

LISC/Chicago's Network of Centers for Working Families (CWF)

WFA Leadership Council Meeting

February 22, 2011



LISC/Chicago's New Communities Program: Quality-of-Life Planning 1998

Resident Concerns

- ✓ Not eligible for existing jobs programs
- ✓ Kicked out of existing jobs programs
- ✓ Never placed
- ✓ Placed, lost jobs, could not be re-placed

LISC/Chicago's Response:

Neighborhood-Based Employment Centers

- ✓ Any and all residents welcome
- ✓ Services offered over the long term
- ✓ Staff anticipate multiple jobs
- ✓ No one can be kicked out



LISC/Chicago's New Communities Program: Quality-of-Life Planning 2002

Resident Concern

- ✓ Wages not enough to sustain households

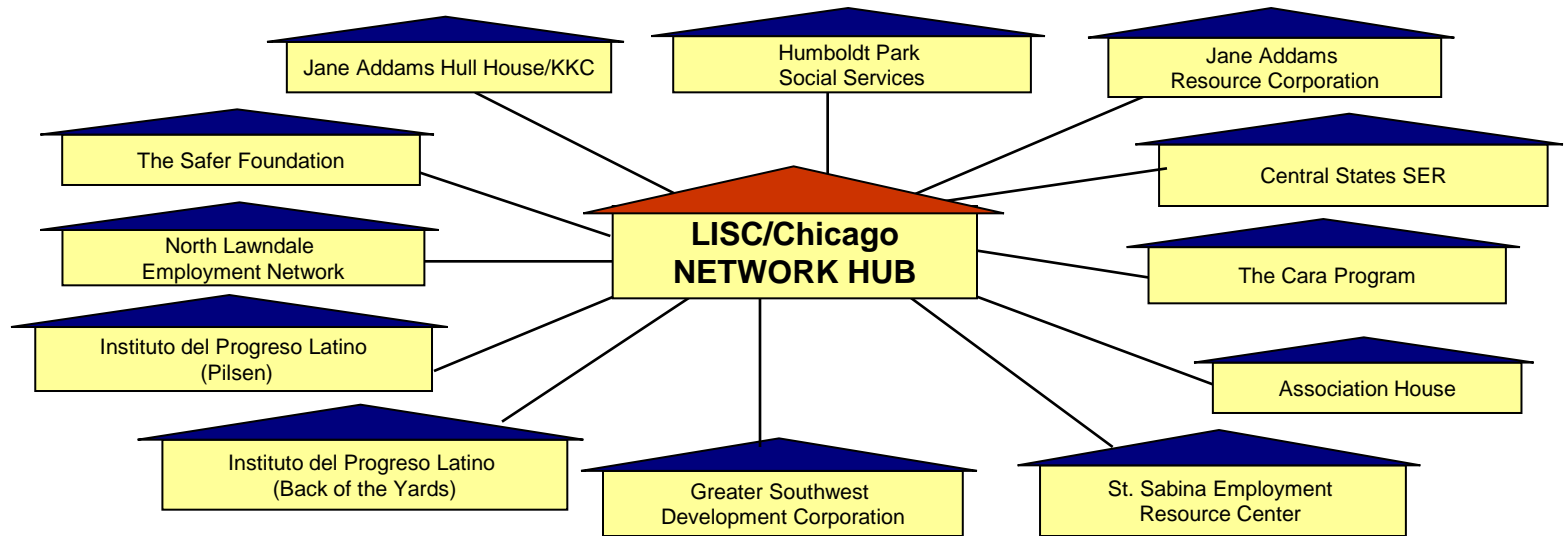
LISC/Chicago Response: Centers for Working Families

- ✓ **Three** core services
- ✓ Emphasis on **one-on-one counseling**
- ✓ Emphasis on **Integrating** services
- ✓ **Experienced** financial counselors
- ✓ **AmeriCorps** for income supports
- ✓ All services tracked in **one system**
- ✓ **Free Tax Prep** on site
- ✓ Access to **financial products**



Smith Family in Baltimore, MD (prepared by the Aspen Institute)	Before	Workforce Development	Access to Benefits	Accessing Affordable Financial Services
INCOME				
Wage	\$ 19,008	\$ 25,344	\$ 25,344	\$ 25,344
Child Support	\$ 2,436	\$ 2,436	\$ 2,436	\$ 2,436
Interest Income from Savings (avg. \$1500 at 1.5%)	-	-	-	\$ 23
Total Income	\$ 21,444	\$ 27,780	\$ 27,780	\$ 27,803
EXPENSES				
Housing/Utilities	\$ 8,808	\$ 8,808	\$ 7,603	\$ 7,603
Child Care	\$ 8,988	\$ 8,988	\$ 5,842	\$ 5,842
Food	\$ 4,752	\$ 4,752	\$ 4,752	\$ 4,752
Transportation	\$ 3,444	\$ 3,444	\$ 3,444	\$ 3,444
Health Care	\$ 3,108	\$ 3,108	\$ 1,942	\$ 1,942
Miscellaneous	\$ 2,880	\$ 2,880	\$ 2,880	\$ 2,880
Total Household Expenses	\$ 31,980	\$ 31,980	\$ 26,463	\$ 26,463
Check-cashing	\$ 380	\$ 507	\$ 507	\$ 60
Furniture Finance Charges (valued at \$2000)	\$ 1,809	\$ 1,809	\$ 1,809	\$ 70
Emergency Loans (or pay-day)	\$ 596	\$ 596	\$ 596	\$ 85
Total Finance Charges	\$ 2,785	\$ 2,912	\$ 2,912	\$ 215
Earned Income Tax Credit (federal)			\$ (518)	\$ (518)
Child Care Tax Credit			\$ (960)	\$ (960)
Child Tax Credit			\$ (2,000)	\$ (2,000)
Total Expenses	\$ 34,765	\$ 34,892	\$ 25,897	\$ 23,200
NET INCOME	\$ (13,321)	\$ (7,112)	\$ 1,883	\$ 4,602

LISC's CWF Network:

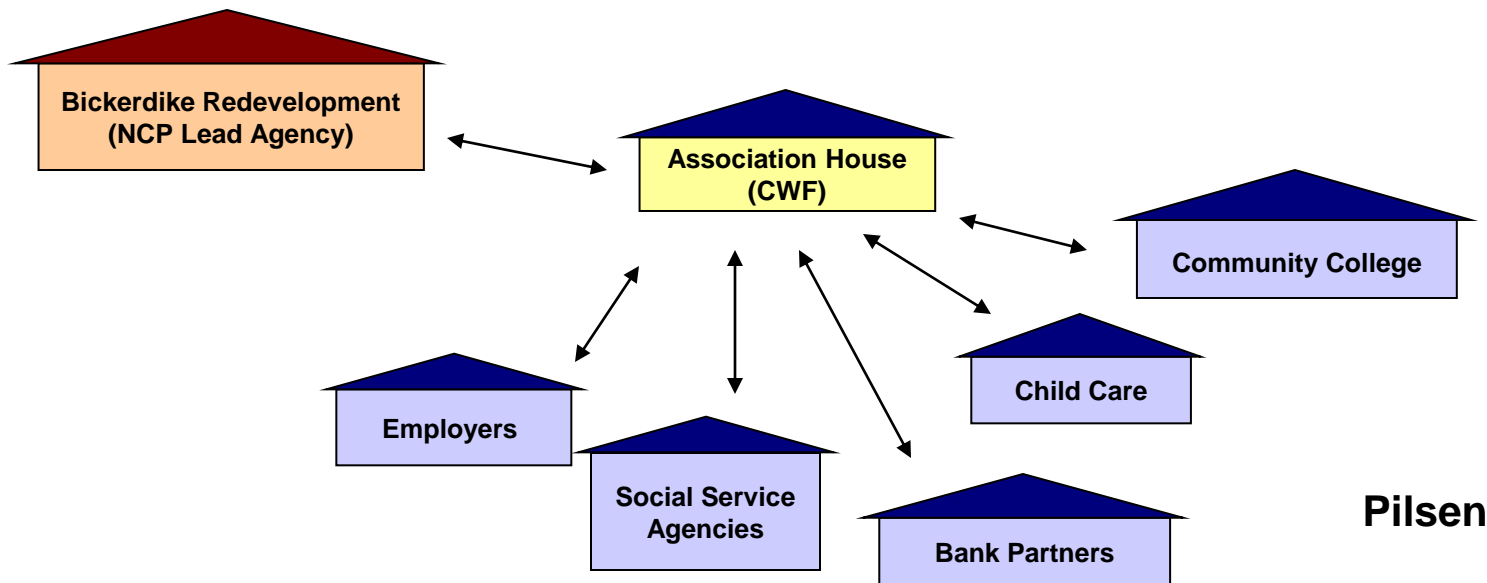


LISC Role: Provide Network Supports

- \$\$\$ Resources
- Partnerships (CEP, Seedco, AmeriCorps, Emergency Fund, NSFCU, **Credit Builders Alliance**)
- Tools / Products (Tracking System, Transunion, Budget, Balance Sheet, Benefits Screening Tools)
- Training / Technical Assistance (Peer Learning, NeighborWorks, UIC Extension, **Tribe Coaching**)
- Best Practices (Extract / Share / Implement) ⇒ **What Matters Most?**

Community Matters

- Each CWF part of a larger community effort
- Community (Lead Agency)...
 - watches at the **ground level**
 - connects to **local employers** / opportunities
 - supports **fundraising** efforts
 - **markets** CWF agency and services to community residents

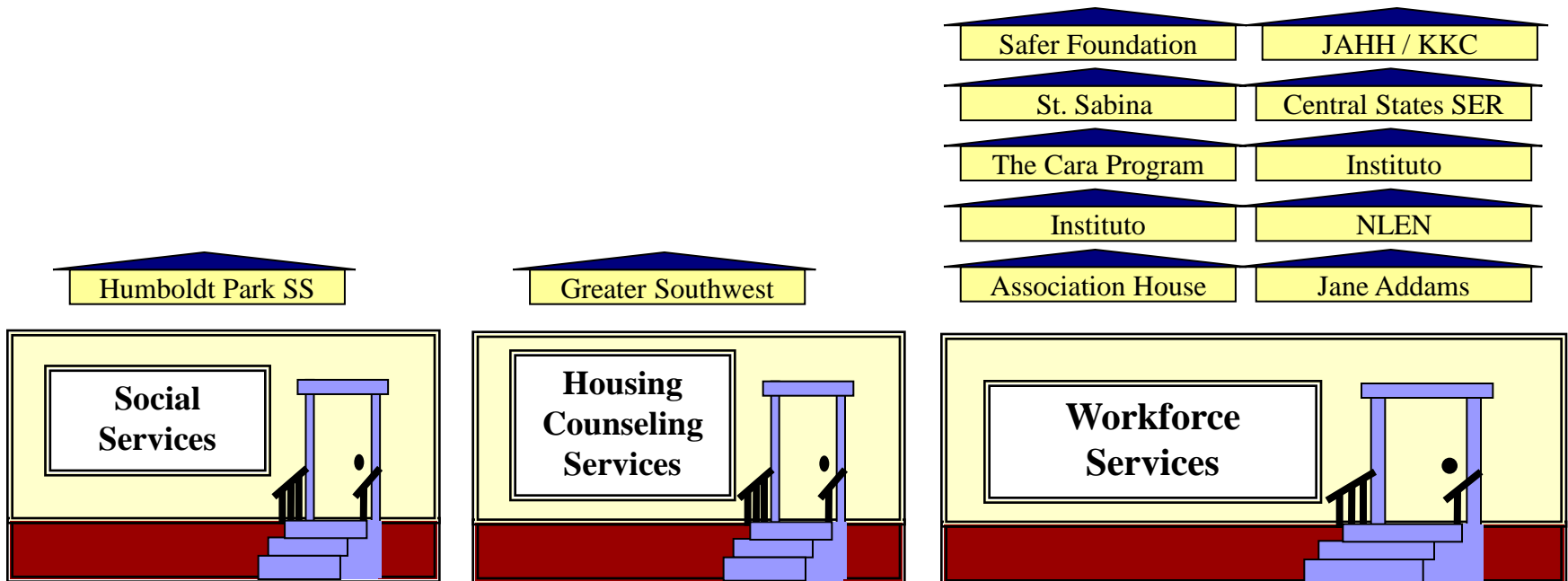


Agency Matters

- **Strong back office** infrastructure (HR, Development, etc.)
- Experience and success with **managing public funds**
- **Size** of agency not as important

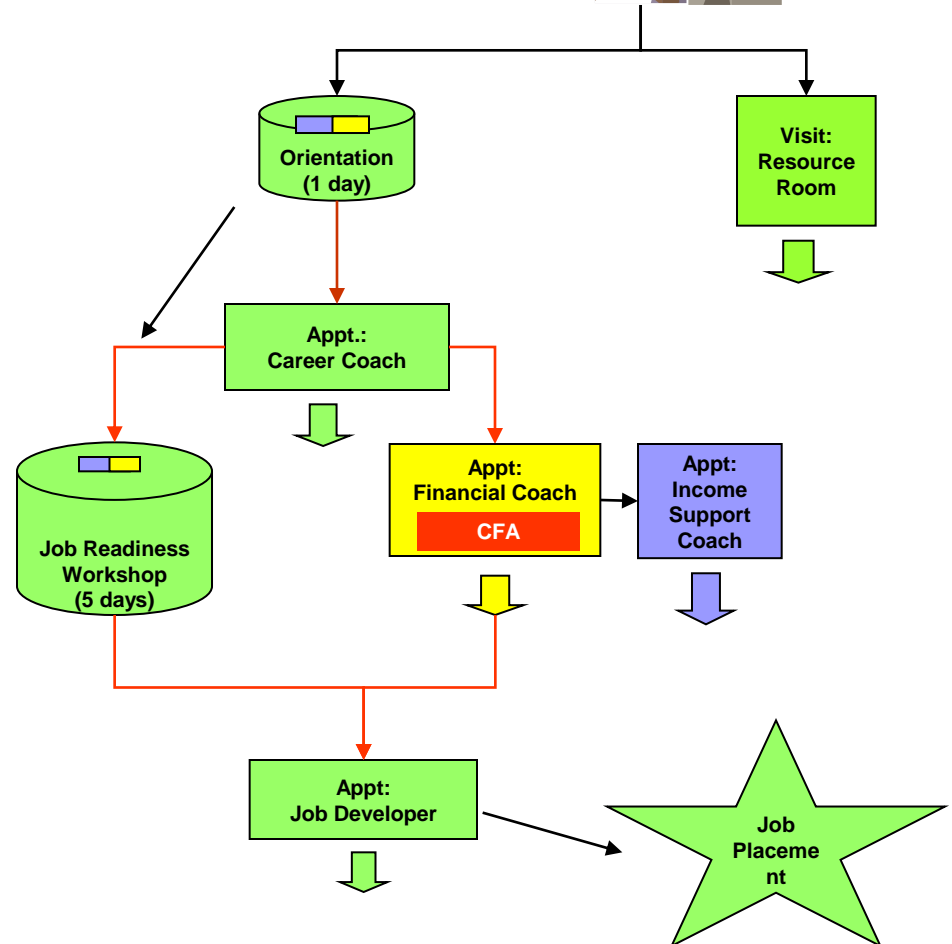
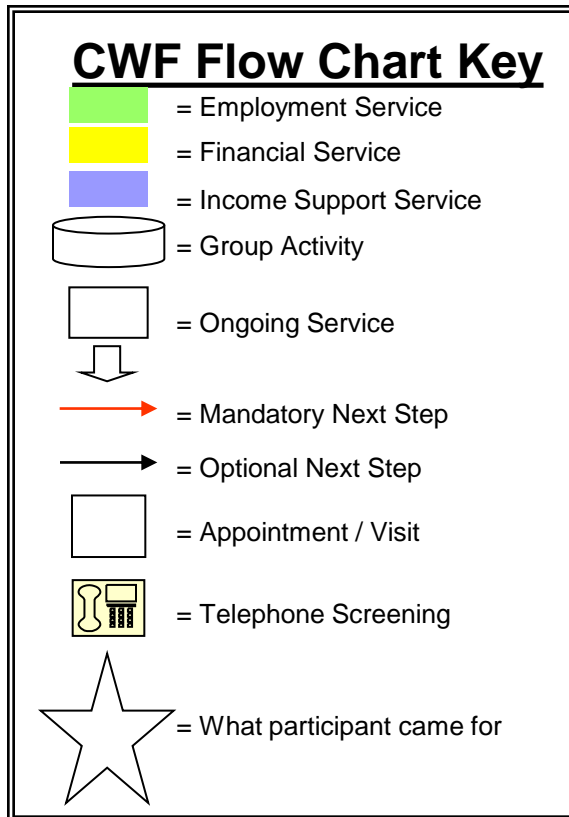
Platform Matters

- Each CWF built on existing **service platform**
- Lesson: **some platforms work**, some don't
- **Workforce platform** is strongest (Vocational Training, Community Colleges, too)
- Strong agency can build **new platform** (cost considerations)



Client Flow Matters

- All LISC programs rely on a **workforce platform**
- **Core clients** (workforce clients) are targeted for “**bundled services**”
- CWFs **no longer rely on cross marketing** for “bundling”
- **Financial Counselor** introduced **before job developer**



Metrics Matter

- All CWF Core Services tracked in CWF Data System (web-based)
- Snapshot Data / Over Time Data

Snapshot Data Sources:

- Budget →
- Balance Sheet →
- Credit Score →
- Credit Report →

(in development)

CWF Key Indicators:

- Increase in Net Income
- Increase in Net Worth
- Increase in Credit Score
- Improved **Financial Capability**

- **Baseline snapshots:** descriptive value
- **Subsequent snapshots:** show change over time

Metrics Matter

- Over-Time Data (Project Match)
- Staff Sanity

Financial Counseling Topics

- ☐ Apartment Rental-related
- ☐ Auto Insurance-related
- ☐ Auto Title Loan-related
- ☐ Bankruptcy (Chapter 7)-related
- ☐ Bankruptcy (Chapter 13)-related
- ☐ Car Purchase (cash)-related
- ☐ Car Purchase (loan)-related
- ☐ Certificate of Deposit-related
- ☐ Checking Account-related
- ☐ ChexSystems Error-related
- ☐ Credit Card-related
- ☐ Credit Report Error-related
- ☐ Credit Builder Loan (with match)
- ☐ Debt Consolidation Loan-related
- ☐ Debt Consolidation Program-related
- ☐ Delinquent/Unpaid Bill-related
- ☐ Educational Savings Account-related
- ☐ Health Insurance-related
- ☐ Home Equity Loan (line of credit)-related
- ☐ Home Loan (purchase/refinancing)-related
- ☐ Homeowner/Renter Insurance-related
- ☐ Identification Acquisition-related
- ☐ Identification Error-related
- ☐ Identity Theft-related
- ☐ Individual Development Account (IDA)-related
- ☐ Informal Loan-related
- ☐ Investment Portfolio-related
- ☐ Judgment (child support arrears)-related
- ☐ LaSalle CWF Loan-related
- ☐ Life Insurance-related
- ☐ SC: Line of Credit-related
- ☐ Other Formal Loan-related
- ☐ Payday Loan-related
- ☐ Property Tax Appeal-related
- ☐ Real Estate Investment-related
- ☐ Refund Anticipation Loan-related
- ☐ Rent-to-Own Plan-related
- ☐ Retirement Account-related
- ☐ Reverse Mortgage-related
- ☐ Savings Account-related
- ☐ Stored Value Card-related
- ☐ Student Loan-related
- ☐ SC: Tax Arrears-related
- ☐ Tax Exemption/Assistance related
- ☐ Transaction Dispute-related
- ☐ Other _____

Budgets Matter

- **All counselors play a role:**
 - ✓ **Employment:** Increase wages
 - ✓ **Income Support:** Increase income
 - ✓ **Income Support :** Decrease expense
 - ✓ **Financial:** Decrease expense
 - ✓ **Financial:** Increase assets
- **Primary CWF goals...**
 - ✓ Cover monthly expense
 - Positive Net Income
 - ✓ Build credit
 - Better credit affects rates/ terms
 - Good credit is an asset
 - ✓ Save, if net income positive
- **Use products when possible...**

Participant Name: Doe, John

Date: 05/20/2009

Monthly Income

Wages (after tax)	\$1,000.00
Social Security Benefits	\$200.00
Food Stamps	\$350.00
Alimony/Child Support	\$350.00
TANF	\$0.00
Interest/Investment income	\$0.00
Other	\$0.00
Unemployment	\$0.00
Monthly income from spouse/other monthly income	\$0.00
Total Monthly Income	\$1,900.00

Monthly Expenses

Rent, Taxes & Home Maintenance		Health Insurance (if not deducted from paycheck)	
Rent/Mortgage Payment	\$1,500.00	Health Insurance	\$0.00
Equity Loan/HELOC	\$0.00	Dental Insurance	\$0.00
2nd Mortgage	\$0.00	Life Insurance	\$0.00
Renter/Homeowner's Insurance	\$250.00	Monthly Medical and Prescriptions Bills (copay, prescription drugs, etc.)	\$0.00
Property tax (if not incl. in mtge payment)	\$0.00	Other	\$0.00
Home Maintenance	\$0.00	Childcare	
Other	\$0.00	Childcare (daycare)	\$0.00
Utilities		Child Support (paid)	\$0.00
Gas/Heating	\$250.00	Education (tuition, books, pictures, fees, etc.)	\$0.00
Electric	\$0.00	Other	\$0.00
Water	\$0.00	Personal Expenses	
Trash	\$0.00	Cable/Internet	\$0.00
Sewer	\$0.00	Laundry/Dry Cleaning	\$0.00
Phone (landline)	\$100.00	Tobacco & Alcohol	\$0.00
Cell Phone	\$150.00	Clothing & Accessories	\$0.00
Other (note: cable and internet are located in personal expense)	\$0.00	Hair Products	\$0.00
Food		Beauty Salon/Barber Shop	\$0.00
Groceries	\$250.00	Recreation (movies, CD's, sporting events, vacation, etc.)	\$0.00
Other Food (dining out, school lunch, etc.)	\$0.00	Other	\$0.00
Credit Card/Debt Payments		Miscellaneous Expenses	
Student Loans	\$150.00	Charitable Giving	\$0.00
Revolving Credit Cards	\$0.00	Gifts to Others	\$0.00
Payday Loan	\$150.00	Newspapers/Magazines	\$0.00
Auto Title	\$0.00	Pet Care	\$0.00
Rent-a-Center	0.00	Allowances	\$0.00
Other	0.00	Membership Dues (health, licenses, etc.)	\$0.00
Transportation		Postage	\$0.00
Vehicle 1 Payment	\$0.00	Education (not student loan repayment)	\$0.00
Vehicle 2 Payment	\$0.00	Financial Fees (overdraft, ATM, etc)	\$0.00
Motorcycles/Other Payments	\$0.00	Other	\$0.00
Gas	\$0.00	Total Monthly Expense	\$2,800.00
Car Insurance	\$0.00		
Car Maintenance	\$0.00		
Public Transportation	\$0.00		
Other	\$0.00		

Total Monthly Net Income

Total Monthly Income	\$1,900.00
Total Monthly Expense	\$2,800.00
Total Monthly Net Income	-\$900.00
Monthly Savings Target	\$0.00

Credit Matters:

Step One: Educate CWF customers about the elasticity of the Credit Score

Example of how good credit saves consumers money:*

- \$10,000 auto loan, 5 year term

Interest rate	Credit score	Monthly car payment	Total interest paid
25%	Low score	\$294.00	\$7611.00
12%	Okay score	\$222.00	\$3347.00
5%	Excellent score	\$189.00	\$1323.00

* Slide prepared by Kristin Schell of Justine Peterson in St. Louis for IABG Conference, 10/15/10

Step Two: Create opportunities for Credit Building

Leverage what works:

- Credit Builder Loans improve credit scores...
- Matching Funds engage participants



Like a traditional Credit Builder Loan...

- Credit Union deposits the full amount of the loan (\$500) into a new **“locked” savings account**
- **Customers make payments** and **Credit Union reports** to the credit bureaus
- Credit Bureaus factor loan activity into the **credit score** (hopefully pushing it up)
- At the end of loan term, **if the loan is paid in full**, Credit Union **“unlocks”** the savings account
- Participant **withdraws \$500** (plus interest earned at 2.5%)

Like a traditional Individual Development Account...

- LISC provides a **1:1 match** for each loan payment that gets to the Credit Union **ON TIME**
- Participant who makes 12 on-time payments, earns \$500 in **“match” funds**
- Participant who makes 6 on-time payments, earns \$250 in **“match” funds**
- LISC makes accumulated **“match” funds** available **only after the loan is paid in full**
- Participant who **defaults** on the loan **loses all** accrued **“match funds”**

What's new?

\$45 Loan Payment vs. \$45 IDA Deposit

- Triggers **same amount** of match
- But, match is **conditional** (payment has to be on-time)

\$45 Loan Payment vs. \$45 IDA Deposit

- IDA deposit has **no credit building effect**
- Loan payments, if on time, **boost credit**

\$45 Loan Payment vs. \$45 IDA Deposit

- IDA deposits prompt asset purchase
 - If credit ignored, client will pay **high interest rates** (eats up savings)
- Loan payments may also prompt asset purchase
 - Interest rates likely to be better



Good credit behavior (elastic benefit)

Good savings behavior (finite benefit)

Who is Eligible for **CWF Twin Accounts**?

- ❑ **CWF** participants receiving **Financial Counseling**
- ❑ Ability to make loan payments (**\$45/month**)
- ❑ **Likelihood** that credit score will increase (low or no credit score / few if any active trade lines)

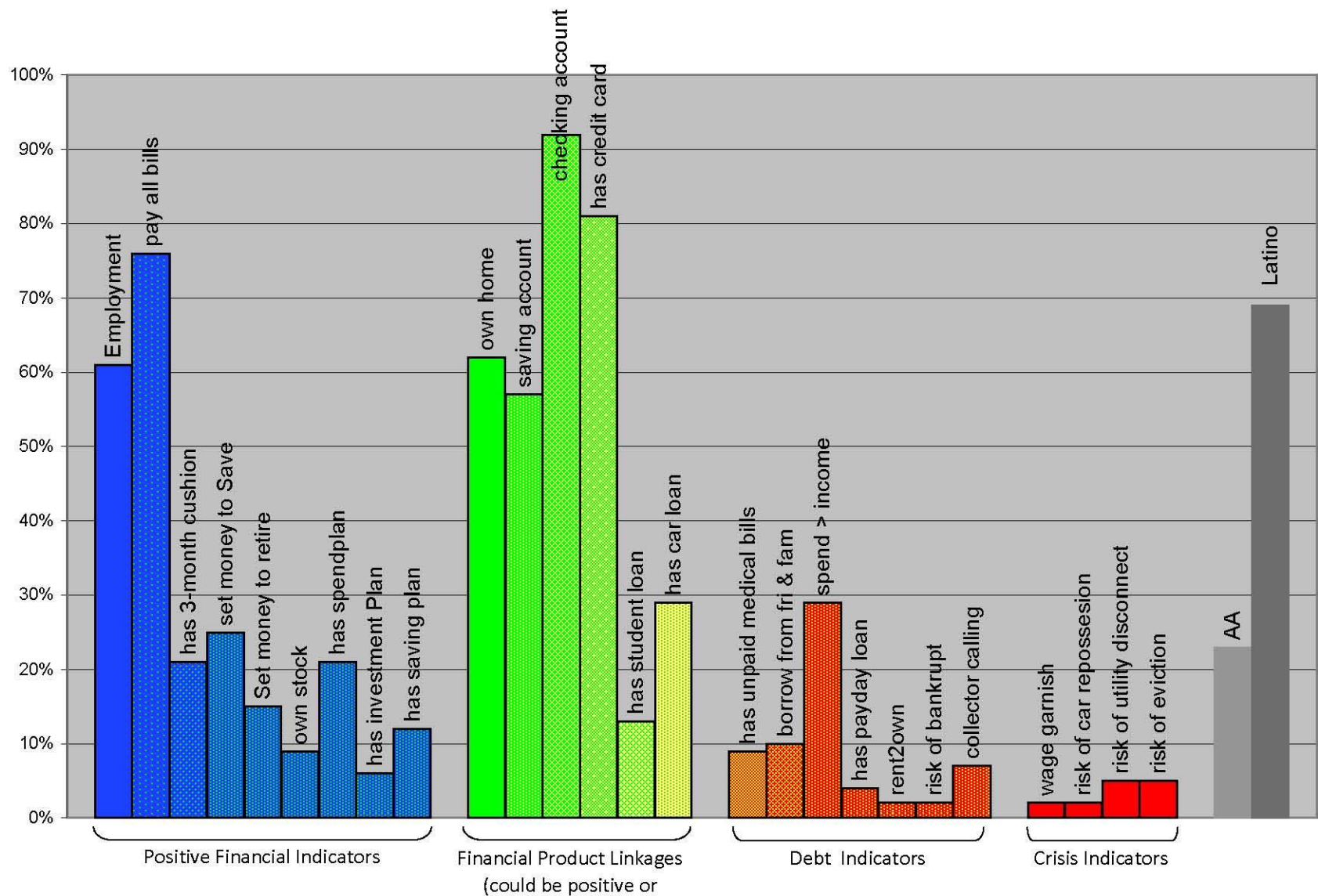
“Approved” uses of Match Funds?

- ❑ Apply for a **Secured Credit Card** (**continue to build credit**)
- ❑ Keep in NSCFCU **Savings Account**
- ❑ **Debt Repayment**
- ❑ **Education** (broad)
- ❑ **529s / IRAs**
- ❑ **Car** purchase / car repair
- ❑ **Home** purchase / home repair

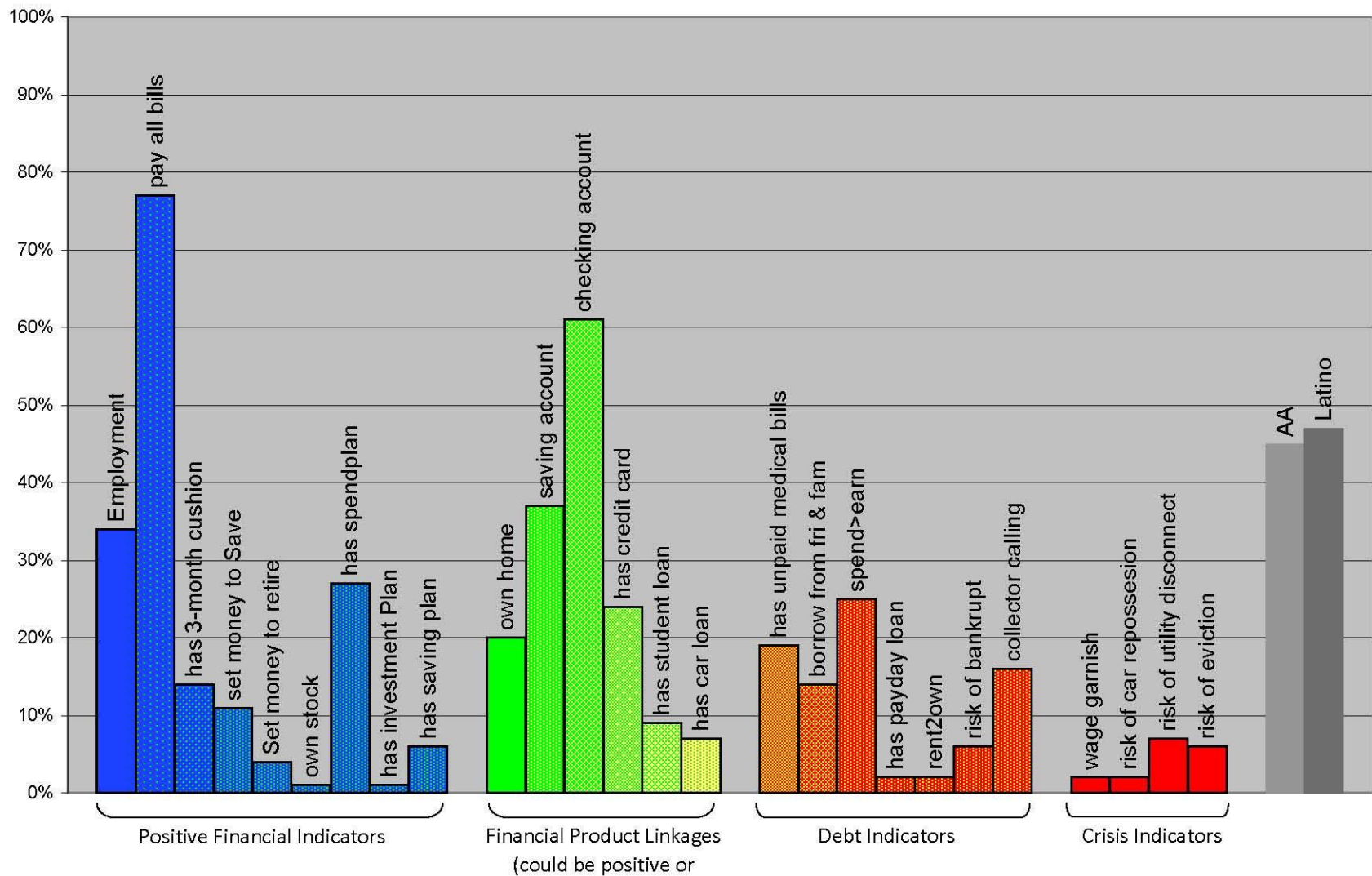


Step Three: Leverage improved scores to decrease costs

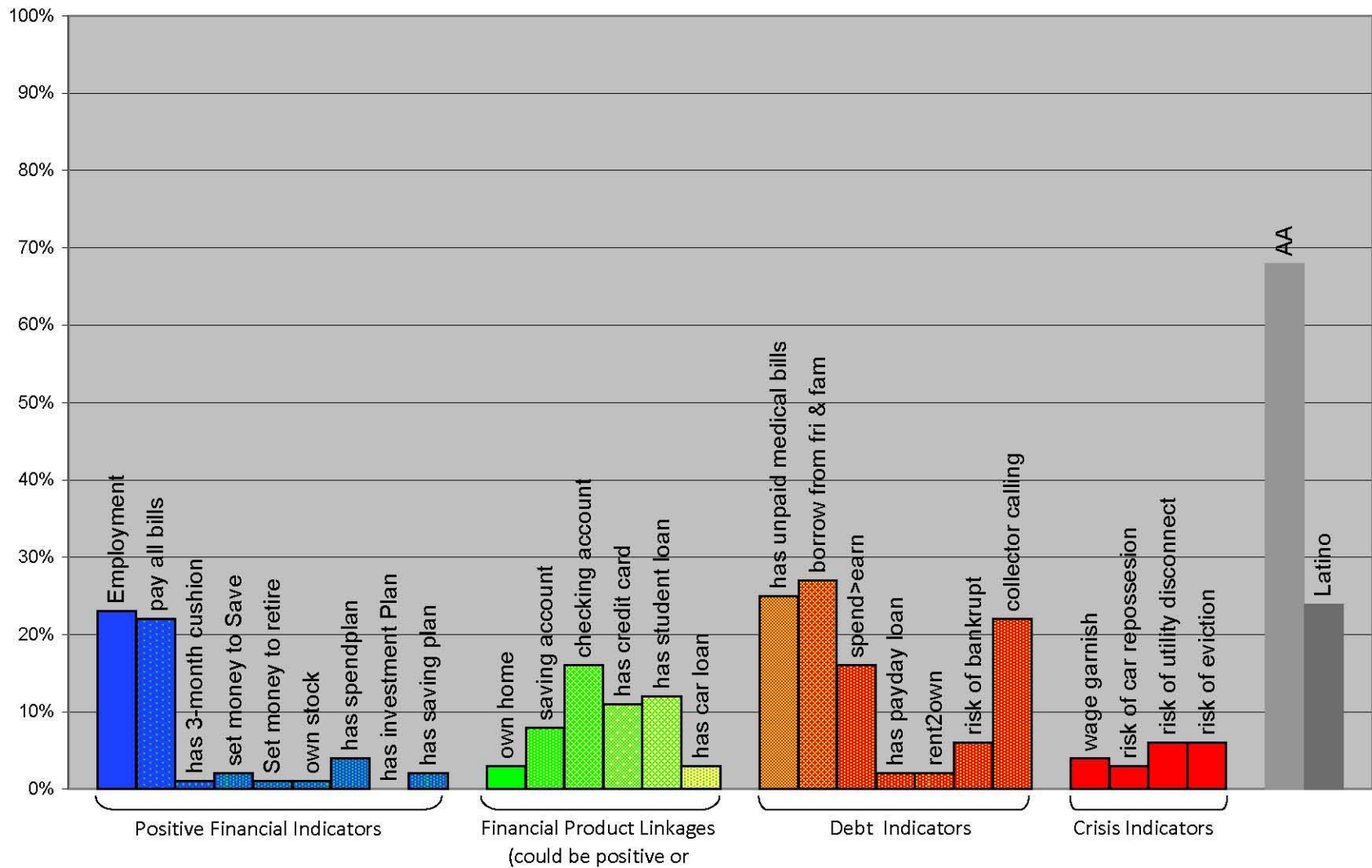
Research Matters



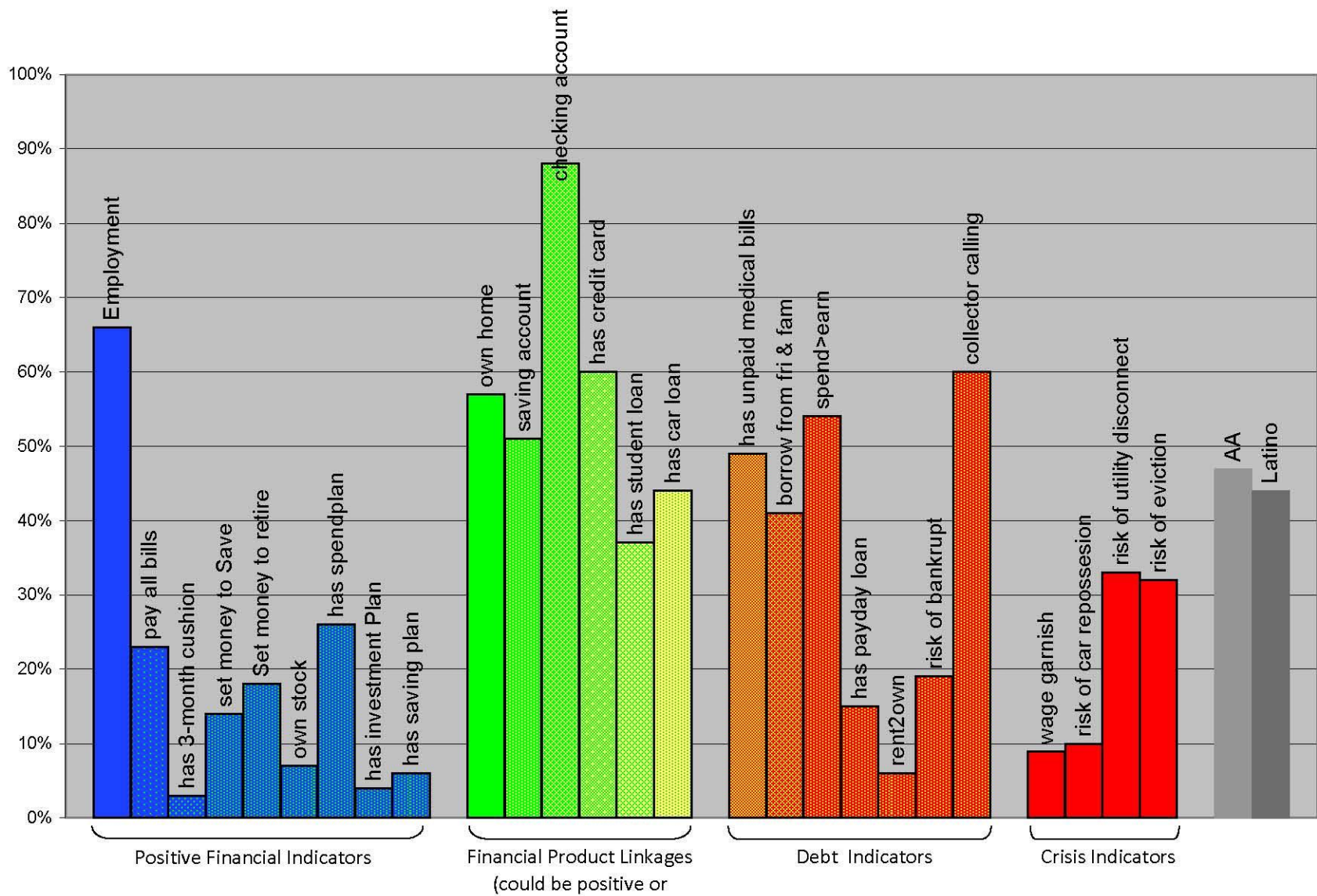
C1. High work, High financial products, Low crisis



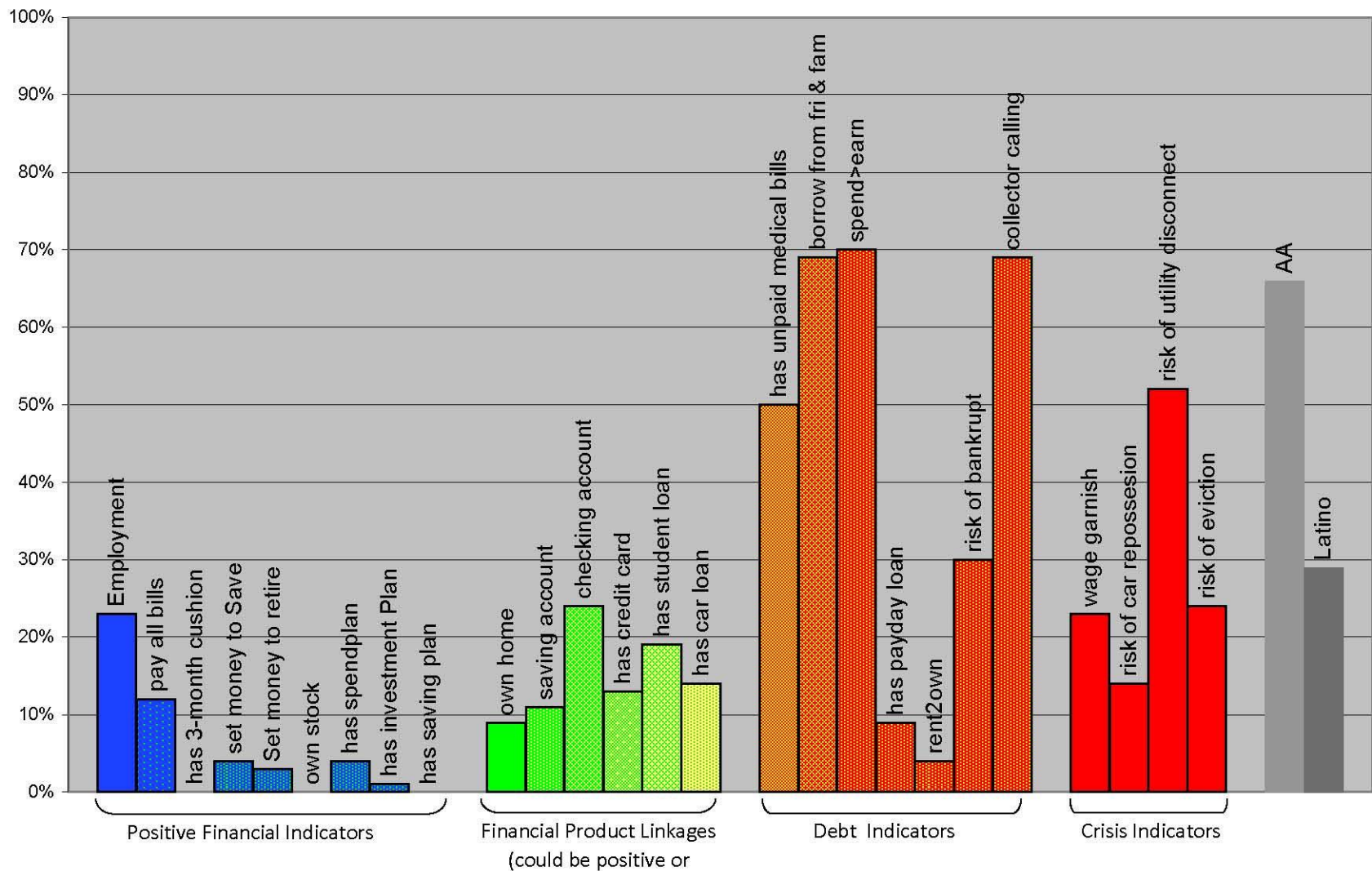
C2. Low work, Medium financial products, Low crisis



**C3. Low work, Low financial products, Low crisis
(unattached to mainstream institutions)**



C4. High work, High financial products, High crisis



C5. Low work, Low financial products, High crisis