



The Bell Policy Center

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Creation of the Financial Empowerment Office (SB21-148)

Testimony to Senate Finance Committee

Andrea Kuwik, Policy Analyst • March 22, 2021

Good afternoon, and thank you for the opportunity to testify in support of [SB21-148](#). My name is Andrea Kuwik, and I'm a policy analyst with the Bell Policy Center. The Bell Policy Center provides policymakers, advocates, and the public with reliable resources to create a practical policy agenda that promotes economic mobility for every Coloradan.

An array of statewide data points to the financial precarity experienced by many Coloradans. For example, we know:

- Across the state, more than 1 in 5 households, and nearly half of households of color, are either [un or underbanked](#)
- Prior to COVID, approximately 26 percent of Coloradans had [debt in collections](#) – numbers which will likely grow, given our state has the [second highest rate of residents](#) in the country using debt to make basic ends meet
- Nearly [30 percent of Coloradans](#) live between poverty and the middle class, an economically perilous position where one crisis can have long-lasting, intergenerational financial implications
- It's likely these numbers have worsened in the past months, as we know nationally, [more than 60 percent](#) of Americans report living paycheck to paycheck during the pandemic

There are serious implications to these facts and figures. Inadequate access to banking services is a [noted barrier](#) to saving, building credit, and accessing traditional, low-cost financial products. Similarly, payment history, or the ability to pay bills on time, accounts for [over one-third](#) of a person's credit score – which, of course, is connected to the availability of low-cost credit options and the creation of generational wealth.

As a state, we've made progress over the past several years in strengthening our financial resiliency – most notably through the creation of stronger consumer protections, particularly for those who use high-cost loan products. This has been a focus of the Bell's for over a decade, culminating more recently in the 2018 passage of [Proposition 111](#), one of the most popular ballot measures in Colorado history, which capped interest rates on payday loans at 36 percent.

The bill you see in front of you today is an extension of these widely supported efforts to prevent Coloradans from spiraling into cycles of debt. We know that to support the financial health of Coloradans, we need mechanisms that not only protect – but also build – wealth. Proven financial empowerment tools – including one-on-one financial coaching, the expansion of safe and affordable banking and lending tools, and streamlined consumer protections – provide a means to do just this.

Importantly, we’ve already seen the benefits of this work here in Colorado. [Denver’s Office of Financial Empowerment](#), in place since 2015 and widely seen as a national model, has [been responsible](#) for reducing client debt by over \$6.2 million, raising client credit scores by an average of 49 points, and increasing savings by over \$2.5 million. In addition to these efforts, the office has also partnered with local banks and credit unions in order to [provide low-rate](#) credit building consumer and small business loans.

Denver’s success, along with their recognition of serving a growing number of residents from across the entire metro area, speaks to the need for statewide, coordinated financial empowerment efforts. We know financial empowerment tools are [effective and evidence based](#). With concerted attention from a statewide office best practices from across communities can be shared, emerging consumer protection trends and needs can be identified, and we can ensure coordination across state agencies and systems.

Across the state there are a multitude of meaningful examples where communities are engaged in the good work of offering financial empowerment tools and developing meaningful alternatives to high interest loans. As only one example, [WorkLife Partnership](#), a Denver nonprofit, upon seeing the devastating impacts of predatory lending on their clients, created an alternative loan product. To date, they’ve been able to offer 300 loans at 18 percent APR – far less than the 36 percent cap allowed on payday loans – and have experienced a lowly 1 percent default rate. A statewide office of financial empowerment can take the lessons learned from these efforts, and expand, tailor, and export the best practices to communities across Colorado.

Colorado’s financial empowerment needs are statewide and in dire need of attention. A statewide office dedicated to uplifting this work and ensuring effective, efficient, and coordinated action across systems is essential to fostering economic resiliency and empowerment. Thank you to Senator Gonzales for bringing this important bill, and thank you all again for the opportunity to testify this afternoon. I’m happy to answer any questions.