Success Stories

NCTC:

A national network dedicated to strengthening economies, building communities, and improving lives offers high-quality prepaid card at tax time.
Background & Identifying an Opportunity
The National Community Tax Coalition is a national network dedicated to strengthening economies, building communities, and improving lives through tax assistance and asset building. The goal is to increase financial security, protect families, and promote economic justice. NCTC represents over 2,100 members that provide free tax preparation through the nationwide Volunteer Income Tax Assistance (community VITA) to an estimated 1.5 million low- and moderate-income workers. NCTC provides information on best practices, training materials, resources, advocacy tools, and networking opportunities.

NCTC illustrates how nonprofits can incorporate financial product distribution into existing service delivery to provide more holistic solutions for underserved communities. Tax season is a timely and relevant moment to engage consumers around new products that can help them manage their financial lives. NCTC is exploring ways to help members serve clients year-round, and distributing a reloadable prepaid product is a natural starting point.

Prepaid Card at Tax Time Addresses a Consumer Need
Prepaid cards represent a compelling opportunity for nonprofit organizations that provide free help for low-income tax filers, and many NCTC members have distributed prepaid cards at tax time. Direct deposit of tax refunds onto a prepaid card means earlier refunds. In addition, it enables unbanked or underbanked taxpayers to avoid check-cashing fees for the deposit, and it is something they can then use year-round. The prepaid card also is safer than carrying cash and can help the cardholder stay on budget.

Greater Than the Sum of Its Parts
NCTC has long encouraged members to incorporate high-quality financial products into their service offering. Many members that attempted to work with prepaid providers directly, however, were overwhelmed by the negotiation process. Many local members lacked the scale or capacity that providers sought. Recognizing the consumer need as well as a leadership opportunity, NCTC explored partnering directly with a prepaid card company for the 2012 tax season. NCTC could leverage its role as an umbrella organization to achieve greater scale than individual members and potentially negotiate better partnership terms for members, consumers, and the prepaid provider.
Definition of Success, Robust Evaluation and Next Steps

Ultimately, NCTC wants all members to have the option of distributing a prepaid card centralized by NCTC. NCTC embarked on this pilot to test whether a high-quality prepaid card with features designed to encourage responsible financial management, coupled with a reasonable and transparent fee structure, will meet the needs of their clients. The goal of the pilot was to improve the operations process to deliver the card and learn about the usage of prepaid cards. Towards this end, NCTC has been evaluating enrollment rates, card usage, and other metrics. An evaluation process is currently underway and will inform scale-up efforts. This case study will be updated once findings are available.

Creating A Strong Partnership

Establishing an Implementation Partnership

Because NCTC does not provide direct services, it needed a direct services partner to implement the pilot at VITA sites. The partner was the Center for Economic Progress, a Chicago-based nonprofit and member, which has the capacity to prepare tax returns at scale. In 2012, CEP trained more than 807 volunteers to complete 17,108 tax returns in Chicago and throughout Illinois. CEP hired a project manager to help roll out card distribution at its 12 tax sites and 6 mobile tax sites. Two sites had a paid financial assistant responsible for card education and enrollment. All other sites relied on volunteer tax preparers.

NCTC, CEP, and NetSpend collaborated to develop a one-hour online training program and a “tip sheet” for card enrollment that was available at all tax sites. Midway through the tax season, CEP designed and distributed a guide on effective use of the card, answering common questions from the tax sites.
Here’s how enrollment worked:

- Clients were informed about the card offering during intake, tax preparation, or check-out.
- All sites had internet connectivity to access the NetSpend online card information system to enroll consumers and attach their cards to their accounts.
- Each site had a stock of instant-issued prepaid NetSpend cards to give consumers who enrolled.
- Enrollees received a printed receipt that included a direct deposit form (filled out with their name, bank routing number, and account number).
- Consumers could then complete the direct deposit form and submit it to their employers.
Selecting the Right Financial Partner
NCTC was diligent about selecting a prepaid provider for an exclusive partnership, drawing on its 2011 Prepaid Card Matrix, designed to help members choose the right product and partner. NetSpend emerged as the provider that best met NCTC’s criteria—one that offered a high-quality prepaid card and was truly committed to this effort.

NCTC sought out a partner that could provide the following:
- FDIC-insured low-fee product with strong consumer protections
- Low-fee account (i.e., no fee to open the account, and a zero to low monthly fee)
- Robust card functionality, including but not limited to:
  - Ability to accept payroll and cash deposits
  - Linked savings account
  - Person-to-person transfers
  - Online bill pay
  - Text/email alerts
- Direct deposit capability at tax site
- Streamlined card activation process available through phone and web
- Simple identity verification process, especially for clients with foreign identification
- Free customer service
- Actual card provided to client at time of enrollment, with option to receive a personalized permanent card by mail when requested
- Online money management platform for budgeting and tracking spending
- Robust data sharing ability
- Revenue-sharing incentives

Exclusive Partnerships Can Be Best Early On
At one point, NCTC considered piloting more than one card during the pilot to test consumer preferences to different product features and brands. They had conversations with several other vendors, but ultimately decided to stick with one product because of the difficulty of managing multiple partnerships in the pilot phase. They did not want to run the risk of confusing clients with multiple card offerings and complicating the process for volunteers and staff.

Data Sharing Is a Powerful Tool
As part of the partnership, NCTC had access to data reports from NetSpend on the number of cards issued, amount of funds deposited on the card, card usage and activity, among other things. This data has been instrumental in assessing the demand for the product and learning about how clients use the product. NCTC reviewed data reports on a weekly basis, at least, to monitor the progress of the pilot and help them make any mid-course corrections. They are continuing to analyze the data after the pilot to determine if and how clients use the card over the long-term. This could provide important insights for them on how to effectively educate clients about the card to help them avoid fees. Without this data sharing capability, NCTC would have no way of knowing how consumers were using the product and what they could do to better educate them on product usage.
Partnership Lessons Learned

Lesson 1: Contract negotiations can take a long time.
The downside of a diligent vetting approach is that it can delay the process and eat into implementation time. NCTC had selected NetSpend as a partner in a timely manner, but finalizing the contract took more time than expected. NCTC learned that it is important to budget more time for the back-and-forth of legal documents. For instance, a prepaid vendor’s legal department usually needs four to six weeks to turn around a contract, including details around security compliance, insurance, and encryption measures. The delay shortened the time available for volunteer training on the NetSpend product.

Lesson 2: Nonprofits and for-profits don’t speak the same language.
Another lesson concerned mutual expectations between a commercial entity and a nonprofit. NetSpend had no experience partnering with nonprofits and thought NCTC would operate according to the same guidelines as a commercial entity. To clear some of NetSpend’s security requirements, for example, NCTC asked NetSpend to accept the security measures put in place by the IRS for VITA programs. In addition, NetSpend intended to require background checks of all staff and volunteers who would issue the cards. But this would have been cumbersome to impose on volunteers, so NCTC asked the vendor to accept NCTC’s Volunteer Standards of Conduct form.
Establishing Roles and Responsibilities

NCTC worked with two partners—CEP and NetSpend—to assign roles and responsibilities in a way that made the best use of each entity’s core competencies. The following chart spells out the key roles and activities needed to execute the pilot, the responsible party, and the key lessons learned.

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<th>Role/Activity</th>
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<th>Tips and Lessons Learned</th>
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<tr>
<td>Distribute marketing materials</td>
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<td>• Distribute marketing brochure at intake so clients can review while waiting for tax preparation; or develop other creative ways of engaging clients during waiting periods.</td>
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| Enroll clients during tax preparation process | NetSpend x        | • Ensure there are bilingual volunteers or prepaid staff, especially if you are serving a bilingual community.  
• Provide ongoing support and motivation to volunteers and site staff.  
• Consider some incentive for staff or the site that demonstrates the best engagement with the prepaid effort. |
| Process client application        | CEP x             | • Provide for activation at the time of enrollment so the client can choose the proper plan (NetSpend offers three plans). |
| Conduct on-site troubleshooting   | NCTC x            | • Have an established protocol on how problems are recorded, escalated to higher vendor importance level, resolved and followed up on in a timely manner. |
| Evaluate the pilot                | NetSpend x        | • Conduct more site visits with the vendor early in the tax season, especially in the high-traffic months (January–February).  
• Conduct on-site research throughout tax season, but especially high-traffic times.  
• Follow up with client experience after tax season through financial coaching session, focus groups, and/or surveys. |
The story in numbers*

- **289** cards opened during the pilot (3 from staff)
- **225** cards have been active for 60 days
- **$253,958.49** in total deposits
- **$717** average amount loaded onto cards
- **10** out of 12 tax sites offered the card
- **167** volunteers received all or partial training on the NetSpend card

*As of May 2012. This section will be updated after NCTC completes evaluation of the pilot.

Timeline of Major Milestones
Top Ten Tips: Advice for Nonprofits Considering Prepaid

NCTC learned a tremendous amount from this pilot and will again offer prepaid cards during the next tax season. NCTC proposes the following tips for nonprofits considering offering a prepaid card:

1. A prepaid card isn’t a one-size-fits-all solution. Some clients are better suited to own a prepaid card than others. Preliminary results suggest that clients who have previous knowledge of prepaid cards, are familiar with technology, and/or have regular access to the internet, a computer, or a mobile phone are more likely to use and continue using the card.

2. Budget plenty of time to negotiate and sign the contract (four to six weeks).

3. Demystify communication between the commercial and nonprofit worlds. Anticipate language and communication concerns between the vendor (commercial) and program (nonprofit) that will have to be sorted out.

4. Strive for total transparency with your vendor. Discuss any fees, features, or processes that you are not comfortable with or are unclear about. Do not be shy about asking questions!

5. Do not assume or presume anything about default settings, features, or other services offered by the vendor. It is up to you and your organization to do your diligence by thoroughly testing the card and anticipating unforeseen circumstances.

6. It is important to have a prepaid card that has at least one surcharge-free ATM network to save costs for consumers. This feature alone will increase the level of buy-in from the field.

7. Develop and offer training for site staff and volunteers early and ensure maximum participation. Incorporate training into standard tax site training. Make sure that training materials on the product are readily available at the sites and easily accessible. Make sure volunteers know that this training is a priority for tax preparation. Encourage volunteers and staff to use the card themselves.

8. Confirm that all parties involved understand the process and their role. Everyone needs to be clear about the processes, procedures, timeline, schedules, potential cost, shared expenses, roles, and responsibilities of people, vendors, and organizations involved. Consider creating an internal working document that summarizes key decisions and contains all information from site locations, contact information for all staff involved, timeline, meeting dates, or other details about the project.

9. Have one prepaid champion at each site. NCTC encouraged key people to become experts, rather than several people having superficial knowledge. This helps expedite decisions and troubleshooting.

10. Provide marketing materials that clearly and thoroughly delineate the features and fees associated with card usage. Include examples of how the card can benefit the consumer.
About the Financial Capability Institute

The Financial Capability Institute (FCI) website is an online resource from the Center for Financial Services Innovation (CFSI), developed to empower nonprofits to improve the financial lives of their clients with high-quality financial products. This is a one-stop online resource to help nonprofits successfully integrate a high-quality financial product into their service offering.

FCI offers interactive tools to help nonprofits:

1. Learn More

Learn about the financial capability approach, why it matters, and how to apply it in their organizations to improve the financial lives of clients.

2. Self-Assess

Determine whether they are well-suited to distribute financial products through a self-assessment tool that can be taken multiple times and shared with others in the organization.

3. Use Our Tools

Take the right next steps using the customized results of the self-assessment as a road map. The results of the self-assessment will guide users through exploration of the right tools and resources.

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