Office of Financial Empowerment
A Program of the New York City Department of Consumer Affairs (DCA)

PROGRAM REVIEW SUMMARY

This overview of the New York City Department of Consumer Affairs' Office of Financial Empowerment (OFE) is based on a program review conducted by Westat/Metis staff for the evaluation of the Center for Economic Opportunity (CEO) initiatives. The data were collected between March and August 2008 through interviews with staff of the CEO and OFE, interviews with OFE partners, and a review of program documents and monthly data reports through August 2008.

Sponsoring Agency: New York City Department of Consumer Affairs

Provider Agency: Office of Financial Empowerment (OFE)

Start Date: December 2006

CEO Budget: Approximately $2,500,000

Target Population: New Yorkers with low to moderate incomes, the working poor citywide

Statement of Need: Nearly 800,000 New York City (NYC) residents do not have bank accounts and rely on check-cashing enterprises concentrated in low-income and immigrant neighborhoods for most of their financial needs. In addition, the fees that many of these residents pay for tax-preparation services in order to receive the Earned Income Tax Credit (EITC) erode the benefit of the tax credit. Low-income families also often fall victim to predatory lenders and are subject to disproportionately higher mortgage and insurance rates.[1]

Goals and Services: OFE's overarching goal is to educate, empower, and protect New Yorkers with low incomes, enabling them to build assets and make the most of their financial resources. OFE is a new and pioneering municipal office, the first of its kind in the United States. OFE's activities are carried out in four broad areas: (1) outreach and education to individuals and financial service providers, (2) direct service pilots and programs to reach low- to moderate-income New Yorkers, (3) research, and (4) policy development, advocacy, and leadership. Examples of activities include: establishing the Financial Education Network (FEN) to disseminate information regarding financial education, conducting the EITC campaign to increase individuals' awareness and use of the EITC, establishing a financial counseling center in the Bronx, piloting innovative financial services to encourage low-income residents to become "banked," conducting studies to learn about the financial conditions of low- to moderate-income New Yorkers, co-founding and co-leading a coalition of city governments to develop comparable measures and evaluation methods, and providing policy development and advocacy within the Department of Consumer Affairs.

Eligibility Criteria: There are no eligibility criteria for this program. Any NYC resident can access information and determine eligibility for related services.

Targets/Outcomes: OFE differs significantly from other CEO programs. Given its broader mission, strategies, and the nature of its activities, OFE has not operated with specific performance measures as other CEO programs have done. Rather, OFE's targets have been related to the implementation of its broad and ambitious agenda. These activities have involved developing

[1] Commission for Economic Opportunity (September 2006), *Increasing Opportunity and Reducing Poverty in New York City.* New York: Author.

partnerships with financial institutions, other government agencies, and community-based organizations; seeking additional funding from private funders to support its innovations and research studies; developing various pilot programs; conducting research on financial needs and financial practices of New Yorkers; evaluating its programs; providing leadership and advancing policy initiatives to empower low- to moderate-income New Yorkers; and implementing city-wide outreach and educational campaigns.

Selected Key Findings

Fidelity to the Program Model. OFE represents an innovative, strategic, multifaceted approach to educate, empower, and protect New Yorkers with low- to moderate-incomes. While contributing to some direct service programs and piloting new programs, OFE operates at a high level of inter-agency coordination, network building, policy development, and advocacy. Indeed, it seeks to provide leadership in these complex arenas. Therefore, OFE's initiatives cannot be easily categorized in the same way as other CEO programs that provide a distinct intervention to enrolled participants. Thus, the issue of program fidelity—that is, the implementation of a program maintaining adherence to a prescribed model design—does not neatly apply to OFE. Given this important distinction from other CEO programs, OFE should be looked at through the lens of systems change rather than the lens of program fidelity. Program review results are indicative of highly innovative and groundbreaking programs and research.

Characteristics of the Clients Served in Comparison to the Target Population. This office serves New Yorkers with low to moderate incomes and New Yorkers who are among the working poor. OFE targets its services to approximately 800,000 unbanked and an estimated 350,000 working poor NYC residents. There is little or no baseline citywide information on the unbanked, so an initial activity of OFE is to conduct surveys that will provide baseline estimates. OFE has already collected a significant amount of information through its pilot programs and surveys. Findings will be available in 2009.

Service Delivery. OFE has a leadership role through its productive partnerships with banks and financial education providers, working with publicity and advertising firms, presentations, hosting of events, convening of other municipalities, and legislative work in Albany. OFE co-leads the Cities for Financial Empowerment (CFE), a coalition of city governments that is developing comparable evaluation methods. Through its involvement with CFE, OFE is also exerting leadership at the national level. Partners who were interviewed by the evaluation team said that OFE is considered to be on the cutting edge of the financial empowerment field. In addition, the fact that OFE represents the first municipal office of its kind in the country has led other cities and funders to take note of OFE's work.

Provider Capacity. For a new municipal office with ambitious goals, OFE is demonstrating capacity to build relationships and networks while managing multiple programs and services—for example, the Financial Empowerment Center (FEN), $aveNYC, and the CFE. OFE has supplemented its core budget ($2.5 million in 2008) with foundation support. OFE was awarded $150,000 over 2 years by Living Cities to expand the $aveNYC pilot to a second year and provide incentives for year one participants to roll over their accounts. OFE was also awarded $50,000 for 2 years from the F.B. Heron Foundation to support $aveNYC, the Financial Empowerment Center in Melrose, and the Citywide Financial Services Study. The Insurance Industry Charitable Foundation (IICF) awarded $126,000 to the Financial Empowerment Center in Melrose. Additionally, $200,000 from American International Group, Inc. (AIG) will support financial education initiatives.

Agency Management. The management of OFE falls under the Department of Consumer Affairs (DCA). OFE's placement within DCA appears to be beneficial organizationally and operationally. Partners believe that there is strong synergy between DCA and OFE in terms of mission and strategy.

Early Outcomes. As part of its theory of change, OFE has identified the following short-term outcomes:

- Increase capacity of financial education system;
- Increase accessibility of low-cost financial education resources;

- Implement best practices gleaned from national learning about OFE programs;
- Raise national awareness of the importance of financial empowerment;
- Disseminate OFE findings for replication;
- Identify and advocate for needed policy and regulatory reforms;
- Increase investigations of predatory practices and scams within the financial services industry;
- Collaborate with banking institutions to develop innovative banking and savings products;
- Increase awareness of tax credits;
- Pilot safe, affordable tax preparation opportunities; and
- Target services to the working poor and low- to moderate-income New Yorkers city-wide.

At this point (approximately a year and a half into program operations), based on review of program materials and interviews with key stakeholders and program staff, OFE appears to be making good progress toward attaining all of these short-term outcomes.

Conclusions and Recommendations

Review of program materials and interviews with staff and key stakeholders suggest that OFE has been operating in accordance with its various strategies: developing relationships and establishing partnerships with financial institutions, developing innovative financial services, implementing and supporting financial empowerment campaigns, identifying and promoting protective legislation, and conducting groundbreaking research to guide its operations. In keeping with its educational agenda, OFE has developed a user-friendly website with information and publications about available financial services and financial education. In keeping with its agenda to test innovative strategies, pilot programs targeting low- to moderate-income residents are being implemented citywide.

OFE stakeholders and partner organizations concur that OFE is demonstrating remarkable progress for a new municipal office. Most consistently, however, observers point to OFE staff's ability to form partnerships with community organizations, financial institutions, education providers, and funders and to engage these stakeholders in a shared mission to educate, empower, and protect low- to moderate-income New Yorkers. These relationships among the public, private, and non-profit sectors set the foundation for accomplishing OFE's ambitious agenda of programmatic goals.

The current downturn in the economy and the crisis among banking institutions are likely to create strong challenges to OFE's pursuit of its goals. The economy will certainly affect the financial well-being of a large number of families. In addition, it might become difficult to get the cooperation of financial institutions, as many are likely to be struggling for survival and less inclined to provide services with small profit margins. However, these same conditions also present OFE with the opportunity to draw greater focus to its work as attention is given to the impact of the economic downturn on individuals. In balance, the current national economic upheaval highlights the importance of OFE, as it will be more critical for low- to moderate-income New Yorkers to better understand the importance of strengthening financial knowledge, protecting their assets, reducing debt and building savings, and achieving economic well-being for themselves, their families and their future. Against this backdrop, OFE will need to be flexible in setting goals and priorities in order to adapt to changing economic conditions and meet the increasing need for their services.

We provide the following specific recommendations, around the four distinct OFE goals:

Outreach and education. The EITC represents the largest cash antipoverty program in the nation. In NYC, nearly 820,000 residents filed for the EITC in 2006 and received total benefits of $1.627 billion.[2] This is, of course, a centerpiece of OFE strategies. Since it is assumed that, as of last year, actual EITC filers represented about 75 to 80 percent[3] of all of those who qualified for the EITC and given the high potential of this strategy for generating

[2] Assuming a 5 percent increase in total returns for each successive year as a result of OFE-led campaigns, the results would be $1.708 billion in 2007, $1.793 billion in 2008, and $1.883 billion in 2009.

[3] IRS estimates; personal communication, Darrel Weinberg, August 1, 2008.

benefits, continuing to use research to identify and target neighborhoods where the EITC is being underutilized and testing out various outreach and engagement methods should be a high priority for OFE.

The FEN has been a noteworthy accomplishment this year, and the FEN Directory is a valuable resource for individuals and organizations providing services to low- to moderate-income households. However, many households may be unable to use this resource directly or use other OFE publications because of language limitations (the directory and most of the financial publications offered on the OFE website are in English only) and/or the digital divide that is prevalent among low-income households. Given the high percentage of non-English-speaking households in NYC, we recommend the translation of the FEN Directory and other publications presently posted on the OFE website into Spanish and other languages.

Again, because of the current national economic crisis, it is more important than ever for OFE to continue providing outreach to other cities through the CFE collaboration, as there is much promise in the strategy of building capacity of other cities and building a strong network of cities that will be able to influence policy at the national level.

Policy development, advocacy, and leadership. In the current NYC financial environment, it will be important for OFE to maintain relationships with existing financial institutions as well as to develop relationships with new institutions. Also, OFE should continue to exert leadership within CFE and should continue working with DCA to develop and advocate legislation that protects consumers in the areas of financial services.

Research. OFE is already undertaking important studies to learn more about the practices and needs of low to moderate income households. To the extent possible, it will be important to disaggregate research findings by race/ethnicity, income level, neighborhood of residence, and level of acculturation. These are all critical factors that are likely to influence both, financial practices and financial needs. In our interviews, providers emphasized that household needs are different in different neighborhoods. Thus, it will be important to focus on findings that can be generalized city-wide as well as on findings that can provide more nuanced descriptions of differentiated needs within the city.

Direct service pilots programs. Based on what has been already learned from the pilots, it will be important for OFE to move toward bringing these pilots to scale. Already established partnerships with CBOs who are part of the FEN should facilitate the expansion of the pilot programs.

Overall. Finally, for next year, OFE should set performance targets for each of its initiatives and pilots, taking into consideration the recent downturn of the economy and making sure that the targets are realistic. These targets should be incorporated into OFE's logic models. This will then provide a more detailed framework for OFE's program implementation and for its ongoing evaluation.