



**Filene** Research Institute 

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# Who is Filene?

**WE ARE A**  
**NONPROFIT \* INDEPENDENT**  
**THINK & DO TANK**

Who is Filene?

**EVERYTHING**  
**\* WE DO \***

**STARTS WITH RESEARCH**

# Who is Filene?

\$700,000

SIZE OF FORD FOUNDATION GRANT TO  
LAUNCH AN ACCESSIBLE FINANCIAL  
SERVICES INCUBATOR

# The Credit Card Debt Trap

**Total U.S. Credit  
Card Debt**

**\$857 Billion**

**U.S. Households  
Carrying a Balance**

**47%**

**Value of Seriously  
Delinquent Card Debt**

**\$77 Billion**

**Average Indebted  
Household Balance**

**\$15,270**

*Sources: New York Federal Reserve Bank, 2013 Q3  
NerdWallet, January 2014*

# The Credit Card Debt Trap

## Low & Middle-Income Households Using Card for “Basic Living Expenses”

**40%**

**Households Charging Medical Expenses**

**47%**

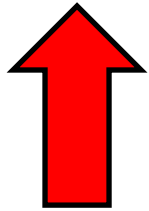
**Unemployed Americans Carrying Balances**

**86%**

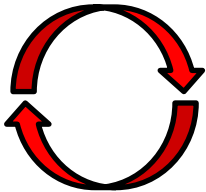
# The Behavioral Economics Assessment



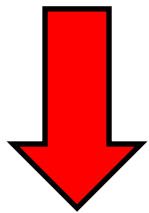
**Teaser Rates and Complexities  
Are Confusing and Distracting**



**Credit Limits Are Too High**



**Credit Is Easy to Access and “Rewards”  
Encourage Over-Spending**



**Minimum Payments Are Too Low  
And *Decline* as Balances Decrease**

# The Credit Card Debt Trap

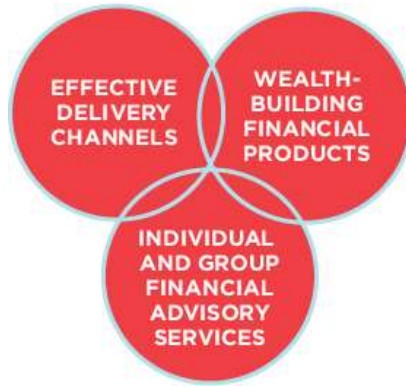


**Jaime:** *“I used to take from one credit card to pay another. I was playing that game, back and forth. I used up all of the credit, and that’s when things became really bad.”*



# Neighborhood Trust: Financial Counseling + Services

## OUR MODEL



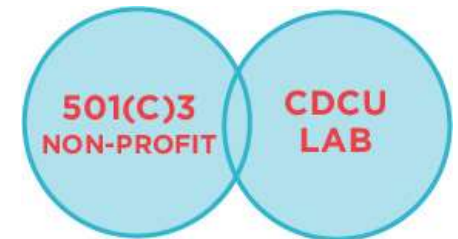
## We Are:

A financial advisory service

A laboratory for innovation

A strategic partner

**Our Mission: Empower working people to become productive participants in the financial system and achieve their goals through solutions that are scalable, sustainable and impactful.**



## Our Vision:

**Find solutions that are scalable, sustainable and impactful**

# Some of Neighborhood Trust's Partners



**ipa**  
INNOVATIONS FOR  
POVERTY ACTION



Harlem Children's  
**Z O N E**

**ROBIN HOOD**



**NY**  
Brooklyn  
Navy Yard  
Industrial Park



# The Trust Card: Escaping the Credit Card Trap

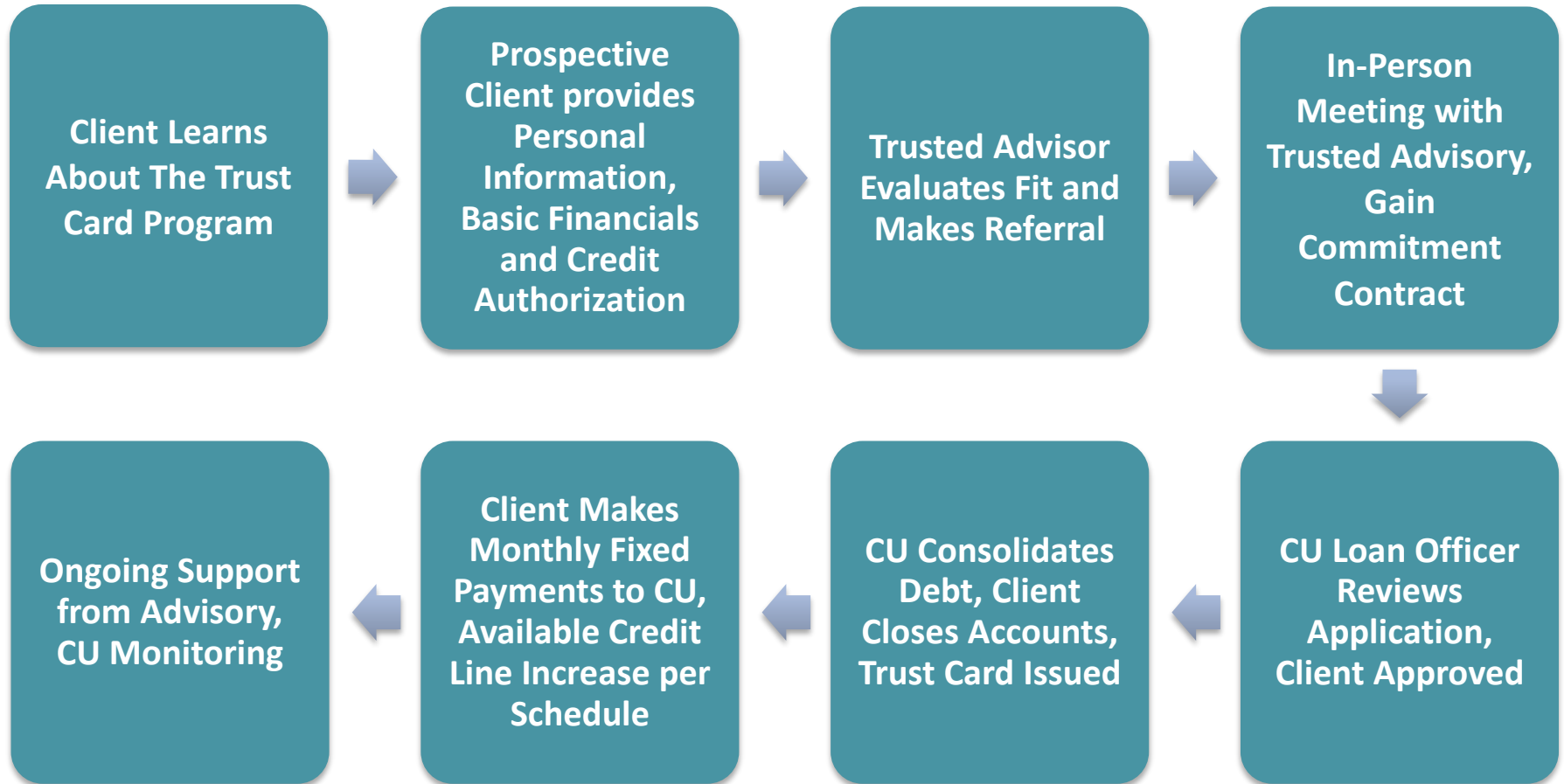
## Unique Combination of Neighborhood Trust's Signature Financial Advisory Services & Behavioral Economic Design Principles



# Key Features of The Trust Card Program

1. **Trusted Advisor:** experienced Financial Advisory provides debt counseling, budgeting support and helps client through application process
2. **Commitment Contract:** simple, transparent product encourages client to make commitment to use debt responsibly
3. **Rapid Repayment:** fixed and manageable monthly payments reduce total interest paid and payment term
4. **Responsible Credit Limit:** available credit matches client's profile, additional credit "earned" through repayment
5. **Ongoing Support and Monitoring:** Financial Advisory supports client throughout, CU ensures responsible credit usage

# How It Works: Overall Process



# How It Works: Marketing

CU partners will secure Card through several channels:

- **In-branch Counseling:** Neighborhood Trust will provide tools and trainings to facilitate
- **Debt & Credit Workshops:** Identify opportunities to hold Neighborhood Trust seminars with current or prospective members to drive interest
- **Marketing Program:** Detailed on following page, Neighborhood Trust will provide a suggested marketing plan and templates to drive acquisition

# How It Works: Marketing

CU partners utilize Neighborhood Trust Marketing Toolkit and use existing low-cost marketing opportunities, including:

- **Statement Inserts:** pre-designed buck-slips
- **In-branch Marketing:** templates for attractive posters and “take-one” brochures
- **Referral Program:** member referral program with flexible incentive options
- **Community:** postcard format provided for mail and in-person distribution to partner groups



# How It Works: Underwriting

CU partners underwrite and issue Trust Cards, focused on:

- **Ability to Pay**

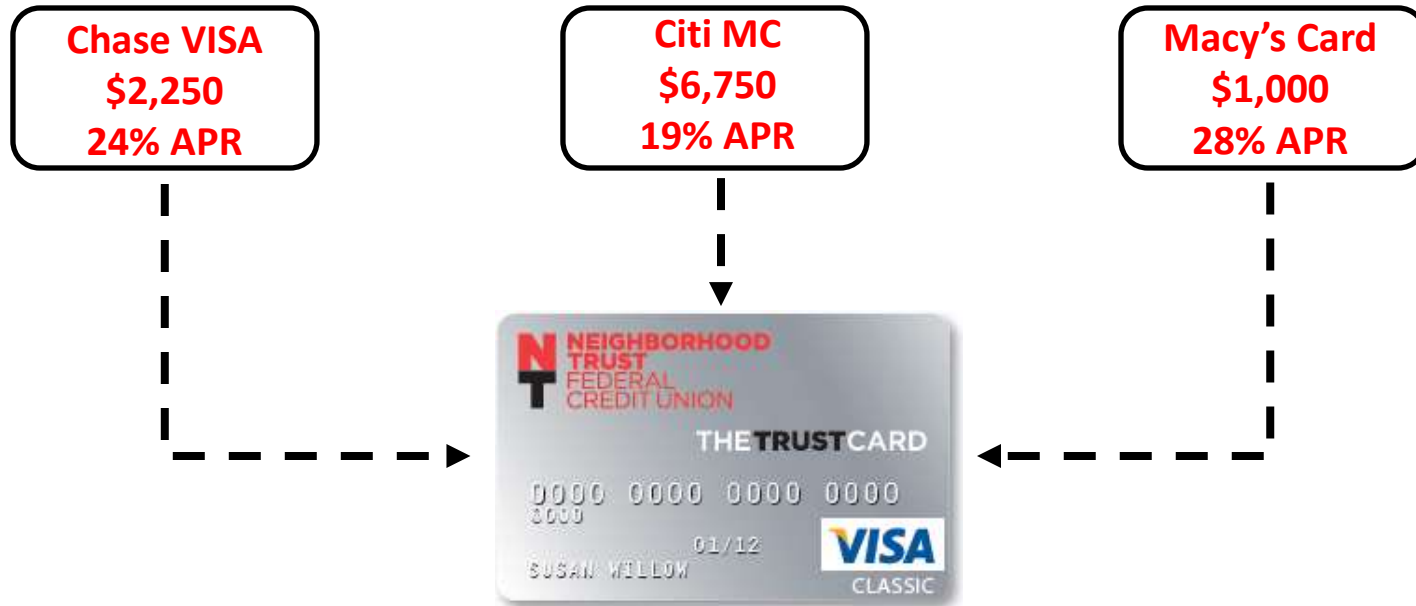
- **FICO score:** no “hard” cutoff
- **Credit Report:** payment history, negative items
- **Debt-to-Income:** sufficient cash flow, adjusted for rent

- **Willingness to Pay**

- **Advising Process:** advisor assessment of desire to pay debt
- **Commitment Contract:** member commits to make payments and not open new credit cards
- **Closure of “Old” Cards:** member closes existing credit card accounts following balance transfer



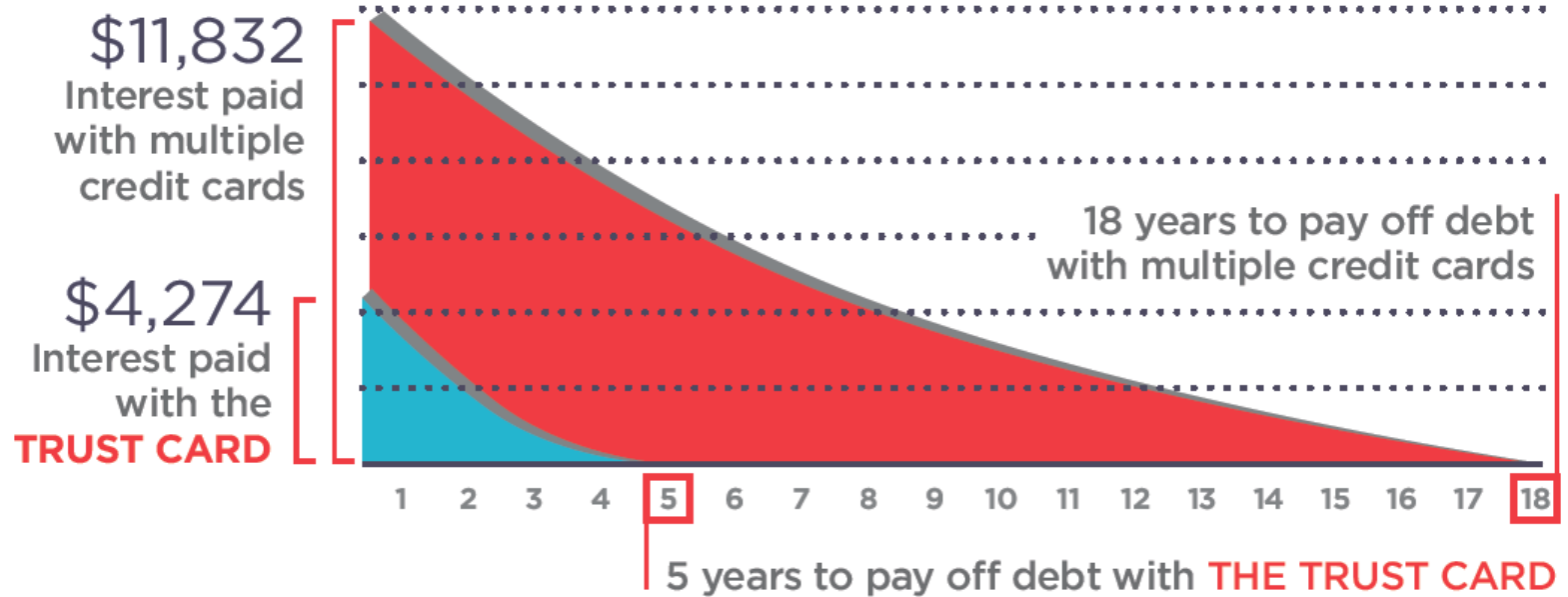
# How It Works: Debt Consolidation



**\$10,000 + Balance Transfer Fee (2%)**  
**12-15% APR**  
**Fixed Monthly Rapid Repayment**

# How It Works: Savings Illustration

## Typical Results: \$10,000 Balance



# Trust Card Portfolio Today

- **44 Cards Opened**
- **Total Portfolio Size: ~\$300,000**
- **Average Opening Balance: \$7,200**
- **Average Monthly Payment: \$215**
- **Average Expected Repayment Period: 46 months**

# Trust Card Track Record: Financial Results

- **Monthly Revenue to NTFCU: \$9,000**
- **Charge-Offs to Date: None**
- **Expected Lifetime Net Income of Cards: \$54,000**  
*(modeled charge-offs of 3.2%)*
- **Expected Payback Per Card: 8 months**

# Track Record: Client Impact

- **Total Interest Savings Portfolio: \$305K**
- **Total Interest Savings Per Card: \$7,000**
- **Improvement in Years to  
Debt Repayment Average: 13.8**

# Track Record: Client Impact



**Member Jaime Morban:** *“My kids have to go on to college. And I want to be able to help.”*

# Partnership Opportunity: Why

- **Significant revenue opportunity for partner CUs**
- **Provide major benefit to your members**
- **Differentiate from other financial institutions**
- **Build the case for benevolent credit unions**
- **Join a Neighborhood Trust program that repairs the dysfunctional relationship between working people and credit cards**

# Partnership Opportunity: What We Provide

- **Assessment of Trust Card fit for CU partners**
- **Toolkit of materials to join program**
- **Marketing materials to spread the word**
- **Underwriting standards and support**
- **Financial Advisory Services and/or training to deliver them directly to your members**



# Partnership Opportunity: What We Need

- **Commitment to support working people**
- **Commitment to collect and share data**
- **Demonstrated experience with product roll-outs**



# Q&A