Looking Ahead

- 2015: Pathways Launch
- 2016: Alpha Pilot
- 2017: Beta Cohort
- 2018: Next CU Cohort + Pathways 2.0
Contact Information

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