

CITYSTART FINANCIAL EMPOWERMENT BLUEPRINT



City of Rochester, NY
Lovely A. Warren, Mayor
Rochester City Council

City of Rochester,
New York



Message from the Mayor



LOVELY A. WARREN,
MAYOR



When I launched the Office of Community Wealth Building at the beginning of my second term as Mayor of Rochester, I established financial empowerment for our residents as a key strategy to achieving my priorities of creating more jobs, safer and more vibrant neighborhoods, and better educational opportunities. Empowering our citizens to build a brighter financial future for themselves and their families is of the utmost importance; as you will read throughout this Blueprint, too many of our families struggle to build credit and wealth, save money, access high-quality banking services, and achieve financial wellness.

As Frederick Douglass once said, “Now our struggle is for genuine equality, which means economic equality. For we know now that it isn’t enough to integrate lunch counters. What does it profit a man to be able to eat at an integrated lunch counter if he doesn’t have enough money to buy a hamburger and a cup of coffee?” This Blueprint establishes an innovative and sustainable plan for the City of Rochester and its partners to build a stronger and more equitable economy. Now, with this path forward established, it’s time to get to work on behalf of the people of Rochester and build an economy that allows everyone to prosper.

Background: CityStart



ROCHESTER WAS SELECTED

June 2018, the City of Rochester was selected to participate in the Cities for Financial Empowerment Fund (CFE Fund) **CityStart 2018 Initiative**

THE CFE FUND

The CFE Fund is a non-profit research, consulting, and grant-making organization based in New York City. Their mission is to leverage municipal government engagement to **improve the financial stability of low-income households** by embedding financial empowerment strategies into local government and social service infrastructure.

THE FOUR PILLARS OF FINANCIAL EMPOWERMENT

The CFE Fund works with mayoral administrations to implement programs and policies focused on four pillars of financial empowerment: Savings and Asset Building, Banking Access, Consumer Protection, and Financial Counseling.

THE CITY START INITIATIVE

The CityStart initiative offers mayors and their administrations a structured approach to **identify** financial empowerment goals, **convene** relevant stakeholders for sustainable success, **develop** actionable strategies, and ultimately **craft a blueprint** that is rooted in local insights and opportunities.

THE BOOT CAMP

In October 2018, the Office of Community Wealth Building brought together a **diverse group of stakeholders** for a financial empowerment “boot camp” event with the goal of identifying key issues and strategies.

THE IMPLEMENTATION PLAN

Based on outcomes from the boot camp, as well as mayoral priorities, the CFE Fund works with city partners on a second phase: implementation planning. This more intensive engagement harnesses the momentum from the boot camp to **design a comprehensive financial empowerment blueprint** and identify key implementation stakeholders.

The Initiative

This two-phase action engagement connects critical insights about the impact of financial instability on municipal governments with tangible, sustainable strategies to improve families’ financial lives.

Community organizations represented at CityStart Boot Camp

- Rochester Area Community Foundation
- Rochester City School District
- ESL Foundation
- NeighborWorks Rochester
- Genesee Co-op Federal Credit Union
- M&T Bank
- Rochester Public Library
- Rochester Housing Authority
- Rochester Educational Opportunity Center
- Consumer Credit Counseling Service of Rochester
- Empire Justice Center- CASH
- Monroe County Department of Human Services
- The Housing Council at PathStone
- Rochester-Monroe Anti-Poverty Initiative
- Ibero-American Action League
- Urban League of Rochester
- United Way of Greater Rochester

Rochester's Financial Empowerment Priorities



ACCESS TO SAFE AND
AFFORDABLE BANKING
SERVICES



FINANCIAL EDUCATION
AND COUNSELING



SAVINGS, CREDIT
ACCESS, AND WEALTH
BUILDING



CONSUMER FINANCIAL
PROTECTION



Access to Safe and Affordable Banking Services

KEY STATISTICS AND FINDINGS



23% OF HOUSEHOLDS ARE UNDERBANKED

meaning that they have a bank account but also use some form of alternative financial service

17% OF HOUSEHOLDS ARE UNBANKED

meaning that they have neither a checking nor a savings account

ZERO BANKON CERTIFIED ACCOUNTS

in the Rochester market among local and regional banks that are designated as safe and affordable for low-income consumers.

"HIGH" RATIO OF ALTERNATIVE TRADITIONAL FINANCIAL SERVICES

in the city of Rochester as defined by New America



WEALTH & CREDIT BUILDING DEPEND ON BANKING ACCESS

SECURING FINANCIAL WELLNESS

Research shows that the types of financial services used by a household is determined in large part by the availability of services in their immediate neighborhoods. According to a study published by *New America*, every additional traditional financial institution per 1,000 people is associated with **a 5% higher probability of households being able to afford their monthly bills**. Every additional alternative-financial institution, such as a check casher or pawn shop, **decreases this probability by 2%**

POOR ACCESS TO SAFE BANKING SERVICES

In Rochester the **lack of safe and affordable services is highly prevalent in lower-income areas**, while more affluent neighborhoods have an abundance of accessible branches. In addition to a lack of adequate products, community partners and residents frequently report that information on accounts is difficult to navigate, unavailable in languages other than English, which acts as a **major factor barring lower-income consumers for accessing services**.





Financial Education and Counseling

KEY FINDINGS

Low-income communities lack the ability to access professional financial and legal services

When low-income families face financial challenges and try to plan for the future they often turn to friends and family for guidance and information, and are more likely to fall victim to predatory schemes that promise to relieve their financial struggle.

FINANCIAL COUNSELING

Research shows that individualized financial counseling services tend to positively affect long-term financial behaviors, while education and “financial literacy” do not.

FINANCIAL LITERACY

Financial literacy provides a platform to bring together communities, and put people in the right frame of mind to deal with their finances in a proactive manner.



INDIVIDUALIZED COUNSELING INFLUENCES FINANCIAL GOALS

THE FINANCIAL LITERACY AND EDUCATION LANDSCAPE

While there is no easily obtainable data on “financial literacy,” it is clear that the community faces significant challenges related to credit access, debt, and several other areas of consumer finance. In the current financial literacy and education landscape in Rochester, there are numerous providers that focus their efforts in the space exclusively on providing group workshops and education opportunities.

LIMITATIONS PLACED ON FINANCIAL COUNSELING

In conversations with local non-profit organizations focused on financial wellness, nearly all of them indicated willingness and interest in moving to a more individualized model. However, they all reported that resource constraints prevent them from offering a free service.





Savings, Credit Access, and Wealth Building

KEY STATISTICS AND FINDINGS



The Federal Reserve Bank of New York recently published the “**City of Rochester Community Credit Profile 2016**,” which positions access to credit as an indicator of the economic health of communities.

77% OF RESIDENTS ARE INCLUDED IN THE FORMAL CREDIT ECONOMY, COMPARED TO 91% FOR MONROE COUNTY

OF THOSE IN THE CREDIT ECONOMY, THERE IS A HIGH LEVEL OF CREDIT STRESS CONCENTRATED IN LOW-MODERATE INCOME AND MAJORITY NON-WHITE NEIGHBORHOODS

NEARLY ALL ROCHESTER NEIGHBORHOODS ARE CHARACTERIZED AS HAVING POOR COMMUNITY CREDIT.

Due to low rates of involvement in the credit economy and high credit stress,

NEARLY 60% OF HOUSEHOLDS HAVE SUBPRIME CREDIT SCORES

And therefore are more often exposed to risky and unaffordable financial opportunities.



ACCESS TO CREDIT IS THE FOUNDATION FOR BUILDING WEALTH



BUILDING WEALTH AND INTERGENERATIONAL FINANCIAL STABILITY AND PROSPERITY

Limited access to credit among low-income communities in the Rochester has resulted in a fundamental inequality in the ability to build wealth that is clearly demonstrated in wide disparities in homeownership levels, business ownership, and more. These disparities break clearly along the same lines as poverty and household income and follow the same race- and gender- based patterns. Simply put, lower-income families and families of color are far less likely to have access to safe and affordable credit, and are thereby unable to build wealth for the future.

WAGE-DISPARITY AND SELF-SUFFICIENCY

The issue of low household income has significant bearing on the ability of families to save and build wealth. As outlined by the Mayor's Office of Innovation in the 2017 report "Wage Disparities in Monroe County," there are many working families that simply do not earn enough to maintain self-sufficiency, acting as a major barrier to achieving long-term savings and wealth-related outcomes.



Consumer Financial Protection



ALTERNATIVE FINANCIAL INSTITUTIONS

In the city of Rochester, like in many lower-income urban communities across the country, a system of alternative– and often **predatory** – financial services has **developed and profited on the structural inability of families to access traditional services detailed in previous sections**. These services include common elements of lower-income neighborhoods like check cashing facilities, pawn shops, paid tax-preparation services offering refund anticipation loans, subprime “buy-here, “pay-here” used car lenders, for-profit colleges and universities, and payday lenders.

"CITY
GOVERNMENT
IS A TRUSTED
VOICE AMONG
A SEA OF
SCAMS AND
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CHOICES"



FINANCIAL EMPOWERMENT INCLUDES CONSUMER PROTECTION

STATE-WIDE CONSUMER PROTECTION

New York State has taken steps to protect consumers at the statewide level, passing important legislation establishing a usury cap that forbids payday lending. However, there are many issues that are prevalent in the Rochester community that warrant further study to gain a full understanding of the scope and nature of the challenge.

ROCHESTER'S PRIORITY AREAS

In conversations with community stakeholders, focus groups with residents, and through research, this report identifies a few priority areas of focus for the near future: **subprime auto lending, debt collection practices, for-profit high education and student debt, and discriminatory lending practices.**



Short-Term Recommendations



Rochester
Financial
Empowerment
Center



1) Establish financial empowerment work as a local government priority

2) Implement the Financial Empowerment Center program to provide free, one-on-one, professional financial counseling as a public service

3) Develop and launch Office of Community Wealth Building website to serve as a "one-stop-shop" for financial empowerment resources and tools.

4) Launch a BankOn coalition in Rochester

5) Improve financial stability through a year-round EITC Program

6) Launch and promote financial empowerment programming at the OCWB Business and Community Services Center

Mid/ Long-Term Recommendations



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1) Convene the Mayor's Council on Financial Empowerment

2) Conduct a thorough study of consumer issues in Rochester

3) Collaborate with Empire Justice C.A.S.H. to facilitate free tax preparation services.

4) Create opportunities for youth employment and banking access

5) Promote the financial awareness and skills of youth

6) Launch a pilot program for "credit building through rent reporting"

Questions or Comments?

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