

Reaching the Unbanked in San Francisco

Creating “Bank on San Francisco”



EVERYONE IS WELCOME

Bank on San Francisco

- Collaborative effort to bring 20,000 unbanked San Franciscans into the financial mainstream within the two year pilot.
- Original goal of 10,000 accounts was increased due to first year success.
- Public/Private Partnership
 - Office of Treasurer José Cisneros
 - Federal Reserve Bank of San Francisco
 - EARN
 - 15 partner Financial Institutions (10 banks, 5 credit unions)



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The Unbanked in San Francisco

- Data from the Brookings Institution estimates:
 - 50,000 San Franciscans are unbanked.
 - Among African Americans and Latinos, 50 percent are unbanked.
 - The majority of unbanked are between 18 and 45.
 - While largely low-income, 25% of the unbanked earn between \$25,000 - \$45,000 a year.



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Why Bank on San Francisco?

- Without a bank account, families spend hundreds of dollars a year on check cashing fees and money orders.
- The unbanked have no safe place to keep their money, and are more likely to be victims of crime.
- In the event of a disaster, like a fire or an earthquake, families have no way to access money remotely.
- Studies show that the unbanked are less likely to save and build assets.



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The Unbanked in SF

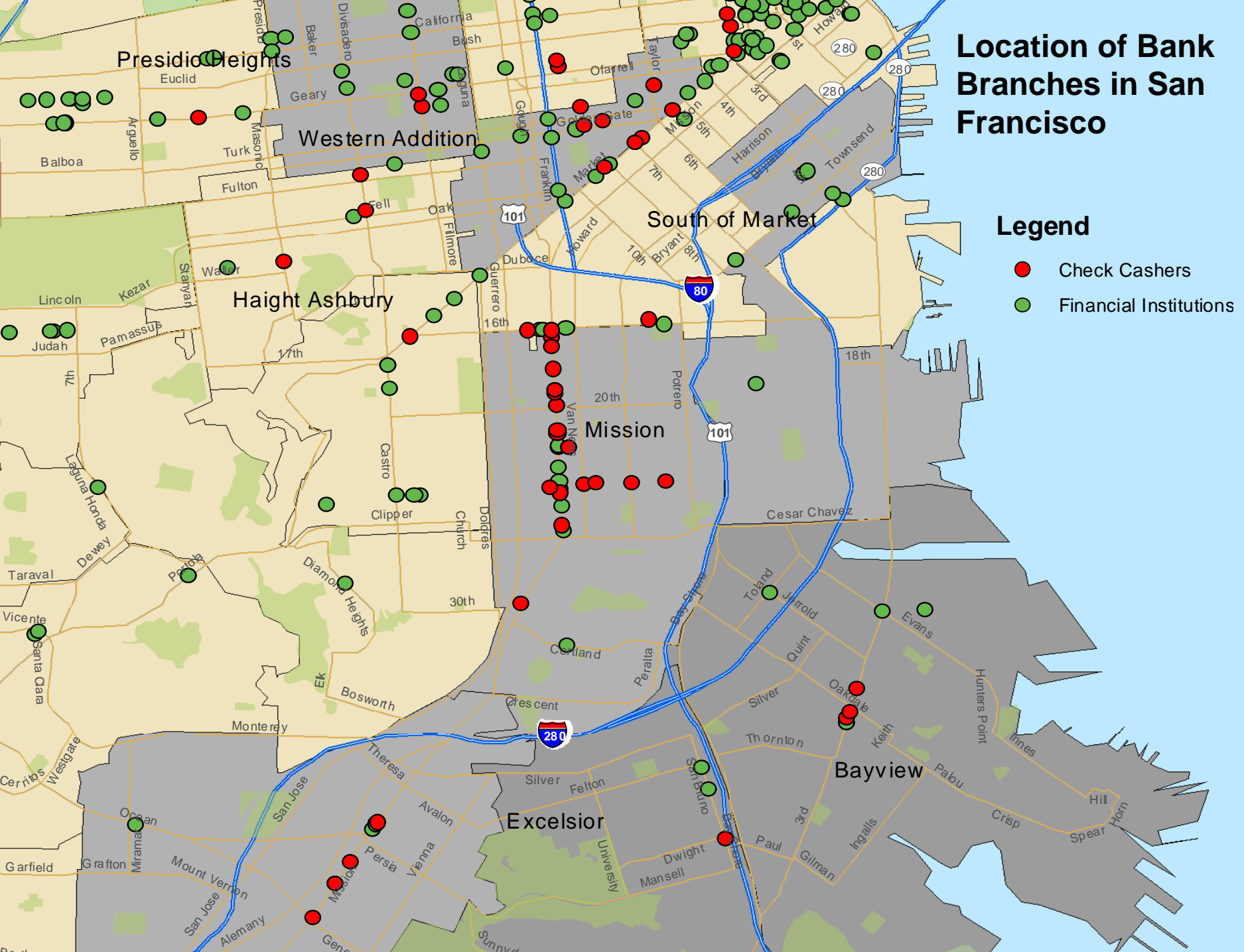
- The demand for financial services is high: check cashers and payday lenders in San Francisco sell over \$40 million worth of financial service products every year.
- Many unbanked have the means and desire to open a bank account at a mainstream financial institution.
- Despite the prevalence of check cashers in the city, the banks and credit unions do have a significant branch presence in low-income and minority communities.



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Location of Bank Branches in San Francisco



Legend

- Check Cashers
- Financial Institutions

Focus Groups Findings

- Held focus groups with unbanked African American and Latino men and women.
- Poor credit emerged as a source of significant frustration and regret.
- The idea of a “second chance” resonated greatly.
- Endorsement by the Mayor and Treasurer lent credibility to the program.



Focus Group Findings

- All participants used check cashers and agreed that fees are too high.
- Hidden fees associated with bank accounts a key deterrent.
- Credit unions perceived as more trustworthy than banks.
- Bad credit caused the most emotional responses:
 - “Bad credit doesn’t mean I’m a bad person”
 - “When you have bad credit, you get the door closed for everything”
 - “My credit is totally messed up. I did things when I was younger that I am still paying for”
 - “I deserve a second chance”



Forming the Coalition

- Mayor and Treasurer convened all San Francisco Financial Institutions at the Federal Reserve Bank.
- Formed series of working groups.
- Developed program collaboratively to ensure buy-in to goals and objectives.
- Developed the Bank on SF product.
- Variety of products in existence, all financial institutions had to stretch in some way.



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The Bank on SF Commitment

To participate, financial institutions must:

- Offer a low or no cost account.
- Accept the Mexican and Guatemalan Consular ID cards as primary identification.
- Open accounts for those with ChexSystems history which is over 1 year old.
- Open accounts for those on ChexSystems less than 1 year old with financial management training.
- Waive one set of NSF/OD fees per client.
- Require no monthly minimum balance requirement.
- Participate in four financial training sessions in the community each year.
- Actively partner with community groups to promote the product.
- Track accounts and report out on a quarterly basis.



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Our Partner Banks and Credit Unions



The Next Stage[®]



BANK OF THE WEST[®]



Roles: Treasurer's Office

- Treasurer Cisneros leads the coalition.
- Staff oversee majority of day-to-day operations, including:
 - Overall program design
 - Product development
 - Legislative issues
 - Bank and credit union partnerships
 - Outreach and marketing
 - Fundraising
 - Evaluation
 - National model



Roles: Federal Reserve Bank

- Use role as regulatory agency:
 - Convening influence
 - Provide in-kind resources such as printing and administrative support
 - Technical expertise with regulatory issues
 - Data Collection and reporting



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Roles: EARN

- National expert in asset building and financial education for low-income population.
- Leads the financial education component of program:
 - Developed culturally relevant curriculum
 - Assists financial institutions as a subject matter expert;
 - Train the trainer program
 - Provides trainers for community partners, in English and Spanish
 - Coordinates financial education classes



Roles: Financial Institutions

- *Must have executive level support!*
- Identify stake holders
 - Consumer Bank, Commercial Bank, CRA, Market Presidents, Media Communications, Philanthropy
- Create internal partnerships
- Document anticipated benefits and challenges
- *Must have strong business case!*



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Implementation

- Product alignment analysis
- Product set
- Reporting functionality



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The Product

- My Access Checking ©
 - 12 month fee waiver
- Direct Deposit
- Keep the Change ©
- SafeSend ©
- Financial literacy training



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Roll Out

- Training
- Email communication
- Management meeting / agenda item
- Branch signage
- Buck slips



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Data Tracking and Evaluation

- Report on a quarterly basis:
 - total number of accounts opened
 - accounts closed
 - zip codes
 - average balances
 - Marketing and outreach efforts
 - Coupons or other handout
 - Walk-ins
 - Referrals by partners



Data Tracking: Unavailable Information

- Account holder characteristics
 - Direct deposit
 - Check or checkless
 - Matricula or other alternative ID
 - Second chance customer
 - Demographic data
- Planned evaluation will capture additional information and will include a case study and in-depth survey of participants and non-participants.



How are we doing?

- 11,110 accounts opened in year one.
- Average monthly balance is over \$793.47.
- Over 92% of accounts still in good standing.
- Enthusiasm of financial partners remains high.
- Interest and support from community is overwhelming.



What's next for San Francisco?

- Incredible opportunity exists to build on Bank on San Francisco.
- Address community financial issues:
 - Access to credit and short term, small dollar loans
 - Effective financial education and coaching
 - Crack down on predatory lending
 - Debt reduction and credit repair
 - Savings products and incentives

