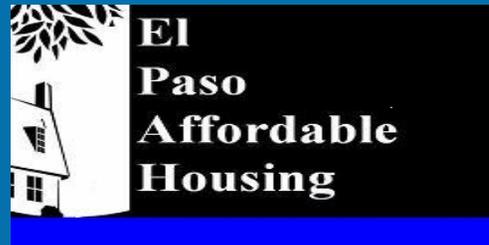


# Financial Education & Asset Building Planning Activities



# Developing Awareness Campaigns on Alternative Loan Programs

Tracy Fischman  
Executive Director



# Overview of Presentation

- Organization overview/program background
- Financial partners/program statistics
- Recommendations for program replication



# Who We Are

- **Accountability Minnesota (AAM) is celebrating 39 years of providing free tax preparation and financial services to low and moderate income taxpayers in the Twin Cities and Greater Minnesota.**
- **We move Minnesotans out of poverty by creating pathways to enhanced income.**



# 2010 Tax Season Results

- 18,852 low-income taxpayers received free tax assistance
- \$32.6 million in cash refunds to low and moderate-income Minnesota families
- 650 new savings accounts opened



# What We Do

- **Direct management**
- **Technical assistance**
- **Asset development**
- **Financial services**



# Focus on Saving Alternative Refund Anticipation Loans at Tax Time

- Money moment that tax time provides
- Opportunities to build assets and wealth
- Consumer behavior of our customers
- Innovation – developing products to meet their needs



# An Alternative to Refund Anticipation Loans (RALs)

- 8.4 million Americans spent \$738 million in RAL fees in 2008
- In 2008, 5.3 million families, 63% of RAL consumers, were EITC recipients
- \$465 million EITC funding meant for families went to pay for RAL fees
- Average APR for RAL in 2008 was 72%



# Unbanked Low-Income Taxpayers

- Over ¼ of U.S. households (30 million) are either unbanked or under banked
- Nearly 20% of households (7 million) earning less than \$30,000 per year do not have a bank account



# Unbanked Low-Income Taxpayers

- An unbanked worker pays up to \$1,000 per year to cash payroll checks
- Not having enough money to feel they need an account is the most common reason why unbanked households are not participating in the mainstream financial system.



# Asset Building at Tax Time

- **Asset Building Products**
  - **Checking/Savings Accounts**
  - **Prepaid Debit Cards**
  - **US Savings Bonds**
  - **Individual Development Accounts (IDA)**
  - **Certificates of Deposits (CD)**
  - **Savings Incentive Programs**



# Asset Building at Tax Time

- **Asset Building Services**
  - **Credit/debt management counseling**
  - **Financial coaching**
  - **Access to public benefits**
  - **Personal financial management assistance**
  - **College Access (FAFSA Assistance)**
  - **Asset Protection**



# Express Refund Loans & Savings Program

- Credit union/bank savings account
- Very low-cost (\$10) refund loan
- Federal refund available 1-2 business days via loan



# Express Refund Loan & Savings Program

- Eliminate check-cashing fees
- Access to checking, debit cards, personal loans and more!
- Financial planning in partnership with Minnesota Financial Planners Association.



# Financial Partner Requirements

- Eligible for savings account regardless of bank history (Chex Systems) or credit history
- Free opening of savings account
- No monthly fees
- No or low-minimum balance (\$5-\$20)



# Customer Requirements

- **Social Security Card, ITIN & valid state ID**
- **Agree to open a credit union/bank savings account**
- **Not previously disallowed from claiming EITC**
- **No IRS debt**



# Tax Site Procedures

- Assign Savings Account
- Customer Consultation
- Loan Details



# 5-Year Program Results

- 80% savings accounts remain open 6 months following close of tax season
- 15% participation at Twin Cities tax sites
- Process designed to expand to VITA sites nationally



# 2010 Customer Demographics

- 75% of loan customers from single parent households
- More than half planned to use their refund primarily to pay monthly bills
- 89% of loan customers claimed the EITC



# 2010 Customer Demographics

- 77% of customers who opened an account (and did not apply for a loan) were unbanked
- 26% of customers who opened an account had recently become first-time recipients of public benefits
- 660+ new savings accounts; 270+ Express Refund Loans



# 10 Rules of Successful Low & Moderate Income Saving

1. Choose the right time
2. Leverage willingness
3. Make it easy
4. Make it accessible
5. Make it tangible



# 10 Rules of Successful Low & Moderate Income Saving

6. Make it safe
7. Make it comfortable
8. Make it worthwhile
9. Offer facilitation
10. Educate and market

Source: Yes We Can: Inclusive Savings At Tax Time, D2D Fund



# Recommendations for Program Replication

- Fully integrated with VITA tax program
- Need at least one designated program staff
- Timing – 60% participation in first three weeks
- Must be nonprofit staff
  - Different results when bankers opened accounts



# Recommendations for Program Replication

- Set clear expectations early
- Targeted outreach to population
- Work in collaboration with others is critical
- Customer demographics similar to traditional RAL users



# Looking Ahead

- Needs assessment and program evaluation to address:
  - Barriers
  - Factors
  - Roles/Influence
  - Contributions
  - Increase financial partners



# Contact Information

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**Twitter: [www.twitter.com/accountabilitym](http://www.twitter.com/accountabilitym)**



# Developing Campaigns on Preserving Home Ownership

Larry Garcia  
President/CEO



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# El Paso Affordable Housing Credit Union Service Organization (AHCUSO)

- Formed in late 2001 as a credit union initiative.
- To serve the underserved, and empower members of the El Paso community.
- To realize the American dream of family wealth, access to capital, family asset development, and home ownership
- To join mainstream America in the level of quality of life



# AHCUSO Founding Members

- El Paso Area Teachers FCU
- El Paso Employees FCU
- One Source FCU
- First Light FCU
- West Texas Credit Union



# AHCUSO Founding Members

- GECU
- Golden Key FCU
- Mountain Star FCU



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# El Paso Market Profile

- El Paso County has a population of 800,000 and is approximately 82% Hispanic
- Market segment is in lower income percentage of US. (Area Household income = \$29,500 - 6th lowest in U.S.)
- 43% of Area Households make less than \$25,000 in annual income.



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# El Paso Market Profile

- Only 4% of families have an annual income of more than \$100,000 and only 18% of families earn more than \$35,000 a year.
- 35% of Area Households receive means-tested public assistance or non-cash benefits. Recipients are afraid savings will disqualify them from assistance.



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# Predatory Lending

- **El Paso County has one of the highest activities in sub-prime home loans in the country, as well as a high ratio of predatory lenders.**
  - **It has 23 conventional financial institutions including credit unions and banks, yet they are outnumbered almost 32 to 1 by fringe lenders.**



# Predatory Lending

- **The County has 109 registered payday lenders**
  - **Many with multiple locations**
  - **Others that are not registered with the state**
  - **Along with 638 licensed signature and finance company lenders**



# Predatory Lending

- All these high cost, easily accessed, fringe lenders greatly increase the high cost of being poor, and erode the ability of low to moderate income families to create wealth and purchase a home.



# Issues Affecting Credit

- **Low credit scores due to:**
  - **Low incomes**
  - **Little or no savings**
  - **Lack of health insurance-medical delinquencies**
  - **Financial emergencies**
  - **Lack of knowledge of credit system**
  - **No credit union or bank accounts**
  - **Inability to correct credit issues**



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# Home Purchase Obstacles

- Low income
- No savings
- Hi-cost predatory loans
- No credit/low credit scores
- Lack of documentation
- Unstable work history
- Lack of uniform appraisals
- Not familiar of home purchase process



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# Design and Implementation of AHCUSO programs

- A holistic approach in servicing the low-to-moderate income community financial needs.
- Financial empowerment had to be focused on asset development through
  - Financial education
  - Implementation of family asset development strategies—including Savings and local community development resources



# Design and Implementation of AHCUSO programs

- Access to mainstream capital
- Credit Management
- Home Ownership



# ACTION STRATEGIES

- **Provide Comprehensive Bilingual Financial Education**
- **Proactive Outreach for Financial Education and financial assessment.**
- **Offer Housing & Credit Counseling**
  - **HUD Approved Housing Counseling Agency**
- **Promote Savings focusing on Goal oriented savings accounts, Emergency Funds, and IDA's**



# ACTION STRATEGIES

- Promote Earned Income Tax Credit Campaign
- Education on Avoiding Predatory Loan Practices
- Assist with Homeownership



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# Asset Development Promote Savings

Partnered with different organizations to form El Paso Saves – An America Saves affiliate



# Importance of Savings Strategies through the VITA Program

- Assure families receive all entitlements
- Save families tax prep & RAL fees
- Use Refund to begin savings
- Develop matched savings IDA for homeownership
- Use savings to more easily qualify for a home or car loan, qualify for a lower loan amount, and qualify for a better interest rate.
- In turn, lower payment will help develop better credit, and bring down cost of living.



# Savings & Asset Development VITA Program

- Promote Savings using EITC refunds secured through VITA free tax preparation program
- Developed IDA in partnership with NCUF, GECU, HHS, & City of El Paso, to use savings funded by EITC refunds and match those \$2000 with \$4000



# CFEP-Coalition for Family Economic Progress

- In 2004 and the AHCUSO became lead partner for this VITA tax preparation coalition.
- To empower members of El Paso County low-to-moderate income community with the ability to develop family wealth, financial self-reliance and increase overall quality of life:



# CFEP-Coalition for Family Economic Progress

- By providing and promoting free tax preparation, financial education, asset development, credit management and affordable housing,
- Through a collaborative effort with other community stakeholders, government entities, and volunteers who recognize the value in family economic stability.



# WHO IS THE COALITION?

- El Paso Affordable Housing CUSO
- Internal Revenue Service
- AARP
- Ysleta Pueblo Del Sur
- City of El Paso: Neighborhood Services
- GECU
- West Texas Credit Union
- Teachers Fed Cr Union
- Project Bravo
- Catholic Church



# WHO IS THE COALITION?

- YWCA-Central
- El Paso Collaborative
- United Way of El Paso County
- Housing Authority of the City of El Paso
- El Paso Community College
- University of Texas at El Paso: Center for Civic Engagement
- YMCA-Northeast



# Why is the EITC Important to the El Paso Community?

- It helps individuals keep working and care for themselves and their children by allowing its use:
  - As seed money to develop family wealth through savings, education, or homeownership
  - To pay for reliable transportation
  - To secure convenient child care options
  - To buy food and other basic necessities
  - To keep current on rent and utility payments



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# CFEP -EITC CAMPAIGN

- Free electronic tax preparation for low-income families (AGI less than \$49,783)
- Taxpayers are also provided with information and access to asset development programs (home ownership, credit-building, importance of saving, etc.)
- 28 sites opened in El Paso County area (2010)
- Sites staffed by over 135 volunteers, including IRS professionals.



# El Paso VITA Coalition Results

Year	# Sites	Tax Returns	EITC \$ claimed in Millions	Total Refunds In Millions	Estimated \$ Savings in Fees
2003	26	5186	2.95	4.40	1,074,000
2004	31	7311	4.0	9.25	1,513,000
2005	31	7755	5.12	10.25	1,605,000
2006	33	8533	5.8	11.21	2,005,000
2007	33	8421	5.55	11.25	1,980,000
2008	35	13000	5.8	11.85	3,055,000
2009	28	9300	5.6	13.40	2,186,000
2010	28	8900	6.7	15.35	2,092,000
<b>Total</b>	<b>Avg 31</b>	<b>68,406</b>	<b>41.52</b>	<b>86.96</b>	<b>15,510,000</b>



**El Paso Affordable Housing**

# Building Successful Partnerships for Mortgage Lending

- AHCUSO delivers Bilingual Financial Education & Homeownership Workshops used to develop market profile and variances to conventional mortgage products needed to service the market.
- AHCUSO identifies non-profit or housing community organizations with which to partner and jointly leverage their resources for home mortgage program that will service the community.



# Building Successful Partnerships for Mortgage Lending

- **CUSO holds Bi-lingual Financial Literacy & Homeownership Workshops and identifies potential homebuyers.**
  - Homebuyers identified as mortgage ready for conventional mortgages are referred to Credit Union Mortgage Dept.
  - Others are enrolled in Mortgage readiness program and counseled in credit management and finance management.
  - Buyers are referred to all available homeownership assistance programs and assisted with their qualification.
  - Buyers are qualified for CUSO programs are provided with CUSO program loans.



# Building Successful Partnerships for Mortgage Lending

- Credit Unions provide CUSO with Line of Credit to Fund Mortgage Loans

--and/or--

Credit Unions provide guaranty to a Line of Credit to CUSO from Southwest Corporate Federal Credit Union

- CUSO originates, closes, and funds mortgage loans. Then packages and sells loans to Credit Unions or Seller-Servicer Credit Union for sale to Fannie Mae.



# Building Successful Partnerships for Mortgage Lending

## Credit Union Service Organization (CUSO)

- Financial Literacy and
- Homeownership (FLHO) Education
- Affordable Home Mortgage Loans
- Promote Savings & First Accounts
  - Develop & Deliver FLHO Workshops
  - Deliver Housing Counseling
  - Experimental Mortgage Loans
  - CUSO Management & Staff training & support



# Building Successful Partnerships for Mortgage Lending

- **Credit Unions**
  - Initial Capital
  - Technical Assistance
  - Management
  - Warehouse Loan
  - Conduit to Secondary Market
  - Consumer Financial Products
    - Formed & Manage CUSO, Market CUSO Services to members, Access to Financial Consumer Products to underserved
    - CUSO access to Secondary Markets
    - Establish Servicing Portfolio from CUSO loans, Promote Savings to First Accounts & Youth Accounts



# Building Successful Partnerships for Mortgage Lending

- **Foundations**
  - **Grants**
  - **Technical Assistance**
  - **Networking**
    - **Startup seed grant for CUSO or CUSO programs**
    - **CUSO Mgmt & Staff training & support,**
    - **In-kind assistance—legal, accounting, etc.**



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# Building Successful Partnerships for Mortgage Lending

- **Public Organizations**
  - Outreach
  - Host Site
  - Partner Public Housing Programs with CUSO programs
    - Deliver FLHO Workshops
    - Deliver Housing Counseling
    - Experimental Mortgage Loans
    - Outreach to Very Low Income families



# Building Successful Partnerships for Mortgage Lending

- **Non-Profits Social Organizations**
  - Outreach, Host Sites
  - Down Payment Assistance
  - IDA Programs, In-kind assistance
    - Market CUSO to members or target market
    - Provide Down Payment Assistance & Provides Credibility to CUSO
    - Partner with Non-Profit service programs



# Typical Housing Program Characteristics

- AHCUSO Provides First Lien Mortgage
- Non-profit or government partner provides down payment assistance through grants
  - Low LTV - credit enhancement - IDAs
  - Layered programs
  - 2<sup>nd</sup> lien/community seconds



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# Typical Housing Program Characteristics

- NO PMI due to low LTVs
- Some Variances on Modified First Time Homebuyer programs
  - Medical delinquencies - EITC used
  - Predatory loan Delinquencies
  - Alternate Credit - No Credit Score
  - Higher Debt Ratios



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# Typical Housing Program Components

Loan	Typical Transaction Composition	Sources of funds
Down Pmt + Closing Costs	5% +	Buyer Funds + Grant
First Lien Mortgage	70%	AHCUSO
2 <sup>nd</sup> Lien Mortgage	25%	HUD, City, State, Foundation



# Program Home Mortgages

- Total families placed into homes - 490
- Number of AHCUSO home loans - 315
- \$ Of AHCUSO home loans - \$20,700,000
- Total leveraged \$ amount - \$28,000,000
- Total home purchase assistance \$ provided to homebuyers- \$8,000,000



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# SURVEYING FOR COMMUNITY NEEDS

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Research Consultant



# Overview

- Introduction to Oweesta
- Why Conduct Community Surveys?
- Challenges & Opportunities
- Best Practices for Conducting Community Surveys
- Resources



# Who is Oweesta?

- National
- Native
- Community Development Financial Institution (CDFI)
- Intermediary



# Who is Oweesta?

- Training, Capacity Building, Consulting
- Lending & Capitalization
- Research, Policy & Advocacy
- Our Native Circle:  
[www.ournativecircle.org](http://www.ournativecircle.org)
- Native Financial Education Coalition:  
[www.nfec.info](http://www.nfec.info)



# Why Survey to Understand Community Needs?

- Identify the gaps
- Estimate number of clients that need FEAB services
- Learn about sociodemographic characteristics of clients
- Solicit client feedback
- Help direct future efforts and improve programs

# Challenges & Opportunities

- Time
  - Time away from direct client services
  - Not enough time in the day
- Capacity (Monetary resources and staff support)
- Intimidated
  - Knowledge of math, statistics and research methods



# Steps to Conducting Community Surveys

1. Clear purpose, resource, availability and timeframe
2. Identify specific information needed and key stakeholders
3. Determine existing information

# Best practices for conducting survey research

- Start with your objectives, not questions
- Introduce your survey & how long it will take
- Include “not applicable” and “don’t know”
- Use clear and concise questions and options
- Keep your survey brief
- Test your survey

# Steps to Conducting Community Surveys (Cont'd.)

4. Design methodology and instrumentation
5. Report and use findings
6. Collect and analyze data
7. Report and use findings

# Reporting our Findings

1. Summary
2. Introduction
3. Program profile
4. Method to collect information
5. Findings
6. Conclusion

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# Questions ???

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