

# 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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# 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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# Timeline of Major Events

- **December 2005:** Mayor and Treasurer convene the presidents of San Francisco's banks and credit unions
- **January 2006 to September 2006:** Working groups are formed around the key program areas.
- **September 2006:** Mayor and Treasurer announce the launch of Bank on San Francisco as a two-year pilot.
- **January 2007:** The Federal Reserve hosts the first quarterly leadership meeting; first quarter data is reported.
- **October 2007:** First year numbers announced: 11,110 accounts opened; goal is re-set to 20,000 new accounts.



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# Creating the Product

- Negotiated process
- Needed to respect differentiation
- Started with an account idea developed by local nonprofit: no monthly fee, no initial deposit requirement, checkless, free money orders, no remittance fees



# Creating the Product

- Banks pushed back, and we discussed rationale behind each program component
- Ended up focusing on most important barriers: ID and second chance, with other wins in overdraft fees and customer service.



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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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# Commitment to Customer Service

- Financial Institutions main point of contact for customers.
- Trained all branch managers to ensure awareness of program details and expectations.
- Posted materials in branch/office locations and employee areas.
- Positive branch/office experience crucial to program success.
- Refer to another financial institution if unable to help a client.
- Customer service provided by 2-1-1 and [bankonsf.org](http://bankonsf.org)



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# Our Partner Banks and Credit Unions



# 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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# 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.
- Program being replicated across the country



# 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

