



HELPING THE UNBANKED AND UNDERSERVED

Toolbox Report for Financial Institutions



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INTRODUCTION

The Boston Alliance for Economic Inclusion (BAEI) is a public-private partnership whose Mission is to enhance the economic well-being of the unbanked/underserved in metropolitan Boston by improving their access to the U.S. banking system, developing and marketing more responsive and affordable financial products and services, promoting financial education, and addressing technical or regulatory issues surrounding these developments.

This initiative (formally known as the Boston New Alliance Task Force) was launched in October 2005. The BAEI offers banks, credit unions, and other financial institutions opportunities to better understand and develop the means to serve the significant business potential of the growing unbanked/underserved market and remain in compliance with all current banking laws.

In order to achieve its Mission, the BAEI:

- Informs and educates financial institutions and others about the positive business opportunities provided by improved access to mainstream financial services for the unbanked/underserved, and identifies and solves issues and obstacles associated with new product or service development.
- Fosters a continuing commitment by leaders in the financial services industry, the non-profit and the public sectors, to take positive action in response to these opportunities, and recognizes task force members for their contributions.

In late 2005, a Products and Services (P&S) Workgroup was formed to research and compile information about affordable products and services and to promote their use by banks and credit unions. The P&S Workgroup explored ways that mainstream financial institutions throughout the country were serving this emerging market and learned that many appropriate products and services already existed. As a result, the P&S Workgroup set out to identify these products and services and present them in a reference guide. Additionally, the Workgroup planned and conducted a four-part educational series for bank and credit union personnel that focused on products and services but also addressed effective strategies for mainstream financial institutions to meet the challenges and opportunities of this changing marketplace.

We are calling this reference guide a “Toolbox” and hope that as you examine the needs and opportunities that exist in your service area, you will be able to match them with the right combination of “tools.” This resource is a compilation of information and effective practices that have helped financial institutions locally and in other areas develop comprehensive programs to respond to the emerging unbanked/underserved market. The BAEI believes that the scope of this Toolbox, from staffing considerations to product offerings, will ultimately lead to improved profitability for the institution and greater opportunities to build individual and family self-sufficiency among area residents.

EDUCATIONAL SERIES HIGHLIGHTS

A series of seminars were designed and conducted during the first part of 2007. Sponsored by the Massachusetts Bankers Association and the Massachusetts Credit Union League, the seminars were entitled:

- Tapping into the Emerging Markets: “The Business Case”
- Staffing: Today and Tomorrow
- Products for the Future: Deposit/Electronic Remittances
- Products for the Future: Residential and Small Credit Lending

Significant attention was paid to both the substance of the sessions, as well as the format. To begin a serious understanding of the issue, unwavering support from the top of any organization is needed. In order to capture such attention, an explanation of the business benefits and need must be provided. Once these concepts are understood, any organization must then hire appropriate personnel and develop both deposit and loan products to meet consumer demand.

Over 160 representatives from banks and credit unions participated and gained a better understanding of the changing needs of the market and of the opportunities presented.

The speakers represented a wide range of professions and they shared their expertise and insight into the growing issue of the Underbanked. The materials and knowledge gained are incorporated into this report and hopefully will be utilized as tools to develop or enhance programs at various organizations.

Speakers included:

Mary Ann B. Clancy	SVP/General Counsel	MA CU League, Marlborough, MA
Rick Coffman	Director Expanding Markets	Freddie Mac, Arlington, VA
Eduardo Crespo	President	Hispanic Market Solutions Lawrence, MA
Carla Decker	President/CEO	District Government Employees Federal Credit Union Washington, DC
Bonnie L. Doolin	SVP Strategic Planning	Research and Business Development, MA CU League, Marlborough, MA
Paul Driscoll	Regional Manager	FDIC Division of Insurance and Research, Boston, MA
Jane Edmonds	President	JCEA GLOBAL
David Floreen	Senior Vice President Government Affairs and Trust Services	Massachusetts Bankers Association, Boston, MA
Ive Gonzalez	Human Resources Specialist	Eastern Bank, Lynn, MA
Ellen Herman	Assistant Executive Director	Massachusetts Convention Center, Boston, MA
Alvaro Lima	Director of Research	Boston Redevelopment Authority, Boston, MA
Kelly Maloy	Operations Manager	Massachusetts Housing Partnership, Boston, MA
Cynthia C. Merkle	Senior Vice President	Eastern Bank, Boston, MA
Peter Milewski	Director of MassHousing’s Mortgage Insurance Fund	MassHousing, Boston, MA
Dr. Manuel Orozco	Remittances and Development Program	Inter-American Dialogue, Washington, DC
Richard Staples, Jr.	Senior Deputy Director, Rhode Island Community Business Ctr.	Fannie Mae, Providence, RI
Michael T. Stewart	Business Development and Service	Federal Reserve Bank of Boston, Boston,

		MA
Sylvia Stokes	President	The Leadership Connection, Lynn, MA
James Sullivan, Jr.	Assistant Vice President	NMTW Community CU, Lowell, MA
Millie Zayas	Assistant Vice President	RTN Federal Credit Union, Waltham, MA

BUSINESS CASE

DEMOGRAPHIC PROFILE OF MASSACHUSETTS Non-traditional Markets: Source of Most Growth

In order to develop meaningful products and services that address the growing market of untraditional banking customers and those that have been labeled the “Unbanked and Underbanked,” it is essential to provide a comprehensive review of the demographic trends in both Massachusetts and New England as a region.

Bankers need to be aware of the nuances and subtle characteristics of what has been and is taking place in their marketplaces, because now, more than ever, a one-size-fits-all approach to promoting and delivering banking services does not work.

The profile below highlights numerous trends, facts, and observations on the Massachusetts and New England economy, and, more significantly, which subsets within those regions are growing and why.

Demographic Profile

- According to U.S. Department of Census data, Massachusetts is one of the slowest growing states in terms of population.
- From 2000-2005, Massachusetts grew by only 0.8 %, trailing only North Dakota (-0.9%) and West Virginia at (0.5%). By contrast, the entire U.S. population grew by 5.3%. Connecticut grew by 3.1% and New Hampshire jumped by 6%. This trend is not new. Massachusetts grew by only 5.5% throughout the decade of the 1990’s, compared to 13.1 % for the nation as a whole.
- The sharpest jump in population throughout New England from 2000-2006 occurred in south-central New Hampshire up to the lakes region and into southern Maine, portions of central Massachusetts, and northeast Connecticut. Why? Most likely lower housing costs and simpler lifestyle.
- The reasons for this trend are multiple and complex: high housing costs, climate, lower birth rate, net out-migration of 25-34 year old sector and more.
- Immigration is the only major source of new residents. If not for immigrants, Massachusetts would have lost more residents than any other state in the US in 2004 and 2005.
- For example, for the year ending September 30, 2005, over 34,000 immigrants who were admitted to the U. S. were residents of Massachusetts- the fifth of any state in the nation! Only Illinois, New Jersey, New York and Texas were higher.
- Notably, India and China were the nations of emigration for over 6,100 individuals in 2005, more than any other nation by far.

Data Provided by Carsey Institute at University of New Hampshire: March 2008

New England’s population stood at 14,270,000 in July of 2006- a gain of 347,000 residents since 2000. This gain of 2.5 percent is less than half that of the nation as a whole and lags far behind the fast growing South and West. The modest overall population gain in New England masks sharply contrasting demographic trends within the region.

Overall New England Trends

- Racial diversity increased because all population growth in New England was due to a gain of 407,000 in its minority population;
- The white population declined by 60,000;
- Population growth rates were higher in northern New England which is receiving net in-migration from elsewhere in the country;
- Southern New England is losing migrants to other parts of the United States;
- New England lost nearly \$6 billion dollars of income in migration exchanges with other areas of the country between 2001 and 2005 (this is critically important); and

- The net out-migration of just over 251,000 was the result of 1,263,000 people leaving New England and 1,012,000 moving in. So, more than 2,275,000 people moved in and out of New England to produce a net change of just 251,000.

Boston Metropolitan Area (Population 4,455,000)

- Growth slowed to a gain of only 64,000 residents between 2000 and 2006;
- Hispanics and Asians accounted for most of the population increase in metropolitan Boston. The white population is declining;
- Boston lost 229,000 domestic migrants. Natural increase and immigration were barely sufficient to offset this;
- Suffolk County grew by only 0.6% from 2000-2006;
- All of the top ten immigrant cities are in eastern Massachusetts; and
- Boston gained large numbers of 20- to 29-year-olds from migration, but lost population at most other ages and particularly among those 30-49.

Other Metropolitan Areas in New England (Population 8,015,000)

- The population grew by 214,000 between 2000 and 2006- a rate of increase equal to that during the 1990s.
- The population grew because of immigration and natural increase. These metropolitan areas lost domestic migrants.
- The white population declined. Growth was due to the minority population gains.

Rural or Nonmetropolitan New England

(Population 1,800,000)

- Growth is accelerating here. The annual gain since 2000 is 20 percent greater than during the 1990s.
- This is the only area of New England gaining migrants from within the United States. There has also been very modest immigration, but little natural increase.

Other Demographic Points

- Immigrants are diverse. Many are not poor or uneducated and many are entrepreneurs.
- Massachusetts ranked 3rd in US, trailing only New Jersey and California, in percent of engineering and technology companies founded by immigrants.
- 35 percent of all immigrant founded engineering and technology companies came from Israel (17%), Germany (10%), and Great Britain (10%).
- 26 % of Massachusetts biotechnology firms were founded by immigrants.
- There has been a 44 % rise in Asian-owned businesses in Massachusetts.
- Between 1980 and 2005, the share of immigrants in the Massachusetts labor force doubled from 8.8% to 17 %.
- Nationally, immigrants will constitute nearly 50% of all new employment hires from 2007-2015.
- On average, an immigrant who speaks only English at home earns 2.5 times as much as an immigrant who does not speak English well (this has huge implications for financial literacy as well).

Conclusion

Banks, credit unions, and other non-traditional entities are all competing for new business. By far, the largest pool of untapped potential lies in the immigrant communities across Massachusetts. They are culturally and economically diverse. The products and services they use, and might consider obtaining at a local bank or credit union, may be vastly different than those offered by the current menu. It is time to think outside of the box.

The highlights above also point out that many Massachusetts immigrants are highly educated, skilled, and often have started successful companies. These immigrants need and want to be treated as professionals and are often excellent potential customers for a wide range of sophisticated banking services. Outreach to immigrant markets is good financial business.

EMPLOYMENT

STAFFING ASSESSMENT

A well-trained, diverse, service oriented, and professional staff is key to the success of most organizations. “Workforce planning is a systematic assessment of workforce content and composition to respond to future needs. The outcome is to identify appropriate levels and mix of talent required to achieve business objectives. If staffing/recruitment specialists are not ‘at the table’ they cannot partner, plan or appropriately help devise or deliver a blueprint for the sourcing design.”¹

- Human Resource Specialists should help implement the organization’s mission of serving the underserved and facilitate internal communication and training to heighten awareness, goals, and opportunities for all staff.
- Human Resource Specialists should be familiar with the short and long range plans of the organization and where hiring will be required.
- Human Resource Specialists should work with Hiring Managers to
 - establish priorities in hiring;
 - identify the strengths and weaknesses of existing personnel and ultimately design developmental plans, where appropriate; and
 - determine who the future leaders of the organization are and work with them to develop further skills in areas of business acumen.
- Human Resource Specialists should identify diversity gaps throughout the organization. Statistical information on employee demographics, such as annual Affirmative Action Plans, or other organizational design analysis can assist Human Resource Specialists in identifying opportunities.

¹ Jane C. Edmonds
jceaglobal@aol.com

RECRUITING STRATEGIES

An organization's staff should reflect the communities it serves, whether originating a loan or opening a new account. Customers will feel more comfortable doing business in branches that have personnel that understand their language, customs and service needs. Recruiting the right person for the job can be a lengthy process and Human Resource Specialists and Hiring Managers must use creative ways of identifying internal and external potential candidates. The following are tips to successful recruiting:

- Develop a pre-qualified candidate pool before you need to fill a job. You can develop relationships with potential candidates long before you need them so when you have a position to fill you will have a large pool of candidates to choose from.
- Human Resource Specialists and Hiring Managers should identify community, business, and trade associations to network through.
- Utilize current employees to assist in identifying viable candidates for open positions. Many successful firms offer to pay referral fees to existing employees who refer candidates that are subsequently hired.
- Dependent upon the type of jobs that you are filling, job fairs at convenient locations can be very successful. Be sure to advertise these fairs in local papers, at local college campuses and neighborhood social clubs.
- College recruitment programs can be very successful when hiring for management or technical training programs. Work with local colleges to determine timing of recruitment fairs and posting requirements.

Further support for the importance of recruitment strategies has been noted in a local statewide endeavor designed to identify factors leading to disparity in home mortgage lending in Massachusetts. The Massachusetts Fair Lending Task Force was created and comprised of financial institutions, academics, industry, government, and consumer advocates. This group was charged with the mission to promote and ensure fair and equitable mortgage lending to all. A report was issued in October 2006, and the importance of Staff Recruitment was highlighted: "The Task Force strongly believes that recruitment of minority group sales staff, originators, and underwriters can help to expand penetration of minority group markets both by increasing the comfort level of minority homebuyers and by sensitizing other staff to the needs and concerns of minority group homebuyers."

This type of recruitment strategy is increasingly important not only to transition the unbanked/underserved into traditional financial relationships, but also to help eradicate predatory lending practices in Massachusetts.

INTERNSHIP PROGRAMS/WORKFORCE INITIATIVES

Many organizations have been successful in identifying strong employment candidates by offering internships. An intern generally works in a temporary position that emphasizes on-the-job training. Interns are typically college or university students; however, they can also be adults seeking skills for a new career. Numerous internship programs exist and the following are a few highlights:

INROADS

INROADS internship program is a worldwide program that was formed to increase business career opportunities for ethnically diverse young people. The mission of INROADS is to “develop and place talented minority youth in business and industry and prepare them for corporate and community leadership.”

Companies partner with INROADS to select and offer internships to qualified students while they are in college. The company, upon the students’ graduation, then hires many of these interns.

For more information, visit www.inroads.org.

Colleges/Universities

Student internships provide opportunities for students to gain experience in their field and determine if they have an interest in a particular career. Many colleges and universities require their students to do internships for class credit. Human Resource Specialists should look to partner with their local schools to offer internships, which will serve to develop a talent pool.

Workforce Investment Initiatives

At the state level in Massachusetts, the Center for Youth Development and Education coordinates the implementation of the Workforce Investment Act (WIA), enacted in 1998 in order to foster the development of a national workforce preparation and employment system. WIA provides funds for the design and management of those services at the local level, in an effort to develop partnerships between employers and potential employees.

Recognizing that education, training, and career development are critical to the success of high-risk youth as they enter the labor force, youth services work with workforce investment boards throughout the state.

For more information about your local board and how you can partner with them, visit www.cyde.us/wiayouth/about/localservice.html.

Boston Private Industry Council (PIC)

Their mission is to strengthen Boston's communities and its workforce by connecting youth and adults with education and employment opportunities that prepare them to meet the skill demands of employers in a changing economy.

The PIC prepares people with the skills to manage in this changing economy. PIC initiatives thrive on the synergy created when business needs and community needs overlap.

As an intermediary, the PIC plays three interrelated roles:

- (1) convenes local leadership around education and workforce priorities,
- (2) brokers employer partnerships,
- (3) connects youth and adults with education and employment opportunities, and measures program impact, as well as quality and scale.

Since 1982, the PIC has served as the conveyor of two major initiatives:

- The Boston Compact, a school reform agreement among the Boston Public Schools, businesses, higher education, the Boston Teacher's Union, and the Mayor.
- Boston's Workforce Investment Board, a federally authorized oversight body that approves spending and measures the effectiveness of publicly funded workforce development programs, in partnership with the Mayor of Boston.

The PIC agenda is designed to meet the needs of both the community and employers. For more information, visit <http://www.bostonpic.org>.

MENTORING PROGRAMS

Human Resource Departments can be proactive in developing mentoring programs in an effort to acclimate individuals and to nurture the talents of up and coming employees. Mentoring provides employees with the opportunity for and access to professional growth and development. A strong mentoring program can assist an organization in earning a reputation in the marketplace as an employer of choice, while adding diversity to an employment base.

- A mentoring program should be documented.
- The program should include the fundamentals of the roles of the Mentor. Some roles might include:
 - **Teacher:** Informally and formally assist Mentee in learning how to build the skills, knowledge, and competencies needed for successful job performance.
 - **Adviser:** Provide information, guidance, and wisdom through comments, support, encouragement, and even constructive criticism about the skills, talents, behavior, and career of the Mentee.
 - **Guide:** Orient Mentee to the unwritten rules, norms, and expectations of behavior, as well as assist Mentee in understanding the company's culture, values, mission, vision, and goals.
 - **Counselor:** Provide support and advice on how to confront difficult situations, ways to advance, and approaches to improving professional skills.
 - **Role Model:** Serve as influential exemplars after whom Mentee may pattern their behavior, style, and possibly career path, as well as help to facilitate and foster the development of a Mentee through teaching, coaching, counseling and championing.
 - **Motivator:** Encourage Mentee to act toward achievement of goals while instilling confidence.
- The program should include the responsibilities of the Mentee. Some responsibilities could include:
 - Be a partner in the mentoring partnership. Work to gain the skills, knowledge, and abilities to grow.
 - Take the initiative to seek advice and feedback from your Mentor when needed.
 - Know and be able to discuss your needs and objectives with your Mentor. Identify areas that may need work and share them with your Mentor.
 - Take responsibility for your career and goals. Although you have the benefit of the Mentor's guidance, you are responsible for your own path. The Mentor may guide you on the path to earn a promotion, but it is you who must earn it.
 - Accept feedback and take into consideration the situation from the Mentor's perspective to gain a more objective viewpoint. One of the biggest values of the partnership is the ability to have a more experienced person's viewpoint.
- A mentoring program should include a partnership agreement, which will be signed by the Mentee and Mentor. A partnership agreement can include:
 - Goals and Objectives of the relationship;
 - Frequency of meetings; and
 - Confidentiality rules of the relationship.
- A mentoring program should include suggested activities for the Mentor and Mentee, such as:
 - Discuss a project or issue with the Mentor.
 - Attend a business meeting with the Mentor. The meeting could include the mentor's direct reports, peers, or supervisor.
 - Take a company tour with the Mentor to learn about the company, culture, and work environment.
 - Discuss talents, skills, and interests with the Mentor and ask for guidance and coaching on career plans.

- Shadow the Mentor at work. Learn information about the Mentor's history, role at the company, and career path.
- Attend a business function with the Mentor, including a conference or community networking function.
- Work with the Mentor to meet other professionals in order to hear different perspectives on business.
- Share and discuss books, newsletters, magazines, periodicals, articles, etc. regarding pertinent information on banking, general business, diversity, and the economy.
- Human Resources should act as the agent for matching the Mentee to Mentor.
- Human Resources should periodically check in on the relationship.
- The mentoring relationship should have a start and finish date. Suggested duration ranges from 12-18 months.

ONBOARDING PROGRAMS

A great deal of investment goes into identifying and hiring appropriate candidates for a position. As such, it is important for organizations to work with new employees to ensure that they are happy with their recent employment decision. The first months are critical for new employees, and onboarding programs can be designed to assist new employees in acclimating themselves to an organization. They also assist Human Resource specialists in identifying any internal issues that may exist in business units. Onboarding programs can and should be conducted in phases. The following are a few suggested approaches that can be utilized.

- **Group Orientation** (first day of employment)

Most common is the Orientation session that new employees attend. Many organizations will run group orientations for non-exempt employees while conducting one-on-one orientations for managerial employees. Items normally included within an orientation program are:

- Completion of Human Resource Forms, such as tax, payroll, and benefit forms;
- Review of vacation, sick and personal time policies;
- Review of time card procedures;
- Review of corporate organization (handouts could include Organizational Charts, Annual Reports, Mission or Vision Statements, Business Plans);
- Distribute and review Employee Manual;
- Review of the organization's Code of Conduct and Confidentiality Policies;
- Review of the organization's Technology Policy; and
- Review of Employees' Benefits Packages.

- **90 Day Group Meeting**

Many companies have a period of probation for new employees and typically they run ninety days. Whatever a company's period of probation is, a follow-up meeting, hosted by the Human Resources Department, should be conducted shortly thereafter. Items typically covered include:

- Review of Performance Assessment process
 - Information should include when employees are annually reviewed by their Managers, what document is utilized, what the rating criteria is, and what process an employee should follow if a dispute arises.
- Discussion of Job Advancement Opportunities
 - New employees should be made aware of the process they should follow if they eventually are interested in other internal opportunities. Many organizations have a formal job posting program of which employees should be made aware.
- Introduction to Internal Training Programs
 - New employees should be made aware of how to locate program offerings and register for them.

- **12 month Anniversary Meeting** (One-on-One)

The successful completion of one year's service should be marked for new employees with a one-on-one session with their assigned Human Resources Specialist. Items that should be discussed are:

- Employee update on how they feel they have acclimated themselves to their Business Unit.
- Mentoring programs
 - Would they benefit from being assigned to someone within the organization?

DEPOSIT/INVESTMENT PRODUCTS

DESIGNING A CUSTOMER IDENTIFICATION PROGRAM (CIP)

In 2004, the FDIC issued a Financial Institution Letter (FIL-4-2004) providing guidance on the interagency Customer Identification Program (CIP) rule. The USA Patriot Act provisions of the Bank Secrecy Act (“BSA”) require financial institutions to design and implement a written customer identification program. Regulators advise that the CIP is only one component of an effective compliance program and that financial institutions must be fully cognizant of all requirements.

During the course of researching the root causes of why a large underbanked market exists, the CIP rule was among the issues raised. Financial institutions were understandably sensitive about treading into a new area of operation without a clear understanding of the approach taken by regulatory agency examiners. This sensitivity was, in fact, understood among FDIC BSA examiners, one of whom described the difference between institution concerns and examiner actions as a “perception gap.”

In 2006, this initiative presented an interagency regulators’ panel to objectively confront, address and allay the concerns. One of the key points made was that institutions are not expected to identify every potential customer to an absolute level of certainty and that the focus of the CIP rule is on establishing a “reasonable belief” (see next paragraph). The panelists emphasized the flexibility each institution has to determine the forms of identification and the verification procedures it chooses to use. Like many other aspects of an institution’s operations, its CIP program should reflect its overall risk appetite.

According to the Financial Institution Letter mentioned above: “It is critical that each bank develop procedures to account for all relevant risks, including those presented by the types of accounts maintained by the bank; the various methods of opening accounts provided; the type of identifying information available; and the bank’s size, location, and type of business or customer base. Thus, specific minimum requirements in the rule, such as the four basic types of information to be obtained from each customer, should be supplemented by risk-based verification procedures, where appropriate, to **ensure that the bank has a reasonable belief that it knows each customer’s identity.**

“A bank using documentary methods to verify a customer’s identity must have procedures that set forth the documents that the bank will use. The CIP rule gives examples of types of documents that have long been considered primary sources of identification and reflects the Agencies’ expectation that banks will obtain government-issued identification from most customers. **However, other forms of identification may be used if they enable the bank to form a reasonable belief that it knows the true identity of the customer.** Nonetheless, given the availability of counterfeit and fraudulently obtained documents, a bank is encouraged to obtain more than a single document to ensure that it has a reasonable belief that it knows the customer’s true identity.” [all emphasis added]

The BAEI built on the guidance provided at the 2006 regulators’ presentation by providing a summary of the key provisions of the CIP rule and relevant reference points.

For more information, see the Fact Sheet in the Addendum.

INDIVIDUAL DEVELOPMENT ACCOUNTS

Individual Development Accounts (IDAs) are matched savings accounts that enable low-income American families to save, build assets, and enter the financial mainstream. IDAs reward the monthly savings of working-poor families who are building towards purchasing an asset - most commonly buying their first home, paying for post-secondary education, or starting a small business. IDAs make it possible for low-income families to build the financial assets they need to achieve the American Dream.

The match incentive - similar to an employer match for 401(k) contributions - is provided through a variety of government and private sector sources. Organizations that operate IDA programs often couple the match incentive with financial literacy education, training to purchase their asset, and case management.

IDA Program Design

Resources to assist in designing and implementing IDA programs.

- Asset Training
Training curricula and other resources to promote homeownership, microenterprise development, post-secondary education, and job-related training. Also includes asset-specific resources for youth.
- Financial Education
Money management curricula, financial calculators, budgeting tools, publications, and other resources for children, youth, and adults.
- Funding
Grant writing tips and foundations that are currently investing in IDAs.
- Asset Policy
Resources for promoting asset building policies at the state and federal levels.
- Specific Populations
Recommendations on adapting asset building strategies to specific populations.

For more information on how to design and fund an IDA program, see the Resource section for available websites.

For more information on Massachusetts IDA programs, visit www.massassets.org.

BASIC BANKING

The Massachusetts Community & Banking Council (MCBC) was established in 1990 to encourage community investment in low- and moderate-income and minority neighborhoods. MCBC brings together community and bank representatives to promote a better understanding of the credit and financial needs of lower-income neighborhoods and provides information, assistance, and guidance to banks and community organizations in addressing those needs.

Since 1994, MCBC has sponsored ***Basic Banking for Massachusetts***, a voluntary program intended to expand access to bank products and services. Under the ***Basic Banking*** program, banks certify each year that they provide checking and savings accounts that meet MCBC guidelines. The ***Basic Banking*** checking account guidelines call for a maximum monthly charge of no more than \$3 and a minimum of 15 free withdrawals a month. The savings account guidelines call for a maximum monthly charge of no more than \$1.

For more information regarding ***Basic Banking for Massachusetts***, visit www.masscommunityandbanking.org.

REMITTANCES

A remittance is a small money transfer sent across borders from one person to another. In today's common usage, it is the portion of an immigrant worker's earnings sent back to family members in his or her country of origin. Remittance services are considered a gateway product to assimilate many unbanked/underserved immigrants into mainstream financial relationships. Banks and Credit Unions have an opportunity to attract new customers by developing remittance products for immigrants in there market.

As the scale of international migration has increased in recent years, remittances have taken on greater significance: they connect families across borders, increase standards of living, and contribute to the growth of economies. The Inter-American Development Bank estimates that \$40 billion is sent annually from the United States to Latin American and Caribbean countries alone.

The transfer of funds across international borders is not a new development. What is new is the volume of money being transferred, the demographics of the people originating the transfers and the increasing need for low-cost, secure transfer options. Institutions should consider two areas when developing a remittance product. First, is the means of transfer and its relative cost. Institutions are familiar with the FedACH wire transmission, which has proven to be costly for most remittance transfers. Other line services such as Swift, direct bank to bank correspondence connection, or use of vendor lines and platforms from companies such as Arias, Vigo, Travelex, IRnet, The Bank of New York Mellon, or other Money Transfer Operators (MTO) may help to lower the cost of transmission. A second consideration is the accessibility of where funds can be transmitted. Limitations exist for some models and the accessibility at the receiving end is equally important for a programs success. The basic models for remitting funds across borders are listed below. Various mechanisms exist to transfer funds across borders.

- Cash-based Electronic Transfers; Partnerships with a Money Transfer Operator (MTO)
Cash-based electronic transfers represent the most common method for sending remittances. Supermarkets, travel agencies and corner stores connect with licensed MTOs to provide cash-based electronic transfers to consumers at large. An increasing number of formal financial institutions—banks and credit unions—have also begun transferring funds through this mechanism. It is less costly than a bank wire transfer and does not require sender or receiver to have bank accounts. Funds can be remitted to multiple destinations in the receiving country. The MTO network provides for locations where funds can be picked up and usually include a host of retail establishments. MTO's differ in Network locations. This form of service generally provides the most accessibility when banks are limited in geographic locations the funds are being sent. This is a factor as well when the majority of a countries population remains unbanked. Post offices in many countries also provide cash-based electronic transfers.

Partnering with a MTO can require you to accept the branded name of the service such as MoneyGram or Vigo or it can allow the financial institution to use the platform and network and provide for its own branding. Some of the MTO's have regulatory compliance applications built into the platform and can be coordinated with the financial institution's platforms for monitoring. The financial institution negotiates compensation for the service with the MTO and is usually set up on a per transaction basis. This method usually does not require significant cost beyond staff training and marketing the product. Some considerations should be if the MTO request exclusivity agreements which could limit options in offering additional remittance services and the need to accept the exchange rate for transactions that the MTO has already negotiated. Benefits of using a MTO include low upfront cost and having capacity to provide remittance services to multiple countries, allowing for cash to cash transfers, quick

availability of funds for remittance recipient and an established distribution network. The World Council of Credit Unions operates like a MTO with its IRnet remittance program.

- Credit Union Remittances – Cash Based Transfer
The World Council of Credit Unions (“WOCCU”) first launched the International Remittance Network (“IRnet®”) with transfers directly from U.S. credit unions to credit unions in El Salvador and Guatemala. In 2000, WOCCU formed a strategic alliance with money transfer operator VIGO Remittance Corp. to access its substantial network infrastructure. WOCCU links national credit union organizations in other countries together with money transfer operators so that senders in the U.S. can send funds from 3200+ outlets in 38 U.S. states for distribution through credit unions. More recently, WOCCU works with Travelex as a partner as well.

On the receiving side, credit unions in six countries are distributing remittances using IRnet®. The national credit union organizations have tripartite contracts with WOCCU and participating money transfer operators. The national credit union organization receive the electronic data transfers of the remittances from money transfer operator partners and distribute them to their member credit unions that in turn distribute the funds to remittance receivers. After transferring the funds to the credit unions, the national credit union organizations are reimbursed by the money transfer operators via deposits into a clearing account at an international bank.

For additional information, please visit www.woccu.org/involved/remittances.

- Card-based Transfers

Increasingly, financial institutions on both the sending and receiving sides issue debit cards for use in automatic teller machines (“ATMs”) or at point of sale (“POS”) terminals connected to one of the major international networks. Although the technology is in place for this type of transfer and the potential to decrease costs is great, practical considerations have prevented the kind of growth experienced with cash-based electronic transfers. The primary inhibitor is that the sender must have an account in a formal financial institution connected to an international network, yet many immigrants in the U.S. remain unbanked. On the receiving side, while ATMs are ubiquitous in cities, they are rare in most rural areas and receivers are obligated to travel to get their funds. Daily withdrawal limits act as another constraint for easy access to funds sent via card-based transfers. Banks have used this method because it generally doesn’t require the creation of a new product. It allows the account holder to control the amount of funds family members in the remittance destination country can access. The accounts usually have international withdrawal fees and may be combined with ATM fees charged by the local ATM provider in the remittance designation country. There will be a currency conversion charge as well. Fees outside of the sending country can not be controlled by the host financial institution and this includes the currency exchange rate. Total cost may be much higher than anticipated because of charges out of control of the host financial institution.

Money is also crossing borders through smart cards and prepaid cards. A smart card is stored value card, where the sender purchases value and the account balance is stored on a card linked to one of the major international card networks. The card may be used for withdrawals at some ATMs or for payment at POS terminals linked to the network. This card does not require the person in the U.S. to have a bank account. Some card brands are convenient, easily purchased and reloaded at a growing number of retail channels. The Stored Value Card offers many of the advantages and disadvantages of the dual ATM card, but there are some differences. Cards can be issued to bank customers or non-customers alike. This may be helpful with capturing the unbanked. Stored Value Cards usually have more fees than ATM

cards to load the funds and for every transaction and are subject to the same lack of control of fees charged in the remittance destination country.

- Account-to-Account Wire Transfers

Financial intermediaries have been offering account-to-account wire transfers for decades. These transfers occur through established bank wire systems that were created for large commercial payments that originate through the U.S. Federal Reserve (“Fed”) System’s Fedwire and are carried across the SWIFT messaging system. Both the sending and receiving parties must have accounts in financial institution, which have international correspondent relationships. The cost of these transfers is high relative to other mechanisms and information about exchange rate and the time at which payment will be made can be difficult to obtain. Banks with international correspondent relationships can set up direct transfer programs from bank to bank to remit funds. These relationships can be effective when the branch networks meet the customers drop off and pick up needs and the transfer cost is reduced. A common form of Account-to-Account Wire Transfers is when a financial institution creates its own Solo Remittance Platform. A solo remittance platform is a proprietary remittance system developed for use by a particular financial institution. It is likely a large institution that can cover the development cost for a software platform for remittance transactions, having the capacity to negotiate relationships and legal agreements with financial institutions and other entities in the remittance receiving country, setting terms for currency exchange, and designing the remittance products features and charges. This will provide the institution with control over product design and branding. This approach has the highest front-end and maintenance cost for a remittance program.

- Directo a Mexico

The Fed extended its Automated Clearinghouse (“ACH”) system to Mexico at a reduced cost through *Banco de México*. The Fed’s Mexico service supports the origination of transfers in U.S. dollars destined for banked receivers in Mexico through U.S. financial institutions. Account transfers made through ACH require that both the sender and the receiver have accounts in financial institutions with access to the clearing system.

- Directo a México is a joint marketing effort to help U.S. financial institutions increase their share of the rapidly growing U.S. to Mexico remittance market by encouraging and assisting their customers in using the FedACH International Mexico Service to transfer funds to individuals or companies in Mexico. A promotional tool kit and customer guide include detailed tips for easily and economically marketing Directo a México, information on the U.S. to Mexico remittance market and tools to help financial institutions determine their local market potential.

If you are interested in setting up an International ACH Service you should contact your Fed ACH Account Executive or Sales Specialist, or visit the website at www.frbservices.org.

LOAN PRODUCTS

SMALL CREDIT LOANS

Many underbanked consumers are increasingly using payday lenders and/or repetitive fee based overdraft programs to meet their short-term borrowing needs. In June 2007, a Financial Institution Letter (FIL-50-2007) was issued by the Federal Deposit Insurance Corporation (FDIC) to encourage financial organizations to offer and to promote small dollar credit products to their customers. The small dollar credit product guidelines were issued to encourage banks to “better serve an underserved and potentially profitable market, while helping consumers avoid, or transition away from, reliance on high-cost debt.”²

Guideline suggestions include:

- Price interest rate and fees to reflect associated risks, but keep them affordable;
- Structure repayment terms to include principal reduction;
- Streamline/expedite application process as many borrowers require funds for emergency or short-term need;
- In terms of underwriting, focus in on the borrower’s history with the organization and his or her ability to repay;
- Offer voluntary pre-authorized transfers from a checking account to assist borrowers in making regular payments;
- Structure programs to include a savings feature;
- Partner with other organizations and utilize grants to create loan loss reserves in order to enhance borrowing power; and
- Monitor borrower performance and introduce counseling when signs of financial stress surface.

Many borrowers are not currently utilizing the traditional banking sector. Because these small-credit loans are in demand, organizations have the opportunity to increase lending by being more responsive during product development. Most importantly, organizations can also grow core deposits by developing long- lasting relationships. An added value to an organization is that various Federal banking agencies have indicated that they will consider small-credit loans when evaluating lending performance under the Community Reinvestment Act.

² FDIC FIL-50-2007

CREDIT BUILDER LOAN PROGRAM

ACCION USA is a nonprofit organization that offers Credit Builder loans starting at \$750 and financial literacy education to teach low- to moderate-income individuals how to build their credit. Since 1991, the U.S. ACCION Network has served thousands of individuals.

Eligibility Criteria

- No credit history in the United States
- No bankruptcy within the past twelve months.
- Required basic application documents include:
 - Government issued photo ID (from any country)
 - Social security or ITIN #
 - Current utility bills, lease, or landlord reference
 - Proof of income for 2 months or employer reference
 - Bank Statements (if you have an account)

Rates, Fees, and Terms

- Competitive Interest Rates: Fixed, 19.9% APR
- Fees: No application fee, \$150 servicing and document fee and \$10 monthly fee if you pay with cash, money order or MoneyGram.
- Loan Term: 9 months
- Monthly Payment Options:
 - Automatic debit—If you have a bank account
 - Pay in person—Cash or money order
 - Mail –in—Money order
 - MoneyGram—Through any MoneyGram
 - Outlet and all Wal-Mart stores

Key Benefits of Credit Builder Loan

- Builds your credit: ACCION will report on your loan to the three largest credit bureaus, helping you to establish a credit history immediately
- Easy to qualify: You just need to prove your identity, income, and place of residence.
- Easy to pay: During a 9 month period, you will pay approximately \$100/month to repay your loan. Remember that establishing a credit history takes time.

For more information, visit http://yourmoney.accion.org/site/c.cqLMI2OGKrF/b.3983549/k.357C/Credit_Builder_Loan_Information.htm.

MASSACHUSETTS BANKING PARTNERS SMALL BUSINESS LOAN PROGRAM

The Massachusetts Banking Partners Small Business Loan Program – known as **Banking Partners** – is a new small business loan program designed to improve access to financing by very small businesses that are receiving one-on-one assistance and training from small business assistance providers. Very small businesses include businesses located in Massachusetts that generally have 20 or fewer employees, are located in low- or moderate-income census tracts and/or require small loan sizes. **Banking Partners** is sponsored by the Commonwealth of Massachusetts, the Massachusetts Bankers Association, the Massachusetts Community & Banking Council, and the Massachusetts Small Business Assistance Advisory Council.

Each lender makes underwriting decisions on an exclusive case-by-case basis, and lenders select their own targeted geographic area(s). In many cases, lenders already have a product that qualifies for the **Banking Partners** program. Lenders do not need to create a new product. Participating banks can request a guarantee from the Small Business Administration, MassCap, or other programs if a credit enhancement is needed in order to make the loan. The Massachusetts Division of Banks has determined that participation in **Banking Partners** is a qualified activity under the lending test and/or the service test of the Massachusetts CRA.

To become a Bank lender in the **Banking Partners** program, lenders must:

- Accept referrals of small business applicants from not-for-profit small business assistance providers that will work with the businesses to more effectively apply for financing
 - Lenders will also refer businesses that need additional assistance to small business assistance providers for counseling and/or training;
- Offer loans at a rate below the lender's typical market rate
 - For example, if a lender were to offer a rate reduced by 50 basis points and its standard rate is prime plus 50 basis points, the lender would charge the prime rate;
- Offer smaller loans than those generally offered on a market basis- lenders are encouraged to consider loans as low as \$5,000;
- Consider financing early-stage businesses;
- Identify at least one contact person who will be the primary contact for small businesses seeking financing under **Banking Partners**; and
- Report annually to the Massachusetts Community & Banking Council (MCBC) on **Banking Partners** lending activity, including verification that the lender continues to comply with the **Banking Partners** program guidelines.

To participate in **Banking Partners**, banks can visit www.masscommunityandbanking.org to obtain the necessary forms. The website also includes information on participating banks and small business assistance providers.

CAPITAL ACCESS PROGRAM

Massachusetts Business Development Corporation (MBDC) has a mission to provide financing and financial services for growing companies that in turn create jobs in Massachusetts. Loans up to \$500,000 are granted to for-profit businesses with annual sales less than \$5 million.

The Capital Access program is based on a risk-pooling concept in which a special reserve account is funded in part by a bank and a borrower, and is matched by MBDC. The fund is earmarked for the participating bank, and it serves as a reserve fund to cover losses on loans made under the program. The program is designed to provide banks with a flexible tool to make business loans that are somewhat riskier than conventional bank loans or that may not meet standard underwriting requirements. Examples of loans that might be made are loans to companies with good management and a good direction, but for one reason or another, such as lack of adequate collateral, lack of sufficient track records, lack of sufficient capitalization, or other reasons, may not quite qualify for a conventional bank loan. The reserve enables a bank to be more aggressive in making loans and expanding its market.

For more information, visit their website at www.mass-business.com, or see the Resource section for more information.

CREDIT UNIONS' REAL SOLUTIONS PROGRAM

Deeply embedded in the mission of credit unions is a continuous search for better ways to understand and serve credit union members at every level. A national credit union initiative, referred to as REAL Solutions, was developed to help credit unions effectively reach low-wealth households and create a new generation of loyal credit union members. "REAL" stands for "Relevant, Effective, Asset-Building, Loyalty-Producing." Underserved households represent future savers, future buyers, future homeowners, and future generations of credit union members. It is designed to foster and promote new and innovative financial services that "low-wealth" families can afford. In striving to reach "low-wealth" families, the program seeks to help consumers with low, moderate, and middle incomes that have been unable to build significant savings or assets. REAL Solutions aims to help all of these consumers become credit union members, grow savings, and accumulate assets that will generate wealth for their families.

The Real Solutions program has also developed programs designed to provide an alternative to predatory lending practices, such as payday loans, sub-prime mortgages with unfair terms and interest rates, and high priced check cashing outlets. Some of the programs that local credit unions are participating in include:

- Payday Lending Alternatives
- Check Cashing Services
- Remittance Services
- Financial Literacy

As of October 2008, there are 25 credit union partners located in Massachusetts, New Hampshire, and Rhode Island beginning the implementation of REAL Solutions.

In addition, New Hampshire credit unions established a statewide Community Outreach Initiative in 2003 to provide home financing, emergency loans, and other financial assistance to low- and moderate-income New Hampshire families. This five-year Credit Union Community Outreach Initiative was announced in 2003 with a pledge to dedicate \$35 million in funds to low cost mortgages, emergency family assistance loans, and grants. In less than four years, the credit unions of New Hampshire have made more than \$70 million in below market loans and grants to benefit low and moderate income residents. The programs detailed below are part of this initiative:

- St. Mary's Bank Credit Union, Manchester, has made over \$15 million in Home Ownership Loans working together with Manchester Neighborhood Housing ("MNH"). These loans are made to borrowers with little or no credit history who would not ordinarily qualify for a mortgage. They are able to qualify by purchasing owner occupied multi-family homes and completing financial and property management classes offered by the credit union and MNH.
- Credit unions throughout New Hampshire offer members unsecured Emergency Loans. These unsecured loans are made based on need and the promise to repay; normal underwriting standards are waived. The first emergency loans were \$500 fuel loans made to families who were having trouble heating their homes. This program has been expanded at many credit unions to include medical emergencies, such as necessary but uninsured dental care, and transportation loans. For example, over half of all loans made each year by the \$3 million Gropaco Credit Union, Groveton, are made for this purpose. St. Mary's Bank Credit Union offers small loans of up to \$1,000.00 at 8% for low- to moderate-income applicants for all types of emergencies: fuel assistance, auto repair, medical, etc. Applicants are referred through one of the Credit Union's non-profit partners. The program has been available for 12 years. A typical calendar year generates approximately 40 loans from this program at approximately \$20,000.00 to \$25,000.00. Members often use this loan to re-establish credit.

For more information about the New Hampshire Credit Union League and its programs, visit their website at <http://www.nhcul.org>.

- Northeast Credit Union, Portsmouth, has worked with Bonnie CLAC, a New Hampshire-based nonprofit car purchasing program providing financial literacy training, car buying assistance, and loan guarantees to low- to moderate- income individuals, most of whom are single, working mothers. There are 81 outstanding loans with balances of \$939,000.00. The Bonnie CLAC relationship had a positive impact on the credit scores of participants in 60% of the lending relationships.
- Service Credit Union, Portsmouth, has developed a successful check cashing program using an eFunds verification on the check and an OFAC check on the payee and maker of the check. The cost is \$5.00 per item and has been in effect since January, 2008. Through August of this year, over 1,000 checks have been cashed. Daily check cashing limits range from \$250.00 for personal checks to \$2,500.00 for government checks.
- Payday lending alternatives are available from a variety of credit unions. Two programs are currently offered by Service Credit Union and St. Mary's Bank Credit Union. Some notable features include:
 - Minimum \$150.00, maximum \$750.00 or 60% of monthly net income with direct deposit; \$250.00 maximum with no direct deposit; repayment must be within 30 days at a rate of 8.74% and no fees.
 - One program, launched in April 2008, has yielded 76 applications, \$30,000.00 in requests with an average of \$400.00. 16 applicants have been approved for \$6,400.00.
- Hanscom Federal Credit Union, Hanscom Air Force Base, MA, offers a salary advance line of credit targeted to members overly reliant on courtesy pay or the focus of collection efforts. No credit report is used and no fees are charges. The maximum amount is \$700 and advances can be as low as \$50 and must be repaid by the next payday with a 30 day maximum repayment. The APR is 17.75% and the credit union will report repayments to the credit bureaus to help members build a positive credit profile. Credit counseling is also provided.

For more information, visit <http://www.ncuf.coop/home/programs/realsolutions/realsolutions.aspx>.

To access a printable application for the NCUA-insured Stretch Pay Program, visit https://www.dolfcu.org/pdfs/DOL_SPayFlyer_wApp.pdf.

OFFICE OF SMALL BUSINESS & ENTREPRENEURSHIP (OSBE)

The mission of the Office of Small Business and Entrepreneurship (OSBE) is to create policies and programs to support small businesses & entrepreneurs across the Commonwealth of Massachusetts.

- OSBE, the most valuable resource for the small business community, utilizes the following business development tools:
 - Small Business Assistance Advisory Council
 - FY 2008 Governor's Budget
 - Technical Assistance Grants & Office
 - MA Small Business Development Centers
- Access to a wide spectrum of available financing and funding, including:
 - Technical Assistance Grants
 - Best Practices
 - Professional Services
 - Small Business Procurement Program
- There are many additional resources available such as
 - Technical Assistance Resources
 - Small Business Development Centers (SBDC)
 - Community Development Corporations (CDC)
 - Financial Assistance Organizations
 - Quasi-public agencies (i.e. CDFC, EST, MTDC, MassDevelopment, MTC)
 - Alternative Lenders (i.e. Certified Development Companies, Micro)
 - State & Federal programs
 - Workforce Training Fund
 - Career Centers
 - Departments of Consumer Affairs & Business Regulations, Revenue, International
 - Trade, Industrial Accident, etc.
 - SOMWBA, AMP
 - SBA
 - Offices of Secretary of the Commonwealth, Treasurers, Attorney General

For more information, contact the Business Resource Team at www.mass.gov or call 1-877-BIZTEAM (249-8326).

MASSHOUSING

MassHousing (Massachusetts Housing Finance Agency) was created by a special Act of the Massachusetts Legislature in 1966 as a self-supporting, independent public authority charged with increasing affordable rental and for-sale housing in Massachusetts. MassHousing made their first loan in 1970, and has since invested more than \$10 billion to finance affordable rental units and homes throughout the state.

MassHousing has numerous affordable housing programs that are offered through their lending partners. The following are a few of the highlights:

- MassAdvantage
 - 97% Financing for one- to four- family homes
 - Fixed rate Programs: 30 year, 35 year, and 40 year
 - MassHousing's MI Plus Mortgage insurance on loans requiring mortgage insurance
- MassHousing My Community

This program is in collaboration with Fannie Mae

 - 100% Financing for Single Family Homes and Condos
 - Low down payment on two-, three-, and four- family homes
- Fannie Mae Refinance Program

This program is a special refinance program for at-risk borrowers

 - 100% Limited Equity Take Out Financing
 - Balances on First mortgages and Piggy-back purchase mortgages
 - Prepayment Penalties
 - Single Family Homes, Condos, and two- to four- family properties
- Home Saver
 - Home Saver is a counseling and loan program that helps borrowers who are unable to repay their mortgage. It is a proactive step that home owners take before their mortgage becomes unaffordable, and before foreclosure becomes a real possibility. Home Saver includes a mandatory counseling component and a refinancing of your existing loan. Contact the **Homeownership Preservation Foundation** at 1-888-995-HOPE.

Contact Information for MassHousing:

MassHousing
One Beacon Street
Boston, MA 02108-3110
Telephone: 617-854-1000

Western Office:
MassHousing
59 Interstate Drive
West Springfield, MA 01089
Telephone: 413-733-0999

For information on MassHousing programs, see www.masshousing.com.

MASSACHUSETTS HOUSING PARTNERSHIP
SoftSecond™ Loan Program

Massachusetts Housing Partnership (MHP) is a quasi-public state agency that was created in 1985 by a special Act of the Legislature. It is governed by a seven-member Board appointed by the Governor of the Commonwealth. MHP is one of the state's leading affordable housing lenders, with almost \$1 billion in capital funding from banks.

MHP promotes the development and preservation of affordable housing by providing:

- technical assistance and education for communities that are trying to create affordable housing,
- permanent financing for affordable rental developments, and
- subsidized mortgages for first-time homebuyers.

The Massachusetts Bankers Association, MHP, and numerous community groups developed the SoftSecond mortgage program in 1990 in response to the 1989 Federal Reserve Bank of Boston study citing racial disparities in mortgage lending in Boston.

This program was created to aid low- and moderate- income first-time homebuyers in qualifying for a home purchase loan without having to pay private mortgage insurance. A bank finances the initial 77 percent first mortgage along with a "soft second" mortgage of 20 percent or \$20,000, whichever is greater. The second mortgage is interest-only for the first 10 years. Interest payments may be partially subsidized with MHP funds if the housing-to-income ratio exceeds 28 percent. After the first 10 years, the principal amortizes over the remaining 20 years of the term.

Since 1990, over 9,800 low- and moderate-income families have purchased their first homes through this program. As of 12/31/07, there was a low delinquency rate of 2.2% and a low foreclosure rate of .35% below-market mortgage for first-time homebuyers. This increases purchasing power by approximately 20%.

Contact Information for MHP:

MHP
160 Federal Street
Boston, MA 02110
Telephone 617-330-9955

For more information on the SoftSecond™ Loan Program, visit www.mhp.net.

FHA LOANS

Federal Housing Administration

The Federal Housing Administration (FHA) is part of the United States Department of Housing and Urban Development. It was established by Congress in 1934 and has assisted over 34 million Americans in financing homeownership.

FHA offers a number of financing products, but its most often used program provides mortgage insurance for a person to purchase or refinance a principal residence. The mortgage loan is funded by a lending institution, such as a mortgage company, a bank, a savings and loan association, or a credit union, and the mortgage is insured by HUD.

Requirements include:

- The borrower must meet standard FHA credit qualifications.
- The borrower is eligible for approximately 97% financing. The borrower is able to finance the upfront mortgage insurance premium into the mortgage. The borrower will also be responsible for paying an annual mortgage insurance premium.
- Eligible properties are one- to four- unit structures.
- There are no income limits on the borrower, but there are limits on the amount of the mortgage that is insured. These limits vary from one geographic area to another and change from time to time. As of March 7, 2008, the mortgage limit for a single-family home in the Boston metropolitan area was \$523,750.

FHASecure Refinancing for Adjustable Rate Mortgages

FHASecure is a refinancing option that gives credit-worthy homeowners, who were making timely mortgage payments before their loans reset but are now in default, a *second chance* with an FHA insured loan product.

Requirements include:

- A non-FHA insured ARM that has reset.
- Sufficient income to make the mortgage payment.
- A history of on-time mortgage payments before the loan reset.

By refinancing into a FHA insured mortgage, you can expect to pay lower monthly mortgage payments. FHASecure can improve the quality of life for many communities by helping to reduce the number of mortgage defaults and bringing greater stability to local housing markets.

For more information about *FHASecure*, visit

<http://portal.hud.gov/portal/page? pageid=33.717446& dad=portal& schema=PORTAL>.

Purchase and Limited Repair Mortgage 203 (k)

FHA's Streamlined 203(k) Program permits homebuyers to finance up to an additional \$35,000 into their mortgage to improve or upgrade their home before move-in. With this new product, homebuyers can quickly and easily tap into cash to pay for property repairs or improvements, such as those identified by a home inspector or FHA appraiser.

Any FHA-approved lender may originate a Streamlined 203(k) mortgage.

Home Equity Conversion Mortgage

The Home Equity Conversion Mortgage (HECM) FHA Insured Reverse Mortgage can be used by senior homeowners age 62 and older to convert the equity in their home into monthly streams of income and/or a line of credit to be repaid when they no longer occupy the home. The loan, commonly known as HECM, is funded by a lending institution such as a mortgage lender, a bank, a

credit union, or a savings and loan association. To assist the homeowner in making an informed decision about whether or not this program meets their needs, they are required to receive consumer education and counseling by a HUD-approved HECM counselor.

Homeowners who meet the eligibility criteria can complete a reverse mortgage application by contacting a FHA-approved lending institution such as a bank, a mortgage company, or a savings and loan association. If you need assistance locating a FHA-approved lender, you can request a listing of FHA-approved lenders from the HECM counselor or use HUD's searchable listing.

How the Home Equity Conversion Mortgage Program Works:

Homeowners 62 and older who have paid off their mortgages, or who have only small mortgage balances remaining, and are currently living in the home are eligible to participate in HUD's reverse mortgage program. The program allows homeowners to borrow against the equity in their homes up to the FHA mortgage limit in their area.

For more information about how to become an FHA lender, visit www.hud.gov.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
Grant and Funding Programs

In service to Massachusetts' residents and municipalities, the Division of Community Services offers programs, funding, and technical assistance to support the advancement towards self-sufficiency of low-income households and the revitalization of our cities and towns.

Affordable Rental and Home Ownership Development

Housing Development programs provide funding opportunities to for-profit and non-profit developers. The programs offered encourage the development of affordable rental and home ownership projects that serve families with annual incomes at or below 80% of area median income.

For more information, visit www.mass.gov or see the Resource section for websites on the following topics:

- Affordable Rental Development
 - Affordable Housing Trust Fund (AHTF)
 - Capital Improvement and Preservation Fund (CIPF)
 - Commercial Area Transit Node Housing Program (CATNHP)
 - Community Based Housing (CBH)
 - Facilities Consolidation Fund (FCF)
 - HOME Investment Partnerships Program (HOME)
 - Housing Innovations Fund (HIF)
 - Housing Stabilization Fund (HSF)
 - Lead Abatement Program
 - Local Initiative Program (LIP)
 - Low Income Housing Tax Credit (LIHTC)
 - Qualified Allocation Plan

- Affordable Housing Development
 - American Dream Downpayment Initiative (ADDI)
 - Commercial Area Transit Node Housing Program (CATNHP)
 - First Time Home Buyer (FTHB)
 - HOME Investment Partnerships Program (HOME)
 - Housing Stabilization Fund (HSF)
 - Qualified Allocation Plan
 - Sell Your Deed Restricted Home

FEDERAL HOME LOAN BANK

The Affordable Housing Program

The Affordable Housing Program (AHP) allows the Federal Home Loan Bank of Boston to address, in partnership with member institutions, affordable-housing needs primarily in communities across New England. A portion of the Bank's net earnings funds the program, which awards grants and low-interest advances, or loans, through member institutions.

The AHP encourages local planning of affordable-housing initiatives. The Bank's member institutions work with local housing organizations to apply for funds to support initiatives that serve very low- to moderate-income households in their communities.

Each year, funding for projects submitted to the AHP by member institutions is awarded in two competitive rounds. Subsidized loans (advances) and direct subsidies (grants) are available. The actual terms are determined by the member financial-institution applicant, based on the specific needs of the development.

Community Development Advances

Community Development advances (CDAs) allow members to access capital for small businesses, and fixed-rate financing for affordable housing or improvements to local roads or schools.

Advances for:

- Affordable Housing
Members can tap Community Development advances to help finance the purchase, construction, rehabilitation, or predevelopment financing of affordable housing.
- Economic Development
Members can use Community Development advances to support a wide range of economic-development initiatives, including loans for small businesses, social-service or public-facility initiatives, and infrastructure improvements. These advances can also be used to fund commercial, industrial, and manufacturing initiatives.
- Mixed-Use Initiatives
Community Development advances can also be used to finance projects that involve a combination of economic-development and affordable housing.

New England Fund

New England Fund (NEF) provides member financial institutions with advances to support housing and community-development initiatives that benefit moderate-income households and neighborhoods. The NEF serves a broader range of moderate-income households than the Bank's **Community Development Advances** and provides special flexibility for mixed-income residential development.

Advances for:

- Housing
 - In general, the NEF can be used to finance affordable homeownership and rental housing opportunities for families with incomes at or below 140 percent of the median income for the area.
 - NEF advances can be used to fund loans for acquisition, refinancing, construction, and/or rehabilitation. Examples of eligible uses include single-family houses, cooperatives, and condominiums; single-room-occupancy and multifamily rental housing; and first-time home-buyer programs.
- Economic Development

- The NEF can be used to fund commercial and economic development that benefits low- and moderate-income (up to 80 percent of area median) individuals, households, or neighborhoods.
- Examples of eligible uses include office, retail, and commercial space; loans to businesses and nonprofits; and infrastructure development.

Equity Builder Program

Equity Builder Program (EBP) offers members grants to provide households with incomes at or below 80 percent of the area median income with down-payment, closing-cost, home-buyer counseling, and rehabilitation assistance. Members can also use EBP grants to match eligible buyers' savings under an IDA-type program.

Mortgage Partnership Finance

The Mortgage Partnership Finance (MPF®) program is a competitive secondary-market program offered to participating Federal Home Loan Bank (Bank) members.

The MPF Program:

- Is a more profitable and efficient alternative for lenders than selling mortgages to a secondary-market agency. Instead of paying costly guarantee fees, MPF lenders receive monthly credit-enhancement fees for managing the credit risk of the loans they originate.
- Utilizes the respective strengths of the Federal Home Loan Banks and their member financial institutions. Each partner is responsible for what it does best.
- Allows lenders to retain their customer relationships. Why sell valuable credit relationships to a secondary-market agency?
- Allows lenders to control the underwriting process. Each MPF loan is made only if the lender decides to share the credit risk of its own customer.

How Does the MPF Program Work?

- You originate 5-, 10-, 15-, 20-, and 30-year fixed-rate mortgages on one- to four-family, owner-occupied, residential properties or second homes.
- The Bank buys or funds those mortgages.
- You retain some of the credit risk. In return, the Bank pays you credit-enhancement fees. The credit risk is allocated against your risk-based capital.
- The Bank bears the catastrophic credit risk and all of the interest-rate and prepayment risk.
- You service the mortgages or have them serviced by a Bank-approved servicer.

FINANCIAL EDUCATION PROGRAMS

MASS FINANCIAL LITERACY

Another initiative of the Boston Alliance for Economic Inclusion was a workgroup created to assess literacy and the availability of educational programs within the state. The workgroup found that numerous programs already existed but there seemed to be a lack of communication in publicizing the offerings. As a result, they originated **MassFinancialLiteracy**, an online forum that could be accessed by local practitioners to foster increased awareness of, and participation in, financial education activities in Massachusetts.

The **Massachusetts Area Financial Literacy Group's** stated purpose is to serve as a clearinghouse for courses that seek to educate consumers and small business owners about any aspect of personal or business financial planning. **MassFinancialLiteracy** permits on-demand access to documents posted by members, eliminating the cumbersome reliance on email to distribute material. It encourages interactive communications and has a calendar feature to announce classes and special events. ACCION USA and Center for Women and Enterprises (CWE) serve as the forum's moderators and technical subject matter experts.

This venue provides Financial Institutions the ability to post seminars that they are conducting, which should assist in increasing attendance at each of their programs.

All inquiries should be directed to Accion, as outlined below:

How to Join the Group:

- Go to www.yahoo.com
- Select "groups" on left hand side of the page
- Search for: **MassFinancialLiteracy** (no spaces and not case-sensitive)
- Click on the group's link
- To Apply
 - Click on "Sign up" and follow the prompts
 - You must create a screen name and password that you will use to sign in (think carefully about the name you choose- it is not easy to change).
 - A welcome email will be automatically sent to the email address you have specified. Click on the link provided to activate your account!

How to Access the Group:

- <http://groups.yahoo.com/group/MassFinancialLiteracy>
 - You can access the group directly through this link
 - *Please keep your username and password on hand as you will need to enter these.*

To add an event:

- Email all event information to the moderator, Sara Kagey at skagey@accion.org
- Information to include:
 - **Who:** Name of Organization(s)
 - **What:** Description of event
 - **Where:** Location and RSVP contact information
 - **When:** Is it a recurring event?
 - **Why:** Is there a target audience?
 - **Cost**
 - **Language**
- The event will ordinarily be posted within 3-4 days.

To add a link, file, photo:

- All may be posted with this group
- Email all links, files, photos, etc. to the moderator at skagey@accion.org

Group Moderator:

- The moderator's role is to efficiently manage the online Group and includes the
- following responsibilities:
 - Invite/Add members
 - Approve pending members
 - Approve pending messages, files, links, and photos
 - Change group settings

FDIC MONEY SMART PROGRAM

The Federal Deposit Insurance Corporation (FDIC) recognizes the importance of financial education, particularly for people with little or no banking experience. That's why they created Money Smart, a training program to help adults outside the financial mainstream enhance their money skills and create positive banking relationships.

Financial education fosters financial stability for individuals, families, and entire communities. The more people know about credit and banking services, the more likely they are to increase savings, buy homes, and improve their financial health and well being. The Money Smart curriculum helps individuals build financial knowledge, develop financial confidence, and use banking services effectively.

The Money Smart program may be used by financial institutions and other organizations interested in sponsoring financial education workshops. Collaboration is important to the success of any education effort. The FDIC encourages banks to work with others in their communities to deliver financial education and appropriate financial services to individuals who may be unfamiliar with the benefits of having a relationship with an insured depository institution.

The Money Smart program can help banks fulfill part of their Community Reinvestment Act obligations. The Community Reinvestment Act of 1977 (CRA) encourages federally insured banks and thrifts to help meet the credit needs of their entire community, including areas of low-and moderate-income. When a bank's CRA performance is reviewed, the institution's efforts to provide financial education and other retail services are a positive consideration.

Money Smart is available in two versions: an instructor-led version and a computer-based instruction (CBI) version. Both versions consist of the same 10 modules.

The **instructor-led** version of Money Smart is for those who plan to teach financial education to others in English, Spanish, Chinese, Korean, Vietnamese, or Russian. A version for the visually impaired is also available.

Each of the 10 modules is structured in an identical manner and includes:

- A comprehensive, fully scripted guide for instructors. The guide includes everything necessary to start teaching the program, including easy to follow cues, script, and interactive class exercises.
- Overheads, in Word and PowerPoint format.
- Take-home guide for participants.

Each module takes between 1-2 hours of classroom time to teach. The modules may be taught in any order or combination.

The **CBI** version enables individuals to complete Money Smart at their own pace on a computer in English or Spanish. The **CBI** is available online or can be ordered on CD-ROM.

The FDIC provides the Money Smart curriculum to interested parties free of charge. A limited number of copies are available to each party; however, the materials are easily reproduced and have no copyright restrictions. To get a copy, visit <http://www.fdic.gov/consumers/consumer/moneysmart>.

FDIC staff is also available to provide technical assistance and to help facilitate partnerships among interested parties.

Money Smart for Young Adults

The FDIC's Money Smart for Young Adults curriculum helps youth ages 12-20 learn the basics of handling their money and finances, including how to create positive relationships with financial institutions. Equipping young people in their formative years with the basics of financial education can give them the knowledge, skills, and confidence they need to manage their finances once they enter the real world.

Money Smart for Young Adults consists of eight instructor-led modules. Each module includes a fully scripted instructor guide, participant guide, and overhead slides. The materials also include an optional computer-based scenario that allows students to complete realistic exercises based on each module. The curriculum is distributed on CD-ROM. To order a copy, visit <http://www4.fdic.gov/MoneySmartRegister/>.

Money Smart for Young Adults is:

- Free;
- Aligned with educational standards for all 50 states, the District of Columbia, Guam, and the Virgin Islands, as well as Jump\$tart financial education standards and National Council on Economic Education standards;
- Based on the award-winning Money Smart adult financial education curriculum that can bring proven results in the money management practices and financial confidence of graduates;
- Offers a completely customizable curriculum comprised of modules that can be taught on a stand-alone basis;
- Not protected by copyright restrictions; and
- A source of unbiased information that is not “branded” with corporate logos or otherwise affiliated with any commercial interest.

Modules range from 90-110 minutes if taught in their entirety. However, the content is layered so that it can be taught in two or more parts. To help an instructor tailor the modules to the needs of the audience, the front of each module includes a matrix, or Layering Table, to delineate the module's components. The matrix will assist an instructor in presenting material responsive to the needs of the target audience within the available time frame.

Potential Uses of Money Smart for Young Adults

The curriculum can be used by individuals who are seasoned, professional educators, as well as informal educators (such as bank staff visiting a classroom). As with the adult curriculum, the materials are fully scripted so someone can pick up the instructor guides and begin teaching without having previous teaching experience or extensive subject matter expertise. In short, any instructor can easily pull quality, objective, instructor-led content from Money Smart for Young Adults to integrate into a class on subjects ranging from math to English. Uses for Money Smart for Young Adults include as:

- Part of a required course;
- Optional material for visiting/guest teachers;
- A supplement to material in finance, economics, social studies, math, or business courses;
- An after-school elective;
- A school group or club project; or
- A workshop offered by organizations serving youth.

Additional Information on the Computer-Based Scenarios

An optional computer-based interactive scenario is available for each module. Each of the scenarios takes the students through financial decisions that face young adults. As students complete each scenario, they are evaluating current knowledge or knowledge learned through the instructional materials and classroom activities. There are no right or wrong answers; students choose the best answer and then see how that decision has affected the character's financial status. Each scenario

takes approximately 10 minutes to complete. The files for the scenarios are included on the instructor-led CD for teachers to download to a network drive or to individual classroom computers.

Need for Youth Financial Education

Financial education enables young people to develop positive habits, such as saving money and budgeting, as well as avoid making “wrong” decisions, such as incurring an unmanageable level of credit card debt, that could result in years of financial pain. Demand has grown for a version of Money Smart to combat the lack of financial literacy skills among youth. Surveys indicate that a majority of surveyed teens do not understand how credit card interest and fees work, how to balance a checkbook, or how to check the accuracy of a bank statement. Additionally, studies indicate that a sizeable majority of college students have at least one credit card, as well as several thousand dollars in credit card debt incurred while they are still in school. Fortunately, an opportunity exists to deliver critical information to a largely receptive audience, as a recent survey indicated that a large majority of surveyed teens are eager to learn more about how to manage and handle their money.

THE CREDIT UNION FINANCIAL LITERACY INITIATIVES

Financial fitness for all is a large component of the credit union mission to encourage thrift. Financial literacy is an extension of their “people helping people” philosophy. Although financial literacy is a life-long learning process, financial illiteracy is a pervasive problem affecting all age levels. The Massachusetts credit union community has embraced a variety of tools at all age and demographic levels to combat the problem. The following are a few highlights:

Elementary and High School Branches and Relationships

The earliest origins of credit union involvement in financial literacy in Massachusetts schools were the investment in school relationships. This private-public partnership has been viewed by credit unions as a “laboratory for financial literacy.” Credit union service to students and teachers is provided through this important delivery channel.

School branches, an innovative approach to business education, teach students and all involved parties the basic principles and practices of the financial services industry. Offering special savings products targeted toward their needs, developing customized lending programs upon completion of financial courses, and involving the youth in credit union governance are key components of branch relationships.

In these relationships, students receive training in credit union operations while learning specific job skills. This approach should help keep the students invested in learning and committed to staying in school. This approach also shows some students an alternative opportunity to receive training for a job that might not have seemed a possibility: a career in credit unions or banking. School branches offer students an unprecedented opportunity to learn, participate, and work with confidence alongside credit union professionals as their mentors.

Each student is generally taught the basics of teller operations and member services to acquire the same skills required by the credit union for its own professional staff. This training provides the student with a sense of pride that he or she is also a professional. The student develops job skills that improve his/her self-esteem. These skills include the responsibilities accorded with handling cash; confidentiality; professionalism; computer skills; behavior in a business environment; and improved communication skills, as he/she is required to deal not only with their fellow students, but also with teachers and administrators. The experience usually culminates in the student’s acquiring the ability to become a better consumer and to improve the chances for employment in the financial services industry.

On the academic side of the coin, classroom education is also supplemented through these relationships. Classroom education addressing the principals of financial institutions and their origins, consumer savings and lending, budgeting, and insurance culminate in a well-rounded course offering.

In some programs, financial services management is taught as part of the business curriculum. Working in the credit union’s branch serves as field study. In others, although it is not part of the curriculum, it is still a learning experience for the students who learn to be tellers. The credit unions also benefit from creating a trained labor pool for part-time work at the credit union.

Emerging Markets

Credit unions also understand the importance and need of the Commonwealth’s emerging markets and the unique financial education issues presented. In an effort to help low and moderate income residents, minorities, and immigrants avoid predatory financial practices, HarborOne Credit Union (Brockton) formed the first-in-the-nation MultiCultural Banking Center (“Center”) in one of the Commonwealth’s oldest industrial cities, Brockton, MA. The Center will help people avoid mortgage

gimmicks that have helped fuel the recent mortgage crisis. It is also designed as a long-term initiative to help move people into mainstream banking products and away from payday lenders, expensive check cashing services, unscrupulous pawn shop owners, and rent-to-own vendors. The Center offers courses in the basics of personal finance, credit counseling, first-time home ownership, foreclosure prevention, and other topics. Because many victims of predatory financial practices have a limited understanding of English, these courses are taught in Spanish, Portuguese, and French. In addition, English as a second language is also taught. A hands-on computer lab provides basics in technological literacy and local non-profit agencies have access to the Center to offer programs. Participants who complete the courses have access to a checking account, a guaranteed \$500 line of credit, and other specialized products.

Credit for Life/ CU 4 Reality Fairs

Approximately seven years ago, HarborOne Credit Union (Brockton) was shocked by the lack of financial understanding among college students. The result of this concern was the creation of the Credit for Life Fair that the Credit Union and other community organizations have produced annually. At the Credit for Life Fair, Brockton High School students learn about financial responsibilities by choosing a career and receiving a paycheck. After payday, they must visit the rental agent, auto dealership, insurance agent, and all other necessities, along with some temptations. The gym is transformed into a life-size, interactive game of life. This allows the high school seniors to experience the financial realities of life, such as car repairs and bankruptcy, as well as bonuses such as lottery winnings, before they must go out on their own.

The Fair continues to evolve and improve each year. A charitable giving component has been recently added. The Job Skills Booth has also been enhanced to include dressing for success and interview skills. The Credit for Life Fair has inspired many similar efforts among credit unions throughout New England, including almost a dozen school and community venues in New Hampshire and Rhode Island.

College Students

Students entering college also need the basics of money management. Harvard University addressed this issue with its Credit Union. Harvard University Employees Credit Union found several fallacies in perceptions of how college students behave and what compels them to action.

With the assistance of University's Office of Career Counseling, the Center for Enterprise, and dedicated staff members and interns, "Money Made Simple," was created by the Credit Union. A series of one-hour, supertime seminars on the basics of personal money management is offered. Seminars cover budgeting, credit cards, credit scores, identity theft, saving, and investing. In addition to the supper of pizza, soda, and sweets, the students receive a folder with the outline of the evening's lesson and worksheets so they can practice examples as the presentation progresses.

YOUTH FINANCIAL LITERACY PROGRAMS AND RESOURCES

Saving Makes Cents

Saving Makes Cents is a financial education initiative that follows a curriculum outlined by the State Treasurer's Office. It involves cooperation between banks and local schools to teach children the importance of saving and managing money well.

For more information about Saving Makes Cents and other financial education initiatives in association with the Office of the State Treasurer, visit <http://www.mass.gov/?pageID=tretopic&L=2&LO=Home&L1=Financial+Education&sid=Ctre>.

MassSaves

Mass Saves is a financial education coordinating website that provides Massachusetts residents the information, tools, and opportunities to gain financial and economic education to manage money and build assets. This includes a calendar of local trainings organized by region and date, a consumer page with web-based financial education, a library of curricula and other resources for trainers, and current areas of interest. It is a result of the collaboration of local financial education trainers, non-profit organizations, financial service providers, philanthropies, and other supporters. It was conceived as a result of conversations in the non-profit and financial services community amongst trainers and funders that indicated a need for more coordination and easily accessible resources, as well as requests by individuals for web-based materials and referrals to local programs.

For more information, visit www.MassSaves.org

Banking On Our Future

Banking On Our Future (BOOF) is a financial education program created by Operation HOPE. Broken down into 5 easy-to-teach modules, the curriculum covers the basics of banking, budgeting, savings and checking accounts, credit, and basic investments.

For more information about Operation HOPE, visit <http://www.operationhope.org/smdev/>. For more information about the Banking On Our Future Program, contact the Operation HOPE Program Coordinator at 617-725-5842.

The Beehive

The Beehive is a resource that provides families and individuals with important information from health and fitness to job searches to emergency preparedness. One topic that it covers extensively is financial education. There are many resources and tools to educate people about handling money, finding good insurance, filing taxes, etc.

For more information, visit <http://www.beehive.org/Templates/National/Default.aspx>.

Jump\$tart Coalition

If young adults learn the basics of banking and money management early, they will be less inclined to commit mistakes that could hurt them both immediately and in the long run. To this end, the Jump\$tart Coalition for Personal Financial Literacy focuses on educating young adults before they enter the financial world. Jump\$tart aims at arming everyone from kindergarten to high school with the tools and knowledge to successfully manage their money and stay on the path of financial success.

For more information, visit <http://www.jumpstartcoalition.org/>.

Biz Kid\$ TV

Making television history, PBS stations serving 48 states and the District of Columbia have begun broadcasting the Biz Kid\$ TV series exclusively underwritten by credit unions to teach children about

money. It is a fast- paced series designed to entertain, engage, and elevate children’s knowledge about money. Teaching materials are developed by Junior Achievement to be used in classrooms and homes.

For more information, visit <http://www.ncuf.coop/home/programs/bizkids/bizkids.aspx>.

RESOURCE SECTION

RESOURCE LIST

EMPLOYMENT

In Roads

www.inroads.org

Boston Private Industry Council (Boston PIC)

<http://www.bostonpic.org/>

DEPOSIT/INVESTMENT PRODUCTS

IDA Resources

<http://www.cfed.org/focus.m?parentid=31&siteid=374&id=374>

MIDAS

www.massassets.org

Basic Banking for Massachusetts

www.masscommunityandbanking.org

WOCCU

<http://www.woccu.org/involved/remittances>

Federal Reserve Bank

<http://www.frbervices.org/fedach/index.html>

Directo a México

<http://www.frbatlanta.org/invoke.cfm?objectid=B3AE85D3-5056-9F06-99B099C6DE261EE9&method=display>

LOAN PRODUCTS

Massachusetts Business Partners

<http://www.masscommunityandbanking.org/bankingPartners.html>

Capital Access Program

<http://www.mass-business.com/site/site-massbiz/content/capital-access/>

Massachusetts Housing Partnership

Soft Second

<http://www.mhp.net/homeownership/>

MassHousing

https://www.masshousing.com/portal/server.pt?open=514&objID=268&parentname=CommunityPage&parentid=0&mode=2&in_hi_userid=2&cached=true

Federal Home Loan Bank of Boston

<http://www.fhlbboston.com/>

Earned Income Tax Credit (EITC)

<http://www.irs.gov/individuals/article/0,,id=96456,00.html>

National Credit Union Administration (NCUA)
<http://www.accesscrossamerica.gov>

National Credit Union Foundation (NCUF) REAL Solutions
<http://www.ncuf.coop/home/programs/realsolutions/realsolutions.aspx>

AFFORDABLE RENTAL DEVELOPMENT

Affordable Housing Trust Fund (AHTF)
http://www.mass.gov/?pageID=ehedterminal&L=3&LO=Home&L1=Housing+Development&L2=Affordable+Rental+Development&sid=Ehed&b=terminalcontent&f=dhcd_hd_aht_aht&csid=Ehed

Capital Improvement and Preservation Fund (CIPF)
Capital Improvement and Preservation Fund (CIPF) is a state funded program that provides funds for the preservation of expiring use properties or for properties with expiring project-based rental assistance contracts.
http://www.mass.gov/?pageID=ehedterminal&L=3&LO=Home&L1=Housing+Development&L2=Affordable+Rental+Development&sid=Ehed&b=terminalcontent&f=dhcd_hd_cipf_cipfr&csid=Ehed

Commercial Area Transit Node Housing Program (CATNHP)
Commercial Area Transit Node Housing Program (CATNHP) is a state funded bond program available to municipalities, non-profit and for-profit sponsors to support rental housing production or rehabilitation.
http://www.mass.gov/?pageID=ehedterminal&L=3&LO=Home&L1=Housing+Development&L2=Affordable+Rental+Development&sid=Ehed&b=terminalcontent&f=dhcd_hd_catnhp_catnhpr&csid=Ehed

Community Based Housing (CBH)
The Community Based Housing (CBH) program provides funding for the development of integrated housing for people with disabilities, including elders, with priority for individuals who are in institutions or nursing facilities or at risk of institutionalization.
http://www.mass.gov/?pageID=ehedterminal&L=3&LO=Home&L1=Housing+Development&L2=Affordable+Rental+Development&sid=Ehed&b=terminalcontent&f=dhcd_hd_cbh_cbh&csid=Ehed

Facilities Consolidation Fund (FCF)
Facilities Consolidation Fund (FCF) is a state funded program for non-profit developers to create and preserve affordable rental housing for clients of the Department of Mental Health and the Department of Mental Retardation.
http://www.mass.gov/?pageID=ehedterminal&L=3&LO=Home&L1=Housing+Development&L2=Affordable+Rental+Development&sid=Ehed&b=terminalcontent&f=dhcd_hd_fcf_fcfr&csid=Ehed

HOME Investment Partnerships Program (HOME)
The HOME Program is a federally funded program that provides funding to non-profit or for-profit developers for affordable rental housing production and rehabilitation.
http://www.mass.gov/?pageID=ehedterminal&L=3&LO=Home&L1=Housing+Development&L2=Affordable+Rental+Development&sid=Ehed&b=terminalcontent&f=dhcd_hd_home_homer&csid=Ehed

Housing Innovations Fund (HIF)

The Housing Innovations Fund (HIF) is a state funded program for non-profit developers to create and preserve affordable rental housing for special needs populations.

http://www.mass.gov/?pageID=ehedterminal&L=3&LO=Home&L1=Housing+Development&L2=Affordable+Rental+Development&sid=Ehed&b=terminalcontent&f=dhcd_hd_hif_hifr&csid=Ehed

Housing Stabilization Fund (HSF)

The Housing Stabilization Fund (HSF) is a state funded program for municipalities, non-profit, or for-profit developers to support affordable rental housing production and rehabilitation.

http://www.mass.gov/?pageID=ehedterminal&L=3&LO=Home&L1=Housing+Development&L2=Affordable+Rental+Development&sid=Ehed&b=terminalcontent&f=dhcd_hd_hsf_h sfr&csid=Ehed

Lead Abatement Program

The Massachusetts Lead Abatement Program is a federally funded program for municipalities and non-profit developers serving communities that have been determined to be at "high risk" for lead paint contamination.

http://www.mass.gov/?pageID=ehedterminal&L=3&LO=Home&L1=Housing+Development&L2=Affordable+Rental+Development&sid=Ehed&b=terminalcontent&f=dhcd_hd_lead_lead r&csid=Ehed

Local Initiative Program (LIP)

The Local Initiative Program is a state housing program that was established to give cities and towns more flexibility in their efforts to provide low and moderate-income housing.

http://www.mass.gov/?pageID=ehedterminal&L=3&LO=Home&L1=Housing+Development&L2=Affordable+Rental+Development&sid=Ehed&b=terminalcontent&f=dhcd_hd_lip_lip&csid=Ehed

Low Income Housing Tax Credit (LIHTC)

The Low Income Housing Tax Credit Program (LIHTC) is a federally authorized program for non-profit and for-profit developers to promote the construction and rehabilitation of affordable rental housing. Often these units are within a larger mixed income development.

http://www.mass.gov/?pageID=ehedterminal&L=3&LO=Home&L1=Housing+Development&L2=Affordable+Rental+Development&sid=Ehed&b=terminalcontent&f=dhcd_hd_lihtc_lihtc&csid=Ehed

Qualified Allocation Plan

Each year, the state allocating agency for the federal Low Income Housing Tax Credit program is required to publish a plan describing how it intends to award the credit. DHCD, as the allocating agency, is responsible for preparing the annual allocation plan and making it available for review by interested members of the public before final publication.

http://www.mass.gov/?pageID=ehedterminal&L=3&LO=Home&L1=Housing+Development&L2=Affordable+Rental+Development&sid=Ehed&b=terminalcontent&f=dhcd_hd_lihtc_qap&csid=Ehed

AFFORDABLE HOUSING DEVELOPMENT

American Dream Down Payment Initiative (ADDI)

The American Dream Down Payment Initiative (ADDI) is a HOME Program that provides down payment and closing costs assistance. HOME ADDI is a federally funded program that assists income-eligible households to purchase their first home.

http://www.mass.gov/?pageID=ehedterminal&L=3&LO=Home&L1=Housing+Development&L2=Affordable+Rental+Development&sid=Ehed&b=terminalcontent&f=dhcd_hd_lihtc_qap&csid=Ehed

[=Affordable+Home+Ownership+Development&sid=Ehed&b=terminalcontent&f=dhcd_hd_addi_addi&csid=Ehed](http://www.mass.gov/?pageID=eheadterminal&L=3&LO=Home&L1=Housing+Development&L2=Affordable+Home+Ownership+Development&sid=Ehed&b=terminalcontent&f=dhcd_hd_addi_addi&csid=Ehed)

Commercial Area Transit Node Housing Program (CATNHP)

The Commercial Area Transit Node Housing Program (CATNHP) is a state funded bond program available to municipalities, non-profit and for-profit sponsors to support first-time homebuyer housing through new construction or acquisition and rehabilitation.

http://www.mass.gov/?pageID=eheadterminal&L=3&LO=Home&L1=Housing+Development&L2=Affordable+Home+Ownership+Development&sid=Ehed&b=terminalcontent&f=dhcd_hd_catnhp_catnhp&csid=Ehed

First Time Home Buyer (FTHB)

The Housing Development Division of the Department of Housing and Community Development provides funding to developers, non-profit organizations and communities to assist first time homebuyers.

http://www.mass.gov/?pageID=eheadterminal&L=3&LO=Home&L1=Housing+Development&L2=Affordable+Home+Ownership+Development&sid=Ehed&b=terminalcontent&f=dhcd_hd_fthb_fthb&csid=Ehed

HOME Investment Partnerships Program (HOME)

The HOME Program is a federally funded program that provides funding to non-profit or for-profit developers for first-time homebuyer housing production and rehabilitation.

http://www.mass.gov/?pageID=eheadterminal&L=3&LO=Home&L1=Housing+Development&L2=Affordable+Home+Ownership+Development&sid=Ehed&b=terminalcontent&f=dhcd_hd_home_home&csid=Ehed

Housing Stabilization Fund (HSF)

The Housing Stabilization Fund (HSF) is a state funded program for municipalities and non-profit or for-profit developers to support affordable first-time homebuyer housing acquisition and rehabilitation.

http://www.mass.gov/?pageID=eheadterminal&L=3&LO=Home&L1=Housing+Development&L2=Affordable+Home+Ownership+Development&sid=Ehed&b=terminalcontent&f=dhcd_hd_hsf_hsf&csid=Ehed

Qualified Allocation Plan

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http://www.mass.gov/?pageID=eheadterminal&L=3&LO=Home&L1=Housing+Development&L2=Affordable+Home+Ownership+Development&sid=Ehed&b=terminalcontent&f=dhcd_hd_lihtc_qap&csid=Ehed

Sell Your Deed Restricted Home

Important information for current home owners of deed restricted properties.

http://www.mass.gov/?pageID=eheadterminal&L=3&LO=Home&L1=Housing+Development&L2=Affordable+Home+Ownership+Development&sid=Ehed&b=terminalcontent&f=dhcd_hd_selldeed_selldeed&csid=Ehed

FINANCIAL EDUCATION PROGRAMS

Mass Financial Literacy Yahoo Group

<http://finance.groups.yahoo.com/group/MassFinancialLiteracy/?v=1&t=search&ch=web&pub=groups&sc=group&slk=1>

Mass Saves

<http://www.mass-saves.org/home.php>

MyMoney.gov

<http://mymoney.gov>

The Beehive

<http://www.beehive.org/Templates/National/Default.aspx>

CONSUMER AFFAIRS AND BUSINESS REGULATION

Find Banks and Credit Unions

<http://db.state.ma.us/dob/in-choose.asp>

How to Choose Which Bank or Credit Union is Right for You

http://www.mass.gov/?pageID=ocaterminal&L=4&LO=Home&L1=Consumer&L2=Banks+%26+Banking&L3=Selecting+Banks+%26+Credit+Unions&sid=Eoca&b=terminalcontent&f=dob_bank_bro&csid=Eoca

Compare Checking Account Services

<http://db.state.ma.us/dob/banksmain2.asp>

ADDENDUM



Five Things You Should Know About...

Customer Identification Programs

(as required by Section 326 of the USA PATRIOT ACT)

1. What is a Customer Identification Program (CIP)?

The USA Patriot Act has several provisions “intended to facilitate the prevention, detection, and prosecution of international money laundering and the financing of terrorism.”¹ A CIP prescribes “the minimum standards for financial institutions and their customers regarding the identity of the customer that shall apply in connection with the opening of an account at a financial institution.”²

An institution’s CIP procedures should be “appropriate for its size and type of business”³ and must enable it “to form a **reasonable belief** that it knows the true identity of each customer.”⁴ [emphasis added]

2. What are the general requirements for financial institutions?

The CIP Final Rule has six general requirements:

- A written program
- Four pieces of identifying information -- customer name, date of birth, address, and identification number
- Identity verification procedures
- Recordkeeping
- Comparison with government lists
- Customer notice

3. What kind of Identification Number is required?

For a “U.S. Person”⁵ that means a tax identification number

For a “Non-U.S. Person”⁶ it means **any** of the following:

- Tax ID number
- Passport number and country of issuance
- Alien ID card number
- Number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or similar safeguard

The regulation gives each institution reasonable discretion to determine which specific forms of identification it will accept.

4. What is a “U.S. Person” or a “non-U.S. Person”?

- A U.S. Person is “a U.S. Citizen, or an entity established or organized under the laws of a State or the United States.”
- A non-U.S. Person is “a person who did not satisfy either of these criteria.”

5. What options are available if documentary verification is not possible?

Financial institutions have many options, including:

- Contacting the customer

- Comparing information received from the customer to information obtained from a consumer reporting agency, public data base, or other source
- Checking references with other financial institutions
- Obtaining a financial statement

All cited references are from the CIP Final Rule, published in the Federal Register, Vol. 68, No. 90; May 9, 2003

¹ & ² Section I – Background; page 25090

³ Section 103.121(b) (1); page 25109

⁴ Section 103.121(b) (2); page 25109

⁵ & ⁶ Section II -- Section-by-Section Analysis of Final Rule; 103.121 (a) (7), and (8); page 25095

For more information:

Federal Register, May 9, 2003

<http://www.fdic.gov/regulations/laws/federal/03joint326.html>

Inter-Agency FAQ's relating to Customer Information Programs

<http://www.fdic.gov/news/news/financial/2005/fil3405a.html>

Prepared by the **Boston Alliance for Economic Inclusion**
Communications Working Group
June 2007



Five Things You Should Know About...

Remittances

1. What are Remittances?

Remittances refer to the transfer of money or goods by foreign workers to their home countries – typically their families. Latin America and the Caribbean is the largest remittance market in the world; having received US\$62.3 Billion in 2006. The Inter-American Development Bank estimates that in 2006, US\$579 million were sent from Massachusetts to that region (a 10% increase from 2004).³ For many developing countries, remittances represent the largest source of foreign income.

2. Why do people remit funds?

Remittances can be sent by individuals or collectives – often referred to as Hometown Associations (HTA) -- for a variety of reasons. Often they are used to help cover the living expenses of family that remains in the home country (to purchase basic consumption goods, housing, children's education and/or health care products). They can also be used to provide capital for small businesses.

In other instances, remittances are sent collectively to support development in their respective hometowns. HTA pool the resources of migrants from the same town or community to fund, amongst other things, infrastructure improvements or human development projects such as education. Remittances often exceed formal development aid.

3. Are they costly?

Remittance-sending channels vary -- from wire transfers to informal modes – and as such, the costs associated vary widely. Additionally, the costs associated with transfers vary depending on the origin and the destination of the remittance. Nationwide, costs associated with remittance transfers have decreased over the last ten years. This is largely due to the increase in number of money transfer operations (MTO) and the entry of some mainstream institutions

The total cost incurred by the individual – using formal institutions -- to send \$200 to various Latin American countries averaged 5.6% in 2005 (excluding Cuba).⁴

A report by the Pew Hispanic Center and the Multilateral Investment fund reveals that 56% of remittance senders send between \$100-\$300 per month; and that two-thirds of senders transfer remittances at least once a month.⁵

4. Do alternative banking products for traditional remittance transfers exist?

Remittances that are sent through MTO typically involve money orders or a traditional wire transfer.

Recently, new products for remittance transfers have emerged:

- Pre-paid cards: a pre-paid debit card is sent to the recipient and the recipient can reload the

³ http://www.iadb.org/mif/remittances/usa/usa.cfm?language=english&id_state=MA

⁴ Orozco, Manuel, *International Flows of Remittances: Cost, competition and financial access in Latin America and the Caribbean – toward an industry scorecard*, Washington, DC: Inter-American Dialogue, 2006

⁵ <http://pewhispanic.org/files/reports/23.pdf>

- card.
- Account-to-ATM products: customers in the U.S deposit funds into a dedicated account and recipients can access funds through a network of ATMs with a pre-sent ATM card.

5. Where to get more information and examples of innovative products

Remittances: A Gateway for banking the unbanked; addresses some of the key risks and regulatory issues presented by bank involvement in remittance products

<http://www.occ.treas.gov/cdd/remittances1.pdf>

The Multilateral Investment Fund/ The Inter-American Development Bank

<http://www.iadb.org/mif/subtopic.cfm?language=English&parid=5&SUBTOPIC=REMS&TOPIC=>

The Inter-American Dialogue

<http://www.thedialogue.org/page.cfm?pageID=80>

Center for Financial Services Innovation

<http://www.cfsinnovation.com/>

Directo a Mexico; a program launched by the Federal Reserve and Banco de Mexico that allows banks and credit unions to transfer money through FedACH:

<http://www.frbservices.org/Retail/pdf/DirectoMexicoFAQ.pdf>

PRODUCTS AND SERVICES MATRIX

BAEI PRODUCTS AND SERVICES WORKING GROUP
PRODUCT LIST
April 2007

PRODUCT	DESCRIPTION	EXAMPLE*	COMMENTS	REFERENCE
REMITTANCE PRODUCTS				
Remittances: FedACH International Service (i.e. Mexico)	<p>A cooperative effort of the Federal Reserve Bank and Banco de Mexico, the Central Bank of Mexico.</p> <p>Low-cost remittance service to Mexico via an International ACH transaction coupled with financial institution account pre-opening in Mexico for the recipient.</p>	<i>Directo de México</i>	<p>The ACH is a proven payment system.</p> <p>Advantageous exchange rate set by Banco de Mexico.</p> <p>No deductions from payment amount.</p>	<p>Federal Reserve Financial Services (a Federal Reserve Bank affiliate website): http://www.frbfinancialservices.org/Retail/intfedach.html</p>
Remittances: Fed Wire	<p>The Fedwire Funds Service is a high-speed electronic payment system. Fedwire participants can use the Fedwire Funds Service to send or receive time-critical payments or international transactions on behalf of clients.</p>	<i>Federal Reserve Banks' Fedwire Funds Service (Fedwire)</i>	<p>Relatively higher costs associated with speed, irrevocability, security, and flexibility. Reduced cost to consumer in return for account opening.</p>	http://www.frbfinancialservices.org/Wholesale/fedwirefunds.html
Remittances: Other	<p>"Sweep accounts" which transfer available funds on a nightly basis to the accounts of the beneficiaries at specific remittance network member banks.</p>	<i>Wells Fargo International Remittance Accounts</i>	<p>Wells Fargo has established partnerships with recipient banks.</p>	https://www.wellsfargo.com/per/intl_remitittance/
Remittances: Third Party Providers	<p>Vendors provide worldwide money transfer services with branches in many countries and territories.</p> <p>Some vendors offer an online remittance system with connections to many countries.</p> <p>Large banks tend to partner with third party vendors (i.e. U.S. Bank with MoneyGram)</p> <p>Arias offers a turn-key remittance product</p>	<p><i>Western Union</i></p> <p><i>MoneyGram</i></p> <p><i>Xoom</i></p> <p><i>Ikobo</i></p> <p><i>various others</i></p>	<p>These large, well-known vendors allow customers to send money in minutes, the next day or directly to a bank account using cash, a credit card, or a debit card. These vendors offer the convenience of extended hours.</p> <p>Some services (like Xoom) require Internet access and a credit card or bank account.</p>	<p>http://www.westernunion.com/info/osMoneyTransferD2B.asp</p> <p>http://www.moneygram.com/Market/Market.htm?CC=US&LC=EN</p> <p>https://www.xoom.com/</p> <p>http://www.ikobo.com/</p>

PRODUCT	DESCRIPTION	EXAMPLE*	COMMENTS	REFERENCE
	that allows financial institutions to offer a fast, reliable and compliant money transfer to countries in Latin America, Africa, Asia, Europe, and the Middle East.	<i>Arias Financial Solutions</i>	Arias gives financial institutions complete control over prices and customers and allows them to offer service under their own brand.	http://www.ariasfs.com/
Remittances: Dual Prepaid Debit/ATM Card	The U.S. customer buys a card twin-pack and sends one card to a relative back home, then calls that relative with a code to activate and link the cards. Then the U.S. customer can remit money by loading it onto the card -- via phone, the Internet or in person at various outlets -- and the overseas relative can get the money at any ATM outlet.	<i>MiCash – based in Washington, D.C.</i>	MiCash charges a flat fee for each remittance and caps the amount that can be transferred. MiCash is now partnered with Home Depot on a pilot basis. Dual prepaid cards may be more costly and less convenient than other forms of remittances. (Regulation E, safety, protection, and dormant account issues need to be considered for all types of card-based products)	http://www.micash.net/producto_mc.php?new_language=EN_EN
DEPOSIT PRODUCTS				
Stored Value Card/Prepaid Debit Card	Stored value cards use magnetic stripe technology to store information about funds that have been prepaid to the card. Some multipurpose cards are branded by Visa or MasterCard. Some debit cards offer a combination savings component, with interest rates that may be higher than checking account rates.	<i>University National Bank - Stored Value Card</i> <i>Central Bank of Kansas City – “Tarjeta Segura” (Safe Card)</i> <i>NetSpend All-Access Debit Card</i> <i>Green Dot Corp.- Reloadable Prepaid</i>	Reloadable multipurpose cards are often viewed as alternatives to checking accounts. These cards may be increasingly offered at check-cashing outlets and money transfer company locations. Visa U.S.A. has already developed a reloading system and MasterCard, Inc. is also developing a system to ‘reload’ prepaid cards and is	http://www.federalreserve.gov/paymentsystems/storedvalue/default.htm http://www.cfsinnovation.com/managed_documents/storedvaluecard_report.pdf http://www.centralbankkc.com/2123/mirror/valuecards.htm https://www.netspend.com/welcome.shtml http://www.greendotcorp.com/

PRODUCT	DESCRIPTION	EXAMPLE*	COMMENTS	REFERENCE
		Cards	poised to announce a distribution partnership. (Regulation E, safety, protection, and dormant account issues need to be considered for all types of card-based products)	
Stored Value Card: Payroll Card	A payroll card is a particular type of stored value/prepaid card in which wages are deposited to an account and employees use the card to access cash via an ATM, or to make purchases	<i>Bank of America CashPay Visa Payroll Card</i> <i>Whitney National Bank E-Z Pay Card</i>	Bank-issued payroll cards are marketing directly to employers. (Regulation E, safety, protection, and dormant account issues need to be considered for all types of card-based products)	http://www.bankofamerica.com/cashpaycard/ http://www.whitneybank.com/businessbanking/bb_fm_ezpaycard.asp
Tax-Refund Debit Cards	Alternative to high-cost refund-anticipation loans. Tax preparers are sending consumers their refunds on prepaid debit cards.	<i>Chase Direct Benefit Card</i> <i>H&R Block's Emerald Card</i>	A low-cost method of delivering tax refunds quickly. Associated fees can detract from the card's value. (Regulation E, safety, protection, and dormant account issues need to be considered for all types of card-based products)	http://www.jporganchase.com/cm/ContentServer?c=IS_Content&pagename=jpmorgan%2Fts%2Fts_Content%2FGeneral&cid=1140705894114 http://www.hrblock.com/bank/emerald_prepaid_mastercard/index.html?pgnavp=bank_tax&pgnavc=bank_tax_emer
Low-Cost Savings Account – With and Without Debit Card Debit Card - Other	Low cost removes barrier to entry for customer. A nonprofit center in New Jersey started a program recently that provides low-fee debit cards to immigrant workers who are wary of banks but in need of a place to store their money. The “Sigo” debit card is affiliated with MasterCard, which means it can be used wherever that card is accepted.	<i>New Labor, New Brunswick, NJ</i>	Can be a bridge to additional products and services. Fees for the Sigo card include an initial \$4.50 fee and a monthly \$2.50 fee. The proceeds are split among the work centers that offer them and the companies that administer them.	http://philanthropy.com/news/?id=1735&pth&utm_source=pt&utm_medium=newsletter&utm_content=leftbottom
Alternative Checkless Service – Online Access	A starter “checkless” checking/debit-based card account which allows customers to make free, unlimited bill payments online or through their	<i>Citibank Access Account</i>	Capture online users.	http://www.winwinpartner.com/Developing%20Untapped%20Markets/ssCitigroup.html

PRODUCT	DESCRIPTION	EXAMPLE*	COMMENTS	REFERENCE
Second Chance Checking	<p>automated phone system.</p> <p>Checking accounts for customers who have had difficulties managing an account in the past. Encourages customers and potential customers to return to a traditional account.</p>	<p><i>Compass Bank</i></p>	<p>Checking account programs are often used in conjunction with a financial education class such as "Get Checking."</p>	<p>http://www.compassweb.com/sitemap/se-cond-chance-checking.cfm</p> <p>http://www.rebuildcreditscores.com/Checksystems.html</p>
Individual Development Account	<p>Matched savings accounts that enable low-income consumers to save towards purchasing an asset - a first home, post-secondary education, or a small business.</p>	<p><i>Various- more than 500 IDA programs exist in the United States</i></p>	<p>IDAs are usually offered through programs that involve partnerships between local non-profit organizations and financial institutions.</p>	<p>http://www.cfed.org/focus.m?parentid=31&siteid=374&id=374</p>
CREDIT CARD PRODUCTS				
Credit Builder Credit Card	<p>Bank-issued credit card offered to customers without credit histories. The cards are secured by a deposit, and have a low dollar limit.</p>		<p>Some offer the ability to convert to an unsecured credit card after a successful period of use (typically 18 months).</p> <p>Not to be confused with cards from subprime credit card marketers.</p>	
Second Chance Credit Card	<p>Second chance cards offer a low monthly fee to institution members with past credit problems, or members who want to establish credit. A security deposit may be required.</p>	<p><i>WestStar Credit Union (Las Vegas, NV), 2nd Chance Visa</i></p>	<p>Builds trust in institution by offering customer a second chance. These customers often become very loyal to the institution.</p>	<p>http://www.weststar.org/pages/loans/2ndvisa.html</p>
CONSUMER LOANS				

Payday Loan Alternatives	<p>There are many alternatives to payday loans such as: small savings accounts or rainy-day funds; salary advances from employers; credit card advances. Many lenders have developed lower-cost alternatives to payday loans that have better repayment terms.</p> <p>Many credit unions offer small, short-term loans to their members.</p>	<p><i>ASI Federal Credit Union (LA)</i> <i>Austin Bank of Chicago</i> <i>Citibank</i> <i>Corporate America</i> <i>Family Credit Union</i> <i>North Carolina State Employees CU</i> <i>various others</i></p>	<p>North Carolina State Employees' Credit Union offers members a salary advance loan at 11.75% annual interest - 30 times cheaper than a typical payday loan. Each time a loan is granted 5% of the advance is deposited into a savings account to partially securitize the loan and encourage savings.</p>	<p>http://www.responsiblelending.org/issues/payday/briefs/page.jsp?itemID=2957316 <u>1</u></p> <p>http://www.ncua.gov/PALS/BP/PALSDocs/66310-46.113.116.135.htm</p>
Payday Loan Alternatives – Military Products	<p>More affordable options for small loans to help consumers meet immediate financial needs or regain financial footing.</p> <p>Some innovative loans include a mandatory savings component – see reference for Military Small-Dollar Loan Template</p>	<p><i>Armed Forces Bank</i> <i>Fort Bragg Federal Credit Union</i> <i>Global Credit Union</i> <i>Navy Federal Credit Union</i> <i>Hanscom Federal Credit Union</i></p>	<p>AFBank offers loans that are limited to one month's pay, at an annual interest rate of 18% and repayment within 24 months.</p>	<p>http://www.afbank.com/loans/consumer.cfm</p> <p>http://www.responsiblelending.org/issues/payday/briefs/page.jsp?itemID=2957316 <u>1</u></p> <p>http://www.fdic.gov/news/conferences/militaryloans/Military_Small_Dollar_Loan_Template.pdf</p> <p>www.hfcu.org</p>
Short Term Credit Product – Dual Debit Card	<p>A prepaid debit card product that can also be used for small, short-term loans. Can help customers establish a credit history.</p>	<p><i>First Bank and Trust</i> <i>Revel Card – (Brookings, S.D.)</i></p>	<p>Up to \$1000 is loaded on the Revel Card and the amount must be repaid within 3 months.</p>	
Nontraditional Credit Unsecured Loan Product	<p>The Nontraditional Credit Unsecured Loan product allows individuals with no credit history to apply for a loan using other credit sources, such as rent receipts, and utility bills.</p>	<p><i>Bankers Trust Company, Iowa</i> <i>Des Moines, Iowa</i></p>	<p>The borrower's credit history must not reflect a bad credit history. Minimum loan amount is \$1,000, and there is no maximum loan amount. Minimum loan term is 36 months. If borrower has no credit, bank will accept co-signer w/ nontraditional credit.</p>	
Credit Builder Loan	<p>Product to assist customers with two trades or less on credit report to establish credit. \$500 loan for personal or business</p>	<p><i>ACCION USA</i></p>	<p>Multi-lingual staff and bi-lingual website.</p>	<p>http://accionusa.org/site/c.vKVL9MUJisG/b.13592271k.55A6/Small_Business_Loans_Microlending.htm</p>

Credit Development Loan	<p>use.</p> <p>The Credit Development Loan program is designed to help individuals with no credit or bad credit to rebuild their credit history. The \$1,500 loan is immediately placed into a certificate of deposit (CD) and pledged as collateral, for a term of one or two years. Once the loan is paid off, the CD belongs to the borrower, plus any accrued interest.</p>	<p><i>Central Bank of Kansas City, Kansas City, Missouri</i></p>	<p>The borrower(s) must be employed or have been employed for at least six months. Credit score is not a determining factor.</p>	
Second Chance Loan Products	<p>For those previously denied for a loan due to credit history, but currently working to repair it. Andrews Federal Credit Union offers two types of Second Chance Loans - an unsecured loan up to \$2,500 or a secured loan up to \$15,000.</p>	<p><i>Andrews Federal Credit Union, Suitland, MD</i></p>	<p>Builds trust in institution by offering customer a second chance. These customers often become very loyal to the institution.</p>	<p>http://www.andrewsfcu.org</p>
The Special Purchase Loan Program	<p>The Special Purpose Loan Program is specifically designed to serve low- and moderate-income borrowers. The program is designed to allow bank staff to originate loans for individuals who otherwise do not meet the bank's conventional lending standards. Consumer loans include unsecured, Certificate of Deposit (CD) Secured, and automobile loans. Loan purpose is for basic needs such as shelter, vehicle purchase, and medical expenses.</p>	<p><i>First National Bank of Olathe, Olathe, Kansas</i></p>	<p>The borrower must meet the definition of low- or moderate-income as based on the Department of Housing and Urban Development's (HUD) area median income for the Kansas City Metropolitan Statistical Area. The borrower(s) also must <u>not</u> meet the banks normal credit criteria with respect to established credit history or are unable to repay the loan based on normal terms. Minimum loan amount is \$500.00 and the interest rate is .25 basis points below normal loan rates.</p>	
MORTGAGE PRODUCTS	<p>Alternative strategies are needed for immigrant consumers.</p> <p>Hispanic National Mortgage Association has its own credit-scoring model and also buys loans banks make using its system.</p>	<p><i>Hispanic National Mortgage Association, San Diego, CA</i></p>	<p>Growth product. Roughly 50 million untapped U.S consumers w/ thin or non-existent credit records, <i>yet pose little risk.</i></p>	<p>http://www.hnma.com/</p>

Mortgage Products: SoftSecond	30 year fixed mortgage with below market interest rate with no points and no private mortgage insurance (PMI). Only 3% down payment; a portion can be a gift or a grant. Subsidy available for qualified borrowers. Pre- and post-purchase education is required. Alternative credit is acceptable (rent or utilities cancelled checks or receipts) as an option for no FICO score.	<i>Massachusetts Housing Partnership</i>	SoftSecond Loan has been recognized as one of Massachusetts's most affordable mortgage programs for low- to moderate-income homebuyers. Mortgage calculator available. Post-counseling and delinquency consulting is provided by MAHA.	http://www.mhp.net/homeownership/
Mortgage Products: MassHousing	Most programs from MassHousing are 30 year fixed mortgages with below market interest rate. Discounted private mortgage insurance (PMI). No down payment and low down payment options available. Alternative credit and Anthem Score is acceptable.	<i>MassHousing</i>	Multilingual website and printable information available in many languages. Online pre-qualification. MassHousing programs are for Massachusetts residences only.	http://www.masshousing.com/portal/serve.pt?space=Opener&control=OpenObject&cached=true&parentname=CommunityPage&parentid=2&in_hi_ClassID=514&in_hi_userid=2&in_hi_ObjectID=-201&in_hi_OpenerMode=2&
Private Mortgage Insurance Product	Created to help creditworthy, taxpaying, undocumented and un-banked residents attain homeownership. The program specifically helps borrowers who do not have valid social security numbers attain homeownership with an IRS issued Individual Tax Identification Number.	<i>The Mortgage Guaranty Insurance Corporation's Building a Life in America</i>	The program features underwriting guidelines that recognize the nontraditional savings, credit and documentation characteristics of immigrant and un-banked families.	http://www.mgic.com/emergingmkts/housingfinanceagencies.html
BUSINESS LOANS				
Small Business Micro Loan	Small business loans from \$500 to \$25,000 for small business owners and entrepreneurs who are not eligible for bank or credit union loans.	<i>ACCION USA</i>	Nonprofit microfinance organization that lends to clients who cannot access traditional sources of capital. Multi-lingual staff and bi-lingual website.	http://www.accionusa.org/site/c.lvKVL9MUIsG/b.1359227/k.55A6/Small_Business_Loans_Microlending_Business_Loan.htm
Massachusetts Banking Partners Small Business Lending Program (Banking Partners)	Small business loan program designed to improve access to financing by very small businesses that are receiving one-on-one counseling from nonprofit small business assistance providers. Commercial banks offer smaller loan sizes, below market rates, and more flexible underwriting, and they consider early-stage businesses (focus is on those in the state with <20	<i>Commercial banks across state participating</i>	New statewide small business lending program initiated in December 2006, and partnering small business lending institutions with nonprofit technical assistance providers to better serve very small businesses.	www.masscommunityandbanking.org

	employees, located in low- to moderate-income areas.)		
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BAEI PRODUCTS AND SERVICES WORKING GROUP

SERVICE LIST

April 2007

SERVICE	DESCRIPTION	EXAMPLE*	COMMENTS	REFERENCE
CHECK CASHING				
Check Cashing/Non-Account-Based Transaction Service	Checking cashing for payroll and government checks without requiring the opening of an account.	<i>KeyBank Plus, Cleveland, OH</i>	KeyBank's teller-enabled check-cashing service is powered by Valid Systems software and transaction processing services that verifies the identity of the customer. Brings people into branches, helps to establish relationships, and serves as a bridge to traditional products.	http://www.banktech.com/rde/delivery/showArticle.jhtml?articleID=196800471
Check Cashing with Optional Account-Based Transaction Service	Check cashing service offered along with traditional and non-traditional banking services.	<i>Union Bank of CA - Cash & Save CheckSpring, a newly chartered New York-based bank</i>	Good bridge to entry-level savings account, other traditional services like electronic transfers of government benefits. Non-traditional services can include combination IDA.	https://www.uboc.com/about/main/0_2485_3895_00.html http://checkspring.net/
Check-Cashing ATMs and Kiosks	Full service (including check-cashing) ATM kiosks located in high-traffic, easily accessible areas.	<i>KeyBank Plus, Cleveland, OH</i>	KeyBank's check-cashing enabled ATM (powered by Diebold) is self-service, cardless and doesn't require an envelope. Attracts target customers, reinforces bank name, reduced operational costs.	http://www.banktech.com/rde/delivery/showArticle.jhtml?articleID=196800471
OTHER SERVICES				
Reshape/Recalibrate/Lower	Removes barrier to entry for customer as		Bridge to additional products	

SERVICE	DESCRIPTION	EXAMPLE*	COMMENTS	REFERENCE
Minimum Balance Checking Requirements	well as the barrier to having cash tied up in minimum balance requirements.		and services. Can help encourage direct deposit.	
Individual Taxpayer Identification Number (ITIN) Acceptance	The ITIN was created by the U.S. Internal Revenue Service (IRS) for foreign-born individuals who are required to file federal tax returns yet are not eligible for a Social Security Number.	<i>Wells Fargo – Matricula Acceptance: Opened more than 400,000 new accounts for Mexican immigrants, using the Matricula Consular card between November 2001 and May 2004.</i>	The USA PATRIOT Act allows financial institutions to accept both forms of identification, enabling insured financial institutions to serve unbanked immigrants who live and work in the United States.	FDIC Supervisory Insights Winter 2004. :Linking International Remittance Flows to Financial Services: Tapping the Latino Immigrant Market?": http://www.fdic.gov/regulations/examinations/supervisory/insights/siwin04/laino_mkt.html
Matricula Consular Acceptance	The <i>Matricula Consular</i> card is an identification card issued by the Mexican consulate to individuals of Mexican nationality who live in the United States.			http://www.irs.gov/
Certifying Acceptance Agent for ITIN	An Acceptance Agent is an individual, business or organization authorized by the IRS to assist individuals in obtaining ITINs. Banks can apply with the IRS to become certifying ITIN acceptance agents.		Acceptance Agents review applicants' documentation, complete a certificate of accuracy, and forward the certificate and application to the IRS for processing.	
Alternative Credit Reporting/Scoring	New and alternative credit risk scores based on non-traditional credit data to help lenders extend credit to consumers with insufficient credit histories. Consumer reporting agencies (like ChexSystems) maintain a database of mismanaged checking and savings accounts to help financial institutions to assess the level of risk of opening new accounts. Alternative credit bureau Payment Reporting Builds Credit offers consumers different tools to demonstrate creditworthiness with rental and other bill payments.	<i>FICO Expansion Score</i> <i>ChexSystem Reports</i> <i>Payment Reporting Builds Credit (PRBC)</i> <i>First American Corporation's Anthem Score</i> <i>Link2Credit</i>	ChexSystem requires participants to complete a checking education program called "Get Checking." Some banks have instituted procedures to enable prospects with poor "ChexSystems" reports to clear their record and open an account suitable to their circumstances.	http://www.fairisaac.com/Fairisaac/Solutions/FICO+Expansion+Score/Expansion+Score+Overview/ http://www.getchecking.org http://prbc.com/ http://www.credco.com/anthem/ http://www.12cinc.com/valueLink.shtml
Workplace-Based Outreach and Services	The workplace can be a powerful distribution channel for reaching the unbanked.	<i>Security Saving's Bank, Garden City, Kansas</i> <i>66 Federal Credit</i>	The workplace offers ease of facilitation and large scale.	http://www.66fcu.org/home/In_In_wf

SERVICE	DESCRIPTION	EXAMPLE*	COMMENTS	REFERENCE
Distribution Channel: Bank Branch in a High School	<p>Student-run bank branches located in a high school with a focus on providing job-training opportunities for students, an employment base for banks, and increasing access to mainstream banking services and products for students & faculty members and their families.</p> <p>The branches listed are located in low- and moderate-income/minority communities, including two immigrant communities.</p>	<p><i>Union Tyson Foods Workforce Home Benefit Program</i></p> <p><i>HarborOne Credit Union at Brockton High School, Brockton, MA</i></p> <p><i>Park Federal Savings Bank branch at Curie High School Chicago Illinois</i></p> <p><i>Mitchell Bank Cardinal Branch at South Division High School, Milwaukee, Wisconsin</i></p> <p><i>Bethex Federal Credit Union, Bronx, NY</i></p> <p><i>Security One Bank, VA Pinnacle Bank, Georgia</i></p> <p><i>Texas Credit Union Relationship Committee - "Juntos Avanzamos" (Together we Advance)</i></p>	<p>HarborOne Credit Union has had a branch at Brockton High School since 1984. This is a full service branch open to the students, faculty and other employees of the school.</p> <p>Park Federal Savings Bank school branch has been operating for one year.</p> <p>The Mitchell Bank Cardinal school branch has proven to be profitable for the bank.</p> <p>Bridge to traditional products. Potential competitors. Requires assurance that check-casher meets all banking regulations.</p> <p>This type of customer service recognizes the value of the customer and can build trust and loyalty.</p> <p>Pinnacle Bank recently opened a 100% bilingual branch in Nebraska.</p> <p>This program identifies credit unions with the "capacity to serve" Hispanic markets and then channels resources to help such credit unions grow their outreach programs.</p>	<p>http://www.netia.gov/PALS/BP/PALS_Docs/67560-19,47,103,116,118,124.htm</p> <p>Curie H.S. Branch: doryrand@povertylaw.org</p> <p>South Division H.S. Cardinal Branch: President/Chairman James Maloney</p> <p>http://bethexfcu.org/</p> <p>http://www.fisca.org/FISCA%20Check%20Cashers%20Broch.pdf</p> <p>http://www.securityonebank.com/</p> <p>http://www.pinnaclebank.com/</p> <p>TCUL Communications Director Linda Webb-Manon: lwebb.manon@tcul.coop</p>
Partnerships with Non-Banks	<p>Some credit unions have partnered with check cashing companies to help steer customers away from the fringe providers.</p>			
High-Touch Service Approach	<p>Create a welcoming and friendly environment. Customer service needs to be culturally sensitive; get to know the customer, be responsive to needs.</p> <p>There are full-service banks with a focus on underserved immigrant communities.</p>			
Bi-lingual Branches, Staffing ATMs, Signage, Bi-lingual Website Outreach Programs	<p>Innovative programs aimed at financial organizations which empower them to serve immigrant markets more effectively.</p>			

* Examples are not considered all-inclusive and may not be the most appropriate product or service for your consideration. 11/4/2008