The Social Innovation Fund's Economic Opportunity Grantees: Strategies to Promote Financial Security

The Knowledge Initiative at the Social Innovation Fund (SIF) is proud to present the second in a two-part series examining the vital role SIF's Economic Opportunity grantees play in low-income communities across America. This issue brief will explore the SIF funded, evidence-based programs of LISC, Mayor's Fund to Advance NYC, and AARP Foundation.

Introduction

> *"More than 20 million people age 50 and over do not have adequate income to meet their basic needs for food and housing."*
> *--AARP Foundation*

> *"Over 64 million Americans have low credit. The cost of having a low credit score is over $200,000 over the course of a lifetime."*
> *--LISC*

While the impact of the Great Recession of 2008-2009 was felt by the majority of Americans, low-income families continue to disproportionately face challenges securing jobs, getting out of debt, establishing or restoring credit, and building savings and wealth.

With support from the Social Innovation Fund (SIF), existing grantmaking institutions, such as Local Initiatives Support Corporation (LISC), Mayor's Fund to Advance NYC, and AARP Foundation are working with community-based nonprofit organizations to increase economic opportunities for economically disadvantaged individuals as well as build evidence for the approaches that are most effective in promoting financial security.

This Issue Brief highlights three SIF programs that help low-income families improve their financial security: (1) The Financial Opportunity Centers (FOCs) operated by LISC; (2) The Mayor's Fund to Advance New York City's SaveUSA program; and (3) the AARP Foundation's BACK TO WORK 50+: Women's Economic Stability Initiative. Each of the three interventions provides valuable lessons for organizations interested in implementing programs to build the financial strength of low-income families.

Integrating Financial Services

The Local Initiatives Support Corporation (LISC) launched its Financial Opportunity Center network in Chicago in 2005, with expansion to Indianapolis and Detroit following soon after. Originally based on the Annie E. Casey Foundation's Centers for Working Families program model, the Financial Opportunity Centers (FOCs) provide integrated (or "bundled") employment services, financial coaching, and access to income supports. The FOCs promote family income- and wealth-building within LISC's larger place-based strategy called *Building Sustainable Communities*. This strategy promotes local engagement and community partnership as a means to comprehensive community development to improve neighborhood quality of life. The launch and expansion of LISC's FOC network was driven by LISC's *Building Sustainable Communities* goals, and a recognition that in the most underserved communities where LISC works, jobs alone were not lifting neighborhood residents out of economic insecurity; rather, families needed financial coaching, connections to the mainstream financial system, support for job training and career advancement, and other services to move toward long-term financial stability.

FOCs are not new, standalone "centers" as such, but rather existing neighborhood-based agencies that have experience, trust, and a long history of offering accessible, culturally-competent services in their community. In most cases, these organizations already have experience offering employment services and income supports, and by adopting the FOC model are incorporating financial services and building their staff capacity to deliver one-on-one financial coaching. According to LISC, the critical feature of the FOC model is that its services are not merely co-located but seamlessly integrated and participants are encouraged to access all three to obtain the full range of benefits.

In addition to hiring a financial counselor (for agencies that do not have a history of providing financial coaching), new FOCs also need to be *intentional* about providing clients with the complete "bundle" of services. Another important operation element of the FOC model is a program coordinator/director who can oversee the service integration, help ensure seamless communication among the coaches, and focus on the agency's performance management and program improvement.

The SIF requires grantees to scale their interventions by expanding the range of services they offer or establishing sites in new communities. On the basis of preliminary evidence of the early FOCs' effectiveness, LISC received a 2010 SIF grant, enabling the network's expansion from 23 FOCs in five cities to 47 sites in 14 cities.[1] Since 2010, LISC has leveraged public and private funding to further expand the network to 76 FOCs in 20 metropolitan areas. According to one LISC staff member,[2] the expansion of the FOC model was successful because the program focused on three main principles: limited standardization, investment in infrastructure, and a disciplined scaling strategy.

All the FOCs in LISC's network (including those funded by grants other than the SIF) use a standardized data template, provided by LISC, to track a variety of outcome measures for each client. They use this information to provide individualized services and to stimulate continuous improvements to operating procedures. Several of the "key" outcomes (that is, the top-level outcomes that LISC believes are primary drivers of economic stability) include: job placement, net income increases, net worth increases, and credit score. LISC has found credit scores to be particularly useful for tracking individual progress, especially because of their ready availability.[3] LISC believes it is vital for clients to understand the power of credit. The FOCs ask clients for permission to obtain their credit scores for a period of five years and examine them every six months to identify progress made by individual families. This enables LISC to measure the progress made by individual FOCs and by all FOCs system-wide.

In the last few years, LISC began a program that encourages families to build both credit and savings. Called LISC Twin Accounts™, the product is a credit builder loan that incentivizes positive financial behaviors by providing a one-to-one match for each on-time payment. Supported largely through the private sector, the uptake of Twin Accounts has increased greatly over the last two years. Over half of the families who participate start the program with no credit at all—cut-off from traditional banking and paying additional fees for things like a cell phone deposit or auto loan. At the end of the 12-month period, the participants end with a fair-to-good credit score, between 640 and 700.

LISC Program Officer Laura D'Alessandro expressed appreciation for the SIF's emphasis on providing evidence of program results. She noted that "SIF's focus on performance measurement has been 'marvelous' in helping push us to use data to improve our program and to maximize its impact." Interim results from a SIF-funded independent evaluation report (published in November 2014) found, using a quasi-experimental approach, that services had improved clients' ability to make payments on time, but that the program had not yet had a significant impact on clients' credit scores.[4] A more recent report, using LISC's own performance tracking system, reported that the extent to which clients increased their net income, net worth, and credit standing, depended somewhat on the intensity and scope of services they received.[5] The final independent evaluation report is due later in 2015. It is expected to provide more definite findings on the effects of this program on participants.

LISC is committed to scaling-up the FOC model not only within its own geographic footprint, but also throughout the social/human services field at large. As part of that commitment, LISC participates in the Working Families Success Network, a coalition of nonprofits and foundations that promote integrated service delivery by encouraging cooperation among service-providing organizations. The Network supports LISC's national scaling strategy by giving FOCs access to a larger national network of programs that share the same commitment to delivering integrated bundles of service.

Transforming Non-Savers into Savers

The SaveUSA program uses monetary incentives – and the opportunity of tax-time – to encourage clients to save. It focuses on taxpayers receiving income tax refunds and is based on a demonstration program called "$aveNYC" piloted by the New York City Department of Consumer Affairs Office of Financial Empowerment in 2006. Early results of the demonstration program were promising, with about 2,200 people – roughly nine percent of eligible tax filers – choosing to open a $aveNYC Account. About 81 percent of participants saved for the full program term and received matching funds (provided by the private sector), accumulating over $2.3 million collectively.[6]

The Center for Economic Opportunity (CEO) in the New York City Mayor's Office and the Mayor's Fund to Advance New York City (Mayor's Fund) used part of its SIF grant, awarded in 2010, to expand the scope of the $aveNYC program from New York City to Newark, San Antonio and Tulsa, and to launch a randomized control trial evaluation of the program. In participating cities, individuals have the opportunity to deposit between $200 to $1,000 into a special savings account. The program provides a 50% match to participants who leave the funds in the account for a period of one year ($100 to $500 match).

The effort is helped considerably by linking each local program to the Volunteer Income Tax Assistance (VITA) program, an Internal Revenue Service program designed to help low- and moderate-income taxpayers complete their annual tax returns. By targeting eligible persons scheduled to receive a tax refund, the program gives clients an immediate and rare opportunity to develop or add to their savings. SaveUSA staff (called "asset specialists"), located at VITA sites, conduct on-site recruiting and are also responsible for helping participants set up the special savings accounts with partner financial institutions. In addition, as Sinead Keegan, Social Innovation Fund Director for CEO and the Mayor's Fund, noted, building a new program intervention into an existing network, like the VITA system, provides unique opportunities and is often preferable to building a network from the ground up.

The support of the SIF for the expansion and evaluation of the program helped build rigorous evidence for the effectiveness of the SaveUSA program. Preliminary results from the SIF-funded evaluation of the program by MDRC released in April of 2014 showed that SaveUSA turns non-savers into savers and increases the savings held by low and moderate income families.

MDRC's report provided the early, short-term results from a randomized controlled trial with over 2,600 participants conducted in two of the four participating SaveUSA cities, New York City and Tulsa. The findings included that:

- About two-thirds of participants successfully earn the SaveUSA match by leaving their deposited money in their account for a year[7];
- Participants who deposit relatively large amounts (close to $1,000) are more likely to earn the matching amount, possibly because they stand to gain so much from leaving the money untouched for a year; and
- SaveUSA program participants were significantly more likely to have savings at the 18-month followup period and had over $500 more in savings when compared to control group members.[8]

The study will collect followup data from participants at 36 and 42 months after enrollment to assess longer-term impacts. The results from the longer-term impact evaluation of the SaveUSA program in the two cities are expected to be available in late 2015.

The Mayor's Fund/CEO's Keegan notes that evidence from SaveUSA could inform federal tax policy changes, and provide a strategy to encourage short-term, emergency savings among low-income families through the tax code. She adds that other communities have been eager to replicate the SaveUSA program. Similar programs have been implemented in California and Houston and Austin, Texas, and communities in Michigan, Ohio. Other states are also exploring replicating the model.

Attaining Economic Stability

AARP Foundation received a SIF grant in 2014 to operate and expand its two-year-old "BACK TO WORK 50+: Women's Economic Stability Initiative." The AARP Foundation had previously tested a similar project with partners in twenty communities across the country. The early results from that project were promising. In April 2015, after holding an open competition, AARP Foundation awarded SIF subgrants to five community colleges in five states to operate sites.[9] The SIF initiative is a more targeted version of the earlier BACK TO WORK 50+ project, open to all but focusing on assisting low-income older women.[10] The intent is to improve their financial futures by linking them to workforce opportunities and helping them to establish or reestablish connections with potential employers, while also strengthening their financial skills.

Like LISC's FOC model, BACK TO WORK 50+ provides a set of services that include employment, income assistance, and financial coaching services. AARP Foundation recruits potential participants with targeted paid advertising in locations with large concentrations of older adults, and the community colleges conduct extensive outreach to current and potential students. All BACK TO WORK 50+ job candidates attend an initial information session at which they hear an overview of the program and are invited to apply to participate. Job candidates that are selected to participate receive individual and cohort-level coaching onsite at the community colleges. Participants also receive computer literacy services to improve their marketability in modern office environments, in addition to receiving financial coaching, to help them reduce their debt and increase their savings.

BACK TO WORK 50+ sites throughout the network partner with many organizations, such as Workforce Investment Boards, employers, and direct service providers. Foundation program staff note that the program allows them to help community colleges build their capacity to provide services, as well as to build and strengthen partnerships with other community organizations. While discussing the Foundation's future plans for scaling the 50+ model, Marc McDonald, AARP Foundation's Director of Grants Management, discussed the need for collective action led by community organizations that partner together to promote workforce development for older adults.

McDonald stressed the importance of measuring outcomes. He noted that job candidates frequently enter the program in "a state of despair," so the first goal is often to provide services that reestablish hope. Employment status is the major outcome the program will track, but it also plans to track other outcomes on a regular basis, such as: attainment of relevant work-related skills and education; and increased financial capability including increased savings, debt reduction, and asset management. The program seeks a longer-term outcome of increasing the percentage of participants who obtain and retain employment in local industries.

The Foundation regularly surveys job candidates while they are receiving services. It intends to continue offering financial coaching to clients even after they have found jobs. Counselors are encouraged to check in with their job candidates post-employment to find out how they are doing and identify any further needed help. As part of the SIF requirements, the Foundation recently awarded a contract to conduct an independent evaluation on the impact of the program.

Lessons Learned

The SIF's Economic Opportunity grantees are testing promising models that help individuals and families achieve financial security. The SIF assists them build rigorous evidence for these models to help social sector stakeholders, including funders and service providers understand which are most successful in meeting the needs of low-income people and communities.

A key element is strengthening financial security of low-income families by encouraging behavior that leads to savings and increased asset accumulation. The three SIF programs described above each use different approaches to achieve these goals. Each approach has had preliminary evidence of success, warranting further exploration.

All three approaches share a commitment to integrating (or "bundling") asset building services to improve the overall effectiveness of the intervention. Each grantee follows these four main lessons:

- **Allow for local variation in the model, but not too much:** At each of their sites, all three programs encouraged their local sites to take advantage of local opportunities to use somewhat different strategies. For instance, the Mayor's Fund/CEO allowed variation in how SaveUSA providers set up relationships with local financial institutions. LISC's Financial Opportunities Centers and AARP Foundation's BACK TO WORK purposely introduced clients to the bundle of services available at the site. Kim and D'Alessandro of LISC believe this linkage adds considerable value for their clients, as well as allowing the programs to measure long-term outcomes. For example, LISC's own internal April 2015 evaluation report found that clients bundling financial counseling and employment counseling had substantially higher average net income than clients using employment counseling alone.[11]
- **Invest in program infrastructure (such as case management systems and performance measurement processes):** All the interviewees agreed that the SIF's emphasis on outcome measurement and rigorous evaluation strengthened their programs. All three SIF grantees are undergoing rigorous evaluations, although none of the final evaluations have been completed. The evidence to date from these studies suggest that the services result in some short-term gains, but evidence of improvement in longer-term outcomes, such as credit scores or buildup of assets, is limited. Collectively, the in-depth evaluations required by the SIF, along with future outcome data to be obtained from these organizations' ongoing tracking procedures, are expected to provide major evidence on the results of these program models. Retention of clients and encouraging them to take advantage of the full range of services available to them appear related to achieving financial well-being outcomes.
- **Scale deliberately and strategically:** Identifying supportive organizations in the communities targeted for expansion is also crucial to the success of scaling. All three SIF grantees reported the importance of partnering with other organizations (such as government agencies, financial institutions, and nonprofit organizations) in helping their programs link clients to needed services.
- **Use the SIF focus on evidence of improved program outcomes to help drive program practices:** Organizations seeking to scale established financial strengthening program interventions such as these can benefit from these lessons, and from the ways these SIF grantees have approached the challenge of trying to improve the financial well-being of low-income families and individuals. For example, LISC found that the extent of recipient use of services was associated with greater client improvement success and for that reason, considered long-term client engagement, trust, and relationship-building as critical elements in the FOC model. As LISC's Kim noted, "Retention [of clients] is always a problem…clients are juggling work, family responsibilities, and any number of other obstacles…. At the same time, part of the learning curve for new FOCs—especially those that are accustomed to providing 'transactional' or 'one-off' social services—involves identifying which members of their community are ready and able to commit to longer-term financial and employment coaching *and* communicating to those clients that, unlike the traditional social service agencies that they may be used to, the FOC is committed to helping them achieve success in *their* financial goals, however long that may take." Similarly, the SIF grantees have used early results from assessments of their program models to learn how their interventions might change when applied to new populations or when implemented in new communities. AARP Foundation said that although their SIF-funded BACK TO WORK 50+ program currently focuses on women at five community colleges, they intend to use the lessons learned to articulate the community college business case for embedding job-focused workforce development programs that better serve all students.

Other Resources

In addition to the lessons above, which were gathered from interviews and published materials from the three profiled SIF grantees, the following resources provide additional guidance about how to provide financial coaching and counseling:

- AARP Foundation, 2012, *Finances 50+: Volunteer Guide* (PDF) and *Participant Guide* (PDF)
- Consumer Financial Protection Bureau, July 2014, *Your Money, Your Goals: An Implementation Manual* (PDF) and *Your Money, Your Goals: A Financial Empowerment Toolkit for Social Services Programs* (PDF)

References

[1] See "Expanding Financial Opportunity: LISC's Experience With Scaling Up Financial Opportunity Centers," available at http://www.lisc.org/docs/publications/122012_expanding_financial_opportunity.pdf.

[2] Chris Walker, 2012, "Scaling Smarter, Scaling for Keeps." Available at http://www.ssireview.org/blog/entry/scaling_smarter_scaling_for_keeps.

[3] From "Building Sustainable Communities: Integrated Services and Improved Financial Outcomes for Low-Income Households," LISC, April 2015.

[4] From "Building Stronger Financial Futures: Interim Findings from the Evaluation of LISC's Financial Opportunity Centers," Economic Mobility Corporation, November 2014. Available at http://economicmobilitycorp.org/uploads/2014-11-15-building-stronger-financial-futures.pdf.

[5] From "Building Sustainable Communities: Integrated Services and Improved Financial Outcomes for Low-Income Households," LISC, April 2015. Available at http://www.lisc.org/docs/publications/041415_srankin_foc_report.pdf

[6] "SaveUSA Program Implementation: Insights from the Field." Available at http://www.nyc.gov/html/ofe/downloads/pdf/SaveUSA_Implementation_Brief.pdf.

[7] "Encouraging Low-and Moderate- Income Tax Filers to Save," MDRC, April 2014, Table 4.2, pp. 50-51 *ff*. Available at http://www.mdrc.org/project/saveusa#overview.

[8] "Encouraging Low-and Moderate- Income Tax Filers to Save," MDRC, April 2014, page 99.

[9] "AARP Foundation Announces Local Grant Award to Help Women 50 and Older Train For and Obtain Jobs." Available at http://www.aarp.org/about-aarp/press-center/info-04-2015/aarp-foundation-grant-award-tohelp-women-50-and-older-train.html.

[10] While the 50+ program intervention focuses on women, the sites do not turn away older men.

[11] "Building Sustainable Communities: Integrated Services and Improved Financial Outcomes for Low-Income Households," LISC, April 2015, pages 9-14.