



CRA AT FORTY

Credit Where Credit Is Due

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At its core, the Community Reinvestment Act is intended to ensure that financial institutions meet the unique needs of the communities they serve. The CRA is about more than just making loans; it's also about educating consumers and helping bring a sense of financial awareness to their lives. This awareness not only helps their families, but also extends to the communities where they live.

For financial institutions, this could mean they provide services such as housing counseling or other forms of financial education directly to the public. Or it could mean that they partner with local subject matter experts to deliver these services directly to consumers.

In many cases, the local subject matter experts are credit counseling agencies, typically nonprofit organizations that work on the front lines combatting financial illiteracy. These agencies attempt to remedy the damage done to its victims, whose lack of financial knowledge often betrays them in critical situations. Among the menu of services provided by credit counseling agencies are federally mandated bankruptcy counseling and debtor education programs, foreclosure counseling, reverse mortgage counseling and free community education. These services not only help individual consumers, they also help the community where each newly educated consumer resides. And of course, these programs often ultimately benefit financial institutions and their CRA programs, since many consumers who regain their financial stability will return later as customers for savings accounts, loans, mortgages and other bank products. Win, win, win.

Many are not familiar enough with credit counseling to be able to distinguish it from other sectors of the debt relief space. The Financial Counseling Association of America (FCAA) is a 501(c)(3) nonprofit trade association whose members are credit counseling agencies, the overwhelming majority of which are also 501(c)(3) nonprofits, which means they share a mission of providing financial counseling and education to the public. FCAA member agencies take a holistic approach in addressing an individual's financial situation, fully reviewing the consumer's financial circumstances before presenting any appropriate options that might be used to resolve the situation. Our counselors review credit reports and create workable Action Plans that help consumers realize the fundamental differences between "needs" and "wants," re-orienting their spending priorities in a way that allows the consumer to pay down their debt, safely and responsibly.

Our members provide a variety of services to help the financially distressed consumer get back on the road to financial well-being, including:

- *Consumer credit counseling:* From budgeting to credit reports to dealing with accounts in collections, FCAA member agencies will develop an Action Plan specific to the consumer based on his or her income, expenses and goals;
- *Debt Management Plans (DMPs):* Unlike debt settlement, which can severely damage a person's credit, DMPs typically allow qualified consumers to repay their principal balances in full, but at significantly lower interest rates. This can give consumers the necessary breathing room in their budgets to help get them back on track;
- *Housing counseling services:* From free foreclosure-prevention and loan-modification services to mandated reverse mortgage counseling, first-time homebuyer classes and rental education, our HUD-certified agencies work with consumers to educate them on buying, maintaining and protecting their homes;
- *Bankruptcy counseling:* Many FCAA agencies are also approved by the Executive Office for United States Trustees to provide pre-filing counseling sessions and pre-discharge debtor education, both of which are required in the bankruptcy process;
- *Student loan counseling:* Certified counselors at FCAA member agencies provide holistic counseling to individuals dealing with student loan debt. Counselors will review all of the expenses impacting the consumer's budget and help them identify and understand the various federal loan repayment options they're eligible for; and
- *Financial education services:* FCAA agencies provide free financial literacy classes throughout their local communities. Many offer programs specifically designed for students, veterans, senior citizens, first-time homebuyers and inmates returning to society, and employee assistance programs.

The services our members offer are desperately needed in communities around the country. While some of these services are provided for a fee, those fees are highly regulated by the states and help cover the cost of the work the credit counseling agency does to fulfill its mission.

So where does agency funding come from? There are occasional grants from individual banks, but there is no government funding for credit counseling services. Many agencies also receive some level of grant money directly from the creditors they work closely with, but those donations have been in steady decline for more than a decade. A great source of support comes from the Community Reinvestment Act, through funds targeted for particular communities and specific programs.

One FCAA member used CRA investment to start a statewide Individual Development Account (IDA) Network. IDAs are matched-savings programs that allow low-income families to save a specified amount of money to be used for buying a home, funding post-secondary education or starting a small business, with the state matching the

amount saved by the consumer. Finding synergy between savings and financial education, the counseling agency was able to expand the CRA-supported services to include financial education.

The early results? Over 1,200 households participated in the IDA program. Of the program's participants, 232 people have saved enough to buy their first home; 220 households have made withdrawals to fund a small business; and 1,128 households have made education-related withdrawals. That's a lot of good for a lot of families.

For many credit counseling agencies, CRA has been a true lifeline. Many agencies use their CRA donations and grants to provide free one-on-one counseling and financial education to the community. One particular FCAA member agency uses CRA investments to help underwrite the free financial literacy classes they provide every year to thousands of inmates preparing to re-enter society and to veterans who are successfully overcoming homelessness. The result? Recidivism rates have dropped, and veterans have been able to return to independent living, confident in their financial abilities for the first time.

This is just a small window into the use of CRA support by credit counselors. Many of us watch daily as rumors swirl regarding the fate of CRA - will it apply to fintech charters (if, in fact, charters are given to fintech companies)? Will tax reform kill CRA entirely? The Community Reinvestment Act is vital to helping individuals achieve their goals and critical to the many credit counseling agencies that work so diligently to help strengthen the foundation of the communities they serve. It would be a shame to see this lifeline that has served so many, so well, disappear.

Happy 40th Anniversary, CRA... and many more!

ABOUT THE AUTHOR

LORI POLLACK is the Executive Director of the Financial Counseling Association of America (FCAA). Established in 1994, the FCAA is a national trade association. Its members are credit counseling agencies, providing consumer credit counseling, housing counseling, student loan counseling, bankruptcy counseling, debt management plans and various financial education services to consumers. FCAA member agencies work diligently to help financially distressed consumers bank on the road to financial well-being.

ABOUT THE BOOK

This article first appeared in **CRA at 40: Views on the Present and Future of Community Reinvestment**, published by findCRA in November 2017. The book was created in celebration of the 40th anniversary of the Community Reinvestment Act. It tells the stories of community development, from the perspective of those working in our communities who bring their knowledge and passion to bear every day in confronting the most critical problems facing communities in need. The book is about real-world experiences told in plain language by those who live them to provide a lens for readers to see CRA at work, ideas for its future and most importantly, what it means in people's lives. To access the full text or order copies of the book, please visit www.findCRA.com/CRAat40.