City Financial Inclusion Efforts: A National Overview

FINDINGS FROM THE CITY SCAN OF LOCAL FINANCIAL INCLUSION EFFORTS CONDUCTED BY THE NATIONAL LEAGUE OF CITIES

NATIONAL LEAGUE OF CITIES

MetLife Foundation
Despite our nation’s relative wealth, many Americans are financially insecure, lacking the financial means to pay all of their monthly bills or the necessary savings to cover unexpected expenses. Inadequate household incomes, coupled with a lack of financial assets, leave many families in a position where even one unexpected crisis or setback, such as a sudden illness or job loss, can trigger far-reaching and sometimes catastrophic consequences for parents and their children.

Mayors and other city leaders know that financial insecurity and hardship can threaten the well-being of families and undermine local economic development, create blighted neighborhoods and jeopardize public safety. Local leaders are increasingly focusing their attention on and committing resources to a comprehensive set of financial inclusion programs that help residents achieve greater financial stability, build assets and gain access to safe and affordable financial services.

While the idea of addressing economic insecurity is not new to city leaders, a growing number of cities are pursuing innovative strategies to help low-income individuals and families build savings and assets, improve credit scores, expand access to credit as well as safe and affordable loan products, connect families to benefits for which they are eligible and increase the availability of financial coaching and literacy programs.

To explore the various ways elected officials and their community partners are promoting financial inclusion, the National League of Cities (NLC) Institute for Youth, Education, and Families developed the City Scan of Local Financial Inclusion Efforts (Scan) in collaboration with United Way Worldwide and the Center for Financial Security at the University of Wisconsin-Madison.

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**Financial inclusion** refers to access to quality, affordable financial services in a convenient manner and with dignity for the customer.

Financial inclusion programs expand access to financial services by empowering low-income residents to take advantage of available benefits and tax credits, manage money more effectively and build assets to increase their financial stability.
EXECUTIVE SUMMARY

The Scan included three parts: an in-depth, online survey of 118 cities about their financial inclusion efforts, a series of follow-up telephone interviews with a subset of 23 survey respondents and a day-long, NLC-sponsored roundtable focused on municipal financial inclusion efforts that included city officials and community partners from 13 cities across the country.

This report summarizes the major findings that have emerged from the Scan. It offers numerous examples of ways that cities are promoting and implementing financial inclusion efforts to help residents become more financially secure. It also highlights opportunities that are missed when financial inclusion programs are implemented in silos or not effectively supported by city leaders and agencies. Finally, the report identifies areas in which municipal officials may be able to expand their leadership roles and describes the financial inclusion strategies being implemented in cities, with the hope that these insights will inspire municipal leaders to take further action.

SUMMARY OF KEY FINDINGS

NLC's Scan of Local Financial Inclusion Efforts revealed that cities across the country are pursuing diverse and innovative strategies to improve the financial well-being of their residents. An in-depth analysis of the extensive data generated by the Scan, the majority of which is from the 118 cities that completed the survey, yielded seven key findings:

1. **Financial inclusion programs are emerging as an important priority for many city leaders**, with various types now common in cities across America. Sixty-five percent of survey respondents have financial inclusion programs in place.

2. A strong cohort of 25 cities (over one-fifth of survey respondents) has assembled **at least six out of seven key “building blocks”** that appear necessary for sustained progress toward a comprehensive financial inclusion system.

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The majority of survey respondents (63 percent) reported at least one of the four “pillars” of city financial inclusion efforts: Volunteer Income Tax Assistance (VITA) and federal Earned Income Tax Credit (EITC) outreach; multi-benefit outreach/access; financial education, counseling and/or coaching; and homeownership assistance.

Beyond these four “pillars,” a much wider array of financial inclusion programs are also operating in a quarter of the survey respondents’ cities, including programs that promote savings, expand access to the financial mainstream and reduce debt.

Twenty-nine percent of respondents reported having a dedicated “home” for financial inclusion programs (e.g., a lead city department or division), a structure that is strongly correlated with having a broader range of programs in operation.

Partnerships between municipal governments and external stakeholders represent one critical step that cities are taking to advance local financial inclusion efforts. More than a quarter of the survey respondents work closely with a community partner.

Twenty percent of survey respondents indicated a high reliance on data to guide and evaluate their financial inclusion efforts. These cities also have a more robust set of programs (six or more) in place.

While the survey findings show that financial inclusion is an emerging municipal strategy, the findings also suggest additional opportunities for city leaders to play a more substantial role in these efforts. City leaders can increase the visibility of programs, provide additional resources such as funding or staff support, increase coordination to streamline services, accelerate marketing to ensure all residents in need are aware of the programs and services available to them, and develop or promote methods to assess program effectiveness and measure their impact.

Leadership from a mayor, city manager, city treasurer or councilmember can also help break down silos and strengthen partnerships by bringing new stakeholders into local efforts. In almost all instances, a strong municipal commitment to financial inclusion translates into more comprehensive and effective programs and services that are more stable and more likely to meet residents’ needs.
Dozens of cities now have a range of programs in place to advance elements of a financial inclusion agenda. Few cities have what could be clearly identified as a well-organized and coherent system to drive and sustain progress over time. Sustained efforts to build local financial inclusion systems with strong municipal leadership are now essential to advance and strengthen the field.

By adopting a system-building approach, cities will be better able to map current resources, identify service gaps or other unmet needs, set standards and provide the supports necessary to improve program quality and create the metrics and data systems to drive continuous improvement.

This is the next frontier for mayors and other city officials who seek to achieve the goal of financial inclusion for all city residents. In almost all instances, having strong municipal commitment to financial inclusion efforts means programs and services are stronger, more likely to meet residents’ needs and more stable through diversified funding. Going forward, city leaders will continue to see a need to design creative and comprehensive solutions to equalize access to financial opportunities for all residents.