Bank on California & WE Connect

Financial empowerment innovations in California

Anne Stuhldreher
California Asset Building Program
New America Foundation
Presentation to National Conference of State Legislatures

December 12, 2009
What is asset building policy?

From Building Assets While Building Communities, by Heather McCulloch for the Walter and Elise Haas Fund 2006

The report can be downloaded at: http://www.haassr.org/html/resources_links/index.cfm
What is Bank on California?

A partnership between a diverse statewide coalition:

› Office of the Governor
› Financial Institutions & Federal Regulatory Agencies
› Community Organizations
› Five (soon seven) city mayors

Goals:

› Develop and market starter accounts
› Boost financial literacy
› Overall goal: Bring 100,000 “un-banked” Californians into financial mainstream
The Bank On model is a public-private partnership, led by elected officials, that works to “move the market” and connect qualified consumers with the financial institutions and products that are appropriate for them.
What is Bank on California?

An on-ramp to economic mobility.
By helping California’s un-banked open starter bank accounts and enter the financial mainstream, they will be able to:

› Gain access to lower-cost sources of credit
› Begin saving
› Build a credit history
› Invest for their futures
Not having a bank account is expensive

$1,042 Amount spent on check-cashing fees

$21,908 Remaining income

Additional Unknown Direct Costs: Money orders, bill payment services, remittances

Additional Unknown Indirect Costs: OPPORTUNITY COST = No or limited access to wealth-building credit or loans, often with higher prices than might be otherwise possible

Source: Analysis of data from Fellowes and Mabanta, “Banking on Wealth: America’s New Retail Banking Infrastructure and Its Wealth-Building Potential” (The Brookings Institution, 2008); profile fits the median household without a DFI account.

Note: Check-cashing rate is based on the 50-state average. For more information, see Fellowes and Mabanta, “Banking on Wealth...”
Why Bank on California?

Being un-banked can put one’s financial future and personal safety in jeopardy:

› It hurts financially: A bank account is the first step to financial security. Without one, it’s harder to get well-priced car loans, credit cards, or mortgages—financial tools needed to climb the economic ladder.

› It is not safe: Storing cash in their homes or carrying a large amount of cash can make the un-banked a magnet for crime.
A significant number of households are un-banked

<table>
<thead>
<tr>
<th>State</th>
<th>Total Households</th>
<th>Unbanked Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>10,700,000</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Illinois</td>
<td>4,400,000</td>
<td>369,000</td>
</tr>
<tr>
<td>New York</td>
<td>6,600,000</td>
<td>464,000</td>
</tr>
<tr>
<td>North Carolina</td>
<td>3,000,000</td>
<td>472,000</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>4,400,000</td>
<td>407,000</td>
</tr>
<tr>
<td>Washington</td>
<td>2,300,000</td>
<td>167,000</td>
</tr>
</tbody>
</table>

Source: Estimates based on data from the U.S. Census Bureau and the Federal Reserve’s 2004 Survey of Consumer Finances.
View your state’s data at…

ECONOMICINCLUSION.GOV

NATIONAL HOUSEHOLD SURVEY

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

Download State Summary Table
Why Bank on California?

“So why should we care about the un-banked? The answer is simple. Getting more Americans involved in the financial mainstream sector is about investing in our communities. If we can help individuals and families climb the ladder of economic success – our communities prosper and our entire country benefits.” -U.S. Treasurer Anna Escobedo Cabral

Too many Californians are un-banked:
- 1 in 2 California households don’t have savings accounts.
- 1 in 5 Californians are unbanked or underbanked
- 2 of the top 3 areas with the highest percentage of un-banked residents in the country are in California.

Source: Brookings Institution, FDIC, Scarborough Research
Why Bank on California?

This problem is also an opportunity:

› Both the un-banked and financial institutions can benefit: Under this initiative, banks can offer starter accounts that work for their bottom line and for un-banked consumers.

› Helping the un-banked improves communities: In cities where a greater share of residents have a bank account, homeownership rates are higher, while crime rates are lower.
Baseline Features of BOC Account

› Low-cost accounts
› No monthly minimum balance requirement
› Open accounts for those with NSF/overdraft histories on ChexSystems of over one year
› Open accounts for those on ChexSystems for less than one year with financial education training
› Waiver of one set of NSF/overdraft fees per year
› Allow acceptable forms of ID, including the Matricula Consular Card and Individual Taxpayer Identification Number (ITIN)
› Enhanced customer service
The Marketing Challenge

The typical Bank on California consumer:
› Believes they are locked out of the banking system.
› Has a fear of discomfort or humiliation when dealing with bankers and may distrust banks.
› Is African-American or Latino, may speak Spanish.
› Is between the ages of 18-45.
› Earns a low wage, although an estimated 25% of the audience earns $25,000 to $45,000 per year.

We reach them through:
› Partnering with “trusted messengers” (churches, community organizations)
› “Bully pulpit” of public officials
› Pro bono advertising campaign
› Ethnic media
I SAVED OVER $800 BECAUSE I OPENED A BANK ACCOUNT.

MI DINERO ESTÁ SEGURO PORQUE CONSEGUI UNA CUENTA BANCARIA.

NEW AMERICA FOUNDATION
DON'T LET THEM TAKE ANY MORE OF YOUR MONEY.
Find out how at 415-554-4409 or sfgov.org/bankonsf.

NOW YOU CAN OPEN A BANK ACCOUNT

New America Foundation
KEEP YOUR MONEY.
GET A BANK ACCOUNT.

Don't let cashiers take a penny of your hard-earned money. Even if you've had problems with an account in the past, or don't have a driver's license or Social Security card, you can open a bank account in San Francisco.

Find out how you can start depositing money in your own bank account by visiting one of the participating banks or credit unions listed below.

BANK OF AMERICA • BANK OF THE WEST • CITIBANK • MISSION AREA FEDERAL CREDIT UNION • MISSION NATIONAL BANK • NORTHEAST COMMUNITY FEDERAL CREDIT UNION • PATELCO CREDIT UNION • SAN FRANCISCO FEDERAL CREDIT UNION • SPECTRUM FEDERAL CREDIT UNION • STERLING BANK AND TRUST • UNITED COMMERCIAL BANK • US BANK • WASHINGTON MUTUAL • WELLS FARGO • WESTamerica

To find out how, simply dial 2-1-1 and ask for Bank on San Francisco.

MANTENGA SU DINERO. OBTENGA UNA CUENTA BANCARIA.

No deje que los cajeros le quiten un centavo del dinero que usted ha ganado con esfuerzo. Aunque usted haya tenido problemas con una cuenta en el pasado, o no tiene una licencia de manejar o tarjeta de Seguro Social, usted puede abrir una cuenta bancaria en San Francisco.

Asegúrese de comenzar a depositar dinero en su propia cuenta bancaria al visitar uno de los bancos participantes o uniones de crédito mencionadas a continuación:

BANK OF AMERICA • BANK OF THE WEST • CITIBANK • MISSION AREA FEDERAL CREDIT UNION • MISSION NATIONAL BANK • NORTHEAST COMMUNITY FEDERAL CREDIT UNION • PATELCO CREDIT UNION • SAN FRANCISCO FEDERAL CREDIT UNION • SPECTRUM FEDERAL CREDIT UNION • STERLING BANK AND TRUST • UNITED COMMERCIAL BANK • US BANK • WASHINGTON MUTUAL • WELLS FARGO • WESTamerica

Para saber cómo hacerlo, simplemente marque 2-1-1 nosotros le conectaremos.
Desde su teléfono celular llame al: (415) 800-HELP. O visite: sfgov.org/bankonsf

新美國基金會

New America Foundation
Governor published op-ed in WSJ with President Clinton in January 2008
Worked with leads in our initial partner cities: Fresno, Oakland, San Jose, LA, and San Francisco
Recruited financial institutions to offer starter accounts
Began discussions with key community groups
Formed local coalitions and working groups
Developed materials and outreach strategies
Announced the Bank on California initiative with our local government, financial institution and community group partners in December 2008
"Through ‘Bank on California’ we will help working families save money by accessing basic financial services others may take for granted – putting them in the financial mainstream. This simple, innovative idea won’t cost taxpayers a dime, helps working families get ahead and grows our economy at the same time."

-Governor Arnold Schwarzenegger
Bank On campaigns have been popping up in cities across the country over the last two years.

Three states – CA, IN, IL – are already actively engaged.
Lessons Learned

- Use national resources, but local partners key
- Set bold goals and track your results
- Don’t underestimate the influence of local officials, both with financial institutions and the public
- Partner with a regulator (FDIC or Fed)
- Reach out to national experts
- See Bank on SF “Getting started” case study
- Don’t reinvent the wheel!
How are we doing?

Bank on SF:
› 40,000 accounts opened since October 2006
› Average monthly balance is over $900

Bank on CA:
› 96,000 accounts opened since December launch
› Average monthly balance is $480; 96 % accounts active
› Two additional cities launching--Santa Ana and Sacramento
Questions & Suggestions

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Your state’s unbanked data:
http://www.economicinclusion.gov/index.html
We Connect You to Money, Opportunity & Dreams
It’s Up To WE

New America Foundation
The Problem:

Too many Californians miss out on programs and resources that could make a real difference in their lives

› Many mistakenly think that if they work they don’t qualify for government resources
› Others don’t know about programs or how to apply
Programs exist, but often go unused

<table>
<thead>
<tr>
<th>Program/Credit</th>
<th>Brief Description</th>
</tr>
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<tbody>
<tr>
<td>Federal Earned Income Tax Credit (EITC)</td>
<td>Annual tax benefit if you work full or part time and earn below a certain income level</td>
</tr>
<tr>
<td>Federal Child Tax Credit</td>
<td>Annual tax benefit if you have qualifying dependents</td>
</tr>
<tr>
<td>California Child and Dependent Care Expenses Credit</td>
<td>Annual tax benefit if you paid someone in California for child or dependent care</td>
</tr>
<tr>
<td>Golden State Advantage Card</td>
<td>Get help to buy your monthly groceries.</td>
</tr>
<tr>
<td>Low Cost Gas and Electric (CARE Program)</td>
<td>Receive a 20% discount on your monthly gas and energy bills</td>
</tr>
<tr>
<td>California Lifeline Telephone Program</td>
<td>Reduced monthly telephone bills for basic services</td>
</tr>
<tr>
<td>Low Cost Automobile Insurance Program</td>
<td>Pay reduced car insurance premiums year-round if you have a good driving record</td>
</tr>
<tr>
<td>Women, Infants &amp; Children Program</td>
<td>Receive certain free healthy foods for pregnant women, infants and young children.</td>
</tr>
<tr>
<td>No Cost &amp; Low Cost Health Insurance Programs</td>
<td>No cost and low cost health insurance programs for you and your family.</td>
</tr>
</tbody>
</table>
The Earned Income Tax Credit (EITC)

- A federal tax credit for eligible working individuals and families
  - Valid SSN & authorization to work required
- Can result in a tax credit of up to $5,657
- Eligibility based on combination of income and number of dependent children
- The IRS estimates that 15 to 25 percent of Americans fail to claim the EITC
Who is eligible for the EITC?
What difference can “work supports” make?

Angela Bosworth

- 36 years old
- Single parent with son Joey
- Works full-time at dry-cleaning business making $8.00 per hour

Angela gave herself a 25% RAISE!
The Solution: WeConnect

To connect Californians that work hard but struggle to get ahead with programs and resources they may not know about or know they qualify for.

To make it easy for busy families to learn about innovative programs that are too often under-used but could make a real difference in their lives.

To reach Californians where they live, work, shop, and worship through innovative public-private partnerships.