

# An Evaluation of Financial Empowerment Centers

Building People's Financial Stability  
as a Public Service

**Banking Status**



Cities for  
**FINANCIAL  
EMPOWERMENT**  
Fund

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## INTRODUCTION

The Financial Empowerment Center (FEC) initiative provides free, one-on-one financial counseling as a municipal service to all residents. The FEC initiative was first developed in New York City under the administration of Mayor Michael R. Bloomberg; the Cities for Financial Empowerment Fund (CFE Fund), with generous support from Bloomberg Philanthropies, partnered with five cities—Denver, Lansing, Nashville, Philadelphia, and San Antonio—to see how, and if, this model might successfully be replicated in different municipal contexts.

The FEC model is based on four core tenets. First, people in financial trouble need individualized help, not just education, to deal with the complex issues and barriers that keep them from financial stability. Second, they should receive high-quality services from a professionally trained counselor. Third, financial counseling works well as a public service: city government is a trusted voice for residents amidst a sea of scams and complicated financial choices, a natural convener of partners, and can market services at scale. Finally, financial counseling is a natural fit with other social services, from exchanging referrals to being integrated fully into service delivery streams.

This brief, which summarizes findings about outcomes achieved through the financial counseling, is excerpted and adapted from the CFE Fund's full report, [\*An Evaluation of Financial Empowerment Centers: Building People's Financial Stability As a Public Service\*](#).

## BANKING ACCESS AND FINANCIAL COUNSELING

A basic transactional account is an important first step in establishing a mainstream banking relationship, depositing earnings securely, easily paying bills, safely making everyday purchases, and saving for the future. Barriers to accessing the financial mainstream often necessitate the use of alternative financial services—such as check cashers, payday lenders, and pawn shops—that usually are more expensive than banks and credit unions. Unbanked consumers who rely on alternative financial services must pay to access their own money, are charged for every transaction, and have limited opportunities to save.

Counselors' approaches to banking outcomes fell into two broad categories depending on client needs: (1) helping previously unbanked clients—who had not utilized commercial financial institutions before—research and open safe, affordable banking accounts, and (2) working with clients who had prior experience with financial institutions to address the barriers keeping them from re-establishing the banking relationship.

For people with previous banking experience, counselors primarily helped them to resolve negative issues. Often this involved calling their previous financial institution to address overdraft or credit issues that had put their accounts in disrepair. Several participants in the focus groups noted that they had encountered account screening consumer reporting agency issues, such as those in ChexSystems, prior to working with FEC counselors, and had not attempted to open a new or alternative account since. This also underscores the importance of safe, affordable accounts without the ability to overdraft, such as those that meet Bank On National Account Standards.

For people who had never been banked, counselors emphasized safe banking options such as credit unions or banks that have expressed an interest in working with this population. Counselors walked clients through the banking process step by step, provided education about safe banking, explained that it was possible to cash a check without paying fees, and encouraged them to open accounts at a trusted referral partner. Counselors especially encouraged unbanked people with cash savings to deposit their money in a financial institution.

## THE IMPACT OF BEING UNBANKED

Twenty percent of people who came into the FECs had neither a checking nor savings account, which was more than twice the national average. Compared to all other FEC clients, these unbanked clients had lower financial baseline numbers in all categories, as seen in the table below. This suggests that being unbanked is frequently part of a complex set of financial stressors – and that clients who came into the FECs without a bank account had a harder time getting ahead, even after working one-on-one with a financial counselor.

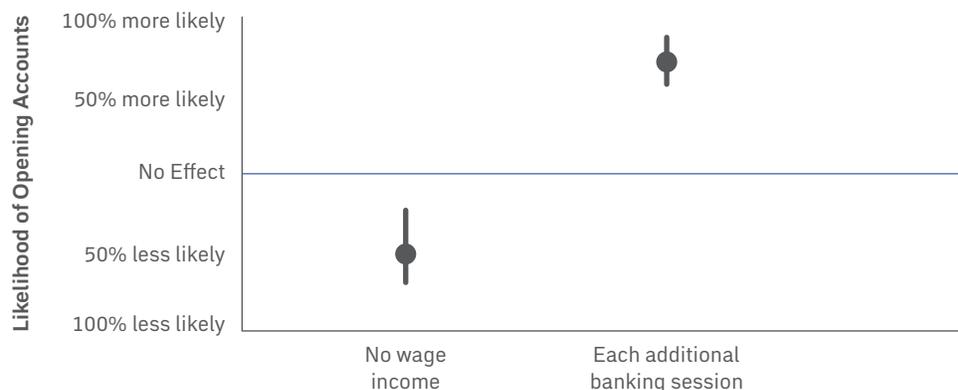
**Figure 1 • Financial Status of Unbanked Clients**

|  | Unbanked | Banked   |
|--|----------|----------|
| Average monthly income                         | \$1,091  | \$1,928  |
| Median monthly income                          | \$947    | \$1,714  |
| Average debt                                   | \$15,911 | \$31,147 |
| Median debt                                    | \$6,644  | \$15,255 |
| Average cash savings                           | \$88     | \$1,568  |
| Average credit score (among those with scores) | 553      | 591      |
| Median credit score                            | 514      | 568      |
| Percent without a credit score                 | 34.8%    | 14.2%    |

People who were unbanked at intake were 26.3% less likely like to return for follow-up counseling, relative to those who had a checking or savings account at intake. Both in general and for the unbanked, attending more counseling sessions increased the likelihood that a client would achieve outcomes. Yet, even holding constant the number of sessions a client attended, being unbanked was significantly correlated with a lower likelihood of establishing credit, increasing savings, or opening a bank account. People who were unbanked at intake were 36.1% less likely to establish a credit score relative to those who had either a checking or savings account, and 53.3% less likely to increase their savings, even when controlling for factors like income. However, those unbanked clients who became banked during the course of counseling were almost 8 times more likely to increase their savings relative to those who never became banked, underscoring the importance of bank accounts as a key to financial stability.

***Unbanked clients who became banked during the course of counseling were almost 8 times more likely to increase their savings relative to those who never became banked.***

**Figure 2 • Characteristics Linked with Opening Accounts for the Unbanked**



## BANKING OUTCOMES

Fully 31.4% of the multi-session clients working on banking succeeded in opening or transitioning to a safe and affordable bank or credit union account. Continued counseling attendance helped with banking success: each additional session made a client 43.0% more likely to open an account—71.2% for unbanked clients, who were less likely to return for follow-up sessions. People who were unbanked were also more likely to succeed if they had wage income. However, those who were unbanked at intake were 38.4% less likely to open a safe and affordable account than those who already had an account and opened a new one. 68.5% of those who opened accounts were already banked. The fact that already banked clients were looking to open new accounts suggests a desire for accounts with low or no fees, including overdraft fees; FEC counselors were trained to review account features and pricing structures and help clients find accounts that were safe and affordable. The CFE Fund's national Bank On initiative looks to expand the availability of such accounts through a national certification program and local coalition support.

Additionally, the more a client was worried about her finances, the less likely she was to open a safe and affordable account. Relative to those who were not at all worried, people working on banking issues who were a little worried were 28.4% less likely and those who were extremely worried were 39.4% less likely to open an account.

## IMPORTANCE OF SAFE, PRODUCTIVE BANKING PRODUCTS

In addition to helping city leaders build residents' financial stability through financial counseling and coaching, the CFE Fund also works to help its city partners connect residents to safe and affordable banking accounts. Bank On coalitions are locally-led partnerships between local public officials; city, state, and federal government agencies; financial institutions; and community organizations that work together to help improve the financial stability of unbanked and underbanked individuals and families in their communities. These first-generation banking access programs have already connected tens of thousands of people to safe and affordable accounts; Bank On programs also work to raise public awareness, target outreach to the unbanked, and expand access to financial education.

The CFE Fund's Bank On national initiative builds on this grassroots movement, supporting local coalitions with strategic and financial support, as well as by liaising nationally with banking, regulatory, and nonprofit organization partners to expand banking access. A central

element of this work is creating and pushing out benchmark standards for safe and affordable bank accounts. To this end the CFE Fund released the Bank On National Account Standards, which provide guidelines on more than 25 product features that local coalitions should seek in their financial institution partnerships and that financial institutions should consider when developing basic transaction accounts. Core features includes providing low-cost, low-fee basic transaction capabilities through a debit or prepaid card offered by an insured depository institution with no overdraft fees and including online bill pay. The country's five largest banks now offer accounts that meet Bank On Standards; the CFE Fund continues to encourage financial institutions of all sizes to offer accounts that meet the Standards. The CFE Fund has also launched a free certification program to assist stakeholders in determining which accounts meet National Standards. As the Bank On movement grew from its original orientation, a key focus for the CFE Fund and other field stakeholders was the importance of safe, robust products that truly meet residents' financial needs.

In addition, future Financial Empowerment Center efforts will continue to employ financial institutions as key partners in their work. Many work in tandem with their local Bank On coalition; coalitions can work to negotiate safe and affordable accounts certified as meeting Bank On National Account Standards, and develop partnerships to ensure linkages with social services like the FECs.

## LEARN MORE

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Information in this brief is excerpted from the CFE Fund's [\*An Evaluation of Financial Empowerment Centers: Building People's Financial Stability As a Public Service\*](#). Read the full evaluation to learn more about other related topics, including more detail on the FEC model, and details on financial counseling outcomes and how they support financial stability.



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