

Evaluation of the Financial Stability Pathway

Results for the Client Study

Executive Summary

Prepared for the Maryland CASH Campaign by

The University of Maryland School of Social Work

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Introduction

Clients are presenting in community-based human services settings more frequently with complex problems related to, or exacerbated by, financial issues and stress. Trained providers can work with individuals and families to effectively assess and respond to financial problems, in addition to connecting them to appropriate community resources that provide more comprehensive financial services and referrals for long-term financial stability.

It is critical that the human services field begin to empirically evaluate the outcomes from financial stability services offered by trained providers in community settings. Maryland CASH (Creating Assets, Savings, and Hope) Campaign initiated the Financial Stability Pathway (FSP) project and trained human service providers, in the four participating organizations for this study, how to connect low- to moderate-income individuals to financial services using a new online tool called the Baltimore City Smart Referral Tool. Clients seeking services from any of these four organizations were invited to participate in the study. The overall purpose of the study was to determine if community-based financial education, interventions, and services improved clients' financial knowledge, attitudes, and behaviors toward achieving greater economic stability.

Study Purpose and Methods

The purpose of this study was to evaluate client outcomes resulting from participation in Maryland CASH's FSP program with providers from four participating organizations located within and around Baltimore City (Baltimore CASH Campaign, Bon Secours Community Works, Associated Catholic Charities, Inc., and Consumer Credit Counseling Services of Maryland and Delaware). The study focused on outcomes related to core financial services offered by the FSP partner organizations: free tax preparation, financial education, financial coaching, certified credit counseling, budget counseling services, benefit screening, and access to financial products. All referrals to services were made with a strong emphasis on using a structured assessment to engage clients and make smart referrals to the financial programs and products throughout and around Baltimore City. A summary of research evaluating outcomes from the FSP providers can be requested through Maryland CASH.

To assess outcomes over time, the researchers employed a longitudinal, two-group study design. The population included clients seeking services from the four participating sites. Participation in the study was voluntary and participants chose, prior to receiving their first financial service at the site, whether or not they wanted to participate in the FSP. Prior to being asked to participate in the FSP, participants completed a pre-test survey which provided baseline information regarding their financial knowledge, attitudes and behaviors. After completing the survey, trained providers encouraged participants who were low- to moderate-income, had multiple financial needs, and were motivated or interested in additional financial support services to participate in the FSP. If participants declined to participate in the FSP, they

were still included in the research study and referred to in this report as non-FSP clients. FSP clients in this report are defined as participants who agreed to 1) be in the research study and 2) participate in the FSP assessment and referral resource network program.

The surveys (pre-test, 3-month post-test, and 9-month follow-up) were developed by the researchers in collaboration with experts from the University of Wisconsin-Madison, Center for Financial Security and the Maryland CASH Campaign. The survey scales were tested and found to be statistically reliable.

Key Findings

Three hundred, fifty one people enrolled in the study at pre-test (T1). At the time of the post-test (T2), 126 (out of a new possible total of 308) participants completed the survey and at the follow-up (T3), 85 participants completed the survey (27.5% overall response rate). The sample resembled a large percentage of Baltimore City's population in that they were primarily female, African American, less likely to have completed college and reported annual incomes of \$30,000 (U.S. Census Bureau, 2014). The key findings are related to the clients' financial knowledge, attitudes and behaviors over time and results from each are briefly highlighted in this summary.

Financial Goals

The majority of study participants, regardless of group, reported working on the following primary financial goals: pay off debt, improve confidence managing finances, and improve credit. Throughout the 9 months of the study, the majority of participants worked on the same goal and reported some success in achieving their goal. One finding that was different for FSP as compared to non-FSP clients was that as the study continued, FSP clients reported more confidence than non-FSP clients in their ability to improve their credit.

Financial Behaviors

The researchers used the Financial Management Behavior Scale (FMBS; Dew & Xiou, 2011) to assess actual financial management behaviors. Overall, both FSP and non-FSP clients improved over time; however, FSP clients who scored lower on several items and subscales than non-FSP clients at the beginning (T1), made more improvement over time as compared to non-FSP clients (better use of credit cards, making more than minimum payment on loans). Some specific skills included on the FMBS that improved were comparison shopping, paying bills on time, keeping an electronic record of monthly expenses, staying within a set budget or spending plan, and beginning or maintaining an emergency savings fund.

When asked about how participants used their most recent tax return, FSP clients reported saving for financial goals with their return significantly more often than non-FSP clients. Additionally, over time in the study, FSP clients were more likely to report having used free tax preparation services; a service promoted by all four participating organizations. Overall, participants regardless of group reported using tax refund anticipation loan prepaid cards over time. Throughout the study, FSP clients were significantly more likely to report using free tax services as compared to non-FSP clients.

When asked about credit reports and credit scores, significantly more FSP clients reported having reviewed their credit report and credit score within the several months preceding the survey as compared to non-FSP clients.

Financial Wellness

To assess personal financial wellness, the researchers asked participants to respond to a global question regarding their level of satisfaction with their financial situation. This question was modified from the 2009 FINRA Investor Education Foundation, Inaugural Capability Survey. Overall, FSP and non-FSP clients improved their scores on this question over time and participants, regardless of group, scored lower than the FINRA national sample on all respondent characteristics. A possible reason for lower scores could be that the population of clients seeking services through the FSP participating organizations already self-identified as needing support services related to financial problems, as compared to the FINRA study which surveyed a national sample from the general population of American adults.

When asked a global question regarding worry about one's ability to provide financially for oneself and family members, participants in both groups reported significantly lower levels of worry about finances over time. Scores for participants in both groups also improved over time based on responses to the Personal Financial Wellness Scale (PFW; Prawitz et al., 2006) used to assess overall financial well-being.

As compared to a national sample of financially fragile households (Lusardi et al., 2011), a higher proportion of FSP and non-FSP clients could identify one or more sources of emergency funds. More study participants reported they would turn to family and friends for emergency funding and a lower proportion reported they would liquidate retirement investments and use credit cards to access emergency funds, as compared to the national sample. For FSP clients, there was a significant increase in clients' overall ability to identify at least one option for securing emergency funds over time. The most commonly chosen option for how FSP and non-FSP clients would seek emergency funds, at all three time points, was to borrow or ask for help from family. The second most commonly identified option for getting emergency cash was to "work overtime", "get a second job", or "another member of my household would work longer or go to work". Other commonly identified options were "borrowing or asking for help from friends", and "selling things (other than home)".

Financial Services

With regard to service referrals, FSP clients received more referrals; however, FSP and non-FSP clients used statistically the same number of referrals (1-2 services on average). FSP clients reported using financial coaching at Time 2 more often than non-FSP clients and reported using credit counseling at Time 3 more often than non-FSP clients. FSP clients also reported planning to use financial education, financial coaching, free tax preparation and credit counseling services in the future more often than non-FSP clients. The overall rates for actual service use during the course of the study, as compared to planned use, decreased for both FSP and non-FSP clients.

When asked why participants did not use one or more referral, their most common reasons for not using a referral throughout the study included: lack of time, followed by no interest, losing contact information, forgetting about the referral, and inconvenient location. Overall, participants who used referral services reported high levels of satisfaction with the services and were likely to recommend the FSP to a family member or friend.

Financial Stability Outcomes

The majority of significant results related to services used and financial stability outcomes were the same for FSP and non-FSP clients. Use of the various core services did not impact the clients' perceptions of goal achievement for any of the primary financial goals assessed in this study. Because study participants in both groups used the same referral services, results that showed improvement for both groups, as compared to having better results for FSP clients, are important in beginning to understand which services contribute to better financial outcomes. Additionally, it is important to recognize that providers were trained to not only use the FSP assessment services, but also the referral resource network. So when participants declined to participate in the FSP, they were still offered the same financial referral services; thereby, explaining some of the similar results between FSP and non-FSP clients.

Of interest to outcomes related to financial stability at Time 2, there were some short-term results that held promise. For example, participants who used credit counseling were more likely to report having access to a savings or checking account. Additionally, as participants reported using additional FSP referral services at Time 2, their overall confidence in improving their credit score improved, and participants who used financial coaching services reported higher scores on the FMBS credit subscale.

By Time 3, participants who used credit counseling referral services reported higher scores on the FMBS total scale, including being 10.5 times more likely to have a bank account than participants who did not use credit counseling. When just the cash management skills subscale was examined, participants who used credit counseling scored higher in cash management skills than participants who did not use credit counseling. Scores on this subscale continued to increase as participants reported using more FSP referral services.

Conclusion

Overall, the initial results for this client outcome study are promising. The majority of participants showed improvement in their financial knowledge, attitudes, and behaviors, and it appears that on a few outcomes indicative of financial stability, FSP clients improved more than non-FSP clients. Some of the outcomes were difficult to compare FSP to non-FSP clients given that both groups often used the same referral services and the fact that providers were all trained to use the FSP assessment tool and subsequent financial counseling techniques. When services were compared without regard to group status, participants reported improvements in areas such as overall financial management behavior skills, banking behaviors, and confidence to improve one's credit score in the near future. These findings are important as researchers and practitioners work together in the future to develop evidence-based interventions in the area of financial capability and stability.

To build on results from this pilot study, the researchers recommend the use of a more stringent research design that allows for increased control to randomly assign participants to either a control group (non-FSP) or intervention group (FSP). Since participants in both groups accessed similar services over time, it was difficult to determine if results were due to an effect of being included in the FSP or just using some of the referral services offered by participating FSP organizations. However, it is important to reiterate that in several areas (i.e. credit card abuse, cash management, savings) FSP clients were worse-off and engaged in more financially risky behavior than non-FSP clients at the beginning of the study (Time 1). But by the end of the study (Time 3), they were at the same place or “better off” than non-FSP clients which reflects positively on the FSP program in its ability to improve the financial stability of financially at-risk or vulnerable adults and families.

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Research Team Members

- Jodi Jacobson Frey, PhD: Principal Investigator
- Karen Hopkins, PhD: Co-Principal Investigator
- Philip Osteen, PhD: Co-Principal Investigator
- Lara Henneman, MA: Project Manager, Maryland CASH Campaign
- Jungyai Ko, MSSW: Research Assistant
- Lucy Bill, MSW: Research Assistant
- Rachel Liccardo, BA: Research Assistant