



STRATEGIES FOR LINKING YOUR COMMUNITY TAX CAMPAIGN TO ASSET-BUILDING

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*Expanding Opportunity, Advancing Equity***

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EITC Carolinas

EITC Carolinas, an initiative of MDC, Inc, is a new resource network for community coalitions and organizations in North and South Carolina that assist low- and moderate-income working families to reclaim and keep their earnings through free tax preparation and tax credits such as the Earned Income Tax Credit and the Child Tax Credit. The network works to give greater visibility and support to the efforts of local community organizations and to publicize the availability of the EITC to eligible families. Due to the generous support of the Annie E. Casey Foundation, membership in the network is free to community groups.

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Additional Copies of this document are available on the website of the National Community Tax Coalition: www.tax-coalition.org

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Executive Summary

Across the country, a growing number of communities have organized tax campaigns to help low- and moderate-income families build stronger financial futures. Many of these community tax campaigns link their tax clients to asset-building opportunities such as Individual Development Account (IDAs) programs, programs to repair credit and provide access to mainstream financial services such as low- or no-cost savings accounts, and programs that provide alternatives to high-cost financial products such as check-cashing and refund anticipation loans (RALs) that are heavily marketed to low-income consumers.

As the community tax campaign and asset-building field expands, so do the number of innovative programs experimenting with different approaches. This handbook provides an overview of innovative practices that link tax campaigns to asset-building in six areas:

- **Getting to Know Your Clients:**

For established tax preparation sites, surveying clients before and after tax season – or just sitting down with them to talk about their needs – will provide essential guidance in choosing or changing programs for next year. For new sites, listening to potential clients can be more informative than a whole library of "best-practices" guides. Many grants require data tracking, which can be onerous, but it is also a golden opportunity to learn some big-picture lessons about the community you serve.

- **Building Partnerships with Financial Institutions:**

While credit unions and community development banks have long recognized the importance of reaching out to the unbanked, many mainstream financial institutions are beginning to see the wisdom in joining asset-building efforts. Talk about community partnerships and opening new markets for their products, and your local financial institutions will see why joining your coalition is a brilliant idea.

- **Linking Clients to Suitable Financial Products:**

Convincing a financial institution to waive some fees or offer new services is difficult, but it may be the most successful way to meet the needs of the unbanked. Consider products for different levels of financial literacy; perhaps first a free savings account, then basic checking, and eventually an IDA or home mortgage. Again, offer your abilities to help the financial institution reach out to an untapped market.

- **Delivering Financial Education:**

Knowledge is power, but education is a hard sell to busy working adults without some kind of tangible incentive. Successful incentives include the ability to open a checking account or clean up credit; taking classes "on the clock" at their place of work; and free transportation and/or child care during classes. The Cooperative

Extension Service and Consumer Credit Counseling Services are two of many organizations whose expertise you can use to advance your financial literacy efforts.

- **Competing with Check-Cashers and Refund Anticipation Loans:**

The best way a community tax campaign can compete with commercial tax preparers is to offer electronic filing, preferably coupled with a free account for direct deposit. However, offering alternative services may also be the only way to reach out to those clients who are not ready to join savings programs or open accounts. Some advocates do take issue with community organizations condoning these kinds of services at all, and are concerned with the profit motives they offer financial partners. Market research and past experience may help you determine whether you should try to offer these services or try to bring clients into mainstream banking.

- **Bringing Services Together in "Super Sites"**

If you want to make several programs available to tax clients, super sites may make more sense than trying to train the staff of each site in additional services. Offering the super sites only on certain days filters out those interested in additional programs from those just interested in tax preparation. Lots of clear marketing is needed to publicize the super sites and their hours. Choose programs carefully to avoid information overload for both clients and volunteers.

In each of these six areas, the paper gives a brief overview of innovative strategies and then provides resources for where to find further information. Because so many excellent resources exist for those interested in Individual Development Account (IDA) programs, we have chosen not to include a discussion of IDA programs in this handbook. However, we do provide links to IDA resources at the close of the document. Since this handbook is by no means an exhaustive look at the many innovations in the field, our hope is that others will refine and expand it so that it becomes of even greater use to practitioners.

Introduction:

Across the country, a growing number of communities have organized tax campaigns to help low- and moderate-income families build stronger financial futures. While each campaign is organized a little differently to reflect local needs, most incorporate some or all of four broad components: 1) outreach and education about the availability of tax credits such as the Earned Income Tax Credit (EITC) and the Child Tax Credit; 2) free income tax preparation, usually under the IRS Volunteers in Tax Assistance (VITA) program; 3) financial literacy outreach and workshops; and 4) linkage to other benefits such as energy assistance, food stamps, and health care.

An increasing number of community tax campaigns are also seeking ways to further link their tax clients to asset-building opportunities such as Individual Development Account (IDAs) programs, programs to repair credit and provide access to mainstream financial services such as low- or no-cost savings accounts, and programs that provide alternatives to high-cost financial products such as check-cashing and refund anticipation loans (RALs) that are heavily marketed to low-income consumers. As the community tax campaign and asset-building field expands, so do the number of innovative programs experimenting with different approaches. This handbook provides an overview of innovative practices that link tax campaigns to asset-building in six areas:

- **Getting to Know Your Clients:** how groups conduct their own market research to ensure that they are addressing their clients' needs;
- **Building Partnerships with Financial Institutions:** understanding what you have to offer to a financial partner, and knowing what you want from them, is crucial to a successful partnership;
- **Linking Clients to Suitable Financial Products:** examples of how to find the right financial products for your clients, and how to create new ones when needed;
- **Delivering Financial Education:** innovative ways to get clients the information they need to build a stronger financial future for themselves.
- **Competing with Check-Cashers and Refund Anticipation Loans:** what some groups are doing to provide alternatives to high-priced financial products; and
- **Bringing Services Together in "Super Sites":** ways to link tax campaign sites to a wider menu of asset-building programs and other social services.

In each of these six areas, we give a brief overview of innovative strategies and then provide resources for where to find further information. Because so many excellent resources exist for those interested in Individual Development Account (IDA) programs, we have chosen not to include them in this handbook. However, we do provide links to IDA resources at the close of the document. Since this handbook is by no means an exhaustive look at the many innovations in the field, we hope that others will find it useful and expand on it so that it becomes of even greater use to practitioners.

Why Link Tax Campaigns to Asset-Building?

Before discussing program innovations in the six areas listed above, it is worthwhile to outline the rationale for linking community tax campaigns to broader asset-building efforts. In addition to providing free income tax preparation to the public, a major focus of community tax programs is to help working families access the Earned Income Tax Credit (EITC). The Earned Income Tax Credit has lifted more people out of poverty – 4.7 million persons in 1999, including 2.5 million children – than any other federal program. In tax year 2000, the EITC delivered nearly \$31 billion nationally to lower-income workers and their children, more than TANF and Food Stamps combined.

The vast majority of families that receive the EITC obtain it in a lump sum with their federal tax refund. Because families can qualify for more than four thousand dollars in EITC, it can represent a significant amount of money to receive in one payment and is often used by low- and moderate-income families as a means to save over the year. When added to the value of the Child Tax Credit, presently \$1,000 for each qualifying child, the significance of tax credits to a family's income is even greater. As experience with traditional income support programs has shown, however, a marginal increase in income rarely ends the poverty cycle for a family without some accumulation of assets.

Assets – savings, investments, a home, a small business, an investment in education, a retirement account – provide both a safety net for hard times and the means to exit poverty. Asset holding has been shown to promote beneficial outcomes for individuals, families, and neighborhoods. According to a report from the Center for Social Development at Washington University in St. Louis, Missouri, assets are associated with the following benefits:

- Increased household economic stability;
- Decreased economic strain on households;
- Greater educational attainment;
- Decreased marital dissolution;
- Decreased risk of intergenerational poverty transmission;
- Increased health and satisfaction among adults;
- Increased property values;
- Decreased residential mobility;
- Increased property maintenance;
- Increased local civic involvement. ¹

Federal policies have long favored the development of assets through tax breaks for 401(k)s, mortgage interest, and small businesses, and initiatives like the GI bill. Unfortunately, most of these policies do not benefit low-income families who may not earn enough to pay income tax or have access to tax-deferred retirement accounts. In addition, a long history of employment and housing discrimination has limited opportunities for minority groups to accumulate assets. Not surprisingly, then, wealth inequality is much greater than income inequality in America. When households are divided by income, the bottom 60 percent earn 23 percent of the income in America but

hold less than 5 percent of the wealth.² The evidence is even more stark if examined by race and ethnicity. According to the Boston Globe, a recent study by the Pew Hispanic Center states that:

"As of 2002, the latest year for which data are available, the median Hispanic household had a net worth of \$7,932 and the median black family had \$5,998, meaning that half of the households in those groups had less and half had more. The median white family, by contrast, had more than 10 times either amount -- \$88,651. Nearly a third of blacks and over a quarter of Hispanic households had zero or negative net worth in 2002, compared with 13 percent of whites.

The net worth of Hispanic and black households fell 27 percent from 1999 through 2001, while white household wealth rose 2 percent during the same period, the survey found. The losses erased many of the gains blacks and Hispanics had made during the boom of the late 1990s, and they left them less of a cushion to ride out future downturns, according to the report."³

Recently, anti-poverty organizations have begun to step into this void, addressing wealth inequality by connecting low-income families with savings accounts, Individual Development Accounts, homes and small businesses. Community tax campaigns are a natural entry point to a larger discussion of finances and assets with an audience that has long been excluded from those arenas. People come into tax sites with money on their minds and a possible refund payoff in their future, two lead-ins to new ideas about saving and spending.

This paper reviews several approaches that community organizations across the country have taken in their asset-building programs. Programs aimed at asset-building can range from bringing the "unbanked" into mainstream financial services to helping people save for homes of their own. Although asset-building is a relatively young field, the experiences of groups across the country provide a wealth of ideas and lessons for free tax preparation programs of all sizes looking to link to broader anti-poverty efforts.

1. Getting to Know Your Clients

Every community may have different needs and face different obstacles to asset accumulation. Financial institutions know this, which is why they conduct market research to determine what products to offer in a certain market. Unfortunately, low-income families and the unbanked are often left out of this research, so it is up to you to conduct market research on the people you wish to reach with your asset-building programs. Why do they use alternative financial services? What are their biggest obstacles to saving? How important are childcare, affordable housing, or transportation in their hierarchy of needs? In addition to informing your choice of services to offer, market research enables you to approach financial institutions armed with some facts about what changes they could make to better serve your clients.

Listen to People Talk About Money

Before the **Center for Economic Progress** in Chicago formalized its Extra Credit Savings Program with Shorebank (a community development financial institution), it held focus groups of people who had used its free tax preparation services in the past.⁴ These groups, plus outside studies of EITC recipients in Chicago, helped CEP identify financial services that would appeal to its clients.

The **Campaign for Working Families** in Philadelphia is considering "listening sessions" for clients and potential clients to talk frankly about money and financial services, so that Campaign staff will be grounded in the real-life experiences of their target clientele.⁵ The Campaign for Working Families also uses the blank "optional" fields in Taxwise software to track additional information about clients such as whether they would like to be contacted about IDAs and other related programs.

More information about the Extra Credit Savings Program can be found at: http://www.fanniemaefoundation.org/programs/pdf/fscs_Extra_Credit.pdf, and <http://www.shorebankadvisory.com/resources/moneyinthebank.pdf>.

The Campaign for Working Families website is: <http://www.gpuac.org/programs/CWFWhatWeDo.htm>;

An assessment of the Campaign for Working Families' EITC program was done by the Brookings Institution: http://www.brookings.edu/urban/eitc/20040224_houstoun.htm

Bottom Line

For established tax preparation sites, surveying clients before and after tax season – or just sitting down with them to talk about their needs – will provide essential guidance in choosing or changing programs for next year. For new sites, listening to potential clients can be more informative than a whole library of "best-practices" guides. Many grants require data tracking, which can be onerous, but it is also a golden opportunity to learn some big-picture lessons about the community you serve.

2. Building Partnerships with Financial Institutions

A 2002 Aspen Institute study of EITC campaigns found that the closer the relationship between the campaign and a financial institution, the more effective it was. The study found success among those that held community tax campaign sites in financial

institutions, had on-site account representatives, and/or made referrals to financial institutions with branches nearby.

There is no proven formula for building relationships with financial institutions. However, in discussions with organizations who have built these partnerships and with Paul Stock, Executive Vice President of the North Carolina Bankers' Association, some helpful strategies have emerged.⁶

Everyone has contacts.

Make a list of the financial institutions to which your organization already has ties. Remember your board members' connections as well – and don't forget the financial institution that holds your agency's own deposits. Now you have a place to start – and if they don't pan out, at least you have practice before making cold calls. If you have an interest in working with a particular financial institution, Paul Stock suggests you talk with him first about your approach. He may be able to connect you with the right person at that institution.

Offer your own connections

A recent meeting for local financial institutions hosted by the **Durham, NC, MoneyWi\$e Coalition** revealed that, while many financial institutions already have products tailored for the unbanked, they would welcome assistance in marketing to this group. A community/financial institution partnership based on your ability to do effective outreach to the unbanked could benefit everyone involved.

Be prepared to knock on several doors

Financial institutions vary in their structure and commitment to community involvement; it may boil down to finding the right person at the right time. As Stock says, don't take it personally: "Everyone helps with a certain number of things; you just have to find someone who hasn't reached their limit yet."

Start small

Many programs, especially outside urban centers, report more success with smaller, locally owned financial institutions. Both the **Georgia Family Connection Partnership**⁷ (GAFCP) and the **Experiment in Self-Reliance**⁸ (ESR) reported that, when seeking financial institutions willing to waive fees and create special accounts, they had little luck with national chains but were able to develop partnerships with local institutions. Diane Cousineau of GAFCP hypothesizes that truly local rural financial institutions are more cooperative because they have a greater stake in the community, and a greater need for new depositors.

The GAFCP website is <http://www.gafcp.org>; the Experiment in Self-Reliance can be found at <http://www.eisr.org>.

Come armed with information

The NC Bankers' Association has sent information to its members about EITC campaigns, but your local officer may not be familiar with your work – or how the financial institution can help. Choose statistics on the unbanked or EITC recipients in your community, if available, and have examples of successful partnerships in other cities. The **Center for Economic Progress** has created a helpful set of "Financial Institution Partnership Guidelines," available at <http://www.tax-coalition.org/financedu.htm>, and the **Milwaukee Asset-Building Coalition's** briefing on "How Financial Institutions Can Support This Effort" is at http://www.eitc.info/resources/pdf/eitc_ideas_for_banks.pdf.

Know what's in it for the financial institution

There are three great arguments for why your local financial institution should join your EITC campaign. First, such a partnership undoubtedly fits within the financial institution's existing goal to support community-oriented programs that strengthen the financial standing of families. Second, the unbanked are a new market; perhaps the initial low-cost accounts will not be profitable, but the financial institution will be more likely to get future mortgage and deposit business from the family and its descendants. A consultant for PNC Bank Delaware wrote a great summary of why offering free accounts at community tax campaign sites brought in new customers for the financial institution; you can read it at: <http://www.frbsf.org/community/resources/files/2004crc/markets/newcustomers/zumsteghiner.pdf>.

Finally, under the Community Reinvestment Act (CRA), financial institutions are regularly evaluated on their efforts to expand the availability of credit and other financial services to underserved populations. In addition to expanding access to credit, financial institutions can meet CRA obligations through "community development investments." Any investments or grants for community services targeted to low- or moderate-income individuals could qualify; in addition, direct service activities that are related to the provision of financial services may qualify (for example, letting employees act as community tax campaign site volunteers on company time). Many larger financial institutions have officers in charge of CRA activities who might be interested in learning more about your asset-building efforts.⁹ While many financial institutions have well-established CRA plans, new financial institutions in particular may be open to new CRA-related opportunities. Before approaching a particular financial institution, it would be useful to check with your local FDIC Office or your state banking association to explore whether the CRA opportunity is likely to be of interest.

Learn more about the CRA at <http://www.ffiec.gov/cra/default.htm>, or contact your local FDIC officer for more information.

Bottom Line

While credit unions and community development banks have long recognized the importance of reaching out to the unbanked, many mainstream financial institutions are beginning to see the wisdom in joining asset-building efforts. Talk about community partnerships and opening new markets for their products, and your local bankers will see why joining your coalition is a brilliant idea.

3. Linking clients to Suitable Financial Products

Lack of access to mainstream financial institutions can prevent a family from saving, accessing credit, and building any assets. "Fringe" financial institutions that offer check cashing and payday lending for high fees are the only resort for these families. Individuals without checking or savings accounts have reasons for avoiding them: perhaps they are leery of monthly and service fees, don't think they can maintain minimum balances, or have been denied service for past banking troubles. Specially tailored products may be necessary to bring these clients into the world of formal financial services. Some of the most popular products are free savings accounts, low-cost or electronic-only checking accounts, waiving the usual Chexsystems banking history, and waiving or lowering the initial deposit requirement. In addition, some financial institutions have offered free cashing of refund checks or low-cost refund anticipation loans in order to curb usage of predatory lenders.

The Center for Economic Progress has created a set of guidelines for financial products that are feasible for their community, which can be viewed at <http://www.tax-coalition.org/Library/L%20-%20Financial%20Institution%20Partnership%20Guidelines.doc>.

Connect a financial institution with a particular site

If a financial institution is interested in providing volunteer or in-kind services, and is conveniently located for low-income families, it might host a community tax campaign site during or after business hours. The **Extra-Credit Savings Program** (ECSP), a Chicago collaboration between the Center for Economic Progress (CEP) and Shorebank (a community development financial institution), offered free tax preparation in the lobbies of Shorebank branches. Shorebank then offered the tax preparation clients free, flexible, interest-bearing savings accounts for direct deposit of their tax refund, waiving the usual requirement of an up-front deposit. In four years, 500 new accounts were opened, 60% by previously unbanked customers.

Fannie Mae has written a case study of the ECSP at http://www.fanniemaefoundation.org/programs/pdf/fscs_Extra_Credit.pdf.

Another option is to have local financial institutions "adopt" one or more community tax campaign sites, as did the **Campaign for Working Families** in Philadelphia. The Campaign was a large-scale coalition effort, and it was able to get seven sites adopted by three different financial institutions. Financial institution employees provided banking services and literature and also helped run one-hour Money Smart workshops. One financial institution adopted five sites, while others took just one; this setup allowed financial institutions to commit to a greater or lesser degree depending on their capacity.

For more information on the Campaign for Working Families, check out the resource list at <http://www.eitc.info/locations/philadelphia/default.asp>.

Opening accounts is a first step, but not the last

The **Experiment in Self-Reliance** in Winston-Salem is regionally and nationally known for its home-ownership IDA program, but it has also found a financial institution willing to offer a special product for clients not ready for the intensive saving required by IDAs. **ESR Saves** offers low-cost money market accounts to ESR clients through a relationship with Southern Community Bank. Southern Community agreed to waive the account fees for the first six months; if, at six months, the account has a minimum balance of \$100, it continues to be free. If the balance drops below \$100, then the fee kicks in. Accounts can be opened with a minimum of \$20, making them an attractive product for clients who have come in for other services (including tax preparation).

The Experiment in Self Reliance website is <http://www.eisr.org>

The **Milwaukee Asset-Building Coalition** found a financial institution willing to provide free savings accounts and to send representatives to its community tax campaign sites to open accounts. After finding that many of the free accounts opened by tax prep clients were quickly closed, the Coalition is now advocating that refunds be deposited into secure CDs with more strict withdrawal limits.¹⁰

More information about the MABC at <http://www.eitc.info/locations/milwaukee/default.asp>

One of the challenges in creating low-cost accounts is inducing participants not only to open accounts, but also to keep them active. A study of Extra-Credit Savings Project participants found that 41% had depleted their accounts within thirty days of opening them, and only 14% truly "saved" by retaining some of their refunds and making additional deposits. In interviews, however, many participants claimed that just having the account had slowed their spending and caused them to more carefully prioritize their purchases. Like ECSP, ESR Saves has found that opening an account, while an important step, does not automatically lead to savings. The ESR manager receives a printout of all account activity monthly (as do the customers), and flags large withdrawals for that client's case manager to investigate. These experiences show that "banking the unbanked" is not an end in itself, but it can be a crucial first step in developing new financial habits.

Technology Provides New Opportunities

Electronic banking, debit cards, and electronic bill-paying have made it possible for customers to use banking services without ever entering a branch or taking up a teller's time. These technologies make it less costly for financial institutions to offer certain kinds of accounts to low-income customers; the federal government has even gotten on the e-banking bandwagon by championing Electronic Transfer Accounts and other ways

of receiving and using benefits electronically. In addition, many companies have begun using stored-value "payroll cards" for their unbanked employees. At the end of 2002, a study by the Office of the Comptroller of the Currency found that 10% of unbanked households were using payroll cards, and the numbers continue to rise.

One successful model is **Directo**, a financial technology company in Atlanta. Directo partners with financial institutions to offer a "checkless" electronic deposit account to those who are unable to get traditional checking accounts. Directo cards can be used as ATM and debit cards. Most of these accounts are offered through employers and require direct deposit of paychecks. Although the accounts are not usually free (plans range from no monthly fee but charges for each transaction, to monthly fees of \$6-10), many employers cover these fees as an incentive for employees to use direct deposit.¹¹

*For more information on the Director program, see:
http://www.fanniemaefoundation.org/programs/pdf/fscs_Directo_Program.pdf for a Fannie Mae case study on Directo.*

Electronic accounts can be further tailored to the needs of low-income individuals in two ways: enable direct deposit of government benefits, and make extra cards available for relatives anywhere in the world. The latter is an important feature for immigrant customers, largely Hispanic, who make expensive wire transfers to relatives in other countries.

In considering electronic-only accounts or stored-value cards for tax refunds, however, it is important to research the company providing the cards. Consumers Union and other advocacy organizations have publicized the fact that some stored-value payroll cards do not have the same deposit insurance protections as financial institution ATM cards. While Directo cards are linked to FDIC-insured accounts, some cards have only the lower-level insurance provided by Visa or Mastercard. In addition, the usage fees on some cards may approach the levels charged by check-cashers.¹²

*More information on electronic cards can be found at
http://www.consumersunion.org/pub/core_financial.html*

Bottom Line

Convincing a financial institution to waive some fees or offer new services is difficult, but it may be the most successful way to meet the needs of the unbanked. Consider products for different levels of financial literacy; perhaps first a free checking account, then basic savings, and eventually an IDA or home mortgage. Again, offer your abilities to help the bank reach out to an untapped market.

4. Delivering Financial Education

The key to an effective financial literacy program is finding an incentive that will get people in the door – and keep them in. Many community tax campaign sites have discontinued voluntary financial literacy workshops and courses due to lack of interest. Successful programs must get beyond "I just want to get my taxes done," and convince clients that they have a need for further financial literacy without making them feel that they don't know how to handle their own money.

IDA programs, of course, have the incentive of matching funds and potential home ownership to attract participants. Beyond IDAs, however, financial literacy programs have found success by building partnerships with like-minded agencies and with large employers of low-income workers, by helping with transportation and child care, and by collaborating with financial institutions to offer credit and banking record clean-up.

Take advantage of existing resources

Many financial literacy curricula have been developed to fit a wide range of needs. Attached to this report is a brief list of some of these curricula, including information on price (many are free), content, and multilingual availability. When it comes to financial education, much of the content is universal, so avoid reinventing the wheel!

In addition, two national organizations are committed to spreading financial literacy and security through their local affiliates and are generally open to community partnerships. **Consumer Credit Counseling Services (CCCS)** provide money and debt management counseling to individuals for little or no fee. In addition, many CCCS affiliates offer educational programs or might send representatives to events organized by community groups. There are almost 50 CCCS-affiliated agencies in North Carolina and 20 in South Carolina; you can find your local agency at www.debtadvice.org. In addition, CCCS provides telephone and web-based counseling nationwide (see website for information).

The second organization is your local **Cooperative Extension Service**. Nationally, the Cooperative State Research, Education and Extension Service (CSREES) promotes financial literacy with "Financial Champions," a curriculum for young people offered through 4-H clubs, as well as programs for high school students and older adults. In addition, individual local extensions have joined financial literacy efforts in their communities; one large-scale collaboration with the University of Milwaukee Extension resulted in the **Get Checking** program (see below). It is generally a good idea to invite your state or local extension service to join collaborative EITC and asset-building efforts, as they may be able to bring resources and experience to the table.

The North Carolina Cooperative Extension is based at NC State University and can be found at <http://www.ces.ncsu.edu>;

In South Carolina, extension efforts are based at both Clemson and South Carolina State, and a list of local offices is available at <http://www.clemson.edu/extension/>.

There are several online tools for financial literacy at the CSREES website, <http://www.csrees.usda.gov/ProgView.cfm?prnum=1879>

Offer financial seminars at community tax campaign sites

Those waiting in line to have their taxes prepared are a captive audience, with money on their minds, so it is tempting to see this as a "teachable moment." While it is important to take advantage of that opportunity, some groups have reported that offering full workshops at the tax sites has been unsuccessful. The **Campaign for Working Families** and **Center for Economic Progress**, both of which run substantial urban campaigns covering several sites, have cancelled on-site financial workshops due to sparse attendance. Others offer more passive information: the **Milwaukee Asset-Building Coalition** has a video from their financial literacy program, The Money School, on continuous loop in the lobby of some tax prep sites.

Partner with large employers for mutual gain

Arvest Bank created a partnership with a large poultry processing plant in which the bank offered financial literacy and home-ownership seminars to its largely immigrant entry-level workforce. The workers were paid while attending the seminars. In addition to the benefits to the workers, the factory benefited from a more stable, satisfied workforce – and the bank gained hundreds of new banking and mortgage customers.¹³

The **Duke University Federal Credit Union** in Durham, NC, has also taken advantage of its relationship with the largest employer in the city by providing lunchtime financial seminars for Duke employees. These "lunch 'n learn" opportunities cover topics from budgeting to home-buying to retirement planning in 45-minute brown-bag seminars.

Some programs have found that you have to be careful about the types of programs you offer in the workplace. People may be averse to letting coworkers and supervisors know that they need special help or may be reluctant to discuss financial matters or even tax returns at work.

The Arvest Bank experience is very instructive; you can read more about it in Reaching the Immigrant Market: Creating Home Ownership Opportunities for New Americans by Dr. Andrew I. Schoenholz, Georgetown University: http://www.chicagofed.org/news_and_conferences/conferences_and_events/files/financial_access_for_immigrants_schoenholtz.pdf

Get people in the door with innovative marketing

The **Family Connection Partnership** of Warren County, Georgia, held an open workshop advertised throughout the community as "How to Get Rich." The large numbers who showed up were treated to short presentations from several programs, such as USDA mortgage assistance. After getting "fired up" by the initial seminar, participants could sign up on the spot for further, more in-depth financial literacy training.

Make it easier to be there

Once you've gotten people in the door, help them stay with the program by overcoming the barriers of childcare and transportation. In a study of participants in its **Financial Links for Low-Income People (FLLIP)** program, the Sargent Shriver Center found that the reimbursement it offered TANF participants for transportation and childcare was an important incentive. Childcare especially is a constant problem, especially for low-income families – most program profiles show that the average participant is a single mother.¹⁴

You can find more about FLLIP at:

http://www.povertylaw.org/advocacy/community_investment/fllip_report.cfm

Faith communities are natural entry points

In Texas, the **Children's Defense Fund** is reaching out to predominately African-American communities through the churches. The CDF Houston and Rio Grande offices hold regular Sign-Up Sundays to publicize tax preparation and credits as well as many other health insurance and benefits programs. Sign-Up Sundays get the word out through church bulletins, pulpit announcements, and volunteer church members; in addition to publicity, these church outreach programs are a great recruiting tool for additional volunteers.¹⁵

The Texas CDF website is <http://www.cdf-texas.org>.

Use financial education as a gateway to "second-chance accounts"

Individuals can be blocked from opening financial institution accounts if their names are listed on ChexSystems, the company that provides financial institutions with prospective customers' banking history. Several programs are designed to help these individuals regain their banking privileges. One of the largest is **Get Checking**, a joint program of eFunds Corporation (owner of ChexSystems), Consumer Credit Counseling Services of Milwaukee, University of Milwaukee Extension, and UWM Continuing Education. Participants are usually referred by financial institutions, and the program offers them the

opportunity to open an account at a participating financial institution, in exchange for successfully completing a financial literacy course (and a fee of about \$35).¹⁶

The course consists of six hours of seminars, usually spread over two or three evenings. The instructors, from the local Coop Extension Service and other community organizations, provide instruction in banking basics, checking and account management, credit, and budgeting skills. At the end, graduates can open accounts that have relaxed requirements. From its origins in Milwaukee, Get Checking has expanded to 45 communities in 11 states and is now offered in Spanish.

*More information about Get Checking can be found at:
<http://www.getchecking.org>*

Like Get Checking, **CT Beginnings**, a program of Citizens Trust Bank in Atlanta, offers second-chance accounts with mandatory financial education seminars. The accounts require only a \$10 initial deposit, carry a small monthly fee, and are accessible through debit cards and a limited number of checks. With the first bad check, the account is closed.¹⁷

*An Annie E. Casey article about CT Beginnings is at
<http://www.aecf.org/initiatives/fes/atwork/banking/bank2.htm>*

Legacy Bank in Milwaukee chose to focus on a particular industry with its **Financial Liberty First Accounts** program. Legacy Bank learned that many childcare workers were unbanked and that it was a growing industry in low-income areas due to welfare-to-work requirements. Under Financial Liberty First Accounts, childcare workers could open fee-free accounts with as little as \$10. Financial seminars were required if the individual was listed on ChexSystems, but 90% chose to take the classes regardless of their history. About one-third of participants were previously unbanked, and Legacy Bank used focus groups of previous clients to identify coaches who could be "ambassadors to other unbanked individuals."¹⁸

*An Annie E. Casey article about Legacy Bank's program is at
<http://www.aecf.org/initiatives/fes/atwork/banking/bank4.htm>*

Bottom Line

Knowledge is power, but education is a hard sell to busy working adults without some kind of tangible incentive. Successful incentives include the ability to open a checking account or clean up credit; taking the classes "on the clock" at their place of work; and free transportation and/or childcare during the classes. The Cooperative Extension Service and Consumer Credit Counseling Services are two of many organizations whose expertise you can use to advance your financial literacy efforts.

5. Competing with Check-Cashers and Refund Anticipation Loans

In the absence of accessible mainstream banking, low-income families are turning to alternative financial service providers at increasing rates. In North Carolina in 2001, there was one check-cashing outlet or payday lender for every two FDIC-insured financial institutions. Research has shown that both commercial tax preparers and check-cashers concentrate their outlets in low-income communities – five small NC counties have as many or more check-cashers as financial institution branches.¹⁹

In 1999, 36.7% of urban EITC recipients spent a chunk of their tax credit on Refund Anticipation Loans (RALs) from commercial tax preparers. This number was even higher in Southern cities, where more than 46% of EITC recipients chose RALs.²⁰ The fees charged by national chains for tax preparation and RALs can come to \$200 or more per taxpayer. Those refund recipients who choose to wait for their checks rather than taking out loans may still lose a sizable percentage of their refund to commercial check-cashers if they don't have a bank account.

In order to discourage consumers from paying these usurious fees, ideally community tax campaign sites could e-file all returns and connect clients with free accounts for direct deposit of refunds. Beyond this, however, community groups and credit unions have come up with several ways to offer similar services for more reasonable prices.

Offer free cashing for refund checks

The **Marion County Collaborative Action Network** (MCCAN) in South Carolina found two local financial institutions willing to offer signature cards good for free cashing of refund checks. MCCAN printed the cards and then the client would sign it in front of the volunteer preparer, who would sign the other side to witness the signature. The client could then present the card to cash the refund check at the financial institution branch. Participation in the first year of the program was very low, but MCCAN plans to continue offering the cards as part of a comprehensive web of options.

Get more information about MCCAN's tax preparation programs by emailing marioncountycan@webtv.com.

Combine mainstream banking with alternative financial services

Some innovative credit unions across the country have developed new products and strategies to engage those customers who rely on check-cashers and payday lenders. One of the first was **Bethex Federal Credit Union**, a 30-year-old credit union in the Bronx, New York. After lengthy planning and negotiations, Bethex joined in a partnership with Ritecheck, which offers alternative financial services through 11 stores in the city. In order to remedy the lack of financial institution branches in the neighborhoods where check-cashers are prominent, Bethex installed terminals in Ritecheck outlets and trained Ritecheck employees so that Bethex customers could conduct banking transactions and cash checks for free at Ritecheck outlets. **Union Bank of California** also created some

"hybrid" outlets that have been successful in bringing check-cashing customers into the bank.²¹ These "Cash & Save" outlets offer check-cashing, money orders, and transfers; transitional banking products like the Nest Egg savings account, Electronic Transfer Accounts, and low-fee limited checking; and traditional banking products. Unlike many other experimental partnerships, these outlets have been profitable for the bank for several years – and according to the bank, 45% of check-cashing customers have made the transition to more traditional banking products.

Fannie Mae has a series of case studies on these and other basic banking innovations at <http://www.fanniemaefoundation.org/programs/fscs.shtml>

Offer low-cost refund anticipation loans

One of the main reasons why EITC recipients pay such high prices for commercial tax preparation is the ability to take home some or all of their refund checks within a day or two. Electronic filing with direct deposit is an essentially free answer to this service. However, for unbanked customers or those insistent on "rapid refunds," some community tax campaign sites have considered offering their own lower-cost loans. **Alternatives Federal Credit Union in Ithaca**, New York, decided to include with their free tax preparation services a Tax Anticipation Note. Based on an existing loan product, the Notes cost a \$20 fee plus 11.5% APR. Of 600 tax customers in 2003, 60 chose to take the loans.²² Other programs have partnered with local financial institutions to offer similar immediate loans. Because refund loans are profitable for financial institutions, whereas free deposit accounts are not, it is important that the terms of any such agreement be clear from the outset.

Alternatives FCU has a website, <http://www.alternatives.org/taxprep.html>.

Bottom Line

The best way a community tax campaign can compete with commercial preparers is to offer electronic filing, preferably coupled with a free bank account for direct deposit. However, offering alternative services may also be the only way to reach out to those clients who are not ready to join savings programs or open accounts. Some advocates do take issue with community organizations condoning these kinds of services at all, and are concerned with the profit motives they offer financial partners. Market research and past experience may help you determine whether you should try to offer these services or try to bring clients into mainstream banking.

6. Bringing Services Together in "Super Sites"

There are several ways to link community tax campaign sites to a wider menu of asset-building programs and other social services. Some organizations choose to train tax

volunteers to check clients' eligibility for other benefits, or to collect information on those clients interested in asset-building. Others have invited representatives from several programs to offer their services on-site.

Use financial information to check eligibility for benefits

Many programs use tax preparation as an opportunity to link clients to other government benefits and social services. Volunteers can use online resources like <http://www.govbenefits.gov> to determine if the client is eligible for local and state benefits programs. In addition, some volunteers are trained to explain benefits and even help fill out applications. **Nehemiah Gateway CDC** in Wilmington, Delaware, hands out packets of information to clients waiting in line at tax sites, and then the tax volunteers go over all of the services with clients before doing their taxes. Through a partnership with the USDA and Oklahoma Department of Health Services, the **Tulsa Community Action Project** uses financial information provided for tax returns to determine eligibility for several government programs and then initiates applications online.

Establish one central site for specialized services

The **Center for Economic Progress**, in addition to several neighborhood community tax campaign sites, set up one central super site that could provide ITIN number sign-up and IRS dispute resolution. This way, regular sites could operate more efficiently without turning away clients with complex problems.

"One-stop shopping" for social services

Several cities have offered super sites that consolidate many services in addition to tax preparation; these are often coordinated under the umbrella of the United Way. The **United Way of San Antonio**, for example, created Super Sites open only on selected Saturdays during tax season. In addition to tax preparation, clients could apply for government benefits, sign up for financial literacy and credit repair classes, enroll in IDA and homebuyer programs, open bank accounts, and access health screenings. All of these services were provided by representatives from partner organizations so that community tax campaign site staff did not have to receive additional training. Information about the sites was offered on San Antonio's 211 help line and the City of San Antonio worked with the United Way to conduct outreach and publicity.

The United Way coordinator for these sites, Rebecca Brune (rbrune@unitedwaysatx.org), reports that its success was a measure of the strong commitment from its partner organizations – and warns that beginning programs think carefully about their capacity for staffing and training, and focus on keeping their program manageable.

The **Milwaukee Asset-Building Coalition**, in addition to operating a network of more than 20 sites, publicized a single "Super Saturday," two weeks before April 15. On Super Saturday, clients could bring their tax returns to the Milwaukee Social Development

Commission offices, where they could also talk to representatives from financial institutions, and access services from the Health Department.

Bottom Line

If you want to make several programs available to tax clients, super sites may make more sense than trying to train the staff of each site in additional services. Offering the super sites only on certain days filters out those interested in additional programs from those just interested in tax preparation. Lots of clear marketing is needed to publicize the super sites and their hours. Choose programs carefully to avoid information overload for both clients and volunteers.

Conclusion

This handbook is designed to give community tax campaigns an overview of innovative strategies to link their tax clients to asset-building opportunities around the country and to inspire them to undertake innovations of their own. Undoubtedly it doesn't do justice to the many exciting new initiatives in the field but it is a place to start. We hope that other organizations will take the information in this handbook and make whatever use of it they can that will further the field.

Overview of Five Financial Literacy Curricula

Money Smart

Money Smart is the most popular financial literacy curricula among community organizations we've talked to. It is offered by the FDIC, and consists of ten modules including basic banking, credit, saving, home ownership, and consumer rights. The lessons are aimed at adults with little or no banking skills. In addition to being freely available to educators, Money Smart is being distributed to housing projects through HUD. It is also familiar to many financial institutions, which may be able to receive CRA credit for providing Money Smart workshops.

- Available in English, Spanish, Chinese, Vietnamese and Korean
- Free copies on CD-ROM can be ordered at <http://www.fdic.gov/consumers/consumer/moneysmart/>

CreditSmart

Credit Smart is a money management and credit improvement curriculum developed by Freddie Mac in concert with five Historically Black Colleges (including St. Augustine's in Raleigh), the National Urban League and the Rainbow PUSH Coalition. It is currently offered by these colleges and churches affiliated with the Coalition. The curriculum focuses on money management and credit improvement; there are nine modules including introduction to credit, money management, credit scoring, thinking like a lender, and restoring bad credit.

- An online version is available at <http://www.freddiemac.com/creditsmart/> - this is not very interactive, and only a few small sections appear to be translated into Spanish.

Get the Facts: the SEC's Roadmap to Saving and Investing

Get the Facts is a free web-based exercise provided by the Security and Exchange Commission. The content is related to the basics of saving and investing toward certain goals. Although some of the information is basic, it is targeted toward people who have some resources to invest.

- Web-based and freely available to all at <http://www.sec.gov/investor/pubs/roadmap.htm>
- Format includes some interactive worksheets, but is text-heavy with small print, and not appropriate for low literacy levels.

All My Money

All My Money was designed by the University of Illinois Cooperative Extension for use by community agencies. It includes 16 modules including budgeting and spending, credit, banking, debt, insurance, benefits, and taxes. This curriculum was used by the Sargent Shriver National Center in its Financial Links for Low-Income People pilot.

- Designed for employees of social service and community agencies to use with their “limited-resource” clients who may have low literacy levels.
- More information is available at <http://www.ace.uiuc.edu/cfe/mymoney/>.
- All My Money is not free. The full curriculum, including trainer’s manual, handouts and materials, and lesson plans, is available for \$100 at <https://webstore.aces.uiuc.edu/shopsite/ACE-3ab.html>.
- Copies of the participants’ materials in Spanish are available for an additional \$45.

Growing Your Money: Personal Financial Tools

Growing Your Money is Fannie Mae’s entry into the financial literacy field; it’s a shorter curriculum, with four sessions covering spending, banking, savings, credit, and getting loans. The participant workbooks are interactive and full of individual narratives and examples.

- All of the materials can be viewed and downloaded individually at http://www.fanniemaefoundation.org/programs/finance_tools.shtml. A training toolkit and up to 20 participants’ guidebooks can be ordered free from Fannie Mae through the website.
- To date, the materials are available in English only.

Where to Find Resources for Individual Development Accounts:

The most comprehensive IDA website is that of the IDANetwork sponsored by CFED. You can access their webpage at: <http://idanetwork.cfed.org>. They also operate a listserv that can put you in touch with others in the field.

In North Carolina, the IDA and Asset-Building Collaborative of North Carolina is a comprehensive source of information on sites and funding within the state. Their website is: <http://www.ncidacollaborative.org>. Information on funding can also be found at the NC Department of Labor: <http://www.nclabor.com/ida/ida.htm> and the Division of Community Assistance at the NC Department of Commerce: <http://www.dca.commerce.state.nc.us/>

ENDNOTES

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- ³ Healy, Patrick Gerard. "Chasing the 'Unbanked'." *The Boston Globe*, September 5, 2004.
- ⁴ The Extra Credit Savings Program:
http://www.fanniemaefoundation.org/programs/pdf/fscs_Extra_Credit.pdf,
<http://www.shorebankadvisory.com/resources/moneyinthebank.pdf>
- ⁵ The Campaign for Working Families:
<http://www.gpuac.org/programs/CWFWhatWeDo.htm>,
http://www.brookings.edu/urban/eitc/20040224_houstoun.htm
- ⁶ The NC Bankers Association is at <http://www.ncba.com/>
- ⁷ The Georgia Family Connection Partnership EITC Initiative website:
<http://www.gafcp.org/state/eitc.htm>
- ⁸ Experiment in Self-Reliance website: <http://www.eisr.org/>
- ⁹ Learn more about the CRA at <http://www.ffiec.gov/cra/default.htm>
- ¹⁰ More information about the MABC can be found at:
<http://www.eitc.info/locations/milwaukee/default.asp>
- ¹¹ See http://www.fanniemaefoundation.org/programs/pdf/fscs_Directo_Program.pdf for a Fannie Mae case study on Directo.
- ¹² More information on electronic cards can be found at:
http://www.consumersunion.org/pub/core_financial.html
- ¹³ More information on the Arvest Bank experience in *Reaching the Immigrant Market: Creating Home Ownership Opportunities for New Americans* by Dr. Andrew I. Schoenholz, Georgetown University:
http://www.chicagofed.org/news_and_conferences/conferences_and_events/files/financial_access_for_immigrants_schoenholtz.pdf
- ¹⁴ More about FLLIP at
http://www.povertylaw.org/advocacy/community_investment/fllip_report.cfm

¹⁵ <http://www.cdf-texas.org/about/houston.html>

¹⁶ <http://www.getchecking.org>

¹⁷ An Annie E. Casey article about CT Beginnings is at <http://www.aecf.org/initiatives/fes/atwork/banking/bank2.htm>

¹⁸ <http://www.aecf.org/initiatives/fes/atwork/banking/bank4.htm>

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²⁰ *The Price of Paying Taxes: How Tax Preparation and Refund Loan Fees Erode the Benefits of the EITC*. The Brookings Institution/Progressive Policy Institute, May 2002: www.brookings.edu/es/urban/publications/berubekimeitc.pdf

²¹ Fannie Mae has a series of case studies on these and other basic banking innovations at <http://www.fanniemae-foundation.org/programs/fscs.shtml>

²² <http://www.alternatives.org/taxprep.html>