



CREDIT AND HOMEOWNERS INSURANCE



NITF'S EXPERIENCE FROM AN INSURER-COMMUNITY
PARTNERSHIP PERSPECTIVE

A Report from
The National Insurance Task Force

With The Assistance Of The
Insurance Information Institute



August 2002

NITF



Table of Contents

Letter from the NITF Director	<i>i</i>
Letter to the National Association of Insurance Commissioners	<i>ii</i>
I <u>Introduction</u>	1
A. Purpose of the Report	1
B. National Insurance Task Force and its Research Subcommittee	2
C. Insurance Information Institute and its Collaboration with NITF	3
II <u>Background on Issue</u>	4
A. Use of Insurance Scores In Underwriting	4
B. Fair Credit Reporting Act (FCRA)	4
C. Credit Scores vs. Insurance Scores	4
D. Legislative History	5
III <u>NITF’s Experience on the Issue</u>	7
A. NITF Meeting with The Virginia Bureau of Insurance	7
B. Overview of 1999-2000 Panels and Workshops	7
IV <u>Partnership to Enhance Insurance Scores</u>	9
A. NeighborWorks® Financial Fitness Education Program	9
V <u>Resources</u>	19
A. Credit Agencies	19
B. Insurance Regulators	20
C. Insurance Associations	21
D. Government, Consumer and Other Organizations	22

NITF

NATIONAL INSURANCE TASK FORCE

Atlanta: 600 W Peachtree Street, NW, Suite 1950, Atlanta, GA 30308
District of Columbia: 1325 G Street, NW, Suite 800, Washington, DC 20005
Telephone: (404) 347-6203
Fax: (561) 658-5790

August 2002

In publishing “*Credit & Homeowners Insurance: NITF’s Experience from an Insurer-Community Partnership Perspective*,” the National Insurance Task Force (NITF) concludes its initial exploration into the insurance score issue. Bringing closure to this initial phase enables NITF to do what it does best – develop, identify, and/or implement tools and resources on issues that are of mutual concern to the insurance industry and low-income communities in America.

Through its affiliation with the NeighborWorks® network, NITF has more than 30 years experience in bringing together the insurance industry and community organizations. Mindful of our primary customers-- community residents-- as a follow-up to our work with insurance scoring, we recognize our expertise is best used in the area of broadening partnerships to enhance financial literacy.



Todd C. Pittman
National Director

National Insurance Task Force
One Georgia Center
600 West Peachtree Street, NW, Suite 1950
Atlanta, GA 30308
Phone: (404) 347-0870 • Fax: (404) 347-0883
E-mail: nitf@nw.org

Insurance Partners

Allstate Insurance Company
American Family Insurance
American National Property & Casualty
Companies
Farmers Insurance Group
GE Financial Assurance
Liberty Mutual Group
Mazonson Inc.
MetLife Auto & Home
Nationwide Insurance
New Jersey Manufactures Insurance Group
Prudential Property and Casualty Insurance
Company
SAFECO
State Farm Insurance Companies
Travelers Insurance, a member of Citigroup
USAA

Trade Associations

American Insurance Association
Georgia Association of Insurance Professionals
Independent Insurance Agents of America
Institute for Business and Home Safety
Insurance Brokers & Agents of the West
Insurance Information Institute
National African-American Insurance
Association
National Association of Independent Insurers
National Association of Mutual Insurance
Companies

Regulatory Agencies

Illinois Department of Insurance
Kentucky Department of Insurance
National Association of Insurance
Commissioners

Education Institutions

Howard University
Roosevelt University

Community Development Organizations

Capital Area Housing Resource Center
(Trenton, NJ)
Charleston HomeOwnership Center
(Charleston, SC)
Community Development Corporation of
Long Island
Detroit Neighborhood Housing Services
Housing For All (Denver, CO)
Inglewood Neighborhood Housing Services
(Inglewood, CA)
Neighborhood Housing Services of Chicago
Neighborhood Housing Services of Milwaukee
Neighborhood Housing Services of
New York City
Neighborhood Housing Services of Richmond
(Richmond, VA)
Neighborhood Housing Services of St. Louis
Neighborhood Partnership of Montclair (CA)
Neighborhood Reinvestment Corporation
Philadelphia Neighborhood Housing Service...

August 2, 2002

Cathy Weatherford
Executive Vice President
National Association of Insurance Commissioners
2301 McGee
Suite 800
Kansas City, MO 64108-2604

Dear Ms. Weatherford:

The National Insurance Task Force (NITF) develops partnerships between the insurance industry and community-based organizations to better market the products and services of both for the benefit of the customers and communities they serve. This effort grew from a 1994 meeting convened by Neighborhood Reinvestment Corporation to discuss issues regarding property and casualty insurance in low- and moderate-income neighborhoods. Our loss prevention partnerships, now underway in several cities, address the causes of damage and loss with the goal of making homeowner insurance less costly and more available in lower-income neighborhoods. We have plans to expand this program to ten additional cities in the near future.

NITF includes representation from the insurance industry's top property and casualty insurers, insurance industry trade associations, insurance regulators, educational institutions, the Neighborhood Reinvestment Corporation, members of the NeighborWorks® network and other members of the community development field.

NITF recognizes that insurance scoring is increasingly a factor in insurance rating and underwriting. It is the goal of NITF to

Clayton Adams, State Farm Insurance Companies
Chairman, National Insurance Task Force

Todd Pittman, Neighborhood Reinvestment Corporation
Director, National Insurance Task Force

assist insurance companies, insurance agents and community organizations in the important task of educating consumers concerning the role that insurance scoring plays in insurance rating and underwriting and how insurance scores can affect the cost and availability of insurance products. Rather than engaging in a debate concerning the appropriateness of insurance scoring, NITF has concluded that its efforts are best focused on educating consumers so that they can access the appropriate insurance coverage at the most affordable rate. To that end, in collaboration with the NeighborWorks® network, NITF encourages support to numerous educational opportunities for its members, including the NeighborWorks® Homebuyers Education and Financial Fitness programs, among others. Furthermore, NITF is developing an insurance score educational curriculum that will be made available to the members of the NeighborWorks® network for inclusion in their consumer education programs.

The NITF is pleased to learn that the NAIC has engaged the American Academy of Actuaries to review the various insurance scoring studies that have been completed to date. Our members look forward to the work of the NAIC and we would like to receive a copy of your report when it is issued. The NITF stands ready to assist the NAIC in this effort if we may be of any assistance. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd C. Pittman", with a long horizontal flourish extending to the right.

Todd C. Pittman
National Director

I. INTRODUCTION

A. *Purpose of the Report*

Credit is increasingly a financial fact of life in modern society. It is also a topic that has been included in a variety of financial literacy programs that partner with the National Insurance Task Force (NITF). The purpose of this report is to capture the experience of NITF (www.nitf.nw.org) and to provide information and resources aimed at fostering additional understanding of this issue. This report is the first formal response of NITF regarding insurance scoring.

As the use of credit has become more widespread, the NITF incorporated this topic into its educational outreach to insurers, community development practitioners and most especially, to consumers.

NITF recognizes that credit is increasingly a factor in insurance rating and underwriting. It is not the goal of this report to take a position regarding this issue. Instead, it is to help guide insurers and community leaders on how to better educate residents on the role of credit in insurance and how it can potentially affect them. This report will demonstrate how credit, when effectively managed, can help consumers have better access to insurance coverage at an affordable rate.

Through this report, we hope to lay a positive foundation of knowledge to build vital win-win partnerships that create and sustain strong communities and businesses and ultimately protect and preserve a homeowners greatest asset—their home.

B. *National Insurance Task Force and its Research Subcommittee*

In 1994, Neighborhood Reinvestment Corporation¹ facilitated discussions between leaders from community-based organizations and the insurance industry to discuss issues regarding property/casualty insurance in low-and moderate-income neighborhoods. That group has developed into what is now known as the National Insurance Task Force (NITF). Participants in the Task Force include representation from the insurance industry's top property/casualty insurance carriers, insurance industry trade associations, insurance regulators, educational institutions, Neighborhood Reinvestment Corporation, and members of the NeighborWorks® network.² The task force's mission is to:

“Develop partnerships between the insurance industry and community-based organizations to better market the products and services of both, for the benefit of the customers and communities they serve.”

¹ Neighborhood Reinvestment is a Congressionally chartered corporation that nurtures and strengthens local community-based organizations through training, technical assistance and funding.

² The NeighborWorks® network is comprised of community-based and resident-led partnerships serving communities all across the country. As Of March 31, 2002, we have 219 NWOs serving 2,131 communities in 48 states and Puerto Rico and District of Columbia. Neighborhood Reinvestment Corporation charters them as NeighborWorks® organizations. Committed to revitalizing their communities, these organizations may be known locally as Neighborhood Housing Services, Mutual Housing Associations or go by an altogether different name.

Currently, five operating functions within the task force are coordinated through a national steering committee. These operating groups are primarily focused on personal and commercial lines insurance issues involving:

- Loss prevention
- Accessibility
- Affordability
- Consumer education
- Use of insurance scoring in insurance underwriting
- Research involving loss mitigation techniques that address the common causes of losses in urban homeowners markets.

The task force is staffed through Neighborhood Reinvestment's Insurance Services Department in their Atlanta, Georgia offices. Through the work of this national partnership, the group continues to develop cutting-edge products and tools that help collaborations between the insurance industry and community-based organizations across the country.

The NITF Research Subcommittee, one of five subcommittees in NITF's structure, is comprised of representatives from the insurance and community development industry and its mission is to:

“Develop recommendations concerning availability, accessibility, and affordability of insurance products impacting individuals, communities, and decisions made by the insurance industry.”

Insurance representatives on the subcommittee include the American Insurance Association, National Association of Independent Insurers, Travelers Insurance and State Farm Insurance Companies. Community development representatives include NeighborWorks® organizations from Chicago, Detroit, Milwaukee, and Philadelphia.

It was under the direction of the NITF Research Subcommittee that the issue of insurance scoring was first raised. Over a three-year period, the Research Subcommittee designed and sponsored two insurance scoring panels and a workshop was held during annual insurance symposia from 1999 through 2001 to evaluate and educate its partners about the practice of insurance scoring in insurance underwriting.

Members of the subcommittee also reviewed the Virginia Department of Insurance analyses and convened a meeting with representatives from the Department to discuss the methodology used in their report. See section III of this report for further information regarding the Virginia analyses.

Following are the general findings of the NITF Research Subcommittee:

1. Insurance scoring is being used widely throughout the country for the underwriting and rating of automobile and homeowners insurance policies.

2. There is a need for continued education on the use of insurance scoring and its underwriting relationship.
3. There is a need for consumer education on the increased importance of credit management.

The research subcommittee recommends that:

1. Insurers and community organizations collaborate to provide a better understanding of insurance scoring (*see section IV for an example of a mutually beneficial collaboration*).
2. Community development organizations incorporate financial literacy and credit management education into existing training programs.
3. Insurers provide broader support to community organizations that are providing financial literacy and credit management education.
4. Insurers evaluate and augment existing programs that educate their insurance agents and consumers on insurance scoring.

Although insurance scoring continues to be an important topic of the NITF Research Subcommittee, this report summarizes the initial examination of NITF regarding the use of insurance scoring by insurers.

C. Insurance Information Institute and Its Collaboration with NITF

The Insurance Information Institute (I.I.I.) is a non-profit communications organization supported by the property/casualty insurance industry. The mission of the Institute is to improve public understanding of insurance.

For more than 40 years, the I.I.I. has provided definitive insurance information. Today, the I.I.I. is recognized by the media, governments, regulatory organizations, universities and the public as a primary source of information, analysis and referral concerning insurance.

Each year the I.I.I. works on more than 3,700 news stories, handles more than 6,000 requests for information and answers nearly 50,000 questions from consumers. Its web site, www.iii.org, receives about 3.5 million hits each year. In addition to direct contact with the media, individuals and organizations, the I.I.I. publishes a host of helpful pamphlets such as *12 Ways to Lower Your Homeowners Insurance Costs* and books such as the *I.I.I. Fact Book*, which provides insurance industry data. I.I.I.'s central function is to provide accurate and timely information on insurance subjects. For example, the I.I.I. supplied the Joint Economic Committee, U.S. Department of the Treasury, Federal Reserve and the General Accounting Office with detailed information regarding the impact of terrorism on insurance coverage and the broader economy.

The I.I.I. has been a partner of NITF since its inception in 1994 and has played a major role in the development of NITF educational materials and training. Since the use of insurance scoring in insurance underwriting is a major topic of interest to insurers, community development practitioners and consumers, it was a natural fit for NITF and I.I.I. to jointly undertake this project.

II. Background on the Issue

A. *Use of Insurance Scores in Underwriting*

Over the past several years, the way in which a person handles his or her finances – better known as “credit history” – has become an increasingly important factor in everyday life. In addition to more obvious situations, such as applying for an automobile loan or mortgage, credit can affect an individual’s ability to get a job, rent an apartment, or even get a cellular telephone.

In the late 1980s, Fair, Isaac, (www.fairisaac.com) the country’s leading developer of credit scoring models for the lending industry, began to study the relationship between credit characteristics and insurance loss ratio performance. Fair, Isaac analyzed thousands of personal automobile and property policies with earned premiums of more than \$1.5 billion (and claims of nearly \$900 million), and compared the loss history of the policyholders with specific characteristics in their individual credit histories.

What Fair, Isaac found (and what individual insurance companies continue to find) is that the manner in which an individual manages their finances is highly predictive of their likelihood of making a future insurance claim. The company then generated what has come to be called “credit-based insurance scoring” models that is used to predict an individual’s risk of loss based on particular characteristics in their credit history.³ The insurance industry believes that in credit-based insurance scores, insurers have found a cost-effective, highly accurate underwriting and rating tool that had previously been unavailable. A 2001 study from Conning & Company (www.conning.com) showed that more than 90 percent of the country’s personal automobile insurance writers were using credit-based insurance scores in the underwriting and or pricing process.

B. *The Fair Credit Reporting Act (FCRA)*

The Federal Fair Credit Reporting Act (FCRA) expressly allows consumer reporting agencies to provide credit information to insurers for their business purposes. The FCRA also requires that if insurers take an adverse action (such as denying insurance, terminating a policy or increasing the cost) based on credit information, that fact must be disclosed to the policyholder or applicant. The disclosure must include the name, address, and toll-free telephone number of the consumer reporting agency that supplied the information to the insurer. If a consumer is denied coverage or otherwise adversely affected due to credit information, the FCRA provides that the consumer is entitled to a free copy of his or her credit report. The FCRA also provides a mechanism for consumers to have inaccurate information removed from their credit report. The complete text of the FCRA, 15 U.S.C, 1681 et seq. at the Federal Trade Commission's web site (<http://www.ftc.gov>).

C. *“Credit Scores” vs. “Insurance Scores”*

Credit scores and insurance scores are similar, yet serve different purposes. Both are based on the information found in a consumer’s credit report (generated by one of the three major credit

³ The findings and recommendations contained in this report are based on Fair, Isaac insurance scoring models.

bureaus), and both assign points for positive factors while deducting points for negative factors. Yet, while the two types of scores are based on much of the same information, they are designed to predict very different things.

Lenders

Credit scoring models used by lenders are designed to predict the likelihood of default or delinquency on a loan.

Insurers

Insurance scores, on the other hand, are *not* concerned with whether or not an individual is likely to pay his or her premiums on time.⁴ Rather, insurance scoring models are constructed to predict how often an individual is likely to file claims, and/or how large those claims will be.

Banks, for instance, almost always consider an applicant's income in conjunction with their credit score. When making a lending decision clearly the amount of money an individual earns has a direct bearing on how much of a loan that individual will be able to pay back. In contrast, when an individual applies for automobile or homeowners insurance, income is never taken into account.

What may be included in an insurance score

- Payment history
- Bankruptcies
- Collections
- Number of credit accounts in use
- Amount of outstanding debt
- Length of credit history
- New applications for credit (“inquiries”)⁵
- Types of credit in use

What is not included in an insurance score

- Income
- Race/ethnicity
- Religion
- Gender
- Marital status
- Address
- Disability
- Public assistance sources of income

⁴ Some insurance companies will use a consumer's credit history to determine eligibility for certain payment plans

⁵ Insurance scores only consider “consumer-generated” credit inquiries – those that were actively initiated by the consumer in an effort to obtain credit. Marketing inquiries (such as those that generate “pre-approved” credit card offers) and periodic account reviews by existing creditors are not considered. Insurance inquiries are also not considered in most scoring models. Multiple mortgage or car loan inquiries over a short period of time (indicating that a consumer is “shopping around” for the best rate) are generally grouped together as one inquiry.

D. Legislative History

Legislative efforts to restrict insurer use of credit began to surface in a few states in the late 1990s. Those efforts were isolated and, for the most part, unsuccessful. (Some states already have laws on the books that contain restrictions on the use of credit. Michigan's Essential Insurance Act, for instance, explicitly proscribes the factors that may be used for underwriting personal insurance policies, and credit is not among them. Credit can only be used to provide discounts for Michigan consumers.) For the most part, insurance scoring did not gain real prominence in state legislatures until 2002, when the issue exploded in state legislatures around the country.

As of May 31, 2002, six states had adopted laws during 2002 regarding insurance scoring. They are:

<u>State</u>	<u>Main Provisions</u>
<u>Idaho</u>	Bans use of credit as the "primary factor" in rating or underwriting.
<u>Maryland</u>	Bans credit entirely in homeowners' insurance; allows credit in auto insurance only for limited rating of new policyholders.
<u>Minnesota</u>	Bans the use of credit without the consideration of other underwriting criteria; requires up-front disclosure that credit information will be used in the underwriting process; requires carriers to exclude credit history as a factor in canceling, non-renewing or rejecting coverage in "no-hit" situations; requires carriers to provide "reasonable" underwriting exceptions when an insured or applicant requests such exceptions in the event of a defined extraordinary life event; requires carriers to file credit methodologies and support data with the Department of Commerce.
<u>Missouri</u>	Prohibits insurers from using credit as the sole factor in underwriting decisions; requires insurers to disregard credit as an underwriting factor if the individual has no credit history; clarifies that consumers would not damage their credit history by shopping for the best deal on insurance.
<u>Utah</u>	Bans the use of credit except for initial underwriting and rating in discount plans.
<u>Washington</u>	Bans credit for underwriting existing business; allows credit for new business underwriting in combination with other prescribed factors; restricts credit information that may be used for ratemaking.

The National Association of Insurance Commissioners (NAIC) has made insurance scoring one of its priority issues for 2002. The NAIC (www.naic.org) has formed a special Working Group to study the issue and that group is expected to release its findings and recommendations by the end of the year.

III. NITF's Experience on the Issue

A. *NITF's Meeting with the Virginia Bureau of Insurance*

Part of the NITF Research Subcommittee's past experience with exploring the insurance score issue included review of an analysis undertaken by the Virginia Bureau of Insurance. At the time of NITF's review, the Virginia Bureau was the only state regulator to examine the issue. Specifically, the analysis communicated that the Bureau:

“. . . analyzed the relationship between credit scores and income as well as the relationship between credit scores and race. Neither Fair, Isaac nor TransUnion collects data on income or race, thus requiring the bureau to obtain this information from the 1989 Federal Census. Although it did not provide a one-to-one match, this did not preclude the Bureau from analyzing whether correlations exist. Thus, average credit scores, median household incomes, and racial make-up by zip code were analyzed to obtain a general indication of correlation. Nothing in this analysis leads the Bureau to the conclusion that income or race alone is a reliable predictor of credit scores.”

Following the NITF Research Subcommittee's review of the Virginia analysis,⁶ on March 19, 2001, a meeting was scheduled with members of the committee and representatives from the Bureau to discuss additional questions posed by the subcommittee. Participating in that meeting were representatives from NITF, NHS of Philadelphia, State Farm Insurance Companies Travelers Insurance, and the Virginia Bureau of Insurance.

From this meeting, the NITF Research Subcommittee determined there was a need for more education on the use of insurance scoring and decided to sponsor an educational workshop at the NITF 2001 Insurance Symposium.

B. *Overview of 1999-2000 Panels and Workshops*

NITF assembled two panel discussions on this topic and one workshop entitled, “Insurance Scoring: Gaining a Better Understanding.” These events were held in conjunction with NITF's annual conferences in September 1999 (New Orleans), October 2000 (Tampa) and October 2001 (Minneapolis).

NITF's panels and workshops provided a productive forum for proponents and opponents of insurance scoring. Participating in these forums were representatives from:

- *American Insurance Association* (www.aiadc.org)
- *Center for Economic Justice* (www.cej-online.org)
- *Fair, Isaac and Company* (www.fairisaac.com)
- *Kentucky Department of Insurance* (www.doi.state.ky.us/kentucky)

Participants in NITF forums had valuable discussion on questions and issues regarding:

⁶ For a copy of the Virginia study contact the Virginia Bureau of Insurance at (804) 371-9741 or visit NITF's web site at www.nitf.nw.org.

- *Regulators' and legislators' perspectives on insurance scoring*
- *Whether there is a relationship between a credit and insurance loss*
- *Clarification on how insurers use credit*
- *The availability of insurance scores to the public*
- *Consumer education*

Panelists' most recent remarks can be obtained through www.nitf.nw.org.

IV. Partnership to Enhance Insurance Scores

Because of NITF's experience with the insurance scoring issue, its most important recommendation is for the insurance industry and community development organizations to jointly provide consumers with effective education to understand and manage personal finance matters. To achieve this goal, the insurance industry has and continues to develop and disseminate educational materials on understanding credit. However, in communicating with NITF's target audience-- low-income residents-- the materials developed by the insurance industry can be designed to be more effective. To effectively reach community organizations and their customers, NITF suggests that the insurance industry:

1. ***Collaborate with local community development organizations during the initial development of the educational materials.*** For the most part, community organizations are the most trusted source of information and resources in the communities they serve. These organizations know the needs and the best communication methods to reach their target communities.
2. ***Reach out to communities beyond educational pamphlets and fact sheets.*** Many community development organizations have various community education programs that provide an excellent opportunity for collaboration with the insurance industry to integrate risk mitigation, home safety, and financial management.

A. NeighborWorks® Financial Fitness Pilot Program

There are many individual efforts to help consumers gain a better understanding of financial management, but very few partnerships with community development corporations. One partnership that is making a difference is the NeighborWorks® Financial Fitness Training Program. MetLife (www.metlife.com) and SAFECO (www.safeco.com) were the first insurers to partner with Neighborhood Reinvestment Corporation (www.nw.org) to support a financial management program that is designed to:

1. Help participants improve their skills in order to make prudent and informed decisions regarding the management of their finances and credit and debt issues.
2. Improve the financial skills of low-income people and single parent families whose unique financial concerns are not being addressed through mainstream information and assistance.
3. Develop new systems and increased capacity for participants to save toward the realization of financial goals and future financial security.

The NeighborWorks® Financial Fitness program is a perfect example of how the insurance industry and community development corporations can collaborate to carryout win-win strategies that result in:

- Consumers who make good financial decisions by having long-term financial goals.
- Consumers who develop new skills to manage their finances wisely.
- Consumers who understand the financial system and can navigate successfully through it, maximizing their income, savings and assets.
- Successful wealth-building for consumers who had no previous assets.

Neighborhood Reinvestment Corporation (www.nw.org) is now in the process of collaborating with national partners to develop this financial literacy training program geared primarily to lower-income and minority households.

The approach will include the following steps:

1. Conduct a survey and evaluation of existing financial literacy curricula.
2. Identify and attract partners to participate in the program.
3. Develop recommended standards for the delivery of the program.
4. Endorse a standardized, co-branded curriculum.
5. Develop and deliver a “training for trainers” program.
6. Develop and monitor evaluation measures for program delivery.

The target population is low-income and minority and female-headed households. It is anticipated that the curriculum could be delivered as a pre- or post-homeownership education program.

National Partners of the Financial Fitness Program

To date, the following national partners are participating in the program:

- Providian Financial (www.providian.com)
- Federal Deposit Insurance Corporation (FDIC) (www.fdic.gov)
- FleetBoston Financial (www.fleet.com)
- Morgan Stanley Foundation (www.morganstanley.com)
- Metropolitan Life Foundation (www.metlife.com)
- SAFECO (www.safeco.com)
- Visa USA (www.usa.visa.com)

Proposed Deliverables of Financial Fitness Program

- Recommended standards for basic financial literacy training to adults;
- Co-branded curriculum for basic financial literacy training;
- Multimedia training materials to support the curriculum;
- A “training for trainers” program delivered five times a year (graduate approx. 175 trainers per year);
- Minimum of 100 graduates from each participating organization per year;
- Evaluation measures for short-term and long-term success of program.

Summary of Program Results to Date: January 1, 2001 – March 31, 2002

- Six national partners have provided support to the program;
- A total of \$1.6 million has been raised from these national partners; Neighborhood Reinvestment is also providing \$1.8 million in operating support;
- A draft of recommended standards for basic financial literacy training have been finalized;
- 39 nonprofit organizations have been selected to implement the program on a pilot basis;
- An extensive search identified several curricula that are being endorsed for use in classes until a co-branded curriculum is developed;
- A “training for trainers” curriculum has been developed which included a training manual and PowerPoint presentation;
- A three-day “training for trainers” program was delivered seven times in 2001 and 2002. A total of 245 trainers completed the program thus far;
- Marketing and outreach materials for the program have been developed and shared with participating groups;
- Abt Associates, a nationally recognized research firm, will develop evaluation instruments to measure the short-term and long-term success of the program.

Summary Report from 24 Participating Organizations Covering Period January 1, 2001 – March 31, 2002:

- 4,385 enrollees in Financial Fitness Program;
- 2,491 graduates of program;
- Average of 10 contact hours per participant (total of 27,400 contact hours);
- Average income of participants is \$22,927;
- Average age of participants is 35;
- 93% of program participants are renters;
- 67% of participants are female;
- 39% of participants are below 50% of median income households;
- 36% of participants are African-Americans;
- 21% of participants are Latino or Hispanic; and
- 17% of participants are active in an Individual Development Account program.

Recommended Standards for Financial Fitness Education Program

The practices recommended below are based on Neighborhood Reinvestment Corporation’s Financial Fitness Program. They are intended to establish a national standard for financial fitness education provided by community development corporations, which helps to develop the financial management and planning skills needed to make wise consumer decisions and take control over their finances.

All consumers receive a minimum of ten hours of group financial fitness education with individual counseling sessions.

- The trainers are certified by Neighborhood Reinvestment after completing the three-day “Financial Fitness: Teaching Financial Management Skills” class at the Neighborhood Reinvestment Training Institute.
- The following core content is covered in the financial fitness education program:
 - Basic Financial Planning and Money Management
 - Saving and Investing
 - Banks and Other Financial Institutions
 - Credit
 - Taxes
 - Insurance
- The curriculum used is one of the following (or an approved alternative) such as:
 - *Money Smart* (by the FDIC)
 - *The ABC’s of Personal Finance* (by NHS of New York City)
 - *All My Money* (by University of Illinois at Urbana-Champaign CES)
 - *Credit Smart* (by Freddie Mac)
- The training is provided face-to-face using interactive training techniques
- The content, delivery and format of the financial fitness training is tailored to meet the needs of the participants
- A certificate of completion is provided to customers who successfully complete the training
- Customer satisfaction surveys are used regularly to evaluate the effectiveness of the training
- A code of ethics is developed for all volunteer trainers

Recommended Curriculum for Financial Fitness Education

Orientation Session: 1+ hour

Objectives: To enhance interest in financial fitness education and to triage customers that can be assisted and move them into the group training sessions.

Outcomes: Participants that can be assisted are enrolled in the financial fitness education program

Key Points:

- Importance of financial fitness
- Steps in financial planning
- Overview of organization's goods and services
- Self-assessment of financial knowledge and tools
- Next steps

Group Training: 10+ hours

Topic 1: Basic Financial Planning and Money Management

Objectives: To teach consumers how to make wise financial decisions based on their income and expenses.

Outcome: Savvy consumers, who know how to create sound financial plans, achieve financial goals and recognize and avoid common consumer pitfalls

Key Points:

- Importance of financial planning and money management
- How to set and achieve financial goals
- Financial health: assets, liabilities and net worth
- Overview of money and marketplace
- Determining wants versus needs and how to make spending choices wisely
- Consumer pitfalls and what to do if you get in trouble
- How to make a spending plan to meet goals successfully
- How to manage income and spending
- How to track expenses, handle receipts and develop a record-keeping system

Topic 2: Saving and Investing

Objective: To teach consumers how to set up a savings plan and learn the benefits of investing

Outcome: Consumers who can save and invest successfully for financial goals

Key Points:

- Importance of saving and investing
- Resources to aid saving
- How to make savings a habit
- Strategies for reducing spending and increasing income
- Savings' tools

- Savings' challenges
- Difference between saving and investing
- Basic investment strategies and terms
- Retirement planning and Social Security

Topic 3: Banks and Other Financial Institutions

Objective: To teach consumers how to shop for a bank and financial products

Outcome: Consumers who use affordable bank services and products effectively

Key Points:

- Bank products and services
- Types of financial institutions
- Fringe banking services: check-cashing, payday loans, pawn shops and predatory lenders
- Overview of checking accounts
- How to read bank statements
- How to balance a checkbook
- Basics of lending
- Electronic services

Topic 4: Credit

Objective: To teach consumers about the wise use of credit

Outcome: Consumers who use credit effectively and efficiently

Key Points:

- What is credit
- Pros and cons of credit
- Importance of good credit
- How to obtain a credit report
- Credit report errors and corrections
- Credit report problems
- Establishing credit
- Solving credit problems
- Debt accumulation and how to reduce it
- Bankruptcy
- Overview of credit cards
- How to select a credit card
- How interest works
- How to protect credit

Topic 5: Taxes and Insurance

Objective: To inform consumers about how taxes affect financial plans and how insurance protects them against potential losses

Outcome: Consumers who maximize their tax benefits and maintain appropriate and adequate insurance coverage

Key Points:

- Where federal, income, state and local taxes go and how they are used
- How to prepare tax forms
- Earned Income Tax Credits
- Childcare credits
- Self-employment taxes
- Home-ownership benefits
- Education tax benefits
- Other taxes
- How to protect assets against loss
- Health insurance
- Renter's or homeowner's insurance
- Car insurance
- Life insurance
- How to avoid insurance fraud

Individual Session: 2+ hours

Objective: To set up a personal action plan to overcome any financial challenges

Outcome: Consumers with improved financial plans and records

Key Points:

- How to set up an individual financial plan
- How to determine, implement and evaluate spending needs
- Verified household income and asset holdings
- Potential to save and/or reduce debt
- Anticipated goals
- Potential challenges
- Credit report review
- Tracked expenses review

List of the Official Financial Fitness Program Sites:

** denotes that the organization is a member of NITF*

Arizona

Phoenix: *Neighborhood Housing Services of Phoenix*

California

Inglewood: *Inglewood Neighborhood Housing Services **

Oakland: *Unity Council*

Sacramento: *Sacramento Mutual Housing Association*

Colorado

Denver: *Rocky Mountain Mutual Housing Association*

Connecticut

New Britain: *Neighborhood Housing Services of New Britain*

Florida

Gainesville: *Neighborhood Housing and Development Corporation of Gainesville*

St. Petersburg: *St. Petersburg Neighborhood Housing Services*

Georgia

Atlanta: *Gwinnett Housing Resource Partnership **

Idaho

Pocatello: *Pocatello Neighborhood Housing Services*

Illinois

Chicago: *Neighborhood Housing Services of Chicago **

Indiana

Goshen: *La Casa of Goshen*

Lafayette: *Lafayette Neighborhood Housing Services*

Kansas

Kansas City: *El Centro*

Louisiana

New Orleans: *Neighborhood Housing Services of New Orleans*

Maryland

Salisbury: *Neighborhood Housing Services of Salisbury*

Massachusetts

East Boston: *Neighborhoods of Affordable Housing*

Quincy: *Neighborhood Housing Services of South Shore*

Springfield: *Springfield Neighborhood Housing Services*

Missouri

St. Louis: *Neighborhood Housing Services of St. Louis **

New Hampshire

Manchester: *Manchester Neighborhood Housing Services*

New Mexico

Santa Fe: *Neighborhood Housing Services of Santa Fe*

New York

Ithaca: *Ithaca Neighborhood Housing Services*

Long Island: *Community Development Corporation of Long Island **

New York City: *Neighborhood Housing Services of NYC **

Rochester: *Rural Opportunities*

Ohio

Toledo: *Neighborhood Housing Services of Toledo*

Oklahoma

Tulsa: *Community Action Project of Tulsa*

Oregon

Corvallis: *Corvallis Neighborhood Housing Services*

Portland: *Portland Housing Center*

Pennsylvania

Allentown: *Allentown Neighborhood Housing Services*

Rhode Island

Providence: *Greater Elmwood Neighborhood Services*

Providence: *West Elmwood Housing Development Corporation*

Woonsocket: *Woonsocket Neighborhood Development Corporation*

Tennessee

Oak Ridge: *Housing Development Corporation of the Clinch Valley **

Texas

Austin: *Central Texas Mutual Housing Association*

Utah

Salt Lake City: *Salt Lake City Neighborhood Housing Services*

To obtain the full contact information for any of the organizations above visit:

The Network Directory section of www.nw.org.

*For additional information on the NeighborWorks® Financial Fitness Program contact Doug Dylla,
Neighborhood Reinvestment Corporation, 108 North Cayuga Street, Second Floor, Ithaca, NY 14850-4346,
Telephone: (607) 273-8374 x21, E-mail: ddylla@nw.org.*

V. Resources

A. Credit Agencies

- Consumer Data Industry Association (www.cdiaonline.org) - Provides consumer information on maintaining and restoring credit; also has guide for employers when using credit and specific information for those going through a divorce. In addition, there is a detailed section on laws and regulations concerning credit. - 1090 Vermont Avenue, NW, Washington, DC, 20005-4905, Telephone: 202-408-8011
- ChoicePoint (www.choicepoint.net) - Provides information regarding how to read your credit report, view personal insurance records and offers background information. - 1000 Alderman Drive, Alpharetta, GA, Telephone: 877-317-5000
- Equifax (www.equifax.com) – Provides consumers with access to their personal credit information, including their credit report and FICO score. They also help with identity of theft. For a copy of your credit report, call 1-800-658-1111. To dispute information in your report, please contact them in writing. – P.O. Box 740241, Atlanta, GA 30374
- Experian (www.experian.com) - Under the Fair Credit Reporting Act, you may be entitled to receive a free copy of your personal credit report if you have been declined credit, employment or housing in the last 60 days, or if adverse action has been taken against you in the last 60 days, based on information from Experian. To confirm your eligibility and to request your free copy delivered by U.S. mail, call 1-866 200 6020 (Note: 866 is a toll-free number). Experian's Consumer Assistance Center is located at: National Consumer Assistance Center, P.O. Box 2002, Allen, TX 75013
- Fair, Isaac (www.fairisaac.com) - Consumers can access their web site for a full list of locations. Information on the many uses of credit scores and access to myfico.com where consumers can get a copy of their credit score, how to improve a credit score and simulated computer model which shows how various financial decisions affect one's credit score. – Telephone: 800-999-2955
- TransUnion (www.tuc.com) – You may request a free copy of your TransUnion Personal Credit Report & Score, by phone, if you were denied, or were otherwise notified of an adverse action related to credit, employment, insurance or a government license or other government granted benefit within the last 60 days and a TransUnion credit report was used in the decision process by calling 1-800-888-4213. You may request a copy of your TransUnion Personal Credit Report and Score by writing to: TransUnion LLC, Consumer Disclosure Center, P.O. Box 1000, Chester, PA 19022.

B. Insurance Regulators

- *Credit Scoring FAQ* – Facts and frequently asked questions on the insurance industry’s use of insurance scores – by the Missouri Department of Insurance (available online at www.insurance.state.mo.us)
- *Credit Scoring: What Florida Consumers Should Know About Credit Reports, Credit Scores, and Insurance Scores* - by the State of Florida Department of Insurance (available online at www.doi.state.fl.us).
- *Fact Sheet: Credit Scoring* – Facts about insurance scoring and insurance companies in the state of Washington – by the Washington State Office of the Insurance Commissioner (available online at www.insurance.wa.gov).
- *Illinois Insurance Facts: Understanding How Insurers Use Credit Information (February 2002)* – by the State of Illinois Department of Insurance (available online at www.state.il.us/ins).
- *Maryland Insurance Department’s Use of Credit History by Insurers (2002)* – by Steve B. Larsen; contact the Maryland Insurance Administration, 525 Saint Paul Place, Baltimore, MD 21202; telephone 1-800-492-6116
- *Task Force On The Use Of Credit Reports In Underwriting Automobile And Homeowners Insurance (01-23-02)* – by the Florida Department of Insurance (copies available through NITF at www.nitf.nw.org)
- *The Savvy Consumer’s Guide to Insurance Scoring (April 2002)* – by the South Carolina Department of Consumer Affairs (available online at www.myscgov.com or through NITF at www.nitf.nw.org).
- *The Use Of Credit Related Information In The Underwriting Of Homeowners And Automobile Insurance In The State Of Arkansas (1996)* – contact the Arkansas Insurance Department, 1200 West Third Street, Little Rock, AR 72201; telephone 1-800-282-9134; web site www.state.ar.us/insurance.
- *The Use of Credit Information in The Underwriting Process for Auto and Homeowner’s Insurance* – by the State of Wisconsin / Office of the Commissioner of Insurance (available online at <http://oci.wi.gov> or through NITF at www.nitf.nw.org).
- *Virginia Bureau of Insurance Report on the Use of Credit Reports in Underwriting (December 1999)* – Report by state regulator verifying the validity of insurance scores as a loss predictor – by the Virginia Bureau of Insurance – copies available through NITF at www.nitf.org.
- For access to Insurance Regulator information by state, visit the National Association of Insurance Commissioners’ (NAIC) web site at <http://www.naic.org/1regulator/>.

- *What You Need To Know About Credit Scoring* – by the Minnesota Department of Commerce (available online at www.commerce.state.mn.us).

C. *Insurance Associations*

- *Credit-based Insurance Scores: Tools for Insurance Agents* – CD-ROM for agents that includes resources for consumers, audio-visual presentation on insurance scoring, web links and more – by the American Insurance Association (AIA) (copies can be obtained from AIA by calling 202-828-7100).
- *Credit Scoring and Insurance (2000)* – A report on an insurance industry agents association’s research project on the use of insurance scoring in personal lines – by the National Association of Professional Insurance Agents (copies available through NITF at www.nitf.nw.org).
- *Giving Credit Where Credit is Due (December 2001)* – Article that provides the insurance industry’s perspective on insurance scoring and its value as an underwriting and rating tool – by Alliance of American Insurers (copies available through NITF at www.nitf.nw.org).
- I.I.I. Issue Paper on Insurance Scoring & Information for College Students, Offering Tips to Become Credit-Savvy - by the Insurance Information Institute (available online at www.iii.org). A special section for insurance scoring, containing video, will be available starting September 1, 2002
- *Insurance Industry Trade Associations Joint Letter to the NAIC (04/09/02)* – A joint letter from Alliance of American Insurers, American Insurance Association, National Association of Independent Insurers, and the National Association of Mutual Insurance Companies. This letter addresses the important issue of insurance scoring to NAIC’s Market Conduct and Consumer Affairs Subcommittee Working Group (copies available at www.aiadc.org or through NITF at www.nitf.org).
- *NAII Backgrounder and Talking Points* – Provides you a brief history of the issue, the rationale behind NAII’s policy position, and eleven key points on the use and benefits of insurance scoring - (copies available through NITF at www.nitf.nw.org).
- “*What’s Credit Got To Do With It?*” – Consumer brochure on the use of insurance scoring. – by National Association of Independent Insurers (copies available through NITF at www.nitf.nw.org)
- “*What Every Agent Needs To Know About Insurance Scores*” – Brochure targeted to address questions and concerns about the use of insurance scores by companies. - by American Insurance Association, Alliance of American Insurers, and National Association of Independent Insurers (copies available through NITF at www.nitf.nw.org)
- “*What You Need to Know About Credit-Based Insurance Scores*” – Consumer brochure on the use of insurance scoring. (Copies available through the American Insurance Association)

at www.aiadc.org or NITF at www.nitf.nw.org, or hard copies are available by calling AIA at 202-828-7100).

D. Government, Consumer and Other Organizations

- *Insurance Bureau Scores vs. Loss Ratio Relativities (December 1998)* – Report verifying the statistically high relationship between insurance scores and probability of loss – by Tillinghast-Towers Perin (copies via online publications request form at www.towers.com/towers).
- *Fair Credit Reporting (March 1999)* – Credit reporting facts for consumers - by the Federal Trade Commission (copies available at www.ftc.gov or through NITF at www.nitf.nw.org).
- *The Impact of Personal Credit History on Loss Performance in Personal Lines* – by James E. Monaghan (copies available through NITF at www.nitf.nw.org).

National Insurance Task Force National Partner Affiliation Roster

Insurance Companies

Allstate Insurance Company
American Family Insurance
American National Property & Casualty Companies
American Skyline Insurance Company
Farmers Insurance Group
Liberty Mutual Group
Mazonson Inc.
MetLife Auto & Home
Nationwide Insurance
New Jersey Manufactures Insurance Group
Prudential Property and Casualty Insurance Company
SAFECO
State Farm Insurance Companies
Travelers Insurance
USAA

Trade Associations

American Insurance Association
Georgia Association of Insurance Professionals
Independent Insurance Agents of America
Institute for Business and Home Safety
Insurance Brokers & Agents of the West
Insurance Information Institute
National African-American Insurance Association
National Association of Independent Insurers
National Association of Mutual Insurance Companies

Regulatory Agencies

District of Columbia Department of Insurance and Securities Regulation
Illinois Department of Insurance
Indiana Department of Insurance
New York State Insurance Department
National Association of Insurance Commissioners
Ohio Department of Insurance
Oregon Department of Consumer and Business Services

Educational Institutions

Roosevelt University

Community Development Organizations

Codman Square Neighborhood Development Corporation (Dorchester, MA)
Community Development Corporation of Long Island (Centereach, NY)
Detroit Neighborhood Housing Services (Detroit, MI)
Gwinnett Housing Resource Partnership (Norcross, GA)
Housing Development Corporation of Clinch Valley (Oak Ridge, TN)
Housing For All (Denver, CO)
Jacksonville Housing Partnership (Jacksonville, FL)
Inglewood Neighborhood Housing Services (Inglewood, CA)
Los Angeles Neighborhood Housing Services (Los Angeles, CA)
Neighborhood Housing Services of Chicago (Chicago, IL)
Neighborhood Housing Services of Milwaukee (Milwaukee, WI)
Neighborhood Housing Services of New York City (New York, NY)
Neighborhood Housing Services of Richmond (Richmond, VA)
Neighborhood Housing Services of St. Louis (St. Louis, MO)
Neighborhood Partnership of Montclair (Montclair, CA)
Neighborhood Reinvestment Corporation
Philadelphia Neighborhood Housing Services (Philadelphia, PA)
Rainbow Community Organization, Inc. d/b/a Project Renew (Ft. Wayne, IN)
Sacramento Neighborhood Housing Services (Sacramento, CA)
Utica Neighborhood Housing Services, (Utica, NY)

For additional information on the NITF visit:

www.nitf.nw.org

or contact:

*National Insurance Task Force
600 W Peachtree St, NW, Suite 1950
Atlanta, GA 30308
Telephone: (404) 347-0883
Fax: (404) 347-0883
E-mail: nitf@nw.org*

For additional information on the Insurance Information Institute visit:

www.iii.org

or contact:

*Insurance Information Institute
110 William Street
New York, NY 10038
Telephone: 1-800-942-4242*