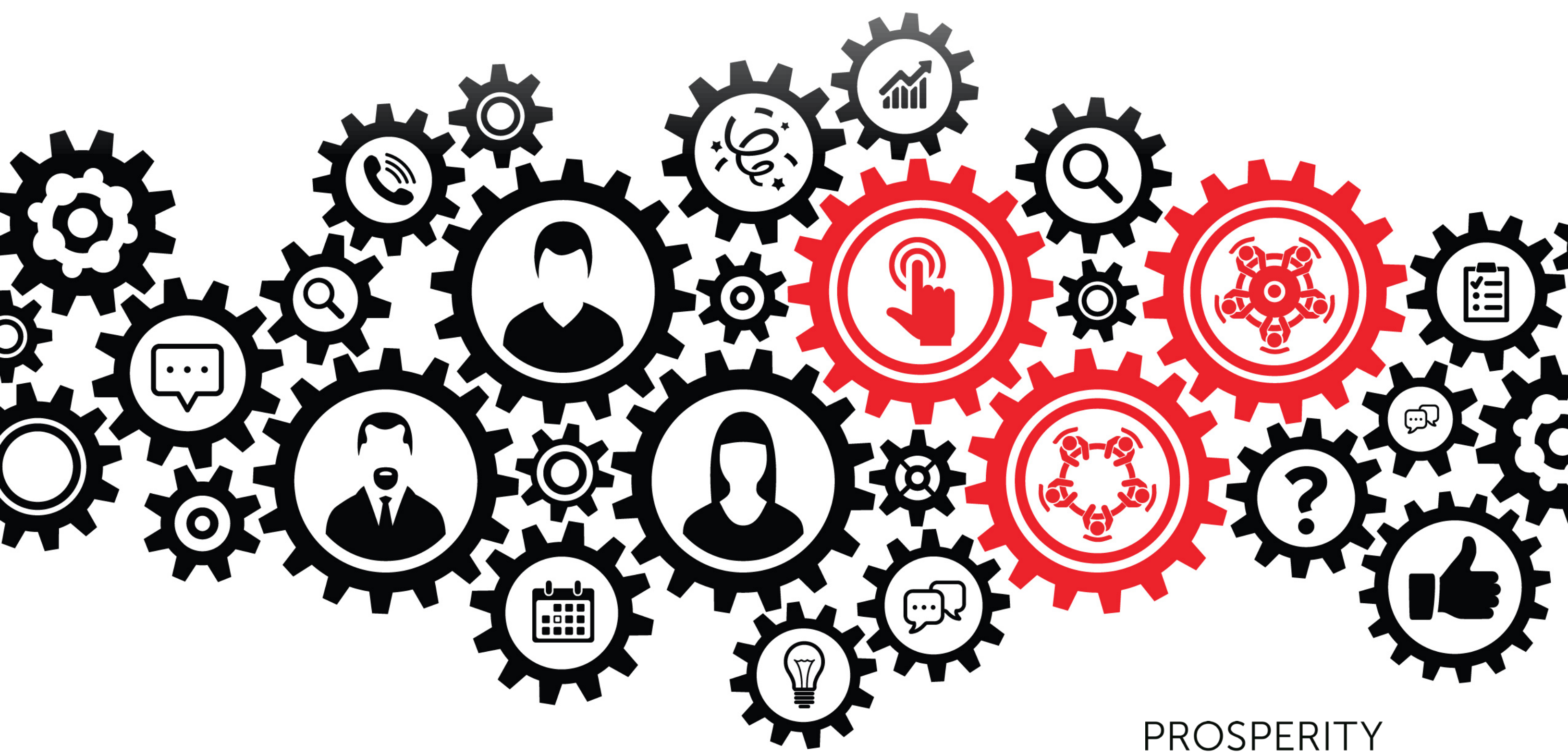
June 2020

Addressing Debt in Black Communities:

A Comprehensive Report Exploring the Potential and Limitations of Services in the Realm of Financial Coaching



PROSPERITY NOW

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About Prosperity Now

Prosperity Now (formerly CFED) believes that everyone deserves a chance to prosper. Since 1979, we have helped make it possible for millions of people, especially people of color and those of limited incomes, to achieve financial security, stability and, ultimately, prosperity. We offer a unique combination of scalable, practical solutions, in-depth research and proven policy solutions, all aimed at building wealth for those who need it most.

About MetLife Foundation

At MetLife Foundation, we believe financial health belongs to everyone. We bring together bold solutions, deep financial expertise and meaningful grants to build financial health for people and communities that are underserved and aspire for more. We partner with organizations around the world to create financial health solutions and build stronger communities, engaging MetLife employee volunteers to help drive impact. MetLife Foundation was created in 1976 to continue MetLife's long tradition of corporate contributions and community involvement. Since its founding through the end of 2019, MetLife Foundation provided more than $860 million in grants and $85 million in program-related investments to make a positive impact in the communities where MetLife operates. To date, our financial health work has reached 9.9 million low-income individuals in 42 countries. To learn more about MetLife Foundation, visit www.metlife.org.

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Executive Summary

Prosperity Now worked with three community-based nonprofit organizations serving predominately low- and moderate-income Black/African American people to determine how financial coaching programs might meet community members' expectations for expert guidance on debt and past-due bill issues. This project focuses on this target audience because Black/African Americans appear to be affected more negatively by debt than any other group, with nearly one in five Black households having zero or negative net worth.[1]

Prosperity Now and our partners initially envisioned a project designed to augment financial coaching with personalized advice on debt management. We also foresaw launching a new, separate but complementary debt negotiation and consumer rights service. This service would offer dedicated staff to review and dispute mistakes on credit reports, negotiate with creditors on clients' behalf and offer tips on legal issues like dealing with creditors or filing for bankruptcy.

However, as we launched the project and vetted our design with frontline staff and clients, we realized the design would have to change. The coaches in partner organizations were largely already working on debt negotiation and consumer protection because it was essential to their clients. Even though the financial coaching field does not usually include these activities, the client-responsive partners knew their Black/African American clients and were not bound by any specific definition.

Instead of a separate service, we moved forward with the following components:

- Support the development, identification and delivery of cross-training and resources for financial coaches to tap into each other's wisdom on how to provide debt, past-due bill and consumer rights support within financial coaching.
- Document partner financial coaching programs and identify what is core to financial coaching and what is "above and beyond" as it relates to helping clients address debt and past-due bills.
- Identify the limits of financial coaching to address debt and past-due bills for Black/African American clients.
- Work with the partners to explore the nuances of "Black or African American" as a demographic category.

[1] Board of Governors of the Federal Reserve System, "Survey of Consumer Finances," https://www.federalreserve.gov/econres/scfindex.htm

While there are many lessons learned throughout this project, a few important findings stood out:

1. The financial coaching field lacks consensus on what debt and past-due bill supports coaches should offer. The partners were over-delivering against what is commonly understood to be the key activities of financial coaching by providing detailed guidance, navigating complexity of various debt and past-due bill types and helping clients negotiate with creditors.
2. It is easy to use differences in income, assets, debt and expenses in individual-level services to justify anti-Black biases – such as lack of motivation or education. It is incumbent upon coaches to understand the historic and contemporary policies, practices and laws at work, particularly those that provide access to opportunity and consumer protection inequitably, to counter our default socialization.
3. The broad demographic categorization of “Black or African American” subsumes important differences in income, assets and obligations that differ by national origin and tenure in the United States. The distinction is important for coaching programs because the viability of approaches and sequencing of goals and actions will be dependent upon what resources and how much surplus income the client can access.
4. Racial disparities in experiences with debt and past-due bills created by structures and systems are unlikely to be substantively changed through financial coaching or counseling. However, these disparities result in real challenges for affected community members which individual-level services can help clients navigate and negotiate.

Additionally, Prosperity Now conducted a national survey of Black/African American people with debt or past-due bills to gain insights on potential implications for scaling to communities beyond partner locations. While other national data sources partially reveal the debt challenges facing Black/African American people, it was powerful to hear directly that nearly 9 in 10 struggle with at least one of their debts.

We asked respondents about their familiarity with and usage of debt relief programs, products and services. We learned that a little over 40% of Black/African American community members with one or more challenging debts said they had heard of financial coaching. That is lower than awareness of credit counseling, debt settlement, credit report monitoring services and consolidation loans. We also concept tested a description of the debt negotiation and consumer rights in financial coaching service which was based on the partners’ work. While rated as appealing, we also noted the service is complicated and not easy for all to understand. Other respondents worried that the service would not live up to expectations. While critically important, nonprofit services are not a panacea for complex debt and past-due bill issues faced by Black/African American people.

The survey also speaks to the scale of the challenge and the need for more extensive solutions like debt forgiveness for those experiencing hardship. The survey revealed that of those with one or more challenging debts, all but 12.2% said they had experienced one or more hardships (i.e., not being able to afford the type or amount of food needed, skipping medical care, etc.) in the past 12 months. Among those experiencing hardship or for whom making full and on-time payments might affect their ability to meet their basic needs, 79.3% indicated that they would benefit from some form of loan forgiveness.

This project confirmed that it is possible for financial coaching programs to deliver on the expectations of those most disparately impacted by debt and past-due bills. However, since differences in experiences with debt between racial or ethnic groups cannot be attributed to individual knowledge or behaviors, financial coaching is limited in how much of a dent it can make in reducing disparities through individual-level service provision unless the programs and services it offers have been tailored to also address structural causes.

Based on these findings, Prosperity Now recommends the following next steps for the field:

1. Ongoing and direct investment of capital and income and debt forgiveness for community members would go a long way in reversing the consequences of structural disinvestment and predation that drives racial economic and wealth inequality at the individual, family, community and institution level.
2. Community-based organizations, with unique practices, models and approaches to solving racial economic inequality, and their staffs must have their skill, knowledge and competencies validated and valorized through fair compensation and additional revenue models, such as strategic partnerships, impact philanthropy, and fee-for-service opportunities.
3. A longitudinal study of the impact, not just the appeal, of financial coaching and counseling programs and services on Black/African American people's ability to achieve and maintain financial stability while working to build prosperity is needed.
4. A national African American Asset Building Coalition – similar to Oweesta, National CAPACD and UnidosUS – should be created to continue to conduct research, design pilots and knit together the thousands of Black/African American-led and serving nonprofits; and
5. Practitioners with proven track-records for centering the socioeconomic reality of Black/African American clients should be supported to step forward as advocates and experts to strategically engage partnerships and institutions to invest in their vision, innovation and community.

While this report is primarily aimed at leaders of financial coaching programs, the accompanying reports, *In Search of FinTech for Debt Management* and *Navigating the Promise and Perils of Debt Consolidation*, further test the potential and limitations of products and services. These reports may be of interest to practitioners but also fintech developers, funders and lending institutions. Each report also includes lessons learned and promising practices gleaned from the people most affected by debt, the practitioners who serve them and from primary research conducted throughout this multi-year human insights process.

Introduction

> Historical exclusion of Black Americans from wealth-building opportunities prohibits them from reaping strong returns on "good debt," while simultaneously exposing them to troublesome debt at disproportionately higher rates than their White counterparts. This challenge is amplified by ongoing racial bias in the debt relief options available to Black consumers today. Although these findings are troubling, we also argue that there are pathways to mitigate the negative impacts of debt on Black households… [which] require us to re-engineer practices and address policies. – Forced to Walk a Dangerous Line: The Causes and Consequences of Debt in Black Communities, p. 3

Prosperity Now's work with community-based organizations that support people of color and people with low- and moderate-incomes consistently highlights that client debt situations are a major barrier to asset building. In the National Financial Capability Study from 2016, over 40% of respondents with incomes of $75,000 and below reported that they "have too much debt right now."[2]

In reviewing the literature, we affirmed that debt is a problem for many people with low- and moderate-incomes. According to the Survey of Consumer Finances,

- Over 50% of families in the lowest two income quintiles hold any debt;
- The average amount held by a family is approximately $40,000[3]; and
- Estimates vary, but high proportions of a lower-income household's pay are reportedly going to debt payments (i.e., 18% of annual income for credit card debt, 33% of biweekly income for payday loans).[4]

Importantly, trying to pay off costly debt can significantly reduce a household's ability to make ends meet, impacting current and future financial outcomes.[5] And even people with limited or no access to

[2] Judy T. Lin, Christopher Bumcort, Tippy Ulicny, Annamaria Lusardi, Gary Mottola, Christine Kieffer, and Gerri Walsh, *Financial Capability in the United States 2016* (Washington, DC: FINRA Investor Education Foundation, 2016).
[3] Survey of Consumer Finances (Washington, DC: Board of Governors of the Federal Reserve System, 2016) https://www.federalreserve.gov/econres/scfindex.htm
[4] Erin El Issa, "2016 American Household Credit Card Debt Study," Nerdwallet.com (2016). The Pew Charitable Trust, *Payday Lending in America: Policy Solutions* (Washington DC, The Pew Charitable Trust, 2013).
[5] See, Dobridge *For Better and For Worse*, 2016; Rob Levy and Joshua Sledge, *A Complex Portrait* (2012); Rebecca M. Blank, *Insufficient Funds* (2011); Brian T. Melzer, "The Real Cost of Credit Access," 2011; Brian T. Melzer, "Spillovers from Costly Credit," 2014; Paige M. Skiba and Jeremy Tobacman, "Do Payday Loans Cause Bankruptcy?" 2015.

credit (which is often associated with low incomes) may still have delinquent debts, such as unpaid utility or medical bills that end up in collections and result in negative reports on their credit files.[6]

The Survey of Consumer Finances further shows that Black/African American people appear to be more negatively affected by debt than any other group. Nearly one in five Black households has zero or negative net worth. Additionally, Black/African American families are the most likely to have high debt payment burdens, with 9% having debt-payment-to-income ratios above 40%.[7]

We have been asked why this project has focused on Black/African American community members rather than clients of all races. The significance to this project of data disaggregated by race has been that it has increased our ability to see the structures, institutions and systems driving the socioeconomic outcomes for far too many Black/African American people. By explicitly naming and analyzing the historical and contemporary context responsible for structural inequality, alongside the statistics and stories, the impact that institutions and social, economic, political and legal systems have on individual efforts to build stability and wealth and to maintain financial health became clear.

As we worked to identify and scope this area of focus, Prosperity Now's Applied Research team consulted with its Racial Wealth Divide Initiative colleagues, who work with cohorts of organizations of color across the United States. Their introductions, as well as those from MetLife Foundation, led us to work with three community-based organizational partners predominately serving Black/African American people in Fort Lauderdale, FL; Baltimore, MD; and Brooklyn, NY. Initial conversations with their leadership revealed that untangling the factors contributing to debt would be complex and that it would be valuable to partner in the project with community-based organizations serving low- to moderate-income communities of color.

Prosperity Now's Applied Research and Racial Wealth Divide Initiative teams responded to this data by leveraging these relationships to embark upon a three-site exploration into the financial lives of community members. The goal of this initial step was to discover from the people closest to issues of racial economic inequity what most blocked their ability to reach their financial goals, and what interventions and solutions they would recommend to boost them. This project became a multi-year human insights exploration which spanned three years (2017 – 2020). See Figure 1 for the project phases.

[6] Caroline Ratcliffe, Signe-Mary McKernan, Brett Theodos, Emma Kalish, John Chalekian, Peifang Guo and Christopher Trepel," *Delinquent Debt in America: An Opportunity and Ownership Initiative Brief* (Washington, DC: Urban Institute, 2014).
[7] Survey of Consumer Finances (Washington, DC: Board of Governors of the Federal Reserve System, 2016) https://www.federalreserve.gov/econres/scfindex.htm

Figure 1: Project Phases

Discovery & Initial Design
2017-2018

Field scan and literature review to understand the importance of addressing debt in Black communities, the causes and the consequences.

Discovery Interviews to hear perspectives on how debt shows up in lives of Black community members in FL, NY and MD and their preferences on potential debt relief services.

Initial program design to envision a potential innovation for piloting with Black-led community financial coaching partners.

Pilot & Testing
2018-2020

Debt relief pilot with Black-led community financial coaching partners to try a debt relief program focused on addressing debt in Black communities.

Fintech & consolidation loan user tests to gather first-hand feedback to how these products can better support Black community members in debt.

National survey to gain insight on potential implications in communities beyond partner locations.

The research published from the first phase of the project in Forced to Walk a Dangerous Line: The Causes and Consequences of Debt in Black Communities provides background on debt as both a cause and consequence of the racial wealth divide. Next, Prosperity Now conducted a field scan of programs, products and services to identify options to test with Black/African American community members. The partner organizations helped connect us with individuals from their communities to interview. Findings from these interviews, as well as profiles of clients, can be found in our second report titled Overdue: Addressing Debt in African American Communities.

The literature shows that low- and moderate-income Black/African American[8] community members are disparately impacted by debt due to structural inequality, not individual choice. Prosperity Now's primary research supports these findings and underscores community members' desire for support from financial coaches to help negotiate and manage this aspect of their finances.

A deliverable of phase one of this project was a pilot design with plans to infuse financial coaching with additional resources for debt management and repayment. The initial pilot design also included the idea of a separate but complementary debt negotiation and consumer rights service to test during phase two.

During this second phase, the staff at partner sites drew from their knowledge and expertise as financial coaches and counselors to refine this initial pilot design. Together with Prosperity Now, they also explored the root causes of their clients' experience to distill a tailored debt coaching program centered on their clients' socioeconomic reality. By grounding this project in an iterative approach to addressing racial economic inequity, financial coaches were able to explore the historical and contemporary contexts of their clients' lives to inform and build innovative service design, delivery and data collection approaches. Further, this approach allowed us to design and test targeted solutions – programs, products and services – to gauge their potential and limitations to address complex socioeconomic conditions.

Given the magnitude of the financial challenges Black/African American clients face, this project also tested the potential for consolidation loans and financial technology apps to determine how these products might better support clients in managing and repaying debt. Last, we conducted a national survey of Black/African American people with debt or past-due bills to gain insights on potential implications for scaling to communities beyond partner locations. **In that survey, we found that 89% of respondents said they found one or more of their debts challenging, and we heard strong calls for much-needed debt forgiveness.**

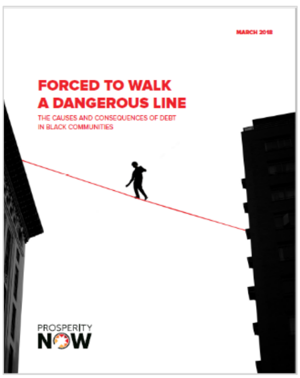
> Debt among low- and moderate-income Black households is rooted in historical racism manifested through inequitable institutional policy and pervasive market forces. Historical discrimination in employment, homeownership and servicemember benefits have limited Black Americans' opportunities to become financially stable, achieve prosperity and accrue wealth that can be handed down to future generations. – Forced to Walk a Dangerous Line: The Causes and Consequences of Debt in Black Communities, p. 5

[8] Today, some people view "Black" and "African American" interchangeably, but many have strong opinions that "African American" is too restrictive for the current US population. The term "African American" emphasizes origins in the African continent *and* history on the American continent. The term "Black" is used more broadly to include the collective experiences of the U.S. population, including the approximately 10 percent of the 46.8 million Black people in the US who are foreign born. See https://www.urban.org/urban-wire/say-african-american-or-black-first-acknowledge-persistence-structural-racism for perspective. As this project includes partner sites with significant Afro-Caribbean-descendent clients, we combine these terms to be inclusive of all and we endeavor to be specific with sharing disaggregated data.

The project also identified emerging tensions in financial coaching that our partner organizations are responding to through their respective program designs, while simultaneously challenging field-level assumptions of what it looks like and takes to provide coaching support to community members disproportionally impacted by debt and past-due bills.

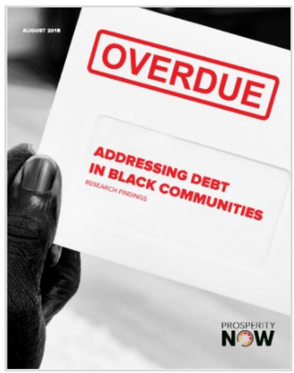
Other Related Project Reports

This report is part of a series beginning with *Forced to Walk a Dangerous Line,* which draws on literature and research to explore the roots of challenging debt for Black/African American people. It is followed by *Overdue,* which draws on primary research to hear directly from affected community members. This report, along with *In Search of FinTech for Debt Management and Repayment* and *Navigating the Promise and Perils of Debt Consolidation*, explores both the potential and limitations for program, product and services solutions.



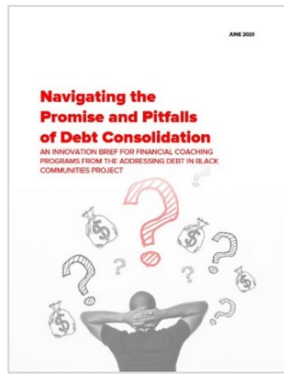
Forced to Walk a Dangerous Line
(March 2018)

Reviews how the racial wealth divide makes debt particularly burdensome for low- and moderate-income Black/African American households, as well as how burdensome debt is further exacerbating the divide.



Overdue
(August 2018)

Drawing from qualitative interviews and concept testing with individuals grappling with debt, the paper highlights ways financial institutions, technology companies and nonprofits can better design debt management services.



Navigating the Promise and Perils of Debt Consolidation
(June 2020)

Shares insights from conversations with lenders around debt consolidation as a debt management strategy as well as reactions to financial profiles, and proposes assessment criteria to vet debt consolidation products and the highlights of a national field scan of products.

In Search of FinTech for Debt Management and Repayment
(June 2020)

Results and insights from qualitative user tests conducted across the three partner sites to assess the potential of two financial technology tools (Albert & Pefin) in providing advice to our target audience on how to manage or reduce debt.

About this Report

This comprehensive report is organized into the following five (5) sections:

Section 1 – Background and Framework

We introduce the project's design of specialized financial coaching, fintech user tests and consolidation loan explorations, along with the national survey. This section includes a brief overview of the human insights approach used throughout the project and introduces the three project partners in-depth.

Section 2 – Discovery

We introduce the project's design challenge and target audience – Black/African American clients with debt or past-due bills, noting regional and national data. We show how the project partners approached disaggregating their data and what we found through those efforts.

Section 3 – Design

We share how our initial design changed as we learned how partner programs and services go beyond the standard definition of financial coaching to provide more support with debt, past-due bills, consumer protections and strategies for dealing with creditors. While we originally planned to pilot a new service, we instead focused on distilling existing debt services and documenting the strengths of the partners' innovative approaches.

Section 4 – Test

We describe the use of shared measures to understand the socioeconomic reality of Black/African American clients with debt and past-due bills, the services provided to address these challenges and use of this racial economic equity approach as a lens through which to view services.

Section 5 – Share & Reflect

We share key takeaways that represent high-level reflections from our team as we consider the work of financial coaches serving low- and moderate-income Black/African American clients with debt and past-due bills. We consider the potential for providing these supports at scale while also proposing additional strategies, such as debt forgiveness. Finally, we share conclusions and recommendations for where the field might head next regarding debt challenges for Black/African American people.

Section 1: Background and Framework

In this section, we introduce the project design, which included an exploration of specialized financial coaching, fintech user tests and consolidation loans as potential strategies to address debt for Black/African American people. We evaluated these program approaches, technology products and marketplace services to learn how they might meet the expectations and needs of low- and moderate-income Black/African American people with debt. Also, we launched a national survey to better understand the potential for scale. This section includes a brief overview of the human insights approach used throughout the project and introduces the three project partners in-depth.

About the Project

Prosperity Now partnered with the Urban League of Broward County, Fort Lauderdale, FL; Bon Secours Community Works, Baltimore, MD; and Bedford Stuyvesant Restoration Corporation, Brooklyn, NY. Together, we discovered, designed and tested approaches to address debt in Black/African American communities. Specifically, we partnered to:

1. Better understand and document how Black/African American-led and serving organizations use financial coaching to provide debt negotiation and consumer rights supports and what their programs and services entail.
2. Administer fintech user tests and an exploration of consolidation loan products to gather first-hand feedback on how these products and services can better support Black/African Americans with debt.
3. Conduct a national survey to gain insight on the potential implications and limitations of the programs, products and services in communities beyond the partner locations.

These partnership efforts built upon insights from the previous project reports and allowed us to critically engage financial coaching practitioners who were already innovating solutions for debt management and repayment to learn what is needed to support Black/African American clients with debt and past-due bills.

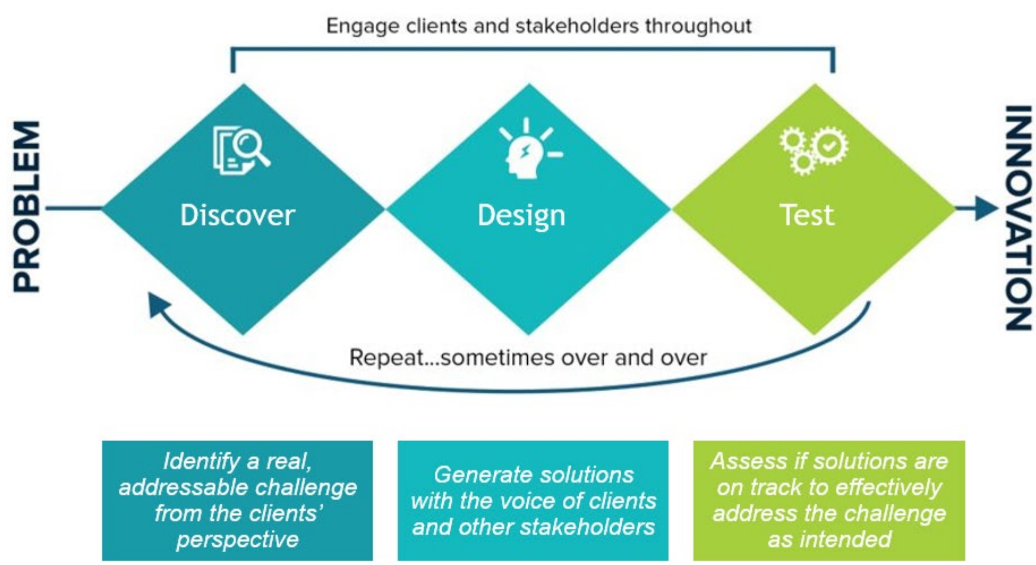
Human Insights Approach

Throughout this project's many phases, we drew on a human insights approach as a framework to discover, design and test solutions that are grounded in an understanding of the realities and nuances of a specific challenge that individuals and the organizations that provide them with programs and services face every day.

Prosperity Now's human insights approach involves three iterative phases as seen in Figure 2: 1) Discover - we identify a real, addressable challenge facing an organization's clients, along with an analysis of the barriers that helped create that problem; 2) Design - we generate potential solutions to address the challenge and solicit feedback to refine them; and 3) Test - we explore whether the solution(s) envisioned in design are potentially effective, appealing and easy to use.

This process is iterative, which means that as all project partners engaged with us, each other and their clients, we discovered new insights that led to a revised design and new ways of testing. In Section 3: Design, we describe the initial design and how it changed as we engaged with staff and clients.

Figure 2: Human Insight Approach



The Project Partners

Each of the three project partners operates a financial coaching or counseling program within a larger multiservice nonprofit agency.

Bon Secours Community Works

Mission: Bon Secours Community Works (Bon Secours) works to enrich West Baltimore communities with programs and services that contribute to the long-term economic and social viability of neighborhoods. As a nonprofit, 501(c)(3) organization, Community Works seeks to further the mission of the Sisters of Bon Secours through housing, health and community development initiatives. A division of Bon Secours Baltimore Health System, we adhere to the Sisters' commitment to provide good help to area residents.

Geographic Area Served: West Baltimore. The city of Baltimore has 614,700 residents. Community members identifying as Black or African American comprise 62% of the population. [9]

Urban League of Broward County

Mission: Founded in 1975 as an affiliate of the National Urban League, the Urban League of Broward County is a community-based organization dedicated to empowering communities and changing lives in the areas of education, entrepreneurship, jobs, justice, housing and health (E,E,J,J,H,H). The mission of the Urban League movement is to enable African Americans to secure economic self-reliance, parity, power and civil rights.

Geographic Area Served: Broward County is home to Fort Lauderdale and is part of the Miami metropolitan area. The county has 1,909,151 residents. Community members identifying as Black or African American comprise 28% of the population. [10]

Bedford Stuyvesant Restoration Corporation

Mission: Bedford Stuyvesant Restoration Corporation (Restoration) relentlessly pursues strategies to close gaps in family and community wealth to ensure all families in Central Brooklyn are prosperous and healthy. The office of Financial Empowerment is a one-stop location for residents to improve financial, occupational and educational outcomes by offering workforce development programs, benefits assistance, asset building programs and financial counseling.

Geographic Area Served: Brooklyn, NY. Brooklyn or Kings County share the same space and boundaries and have 2,600,747 residents. Community members identifying as Black or African American comprise 32% of the population. [11]

[9] U.S. Census Bureau (2018). Geography profile, 2018 American Community Survey 5-year estimates. Retrieved from: https://data.census.gov/cedsci/profile?q=Baltimore%20city,%20Baltimore%20city,%20Maryland&g=0600000US2451090000
[10] U.S. Census Bureau (2018). Geography profile, 2018 American Community Survey 5-year estimates. Retrieved from: https://data.census.gov/cedsci/profile?q=Broward%20County,%20Florida&g=0500000US12011
[11] U.S. Census Bureau (2018). Geography profile, 2018 American Community Survey 5-year estimates. Retrieved from: https://data.census.gov/cedsci/profile?q=Kings%20County,%20New%20York&g=0500000US36047

Table 1: Partner Key Similarities and Differences

KEY SIMILARITIES
• All sites operate within larger organizations which have internal referrals into and out of the coaching program • All sites predominately serve Black/African American community members • All sites recognize that financial coaches require complex skillsets and often struggle to find these individuals • All sites expressed significant constraints (small staff, high turnover and low compensation) • Client retention is a challenge for all sites • Measuring and communicating impact are challenges for all
KEY DIFFERENCES
• Each site has a different model in place for delivering coaching services (i.e., program integrated or on demand) • The range of topics covered in coaching services varies across sites • Only one site receives uniform basic training in debt counseling • Two sites have significant Afro-Caribbean populations served • Each program has different funder requirements • One site offers financial incentives for completing coaching • Two sites are in states with strong consumer protections

Table 1 shows the key similarities and differences Prosperity Now and the partners identified after getting to know each site's programs. The partners share similarities, such as operating within a larger organization and serving primarily Black/African American clients. They recognize that this kind of financial coaching requires a complex skillset; they also struggle to find people to fill these roles, which often leads to high turnover. They all report struggling with client retention and ways to measure the impact that they have on their communities

Key differences among the partners start with the coaching model that each has in place, such as program integrated or on demand. While Urban League of Broward County primarily identifies its programs as financial coaching, Bon Secours Community Works identifies its program as both coaching and counseling and Restoration identifies its program as financial counseling and coaching. The topics covered in coaching sessions vary by site, as does training and the sub-populations that they serve. Each partner has different funder requirements, and only one site offers incentives for completing coaching.

Table 2: Project Partner Overview

	Urban League of Broward County	Bon Secours Community Work	Bedford Stuyvesant Restoration Corporation
Service Area:	**Broward County, FL**	**West Baltimore, MD**	**Brooklyn, New York City, NY**
Total Annual Coaching Clients Served:	225	141	2,000
Total Coaching Staff (FTE):	2	3	5
Total Financial Capability Staff including Managers and Directors (FTE):	3	4	8
Financial Capability Services Currently Provided:	• Financial coaching • Homeownership counseling, foreclosure prevention and IDA program • Individual Develop Account program • Financial literacy workshops • Free tax preparation services through VITA • Screening for public benefits	• Financial coaching and counseling • Free tax preparation assistance • Screening for federal and state benefits • Financial literacy classes	• Financial counseling • Free tax preparation assistance • Financial literacy classes & workshops

The partners serve between 141 and 2,000 clients annually with between two and five financial coaches or counselors on staff.

Section 2: Discover

We identify a real, addressable challenge facing an organization's clients, along with the barriers that helped create that problem

In this section, we introduce the project's design challenge and target audience – Black/African American clients with debt or past-due bills. We begin with a look at the scale of the debt challenge in the partner communities and nationally. Then we explain why this project focused on Black/African American people with debt and their socioeconomic reality. Next, we provide a deep dive on the nuances of the demographic category, and we introduce how the project partners approached disaggregating their data and what we found through those efforts. Finally, we share how Prosperity Now and the partners situated these debt challenges in the context of growing racial economic inequity.

Design Challenge

At the beginning of this phase of the project, we set out to answer the following question: **How might we support Black/African American community members in optimizing their debt management strategies so that debt doesn't stand in the way of their greater financial goals?**

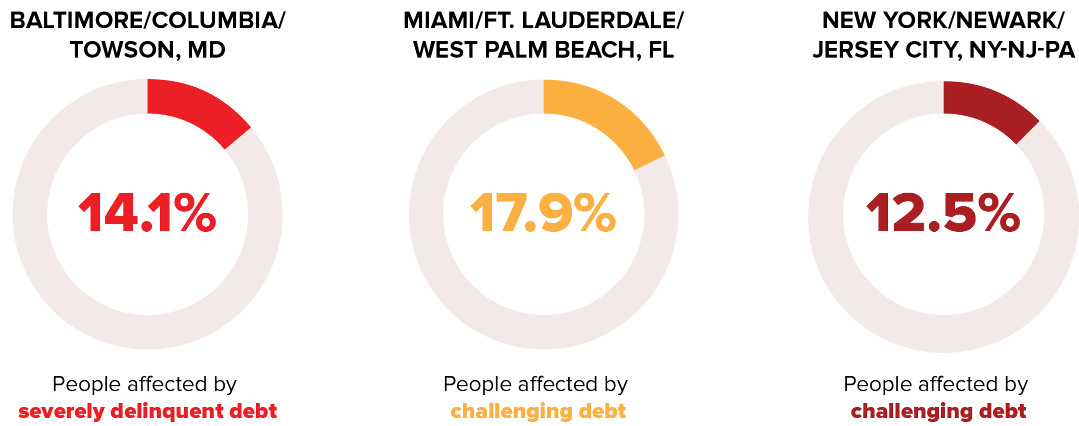
This challenge crosses all project components, including this exploration of financial coaching as well as the fintech user tests and consolidation loan exploration. This design challenge was posed in *Overdue* along with barriers the target audience experiences as they manage debt and past-due bills.

The Scale of the Debt Challenge

Prosperity Now staff analyzed available data to learn the scale of the challenge in the partner organizations' communities. The goal of this exercise was to contextualize the size of the issue alongside the capacity of our partners working with clients to tackle their debt challenges, and to begin to think through the scalability of these efforts.

Through this analysis, we found that our partner organizations provide services in large metropolitan areas where between 12.5% and 17.9% of the total population hold severely delinquent debt.

Figure 3: Scale of the Debt Challenge Across the Partner Sites



In a typical year, our partners coach or counsel between 141 and 2,000 clients, the majority of which are Black/African American (89% in the recent 3-month period). They report seeing clients with significant credit card, student loan and medical debt, in particular. And, while our partners are not alone in offering financial coaching or counseling services in their respective regions, the scale of the debt challenges facing the communities far outstrips the available capacity to solve this challenge through individual-level services.

It is also important to note that the percentage with delinquent debt is likely an underestimate of the potential demand for financial coaching, as 88.6% of respondents in our national survey of Black/African Americans of all incomes with debt indicated that at least one of their debts is a challenge.

Introducing the National Survey of Black/African Americans with Debt

Prosperity Now launched a national survey of 510 Black/African American people with debt or past-due bills. Throughout this report, we share survey findings in these call-out boxes.

The survey had the following objectives:

1. Understand more about the types of debt and past-due bills causing debt challenges.
2. Determine how well-known existing debt relief programs, products and services are among the target audience, how those services are perceived and, if used, if they are deemed helpful.
3. Learn more about the extent of hardship and the need for some type of debt forgiveness.
4. Gather additional feedback on the concept of providing debt, past-due bill and consumer rights support through financial coaching.
5. If possible, explore any potential difference to the above four objectives by sub-groups within the larger Black/African American racial category.

Survey criteria included: Identify most as “African American or Black”; age 18 or older; hold debt or past-due bills; and must be at least somewhat involved in financial decision-making.

To achieve representation, respondent education and income levels were matched to the U.S. Census. The survey was fielded between December 8, 2019, and January 15, 2020, through Qualtrics.

The Clients

> Historical discrimination and insufficient returns on "good debt" set the context for why so many Black households end up in troublesome debt. Building upon that history are today's economic challenges and disparate burdens placed on lower-income Black households. The current economy shifts substantial financial risk onto households, making it especially hard for those with low- and moderate-incomes to get ahead. Because most African American households are relegated to the lower income and asset quintiles, they disproportionately experience the devastating consequences of costly credit and debt (i.e., with credit cards, sub-prime credit, criminal justice debt and collections actions) compared to their White counterparts. – Forced to Walk a Dangerous Line, pg. 8

Why Black/African American Target Audience

The unique origin story of enslavement in the US means that Black/African American descendants are uniquely situated within social, economic, political and legal systems. Systems interlock to create persistent, multigenerational socioeconomic disparities.

Over the past 500+ years, the US has and continues to confer power, wealth, privilege and advantage based on racial categorization, which has resulted in racial economic and wealth disparities between Black/African Americans and nearly every other population group.

That said, national origin and tenure in the US have been shown to bear differently on the wages, debt and wealth of Black, African American, African and Afro-Caribbean community members. Illustratively, Dr. Darrick Hamilton's "The Color of Wealth in Miami" report shows a wealth differential between Afro-Caribbean descended and enslaved Black/African American descended people in the US of $12,000 versus $3,400, respectively. Blackness is not a monolith.[12]

[12] Darrick Hamilton, et al. "The Color of Wealth in Miami" The Kirwan Institute for the Study of Race and Ethnicity at The Ohio State University, the Samuel DuBois Cook Center on Social Equity at Duke University, and the Insight Center for Community Economic Development, February 2019. http://kirwaninstitute.osu.edu/wp-content/uploads/2019/02/The-Color-of-Wealth-in-Miami-Metro.pdf

Socioeconomic Reality

The compounding impacts of historical and contemporary policies and practices such as slavery, Jim Crow and the disproportionate carceral system Michelle Alexander termed the "New Jim Crow" mean that Black/African Americans are uniquely positioned socioeconomically.[13] Erroneously, society often attributes this inequity to stereotypes about the level of motivation and education of this population rather than understanding what advocates call the "boosts and blocks" that have generated and perpetuated racial economic inequity.[14]

Throughout the project, lack of income frequently came up as a significant driver of debt and past-due bills and a barrier to addressing them. Budgeting is a strategy offered through financial coaching which places the onus of financial deficit on the behaviors of the client, rather than understanding that, even when fully employed, people of color often earn less than the cost of living. Analyzed holistically using a lens of racial economic equity, the full financial lives of clients of our partner organizations affirmed that income has extreme significance for people with low or no wealth, and that lack of both drives debt utilization.

Disaggregating the Black or African American Racial Category

Rationale

As shared above, Prosperity Now conducted a background review which noted that Black/African American people appear to be more negatively affected by debt than any other group across a range of debt types.[15] As mentioned above, Black/African American people have a diverse history in the US and as such, many are either descendants from enslaved people or are recent immigrants from Africa or the Caribbean. The literature in the field of financial inclusion suggests that there are relevant differences in the socioeconomic situations and outcomes between microcultures (i.e., immigrant vs. non-immigrant) that warrant investigation.[16]

Our team's intention to focus on designing with this community in mind was not, however, always clear to our partners, nor even our project leads and colleagues on the various teams supporting this project. After much thought-partnership, two important points of discussion emerged:

1. What is the value of focusing on a sub-group within the context of an individual-level service like financial coaching when the root causes of these disparities are institutional, systemic or structural in nature and, therefore, difficult for direct service organizations to address?

[13] Michelle Alexander, *The New Jim Crow: Mass Incarceration in the Age of Colorblindness*, (January 5, 2010)
[14] United for a Fair Economy, "The Boosts and Blocks of Building Wealth, "(2019)
[15] The Pew Charitable Trust, *The Complex Story of American Debt: Liabilities in Family Balance Sheets* (Washington, DC: The Pew Charitable Trust, 2015).
[16] Ryan Evans, *Strategies for Financial Inclusion: Reaching Out to Immigrant and Ethnic Minority Groups* (Saint Paul, MN: Wilder Research, 2014).

2. Are there meaningful differences between sub-groups served by the coaching partners that might affect how coaching services are delivered, designed and improved?

While the first question is a rich space for discussion and debate, practically speaking, our partners were best positioned to help explore the second question. Prior to the cross-training, partner coaches completed a staff survey, where we asked them a series of questions designed to learn more about their Black/African American client subgroups. Our team's goal in administering the survey was to help the partners develop a baseline understanding of where they were, and to use the data collection opportunity to explore these hypotheses.

In the survey, partner staff expressed a wide range in familiarity with their organizations' client data on U.S. descendant Black/African American clients. Some of the coaches said they were "somewhat familiar," a few said they were "very familiar" or "extremely familiar," but an equal number were "not so familiar" or "not at all familiar," which indicated there was an opportunity to learn more together about the clients served, both those who had been here for generations as well as those from recent immigrant and refugee groups.

There was a wide range of perspectives among partner staff about how different the debt and past-due bill issues experienced by different racial and ethnic groups might be. A few said "extremely" or "very different," a few said "somewhat different" and some said "not so different" or "not at all different."

Through the staff survey and throughout the project, partners expressed interest in understanding how the diverse background of their Black/African American clients may have an impact on their current financial situations. The partner organizations were interested in how these groups' financial realities would compare. In response, we co-developed data collection methods to support our partner organizations in their analysis efforts.

The disaggregation approaches we developed are in Appendix 8.

Initial Findings

Prosperity Now focused primarily on compiling the results of clients' financial situation and debt profile data points, which included the four major data points of income, expenses, total debt and credit score.

While the number of new clients served during the data collection period was limited, we saw that Urban League of Broward County clients of Afro-Caribbean descent held a higher median and average income, more debt and higher credit scores on average than other Black/African American clients, who often had as many expenses without as many resources. Similarly, the Afro-Caribbean or African-descendant clients from Restoration had higher income, more debt and higher credit scores but, in this case, instead had lower expenses than other Black/African American clients. All of Bon Secours' clients identified as Black/African American and, thus, we were not able to further analyze this site's data by sub-group.

Disaggregation in the National Survey

25.7% of respondents in the national survey said they identified with one or more African or Caribbean groups. Our analysis revealed some differences in debt holding, debt noted as challenging, hardship experiences and familiarity and experience with different programs, products and services.

There were also some differences in reactions to the concept of providing debt negotiation and consumer rights support through financial coaching. Of course, there were many similarities, with large percentages of all sub-populations experiencing debt challenges and expressing that they might benefit from debt forgiveness.

Initial thinking on the differences in socioeconomic status for the various Black/African American subpopulations reveals important insights. When viewed through an intersectional race/ethnic and economic lens, we can see that the material reality is different for clients who hold income and assets and are less cost-burdened than those with relatively lower income, assets and more debt and expenses. The distinction is important for financial coaches because the viability of tools and approaches and how they will be introduced and sequenced will be dependent upon which resources and "financial slack" the client has at hand, and the level of crisis they are experiencing.

Exploring Debt in the Context of Racial Economic and Wealth Inequity

Some economic frameworks reinforce biases that blame individuals for structural problems. For example, differences in income, assets, debt and expenses are often associated with poor saving behavior, a lack of motivation or limited financial education, rather than the impact of history and ongoing social and economic exclusion on the ability of people of color to achieve prosperity.

In implementing the project, we identified an opportunity to integrate a racial economic equity lens, framework and analysis to help clarify the causes and consequences of racial economic inequity. By learning how historic and contemporary policies, practices and laws may work to maintain racialized disparity, particularly those that block equitable access to opportunity and consumer protection, it became clearer how these institutions, systems and structures impact the socioeconomic lives of Black/African American people. As part of the revised design, we hosted ongoing "peer learning" opportunities to help the financial coaches integrate these learnings into their work and to continue developing a critical curiosity into these issues.

In response, Prosperity Now's Racial Wealth Divide Initiative team led the partners through a series of conversations that analyzed the causes and consequences of racial economic inequity and informed the design and development of client-centered interventions.

Our objective was to prepare the financial coaches to be better equipped to contribute to the following:

1. Design, develop and implement tools and interventions that meet people where they are financially;
2. Begin to understand the invisible institutions, systems and structures impacting the lives of their clients, which in turn may build coaches' ability to identify and see patterns and trends to drive program design and strategic partnerships;
3. Begin to amplify the message through advocacy; and
4. Identify others who may have a stake in increasing racial economic prosperity, including potential adversaries and allies.

Last, understanding the significant diversity of economic experiences within socially prescribed racial categorization will help financial coaches in the field to explore additional culturally-centered promising practices such as Lending Circles and SuSu, and other collective investment or ownership models that could be relevant, replicable and scalable for disparately impacted clients.

Analyzing Racial Data

In order to explore coaching in the context of racial economic and wealth inequity, Prosperity Now and the partner agencies first looked at data across the cities to gain insight into the economic issues impacting clients. Together, we noted income disparities by race across all three sites, particularly noting that clients in Fort Lauderdale, FL, experience some of the widest inequities in measures related to financial stability and prosperity. Focusing specifically on Black/African American clients across sites further revealed that some of the data points at the aggregate mask disparities.

Picture: The partner agencies and Prosperity Now brainstorm during the Design Sprint in February 2019.

In one cross-partner call, the group articulated their insights into how Black/African American people are not a monolith. They shared that understanding the nuance of the different paths taken to come to and become "American" are important to accurately refer to individuals of the African Diaspora, as well as to understand the importance of history and racialization as drivers of difference in racial economic and wealth disparities, and how their programs and services can take account of these lived experiences.[17] These insights were then used by coaches to inform their approaches and interventions.

"The Color of Wealth in Miami" report – which calculated that the median net worth of U.S. Black/African American households in the Miami area was $3,700 compared to $12,000 for Caribbean Blacks[18] -- provided a helpful reference point and thought starter on the nuances of the racial wealth divide. This was especially important data for Restoration and Urban League, who serve large numbers of recent immigrants from the Caribbean, and provided Bon Secours' with a new way of understanding the socioeconomic status of clients who have been in the US for generations. Our conversations then turned to interrogating the causes of racial wealth disparity, overall and of different subgroups, and how financial coaching and counseling might be used to address the consequences and causes.

Critical Applications of Data

The group also spent time discussing how race plays a factor in the way coaches implement their programs and engage with their clients, as well as how and if race, and analyses of the larger systems that drive outcomes for Black/African American people, are considered in coaching programs. Insights from these discussions catalyzed ongoing conversations about the socioeconomic significance of race and the value there is to coaches and counselors in understanding the historic and contemporary factors, institutions and systems that affect economic stability and prosperity for Black/African American individuals and families, whether U.S.-born or immigrant.

Income disparity, lack of consumer protections, eviction challenges, income eligibility requirements and asset limits are some of the structural drivers identified by partners as contributors to debt for Black/African American clients. The agency staff shared how they approach clients flexibly with how they convey information, often speaking to hopes and dreams for clients' children to invite energy for change. As staff began to consider how financial coaching and counseling could be further tailored to address the aforementioned issues, each group also began thinking about the strengths of the approach and how they could innovate coaching to fit the socioeconomic reality of their clients. To amplify their impact, partners mapped the power[19] dynamics between and amongst key stakeholders – both adversaries and allies – to keep in mind for future efforts.

[17] Darrick Hamilton, et al. "The Color of Wealth in Miami" The Kirwan Institute for the Study of Race and Ethnicity at The Ohio State University, the Samuel DuBois Cook Center on Social Equity at Duke University, and the Insight Center for Community Economic Development, February 2019. http://kirwaninstitute.osu.edu/wp-content/uploads/2019/02/The-Color-of-Wealth-in-Miami-Metro.pdf
[15] Ibid.
[19] "Power Mapping," *Greenling Institute,* May 4, 2012, http://greenlining.org/wp-content/uploads/2013/02/PowerMapping.pdf

Section 3: Design

We generate potential solutions to address the challenge and solicit feedback to refine them

In this section, we share how our initial design changed as our partners shared the details of their service delivery models with regards to debt negotiation and consumer rights support. We also describe how the asset development field commonly understands financial coaching, while highlighting the partners' models along with their perspectives on the strengths and weaknesses of the practices. Through this process, we were also able to learn how partner programs and services extend beyond the standard definition of financial coaching to provide more support with debt and past-due bills and greater support to engage with creditors. While we originally planned to pilot a new service, we instead focused on distilling and documenting the services and strengths of the partners to reveal how these supports work. We then moved to testing, where we developed shared measures to capture program activities, outputs and outcomes.

Project Iteration in Design

The Initial Design

Prosperity Now initially envisioned a project design grounded in financial coaching. This design would include personalized advice on debt management, budgeting, goal setting and accountability services, which are all core features of financial coaching. Our plan was to then identify existing tools and resources and provide training to the partners' financial coaches to prepare them to be able to address debt and provide consumer protection support for Black/African American clients.

We also foresaw launching a new debt negotiation and consumer rights service. This separate but complementary service would offer dedicated staff to review and dispute mistakes on credit reports, negotiate with creditors on clients' behalf and offer tips on legal issues like dealing with creditors or filing for bankruptcy. Through insights gleaned from our phase one Black/African American community listening sessions, Prosperity Now set out to pilot how these services could complement financial coaching, reduce burdens on clients and help correct for the power imbalance felt when engaging with creditors. The initial design proposed retraining an existing financial coach for this role or contracting a specialist for the duration of a pilot.

The above was co-created with the leadership of our partner organizations based on what we learned from the community interviews and from advice provided by internal and external project advisors.[20] This design was shared in *Overdue* alongside the proposed consolidation loan and financial advice

[20] Myers & Chan (2018) Overdue: Addressing Debt in Black Communities. Prosperity Now. https://prosperitynow.org/sites/default/files/resources/Addressing_Debt_in_Black_Communities_1.pdf

apps testing to further support financial coaching clients. It is important to note that the initial design was an early concept integrated from the first phase of the project.

At the start of phase two, we vetted our initial design and discovered we need to shift our focus. The coaches in our partner organizations were already working on debt negotiation and consumer protection because it was essential to their clients. Even though the financial coaching field does not usually include these activities, our client-responsive partners knew their Black/African American clients and were not bound by any specific definition.

Iterating the Design

Based on the above feedback, Prosperity Now's team pivoted and expanded to bring in programmatic expertise in designing for racial economic equity and financial coaching, as well as to build in a component of technical assistance and capacity building for organizations of color. Even though we were focused on race, we realized we also needed to bring in expertise to design for racial economic equity and coaching. With this newly constituted team, we began working with the program staff at each of the partner organizations through site visits, client journey mapping,[21] coaching session observations, two client focus groups and interviews with financial coaches to document and distill the core components of their financial coaching, debt negotiation and consumer protection programs and services.

It is important to note that the ability to adapt and be responsive to the needs of our partners not only contributed to the design, but also facilitated trust and built stronger partnerships. Learning together meant we all could agree that the core design would need to meaningfully shift, and that we could check earlier assumptions about what should be piloted based on the following early findings:

1. **There is not a fieldwide consensus – philosophically and practically – about what kind of guidance or advice "financial coaches" should offer clients experiencing challenging debt and past-due bill situations**. The original design assumed the project partners operated programs in keeping with how the field broadly defines financial coaching (see the Section 3: Design for an in-depth program review). The reality was that most of the coaches were already providing much more detailed guidance than a typical financial coach.
2. **The pilot as originally envisioned – with the additional "debt negotiator" and consumer protection role integrated into financial coaching programs – was duplicative of core programs and services already offered.** We learned that two of the three sites were already taking most of the debt negotiation and consumer rights actions desired by community members interviewed in the first phase. While these two sites did not negotiate on the client's behalf, they had well-founded reasons not to do so and instead strategized with clients about what to say, modeled conversations and listened in or spoke with creditors with clients present.

[21] See Prosperity Now's Human Insights Toolkit for additional detail on journey mapping. https://prosperitynow.org/human-insights-tools-discover. Partner coaching journey maps are in Appendix 1.

The third site, also over-delivering against what is commonly understood to be the key activities of financial coaching, was interested in learning more about what it might look like to provide this negotiation support.

3. **The idea of creating a new separate role seemed to constrain expertise and raised potential programmatic risks.** Resource constraints, turnover concerns and heavy workloads meant staff felt that a separate specialist role would isolate technical expertise while also exposing their programs to risk if that one staff member were to depart.
4. **Staff indicated that despite this additional expertise, compensation was not equitable, given the demands of these services.** Observation of the competencies employed by partner staff serving Black/African American clients with debt and past-due bills made clear that their expertise largely exceeded the scope of financial coaching, that they carried significant caseloads and that – despite their expertise – they noted their compensation mirrored the financial coaching sector. They worried that being asked to do more without equitable compensation would lead to higher attrition among coaches.
5. **Despite Black/African American community members' high participation rates in financial coaching programs and disparately negative experiences with many types of debt, centering a project on the needs of this racial group client base was not out-of-the-gate intuitive to our research team and many of our project partners.** For some, it was unclear why the project focused on Black/African American clients who had been here for generations instead of the larger Black/African American demographic, which includes many Afro-Caribbean clients served by two of the partners.
6. **Financial coaching focuses on individual behavior change, but racial economic inequity has institutional, systemic and structural causes.** While the intention of the project design was to ensure that the preferences of those most affected by challenging debt and past-due bills were centered in programs, services and product explorations and testing, our focus on solutions targeted at changing individual-level behavior, mindset and habits has the potential to reinforce problematic narratives and limit the range of potential solutions considered.

Importantly, even though the initial program design proposed in *Overdue* was rooted in research based on Black/African American community expectations and needs, working with financial coaches and counselors, and reviewing client data, it provided an opportunity for our multi-stakeholder collaboration to further refine the pilot to align with the expertise of those closest to the problem: coaching staff informed by the socioeconomic reality and needs of clients.

The Updated Design

Through a three-day design sprint between Prosperity Now and the partners, gaps in the planned pilot were identified, which initiated a pivot in the design and resulted in a stronger, co-developed pilot design. This updated design included the following new elements:

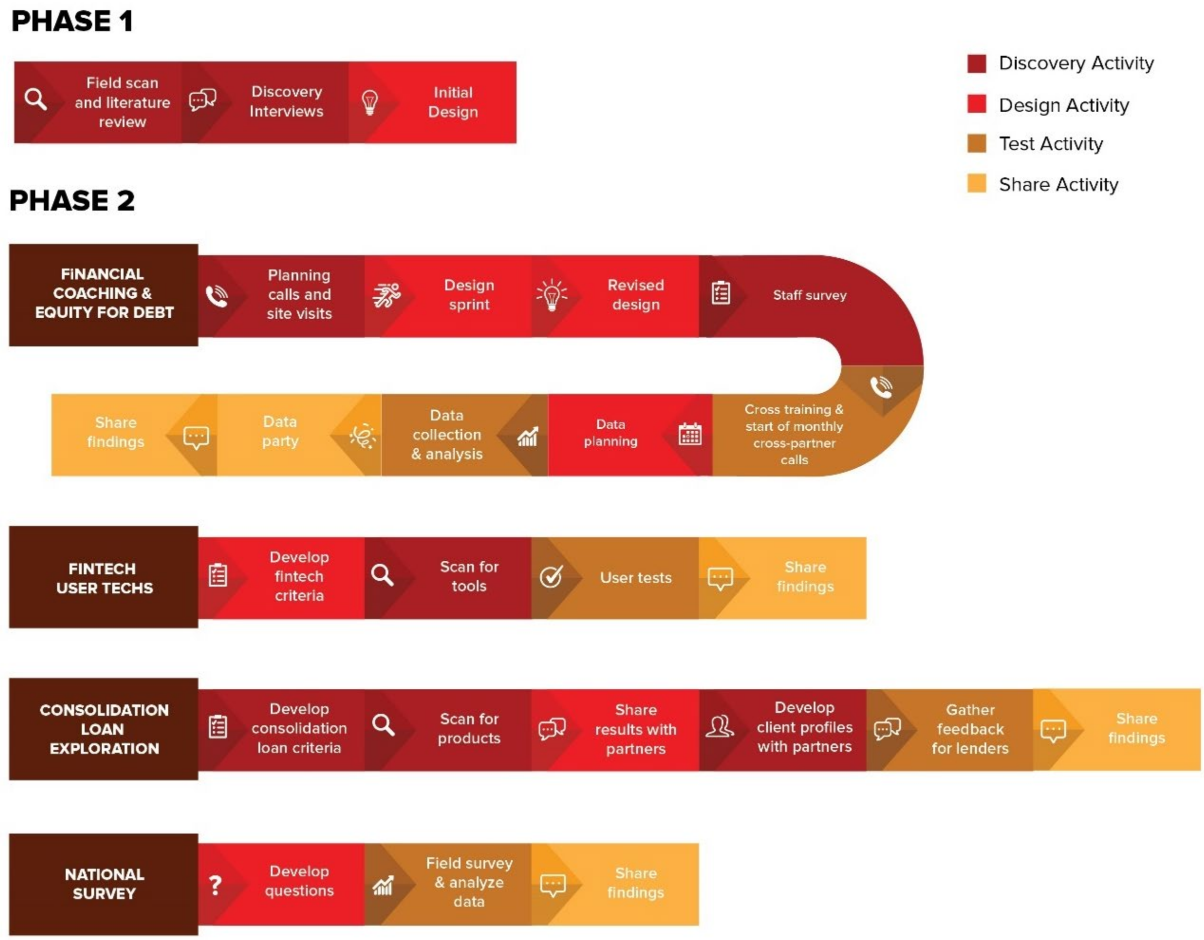
1. **Support the development and delivery of cross-training and resources for coaches to tap into each other's wisdom on how to provide debt, past-due bill and consumer rights support within**

financial coaching. Partners initiated and designed trainings that included tools, resources and approaches they each developed to better serve clients. The integration of this cross-training series was a necessary step. By creating space for established practitioners to demonstrate their expertise in providing debt negotiation and consumer protection services, exchange perspectives to increase each other's understanding of the breadth and depth of supports possible, and distill their practices into insights to share with the field, this design became strengths based.

2. **Document the programs, identify and delineate what is core to financial coaching and what is "above and beyond" as it relates to helping clients address debt and past-due bills.** Taking a strengths-based approach to human-centered design, we documented the full range of support provided by the partners' coaching programs to address debt and past-due bills, including what was being "asked" of coaching by the socioeconomic reality of the target audience. This effort drew from the client journey maps, cross-trainings and resource exchanges, as well as an extensive data collection process, and culminated in this report, which holds promise for the nascent field of debt coaching for low- and moderate-income clients.
3. **Identify the limits of financial coaching to address debt and past-due bills for Black/African American community members.** Critical analysis of the socioeconomic reality of clients and the larger target audience and guidance from the Racial Wealth Divide Initiative Team helped all those involved in the project to deepen their understanding of the causes and consequences of disparities. We also began to better understand the possibilities offered by data to shape programs, vet products and strategically engage systems in response while seeking partnerships to address some of the root causes of these issues. This process of identifying the potential and limitations of coaching occurred during monthly cross-partner calls. It also began to influence other project components, including the fintech user tests and consolidation loan exploration.
4. **Work with the partners to explore the nuances of "Black or African American" as a demographic category.** This included reviewing existing approaches to data disaggregation in other sectors, such as education and health care, to identify options that the partners might use to learn more about the clients participating in their coaching programs and to see if there are programmatically relevant similarities and differences in their financial situations.

The updated design retained the identification and testing of fintech to learn if existing products might complement financial coaching to support clients in debt management or repayment strategies. The design also proceeded with an exploration of debt consolidation loans. In keeping with the initial design, we also fielded a national survey to gain additional insights into the scalability and replicability of the new project design components, by learning from a national sample of similarly situated Black/African American people – more broadly – what is needed to address challenging debt and past-due bills. Figure 4 shows how this updated design sequenced into the project's activities.

Figure 4: Steps in the Project including the Updated Design



Deeper Dive into Financial Coaching & What We Learned

Below, we describe how the field commonly defines financial coaching and share our partners' perspectives on the services and their models. Commentary on the usefulness of the financial coaching framework as a pathway of providing debt negotiation and consumer rights supports to low- and moderate-income Black/African Americans is interwoven.

What is Financial Coaching?

Prosperity Now's Savings and Financial Capability Financial Coaching Program Design Guide formed the basis for this project's understanding of financial coaching and resonated with our coaching partners.

Financial coaching is situated within the general coaching field, supporting individuals in pursuing self-defined goals. The principal tenet is that people should have ownership over their decisions, so they are more likely to stay motivated, act and achieve their goals. Financial coaching supports participants specifically in achieving financial goals, guiding participants to articulate the steps needed to strengthen their willpower and ultimately develop new skills to take greater control of their personal finances. Like other forms of coaching, financial coaching is defined in a variety of ways but is premised on the fundamental principle of coaching—collaboration between participants who are unique directors of change and coaches who facilitate participants' growth.[22]

While there is variation from program to program, financial coaching typically centers on the following core activities, with other activities dependent on organizational priorities and program and staff capacity:

- Build a relationship with a client;
- Discuss client's values and priorities;
- Help client form realistic goals;
- Develop action plans;
- Identify resources, tools and services;
- Make referrals, as needed;
- Discuss spending, saving, credit, protecting assets and maximizing income; and
- Monitor client progress

Over the last 15 years or so, financial coaching programs have emerged across the country, particularly at social services and nonprofit organizations. Often, the organizations who are providing financial coaching are also offering other kinds of services, such as workforce development, Legal Aid and Head Start. In many instances, these organizations also provide other financial capability services such as financial counseling, credit counseling, financial education and free tax preparation services. The reason for this is two-fold:

1. Financial coaching is seen as most impactful when it is integrated[23] into another service or program.
2. Financial coaching is recognized as an important but insufficient stand-alone service in supporting clients in managing or mitigating major financial challenges, such as high debt loads, living costs and unemployment or underemployment.

As such, financial coaching is widely offered as part of another service or suite of services. For more detail about financial coaches' background and training, see Appendix 2.

[22] University of Wisconsin-Extension, "What is Financial Coaching?" Financial Coaching Strategies. https://fyi.uwex.edu/financialcoaching/what-is-coaching/.
[23] Prosperity Now defines "integration" as "incorporating financial capability discussions, resources and tools directly into other existing program services rather than having a stand-alone program."

Although financial coaching is often looked at to support people in overcoming their financial challenges and achieving their financial goals, it is important to recognize a couple of assumptions that undergird this service:

1. Financial coaching is most often provided as a one-on-one service and, therefore, centers individualism and reinforces how the individual is responsible for change.
2. Financial coaching emphasizes the notion of "readiness"—some people are "coach" ready while others need to manage a crisis first—so it may not reach participants who are most in need of support and resources.
3. Financial coaching prioritizes focus on behavior change through encouragement and motivation, not resource access, and therefore cannot support participants in navigating or dismantling structural barriers.

Awareness of Financial Coaching: Insights from the National Survey

A little over 40% of Black/African American community members with one or more challenging debts said they had heard of financial coaching.

Practitioner Perspectives on Financial Coaching

While perspectives varied, many of the partner coaches recognized the power of offering financial coaching and financial counseling to clients as a service to help them as they work to address debt and past-due bill challenges. They shared examples of how their work had made a difference in the lives of clients. In observing the coaches during sessions with clients, the Prosperity Now team noted the strengths of the coaches in building rapport and quickly understanding each client's core financial challenge or opportunity. The team also saw the skill the coaches brought to the table in helping clients define the problem and take action.

Strengths of Financial Coaching

As our partner organizations reflected on the strengths of financial coaching, they shared that financial coaching has the potential to support clients on a journey of knowledge and healing. At its best, it helps people tap into their own potential while helping them access available resources. There are also opportunities to disrupt the emphasis on the individual by affirming that many people in the community share their struggles as well as their dreams. Coaches can provide care, empathy and relatability, helping clients to see attainable pathways toward realizing their goals.

Despite many successes in delivering coaching support, when asked in the staff survey how effective they – as individual coaches – feel in supporting U.S. descendant Black/African American clients in addressing debt and past-due bills, most reported feeling “somewhat” to “very effective.” While no coach reported feeling “extremely effective,” one coach from Restoration shared the thinking behind this assessment, saying, *“Outcomes are relatively consistent across counselors and across the city, so…outcomes may have more to do with the real socio-economic conditions clients are facing than the ‘effectiveness’ of the service.”* Another shared that underlying challenges with housing, health and hunger limited their effectiveness in helping these clients address debt and past-due bills.

Familiar with their clients’ numbers and narratives, partners see the people they work with as creative, resourceful and whole. Across the sites, the coaches we worked with shared that they see their clients as people possessing the potential to leverage their personal assets, if given the chance.

In sharing their thinking about the causes of debt and past-due bill challenges, some of the coaches noted individual knowledge and behaviors. Others thought that these issues arise not from individual-level decisions but from structural and systemic inequities. They noted that low-paying jobs, redlining and housing policies that result in unequal assets and inherited wealth, a failed education system and lack of community resources are behind many of the debt and past-due bill issues faced by their clients.

Challenges of financial coaching

When asked how effective the support currently available through their organizations is to the U.S. descendant Black/African American client in addressing debt and past-due bills, most said it was only “somewhat effective.” The partner staff also noted the limitations of coaching, given our country's history and present norms that have created and reinforced racial economic inequality. They said that access to knowledge and resources is not evenly distributed, and addressing the systemic issues is not necessarily at the forefront of policy agendas. At a programmatic level, too much work with not enough training, recognition of what it takes, or compensation, plus the toll of working with clients in financial crisis, means that un- and under-resourced coaches experience feelings of burnout.[24]

Compensation may be a major barrier to providing debt negotiation support through financial coaching. Preliminary data from a separate survey of financial coaches and counselors through Prosperity Now’s financial coaching network indicates that many financial coaches and counselors earn between $40,000 and $60,000 a year, which falls in line with average pay for this position on job posting websites like ZipRecruiter, Glassdoor or Payscale.[25] Furthermore, there are early indications that there may be a pay gap between Black/African American and White coaches and counselors. These results are unpublished and preliminary, and it’s difficult to draw conclusions because the comparison groups are small. But this information aligns with what the partners anticipated and raised concerns about.

[24] Notes from Partner Design Sprint discussion. March 15, 2019.
[25] “Financial Coach Salary,” ZipRecruiter, accessed April 6, 2020, https://www.ziprecruiter.com/Salaries/Financial-Coach-Salary; “Financial Coach Salaries,” Glassdoor, accessed April 6, 2020, https://www.glassdoor.com/Salaries/financial-coach-salary-SRCH_KO0,15.htm; “Average Financial Coach Salary,” Payscale, accessed April 6, 2020: https://www.payscale.com/research/US/Job=Financial_Coach/Salary.

Given the socioeconomic reality of Black/African American clients, and the structural cause of racial economic inequity – even for clients "doing everything right," including attaining an education, owning a home, starting a business and having a strong credit score – it is easy to see why an individualized approach to a systemic problem could contribute to burnout in coaches.

Partner Core Models for Providing Financial Coaching Services

Prosperity Now staff observed, interviewed and surveyed coaches at our partner sites and documented their programs through journey maps. These sources affirmed that each site provides the core financial coaching services listed above. However, each site has a very different model in place for delivering coaching services.

Urban League of Broward County most closely adheres to the core coaching activities but embeds them in a workforce program. Restoration and Bon Secours provide on-demand counseling support to clients in crisis using a coaching approach, depending on their assessment of the client's needs. Additionally, Bon Secours often integrates coaching into other agency programs but at various levels of breadth and depth, depending on available resources.

Table 3: Partner Coaching Models

PROGRAM 	**Urban League of Broward County's Model:** Financial coaching is built on three structured coaching sessions focused on goal setting, budgeting and credit. However, financial coaching and follow-up does not conclude after the initial sessions. Financial coaches continue to follow up monthly with clients while they work to achieve their established financial and employment goals.
ON-DEMAND 	**Bedford Stuyvesant Restoration Corporation's Model:** Financial counseling sessions offered on demand to help residents manage credit, reduce debt, increase savings and access critical banking services. Participants often arrive in financial distress, seeking immediate support to resolve critical issues. Individual clients may choose to return, developing a coaching relationship, depending on their goals. As part of the City of New York's Financial Empowerment Center, the program taps into additional training and resources through the Cities for Financial Empowerment Fund.

BOTH

Bon Secours Community Works Model: Financial coaching is offered to community members through individual sessions as requested or through group coaching and financial education sessions integrated into workforce programming. The financial situations of clients vary widely, with some new to building credit, others arriving in deep financial distress and still others with some stability seeking to become homeowners or reach other goals.

For a detailed look at each partner's core program model, see Appendix 1: Partner Coaching Models.

Archetypical Debt Coaching Session

While each partner structures its programs differently, we noticed there was a common flow of activities through their engagement with clients with debt and past-due bill challenges. Capturing these key activities reveals an archetypical debt coaching experience quite different from what financial coaching typically entails, with greater overlap with credit counseling services.

Figure 5 shows the progression from outreach and intake into the coaching session(s), continuing to follow-up sessions and check-in at three or six months, depending on the program. In some cases, the coaching session activities are compressed into one session, depending on a client's need. In others, these activities might take place over longer time periods.

For clients with pressing debt or past-due bill issues, the coach's ability to help clients act on items from their credit report and their familiarity and facility with supporting the review of options to address debt is paramount.

Figure 5. Archetypical Coaching Experience for Clients with Debt and/or Past-due Bills

OUTREACH

1. Coaches conduct internal and external outreach (including workshops)
2. Coaches follow up with potential clients
3. Coaches screen for eligibility, if needed

INTAKE

1. Capture demographic, financial and contact information to establish file
2. Request authorization to pull credit report
3. Administer baseline survey
4. Schedule earned benefits screening, if interested

COACHING SESSION(S)

1. Ascertain goal of the client
2. If acute concern, discuss and review issue immediately
3. Orient to financial coaching
4. Complete client budget, observe recall, determine cash flow and discuss result
5. Suggest spending diary, if needed
6. Review options to address debt as connected to goals
7. Encourage client to identify expense reductions, if needed
8. Review options to address debt as connected to goals
9. Develop action plan with goals and steps
10. Coach client to speak with creditors, if needed
11. Work with client on dispute letters, if needed
12. Refer client to other services, if needed
13. Schedule next appointment, if needed

FOLLOW-UP SESSIONS

1. Reconnect with client
2. Follow up on action items and referral
3. Continue work started in first session, if needed
4. Review the budget and spending diary, if needed
5. Listen for changes to goals
6. If not previously discussed, ask about savings

3 OR 6 MONTHS

1. Recontact client
2. Administer follow-up survey/assess outcomes

Limitations of Financial Coaching

Given that financial coaching prioritizes the notion of “readiness,” coaching programs may not elect to enroll clients with severe past-due bills and debt challenges. Also, since many in the field believe that coaches do not need financial expertise, coaches typically approach clients with past-due bills and debt in limited ways. When encountering clients with past-due bills, financial coaches may support them in developing and refining their household budget to assess where they can save in order to become current on their bills. Coaches may also connect clients to rental or utility assistance programs to access the funds necessary to pay their bills. Although these can be useful tactics, they are often band-aid solutions for much larger, more complex barriers such as under- or unemployment, low incomes, unreasonably high costs of living and competing financial responsibilities.

Like past-due bills, the approach a typical financial coaching organization can take to addressing debt challenges is also often limited. Financial coaching programs can support the client in developing a budget and pulling their credit report to help the client understand their financial liabilities, what is on the credit report and their overall debt loads. However, if the client needs further support, coaches are most likely to refer the client to a credit counseling or debt management agency. As financial coaching is currently broadly defined and resourced, it is limited in how much support it can offer clients with past-due bills and debt challenges and therefore must rely heavily on referrals and partnerships to ensure that clients receive the services they need.[26] If financial coaching is to meet clients with past-due bills and debt challenges where they are, this project has revealed that it must revisit how the issue is understood, how coaching is defined, how coaches are trained, the tools coaches develop and deploy, and how coaching programs are resourced and evaluated.

[26] "Implementing financial coaching: Implications for practitioners," CFPB, October 2016, https://files.consumerfinance.gov/f/documents/102016_cfpb_Implementing_Financial_Coaching_Implications_for_Practitioners.pdf

Section 4: Test

We explore whether the solution(s) envisioned in design are potentially appealing and easy to use

As the partners affirmed that the type of financial coaching or counseling they provided already included or could include the originally envisioned debt negotiation and consumer rights supports, we reimagined the pilot to be a documentation effort that would use shared measures to understand the socioeconomic reality of Black/African American clients with debt and past-due bills, and use this as a lens through which to view services.

This "pilot" would allow us to see the debt and past-due bill related goals set by clients, the activities coaches take to support clients and the early steps clients take as they work to achieve their goals. This section describes those activities, the data collection process and the results, alongside partner perspectives on the value of this testing phase.

National Survey Insight

Survey respondents were asked to review the concept of nonprofit financial coaching organizations providing debt negotiation and consumer rights support. Among those with one or more challenging debt or past-due bill types, many found the service appealing. 49.1% said it was "extremely appealing" and 36.5% said it was "somewhat appealing." When asked to comment about what they liked about the service, many said the offer of help getting out of debt and the guidance of a coach resonated.

The remainder were neutral or found it unappealing because of concerns about hidden costs, while a few others were unsure the service would make a meaningful difference.

See Appendix 7 for the concept presented in the national survey.

Debt Coaching, Negotiation and Consumer Rights

Based on what we learned from the community members about their expectations for financial coaching and their reactions to the concepts tested through the qualitative interviews in the discovery phase of the project, Prosperity Now distilled a set of activities that were desired by community members but are not generally considered core to financial coaching. These additional "debt negotiation and consumer rights" activities include:

Developing a Plan

1. Review how debt management fits in with client values, priorities and other goals
2. Provide an assessment of a client's capacity to repay debts or past-due bills
3. Guide client through determining an order of repayment (e.g., smallest debt first, highest interest rate first, etc.)
4. Help client understand how their current debt affects their options to acquire credit

Engaging with Lenders, Collectors and Courts

5. Help client avoid unnecessary banking fees
6. Strategize with client and/or model what they need to say to creditors, banks or debt collectors to resolve issues or set up payment plans
7. Speak with creditors or debt collector with the client, if requested
   Guide client on how to navigate the courts/judicial systems to resolve debt issues

Securing Additional Support

8. Refer client to legal aid, nonprofit credit counselors and/or a reputable bankruptcy service

As the partners affirmed that they believed the most effective approach for delivering these supports was through financial coaching, we decided to proceed with an exploration and documentation of this integrated service. It is important to note, as in the archetypical coaching flow, that here again each coach may approach the process distinctly based on how they are interpreting a client's desired goals and their own experience as to what may be an effective approach.

In this section, we share an overview of the pilot data collection process and the high-level client goals set during the collection period. We also describe what it looks like to provide this kind of support through coaching. In the next section, on early client outcomes, we share findings on what initial steps clients were able to take during the collection period.

Data Collection Process

To learn more about how the partner organizations are serving Black/African American clients with debt and past-due bills, Prosperity Now drew from the strengths of each partner's existing data collection approach to capture as full a picture as possible.

During initial site visits, staff led our research team on a data tour of how the coaching team captured demographic and financial information for each client, including employment and housing; race and ethnicity; income, expenses and obligations; amount of debt by type and total debt burden; and credit report information including score, delinquencies and judgements. We also learned how they captured session attendance, goals set by clients and the actions taken by coaches to support them. Finally, we learned about which debt and past-due bill related outcome each program tracked, including the steps taken by clients, goals achieved and financial outcomes such as a reduction in adverse accounts, credit score increases and debt reduction.

Prosperity Now then suggested a pilot data collection approach that all partners would implement for three months. The approach to collecting financial information was drawn from Bon Secours, while the approach to capturing client goals and steps was inspired by Restoration. We collected only a limited amount of data on client outcomes given the short collection period. Each partner also added a new question to disaggregate the racial category of “Black/African American” to learn more about their specific clientele. Detailed disaggregation questions can be found in Appendix 8.

Results

Client Financial Situations

Beginning in October 2019, the partners captured detailed financial information on 118 new clients to learn more about the profiles and situations of those served. Importantly, the partners noted that fewer clients typically start in the fall. Despite this limitation, the data provide an opportunity to learn more.

As seen in Table 4, with integrated workforce programming, Bon Secours Community Works and Urban League of Broward County served many clients who started coaching while unemployed. All partners also noted that many full-time employed clients are underemployed. Most clients are entering the coaching programs with low monthly incomes, from $1,232 in Baltimore, MD, to $2,000 in Brooklyn, NY. Factoring monthly expenses leaves roughly 25% of clients with a monthly surplus in their budgets, which limits debt repayment on the median debt of $4,892.43 of clients served at Bon Secours to $19,016 at the median among those served at Restoration.

Table 4: Client Background, by Partner

	Restoration	Bon Secours	Urban League
	Counts/median/25 to 75 percentile range	Counts/median/25 to 75 percentile range	Counts/median/25 to 75 percentile range
Total Client Observations	75	23	20
	CLIENT EMPLOYMENT CHARACTERISTICS		
Full-Time	28	9	12
Part-Time	10	3	0
Unemployed	10	10	8
	CLIENT INCOME AND EXPENSES		
Monthly Income	Median: $2,000.00 Range: $1,200.00 /$2,800.00	Median: $1,232.33 Range: $886.75 / $2,680.00	Median: $1,908.34 Range: $1,904.17 / $4,054.00
Monthly Expenses	Median: $2,065.00 Range: $1,432.25 / $3,176.00	Median: $1,147.00 Range: $832.50 / $2,247.50	Median: $1,618.50 Range: $1,783.75 / $3,075.00
	NUMBER OF CLIENTS WITH SURPLUS OR DEFICIT BUDGET		
Monthly Surplus	12	11	6
Roughly Even	3	4	5
Monthly Deficit	35	8	7
	CLIENT DEBT		
Total Debt	Median: $19,016.00 Range: $10,208.00 / $44,426.00	Median: $4,892.43 Range: $2,541.75 / $10,844.00	Median: $13,625.21 Range: $7,509.25 / $78,385.00
Own Home	7	0	5
Credit Score	Median: 608 (TransUnion)	Median: 593 (Equifax)	Median: 566 (TransUnion, Equifax and Experian)

Debt Negotiation and Consumer Rights Activities

During the pilot collection period, the financial coaches and counselors tracked their own activities related to supporting clients with debt and past-due bills to better understand how frequently these services were being provided.

As seen in Table 5, the most frequent activities are related to understanding a client's goal as well as their capacity to manage obligations. This is unsurprising as most coaching begins with understanding client goals and completing a budget.

Importantly, coaches noted that they had supported nearly 30% of their clients to interface with creditors. Our prior research indicated that this was an important component desired by many community members who had experienced or anticipated a power imbalance between themselves and lenders. The support to complete this step as well as to navigate the courts/judicial systems can be quite intensive and complicated, so the frequency at which it was reportedly provided is noteworthy.

During the collection period, only a few coaches noted supporting clients to avoid unnecessary bank fees. This may be a space where additional focus by the partners and the field might generate benefits for clients, as many in the target audience previously reported overdrafts and unexpected fees from their banks.

In Appendix 3: Debt Negotiation and Consumer Rights Activities, we share in-depth descriptions of these activities along with some of the best tips and tools used by the partners. If you are a practitioner, please do not overlook this Appendix 3, as it includes meaningful programmatic detail.

Table 5: Debt Negotiation and Consumer Rights Project Activities

Activities	% of Clients	# of Clients
Review how debt management fits in with client values, priorities and other goals	62%	73
Provide an assessment of a client's capacity to repay debts or past-due bills	62%	73
Help clients understand how their current debt affects their options to acquire credit	52%	61
Strategize with client and/or model what they need to say to creditors, banks or debt collectors to resolve issues or set up payment plans	36%	42
Guide client through determining an order of repayment (e.g., smallest debt first, highest interest rate first, etc.)	31%	36
Refer consumers legal aid, nonprofit credit counselors, and/or a reputable bankruptcy service	18%	21
Strategizing with clients on the best debt reduction approach	13%	15
Guide clients on how to navigate the courts/judicial systems to resolve debt issues	9%	11
Other debt-related activity	35%	41

For more detailed findings for the debt negotiation and consumer protection activities, see Appendix 3.

Client Goals

During the pilot collection period, the financial coaches and counselors tracked clients' debt and past-due bill related goals to better understand what predominantly Black/African American clients were hoping to achieve through financial coaching. 89% of clients served by all three partners during the pilot data collection had debt or past-due bills. As seen in Table 6, the most frequently set goal was to improve the credit score, followed by reducing or managing debt and increasing income. [27] As these goals are often intertwined, our team and partners were struck by how central these types of supports are to their program's coaching approaches.

During the collection period, some of the goals were set by few to no clients. In debriefing the process and results with partner staff, we learned that some coaches tend to focus on working with clients on one goal at a time, while others prefer to identify a wider set of goals at the outset of the coaching relationship. For a closer look at the client goals and steps, see Appendix 6.

There was also space on the data collection form to capture other goals, such as saving or homeownership, that were out of the scope of the project but were important for coaches to capture in order to make the form useable. Those are recorded but not detailed further. Given the importance of asset acquisition to financial stability and prosperity, a deeper exploration into how these activities support these financial goals is suggested.

[27] Goals set at the initial appointment and during the limited collection period may not be representative of all clients. For example, Restoration staff noted that they typically see around 70% of clients set a goal to improve their credit score.

TABLE 6: Project-Related Goals Set by Clients, by Partner

	Restoration (n=52)		Bon Secours (n=23)		Urban League (n=14)		Total # Set Goal	Total % Set Goal (n=76)
Goals	**Count**	**%**	**Count**	**%**	**Count**	**%**	**Count**	**%**
Improve credit score	14	27%	9	39%	11	78%	34	45%
Reduce or manage debt	12	23%	8	35%	4	28%	24	32%
Increase income/workforce development	4	8%	0	0%	10	71%	14	18%
Dispute inaccuracies on credit report	0	0%	1	4%	3	21%	4	5%
Transition to a more affordable bank account	0	0%	2	9%	0	0%	2	3%
Determine if bankruptcy is the right option	0	0%	1	4%	0	0%	1	2%
Deal with wage garnishment or tax refund interception	0	0%	1	4%	0	0%	1	2%
Prevent identify theft	0	0%	0	0%	0	0%	0	0%
Other	20	38%	0	0%	11	78%	31	41%

Early Client Steps

As Prosperity Now examined clients' steps across the three sites, we saw that clients typically took steps around the most common goals set, which were improving credit, increasing income and reducing or managing debt. Ten clients took at least one documented step to achieve the goal of improving their credit. Sixteen clients took at least one step to increase their income, and six clients took at least one step in reducing or managing debt.

Examples of steps taken to improve credit included gathering credit reports and verifying the information, a process that is often done with the help of a financial coach. Under reducing or managing debt, one of the first steps that coaches and clients take together is creating a budget, which includes a review of a client's income, expenses and debts.

At Restoration, for example, coaches use the debt calculator to review a client's debt-to-income ratio.[28] The calculator shows how much money the client is paying in interest if they are making minimum payments. Coaches report this information is motivating and helps clients understand the full cost of credit. Coaches and clients create a manageable payment plan together that the client agrees to adhere to in order to reduce their debt balances. This is typically the first step clients take under the reducing debt goal, but clients also make calls to creditors to reduce fees and call collection agencies and settlement companies to negotiate, sometimes with the help of a financial coach.

Figure 6: Debt Reduction Calculator

Balance Date: 3/13/2020

Creditor Information Table

Row	Creditor	Balance	Rate	Payment	Custom	*Interest-only*
1	Credit Card	3,500.00	17.00%	100.00		49.59
2	Auto Loan	15,000.00	6.00%	200.00		75.00
3	Student Loan	50,000.00	5.60%	200.00		233.34
4						-
5						-
6						-
7						-
8						-
9						-
10						-
Totals:		68,500.00		500.00		

Monthly Payment	**1,000.00**
Initial Snowball	**500.00**
Strategy:	Snowball (Lowest Balance First) ← Choose a strategy

[28] Bedford Stuyvesant Restoration Corporation. Debt Reduction Calculator. 01-08-2018.

Initial Outcomes

Although three months is still relatively early to observe initial outcomes, we note that 13 clients were able to increase their income, and 38 clients had documented an increase in their credit score during the pilot collection period. Furthermore, 55 reported a decrease in their overall debt.

In their Own Voices

> "[The project] has definitely been insightful for us. To better define how to do what we're doing. Helped us to streamline to get to where families are trying to get to. Helpful for them to have an action plan when they come and see you. The story that comes out of the data can help with funding and what we're trying to do."
>
> **ALTHEA SAUNDER-RANNIAR, BON SECOUR COMMUNITY WORKS**

> "Feel like the mantra is about the story of the data. Took some time to get there. Pulling it all together. Culmination is this data."
>
> **MOLLY ORNATI, RESTORATION**

> "Knowing who we serve and having all the data to look at it to better understand why they're having those challenges. Working more to fill those gaps."
>
> **VANESSA HILL, URBAN LEAGUE OF BROWARD COUNTY**

Section 5: Share & Reflect

We share what we learned about providing support to Black/African American members with debt and past-due bills in the context of racial economic equity

In this section, we share key takeaways, which represent high-level reflections from our team as we consider the work of financial coaches serving low- and moderate-income Black/African American clients with debt and past-due bills. We also consider the potential for providing these supports at scale for the majority who are facing debt challenges, while also proposing additional ways forward like debt forgiveness. Finally, we share conclusions and recommendations for where the field might head next.

These takeaways represent our best answers to the design challenge of "How might we support African American/Black community members in optimizing their debt management strategies so that debt doesn't stand in the way of their greater financial goals?"

Key Takeaways

1. Blackness is not a monolith, and each client's experience will be informed by a multitude of factors, including their individual, family and past generations' experiences within public and private sectors, systems and structures. Recognizing this opens opportunities to design and refine programs that address the barriers beyond the knowledge and behaviors of individuals.
2. Ongoing and direct investment of capital and income and debt forgiveness would go a long way in reversing the consequences of structural disinvestment and predation that drives racial economic and wealth inequality at the individual, family, community and community institution level.
3. Racial disparities in experiences with debt and past-due bills created by structures, systems and institutions are unlikely to be substantively changed through financial coaching or counseling. However, these disparities result in real challenges for affected community members, which individual-level services can help clients navigate and negotiate if tailored to do so.
4. The community-based organizations offering financial coaching to predominately Black/African American clients have expanded the commonly-held definition of financial coaching by providing complex and intensive supports drawing on counseling and financial education techniques and pivoting them to mitigate root causes as well as individual-level consequences.
5. Due to the role of fees in driving debt, empowering financial coaching clients to evaluate their relationships with financial institutions may be a space where additional focus might generate benefits for many low- and moderate-income Black/African American community members.
6. Community-based organizations, with unique practices, models and approaches to solving racial economic inequality, and their staff must have their skill, knowledge and competencies validated and valorized through fair compensation and additional revenue models, such as strategic partnerships, impact philanthropy and fee-for-service opportunities.

7. Community-based organizations are uniquely situated to use their anonymized client-level data to codify programs and services as a step to creating new partnerships and relationships with multi-sector stakeholders to operationalize diversity, inclusion and equity initiatives for social impact.
8. Operationalizing equity through practice requires leveraging individual and community-level statistics, stories, strengths and solutions for systems change.

Potential for Scale

Many Black/African American people are struggling with debt or past-due bills, even those with higher incomes. With nearly 9 out of 10 in the national survey reporting at least one of their debts is a financial challenge and the high percentage of delinquent debt held by community members in the partners' regions, it seems clear that there is a huge need for financial coaching with the debt negotiation and consumer rights supports our partners offer. However, as each organization has the capacity to serve between a few hundred to a few thousand clients per year, the need far outstrips the supply of programmatic support available.

The good news is that this project confirmed that it is possible for financial coaching programs to deliver on the expectations of those most disparately impacted by debt and past-due bills. The project also confirmed that organizations closest to the problem are often already innovating the solutions their communities need. To ensure empowerment, programs need to continue to shift from blaming the victim of disparities for the outcomes they experience, to using insights learned from individuals to go upstream to generate system level solutions. This project affirmed that Black/African American-led community-based organizations use financial coaching in a new way that encompasses a far broader range of supports and a much deeper expectation of expertise than commonly understood.

The bad news is that the complexity is such that finding and training socioeconomically attuned financial coaches outside of communities of interest at the scale needed is proving to be a tall order. However, our exploration found that this challenge can be overcome by hiring people from the community who are culturally representative and providing the appropriate training to address the full spectrum of issues limiting their clients' ability to reach their financial goals.

Furthermore, since differences in experience with debt between racial or ethnic groups cannot be attributed to individual knowledge or behaviors, financial coaching is limited in how much of a dent it can make in reducing disparities through individual-level service provision unless the programs and services it offers have been tailored to also address structural causes. However, in addition to providing much-needed support to those most impacted, financial coaching can illuminate the structural barriers impacting clients so that they can be addressed by practitioners and other actors in the system, over time reducing the number of clients needing services and the severity of issues affecting clients.

Our partners and others serving similarly situated groups have an important role to play in getting to the root causes of the debt and past-due bill issues affecting all low- and moderate-income communities. Given their demonstrated proficiency in using financial coaching for debt negotiation and consumer protection, compensation must be commensurate with the level of competency and expertise.

Our exploration also made clear that the field lacks impact evaluations to understand if financial coaching leads to better outcomes for this client base, who also disproportionately use the service. With such wide-ranging definitions of what activities are central to financial coaching and what is going "above and beyond," it remains difficult to determine the potential for scale, and for whom.

Understanding the Call for Debt Forgiveness: Insights from the National Survey

In qualitative interviews with Black/African American community members with debt in the discovery phase of this project, some interviewees shared that they believed their debt could only be resolved through some type of forgiveness. In order to better understand how many Black/African American people with debt might be experiencing hardship and benefit from some form of debt forgiveness, Prosperity Now included a set of questions in the national survey to learn more.

Of the 510 Black/African American people with debt surveyed, 88.6% said that one or more of their debts was challenging. Of these community members, all but 12.2% said they had experienced one or more of the following hardships in the past 12 months:

- 62.8% said they had skipped paying a bill or paid a bill late
- 38.3% said they could not afford the type or amount of food they needed
- 34.5% said they had skipped essential medical care
- 33.8% said they had over-drafted their bank account, used a payday lender, auto title lender or pawn shop
- 26.3% said they had not paid their rent or mortgage in full

They were then asked if they would be able to meet their basic needs if required to make full and on-time payments on all debts and past-due bills**. 48.7% of respondents with one or more challenging debt types said that they would not be able to meet their basic needs, and 15.7% said they were unsure.**

If a survey respondent reported experiencing at least one of the above hardships or reported that making full and on-time payments would affect their ability to meet basic needs, then they were presented with the following information:

> Based on your responses to the previous questions, you may be facing undue hardship. Undue hardship is a special circumstance that partially or fully exempts someone from performance of a legal obligation so as to avoid an unreasonable or disproportionate burden or obstacle. Successfully proving undue hardship can result in:
>
> - Complete loan forgiveness; you no longer have to repay debt
> - Partial loan forgiveness; you must repay only a portion of your debt, or
> - Full repayment of your debt, but at a lower interest rate

They were then asked if they thought they would benefit from some type of forgiveness and how likely they would be to pursue this option, if available**. 79.3% of these respondents indicated that they would benefit from loan forgiveness; 14.0% were unsure and 6.7% said they would not benefit.** Furthermore, most (61.2%) said that they would be very likely to pursue loan forgiveness, if available. An important note to these findings is that no information was provided about the steps or processes.

It remains unclear how well undue hardship provisions are understood among financial coaches. For example, anecdotally our partners shared that they believed student loans could not be addressed through bankruptcy. However, recent reporting by National Public Radio and research conducted in 2011 would indicate a greater openness amongst bankruptcy judges to extending forgiveness. NPR story citation: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1894445

Conclusion

Hard work and investment in one's own education and homeownership do not yield the same return on investment for Black/African American people that they do for others. Just as poverty and wealth inequities are predictable across racial lines, all manner of debt, too, concentrates for Black/African Americans, restricting their ability to achieve financial goals.

Through this multi-year project, Prosperity Now and its partners explored the causes, consequences and potential remedies for mitigating racial economic and wealth inequity in debt and past-due bills. After hearing directly from community members that financial coaching, as it is commonly defined, did not meet their expectations, we envisioned a pilot design to incorporate these support into financial coaching and then launch a new complementary debt negotiation and consumer rights service.

As we vetted our initial design with frontline staff and clients, we discovered the coaches in our partner organizations were already working on debt negotiation and consumer protection, each in their own way. Even though the financial coaching field does not usually include these activities, the partners were innovating in response to the needs of their predominately Black/African American clients. We therefore set out to share the wisdom already present in these groups and document these programs including through a coordinated, individual-level data collection effort.

These efforts affirmed that the partners had expanded the commonly-held definition of financial coaching by providing complex and intensive supports. Our data collection effort demonstrates that they often provided assessments of a client's capacity to repay debts or past-due bills, helped the client resolve issues or set up payment plans with creditors, banks and debt collectors and guided the client through determining an order of repayment, amongst other important supports.

By centering Black/African American clients' socioeconomic status, our project partners also learned the power of disaggregated data to inform programs and services while making clear the diversity within "monoliths." For the first time, they were able to see in their own data that Black/African American clients descendant from recent immigrant or refugee groups entered coaching with different incomes, expenses and debt obligations than U.S.-born descendants from enslavement.

Through our partnership with community-based organizations closest to the problems their clients face – often staffed by people with shared lived experiences – financial coaches and counselors were able to share insights and useful practices. They were able to formalize their programs to expand the depth and breadth of financial coaching and counseling.

However, with nearly 9 of 10 Black/African American people with debt reporting that at least one or more of their debts represents a financial challenge, the scale of the challenge currently outstrips community-based organizations' capacity to provide individual level support to all who might benefit. While many of these issues must be resolved through system and policy change, financial coaching can play a role by illuminating the structural barriers impacting clients and triaging crisis. However, to act proactively to reduce the number of clients needing intensive debt support services and the severity of issues affecting clients, we need greater consumer protections, access to more affordable products and services and more well-paying jobs with benefits that help Black/African American people avoid debt challenges in the first place and give them the boosts to work toward other financial goals.

The next steps we envision, but are beyond the scope of the project, are threefold:

1. A longitudinal study should be conducted of the impact, not just the appeal, of financial coaching and counseling programs and services on Black/African American people's ability to achieve and maintain financial stability while working to build prosperity.
2. A national African American Asset Building Coalition – similar to Oweesta, National CAPACD and UnidosUS – should be established to continue to conduct research, design pilots and knit together the thousands of Black/African American-led and serving nonprofits; and
3. Practitioners with proven track-records for centering the socioeconomic reality of Black/African American clients should be supported to step forward as advocates and experts to strategically engage partnerships and institutions to invest in innovation and community.

This multi-phase project lays a foundation and roadmap for ongoing human insights research and program design to identify and develop innovative solutions to address racial economic inequity caused by debt and past-due bills. The lessons learned and promising practices outlined in this report, as well as the methods employed, hold great promise to help the field of financial coaching and counseling innovate. We hope to see increased use of data and research to center the socioeconomic reality of clients and to document and test interventions to improve financial stability and prosperity, as well as to structure programs to measure impact.

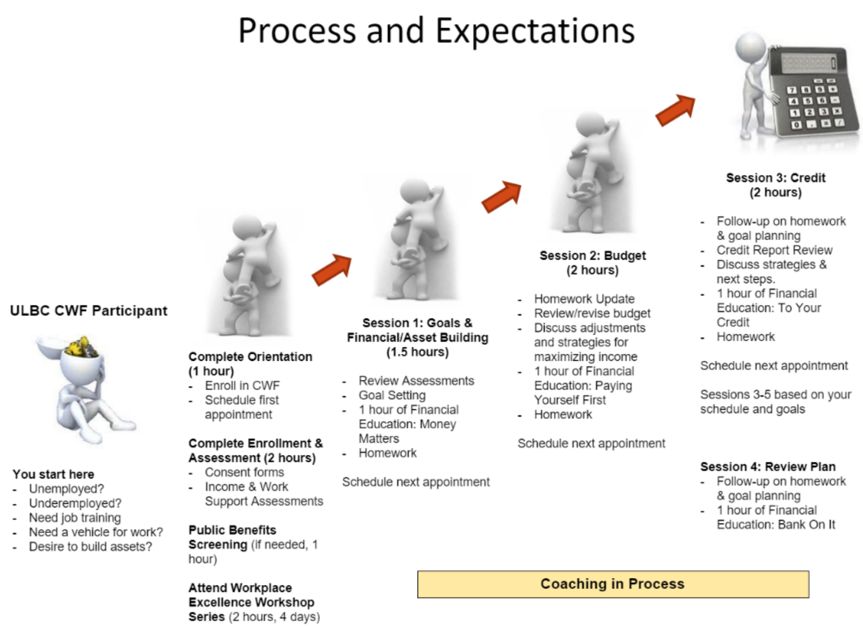
Appendices

Appendix 1: Partner Coaching Models

Urban League of Broward County

Model: Financial coaching is built on three structured coaching sessions focused on goal setting, budgeting and credit. However, financial coaching and follow up does not conclude after the initial sessions. Financial coaches continue to follow up monthly with clients while they work to achieve their established financial and employment goals.

Center for Working Families Program Flow[29]



Outreach and Screening

Over 70% of new clients come through external referrals from other nonprofits, financial institutions or the local 211 hot line. Program staff also attend community events to table and promote the program. Around 30% of new clients come through internal referrals from other Urban League programs. The program is open to any Broward County resident age 16 or over with work authorization. This process had historically been managed by the Intake Specialist, who conducted outreach, screening, orientation and the intake session. During the pilot project, funding pressure led to the elimination of this position,

[29] Urban League of Broward County. CWF Orientation Presentation ppt 07-19-2016.

which meant program staff had to play this role. Funding reductions also impacted the financial assistance for training program.

Orientation

The program hosts bi-monthly orientation sessions at the office so that potential clients can learn more about the benefits and responsibilities of program participation. Interested community members register through Eventbrite. Staff also conduct orientation sessions at two partner organizations that regularly refer sizeable numbers of clients. During the orientation session, the Intake Specialist presents an overview of the Urban League of Broward County and its Center for Working Families.

Intake/Enrollment and Assessment

Interested clients then complete a two-hour individual intake session to complete paperwork, share their reasons for joining the program, decide if they want to participate in a public benefits screening session and register for their workforce and coaching sessions. During the intake session, clients also complete a financial literacy pre-test, and other assessments, and begin to discuss their financial goals.

Coaching Sessions

Two financial coaches provide services through the program. Participants must participate in three coaching sessions before they receive financial assistance for education or vehicle down payment assistance. Each coaching session focuses on a core topic in sequence: goals, budgeting and credit. However, if addressing debt or past-due bills is one of the client's goals or a necessary step to progress toward a goal, coaches then support clients to identify steps and act earlier in the process. Coaches are equipped to pull and review the credit report with clients and have access to a set of customizable dispute letters that clients can use to clear up items on their report.

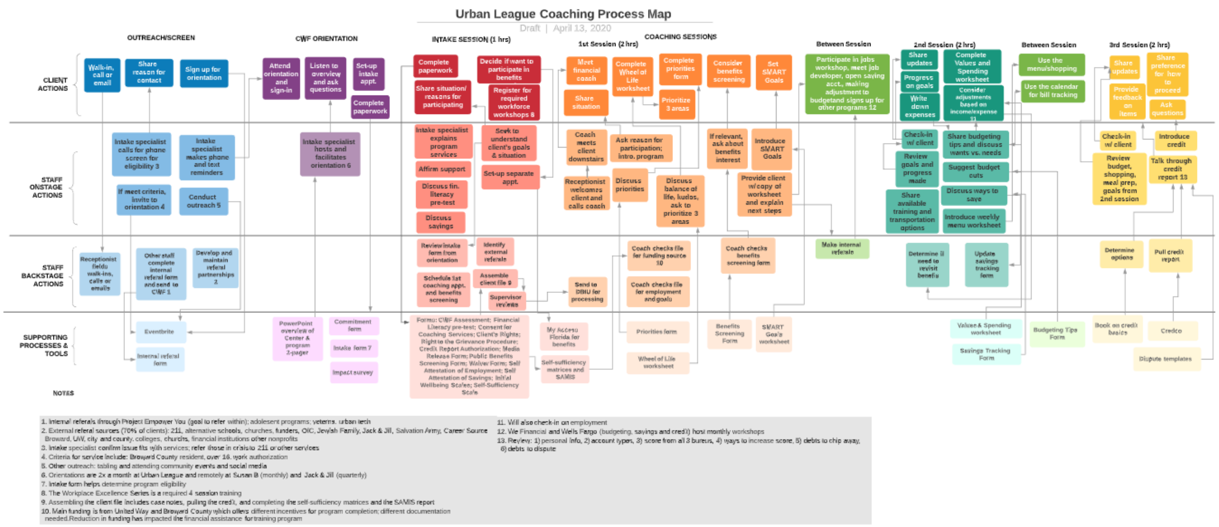
Employment Workshops

Clients also meet with a job developer to focus on their educational and employment goals. Employment workshops are an hour and a half long, and clients are required to complete four sessions. Clients can address unemployment, underemployment as well as other career goals.

Follow-Up

The coaching program officially concludes after three sessions; however, interested clients have the option to schedule additional sessions with their coach in order to follow up on their goals and action plans. Traditionally, coaches have followed up with clients six months post-coaching to check-in on their progress and assess outcomes.

Client Journey Map



Bedford Stuyvesant Restoration Corporation

Restoration's Model:

Financial counseling sessions offered on demand to help residents manage credit, reduce debt, increase savings and access critical banking services. Participants often arrive in financial distress seeking immediate support to resolve critical issues. Counselors schedule a follow-up session so that clients may return to continue receiving support for their financial goals. The program taps into additional training and resources locally as part of the City of New York's Financial Empowerment Center.

Financial Counselor Services Promotional Sheet [30]

Financial Empowerment Center

How We Help

Financial Empowerment Centers offer free one-on-one financial counseling. The service is confidential, and our professional counselors speak multiple languages.

Meet one-on-one with a New York City Financial Empowerment Counselor who can help you:

- Take control of your debt
- Deal with debt collectors
- Improve your credit
- Create a budget
- Open a bank account
- Start an emergency fund
- Save and plan for your future
- And much more

Where We Are

Call 311 or 718-636-6994 for appointment or ask if counselor is available for walk-in

Bedford Stuyvesant Restoration Corporation
1368 Fulton Street, Brooklyn, NY
Monday-Wednesday, Friday: 10am - 6pm
Thursday: 10am - 8pm

Gregory Jackson Center
519 Rockaway Avenue, Brooklyn NY
Thursdays: 10am - 6pm

Outreach and Screening

New clients come in through internal and external referrals. External outreach typically comes in the form of government referral sources, such as mandatory financial counseling required for renter's assistance programs from the State of New York's Human Resources Administration or through referrals from the Cities' Department of Homeless Services case managers who refer clients. Referrals also come through word of mouth from friends and family, as well as from local banks and other local nonprofit organizations. Community members can also learn more about Restoration's services and book appointments by calling the 311 hotline. Appointments can be made by clients online on the Department of Consumer Affairs webpage, by calling the hotline and speaking with a representative, or by calling Restoration directly and speaking with the receptionist.

Intake

There is no formal orientation process in between booking and the first counseling session. Clients can expect to come in for their first appointment and meet with a financial counselor. When clients arrive, they will be greeted by the receptionist and asked to fill out the intake form.

[30] Bedford Stuyvesant Restoration Corporation. Financial Empowerment Center Promotional Sheet. 05-2017.

Counseling Session

During an initial session, a client will share the reason for their visit, and if needed, will review their finances, develop a budget (income, expenses, debt), request a credit report, verify debts and engage creditors, create an action plan and determine next steps, and schedule an appointment or referral. Counselors focus on providing immediate services to the client and typically get going right away in determining a client's needs and issues. For example, it's common for financial counselors to encourage clients dealing with debt issues to call the creditor or settlement company during the session to negotiate a new payment plan. Counselors and clients will develop goals together and determine action steps for the client to take in between sessions. Counselors follow up on action steps and referrals if there is a subsequent session.

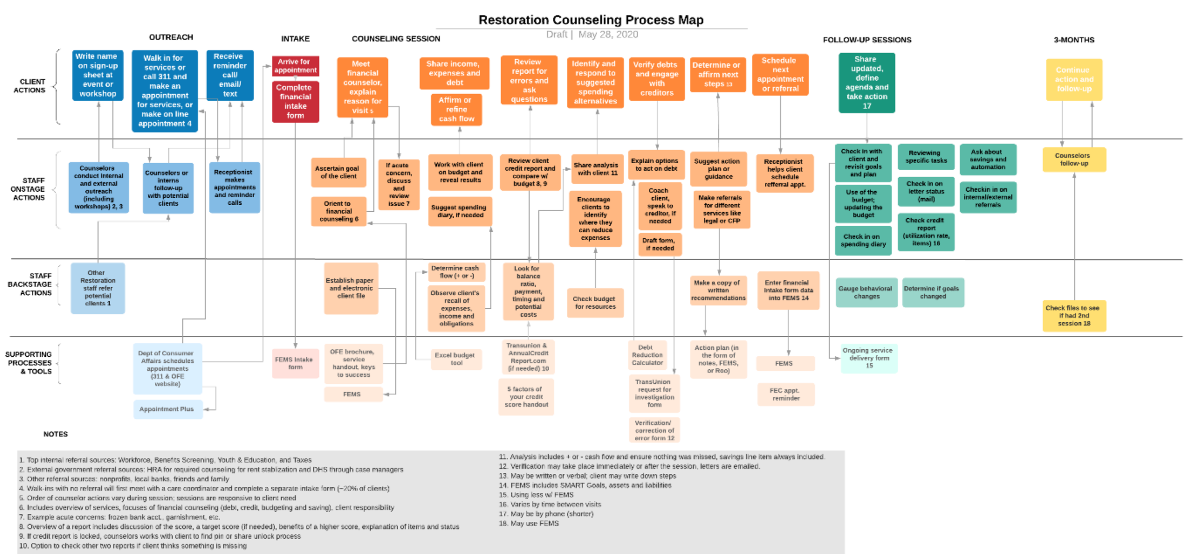
Follow-Up

Restoration reported an approximately 37% retention rate, with 70% of clients coming in for one session. Counselors feel that clients will typically get the results they are looking for after three to four sessions. When clients come in for a follow-up, a counselor will review the client's goals and action steps and review budget or credit report, when necessary. If a client had a specific task, like mailing a lender, the counselor will check on the status and move forward accordingly.

Three Months

After three months, counselors will follow up with clients who only had one session.

Client Journey Map



Bon Secours Community Works

Bon Secours Community Works Model: Financial coaching is offered to individual community members on demand or through group coaching and financial education sessions integrated into workforce programming.

Outreach and Pre-Screening

Bon Secours Community Works financial coaches typically do outreach at community events and workshops. Since it is a part of a larger hospital system, coaches also promote their services through the clinics. Coaches also receive internal referrals from their behavioral health center and employee assistance program. Additionally, financial coaching is a requirement in participating in the program in the certified nursing assistant/geriatric nursing assistant (CNA/GNA) program. External referrals come in through their 211 hotline, local community nonprofits, and local banks and credit unions.

In between scheduling and intake, clients are pre-screened by a financial coach. The coach assesses the client's needs and situation and either proceeds with scheduling an initial intake/one-on-one session or refers the client to the appropriate service. This step is typically done only for those clients who are coming in without already being a part of a program.

In-Person Intake, Orientation and Earned Benefit Screening

During the first session, clients meet with a financial coach to complete intake paperwork and dive into their goals and immediate needs. Coaches will also mention the group workshops at this point, which focus on developing clients' financial capability through interactive financial education. Clients in the employee development program are required to attend these workshops, while other clients are encouraged to attend. Coaches also explain the benefits screening piece of the process.

Group Workshops

Clients are invited to attend and participate in group workshops led by a financial coach. The workshops typically consist of a coach reviewing financial topics like budgeting and saving and facilitating a group discussion around these topics. During the workshop, coaches will use the budgeting worksheet, credit myths and literacy quizzes as tools to support the group learning process. At the end of the workshop, coaches will schedule one-on-one sessions with clients and request clients to complete a budget before their first individual session.

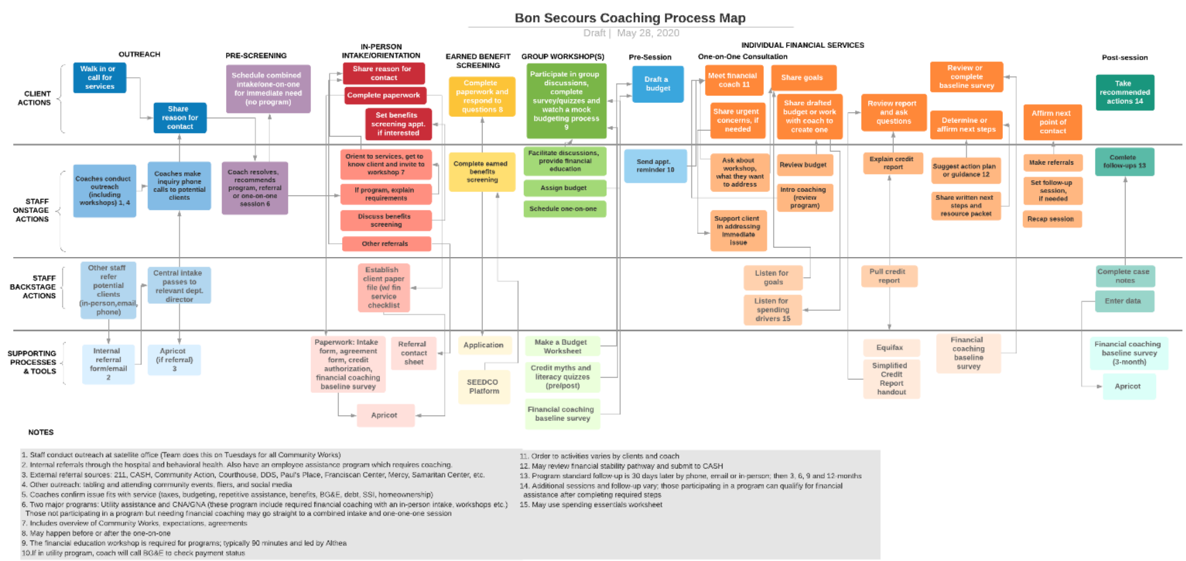
One-on-one Coaching Sessions

At this point in the journey, clients have been introduced to the financial coaching program, attended a group workshop, completed an earned benefits screening and drafted a budget -- all prior to attending their first one-on-one session. The consultation centers around setting client goals and addressing immediate issues. Clients share the draft of a budget sheet with coaches, and together they make further refinements to the budget. Coaches will also do a credit report, pull (Equifax) and review the report with the client, share key findings from the report and encourage the client to ask questions. Coaches and clients create an action plan with tangible goals for the client to take in between sessions. Towards the end of the session, coaches will make a referral, if needed, set up a follow-up appointment and do a recap of the session.

Post-session

During follow-up sessions, coaches will review the action plan -- including its goals and steps -- with clients who are responsible for completing it before the session. Additional sessions vary by client situation and need, however, certain clients also participate in employment or other programs. Program standards also indicate that coaches will follow up with clients after 30 days by phone, email or in person. The process is repeated at three-, six-, nine- and 12-month intervals.

Client Journey Map



Appendix 2: Financial Coach Background and Training

The backbone of financial coaching is the frontline staff working with clients to support them in identifying and achieving their financial goals. Prosperity Now interviewed and surveyed the partner organizations' financial coaching and counseling staff to learn more about their own journeys to coaching. In the staff survey, the top sources of expertise reported included the interpersonal skills built from coaching and/or counseling clients, deep familiarity with community resources, and knowledge of the financial system built from coaching and/or counseling clients.[31] The coaches and counselors had diverse educational and career backgrounds in business, finance or accounting; social work; international development; and careers in the finance industry. Partner organizations' responses mirror what financial coaching organizations around the country look for when selecting coaches. In Prosperity Now's 2016 financial coaching field survey, approximately 40% of respondents cited soft skills as being the quality they most prioritize when selecting financial coaches.[32]

The partner organizations' coaches and counselors bring other assets to the table, including the ability to connect with community members through a shared racial/cultural background, socioeconomic background or shared language. This is also like the broader financial coaching field in which organizations look for traits like prior coaching and/or counseling experience, an ability to connect with the target audience through language and/or similar racial/cultural background, and familiarity with community resources when selecting financial coaches.

Many of the coaches at the partner organizations further indicated that their own experiences navigating the financial system had informed their work. This aligns with what Prosperity Now heard in its 2016 financial coaching field survey, in which some organizations expressed a preference of hiring coaches with financial expertise and/or background in finance and banking, but only if they have previous human services experiences as well so that they can more easily learn the coaching approach and not be prescriptive in their service delivery.

Above all, it's the ability to establish rapport and make a connection with a client that makes a financial coach successful. Being able to make space for each client to be who they are and meet them where they are at is the crux of financial coaching. As one of our partner coaches shared, what's important *"Above all [is] earning trust through appreciation of the individuality of every person and a grounding in profound respect. Exposure to a variety of different projects in different cultural spaces. Experience in processes of participatory needs assessment. An awareness of different learning styles and a focus on 'learning by doing.' Keeping it real. Expressing confidence and admiration of people's abilities, knowledge and unique talents."*

[31] Survey of partner financial coaches.
[32] Based on our field survey and interviews, we posit that there are three dimensions to soft skills: compassion, humility and empathy for the target audience; communication and interpersonal skills; and flexibility and creativity.

Although coaches bring a tremendous amount of experience and expertise to their role, additional trainings can be useful in supporting them in accessing more tools, resources and peer connections so that they are more knowledgeable, confident and effective. Some staff from our partner organizations shared that external trainings in coaching and counseling have informed their practice. The Director of Bon Secours Community Works shared that training funded by the Annie E. Casey Foundation had been impactful to her career during the early days of financial coaching. Other staff from Bon Secours mentioned training at University of New Mexico through Baltimore CASH, training from University of Maryland in finance and a training on credit reporting from Consumer Credit Counseling Service of Maryland had been helpful in building their knowledge and skill. Staff from Restoration all complete a certificate program offered by The City University of New York (CUNY). Some staff also participate in quarterly Office of Financial Empowerment gatherings for financial counselors.

Although several certifications and training programs exist in the financial coaching field, the uptake of them by financial coaches is mixed. In Prosperity Now's 2016 financial coaching field survey, 32% of respondents said they offer their coaches opportunities to receive certifications, focusing primarily on certifications that enhance coaches' financial expertise. Over the last few years, a shift has occurred in the trainings that coaches are seeking out. Whereas in 2015, coaches sought out trainings by Neighbor Works America more than any other external training provider, in 2019, coaches were more likely to seek out trainings offered by the Association for Financial Counseling and Planning Education (AFCPE).[33] In addition to those offered by Neighbor Works America and AFCPE, many other trainings exist in the financial coaching field. The University of Wisconsin-Extension has compiled a useful list of training resources.[34]

When choosing external trainings, it's important to think about the content and delivery to ensure that they meet coaches' needs. The University of Wisconsin-Madison's Center for Financial Security developed a training rubric that outlines seven factors to consider when choosing a financial coaching training.[35] This rubric is meant to provide guidance to organizations interested in comparing and choosing external training opportunities that best suit their needs.

In addition to considering the content and delivery of trainings, it is important to keep in mind the barriers coaches can face in accessing certifications and trainings.

- **Cost:** Certifications are often very costly, due to which they are typically more utilized by coaches from more well-resourced programs. Funders have typically not funded certifications, and, although this has been changing in the last three years, funders are still choosing to fund internal trainings (developed in-house by an organization) versus external trainings or certifications.[36]

[33] 2019 financial coaching census
[34] https://fyi.extension.wisc.edu/financialcoaching/trainingopportunities/
[35] https://centerforfinancialsecurity.files.wordpress.com/2017/08/training-rubric-final.pdf
[36] 2019 financial coaching census

- **Caseloads:** Coaches often have a large case load and other responsibilities outside of coaching, such as data tracking, outreach and partnership development, limiting their time to participate in certification and training programs even if resources are available.
- **Location:** Certification programs typically require travel, which may not be feasible for coaches who face cost and workload barriers.

Developing the interpersonal skill, knowledge of community resources and financial expertise needed to support clients takes time. Even if coaches bring expertise and experience to their roles, it takes time to build honest and authentic relationships with clients. Our partners from Restoration shared that, on average, it takes their counselors approximately six months, including a formal, week-long training from CUNY and substantial shadowing and mentoring, to become versed in the knowledge and coaching skills needed to operate effectively in their role. Financial coaching organizations must allocate sufficient time and resources to onboard coaches, connect them, if possible, to external trainings, and create enough space for them to build trust and rapport with clients so that they are fully equipped to achieve meaningful outcomes.

Appendix 3: Debt Negotiation and Consumer Protection Activities in Detail

In describing each of the debt negotiation and consumer protection activities in detail, we show how this service works while also highlighting some of the promising approaches and tools used by the coaches and counselors.

Review how debt management fits in with client values, priorities and other goals

Coaches reported that 73 out of 118 clients, or 62%, experienced this activity during the pilot data collection period.

In order to effectively support clients, a coach needs to understand what they are trying to achieve. The intake specialist from Urban League explained that the first question she'll ask a new client is, "What's going on?" She said that question often elicits an emotional response: "They'll cry. A raw and real interaction. Affirm that we are here to help." This is the time where a client shares what they are hoping to work on and how their finances fit into their goals.

Depending on the client, addressing debt or past-due bills might have a real sense of urgency, while for others it's a means to some other end. One coach from Restoration explained, "It's really different. Some people have the flexibility to come to follow-up and others don't... Some people just want a firefighter process. They just want to deal with an immediate issue. You might give them the steps and open the line to communication."

For clients with debt or past-due bills, understanding what brought them in and then what they are trying to achieve are the first steps. However, before discussing potential approaches, the coach must gather additional information in order to understand more about a client's life and financial situation.

Provide an assessment of a client's capacity to repay debts or past-due bills

Coaches reported that 73 out of 118 clients, or 62%, experienced this activity during the pilot data collection period.

If a client is focused on addressing debt or past-due bills, the next step the partners shared is to understand their full financial situation in order to determine their capacity to repay and to understand if repayment will indeed support them in achieving their goals.

This process typically centers on developing a client budget. Coaches ask for a detailed breakdown on income, expenses and obligations. Income from paid employment and self-employment is captured in addition to earned benefits and child support. Coaches will also inquire about savings. Expenses include rent, cable, utilities and storage; groceries, eating out, clothing and other personal supplies; entertainment; childcare; and other miscellaneous costs. An example form created by the Federal Trade Commission and used by Bon Secours in in Appendix 4. Coaches explained that understanding a client's educational background is important context, both for their income and possible student loan payments, as well as to give the coach a sense of potential opportunities to increase the client's income through aligned workforce programs.

The budgeting form used by the coaches and counselors captures this detailed information, and the process often culminates in a coach reviewing the "result" with the client. By subtracting monthly expenses from monthly income, the coach and client can learn if there is an expected monthly surplus, deficit or if the client is coming out roughly even. This result is gut-checked by the client, and if the result is surprising, the coach may follow up to learn if there are expenses not initially captured. In one powerful instance, our team observed a coach revealing the result in a way that affirmed the client's decision to act by reaching out for support while also providing helpful context as to why he was experiencing financial challenges. As roughly 42% of the clients seen during the collection period are in a deficit situation, this is a common scenario.

If the client is seeking to address debt or past-due bills but is doing so with either limited income or expenses that currently exceed their income, the coach may inquire if the client thinks there is any room to cut back on expenses. The coaches emphasized that it is important to do this in a non-judgmental way. Prosperity Now observed coaches asking clients to share "what is happening with" an expense.

Coaches will also inquire into advancement opportunities at the client's current place of employment or ask if there are possibilities to pick up a side gig for additional income. As all three of the partners have workforce development programs at the organization, this is also a space were referrals can be made.

A deficit of income to expenses does not preclude opportunities to support clients with managing debt or past-due bills. The coaches explained that they help clients open a line of communication with creditors to explain their circumstances and explore options. They can also support clients in thinking through which payments are most important to prioritize to safeguard their wellbeing. There may also be cases where, depending on client goals and state-level rules, nonpayment of debts may be the most prudent course of action. In figuring out repayment capacity, coaches explained that while income plays a part, the expenses and the types of debt, amount and status of each debt also matter. It is also important for coaches to get a sense of how much the client is ready to take on at any point.

Coaches may proceed to pulling and reviewing the client's credit report at this point to further flesh out the financial situation. In reviewing the credit report, the client identifies items that need to be verified as well as the status for various items. This can both confirm or expand the financial picture developed from the budget.

Clients with greater financial slack may have more options for addressing their debt and past-due bills, and the coaches explained how they helped these clients strategize on the best debt reduction approach.

Strategizing with clients on the best debt reduction approach

Coaches reported that 34 out of 118 clients, or 29%, experienced this activity during the pilot data collection period.

Strategizing with a client to help them identify the best debt reduction approach requires first knowing a client's goals and payment capacity. The partner coaches explain that there is a series of steps that they often support clients in completing, beginning with verification of the debt or past-due bill and checking the statute of limitations before determining if a payment plan, settlement, dispute, request for cancelation or discharge may be an option. Along the way, they may need to explain how different options work, trade-offs as well as the possible ramifications on a client's credit score.

There are also different considerations depending on the debt type and status of the debt. In order to learn more about these options, Prosperity Now asked each partner to develop a debt-type-approaches-and-resources grid. An example of the grid developed by Restoration is found in Appendix 5 as a resource, noting that other coaching programs may need to adapt the information, given their local resources and regulations.

During a cross-training session led by Restoration, the coaches shared that creditors are required by law to "verify" a debt. All the partners support clients in sending letters of verification for any debt on their credit report. Once a letter of verification is sent, the creditor has 45 days to respond. Debt collectors who have purchased the debt may not have all the required documentation for verification. After 45 days, if the creditor has not sent a letter verifying the debt, the coaches encourage the clients to contact them directly to explain that they are not fulfilling Fair Credit Reporting Act (FCRA) rules and the debt should be deleted from their credit report. If the creditor insists on reporting the debt, the debtor can ask for it to be put "in dispute," which has a less negative impact on the credit score than an item "in collections." Coaches can help clients send an "error letter" to the three Credit Reporting Agencies, requesting the unsubstantiated debt be removed. They can also help clients dispute the debt if it appears to be fraudulent or an error. Coaches explained that, in some situations, clients may be judgement proof and, in these limited cases, be eligible to have the debt canceled. In these situations, clients must send a cease and desist letter.

The coaches also shared the importance of knowing their state's statute of limitations for the time after which a client is no longer legally liable for a debt. They noted that the statute of limitations is based on the home state where the creditor is headquartered and can be reset based on the latest payment. The debt reporting period is defined by the Fair Credit Reporting Act, and it is seven years for most types of debt. Restoration coaches noted that once a debt is in default, it is no longer accruing interest, and therefore payment may not be a priority compared to other higher interest debt.

If a client has enough income and repaying debt is one of their financial goals, coaches support clients in developing a payment plan with their creditors. First, the coaches recommend asking if the creditor will post the deductions of the amount paid, or if that occurs only when the debt is paid in full. They suggest clients ask for a written agreement for the terms of the payment plan. Restoration coaches also noted that creditors prefer auto deductions from a bank account and may provide some reduction in interest if this is set up. They suggest that clients request a letter from the creditor that states the debt is "paid in full" after the final payment is made.

Client may ask about debt settlement. The coaches shared that some of their clients had been taken advantage of by for-profit debt settlement or repair companies, when settling with creditors is something clients could do themselves with support from their coach. Restoration noted in their training that many creditors, particularly collectors that have purchased the debt, are willing to "settle" the debt at less than the full balance owed. Depending on the age of the debt and rules of a creditor, some are willing to settle the debt for as low as 30% of the original debt. The amount and speed at which the payment can be made usually increases the percent of the reduction. The advantage of this is that the overall debt of the client is reduced and, if an item was previously in collections, the client's score may increase substantially. The disadvantage is that the debt may stay on the client's credit report as "settled for less than full balance," limiting their ability to achieve their optimal score. Restoration noted that once a client settles, the case is sealed, and a client cannot return later to pay off the balance.

Another option that coaches may support clients in exploring is a debt management plan offered by a nonprofit consumer credit counseling agency. This option is described in the activity, "Refer consumers to legal aid, nonprofit credit counseling or a reputable bankruptcy service." Bankruptcy is also an option on the table, depending on the client's financial situation and goals.

Guide client through determining an order of repayment (e.g., smallest debt first, highest interest rate first, etc.)

Coaches reported that 48 out of 118 clients, or 51%, experienced this activity during the pilot data collection period.

Helping clients to determine how to prioritize among many competing obligations requires not only understanding different options but also the potential trade-offs in costs. The debt reduction calculator shown in Figure A1 is an Excel spreadsheet that allows financial coaches to record a client's active debt accounts including balances, monthly payments, interest rates and time to pay off. It's a useful tool that originated from Restoration's counseling program and was introduced to the other sites during the cross-training series in a presentation given by Molly Ornati.

The calculator gives coaches and clients a visual of a client's existing debt portfolio and calculates the interest and rate of paydown of different strategies. This opens the opportunity for coaches to have an open conversation with a client on their current debt repayment strategy and whether that strategy is what will work best for the client. Coaches who adopted the tool said that identifying how much debt a client pays a month and how much of that is going to the principal versus interest can be eye-opening for clients. Coaches can then strategize with a client and decide on a new repayment strategy, such as paying the smallest debt first or highest interest rate first, and determine other measures the client can take to reduce debt, like calling a settlement company or creditor to negotiate a better rate.

Figure A1. Debt Reduction Calculator [37]

Balance Date: 3/13/2020

Creditor Information Table

Row	Creditor	Balance	Rate	Payment	Custom	Interest-only
1	Credit Card	3,500.00	17.00%	100.00		49.59
2	Auto Loan	15,000.00	6.00%	200.00		75.00
3	Student Loan	50,000.00	5.60%	200.00		233.34
4						-
5						-
6						-
7						-
8						-
9						-
10						-
Totals:		68,500.00		500.00		

Monthly Payment 1,000.00

Initial Snowball 500.00

Strategy: Snowball (Lowest Balance First) ← Choose a strategy

The calculator offers community members options for how to approach tackling their debt and past-due bills. Since the time that the calculator was introduced during the cross-training series, both Urban League and Bon Secours staff have adopted the tool and have been using it to help their clients.

When asked during a weekly check-in call with Prosperity Now what approaches Urban League has borrowed from other sites after the cross training, Program Coordinator Russchelle Martin had this to say: "We decided to implement that [calculator] within the appointment in which we review the credit report. After completing the credit report review and talking about debt then being able to demonstrate how they can reduce debt through the calculator."

Strategize with client and/or model what they need to say to creditors, banks or debt collectors to resolve issues or set up payment plans and, if requested, speak with creditors or debt collectors with the client

Coaches reported that 34 out of 118 clients, or 29%, experienced this activity during the pilot data collection period.

Community members interviewed in the discovery phase of the project expressed a desire for support in their conversations with creditors, noting the power imbalance and concern that confusing rules and options might leave them in worse financial shape from having reached out to negotiate. Indeed, the offer from debt settlement and credit repair firms to take on these tasks for flat or monthly fees is

[37] Debt Reduction Calculator. Bedford Stuyvesant Restoration Corporation, January 8, 2018.

appealing to many community members and even long-time coaching clients, according to some partner staff.

Philosophically and practically, partner coaches are not interested in playing the role of debt settlement even within a nonprofit context. Coaching centers the axis of change in the client, so the coaches expressed that it was important for clients to develop the confidence in their own abilities to engage with creditors while also acknowledging the effort this takes. Practically, coaches express concern about legal considerations of representing clients. Given these considerations, some of the coaches had landed upon an approach that worked well for them. They explained that "modeling" how to engage with creditors and being available behind the scenes during verification and negotiation calls was a way they could provide support.

Prosperity Now staff observed a coaching session where a client needed to verify information on a line of credit and ask for leniency in repayment given his financial situation. The coach suggested information the client might share and questions he might ask. She also offered to speak with the creditor directly, if it would be helpful at any time, while he was on the call. During the call, she listened in and occasionally passed sticky notes with tips on where to take the conversation next. When Prosperity Now shared this experience with other coaches, they talked about this approach as strategizing and modeling. Another technique they reported sometimes using is to offer to start a call for a client by introducing themselves as the financial coach or counselor and then passing the phone to the client. This helps reassure the client that the creditor has been alerted that there is an advocate on their side and that the client should expect to be treated professionally.

Helping client deal with collectors and navigate the courts/judicial system to resolve debt issues

Coaches reported that 18 out of 118 clients, or 15%, experienced this activity during the pilot data collection period.

In addition to the activities described in the strategizing with clients on the best debt reduction approach, the coaches can help clients suffering harassment from debt collectors. Our partners shared that they help explain the practices prohibited under the Fair Debt Collection Practices Act. They share this with clients and help them document and report any harassment to the Federal Trade Commission. The Consumer Financial Protection Bureau, New York Office of Public Affairs and Consumer Action were also noted for having helpful resources for coaches. In a similar vein, the coaches explained that sometimes clients call them about debt collections scams.[38]

If a lender or collector pursue a client through the courts, coaches may also be asked to help a client think through how to respond. Althea Saunders-Ranniar explained, "Our concern is if people are

[38] See the Federal Trade Commission's website for additional detail on this topic: https://www.consumer.ftc.gov/articles/0258-fake-debt-collectors. Although mentioned by coaches, this issue came up infrequently during this project.

working and get garnished. Garnishment occurs if they do nothing. They must attend any legal appointments and can negotiate to reduce a payment. It's important that they attend their court appointments. If you meet them at the courthouse, they will be willing to take a deal before going to court. Families are fearful after getting these letters and come later rather than sooner." If a client's wages are already being garnished, there is unfortunately little coaches can do at that point.

Refer consumers to legal aid, nonprofit credit counselors and/or a reputable bankruptcy service

Coaches reported that 17 out of 118 clients, or 14%, experienced this activity during the pilot data collection period.

In cases where clients have been summoned and are at risk of garnishment, coaching programs may be able to refer to legal aid. Both Restoration and Bon Secours have relationships with other organizations that provide legal support for consumer rights issues.[39] Unfortunately, this may not be the norm for many other coaching programs as we learned from Urban League of Broward County. In speaking with the local legal aid organization, Prosperity Now was told that the organization, while very interested, did not have the funding to provide these types of supports.

Another referral made by some coaches is to nonprofit credit counseling organizations. These coaches discussed the value of clients getting a second opinion on their debt situation as well as exploring the possibility of participating in a debt management plan. Only certain kinds of debt – unsecured debt such as credit cards, collections accounts, personal loans, medical bills, telephone and utility bills and similar – can be included in these plans. Coaches also noted that this is typically only an option for those clients with surplus income and who are likely to be able to repay within the plan's parameters. Despite few clients qualifying, both Restoration and Bon Secours had relationships with either national agencies in the former and a local agency in the latter's case.

Coaches, however, noted that they were not always sure of the criteria agencies used to make these decisions. This lack of detailed information, combined with the history of credit repair scams and organizations masquerading as nonprofits without providing meaningful education and support, had left the coaching team at the Urban League without a reliable credit counseling partner. Restoration shared their experience with GreenPath and MMI, two reputable national agencies, for Urban League's consideration in this space.

A referral to a nonprofit credit counseling agency is one potential way to support clients considering bankruptcy. Referrals for bankruptcy was also a space where some coaches noted a need for additional training and greater clarity from the legal community. One shared, "I don't feel as knowledgeable about bankruptcy. I just feel like I know the basics and that's not enough; I don't use it enough. I was taught

[39] The National Consumer Law Center provides guidance on how to find legal assistance, https://www.nclc.org/for-consumers/how-to-get-legal-assistance.html

that if $10,000 or more, bankruptcy. $30,000 or more for me. I see so many clients in so much debt. I feel like it is a permanent thing if there are other options. I've only had one client do it." While a total amount may serve as a rule of thumb for some coaches, each client's situation is different, and the results of declaring bankruptcy similarly have different implications depending on a client's situation and goals.

Similarly, toward the end of the project our team learned that some judges are now discharging student loans through bankruptcy.[40] This was new information for all those involved in the project and inspired the coaches to learn more about how this might affect their clients.

Helping clients understand how their current debt affects their options to acquire credit

Coaches reported that 15 out of 118 clients, or 13%, experienced this activity during the pilot data collection period.

During the project, the coaches shared that helping clients understand how their debt might affect their ability to access credit is another activity they complete with some clients. In some cases, clients are hoping to qualify for a credit card, and it can be helpful for them to know how their interest rate might be affected by their credit score. The coaches noted the importance of clearing up items in collections and ensuring there is nothing on the public record.

As most clients already have some revolving debt, a bigger focus of coaches is helping clients learn how their usage of credit factors into their credit score and, importantly, what they pay as they take on new debt. They explain that on-time payments and keeping revolving debt utilization under 25% can make a difference. The importance of utilization is something the coaches noted as typically new information for clients. Providing clients with a specific amount to stay under based on their limit can be helpful in supporting clients to keep balances manageable as well.

For clients with existing debt, these conversations often begin during the credit report review alongside discussions of identity theft. Going through item by item helps the coach convey where there are opportunities to address issues while also building up the client's financial knowledge. Additionally, as many clients express an interest in homeownership, these conversations sometimes are used to foreground the often long journey needed to build a score, reduce debt and increase the savings needed.

There are also important conversations about other considerations. In some cases, a reduced ability to acquire future credit might be less important than meeting basic needs now. Non-payment is a strategy that should be considered in some instances. Conversely, it's also important for coaches to know, for

[40] Chris Arnold, "Myth Busted: Turns Out Bankruptcy Can Wipe Out Student Loan Debt After All," January 22, 2020, https://www.npr.org/2020/01/22/797330613/myth-busted-turns-out-bankruptcy-can-wipe-out-student-loan-debt-after-all

instance, if a client plans to move or is trying to be approved for an apartment. Improving a credit score or maintaining one might be a higher priority for clients in these situations.

Helping clients avoid unnecessary banking fees

Coaches reported that 5 out of 118 clients, or 4%, experienced this activity during the pilot data collection period.

During the staff cross-training, Restoration Financial Counselor Pilayne Franklin provided the other sites with an overview on how to help clients better understand their banking rights and responsibilities. This overview included questions that financial coaches could use to support clients in thinking about their existing relationship with their bank:

Banking Questions:

- Who are you banked with?
- Are you fully banked? Checking and savings?
- How is this relationship working for you?
- Are you paying bank fees? Are you sure? For example, ATM, overdraft, minimum balance, maintenance fees, etc.?

By asking these questions, financial coaches can have an open discussion with clients about their banking relationships and determine the status of that relationship. If needed, they can support clients to evaluate their options and transition to a better account or establish a relationship with a new institution. In some cases, clients aren't aware of the banking fees (ATM, overdraft, minimum balance, maintenance fees, etc.) that they are paying and in others, they are used to a system of unfair practices.

Pilayne also discussed current policies and predatory practices by banks, including the various fees that clients are subject to upon signing a user agreement. Pilayne encouraged her fellow coaches to review the client's banking contract with them to dissect what clients agree to upon signing the contract. She also showed the partner staff resources that are available to the public to learn more about consumer rights and tips, and how financial coaches can use these tools to inform themselves and their client base.

In addition, *transitioning to a more affordable bank* was one of the client goals and steps that coaches tracked as part of the pilot data collection. A total of five clients initiated this goal, and all five took steps towards completing it. Clients took steps from researching financial institutions to opening an account. Coaches are there to support the client throughout the transition, although this is a space where more work can likely be done by the partners and the field at large.

Appendix 4: Example Budget Form

Make a Budget

Use this worksheet to see how much money you spend this month. Then, use this month's information to help you plan next month's budget.

Some bills are monthly and some come less often. If you have an expense that does not occur every month, put it in the "Other expenses this month" category.

MONTH ______________________ **YEAR** __________

My income this month

Income	Monthly total
Paychecks (salary after taxes, benefits, and check cashing fees)	$
Other income (after taxes) for example: child support	$
Total monthly income	$
	Income

My expenses this month

	Expenses	Monthly total
HOUSING	Rent or mortgage	$
	Renter's insurance or homeowner's insurance	$
	Utilities (like electricity and gas)	$
	Internet, cable, and phones	$
	Other housing expenses (like property taxes)	$
FOOD	Groceries and household supplies	$
	Meals out	$
	Other food expenses	$
TRANSPORTATION	Public transportation and taxis	$
	Gas for car	$
	Parking and tolls	$
	Car maintenance (like oil changes)	$
	Car insurance	$
	Car loan	$
	Other transportation expenses	$

Make a Budget

	Expenses	Monthly total
HEALTH	Medicine	$
	Health insurance	$
	Other health expenses (like doctors' appointments and eyeglasses)	$
PERSONAL AND FAMILY	Child care	$
	Child support	$
	Money given or sent to family	$
	Clothing and shoes	$
	Laundry	$
	Donations	$
	Entertainment (like movies and amusement parks)	$
	Other personal or family expenses (like beauty care)	$
FINANCE	Fees for cashier's checks and money transfers	$
	Prepaid cards and phone cards	$
	Bank or credit card fees	$
	Other fees	$
OTHER	School costs (like supplies, tuition, student loans)	$
	Other payments (like credit credit cards and savings)	$
	Other expenses this month	$
	Total monthly expenses	$

Expenses

$ **Income** – $ **Expenses** = $

Maybe your income is more than your expenses. You have money left to save or spend.

Maybe your expenses are more than your income. Look at your budget to find expenses to cut.

September 2012 | Federal Trade Commission | consumer.gov

Appendix 5: Approaches and Resources by Debt Type

Restoration's Debt Management Processes

Type of Debt	Status	Approaches used -- All dependent on size of debt and capacity to pay	Key resources or references	Outcome
Credit card debt	Strong on-time payment history	Call credit card company and request interest rate reduction		Usually reduced 3-4 points if there is a consistent payment history
	High credit score	Depends on size of the debt. One option is to access a new source of credit at lower interest. An amount due under $3K, one option is to transfer credit card debt to new card with zero interest and zero balance transfer. Access a personal loan with lower interest rate.	This is an area where more resources are needed. Would like to be more knowledgeable about reliable financing options like So Fi, credit unions and online banks.	Credit card transfer and new loan buys time and can be effective with disciplined payment plan limited to 12-18 months of no interest.
	Positive cash flow	Debt management plan to dramatically reduce interest rates and pay over five years.	GreenPath or MMI	Can get rates reduced to between 2% and 10%
		Contact creditor to communicate situation and	At times client can go to an organization of	Item will go into Collections and bring

Credit card debt (cont'd)	Inability to pay, negative cash flow.	determine if there are any forbearance options. Hard to avoid default and Item going into collection. Advantage is interest stops accruing.	their faith to get a loan.	client's score down at least 30 points.
	Item in collections or charged off	Send verification letter. Determine statute of limitations based on date of last payment and the state's SOL where creditor is based. Client can write to three Credit Reporting Agencies and request item be removed for lack of validation. If validity of debt is established, depending on amount and date SOL comes due, client may work out a payment plan or may wait for item to age off report.		
	Senior living on SS	If a client has a pressing consumer debt and is unable to pay one option is to write a letter to the creditor explaining she is "Judgement Proof" and asking creditor	Need the formal "Judgement Proof" letter.	Outcome depends on the size of the debt. At times client is left alone. Client can also be brought to court, but judge does not always rule in client's favor.

Credit card debt (cont'd)		to "cease and desist" contact. This will negatively impact client's score so they need to be settled with their housing and ready to hurt their credit score.		
	Client receives summons.	Recommend client attend on court date. If client is living on fixed income client brings budget and explains they are unable to pay. If client can afford it a suitable payment plan is arranged.	Client is told to speak with the judge only. If client is very frightened CLARO may provide in court support.	If client is living on a fixed income, judge often dismisses the debt, either "with prejudice" (not permanent) or "without prejudice (permanently dismissed).
	Client receives letter of past court date and payment request, but did not receive summons.	Recommend client goes to court and file an "Order to Show Cause," which sets new court date and client has an opportunity to work out a viable payment plan or contest the debt if unable to pay.	Sometimes support of pro bono legal services NYLAG or CLARO are needed.	Same as above. If a payment plan is established if the client misses one payment the full debt is reestablished.
Student loan/education debt	If loan is in default....	Set up Rehabilitation Plan.	Working directly with Studentloans.gov. At times facilitators don't explain full range of options.	Often successful process that loan is rehabilitated in 9 months and client gets on a new plan.

Student loan/education debt (cont'd)	If loan payments are too high…	Renegotiate terms with a number of options (IDR, IBR, etc.).	National Student Loan Data System (NSLDS).	Auto payment is most effective.
	If client works for a nonprofit, in education, with vulnerable populations, etc.	Public Service Student Loan Forgiveness Plan	Requires careful and consistent documentation.	A low % of clients have had debt forgiven.
	If client is disabled…	Apply for Total and Permanent Disability Forgiveness.	Simple form requires medical doctor signature.	Relatively high success rate when disability is permanent.
	If client receives notification of wage garnishment for student loan debt.	Refer to NYLAG for legal support. Look up status of student loan debt and implement an affordable payment plan.	Client needs all NSLDS info.	If garnishment is already in place nothing can happen until new payment plan is in place, but client should get repayment of garnished wages. If garnishment has not yet been implemented NYLAG has been able to stop the process.
Past-due phone, cable, internet, or other telecommunications bill(s)	Phone, cable and utility companies rarely sell their debts.	Verification by phone. Send letter of verification. Once client receives letter, or credit report checked after 45 days, help client set up payment plan if needed. Discuss payment plan.	Speaking directly with creditor, not collector, is best.	These companies are not that demanding in terms of payment plan, will accept less than $100 per month and interest is not accruing.

Past-due medical bills		Send letter of verification.	Clients often don't receive mail, but debt is removed from report.	About 35% success rate; item drops off.
Family/friend		Check in with client.	Urge client to discuss w/friend or family.	Broad range of outcomes, w/ some outright forgiven Some unable to locate original documents and resolve.
Auto/vehicle Loan	Balance due on loan based on default or repossession.	Verify by letter. Discuss options with creditor	At times SOL has expired, some creditors will settle at 30% payment.	
Past-due rent	Client can apply for city program of "One Shot Deal" where entire debt can be paid by the city.	At times, legal service is required if landlord had not addressed problem in apartment.	Understanding NYC rent laws.	
Legal judgement incl. child support	Is credit report amount correct?	Check status in portal.		
		Options: 1. Custodial parent can offer forgiveness. Option:2: If custodial parent did not get public benefits debt forgiveness options.	LIFT, organization that provides legal support on site next to family court.	
Past-due taxes	Past-due state taxes	Call directly or give client number; refer to legal services, depending on case details.	BSRC Legal Services	State not usually flexible, particularly if debt involves a business, or there are any other issues with client.

Past-due taxes (cont'd)	Past-due federal taxes	Re-negotiate payment plan. Offer in compromise option through legal services offered at BSRC. Most likely case is a senior living on fixed income.		Offer in compromise can result in reduction of amount owed to $100, depending on client's financial situation.
Checking account overdrawn	Reported to ChexSystems	File a dispute with ChexSystems; seek a settlement agreement with financial institution or debt buyer.		
Pawn loan	Rarely brought up by clients			

Appendix 6: Pilot Data Client Goals and Steps Form

Activities Completed by Client Form

Client Name:

Coach:

Session Date (or Number):

Note: This form is designed to be used as a paper form that coaches would fill out during or after each session with a client to track the debt-related activities clients complete between & during sessions. One form per client per session.

CLIENT GOAL	Client Set Goal?	Client Action Steps		Client Completed Steps? *Mark*	Goal Completed? *Mark*
1. Transition to a more affordable bank account		1	Research financial institutions in your neighborhood		
		2	Ask about fees, branch hours, availability of ATM's, number of branches		
		3	Consider online banking		
		4	Collect necessary documentation		
		5	Order a ChexSystem report		
		6	Open an account with new financial institution		
		7	Set up direct deposit		
		8	Other, please specify:		
2. Deal with frozen bank accounts		1	Acquire and bring documentation from bank (e.g. bank statements, writ of garnishment)		
		2	Order ChexSystem report		
		3	Resolve issue with bank		
		4	Establish new account with new financial institution		
		5	Other, please specify:		
3. Dispute inaccuracies on credit report		1	Get all your reports via www.annualcreditreport.com		
		2	Gather documentation and request validation from collection agencies and/or creditors		
		3	Write dispute letter to collection agencies, creditors and/or credit bureaus		
		4	Send dispute letters to collection agencies, creditors, and/or credit bureaus		
		5	Follow up on any disputes you submitted		
		6	Other, please specify:		
4. Prevent identify theft		1	Continue to monitor your credit reports with your coach or counselor		
		2	Regularly review your bank, credit card, or other financial statements for fraudulent transactions		
		3	Other, please specify:		
5. Recover from identity theft		1	File a police report		
		2	Follow-up with your bank/credit card companies to ensure they process the ID theft report properly		
		3	Place a security alert or a freeze on your credit reports (all three: Equifax, Experian, and TransUnion)		
		4	Other, please specify:		

6. Improve your credit score		1	Get all your reports via www.annualcreditreport.com		
		2	Make sure your information is accurate with all credit bureaus (Equifax, Experian, TransUnion)		
		3	Notify credit bureau and lenders about any error in your credit report		
		4	Identify all accounts about 30% of the credit limit.		
		5	Create a repayment plan for accounts above 30% utilization		
		6	Other, please specify:		
		TIPS!	Keep your credit card balances under 30% of limit (the lower the better)		
			Payment history is the most important factor in your credit score – pay bills on time!		
7. Reduce or manage debt		1	Create a debt management plan		
		2	Ask creditor to reduce fees		
		3	Call the collection agency to negotiate a settlement		
		4	Follow your payment plan		
		5	Other, please specify:		
		TIPS!	Stick to your household budgets to ensure you have enough left over for debt repayment		
			Think about ways you can avoid accruing debt in the future		
8. Stop debt collector calls/harassment		1	File a complaint about debt collector harassment with the Federal Trade Commission at https://www.ftccomplaintassistant.gov	-	
		2	Other, please specify:		
9. Determine if bankruptcy is the right option		1	Make an appointment with the legal services or bankruptcy counselor we referred you to		
		2	Ensure you have gathered all of the documents requested before you attend your appointment meet with the attorneys we referred you to		
		3	Follow through with the appointment and next steps recommended by referral agencies		
		4	Other, please specify:		
		TIP!	Remember there is life after bankruptcy! It is a tool to give relief to those who cannot pay their debts		
10. Deal with wage garnishment or tax refund interception		1	Share notices of wage or account garnishment with your coach		
		2	Check with your payroll department for information on the garnishment		
		3	Make appointment with legal services to which we refer you		
		4	Attend any court appointments related to debt and negotiate with lawyer about a payment plan		

		5	Other, please specify:		
11. Increase income/workforce development		1	Attend an info session at our site or other workforce development agency		
		2	Attended a job training program		
		3	Applied for jobs		
		4	Attended job interviews		
		5	Started new job		
		6	Identified additional sources of income		
		7	Increased income		
		8	Applied for additional public benefits or assistance		
		9	Other, please specify:		

Appendix 7: Additional National Survey Information

Respondents' Demographics

A total of 510 Black/African American people responded.

Sampling methods were used to capture a representative sample of Black/African American people in the US using, American Community Survey census data to match for education and income. In addition, we wanted our sample to be inclusive of Afro-Caribbean/African immigrant groups, so we over-sampled for these respondents. Therefore, demographic characteristics will likely differ from the general Black/African American population of the US with debt.

Respondents' age range from 18-79, with a median age of 36. The majority are female (59.4%), have some college but no degree (34.9%) and report they are the only adult in the household (32.5%).

The median debt held was $10,000, with 14.6% reporting annual income of over $75,000.

RESPONDENT DEMOGRAPHICS			
Age	Median: **36**	Range: **18-79**	
Gender	Female **59.4%**	Male **40.4%**	Other **0.2%**
Education	Less than high school degree	**1.2%**	
	High school graduate (high school diploma or equivalent including GED)	**22.2%**	
	Some college but no degree	**34.9%**	
	Associate degree (2-year)	**17.3%**	
	Bachelor's degree	**17.3%**	
	Master's degree	**5.9%**	
	Professional degree (J.D., M.D.)	**1.2%**	
	Doctorate	**.20%**	
Household Finances	I am the only adult in the household	**32.5%**	
	Share all finances*	**29.2%**	
	Share some finances*	**27.1%**	
	Share no finances at all	**11.2%**	

The most common debt held is credit cards (not paid in full every month), followed by student loans, medical debt and past-due bills (see Figure A2). Other debts held include auto (car) loans, mortgages, personal loans, a range of alternative financial credit products and home equity lines of credit.

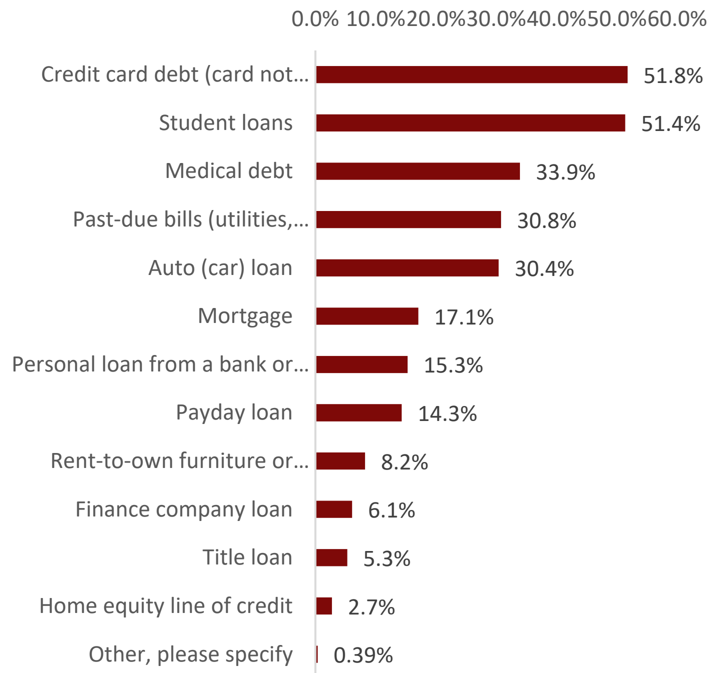
88.6 percent of the respondents said that one or more of their debts was challenging. The five debt types below were the most frequently noted as challenging:

- Student loans: 37.8%
- Credit cards: 25.7%
- Medical debt: 17.5%
- Past-due utilities: 12.5%
- Auto (car) loan: 11.6%

Additionally, nearly 1 in 3 (32%) report having debt in collections. This aligned with the common debt types partner coaches are asked to help clients navigate.

Figure A2. Types of Debt Held

Q: What types of debt do you currently hold? (N=510)



Concept Tested in National Survey

Overview: Financial coaches at nonprofit organizations can help to reduce debt burden by working with you during regular one-on-one coaching sessions to meet your goals.

How it works:

1. Contact a nonprofit organization that offers financial coaching to set up an appointment.
2. Discuss your financial situation and goals with your coach so that they can provide support and accountability.
3. Your coach will help you analyze your budget, debt and financial situation using a repayment calculator and, together, you will come up with a repayment or non-payment strategy.
4. Financial coaches can also help you learn about your rights as a consumer, help you report fraudulent transactions, dispute mistakes or stop harassing calls from collectors.
5. Coaches can help you contact lenders to address debts or past-due bills and, in some cases, may be able to help you negotiate adjusted payment plans with lenders.
6. If you are paying banking fees or if you're unsure, your coach can help you explore safe checking and savings account options.
7. Through a series of in-person meetings with your coach, you can address both immediate needs and think through what might be needed to achieve your long-term financial goals.
8. Financial coaching is typically free through locally based nonprofit organizations.
9. If offered through a multi-service nonprofit, the coach may also direct you to resources to improve your employment situation, access publicly available benefits or refer you to bankruptcy resources if your income does not support repayment.

Appendix 8: Disaggregation of Black/African American Client Data

Data Collection Approaches

To capture this level of data, we needed to develop a method to make a distinction between sub-populations in the partner data collection approach. The choices in the disaggregated race question vary by site due to the population differences between the three cities, data collection approaches and staff's own perspectives on what might work best for their clients.

Using the American Community Survey, Prosperity Now identified the African and Caribbean ancestry groups with the highest populations within each city and included them in the response options in data collection instruments. Our team developed a prototype form with the questions along with three options on how to administer the question to clients:

1. Coaches provide context and ask a follow-up question and record response as Yes/No if the client indicates they belong to a relevant sub-group; or
2. Coaches provide context and ask a follow-up question to their intake form, recording the response with subgroup options specific to each site; or
3. Clients answer question directly on a revised existing form.

How the Partners Proceeded with Disaggregation

Each partner site collected disaggregated race data differently.

Bedford Stuyvesant Restoration Corporation

Restoration opted to ask this question separately from their standard intake forms. A prototype “Disaggregated Race Form” was created, containing the question along with some brief explanatory text for clients as to why we were looking for this level of detail. Financial counselors at Restoration had a copy of the form during each intake session. Counselors would then read the form to the clients beginning with the explanatory text. Counselors at Restoration opted for this process as they felt this would allow for a more fluid conversation between counselors with clients as opposed to having the client simply fill out the form, which potentially could leave it open to the client having a lot of questions.

Restoration's Disaggregated Race Form

Our team is working on a project to where we're hoping to learn more about the kinds of support with debt and past-due bills clients are seeking. We're particularly interested in hearing from clients of Black and African American descent, but we know that this one racial category is not sufficient to understand the diversity of the Black communities in our area.

On your intake form you marked "Black or African American. "Do you also consider yourself a member of any of the following groups or communities? Select all that apply.

- Jamaican
- Haitian
- Trinidadian and Tobagonian
- Other West Indian
- Sub-Saharan African
- North African
- Guyanese
- None of these groups
- Prefer not to answer
- Other, please specify: __________

Urban League of Broward County

Urban League opted to add the question to their intake form and labeled it the "Cultural Influence Question." Clients fill out the form at intake as Urban League coaches review the form and other documents with clients. In addition, as we were discussing ways to implement the disaggregated race question, Urban League also opted to refine their current race and ethnicity question, and they added more groups and made edits to some of their current options. Urban League also added a "Language Spoken at Home" question to the intake form to gather a more detailed background of their clients.

Urban League's Revised Race/Ethnicity Question

- **Race**
  - White
  - African American or Black
  - American Indian
  - Asian
  - South Asian
  - Hispanic
  - Native American
  - Middle Eastern
  - Multiracial (Hispanic)
  - Multiracial (Other)
  - Declined

Urban League's New Cultural Influence Question

- **Cultural Influence:**
  - West Indian
  - Haitian
  - Polish
  - Italian
  - Puerto Rican
  - German
  - Cuban
  - Central/South American-Hispanic
  - Russian
  - Irish
  - Dominican
  - English
  - American
  - Declined
  - Other ______________________________

Urban League's New "Language Spoken at Home" Question

- **Language Spoken at Home:**
  - English
  - French
  - Spanish
  - Creole
  - Portuguese
  - Sign Language
  - Other

Bon Secours Community Works

Bon Secours added the disaggregated race question to their Referral/Contact Sheet, a form used at an intake to gather general contact information as well as employment and housing status. Clients fill out the form at intake, and Bon Secours coaches reviewed the form with clients.

Bon Secours' Revised Race/Ethnicity Question

If you selected Black or African American, please provide additional detail below. *Note you may report more than one group.*

- African American (No other group)
- Sub Saharan African (or just African, largest group without more specific countries)
- West Indian
- Jamaican
- Trinidadian and Tobagonian
- Nigerian
- Other, please specify (Print, for example, Ghanaian, South African, Barbadian, etc.)

June 2020

PROSPERITY NOW