

A Scan of Municipal Financial Capability Efforts



EXECUTIVE SUMMARY

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As the connection between financial capability and social mobility is increasingly clear, public and private actors are moving to innovate and invest in an ecosystem that supports financial health for economically vulnerable households. Local governments are uniquely positioned to play a key role on the front line of these financial capability efforts.

This study explores the broad range of strategies that make up the financial capability landscape in U.S. cities, touching on programs and policy efforts deployed by and within municipalities. Our high-level scan of existing initiatives and the ways they fit together reveals the role that cities and their core institutions can play in promoting residents' personal economic growth.

HOW CITIES ARE INVESTING IN FINANCIAL CAPABILITY

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.¹ Recognizing the holistic benefits of investing in household financial capability, local governments are stepping up to pioneer and amplify the resources available to their economically vulnerable residents.

City leaders are finding ways to integrate financial capability programming into existing services; access public and private funding for programming and innovations; facilitate the convening of multi-sector partners to create and test effective solutions for financial inclusion; and advocate for policies that encourage economic mobility for vulnerable populations. Despite best efforts, wealth inequality is still on the rise; municipal agencies are eager to find best practices for financial empowerment programs to have a meaningful impact on residents.

WHAT IS FINANCIAL CAPABILITY?

The term financial capability is often used interchangeably with financial health and financial empowerment. For the purpose of this report, financial capability is a measure of an individual's ability to reach financial success, combining access to financial services and knowledge to effectively manage personal financial resources.



REPORT METHODOLOGY



Literature Review

A scan of published work related to financial capability definitions, financially vulnerable populations, the role of municipal agencies in financial inclusion efforts, and relevant programs and precedents.



Interviews

Conversations with 32 experts in financial capability program design, implementation, evaluation, and policymaking about existing programs, the challenges they address, and the populations they target.



Site Visits

Exploratory visits to Denver and Miami, two cities with demonstrated success in a range of tailored financial inclusion initiatives and in partnerships between municipal agencies and nonprofits.

GOALS OF FINANCIAL CAPABILITY PROGRAMS

Approaches to improving financial capability among residents are myriad and disparate, as service providers have varying visions of financial health and prioritize knowledge, access, or action according to the needs of the community they serve.

Financial capability program goals fall roughly into two categories: access to financial products and services, and economic mobility.

Access to Financial Products and Services

Financial capability programs take different forms, but each is designed to help clients meet their self-defined goals. Having access to safe, affordable bank accounts enables households to conduct transactions and build savings. Combined with other services, such as loan counseling and tax preparation, these can lay the foundation for long-term financial health.



BALTIMORE, MARYLAND: CASH CAMPAIGN OF MARYLAND. In Maryland, high living costs can make income volatility particularly harmful to a household's financial health. More than one-third of the state's residents lack sufficient assets to weather a financial emergency. CASH Campaign of Maryland uses tax preparation as an opportunity to connect at-risk clients to financial coaches who help households meet their financial goals.²

Economic Mobility

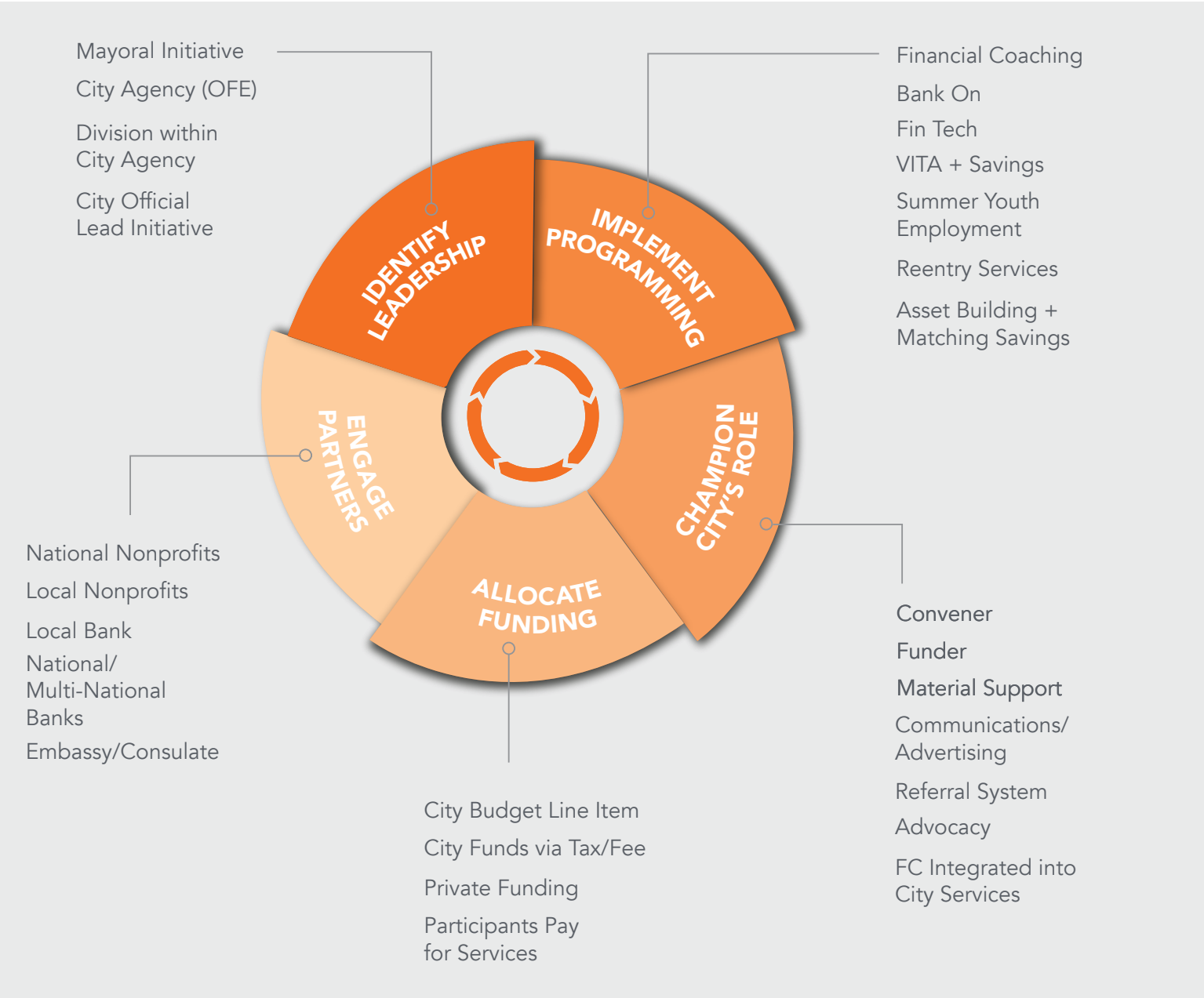
Financial capability programs have the greatest potential for economic mobility when they are connected to other wealth-building opportunities.³ In an era where people are increasingly unlikely to dream of being better off financially than their parents, these programs assess the key factors that facilitate asset-building and aim to put families on the path toward sustainable, intergenerational wealth.⁴



DENVER, COLORADO: FIVE PILLARS OF ECONOMIC MOBILITY. Denver's Office of Financial Empowerment (OFE) centers its programs on five essential pillars for economic mobility: housing, health care, child care, education or training, and transportation.⁵ Reliable and affordable access to these pillars gives families a stronger chance of achieving financial stability and mobility.⁶ Recognizing this, Denver has taken a holistic approach by partnering with local and regional financial institutions and agencies that offer programs and services to address each of the five categories.⁷

NETWORK ANALYSIS: ELEMENTS OF SUCCESSFUL FINANCIAL CAPABILITY INITIATIVES

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 are critical to their success. Although each city's approach is tailored to meet the needs of their specific constituents, these core components are inherent to successful financial capability programs and can be replicated across municipalities to scale place-based solutions.



VALUABLE INSIGHTS FOR MUNICIPALITIES AND STAKEHOLDERS

Through our research, Urbane Development identified insights to help advance the field of financial capability programming, with an eye toward places where cities can contribute to the economic stability of financially vulnerable communities.

1 Lack of universal standards for financial coaching and counseling creates inconsistencies in the quality of services

Financial coaching and counseling are among the most promising strategies to meet the financial needs of low- to moderate-income residents because of their ability to address clients' individual needs.⁸ However, there is a significant disparity in the quality and implementation of financial coaching. Coaches come from a variety of backgrounds and are not typically required to meet any accreditation standards.⁹ Differences contribute to varying outcomes across programs and clients.¹⁰ In fact, leaders in the design and implementation of financial coaching programs are advocating for standards that would further professionalize coaches.¹¹



DENVER, COLORADO: FINANCIAL HEALTH INSTITUTE. In 2012, the Financial Health Institute (FHI) partnered with Denver's Office of Financial Empowerment to reimagine the training offered to the city's financial coaches. The result was a year-long program grounded in social work principles that blends elements of behavioral economics, psychology, neuroscience, sociology, and adult learning with traditional financial literacy through a series of workshops and webinars. The goal is to equip case managers to navigate their clients' financial landscape, which is often intertwined with other systemic issues.¹²

2 Nonprofits are well-suited to overcome the challenges of integrating fintech

New mobile tools and online platforms have demonstrated potential to help consumers meet savings goals and access financial services. But fintech, or financial products and services delivered through technology and mobile apps, is adopted most readily among better-educated individuals, who are less likely to be financially vulnerable. Lack of digital literacy and products and services that are only available in English make it difficult for non-native speakers to use fintech tools.¹³ Partnerships between nonprofits and fintech start-ups can increase adoption of fintech products and services through culturally competent design and mitigating trust issues.

3 Integrating financial capability services improves program outcomes

Practitioners across other service sectors have shown increasing interest in integrating financial capability components into existing social services. By incorporating financial empowerment tools and resources within housing, education, and community health centers, professionals can extend the reach of these programs and address the central and multiple barriers families face in achieving financial stability.¹⁴



SAN ANTONIO, TEXAS: FAMILY SERVICE ASSOCIATION OF SAN ANTONIO INC. The San Antonio-based nonprofit organization connects clients to education and job training programs while providing 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 workforce program has traditionally focused on education opportunities. Since 2013, Family Services has expanded the program: In addition to six staff members offering financial counseling services, the organization has three dedicated counselors who combine workforce development and financial empowerment resources.¹⁵

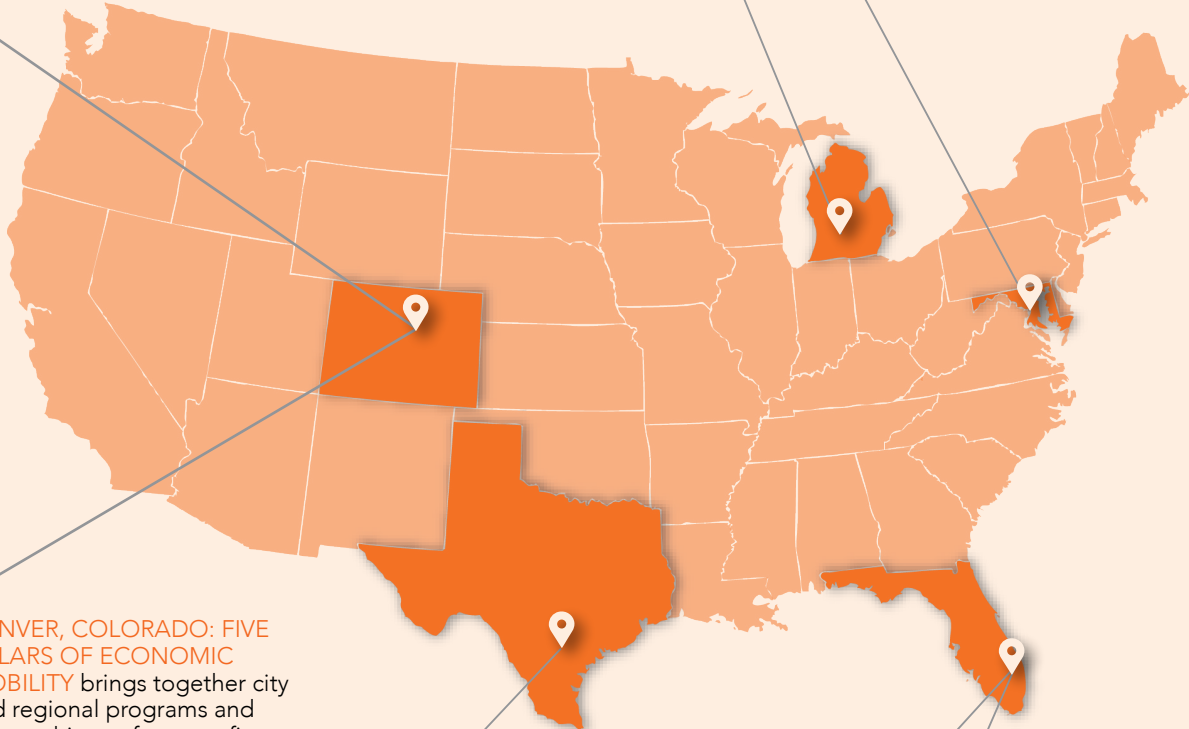
SPOTLIGHTS SUMMARY MAP

NATIONWIDE INITIATIVES, LEADING THE WAY ON FINANCIAL CAPABILITY

DENVER, COLORADO: FINANCIAL HEALTH INSTITUTE reimagined the training offered to the city’s financial coaches by blending behavioral economics, psychology, neuroscience, sociology, and adult learning with traditional financial literacy. The training equips case managers to navigate clients’ financial landscape, which is often intertwined with other systemic issues.

LANSING, MICHIGAN: BANK ON 2.0 helped 100 returning citizens open new bank accounts by placing decision-making power in their hands. The program encouraged individuals to interview financial institutions to determine which best fit their needs, thus making them owners of their economic future.

BALTIMORE, MARYLAND: CASH CAMPAIGN OF MARYLAND recognizes that high living costs in Maryland can make income volatility particularly harmful to a household’s financial health. The organization uses tax preparation as an opportunity to connect at-risk clients to financial coaches who help households meet financial goals.



DENVER, COLORADO: FIVE PILLARS OF ECONOMIC MOBILITY brings together city and regional programs and partnerships to focus on five essential pillars: housing, health care, child care, education or training, and transportation. Reliable access to these pillars better positions families to achieve financial stability and mobility.

SAN ANTONIO, TEXAS: FAMILY SERVICE ASSOCIATION OF SAN ANTONIO INC. promotes empowerment by combining financial counseling with key wraparound services like case management; child care; assistance with rent, transportation, and utilities; and by connecting clients to education and job training.

MIAMI, FLORIDA: FINANCIAL CAPABILITY COLLABORATIVE used an integrated data collection and management system for multiple financial capability programs in the Miami area, tracking financial outcomes and numbers of people served to clarify the impact of their efforts.

MIAMI, FLORIDA: BRANCHES, WAYS TO WORK TRANSPORTATION PROGRAM supports low-income clients who want to purchase vehicles as a step toward asset-building. Clients are counseled about the cost of vehicle ownership, connected to approved lenders, and offered support around vehicle financing decisions.

4 Empowerment is at the heart of successful financial capability programs

Interventions that address clients' self-efficacy while helping to build financial knowledge and experience are most effective.¹⁶ Several cities have adopted a philosophy of self-efficacy or empowerment, and specifically orient service delivery around empowering clients.



LANSING, MICHIGAN: BANK ON 2.0. The Bank On 2.0 program in Lansing, Michigan, helped 100 returning citizens open new bank accounts by placing decision-making power in their hands. The program encouraged individuals to interview financial institutions to determine which products and services best fit their needs, thus making them owners of their economic future.¹⁷

MIAMI, FLORIDA: BRANCHES, WAYS TO WORK TRANSPORTATION PROGRAM. Branches operates a purchasing program to support low-income clients who want to purchase vehicles as an initial step toward asset-building. In addition to traditional coaching services, clients are counseled about the cost (e.g. purchasing, repairs, and insurance) and responsibility of vehicle ownership. Clients who complete the program are connected to approved lenders and can receive support around vehicle financing decisions.¹⁸

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

Designating a city official to lead efforts and create a structured home within the government creates a culture of financial capability across internal and external partners. Cities can coordinate financial capability services across city agencies and convene resources to build capacity among nonprofit partners that provide direct services to residents. Cities can also allocate funding to launch capability programming or play a role in convening partners that can contribute funds or incubate programs.

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

Data to inform and advance financial capability programs is highlighted as the key to success. Yet collecting and accessing data remains challenging, especially when it is not clear who owns the data generated through the use of a product or service. 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 quickly.¹⁹



MIAMI, FLORIDA: FINANCIAL CAPABILITY COLLABORATIVE. The Financial Capability Collaborative was a partnership between the city of Miami and local nonprofits United Way of Miami-Dade, Catalyst Miami, and Branches. Among the collaborative's goals was to standardize data collection to understand the impact of financial capability on residents. The organizations launched an integrated data collection management system that tracked the number of people served, referrals from partners, and financial program outcomes, such as income, savings, credit, and debt amounts.²⁰

7 Public-nonprofit partnerships can address consumer protection needs

Nonprofits' close proximity to the communities they serve positions them to detect emerging issues that impede clients' financial health and to advocate for municipal efforts to resolve these issues. Some areas of concern include elder financial abuse, which makes older adults susceptible to fraud or financial exploitation;²¹ notario fraud, whereby individual misrepresent themselves as legal service providers to immigrant communities;²² and consumer protection violations, whereby faulty financial products and services target marginalized communities.

RECOMMENDATIONS TO ADVANCE THE FIELD OF FINANCIAL CAPABILITY

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.



DEDICATE A FINANCIAL CAPABILITY STAFF MEMBER WITHIN CITY GOVERNMENT

Dedicated city leadership conveys the importance of financial capability initiatives. Citywide leadership ensures programs and services are organized around unified goals rather than siloed across different agencies.



STANDARDIZE DATA-SHARING POLICIES FOR CITY GOVERNMENT

There is an opportunity to standardize data-sharing policies in ways that can inform and improve existing initiatives and services. City governments can advocate for data laws, regulations, and shared data platforms that protect consumers and grant access to valuable data.



CROSS-TRAIN AND BUILD THE CAPACITY OF SERVICE PROVIDERS

Cities can train agency staff to deliver financial capability services, particularly those staff members that regularly interact with the target populations.



ADVOCATE FOR THE TRANSLATION OF FINANCIAL COLLATERAL, PRODUCTS, AND SERVICES

City government can advocate for translating financial collateral, products, and services into the languages reflected in the diverse communities they serve.



LAUNCH COLLABORATIVE SERVICES

Partnerships between cities and nonprofit organizations can reach diverse segments of the population, tailoring services to meet their needs. Cities can facilitate partnerships by serving as external conveners.



LEVERAGE FINTECH SOLUTIONS TO SCALE FINANCIAL CAPABILITY INITIATIVES

Cities can work with fintech providers and nonprofit partners to build trust in solutions and to help overcome barriers to adoption, including providing apps in multiple languages and addressing internet access.

For more in-depth analysis, examples, and recommendations, we encourage you to read the full “Scan of Municipal Financial Capability Efforts” report, available on our website at www.urbane-dev.com.

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