



Department of Consumer Affairs
Office of Financial Empowerment

“Getting Banked” - Empowering and Protecting Consumers with Low Incomes

Region II Leadership Summit on Family Financial Stability
November 8, 2010

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Agenda

DCA/OFE Background

Citywide Research

Integration of Financial Products

Asset Building

Consumer Protection



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DCA/OFE Background





Strategic Priorities

Educate

- Increase access and strengthen quality of financial education services
- Coordinate large-scale public awareness campaigns, including the annual Tax Credit Campaign

Empower

- Research and develop safe and affordable banking and asset-building products, in partnership with financial institutions
- Share best practices and influence national policy with Cities for Financial Empowerment and other partners

Protect

- Protect workers with low incomes from unfair and predatory practices through targeted advocacy and enforcement

Program Highlight

Programs and Services

- *Asset Building & Financial Services*
- *Consumer Protection*



Research

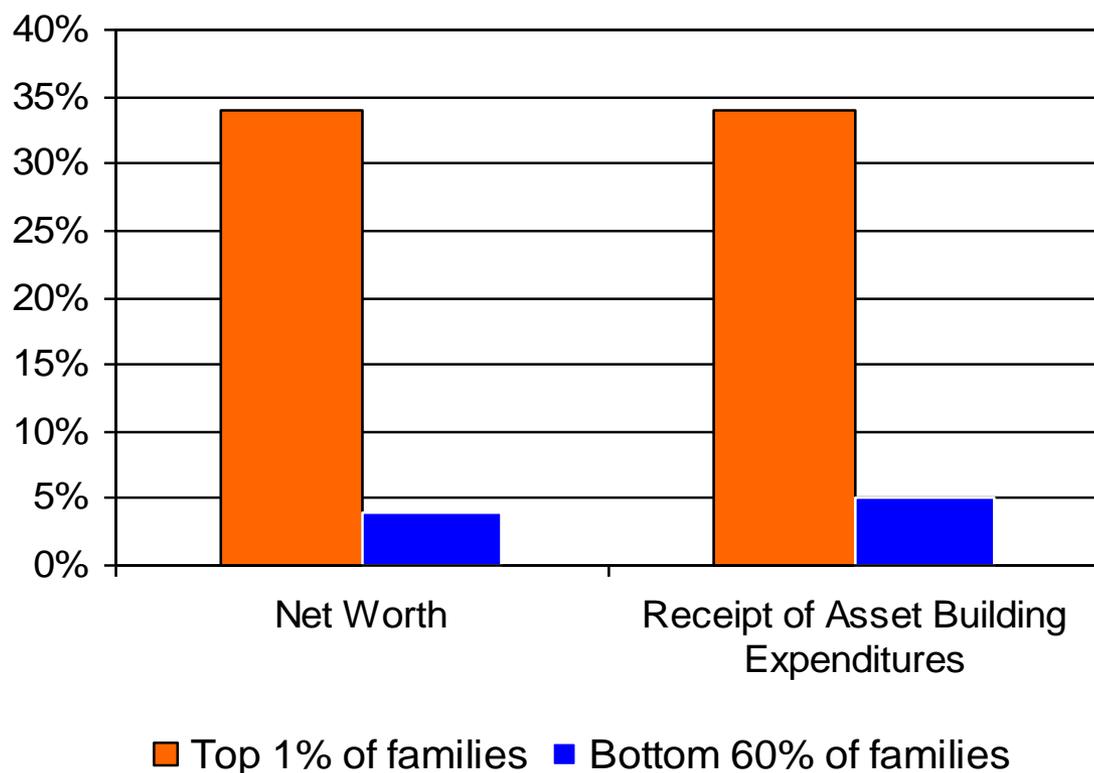




Background: Why does banking matter?

- **Accounts help families save money, build assets and guard against financial shocks that cause instability.**
Unbanked households are 43 percent less likely to have positive holdings of net financial assets.
- **Savings improves the economic mobility of children.**
Children born to high-saving, low-income parents are more likely to significantly increase their incomes compared to children of low-saving, low-income parents.
- **Save money on expensive alternative financial services.**
U.S. households pay over \$8 billion in fees to non-bank check cashers and short-term loan providers to meet basic financial services needs
- **Increase ability to secure reasonably-priced credit from reputable sources.**
A bank account is a significant factor in predicting whether an individual also holds a mortgage or a car loan.

Why help low income families build assets?



- Assets provide a cushion against unexpected expenses and a nest egg for the future.
- Research shows significant impact on children's long term health, education and overall social well-being.

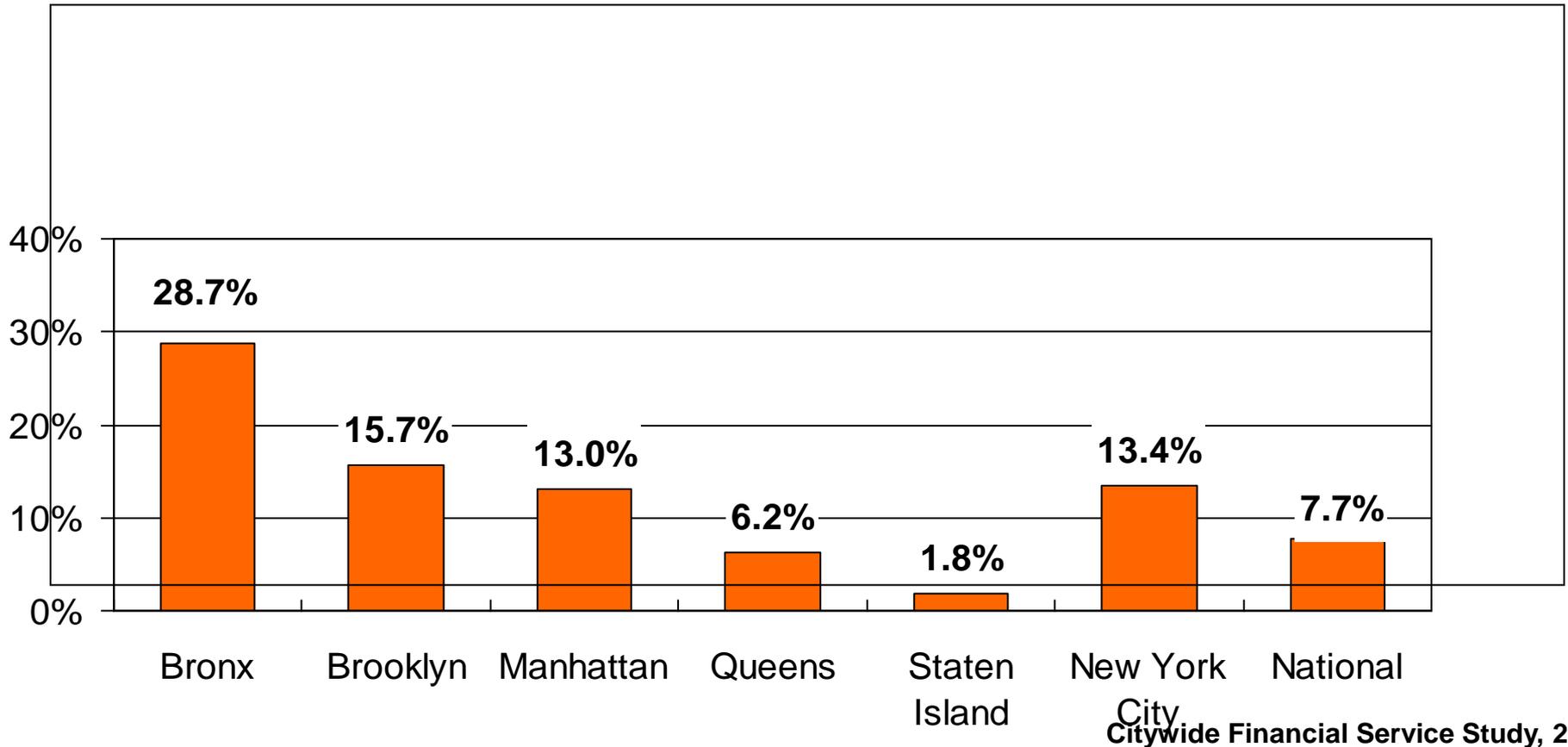


The Unbanked Population

- **825,000** NYC adults do not have a bank account
 - *Nearly half (48%) of unbanked households in New York City are in one of ten neighborhoods; 79% are in one of 20 neighborhoods*
- \$4,000 or more in credit **card debt held by 59%** of households in low income NYC communities
 - *In the top ten unbanked neighborhoods, over 70% of credit card holders are using more than 30% of their available credit, which has a negative impact on their credit score.*
- 48% of NYC households have **\$0** in discretionary income

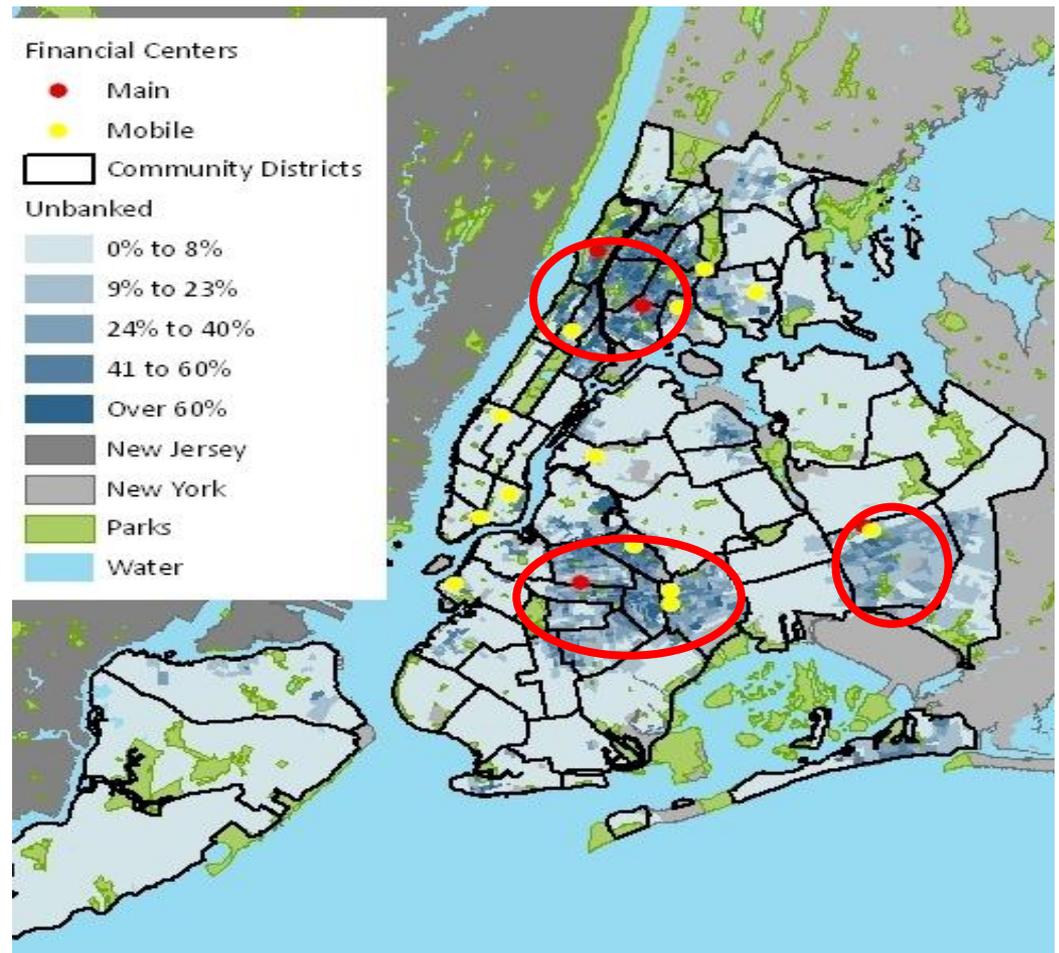


New Yorkers are more likely than the rest of the country to be unbanked



Unbanked households are highly concentrated in certain neighborhoods

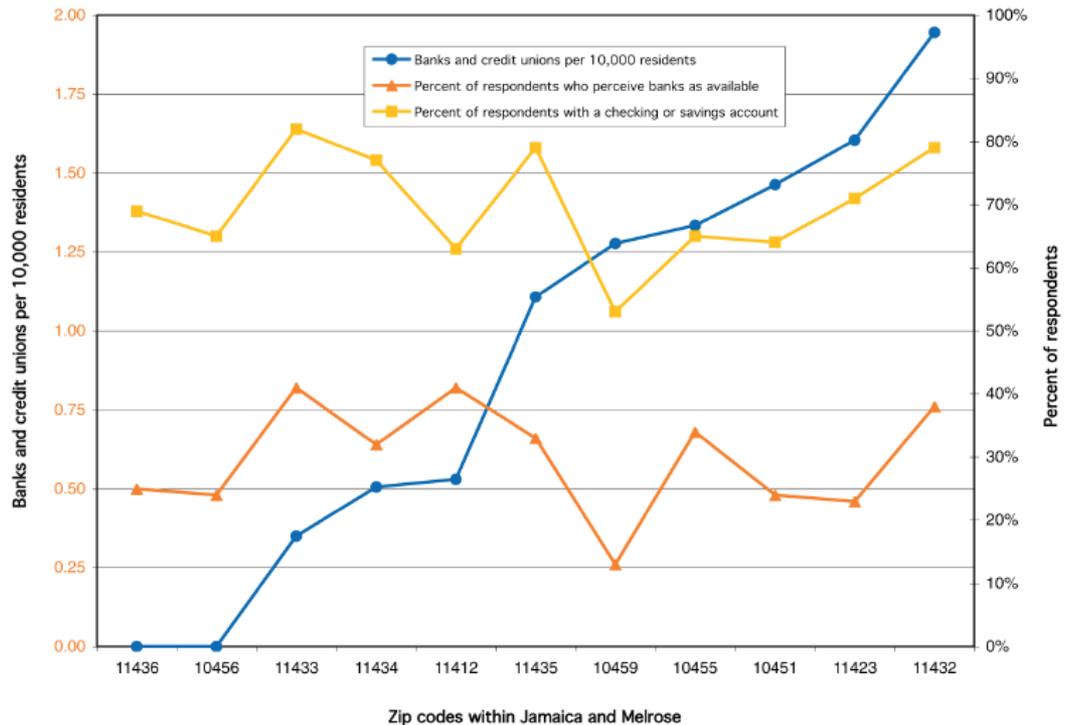
- Top 10 unbanked communities represent 6% of all households but 48% of unbanked households
 - 195,231 households
 - 405,427 adults
- The South Bronx, Northern Manhattan, Central/Northeastern Brooklyn and Southeastern Queens have the highest concentrations of unbanked households



Bank Density, Availability, and Usage

- The concentration of banks or credit unions in a given zip code is unrelated to the percent of residents holding a checking or savings account
- Increasing the number of banks in a zip code is insufficient to attract the unbanked to mainstream banking

Figure 6. Bank density, perception of availability, and bank account usage by zip code





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Integration of Financial Products



Financial Empowerment Centers

- One on one financial counseling to people in need
- Co-location with multi-service, multi-purpose organizations and sites providing comprehensive approach
- The City's infrastructure provides numerous "touch-points" for reaching individuals
- Linkages to strategic moments like getting employment, receiving emergency assistance and receiving services around homeownership or foreclosure prevention counseling





Connection to OFE Products and Services

- Counseling, referrals, and support for **NYC SafeStart** bank accounts
- Linkages to safe tax preparation through **VITA** and NYCs **Online Free Tax Prep**
- Asset building products such as **\$aveNYC**
- Future initiatives including debt consolidation





Financial Empowerment Center Results

Client Profile

- 61% of clients are **female**
- 46% African-American/Black; 37% Latino/a; 17% **foreign-born**
- Over 70% **make less than \$20,000** a year; Median income is \$13,008
- 62% have some amount of **outstanding debt**, with an average of \$35,537 and median of \$10,000
- 27% are **unbanked**, meaning they do not have a checking nor a savings account

Successes to Date

- 7,460 Clients Served
- 12,700 Counseling Sessions
- 2300 Credit reports reviewed
- 1600 Budgets created
- \$546,000 In debt reduced
- \$37,000 In Savings



Family Results

Family Health Profile

- Of FEC families with children, average income is \$17,156; median \$14,400; **93% are LMI**
- 150 (6%) are receiving cash assistance
- 455 (17%) are receiving food stamps
- 56% report having debt; **average debt is \$22,997**
- **31% are unbanked**

Family Successes to Date

- 105 families have **reduced nearly \$1M** in total debt
- 96 families have increased **savings totaling \$69,879**
- 1,560 have reviewed their credit report; 17% identified errors
- Almost **200 have improved their credit score**
- 1,201 families completed a household budget



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Asset Building



EasySave
Saving has never been easier!



NYC
SafeStart
Account



NYC
First
Account



THE \$AVENYC ACCOUNT
What will you save for?

Open Your Opportunity NYC ACCOUNT Today!

Special features of an Opportunity NYC Basic Account include:

- No Minimum Balance Required
- No Monthly Fees
- ATM Card For Convenience

For Opportunity NYC Participants Only

Our "Banking" needs you to manage your money and to invest. Open an Opportunity NYC account and we'll make it easier for you. Participating banks and credit unions throughout the City are offering the "Banking" services to the greatest extent possible and will do the process online. It may be required that you visit a participating bank and/or credit union to open and deposit your Opportunity NYC Account in a safe way.



The NYC Department of Consumer Affairs' Office of Financial Empowerment (OFE) is pleased to announce the launch of the Opportunity NYC Basic Account. This account is designed to help you build wealth and save for your future. The account is available to all Opportunity NYC participants and is subject to the terms and conditions of the account. For more information, please visit www.opportunitynyc.org.





\$aveNYC

- The \$aveNYC Account helps VITA-filers build savings at tax time
- Tax refund deposits are matched 50% after one year by to help savings grow (maximum match of \$500)
- 82% of participants are parents; 70% are single mothers
- Most common savings goals are emergencies, children's expenses, and education.
- Participants have pledged over \$1.4m, contributing an average of \$558 from their returns
- Now piloting \$aveUSA as part of Social Innovation Fund Award. Will implement in 5 cities including New York, Newark, Savannah, San Antonio, and Tulsa.





SaveNYC Account Pilot Findings

- Parents are more likely to participate and save more when they do
- The SaveNYC Account motivated even those with little savings experience

Program Highlights for Parents and Non-Parents, 2009 and 2010		
	Parents	Adults Without Dependents
Participation Rate	16%	5%
Average Contribution	\$635	\$430
Contribute max amount	56%	24%
Median Refund	\$6000	\$1,100
Median Income	\$18,110	\$10,350
<i>* Estimate varies based on number of children</i>		

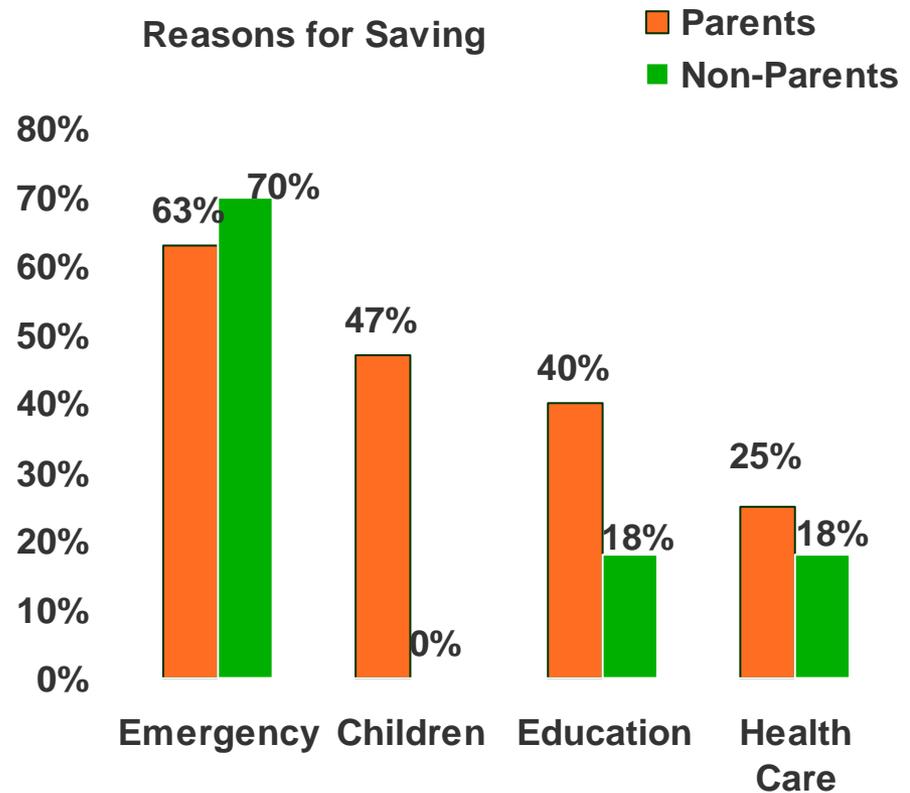


\$aveNYC participants save for stability and for their children

“When I opened the SaveNYC account, I was able to save for the first time. [I] need a computer for my son. I hold back, deprive myself, so that I can get the computer for my son and other things.” -Brooklyn Mother

“I hope to buy that little house I always wanted and help my son get his degree.”

- Bronx Mother, 2008





Opportunity NYC Family Rewards Program

- First OFE product was savings account offered to participants of NYC's conditional cash transfer program
- All participants were families with school aged children at or below 130% of the federal poverty level, living in highest poverty neighborhoods in NYC
- Decrease from 55% of program participants unbanked to <10%. Account holders much less likely to use fringe financial services
- *"Now with this program, I can afford (a savings account). I even feel more important because I have a card; I have two bank cards. And I go, I have my money there. I withdraw it. I manage it. My girls, its very nice when they say "Mommy, go to the bank and get some money to buy this," and everything. It's been a great blessing".*

Open Your Opportunity NYC ACCOUNT Today!

Special features of an Opportunity NYC Basic Account include:

- No Minimum Balance Required
- No Monthly Fees
- ATM Card For Convenience

For Opportunity NYC Participants Only

Get 10% of monthly credit coverage your money while you make an Opportunity NYC account a regular part of your life. Participating banks and credit unions in the City are offering these "Special" accounts that protect you from identity theft and make it so convenient. It's up to you to get all the participating banks and credit unions listed below and open a new Opportunity NYC account. It's a win, win situation.



The NYC Department of Consumer Affairs' 10 Bank of Financial Empowerment (OFE) is and will be a valuable financial tool for participants with low income who are currently unbanked. The OFE is a conditional cash transfer (CCT) in the form of a bank account that is designed to help participants build a financial future and gain access to financial services. The OFE is a win-win situation for participants and the City of New York.



NYC SafeStart

- A safe, affordable ‘starter’ bank account to help New Yorkers avoid costly fees and charges
- Offered at 11 banks and credit unions

Features:

- Minimum balances of \$25 or less
- No monthly fees
- No Overdraft
- Override of ChexSystems, if client completes a financial counseling session
- ATM card; no debit functionality



**Protect Your Money:
Get a NYC SafeStart Account**

NYC SafeStart Account special features avoid costly fees and help protect your money:

- No overdraft fees
- No monthly fees, provided minimum balances are met
- Minimum balance requirements of \$25 or less
- ATM Card (No debit card)

For more information, call 311 and ask about the NYC SafeStart Account or visit nyc.gov/ofe

NYC Michael R. Bloomberg Mayor | **Department of Consumer Affairs
Office of Financial Empowerment** Jonathan Vitro Commissioner | **Center for Economic Opportunity** Veronica M. White Executive Director



EasySave Account

- Available to City employees at 7 agencies
- Offered through the Municipal Credit Union

Features:

- No minimum balance requirement, monthly maintenance or enrollment fees
- The EasySave Account is open within 72 hours of signing up
- Employees are able to access their funds or change, pause, or cancel participation in EasySave at any time
- Employees can access funds with an ATM card (no debit)



- Save for emergencies
- Save for my family
- Save for the future

How it works:

- Choose whatever amount you want to save out of your regular paycheck
- Your savings will automatically get deposited right into your account
- The account is free—no fees, no minimum balance required
- You can access your savings at any time, for any reason

NYC | Department of Consumer Affairs
Office of Financial Empowerment | Michael R. Bloomberg
Mayor

Center for Economic Opportunity
| Jonathan Metz
Commissioner

Veronica M. White
Executive Director

MCU
MUNICIPAL CREDIT UNION



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Consumer Protection



DCA & OFE Protects Consumers

- DCA protects workers with low incomes from unfair and predatory practices through targeted advocacy and enforcement
- Target issues that affect parents and families including Tax Preparers, Employment Agencies, Debt Collectors, Immigration Service Providers
- Enforces the City's Consumer Protection Law
- Accept and mediate consumer complaints
- Increase public awareness
 - Broad campaigns
 - Tip sheets
 - Community outreach



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Protect Your Money

New campaign focused on helping New Yorkers hold on to their hard earned money

A new way to frame the Financial Empowerment initiatives coupled with consumer protection and advocacy

Tip #3:
Get Control of Your Debt

“ When I started working with the financial counselor, I didn't think there would be too much that I could change. My debt is my debt, and I thought that trying to pay it off would keep me stuck. I didn't feel very hopeful. But my counselor gave me the courage to move forward. Now I feel like I can do this. ”

—Skyla, Queens, NY

Take control of *your* debt. Call 311 and ask for an NYC Financial Empowerment Center where you can get free one-on-one professional counseling. And visit nyc.gov/ProtectYourMoney for more tips.



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Center for
Economic Opportunity

“Protect your Money”



Campaign Message:

- Free financial counseling
- Safe and affordable banking
- Free and low-cost tax preparation
- Education and enforcement of consumer protections

Tip #1:
Open an
NYC
SafeStart
Account

“ You can have a lot of banks in a neighborhood, but if the accounts have hidden fees, people will avoid them. I tell my clients about the NYC SafeStart Account. Many banks and credit unions offer the account. It's easy to open, you get an ATM card, and best of all, there's no overdraft fee. ”

— Juan, Counselor at NYC Financial Empowerment Center in Queens

Call 311 and ask about the NYC SafeStart Account.
And visit nyc.gov/ProtectYourMoney for more tips.



www.nyc.gov/ProtectYourMoney

Consejo #7: Proteja Su Identidad

“ Mi consejera financiera me dijo que yo tenía una deuda muy grande, que la cuenta tenía casa, carro, cinco o seis tarjetas de crédito. Yo dije, ¿Qué? No tengo nada de eso. Yo sentía que me iba a dar un infarto. Pero mi consejera me dijo, 'No te preocupes, eso lo vamos a solucionar.' Y gracias a ella, así fue. ”

- Maria, Manhattan, NY

Asegúrese de que su cuenta es segura. Llame al 311 y pregunte por un NYC Financial Empowerment Center, donde se puede obtener consejería individualmente por gratis con un consejero profesional. Y visite nyc.gov/ProtectYourMoney para más consejos.



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Protect
yourMoney



Integration with Early Childhood Development

OFE's programs targets working poor families

- Continuously identifying new opportunities to link to these families

Current linkages

- Tax time focus on EITC, non-custodial EITC, and Child Care Tax Credit
- Outreach to ACS Contracted Child Care Centers, DOE Parent Coordinators, Mayor's Commission on Women's Issues, HRA's Office of Child Support Enforcement
- Financial Empowerment Center linkages with Head Start, Harlem Hospital



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www.nyc.gov/protectyourmoney

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www.nyc.gov/ofe

