

Financial Capability



Definition of Financial Capability

The purpose of financial capability programs is to help participants reach their financial goals and build their financial well-being. Financial capability is the capacity, based on knowledge, skills, and access to manage financial resources prudently and effectively.

The Bureau of Consumer Financial Protection (the Bureau) defines financial well-being as “a state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future, and is able to make choices that allow enjoyment of life,” as illustrated on page 22.¹

Efforts to improve financial capability, which should be based on evidence of effectiveness,

¹ For more information on this definition, see the Bureau’s (2015) publication, *Financial Well-Being: The Goal of Financial Education*, www.consumerfinance.gov/data-research/research-reports/financial-well-being/.

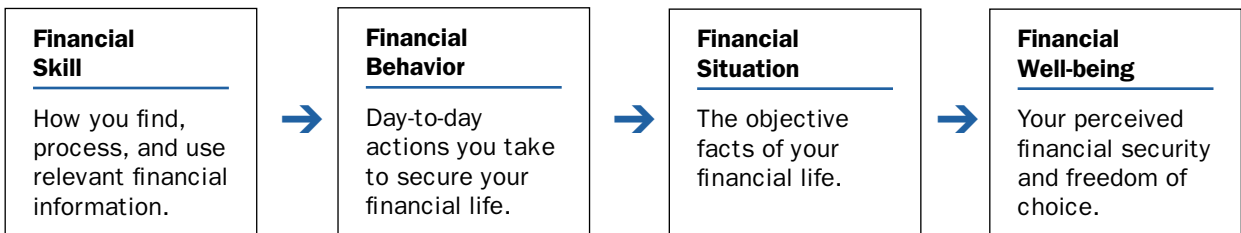
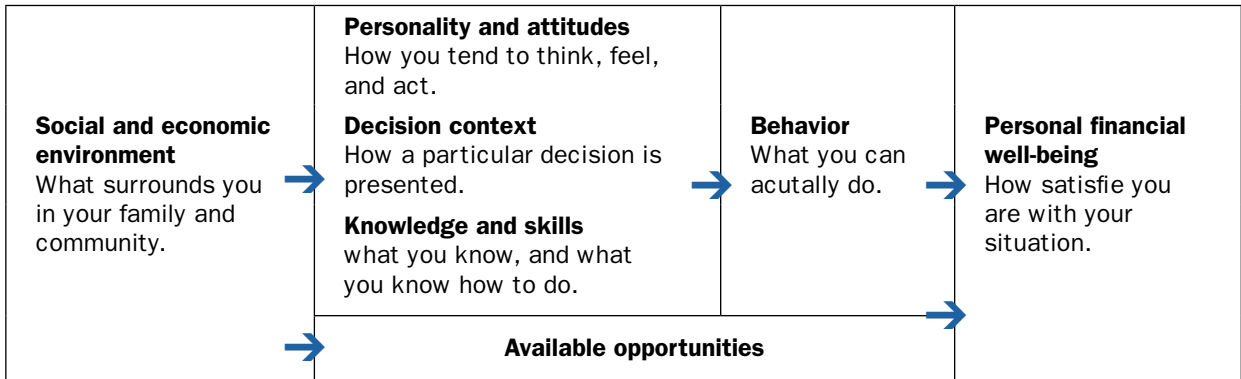
empower participants to make informed choices, plan and set goals, avoid pitfalls, know where to seek help, and take other actions to better their present and long-term financial well-being.²

Financial well-being is influenced by many factors, as is shown above in the diagrams from the Bureau, including such financial capability factors as financial knowledge, skills, and attitudes, which are strongly associated with financial behavior.³ The Bureau defines financial skill as “knowing how to find, process, and act on information.” A key attitude is self-efficacy, or having the confidence in one’s ability to reach financial goals.

² Executive Order creating President’s Advisory Council, Exec. Order No. 13646, 78 Fed. Reg. 39159 (January 29, 2010), https://www.whitehouse.gov/sites/default/files/2010/financialleo_rel.pdf.

³ For detailed findings, see the Bureau’s (2018) research brief conducted by Abt Associates, *Understanding the Pathways to Financial Well-Being: The Role of Financial Capability*, <https://www.consumerfinance.gov/data-research/research-reports/pathways-financial-well-being/>.

	Present	Future
Security	Control over your day-to-day, month-to-month finances	Capacity to absorb a shock
Freedom of Choice	Financial freedom to make choices and enjoy life	On track to meet your financial goals



Effective financial capability programs build financial skill and confidence. They intentionally influence and support participants in taking actions that improve their financial situations through the development of financial skills that include:

- Knowing how to look for information when there's a knowledge gap;
- Knowing where to find trusted information; and
- Knowing how to act on decisions and staying on track with financial goals.⁴

Such skills-building programs combine specific types of knowledge, tools, habits, decision-making support, attitudinal shifts, opportunities, and skills to help participants reach their financial goals and create real improvement in their financial well-being. In the interim, financial capability programs generate tangible outcomes for participants, such

⁴ See the Bureau's blog, "Facing a Money Decision...", <https://www.consumerfinance.gov/about-us/blog/facing-money-decision-check-whether-you-use-3-skills-stand-out-people-high-financial-well-being/>.

as increased emergency savings and/or improved credit scores.

Purpose of the Standards

The purpose of the standards is 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.

At a high level, the primary types of financial capability programs include:

- 1. Financial Education:** teaching participants financial skills and knowledge through interactive workshop, online or one-on-one methods or static print/online materials.
- 2. Long-Term Engagement:** providing encouragement and support through an ongoing relation-

ship in a one-on-one setting to help participants practice and adhere to positive financial behaviors and reach financial goals.

- **Counseling** is a directive approach that is focused on problem resolution and follows a set process driven by the counselor.
- **Coaching** is a facilitative approach that is focused on participant-driven goals using a process that is driven by the participant.

3. Access to Financial Products and

Services: providing access to a variety of resources through referrals, distribution or direct provision.

Oftentimes, program types are combined. For a more detailed breakdown of different financial capability programs, see the Asset Funders Network's brief on Financial Coaching as an Asset Building Strategy.

These standards align with and build on the National Industry Standard for Homeownership Education and Counseling. They are tailored as a set of guidelines for delivering quality financial capability programs broadly and connected to homeownership services. Financial wellness and sustainable housing are inextricably linked, and financial capability providers create pathways for those crucial outcomes.

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.⁵

- **Recommended Benchmark:** Individuals new to the field of financial capability should obtain appropriate orientation and

introductory level training on the target audience, program goals and structure, and relevant personal finance topics 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 long-term engagement.

- **For financial education,** demonstrate an understanding of adult education techniques and training, cultural competency (understanding and appropriately responding to the unique variables of participants), facilitation skills and training methods, presentation skills, audio/visual/online technology, planning and designing trainings, participatory training techniques, and behavioral finance or behavior change in general.
- **For financial coaching/counseling,** exhibit solution-focused coaching skills (inquiry, active/reflective listening, facilitation, brainstorming options, 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 values-based goal setting, a financial analysis, including obtaining, reviewing and analyzing credit reports, calculating income and debt, and developing a spending plan. A full command of financial calculations is required, such for as cash flow analysis, net worth, SMART goals, and debt-to-income ratio.

3. Training: As soon as possible, but within 18 months of being hired, new financial capability practitioners will obtain minimum training as a financial capability practitioner equivalent to no less than 30 hours of facilitated instruction covering

⁵ As it relates to competency, the goal is for the practitioner to be able to impart knowledge about subject matter, rather than provide advice. This is particularly true for the subjects of financial products, insurance and investing.

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 of financial capability 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. If the practitioner has completed comparable training and/or holds equivalent certification (e.g., homeownership education or counseling), these can be substituted or a specific training and certification in financial capability, with proper demonstration.

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 in financial capability 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 eligible continuing education annually in subjects relative to the core content (see Exhibit A) and delivery of financial capability programs (e.g., adult education, group facilitation, coaching, behavior change).

6. Financial Capability Program Operations: Implement effective program operations, including:

- Outreach and marketing to attract participants to the program.
- Partnership building and fundraising for program administration and sustainability.
- Customer tracking through an online Client Management System (CMS) to see participants' progress over time and regularly follow up with participants.

- Internal and external reporting, program evaluation and outcomes measurement for data-informed strategies and to see the effectiveness and impact of services.

- Program design, technology and customer service for efficient and effective service delivery.

- **Recommended Benchmark:** Practitioners should have a working knowledge of these subject areas. These skills can be obtained through training and experience.

7. National Industry Standards Code of Ethics and Conduct Statement:

All practitioners and volunteers are to 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. If crisis services are needed (such as eviction, wage garnishment, utility shutoff, etc.), service should be provided immediately, or as soon as possible.

- **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 participants who successfully complete the training, and the organization retains a copy.
- **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 participant has taken place for 90 consecutive days, the file may be classified as inactive. Practitioners must follow up with participants within 60 days of no contact. Following two unsuccessful attempts to receive communication from the participants, the practitioner must send the participant a letter requesting the participant to make contact within 30 days. If at the end of the 90-day period there is still no communication from the participant, the participant would be considered inactive.
- **Recommended Benchmark:** Where appropriate, financial capability practitioners should review and analyze participant's credit report, spending plan, financial goals and other relevant financial information, if competent to do so, or a referral should be made.
- **Recommended Benchmark:** Customer satisfaction is measured through inquiry or a survey to evaluate how satisfied participants are with financial education and long-term engagement.
- **Recommended Benchmark:** A systematic way to assess and document impact for the

clients served is used by measuring financial well-being at the start and end of service delivery. Both the CFPB and the Center for Financial Security have developed scales, short sets of standardized outcome measures: <https://www.consumerfinance.gov/data-research/research-reports/financial-well-being-scale/> and <https://fyi.uwex.edu/financialcoaching/measures/>.

- **Recommended Benchmark:** Individual counseling or coaching in conjunction with the provision of all group education is offered and encouraged.
- **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 and interactive 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:** When developing a curriculum, content and delivery should be tailored to the target audience and their goals.
- **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.

- **Recommended Benchmark:** For specialty topics, financial capability practitioners are encouraged to bring in trusted professionals/experts.

3. Expected Program Outcomes: Upon completion of financial capability programs, clients will be able to demonstrate progress towards at least some of 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
- Having stronger awareness of their rights as a consumer and where to seek help when needed
- **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 according to the clients' goals.

- **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.

3. Recordkeeping: Collect, maintain and keep secure 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, race, ethnicity (optional), household income, date, and preferred language. Type of service provided, service format, and length also to be included.
- **Recommended Benchmark:** Baseline financial information (such as on debt, income, savings and credit or using one of financial capability scales referenced above) are gathered to enable the measurement of impact over time.
- **Recommended Benchmark:** Aggregate information (with no personal identifiable information) for financial capability activities should be maintained including total number of persons served and other demographic information for reporting purposes.
- **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 participant privacy for at least three years from the date of last participant contact.

Scanned documents or electronic files should maintain the highest level of security.

- **Recommended Benchmark:** Files should be maintained for a minimum of three years from date of last contact. 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, including goal attainment and financial health, as evidenced by improved credit score, increased savings, reduced debt, increased income, and increased confidence. The financial capability scales or other assessments on core financial outcomes can be used to track progress over time.

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. Privacy and Confidentiality: Respect clients' right to privacy. Private information will not be requested from clients unless it is critical to providing services. Once private information is shared, privacy laws apply as well as client confidentiality.

- **Recommended Benchmark:** Confidential information will be disclosed only as specified by a valid written consent of client.

- **Recommended Benchmark:** Confidential information in any setting will not be discussed unless privacy can be ensured, or the participant authorizes the discussion of said information in the presence of others, such as relatives or individuals supporting the participant. Counselors, coaches, and educators will abide by privacy laws and keep information confidential and protected.
- **Recommended Benchmark:** Practitioners will review and explain the privacy policy to participants.
- **Recommended Benchmark:** Participants' information, including their identity, will not be disclosed when responding to requests from members of the media without the client's express consent.
- **Recommended Benchmark:** The confidentiality of clients' written and electronic records and other sensitive information will be protected. Clients' records shall be stored in a secure location and not made available to others who are not authorized to have access.
- **Recommended Benchmark:** Precautions (such as using case numbers instead of names) will be taken to ensure and maintain the confidentiality of information transmitted to other parties through the use of computers, electronic mail, facsimile machines, telephones and telephone answering machines, and other electronic or computer technology. Disclosure of identifying information will be avoided unless specifically permitted by client.
- **Recommended Benchmark:** Clients' records will be disposed of in a manner that protects clients' confidentiality and is consistent with state statutes governing records and social work licensure.
- **Recommended Benchmark:** Homeownership educators and counselors will be familiar with relevant local, regional and national laws regarding privacy and confidentiality.