

# City Strategies for Financial Empowerment

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# Why Financial Empowerment?

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- United States has two distinct financial systems:
  - Mainstream = choice, security, upward mobility
  - Fringe = high-cost, predatory, lack of access
- Financial Empowerment looks at the “other side of the ledger” – increasing income by decreasing expenses and encouraging savings.
- Refers to umbrella of programs: banking, tax refunds, financial education, anti-predatory lending, asset building and savings.



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# The Unbanked in San Francisco

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Data from the Brookings Institution estimates:

- 50,000 San Francisco households are unbanked.
- Among African Americans and Latinos, 1 in 2 adults have no checking account.
- Check cashers and payday lenders do more than \$40 million in business each year in SF alone.



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# Why Bank on San Francisco?

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- 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 and savings will be lost.
- Studies show that the unbanked are less likely to save and build assets.



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# What is Bank on San Francisco?

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- Collaborative effort to bring unbanked San Franciscans into the financial mainstream
- Original goal of 10,000 within the two year pilot.
- Works collaboratively to “move the marketplace” to offer suitable products and customer support.
- Public/Private Partnership
  - Office of the Treasurer
  - Federal Reserve Bank of San Francisco
  - EARN
  - 17 Financial Institutions (11 banks, 6 credit unions)
  - Community based organizations



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# The Bank on SF Commitment

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To participate, financial institutions must:

- Offer a low or no cost account.
- Require no monthly minimum balance requirement.
- Accept the Mexican and Guatemalan Consular ID cards as primary identification.
- Have a pathway to a second chance.
- Waive one set of NSF/OD fees per client.
- Actively partner with community groups to promote the product and provide financial education.
- Track accounts and report out on a quarterly basis.



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# How are we doing?

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- 25,000 accounts opened since October 2006
- Average monthly balance is approx. \$900
- Approximately 80% of accounts still in good standing.
- Governor has created Bank on California, modeled on the San Francisco program, to bank 100,000 Californians in two years
- National League of Cities has created “Bank on Cities” and the Bank on SF team has provided program information and assistance to 60 cities and states.



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# National Interest

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- Significant interest from other cities and states across the country
- Working with national organizations to develop a replicable/scalable model:
  - National League of Cities
  - Clinton Foundation
  - US Conference of Mayors
  - AARP
  - US Department of the Treasury



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# Lessons Learned

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- Must focus on a collaborative approach; engage natural partners.
- Don't underestimate the influence of local government, both with financial institutions and the public.
- Thorough communication and training is essential.
- Diversity of the market can be used to benefit everyone.
- Don't make assumptions about what LMI families can do!



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