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Community Dividend

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Making financial education work in the workplace: The Citigroup experience

By Dara Duguay and William J. Arnone

There is a body of research showing that employers benefit from having financially savvy employees. In fact, data show that the better employees manage their finances, the more productive they can be. According to an award-winning doctoral dissertation submitted to the Virginia Polytechnic Institute by consumer behavior researcher So-hyun Joo, company profits increased by $450 annually for each employee who slightly improved his or her financial behaviors. The increase in profits resulted from reduced absenteeism and a decrease in work time spent dealing with personal financial matters.

These and similar findings have led many employers to provide workplace-based financial education workshops for their employees. In giving employees the information they need to manage money wisely, employers hope not only to increase productivity and profits but also to realize other proven benefits of employer-provided financial education, such as:

- **Reduced ERISA (Employee Retirement Income Security Act) fiduciary risk.** ERISA sets minimum standards for the retirement plans and health benefits private employers offer. Employees who make informed decisions in connection with pension and 401(k) plans are less likely to make claims under ERISA.
- **Reduced reputational risk.** Employees who feel that their employer is concerned about their personal financial well-being are less likely to voice negative opinions about the employer. Also, employees who succeed financially are less likely to be the basis for negative publicity. For example, imagine the effect on a company's reputation from just one news story featuring a former employee who is now bankrupt due to poor personal financial planning.
- **Increased savings.** Employees who have access to professional financial planning resources are more likely to take advantage of flexible spending accounts and other programs that reduce the employer's payroll taxes.
- **Increased retention.** Employees who feel that their employer is concerned about their personal financial well-being are less likely to leave.
- **Increased flexibility.** Employees who have access to professional financial planning resources are more likely to adapt well to relocation, termination, or other employment changes that have personal financial consequences.

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Hispanic entrepreneurship grows, but barriers persist

By Michou Kokodoko

Hispanics, the nation's fastest-growing minority group, are embracing entrepreneurship at an impressive rate. According to the U.S. Census Bureau's 2007 Survey of Business Owners,[1] the number of Hispanic-owned small businesses[2] in the United States rose from 1.6 million to 2.3 million from 2002 to 2007, an increase of 43.7 percent. The rate of increase was more than double the 18 percent increase in the total number of small businesses nationwide, and it outpaced the growth rate of the Hispanic population during roughly the same time period. From 2000 to 2009, the nation's Hispanic population grew from 35.6 million to 48.4 million, an increase of 36 percent.

Among the six states in the Ninth Federal Reserve District, Hispanic entrepreneurship has increased substantially, but not necessarily at a faster pace than Hispanic population growth. For example, between 2000 and 2009, the Hispanic population grew by 87.5 percent in North Dakota and 113.2 percent in South Dakota. Between 2002 and 2007, the number of Hispanic-owned businesses in the two states grew by 24 percent and 68 percent, respectively.

Nationwide, Hispanic-owned businesses generated $345.2 billion in receipts in 2007. The figure is a 55.5 percent increase over the 2002 total of

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On the front lines of the housing crisis: A conversation with Julie Gugin of the Minnesota Home Ownership Center

PHOTO BY STAN WALDHAUSER

By Michael Grover

As the foreclosure crisis grinds on and the economy slowly recovers from the Great Recession, housing counseling agencies are dealing with high demand and dwindling resources. To learn more about the trials and trends that housing counselors are experiencing, *Community Dividend* spoke with Julie Gugin, who has served as executive director of the Minnesota Home Ownership Center since 2007.

The Minnesota Home Ownership Center is a statewide, nonprofit intermediary that coordinates the efforts of the Homeownership Advisors Network, a group of more than 50 independent housing counseling agencies in Minnesota. The Center's business model is unique; no other state has a comparable intermediary organization in place. Since its establishment in 1993, the

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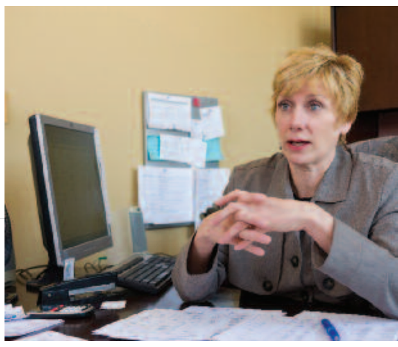

On the front lines of the housing crisis:
A conversation with Julie Gugin of the Minnesota Home Ownership Center

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Center has worked to ensure its partner agencies are delivering high-quality foreclosure counseling and home buyer education services that meet stringent local and national standards.

Funding for the Center's work consists of grants and donations from local, state, and federal government agencies; foundations; and private companies. The Center offers its services to all Minnesotans but seeks to target low- and moderate-income individuals who may face barriers to achieving or sustaining homeownership.

Community Dividend: As the only state-level intermediary for nonprofit housing counseling agencies in the country, the Minnesota Home Ownership Center has a unique business model. What advantages do you think the model offers?

Julie Gugin: Our position as a centralized agency for the counseling industry for the entire state enables us to drive changes within our member agencies that wouldn't otherwise be possible. That allows us to be quick, responsive, and effective when the environment changes. Our position also enables us to be nimble in securing resources for our partners. The foreclosure crisis is a prime example. When the scale of the crisis became apparent back in 2007 and 2008, we were quickly able to partner with Minnesota Housing, the state housing finance agency, to secure national resources for foreclosure counseling as soon as those resources became available.

Even as the volume of foreclosure prevention counseling cases peaked, demand for our pre-purchase services to prospective home buyers grew, especially when the federal first-time home buyers' tax credit was in effect. First-time buyers who purchased homes with funds from the federal Neighborhood Stabilization Program were required to receive pre-purchase counseling, and that added to our pre-purchase client volume. As the statewide entity, we were quickly able to identify the organizations in our network that had federally certified counseling services suited to meet the groundswell of pre-purchase demand. We then allocated resources accordingly and met all facets of the demand.

CD: You mention that it's often easier to facilitate changes with your member organizations using this centralized business model. Could you provide an example of how you were able to do that?

JG: As it relates to the foreclosure crisis, we recognized in late 2007 that the need for counseling services was growing dramatically. At times, borrowers were waiting up to two months to receive counseling. To meet the demand, we needed to do two things. First, get more resources into the network. Second, figure out a way to offer our programming differently. Under the program model we had in place at the time, counselors would work diligently over long periods to try and keep homeowners in their homes. We recognized that even if our financial support from donors increased, we'd be left short unless we looked at ways of being more efficient and using our resources more wisely. So we instituted a new program model that focuses first on identifying consumer needs and then on selecting one of several service paths that best serves them. Our new model recognizes the economic realities homeowners face and the amount of time and resources it takes counselors to work through a case.

After we adopted the new program model, we realized we had to make some hard decisions. Some homeowners, after our initial assessment, had to recognize that they wouldn't be able to stay in their homes, even with extraordinary amounts of effort on the part of counselors. For our organizations, we determined it just wasn't the way we should be spending our resources. Instead, we needed to help homeowners make a soft landing in their next housing situation by making them aware of their options and opportunities.

CD: Are there other significant changes you've had to make in the Center's model to try to do more with less?

JG: We're trying to address program sustainability across the network. On the home buyer front, we realize that we can do things differently. Right now, when consumers reach out to our organizations, we talk with them about the availability of our Home Stretch home buyer education classes or our one-on-one counseling. Based on our work with foreclosure prevention counseling, we're shifting our thinking to a triage approach. We have to find a way to deliver the best resources to each consumer who reaches out to us, as opposed to directing consumers immediately to an eight-hour Home Stretch class. We've come to the conclusion that buyers shouldn't all be treated the same. There's a timeline of home buyer readiness that we need to be ready to support.

For foreclosure prevention counseling, we're now looking at conducting group intake sessions, versus completing consumer intake over the phone. Instead of spending an hour on the phone to do intake for each person, we're doing intake with multiple people in one session to more efficiently serve larger numbers of consumers with fewer staff. We've implemented this change quickly and in a way that maintains standardization and quality across the state.

CD: Are counseling agencies in other parts of the country refining their approach, or are they still pursuing a one-size-fits-all strategy?

JG: I think that now, with the foreclosure crisis and recession, there's a trend in our industry toward recognizing that many first-time home buyers or former homeowners will not be able to qualify to purchase a home for some length of time. It's a reflection of the fact that the mortgage market has changed. It's harder to get a loan now. There was a time when even people with highly compromised credit could walk into a lending institution and say, "I want to buy a home, and in fact I've already picked one out." It just doesn't happen like that anymore.

CD: Looking specifically at foreclosure mitigation, can you talk about recent trends you're seeing in the clientele who are seeking help?

JG: Since 2009, we've seen the direct impact of the troubled economy. The vast majority of people tell us that they're unable to make their mortgage payments due to loss of income. Early on in the foreclosure crisis, we tended to see lower-income people from communities where subprime lending was concentrated, such as North Minneapolis and the East Side of St. Paul. Today, we're seeing more consumers from suburban communities who have moderate incomes. They made good borrowing decisions upfront but are now in trouble with their lender due to the loss of a job.

CD: How are you reaching out to this new group of potential clients?

JG: We're trying to change where we share our messages. Several years ago we were

COMMUNITY DEVELOPMENT STAFF

MINNEAPOLIS

Richard M. Todd
Vice President, 612-204-5864,
dick.todd@mpls.frb.org

Jacqueline G. King
Assistant Vice President and Community Affairs Officer, 612-204-5470,
jacqueline.king@mpls.frb.org

Michael Grover
Manager, 612-204-5172,
michael.grover@mpls.frb.org

Sandy Gerber
Senior Project Manager, 612-204-5166,
sandra.gerber@mpls.frb.org

Michou Kokodoko
Senior Project Manager, 612-204-5064,
michou.kokodoko@mpls.frb.org

Ela Rausch
Project Manager, 612-204-6785,
ela.rausch@mpls.frb.org

Paula Woessner
Publications Editor, 612-204-5179,
paula.woessner@mpls.frb.org

May Xiong
Project Manager, 612-204-5169,
may.xiong@mpls.frb.org

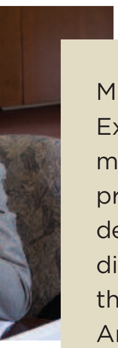
HELENA, MONTANA

Sue Woodrow
Senior Project Director, 406-447-3806,
susan.woodrow@mpls.frb.org

Community Dividend is published by the Federal Reserve Bank of Minneapolis, 90 Hennepin Avenue, P.O. Box 291, Minneapolis, MN 55480-0291; 612-204-5000. It covers topics relating to community development, reinvestment, and neighborhood lending. It reaches financial institutions, community-based and development organizations, and government units throughout the Ninth Federal Reserve District.

Executive Editor: **Jacqueline G. King**
Editor: **Paula Woessner**
Contributors: **William J. Arnone, Dara Duguay, Michael Grover, Michou Kokodoko**
Graphic Designers: **Rick Cucci, Mark Shafer**

For address changes or additions, e-mail mpls.communitydevelopment@mpls.frb.org. *Community Dividend* is available online at www.minneapolisfed.org.



Minnesota Home Ownership Center Executive Director Julie Gugin, who has more than 20 years' experience in non-profit leadership and housing program development, previously served as associate director and director of development in the Supportive Housing Division of the Amherst H. Wilder Foundation and as vice president and director of programs at Twin Cities Habitat for Humanity.

focusing our outreach and events in particular areas of the Twin Cities' urban core, such as North Minneapolis and the East Side of St. Paul. Now we're trying to get out into the suburbs, in particular the first-ring suburbs. In Hennepin County, for example, we partnered with the public libraries to offer informational workshops about our services. We've developed a robust presence on the web and are using social media, since suburban households may be more likely to use those communication tools. We also try to maintain a steady presence in the traditional media by using both television and print to get our message out.

Part of the challenge for us in reaching out to these new, potential clients is that they've never had to avail themselves of community-based services to support their needs. Someone who has never had to reach out for help, has never had to seek out resources like job-training programs, food shelves, or any number of other community-based supports, is thinking, "How am I going to make things work?" We want them to know that there are resources available to them. In my opinion, these homeowners are particularly vulnerable to for-profit loss-mitigation services that cost a lot of money and aren't necessarily effective.

CD: Have the relationships between counselors and lenders improved, in terms of mitigating foreclosures on behalf of borrowers?

JG: Working with lenders and servicers is a frustrating part of the job, but I do think it's gotten better. Do I wish the process was quicker and more transparent? Absolutely. However, I do think lenders and servicers are now more willing to work with homeowners and us in an effort to keep borrowers in their homes. We've partnered with lenders to implement the federal government's Making Home Affordable Program and worked with them as they've designed their own programs. Nevertheless, we still hear that consumers are really frustrated when they try to work with lenders on their own. It's still a daunting process, and one that an individual homeowner may not have the patience or fortitude to see through to the end.

CD: What do you think is the top issue that counselors face when they're working with lenders and servicers?

JG: Inconsistency. Counselors rarely talk to the same person twice at a lending institution. When we do get through, we often get different answers and responses to our questions. Frankly, that's been one of the strategies that counselors have used: If you don't like the answer you get today, call back tomorrow and you may get a better one. While that can work to our advantage, it's rare, and we wish lenders and servicers were more consistent up-front. I think there's a fundamental need at the leadership level at those institutions to send a clear message down to their front-line staff that the job now is to keep people in their homes, and this is how we're going to do it.

CD: Nonprofits are facing unprecedented funding issues. Where does the Center stand, in terms of having enough resources to fulfill its mission?

JG: In early 2008, we received our first round of federal funding to support capacity building in our network. We also received generous support and assistance from Minnesota Housing to start building our capacity. We were able to go from 18 housing counselors around the state who do foreclosure counseling work to about 75. Thanks to both federal and state support, we were able to sustain that level of capacity for three years.

However, in mid-2010 we realized that we would face severe funding constraints starting later in the year. The last round of federal funding would be expended and any new resources from the federal government would not be available until 2011. We were facing a pretty significant gap for the second half of 2010 and all of 2011.

To address the gap, we worked with the Greater Minnesota Housing Fund and the Family Housing Fund to draft a proposal for Minnesota Housing to fund our network for the last couple of months of 2010 and all of 2011. Minnesota Housing committed $1 million, half of which needs to be matched by other private and public sources. All told, the sustainability plan is about $5.5 million. We're working to obtain federal funds, as well as local private and public funds, to make sure we have enough resources to continue through 2011. At the same time, we're looking to implement cost-saving measures in order to keep our network viable at a time when the demand is still very high. We don't want to return to the two-month waits that consumers experienced back in 2007 as we ramped up our capacity.

CD: In addition to the funding challenges, what other major challenges are the Center and the counseling organizations you work with facing?

JG: The Center and our nonprofit partners are part of the broader housing industry, and that industry is changing all the time. It's difficult for us to keep pace with new programs, new regulations, and new evaluations and requirements. We've begun to focus a lot of time and attention on monitoring new legislation, watching industry trends, and developing support programs that ensure that our counseling network remains responsive. One recent example was monitoring the implementation of the federal SAFE Act [the Secure and Fair Enforcement for Mortgage Licensing Act of 2008]. The act requires certification, bonding, training, and testing for loan officers but also has implications for foreclosure counselors. We spent a lot of time trying to understand that new legislation, trying to work with the Minnesota Department of Commerce to understand how it would be implemented and how it would affect counselors. We're also reaching out more to lenders and Realtors, trying to get a handle on the latest consumer trends and issues that they're seeing in their work.

CD: How do you see counseling changing in the future, both on the home buying and the foreclosure sides?

JG: On the home buying side, we're trying to address the need for different access points to services. We're partnering with the Housing Partnership Network, a national intermediary, to develop one of the first web-based tools for home buyer education in the country. We'll be piloting and releasing that this year. It's a tool designed to supply a customized learning experience in response to the individual consumer's needs. People can participate from home at a time that's convenient for them. Once prospective home buyers complete the online training, they'll meet in person with a counselor to see if they're ready for more in-depth education programs.

We're developing that tool, but we still understand the importance of home buyers and homeowners knowing who the trusted resources in their community are. So we're still keen on the idea that there are housing-oriented organizations that consumers can turn to if they need additional help. As a result, we remain committed to perpetuating the network model.

On the foreclosure front, since each consumer's needs are unique, it wasn't clear how to use the web and electronic-based services to deliver foreclosure counseling. Instead, we're looking forward to developing new relationships with lenders, in which lenders fully recognize the value of counseling and pay for our services. We think that'll be important for the sustainability of the network. In fact, we have two partnerships with institutions in the works right now that follow a fee-for-service model.

I think this is an interesting time to be in the homeownership counseling industry. The next wave of home buyer counseling and education will focus on institutionalizing the home buying process. Just as most people work with a Realtor and lending officer, they'll also start to work with a homeownership educator and advisor. We're starting to see that shift in thinking, and we're designing programs to support it. We think it's important for people to have a point of contact where they can learn about all of the programming, resources, and advice they need in order to work with Realtors and lenders. That's the role our network is playing and will continue to play. cd

PHOTOS BY STAN WALDHAUSER

New web site educates homeowners about foreclosure scams

Look Before you leap

The Minnesota Home Ownership Center has launched a web site to educate struggling homeowners about the perils of foreclosure rescue scams. The Look Before You Leap site, at www.lookbeforeyouleap.org, is designed to connect homeowners with resources and help for recognizing and avoiding scammers. The site's offerings include a list of the common warning signs of foreclosure scams, news and updates, and an ask-the-experts feature.

Making financial education work in the workplace: The Citigroup experience

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It stands to reason that, in order to maximize the benefits of workplace-based financial education, employers should make the education accessible and relevant to employees. When the financial services giant Citigroup (Citi), working in partnership with the professional services firm Ernst & Young, implemented a program of workplace-based financial planning workshops, it addressed a number of challenges related to access, relevance, and other matters. Citi's experience, described below, offers lessons that may help other employers deliver effective financial education programs of their own.

The main challenges

In 2004, Citi made a commitment to fund financial literacy projects around the globe for a ten-year period. This commitment was accompanied by a promise to spend a minimum of $200 million and establish an Office of Financial Education (OFE) to help coordinate the effort. The funds would be directed to nonprofits that would then drive the dissemination of financial education.

Meanwhile, as Citi's OFE and the global financial literacy effort took shape, a group of senior managers involved in the project began turning their attention to financial literacy on a much more local scale. They communicated to the OFE their interest in expanding the financial education offerings Citi made available to its employees. A financial education program consisting of phone consultation and online advice was already in place at Citi, with Ernst & Young providing the phone component and the investment advisory firm Financial Engines providing the online component. The senior managers who approached the OFE wondered if in-person, instructor-led training on personal finance would be useful to employees. They proposed bolstering the existing financial education program by adding a workshop component.

The OFE soon found there were several major challenges that Citi needed to address in order to move the proposed workshops forward.

Challenge 1: Overcoming management skepticism. There was a consensus among the early discussants that making the proposed financial education workshops mandatory would not be probable or even possible. But, if workshops were entirely optional, would employees attend? Since Citi is a financial services company, there was a tendency among some members of management to believe that employees would already have a high financial literacy level and therefore workshop-style education in the elements of personal financial management would not be necessary. Even if there were a need for the workshops, there might be an embarrassment factor that would keep employees from attending the sessions. Also, would bosses give employees time away from their assigned duties? If participation was not adequate, would the time and expense have been better spent on something else?

Dara Duguay

William J. Arnone

Challenge 2: Determining whether to keep the training in-house. Citi knew that the expertise existed within the company to train employees internally, but mustering the manpower needed to reach employees in numerous offices throughout the United States was a challenge. And if Citi committed its employees to provide the training, which of the corporation's businesses—such as Citibank, Citi Cards, or Smith Barney—would they come from? The effects on the businesses' bottom lines was also a consideration, since none of the businesses had previously included this expense in their operating budgets. The costs involved could be significant, after adding in expenses such as content creation, facilitator training, and travel. Also, Citi would have to cover the costs of replacing the employees who were shifted from other duties or hiring new employees to fulfill this new function. Finally, what would the legal implications be if Citi employees offered financial education to other Citi employees? Would the education be construed as advice? If employees who attended the training saw their financial situations worsen, would this open Citi to legal consequences?

Challenge 3: Ensuring the program's effectiveness. Before it committed to implementing financial education workshops, Citi wanted to design a way to ensure that the program would make a difference. Would it lead employees to change their financial habits, and would the resulting changes improve the employees' financial wellness?

Challenge 4: Meeting the needs of a huge, diverse work force. Citi is one of the largest financial services companies in the world, with a global work force of more than 300,000 people of different ages, education levels, job functions, and cultural backgrounds. In North America alone, Citi has more than 100,000 employees. How could one program of workshops meet the needs of such a large and diverse work force? Could Citi build in enough flexibility to make the workshops broadly useful to such a group?

Moving the program forward

The OFE and the pro-workshop members of Citi's senior management moved to address each challenge in turn. First, the OFE took action to counter some Citi managers' skepticism about demand for and participation in financial education workshops. The OFE was confident that demand for the sessions would be strong. After all, the skills required to work in finance do not automatically translate to understanding the world of finance on a personal level. An employee who is an excellent bank teller might not be knowledgeable about creating a personal financial plan, for example, or an employee who is adept at processing credit card applications might not be familiar with the concepts of prudent debt management.

To demonstrate that this type of education was desired, the OFE created two basic, brown-bag workshops to be delivered to Citi employees—one on credit management and the other on money management. Over the course of a year, the OFE delivered the workshops in approximately half a dozen Citi locations across the United States where there were significant numbers of employees, such as Dallas; St. Louis; and Wilmington, Del. The workshops were conducted during lunch time and were entirely optional. Communications used to attract employees to the workshops ranged from posters in the break rooms and elevators to promotional messages sent through interoffice channels such as closed circuit TV and e-mail. The OFE and the pro-workshop senior managers used conference calls to encourage other Citi managers to publicize the workshops and allow employees to take an hour out of their workday to attend. In most cases, the workshops were offered during mealtimes in order to lessen the time employees were away from their job functions.

The OFE found that attendance was better than anticipated. In fact, at the CitiFinancial International headquarters in Texas, the sessions had to be moved from a conference room to the building's large atrium in order to accommodate all the employees who were interested in attending. Coupled with the strong attendance results were evaluations that overwhelmingly supported the concept of workshop-based financial education for Citi employees. Employees not only gave the work-

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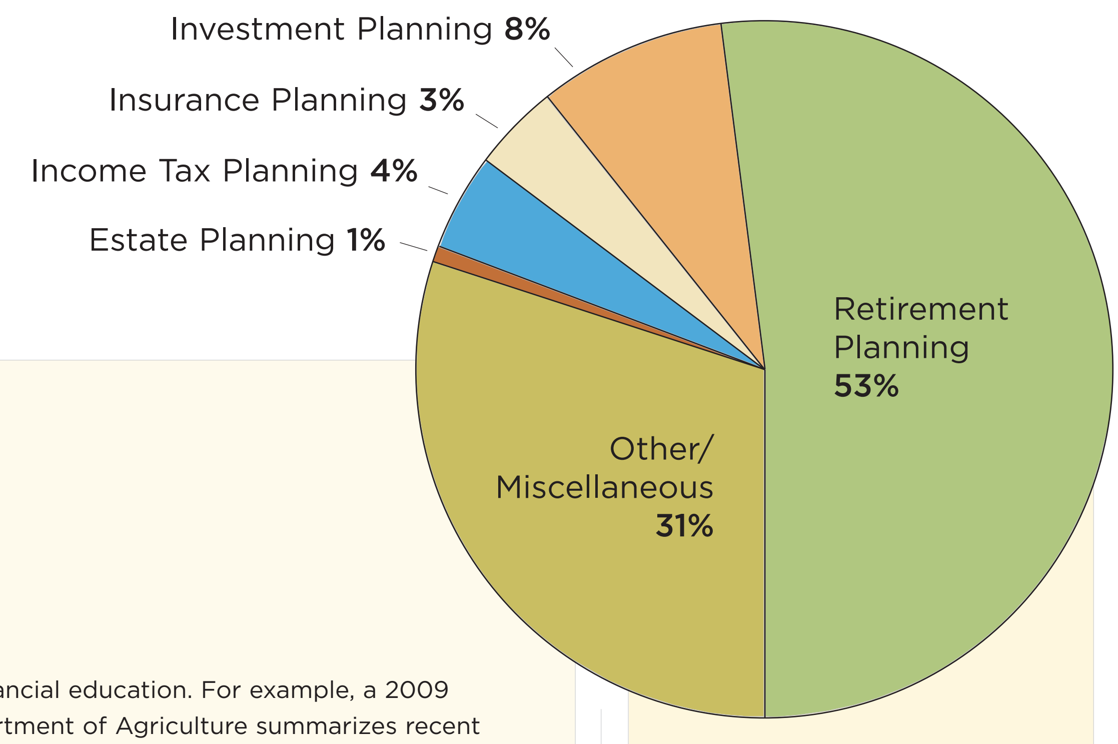

For more information

The resources described below provide additional insights into aspects of workplace-based financial education.

Research findings

Numerous studies discuss evidence about the benefits of workplace financial education. For example, a 2009 report from the Federal Reserve Bank of Kansas City and the U.S. Department of Agriculture summarizes recent research on workplace financial education and presents additional evidence from a new study conducted by the report's authors. See *Weighing the Effects of Financial Education in the Workplace*, available at www.kansascityfed.org/publicat/cap/carwp09-01.pdf. Findings of the new research discussed in the report were highlighted in an October 2009 Minneapolis Fed webinar, available at www.minneapolisfed.org/news_events/events/community/recent.cfm.

Federal and nonprofit resources

- The federal Financial Literacy and Education Commission (FLEC), which is chaired by the Secretary of the Treasury and includes the Federal Reserve Board, other federal financial regulators, and more than a dozen federal agencies, named workplace financial education as a component of implementing its 2011 national strategy for financial literacy. (See the related News and Notes article on page 8.) The strategy is available at www.mymoney.gov. One of FLEC's members, the Federal Deposit Insurance Corporation, featured implementation strategies and case studies related to workplace financial education in the 2009 article "What Works in the Workplace: Helping Employers Provide Financial Education to Their Staff," available at www.fdic.gov/consumers/consumer/moneysmart/newsletter/sum2009/stories.html.
- The Personal Finance Employee Education Foundation, a nonprofit organization founded by longtime workplace financial education researcher Thomas Garman, promotes and facilitates financial education in the workplace. Its research summaries, aids for employers, and other resources can be found at www.personalfinancefoundation.org.

Opting out instead of in

In recent years, employers have begun supplementing their workplace-based financial education offerings with efforts that make it more convenient for employees to build savings. Notably, many employers have changed from requiring employees to ask to enroll in 401(k) and other retirement savings plans (the "opt-in" model) to automatically enrolling them unless they request otherwise (the "opt-out" model). This simple change has been shown to significantly boost the rate of employee participation in workplace retirement plans. Evidence in support of the opt-out model is discussed in the May 2007 *Community Dividend* article "Aim of Pension Protection Act is to increase personal retirement savings," available via the Publications & Papers tab at www.minneapolisfed.org.

Ninth District initiatives

Ninth District employers have taken some noteworthy steps in implementing workplace financial well-being programs. In Minnesota, the Itasca Project, an employer-led alliance that addresses regional competitiveness and quality-of-life issues, triggered a workplace financial education initiative called Financially Fit Minnesota. Its development and recommendations are summarized in a Center for Financial Services Innovation report titled *Employer-Based Collaboration: Lessons from Financially Fit Minnesota*, available at www.cfsinnovation.com. In 2008, South Dakota adopted legislation that phased in the opt-out model for new-employee enrollments in the Supplemental Retirement Plan (SRP) for state workers. A report on the change, titled *Adopting Automatic Enrollment in the Public Sector: A Case Study of South Dakota's Supplemental Retirement Plan* and available at www.retirementmadesimpler.org, reveals that the opt-out model boosted SRP participation among employees from 20 percent to over 90 percent.

Retirement planning is #1

What topics are likely to be most in demand in a workplace financial education program? The breakdown of calls made to the phone consultation component of Citi's financial education program provides some indication.

As the chart above illustrates, retirement planning was by far the most popular topic, accounting for more than half the calls placed to the Ernst & Young financial planning line. Retirement planning topics of most concern to Citi employees included their 401(k) plans, their pension plans, and IRA rollovers. The last item was of more concern to employees who were terminating their service with Citi.

The most popular nonretirement topics included investment asset allocation; health and life insurance; beneficiary designations; estate taxes; wills and trusts; income tax penalties on early withdrawals; income tax withholding; debt, credit and budgeting; and loans.

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shops high marks but also asked for more. This evidence was enough to convince Citi's senior management to move forward on further developing the workshop program.

Next, Citi addressed the crucial matter of who would provide the training component of the program. After considering the costs and risks of using internal trainers, Citi's senior managers decided to look outside the company. Ultimately, Citi chose Ernst & Young, based on its existing relationship with Citi, its broad geographic reach, and its extensive experience in providing group training in workplace settings. Citi also felt that Ernst & Young, as an outside entity, would be a neutral advisor and less prone to conflict-of-interest concerns.

In order to address the next major challenge, ensuring the program's effectiveness, Citi decided to conduct a pilot of Ernst & Young's workshops. With input from local human resource leaders, Citi selected workshop topics from a comprehensive list of the workshops that Ernst & Young conducts for clients. Ernst & Young then customized its standard workshop content to reflect Citi's applicable benefit plans and programs. Four different employee sites, each located in a different state, were selected to test the workshops' effectiveness. The sites were chosen for having the lowest levels of employee participation in Citi's 401(k) plan. Afterward, the employees completed a series of evaluations that tracked the effects of the educational sessions on their financial behavior.

Citi found that after the workshops a significant percentage of attendees reached out to Ernst & Young's phone line for individual counseling. Also, there was an increase in the percentage of employees who started contributing to the company's 401(k) plan. The increase indicates that the workshops not only educated employees but motivated them as well. In addition, the tracking found that of the employees who were already contributing to the 401(k), a significant number made some changes, such as increasing the percentage that they contributed from each paycheck or modifying the composition of their investment portfolios.

Based on these positive findings, Citi's management agreed to start a financial education workshop program at about a dozen sites that had the largest number of Citi employees in the United States. Each site was allowed two eight-hour days a year to offer the workshops to its employee population.

To accommodate the needs of a large, diverse work force that spans a spectrum of jobs, from bank tellers to managers of complex investment instruments, Ernst & Young offered a tremendous variety of workshop topics, from introductory sessions on money management to more sophisticated topics like estate planning. Other topics included investing, retirement planning, education funding, income tax planning, and insurance planning. Basic and advanced versions of most topics were offered. Citi's OFE surveyed employees at each workshop site in advance in order to determine the most relevant personal finance topics for the given location. The workshops that generated the highest interest were selected.

Ernst & Young worked with Citi on making the eight-hour period flexible to accommodate work hours that did not conform to a traditional workday. Many of Citi's operations were on a 24-hour schedule. Ernst & Young responded by allowing each trainer to be available for an eight-hour period, regardless of when the eight-hour window of time started or ended. Each eight-hour period offered the workshops at multiple times and with a menu of the most popular topics.

The reviews are in

Following the initial rollout to a dozen sites, the Citi financial education program grew, both in the number of sites and the total number of employees who attended. By 2008, the third and final year of the program, the number of sites expanded to more than 50 and the number of attendees was approximately 8,000. Citi has not tracked how the program affected the behavior of the expanded population of attendees, but it does have data on how the attendees viewed the program. According to reports Ernst & Young provided to Citi's Employee Resources function, which had overall responsibility for the financial education program, employees had high satisfaction with both the workshop and telephone counseling components. The reports reveal that when Citi employees were asked to rate the program's effectiveness on a scale of 1 (lowest) to 5 (highest), their responses averaged a remarkable 4.7 rating. When asked whether the program enabled them to make a decision or take action, 92.8 percent of participants responded positively. Asked if they would use these services again or recommend them to coworkers, 97.7 percent responded positively.

The positive reviews suggest that Citi's approach to implementing financial education workshops may be a useful model for other employers to follow. By working with a trusted partner, conducting small-scale tests to demonstrate the workshops' effectiveness and garner management support, and building flexibility and choice into the workshop schedule, Citi found a way to make financial education work in the workplace. cd

William J. Arnone is a partner emeritus at Ernst & Young LLP. Dara Duguay is a former director of Citigroup's Office of Financial Education. For more information on the Citi–Ernst & Young partnership, e-mail Duguay at dara@daradollarsmart.com. For links to additional financial education resources from Duguay, visit her web site at www.daradollarsmart.com.

Hispanic entrepreneurship grows, but barriers persist

Continued from page 1

$221.9 billion and is substantially higher than the nationwide increase of 33.5 percent for all businesses. Among the six states in the Ninth Federal Reserve District, Minnesota had the highest percentage increase in revenues for Hispanic businesses, at 248 percent for the period 2002–2007.

Lagging behind

The growth in Hispanic-owned businesses is encouraging news, since small businesses can be engines of economic development. Small businesses employ about one-half of all Americans and account for about 60 percent of gross job creation.[3] Ethnic and minority-owned small businesses may provide additional benefits by developing leaders capable of bringing about positive changes in their communities.

However, despite recent progress, Hispanic-owned firms lag behind in some respects. For example, Hispanic-owned businesses are overrepresented in low-growth and no-growth economic sectors,[4] and their average gross receipt per firm is comparatively low. In 2007, the average was $152,715, whereas the national average was $1,113,281. In fact, the share of Hispanic-owned businesses with receipts of $1 million or more was only 1.9 percent in 2007, compared to 4.9 percent for non-Hispanic-owned firms. The low average for gross receipts may be partly due to the average size of Hispanic-owned businesses. Many of them are microenterprises, or establishments with zero to just a few paid employees. But there are other factors besides size that keep Hispanic-owned businesses from reaching their potential. According to a sample of nonprofit organizations in the Ninth District that serve as intermediaries with Hispanic-owned small businesses, barriers Hispanic entrepreneurs face include:

- Having limited collateral value.
- Having a poor or limited credit history.
- Having low literacy and English proficiency.
- Having a fear of government and established institutions.
- Encountering limited acceptance of the Individual Taxpayer Identification Number (ITIN). The ITIN is a tax-processing number issued by the Internal Revenue Service to help individuals who do not have, and are not eligible to obtain, a Social Security Number comply with U.S. tax laws. While some banks offer products and services to people who have ITINs, others do not.
- Having limited opportunities to network with sources of traditional business financing and providers of business-related technical assistance.
- Having a limited understanding of American business processes.
- Encountering a lack of culturally friendly or linguistically appropriate services at local institutions.
- Dealing with long distances between businesses and service providers. In some areas of the Ninth District, small business lenders and service providers—especially those who cater to Spanish speakers—are located in big cities and are therefore not conveniently located for entrepreneurs residing in rural areas.

The nonprofit intermediaries consider the problem of obtaining financing to be a major one for Hispanic entrepreneurs—particularly in rural areas, where Hispanics have not succeeded in accessing many pools of loan funds. The intermediaries noted that Hispanic entrepreneurs tend to seek capital first from family members and then from friends. They approach banks and other financial institutions as a last resort. The use of credit from family and friends may be very expensive, depending on the repayment terms, and at times can even affect the business's ability to grow, as most entrepreneurs miss opportunities by not tapping bank financing soon enough.

The nonprofit intermediaries also noted that, due to positioning their businesses in low-growth sectors and wanting to keep sole ownership or full control of the business, Hispanic entrepreneurs have not used mergers, acquisitions, and strategic alliances to reposition their businesses for greater opportunities. Furthermore, Hispanic entrepreneurs are not fully employing technology to enhance their capabilities.

Ninth District efforts

Fortunately, there are programs in place that can help Hispanic entrepreneurs address the barriers they face. For example, some local municipalities and nonprofit intermediaries in the Ninth District are providing managerial assistance and low-cost financing to support Hispanic entrepreneurship development efforts. Also, the U.S. Small Business Administration (SBA) has expanded its program offerings in a way that may benefit Hispanic entrepreneurs. To supplement its popular, long-standing 7(a) loan program, which is open to any small business, the SBA has added two programs, known as the 8(a) Program and the Microloan Program, that are designed to help businesses owned and

PHOTOS BY STAN WALDHAUSER

Photos 1–4: Store owner Maria Parga tends shop at Mini Market Lupita in Worthington, Minn. Founded as a video store in 1993, the business has gradually grown into a full-service grocery store and deli-style restaurant. Microloans and technical assistance from Southwest Initiative Foundation (SWIF) have helped Parga through several expansions, including a recent move to a spacious new location. **Photo 5:** Maria Haack trims a client's hair at Maria's Hair Salon, her styling shop in Hutchinson, Minn. Haack's business has grown steadily since its founding in 2006, thanks in part to microloans and technical assistance from SWIF.

For more photos, visit the April 2011 issue of *Community Dividend* online via the Publications & Papers tab at www.minneapolisfed.org.

controlled by economically and socially disadvantaged individuals access financing and enter the economic mainstream. The 8(a) Program provides business development assistance to help entrepreneurs compete in the marketplace, and the Microloan Program makes funds available so nonprofit, community-based intermediaries can offer small businesses short-term loans of up to $50,000. Intermediaries that participate in the Microloan Program are required to provide business training and technical assistance to their microloan borrowers.

In February of this year, the SBA launched two additional new lending initiatives, the Small Loan Advantage Program and the Community Advantage Program, that will allow lenders to process more credit requests from the most underserved entrepreneurs in our economy, including Hispanics. The Small Loan Advantage Program encourages banks that are preferred SBA lenders to make small loans (a maximum of $250,000) to entrepreneurs. The Community Advantage Program enables "mission-focused" financial institutions, including community development financial institutions (CDFIs),[5] Certified Development Companies,[6] and nonprofit microlending intermediaries, to provide loans through the existing 7(a) program.

Various organizations in the Ninth District, such as CDFIs and Hispanic chambers of commerce, have developed programs to support Hispanic entrepreneurship. For example, the Latino Economic Development Center (LEDC), a nonprofit CDFI in Minnesota that initially focused on organizing the immigrant communities in Minneapolis-St. Paul, has organized rural economic development initiatives to help Hispanics in rural towns and small cities in greater Minnesota organize and access economic opportunities in their local areas. According to LEDC Executive Director Ramon Leon, the rural initiatives were developed in response to survey results from Hispanics in those communities.

"We asked them what the most important missing resources were for starting or expanding a business, as well as what other critical social and economic issues prevent them from integrating with the local economic system. Results from the survey and information gathered during outreach led us to organize economic development efforts in greater Minnesota," says Leon.

For the past several years, another intermediary, the Southwest Initiative Foundation (SWIF), a rural Minnesota community foundation that serves the southwestern region of the state, has developed and implemented a program that supports the growing number of Hispanics who live in the area and want to start or grow small businesses. Under the Diverse Business Program, two business-minded members of the Hispanic community were coached and trained to become business consultants and assist Hispanic entrepreneurs in the region, particularly in the cities of Worthington and Willmar. Hispanic entrepreneurs who are approved for a microloan from SWIF are required to work with the consultants for technical assistance and training in record keeping, accounting, marketing, and business management. In the same vein, SWIF's staff translated the organization's most important business planning documents into Spanish. In addition, SWIF developed Latino business groups within the local chambers of commerce, first in Worthington and then in Willmar. The results are promising. Of 201 microloans closed since the program was launched in October 2001, 28 went to Hispanic entrepreneurs. In comparison, in the 15 years dating from SWIF's founding in 1986 to the program's launch in 2001, only three SWIF loans went to Hispanics.

Additional steps to success

As the programs described above illustrate, noteworthy steps have been taken to assist with the growth of Hispanic-owned businesses in the Ninth District. Additional steps suggested by the nonprofit intermediaries we contacted include:

- Recognizing the work of nonprofit microlenders and other organizations that provide loan capital, technical assistance, and managerial support to entrepreneurs, as this work gives bankers more confidence in lending to Hispanic-owned small businesses.
- Facilitating access to alternative lenders like CDFIs. Alternative financing is even more important now, since the recession and the moderateness of the subsequent recovery have made bank lending more challenging.
- Promoting better working relationships between banks and all minority and immigrant groups. While the incentives that the Community Reinvestment Act[7] gives banks to reinvest in their communities are important, it is also in the self-interest of banks to work with emerging market communities.

If carried out effectively in the long run, the projects and additional steps discussed here may help Hispanic communities enjoy both stronger economies and a new class of leadership—one capable of effecting changes that can help all underserved groups prosper. cd

[1] The Survey of Business Owners (SBO), which is conducted every five years as part of the Economic Census, involves a sample of more than 2 million nonfarm businesses that have receipts of $1,000 or more and are organized as individual proprietorships, partnerships, or any type of corporation. While the Great Recession likely caused a decrease in the number of Hispanic-owned small businesses, the extent of the decrease will not be known until results of the 2012 SBO are released.

[2] According to the U.S. Small Business Administration (SBA), the size standards for what constitutes a small business vary by industry and are measured in number of employees or annual receipts. For example, for most manufacturing industries, the SBA defines a small business as having 500 or fewer employees. For the agricultural industry, the SBA defines a small business as having $750,000 or less in annual receipts. To view a table of all SBA size standards, visit www.sba.gov/sites/default/files/Size_Standards_Table.pdf.

[3] Federal Reserve Chairman Ben Bernanke, from the speech *Addressing the Financing Needs of Small Businesses*, delivered July 12, 2010, in Washington, D.C.

[4] Examples of low-growth and no-growth sectors, based on categories designated by the federal government's North American Industry Classification System, are Repair and Maintenance, Personal and Laundry Services, and Health Care and Social Assistance.

[5] CDFIs are specialized entities that provide loans, investments, training, or other services in underserved or economically distressed areas.

[6] Certified Development Companies are nonprofit organizations that the SBA has approved to provide small business financing through its 504 Loan Program.

[7] The Community Reinvestment Act (CRA), enacted in 1977, requires banks to provide loans, investments, and services in all parts of the geographic areas they serve, including low- and moderate-income neighborhoods. For more on the CRA, visit www.ffiec.gov/cra/default.htm.

For more information

- Latino Economic Development Center, **www.ledc-mn.org**
- Southwest Initiative Foundation, **www.swifoundation.org**
- U.S. Small Business Administration, **www.sba.gov**

News and Notes

Census Bureau revamps American FactFinder

The U.S. Census Bureau is replacing its popular American FactFinder web site with a new site that enables quicker, easier access to a wide variety of demographic data. The new site, named the NEW American FactFinder, features a streamlined layout, enhanced search functions, and improved mapping and table-manipulation tools. To explore the new site, visit http://factfinder2.census.gov. The original American FactFinder site, located at http://factfinder.census.gov and now known as Legacy American FactFinder, will be discontinued in the fall of this year, once all the data it houses have been transferred to the new site.

Fuhrman joins Consumer Advisory Council

Josh Fuhrman, senior vice president of programs and policy for the Homeownership Preservation Foundation (HPF) in Minneapolis, was recently named one of ten new members of the Federal Reserve's Consumer Advisory Council (CAC). The CAC, which was established in 1976, meets three times a year to advise the Board of Governors of the Federal Reserve System (Board) on matters related to consumers, communities, and the financial services industry. Members are appointed by the Board and serve staggered, three-year terms.

In his role at the HPF, Fuhrman oversees the day-to-day operations of the Homeowner's HOPE Hotline, a free, national, 24-hour foreclosure counseling service that handles more than 5,000 phone calls a day. He also directs a national program to assist homeowners who are affected by foreclosure rescue scams. Prior to joining the HPF, Fuhrman served as the director of counseling for Auriton Solutions, a national nonprofit crisis-counseling agency.

Fuhrman joins Mary Tingerthal as one of two CAC members from the Ninth Federal Reserve District. Tingerthal, who was appointed to the council in 2009, is commissioner of Minnesota Housing, the State of Minnesota's housing finance agency. She was recently designated Vice Chair of the CAC.

Note: In accordance with provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the CAC will continue to operate until July 21, 2011. On that date, the council will be dissolved and its responsibilities will be transferred to the newly founded Consumer Financial Protection Bureau.

Fed releases two new consumer credit guides

The Board of Governors of the Federal Reserve System has released two online resources designed to educate the public about aspects of consumer credit. The first resource, the *Consumer's Guide to Credit Reports and Credit Scores*, uses a question-and-answer format to explain credit reports, credit scores, and the importance of protecting personal credit histories. The guide provides instructions and contact information for actions such as fixing errors on credit reports and opting out of unsolicited credit offers.

The second new resource, titled *What You Need to Know: New Rules about Credit Decisions and Notices*, explains a type of notice that creditors are now required to send borrowers. Under new rules that took effect January 1, 2011, a creditor must send a borrower a notice when, based on the borrower's credit report, the creditor provides credit to the borrower on terms that are less favorable than those provided to other consumers. A borrower who receives this "risk-based pricing" notice can then obtain a free credit report in order to check it for accuracy.

Both of the new guides are available at www.federalreserve.gov/consumerinfo.

HUD awards $73 million to housing counseling organizations

The U.S. Department of Housing and Urban Development has awarded approximately $73 million in grants to more than 500 housing counseling agencies throughout the country. The total dollar amount reflects an increase of $13 million, or 22 percent, over the 2010 funding level. More than $5 million of this year's grants went to three national organizations (National Community Reinvestment Coalition, National Council of La Raza, and Neighborhood Reinvestment Corporation) for the purpose of training 4,500 housing counselors. The remaining grants will go to regional, state-level, and local organizations to support foreclosure prevention counseling and home buyer education activities. Nearly $4.2 million of the grants went to organizations headquartered in the Ninth Federal Reserve District.

Site provides state-by-state assessments of financial capability

A new web site developed by the FINRA Investor Education Foundation (FIEF) enables users to view and compare assessments of financial capability for every state and region in the country. The site, www.USFinancialCapability.org, features an interactive map that displays state-level, regional, and national data on how well individuals manage their financial resources. The data are based on the results of an FIEF-sponsored study called *The State-By-State Financial Capability Survey*, which was developed in consultation with the U.S. Department of the Treasury and the President's Advisory Council on Financial Literacy.

FLEC releases national financial literacy strategy

The federal Financial Literacy and Education Commission (FLEC) has released a national strategy for coordinating policies, educational offerings, and research related to financial literacy. *Promoting Financial Success in the United States: National Strategy for Financial Literacy 2011*, available at www.mymoney.gov, is a product of discussions with private, public, and nonprofit players in the financial education field. The strategy identifies four main goals that support a vision of sustained financial well-being for individuals and families: increasing awareness of and access to effective financial education; determining and integrating core financial competencies; improving the nation's financial education infrastructure; and identifying, enhancing, and sharing effective practices.

The FLEC was established in 2003 with the passage of the Fair and Accurate Credit Transactions Act. It comprises representatives of 22 federal entities, including the Board of Governors of the Federal Reserve System, and is chaired by the Secretary of the Treasury.

Calendar

2011

Fed Community Affairs Research Conference

The Changing Landscape of Community Development: Linking Research with Policy and Practice in Low-Income Communities

The Federal Reserve's Seventh Biennial Community Affairs Research Conference, April 28–29, Arlington, Va.

Highlighting new research that can directly inform community development policy and practice and that points the way to a more inclusive vision of sustainable economic recovery. For additional information, visit www.frbsf.org/community/2011ResearchConference.

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Additional information: **www.exploringinnovation.org**