

What is Bank on San Francisco?

Bank on San Francisco is a joint effort of the Office of the Mayor, the Office of the Treasurer, and the Federal Reserve Bank of San Francisco. The goal is to bring 10,000 of the estimated 50,000 unbanked individuals in San Francisco into the financial mainstream by helping them to open a low-cost, starter bank account.

To accomplish this goal, we are turning to the financial institutions in the city to demonstrate leadership and to help remove the barriers that low-income families face in opening a bank account.

As part of Bank on San Francisco, we would like to work with you to:

Develop a checkless, low-cost product that meets the needs of unbanked consumers. The structure of many accounts—with high minimum balances and fees—is a key factor keeping the unbanked out of the financial mainstream. Join banks across the country that are taking advantage of technological advancements to develop products that meet the needs of the unbanked.

Adapt internal systems to allow customers on ChexSystems to open “second chance” checking accounts. Encourage those on ChexSystems to repair their record by referring them to a financial management course that will help them clean up their credit history and by allowing them to open a second chance checking account.

Accept alternative forms of identification. For many immigrants, the barrier to opening an account is having the proper documentation. Accept consular identification cards as a valid form of ID for those wanting to open a bank account and develop new ways to tap into the remittance market—estimated at over \$32 billion a year.

Expand marketing in targeted, low-income neighborhoods. You’re willing to waive ChexSystems, and have a product with no fees. But does anybody in the community know about it? Increase the visibility of your products in San Francisco and develop new strategies to reach unbanked customers in low-income neighborhoods.

Partner with nonprofits in San Francisco to identify customers ready to enter the financial mainstream. Nonprofits and social service agencies in the city can serve as a ‘trusted intermediary’ and can help you to identify new customers ready for a bank account. Partner with San Francisco nonprofits on financial education, free tax preparation, or innovative savings programs to expand your reach into low-income communities.

No matter which of these strategies you decide to pursue, we would like you to commit to doing more to help the unbanked in San Francisco to open accounts.



Why Bank on San Francisco?

San Francisco has a large number of unbanked households—many of whom have both the means and the desire to open mainstream financial accounts.

According to an analysis by the Brookings Institution, in 2003, nearly **50,000 households** in San Francisco were unbanked, representing nearly 15 percent of all households in the city.

Among African Americans and Latinos, **approximately half of the adult population** does not have a checking or savings account.

Although the unbanked tend to be in the lower income brackets, approximately **25 percent of households earning between \$30,000 and \$45,000** in San Francisco are unbanked.

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.

Focus groups with unbanked consumers in San Francisco reveal that they **would prefer to have a bank account than to use check cashers**, but that they do not know of banks that offer low cost accounts or are worried that they will not be allowed to open an account because of their credit history or because they lack the proper ID.

The social costs of this dual financial system are enormous.

Families that regularly use check cashers spend **approximately \$800 a year** to cash checks and pay bills.

Without a bank account, **families are particularly vulnerable in times of crisis**, and are unable to build assets or achieve long-term financial security.

Research shows that those **with bank accounts are more likely to save and move up the economic ladder.**

The potential of the unbanked market in San Francisco is simply too great for financial institutions to ignore.



How Bank on San Francisco Benefits You

For Bank on San Francisco to work, we realize that it also needs to work for your bottom line. As part of Bank on San Francisco, we would like you to commit to doing more to reach unbanked consumers. But we're committed to helping you in any way we can. We will provide you with the tools you need to develop profitable products and to attract new customers.

As part of Bank on San Francisco, you will receive:

Public Recognition. The Mayor and Treasurer intend to launch a strong public awareness campaign as part of Bank on San Francisco. Banks that participate will be invited to be part of the press conference and will be allowed to use the Bank on San Francisco marketing materials. We also hope that Bank on San Francisco will be held up as a model to be replicated in other cities across the country.

Market Research. We have conducted in-depth research on the unbanked market in San Francisco. We will share the results of this research with you, including information at the neighborhood level and detailed focus group results that illuminate what the unbanked market in San Francisco wants and needs.

Product and Service Innovations. We've scoured the country looking for examples of best practices in reaching the unbanked market, and will present new product ideas to your staff. We intend to have a day-long training on innovations for reaching the unbanked and provide an opportunity for peer-to-peer learning with other banks across the country.

Links to nonprofits that offer free tax preparation or financial education courses. The average EITC return in San Francisco last year was \$2,195, yet many who received the tax credit did not have a bank account in which to deposit the check. We will help you to establish new partnerships with nonprofits in San Francisco that have direct access to 'bankable' customers and who can help you to reach the untapped market.



Bank on San Francisco Task Force

What's next? We would like you or a colleague within your financial institution to serve on the **Bank on San Francisco Task Force**. Over the next few months, Task Force members will work together to learn more about new products and services that can be used to reach the unbanked market and to develop a strategy that will help to achieve **Bank on San Francisco's goal to bank 10,000 new customers**.

Financial institutions that want to be a part of Bank on San Francisco will:

- Participate in ongoing learning opportunities and task force convenings to determine the future direction of the initiative.
- Develop and/or market a product that meets the needs of unbanked consumers.
- Track and report data on the number of new accounts opened as part of the campaign.

We will contact your office next week to identify the person from your institution who would like to serve on the Task Force, but if you have any questions or suggestions, please contact:

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