



**NEIGHBORHOOD
TRUST**

A black and white photograph of an office interior. Several people are seated at desks, working on laptops. The office has large windows and a modern, open-plan layout. The text is overlaid on the image.

N **NEIGHBORHOOD**
TRUST
FINANCIAL
PARTNERS

More than 800,000 New Yorkers—and more than 17 million Americans—are underbanked, to pernicious effect, because of financial illiteracy and a mismatch between consumer needs and mainstream financial institutions.

Neighborhood Trust is now poised to scale its effective financial services model and help correct this market failure.

Neighborhood Trust Federal Credit Union is our nonprofit community development financial institution (CDFI), serving Upper Manhattan since 1997. We are one of over 200 community development credit unions in the U.S. with a shared commitment to economic opportunity.

Our credit union services are tailored to the nontraditional behavior of the financially underserved, assisting the underbanked to move beyond crisis mode and begin planning for their future.

Today Neighborhood Trust is a vibrant, well-capitalized financial institution with over 4,000 members and \$8 million in assets.

This year our financial advisory services will reach 6,000 people across New York City and beyond.

“Day in and day out I encounter clients with credit card debt equivalent to huge chunks of their annual income. For these clients with low wages, even the smallest mistake is magnified. One emergency or financial mistake can mean falling behind on rent, skipping a few meals, or not having enough money to get to work. With lower wages and rising costs, trying to plan for their futures seems impossible.

Our work at Neighborhood Trust lifts that cloud of despair.”

—Jose Miranda, Jr., Neighborhood Trust Financial Advisor

The Challenge

Financial Marginalization

We daily witness low-wage workers struggling to get by but caught in a vicious cycle of burdensome debt, poor credit, and the high costs of averting constant cash flow crises.

Our Typical Client Has

- An average income of \$18,000
- Less than a college degree
- No productive banking relationship

As low-income workers in America, they turn to check cashers, predatory lenders, and high-interest credit cards for their financial needs.

As A Result, Our Clients

- Spend more than \$40,000 in their lifetime to turn their salary into cash by visiting check cashers instead of banks
- Carry average debt of \$14,000
- Have subprime credit scores averaging 590

A Profile of Market Dysfunction

The Consumer:

Vulnerable to predatory services and a debt cycle that prevents savings

- Poor money management skills
- Paying a premium to access cash and avert imminent crisis
- Mistrustful and confused about financial services options

The Financial Institution:

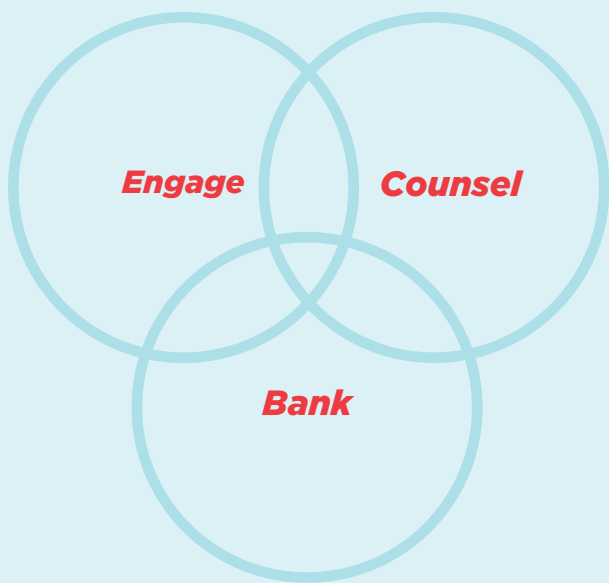
Out of step with the low-wage worker

- Poor knowledge of diverse, low-income communities
- Products with insurmountable barriers to entry
- High fees and lack of transparency

Our Solution

Intervene: Level the Playing Field

For the past 15 years Neighborhood Trust has designed and tested a model of financial supports and financial service delivery that helps correct financial services market failure.



Engage

Neighborhood Trust serves the market that traditional financial institutions can't reach. We integrate services into institutions that already have credibility with marginalized populations—businesses, non-profits, government agencies—minimizing the initial barriers to a banking relationship. We then tailor our programs to adapt to our host sites' clientele so that our complementary services are seamlessly delivered and serve as a model of efficient program delivery.

Counsel

Neighborhood Trust has developed a comprehensive training regimen for our Financial Advisors that enables them to use behavioral economics principles to effect change in their financial status. Our Advisors develop individual Financial Action Plans™ for clients that provide a long-term road map to financial security.

Bank

Neighborhood Trust Financial Advisors connect the underbanked to an affordable Gateway Banking Package™ incubated at our own credit union and delivered through scalable financial services partnerships, encouraging a productive banking relationship.

Scale Strategy: The Employer Solution™

Making Every Dollar Go Further™

In 2012 Neighborhood Trust launched The Employer Solution, a social purpose venture that provides workplace-based financial counseling and financial products, and adjusts employer payroll and HR systems so that improved money management is the default payday experience.



“With my financial counselor’s help I’ve opened my first bank account, and I’m saving towards my goals. I feel more secure knowing that my money isn’t going anywhere unless I want it to. A bank account means something!”

—Samantha, Five Guys employee

EARLY IMPACT:

30% Graduates with **credit score improvements** in one year
\$2,332 High-interest debt reduced per participant

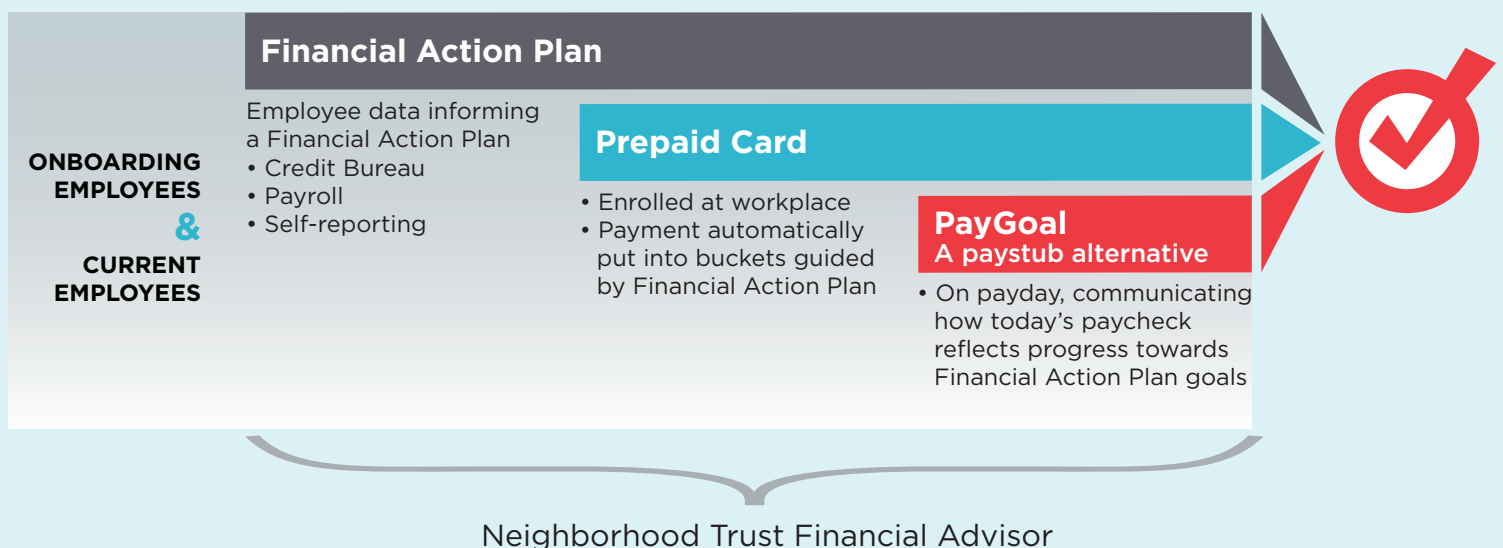


Today The Employer Solution is gaining momentum with a growing number of satisfied customers, exciting new technologies in development and early data indicating a positive return on investment to both employer and employee.

“Investing in our workforce is core to CHCA’s mission as a cooperatively-owned home care agency. . . We see significant value in what Neighborhood Trust’s expertise can bring to CHCA’s direct-care staff, operations, and community.”

—Michael Elsas, *President of Cooperative Home Care Associates*

INVESTING IN INNOVATION. In April 2013 The Center for Financial Services Innovation awarded Neighborhood Trust a 3-year \$350,000 grant for our PayGoal innovation, bundling a prepaid card into the payroll delivery and communications process to remake the payday experience.



Gold Standard Financial Advising



Everyone benefits from customized and expert financial advising to help manage their finances and build assets. Low-income and unbanked markets lack access to this critical service.

Financial advising to low-income people requires expertise in adult learning, mastery of a range of specific financial issues that are unique to low-income families, and the development of techniques to encourage the take-up of appropriate asset and credit development products.

Neighborhood Trust has implemented such a rigorous and comprehensive training program for our Financial Advisors, and it is core to our clients' successes.

As we scale we will maintain quality control of one of our most valuable assets by establishing industry-wide training and standards for financial advising.

These standards will inform the development of the financial education field nationally and best position the Neighborhood Trust model for replication.

The Gateway Banking Package™



Select financial products woven into the fabric of our partner sites and into each advisory session complete the Neighborhood Trust financial services delivery model. Neighborhood Trust is continually developing innovative financial products that guide our clients to affordable banking relationships, improved balance sheets and credit profiles, and a focus on a long-term wealth creation goal.

Guided by behavioral economic theory, our products are designed so that debt reduction and savings behavior is the default experience.

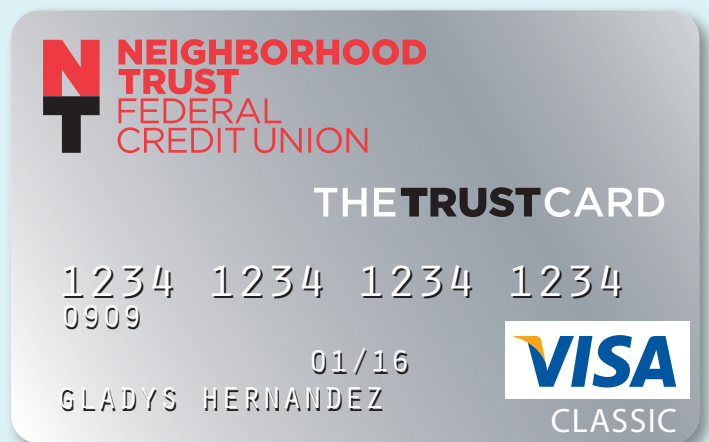
BEHAVIORAL ECONOMICS AT WORK

Since 2009 Neighborhood Trust has partnered with **Innovations for Poverty Action** to test the impact of innovative financial product design on financial behavior. **The Trust Card**, our debt reduction credit card, is the most recent outgrowth of our shared commitment to develop scalable, market-tested products that help households achieve financial health.



The Gateway Banking Package

- Socially responsible checking + direct deposit
- Balance-building Super Saver CD
- The Trust Card
- *Banking Up prepaid card in development*



The Neighborhood Trust Impact

We believe financial security is generated from a combination of improved financial awareness and self-confidence and access to financial products and systems that translate income into assets.

Client Success

- A long-term planning horizon
- Improved budget adherence as a default component of each paycheck
- Improved net worth
- A healthy credit profile
- Improved self-efficacy

Two-Year Outcomes

47% of our clients reduce consumer debt levels with a median reduction of **\$3,000**

59% of clients improved their credit with an average increase of **64 points**

Invest In Economic Promise

Neighborhood Trust seeks to improve the financial stability of the most vulnerable Americans and create structural change in the financial services industry.

Our growth will come in the number of people we serve and in our expanded geographic reach, and also in the form of innovation, the incubation of new ideas, and the development of an industry-defining model.

Already Neighborhood Trust is working to expand beyond New York's borders.



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