PARTNERSHIPS FOR

FINANCIAL CAPABILITY

Diagnostic Frameworks for Financial Institutions and Partners

National Federation of Community Development Credit Unions

and

Center for Financial Services Innovation

ABOUT THE FEDERATION

The National Federation of Community Development Credit Unions is a certified CDFI intermediary representing community development credit unions that provide credit, savings, transaction services and financial education to more than 4 million residents of low-income communities across the United States, and hold over $32.5 billion in community-controlled assets. The Federation offers a wide range of advocacy, educational, training, investment, marketing, and outreach programs to support and assist CDCUs. For more information about the Federation and its programs, please visit **www.cdcu.coop**.

ABOUT CFSI

The Center for Financial Services Innovation (CFSI) is the nation's authority on consumer financial health. CFSI leads a network of financial services innovators committed to building a more robust financial services marketplace with higher quality products and services, specifically for those who are struggling. Through its Compass Principles and a lineup of proprietary research, insights and events, CFSI informs, advises, and connects members of its network to seed the innovation that will transform the financial services landscape. For more on CFSI, go to **www.cfsinnovation.com**.

ABOUT THE KRESGE FOUNDATION

The Kresge Foundation is a $3.5 billion private, national foundation that works to expand opportunities in America's cities through grantmaking and investing in arts and culture, education, environment, health, human services, and community development in Detroit.

Kresge's Human Services Program seeks to expand access and opportunity for people who are vulnerable or have low incomes by strengthening the effectiveness and resilience of multiservice organizations and the networks that support them.
www.kresge.org

CONTENTS

I. INTRODUCTION

In 2013 the National Federation of Community Development Credit Unions (the Federation) and the Center for Financial Services Innovation (CFSI) launched The Financial Capability Partnership Initiative with support from the Kresge Foundation. The goal of the Initiative is to promote financial capability and inclusion in low-income communities through partnerships between credit unions and nonprofit service organizations.

Specifically, the Initiative is designed to:

- Increase access to high quality credit union products for low-income consumers and clients of nonprofit social and human service organizations;
- Produce tangible and measurable achievements for clients, credit unions and nonprofits; and,
- Develop best practices to promote strong and sustainable partnerships that link credit union products and services with human and social service systems.

The twin insights at the heart of this Initiative are quite simple. First, that tools of any kind are only productive in the hands of people who know how to use them. Second, that the skills needed to use those tools are best developed and deepened through guidance given while using them. Whether learning to drive a car, use a computer, build a house or any other productive endeavor, people acquire skills through the integration of guidance (i.e., transfer of knowledge) and hands-on experience (i.e., access to tools).

When it comes to personal financial management, however, this integration is notably absent. Mainstream financial institutions assume that members and customers have at least a basic level of knowledge about standard accounts and services, and structure their products, services and marketing accordingly. This approach is good enough for consumers who have already acquired knowledge from family, friends or co-workers, but it is not sufficient for millions of individuals who lack knowledge, experience and confidence with regulated finance. Indeed, recent research shows that an integrated approach that combines knowledge and practice is the most effective way to build financial capability.[1]

So how can responsible financial institutions such as credit unions reach more of the underbanked and underserved? In the movie *Field of Dreams*, the answer was simple: "If you build it, they will come." But in the real world, this dream is not enough. **Credit unions have found that even the best products and services for lower-income consumers do not attract new members and borrowers all by themselves. Without deeper ties to financial institutions, underbanked and underserved individuals will not find their way to a teller's window on their own.** Partnerships enable financial institutions to meet the underserved where they are, through trusted social service providers.

In response to the need for more financial knowledge among people who are unbanked and underbanked, substantial philanthropic resources have been deployed across a wide range of financial education and counseling programs. While strong in design and content and capably delivered, many counseling programs are disconnected from the regulated institutions that offer the most appropriate financial tools for their clients. In a sense, consumers are counseled inside a room on how to drive their financial car, but then must go outside to find their own car and practice—alone, on an open road, in heavy traffic.

The goal of the Financial Capability Partnership Initiative is to ensure that unbanked and underbanked individuals do not have to take that first financial ride alone. The Initiative was designed to use partnerships to provide underbanked individuals with an integrated package of financial guidance (education, counseling and coaching) and financial tools (appropriate products and services). It draws on the experiences of three pilot partnerships in Chicago, St. Louis and San Francisco, described in Part II, that continue to test different approaches to achieve this integration. These three pilots provide a rich trove of information and experience that illustrates the power of partnerships and reveals a number of best practices that can help nascent partnerships across the country. The frameworks presented in this paper are substantially based on the experiences of these three pilot sites and draw heavily on their results and recommendations.

This paper is intended for credit unions and non-profit service organizations that wish to assess the potential for a partnership to increase financial capability and inclusion. Based on the experience of the pilot sites, this paper provides best practice principles and specific frameworks for financial capability partnerships. The frameworks include key strategic questions for partnerships that provide a foundation to assess, develop and implement successful partnerships to promote financial capability and inclusion.

WHY PARTNER?

Partnership is just another word for team—and an effective team can go far beyond the reach of any single individual. Apple Inc., arguably the most successful private corporation in history, grew out of a partnership between two talented individuals with famously different sets of skills. Steve Wozniak, a master engineer, had the tangible skills to build machines that would become new tools for a new age. Steve Jobs, a marketing savant, had the intangible skills to create that new age; he saw how the right technology could change daily lives and generate demand for Apple products.

---

[1] For additional background on the Financial Capability framework, see Sherraden, Margaret S. (2010) Financial Capability: What is It, and How Can It Be Created? (CSD Working Paper No 10-17) St. Louis, MO: Center for Social Development at Washington University in St Louis. *http://csd.wustl.edu/Publications/Documents/WP10-17.pdf* See also the President's Advisory Council on Financial Capability's findings and proposals, which are the basis of the Federal approach to financial capability programming: *http://www.treasury.gov/resource-center/financial-education/Pages/Advisory.aspx*

Their skills were complementary, but that was not enough to sustain their partnership. Both Wozniak and Jobs in those critical early years shared a common mission. Each understood and relied upon the skills and capabilities of the other and both were committed without reservation. Open communications ensured that tangible products were shaped by a less tangible sense of style and knowledge of consumer behaviors. In essence, Wozniak and Jobs demonstrated all of the elements of a successful team:

- a *common mission*;
- complementary *capacities*;
- deep c*ommitment*;
- close *coordination;* and,
- *confidence* in each other.

Apple today can no longer call on the talents of Jobs and Wozniak, but the company's continued success remains rooted in the integration of market knowledge with technological tools; a powerful marriage of software and hardware that continues to shape the global marketplace.

Credit unions do not compete with technology giants like Apple, but they do operate in a highly competitive market for financial products and services. Like all regulated financial institutions, credit unions mainly focus on the delivery of financial tools; they have a regulatory imperative to safeguard member assets and specialize in the development and delivery of tangible products and services. These complex tasks and obligations often leave credit unions with limited resources to understand the needs of changing markets and spread the word to potential members. In a sense, credit unions are Wozniaks at heart, in search of the complementary capacities of a Jobs to connect their products and services to communities that need them the most.

II. PILOT PARTNERSHIPS FOR FINANCIAL CAPABILITY

The three pilot partnerships in Chicago, St. Louis and San Francisco brought together eight highly capable organizations with complementary capacities and a shared commitment to increase financial capability in selected target markets. While each partnership has a unique structure and strategy, by midway through the three-year pilot period all three sites had recorded many similar experiences.

For example, all three partnerships encountered and overcame unexpected challenges during the startup phase, including delays in deployment of technology systems or personnel. Despite initial challenges, all three made adjustments to their plans and tactics and have recorded significant gains in performance. By early 2015, all three partnerships have also identified new opportunities that could bring benefits to the partners and their chosen target market far beyond the boundaries of this initiative.

Throughout the Financial Capability Partnership Initiative, the Federation and CFSI have worked closely with each partnership to assess and provide guidance on plans, challenges, and new developments. The heart of this engagement is a Learning Network that brings all partners together through bi-monthly conference calls, webinars, email updates and semi-annual meetings. The Learning Network enables the partners to share experiences, visit other pilot sites and connect their experience to lessons learned by the broader community of financial capability practitioners and researchers across the country. Learning Network activities have strengthened the individual partnerships and provide the basis for the frameworks presented in Part III.

Each of the three partnerships described below is unique, with specific adaptations to their operating environments and operational cultures. For this reason, they are not presented as models that can be directly copied by other partners in other cities and circumstances. Instead, their collective experience has been distilled into a set of frameworks and principles that can be broadly applied in different operating environments. Those frameworks are presented in Part III of this paper as the Five Pillars of Successful Partnerships.

Chicago

THE PARTNERS

The Chicago pilot brought together two partners: The Community Builders in Oakwood Shores (TCB/OS) and South Side Community Federal Credit Union (SSCFCU). **The Community Builders** (TCB) is one of the nation's largest nonprofit affordable housing developers. TCB has overseen the development and management of Oakwood Shores (OS), a mixed-income, HOPE VI, Work First Community for more than 600 households on the South Side of Chicago. Oakwood Shores is almost entirely African-American, with a majority of households headed by women. More than 80% of the residents are underbanked, compared with only 20% of the households in the surrounding communities. TCB's Community Life Department at Oakwood Shores works closely with residents to create programming based upon expressed resident desire and need. Community Life holds monthly community meetings, community assessments, and in-person meetings, in which residents frequently express financial concerns and a desire for better access to financial products and services.

South Side Community FCU (SSCFCU) was established in 2003 with a mission to equalize economic power and fight poverty by improving financial literacy and providing access to credit and savings services for people who live, work or worship in communities on Chicago's South Side. This strong community development mission is reflected in SSCFCU's emphasis on capacity-building services including financial education, financial counseling and a HUD-approved housing counseling program. SSCFCU's menu of financial products include: debt consolidation, credit builder and payday alternative loans. Yet, as a relatively young credit union with 1,600 members and total assets of just under $4 million, SSCFCU has limited resources to invest in new technologies and delivery systems. SSCFCU is designated as a Low Income Credit Union by the National Credit Union Administration (NCUA) and certified as a Community Development Financial Institution (CDFI) by the U.S. Treasury Department.

THE PLAN

SSCFCU and TCB established their financial capability partnership with the stated goal of developing healthy banking and asset development practices among the residents of Oakwood Shores. To do this, the plan relied heavily on the credit union's capacity to deliver loan products and account services. The plan called for Oakwood Shores to establish a new position for an Economic Opportunity Coach within their Community Life Department to connect residents with SSCFCU products and services. The partners planned to use on-site account opening and online banking to provide Oakwood shores residents with access to savings and checking accounts and facilitate financial transactions.

PROGRESS AND PROSPECTS

In its first year, the Chicago pilot encountered a number of challenges that are common to many new partnerships. These included longer than expected time to hire and train the TCB Economic Opportunity Coach as well as delays in the acquisition and introduction of technologies for online access to credit union accounts and the Efforts to Outcomes (ETO) data tracking system for financial counseling clients. By early 2015, the partners had made significant progress on almost all fronts. Although the original MOU had framed the partnership largely as a vendor service agreement, in practice the partners achieved a far more balanced working relationship over time. The highly experienced SSCFCU financial counselor built a strong relationship with the TCB/OS Economic Opportunity Coach, and together they deliver seamless counseling and coaching services to residents of Oakwood Shores, tracking client data with ETO. While regular visits of the SSCFCU counselor remain key to the partnership, TCB/OS is gradually building their own capacity to deliver comprehensive financial counseling and coaching services to their residents.

Perhaps no challenge was potentially as consequential as the departure after a year of the key senior staff member at TCB/OS who was the primary architect of the partnership and contact point for SSCFCU. Many partnerships will falter with the loss of such a critical individual, but the Senior Manager of Community Life from TCB/OS quickly filled the breach, demonstrating a high level of commitment to the partnership and demonstrating the importance of strong relationships, flexibility and communications among partners. At the midpoint in the pilot period, TCB/OS and SSCFCU had together identified a number of key opportunities, including:

- Greater brand awareness to establish SSCFCU as the financial institution for Oakwood Shores residents and staff, with the potential for automatically opening an SSCFCU savings account for every new resident;
- Outreach to all segments of the community, including middle-income residents who occupy the market-rate housing that comprises one-third of Oakwood Shores and who would be eligible for a wider range of SSCFCU affordable loan products;
- Integrating financial capability into additional TCB Community Life programming, including the summer youth employment program;
- Alternative methods to increase access to a greater range of credit union services on-site;
- Introduction of new TCB/OS online rent payment system and subsequent automation of payments from SSCFCU accounts; and,
- Potential to replicate a financial capability partnership model at other TCB sites in Chicago and around the country.

St. Louis

THE PARTNERS

The St. Louis pilot brought together three closely linked entities. Prosperity Connection has partnered with St. Louis Community Credit Union (SLCCU) and Kingdom House to integrate financial education and counseling into existing social services and connect unbanked and underbanked clients to the products and services available from the SLCCU micro-branch located within the settlement house itself.

Kingdom House was founded in 1902 as a settlement house by a shoe manufacturing executive who wanted to help the poor, many of whom were immigrants. Kingdom House helps low-income residents of the local community to achieve self-sufficiency and economic independence through a wide range of services including childcare and preschool education, food and clothing assistance, youth and teen programs, family health and wellness, and senior services. As of January 2013, Kingdom House has also been home to a 310 square-foot micro-branch of St. Louis Community Credit Union.

Founded in 1942, **St. Louis Community Credit Union** is currently the largest CDFI-certified credit union in Missouri, with more than 50,000 members and total assets in excess of $247 million. SLCCU offers a complete range of financial products and services including a payday loan alternative, Freedom Loan; Credit Matters, a credit-builder loan; and Payday Saver, a payday consolidation loan. In 2010, the credit union created a non-profit foundation—now known as Prosperity Connection—to focus on financial empowerment. In 2011, SLCCU opened its first micro-branches in two underserved neighborhoods, Grace Hill and Wellston, and in 2013, SLCCU opened its newest micro-branch within the premises of Kingdom House in downtown St. Louis.

Prosperity Connection, formerly the St. Louis Community CU Foundation, is a 501(c)(3) non-profit dedicated to financial education and empowerment. Originally created by the SLCCU Board of Directors, Prosperity Connection maintains close relations with the credit union that facilitates the coordinated delivery of financial products, financial services and empowerment services in low-income markets.

THE PLAN

Prosperity Connection occupies a pivotal role in the design of this three-way partnership, providing expertise in financial empowerment services as well as a direct link with the credit union. Kingdom House serves as the physical platform for the credit union micro-branch and financial education and coaching, but more importantly, they offer direct referrals through their strong relationships and credibility with community members, earned through their provision of wide ranging community development services. As articulated in the partnership MOU, the initial plan was for SLCCU to train Kingdom House social workers on SLCCU products and services to facilitate direct referrals of social service clients to the credit union micro-branch. Kingdom House would manage the client intake process, make referrals to SLCCU as needed and maintain data for tracking and reporting purposes. Prosperity Connection would facilitate and provide support for financial education and coaching activities and serve as liaison for data tracking and reporting.

PROGRESS AND PROSPECTS

As with Chicago, the partners in St. Louis encountered some initial challenges with personnel and technology. While training and orientation of social workers generated enthusiasm for the financial capability program, Kingdom House soon determined that one social worker would need to specialize in financial capability in order to fully meet the needs of their clients. As in the Chicago pilot, this social worker is teamed with a financial coach, in this case from Prosperity Connection, who provides direct counseling services, conducts financial education workshops and provides advanced training in financial capability to Kingdom House staff. The Prosperity Connection financial coach is fully bilingual in response to the needs of a large Spanish speaking community in the area. Kingdom House also hired a full-time database manager to implement Efforts to Outcomes (ETO) data tracking for all social workers and enabled the exchange of relevant data with Prosperity Connection's Salesforce data tracking system. By early 2015, the client numbers and referrals to the SLCCU micro-branch were rapidly increasing, along with the number of credit-building loans, auto loans, and the first-ever client to receive a mortgage loan.

Looking forward, the partners have identified a number of opportunities, including:

- Increased visibility and promotion of the SLCCU micro-branch and the Kingdom House financial capability services in the local community;
- Broader capacity to deliver bilingual financial coaching services;
- Increased capacity to provide bilingual services at the SLCCU micro-branch;
- Small group financial counseling as an intermediate step between financial education classes and one-on-one counseling; and,
- Opportunities to market a broader range of SLCCU loan products to more financially capable clients.

San Francisco

THE PARTNERS

Like St. Louis, the San Francisco pilot also brought together three partner organizations. The partnership was initiated by **MyPath**, a national nonprofit specialized in economic advancement and financial stability of low-income youth and young adults. MyPath delivers education, counseling and coaching programs that focus on building savings, establishing and managing credit, advocacy for economic justice and an advanced online financial education curriculum specifically geared to the needs of young adults. The MyPath Credit program is designed to be integrated into workforce development programs and provides young adults with a combination of credit-building loans, savings products, and one-on-one financial coaching.

The focus of MyPath Credit facilitated a new partnership with **Year Up**, a workforce development program for young adults. Year Up was founded in 2000 and now operates programs in eleven metropolitan areas across the country, including Year Up Bay Area. In each city, Year Up works with local employers to provide low-income young adults with the skills that are in demand by the local private sector. In the Bay Area, job opportunities are heavily concentrated in the technology sector and Year Up provides stipends, training and internships that result in more than half of graduates obtaining full-time employment upon completion of the one-year program.

MyPath also enjoys a close relationship with **Self-Help Federal Credit Union**. While not an affiliate of the credit union, MyPath shares office space with its Mission Area branch and has historical ties to a credit union that merged with Self-Help FCU in 2012. Self-Help FCU is a high-capacity CDFI credit union with more than $600 million in assets that serves more than 60,000 members with a complete range of financial products and services through a network of 18 branch locations in two states.

THE PLAN

The initial aim of the partners was to seamlessly integrate the delivery of financial education, financial coaching, and a credit-building loan product into the Year Up training curriculum. Self-Help FCU customized their Fresh Start Loan to allow for either six- or twelve-month terms with amounts of $250 or $500. Since the Year Up training location is some distance from the nearest Self-Help FCU branch, the plan was for MyPath Credit to effectively deliver a limited set of services on behalf of the credit union. As a result, the MOU necessarily focused considerable attention on protecting the security and confidentiality of consumer information. The partners also anticipated the use of remote access technology to facilitate the online enrollment for new accounts and loan applications.

PROGRESS AND PROSPECTS

Due to unanticipated challenges integrating the remote platform with the credit union's core banking technology, the release of the remote access platform was delayed by over a year. The partners had made adjustments to allow for paper applications to be processed through the branch. As the number of new member accounts and Fresh Start loans continued to grow, the branch staff had to adjust to the large batches of account and loan documents that would need to be processed at peak intervals. Within the first year of the Initiative, the SHFCU Mission Area branch recorded the highest membership growth of any branch in the SHFCU network. In 2015, the credit union began processing Year Up participant applications through SHFCU's centralized call center and the long-awaited remote access system is now in beta testing mode, both of which will reduce the workload on the Mission Area branch. Uptake of the Fresh Start Loan has increased with each Year Up cohort, and as a result of these successes, the partnership has expanded to the Year Up San Jose site in early 2015.

Looking forward, the partners have identified a number of opportunities, including:

- Forging a direct and continuing relationship between the credit union and new Year Up members that does not require MyPath to serve as intermediary;
- Connecting successful Fresh Start borrowers to next level of SHFCU credit-building products, such as secured and low-maximum unsecured credit cards;
- Ensuring that higher earning Year Up graduates are knowledgeable about the full range of SHFCU products and services, such as vehicle and home mortgage loans;
- Aligning incentives to recognize efforts of credit union branches and departments that cultivate new Year Up members and new borrowers; and,
- Exploring replication in additional Year Up locations.

III.
FIVE PILLARS OF SUCCESSFUL PARTNERSHIPS

Just as every team is not a winner, every partnership does not succeed. So what is the stuff of success?

In professional sports, winning teams commonly explain their good fortune with a variety of clichés that revolve around five basic themes:

- ***Convergent vision***: "From the very first practice, we all had the same goal"
- ***Complementary capacities***: "Everyone knew their role and had something to contribute"
- ***Commitment***: "We're all in, we never quit. We learn from mistakes and adapt"
- ***Confidence***: "We know and trust each other, we're on the same page"
- ***Coordination:*** "We're accountable—to ourselves and to each other"

In postgame interviews, athletes and coaches often focus on just one of these themes as the key to their success, but it is difficult to find a team or partnership that has truly succeeded without all five of these elements.

For financial capability and inclusion partnerships, each pillar has fairly specific characteristics. The sections below describe how some of these characteristics can be evaluated and shape an emerging partnership.

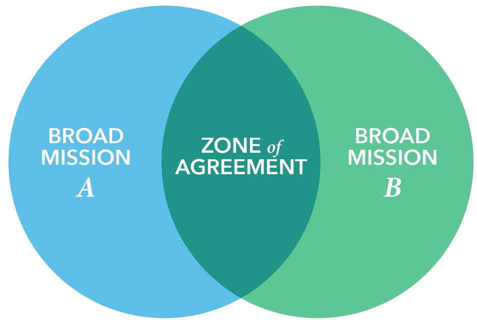
1. CONVERGENT VISION

Like the owner of a newly serviced car, new partners often celebrate the alignment of their missions. But unlike the front wheels of a car, partners are not mechanically locked together; mission alignment does not guarantee that partners will steer the same course to the same destination.

Venn diagrams, like the one at right, are often used to show how the overarching missions of different partners can converge and overlap. But mission and vision statements typically have many elements, some of which may not align as neatly as high-level statements of intent. For financial capability partnerships, two key elements must be clearly defined:

- **The specific *purpose* of the partnership to promote financial capability;** and,
- **The specific *definition of a community or target market* that will be the focus of partnership activities.**

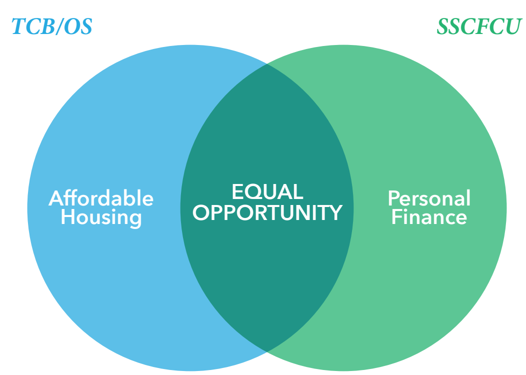
MISSION ALIGNMENT



Each of these two elements should be considered in the context of the separate strategic and business focus of each partner. For example, South Side Community Federal Credit Union (SSCFCU) has a mission to fight poverty and equalize economic power by providing savings, credit and capacity building services to members. This mission clearly overlaps with the mission of their partner, The Community Builders at Oakwood Shores (TCB/OS), which aims to "build and sustain strong communities where people of all incomes can achieve their full potential." Both partners focus on low-income communities in Chicago's South Side.

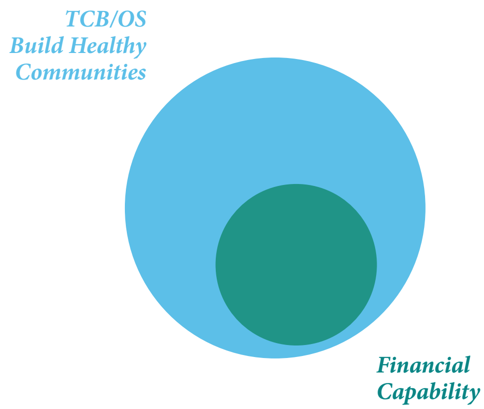
A simplified illustration of the overall mission alignment between these two partners might look like the Venn diagram at right. Both partners share a commitment to promoting equal opportunity for people of modest means that will increase the stability and security of their communities. This shared commitment provides a solid cornerstone for their partnership, but there are still two other elements to consider.

MISSION ALIGNMENT

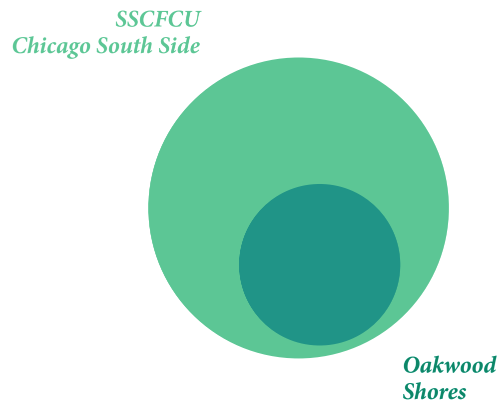


First, while the purpose of this partnership is financial capability, which is the predominant focus and expertise of the credit union, it is just a small part of the strategic and business plans of TCB/OS, which seeks to build new, healthy and sustainable communities. Similarly, while TCB/OS shares the credit union's commitment to development in Chicago's South Side, their exclusive focus on the Oakwood Shores community is a small part of the much larger field of membership for SSCFCU. The diagrams on the next page show how a single convergent vision can look quite different depending on the chosen lens.

ALIGNMENT OF PURPOSE



ALIGNMENT OF TARGET MARKET



Such asymmetric interests are a common feature in all partnerships and need not hinder their development. But success often depends on clear vision; an early recognition of how joint goals and activities fit within the broader strategic and business priorities of each partner. Credit unions and non-profits that wish to build a financial capability partnership should be able to answer the following questions:

- What is the precise definition of the target market community for this partnership?
- What are the characteristics of this community in terms of population, employment, income, language and culture? How have these characteristics changed over the past five years? How are they likely to change over the next five years?
- Where does the community fit within our field of membership or service area? Where does it fit within our current group of members or clients? Where is it likely to fit within our future membership?
- What priority is given to this community within our strategic and business plans for growth?
- What existing strategic and business objectives would be met by success in this community?
- How well do our products and services meet the demand from the community?
- What resources, products and services do we have or need to serve this community?
- What incentives exist for managers and staff to serve this community?

These questions take on more importance for organizations with thinner operating margins and limited capacity to absorb setbacks. The central point is this: ***broad agreement on values and principles is not enough to achieve a common vision for an operational partnership***. Partners must focus on the defined purpose of their joint venture and a precise definition of the proposed target market. As will be described in the following section, this definition is essential to understanding the complementary capacities of each partner.

SUPPLY MEETS DEMAND: FINDING THE RIGHT FIT IN ST. LOUIS

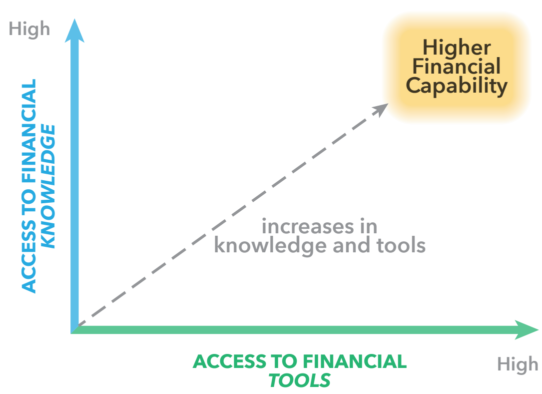
Even the best market research may not be able to predict the financial product or service that best fits a given target market in advance. The only sure way to measure demand is through experience; offering products and services and tracking actual demand over time.

Prior to the launch of the financial capability partnership in St. Louis, all three partners—Prosperity Connection, St. Louis Community Credit Union and Kingdom House—believed that the most urgent need in the target market was for a debt consolidation product to reduce the burden of payday loans. However, when the partnership was launched the actual demand focused mainly on the SLCCU Credit Matters credit-building loans, not loan consolidation. For many clients, a credit builder loan is the first step towards qualifying for an affordable auto loan, which improves mobility, prospects for employment and potential earnings. The partnership readily adapted to these clear market signals and the credit union has primarily delivered credit builder and auto loans to their financial counseling clients.

2. COMPLEMENTARY CAPACITIES

Partnerships are often described as puzzles, with pieces that mesh to fill blanks and create a more complete picture. The best partnerships are said to be greater than the sum of their parts, with synergies produced by a blend of unique and complementary capacities. In the language of financial capability, the relevant capacities are *financial tools*, defined as a range of products and services available from regulated depositories, and *financial knowledge*, defined as the ability to properly use financial tools to manage personal finances and increase personal economic security. The chart at right represents the increase in financial capability that can result from the interaction and integration of knowledge and tools.

MAXIMIZING FINANCIAL CAPABILITY IMPACT



For credit unions and nonprofit service organizations that wish to enter financial capability partnerships, it is important to define capacities strictly in terms of the ability to deliver financial knowledge and financial tools. A strong balance sheet, skilled staff and healthy revenue stream are all signs of robust and dynamic institutions, but this should not be mistaken for capacity to deliver one or more elements of financial capability. The chart below lists the broad categories of capacities that are most relevant for nonprofit service organizations and credit unions in financial capability partnerships.

Key Capacities for Financial Capabilities Partnerships

	Nonprofit Service Organization Capacity to Deliver ***Financial Knowledge***	Credit Union Capacity to Deliver ***Financial Tools***
Institutional Foundation	1. Relevant Mission and Vision 2. Institutional Stability	1. Relevant Mission and Vision 2. Institutional Stability
Basic Financial Capability Capacities	3. Proximity/Access to Target Market 4. Trusted Relationships with Clients 5. Basic Financial Education	3. Standard Account Services 4. Standard Savings Products 5. Standard Loan Products
Advanced Financial Capability Capacities	6. Advanced Financial Education 7. Basic Financial Counseling 8. Credit Counseling 9. Housing Counseling 10. Ability to Track Client Data/Results	6. Community Development Account Services 7. Community Development Savings Products 8. Community Development Loan Products 9. Physical Presence in Target Market 10. Ability to Track Target Market Data/Results

These parallel lists of capacities can help potential partners to assess institutional capacities that directly relate to financial capability and determine the best strategy to integrate and expand those capacities.

For example, the pilot partnership in San Francisco brought together three institutions with very high capacities in their respective fields: MyPath (MP), a national non-profit that delivers economic advancement and financial stability services; Year Up (YU), a highly effective workforce development organization that serves young adults in twelve states; and, Self-Help Federal Credit Union (SHFCU), a high capacity CDFI that provides a comprehensive range of financial products and services through 22 branch locations in two states. The table on the next page shows one simplified way to look at the relevant capabilities of MyPath, Year Up and Self-Help FCU *prior* to their partnership.

Financial Capability Capacities of MyPath, Year Up and Self-Help Federal Credit Union *Before* Partnership

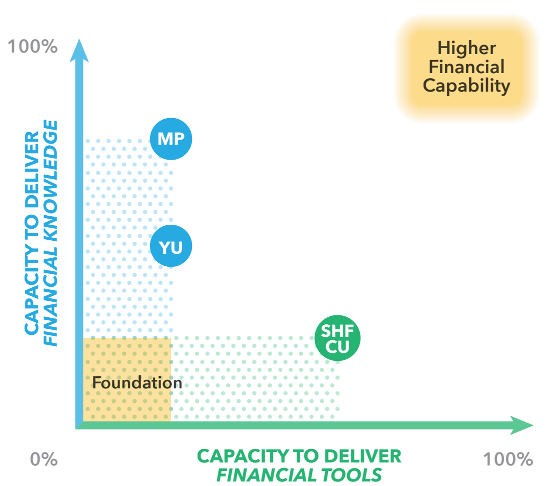
Capacity to Deliver ***Financial Knowledge***				Capacity to Deliver ***Financial Tools***			
Capacity Elements	MP	YU	SHFCU	Capacity Elements	MP	YU	SHFCU
1. Mission	✔	✔	✔	1. Mission	✔	✔	✔
2. Stability	✔	✔	✔	2. Stability	✔	✔	✔
3. Target Market Access		✔		3. Open Account			✔
4. Target Market Trust		✔		4. Savings Products			✔
5. Financial Education	✔			5. Loan Products			✔
6. Advanced Financial Education	✔			6. Key Account Services			✔
7. Financial Counseling	✔			7. Key Savings Products			
8. Financial Coaching	✔			8. Key Loan Products			
9. Housing Counseling				9. Presence in Target Market			
10. Data Tracking	✔			10. Data Tracking			
Capacity to Deliver Knowledge	70%	40%	20%	Capacity to Deliver Tools	20%	20%	60%

The chart at right represents the independent financial capability capacities of the three institutions prior to their partnership. Based on the key capacities listed in the table above:

- MyPath had a high capacity to deliver Financial Knowledge, but this was offset by lack of access to the Year Up target market;
- Year Up had access to the target market and had earned a high degree of trust, but had no capacity to deliver Financial Knowledge to their clients;
- Neither MyPath nor Year Up had the ability to deliver any Financial Tools to their clients;
- Self-Help FCU had the capacity to provide the key Financial Tools, but no direct access to or relationship with the Target Market and no capacity to deliver Financial Knowledge services there.

FINANCIAL CAPABILITY CAPACITY BEFORE PARTNERSHIP

MyPath (MP), Year Up (YU), and Self-Help FCU (SHFCU)



As three independent entities, MyPath, Year Up and Self-Help made important contributions to the financial capability of their clients and members, represented on the previous chart by the shaded areas. But through the partnership engagement, all three were able to begin to expand and integrate their capacities to deliver financial knowledge and tools to the target market at unprecedented levels.

- MyPath and Year Up worked together to integrate MyPath financial counseling and coaching seamlessly into the Year Up curriculum
- Self-Help FCU and MyPath worked together to enable MyPath to help clients open accounts and apply for Fresh Start loans while on-site at the Year Up facility

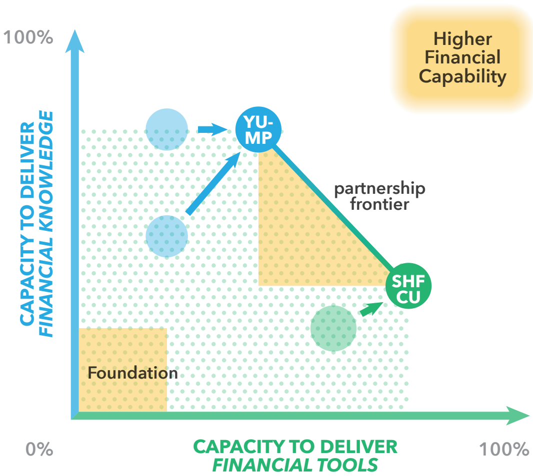
The functional integration of MyPath services into the Year Up delivery system effectively created a single Financial Knowledge partner for Self-Help FCU. The table below shows, again in simplified form, how the capacities of the three partners to deliver financial capability knowledge and tools have expanded through their collaboration.

Financial Capability Capacities of MyPath, Year Up and Self-Help Federal Credit Union *After* Partnership

Capacity to Deliver ***Financial Knowledge***			Capacity to Deliver ***Financial Tools***		
Capacity Elements	YU-MP	SHFCU	Capacity Elements	YU-MP	SHFCU
1. Mission	✔	✔	1. Mission	✔	✔
2. Stability	✔	✔	2. Stability	✔	✔
3. Target Market Access	✔	✔	3. Open Account	✔	✔
4. Target Market Trust	✔	✔	4. Savings Products		✔
5. Financial Ed			5. Loan Products		✔
6. Advanced Financial Ed	✔		6. Key Acct Services		✔
7. Financial Counseling	✔		7. Key Savings Products	✔	✔
8. Financial Coaching	✔		8. Key Loan Products	✔	✔
9. Housing Counseling			9. Presence in Target Market		
10. Data Tracking	✔		10. Data Tracking		✔
Capacity to Deliver Knowledge	80%	40%	Capacity to Deliver Tools	50%	90%

The chart at right visually represents the impact of the partnership on the capacities of all three partners. Through a partnership with MyPath, Year Up is now able to integrate high quality financial education and counseling into its workforce development curriculum and to track the financial progress of their clients, which increased the Year Up capacity to deliver Financial Knowledge from 40% to 80%. At the same time, MyPath's partnership with Self-Help has provided an integrated delivery of basic financial tools—specifically, opening accounts and applying for "Fresh Start" credit building loans—into the Year Up financial education and counseling program.

FINANCIAL CAPABILITY CAPACITY IN PARTNERSHIP
MyPath (MP), Year Up (YU), and Self-Help FCU (SHFCU)



Self-Help FCU also increased their financial capability capacity. Since capacity for both partners is partly a function of access, the connection to MyPath created an unprecedented channel to deliver financial tools to the target market. The relationship with MyPath has also led to enhancements in Self-Help FCU's products and data tracking for new members that join as a result of this partnership. The chart shows the partnership connection as a frontier, which represents the opportunity for either or both partners to continue to expand their capacity along both axes.

PRODUCT HIGHLIGHT: "FRESH START" CREDIT-BUILDING LOAN

One of the most important tools for building financial capability is a targeted, efficient and accessible loan that helps low-income individuals to establish or improve their credit scores. A leading example is the Fresh Start loan from Self-Help Federal Credit Union, a fully secured product that enables the credit union to issue credit-building loans to individuals with poor or no credit history. The key feature is this: the security for the loan is the principal of the loan itself, which means borrowers do not need to provide their own collateral to apply for a Fresh Start loan.

The loan is structured to both establish credit and build a savings cushion for low-income members and is available in amounts from $500 to $3,000 and terms of 12 and 24 months. For example, a borrower with no credit history who is approved for a $500, 12-month Fresh Start loan will, at origination, receive a deposit of $500 in a restricted savings account. After making six on time monthly payments of principal and interest, with no other activity in their credit file, the borrower's credit score will increase from zero to as much as 699. After 12 months, the member also has access to their $500 in savings, which can provide a cushion for emergencies, or serve as collateral for a step-ladder product, such as a share-secured credit card.

3. COMMITMENT

Commitment is the central pillar of any partnership, but the level of commitment is one of the toughest elements to assess. Commitment is often defined as a byproduct of character, with words like "integrity" and "will." Yet commitment levels for institutional partnerships may be broken down into three distinct components:

- ***Leadership,*** at the executive level for both partners and at the level of staff who are directly involved in the partnership activities themselves;
- ***Costs and Benefits,*** specifically the assumed net financial returns, positive or negative, that each partner expects from the joint venture over the short, medium and long terms; and,
- ***Time,*** including both the time that will be required for managers and staff to implement the partnership, and the expectations of both partners for what constitutes the short-, medium- and long-term time horizons of their commitment.

"ALL-IN" PARTNERSHIP IN NORTH CAROLINA

At a 2005 roundtable for senior executives from large and small credit unions, Jim Blaine, the President/CEO of State Employees Credit Union (SECU) in North Carolina was asked about their partnership with Latino Community Credit Union (LCCU). Support from SECU, the nation's second largest credit union, was widely credited with helping LCCU to become the fastest growing start-up in credit union history. The question, from an executive at another large credit union, was this: how many of SECU's 5,000 staff members were involved in the partnership with LCCU?

"All of 'em," Blaine replied.

When the laughter subsided, the executive persisted. Acknowledging the commitment of SECU as a whole, the executive asked for the number of staff who directly provide support to LCCU on a full-or part-time basis.

"All of 'em," Blaine repeated.

Undeterred, the executive asked if SECU had tracked the Full Time Equivalent (FTE) staff that could be attributed to their work with LCCU.

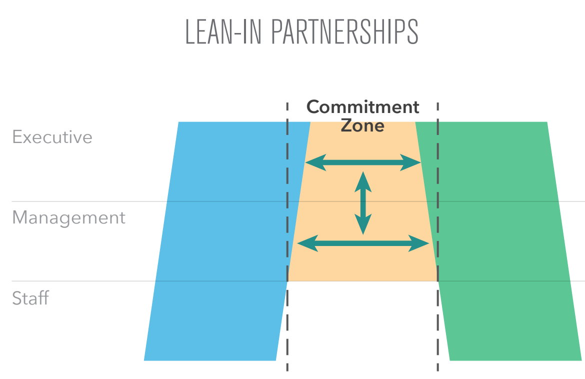
"Look," Blaine said, "I know what you're after, but you're not going to get it." The reason: SECU viewed the partnership as both a business proposition and an institutional commitment. SECU expected the partnership to evolve over time and had set no permanent internal boundaries to inhibit that evolution.

"It's the right thing to do," he said. "We're all in."

All partnerships have zones of commitment and zones where resources are reserved for the "core" business of each institution. But at what point do partnership activities become part of the core business? The SECU story above illustrates an institutional commitment that defined a specific partnership as an integral part of their core business. While one may assume that not all 5,000 SECU employees were directly engaged with the LCCU partnership on a daily basis, the boundary between the partnership activities and SECU were porous enough to allow information to flow, activities to evolve, and both partners to flourish.

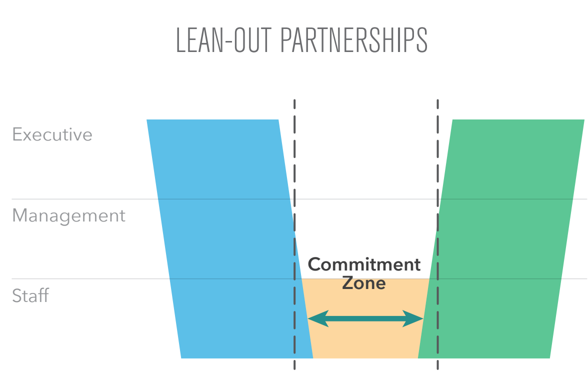
Few partnerships begin "all-in" and only the most successful ever achieve similar levels of commitment. Although institutional partnerships come in countless shapes and sizes, the types of commitments can be broadly categorized into four models. While some models have more inherent strengths than others, it is important to note that the models themselves merely represent a snapshot in time. **Successful partnerships are dynamic and can grow from any of these four starting points. Indeed, many partnerships cycle through multiple models and stages of commitment over time.** At each stage, an understanding of the commitment model has implications for the partnership and can help each organization to chart their way forward.

Lean-In Models typically are instigated and promoted by the executive levels of partner institutions. MOUs or other legal agreements may define precise "Commitment Zones," but the boundaries (signified by the dashed vertical lines in the chart at right) remain porous and flexible as the partners seek to nurture opportunities that may arise over time. In the most successful cases, even though staff commitment to the partnership activities may initially lag, determined leadership and internal training promotes growth and development of the relationship. In less successful cases, top-level partnerships launched with much fanfare may languish at the managerial and field levels without the internal training and communications needed to transform a leadership vision into institutional action and commitment.

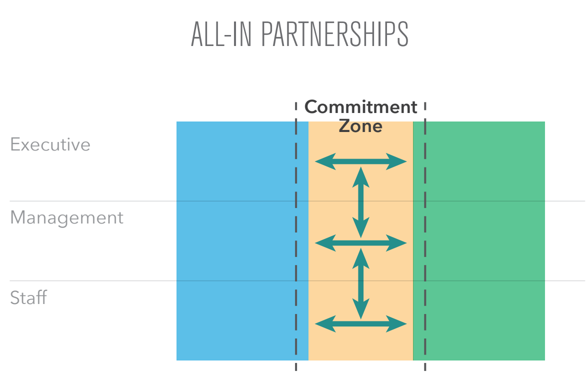


Implications for Lean-In Models: Executives that pursue Lean-in partnerships must have a plan, backed by the necessary resources, to ensure that internal training and communication build institutional understanding and commitment to the partnership. Staff who will directly participate in partnership activities will require specific, appropriate training, and broader communications about the purpose and nature of the partnership should be communicated across the organization, beyond those directly involved. This will ensure that all members of the institution will have an opportunity to identify potential benefits that can help a partnership to evolve and generate the maximum benefits.

Lean-Out Models often result from short-term incentives such as external grants, political imperatives or entrepreneurial staff that recognize and seize opportunities at the field level. While the legal documentation may mirror that of "Lean-In" partnerships, the executive leadership of "Lean-Out" partners are brought in, not bought in; from the outset they tend to view activities as costs to be contained, not opportunities to be nurtured. In these cases MOUs may serve as firewalls to limit future commitments, not as platforms for exploration and evolution.

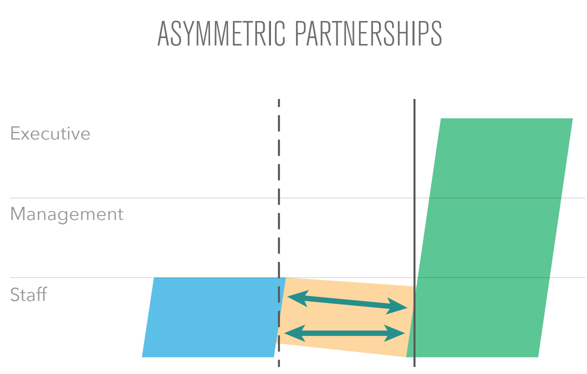


Implications for Lean Out Models: Lean-Out partnerships that arise from highly motivated staff can be marketed up the ladder inside of an institution. To do so, staff must have a combination of political skill and hard data that can clearly demonstrate the institutional benefits and potential of the partnership activities. Staff engaged in Lean-Out partnerships should identify at the outset the possible benefits that would be most persuasive to managers and executives and make sure that there is a plan to collect and track data that can demonstrate those expected benefits.



All-In Models are most likely to develop from Lean-In partnerships as a result of effective leadership and staff training at all levels of an organization. Like the SECU story at the beginning of this section, All-In models can generate reciprocal benefits for both partners from the operational level at the field up to the strategic and business planning levels of the management and board. In this model, communications flow through the Commitment Zone at all levels, with new opportunities being identified and nurtured. This multifaceted communication enables both institutions to identify internal processes, products or innovations that are inspired by the partnership and can became integrated into the core business.

Implications for All-In Models: The ambition of most partners is to build a healthy, mutually productive partnership; reaching an All-In state may feel like such a partnership has been definitively achieved. But regardless of its many strengths, All-In Models are neither permanent nor stable. Healthy partnerships must remain dynamic to survive and All-In Models are no exception, as onetime strengths become weaknesses. The more routine the acceptance of a partnership, the less energy and scrutiny is given to innovation and adaptation. In some cases, the institutional changes inspired by the partnership may themselves be so profound as to render the joint venture itself obsolete.



Asymmetric Models are the most common of all, as almost every partnership incorporates a greater or lesser degree of unequal capacity or commitment. The chart at right represents the most common type of asymmetry, where a smaller, lower capacity partner (in blue) leans-in and the larger, higher capacity partner (in green) leans out. While the blue partner remains open to an evolving relationship, with top levels of management actively engaged in joint activities, the green partner has delegated responsibility to relatively junior level staff.

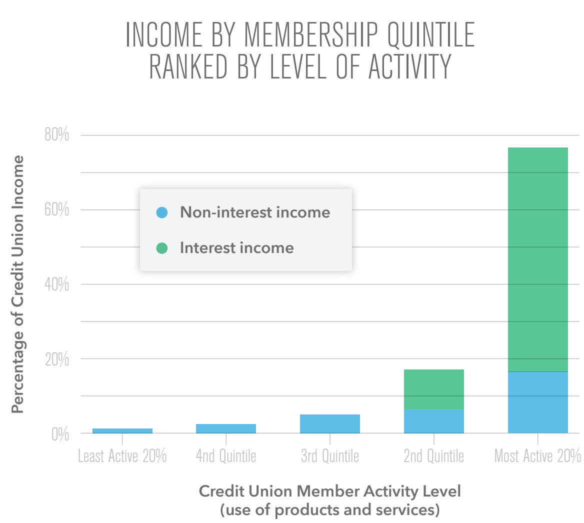
Implications of Asymmetric Models: The evolution of this type of Asymmetric Model can be severely hindered by the lack of support from higher levels of the green partner, where the solid boundary on the right side of the Commitment Zone signifies an intent to strictly limit obligations and ward off any attempts to expand the scale and scope of the partnership. The blue partner must rely on the energy, motivation and political skills of their junior level counterparts to overcome these barriers and promote the benefits of the joint venture. Executives from the blue partner may directly reach out to their executive counterparts at the larger organization—powerful personalities, personal relationships and corporate cultures can play an outsized role here—but it can be a significant challenge for the joint activities in this type of model to get the recognition and resources they need. For this reason, partners engaged in Asymmetric Models should plan at the outset how to track and use data and stories to market their progress and highlight opportunities of the joint venture inside their organizations as well as to external stakeholders.

3B. COSTS AND BENEFITS

Financial institutions that enter financial capability partnerships can expect to attract new members, but will these new members generate positive net revenue? If not, the partnership will only continue if it receives ongoing subsidies from inside or outside the institution and maintains strong support from leadership. Since long-term commitment often hinges on perceptions of costs and benefits, it is important to look closely at how these might be evaluated.

The "80-20" rule, also known as the Pareto Principle, asserts that only 20% of the efforts in any enterprise will be responsible for 80% of the results. The credit union industry is no exception; while more than 70% of total credit union income comes from loans, less than a third of credit union members are borrowers.[2] While non-interest income is important, credit unions simply cannot survive without the small minority of members who take out loans and generate interest income.

Every credit union has a small concentration of members who are the most active consumers of products and services—those who generate the bulk of interest and service payments. But the majority of credit union members are much less active and generate little if any net income. Projecting on NCUA call report data, the chart at right illustrates how an average credit union depends on the top two most active quintiles of membership to generate more than 90% of their total income.[3]



(Visualization of estimated values based on NCUA call report data.)

While the precise distribution of member activity levels will vary from one credit union to another, it is important to note that the average income per member matters less than the distribution and concentration of activity. For example, credit

[2] As of December 31, 2014, NCUA 5300 call report data shows $52.3 billion in total credit union income, of which $37.4 billion (71%) was total interest income. NCUA calculates the ratio of borrowers to members as the total number of loans and leases divided by total membership. However, the average borrower has more than one loan from the credit union. As of the close of FY 2014, NCUA reported 54.6 million loans and leases for 100.5 million members. With an average of 1.8 loans per member, this means that approximately 30% of credit union members generate 71% of credit union income.

[3] Ibid.

unions know that custodial accounts for children on their own generate little or even negative net income. But as long as enough parents actively use other products and services—which may include consumer, auto and mortgage loans along with bill pay, insurance and other services—the net income from this family of accounts will be strongly positive.

Credit unions that enter financial capability partnerships should carefully consider the profile of the new members who will join as a result. Regardless of the target market, the prospective demand for credit union products and services—i.e., the projected activity level for new members generated from the joint initiative—will cover a spectrum from very low to reasonably high.

The three pilot sites in the Financial Capability Partnership Initiative illustrate this point. Although each site is focused on a distinctly different target market, all three show the potential for a segment of the target market to graduate beyond entry-level products and services. For example:

- ***In Chicago***, one-third of the Oakwood Shores community consists of market rate housing for moderate and middle-income residents. By establishing a presence in Oakwood Shores to serve lower-income residents, South Side Community FCU has an opportunity to offer their complete range of products and services to residents of all income levels—and generate the positive net income needed to sustain and increase services to the whole community.
- ***In St. Louis***, the comprehensive social services provided by Kingdom House complements the financial counseling provided by Prosperity Connection and the financial tools available on-site from St. Louis Community Credit Union. While all of the pilot initiatives are still quite young, one of the first clients of this partnership already has advanced from a credit builder loan to an auto loan and on to a mortgage loan for the purchase of her first home.
- ***In San Francisco***, Year Up reports that more than half of their low-income graduates obtain well-paying entry-level jobs in the tech industry within one year. Many of these graduates can thank MyPath Credit and Self-Help FCU for the credit building Fresh Start loan that established or improved their credit scores enough to pass the credit checks required by many tech employers. With steady income and bright futures, these young professionals are strong candidates for the full range of SHFCU's products and services.

A simple map, like the example shown on next page, can help credit unions to estimate the potential costs and benefits of a financial capability partnership—as well as readiness to meet the demand for financial products and services across the full spectrum of the target market.

Sample Financial Capability Product Pathway

	Least Active (80%)	*Transitional/Linking Products & Services* →	Most Active (20%)
New Members			
Targeted Financial Services	• Check Cashing • Money Orders • Remittances • Basic Savings	• Prepaid Debit • 2nd Chance Checking	• Standard Checking • Direct Deposit • ATM/Debit • Mobile Banking • Online Banking • Bill Pay • Event Savings
Targeted Loan Products	• Credit Builder Loans • Immigration Loans • Borrow & Save Loans	• Secured Credit Card • Micro Loans • Debt Consolidation loans • Payday Alternative Loans	• Unsecured Credit Cards • Used/New Auto • Consumer • Mortgage • Education/Event Loans • Lines of Credit
Projected Interest Income	$		$$$
Projected Fee Income	$		$$
Projected Expense	($$)		($)
Projected Net Income	$ or ($)		$$$$

This simple product and impact map estimates costs and benefits of a partnership without accounting for any subsidies that may be available from the credit union, the nonprofit partner or other sources. While some form of subsidy may be important to the initial business plan, this particular analysis is best conducted without consideration of actual or potential subsidies for two reasons:

- first, **subsidies can mask the *sustainability* of a partnership in the likely event that they are eventually removed**; and,
- second, **subsidies can obscure the *scalability* of an initiative since the resources for subsidies will always be more limited than the potential for a product to grow in a dynamic and evolving market**.

A clearer understanding of the potential to reach scale and financial sustainability will help to set realistic expectations of institutional commitment.

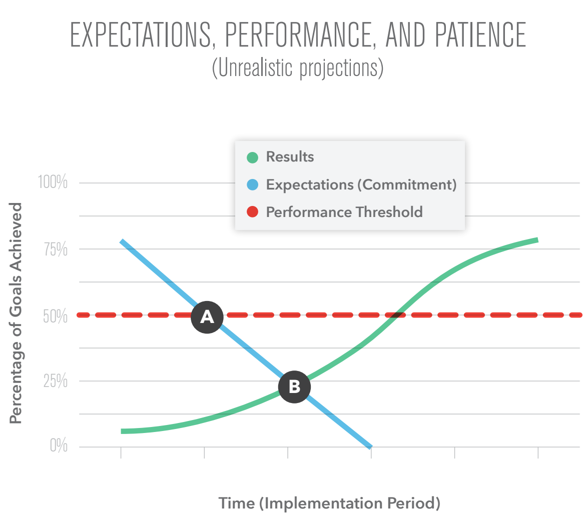
The simplified product and income map above is a useful planning tool at the outset, but it can be an even more powerful tool to chart the progress and development of a joint venture. For example, credit unions that see higher than expected activity levels may wish to devote more resources to develop this target market.

Credit unions that see limited uptake for their higher tier products and services should not simply assume a lack of demand; most target markets for financial capability partnerships will include a proportion of individuals with more capacity and demand for higher level products. ***Credit unions can and should consult with financial counselors to understand the types of competitive financial tools used by their most successful clients***. Based on this information, credit unions can improve the competitiveness and placement of their own products and services, which are likely to generate benefits for the community, the credit union's members, and the credit union's income statement.

3C. TIME

"Until death do us part" succinctly captures the deep commitment of two partners who expect to sustain their union through good times and bad. While legal mergers between two institutions may share this level of lifelong commitment, all other partnerships are to some degree transient. The challenge for such temporary arrangements is to allow enough time for partnerships to mature and achieve results before exhausting the patience of institutional leadership.

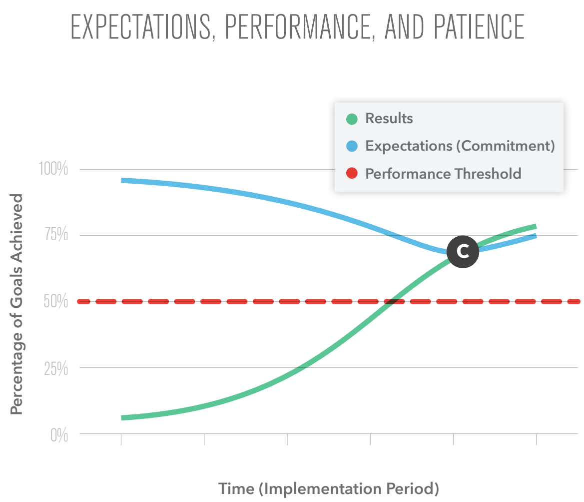
The chart at right illustrates the risks of institutional impatience, most often seen in "Lean-Out" partnerships. In the chart, the red dotted line represents the minimum expected results; i.e., the performance threshold needed to sustain commitment to the partnership. Institutional expectations are represented by the blue line while the actual results of the partnerships are shown by the green line. The first key decision point is reached early in the partnership at point "A", when expectations reach the performance threshold. When expectations are unrealistically aggressive, the partners will reach this decision point before the partnership has had time to achieve results.



The second key decision point "B" is reached as expectations eventually fall below the actual results of the partnership. It is interesting to note in the chart above that by the time point B is reached, the rapid increase in results is not sufficient to raise expectations. Indeed, a partner with unrealistic short-term expectations will quickly judge that a joint effort has failed—and is unlikely to recognize good news when it arrives.

Clear planning at the outset can help to set reasonable expectations and allow a partnership the time needed to establish momentum and demonstrate results.

Institutions that enter partnerships with high levels of commitment and reasonable expectations stand a better chance of success. The chart at right shows how a more patient approach can lead to greater success over the long term by allowing a partnership to mature and demonstrate its full potential. While even the most enthusiastic partners will see their commitment ebb over time, the chart at right shows how a realistic time frame can postpone the key decision to point "C", after the initiative has produced sufficient results to justify continuation.



Of course not all partnerships will succeed; by itself, more time for struggling partners will rarely improve results. Credit unions that wish to set a realistic timeframe for a new partnership should consider the following questions:

- What resources are needed for this initiative?
    - Staff
    - Products
    - Services
    - Technologies
    - Other
- What resources are already in place?
- How long will it take to obtain or develop any resources that are not already in place?
- How much time will be needed to hire and/or train staff?
- When do the partners expect to reach full strength for implementation?
- When will the first clients be able to open their credit union accounts?
- When will the credit union receive the first loan applications?
- How many members are expected to join in each of the next three years?

These questions must not only be considered at the beginning of a partnership. Successful partners are willing and able to evolve over time and reconsider these questions with each and every planning cycle. Assumptions made at the outset will almost always prove either too optimistic or pessimistic, but they serve as important benchmarks that partners can use to measure progress, learn about the operating environment and identify new opportunities and objectives.

4. COORDINATION

To paraphrase the late Mario Cuomo, partnerships may be born in poetry, but can only flourish in prose. The poetry of complementary missions, capacities, commitment and confidence can easily overwhelm the practical prose that is essential for implementation. Even the most elegant, pragmatic and best-laid plans cannot survive the failure of basic communication and coordination. Plans must address the details, the nuts and bolts of implementation. For financial capability partnerships, these include specific answers to the following questions:

- Who will—
  - be responsible and accountable for key functions of the initiative?
  - be the points of regular contact for each partner?
  - have the authority and responsibility to review and revise the scope of the partnership?
- What are—
  - the specific entry-level credit union products and services that are most appropriate for the target market and can be feasibly integrated into the social service delivery system?
  - the next level products and services that the credit union can offer to the most successful clients?
  - the key data points that will be collected and shared by each partner?
- When will—
  - data be collected and analyzed?
  - partners communicate at the field and managerial levels?
  - the partnership achieve specific benchmarks of scale and performance?
- Where will—
  - financial counseling take place?
  - clients open credit union accounts?
  - clients apply for loans and access credit union services?
- How will—
  - a client proceed step-by-step through the system?
  - partners assess beneficial impacts on clients?
  - each partner assess the benefits to their own institution?

COORDINATION AND ADAPTATION IN SAN FRANCISCO

"Even the best-laid plans…"

In San Francisco, the partners had initially planned to have Year Up clients open accounts and apply for loans using remote access technology. When the technology platform was not available in time, MyPath facilitated the account and loan processes by coordinating closely with the Mission Area branch of Self-Help FCU and helping their Year Up clients to complete all of the needed paperwork in group sessions. This adaptation enabled MyPath to gain a better understanding of the credit union's processes and also helped to strengthen the connection of Self-Help FCU front-line staff with these new Year Up members. By mid-2015, the credit union expects to have both remote-access technology and a call center in place to increase the efficiency of these processes, but close coordination and rapid adaptation already has enabled the partners to turn a potential setback into a strength.

5. CONFIDENCE

All successful partnerships are built on trust, rooted in each partner's knowledge and understanding about the capacity and commitment of the other. It frequently begins with only a single point of contact, but confidence is gained and nurtured at the institutional level through incremental steps that generate confidence as the partners gain experience and understanding.

One of the best ways for nonprofit partners to gain experience and knowledge about a credit union is through membership. Credit unions should ensure that the management and staff of their partner have an opportunity to become members and learn about the advantages of the credit unions products and services. Nonprofit staff who recommend that a client join a credit union are far more credible if they are speaking as members themselves.

For financial capability partnerships, credit unions should also remember a critical point: financial counselors can only be effective if they earn and keep the trust of their clients, a challenge at the best of times. To do this, counselors must maintain the independence needed to always put the best interests of the clients first. While counselors can help their clients by connecting them to appropriate credit union products and services, they can only do so if those credit union offerings are clearly the best tools available on the market. Counselor incentives must be aligned with the best outcomes of their clients, not performance or revenue goals of the credit union.

For credit unions, independent, consumer-focused financial counselors represent an important opportunity; credit unions should plan to consult with counselors at regular intervals to collect feedback on the degree to which credit union products and services meet or exceed the competitive offerings in the open market. Credit unions that offer subsidized entry-level products should ensure that they also offer a continuum of competitive products and services that will provide mutual benefits for the counseling clients and the credit union.

Regular communications among financial capability partners can also help counselors to understand how their clients can make the best use of credit union products and services.

GETTING TO KNOW YOU

The pilot partnership in St. Louis began with a conversation between the top executives of Kingdom House and St. Louis Community Credit Union (SLCCU) about a micro-branch that the credit union had opened in another part of the city. Kingdom House knew that their clients had limited access to regulated financial institutions, with most of their clients being either unbanked or underbanked. While both Kingdom House and SLCCU enjoy strong reputations in the communities they serve, a joint undertaking to house a micro-branch within the Kingdom House facility required that both partners learn about the operating capacities and requirements of the other. For Kingdom House this included learning about the credit union's needs for space, technology and security. For SLCCU it included learning more about operating hours, client flow and community visibility.

For both partners, the micro-branch proved to be a starting point, not a destination. Both learned much about the capacity and competence of their partner through the complex task of renovating a facility and establishing a new financial outlet. This increased confidence led to a further expansion of the partnership as the micro-branch operations revealed a substantial need to increase the financial capability of Kingdom House clients. To do this, Kingdom House and SLCCU enlisted the help of Prosperity Connection, a non-profit affiliate of the credit union that is committed to financial empowerment. Together the three partners have integrated financial education and counseling into the operations of Kingdom House, introduced new systems to track and evaluate the progress of counseling clients, and strengthened the financial capacity of members who use the SLCCU micro-branch.

IV.
THE ROAD TO A MEMORANDUM OF UNDERSTANDING

Potential partners often focus their negotiations on the wording of a strong Memorandum of Understanding (MOU). Indeed, a well-constructed MOU can serve as a solid foundation for successful ventures. But the final MOU document is typically less important than the process that partners use to develop it.

The Five Pillars of Successful Partnerships presented in Part III may be seen as both a starting point of a partnership development process and as an outline for a strong MOU—one that reflects the outcome of the development process itself. The table on the following page shows how each of the Five Pillars may correspond with section headings of a strong MOU.

	PILLAR OF SUCCESSFUL PARTNERSHIPS	POSSIBLE SECTION HEADINGS FROM MOU	ELEMENTS TO INCLUDE
1	Convergent Vision	• Mission • Vision • Purpose	• Identification of all partners • Individual mission statements for all partners • Common statement of mission and purpose for the partnership • Clear identification of the target market
2	Complementary Capacities	• Justification for Partnership • Roles and Responsibilities	• Brief description of each organization and credentials in their areas of responsibility • Major areas of responsibility and focus for each organization
3	Commitment	• Resources • Time Period	• Financial • Technical • Personnel • Duration of agreement
4	Coordination	• Delivery • Internal Communications • Amendments	• Who will be responsible • What will be delivered • Who is authorized to make changes to the plan • How will information be shared • Frequency and means of communications
5	Confidence	• Ownership • External Communications	• Publicity • Resolution • Amendment

The framework and principles presented in this paper have focused on the process of developing a successful financial capability process, not just the development of a comprehensive MOU. This framework can serve as the basis for a set of diagnostic tools to help partners assess capacities and resources that they already have or need to develop. The results of those diagnostics can then be recorded in a strong MOU; a firm foundation for a relationship that evolves over time and gets results.

This paper has focused on partnerships that are specifically designed to promote financial capability, but the general frameworks and principles can be adapted and applied to partnerships that have other purposes. Whether the goal is to promote affordable homeownership for low-income individuals, increase financial access for immigrants or expand services in any other underserved market, effective partnerships can help financial institutions to reach deeper into some of the nation's fastest growing markets. The key for potential partners is to adapt these frameworks to the specific goals and objectives of the partnership.

This process begins with the following questions:

- How does our mission align with the specific goal and purpose of the proposed partnership?
- What are the specific capacities that we need to reach and serve the specific target market that has been identified?
- What is the level of commitment that each partner has to achieve the goals of the partnership?
- What type of coordination systems and protocols will we need to comply with legal or regulatory requirements and ensure successful adaptation and evolution over time?
- What are the specific institutional skills or experiences, particularly those related to the goals of our partnership, that provide confidence in each other and in the success of our initiative?

Like any relationship, successful institutional partnerships are not born fully formed and ready for action. Partners that patiently invest in systematic self-assessments at the beginning of a relationship will reap multiple benefits, including increased efficiency and positive results, that are steadily compounded over time.

V. GLOSSARY

CDCU
Community Development Credit Unions (CDCUs) have a primary mission of community development and predominantly serve low-income and underserved communities. CDCUs include all credit union members of the National Federation of Community Development Credit Unions (the Federation) and all credit unions with CDFI certification.

CDFI
Community Development Financial Institution is a certification from the U.S. Treasury Department to identify banks, credit unions, loan funds, and venture capital funds that have a primary mission of community development and provide the bulk of their financial products, financial services and capacity building services to eligible low-income and underserved target markets.

CDFI Fund
Community Development Financial Institutions Fund, a branch of the U.S. Treasury Department, was established by Congress in 1994 to promote access to financial products and services in low-income and underserved communities across the country.
www.cdfifund.gov

CFSI
Center for Financial Service Innovation was founded in 2004 with a mission is to improve the financial health of Americans, especially the underserved, by shaping a robust and innovative financial services marketplace with increased access to higher quality products and practices.
www.cfsinnovation.com

Federation
National Federation of Community Development Credit Unions was established in 1974 by a coalition of credit union leaders dedicated to financial inclusion. The Federation's mission is to help low-income individuals and communities achieve financial independence through credit unions.
www.cdcu.coop

Financial Capability

Financial Capability may be simply defined as the demonstrated ability of individuals to make financial decisions and effectively manage their financial resources and well-being.

Kingdom House

Kingdom House was founded in 1902 in downtown St. Louis as a settlement house for people living in poverty. Kingdom House helps low-income residents of the local community to achieve self-sufficiency and economic independence through a wide range of services including childcare and preschool education, food and clothing assistance, youth and teen programs, family health and wellness, and senior services.
www.kingdomhouse.org

MOU

Memorandum of Understanding

MyPath (MP)

MyPath was established in 1996 as Mission Community Financial Assistance by the Board of the former Mission Area Federal Credit Union to focus on the financial development of the Mission District in San Francisco. Today, MyPath is a national nonprofit specialized in economic advancement and financial stability of low-income youth and young adults. MyPath delivers education, counseling and coaching programs that focus on building savings, establishing and managing credit, advocacy for economic justice and an advanced online financial education curriculum specifically geared to the needs of young adults.
www.mypathus.org

NCUA

National Credit Union Administration is the regulator for all federally chartered credit unions and examiner for all credit unions that carry federal deposit insurance (96% of all credit unions).
www.ncua.gov

Oakwood Shores

Oakwood Shores is a mixed-income, HOPE VI, Work First community managed by The Community Builders (TCB) for 600 low- and moderate-income households on the South Side of Chicago.
www.oakwoodshores.com

Prosperity Connection

Formerly the St. Louis Community Credit Union Foundation, Prosperity Connection is a 501(c)(3) non-profit dedicated to financial education and empowerment. Originally created by the SLCCU Board of Directors, Prosperity Connection maintains close relations with the credit union that facilitates the coordinated delivery of financial products, financial services and empowerment services in low-income markets.
www.prosperityconnection.org

Self-Help FCU (SHFCU)

Self-Help Federal Credit Union was chartered in 2008 to build a network of branches throughout California serving the state's working-class families and communities. The credit union is part of the Self-Help family of community development organizations that also includes Self-Help Credit Union in North Carolina, Self-Help Ventures Fund and the Center for Responsible Lending.
www.self-helpfcu.org

St. Louis Community CU (SLCCU)

St. Louis Community Credit Union is currently the largest CDFI-certified credit union in Missouri, with more than 50,000 members and total assets in excess of $247 million. In 2010, the credit union created a non-profit foundation—now known as Prosperity Connection—to focus on financial empowerment and in 2013, opened its newest micro-branch within the premises of Kingdom House in downtown St. Louis.
www.stlouiscommunity.com

South Side Community FCU (SSCFCU)

South Side Community Federal Credit Union was established in 2003 with a mission to equalize economic power and fight poverty by improving financial literacy and providing access to credit and savings services for people who live, work or worship in communities on Chicago's South Side. SSCFCU is low-income designated by NCUA, CDFI certified and offers HUD-approved housing counseling services.

The Community Builders (TCB)

The Community Builders was established in Boston in 1964 as South End Community Development. Today, TCB is one of the nation's largest nonprofit affordable housing developers.
www.tcbinc.org

Year Up (YU)

Year Up is a workforce development program for young adults, founded in Boston in 2000, which now operates programs in eleven metropolitan areas across the country. Year Up works with local employers to provide low-income young adults with the skills that are in demand by private businesses in the local economy.
www.yearup.org

ACKNOWLEDGMENTS

The Federation and CFSI are deeply grateful to The Kresge Foundation for its sponsorship of the Financial Capability Partnership Initiative. Kresge's support has had a tremendous impact on the lives of the low-income individuals in each of the Initiative partnership communities, and, through this ongoing knowledge development work, is advancing the human service and financial capability fields' understanding of best practice in service integration.

The Federation and CFSI would like to thank the credit unions and organizations that participated in this initiative: Kingdom House, MyPath, Prosperity Connection, Self-Help Federal Credit Union, South Side Community Federal Credit Union, St. Louis Community Credit Union, The Community Builders, and Year Up Bay Area for the amazing work that they do and for sharing their insights for the development of this paper.

ABOUT THE AUTHOR

Terry Ratigan (**tratigan@cdcu.coop**) is a consultant and researcher with more than thirty years of experience in community development finance, non-profit management and partnership development, both in the United States and overseas. His work for the Federation has included studies of performance and impact of community development credit unions.

Federation

Credit Unions United to Serve the Underserved

CFSI Center for Financial Services Innovation