Appendix V: Helpful Financial Products and Programs for Community College Students[i]

Partnerships with Community-based financial Institutions:
A surprising number of community college students are cash based (no banking account at all) or materially under-banked. Community colleges can develop strategic partnerships with local credit unions, CDFIs, or community banks to help students' access consumer-friendly products including basic checking, savings, and credit cards. The local economy orientation of these relationships is more apt to generate mission-aligned partnerships. Key to these relationships are low-cost/good functionality products, easy product enrollment processes (preferably remote, on-line, self-enrollment), and effective product usage support (which could be incorporated into an existing student activity). Available products should be vetted on a case-by-case basis as not all credit unions, CFIs, or community banks have cost-effective products or products with the best functionality.

Performance-based Scholarships:
Performance-based scholarships aim to reduce financial burdens placed on low-income students while also providing incentives for good academic performance. These scholarships are generally disbursed during multiple points in a semester on the contingency that a student earns a certain number of credits with a "C" average or better.

Income Smoothing Products:
Helping students' weather temporary disruptions in income or unexpected expenses through access to emergency grants, small-dollar installment loans, or lines of credit.

"Aid Like A Paycheck", MDRC:
Community college financial aid offices agree to distribute non-restricted aid funds in periodic direct deposit payments over the semester. If the financial aid office does not have this capability or interest, an alternative option is to get student permission to route aid through a 3rd-party intermediary that will disburse aid in periodic increments. Distributing financial aid through direct deposit rather than with checks is an incremental step in the right direction.

Emergency Financial Aid:
Emergency grants are needed when a loan won't solve the problem because the student does not have re-payment capability. Many schools use philanthropic funds to provide these emergency grants that will help the student stay in school and complete credentialing.

Small dollar loans are appropriate if the student has a re-payment capability or will have a re-payment capability.

- Schools can sponsor a small dollar loan fund and use basic underwriting criteria to provide unsecured installment loans. Re-payment can be deferred, if needed. Losses can be covered by philanthropic funding. Interest rate set at a level to cover operating expenses of the fund (Variation on Public Banking).
- Credit unions provide Share Loans. A member (student) can borrow against their own savings account, at a low interest rate, and pay themselves back in installments over time.
- Secured credit cards. The student places funds in a restricted savings account to collateralize their own revolving line of credit accessible through a credit card.

Individual Development Accounts (IDAs):
Matched savings programs usually involve some sort of financial education component, participant performance standards, and matching of participant deposits to a savings account. Matches can be dollar for dollar or higher. Federally sponsored programs known as Assets for Independence (AFI) provide savings matches for funds to be used for education, starting a business, or home purchase. Privately funded IDAs can be set-up with less structural requirements and for other purposes, e.g. buying a car.

---

[i] Source: Community Financial Resources