Asset Building opportunities for consumers
Department of Housing and Urban Development

May 10, 2022
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Agenda

- Introduction to CFPB
  Dave Sieminski, CFPB
- About Financial Well-Being
  Dave Sieminski, CFPB
- Asset building basics
  Dave Sieminski, CFPB
- Asset building at CHA
  Zach Gordon, CHA
- CFPB asset building tools
  Dave Sieminski, CFPB
- Questions
  Zach and Dave
Introduction to the Consumer Financial Protection Bureau

- The Consumer Financial Protection Bureau is a 21st century agency that implements and enforces Federal consumer financial law and ensures that markets for consumer financial products are fair, transparent, and competitive.
Office of Consumer Education

- Part of the CFPB’s Division of Consumer Education and External Affairs
- Serves populations who may lack full, affordable access to financial services
  - Low to moderate incomes
  - Low wealth
  - Otherwise financially underserved or vulnerable
# Definition of Financial well-being

What does *financial well-being* mean to people?

<table>
<thead>
<tr>
<th>Security</th>
<th>Present</th>
<th>Future</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Control over day-to-day, month-to-month finances</td>
<td>Capacity to absorb a financial shock</td>
</tr>
<tr>
<td>Freedom of choice</td>
<td>Financial freedom to make choices to enjoy life</td>
<td>On track to meet financial goals</td>
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About Financial Well-being

The CFPB Financial Well-Being Scale is:

1. A consumer-driven measure based on a definition of financial well-being that draws on insights from both consumers and experts.

2. A measurement tool developed using state-of-the-art techniques.

3. A common metric that allows an “apples-to-apples” comparison of scores across consumers.

4. A free and publicly available survey instrument and measurement scale.
What is an asset?

An asset is a resource with economic value that an individual or family owns or controls with the expectation that it appreciates in value over time and will provide a future benefit.
The path to building assets

Asset building to increase financial well-being

- **Income**
  - Earned wages
  - Public benefits
  - Tax credits
  - Cashflow management
  - Debt management

- **Savings**
  - Emergency savings
  - Longer term savings (purpose specific)
  - Savings incentives

- **Credit Building**
  - Timely bill payments
  - Secured credit instruments
  - Increase credit score

- **Asset Acquisition**
  - Small business investment
  - Homeownership
  - Education
  - Retirement

- **Asset Retention**
  - Maximize asset value
  - Asset protection

- **Income Progression**

- **Access To Capital**
Step 1: Emergency savings

1. Liquid (fully accessible) savings allows a consumer to respond quickly to unexpected expenses
2. Reduces the use of other high-cost alternative products such as payday loans
3. Building emergency savings is a Cycle of Accumulation, Use, and Rebuilding
4. Increases the capacity and confidence of people to save for longer term goals
5. Increases financial well-being
How to build and use emergency savings

1. Have a fully accessible account at a bank or credit union
2. Save regularly if possible / even small amounts are helpful
   or
3. Save when you have excess funds
4. Automate the savings process if possible / set it and forget it
5. Use emergency savings for unexpected expenses
6. Rebuild emergency savings so that you have a cushion for the next unexpected expense
National financial well-being survey results

Liquid savings correlates strongly with financial well-being

Financial well-being score by liquid savings amount

<table>
<thead>
<tr>
<th>Liquid savings</th>
<th>Financial well-being</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $250</td>
<td>41</td>
</tr>
<tr>
<td>$250 to 499</td>
<td>47</td>
</tr>
<tr>
<td>$500 to 999</td>
<td>47</td>
</tr>
<tr>
<td>$1,000 to 4,999</td>
<td>52</td>
</tr>
<tr>
<td>$5,000 to 19,999</td>
<td>59</td>
</tr>
<tr>
<td>$20,000 to 74,999</td>
<td>63</td>
</tr>
<tr>
<td>$75,000+</td>
<td>68</td>
</tr>
</tbody>
</table>

U.S. average financial well-being: 54
Step 2: Building credit

Having good credit can:

1. Affect where you live
2. Affect what job you can get
3. Affect your ability to purchase durable essentials such as transportation
4. Affect your ability to invest in longer-term assets such as homes and businesses
How to build credit

Strategies for credit building

a. Timely payment of bills
b. Rent reporting
c. Credit builder loans
d. Secured credit cards

Strategies for credit protection

a. Check credit reports
b. Dispute errors
Step 3: Longer-term savings lead to building assets

1. Allows people to plan for their future and to build wealth
   a. Post-secondary education for the saver or for their children to increase earning potential
   b. Retirement: tax-advantaged accounts like 401(k)s typically gain in value over time and provide security in later years of life
   c. Homeownership: the most commonly held appreciable asset by Americans
   d. Business investment allows people to pursue independent enterprise
Zachary Gordon,
Cambridge Housing Authority
CHA’S FSS+ (FINANCIAL STABILITY AND SAVINGS PROGRAM)

Program Design:

- Needed MTW Authority to streamline the program (calculation methodology, funding for program)

- Focus of program is on credit and asset building outcomes

- Partnership with Compass Working Capital has been critical to success

- CHA and Compass also ran a 3-year pilot program to test automated savings with public housing residents

- Switched to a bands-based escrow model in 2021 to incentivize participants at all income levels
PROGRAM OUTCOMES

- 181 graduates

- 68% of participants increased income with an average earned income increase of ~$10,000

- 72% of participants saw an improvement in credit score

- Average FICO score improved by nearly 40 points (636 – 676)

- Percentage of clients with debt in collection reduced from 53% to 28%

- Average escrow amount $6,990

- Outcomes vary but not focused on just exiting subsidy but other positive self-sufficiency metrics
Helping HUD assisted residents build assets

Assist them in finding a financial institution to open separate savings accounts for emergency savings using this tool.

Provide practical tools such as this cash flow budget to help them track income, expenses, inflows and outflows.

Provide information on free tax return filing options so that they can access tax credits for which they are eligible (not just during tax season).
Helping HUD assisted residents build assets

1. CFPB resources on building and maintaining credit
   a. Requesting a free credit report
   b. Understanding your credit score
   c. Building credit from scratch
   d. Rebuilding your credit
Helping HUD assisted residents build assets

If the resident has debts help them develop an action plan for paying down the debt with this tool.

Provide information with this tool on how savings could be affected by public benefits asset limits.
Helping HUD assisted residents build assets

Help residents build a savings plan including setting goals and developing strategies to save with this tool.

Before tax season offer this worksheet to make a plan to how to make the most of their tax refund.
Resources to build financial capability and support asset building goals

Your Money Your Goals tools and booklets

a. Financial empowerment toolkit
b. Companion guides for
   ▪ military communities,
   ▪ native communities,
   ▪ people with disabilities and
   ▪ justice involved individuals
Resources to build financial capability and support asset building goals

Custom booklets including

- **Behind on Bills? Start with one step.** Also available in [Spanish](#).
- **Debt getting in your way? Get a handle on it.**
- **Want credit to work for you? Start with these steps.** Also available in [Spanish](#).
- **Building your savings? Start with small goals.**
Strategies to build financial capability and support asset building goals

1. Financial coaching
   a. CFPB Randomized Control Trial on financial coaching
   b. CFPB Financial Coaching Initiative results
   c. CFPB resources for coaches
   d. Remote coaching guide
Resources for credit building

1. Urban Institute/FinRegLab report on rent and utility reporting
2. Credit Builders Alliance rent reporting technical assistance center
3. CFPB research reports on credit invisibility
4. CFPB credit builder loan research report
Resources for savings

1. CFPB guide to building an emergency savings fund
2. Aspen Financial Security Program report on automating emergency savings
3. Commonwealth / SaverLife report on accounting for emergencies
4. Pew Research Center report on income volatility and financial security
5. Federal Reserve Bank of St. Louis series on the Real State of Family Wealth
Submitting a complaint to the Bureau

Submit a complaint
Each week we send more than 10,000 complaints about financial products and services to companies for response. If another agency would be better able to assist, we’ll send it to them and let you know.

Most companies respond within 15 days.

See how the complaint process works
Watch this short video to find out what to include in your complaint and what will happen after you submit.

Find answers before you start a complaint
- Which products and services can I complain about? Show
- What can I do before submitting a complaint? Show
- What's most important for me to include in a complaint? Show
- How does the CFPB share my complaint data? Show

Ready to begin?
Submitting online usually takes less than 10 minutes. Include everything you need to because you generally can't submit a second complaint about the same problem.
Submitting a complaint to the Bureau

HOW TO SUBMIT A COMPLAINT

Online
Consumerfinance.gov/complaint

By phone (180+ languages)
M-F 8 a.m. – 8 p.m. ET
(855) 411-2372
(855) 729-2372 TTY/TDD

By mail
Bureau of Consumer Financial Protection
P.O. Box 27170
Washington D.C. 20038
Submitting a complaint to the Bureau

Submit a complaint

What is this complaint about?

Choose the product or service that best matches your complaint.

- Debt collection
- Credit reporting, credit repair services, or other personal consumer reports
- Mortgage
- Credit card or prepaid card
- Checking or savings account
- Vehicle loan or lease
- Student loan
- Payday loan, title loan, or personal loan (installment loan or personal line of credit)
- Money transfer, virtual currency, or money service (check cashing service, currency exchange, cashier’s/traveler’s check)
Complaint process

- Complaint submitted
- Review and route
- Company response
- Complaint published
- Consumer review

Consumer Financial Protection Bureau
Questions?
Stay in touch!

- Visit our webpage: consumerfinance.gov/empowerment
  - Sign up to get news and resources related to tax time savings and other topics:

  ![Sign up form](image)

- Find resources related to tax time savings: consumerfinance.gov/tax-preparer-resources/
- Find COVID resources: https://www.consumerfinance.gov/coronavirus/