September 22, 2011

The Department of the Treasury
Main Treasury Building
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Sent electronically to: ofe@treasury.gov

Subject: **Public Comment on**

The President’s Advisory Council on Financial Capability
- Proposed Themes and Principles for Recommendations

Dear Ladies and Gentlemen:

On behalf of NeighborWorks® America (also known as Neighborhood Reinvestment Corporation), I am pleased to respond to the Request for Public Comment on the President’s Advisory Council on Financial Capability Proposed Themes and Principles, as published in the Federal Register on September 1, 2011.

The following comments respond to the proposed principles for recommendations and key themes presented at the July 21, 2011 meeting of the President’s Advisory Council on Financial Capability (PACFC).

As a congressionally-chartered public nonprofit organization committed to creating opportunities for people to live in affordable homes, improve their lives and strengthen their communities, NeighborWorks America recognizes the critical importance of promoting and enhancing the financial capability of individuals and families, and welcomes the opportunity to offer the following comments.

I. **Principles for Recommendations**

The five guiding principles provide a timely, practical and sound response to the current landscape of financial literacy and capability activities underway in urban and rural communities nationwide. We especially want to encourage the Council to make every effort to ensure that principles 1 and 4 (related to implementing recommendations that are achievable and have measurable outcomes and address the needs of traditionally underserved populations, especially low and moderate income consumers) are vigorously adhered to, monitored, and sustained over time.
One concern is that, the series of principles as stated seems to imply that there is a common definition of financial capability that is applicable for all audiences. While the Council may have a more generic, overarching description of what is meant by financial capability, we believe it is important to note distinctions within the general definition.

Since each of the themes scoped out by the PACFC focuses on different audiences, each warrants a more detailed explanation of exactly what the term “financial capability” is meant to encompass for each particular group of stakeholders.

II. Comments on Themes
As a general comment, each theme should include best-case examples of strategies, mechanisms and tools that are being used to evaluate the effectiveness of specific financial capability initiatives. The Financial Capability Outcome Indicators and data collection tools developed by NeighborWorks America’s Success Measures® program, in collaboration with Citi Foundation, and a number of other partners/funders, are intended to be used by practitioners seeking to demonstrate the impact of an array of financial capability programs (see evaluation framework and list of tools for youth and adults, attached).

In a scaling demonstration currently taking place across the country, the Financial Capability Outcome tools are being introduced to 400 organizations, with a cohort of 31 community-based organizations applying the tools through a participatory outcome evaluation process guided by Success Measures. In this case, all cohort organizations have completed standardized training and are collecting a core set of common data that will add to knowledge in the field about how clients in those financial capability programs are changing their behavior and attitudes with regard to credit and savings. The organizations will also use additional tools specific to their individual programs to examine other outcomes of their financial capability programs.

Theme 1:
The utilization of social media to improve financial literacy among young people should be explored and perhaps guided in a structured way through schools. The effectiveness of new financial education outreach strategies that maximize use of the media, through entities like PBS’s Biz Kids and Sesame Street or web and mobile applications such as those by D2D and others, should be closely tracked and, if able to gain traction, disseminated broadly. Financial capability programs for youth that have demonstrated impact should become a part of ongoing activities in venues beyond schools, such as Boys and Girls Clubs, the Boy Scouts, the Girls Scouts, after-school recreation programs, and faith-based organizations.

Theme 2:
We would encourage that financial education and access for older populations and retirees should emphasize greater participation in 401(k) plans, particularly for low-wage employees; improved education related to the impact of current market volatility on retirement plans; broader dissemination of information regarding predatory loan scams and lending practices aimed at retirees or those on fixed incomes.
**Theme 3:**
NeighborWorks cannot overstate the importance of making pre-purchase homeownership education and counseling an integral component of the core concepts of personal finance. The home purchase is a significant and complex transaction predicated on the homebuyer’s ability to evaluate his/her financial condition and mortgage products, and make sound choices. NeighborWorks America and the NeighborWorks Network know through our many years of experience in assisting families of modest means achieve successful homeownership that a well prepared homebuyer is the best way to ensure a default-resistant homeowner.

Through proven approaches that tailor specific strategies to the needs of low- and moderate-income individuals and families seeking to buy, or remain in, affordable homes, HUD-approved housing counselors work with consumers to provide them with essential learning and planning tools. This includes training local counselors to advise their clients on the pros and cons of renting vs. owning a home; providing unbiased, reliable, up-to-date information on financial transactions, tools and services; and assisting those who are coping with the threat of losing their home through foreclosure.

**III. Background Information Regarding NeighborWorks America**
NeighborWorks America was established by Congress in 1978 as the Neighborhood Reinvestment Corporation. The Corporation receives a direct annual federal appropriation, and also receives other non-appropriated revenues. The corporation’s Board of Directors is made up of senior representatives of the federal financial regulatory agencies (the Federal Reserve; the Federal Deposit Insurance Corporation; the Comptroller of the Currency; the National Credit Union Administration) and the Secretary of HUD.

The primary mission of NeighborWorks America is to expand affordable rental and homeownership opportunities and to strengthen distressed urban, suburban and rural communities across America, working through a national network of local community-based organizations, known collectively as the NeighborWorks network. The NeighborWorks network includes more than 235 nonprofit organizations, serving urban, suburban and rural communities across the United States -- in all 50 States, the District of Columbia and the Commonwealth of Puerto Rico.

In FY 2010 alone, the NeighborWorks network generated nearly $4 billion in direct reinvestment in distressed communities across the nation, and helped more than 270,000 low- and moderate-income families purchase and preserve their homes, or live in safe, decent rental housing. NeighborWorks organizations also own and manage more than 80,000 units of affordable rental housing.

NeighborWorks America has a 30+ year history of facilitating lending to non-conventional borrowers – including lower income families, borrowers with impaired credit and others who would not normally qualify for a conventional mortgage.
By providing quality pre-purchase homeownership education and counseling, financial
capability training and working with borrowers to improve their credit rating, improve
their budgeting, and commit to a savings plan (including Individual Development
Accounts and other vehicles), local NeighborWorks organizations are able to prepare
foreclosure-resistant borrowers who have been able to qualify for reasonably priced
traditional mortgage loans and achieve sustainable homeownership.

NeighborWorks America also knows that homeowners’ odds of success are increased
even further when they have access to post-purchase counseling and homeowner
education.

NeighborWorks America has been tracking the loan performance of the many low-
income families assisted by NeighborWorks organizations over the years. These loans
continue to perform well, in comparison to other loans.

NeighborWorks America is also a nationally recognized leader in the fight against
foreclosures. The Corporation identified the problem of rising foreclosures over six years
ago and, with the encouragement and support of its Board of Directors, created the
NeighborWorks Center for Foreclosure Solutions -- an unprecedented partnership
between leading nonprofit organizations as well as State, local and federal agencies and
members of the mortgage lending and servicing sectors, that involves a comprehensive,
multi-faceted approach to the foreclosure crisis.

NeighborWorks America also administers the National Foreclosure Mitigation
Counseling Program, which has provided congressionally-appropriated funding to HUD-
approved housing counseling intermediaries, State housing finance agencies and local
NeighborWorks organizations – funding which has supported the work of more than
1,700 sub-grantees, and as of this date had provided foreclosure counseling to more than
1.2 million individuals and families in all 50 states, Puerto Rico and Guam.

It is from this base of experience that NeighborWorks America provides these comments
in response to the Request for Public Comment.

IV. Closing Comment:
NeighborWorks America would like to thank the Department of the Treasury and the
President’s Advisory Council on Financial Capability for the work they are doing to
advance financial capability and for entertaining comments on the proposed themes and
principles.

These comments have not been submitted to or approved by NeighborWorks America’s
board of Directors. These comments reflect the views of NeighborWorks America’s
management, and do not necessarily represent the views of its board members, either
collectively or as individuals.
Please feel free to contact me for any further information or clarification of these comments.

Sincerely,

[Signature]

Eileen M. Fitzgerald
Chief Executive Officer
NeighborWorks America

Enclosures (2): Success Measures Financial Capability Framework
Financial Capability Youth Indicators
SUCCESS MEASURES FINANCIAL CAPABILITY INDICATORS FRAMEWORK
New tools to measure impact and effectiveness

F1. Individual/Family/Household Background Information
Size and composition of household; characteristics of household members.
  F 1.1: Household Composition
  F 1.2: Financial Education
  F 1.3: Financial Support for Others

F 2: Individual/Family/Household Financial Status
  F 2.1: Income and Expenses
  F 2.2: Net Worth
  F 2.3: Asset Cushion

F 3: Financial Behavior
Document change in financial behavior related to key areas that contribute to a person’s long-term financial well being.
  F 3.1: Saving Behavior
  F 3.2: Spending Behavior
  F 3.3: Managing Debt
  F 3.4: Building and Managing Credit
  F 3.5: Response to Financial Change
  F 3.6: Strategic Use of Formal Financial Resources
  F 3.7: Bill Payment Behavior

F 4: Financial Attitudes
Document change in attitudes, values, and beliefs that will support long-term financial stability, security, and wealth creation.
  F 4.1: Attitudes about Saving
  F 4.2: Attitudes about Spending
  F 4.3: Attitudes about Credit and Debt
  F 4.4: Attitudes about Financial Situation and Financial Future
  F 4.5: Attitudes about Use of Financial Resources
  F 4.6: Attitudes about Having Enough
  F 4.7: Attitudes about Homeownership
  F 4.8: Attitudes about Entrepreneurship

F 5: Non-Financial Characteristics
Non-financial factors related to improved financial capability and security.
  F 5.1: Training and Educational Attainment
  F 5.2: Sense of Well Being
  F 5.3: Family and Household Dynamics
  F 5.4: Civic Engagement and Political Participation

F 6: Informal and Communal Assets
  F 6.1: Social Networks and Informal Exchange
  F 6.2: Communally Held Assets

F 7: Foreclosure Mitigation
  F 7.1: Status of Mortgage
  F 7.2: Experience with Counseling Services
SUCCESS MEASURES INDICATORS

Success Measures offers over 80 indicators to measure the impacts of affordable housing, economic development, and community-building programs at the personal, neighborhood, and community level. Evaluation indicators also address the program areas of financial education, asset-building and asset preservation; community stabilization in response to the foreclosure and economic crises; the value of services provided by community development intermediary organizations; green affordable housing. Currently there are more than 200 data collection instruments, available in English and Spanish, corresponding to these indicators on the Success Measures Data System (SMDS). These data collection instruments include surveys, interviews, observational checklists, focus group guides and formats for analyzing program administrative data or public records and data sources.

FINANCIAL CAPABILITY YOUTH INDICATORS

Y1: Individual/Family/Household Background Information
   Y1.1. Household Composition
   Y1.2. Financial Education ~ Part 1 and Part 2

Y2: Individual/Family/Household Financial Status
   Y2.1. Income and Expenses
   Y2.2. Asset Cushion ~ Part 1
   Y2.3. Asset Cushion ~ Part 2

Y3: Financial Behavior
   Y3.1. Saving Behavior
   Y3.2. Spending Behavior
   Y3.3. Managing Debt
   Y3.4. Building and Managing Credit
   Y3.5. Response to Financial Change
   Y3.6. Strategic Use of Formal Financial Resources

Y4: Financial Attitudes
   Y4.1. Attitudes Toward Saving
   Y4.2. Attitudes Toward Spending
   Y4.3. Attitudes Toward Credit and Debt
   Y4.4. Attitudes Toward Financial Situation and Financial Future
   Y4.5. Attitudes Toward Use of Financial Resources
   Y4.6. Attitudes Toward Having Your Own Business

Y5: Non-Financial Characteristics
   Y5.1. Training and Educational Attainment
   Y5.2. Sense of Well Being
   Y5.3. Family and Household Dynamics
   Y5.4. Civic Engagement and Political Participation

Y6: Informal and Communal Assets
   Y6.1. Social Networks and Informal Exchange (e.g., do for others/they do for you)
   Y6.2. Peer-Friend Dynamics