

# Debt Management and Borrowing

Region III Leadership Summit on Financial Stability

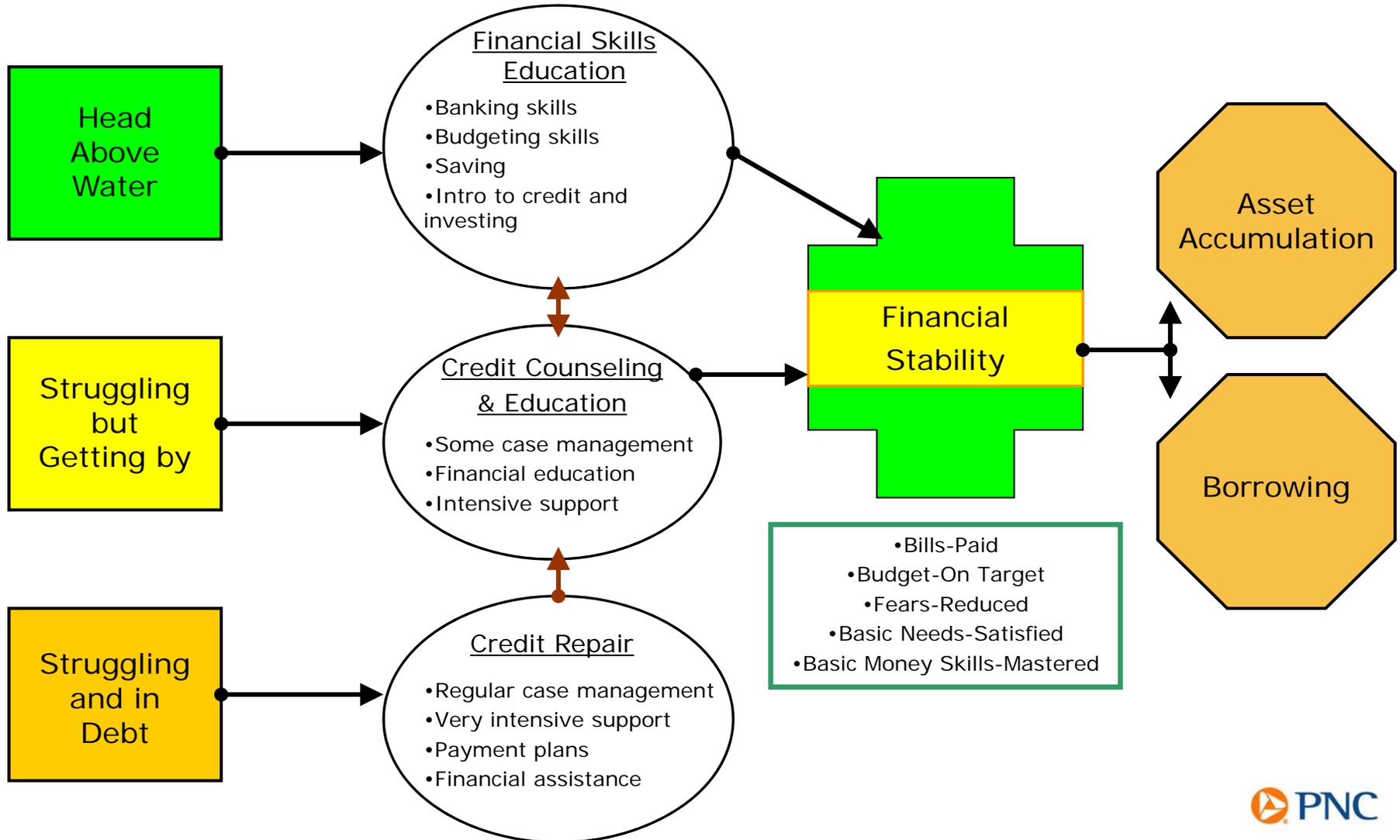
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# Debt Management, Asset Accumulation and Borrowing

## A Potential Continuum for Financially Struggling Families



# Financial Education

## A Tool for Financially Struggling Families – Not a Panacea

### Financial education providers:

- Local and national non-profits
- Financial institutions and other companies
- Government
- Internet
- Formal or informal



# Financial Education

## A Tool for Financially Struggling Families – Not a Panacea

### Financial education resources:

- Facilitated and web training
- Printed and web resources
- Outreach  
(Unbanked/Underbanked, Bank On, America Saves, etc.)
- Programs (IDAs, first-time home buyer, Bank at School, etc.)
- Opportunity to connect people to available services



# Debt Management

Helping Financially Struggling People Make Ends Meet

## Credit Counseling & Education

### **Building Your Credit**

- Some case management
- Financial education
- Intensive support

## Credit Repair

### **Rebuilding Your Credit**

- Very intensive support
- Payment plans
- Financial assistance

# Asset Accumulation and Borrowing

Beyond Today—Building for Tomorrow

Asset Accumulation

Borrowing



# Realities of Borrowing

Focusing on Fundamentals – Not Getting Consumers In Over Their Heads

Challenging environment for both borrowers and lenders:

- Economic uncertainty
- Impact of recent lending practices by some practitioners--the mortgage crisis and associated issues
- Result: Stricter lending practices by banks, fewer consumers are being considered “eligible” for loans

Good News – Lending levels will rebound eventually, and the potential for greater discipline exists:

- Regulation
- Reinforcement of good lending practices

# Realities of Borrowing

Focusing on Fundamentals – Not Getting Consumers In Over Their Heads



## The Three C's of Credit

- **Credit History/Rating** – Lenders looking for lower-risk borrowers
- **Capacity** – Debt to income ratios of 30% to 35% likely to be required
- **Collateral** – Issue – lower home values in many markets (collateral “under water”)

# Realities of Borrowing

Focusing on Fundamentals – Not Getting Consumers In Over Their Heads

## The Right Solution Paradigm

- Provision of credit counseling, repair and education to prepare consumers for borrowing and asset accumulation
- Responsible lending
- Mix of rental and for-sale affordable housing to accommodate families with decent living conditions



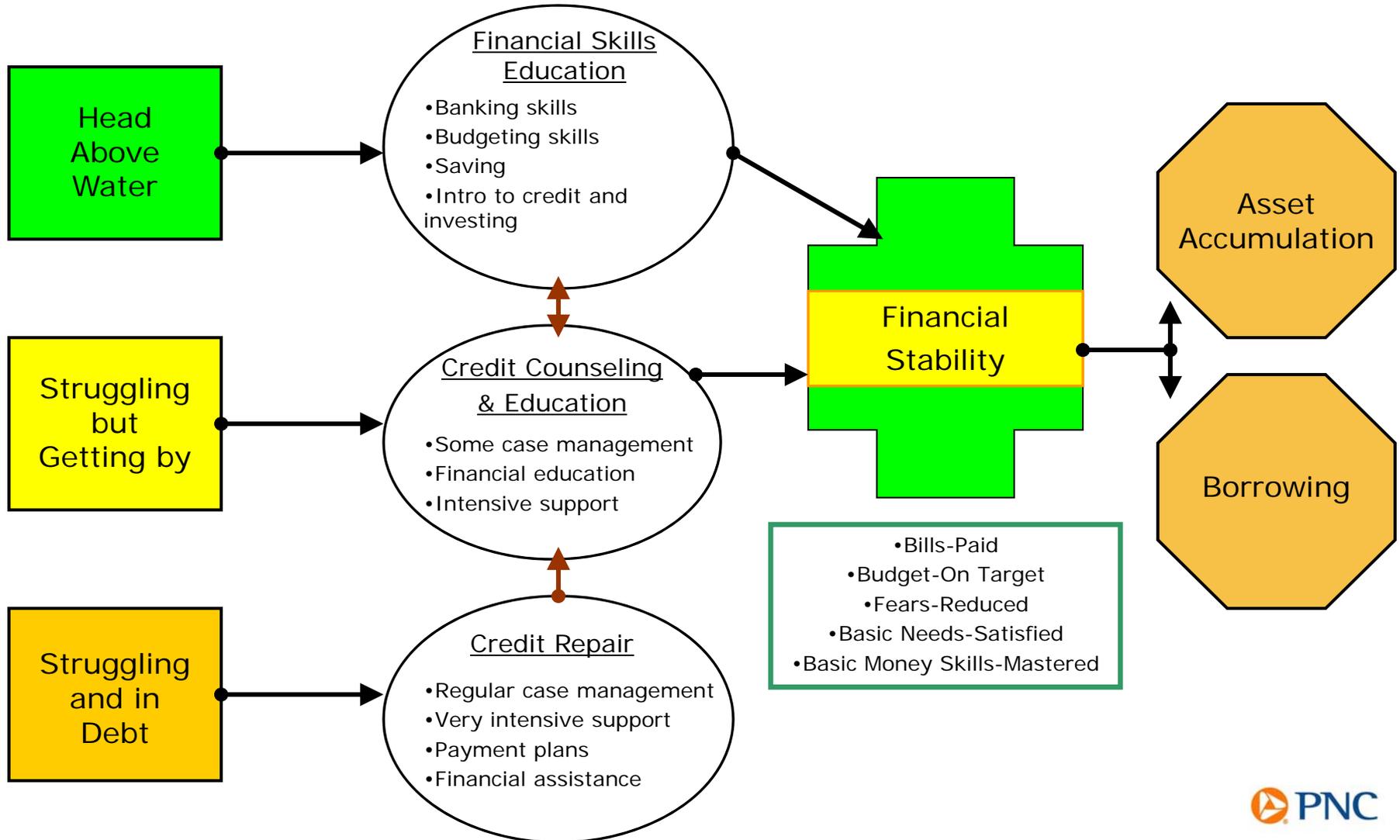
# Helping Struggling Families with Young Children

What can you do to support your clients and your communities?

- Be aware of the asset building programs, banks, financial institutions and community development organizations operating in your area
- Take an active role in reaching out to your clients and connecting them with asset building and financial resources
- Don't try to do it all yourself. Social services operate as a “safety net” to help people and families. Develop the linkages you need to enhance your clients' lives while not compromising your organization's mission.

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## A Potential Continuum for Financially Struggling Families



# Helping Struggling Families with Young Children

Thank You for Your Attention!