THE GREENLINING INSTITUTE

August 9, 2013

Re: Draft Solicitation for Integrating Financial Coaching into Service Delivery for Transitioning Veterans and Economically Vulnerable Consumers

Solicitation Number: CFP-13-R-00006

The Greenlining Institute thanks the Consumer Financial Protection Bureau (CFPB) for this opportunity to comment on issues that directly impact communities of color and low-income communities, who were widely devastated by the financial crisis. We offer their perspectives to the CFPB's laudable effort to provide financial coaching services to veterans and economically vulnerable consumers.

Who We Are

Greenlining works to bring the American Dream within reach of all, regardless of one's race or zip code. The Greenlining coalition is comprised of over 40 national and statewide organizations, including more than a dozen community-based organizations. We pursue racial and economic justice with the knowledge that the majority of children born in the United States are non-white. This means that people of color will make up the majority of our population by 2050, and America will prosper only if communities of color prosper.

Access to culturally competent financial coaching is a vital lifeline for working-class communities, which are disproportionately made up of people of color.[1] As advocates for the very communities which were targeted by unscrupulous and illegal lending practices, we have important recommendations for the CFPB. The following are Greenlining's suggestions about

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[1] See, e.g., Thomas Shapiro, Tatjana Meschede, Sam Osoro. "The Roots of the Widening Racial Wealth Gap: Explaining the Black-White Economic Divide," Brandeis University Institute on Assets and Social Policy, February 2013. Accessed on August 7, 2013 at http://iasp.brandeis.edu/pdfs/Author/shapiro-thomas-m/racialwealthgapbrief.pdf.

how to improve the Draft Solicitation to most effectively target financial coaching services to economically vulnerable consumers:

1) Financial Coaching can Improve Asset-Building in Low-income Communities

The financial coaching envisioned by the CFPB is client-driven and less focused on resolving a specific crisis or event than traditional financial counseling. Coaching focuses more on changing clients financial behaviors over time in order to help clients achieve self-defined goals. We agree that a self-directed and non-crisis-centric approach is necessary to achieve long-term success for economically vulnerable communities. Coaching can be a very powerful tool for asset-building in low-income families, which has been shown to help families escape the multi-generational poverty cycle.[2]

Low-income consumers and consumers of color experience various challenges to being financially stable. A common thread is not having a financial cushion like savings, inheritance, or assets. And due to asset caps and tests, consumers receiving public benefits are often further dissuaded from saving or investing. Others may feel unable to save because of income limitations or feeling that saving for tomorrow is a “luxury” when money needs to be used today.

Given this perspective, we suggest that the CFPB elaborate on the Draft Solicitation’s financial coaching definition. To that end, we offer Policy Lab’s four-part definition[3] for inclusion in the final Solicitation:

(1) a focus on long-term outcomes;

(2) an ongoing, systematic, collaborative process for assisting clients to change behaviors;

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[2] Paulette Meikle, “Asset Building: A Means to Ameliorate Intergenerational Poverty in the Mississippi Delta,” Federal Reserve Bank of St. Louis, Spring 2012. Accessed on August 7, 2013 at http://www.stlouisfed.org/publications/br/articles/?id=2243.

[3] J. Michael Collins, Christi Baker, Rochelle Gorey, “Financial Coaching: A New Approach for Asset Building?” Policy Lab, November 2007. Accessed on August 7, 2013 at http://fyi.uwex.edu/financialcoaching/files/2010/07/Financial_Coaching_Policy_Lab_Paper.pdf

(3) support to practice new behaviors; and

(4) building skills and teaching content based on the client's unique needs and goals.

2) Defining "Economically Vulnerable" to Include People of Color, Immigrants, and Low-income Consumers

We request that the CFPB provide a more concrete definition of "economically vulnerable consumers." In describing the background of the financial coaching project, the CFPB re-affirms its statutory mandate to "provide information, guidance, and technical assistance to traditionally underserved consumers and communities."[4]

Given that communities of color have long been underserved by both the government and mainstream financial institutions, we suggest defining this "economically vulnerable" to specifically encompass people of color (including immigrants, who are often much more likely to be unbanked[5]) and low-income consumers. For many reasons, these populations are often less likely to have had the opportunities to build up a positive credit score and interact with mainstream financial institutions.

Greenlining strongly urges that the CFPB adopt this common-sense approach to defining "economically vulnerable" as inclusive of people of color, immigrants, and low-income consumers. This will more effectively target financial coaching services to the consumers with the greatest need.

3) Expand the Sites and Resources Dedicated to "Economically Vulnerable Consumers"

The CFPB calls for 90 sites in total, 70 of which will serve veterans and 20 of which will serve economically vulnerable consumers. Establishing 20 sites serving economically

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[4] 12 U.S.C. Sec. 5493.

[5] See, e.g. Una Okonkwo Osili and Anna Paulson. "Banking Crises and Investor Confidence," Federal Reserve Bank of Chicago, November 2008. Accessed on August 8, 2013 at http://www.chicagofed.org/digital_assets/publications/working_papers/2008/wp2008_17.pdf .

vulnerable consumers is a step in the right direction, but it is not adequate to remedy the breadth of devastation across American communities after the financial crisis.

At minimum, we urge the CFPB to expand the sites serving economically vulnerable consumers to be commensurate with the sites serving veterans. For example, the CFPB could increase the sites serving economically vulnerable consumers to 70, making 140 sites in total. This would, at least, come closer to addressing the dire need for financial coaching in America's most vulnerable communities. We encourage the CFPB not to allow providing financial coaching to economically vulnerable consumers to be an afterthought of this much-needed federal program.

4) **Ensure that Financial Coaching Sites Target the Regions Hardest Hit by the Foreclosure Crisis, Such as California's San Joaquin Valley**

The devastation caused by the foreclose crisis spread unevenly across the country, with "hot zones" clustered in California, Illinois, Georgia, Florida, and Arizona.[6] California's San Joaquin Valley provides an excellent example of why these "hot zones" should be specifically targeted by the CFPB's financial coaching project.

The San Joaquin Valley is home to a high population of economically vulnerable consumers, most of whom are still struggling in the wake of the financial crisis. Valley residents, half of whom are Latino,[7] experience shockingly high poverty and unemployment, with an average poverty rate of 18% and an average unemployment rate of 12.4%.[8]

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[6] "Foreclosures: 100 hardest hit neighborhoods." CNNMoney, 2012. Accessed on August 7, 2013 at http://money.cnn.com/interactive/real-estate/foreclosure-rate/2013/.

[7] "San Joaquin Valley Demographic Forecasts 2010 to 2050." Fresno Council of Governments, March 2012, page 38. Accessed on August 7, 2013 at http://www.valleyblueprint.org/files/San%20Joaquin%20Valley%20Demographic%20Forecasts%20-%20Final%2027%20Mar%202012_0.pdf.

[8] Based on analysis of poverty rates using information provided by the US Census Bureau. Accessed on August 7, 2013 at http://quickfacts.census.gov/qfd/index.html.

These troubling figures were exacerbated by the recent foreclosure crisis. San Joaquin County experienced the nation's highest foreclosure rate, closely followed by Merced and Stanislaus counties experiencing the third and fourth highest rates, respectively.[9]

In addition to addressing these problems, placing a financial coaching site in economically underserved regions like the San Joaquin Valley would begin to address the low federal expenditures per capita in the Valley. In FY 2010, for example, the San Joaquin Valley only received 58% of average federal per capita spending.[10]

We therefore urge the CFPB to prioritize regions like the San Joaquin Valley, which are still recovering from a wave of foreclosures, when considering site placement of financial coaching services targeted at economically vulnerable consumers.

5) Improve Contractor Data Reporting Systems by Collecting Data on Race, Immigration Status, and Income

The CFPB states in Task Area 1 that "at minimum," a potential contractor must have a "[s]ystem to track issues, number of persons served, and hours of service provided." We strongly recommend expanding the data collected from contractors to include three important categories: 1) racial demographics, 2) immigration status, and 3) income of persons served.

This data will help the CFPB, contractors, and advocates monitor the success of any financial coaching site in reaching diverse consumers. It is an essential tool for accountability and determining whether the economically vulnerable consumers served include these historically underserved groups: people of color, immigrants, and low-income consumers.

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[9] "S.J. Foreclosures Shrinking," The Stockton Record. January 24th, 2013. Accessed on August 7, 2013 at http://www.recordnet.com/apps/pbcs.dll/article?AID=/20130124/A_BIZ/301240314. "Foreclosure Fair Offers Support to Homeowners," USA Today. Accessed on August 7, 2013 at http://abcnews.go.com/Business/story?id=4504368&page=1.

[10] Based on data found in the Consolidated Federal Funds Report for Fiscal Year 2010. Accessed on August 7, 2013 at http://www.census.gov/prod/2011pubs/cffr-10.pdf.

THE GREENLINING INSTITUTE

6) Prioritize Minority-Owned Businesses as Small Business Participants

For small business participation, the Draft Solicitation calls for potential contractors to submit a Small Business Participation Plan which requires potential contractors to identify whether they fall into a special category of small business. The categories listed are Veteran-Owned Small Business; Service-Disabled Veteran-Owned Small Business; Historically Underutilized Business Zone Small Business; Small Disadvantaged Business; and Woman-Owned Business. In an otherwise admirably exhaustive list, we are startled to see that the CFPB has not listed Minority-Owned Business as a qualifying small business category.

In the interest of promoting a more comprehensive range of small businesses, we strongly recommend including Minority-Owned Business as one of the categories that should appear in a contractor's Small Business Participation Plan.

7) Establish Supplier Diversity Goals for Contractors and Businesses

Under "Factor 4," the Draft Solicitation outlines a "Small Business Subcontracting Plan" for large businesses. The CFPB then outlines its current small business prime contract and subcontract goals and subgoals. These, again, do not include provisions for contracting with minority-owned businesses.

The CFPB should include the category of minority-owned business, in addition to inserting language requiring contractors and large businesses to make concrete efforts to contract with such businesses. In "Small Business Subcontracting Plan" section, for example, the CFPB can incentivize large businesses by adding a specific percentage goal for minority-owned business prime contract and subcontract goals and subgoals.

8) Emphasize Diversity Goals for Contractors

The Draft Solicitation states that the sites serving economically vulnerable consumers "should be diverse in terms of geographic location, and include those from urban and rural communities, and from different cultural, ethnic, racial, and other backgrounds."

Greenlining would like the CFPB to clarify whether this means that the staffs of contractors must reflect the diversity of their surrounding communities. If so, we suggest including language making this connection explicit. For example, the CFPB could include language in Task Area 2 that states that the contractor shall "promote diversity among its workforce, at both the financial coach and senior management levels."

9) Emphasize Cultural Competency as Criteria for Contractors

The Draft Solicitation states that, "at minimum," the contractor must have demonstrated experience and expertise in multiple areas, including "financial education… best practices" and "[w]orking with and/or providing services to… economically vulnerable consumers." Greenlining suggests adding language stating that best practices include culturally competent approaches to financial coaching and that the CFPB will require contractors to demonstrate a history of having provided culturally competent services.

Cultural competency covers a variety of factors, including providing coaching in the appropriate language; showing sensitivity to the stigma and shame linked to poverty; striking an appropriately collaborative tone with a client; accounting for the restrictions around public benefits; and focusing on a client-empowering model of service. These approaches produce the best outcomes, especially for those from communities that have been historically underserved by the government and mainstream financial institutions.

Conclusion

Communities of color were among the hardest hit by the financial crisis and mortgage meltdown. They were disproportionately steered into subprime mortgages,[11] among other predatory financial products. Today, they face financial challenges ranging from illegal debt collection practices to the concentration of payday lenders in their neighborhoods. Even as we

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[11] "Income is No Shield Against Racial Differences in Lending: A Comparison of High-Cost Lending in America's Metropolitan Areas." National Community Reinvestment Coalition, July 2007. Accessed on August 7, 2013 at http://www.ncrc.org/images/stories/mediaCenter_reports/ncrc%20metro%20study%20race%20and%20income%20disparity%20july%2007.pdf.

are seeing some glimmers of recovery across different economic sectors, their ordeal is far from over.

We therefore reiterate our recommendations: 1) financial coaching can improve asset-building for low-income communities; 2) define “economically vulnerable” to include people of color, immigrants, and low-income consumers; 3) expand sites and resources dedicated to economically vulnerable consumers; 4) ensure that financial coaching sites target the regions hardest hit by the foreclosure crisis, such as California’s San Joaquin Valley; 5) improve contractor data reporting systems by collecting data on race, immigration status, and income; 6) prioritize minority-owned businesses as small business participants; 7) establish supplier diversity goals for contractors; 8) emphasize diversity goals for contractors; and 9) emphasize cultural competency as criteria for contractors.

As the CFPB continues its search for contractors, we hope that the bureau will consider our suggestions on how best to administer financial coaching programs to serve communities of color and low-income consumers. Thank you for this opportunity to address the needs of our constituency.