

Pathways to Financial Empowerment

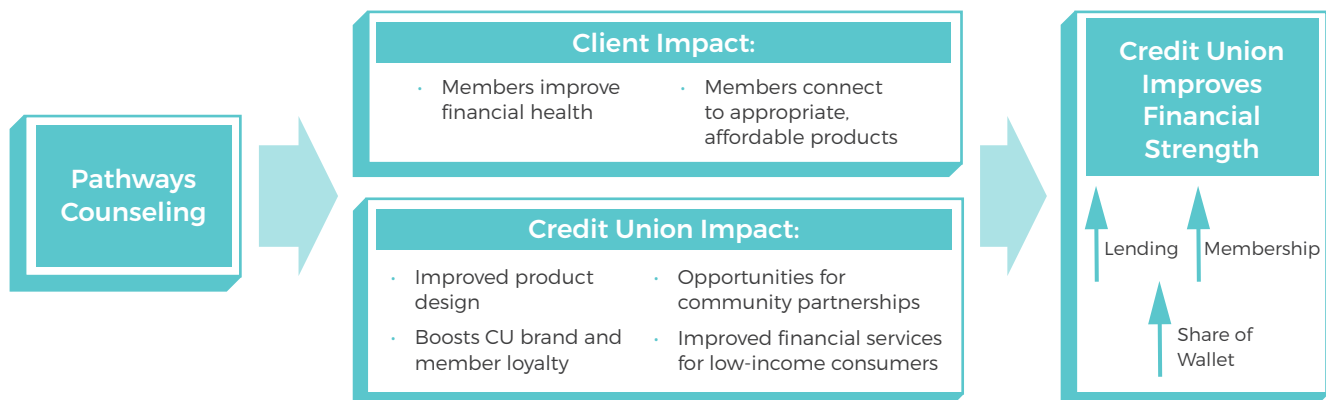
Social and Financial Impact Executive Summary

By most measures, the US economy is strong. Unemployment is the lowest it has been in decades and the economy marked impressive growth in 2018. At the same time, research on the economic well-being of households has revealed that a significant segment of Americans feel financially insecure and lack sufficient savings to cover an unexpected expense. But these financial challenges have not stopped Americans from dreaming of a better life for themselves and their families. Those who are struggling, daunted by the complexity of our financial system, need trusted sources of information and useful tools to improve their financial well-being and to pursue their dreams. In the fall of 2015, Inclusiv joined forces with Neighborhood Trust Financial Partners to develop Pathways to Financial Empowerment, a program that provides consumers with a clear and supported roadmap to improving their lives and achieving their dreams by integrating counseling with the right financial products at the right time.

Pathways supports the financial security of the consumer and the financial health of the credit union in a virtuous, self-sustaining cycle. The Pathways program enables community development credit unions (CDCUs) to deliver best practice financial

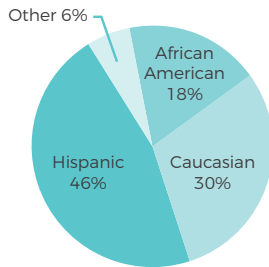
counseling and coaching through Neighborhood Trust’s proven model and Pathways’ technology platform. Pathways blends financial counseling and financial coaching approaches in order to meet each client where they are and provide the appropriate level of support. Clients improve their credit scores and reduce their debt in collections. High client enrollment in savings products and productive loan offerings yields financial returns for both individuals and credit unions. The financial counseling program also strengthens CDCUs’ relationships with the communities they serve, fosters trust that expands membership, and allows credit unions to build specialized products that meet the needs of their members.

In the three and a half years since launch, Pathways has expanded to 20 credit unions in 14 states and served over 6,000 clients. The program continues to gain momentum – in 2018 alone, 4,000 counseling sessions were delivered to 2,700 clients. Pathways CDCUs serve segments of the population underserved by the financial mainstream: low-income hourly workers with subprime credit scores, 70% of whom are people of color, many of whom would not have access to affordable financial products were it not for their credit unions.



PATHWAYS CLIENT PROFILE

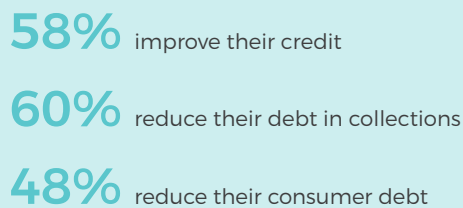
Average Income:	\$33,726
Average Debt Load:	\$48,113
Average Consumer Debt:	\$18,578
Average Credit Card Debt:	\$4,817
Average Credit Score:	601
% with Collections:	58%



CLIENT IMPACT

Pathways best practice counseling and state of the art technology platform helps client measurably improve their credit scores, reduce bad and high cost debt, and increase savings. Impressively, almost one in five subprime clients saw their credit score rise above 620, significantly expanding their access to affordable products. Additionally, financial counselors help members access affordable credit union loan products that translate into real savings for clients. For example, we estimate Pathways clients that accessed affordable auto loans have collectively saved \$525,000 – an average of nearly \$1,000 per person – when compared to interest rates they'd receive in the mainstream market.

PATHWAYS CLIENT OUTCOMES



CREDIT UNION IMPACT

Supported by financial counselors, Pathways clients become successful borrowers. This is mutually beneficial: clients gain access to affordable loans and CDCUs grow their lending responsibly. Pathways clients have taken out over 3,000 new loans at their CDCUs totaling nearly \$22 million. Importantly, these loans – made to individuals with median credit scores under

600 – are performing well: the 30 day delinquency remains under 3%.

NEW PRODUCTS OPENED BY PATHWAYS CLIENTS

Product Type	# of Clients with New Products	# of New Products	Total Amount/Principle
Savings	583	807	\$ 740,084
Loans	1,561	3,030	\$ 21,909,844

In order to better understand a Pathways credit union's return on investment, a deeper analysis was conducted on three Pathways financial counseling programs comparing revenue generated from new loans to counseling clients to the costs of those counseling programs. Two out of three credit unions had a positive return on financial counseling.

Our analysis found that the key factors for a Pathways counseling program to generate a positive return were a deep integration between counseling and lending, as well as highly productive counselors that serve approximately 200 individuals a year. These initial results are very encouraging and suggest that a mature program that efficiently reaches members and has strong lending integration can generate positive ROI for a credit union.

CONCLUSION

Pathways to Financial Empowerment is having a measurable impact on both clients and institutions. Pathways helps members improve their credit, bring their debt within manageable levels, increase their savings, and access high quality loan products. Our analysis shows that product and lending integration is a true win-win. It not only saves members thousands of dollars by avoiding "alternative" high-cost lenders, but can also offset the cost of delivering counseling and drive profits, so credit unions can continue to grow and deliver robust financial empowerment services to the struggling members of their communities.

As the US financial system continues to evolve, CDCUs have a critical role to play in ensuring access and equity to underserved consumers. We believe that Pathways helps credit unions deliver on this promise and ensure that all Americans have access to the safe and affordable financial products that they deserve.