

# Standards for Financial Capability

*Draft: March 2015*

## Definition of Financial Capability

Financial capability is generally described as a set of tangible outcomes (such as increased emergency and long-term savings and improved credit scores) that encompass **multiple and interrelated aspects of behavior** related to how individuals manage their resources and make financial decisions – including the factors they consider and the skill sets they use. It looks at finances holistically and emphasizes behavior change (**what a person does**) in addition to knowledge gain (**what a person knows**).

## Purpose of the Standards

To ensure consistency of financial capability efforts nationwide, and adopt industry best practices. Financial capability efforts can include stand-alone programs that help participants improve their financial health and/or components of other programs that help participants reach specific financial goals, such as homeownership, foreclosure prevention, home maintenance or home rental.

In order to best serve clients, organizations providing financial capability programs and individual financial capability practitioners (educators, coaches and/or counselors) agree to adopt the following:

## Core Operating Standards

1. **Competency:** Possess a strong knowledge in the area of personal finance – specifically behaviors related to visioning/goal setting, maximizing income, spending, saving, borrowing and protecting, financial products and services, credit, investing and insurance<sup>1</sup>.
  - Recommended Benchmark: Individuals new to the field of financial capability should obtain appropriate orientation and introductory level training during the initial six months of employment. All providers should have a basic knowledge of human financial behavior - common tendencies and biases – and how to facilitate behavior change.
2. **Skills:** Demonstrate knowledge and skills for delivering financial education and/or financial coaching/counseling.
  - For financial education, demonstrate an understanding of adult education techniques and training, cultural competency, facilitation skills and training methods, presentation skills, audio/visual techniques, planning and designing trainings, participatory training techniques and behavioral economics and change.
  - For financial coaching/counseling, exhibit coaching skills (inquiry, active/reflective listening, facilitation and accountability) and professional communication and organizational skill set, including customer service, cultural competency, behavior change and time management skills. Financial capability coaches/counselors must demonstrate the skills to conduct a financial

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<sup>1</sup> As it relates to competency, the goal is for the practitioner to be able to impart knowledge about subject matter, rather provide advice. This is particularly true for the subjects of financial products, insurance and investing.

analysis, including obtaining, reviewing and analyzing credit reports, calculate income and debt and develop a spending plan. A full command of financial calculations is required.

3. **Training:** As soon as possible, but within 18 months of being hired, financial capability practitioners will obtain minimum training as a financial capability practitioner equivalent to no less than 30 hours of facilitated instruction covering topics included in Standards 1 and 2 above, utilizing a variety of methods which could include lecture, interactive, demonstration, on-line and case study.
  - Recommended Benchmark: Individuals new to the field demonstrate proficiency in financial capability content and delivery methods.
4. **Certification:** A certification standard is critical to establishing professionalism and value to financial capability. After completing minimum training, certification will require a financial capability practitioner to take and pass a comprehensive exam demonstrating at least 80% proficiency. The exam will test the skills and understanding of core competency areas identified in Standards 1 and 2 above, as well as the related content and activities identified in Exhibits A and B herein.
  - Recommended Benchmark: Certification must be completed as soon as possible, but no later than 18 months from the start of employment.
5. **Continuing Education:** Complete a minimum of 10 hours of continuing education annually in subjects relative to the core content and delivery of financial capability programs.
6. **Financial Capability Program Operations:** Implement effective program operations, including outreach and marketing, partnership building, fundraising, customer service, customer tracking, reporting, program evaluation, outcomes measurement, program design and technology. Practitioners should have a working knowledge of these subject areas.
  - Recommended Benchmark: These skills can be obtained through training and experience.
7. **National Industry Standards Code of Ethics and Conduct Statement:** Sign and adopt the written National Industry Standards Code of Ethics and Conduct that specifically addresses any real and apparent conflicts of interest, guidelines for professional behavior, privacy and confidentiality, payment for services, consultation, referrals, quality assurance and integrity.

## Performance Standards

1. **Delivery:** Perform group financial education and individual, personalized financial counseling or coaching to clients using a variety of interactive techniques.
  - **Recommended Benchmark:** Content, delivery and format of the training and counseling/coaching is tailored to meet the needs of the participants.
  - **Recommended Benchmark:** Participants should be provided service in a timely manner, requisite of the service need. At minimum, upon request participants should receive acknowledgement of inquiry within two business days of initial contact, and delivery of service within a two-week framework.

- **Recommended Benchmark:** Financial capability practitioners should use a training manual, and make materials available to education attendees, and use a formal intake, needs assessment and written action plan with counseling/coaching clients.
- **Recommended Benchmark:** A certificate of completion is provided to customers who successfully complete the training.
- **Recommended Benchmark:** A financial capability program should include education to transfer knowledge and personalized support to implement financial behaviors to reach financial goals. Client follow up and accountability are essential, whether it be through email, phone or text after training, coaching/counseling to check on action steps.
- **Recommended Benchmark:** Active, open client files for counseling/coaching clients should be closely monitored, with timely follow-up in accordance with the stated action plan. When no contact from the client has taken place for six consecutive months, the file may be classified as inactive.
- **Recommended Benchmark:** Where appropriate, financial capability practitioners should review and analyze client's credit report, spending plan and financial goals.
- **Recommended Benchmark:** Customer satisfaction surveys are used to evaluate the effectiveness of the financial education and counseling/coaching.
- **Recommended Benchmark:** Offer and encourage individual counseling or coaching in conjunction with the provision of all group education.
- **Recommended Benchmark:** A code of ethics is utilized for all volunteer trainers, coupled with an orientation regarding the mission, philosophy and delivery of the training.

2. **Curriculum:** Utilize a comprehensive curriculum containing the following minimum core content:\*

- Visioning/Goal Setting
- Maximizing Income
- Spending
- Saving
- Borrowing
- Protecting

\* See detailed list of acceptable content and topics

- **Recommended Benchmark:** There are a number of excellent consumer curricula that have been developed by various organizations, service providers, etc., which may meet or exceed the standard for curriculum content. These curricula must contain the components mentioned above.

- **Recommended Benchmark:** Specialty topics, such as investing, asset building, individual development accounts (IDAs), financial planning and retirement may also at times be delivered as group education. Use of nationally developed and utilized curriculum, and/or an equivalent is recommended. Financial capability practitioners should secure appropriate training in the appropriate specialty topic.
3. **Expected Program Outcomes:** Upon completion of financial capability programs, clients will be able to demonstrate progress towards the following outcomes:
- Gaining and exercising financial knowledge
  - Having financial self-efficacy (confidence)
  - Assessing and managing appropriate financial products and services
  - Setting financial goals and aligning financial behaviors and resources to reach goals
  - Maximizing sources of income to cover monthly expenses and save for the future
  - Tracking spending and making intentional spending decisions
  - Planning ahead and saving for the future
  - Selecting and using credit appropriately
  - Having adequate asset and financial risk protection
- **Recommended Benchmark:** Optimally, financial capability efforts include a combination of financial education for knowledge transfer and ongoing financial coaching/counseling to support behavior change and help participants reach their goals. In most circumstances (e.g., based on pre-assessment of learners' needs), hours and length of the service period for the combination of education and coaching/counseling may vary, and 12 hours over a time period of at least six months is recommended.
  - **Recommended Benchmark:** Comprehensive effective delivery should be determined based on the individual need of the client to reach the desired outcomes. The minimum standard for delivery of individual counseling or coaching should have an initial session of at least 60-90 minutes and ongoing sessions of an appropriate duration based on individual goals.
4. **Recordkeeping:** Collect and maintain specific information from financial capability clients in accordance with all laws and governing organizations (e.g., intermediary).
- **Recommended Benchmark:** An intake form should be completed and collected with client profile information to include contact information, services sought/provided, household size, ethnicity (optional), household income, date and type of service provided, service format and length.
  - **Recommended Benchmark:** Aggregate information for financial capability activities should be maintained including total number of persons served and other demographic information.
  - **Recommended Benchmark:** Utilize a checklist to ensure files maintained are consistent and meet reporting standards and quality assurance.

- **Recommended Benchmark:** Files should be maintained in secured file cabinets in order to protect client privacy. Scanned documents or electronic files should maintain the highest level of security.
  - **Recommended Benchmark:** Files should be maintained for a minimum of three years. Longer file retention requirements may be required if the household has received grant or loan assistance through state or federal subsidy programs. At the time of disposal, files should be shredded and e-files destroyed so they cannot be recreated.
  - **Recommended Benchmark:** Privacy policy, disclosure statement and authorization for data sharing should be completed and signed by the client and maintained in the client file.
  - **Recommended Benchmark:** Measure impacts of financial capability programs appropriately and effectively.
5. **Reporting:** Utilize an electronic Client Management System (CMS) for collecting and reporting data.
- **Recommended Benchmark:** An electronic method in place for collecting reporting data may be as basic as an Excel spreadsheet or Access database application that captures needed data fields from each client, but preferably should be a software application designed for financial capability programs.
6. **Service Thresholds:** Establish referral networks for individuals and families seeking services that the financial capability practitioner does not provide or possess sufficient competency to adequately deliver.
- **Recommended Benchmark:** Examples of such services may include individual/personal counseling services, benefits screening, legal aid, financial products, etc.

**Exhibit A**

**Standard Financial Education Content**

<b>BEHAVIOR</b>	<b>VISIONING/ Goal setting</b>	<b>MAXIMIZING INCOME</b>	<b>SPENDING</b>	<b>SAVING</b>	<b>BORROWING</b>	<b>PROTECTING</b>
<b>CONSUMER OUTCOME<sup>2</sup></b>	<ul style="list-style-type: none"> <li>Gaining and exercising financial knowledge</li> <li>Having financial self-efficacy (confidence)</li> <li>Selecting and managing appropriate financial products and services</li> </ul>					
	<b>Setting financial goals and aligning financial behaviors and resources to reach goals</b>	<b>Maximizing sources of income to cover monthly expenses and save for the future</b>	<b>Tracking spending and making intentional spending decisions</b>	<b>Planning ahead and saving for the future</b>	<b>Selecting and using credit appropriately</b>	<b>Having adequate asset and financial risk protection</b>
<b>TRADITIONAL CONTENT</b>	<ul style="list-style-type: none"> <li>Goal setting</li> </ul>	<ul style="list-style-type: none"> <li>Money management</li> </ul>	<ul style="list-style-type: none"> <li>Money management</li> <li>Financial products and services (transaction accounts)</li> <li>Credit (existing debt)</li> </ul>	<ul style="list-style-type: none"> <li>Saving</li> <li>Goal setting</li> <li>Money management</li> <li>Financial products and services (deposit accounts)</li> <li>Investing</li> </ul>	<ul style="list-style-type: none"> <li>Credit (new)</li> <li>Financial products and services (credit)</li> </ul>	<ul style="list-style-type: none"> <li>Insurance</li> <li>Credit (managing)</li> <li>Financial products and services (managing)</li> <li>Saving (emergency fund)</li> </ul>
<b>KEY POINTS</b>	<ul style="list-style-type: none"> <li>Values and views</li> <li>Future orientation</li> <li>Priorities</li> <li>Motivation</li> <li>Awareness of choices and decision-making (trade-offs)</li> <li>Strengths and obstacles</li> </ul>	<ul style="list-style-type: none"> <li>Earnings</li> <li>Public and private benefits</li> <li>Taxes</li> <li>Living within means</li> <li>Work-life balance</li> <li>Support services (transportation, childcare)</li> </ul>	<ul style="list-style-type: none"> <li>On-time payments</li> <li>Debt reduction</li> <li>Planning/budgeting</li> <li>Transaction accounts</li> <li>Living within means</li> <li>Needs and wants</li> <li>Impacts of decisions</li> </ul>	<ul style="list-style-type: none"> <li>Emergency fund</li> <li>Financial goals</li> <li>Savings accounts</li> <li>Habit of saving</li> <li>Planning ahead</li> <li>Protection</li> <li>Comparison shopping</li> <li>Balance of risk and return</li> </ul>	<ul style="list-style-type: none"> <li>Credit products</li> <li>Spending</li> <li>Reasons to borrow</li> <li>Implications of borrowing</li> <li>Reading the fine print</li> <li>Comparison shopping</li> </ul>	<ul style="list-style-type: none"> <li>Insurance</li> <li>Emergency savings</li> <li>Fraud and scams</li> <li>Identity theft</li> <li>Rebuilding credit</li> <li>Minimizing exposure/risk and maximizing wellbeing</li> </ul>

<sup>2</sup> Center for Financial Services Innovation (CFSI), EARN and NeighborWorks America.

		<ul style="list-style-type: none"> <li>• Self-Sufficiency Standard</li> <li>• Job training referrals</li> <li>• Investments</li> </ul>	<ul style="list-style-type: none"> <li>• Tracking</li> <li>• Comparison shopping</li> <li>• Advertising</li> <li>• Greening</li> </ul>	<ul style="list-style-type: none"> <li>• Assets and investments</li> </ul>	<ul style="list-style-type: none"> <li>• Balance of risk and return</li> <li>• Living within means</li> <li>• Qualifying for credit</li> <li>• Credit scores</li> </ul>	<ul style="list-style-type: none"> <li>• Reading the fine print</li> <li>• Managing assets and investments</li> </ul>
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## Exhibit B

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### Minimum Standard Activities for Financial Counseling/Coaching

In collaboration with the client

<b>Activities</b>
<ul style="list-style-type: none"><li>• Perform intake – gather baseline information and all required forms and disclosures from client</li></ul>
<ul style="list-style-type: none"><li>• Conduct accurate needs and financial assessment</li></ul>
<ul style="list-style-type: none"><li>• Document the household income and expenses</li></ul>
<ul style="list-style-type: none"><li>• Determine and document household savings and debt</li></ul>
<ul style="list-style-type: none"><li>• Review client’s credit report(s)</li></ul>
<ul style="list-style-type: none"><li>• Discuss client’s financial goal(s)</li></ul>
<ul style="list-style-type: none"><li>• Develop a household budget</li></ul>
<ul style="list-style-type: none"><li>• Develop a written action plan</li></ul>
<ul style="list-style-type: none"><li>• Establish client accountability</li></ul>
<ul style="list-style-type: none"><li>• Provide client follow up and document outcomes</li></ul>
<ul style="list-style-type: none"><li>• Make referrals for additional resources that might be beneficial to the client</li></ul>
<ul style="list-style-type: none"><li>• Maintain files and close them according to the National Industry Standards, government contract requirements and/or organizational policies</li></ul>