

Getting Banked



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Community Financial Education Foundation



- ❑ CFEF strives to educate and empower individuals with actionable information.
- ❑ Our goal as educators is to positively and persistently effect behavior.
- ❑ To effectively inform and inspire, we must connect individuals through education to opportunities for behavioral change, often this means connecting them with specific financial products that suit their needs.
- ❑ Through education, people can demonstrate their understanding of financial products and their ability to use them responsibly – and in turn, access better account terms.
- ❑ We offer scalable solutions for communities, employers, governments, and academic institutions.



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**



Why Bank on DC?

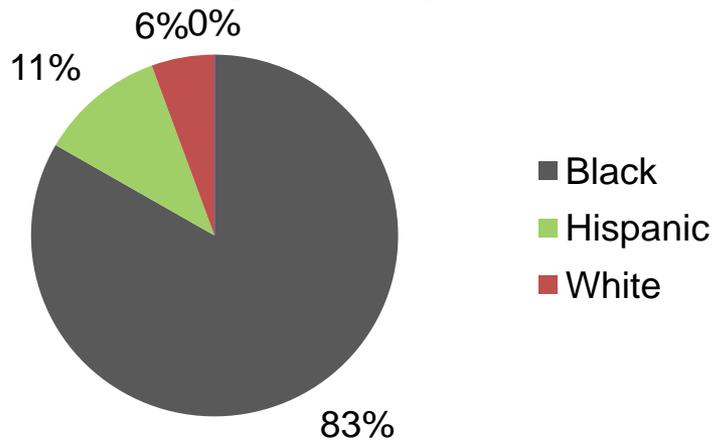
- ❑ A bank account is the **first step towards financial wellness and long-term financial security** and provides the necessary tools to protect, manage and save one's money
- ❑ Unbanked families **spend 5 percent of their incomes on fees** for alternative financial services, including roughly \$800 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....”

Our Target Population

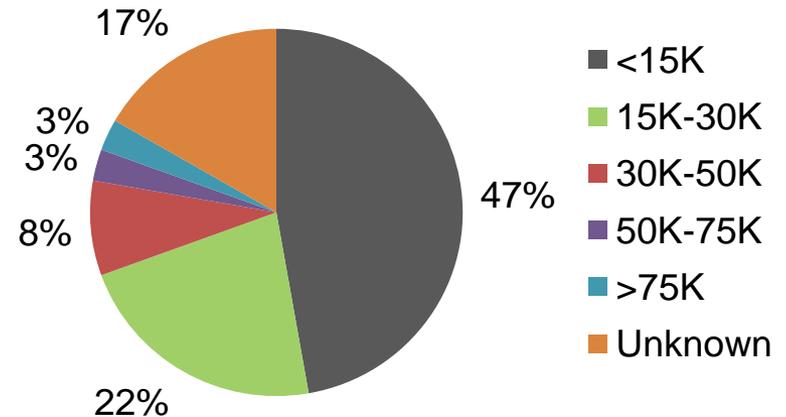
Unbanked / Underbanked in DC

	Households	Individuals	% of DC	% of USA
Unbanked	37,000	80,000	12%	8%
Underbanked	72,000	155,000	24%	18%
Total	109,000	235,000	36%	26%

DC Unbanked Households, by Ethnicity



DC Unbanked Households, by Income



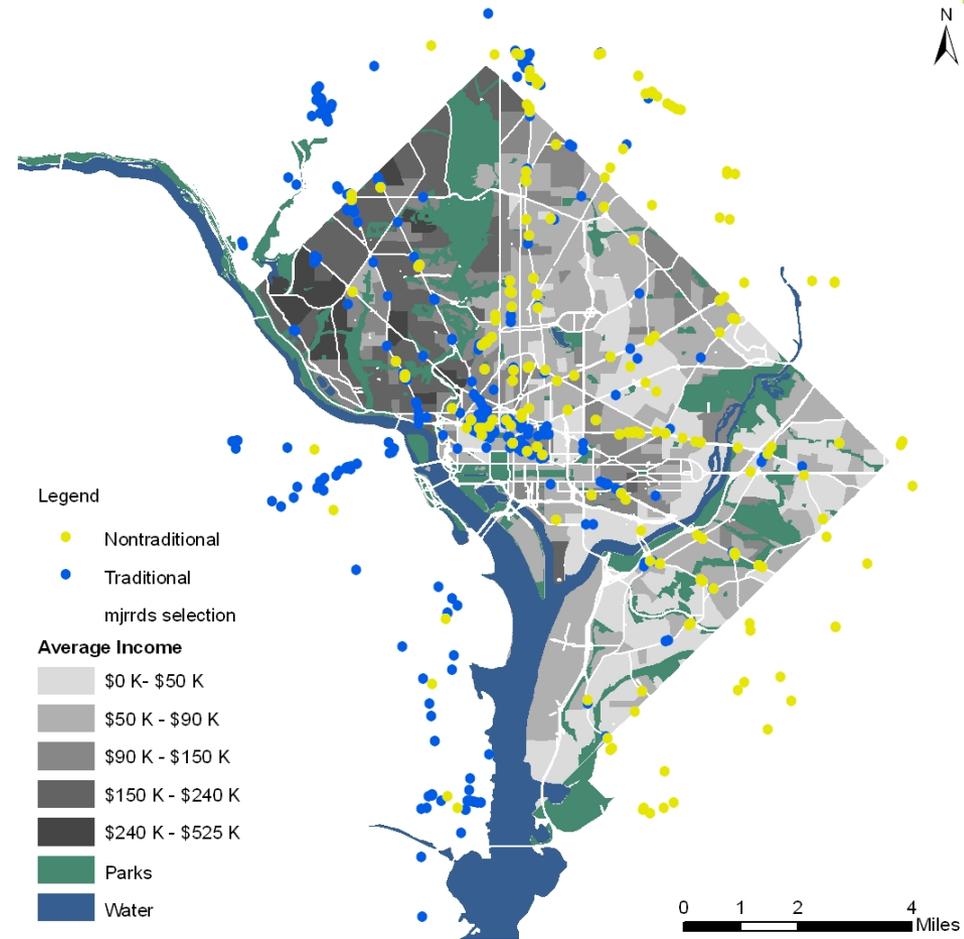
The Real Cost of Being Unbanked

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



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.
- ❑ Our largest program to date targeted Summer Youth Employees.
 - ❑ Enrolled over 750 young people in bank accounts and direct deposit
 - ❑ Provided direct financial education to nearly 2,500 young people
- ❑ Plan to work with D.C. Libraries teen programs.
- ❑ Outreach during spring semester of school year, during SYEP enrollment.

Outreach: Employer Based Approach



- ❑ Last spring, as Summer Youth Employment Program ramped up, we solicited participation from partner financial institutions to provide accounts and direct deposit enrollment to young workers.
- ❑ All SYEP enrollment was online. When asked how they would like to be paid, job applicants could choose a link that would prompt them to an account application from one of the two credit unions chosen as partners.
- ❑ Extremely effective at driven accounts – think of this as an OPT OUT rather than opt in model.
- ❑ Engaged with 80 worksites over the summer to provide financial education around Bank on DC initiative and products.



Outreach: Employer Based Approach



- ❑ This approach will be the keystone of driving education and enrollment in Bank on DC accounts
- ❑ Similar partnerships with:
 - ❑ Capital BikeShare
 - ❑ Office of the State Superintendent of Education
 - ❑ D.C. Human Resources



Outreach: Employer Based Approach

- Consider possibilities of working with large employee cohorts at risk of lack of financial access in both public and private sectors:
 - Department of Public Works (Sanitation)
 - Department of Transportation (Parking enforcement)
 - Hotels
 - Security companies (Security guards)
 - Restaurants
 - Convention centers
 - Janitorial services
 - Chain stores
 - Department of Parks and Recreation
 - Schools
 - Utilities companies
 - Construction companies

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?

How Do We Start Saving Young?

- ❑ Mobile phone based savings accounts
 - ❑ Interest bearing account managed through phone account
 - ❑ Individual can load up cash on their card by depositing funds at a storefront, kiosk, post office, etc.
 - ❑ Telecom pools all funds in deposit account with financial institution
 - ❑ Individuals can access their funds by
 - ❑ Withdrawing cash at storefront, kiosk, post office
 - ❑ Using one-time generated credit card number for use with vendors
 - ❑ Convenient, popular distribution channel that will engage underserved demographics

Our Product Requirements

- ❑ Offer a checking and companion savings account
- ❑ No 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

Knowing the Products People Use

- ❑ Most financial education and expansion of financial opportunities focuses on the consumer – the demand side – and how we can encourage more positive financial behaviors.
- ❑ This is necessary, but as with any economic market, we need to focus on the supply of products for consumers, as well.
- ❑ Currently, consumers are informed that there are ‘mainstream’ or acceptable financial products and institutions and that there are ‘alternative’ or predatory financial products and institutions.

‘Mainstream’

Banks

Credit Unions

Mutual Funds

401(K)

‘Predatory’

Payday lenders

Pawnshops

Check cashers

Prepaid debit cards

Knowing the Products People Use



- ❑ People use alternative products because they need options. People cannot access credit from banks. Many people cannot qualify for a credit card or access cash flow to pay bills or cover unexpected costs.
- ❑ Rather than limit options, we need to create innovative products and educate consumers about the options available to them so that they can safely use the financial products available to them.
- ❑ Bank on DC is exploring possibility of expanding product offerings to include:
 - ❑ Small-dollar loans
 - ❑ Prepaid debit cards
 - ❑ Secured credit cards
 - ❑ Check cashing services
 - ❑ Low investment CD accounts

Small Dollar Loans

- ❑ Recently Bank on San Francisco rolled out a new product to compete with Pay Day Loans with the understanding that people need these products.
- ❑ “If you can’t beat ‘em, join ‘em.”
- ❑ Small dollar, short term loans are widely used and widely vilified.
- ❑ Common misperception that the major problem is the high interest rate; this actually is **NOT** true.
- ❑ While interest rates are high, the fundamental difficulty is the short turnaround time for paying back.
- ❑ Bank on DC is exploring options for extending repayment periods and possibly limiting interest rates

Prepaid Debit Cards

- ❑ In many parts of D.C., banks are inconvenient or not trusted. As a result people waste significant sums on check cashing and rely heavily on cash.
- ❑ Prepaid debit cards allow people to direct deposit onto the card, to spend money conveniently and safely, and to start to establish relationships with financial institutions, helping to eventually access credit.
- ❑ A fundamental drawback to prepaid debit cards is that they incentivize spending, not saving. Can we create 'stickiness' by giving an interest rate for the first \$250 or \$500 on the card?
- ❑ Prepaid debit cards can also be a first step towards regular banking activity by showing people the convenience and advantage of direct deposit and savings.

Secured Credit Cards

- ❑ In this age of restricted credit, secured credit cards offer a safe way to build credit, access to needed cash flow, the ingraining of regular banking habits, and the cultivation of relationships with financial institutions.
- ❑ A secured credit card is collateralized by the money held in one's savings account, which they cannot access while that money is being used to secure the credit card.
- ❑ Individuals have a revolving line of credit against the amount of money securing their card.
- ❑ Bank on DC is exploring the opportunity to offer secured credit cards through financial partners to Bank on DC account holders.

Check Cashing, Remittances, Wires



- ❑ Unbanked and Underbanked populations heavily use check cashing, remittance, and money wiring services.
- ❑ A number of credit unions in D.C. offer these services and they report that the vast majority of people who come to their branches seeking these services leave having opened up an account.
- ❑ Offering remedial financial services through depository agencies can lead to asset building by engaging new customers who otherwise might not seek out accounts and building trust in banks and credit unions that is lacking in the community now.

Low investment CDs

- ❑ For many, 'forced savings' is the most effective way to asset build.
- ❑ Low investment CDs allow people to open a CD for as little as \$15-\$25
- ❑ Individuals establish their own final savings goal and the frequency with which they deposit funds into the account.
- ❑ Account holders earn normal interest on the funds in their CD. They cannot withdraw funds until they have hit their own, self-determined goal.
- ❑ Account holders also must makes deposits consistently on a schedule they determine. They are reminded of the upcoming deposits through SMS, emails, phone calls, or notes.
- ❑ If account holders miss too many contributions, they are refunded their balance but forfeit interest and may forfeit their initial deposit.

Inform, Inspire, Connect

- ❑ It is the obligation of educators, governments, financial institutions to educate consumers, inspire behavioral changes, and connect them to the opportunities to put their knowledge into action.
- ❑ Two most successful methods
 - ❑ Proximity of financial education to account enrollment
 - ❑ Online education platform

Inform, Inspire, Connect



- ❑ Proximity of financial education to account enrollment
- ❑ Intertwining Education and Opportunity
 - ❑ Bank on DC is organizing co-branding financial education sessions.
 - ❑ Financial institutions contribute funds to a common pool. These funds pay for financial educators to lead community workshops.
 - ❑ Each workshop has one exclusive sponsor – a financial institution – who can distribute their materials and account applications.
 - ❑ This educates customers prior to using products, creates trust in financial institutions through a trusted messenger, and connects to consumers to products that can encourage positive behaviors at the moments they are most engaged – right after learning.

Inform, Inspire, Connect



- ❑ Online Education Platform - MyStartingPoint
 - ❑ MyStartingPoint enables partners to deliver customized financial education based on user needs, interests, and goals.
 - ❑ Integrates goals-based learning with incentive programs and ability for participants to connect with partners based on specific needs.
 - ❑ Robust features and functionality engage users to learn while measuring performance through pre- and post-assessments; interest surveys, and self-evaluations.
 - ❑ This analytics driven approach informs program providers with metrics of success as well as specific program needs and opportunities for program improvements.

Inform, Inspire, Connect



- ❑ Online Education Platform - MyStartingPoint
 - ❑ MyStartingPoint is scalable – meaning we can reach large populations and entire communities and extend our reach beyond the classroom.
 - ❑ We can deliver financial education through new and exciting partnerships such as employee benefits providers or corporate HR departments.
 - ❑ We can provide educational content quickly and in interesting ways, while connecting participants to the institutions, services, and products they need most.
 - ❑ Online tools allow for huge data collection, creating opportunities to evaluate the impact of education, product innovations, and initiatives.

Inform, Inspire, Connect

Bank on DC
 ★★★★★ *Everyone is Welcome*

Welcome Blake | Profile | Help | Log Out
 My Score 178 | My Rewards \$30

Dashboard
Wellness Plan
Rewards
Partners
Tools & Resources
Library
My Profile

MY FINANCIAL SNAPSHOT

Are you happy with your savings progress? Paying down debt? How do you compare with others? How much money do you want to have saved in six months? Set a goal: How much debt do you expect to have six months from now?

Savings Edit

TODAY	MY GOAL	DC AVG

Debt Edit

TODAY	MY GOAL	DC AVG

MY WELLNESS PLAN

PERSONAL GOALS

GOAL Learn how to open a checking account and use your account responsibly. GO

PROGRESS ○○○○

Topic: Bank on It

GOAL Find out some of the ways to make the most of your savings. GO

PROGRESS ○○○○

Topic: Budgeting & Savings

GOAL Learn how to improve your credit score. GO

PROGRESS ○○○○

Topic: Credit Management

[VIEW MY GOALS](#) | [ADD GOAL](#)

MY ACTION ITEMS

- Set up direct deposit for you paycheck or any other income you receive. (15 Points)
- Complete the Financial Institution Comparison Chart in the Tools &

MY WELLNESS SCORE WHAT'S THIS?

Your Score 178 | Avg. Bank on DC Score 158

MY REWARDS

Available Points 530

Check out some of the rewards available to you.

Take your certificate of completion to a Bank on DC partner bank to open your checking account.

If you need credit, at least find the card that best fits your needs.

FREE FICO Score — The score lenders use most.

[VIEW ALL REWARD](#)

ANNOUNCEMENTS

- May 18, 2010 **FMK Free Credit Survivor class**
Learn about your credit, preparing for homeownership, and planning for the future., 07:00 PM
- Apr 20, 2010 **Money Management 101**
This 5-part series will cover the basics of money management., 06:30 PM

[VIEW ALL ANNOUNCEMENT](#)

Conclusions

- ❑ Our job is to conveniently inform and connect people to tools, services, and products to achieve the goal of positively effecting behavior.
- ❑ Huge opportunity in employer based models and embedding account applications within hiring processes.
- ❑ Critical to create opportunities for savings at young ages.
- ❑ Consumers use 'alternative' products. We need to bring these into the mainstream rather than marginalize them.
- ❑ Education drives demand in financial tools, services, and products. We need to create proximity between educational opportunities and product enrollment.
- ❑ Online tools like MyStartingPoint provide opportunities to reach many individuals, capture data, and connect users to wide range of choices.

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