



Reclaiming Workers' Money

2023 ANNUAL REPORT

Neighborhood Trust is pursuing worker freedom from exploitative debt.

Our solutions give workers access to products and tools to **move from a debt to a savings cycle**, leading to **millions of dollars back in their pockets**. Our data and insights are shining a light on how workers are forced to use predatory products to make ends meet, and how access to better products translates to the financial leverage workers need to pursue what matters.

Letter from the CEO

Dear Friends and Colleagues,

This year, as we serve thousands of clients across the country, we are laser-focused on the fact that 96% of these workers hold non-mortgage debt with an average balance of \$24,479. About half spend over 40% of their income on debt payments.

To quote James Baldwin, “Anyone who has ever struggled with poverty knows how extremely expensive it is to be poor.” Low income workers, especially workers of color and those from immigrant communities, face cash-flow shortages and pay high interest and fees for access to cash to cover basic expenses, educational and medical expenses, car payments and more. Once trapped inside a cycle of debt, workers take on new, more expensive debt to cover old, and may forgo savings and long-term planning for housing, higher education, and retirement.

The most accessible financial products in the marketplace are often the most exploitative. If the money extracted through these products instead stayed in the hands of workers, the impact would be profound.

In 2023, we connected workers to more affordable and innovative products at credit unions and CDFIs and built a framework to identify and defang the most financially harmful products on the market. Our interventions helped clients recoup a total of \$32 million of their hard-earned income, including \$27 million in reduced debt and \$5 million in liquid savings.

To multiply this impact in 2024 and beyond, we developed a growth plan to exponentially increase our reach. Each individual we help represents thousands of dollars recouped; and the potential for a catalytic tipping point from debt to savings.

Thank you to our donors, industry partners, and customers for being on this journey with us.

In partnership,

Justine



OUR NORTH STAR: WORKER FREEDOM FROM DEBT

Neighborhood Trust is a national financial services innovator dedicated to building worker financial security. **OUR APPROACH HELPS WORKERS RECLAIM CONTROL OF THEIR MONEY NOW AND INTO THE FUTURE**, and helps reshape the marketplace for financial services to drive long-term systemic change.

SOLUTIONS FOR WORKERS



We provide trusted financial guidance to workers, and connect them to safe and effective products that help **REDUCE AND AVOID DEBT**, create positive cash flow, and increase savings. Learn more about our [TrustPlus solution](#).



INSIGHTS FOR CUSTOMERS + PARTNERS



We inform our customers and institutional partners how to more effectively advance and support workers' financial needs, and we co-design **INNOVATIVE FINANCIAL PRODUCTS**. Learn more about our [Pathways to Financial Empowerment solution](#) for credit unions.

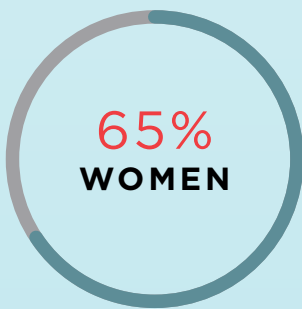
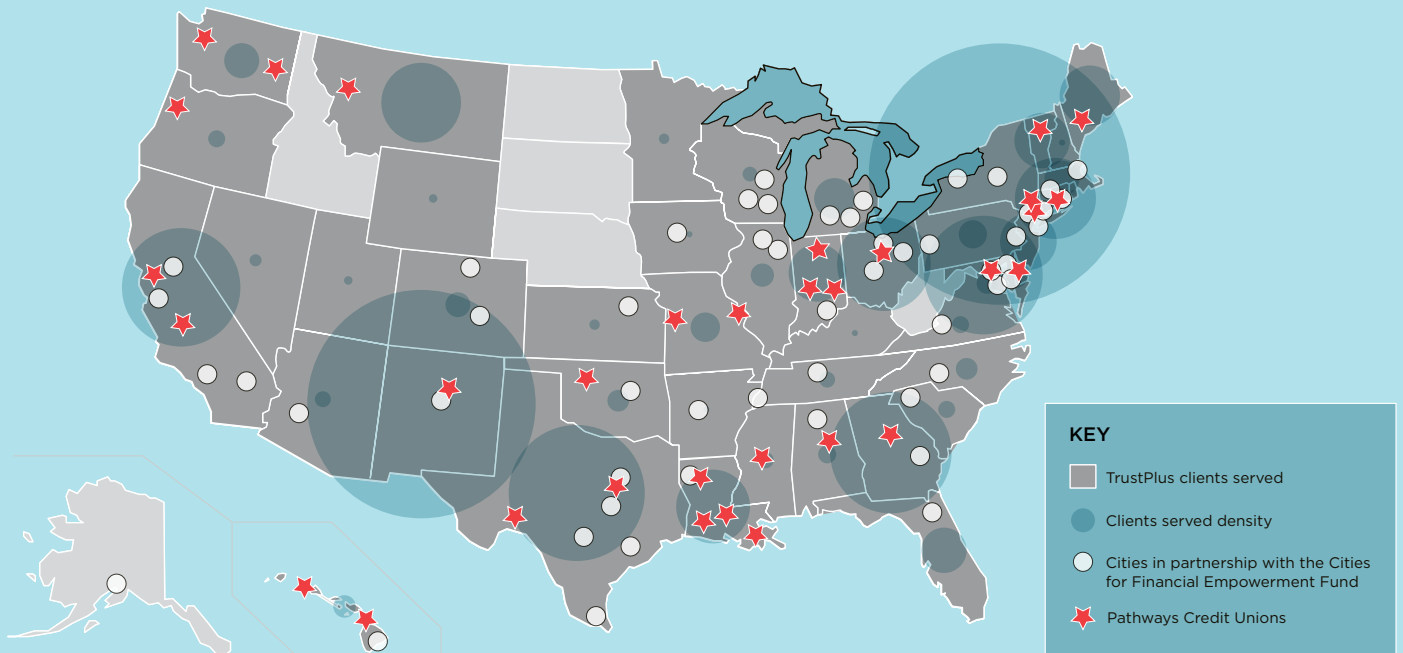


TRANSFORMATION FOR THE MARKETPLACE



We share [data and qualitative insights](#) on the financial realities of workers to inform, influence, and motivate market leaders, advocates and policy makers as we pursue **A MORE EQUITABLE ECONOMIC SYSTEM** together.

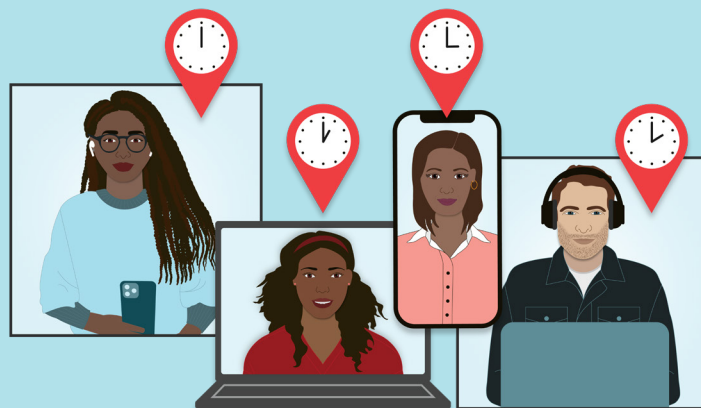
IN 2023 WE SERVED NEARLY **7,000** CLIENTS ACROSS **44** STATES
PARTNERING WITH **75** TRUSTPLUS AND PATHWAYS CUSTOMERS



\$31,200 MEDIAN ANNUAL INCOME

\$24,479 MEDIAN BASELINE NON-MORTGAGE DEBT

55% SPEND OVER **40%** OF INCOME ON NON-MORTGAGE DEBT
PAYMENTS



OUR SOLUTIONS HELPED WORKERS GET OUT OF DEBT AND
IMPROVE THEIR CASH FLOW

MEDIAN DEBT REDUCTION PER CLIENT: **\$4,848**

TOTAL AGGREGATE DEBT REDUCED ACROSS ALL CLIENTS:
\$27,442,280

TOTAL SAVINGS BUILT: **\$4,663,503**

SPOTLIGHT: TACKLING PREDATORY DEBT TO RECOUP WORKERS' MONEY



The majority of Americans are in debt—but not all debt is created equal. For individuals with good credit and strong assets, debt can be affordable and over time, help to grow wealth (e.g., mortgage debt for valuable real estate). For those with weak or no credit, and monthly expenses that exceed income, debt relief options are more expensive and often predatory—with lenders capitalizing on the limited choices of low-income workers.

PAYDAY LOANS DRAIN MORE THAN \$2.2 BILLION IN FEES EACH YEAR FROM BORROWERS WHO HAVE AN AVERAGE INCOME OF \$25,000.



“There’s no way to get out of payday loans without being in the hole. At one point I had \$700 coming out of each paycheck. There were so many different apps I owed balances on. I didn’t even know what it was for anymore, by the time it came out of my paycheck I had already eaten the food I bought.”

—Wendy, Neighborhood Trust client

WORKERS OF COLOR ARE AT PARTICULAR RISK OF DEBT AS A BARRIER TO BUILDING WEALTH. AVERAGE DEBT-TO-ASSET RATIOS BY RACE/ETHNICITY:

BLACK FAMILIES: 46.8%

HISPANIC FAMILIES: 46.2%

OTHER NON-WHITE RACES AND ETHNICITIES: 37.3%

WHITE FAMILIES: 26.5%

OUR FINANCIAL COACHES HELP WORKERS AVOID AND ESCAPE PREDATORY PRODUCTS

Some easy-access financial products may be appealing on the surface for their convenience and promise of quick cash in hand. However, they have **CHARACTERISTICS THAT INFLICT REAL FINANCIAL HARM ON WORKERS**. These predatory products are more expensive and siphon off more dollars from workers' paychecks, **MAKING IT HARDER TO BREAK THE CYCLE OF DEBT**. Neighborhood Trust Financial Coaches identify these predatory characteristics and offer safe alternatives.



EXCESSIVE COST

Having an APR above a given threshold (e.g., >36%)



EXCESSIVE OR HIDDEN FEES

Fees that are above market-rate, and/or fees that are hidden from borrowers



HIDDEN OR MISLEADING REPAYMENT STRUCTURE

Repayment terms that conceal the true cost of borrowing



WEAK UNDERWRITING

No or limited assessment of ability to repay the debt



TRAPPING MECHANISMS

Product features or terms that encourage borrowers into a cycle of reborrowing and/or excessively long repayment periods



POOR LENDER CREDIBILITY

History of misleading or defrauding consumers and/or offering products that meet other predatory criteria



EXPLOITATIVE TARGETING

Marketing efforts that are misleading, offered at point-of-sale, and/or target those unlikely to qualify for prime lending and more susceptible to exploitation



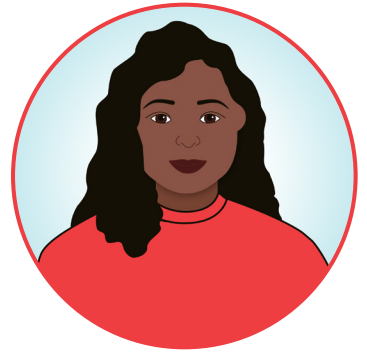
“It’s just too much month after your money runs out, so you’re trying to bridge from one month to the other. And it’s just really easy, you know, they (the lender) make loans in the neighborhood of probably a minimum of \$300, up to about \$1,200 to \$2,000. And it’s just really easy. You walk in with some paperwork and walk out with some money.”

—Sharon, Neighborhood Trust client

WORKERS RECLAIM CASH, POWER AND OPPORTUNITY






Our [coaching](#) and trusted client relationships put us in close proximity to the market and to the real harm predatory products inflict on workers. We look beyond credit scores and balance sheets to **UNDERSTAND THE FULL SCOPE OF EACH CLIENT’S NEEDS, THE IMPACT DEBT IS HAVING ON THEIR LIFE, AND THEIR PERSONAL FINANCIAL GOALS**. Our guidance enables workers to recoup their own money, create positive cash flow, enhance self-efficacy, and build possibilities for the future.



Annette's Story

In need of an easily accessible, quick loan to refinance her credit card debt, Neighborhood Trust client Annette secured a loan promoted by the online, for-profit company CreditKarma. The loan turned out to be predatory, with excessive interest which translated to high monthly costs and a four-year payoff period. "It felt like it wasn't moving," said Annette of her original loan. "You know, the more I paid, it just felt like it wasn't going anywhere."

With the help of Financial Coach Elise, Annette was approved for a term loan with an **interest rate 50% lower** than her original loan. This has allowed Annette to **reduce her payoff time by eight months, reclaim \$4,700+ in interest payments** and increase the amount she places in **personal savings by nearly \$11,000.**

	 ORIGINAL PREDATORY LOAN	 LOAN SECURED WITH TRUSTPLUS COACHING	 ANNETTE'S SAVINGS
Interest Rate	25%	12%	50% Less Interest
Total Monthly Debt Payment	\$606	\$460	\$146 More in Monthly Savings
Time to Get Out of Debt	48 Months	40 Months	8 Months Faster Out of Debt
Total Interest Paid	\$8,020	\$3,245	\$4,775 Saved on Interest Payments
Total Savings Created	\$0	\$10,688	\$10,688 Total Saved

WHAT'S NEXT

In 2024 and beyond, Neighborhood Trust will continue to operate on the front lines alongside workers to eliminate debt and combat the predatory market.



IDENTIFY THE MOST HARMFUL PRODUCTS: Systematically label predatory products based on their harmful characteristics, and use that data to demonstrate the scope of the problem in the marketplace.



SHOWCASE THE REAL COST OF PREDATORY PRODUCTS: Using credit report and account transaction datasets coupled with the lived experience insights captured by our coaches, our data will quantify our ability to shift workers from a debt to a savings cycle.



PROVIDE ALTERNATIVES: Connect workers to more affordable debt reduction products that put money back into their pockets.

As our dataset grows, we will gain greater insights into which products are the most harmful and be able to more precisely quantify their impact on workers' financial health. We plan to use our nuanced understanding of the debt marketplace and worker financial insights to identify and push on a leverage point in the system that will **CONTRIBUTE TO DISMANTLING THE PREDATORY DEBT MARKET.**

ACCESS TO SAFE PRODUCTS PAVES A PATH TO FINANCIAL FREEDOM



The financial services marketplace has a surplus of exploitative products that give workers fast access to cash at excessive, unsustainable costs. Neighborhood Trust connects workers with safer, more affordable alternatives for managing cash flow and reducing debt through **CONVENIENT ACCESS POINTS AT CREDIT UNIONS AND CDFIS.**



A PATHWAYS PROGRAM CUSTOMER, GUADALUPE CREDIT UNION (GCU),

continues to save its members significant money that would otherwise be spent on fees and interest by [shifting them to safer loan products](#) such as the Predatory Debt Relief Loan. Neighborhood Trust helped inform the creation of the Predatory Debt Relief Loan, which is offered alongside personalized financial coaching. To date, **PATHWAYS HAS HELPED NEARLY 5,000 WORKERS ELIMINATE \$49.8 MILLION IN DEBT, AND BUILD OVER \$3 MILLION IN SAVINGS.**

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To reach a greater volume of workers, we're focused on growing our customer network dramatically in 2024. Our [new VP of Business Development, Cris Martin](#), is leading the charge, targeting customer segments with close proximity to low-income workers most in need of our debt-reducing solutions.

EXPANDING OUR IMPACT BY EXTENDING OUR REACH

Our [TrustPlus](#) and [Pathways](#) solutions are embedded into an ecosystem of institutions that impact workers' finances, including employers, benefits providers, workers' groups, credit unions, banks, and fintechs. In 2023, new customers engaged with our TrustPlus platform connected us to more than 130,000 workers who could benefit from our services.



MEETING CLIENTS WHERE THEY'RE AT WITH TRUSTPLUS

The Independent Drivers Guild, the nation's largest driver-led advocacy group, represents over 80,000 for-hire vehicle drivers—mainly Lyft and Uber—in NY, NJ, CT, MA, IL and FL. In partnership with the Workers Benefit Fund and TrustPlus, [the Guild supports the financial security of 10,000 drivers in New York City](#) with access to financial coaching, digital tools, and resources. TrustPlus' digital platform and mobile coaching make it easy for drivers to engage with the service and prioritize their financial health.

A Chance at Economic Mobility

Neighborhood Trust aims to catalyze the virtuous cycle of improved cash flow, freedom from debt, and greater power, enabling ongoing wealth generation opportunities. The cash that our clients hold onto over time is catalytic; these dollars, alongside access to safer, affordable financial products and greater self-efficacy open the door to financial mobility. [Keep in touch](#) to learn how we are undermining today's exploitative products and shifting the market toward safer, more affordable alternatives for workers.