

# Building An Equity Model for Delaware

*Advancing Economic Liberty  
and Financial Independence*

FUNDING PROSPECTUS PREPARED BY

Delaware Community Reinvestment  
Action Council (DCRAC)

+

Stepping Stones  
Community Federal Credit Union



**I**n the wake of a once-in-a-century pandemic, the nation and Delaware have begun a reckoning with structures that reinforce longstanding racial inequities and produce dramatic economic and social disparities. President Biden—a proud Delawarean—has proposed unprecedented investments in communities, institutions, and policies to address these challenges, and he’s called on all Americans to serve as partners and leaders.

As the state’s leading institutions dedicated to addressing the racial wealth gap, Delaware Community Reinvestment Action Council and Stepping Stones Community Federal Credit Union stand ready to answer that call. We’ve shown how to build financial security and wealth for low-income residents and communities of color by:

- **teaching** more than 20,000 clients how to manage money more effectively;
- **providing** affordable legal assistance to more than 4,000 families in financial crisis;
- **resolving** more than \$100 million in tax and mortgage debts while preserving more than \$30 million in total assets; and
- **saving** more than \$3 million each year on banking fees for 1,000 Wilmingtonians and extending them more than \$5 million in affordable credit.

**We want to do even more. That’s why we’ve begun raising \$5 million in enterprise capital—a multi-year, flexible investment in our net assets. This funding will assure our ability to continue working to close the racial wealth gap in Delaware—and beyond—for years to come.**

*Contact Rashmi Rangan, executive director of the Delaware Community Reinvestment Action Council, at [Rrangan@dcrac.org](mailto:Rrangan@dcrac.org) or 302-298-3250.*

## The Moment And The Opportunity

Our experience tells us that the most effective response to this extraordinary moment can look surprisingly ordinary: giving people of color and of limited means access to financial tools that their affluent neighbors take for granted. Our banking products and legal representation have helped thousands of low-wealth clients become fully banked; protect their assets, including savings and homes; and take better advantage of complex taxation rules. Asset-building tools that wealthy households use every day—especially when linked together—can make a life-changing difference for our clients. They can, as the phrase goes, help people move from just surviving to thriving.

In short, helping DCRAC and Stepping Stones

reach even more people with our proven approach represents an essential part of responding to the current social reckoning—for Delaware, for Wilmington, and above all for people who've never known the freedom of financial independence.

Here's why this matters:

- 20.9% of Wilmington residents and 37.8% of households of color are **un-banked/under-banked**.<sup>1</sup> Research has shown that people without full access to banking services spend an average of \$3,000<sup>2</sup>/year<sup>3</sup> on financial services.
- 49% of Wilmington residents live in **liquid-asset poverty** (compared to 37% nationally),<sup>4</sup> meaning that they lack the resources even to live at the poverty level for three months if they lose their main source of income.
- 24% of Wilmington residents **have zero net worth—or less** (compared to 16% nationally).<sup>5</sup>
- Two out of three adults in the US lack any of the documents—wills, health care directives—they or their families would need to **navigate death or incapacity**.<sup>6</sup>

These numbers—which predate the pandemic and surely look worse today—underscore the need to expand access to fair and affordable financial products and services, legal guidance,

*In this extraordinary moment, the most effective response may look surprisingly ordinary: giving people of color and of limited means financial tools that their affluent neighbors take for granted.*

## Innovation With Impact

To help underserved communities break down barriers to financial security, we meet our customers where they are—literally and figuratively. Stepping Stones recently became the primary financial institution for people in Delaware’s prisons, providing fairly priced services that help ease the return to the community on release. Other innovative ways we meet community needs:

- Our **bank on wheels**, launched in 2018, takes banking to our members, a critical benefit for those juggling families and low-wage jobs. Other financial institutions have turned to us for guidance in adapting this program for use outside Delaware.
- The pandemic showed the dangers of the digital divide: unequal web access cut low-income households off from education, jobs, and stimulus funds at a critical time. We found a way to address that issue. Using Cares Act funding, in 2020 we began **buying and distributing computers** to low-income members while working with Comcast to connect those households to affordable and highly reliable Internet service.
- Our **collaboration with Wellthi**—a black- and woman-owned fintech company—has positioned us to begin issuing debit cards in 2022.



financial education, and policy advocacy. Financially underserved communities constitute a sizable market, and DCRAC knows how to serve it. By expanding our reach, we can help lift more Delawareans out of poverty and increase our operations enough to assure our long-term sustainability.

We face a crucial roadblock to reaching these goals: We can't make the investments we need to grow without increasing enterprise-level capital—multi-year, flexible funding invested into net assets on our balance sheet. Like any financial institution, the credit union relies on our assets to generate earnings and fees that pay for our operations.

Our growth translates directly into more people reached. That, in turn, will help Wilmington and Delaware move more quickly toward the goal of closing our dramatic racial wealth divide.

## Integrating Services To Build Economic Security

DCRAC launched in 1987 with a mission to advocate for investment in low-income communities under the Community Reinvestment Act (CRA) as a tool for addressing historic redlining. We quickly learned that CRA advocacy alone couldn't transform the economic lives of the financially underserved. So we began systematically adding programs and services to meet the needs we found, starting with the Money School (financial education) and DCRAC Law (with the state's only free tax clinic<sup>7</sup>).

## Assuring Our Own Financial Independence

DCRAC has launched a campaign to raise \$5 million in enterprise capital dedicated to improving the financial wellbeing of traditionally disadvantaged people and places. This investment will enable the organization meet five major goals:

- **Build our financial sustainability:** We'll deploy new capital to generate annual revenues equal to nearly half of the core combined operating budgets of DCRAC and Stepping Stones within three years.

- **Expand innovations that promote financial inclusion:**

\$5 million in capital will help generate up to \$50 million in deposits at Stepping Stones and significantly broaden our investment in Wilmington communities that have endured decades of disinvestment.

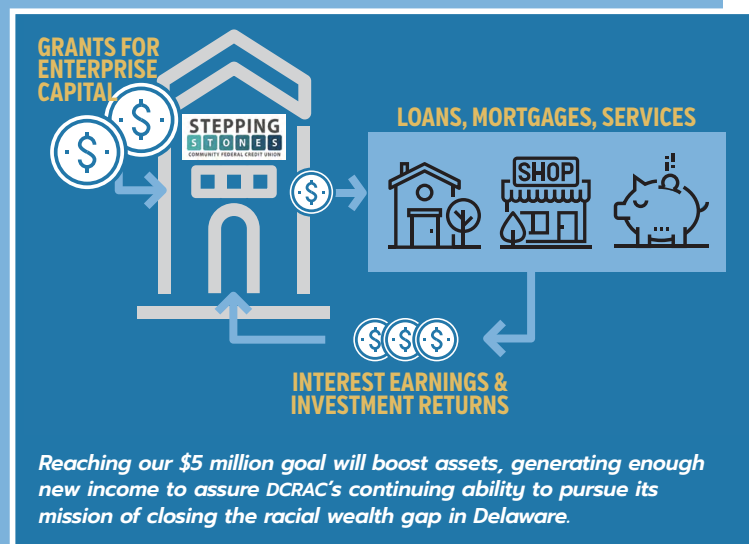
- **Broaden access to justice:**

DCRAC Law, our relatively young pro bono/low bono legal practice, helps preserve and protect wealth for low-income households. Its unique mix of outreach and service delivery directly addresses asset drain in communities of color.

- **Craft and implement a policy agenda** to ensure that low-

income people and people of color receive the full benefits of new and existing government programs and policies.

- **Promote our effective and easily replicated service model** as a tool for breaking the inter-generational transfer of poverty. Mutually reinforcing services help our clients build and protect assets and the economic security they bring. We combine familiar tools for building economic security, like money-management training, with specialized legal services and a credit union that helps clients break free of asset-draining predatory lenders.



In 2012, we took a huge leap of faith and launched Stepping Stones Community Federal Credit Union to provide high-quality financial products and services. Today, Stepping Stones stands as one of only two minority depositories in Delaware.

***A systems approach designed to reduce the racial wealth divide***

For more than two decades, DCRAC has pursued an integrated approach to building household financial security. Our programs



reflect the understanding—validated by research—that economic mobility hinges on bringing together mutually-supportive education, products, services, and legal protections.<sup>8</sup> Clients often come to us for one service, and as we work with them we discover other ways we can help them build and protect assets. This integrated approach gives low-income households and households of color access to basic tools that

***An integrated approach gives low-income households access to wealth-building tools they've never had.***

financially secure Americans have used for generations to build and hold onto wealth.

Our approach combines four core elements to level the financial playing field for these households:

- 1. Trustworthy financial education:** The Money School delivers financial education, but we have begun planning to add a new dimension: affordable wealth-management services from a certified financial planner. This expansion would reflect our core strategy of democratizing access to financial information and support for low-income people and people of color.
- 2. Customer-driven legal support:** DCRAC Law provides “defensive” representation, such as resolving financial issues brought on by debt. We’ve also focused on estate-planning, a tool low-income households can easily overlook, with disastrous results. DCRAC Law also helps financially underserved clients protect assets and wealth.
- 3. Fair banking:** Stepping Stones Community Federal Credit Union serves as the primary financial institution for underbanked customers, offering affordable products and services that promote financial inclusion, savings and wealth creation.

**4. Public policy advocacy:** Our work with thousands of clients has shown that we need to shift from reacting to policies—from defending against harm—to a pre-emptive approach in which we help shape policies to reduce the growing racial wealth gap.

In 2018, DCRAC joined other leaders of color from Wilmington as a member of Prosperity Now’s Building High Impact Nonprofits of Color program.<sup>9</sup> Working with the initiative helped us recognize that each of these four elements plays a foundational role in closing the racial wealth divide.

Our participation in the program also raised the ambitions of DCRAC’s leadership while promoting collaboration with other cohort members for greater impact. The team began collecting client stories that brought to life the contributions DCRAC programs have made. “Being a cohort member raised my profile, built my social capital, and lifted up my voice—unapologetically demanding economic justice,” says Rashmi Rangan, DCRAC’s executive director. “I am forever grateful for the supportive community I found among Delaware nonprofit leaders of color and nationally in Prosperity Now.”

## Our Leadership Team



**Rashmi Rangan, Esq., executive director**

since 1994,

has played a central role in all phases of DCRAC’s evolution. Rangan came to the US as an immigrant from India and made Delaware her home in 1989. She quickly learned about unequal access in this land of opportunities. Rangan has served on numerous boards, including the National Community Reinvestment Council, LWV Delaware, and Voices Without Borders, among others. She holds a J.D. from Delaware Law School, an M.A. in urban

affairs and public policy from the University of Delaware, and an M.A. in English literature and a B.Sc. from India’s University of Lucknow.



**Jaclyn Quinn, Esq., deputy director**

since 2014, is a former tax-clinic volunteer

who manages DCRAC Law. She has held various positions at the organization and volunteers in the Delaware legal community. Quinn holds a J.D. from Delaware Law School and a B.A. in political science from The College of New Jersey.



**Blanche Jackson, Stepping Stones CEO**

since 2018

and a former credit union volunteer, has more than 20 years of credit union experience. She serves on the board of Inclusiv, the trade association for community development credit unions. Jackson holds a B.S. in finance and the designation of Certified Credit Union Executive from the Credit Union Executives Society. She has earned National Certified Compliance Officer certification from the National Association of Federal Credit Unions.

## ***Our Delaware Roots***

From the start, DCRAC's operations, growth and impact have flourished through funding and partnerships with financial institutions, philanthropists, the faith community, and the public sector. Volunteers have extended our capacity to serve by devoting legal and financial-planning expertise to our clients. Leadership on our board has transformed DCRAC over three decades. "DCRAC is not a job," as one leader put it recently, "It's a way of life."

70% of our ten-person team joined as a volunteer or an intern; 50% have stayed for more than ten years. What sparks such deep loyalty? Team members quickly learn two things about us. To start, we approach our clients with dignity and respect. That, in turn, animates our commitment to understanding their needs. We pay close attention to the ways financial and legal systems don't support our clients and use what we learn to improve the structure and delivery of our programs.

## **The Investors In Our Growth**

Delaware **financial institutions** have distinguished themselves as DCRAC's strongest funding partners, including Discover Bank, WSFS, TD Bank, Barclay Card USA, Fulton Bank, Capital One and Bank of America. In addition to direct funding, they have offered use of ATM networks surcharge-free for Stepping Stones members, made non-member deposits to strengthen the credit union balance sheet, helped launch our "bank on wheels" service, and donated our office building.

Led by Principal, Longwood, Welfare, and Crystal Trust, **foundations** have played a major role in our growth. Other foundations have stepped up with support, including Crestlea, BHA, Delaware Community Foundation, Arsht Cannon Fund, Delaware Bar Foundation, and Laffey McHugh Foundation. The faith community has involved itself deeply over the years, with the Catholic Campaign for Human Development, Speer Trust Commission, and the Christ Church of Christiana One Hundred ranking among our most stalwart allies.

Local, state, and the federal **governments** have enabled us to launch, expand, or maintain various programs. The IRS has been our strongest and staunchest funder since 2003.

In addition, since 1997 our annual **Celebrate CRA** event has provided a platform for recognizing friends and raising funds and awareness about our work as we honor leaders in our community.



## Building An Equity Model For Delaware

DCRAC works to promote financial inclusion and build household financial security. We believe that our model can play a national role in advancing equity for low-income communities and communities of color everywhere. We believe a one-time investment of \$5 million in enterprise capital can boost the organization's earned income, financial sustainability, and impact.

### *The impact: How an equity model fuels financial well-being for all*

DCRAC has long punched above its weight, generating the impact of a group with a \$1 million budget while operating on far less. This new funding will help bring our budget in line with the level of work we do. Put another way, success in this campaign will assure our long-term sustainability. Freedom from the time-draining hunt for funding will give us the room to plan and not simply react; to add services in response to community needs; and to focus more on the quality and consistency of our financial products and services, asset creation and protection through legal assistance, and policy advocacy. By boosting our revenue stream, this one-time investment will pay equity dividends for years to come, reverberating across low-income communities and communities of color in Delaware.<sup>10</sup>

*The investment of enterprise capital will help bring our budget in line with the level of results we produce and assure our long-term sustainability.*

- **The Money School** will continue to serve more than 2,000 clients yearly in classes and deliver customized financial training, designed to build financial security and wealth, to up to 200 people. For example, a tailored plan for raising a client's credit score by 100 points can save them about \$1,000 each year on mortgage payments.
- **DCRAC Law** will continue to help clients resolve tax and mortgage debts—at a total of \$5 million annually—and preserve their assets while addressing legal issues stemming from the pandemic, estate planning, and health directives. It will continue to help clients navigate the processes for receiving stimulus payments and the Advance Child Tax Credit, which we expect will generate a surge of requests for help over the next few tax-filing seasons.

- **Stepping Stones** will continue to provide access to full-service banking for the un- or under-banked<sup>11</sup>—currently estimated at 6,000 in Wilmington. Banking access alone saves nearly \$3,000/person/year—immediately increasing a household’s income to help its members navigate difficult times.
- **Public Policy Advocacy:** We’ll unleash an expanded policy platform that addresses key obstacles for the communities we serve, and we’ll advocate for fair and equitable consumer finance practices and policies. Our advocacy will continue to focus on more rigorous regulation of payday lending;<sup>12</sup> fair debt collection;<sup>13</sup> the Community Reinvestment Act;<sup>14</sup> foreclosure prevention (especially for delinquent water bills and taxes);<sup>15</sup> and other consumer finance issues.<sup>16</sup>

## **Our Promise: Enterprise Capital Fuels Us To Meet This Moment**

An additional \$5 million invested in net assets will enable Stepping Stones to attract up to \$50 million in new deposits. That, in turn, will enable it to expand lending (consumer, auto, credit-builder, mortgage, and business loans) and investments (in CDs and other government-backed securities) to produce more revenue. This one-time infusion of capital will create a new level of financial stability, generating an additional \$500,000 in earnings every year to help us:

- **Capture a combined \$10 million every year for households of color and of limited means.** Within three years we will sustainably provide banking, legal, and financial coaching that will yield more than \$3 million in savings,<sup>17</sup> \$3 million in tax and mortgage-debt relief,<sup>18</sup> and \$3 million in asset preservation<sup>19</sup> for our targeted communities.
- **Build an economic mobility toolkit:** Refine and package the highest-impact products from our work into a kit that we can share with public, nonprofit, philanthropic, and private organizations dedicated to expanding economic mobility in Delaware and nationally.
- **Update management and operation systems** with investments in IT and automation that allow staff to devote more time to understanding and meeting community needs.
- **Add staff** through strategic recruitment, training, and better pay to help us to reach more of our target communities.

Skimping on funding an organization's infrastructure means under-investing in its mission. DCRAC has long produced outcomes consistent with a much bigger budget, in part by asking staff to accept the public sector's badge of honor, below-market wages. This campaign seeks to end that and other false economies. It will give us an infrastructure that matches our ambition of getting quality wealth-building tools, training, and advice to more of the people who need them most.



Just as foundations distribute earnings from their endowments, this campaign will boost our assets so that they generate enough funds to support an expansion of our work. An investment of \$5 million in enterprise capital starts the process by getting our leadership team off the hamster wheel of fundraising. That will give them a chance to plan for the future in ways they can't today. It will enable the organization to test new products in collaboration with clients, serve as an R&D shop for the field, and help define best practices for working in a challenging environment. It will make DCRAC a better partner in directing new public and philanthropic funds to the most effective tools for building financial security in communities of color and of limited means.



**We know our integrated model works. Our partners know it works. This one-time investment will help us expand our reach in underserved communities, year in and year out. Let's close the racial wealth divide in Delaware together.**

**We encourage you to contact Rashmi Rangan to learn more about how DCRAC can help build a more financially resilient Delaware. Reach her at [Rrangan@dcrac.org](mailto:Rrangan@dcrac.org) or 302-298-3250.**

## Endnotes

- 1 <https://scorecard.prosperitynow.org/data-by-location#state/de>
- 2 <https://www.forbes.com/advisor/banking/costs-of-being-unbanked-or-underbanked/>
- 3 <https://s3.amazonaws.com/cfsi-innovation-files-2018/wp-content/uploads/2020/01/31170215/2019-Market-Size-Report.pdf>
- 4 [https://prosperitynow.org/sites/default/files/resources/RWD\\_\\_Profile\\_Wilmington.pdf](https://prosperitynow.org/sites/default/files/resources/RWD__Profile_Wilmington.pdf) page 11
- 5 [https://prosperitynow.org/sites/default/files/resources/RWD\\_\\_Profile\\_Wilmington.pdf](https://prosperitynow.org/sites/default/files/resources/RWD__Profile_Wilmington.pdf) page 11
- 6 2021 Wills and Estate Planning Study (caring.com)
- 7 As part of the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98), Congress enacted IRC § 7526 to authorize funding for the LITC grant program. The program protects taxpayers' rights by providing access to representation for low-income taxpayers, so that achieving a correct outcome in an IRS dispute doesn't depend on a taxpayer's ability to pay for representation.
- 8 [https://www.policylink.org/sites/default/files/BreakingTheCycle\\_0.pdf](https://www.policylink.org/sites/default/files/BreakingTheCycle_0.pdf)
- 9 To address the significant financial insecurity facing families and communities of color, the Racial Wealth Divide Initiative of Prosperity Now works with local organizations of color to strengthen their capability and access to resources.
- 10 DCRAC's clients identify largely as part of minority populations (45% African American, 45% White, 15% LatinX, and 5% other) and earn less than 80% of area median income.
- 11 <https://morningconsult.com/2021/08/17/unbanked-underbanked-demographic-profile/>
- 12 More than 12 million borrowers use payday loans each year, racking up \$9 billion in loan fees
- 13 The substantial number of consumers carrying debt—particularly low-income families and households of color—highlights the importance of putting strong regulations in place to end the worst abuses in this marketplace, improve financial security, and help working families survive and thrive.
- 14 The CRA requires banks to serve the credit needs of communities where they take deposits, including those with low and moderate incomes. By broadening access to responsible home-ownership opportunities, basic banking services, and capital for small businesses, the CRA makes wealth-building more accessible.
- 15 Property tax delinquencies, including unpaid water bills, amount to an estimated \$15 billion a year in the United States, according to a 2012 study by the National Consumer Law Center. "A \$200,000 home may be sold at a tax lien sale for \$1,200," the study found.
- 16 DCRAC has a long history of advocacy on issues facing low-income communities and communities of color. For example, at the start of the PPP program, small lenders and small borrowers needed carve-outs to compete for program funds. Without advocacy, the carve-outs would not have been added.
- 17 Unbanked and underbanked Americans pay \$3,000 a year in transaction fees.
- 18 Tax Clinic annually resolves more than \$3 million in IRS-assessed tax debts.
- 19 Nearly 25% of our clients have average assets of less than \$25,000, and one-third of our case load has average assets of \$250,000. We estimate preservation of about \$3 million in estates annually.