

# **Bank On Initiatives: Connecting Families to the Financial Mainstream**



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# National League of Cities' Institute for Youth, Education and Families



- The National League of Cities (NLC) is the country's oldest and largest national organization representing the interests of cities.
- The Institute for Youth, Education, and Families (YEF Institute) is a special entity within NLC.
- The Institute focuses on several issue areas related to strengthening families, including family economic success.



## **YEF Institute's Mission:**

*To help municipal leaders take action on behalf of children, youth, and families.*

# What is financial access?

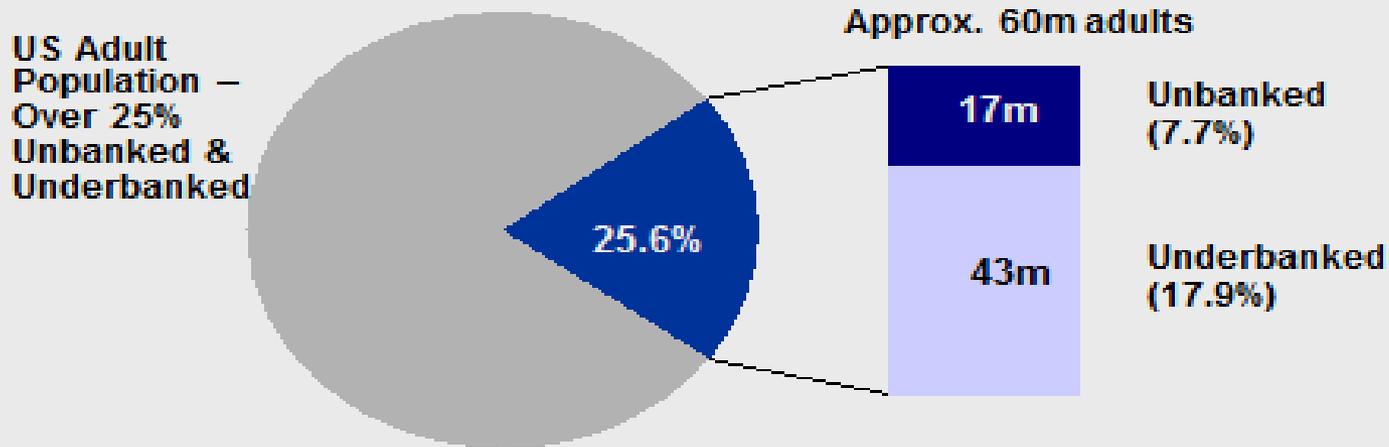


- A means to keep money safe, save and make the basic financial transactions necessary for day-to-day life
- A relationship with a financial institution can provide an opportunity for growth into more advanced financial products
- Opens doors for other asset-building opportunities, such as financial education, saving for home-ownership, and building credit

# Why Financial Access?



## Unbanked and Underbanked U.S. Households



**Unbanked** - Have no bank or credit union account

**Underbanked** - Have a bank or credit union account, but use alternative financial services, such as: non-bank money orders, check cashing, payday loans, rent-to-own, and/or pawn shops

# Why Financial Access?



- The check-cashing industry comprises more than 6,000 outlets, which process more than 180 million checks annually, generating \$1.5 billion in fees.
- The average unbanked worker spends over \$40,000 over a lifetime just to cash their paycheck.
- 12 million Americans use RAL's each year at an interest rate of 40% to 700%.
- For a loan of \$300, a typical borrower would end up paying \$500 in interest, plus the principle.

# Story by Numbers



48

371

290

3

38

25,000

21,000,000

61

# Story by Numbers



## State of Virginia: payday lending, check cashing, and car title loan statistics

48	Payday lending institutions
\$371	Average payday loan amount
290%	Average APR
3	Average number of loans per borrower
38 days	Average loan term
25,000	Total number of car title loans made (3 months)
\$21,000,000	Total amount of car title loans (3 months)
61	Number of pages it takes to list all check cashing outlets in the state

Source: Virginia State Corporation Commission

# Why are people unbanked?



## Reasons cited for not having a bank account

Not enough money to need an account	72%
Don't want to share personal information	35%
Fees too high	35%
Don't like dealing with banks	34%
Inconvenient hours or location	23%
Banks would not open account	22%

(multiple answers allowed)

Source: 2009 FINRA Financial Capability Survey

# Who is most likely to be unbanked?



## Unbanked Adults

<i>Overall – U.S. adult population</i>	8%
African American	32%
Hispanic	24%
Native American/Alaska Native	29%
Single female parent household	20%
Single male parent household	15%
Household income less than \$30,000	20%
Less than a high school diploma	25%

Source: FDIC Survey of Un-and Underbanked Households, 2009

# Where are the un- and underbanked?



<b>State</b>	<b>Unbanked</b>	<b>Underbanked</b>	<b>Total Un- and Underbanked</b>
<i>All U.S. households</i>	7.7%	17.9%	<b>25.60%</b>
Connecticut	5.3%	13.8%	<b>19.1%</b>
Delaware	5.6%	14.7%	<b>20.3%</b>
District of Columbia	12.2%	23.9%	<b>36.10%</b>
Maine	2.6%	18%	<b>20.60%</b>
Maryland	5.6%	20%	<b>25.60%</b>
Massachusetts	4.1%	11.4%	<b>15.50%</b>
New Hampshire	2.2%	12.1%	<b>14.30%</b>
New Jersey	7.4%	12%	<b>19.40%</b>
New York	9.8%	19.3%	<b>29.10%</b>
Pennsylvania	5.1%	17.6%	<b>22.70%</b>
Rhode Island	6.2%	12.2%	<b>18.40%</b>
Vermont	4.2%	12.1%	<b>16.30%</b>
Virginia	5.1%	15.5%	<b>20.60%</b>
West Virginia	6.3%	20.7%	<b>27%</b>

# Where are the un- and underbanked?



<b>MSA</b>	<b>Unbanked</b>	<b>Underbanked</b>	<b>Total Un- and Underbanked</b>
All U.S. households	7.7%	17.9%	<b>25.60%</b>
Baltimore-Towson, MD	6.9%	21.2%	<b>28.10%</b>
New Haven, CT	7.2%	15.1%	<b>22.30%</b>
Richmond, VA	3.4%	11.4%	<b>14.80%</b>
Rochester, NY	9.3%	23.2%	<b>32.50%</b>

# What now?



## **Bank On**

**“Bank On” is a financial access model that creates pathways to the financial mainstream.**

# Bank On History



- 2006: The city of San Francisco launches the nation's first Bank On program
- 2007-2008: As interest in the model grows, NLC helps a handful of other cities develop and launch their own Bank On programs
- Model proves popular because it is:
  - low-cost
  - replicable
  - locally-driven
  - provides community benefits

# Bank On History



- 2009-2010: Early program success and strong local interest in the model prompt NLC to launch the Bank On Cities Campaign
  - ✦ 8-10 additional cities launch Bank On by the end of the year
- 2010-2011: Now in year three of Bank On work, NLC broadens focus, providing TA to cities across the country and partnering with others to further refine and replicate Bank On and similar asset-building strategies

# The Bank On Landscape



# The Bank On Landscape



- Total number of fully launched, operating Bank On programs:
  - 40 cities
  - 3 regions
  - 4 states
- 10-20 in various stages of development

**Grand total=approximately 70**

# The Bank On Landscape



- **Northeast**

- Gaithersburg, MD
- Manhattan, NY
- Newark, NJ
- Philadelphia, PA
- Providence, RI
- Washington DC

- **Central**

- Bloomington, IN
- Carbondale, IL
- Cincinnati, OH
- Detroit, MI
- Dubuque, IA
- Evansville, IN
- Greenfield, IN
- Omaha, NE
- Indianapolis, IN
- Kalamazoo, MI
- Marion, IN
- Marion, IL
- Muncie, IN
- Tippecanoe, IN
- Knox County, IN
- Bank On Indiana
- Bank On Illinois

# The Bank On Landscape



## • South

- Central Texas (Austin)
- Brazos Valley, TX
- Dallas, TX
- Houston, TX
- Jacksonville, FL
- Louisville, KY
- Madisonville, KY
- Memphis, TN
- Owensboro, KY
- Savannah, GA
- St. Petersburg, FL
- Marion County, FL
- Bank On Florida

## • West

- Denver, CO
- Fresno, CA
- Los Angeles, CA
- Oakland, CA
- Sacramento, CA
- San Francisco, CA
- San Jose, CA
- Santa Ana, CA
- Seattle-King County, WA
- Cowlitz County, WA
- Bank On California
- Bank On Washington

# The Bank On Model



- A Bank On campaign is driven by partnerships
  - Municipal governments
  - Community-based organizations
  - Financial institutions
  - Regional regulators
- Innovative solutions are created to reach un- and under-banked individuals, including:
  - Developing safe, affordable financial products;
  - Creating pathways and supports to assist targeted populations to utilize these products; and
  - Conducting outreach campaigns to inform the public about these opportunities.

# The Bank On Process



- Research and resource gathering
- Partner engagement
- Forming committees and working groups
- Developing the product
- Incorporating a financial education component
- Setting goals, forming agreements, developing evaluation strategy
- Launch preparation
- Launch and implementation
- Continued program management

# Partner Roles



- **City roles**
  - Mayor or elected official serves as champion
  - Provides staff time, meeting space and other resources
  - Acts as project coordinator and convener of stakeholders
  - Uses bully pulpit to engage financial institutions and community organizations
- **Community organization roles:**
  - Engage residents through direct outreach and referral
  - Act as a primary service provider or convener for financial education
  - Assist with data tracking

# Partner Roles



- **Financial institution roles:**
  - Provide insight and expertise into development and provision of appropriate financial products
  - Participate in outreach and marketing
  - Collect and track data
- **Regulators' roles:**
  - Provide guidance and advice about key topics
    - ✦ Community Reinvestment Act considerations
    - ✦ Risk Assessment
    - ✦ Patriot Act or Alternative ID concerns
  - Offer support with convenings or events
    - ✦ Meeting rooms or financial support
  - Provide research assistance
  - Compile data from financial institutions

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# Snapshots of Bank On Success



- **San Francisco:**
  - cumulative total of 72,000 new accounts opened since launch
- **Dallas:**
  - Opened almost 10,000 accounts in first 6 months
- **Louisville:**
  - opened 5,942 accounts in first year
  - Over 500 residents participated in financial education classes
- **Seattle-King County:**
  - cumulative total of 54,002 accounts opened since launch
  - 802 savings accounts opened
  - \$652.38= average account balance

# Common Denominators for Success



- Mayor or elected official serves as a champion;
- Strong partnerships and existing asset-building infrastructure;
- Involvement of financial institutions from the start;
- Developing a data collection strategy in the early stages;
- Links to resources and experts (NLC, Federal Reserve, FDIC, other cities); and
- Dedicated program administration

# Getting Started



- Assess need – conduct local level research
- Garner public support from elected officials and key community leaders
- Engage local financial institutions
- Enrich existing partnerships and cultivate new ones with stakeholders not yet at the table
- Tap into existing resources and best practices

# Common Challenges to Anticipate



- Data tracking
  - Working with financial institutions to submit data
  - Lack of uniformity within and across programs
  - Lack of common measures
- Negotiating with partners about program and product features
- Securing funding and resources to coordinate and staff collaboratives
- Ensuring front-line staff have sufficient training to offer Bank On accounts

# Beyond Bank On



- Bank On is an important first step in helping families build assets, but there are many ways communities can build on a Bank On initiative to establish broader asset-building opportunities
  - New products and services, such as prepaid cards, small-dollar loans, savings options and credit-building
  - Utilizing tax time to promote financial access
  - Employer-based strategies
  - Financial education and coaching
  - Strategies that connect other programs and services to Bank On

# Financial Access: Where Are We Headed



- Breaking new ground with innovative products, services and strategies.
- Data tracking and evaluation improvements on the table.
- Bank On USA (proposed), could offer local communities new opportunities to expand and innovate.
  - Provide information, tools and resources
  - Support data collection and analysis, and evaluation/assessing impact
  - If funded, grants and technical assistance to community collaboratives around the country

# Resources



- [www.joinbankon.org](http://www.joinbankon.org): an online portal and interactive community for information about programs and practices
- NLC's *Bank On Cities Toolkit*: a step-by-step guide for city leaders to develop programs; available online at [www.nlc.org/iyef](http://www.nlc.org/iyef)

# Contact Information



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