

National Call
Banking Reform: What's in It for Me?
Part II: "Next Steps: Funding Financial Counseling"

—TRANSCRIPT—

National Council of La Raza
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Graciela Aponte: I am Graciela Aponte, legislative analyst for the National Council of La Raza [NCLR], and I want to thank everyone for calling in today. We had a call similar to this back in February, where many of you called in. We received more than 100 signatures on a sign-on letter to support financial counseling, and that was really amazing. It helped us with our efforts to push forward on financial counseling. So, thank you and thanks for joining us on this call.

On this call, we are going to be joined with Michael Passante from Senator Menendez's office, and also with Lucy Mullany from the National Community Tax Coalition [NCTC].

I'd like to go back one step and make sure to thank Senator Menendez's office, Representative Serrano, and Congressman Gutierrez as well. They have been doing a lot to make sure that this financial counseling program is funded and it's expanded, and so we are going to go into a lot more detail on what the next steps are for them.

This is really important. I just want to give you guys some background on why we are so focused on financial counseling. Some of the work that NCLR is doing focuses on foreclosure prevention, and we've got more than 2.3 million Latino and Black families that are estimated to lose their houses to foreclosure between 2009 and 2012. We're pushing to get more housing counseling for them so they can get loan modifications.

There are going to be a lot of folks who won't be able to save their homes, and they will need credit counseling and financial counseling to help get back on their feet. A lot of folks who are unemployed or underemployed are using their credit cards to make payments, pay their bills, and pay for groceries. And so a lot of folks are going to need to have some help and some financial counseling to get all of their finances together.

That is why we are pushing for the expanded financial counseling program. We have a really great opportunity with the banking reform bill, where we have been able to secure an amendment with Senator

Menendez's office to expand the financial counseling program—that is, for nonprofits to secure funding and provide financial counseling similar to how they provide housing counseling to individuals.

It is one-on-one counseling; it's real time. A counselor helps a family figure out which credit card is best for them, or pick out which auto loan is best for them. This is different from generic information, classroom style, or workshops; this is really focused on the one-on-one element. So, we hope that we can just give you more information about that on this call and see if we can answer any of your questions.

We are going to start with Michael Passante from Senator Menendez's office, and he has a short window of time to be with us. So, I want to thank him for joining the call. We'll do Q&A for him right after he speaks. Make sure you have your questions lined up for him because he's got to run, and I will turn it over to you, Michael. Thank you.

Michael Passante: Okay, great. Thank you, Graciela. I appreciate it. Hope you're all doing well. Just wanted to give you, first, a quick update on where we are with the banking bill right now in the Senate, and then to talk a bit about what we managed to get into the bill on financial education.

The banking bill passed the Senate Banking, Housing, and Urban Affairs Committee a few weeks ago in March, and it passed with a no-amendment strategy, which was a relief to those of us working on Capitol Hill, at least. I think it's a fairly strong bill as it is. It's going to be debated on the floor of the Senate sometime within the next few weeks. We are hoping maybe the week of April 26, although it could be as late as Memorial Day. Their goal is to get it done by then.

There continues to be some partisan resistance to it, but I think we have a pretty good chance given how unpopular banks are right now and just how important these reforms are.

So, in terms of what's in the bill on financial counseling, what we put in there, Senator Menendez has an amendment that we got included in the manager's package in the committee that would create a permanent financial education and counseling program.

Right now there is a pilot financial education program at the CDFI Fund at the Treasury Department. And what the amendment does is remove the limit that only five organizations can get grants from this program and expand it to any number of organizations now. It could be in the hundreds or thousands of groups that will get financial education grants, if we can get the appropriations for those grants at a later date.

And it expands that financial education program, so it's beyond not just potential homebuyers as it used to be, but now it is expanded to any sort of economically vulnerable individuals or families. So, just understand that as you are telling people about how important banking reform is, let them know that there is a program in there that will get many of the groups on this call, I'm sure, financial education funding from this program, and that the Senate needs to pass the banking bill for that reason. So, if you're out there telling folks to call their senators, that would be a good thing to include in the pitch.

And from Senator Menendez's perspective, this is just so important because widespread financial illiteracy is what makes it easy for the abusive practices to proliferate.

Some folks out there may have to use payday loans, for example, but a lot of folks wouldn't be using them if they had undergone some sort of financial education course. So, the financial products are increasingly complicated, and what this does is it really empowers individual consumers to make the best decisions for themselves and works with local community groups to best serve the local needs in that regard.

I'm happy to take any questions you might have, and thanks for being on this call.

Graciela Aponte: Thank you very much for that, Michael. We'll take the first question.

Cindy Ramos: Hi, Michael. Thank you so much for the labor that you guys are doing. This amendment is huge. It is essential. But now what I wanted to ask you: is there any other material within the bill that we as an organization should be advocating for or recommending our legislature to help support this bill for, in addition to the financial or the opportunity to apply for the grant?

Michael Passante: There are so many different aspects. I wouldn't know where to begin. But let's just highlight maybe three or four things. One is the Consumer Financial Protection Bureau ["Consumer Financial Protection Agency" under the House bill]. It will protect consumers from abusive practices and various financial products—whether it's banks or mortgage lenders or payday lenders, or any number of other financial actors offering them. Because one of the reasons for the crisis, of course, was all the subprime loans that were out there that managed to proliferate because nobody was really overseeing them and nobody was standing on the side of the consumers. So, that's one thing you can certainly point to.

Another thing that is ending is "too big to fail." This is the whole idea that certain banks are so large and so interconnected that we feel the need to

have taxpayers bail them out. And what this bill would do is end taxpayer bailouts or certainly greatly reduce the chances of one by creating a kind of resolution mechanism where you could wind down large companies and put them into liquidation. It would also make it clear that there will be consequences if a company fails, to the shareholders, to the managers, to the creditors of that company.

So, that's another thing you can point to. And I would also say that the derivatives component, it brings all of these complicated financial instruments, like derivatives, into the light, so regulators and the public know what exposures companies have to these complicated products that contributed so greatly to the financial crisis. So, those are just three things that I would highlight for you.

Cindy Ramos: Thank you so much.

Michael Passante: Sure.

Graciela Aponte: Thank you, Michael. If I can just add to that—next week at this same time, we are going to have a more in-depth conversation specifically about the Consumer Financial Protection Agency and how to make sure that it has enough power to enforce all the rules that it will write. It would write rules for all financial institutions, so banks, remittances, auto loans, all financial transactions. We want to make sure that we push hard for that to be a strong agency, and there are going to be a lot of amendments that are proposed to weaken that agency. So, we'll go into a lot of depth about that on our next call.

If there are no further questions, I want to jump to our next speaker, Lucy Mullany, who is from the National Community Tax Coalition. Lucy?

Lucy Mullany: Thank you so much. First of all, happy tax day, everyone. As Graciela said, I'm with the National Community Tax Coalition, and we are a coalition made up of volunteer income tax assistants, or VITA [Volunteer Income Tax Assistance] programs around the country. This year there are over 4,300 VITA sites around the country providing free tax preparation services and asset-building services to low- and moderate-income workers.

Over the last few years, VITA programs have really been expanding their services, really recognizing that tax time can really be a time for families to reassess their financial health and begin moving from this place of real financial uncertainty to financial security. A lot of times, their EITC [Earned Income Tax Credit] and their child tax credit refunds are the largest sum of money that people receive throughout the whole year, and there is a lot of opportunity to assess how that money can be used, whether

it's to pay off debt, to pay bills, to open up savings accounts, things like that. I think what we're finding is that our current financial system is so complex that it is really hard for any of us to understand what products, what services are best and really fit our need.

I think as our VITA programs start offering more products at their tax sites and tax clinics, they are recognizing that what is really needed and what's the most effective is this one-on-one financial counseling. There are a lot of studies that are being done out there that really show the effectiveness of personalized, one-on-one financial counseling or financial coaching rather than a more kind of generic financial education and financial literacy that we have seen in the past.

I really want to thank Senator Menendez and Representative Gutierrez for their efforts in creating a federal funding stream for this program. It's obviously really necessary.

I can give an example of how VITA sites are really using tax time as an opportunity to help families build their financial security and overall financial health.

There is actually one program in New Jersey, Senator Menendez's state, called Newark Now. It does a lot of one-on-one financial counseling. But I'm going to speak specifically about Cash Rochester, which is really innovative in the work that they've been doing.

Cash Rochester is a program of the Empire Justice Center located in Rochester, New York, and their VITA sites have actually taken volunteers who are trained in free tax preparation services and provided them with additional training to become what they call cash advisors. When a family comes into the tax site and gets their taxes done, they are then referred over to a cash advisor who provides a brief one-on-one session just about some of the opportunities that are available to them outside of free tax prep. They are then referred to their Cash Coach Program.

Their Cash Coach Program was started in 2005, and really their goal is to help families develop or enhance their financial management skills. What happens is a financial coach is assigned to a family or to an individual and works with them for at least eight to ten months in one-on-one sessions. They really look at the family situation holistically and really understand what they personally need. They look at anything from starting and maintaining a budget to debt management and credit repairing. They do basic money management techniques, looking at different savings products and determining what savings products might be best for that individual.

They also assess different products. If it's a car loan that the family is in need of, they assess if this is right for them, what kind of low-interest car loans are out there, as well as, obviously, as many of you know on the call, just around home loans and mortgages, and really assessing what the need is there. And then they do a lot of additional referrals as far as legal assistance goes. A lot of times those kinds of needs go hand-in-hand.

That is really a program that has taken this opportunity where during tax time a family is really thinking about their current financial state and really using that as an opportunity for continued conversations and continued counseling.

So, a lot of programs are really interested in either creating or expanding this kind of program, but they just lack the funds to do so. Again, I really want to thank the Senator and Congressman's efforts to create this fund.

Graciela Aponte: Great. Thank you so much, Lucy. Can we queue up Q&A?

Operator: Ladies and gentlemen, if you have a question, please press star, then one, on your touchtone telephone.

Graciela Aponte: So, as we're waiting for that, I just want to provide an overview of the bill. On the House side, we did get the financial counseling amendment included, like we said, with Congressman Gutierrez's office. Now we are just waiting for this to pass on the Senate side. We think that it will be the week of April 26 or maybe a little bit after that. So, we are hoping that folks on the phone will make calls to their senators' offices.

Also, folks can make appointments with their district Senate offices and tell them the importance of this program and how it will help your organization. I know it's pretty difficult to find funding for this program, but it's necessary, and so hearing from folks on the ground and in their state is going to be very, very effective for us to get this passed.

So, also, there is another amendment that was included by Senator Akaka's office, and that covered the unbanked. So there is another way that we can get funding for financial counseling through that. That is helping to connect folks who are unbanked or underbanked to banking programs and using financial counseling as a tool for that. That is part of this package. So we hope that you guys push forward for that as well.

So, again, as far as next steps, we just want to make sure that you guys call your senators and tell them about this amazing program.

And for the other aspect, and Michael Passante mentioned this, is that to increase funding for the program, this amendment actually expands the

program, but we will need to have an appropriations strategy. Once we get the program established, we are going to start maybe sending around a sign-on letter to see if we can get appropriations funding for that program. That will be coming and you'll see that from us.

Those are the two main items: supporting the banking reform bill and looking out in the future for when we reach out to you guys to push forward on the appropriations front to get more funding for the program.

I want to hear from you guys to see if you can make any commitments to contact your senators. What are some next steps that you would like to see from us? Would you like to see regular updates by email? More national calls? More support letters? I just want to hear from you guys on what is best from us. So, let's jump to the phones.

Operator: We have a question from Cindy Ramos from El Paso Hispanic.

Graciela Aponte: Hi, Cindy.

Cindy Ramos: Hello again. The information that Lucy provided is fantastic. This is such a delightful program that is being done in New Jersey. And, of course, once the bill is passed, I'm sure that we could access programs like that to bring down to El Paso. But how would we be able to access information to provide programs like that in other places of the nation? For instance, in El Paso, Texas?

Lucy Mullany: Can I jump in?

Graciela Aponte: Yes, yes.

Lucy Mullany: It was Cindy?

Cindy Ramos: Yes.

Lucy Mullany: Hi, Cindy. There are VITA programs in El Paso, and I would be happy to share them with you. I can pass them on to Graciela.

Cindy Ramos: That would be great.

Lucy Mullany: At NCTC, actually, one of our objectives is to create more VITA programs, especially in underserved populations, and increase access to them. And then we go the step further and help those programs and develop relationships with different financial institutions, including credit unions, that really help strengthen any kind of financial coaching programs or asset-building programs that they are doing.

I would be happy to connect you with the programs in El Paso, but we are also always looking for community-based organizations to start their own VITA programs. We have trainings on how to do that and can help connect you with your IRS spec person. They would also be providing support in creating that kind of program.

Cindy Ramos: That sounds fantastic. Thank you.

Operator: We have one question from Jeff Fendorf from El Centro, Inc.

Graciela Aponte: Hi, Jeff.

Jeff Fendorf: Hi Graciela, how are you?

Graciela Aponte: Good. Thank you. Thanks for joining us.

Jeff Fendorf: I may have missed this when Michael was talking, but how much are they talking about appropriating for the new financial counseling program?

Graciela Aponte: Sure. So, just to backtrack a little bit, the pilot program was funded at \$2 million. I think there was \$3 million for the second round of that. But for this actual amendment, there is no—it is authorized, but we have to push separately with the Appropriations Committee on that. There is not a certain amount that we are set on. I know for the Housing Counseling Program, which is sort of the model that we are going after, started small. I think it was maybe \$10 million or \$15 million. Each year it has received an increase. I think the last that we got on that one was \$87 or \$85 million, and that took us a long time.

So, we'll have to gather support for that, which is why we are trying to engage the field to make sure their senators know how important this is. But I'm not sure if it will jump up to that amount soon or not, so we'll probably start small.

Jeff Fendorf: Okay. And kind of a follow up on that. One of the things that was in the pilot project was, if I recall, it could not be applied for by the national intermediaries; it could only be applied for directly by the groups providing the service. Is there any change of that in the proposed legislation? Because for smaller organizations to try to access this funding directly and put together the applications and stuff is a pretty big undertaking.

Graciela Aponte: You know, Jeff, that's a really great question. I know that one of the things that we did is expand it to make sure that all nonprofits, all 501(c)(3)'s could be eligible for the program. So, I am totally guessing

here, but I believe that would include the intermediaries. But we will have to get back to you on that, Jeff.

Jeff Fendorf: Okay.

Graciela Aponte: I'm not 100% sure, but part of that amendment was to expand it for more organizations to be able to apply for it. Also, Michael mentioned, that instead of just being able to help potential homeowners, it has been expanded so that we can actually help folks that are not only seeking to buy a home, but it will be for other folks who are in need of financial counseling.

Jeff Fendorf: Yeah, certainly. I think that's great. And then kind of another follow-up to that. Will part of the funding include support for training for people doing this financial counseling?

Graciela Aponte: That is something that we can advocate for. I think that is really important. There is an Office of Financial Literacy that is included under the Consumer Financial Protection Bureau, and so we are pushing on that end to have them find a certification process for financial counseling. So, financial counseling is part of their mission and similar to how the HUD [U.S. Department of Housing and Urban Development] housing counseling agencies have classes and training. Again, we are trying to model it after that. We are going to push for those sorts of things under the Office of Financial Literacy.

Jeff Fendorf: Okay. Those are all my questions.

Graciela Aponte: Well, thank you, Jeff.

Jeff Fendorf: You're welcome.

Graciela Aponte: Okay. I think we are going to wrap up. What I want to do is let you guys know that we have a web page dedicated just to financial counseling. So, what we will do is update information on there so you guys can see where everything is and how you can be helpful in getting this program up and running. You can visit our website at www.nclr.org, O-R-G. If you scroll down to the different topics, you'll see that there is just one link to a financial counseling page.

We'll update that, and we'll also have our call next week, same time and same phone number. Again, it will directly address the Consumer Financial Protection Bureau and how you guys can help us with that effort. I want to thank everyone for calling in and for all your help and your time that you have spent with us today. Thank you very much.