THE COMMUNITY REINVESTMENT ACT & FINANCIAL EDUCATION

10 BIG IDEAS TO IMPROVE YOUR CRA OUTCOMES

EVERFI

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About EVERFI

Our mission at EVERFI is to drive lasting, large-scale change to the financial capability of learners of all ages.

We help banks and credit unions make transformative impact on the livelihoods of their communities, consumers, and employees through online education, data, and services.

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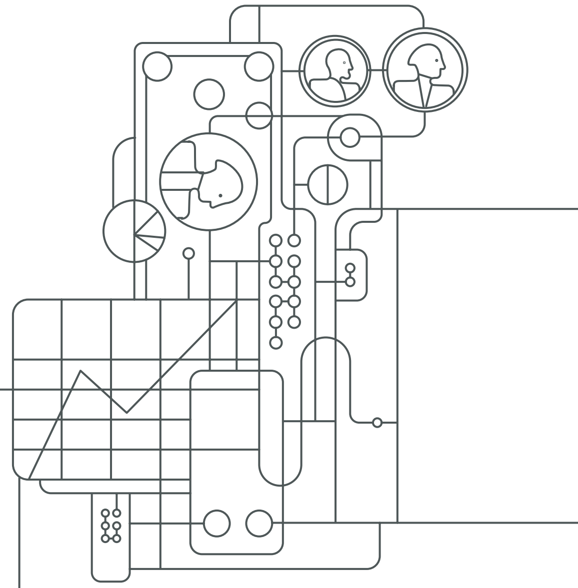
CRA: More Than a Regulation… An Opportunity



A recent survey of more than 40,000 students entering college revealed large gaps in both financial knowledge and responsible behaviors surrounding money. And a college education doesn't seem to be solving this problem; a whopping 40 percent of adults give themselves a grade of "C" or lower in matters of personal finance. These gaps in financial knowledge are even greater among low-income populations, particularly the 28 percent of Americans that are completely unbanked—having no active accounts with any regulated financial institution. [1]

Closing the Gaps

The government is sensitive to this education gap, particularly as it pertains to low-income communities. Almost 40 years ago, the Community Reinvestment Act (CRA) was implemented to address the issue of un- and underbanked communities by encouraging banks to better serve these populations. More recently, governmental focus has shifted to directly address these issues by using financial education as a solution.

In fact, out of all the recommendations from the 2013 President's Advisory Council on Financial Capability, the top four were focused on providing financial education to Americans.[2] In short, education matters to government regulators—and it's necessary both for the development of low- or moderate-income (LMI) communities and for the growth of banks.

While the banking industry readily embraces CRA as a means of serving their communities, many don't realize the full range of opportunities CRA presents, particularly when it's addressed through financial education. In the past, financial education programs too often have been tied to the old model of "one banker, one class, one time"—a single banker teaching a single class at a single point in time—thus limiting the scale of impact a bank can have within their community. But why teach 30 students when you can reach and teach 1,000?

- **Developing a powerful new customer base,**
- **Building positive relationships with regulators and investors,**
- **Positioning your bank from a marketing and public relations perspective,**
- **And improving the lives and communities of individuals often overlooked by financial institutions**

In this paper, we'll examine the reasons why banks should take a fresh view of CRA, starting with our Top 10 Ways to Make CRA an Opportunity For Growth. Then, in Part II, we'll look at how online financial education programs can help you do so.

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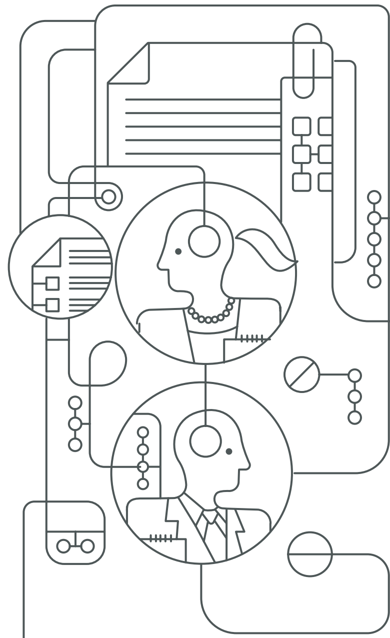
PART I.
Top 10 Ways to Make CRA an Opportunity For Growth

When it comes to CRA, many banks have been lulled into a sense of complacency, with 70 percent passing the requirement in the "satisfactory" bracket in recent years. Only a scant 10 percent earned an "outstanding" rating, however—and a past "satisfactory" does not ensure future success.

The good news is that creating a CRA strategy can not only keep you compliant, but can also benefit you from a business perspective. Conversely, ignoring CRA could be leaving money on the table. Let's look at the top ten reasons we believe banks should take a new look at CRA:



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1. Raising the Bar: Standards Are Evolving Up

During the recent economic downturn, inspectors were often lenient with already-struggling banks. That is changing: they're refocusing and raising the bar. A satisfactory rating on your last CRA exam does not guarantee a pass on your next one , especially if you are just doing the same things. To stay ahead of the curve, you need to step up your game—and the time is now. By looking at CRA as an opportunity, you can develop innovative programs that meet and exceed regulators' expectations.

2. Invest in Financial Education

Federal bank regulators clearly care about financial education, for student populations as well as adults—especially those who are underbanked or within low-to-moderate-income brackets (LMIs). For regulators, financial education ranks as high as affordable housing initiatives, but education can make a much bigger impact for banks for the money spent. A $15 million housing program might help 40 families; spent wisely, that same investment can improve the lives of 25,000 or more families through financial literacy programs.

3. Set Measurable Outcomes

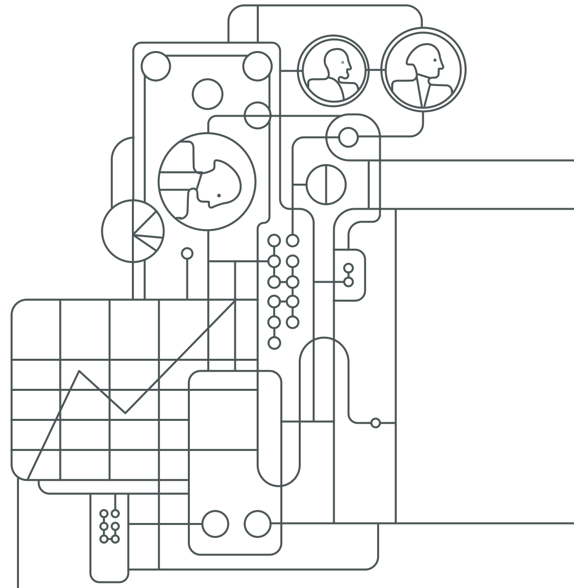
Regulators are not, repeat, not impressed by good intentions. Measurable outcomes matter. How many underserved customers did you actually reach? Can you prove that your program was effective? In the past, dedicating budget towards CRA might have been enough to earn a "satisfactory" rating; but now that money has to actually accomplish something. Develop a strategy: if you're investing in financial education, how many students do you enroll? How many passed the course? What improvement in scores do you achieve? Achieving tangible goals makes your case for compliance—anything else is just spending money.

4. Go Interactive

If you want to reach new and underserved customers, don't show them a PowerPoint or offer them a brochure. Engage, excite, interact. The new world of communication is videos, games, and other digital channels. Find out what is most compelling to your target audiences, and then do it.

5. Require Effective Results

Financial education is about measurable outcomes, and the best programs will test every student at the beginning of each course and then again at the end. For instance, EVERFI's results demonstrate that the average student's pre-education score is 42 percent—at the end of a six-week course, the average test score is 89 percent, with many students scoring 100 percent. That's more than a doubling of students' financial literacy!



6. Gather Data & Monitor Impact

When CRA regulators ask for financial education outcomes, will you have the data on hand? Invest in platforms that give you the data you need, providing customized, real-time, and aggregated outcome metrics that can be summarized and reported as necessary. Measures include: the number of learners, their ages, zip codes, incomes, schools, bank branches, veteran status, and more. This will make exam submissions easier for you —regulators will have more than they need—plus you'll have valuable marketing metrics as well.

7. Go Digital to Scale

How many LMI households are you currently reaching, and at what cost? It costs roughly the same amount of investment to talk to 25 students in a classroom for 45 minutes as is does to educate and test 1,000 students online in 12 modules. Once an online course is set up, it costs virtually nothing to add additional learners. Interactive financial education provides an amazing return on investment, and it's scalable far beyond traditional classroom models. When you add in the fact that it's engaging, measurable, and people can do it any time, it puts the old model to shame.

8. Stay Ahead of the Curve: Prevention is the Best Cure

Just in time is too late. Setting up or improving your CRA program just before your exam—or worse, after it—is not a winning strategy. Don't wait until regulators rate you as "Needs Improvement" or "Failure" before you develop an outcome-driven CRA plan. Not only are these scores downright embarrassing for any financial institution, but they also prevent you from expanding or buying other banks—and community banks need to grow to survive.

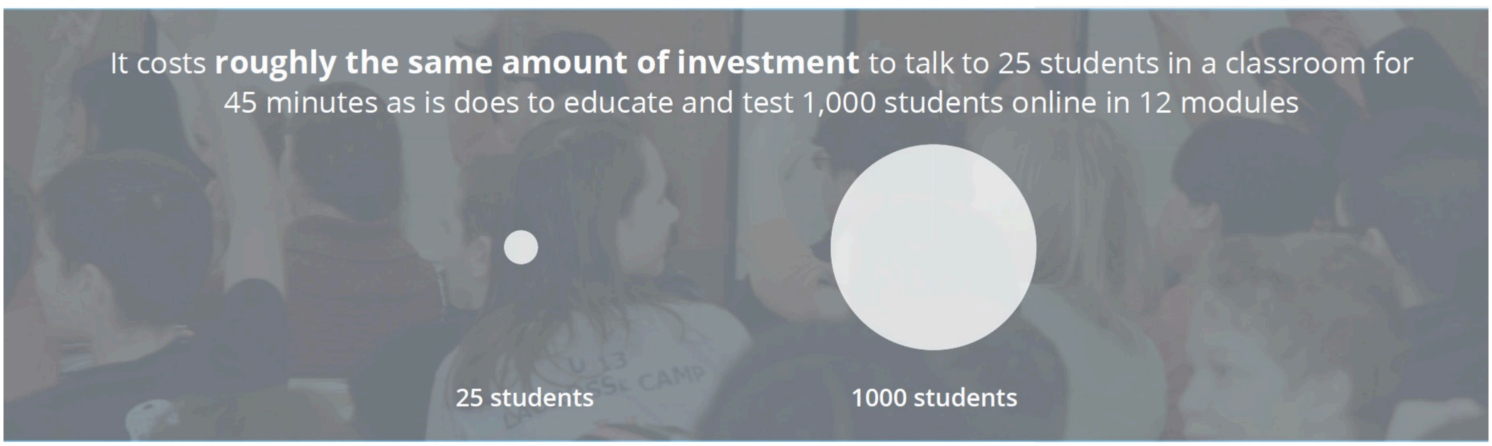
9. Join the 21st Century

This is the second decade of the 21st century, and banks that are not engaged in the new world are not going to make it. This is true in entertainment, in news coverage, in sports, in retail—and it's true for financial institutions as well. Most of what we read these days is on screens. If your CRA program isn't online, no one is going to engage with it. In financial education, the old way is no way—and the old way is wasting your money. Go to where people spend their time—online, and on mobile.

10. Maximize Your Return on Investment

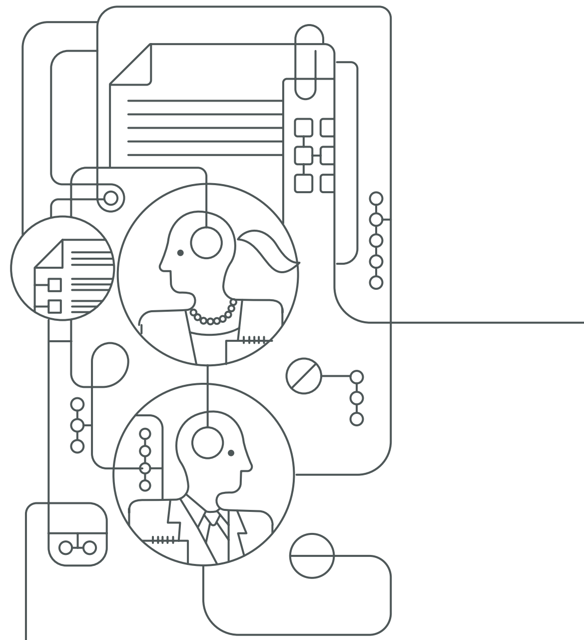
Do well by doing good. Giving back to the community doesn't have to mean you don't make a return. With online learning tools, there's a definite return on investment—for students, it means a stronger ability to handle their finances; for the bank, that ROI comes from brand loyalty and newly bankable customers. It's a financial return comparable or even superior to commercial papers or mortgages. Everyone wins.

The average student increases his/her financial knowledge score by nearly 112% at the end of a six-week EVERFI course



PART II.
Harnessing Technology

Technology makes financial education easier, more cost-effective, and—above all else—measurable. A program with no means of measuring effectiveness is almost meaningless, especially in the eyes of regulators. Luckily, interactive-education platforms easily provide metrics about scoring, student demographics, and other valuable data that can help financial institutions and regulators alike understand how well programs are addressing gaps in financial education and banking services.



Better Outcomes For All

As our country makes its way out of a financial downturn, the bar for banking compliance is being raised, with fewer banks receiving higher ratings on CRA examinations.[3] The need to present measurable outcomes with results-based programming is a must. But even with higher regulatory standards, employing interactive educational tools can actually make compliance easier—and more cost-effective.

Beyond compliance, interactive financial education also makes a good business case for reaching credit-invisible communities. It takes new tools and new modes of education to reveal these communities, but once visible, underbanked consumers can become customers capable of making well-informed financial decisions. With digital programming at their disposal, underbanked populations can achieve greater, larger-scale financial independence, and banks can connect with a new robust and well-educated customer base.

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Conclusion

In 1977, the authors of the Community Reinvestment Act could not have predicted the technology that expanded banking beyond the branch-centered business model. Nor could they have predicted similar advances in mobile and educational technology. Today, technology and education can work together to capture—and improve upon—the essence of CRA. Communities aren't what they used to be, and neighborhoods have given way to geographically boundless online networks. By harnessing educational technology and tapping these networks, financial institutions can leverage technology to reinvest in their communities and meet CRA requirements on a scale never before imagined, yield a strong return on investment, and set up their communities for future financial success.

Learn More at everfi.com/FinEd or
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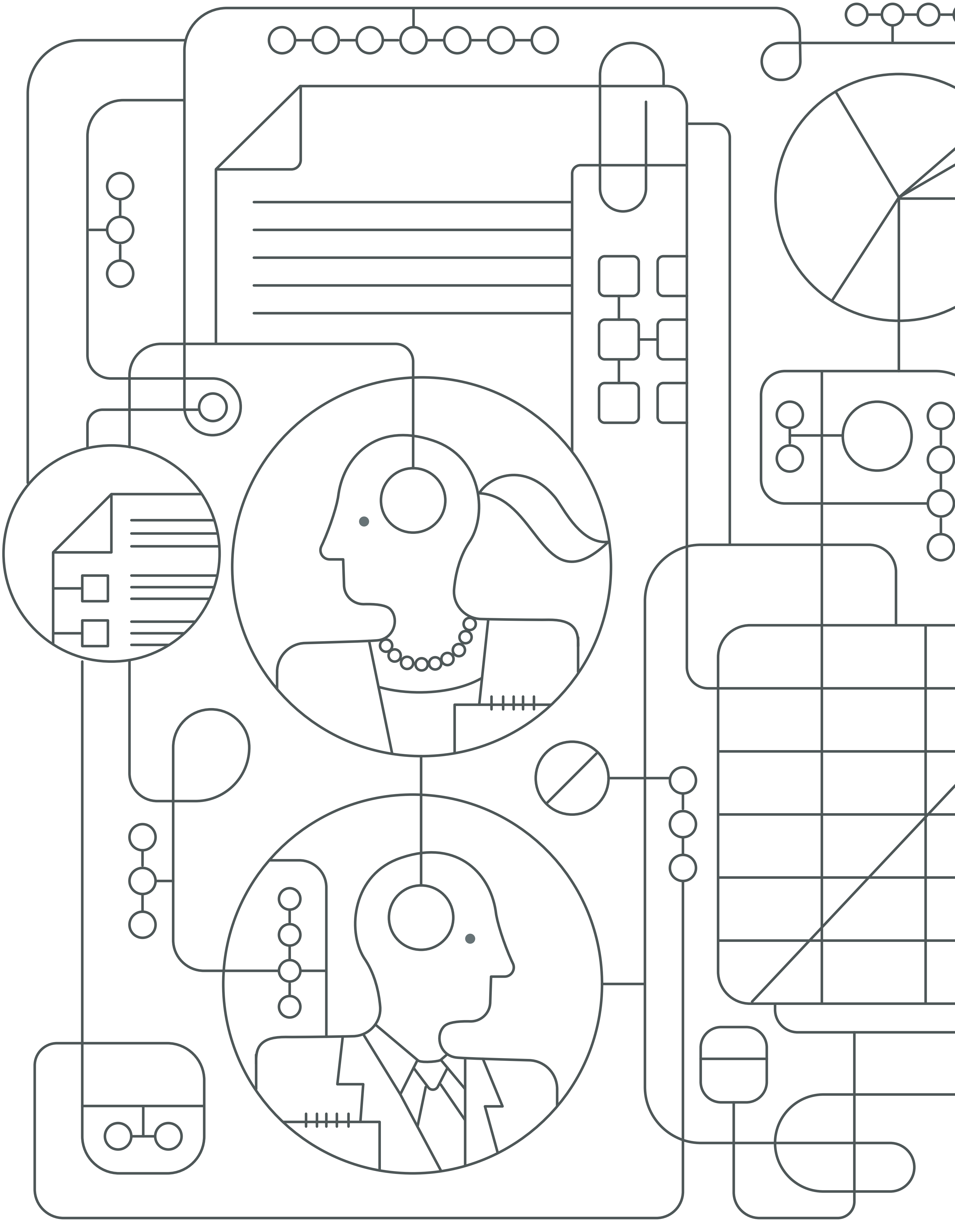
[1] Sherman, E. (2015, April 7). Students Entering College Get a 'D' In Financial Literacy. Retrieved July 11, 2016, from http://www.aol.com/article/2015/04/07/students-entering-college-weak-financial-literacy/21162156/

[2] Farmer, L. (2013, April 30). Why Financial Literacy Matters to Governments.Governing.com. Retrieved July 11, 2016, from http://www.governing.com/blogs/view/gov-why-governments-should-care-about-training-the-poor.html

[3] Making the Case for Financial Literacy. (2014, March). Retrieved July 11, 2016, from http://jumpstart.org/assets/files/Making the Case 2014_2.pdf




Insurance
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This section will cover
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