

## Office of Financial Empowerment

The Office of Financial Empowerment (OFE) is the first municipal office designed to educate, empower, and protect City residents with low incomes and help them to make the best use of their financial resources.

<i>Agency</i>	<i>Start Date</i>	<i>Number Served per year</i>	<i>CEO Budget (City FY 08)</i>	<i>Total Budget (City FY 08)</i>
Department of Consumer Affairs	December 2006	800,000 unbanked & 350,000 working poor	\$2,500,000	\$2,500,000

### *Problem Statement*

Nearly 800,000 New York City 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. <sup>1</sup>

### *Research and Evidence*

A recently released study by the Metropolitan Policy Program of the Brookings Institution demonstrates that poor financial literacy skills put low-income families at tremendous disadvantage in the marketplace. <sup>2</sup> Research also suggests that many eligible individuals do not know that they qualify for resources such as the EITC, and do not take advantage of available free or low-fee bank accounts. <sup>3</sup>

OFE is also conducting its own research to advance the field and to better understand more about low-income City residents' financial needs and practices. For example, in partnership with the William J. Clinton Foundation, the Neighborhood Economic Development Advocacy Project, Neighborhood Housing Service of Jamaica and Phipps Houses Community Development Corporation, OFE conducted a survey of over 600 individuals in two low- to moderate-income neighborhoods (Melrose and Jamaica) in NYC. Seventy percent of survey respondents reported having a checking or savings account; yet, 2 out of 3 respondents used check cashers. The survey's general findings suggest, however, that access to mainstream financial institutions is not as lacking as in low-income communities in other cities; rather there is a need for better low-fee banking products.

In addition to working with the US Treasury's Office of Financial Education, OFE has reached out to multiple other cities that are engaged in financial empowerment and asset building activities. OFE and the Department of Consumer Affairs has been a leader in engaging these cities and others in dialogue about how to work collectively to build a national movement of municipal empowerment efforts. OFE has worked closely with the National League of Cities on this effort. This dialogue facilitates OFE's goal of working with a strong and vibrant network of public-sector entities, and permits OFE to import and refine best practice models developed around the nation.

### *Program Description*

OFE has several strategic priorities: (1) to establish a network of high-quality financial service providers; (2) to launch and coordinate large-scale public awareness campaigns, like the successful Earned Income Tax Credit campaign; (3) to protect workers with low incomes from unfair predatory practices; and (4) to identify and implement strategies to help low-income people become "banked" and to build assets.

In order to help low-income workers learn about high-quality financial service providers, OFE is establishing the first-ever network of providers to identify and develop best practices in financial education, services, and literacy. The network provides an opportunity for providers to learn and share best practices. It seeks to coordinate and synchronize these resources and make them more accessible to the typical low-income consumer. Using the City's successful Earned Income Tax Credit campaign as a blueprint, OFE is also launching targeted public education campaigns that encourage workers with low-incomes to reduce debt and build savings and assets.

OFE is also identifying and analyzing best practices from across the country and around the globe for reaching the unbanked and promoting asset accumulation among low-income workers to implement and test in NYC. OFE has also worked with financial institutions to design a safe, no-fee account offered to participants in Opportunity NYC. This account cannot be overdrawn and offers a second-chance to many who previously faced challenges maintaining an account.

To protect workers with low-incomes from deceptive and predatory practices in the financial marketplace, OFE is forming partnerships across all sectors to identify harmful practices and find solutions. It is also building on the Department of Consumer Affairs' mandate and resources to enforce consumer protections and to improve legal protections.

OFE's efforts will be evaluated using multiple data sources, such as 311 referrals, website hits, the distribution of materials, requests for information and financial capacity indicators, such as the creation of new bank accounts and the uptake of related programs.

### ***Target Population***

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The Office of Financial Empowerment serves the working poor and low-income young adults citywide.

### ***Expected Outcomes***

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#### **Short-Term:**

- Increase the number of low-income New Yorkers that open accounts at financial institutions through OFE activities
- Increase access to free and low-cost tax preparation services for EITC eligible individuals and families
- Distribute financial education materials
- Make referrals to financial education network partners
- Increase investigations into harmful practices in the financial services industry

#### **Long-Term:**

- Increase the number of low-income individuals who maintain open accounts and build savings
- Increase the number of EITC filers that link to asset building opportunities
- Improve financial knowledge of low-income New Yorkers
- Reduce incidence of harmful practices in the financial services industry

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<sup>1</sup> CEO Report, 22.

<sup>2</sup> Fellowes, Matt. *From Poverty, Opportunity: Putting the Market to Work for Lower Income Families*. Brookings Institution, July, 2006.

<sup>3</sup> Holt, Steve. "The Earned Income Tax Credit at Age 30: What We Know." Brookings Institution, Research Brief, February 2006; Barr, Michael S. "Banking the Poor: Policies to Bring Low-Income Americans Into the Financial Mainstream" Brookings Institution, Research Brief, September, 2004.