

Getting Banked!

Consumer Protection and Predatory Financial Practices In Puerto Rico

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Why Is It Important to Be Banked?



Banks and credit unions provide a secure place to store and access money, enabling people to:

- Accumulate and protect savings or other financial assets
- Carry less cash, reducing theft and other crimes
- Reduce reliance on check-cashers and other high-cost “fringe” financial services

Key Take-Home Lessons

- **How to help the unbanked by:**
 - **Communicate** – educate the unbanked about the costs of predatory financial services
 - **Motivate** – help the unbanked understand that they can open an account regardless of their income or credit history
 - **Participate** – connect with a community-based partnership or coalition, such as Bank On

Who is Banco Popular de Puerto Rico?

- Founded in 1893 to serve all levels of society
- Largest bank in Puerto Rico in deposits and loans
 - 173 Branches in PR
 - 1,450 ATMs
- Ranks 38th in Assets in US
 - 98 Branches in US
 - 136 ATMs US
- Community based bank

Our Programs: A Historical Perspective

- **Our Creed** Banco Popular is a genuinely native institution, dedicated exclusively to working for Puerto Rico's social and economic well-being,...

Promoted use of piggy banks – whose key was stored at the local branch

Mobile branch – traveling bus to reach small towns with banking services (1950's)

Leader in technology

History of financial orientation workshops for clients

The bank in the Community, Banking Fairs, Take Control of Your Money, *Finanzas en Tus Manos*

Reaching out to the unbanked

Nearly All of the Unbanked Are Poor

FDIC survey - 2009



- Of households surveyed nationally:
 - 8% were unbanked (9 million households, 17 million adults)
 - An additional 18% (43 million adults) were underbanked
- Households with income under \$30,000 comprise at least 71% of unbanked households
 - Nearly 20% of lower-income U.S. households -- almost 7 million households earning below \$30,000 per year -- do not currently have a bank account

People Are Unbanked for Diverse Reasons

- ❑ “Hard” barriers to account holding, such as lack of ID or bad credit history, appear to be more formidable than “soft” barriers, such as not feeling welcome or not speaking English
- ❑ A lack of bank branches in lower-income urban communities does not appear to be a significant barrier to using banking services
- ❑ The culture of Puerto Rico

Predatory Practices in Puerto Rico

- Check cashing services – N/A (except Walmart)
- Payday lenders – N/A
- Pawn shops – high-interest-rate loans borrowed against collateral at owners' discretion – not regulated
- Auto title lenders – N/A
- Rent-to-own stores – very high monthly payments to rent products such as TVs, computers, appliances, etc.

Getting Banked Helps Families Build a Foundation for Financial Well-being

- Encouraging families to get banked requires helping families learn:
 - How to open a bank account
 - How to choose the right financial institution
 - Avoid predatory lending and check cashing practices
 - Knowing which local institutions they can trust

Our Programs

Our bank in the community

180 presentations in 2001

196 presentations in 2002

Compromiso Popular

Take Control of Your Money

Reached over 10,000 people in 2008

Finanzas en tus Manos (financial education) 2010

Reached over 3,000 directly, Goal for 2011 is 75,000

Reach over 120,000 per week on radio, television

Accounts for the Unbanked

Acceso Accounts

Acceso Popular (2001)	312,000
Acceso Universitario	95,000
Acceso ETA (1999)	70,580

Payroll Card 44,432

Club de Ahorros (Savings Club)

Introduced in 1988

For children

What Else We Do to Help

Communicate

- Local Early Learning Community Roles:
 - Our **Populoso** Program (Bear Mascot) is for children from Pre-kinder to 6th Grade
 - 2008 567 presentations to reach 75,800 children
 - 2009 – 508 presentations to reach 109,550 children
 - 2010 (9 mos) – 516 presentations to reach 120,320 children
 - Includes 34 presentations to Head Start school children
 - Communicate to parents:
 - Parents are required to participate in the opening of accounts for minors.
 - Participate in programs such as Get Smart About Credit.

Motivate

- Local Early Learning Community Roles:
 - Train staff to educate parents on:
 - How to open a bank account
- Local Asset Building Community Roles:
 - Offer informational sessions to early learning organizations on ways that low-income families can access mainstream financial instructions and emphasize the benefits for families
- Full Branch Personnel Support

Participate

- Roles for Local Early Learning and Asset Building Communities:
 - Help sign parents up for bank accounts:
 - Invite bank representatives to host an on-site sign-up day, where parents can open accounts at Head Start site
 - Provide Internet access and walk parents through the process of opening an account online (particularly those in rural areas)
 - Join a local asset building initiative or coalition, like Bank On

What Families Need to Know

Families Need to Know That:

- **Getting banked is a key first step to financial stability and savings**
- **Predatory financial services may be stealing their money and shrinking their paychecks**
- **No/low cost bank accounts are available**
- **Bad credit does not preclude families from opening up a bank account**
- **There may be local banks, credit unions, and programs like “Bank On” that offer banking services that meet their income levels and needs**
- **Individual Development Accounts (a matched savings account) are entry accounts that enable families to learn about using mainstream financial institutions – look for local Assets for Independence programs or other local IDA programs**

Contact Information

Finanzas en tus Manos

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