



The Financial Clinic
Creators of **Change Machine**

NATIONAL POLICY AGENDA

The Clinic's Vision for a
FINANCIALLY
SECURE
NATION

Spring 2019

IN A LITTLE OVER A DECADE, THE FINANCIAL CLINIC HAS GROWN from an organization focused on serving low- and moderate-income (LMI) communities in New York City alone, to one that partners with community organizations and nonprofits in over forty states. We believe that the fullest expression of the Clinic's vision for a financially secure nation is seeing the impact of our efforts expand beyond the individual customer. Creating lasting change will require not just a commitment to service and to building the financial capability of working people nationwide, but a dedication to removing the systemic barriers to financial security created by political and social institutions. **Obstacles that unfairly limit the forward-thinking, strengths-based, and passionately-held vision every individual has for their own future.** The Clinic is well prepared to take on a robust and active role in the national fight for economic justice and, in fact, has a responsibility to join with communities and nonprofits across the country to build a fair and equitable society where all are financially secure and share in prosperity.

Our Capacity Building engagements and Financial Security Ecosystems deeply connect us with partner organizations across the country as we support them to build financial security for the working poor at scale and accelerate sector-specific missions. The Clinic developed Change Machine, our online coaching platform, to create and support nation-wide community of financial security practitioners. The scope of this community gives us a deep understanding of the daily challenges low- and moderate-income Americans face. Our ChangeMatters research brief series demonstrates the powerful and unique insights we can create by combining **dynamic financial data** collected through Change Machine with the rich **stories and experience** of our customers, and the **expertise** of our financial coaches and our partners. These three key assets—unique in the financial security field—are a critical resource for identifying unseen financial barriers and advocating for innovative policy solutions.

With pride in our experience and hope for what we have yet to achieve, the Clinic is proud to announce a national policy agenda that will focus our research and advocacy efforts and support the policy work of our partnerships with a diverse group of community organizations working across states and issue areas.

The Clinic's successful 2016 campaign for Refund529 legislation in New York State, which allows NYS tax filers to split their state refund and direct a portion to a 529 college savings account, shows how this marriage of data, narrative, and direct advocacy can be a catalyst for systemic change that improves the lives of those we serve.

We believe The Financial Clinic's role is to:

- Raise the profile of the barriers to financial security our customers encounter,
- Advocate for solutions grounded in the knowledge and insight they hold, and
- Elevate the richness of the resources and capacity they bring to bear on systemic challenges.

The Financial Clinic will advocate for lasting, systemic change that empowers working people to build their financial security by focusing on the four priority issues areas detailed below. Each priority area encompasses a broad set of possible campaigns and action items, some of which we have highlighted in this agenda.

Our policy efforts will always be guided by three core values:

- 1.** A recognition that systematic disempowerment and discrimination has created fundamental barriers to economic opportunity and prosperity for women, communities of color, the undocumented, the disabled, and the LGBTQ community. Our policy work will always strive to combat the inequity in income, employment, wealth, and financial inclusion experienced by traditionally marginalized communities.
- 2.** A belief that the individuals and communities we and our partners serve are the experts in their own lives, that they understand the challenges they face, and that they are best suited to devise the solutions.
- 3.** A conviction that we have a responsibility to use the data we collect as a force for good, to look at systemic barriers through the eyes of our customers, and to always strive to ask new and compelling questions.

Raise the Wage Floor

Everyone deserves to earn a living wage, and to have access to a dignifying and humane social safety net. The financial data we collect through Change Machine consistently shows that programs like Temporary Assistance for Needy Families (TANF), the Supplemental Nutrition Assistance Program (SNAP), Medicare and Medicaid, utility and housing assistance, and tax credits like the Earned Income Tax Credit (EITC) and the Child Tax Credit contribute to a strong wage floor and empower individuals to build their financial security. These critical supports need to be protected and expanded, and the Clinic rejects any attempt to restrict their funding or to impose stigmatizing tests/requirements that would reduce eligibility.

In addition, the steep benefit cliffs that push people off of programs as soon as their financial situation improves unfairly punish success and destroy any gains they hope to make. **Our coaches will tell you there is nothing more frustrating than seeing a customer that relies on a program like SNAP or TANF forced to choose between taking a promotion and feeding their family. These cliffs must be eliminated.** The Clinic also recognizes that it is imperative to take a long-term view, and that is why we will advocate for research and implementation of new, universal, rights-based programs like a Universal Basic Income and a Federal Job Guarantee that ensure people the means to live financially secure lives as an essential human right.

ACTION ITEMS OF INTEREST

- Raise the minimum wage, defend a robust and dignifying social safety net, and pass legislation to end the benefits cliff
- Support research and implementation of a Universal Basic Income and a Federal Job Guarantee
- Increase the value—and expand the reach of—the Earned Income and Child Tax Credits

Increase Opportunity to Build Wealth

The Clinic has always been committed to placing asset development at the center of our coaching approach, and in fact it drove one of our first policy campaigns: Refund529. Customers jumped at the chance to use a portion of their tax refund to save for college, and we advocated for a simple change to New York State tax law that made it easier for them to do so. In the first year, over 1600 New Yorkers used the new option to direct over \$1 million to 529 savings accounts. A higher wage on its own is not enough to create long-term financial security, nor will it correct persistent, generational inequality in economic outcomes for women and communities of color.

LMI households, especially those of color, are significantly less likely to own the kind of assets that help their well-off peers build wealth and many are often either barred or disincentivized to do so by current policy. For example, many states use strict resource and asset tests for public assistance programs that keep people from saving or investing in their future. The Clinic will fight to expand access to wealth building assets like college savings and retirement accounts, and believe that for many LMI families, increasing opportunities and reducing barriers to saving at tax time— just like we did with Refund529—is a critical first step. **However, we know that the scale and persistence of wealth inequality in the United States, its corrosive effects on our society and our democracy, and the racial inequity it perpetuates are moral failures that require radical change.** That’s why we plan to put our weight behind the recent bold proposals to ensure universal access to wealth by creating baby bonds for all at birth.

ACTION ITEMS OF INTEREST

- Build universal basic wealth through the creation of a government-issued “baby bonds” program for all at birth
- Increase tax time savings through state refund splitting & direct deposit legislation, and expand access to state run, matched CSA, IDA, and IRA programs
- Eliminate asset tests for all public assistance programs in all 50 states

Protect and Empower Consumers

Low- and moderate-income communities are often poorly served by mainstream financial institutions and as a result are especially vulnerable to predatory financial products and fraud. Every day, the Clinic and our partners serve customers that have seen their financial security devastated by abusive corporate practices, identity theft, or the payday lending industry. Weak consumer protections allow predatory actors to turn moments of financial insecurity into persistent, long term crises. According to an evaluation of financial coaching conducted by the Urban Institute¹, strong regulations on payday lending in New York State explain the substantially lower baseline debt held by Financial Clinic customers compared to states with looser restrictions. Since 2017, the Consumer Financial Protection Bureau (CFPB) has come under sustained attack and many of the signature regulatory actions—like reining in payday lending or suing fraudulent for-profit colleges—have been curtailed or reversed. Defending the CFPB and other regulatory regimes from congressional or executive attacks will be a clear priority for the Clinic, but it can only be one part of our strategy. We will advocate for a number of critical reforms at the state level, including

protecting vulnerable communities from the abuses of payday and title lenders, and strengthening protections against illegal and fraudulent debt collection practices.

ACTION ITEMS OF INTEREST

- Expand and protect regulation of usurious payday and title loans
- Strengthen and enforce consumer protections against illegal debt collection practices
- Reinstate and defend oversight capacity of the CFPB

Expand Opportunity to Build Credit

Good credit is one of the most important elements of financial inclusion in a modern economy. Credit is not just essential to asset development like homeownership, but also to many daily needs of life like getting a cell phone or utility contract, accessing education, renting an apartment, and, in some cases, accessing the labor market. Financially excluded individuals with thin or poor credit, many communities of color, and the undocumented are too often unable to access safe and affordable credit, and are given too few options to build the credit history that would help them do so. **An issue our coaches have identified is that many of the financially sound behaviors of our customers remain invisible to reporting agencies.** We will advocate for legislation that allows a wider set of financial activities, like monthly rent payments, to be tracked and reported to credit bureaus in order to help them maximize their ability to develop a credit history. We also believe it is unfair and discriminatory to require a credit check as a condition of employment and will advocate to end this practice. The Clinic will advocate to increase support nationwide for Community Development Financial Institutions (CDFIs) that deliver investment and critical financial services to communities traditionally locked out of the financial mainstream, and will fight to protect and strengthen frameworks like the Community Reinvestment Act that hold traditional banks accountable to serve the communities where they operate.

ACTION ITEMS OF INTEREST

- Secure access to positive credit reporting for all, and ban the use of credit checks in hiring decisions
- Expand access to safe, non-exploitative small dollar loans by strengthening Community Development Financial Institutions (CDFIs)
- Support the funding and growth of lending circles as a primary gateway to financial inclusion, especially for the undocumented.

The Role of Change Machine

Built by practitioners, for practitioners, our financial coaching platform Change Machine is a community of field leaders, social service practitioners, and financial coaches across the nation. Together, we collectively build financial security for our communities by deepening connections, enriching professional expertise, and amplifying outcomes. In building a high-performing community of practice, our vision for Change Machine is that practitioners across the nation are able to reach their goals with less barriers, and that together we can strengthen our organizations' collective efforts to put an end to poverty.

The data collected through Change Machine is a powerful resource for research and advocacy, that gives us and our partners the ability to contribute compelling new insights and analysis that provide critical context to the lived experience of the people we serve. We believe that the community aspect of Change Machine has the potential to grow into a powerful network of advocates, connecting service providers in cities across the country not only to each other, but to tools and resources that will build their capacity to advocate on behalf of the communities they serve. **Building movement power at the local level, joining like-minded organizations together in common cause, has proven time and again to be the engine of lasting societal change. We see Change Machine as one additional tool to leverage energy for advocacy in our field.**

Partner With Us

.....

The Financial Clinic seeks partners in every state to advocate for policy changes that will build the financial security of all Americans. We encourage all organizations willing to join with us to fight for the well-being of our communities to reach out; and if you or your organization think we can support your advocacy work in any way, please get in touch. If you are interested in partnering with us or want to learn more about The Financial Clinic please contact our Policy Manager, Michael Dedmon, at mdedmon@thefinancialclinic.org or visit us online at www.thefinancialclinic.org.

Endnotes

.....

¹ For more information on The Financial Clinic's empirically tested coaching model, see the results of the financial security field's first randomized controlled trial investigating the impact of financial coaching: https://thefinancialclinic.org/wp-content/uploads/2016/12/Clinic_and_Branches_Practitioner_Summary-2.pdf