

Financial Empowerment Centers

Helping Low Income Residents Build Financial Stability and Changing Anti-Poverty Services in Cities



Cities for
**FINANCIAL
EMPOWERMENT**
Fund

35% of Americans have a debt in collections.¹ Rather than offering them financial literacy, what if they could receive free, high-quality, one-on-one financial counseling...as a free municipal service?

Financial Empowerment Centers provide professional, one-on-one financial counseling as a free municipal service available to all residents to improve their financial lives. First developed by Mayor Michael R. Bloomberg's administration in New York City, and now being scaled thanks to generous support from Bloomberg Philanthropies and others, the Cities for Financial Empowerment Fund is partnering with cities and counties across the country and beyond to build sustainable, ultimately government-funded public programs. A recent evaluation of the FEC model, drawing on data from 22,000 clients who participated in 57,000 counseling sessions across the first 5 city replication partners, provides additional evidence of the program's success.

What are the core tenets of the Financial Empowerment Center Model?

- People in financial trouble need **individualized help**, not just education, to empower them to address complex financial challenges.
- Those helping people with their finances must be **professionally trained** and offer quality services
- Financial counseling **serves a critical public need**, and local government oversight provides for **accountability and success**.
- Because financial instability impacts the need for, and success of, other social services, **strategic counseling referrals** or **integration partnerships** are important.



One-on-One
Counseling



How do Financial Empowerment Center Counselors Work with Clients?

First session: conducting comprehensive assessment of client's finances, understanding client issues and mutually identifying financial goals and service plan, beginning to create a budget, setting client follow up steps, and scheduling the next appointment.

Subsequent sessions: Follow up based on service plan, revise budget, pull and review credit report, negotiate with creditors, develop payment plans, and explore bank account options.

Average number of sessions per client **2.5**

Returning for multiple sessions was critical for financial outcome achievement

¹<http://www.urban.org/research/publication/delinquent-debt-america>



What Have We Learned about FEC Success?

FEC clients succeeded despite deep financial challenges.

FEC clients averaged annual incomes of about \$21,000; they were twice as likely as all U.S. consumers to have a subprime credit score and half as likely to even have a credit score; nearly 23% had no health insurance; and over 60% had no savings.

FEC clients meaningfully reduced debt.

While FEC clients began counseling with an average of nearly \$29,000 in debt, over a third of clients who tried to reduce their debt succeeded.

FEC clients meaningfully built savings.

FEC clients were much more likely than average US residents to have no savings, yet overall, almost a third of clients working to increase their savings succeeded, averaging \$1,634.

Banking status matters.

Unbanked FEC clients had a notably more difficult time achieving financial outcomes, underscoring the importance of a bank account. Compared to clients with accounts, they were less than half as likely to increase their savings, and over a third less likely to establish a new credit score, even working directly and repeatedly with a counselor in efforts to do so.

The FEC model worked in a variety of city contexts, and expanded city government's commitment to financial inclusion.

Our comprehensive evaluation documents replication success across 5 different American cities. **All five cities secured public dollars to sustain FEC counseling, including federal funding, and three opened new Offices of Financial Empowerment.**

Anecdotally, clients also said that financial counseling helped them discuss money more effectively with partners and children, reduced their stress and improved emotional health, and enabled them to develop decision-making and negotiating skills.



FEC Public

Scaling Financial
Empowerment Centers
as a Public Service

Over **82,000** FEC clients
increased their
savings by over **\$10M**

and reduced their
debt by more than **\$100M**



How Do FECs Impact Local Social Services?

FEC partners report meaningful change in the way cities and their nonprofit partners approached anti-poverty programs and policies. Organizations appreciated their new capacity to work with clients on critical financial issues that affected their long-term goals while addressing urgent needs.

FEC Integration Examples

- In Denver, the city homeownership program referred potential homebuyers to a FEC counselor to improve their credit.
- In Nashville, the US Department of Labor American Jobs Center sent clients to an on-site FEC counselor to fix credit report issues, open a bank account, and budget for new earnings.
- The Lansing FEC works with the Department of Corrections to connect parolees in transitional housing with a FEC counselor to develop a financial plan for permanent housing.



FEC Public: Scaling Financial Empowerment Centers as a Public Service

In partnership with Bloomberg Philanthropies and others, the CFE Fund is promoting FEC replication through supporting cohorts of local government leaders to develop, launch, and implement financial counseling as a free public service, along with strategic research projects to enhance the success of financial counseling.