



Cathie Mahon, President and CEO of the National Federation of Community Development Credit Unions, is participating in the Cities for Financial Empowerment's Professionalizing Field of Financial



Cities for
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Fund

Counseling and Coaching Conference, taking place

today in New York City. Printed below is an essay by Ms. Mahon, included in *A Journal of Essays from Expert Perspectives in the Field*.

Integrating Financial Coaching with Responsible Financial Products and Services

The credit union movement has a long and proud history of supporting and strengthening the financial security and independence of consumers, families and communities in the United States. Community development credit unions (CDCUs) promote financial empowerment of low-income consumers by providing safe and responsible financial services to help people save, borrow productively and build assets. As not-for-profit financial cooperatives, CDCUs are uniquely positioned to offer these financial services that are targeted to local community needs.

Thus, delivering safe and responsible products must clearly be integrated into broader financial empowerment efforts. A 2014 Federation study of very low-income individuals and families sought to better understand consumer preferences in financial services and what they value in a financial institution. We found that when it comes to making financial decisions, what low income consumers value most and seek are trusted relationships. Those trusted relationships can be found throughout the credit union from the teller guiding transactions to the member service representative providing information on managing accounts, to the loan officer helping them to qualify for a loan to the collections officer who helps them better manage their debt. How can we leverage these trusted relationships and ensure that they are as effective as possible both for the individuals and consumers?

Integration of Financial Counseling and Coaching is Key

Dedicated financial counseling and coaching can help credit unions to deliver on and maximize these trusted relationships to the benefit of the consumer and the institution. An experienced financial counselor that guides a client through an emergency or to achieve a financial goal offers a more holistic and consistent response. It is more efficient for the credit union because it can focus and maximize those high-touch relationships while relieving other departments to deliver the financial services and reach more people.

Integration of financial counseling and coaching can improve the capacity of consumers to use the credit union well. By having knowledgeable counselors assist consumers to set goals and understand their overall financial condition they can help them navigate a pathway of productive services and make the right financial decisions to achieve their goals.

Finally, the combination of high-touch and high-tech in the delivery of financial counseling and coaching enables credit unions to deliver high-quality services at greater scale and consistency than ever before. Technology can support member engagement through regular reminders and contacts to encourage those members along on their goals, and to return to the credit union as needed.

So what is the best path for credit unions to pursue when integrating financial counseling and coaching: a direct service model or a partnership approach?

There is No Single Right Path for Integrating Financial Counseling and Coaching

The Federation and its member credit unions are pursuing strategies for incorporating financial counseling and coaching into credit union service delivery through both an in-house outcomes driven financial counseling model and through a partnership model.



In-House Financial Counseling and Coaching Approach:

More than a third of the roughly 2,000 low-income designated credit unions and 77 percent of community development credit unions (CDCUs) offer financial counseling. While availability of counseling is widespread, information on the delivery or its effectiveness is almost non-existent. For this reason the Federation has teamed up with Neighborhood Trust Financial Partners to build a consistent, outcomes driven model for financial counseling and coaching in credit unions. Through the in-house approach, local government and nonprofit organizations can provide referral channels to trusted credit union counselors who in turn offer reciprocal referrals to supportive services offered by these local partners.

Partnership Model:

CDCUs have long relied upon strong local partnerships and relationships with community service providers. In fact, many were founded through an organizing effort led by local community based organizations to bring financial services to their clients. But over time partners can become less connected. Financial counseling and coaching offers the ideal opportunity to reinvigorate and structure meaningful partnerships for financial empowerment. The delivery of financial counseling and coaching can occur through partner organizations with strong and systematized integration with the right financial products and services offered by the local trusted credit union.

A successful integration draws upon the expertise of each. CDCUs offer high-quality financial products that meet the needs of underserved consumers. Nonprofits provide financial education and/or coaching to help consumers build their financial knowledge and set financial goals. Local governments and their sub-contractors provide the appropriate touch-points to connect people to these services.

Through the Financial Capability Partnership Initiative, the Federation and the Center for Financial Services Innovation, with generous support from the Kresge Foundation, work to connect CDCUs and nonprofits through financial counseling. For the past two years, we have forged lasting integrations between social service providers and credit unions in St. Louis, MO; Chicago, IL; and San Francisco, CA.

In September 2015, the Federation and CFSI released *Partnerships for Financial Capability: Diagnostic Frameworks for Financial Institutions and Partners*. The report identified several key ingredients to making successful partnerships: convergent mission and vision, clearly defined complementary capacities, commitment, trust among partners and strong leadership and coordination.

Lessons are just beginning to emerge on the effectiveness of financial counseling and coaching as well as the use and performance with financial products. The recipe for success will be a clear evaluation of the players on the ground, the capacity they bring to the table and the process that will contribute most to consumer outcomes. Together as a field with complementary roles and capacities, we will continue to build a strong body of knowledge and practice.