

Local Government as a Collaborative Partner In Promoting Banking and Financial Services



**NICRC
New Orleans, LA
March 16, 2010**

A Population in Crisis

- Role of local government is to provide for the health, safety and welfare of its residents
- Threats to family economic stability:
 - Secondary financial markets
 - High cost debt
 - Little or no savings
 - Unreliable transportation
 - Lack of healthcare and childcare
 - Mortgage foreclosure
 - Are undereducated and under-skilled for today's good paying jobs



Rationale for City Involvement

- Assisting families achieve economic self sufficiency enhances the health, safety and welfare of the community
- Family economic prosperity facilitates educational and skill attainment, in turn promoting community economic vitality
- Family financial stress drives high cost public interventions for police calls, EMS, residential mobility, tax and utility bad debt

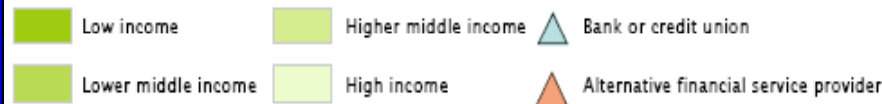
"BANK ON" SAN ANTONIO



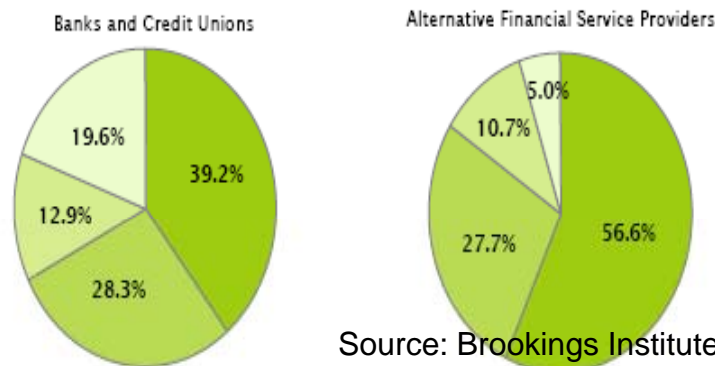
Office of Financial Empowerment

Basic Financial Services Infrastructure (estimates)

Number of non-bank check cashers	116	Number of payday lenders	136
Total value of checks cashed	\$267,496,829	Total value of payday loans	\$237,616,843
Total fees on checks cashed	\$6,687,421	Total fees on payday loans	\$38,612,737
Number of pawnshops	100	Number of banks and credit unions	286
Total value of pawn loans*	\$24,043,085	Major banks, by number of branches	Bank of America, IBC, Compass, Chase, Frost



Distribution of Financial Services Branches, by Neighborhood Income



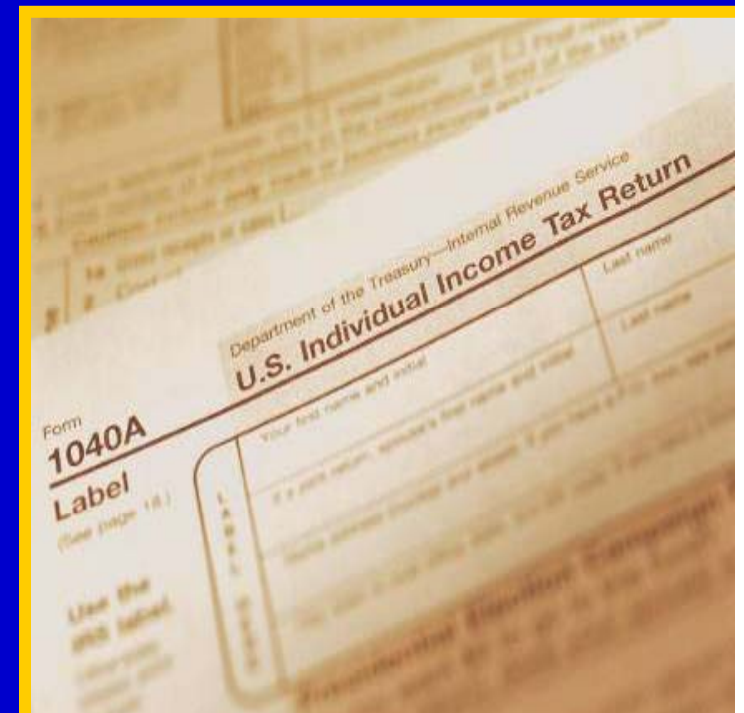
Source: Brookings Institute

Proportion of Neighborhoods Containing a Financial Services Branch, by Neighborhood Income

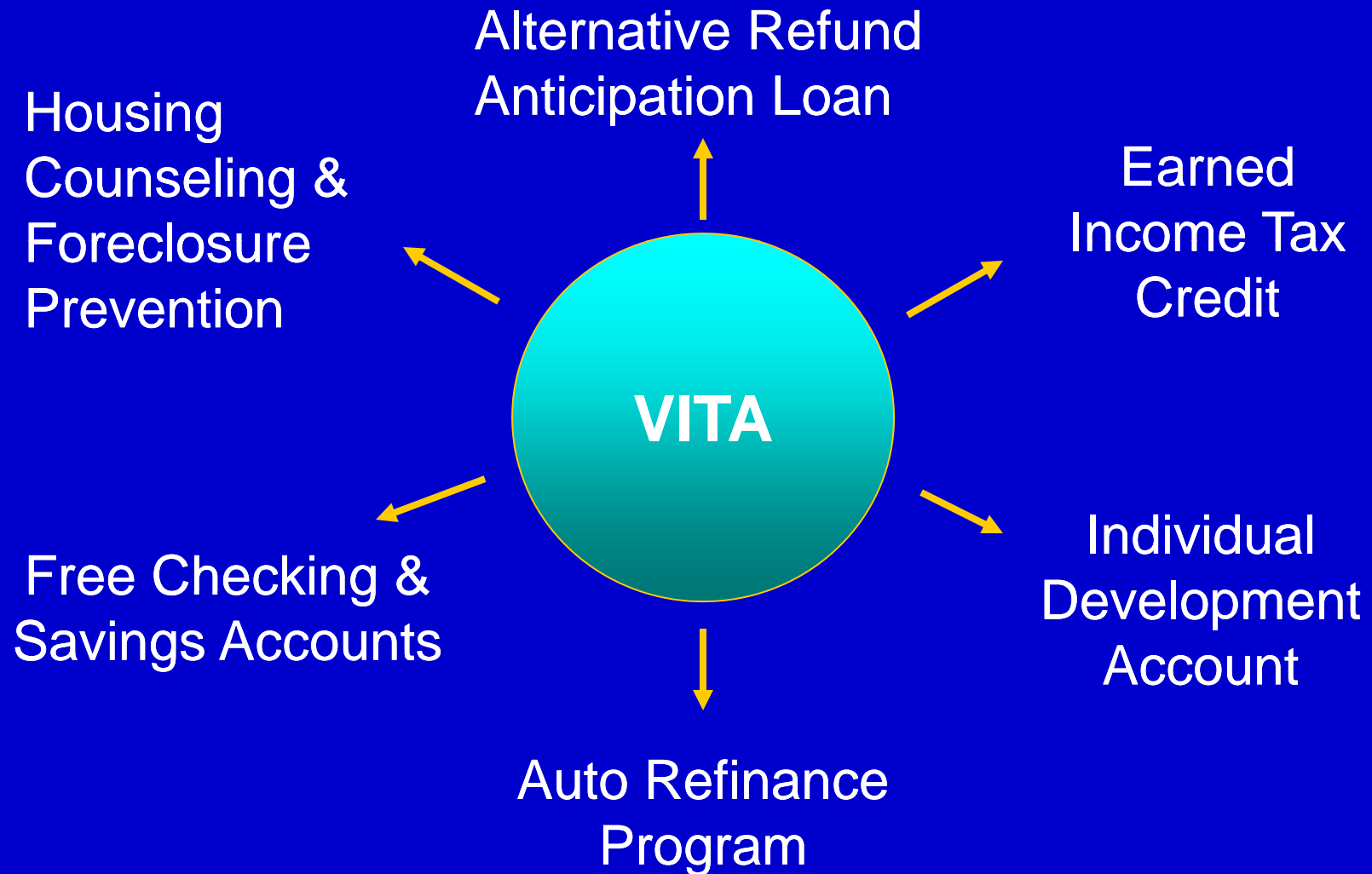


Access – San Antonio

- In 2008, the seven year Family Economic Progress coalition transition to Access – San Antonio
- Initial focus centered on the Earned Income Tax Credit Campaign
- Access – SA now includes reducing transaction costs, and asset building
- Coalition includes IRS, City, United Way, Banks, Federal Reserve and Credit Unions



VITA Creates Opportunities



Reduce Transaction Costs

- Unbanked will spend more than \$40,000 in life time for check cashing fees
- 22% of San Antonio low-mid income families are not banked
- Partner with financial institutions to offer no cost checking and savings
- Encourage innovative consumer banking products



Stimulus Opportunities

- Neighborhood Stabilization Program
- Community Services Block Grant
- Homeless Prevention & Rapid Rehousing
- Participants must complete a financial makeover

Homeless Prevention and Rapid Re-Housing Services

- Help for families that have become homeless or on the verge of becoming homeless
- Provide rental assistance, help with moving expenses, & support in locating housing
- Charge 30% of participant's income into rent for an escrow account
- Funds deposited into a savings account or for emergency situation

Banking Venues Abound

- Children's savings accounts
- Financial education in after school
- Youth employment savings
- Individual development accounts
- VITA
- Alternative RALs and Car refinancing
- Stimulus – ARRA (American Recovery and Reinvestment Act)
- Bank-On initiative

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Sustainability exceeding difficult in sole ventures

Critical Partnerships

- Community-Based Organizations
- Faith-Based Organizations
- Professional/Technical Assistance
- Private Businesses
- Community Individuals
- Federal, State, and Local Government Agencies
 - HUD, USDA, IRS, FRB, NCUA, FDIC, OCC, OTS,
 - State Banking and Credit Union Departments

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Benefits to Financial Institutions

- New Core Customers
- Future Loan Customers
- New Community Partners
- New opportunities for CD
- CRA consideration
- Stronger Communities:
 - In cities where a greater share of residents have a bank account, homeownership rates are higher, while crime rates are lower

Core Products and Services

- Starter Checking
- 2nd Chance Checking for those in the Chex System
- Small \$ loan paired with a savings account
- Pay Day Debit Card
- Free \$ Orders, Check Cashing and Remittances
- Accept Matricula for ID
- Federal Reserve will track data



Lessons Learned

- Engage partners with capacity, mission and will to serve
- Clarify purpose of partnership
 - Ensure win-win scenarios are basis of partnership
- Define expectations of partners
- Reach common ground with strategic partners currently serving targeted population
- Start small, build foundation, add new members who strengthen the partnership



Influencing Public Policy

- Public – Private partnerships build will to tackle tough community issues
- Produce quantifiable results
- Use return on investment studies to make a business case for these ventures
- Demonstrate to local political and community leaders how their constituents financial well-being can be improved



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Families seek help from Non Profit and Social Service groups

Social Service Organizations, Faith-Based Groups, Military Base Liaisons

Non Profits refer families to City, Financial Institutions and Agencies for services

City's Center For Working Families, Child Care, Head Start, Senior Services, Job training

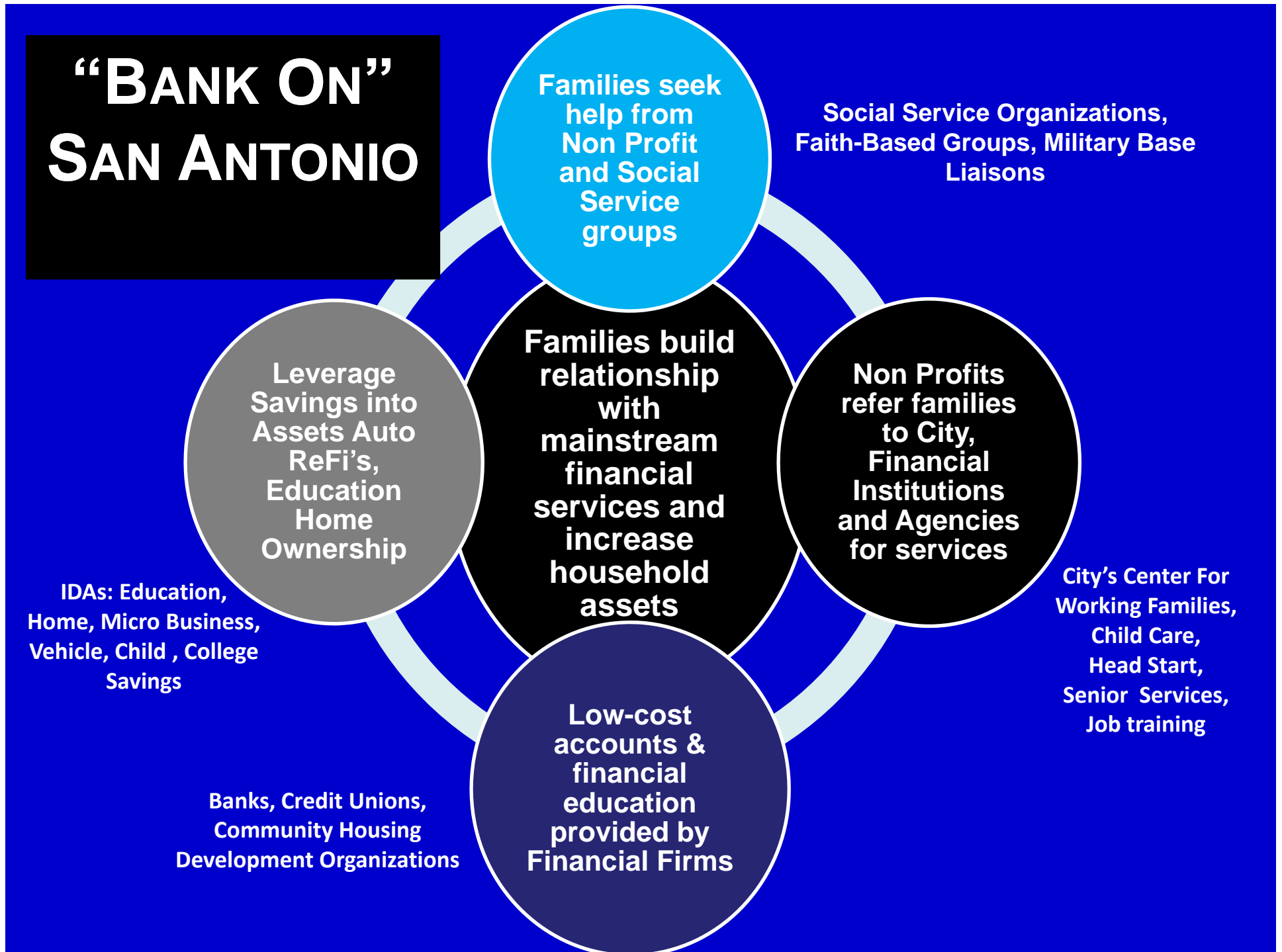
Families build relationship with mainstream financial services and increase household assets

Low-cost accounts & financial education provided by Financial Firms

Banks, Credit Unions, Community Housing Development Organizations

Leverage Savings into Assets Auto ReFi's, Education Home Ownership

IDAs: Education, Home, Micro Business, Vehicle, Child , College Savings



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