

Boosting Savings in Troubled Times

National Conference of State Legislatures

Legislative Summit

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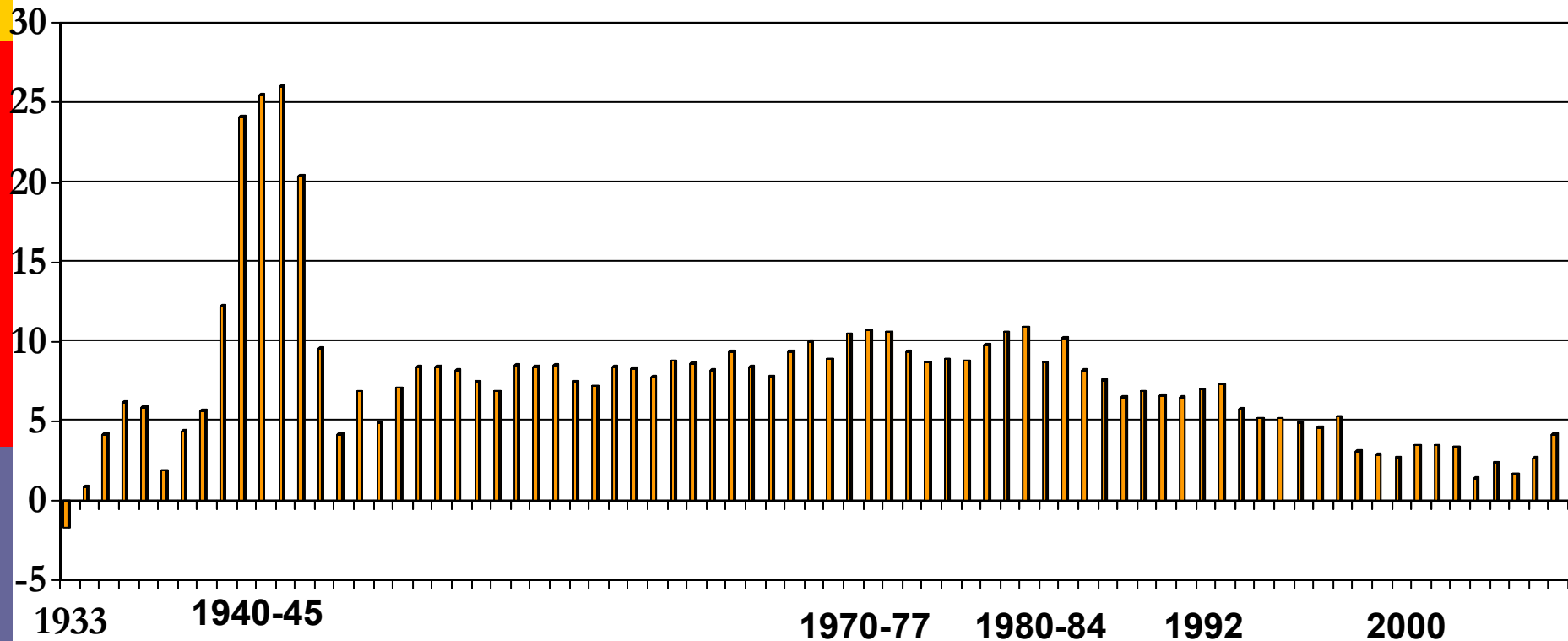
FDIC



EVERYONE IS WELCOME



Personal saving as a percentage of disposable personal income



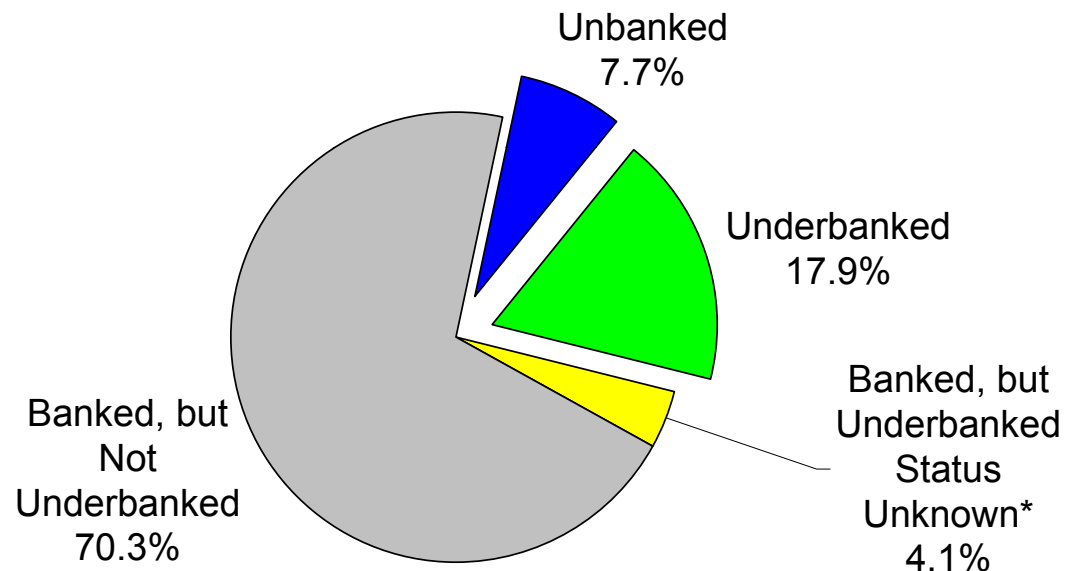
Data from the Bureau of Economic Analysis, an agency of the [U.S. Department of Commerce](#).

Household Unbanked Survey

- ❑ **Federal Deposit Insurance Reform Conforming Amendments Act of 2005 (“Reform Act”)** requires FDIC to conduct ongoing surveys of banks on efforts to serve the unbanked.
- ❑ **Lack of complete and reliable data on this topic led the FDIC to enter into an agreement in 2007 with the Bureau of the Census to jointly conduct the first national survey of unbanked and underbanked households (“National Household Survey”)** as a supplement to the Census Bureau’s Current Population Survey (CPS).

National Proportions of Unbanked and Underbanked Households

- An estimated **7.7 percent** of households, about 9 mm with at least 17 mm adults, are **unbanked**.
- An estimated **17.9 percent** of households, about 21 mm with about 43 mm adults, are **underbanked**.
- Taken together, at least **25.6 percent** of U.S. households, close to 30 mm households with about 60 mm adults, are **unbanked or underbanked**.



Notes: Percentages are based on 118.6 million U.S. households. Percentages do not always sum to 100 because of the rounding of household weights to represent the population totals.
* These households are banked, but there is not enough information to determine if they are underbanked.

Characteristics of unbanked households

Households more likely to be unbanked than the population as a whole are those:

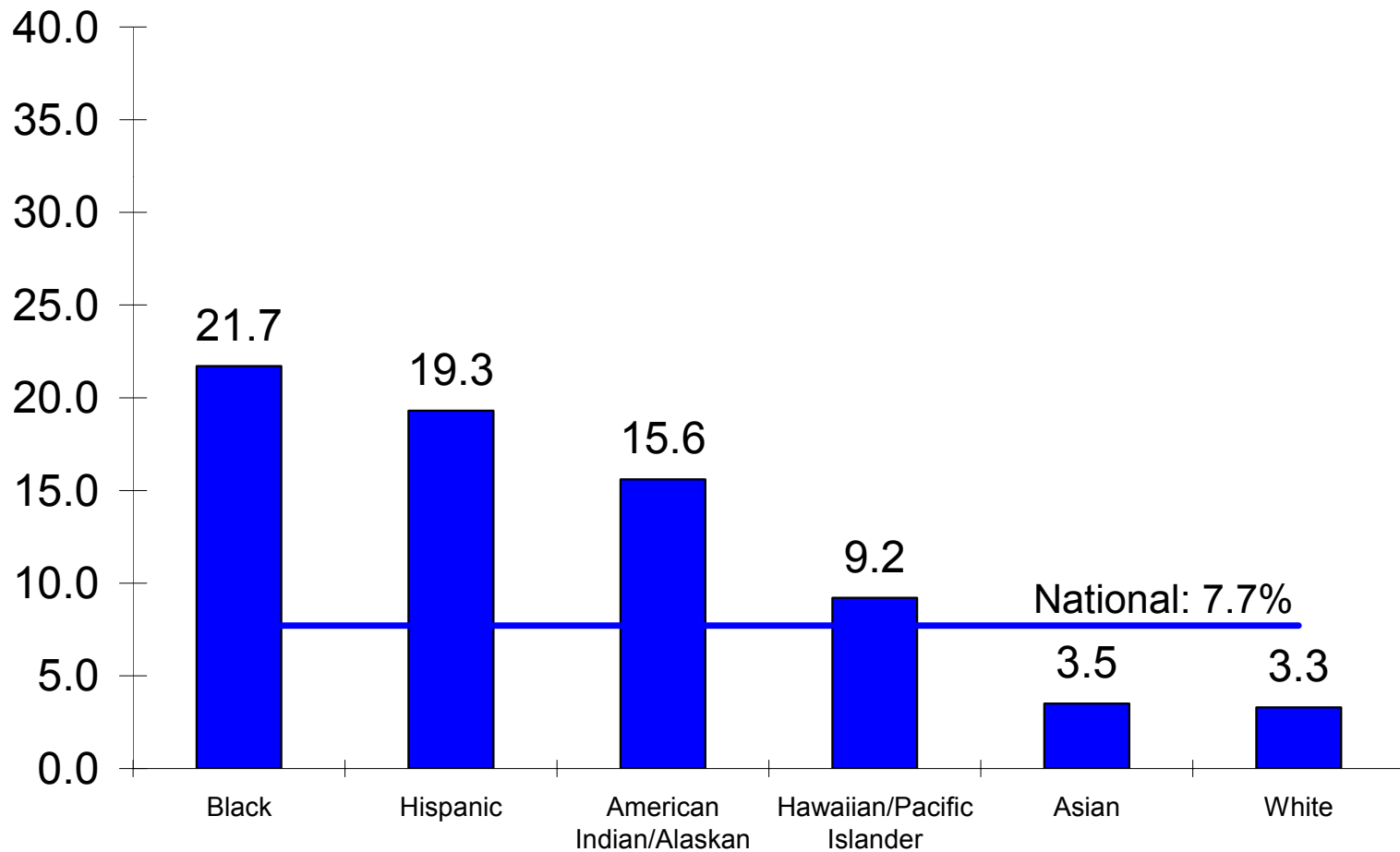
- ❑ With a black, Hispanic non-black, or American Indian/Alaskan householder; or
- ❑ Where Spanish is the only language spoken at home; or
- ❑ With a householder that is a foreign-born noncitizen; or
- ❑ That are family households with an unmarried female or male family householder; or
- ❑ Earning less than \$30,000; or
- ❑ With a householder holding less than a high school degree; or
- ❑ With a householder under age 45.

SYMPTOMS

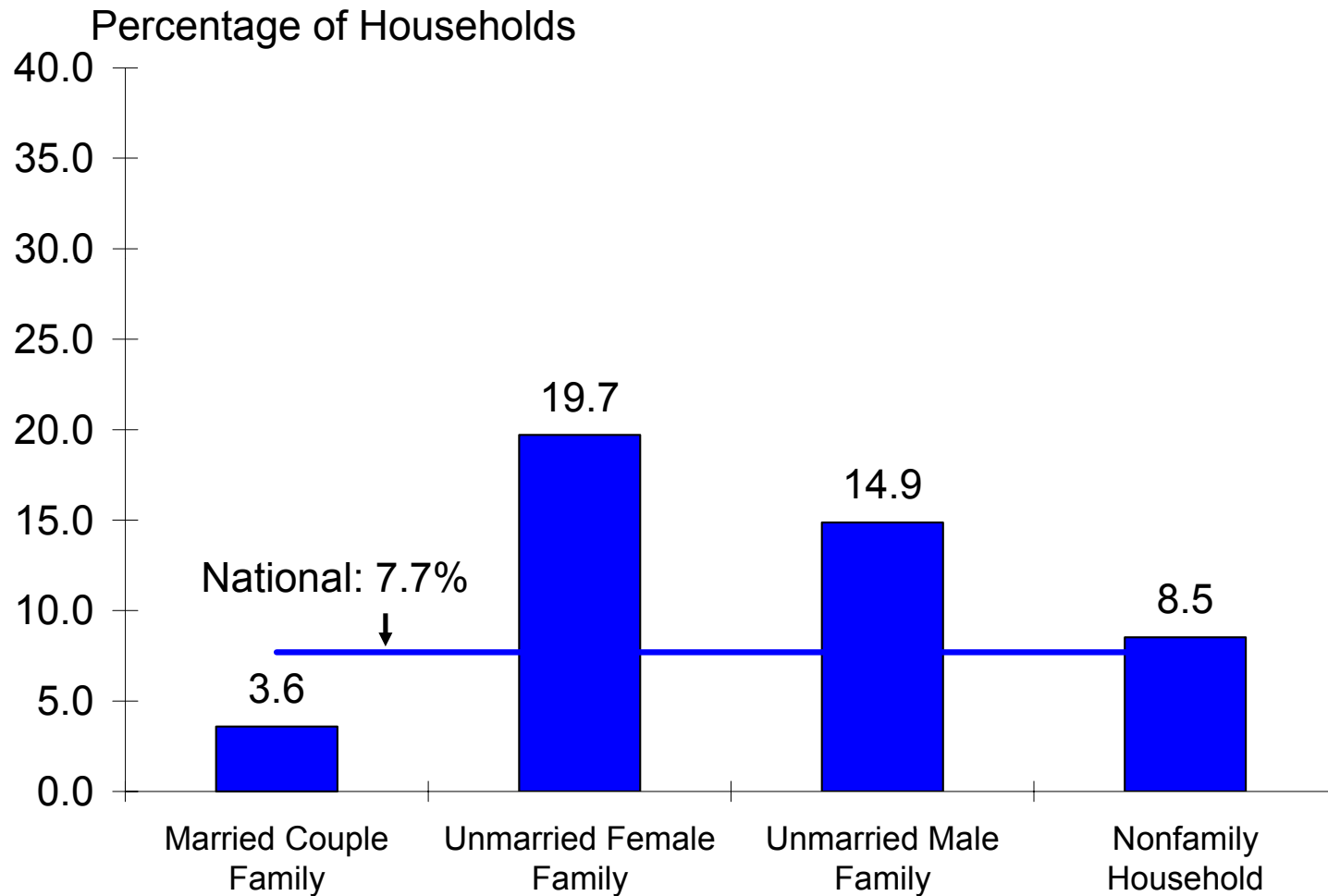
- ❑ **Use of alternative service providers**
- ❑ **Paying high fees or interest for financial products**
- ❑ **Making questionable decisions with money**
- ❑ **Lack of a noticeable budget**
- ❑ **Lack of “Brick and Mortar” Bank or CU branches**
- ❑ **Limited financial knowledge**
- ❑ **Low or no credit score(s)**
- ❑ **No credit cards**
- ❑ **Lack of US or State ID**
- ❑ **All purchases and payments in cash or MO**

Unbanked households by race/ethnicity

Percentage of Households



Unbanked households by household type



Alliance for Economic Inclusion

AEI



FDIC

Enhancing the Economic Wellness

- ❑ **Financial Education (Money Smart Program)**
- ❑ **Free Tax Preparation—VITA sites**
- ❑ **Individual Development Accounts—IDAs**
- ❑ **Low-cost Deposit Accounts**
- ❑ **Low/No-Cost Check Cashing**

Bringing Consumers into the Mainstream

- ❑ **Innovative low-cost products**
- ❑ **Affordable Housing options**
- ❑ **Coaching/Assistance**
- ❑ **Recognizing Successes**
- ❑ **Learning from mistakes**
- ❑ **Second-chance Accounts**

REACHING OUT--TRUST

- **TRUST—WHERE ARE THE CONTACT POINTS?**
 - Community-based Organizations**
 - Faith-Based**
 - Education-based**
 - Employment-based**
 - Family-based**
 - Entertainment-based**
- **CULTURE—DIFFERENCES IN CUSTOMS/BELIEFS**
 - Language**
 - Perceptions**

REACHING OUT--EDUCATION

- **FINANCIAL LITERACY**
 - Level**
 - Availability/Sources**
 - Costs**
 - Benefits/WIIFM**

- **CUSTOM PRODUCTS/SERVICES**
 - Income**
 - Unique needs (Agriculture, Ranching)**
 - Cultural Beliefs**

REACHING OUT--PARTNERS

CANNOT BE DONE ALONE!

□ **Partners**

- **Community Individuals**
- **Community-based Organizations**
- **Faith-based Organizations**
- **Other local/state/federal agencies**
- **Professional/Technical assistance**
- **Private Businesses**
- **Advisory Boards**



RAISE TEXAS

- ❑ Started in 2003 as TX IDA Network
- ❑ FDIC originating partner
- ❑ Promoting and implementing new IDA programs throughout the state
- ❑ Started DFW pilot program in 2005
- ❑ Evolved into TX Asset Building Coalition as IDAs matured
- ❑ In 2007 renamed RAISE TX (Resources, Assets, Investments, Savings and Education)



BANK ON CALIFORNIA

EVERYONE WELCOME



What is Bank on California?

A partnership between a diverse statewide coalition:

- **Office of the Governor**
- **Financial Institutions & Financial Regulatory Agencies**
- **Community Organizations**
- ***BANK ON* Mayors**

TO:

- **Raise awareness**
- **Boost financial literacy**
- **Develop and market starter accounts**
- **Help people make better financial decisions**



Bank on California Cities

	2009 Accts
San Francisco	23,434
Los Angeles	38,534
Oakland	6,545
Fresno	31,808
San Jose	6,394
Sacramento	1,353
Other	1,996
Santa Ana	NEW!!
TOTAL	<u>110,064 !!!!</u>

www.EconomicInclusion.gov



A website designed to facilitate access to state and large MSA-level data...

ECONOMICINCLUSION.GOV

FDIC

> INITIATIVES > HOUSEHOLD SURVEY > PRESS ROOM

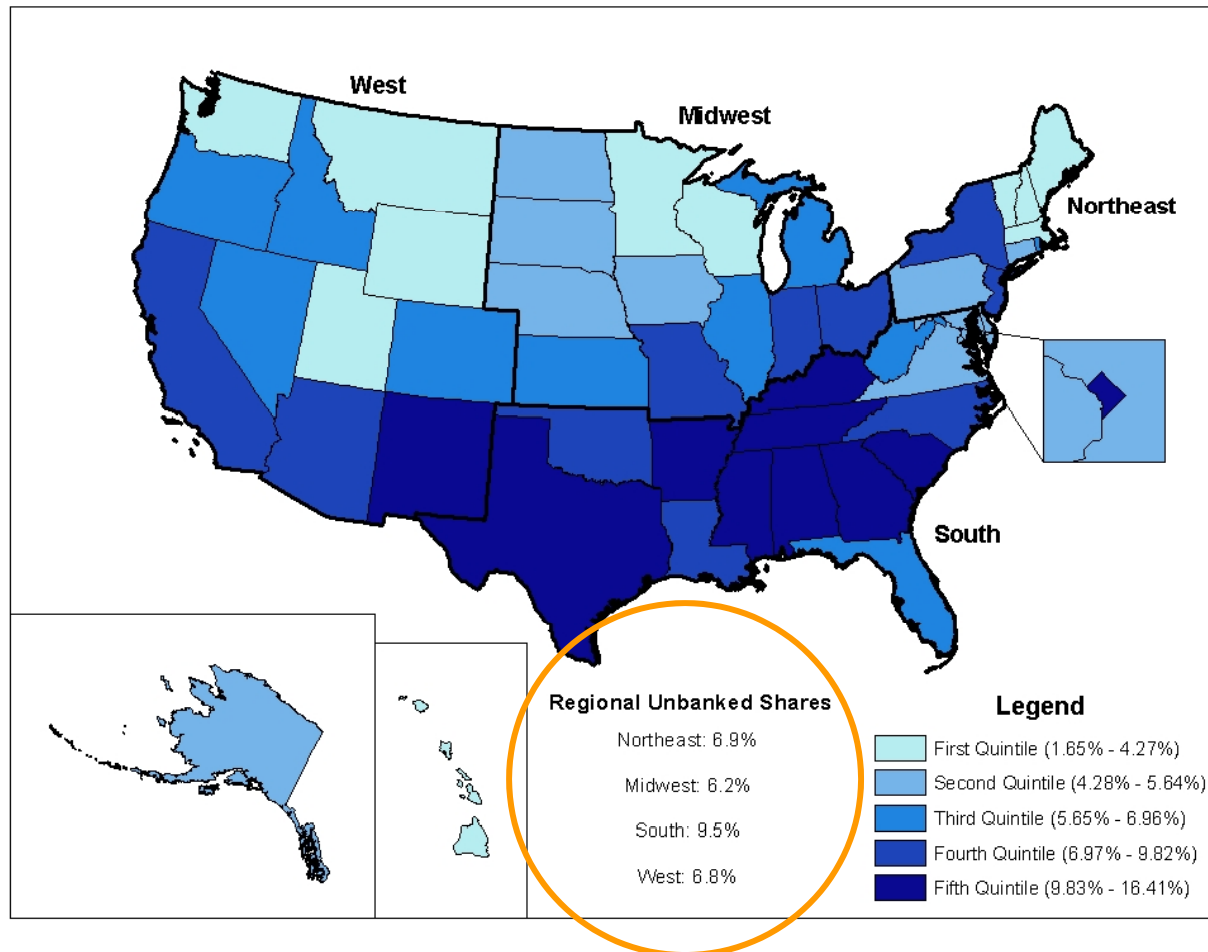
NATIONAL HOUSEHOLD SURVEY

Results from the 2009 FDIC National Survey of Unbanked and Underbanked Households.
Read the full report and Executive Summary.

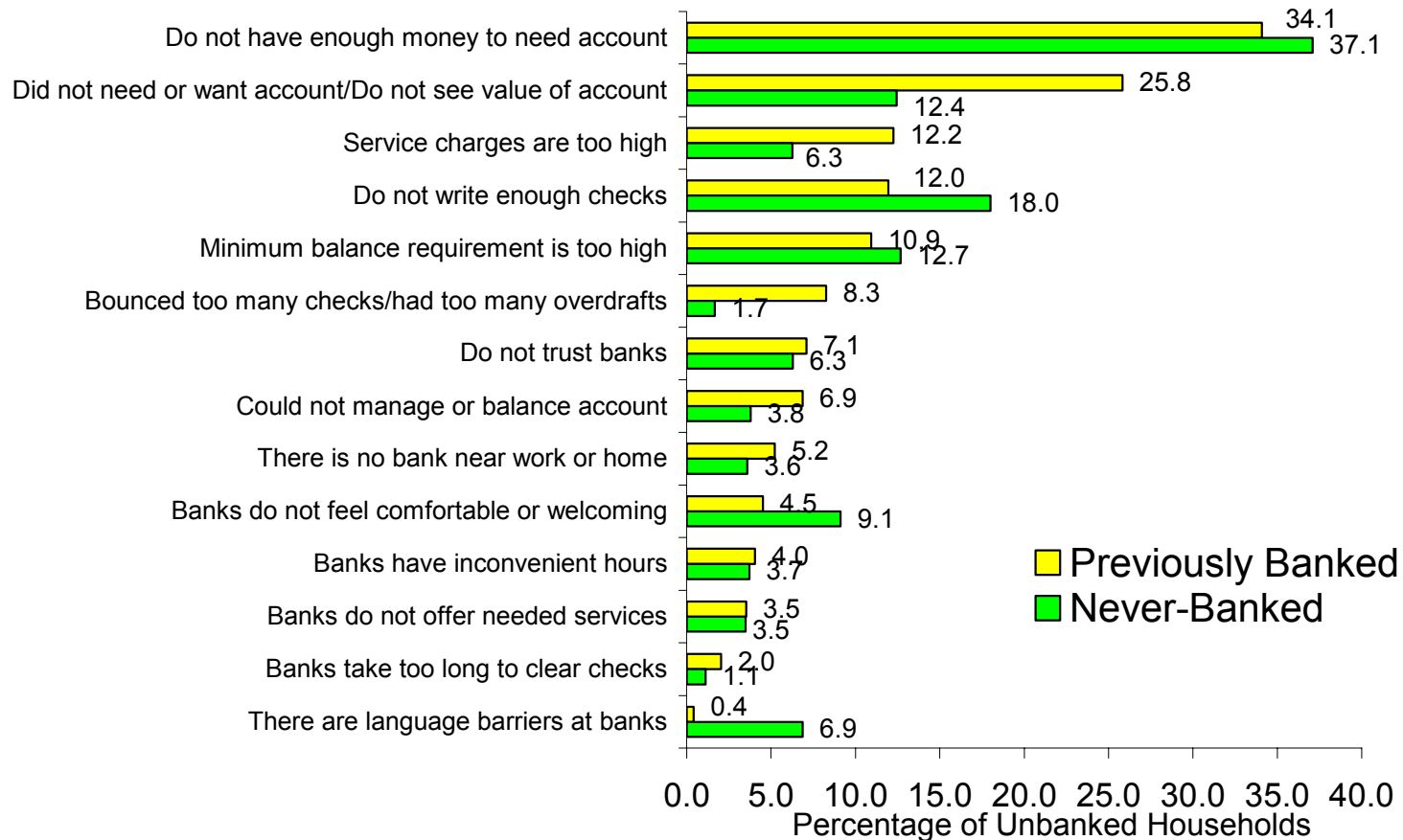
NATION REGION STATE MSA

The image shows a screenshot of the FDIC Economic Inclusion website. The header features the text 'ECONOMICINCLUSION.GOV' and the FDIC logo. A navigation bar contains three links: '> INITIATIVES', '> HOUSEHOLD SURVEY', and '> PRESS ROOM'. The main content area has a blue background with a map of the United States on the left. On the right, the text reads 'NATIONAL HOUSEHOLD SURVEY' in large white letters. Below this, it says 'Results from the 2009 FDIC National Survey of Unbanked and Underbanked Households. Read the full report and Executive Summary.' At the bottom right, there are four buttons labeled 'NATION', 'REGION', 'STATE', and 'MSA'.

Unbanked households by region and state



Reasons households are unbanked



Note: Percentages based on a total of 4.23 million never-banked households and 3.14 million previously banked households. Previously banked households that did not close their account themselves and/or were in the process of opening an account were not asked why they closed their account and are excluded from this analysis. Percentages sum to more than 100 because respondents were permitted to choose multiple responses.

Alternative financial services used by unbanked households

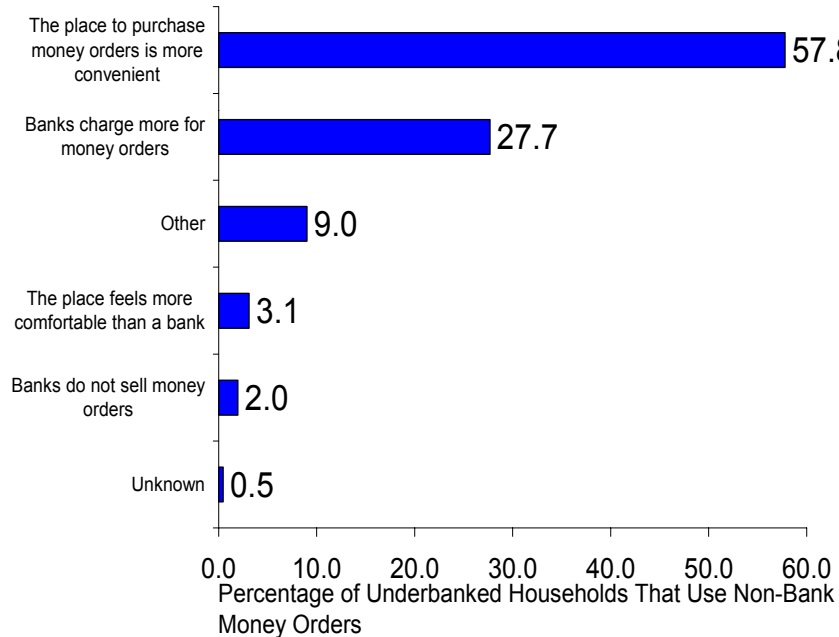
- About 66 percent of unbanked households have used an AFS.
 - 54 percent have used non-bank money orders.
 - 38 percent have used non-bank check cashing services.
 - 14 percent have used pawn shops.
 - 12 percent have used rent-to-own.
 - 7 percent have used payday lending.
- About 8 percent have used refund anticipation loans during the past 5 years.

Alternative financial services used by underbanked households

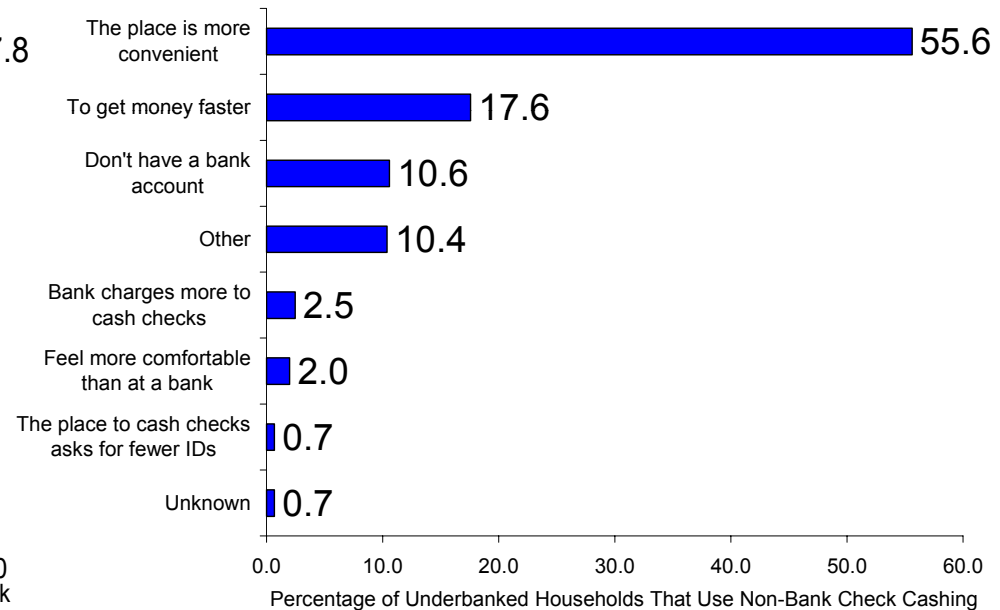
- ❑ Underbanked households account for 19.4 percent of all banked households.
- ❑ By definition, all underbanked households have used an AFS at least once or twice a year.
- ❑ Among underbanked households:
 - 81 percent use non-bank money orders.
 - 30 percent use non-bank check cashing services.
 - 16 percent use payday lending.
 - 16 percent use pawn shops.
 - 13 percent use rent-to-own services.
 - 13 percent have used refund anticipation loans during the past 5 years.

Reasons underbanked households use AFS - transaction products

Non-bank Money Orders

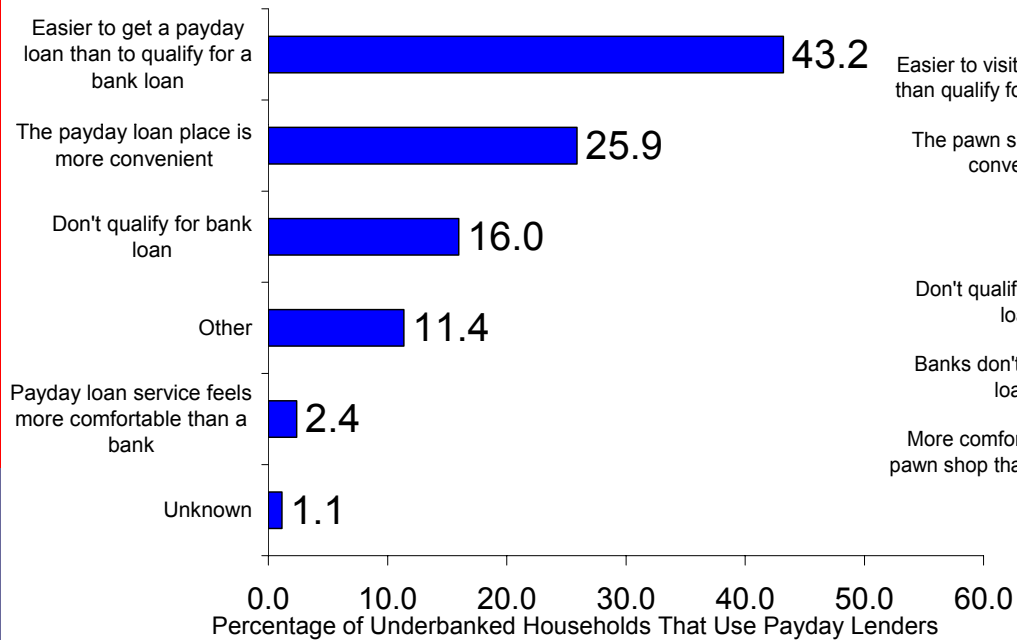


Non-bank Check Cashing

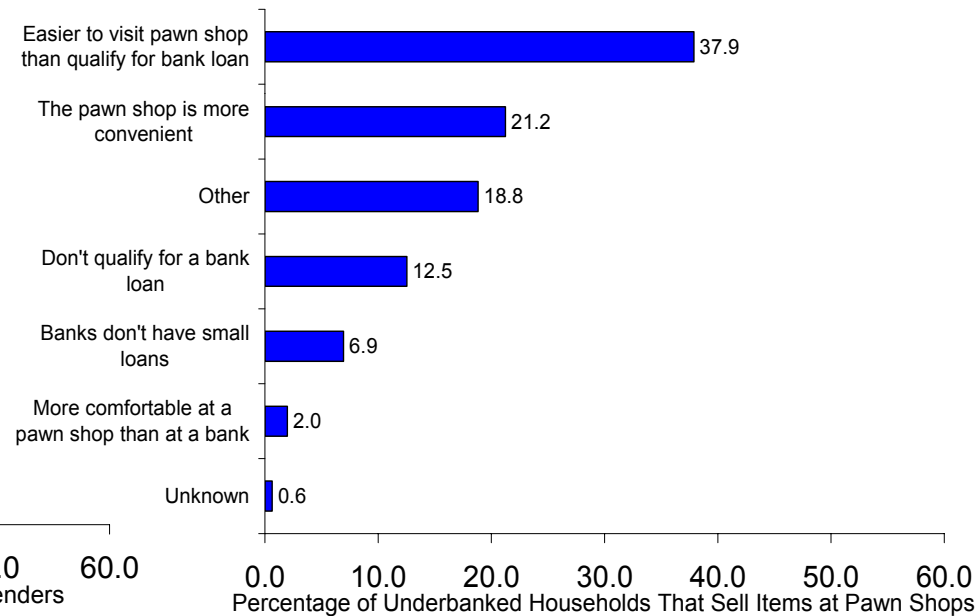


Reasons underbanked households use AFS - credit products

Payday Lenders



Pawn Shops



Help from Financial Institutions

- **Products at some financial institutions:**
 - Low cost / no cost checking accounts.
 - 2nd chance checking accounts.
 - Free direct deposit & ATM access to cash.
 - Low initial deposit savings accounts.
 - Prepaid debit cards (alternative to bank account).
- **Loan products to build credit worthiness:**
 - Certificate of deposit loans.
 - Prepaid credit cards.
 - Small dollar loans & Alternative Payday Loans

COMMUNITY AFFAIRS OFFICERS

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NEW YORK	Valerie Williams	DC, DE, MD, NJ, NY, PA, Puerto Rico, USVI
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Questions?

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