

Expanding CDFI Coverage in Underserved Areas

Partnerships for Financial Capability *A Diagnostic Framework for CDFIs*

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Credit Unions

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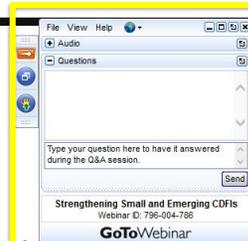


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GoToWebinar

CDFI Fund's Capacity Building Initiative

- The Capacity Building Initiative will greatly expand technical assistance and training opportunities for Community Development Financial Institutions (CDFIs) nationwide and significantly boost the ability of CDFIs to deliver financial products and services to underserved communities.
- Industry-wide training will target key issues currently affecting CDFIs and the communities they serve.



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What is the *Expanding CDFI Coverage in Underserved Areas Initiative*?

- The series will provide specialized training and technical assistance to certified and emerging Community Development Financial Institutions (CDFIs) seeking to expand their reach into underserved communities that currently lack a CDFI presence.
- The workshops include content that is applicable to all CDFI organizational structures, including loan funds, credit unions, banks, and venture capital funds.



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Training Partners



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About the Training Partners

- **Community Development Bankers Association (CDBA)** is a national trade association of the community development bank sector. CDBA is the voice and champion of banks and thrifts with a mission of serving low and moderate income communities.
- **Community Development Venture Capital Alliance (CDVCA)** is a network of community development venture capital funds, which provide equity capital to growth businesses in low-income communities to create good jobs, productive wealth, and entrepreneurial capacity.
- **National Federation of Community Development Credit Unions (NFCDCU)** is a national association for community development credit unions providing capital, advocacy, technical assistance, training to support innovative services for low-income consumers.
- **Opportunity Finance Network (OFN)** is a leading national network of community development financial institutions (CDFIs) investing in opportunities that benefit low-income, low-wealth, and other disadvantaged communities across America.



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Today's Topic

- Today's topic provides a framework to help CDFIs of all types:
 - Consider aspects of partnership as they expand.
 - Learn key insights from a case study that can help financial capability partnerships thrive.



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Presenter



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Overview

- Why Partner?
- Case Study for Successful Partnerships- Partnerships for Financial Capability Initiative
- Path to a Memorandum of Understanding



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Why Partner?



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Case Study - Partnerships for Financial Capability

- In 2013, with the support of the Kregse Foundation, the National Federation of Community Development Credit Unions (the Federation) and the Center for Financial Services Innovation (CFSI) launched the Partnerships for Financial Capability Initiative.

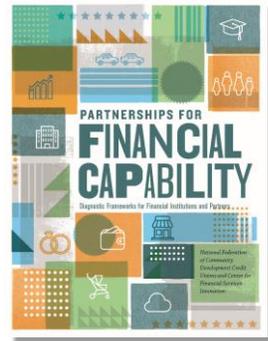


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Case Study - Partnerships for Financial Capability

- The goal of the Partnerships for Financial Capability Initiative (the Initiative) is to promote:
 - financial capability,
 - financial inclusion, and
 - economic stabilityin low-income communities through partnerships between community development credit unions and nonprofit service organizations.



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Case Study – Partnerships for Financial Capability Initiative

Three Objectives:

1. Increase access to financial services for clients of social service agencies.
2. Identify measurable benefits for clients, credit unions and non-profit social service agencies.
3. Develop best practices for strong and sustainable partnerships that promote financial capability.



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Case Study - Partnerships for Financial Capability : Why Partner?

Build
Financial
Capability

- Build *knowledge* to manage financial resources effectively.
- Learn *skills* to exercise behaviors that lead to financial health.
- Gain *access* to high-quality financial products and services.



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Case Study – Partnerships for Financial Capability Initiative

Two basic ideas for financial capability:

- Tools are only productive if people know how to use them.

- and -

- Knowledge and skills are best developed with access to tools and practice in their use.

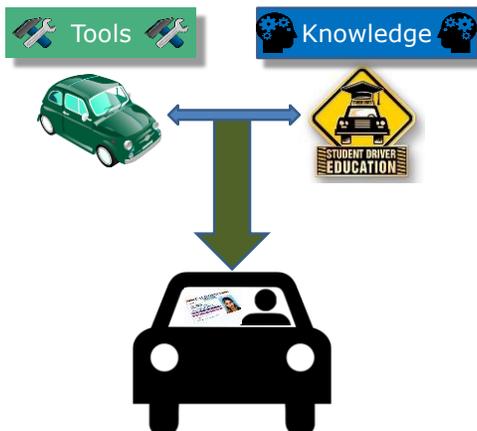


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Case Study – Partnerships for Financial Capability Initiative

Like learning to drive...

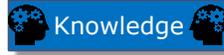


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Case Study – Partnerships for Financial Capability Initiative

For financial capability...



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Case Study – Partnerships for Financial Capability Initiative

Three Pilot Sites



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Case Study – Partnerships for Financial Capability Initiative

The following slides distill lessons from the three pilot sites of the Financial Capability Partnership Initiative, but are applicable to all partnerships:

- Identify pillars of successful partnerships
- Provide diagnostic frameworks to help develop effective partnerships



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Case Study - Five Pillars of Successful Partnerships



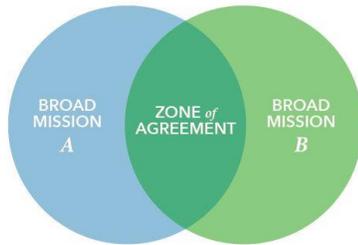
1. Convergent Vision
2. Complementary Capacities
3. Commitment
4. Confidence
5. Coordination



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1. Convergent Vision



- Mission alignment
 - Alignment of Purpose
 - Alignment of Target Market
- Relatively easy to find overlap
 - ✓ Zone of Agreement



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1. Convergent Vision



- Mission alignment
 - Alignment of Purpose
 - Alignment of Target Market
- Relatively easy to find overlap
 - ✓ Zone of Agreement
- Important to note how Zone of Agreement fits into broader missions for each partner



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1. Convergent Vision



Alignment of Purpose

- Mission alignment
 - Alignment of Purpose
 - Alignment of Target Market
- Relatively easy to find overlap
 - ✓ Zone of Agreement
- Important to note how Zone of Agreement fits into broader missions for each partner



1. Convergent Vision



Alignment of Purpose

Recognize how initiative fits in broader priorities of each partner



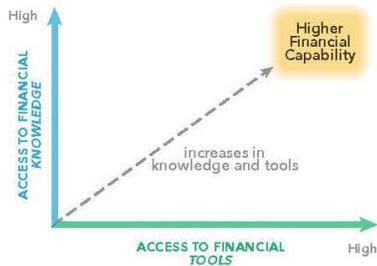
Alignment of Target Market



2. Complementary Capacities



MAXIMIZING FINANCIAL CAPABILITY IMPACT



- Partnerships should expand and extend the capabilities of both partners in specific areas.

- Financial capability partnerships must be designed to provide tools and knowledge together:
 - Credit unions are expert providers of financial tools (products & services).
 - Specialized non-profit partners can provide the knowledge (financial education and counseling).



Source: *Partnerships for Financial Capability*

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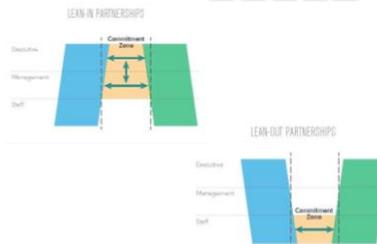
3. Commitment



Lean-In Models typically are instigated and promoted by the executive levels of partner institutions.

Lean-Out Models often result from short-term incentives such as external grants, political imperatives or entrepreneurial staff that recognize and seize opportunities at the field level.

Asymmetric Models are the most common of all, as almost every partnership incorporates a greater or lesser degree of unequal capacity or commitment. The chart represents the most common type of asymmetry, where a smaller, lower capacity partner leans in and the larger, higher capacity partner leans out.



- Three key components

 - Leadership
 - Costs and Benefits
 - Time

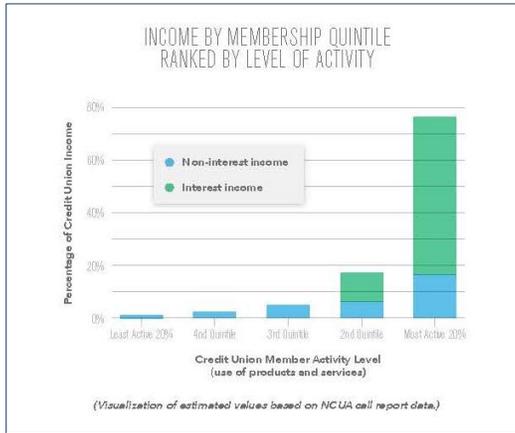


Source: *Partnerships for Financial Capability*

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3. Commitment



- Three key components
- Leadership
 - Costs and Benefits
 - Time



Source: Partnerships for Financial Capability

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3. Commitment



	Least Active (80%)	Transitional/Linking Products & Services	Most Active (20%)
New Members	8 icons	→	2 icons
Targeted Financial Services	<ul style="list-style-type: none"> • Check Cashing • Money Orders • Remittances • Basic Savings 	<ul style="list-style-type: none"> • Prepaid Debit • 2nd Chance Checking 	<ul style="list-style-type: none"> • Standard Checking • Direct Deposit • ATM/Debit • Mobile Banking • Online Banking • Bill Pay • Event Savings
Targeted Loan Products	<ul style="list-style-type: none"> • Credit Builder Loans • Immigration Loans • Borrow & Save Loans 	<ul style="list-style-type: none"> • Secured Credit Card • Micro Loans • Debt Consolidation loans • Payday Alternative Loans 	<ul style="list-style-type: none"> • Unsecured Credit Cards • Used/New Auto • Consumer • Mortgage • Education/Event Loans • Lines of Credit
Projected Interest Income	\$		\$\$\$
Projected Fee Income	\$		\$\$
Projected Expense	(\$)		(\$)
Projected Net Income	\$ or (\$)		\$\$\$\$

- Three key components
- Leadership
 - Costs and Benefits
 - Time



Source: Partnerships for Financial Capability

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3. Commitment



Expectations, Performance, And Patience
(Unrealistic projections)



- Three key components
- Leadership
 - Costs and Benefits
 - Time



Source: Partnerships for Financial Capability

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3. Commitment



Expectations, Performance, And Patience



- Three key components
- Leadership
 - Costs and Benefits
 - Time



Source: Partnerships for Financial Capability

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4. Confidence



- What is history between organizations?
 - Previous collaborations
 - Positive and negative experiences
- Where are points of contact and experience?
 - Board memberships
 - Clients or users of services
 - Financial supporters
 - Shared locations
 - Friendships
- What are reasons for optimism?
- Are there any concerns?
 - If not possible to resolve up front, are there any deal-breakers?
 - If not, note concerns and make plan to resolve



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5. Coordination



- Who will:
 - be responsible? be accountable? be point of contact?
- What are:
 - products and services to be provided? data to be tracked?
- When will:
 - data be collected? benchmarks be achieved? communications occur?
- Where will:
 - clients receive financial counseling? open accounts? apply for loans?
- How will:
 - clients proceed through system? partners assess impact, costs, and benefits?



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Path to a Memorandum of Understanding

Pillar of Successful Partnership	Possible Section in MOU	Elements to Include
1. Convergent Vision	<ul style="list-style-type: none"> Mission Vision Purpose 	<ul style="list-style-type: none"> ✓ Identification of all partners ✓ Individual mission statements ✓ Common mission statement ✓ Purpose of Partnership ✓ Target Market
2. Complementary Capacities	<ul style="list-style-type: none"> Justification for Partnership Roles and Responsibilities 	<ul style="list-style-type: none"> ✓ Organizational descriptions ✓ Major areas of responsibility
3. Commitment	<ul style="list-style-type: none"> Resources Time Period 	<ul style="list-style-type: none"> ✓ Financial ✓ Technical ✓ Personnel ✓ Duration of agreement
4. Coordination	<ul style="list-style-type: none"> Delivery Internal Communications Amendments 	<ul style="list-style-type: none"> ✓ Who will be responsible ✓ What will be delivered ✓ Who is authorized to change plan ✓ Frequency and means of communications
5. Confidence	<ul style="list-style-type: none"> Ownership External Communications 	<ul style="list-style-type: none"> ✓ Publicity ✓ Resolution ✓ Amendment

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Questions?

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Expanding CDFI Coverage in Underserved Areas Webinar Series

- Upcoming topics include:
 - *February 9, 2016*: Exploring New Models for CDFI Coverage through Formation of New or Affiliated CDFIs
 - *February 23, 2016*: Capitalization Strategies: Raising Debt and Equity for CDFIs
 - *March 22, 2016*: Customer Acquisition
 - *April 5, 2016*: Fundraising Strategies for your CDFI



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