

# Three Ways Financial Institutions Can Approach Financial Relief Efforts

By Marisa Walster, Senior Director

As the fallout from COVID-19 impacts jobs, health, and nearly every aspect of life, many financial institutions are stepping up to provide financial relief for their customers and employees. Examples include payment deferrals, unemployment and small business loans, paused fees, special employee bonuses, offering remote work options, and alternative work schedules. These are critical tools in helping the most vulnerable stay healthy and safe. For many, this translates into keeping food on the table and maintaining access to life-saving medicines.

## The Balancing Act of Providing Relief

In the face of this crisis, offering financial relief programs can be a more complicated decision for the financial institutions that offer them, despite clearly benefiting the people they support. By nature, many of these programs are an added expense for these institutions as they face mounting profit challenges. But now, more than ever, people need their financial institution's support.

In early days of a crisis, the decision to offer relief may be more straightforward. In the weeks before layoffs, furloughs, and work shutdowns, the need for relief was lower and there was still optimism for the market, making the benefits of maintaining customer and employee satisfaction outweigh the costs. But as the crisis deepened for both people and companies and organizations face greater financial pressures, financial institutions may find difficult decisions ahead. With so many people in need, financial institutions must find a balance between supporting their customers and employees and maintaining their long-term viability. We need our financial institutions now, but will also need them months and years from now as we rebuild our financial stability.

## A Financial Health Approach to Sustainable Relief Efforts

Making financial health a key focus in relief efforts will be critical for sustainability over time. Below, we outline three principles to guide financial institutions as they face difficult decisions on how much relief to provide and how to do it. These principles will assist in

making financial relief programs more efficient, effective, and ultimately more sustainable over the course of this crisis, however long it endures.

## 1. Take a long-term view on financial return and customer loyalty

Financial health comes about when an individual's daily financial systems help them build resilience and pursue opportunities over time. Our financial health is critical now, in the midst of a crisis. But it is also a long-term asset, developed and used over our lifetime, helping us achieve goals like earning a degree and buying a house. Financial institutions must remember that their customers, while they may be struggling today, can be customers over their lifetimes, through both highs and lows.

Considering the lifetime value a long-term customer provides can be a helpful guide. **We have seen evidence, in forthcoming research, that customers who believe their financial institution cares about their financial health are three times more likely to recommend it to friends and family and five times more likely to buy additional products and services.** Extending credit terms, deferring loans, and giving bonuses will provide a return on investment in the long run. Financial institutions may need to be patient, but now is the time for them to invest in the financial health of both customers and employees, knowing that they will be rewarded as we emerge from this financial crisis.

## 2. Use financial health data to target efforts at those who need it most

Financial relief program communications can greatly help customers and employees understand their options and how to use their financial institution for support. It's imperative, especially now, for these communications to be efficient, cost effective, and undertaken with the right tone. This should not mean waiting for customers to reach out for help, however. Now is the time for financial institutions to make meaningful contributions to their customers. That means proactively reaching out with assistance to those that need it most.

Previous methods of assessing customers, demographics, zip codes, and assets will be substantially challenged in the midst of this crisis. Yet, financial health measures can be a valuable input to a proactive communication strategy. Numerous Financial Health Network Members have used the [FinHealth Score™ Toolkit](#) to better understand the state of their customers' and employees' financial health prior to this crisis. This data highlights where they struggle across spending, saving, borrowing, and planning, providing insight into who is at greater risk and what type of support they may need.

For financial institutions that have not yet measured financial health, it is not too late. Deploying the eight question survey to customers and employees can offer immediate value. Financial institutions can also look at transactional data for guidance. Trends or unusual behavior in balances held, credits and debits, and bill payments can be used to trigger outreach and relief efforts. Our report on [Advances in Financial Health Measurement](#) (Member exclusive) contains ideas for transactional measures that institutions can use. The Financial Health Network is also developing an observed financial health score based on transactional data that will be available in 2021.

### 3. Provide holistic financial health support, but play to your strengths

The [2019 U.S. Financial Health Pulse](#) found that 71% of Americans were already struggling with at least one aspect of their financial health, including spending, saving, borrowing, and planning. A crisis like COVID-19 can have a negative impact on all of these aspects of a person's financial life. Through a combination of products, partnerships, and good advice, financial institutions can support each of these parts of a person's financial life to provide impactful financial relief. These four components offer a framework for considering what products or services your customers may need:

#### → Spend

With millions of jobs lost, keeping up with bills will be nearly impossible for many Americans. They will need relief from payments and fees, and support finding and managing income. Some financial institutions are already offering loan payment deferrals and extensions, as well as fee and interest waivers. Relief can go further by helping consumers manage upcoming bills, providing guidance on relief options for utility and other essential bills, or offering relief from these bills directly. Financial institutions should look to offer support for navigating government assistance programs, helping people understand what is available, how to access it, and how to make the most of it.

#### → Save

To help with bills and living expenses, many will need to tap their savings. To help make this easier, financial institutions should look to remove barriers to savings, such as eliminating penalties and fees for withdrawals. Financial institutions should also prepare to help consumers rebuild these savings as the economy hopefully improves. Providing guidance, incentives, and nudges will help consumers rebuild resilience more quickly.

#### → Borrow

Given that [47% of Americans](#) did not have enough savings to cover three months of living expenses, many will need access to credit and support managing existing

debt. Financial institutions should explore providing access to much-needed funds, such as options to increase credit lines and offering high-quality smaller dollar or alternative loans. Expanding hardship programs, like moratoriums on collections, repossessions, and credit reporting, will also go a long way to helping those in need regain stability.

→ **Plan**

Planning ahead financially is key to weathering a crisis like the one we find ourselves in today. Yet prior to this crisis, [41% of Americans](#) did not plan ahead financially. This not only highlights the vulnerability of Americans in this crisis, but also how we need support planning for our financial futures. Financial institutions should play an important role here beyond the standard investment and wealth management services. They must help people address their immediate hardship, create realistic budgets, build emergency savings, and identify appropriate insurance. These will be critical tools not only today, but also over the course of their lives.

Financial institutions do not need to develop guidance and services for every one of these components. They should assess their resources, provide them where they are best suited, and look to create partnerships for the rest. There are numerous organizations that have resources to assist consumers, from platforms that they can integrate directly to referrals that they can provide. For example:

- [Propel has partnered with GiveDirectly](#) to distribute \$1,000 donations to households.
- [SpringFour](#) is a business-to-business technology platform connecting consumers to local financial health resources, tools, and products, and can be integrated into customer service platforms.
- [TrustPlus](#) is a business-to-business financial health coaching platform designed for employees.

Even offering referrals to [innovative direct-to-consumer financial hardship services](#) can serve people immensely right now.

## Looking Forward

While this is a global crisis today, [only 29% of Americans were financially healthy in 2019](#). Providing financial relief is critical at the moment, but should also be considered critical for the long term and integrated into the way financial institutions think about their customers, employees, and communities in the months and years ahead.



As we continue to see people lose jobs, deplete what little savings they have, and encounter high healthcare bills, it will be paramount to find ways to help consumers. With more than 15 years of research and leadership on financial health, the Financial Health Network is supporting organizations as they work to help their customers, employees, and communities. Visit our [COVID-19 Resource Hub](#) for related research, solutions, and news; or email Marisa Walster to learn more about how a financial health-based approach can help your customers or employees at [mwalster@finhealthnetwork.org](mailto:mwalster@finhealthnetwork.org).