

# Getting Banked



Executive Director, Community Financial Education Foundation

[Jonas.Singer@communityfef.org](mailto:Jonas.Singer@communityfef.org)

301-461-0602



# What is Bank on DC?



- ❑ A public-private partnership between DC Government, financial institutions, and nonprofits, to promote financial wellness by providing everyone in DC with access to a bank account.
- ❑ Bank on DC involves three major elements:
  1. Offer a safe and affordable **checking and savings account** that serves the needs of the unbanked
  2. Launch a **marketing, outreach, and financial literacy campaign** through community based organizations
  3. Engage with institutions that aggregate the unbanked and underbanked, such as employers, government, and universities, to promote banking and **direct deposit**



# Our Product Requirements

- ❑ Offer a checking and companion savings account
- ❑ No or Low monthly maintenance fee on checking or savings accounts
- ❑ No monthly minimum balance requirements on checking account
- ❑ Free check card, use of ATM, online banking
- ❑ Opening deposit of \$25 or less, or \$0 with direct deposit
- ❑ Second Chance checking accounts for those on ChexSystems
- ❑ Accept Foreign ID cards
- ❑ Opt-in requirement for courtesy overdraft protection
- ❑ Ability to allocate a portion of direct deposits to savings account
- ❑ Offer 2 hours of financial literacy training to all new account holders and make attendance required for clients on Chex Systems

# Why Bank on DC?

- ❑ A bank account is the **first step towards financial wellness and long-term financial security** and provides the necessary tools to protect, manage and save one's money
- ❑ Unbanked families **spend 5 percent of their incomes on fees** for alternative financial services, including roughly \$800 per year on check cashing fees
- ❑ More than 1 million checks are cashed in the District each year, totaling \$10-\$15 million spent by families on fees to access money they have earned
- ❑ Key reasons why people are unbanked
  - ❑ “.... I don't have enough money to have a bank account...”
  - ❑ “... banks charge too many fees...”
  - ❑ “.... the bank closed my last account, and now I can't get one...”
  - ❑ “.... I don't have a Social Security card...”
  - ❑ “.... I don't trust banks....”

# The Real Cost of Being Unbanked

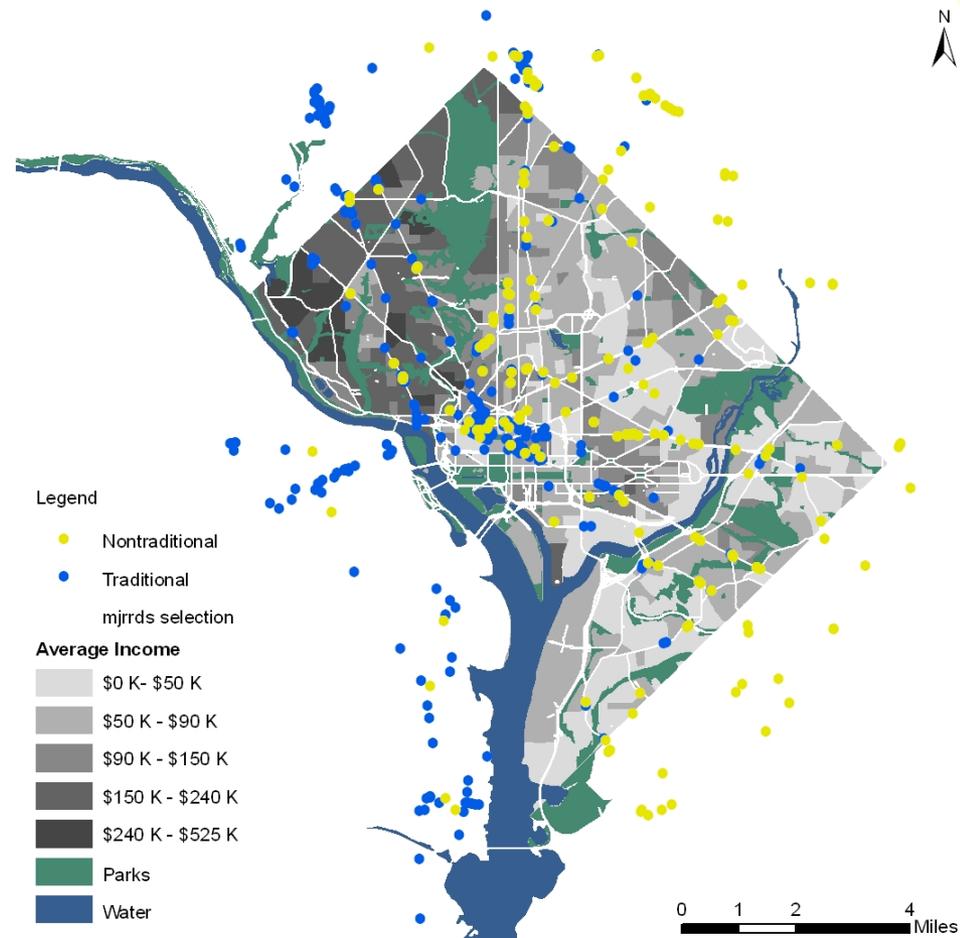
**Banked = \$220 in annual fees**

- \$60 for savings account
- \$60 for checking account
- \$100 for service fees

**Unbanked = \$1,300 in annual fees**

- \$800 for cashing checks, paying bills
- \$200 for money orders
- \$300 for wire transfers

**Bank on DC**  
\*\*\*\*\* *Everyone is Welcome*



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COMMUNITY FINANCIAL EDUCATION FOUNDATION

# An Ounce Of Prevention . . .

- ❑ Young people often destroy their credit, enter ChexSystems, and hamper their credit before they are old enough to realize the consequences.
- ❑ So, we targeted Summer Youth Employees in 2010 and 2011.
  - ❑ Summer Youth Employees are 14 – 21 and placed with government agencies or private organizations around the city
  - ❑ In two years, we have enrolled approximately 1400 young people in bank accounts and direct deposit
  - ❑ Provided direct financial education to over 4,000 young people

# Implementation of SYEP Model thru Bank on DC



- ❑ Three Areas of Implementation:
  - ❑ Engaging financial partners to offer accounts and services
  - ❑ Working with government agencies to facilitate youth enrollment
  - ❑ Collaborating with work sites to arrange financial education

# Engaging Financial Partners



- ❑ As Summer Youth Employment Program ramped up, we solicited participation from partner financial institutions to provide accounts and direct deposit enrollment to young workers.
- ❑ Selected 2-4 financial partners who would offer savings accounts to all and checking accounts to those 18 and older.
- ❑ Financial partners also needed to offer:
  - ❑ Bilingual services
  - ❑ Dedicated customer service for SYEP youth
  - ❑ Dedicated personnel to assist with IT and marketing



# Leveraging Government Partners



- ❑ Our primary government partner is the Dept. of Employment Services
  - ❑ We also engage extensively with other government agencies to encourage employees to enroll in Bank on DC accounts and to arrange for financial education.
- ❑ DOES facilitated youth enrollment by providing Bank on DC extensive data on employers and employees
- ❑ Most importantly, we worked with DOES to create an online portal that offers:
  - ❑ videos that inform youth about their options and how to use the various products from which they select.
  - ❑ online enrollment in Bank on DC accounts



# Collaborating with Employers



- ❑ While youth are paid through DOES, they work for and primarily interact with their employers, who may be gov't agencies or private organizations.
- ❑ We collaborate with hundreds of employers in order to:
  - ❑ Arrange for in-person financial education sessions with SYEP youth at their work site (each summer we reach about 80 worksites)
  - ❑ Encourage use of our online financial education application
  - ❑ Inform employee supervisors about Bank on DC and about the terms of the pay card (the default product that youth are issued and the alternative to Bank on DC). We encourage supervisors to help their youth enroll in Bank on DC accounts.



# How It Works

- ❑ All youth enroll for SYEP online
- ❑ Default payment method is an Earned Benefits Transfer (EBT) card provided by the payroll company (ADP) contracted to process SYEP payroll.
- ❑ Before completing registration, youth had to watch a video – created by Bank on DC – covering the basics of banking, payroll, etc.
- ❑ At this juncture, youth have opportunity to choose to enroll in Bank on DC or to get paid through pay card
- ❑ If they opted into Bank on DC, they could secure accounts from PNC Bank, HEW FCU, DGE FCU, or United Bank.
- ❑ Once enrolled, youth are mailed account information and each institution maintained dedicated personnel for SYEP.

# Why Don't More Youth Get Bank Accounts



- ❑ Each year we got approximately a 10% penetration rate.
- ❑ The primary reasons for youth not using bank accounts:
  - ❑ Anchoring Bias: More effort to get account than to go with default
  - ❑ Lack of guidance: Many youth lack understanding of financial options. Rather than risk unknown, they stick with the default
  - ❑ Concerns about banks: Young people hold negative reputation of banks. Feel money is not safe in banks and/or they will be charged unfair fees
  - ❑ Unaware: Many youth are not aware of the opportunity. Even though it is embedded online, it easy to click ahead ignore options
  - ❑ Negative Experiences: Many older youth have had accounts and report negative experiences (i.e. overdraft fees)



# Other Avenues to Embed Banking

- We are exploring other services in which we can embed banking
  - Child support payments
  - Unemployment benefits
  - Women, Infant, Children
  - Earned Income Tax Credit refunds
  - Medicare / Medicaid payments
  - DC One identification cards
  - Veterans payment
  - Employment services One-Stop Shops
  - Disabilities payments

# How Do We Start Saving Young?



- ❑ Kindergarten to College (K2C) – San Francisco recently launched K2C, an initiative that will open a Children's Savings Account for all children entering kindergarten in the City's public schools.
- ❑ Within three years, every child entering a kindergarten class in a San Francisco public school will receive a college savings account with an opening deposit of \$50 from the City of San Francisco.
- ❑ The City will incentivize application for the free and reduced lunch program by providing an additional \$50 deposit to qualifying children.
- ❑ Friends and family members, employers and children themselves will be encouraged to make additional deposits into the account.
- ❑ The City is raising funds to match deposits, helping their accounts to grow and encouraging further investment by family and friends.



# How Do We Start Saving Young?

- ❑ Child Savings Account for every new born
- ❑ Youth bank accounts
- ❑ Incentivized or Matched savings through Youth Employment Programs
- ❑ Bank kiosks in schools and libraries
- ❑ Social Savings Models
  - ❑ In D.C. Capital Gains program, the school that saved the most money won a party at the end of the year
  - ❑ Are there other “GroupOn” models that could work, like Savings Clubs similar to Weight Watchers clubs?

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