

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
- **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 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)?

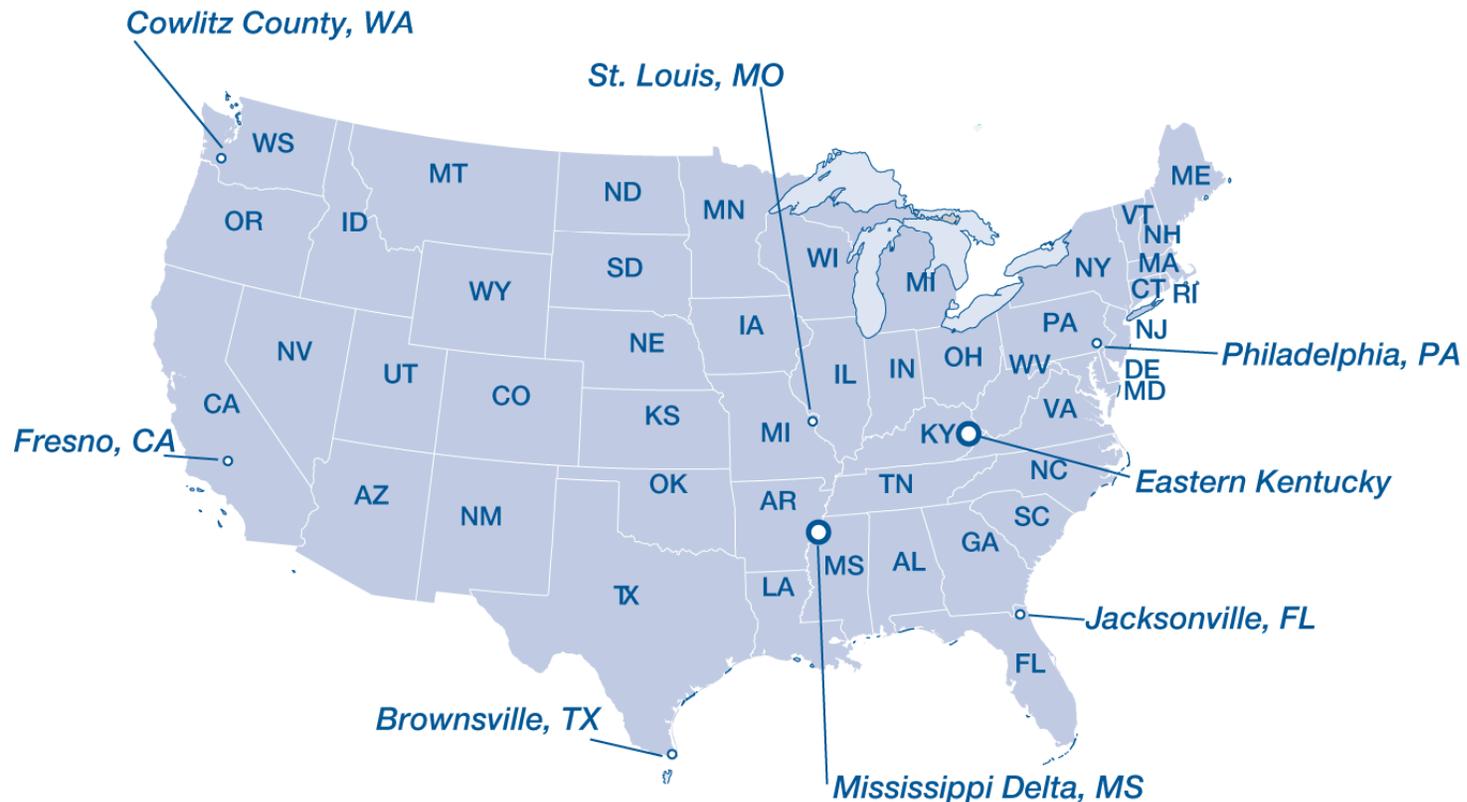
- Expand access to low-risk, low-cost financial services and financial education for the low – and moderate income population who are currently outside the financial mainstream.
- Partner with local communities to develop locally-led strategies that will bring the low –and moderate income population 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.