

# **Collaborative Approaches to Improving Access to Banking**

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# Treasury Department's interest in financial education and financial access

**Treasury's mission includes promoting the nation's economic prosperity, financial security, and enhancing the financial capability of all Americans.**



Financial education helps people:

- make informed financial decisions--short and long term
- learn about and access asset building opportunities
- overcome past financial challenges
- better withstand challenging economic times

Financial access helps people:

- become empowered to make better use of all available financial options
- conduct daily financial transactions at no or low cost
- build personal savings for future and special goals and occasions
- prepare and plan for future assets and economic stability

# Treasury's Office of Financial Education and Access – what we do

- **Raise awareness**
  - National Financial Capability Challenge and Teacher Toolkit
  - [www.challenge.treas.gov](http://www.challenge.treas.gov)
- **Make it evidence-based**
  - Core Competencies --what everyone should know to be financially capable
  - Research on consumer credit
- **Improve federal efforts and enhance partnerships**
  - Coordinate the 20-agency Financial Literacy and Education Commission (FLEC)
  - Updated [www.mymoney.gov](http://www.mymoney.gov) website coming soon
  - National Strategy for Financial Capability
- **Put it where it works**
  - Reach out to other agencies, state and local governments and other partners
- **Increase access**
  - Bank on USA initiative under development for 2011

# Findings from the First Accounts Program (2002-2004)

- 37,835 accounts opened
  - 70% kept accounts open beyond the end of the grant period
  - Balances ranged throughout the grant period:
    - from \$28 to \$600+ in savings accounts
    - from \$65 to \$725 in checking accounts
- Mostly savings accounts with a low opening balance, a low minimum balance, and a limited number of transactions.
  - Checking accounts often were “checkless” checking using debit cards to make the account easier to manage
- Financial Education is critical, especially for participants that had difficulty managing accounts in the past
- Grantees were most successful when the First Accounts program was well integrated into the operations of the grantee - rather than a “special project”

# What is the Community Financial Access Pilot (CFAP)?

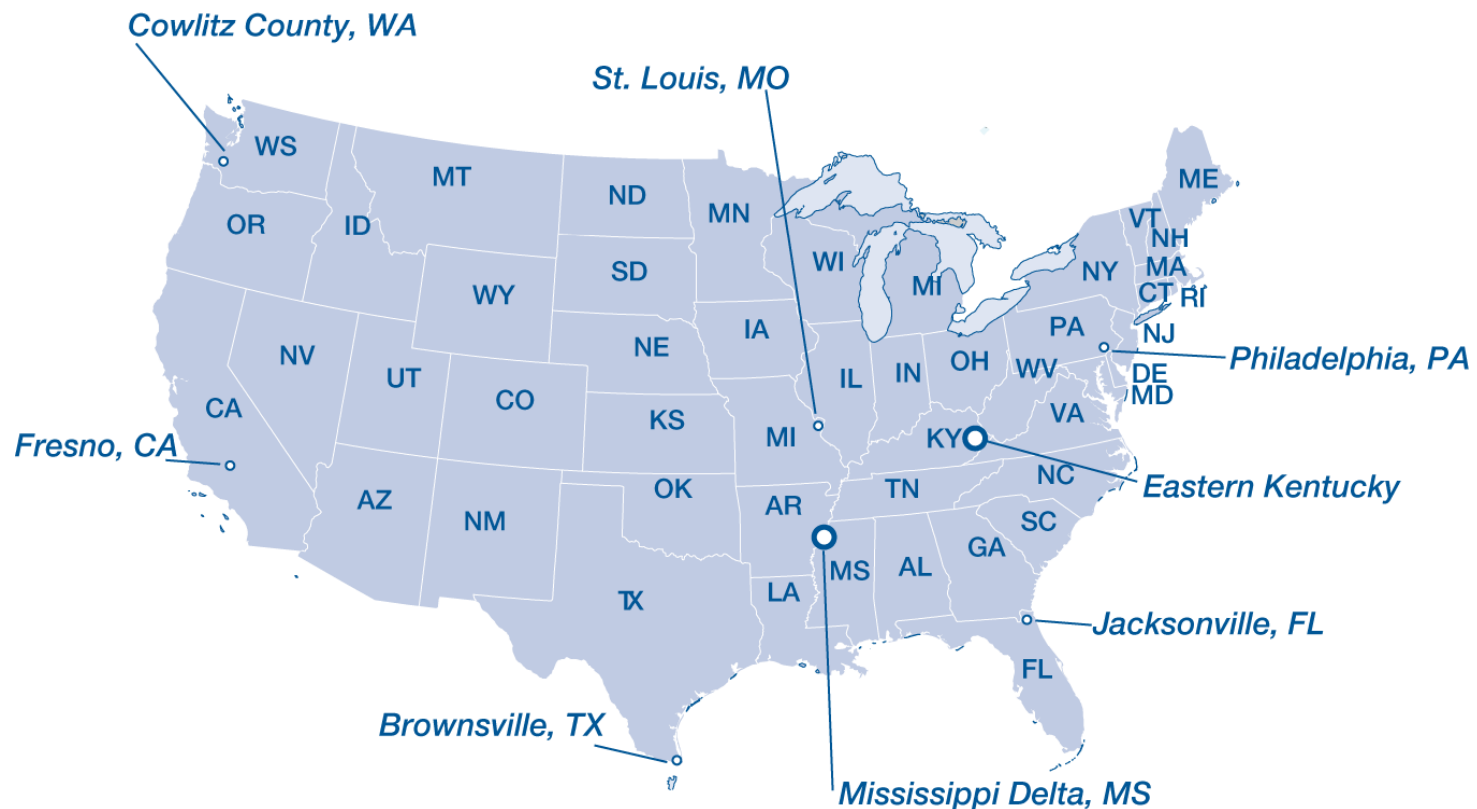
- Expand access to low-risk, low-cost financial services and financial education for the low – and moderate income population who are currently outside the financial mainstream.
- Partner with local communities to develop locally-led strategies that will bring the low –and moderate income population into the financial mainstream.
- Share the results with other interested communities and national policy-makers.
- Result: more people are educated and empowered to make sound financial decisions and have better financial choices.

# How and Where does the CFAP work?

Treasury provided:

- Expertise/Technical Assistance
- Coordination
- Data Collection, Learning and Information Sharing

8 Communities participated:



# CFAP: Partners & Roles

- **Financial institutions** (banks and credit unions) agree to provide low-cost, low-risk financial products, for example:
  - free- or low-cost checking accounts
  - Low balance requirements
  - Debit cards instead of checks
  - Second chance accounts
- **Community organizations and government agencies** agree to introduce, enable and encourage their clients/staff to learn how to manage their money and save for the future
- **Financial education providers**
  - provide free, non-biased, non-sales financial education
  - providers may be government agencies, banks/credit unions, non-profit organizations, or qualified individuals

# Lessons Learned: Financial Education

- **Be clear what you mean by financial education:**
  - Articulate minimum standards/ground rules
  - Consider testing knowledge before and after
  - Will financial education be required (such as for people on Chex Systems to open a checking account)
- **Look to the next generation:**
  - Working with schools (such as school banks)
    - include outreach to parents
  - Work with youth programs and community colleges
  - Build the next generation of financial educators
- **Provide financial education where and when people want to be (or have to be),** for example: Head Start, Workforce Development
- **Focus on Delivery**
  - Many financial education tools and resources are available from banks, non-profits, and government agencies.
  - High quality trainers who can relate to the audience are key
  - Providers may exist in the community, but they may need help in reaching scale or appropriate location.
  - Financial education delivery needs people-- how can you help get the right people to the right place and time.



# Lessons Learned: Financial Access

- **Work with those financial institutions willing to work with you.**
  - Often, others will follow.
- **Financial institutions and community organizations should work together to determine products needed that can feasibly provided.**
  - This process can also be a useful learning experience.
  - Different types of entities may be willing to play different roles, such as convener, product innovator, education provider.
- **Financial access goals should meet the corporate goals of the financial institutions and the financial access needs of the LMI consumers.**
  - Be willing to try new products, such as credit builder loans
  - Second chance checking product
- **Delivery may be more of a challenge than product development**
  - Staff training and buy-in are key

## **More Lessons learned**

- Strong partnership links are crucial, but finding and keeping the right partners may take effort.
- Build on strengths: each partner should do what they do well.
- Sustainability: be in it for the long term.
- Make it a core business: serving the underserved as a long-term value proposition -- rather than a “special project.”
- Make it easy and compelling: provide financial education and services in conjunction with other desired or required services.
- Keep learning and responding to needs in the community.