Asset Building Program

Building Better Bank Ons

Top 10 Lessons From Bank On San Francisco

Leigh Phillips and Anne Stuhldreher

February 2011

Executive Summary

In 2005 San Francisco city leaders were surprised by new research that estimated that one in five San Francisco adults—and half of the City's blacks and Latinos—did not have bank accounts. These primarily working poor city residents faced a big disadvantage because they lacked this basic financial tool. In fact, many unbanked San Francisco residents reported paying 2 to 5 percent of their income just to cash their paychecks.

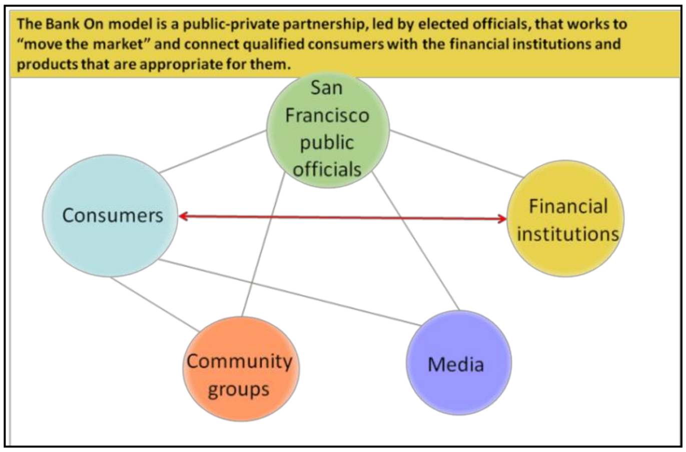
Mayor Gavin Newsom and City Treasurer José Cisneros convened a working group to examine this problem. They learned that there are other costs to being unbanked, costs that are not readily apparent. Families without accounts do not have a safe place to keep their money. They walk around with wads of cash in their pockets or it is at home in a coffee can. Robberies can be more prevalent around check cashing outlets and a disaster, like a house fire or an earthquake, leaves unbanked families even less able to cope in the face of an emergency. Perhaps most importantly, a bank account is the first step to financial security. Without one, it is harder to save and to get well-priced car loans, credit cards, or mortgages—the exact financial tools needed to climb the economic ladder. Families then stay stuck going to costly alternatives—like pawn shops and rent-to-own stores.

To address this problem, San Francisco public officials challenged financial institution leaders to join with the City and their non-profit partners to create and launch Bank On San Francisco, a first-in-the-nation effort to bring 10,000 of the City's estimated 50,000 unbanked households into the financial mainstream. City leaders wanted to offer low-income residents alternatives to check-cashing outlets by increasing the supply of starter bank accounts with easy, affordable ways to deposit paychecks, pay bills, and save. The City and local community organizations would then enact a grassroots marketing campaign to promote these accounts to unbanked San Franciscans and inform them about how they could open one.

By combining the influence of local government, the regulatory power of the Federal Reserve Bank, the market drive of mainstream financial institutions, and the credibility and reach of community organizations, Bank On San Francisco aimed to move the marketplace of available financial products and services to bank the unbanked.

Emerging as a coalition of 15 banks and credit unions united to bank 10,000 unbanked San Franciscans in two years, the pilot program launched in September 2006. By the following year, 11,110 previously unbanked San Franciscans had entered the financial mainstream. Five years later, more than 70,000 accounts are reported open and active by partner banks and credit unions. A host of other "financial empowerment" initiatives have since emerged from the San Francisco Treasurer's Office of Financial Empowerment.

In late 2007, the City of Seattle started the second Bank On program, sparking the beginning of what is now a national movement. Closely followed by a third program—Bank On Evansville—and the launch of the first statewide program, Bank On California, the model is now being replicated in more than 70 cities and states nationwide. In 2010, the Obama Administration announced the creation of a national effort to bank the unbanked—Bank On USA.



The Bank On approach demonstrates wide-ranging, bipartisan appeal. It's simple to understand, inexpensive to run, and is built on partnerships that can be replicated. San Francisco made its program resources, including marketing materials, freely available and travelled widely to help start up coalitions. In order to meet the demands for technical assistance, the City created an online portal, www.joinbankon.org, and partnered with the National League of Cities, to launch the Bank On Cities campaign to further disseminate the model. However, the Bank On program is not without its flaws and critics. Many felt the checking account product that resulted from the bank negotiations did not go far enough to protect consumers. Emerging programs found financial partners increasingly difficult to negotiate with as the economic and regulatory environment shifted dramatically in recent years. Data on new accounts was hard to measure and verify. Political climates across the country led to some aspects of the program to be left as voluntary rather than mandatory components.

As the program continues to spread across the country and a national plan for banking the underbanked is developing, now is the time for reflection on the successes and failures of the Bank On model. Program founders, the San Francisco Office of Financial Empowerment and the New America Foundation, developed this paper on the top 10 lessons from the San Francisco experience to further the discussion on what products and services need to be in place to best serve this market, and what roles the various partners at the local, state, and national levels can play to create a truly inclusive financial system. These reflections range from practical programmatic suggestions to recommendations on how national leadership can further improve the financial services landscape for low-income consumers.

The current economic climate, combined with the willingness of many local and state government leaders to protect the financial needs of their most vulnerable constituents, has fueled a national discussion and provided a unique focus on the issue of the unbanked. The Bank On model has provided an accessible starting point for many communities to engage with banks and credit unions to increase financial stability across the country. By taking an honest look at the lessons learned over the last five years, the San Francisco Office of Financial Empowerment and the New America Foundation hope to further advance this conversation.

Leigh Phillips is the manager of the City of San Francisco's Office of Financial Empowerment and has managed the Bank On San Francisco program since its inception. Anne Stuhldreher is a Senior Policy Fellow with the New America Foundation. She brought the initial idea for Bank On San Francisco to city leaders, and helped lead the planning and start-up period.

Top 10 Lessons From Bank On San Francisco

Lessons*	Recommendations
Lesson One: Initial research was pivotal to shaping the Bank On San Francisco strategy. It helped initiative leaders (1) understand the target market and the challenges they face, (2) build the business and political cases for the initiative, and (3) set clear goals.	• Support local and national market research on unbanked and underbanked consumers. • Support research that examines key questions about how to better reach and serve the unbanked and underbanked market. • Consider setting goals that measure increases in individuals' "financial capability" in addition to numbers of starter accounts opened.
Lesson Two: Local public officials are well positioned to play a critical and unique role in Bank On campaigns—especially by uniting different stakeholders around a common agenda.	• Provide financial support and technical assistance to strengthen city involvement in Bank On campaigns. • Reach out to local and state elected officials in areas without Bank On initiatives, to encourage them to launch programs.
Lesson Three: A collaborative design process that involves financial institutions, community partners, government leaders, and regulatory agencies contributes significantly to partner buy-in and participation. Structured and regular communications with all partners then keep the collaboration and momentum going.	• National Bank On initiatives should "set a table" similar to the one that Bank On San Francisco set locally, where a range of participants—financial institutions, community groups, federal agencies, and existing Bank On coalitions—can shape the initiative.
Lesson Four: Negotiation and collaboration with financial institutions can be challenging and intensive, and yield inconsistent results across the country.	• Develop criteria for financial institution involvement that spur innovation, encourage participation, and create better products for unbanked consumers. • Clarify the regulatory guidelines on key issues, such as the acceptance of alternative IDs and options for customers on ChexSystems. • Explore product innovations and ways to incorporate them into Bank On initiatives.
Lesson Five: Establishing successful partnerships with financial institutions requires clear policies and regular communications and training, even though this work is time-consuming and labor-intensive.	• National providers of technical assistance to Bank On initiatives should develop guidelines for financial institution policies and procedures, and a training manual for branch personnel. • Banks and credit unions that join local and national initiatives should provide a letter of commitment outlining their participation agreement.
Lesson Six: Current options for tracking starter accounts opened through Bank On initiatives are inconsistent, unreliable, and hard to enforce.	• Clarify the definition of a qualified "Bank On" account and recommend the best ways to code and track customers. • Set national standards for data collection. • Retain regulators as the collectors of account data from participating financial institutions.
Lesson Seven: Financial education is vitally important to the consumers we hope to reach, but developing effective strategies is challenging.	• Bank On initiatives can shift from offering financial *education*—which emphasizes knowledge gains—to financial *capability* approaches—which emphasize changes in behavior. • National Bank On initiatives should encourage experimentation in the delivery of financial education/financial capability approaches. • Cities and states can integrate financial education/capability approaches into a range of initiatives that serve low-income people.
Lesson Eight: Bank On marketing and outreach campaigns should leverage strong partnerships, public resources, and community connections.	• Create templates for marketing materials and websites. • Form alliances with national level partners that would help local initiatives.
Lesson Nine: Cities that start Bank On campaigns are well positioned to promote financial empowerment goals beyond account access.	• National Bank On initiatives should provide additional supports and incentives for regional coalitions to explore financial empowerment strategies beyond traditional Bank On campaigns, such as working with new partners (employers, for example) or developing new products, such as payroll cards or alternative payday loans. • Encourage the dissemination and sharing of successful models through coalitions like Cities for Financial Empowerment.
Lesson Ten: Local financial empowerment policies can advance and reinforce Bank On coalitions.	• National organizations can harness the input and ideas of local Bank On coalitions to advance and inform supportive federal policies. • Create ways to document and share promising legislative, policy, and enforcement ideas amongst Bank On coalitions

*These recommendations are aimed at a variety of stakeholders. Some are for individual Bank On initiatives, while others are for current and emerging national efforts to support local and state Bank On initiatives.

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Five years ago, San Francisco public officials challenged financial institution leaders to launch Bank On San Francisco, a first-in-the-nation effort, to bring 10,000 of the City's estimated 50,000 "unbanked" households into the financial mainstream. City leaders wanted to offer low-income residents alternatives to check-cashing outlets by increasing the supply of starter bank accounts with easy, affordable ways to cash paychecks, pay bills, and save. City officials and local community organizations would then enact a grass roots marketing campaign to promote these accounts to unbanked San Franciscans and inform them about how they could open one.

Today, an estimated 71,000 starter bank accounts are active and open, and this local success has sparked a national movement. Approximately 70 cities have started or are planning Bank On initiatives and six states—California, Connecticut, Florida, Illinois, Indiana, and Mississippi—have launched statewide Bank On initiatives.[1] The National League of Cities has started Bank On Cities.[2] San Francisco and New York City launched the Cities for Financial Empowerment coalition, which has 11 member cities.[3] And in 2010, the Obama Administration announced its intentions to create a national Bank On USA initiative.

As the Bank On San Francisco model is replicated across the country, it is important to reflect upon the San Francisco experience to inform these efforts. Here we present the top 10 lessons from Bank On San Francisco, discuss what went well and what did not, and recommend ways to strengthen local and statewide Bank On coalitions and support national initiatives to bank the unbanked.

What is Bank On San Francisco?

Bank On San Francisco is a public-private partnership that helps unbanked San Franciscans open starter bank accounts. The goal is to financially empower lower-income consumers by making it easier and more affordable for them to deposit their paychecks, pay their bills, and start saving. Bank On San Francisco aims to "move the market" by requiring participating financial institutions to offer starter accounts with features for unbanked individuals and reach out to unbanked consumers through a grass roots marketing campaign.

Why did the City Start Bank On San Francisco?

Mayor Gavin Newsom and City Treasurer José Cisneros were concerned that too many San Francisco adults did not have bank accounts and therefore lacked a safe, affordable way to cash their paychecks, pay their bills, and save.[4] They considered this to be a local market failure and believed that the city government could play a catalytic role in addressing it.

[1] For a list of cities and states that have Bank On initiatives, go to http://joinbankon.org/about/joinbankon.aspx

[2] National League of Cities, http://www.nlc.org/articles/articleItems/NCW92208/BankOnroundtable.aspx

[3] Cities for Financial Empowerment, http://www.cfecoalition.org/

[4] For more information about how and why Bank On San Francisco was started, please see "Bank On San Francisco—An initiative to bring all residents into the financial mainstream," by Anne Stuhldreher, New America Foundation, http://media.bankonsf.org/en/PDF/BankonSFCaseStudy.pdf.

On the supply side of the market, they hoped to use the City's influence with financial institutions to increase the availability of starter accounts with features that address the needs of unbanked consumers. On the demand side, they hoped the City and community groups could act as trusted messengers to reach out to unbanked city residents about how they could open accounts and why they should consider doing so.

What Are the Main Goals of Bank On SF?

To help San Franciscans enter the financial mainstream, city leaders aim to:

- Increase the supply of starter account products that work for the low-income unbanked market by developing baseline product criteria that all participating financial institutions will offer;
- raise awareness among unbanked consumers about the benefits of account ownership and encourage them to open accounts; and
- raise awareness citywide of the unbanked problem and its potential solutions.

Secondary goals are to clamp down on the proliferation of check cashers and payday lenders and make quality money management education more easily available to low-income San Franciscans.

Who Are the Key Partners, and What Do They Do?

City officials. Municipal leaders played a catalytic role in bringing all partners to the table and keep everyone driving toward goals. They continue to manage the initiative's day-to-day operations and have expanded their work to include an array of financial empowerment initiatives.

Financial institutions. A broad range of national and regional banks and credit unions offer starter accounts with a set of features that are required for participation. The features were chosen to help unbanked San Franciscans overcome barriers to opening and managing accounts.

Regulators. The Federal Reserve Bank of San Francisco helped conduct the original research and shape the initiative; convened the financial institutions; and lent general expertise, experience, and credibility in working with financial institutions to assist underserved markets. They host quarterly meetings and receive and track quarterly performance data from financial institutions.

Community partners. The New America Foundation brought the original concept for Bank On San Francisco to the City and helped lead the planning and start-up periods. The local nonprofit EARN (Earned Asset Resource Network) helped develop the financial education strategy and provided subject matter expertise about lower-income consumers. A broad range of nonprofits that help low-income San Franciscans served as "trusted messengers" to let people know how they can open a starter account through Bank On San Francisco.

What Are the Results?

Over four years, Bank On San Francisco has demonstrated strong participation by consumers and financial institutions. Over 78,000 accounts have been opened and 90 percent are active and open, according to the San Francisco Federal Reserve Bank. The average account balance is $900. The 14 participating financial institutions represent 75 percent of all retail financial institutions in the City. The City passed a moratorium on new check cashing and payday lending institutions and helped credit unions launch and market a low-cost, alternative payday loan called "Pay Day Plus SF." More than 2,400 San Franciscans have taken advantage of money management learning opportunities and the City started the Financial Education Network, FEN-SF, to improve the quality of financial education offerings.

Top 10 Lessons From Bank On San Francisco

Lesson One: Initial research was pivotal to shaping the Bank On San Francisco strategy. It helped initiative leaders (1) understand the target market and the challenges they face, (2) build the business and political cases for the initiative, and (3) set clear goals.

Research helped leaders understand the target market and the challenges the unbanked face in accessing financial services. The research and focus groups we conducted were critical in gaining a deeper understanding of the problem we hoped to address. We set out to answer basic questions about the size and makeup of the unbanked market in San Francisco and understand why people were not using mainstream financial services.

We found that San Francisco's unbanked market is sizable and has distinct consumer segments with different needs and preferences. The Brookings Institution conducted research showing that an estimated 50,000 San Francisco households, or 15 percent of San Francisco's population, did not have bank accounts and faced institutional and perceived barriers to opening them. An estimated 50 percent of black and Latino adults lacked bank accounts. From further research, we learned that unbanked Latinos often do not realize that federal regulations allow financial institutions to accept Mexican or Guatemalan Consular Identification cards to open accounts. For African Americans, appearance on ChexSystems[5] was a major barrier to opening accounts. Through focus groups, we found that many San Franciscans without bank accounts had a deep desire to participate in the financial mainstream. These findings helped shape the marketing messages to reach unbanked consumers.

Research helped build a local political case for the initiative. Maps showing the direct correlation between high unbanked rates and a saturation of check cashers in low-income neighborhoods prompted the San Francisco Board of Supervisors to enact a moratorium effectively banning any new fringe financial services providers in these neighborhoods.[6] In addition, when the locations of mainstream banks and credit unions were layered onto the maps, it was clear that, in San Francisco at least, a lack of brick-and-mortar banks was not a major reason that people lacked bank accounts. In fact, most low-income consumers live within a third of a mile of a bank or credit union. Banking the unbanked began to emerge as an issue of equality and access as opposed to consumer preference or geography. Research also demonstrated that it is expensive to be without a bank account—the average unbanked Californian pays $1,000 to cash a year's worth of paychecks.[7] Similar findings helped build momentum for the initiative and spur community partners and city agencies to view it as an important piece of an anti-poverty strategy.

Research helped us set clear goals. Based on these findings, San Francisco decided to set initiative goals that were ambitious, grounded in research, and simple to communicate. We set a goal to help 10,000 unbanked San Franciscans open starter accounts and enter the financial mainstream within a two-year pilot period. We arrived at this goal by estimating that an initiative could reach 20 percent of the estimated unbanked households in two years. By publicly announcing an ambitious goal against which our performance would be tracked, the mayor and treasurer sent a message that they were serious about the initiative and would hold themselves and their partners accountable. The goals also united the partners and gave them something tangible to drive toward and by which to measure the initiative's success.

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[5] ChexSystems is a check-verification service and consumer credit reporting agency that provides data related specifically to how a consumer has handled deposit accounts at banking institutions, as opposed to broader credit history.

[6] City code, http://library.municode.com/HTML/14139/level2/ART2USDI_S249.35FRFISEREUSDI.html

[7] Matt Fellowes and Mia Mabanta, "Converting Basic Financial Services Fees Into Prosperity: An Untapped Opportunity for Consumers and Banks" (Pew Charitable Trusts, December 2008).

Key Findings from initial Bank On SF focus groups

1. Poor credit (afflicting nearly all of the participants) was a source of significant frustration and regret.
2. The idea of a "second-chance" account resonated deeply with participants.
3. All of the participants used check cashing outlets (official and unofficial) and believed check cashers charge excessively high fees.
4. Building credit was seen as an important goal, and participants recognized that they were penalized because of their credit problems.
5. The participants thought regular bank accounts were too expensive because of their hidden costs and fees—especially those related to minimum balances and overdrafts.
6. Participants reacted positively to the idea of a special no- or low-cost bank account available for people with credit problems who could not otherwise open accounts.
7. Participants thought that $6 to $9 a month was a reasonable fee for having an account. Several said that a free account aroused suspicion.
8. The women viewed money management classes as a benefit, whereas the men thought it could be a waste of time.
9. Participants felt that the official endorsements by the mayor and treasurer lent credibility to these accounts and increased the belief that these accounts would be different.

Recommendations

Support local and national market research on unbanked and underbanked consumers. National market research on the size and segments of the unbanked and underbanked market should be conducted regularly. This research should include local level data that regions can use. Alternatively, resources could be provided to regions to conduct this research themselves.

Support research that examines key questions about how to better reach and serve the unbanked and underbanked market. There's still a lot we do not know about these customers. Research should be conducted to help answer key questions from financial institutions and policymakers. These questions might include: What is the link between account ownership and economic mobility? What happens to account balances and other key indicators over time? What are the profitability drivers for financial institutions in serving this market?

Consider setting goals that measure increases in individuals' "financial capability" in addition to numbers of starter accounts opened. The primary policy goal of Bank On campaigns is to improve the financial well-being of unbanked residents by helping them open starter accounts. Measuring the number of new accounts is a convenient way to assess progress toward financial well-being, because people with bank accounts are more likely to save, have higher credit scores, and get better-priced car and home loans.[8] However, it would be instructive if some Bank On initiatives set more-precise benchmarks for improving people's financial capability (for example, if a city set a goal that 5,000 residents would increase their savings or improve their credit scores as a result of opening starter accounts). We realize that these benchmarks could be tricky and more expensive to measure, but experimentation of this kind could help inform the field of Bank On campaigns.

[8] Jeanne Hogarth and K. O'Donnell, "Banking Relationships of Lower-Income Families and the Governmental Trend Toward Electronic Payment," *Federal Reserve Bulletin,* July 1999, 459; Stacie Carney and W. Gale, "Asset Accumulation Among Low-Income Households" (Ford Foundation conference on Benefits and Mechanisms for Spreading Asset Ownership, December, 1999); "Unbanked By Choice: A Look at How Low-Income Los Angeles Households Manage the Money They Earn," Pew Charitable Trusts, July, 2010; Michael Stegman, M. Rocha, and W. Davis, "The Role of Technology in Serving the Unbanked," December, 2004.

Lesson Two: Local public officials are well positioned to play a critical and unique role in Bank On campaigns—especially by uniting different stakeholders around a common agenda.

Initially, we were not sure what the best role for the City could be in solving this problem. We soon realized that the City could play a unique role that extended beyond the bully pulpit to raise awareness of the problem. Specifically, the City was well positioned to be:

A strong negotiator. Possibly no other group, not even the largest of nonprofits, has the negotiating power of local elected officials. The City holds billions in invested assets on any given day and uses a vast array of banking services. Eager to remain on good terms with San Francisco's largest employer (that is, the City and County), financial institutions were willing to sit down with their competitors to develop an initiative that would remove barriers to banking.

An effective convener. Local government plays a unique role because it can convene disparate groups into functioning coalitions. No other entity has the ability to summon community stakeholders, private for-profit corporations, and government agencies to the same table and task this diverse group with developing a solution. This ability has proved invaluable when challenges arose or compromises were necessary.

A credible messenger. The general public is accustomed to hearing public health and safety messages from the local government and generally trusts the information it receives. Suddenly, the message "Get a bank account" took on the same authority as "Get a smoke alarm." In addition, the City's "seal of approval" on a starter account was consistently described as a desirable feature in focus groups.

A strong "connector" to community partners that work with unbanked populations in other ways. In addition to the power of the public message, city government also has influence with community groups. The City encouraged executive directors and case managers in public agencies and community organizations to consider access to financial products and education as important as access to public benefits, such as food stamps, and other strategies for reducing poverty. Also, the City partnered with local utility companies, schools, and unions to reach unbanked San Franciscans.

Recommendations

Provide financial support and technical assistance to strengthen city involvement in Bank On campaigns. As Bank On initiatives roll out across the country, local government leaders continue to play a key role—in fact, many Bank On initiatives have city or state official leadership and support. However, many city and state governments lack the resources to support a full-time coordinator. Financial support to fund a coordinator in a mayor's office, for example, would help strengthen a city's role. Technical assistance to cities—provided by leaders from cities that have already launched Bank On initiatives—would make it easier for new cities to launch and grow their own. Organizations such as the National League of Cities and Cities for Financial Empowerment should continue to play a key role in convening Bank On coalitions so that cities can learn from one another.

Reach out to local and state elected officials in areas without Bank On initiatives, to encourage them to launch programs. The Bank On approach has spread rapidly, but many cities and rural areas still do not have Bank On initiatives. Supportive national efforts could inform city and state leaders in these regions about Bank On initiatives and the roles that local officials could play in launching them. A strong technical assistance program could provide resources in key target areas.

Lesson Three: A collaborative design process that involves financial institutions, community partners, government leaders, and regulatory agencies contributes significantly to partner buy-in and participation. Structured and regular communications with all partners then keep the collaboration and momentum going.

Bank On initiatives are coalitions in the truest sense—each partner plays a critical role in delivering a successful initiative. In addition, most initiatives are very leanly staffed and may not even have a full-time coordinator. For San Francisco, we embarked on a collaborative design process that respected the different goals of our partners and built upon each of their unique skills.

A planning period is critically important to lay a successful foundation for a Bank On initiative. Bank On coalitions cannot be launched overnight. In San Francisco, our planning period was led by a steering committee of city and community leaders. We then reached out to community groups and financial institutions, and formed committees to design (1) required starter account features that participating financial institutions would offer, (2) a marketing strategy, (3) a financial education strategy, and (4) a data collection plan. Our planning period lasted approximately 18 months. For subsequent Bank Ons, the planning processes have taken an average of six to 12 months.

Key stakeholders should be brought into the planning process as soon as possible. We collaborated closely with key partners and developed roles and responsibilities based on institutions' unique capacities. Some coalitions wait to bring in financial institutions. We believe that they should be offered a seat at the table sooner rather than later so they can help shape the initiative and build their buy-in.

Maintain communication channels between all partners to keep momentum going and address challenges. Four years post-launch, we still convene the coalition quarterly at the Federal Reserve to discuss results, challenges, and opportunities. We often bring in speakers to educate our coalition on various topics and opportunities. The City meets regularly with all community, regulatory, and other partners to get their input and perspective and help them overcome challenges.

Recommendations

National Bank On initiatives should "set a table" similar to the one that Bank On San Francisco set locally, where a range of participants—financial institutions, community groups, federal agencies, and existing Bank On coalitions—can shape the initiative. National Bank On efforts could be guided by an advisory board made up of these stakeholders as well as relevant federal agencies, researchers, policy institutes, and community groups.

Lesson Four: Negotiation and collaboration with financial institutions can be challenging and intensive, and yield inconsistent results across the country.

By participating in Bank On campaigns, dozens of financial institutions nationwide have changed their products and outreach to unbanked consumers. Their collaborations with local government and community groups are still relatively new, however, and present many challenges. Bank On coalitions have no regulatory authority over financial institutions. They rely on banks and credit unions to reach agreements on products and policies and then voluntarily implement these policies. Developing the initiative's parameters is difficult. Maintaining and modifying the agreements over time is equally labor-intensive. We've learned a lot about how to build strong partnerships with financial institutions by navigating these challenges.

Enter into negotiations with financial institutions looking for a win-win solution. Bank On initiatives aim to financially empower lower-income unbanked residents by increasing the supply of products that work well for this population. However, financial institutions must be able to offer these products sustainably. Most financial institutions are for-profit businesses concerned not only with their bottom line but also with risk, security, and federal regulations. If the product does not work for financial institutions, they'll be unlikely to market it. Furthermore, negotiations with financial institutions should be rooted in the market data collected through a planning process, to build the rationale for asking for various product features.

Negotiations with financial institutions may have several fits and starts. We approached our financial institution negotiations with a straw man standard product—the original idea was to ask all financial institutions to adopt this product, which would be branded as the Bank On SF account and offered citywide. Banks and credit unions, however, balked at the idea of offering the same product as their competitors. Instead, the product development committee pursued a set of mutually agreeable account criteria that could vary between institutions as long as they adhered to the baseline criteria. (See box.) Some banks and credit unions that began the process were not able to join the initiative, because they did not want to adhere to these criteria. Others were later asked to leave because they did not adhere to them.

Not a single financial institution in San Francisco had all of these account features in place before the initiative started. All of them were asked to stretch. We thought this was important to stay true to our goal of increasing the supply of products that work for our target market.

Product features have to address the real needs of the unbanked individual. In San Francisco, our target customers were unbanked Latinos and African Americans. We therefore required financial institutions to accept alternative identification, such as the Mexican Matricula Consular card, as a primary form of ID and to halt the practice of automatically denying customers who are on the ChexSystems register.

A diversity of partners and products benefits the unbanked market. At first, the inability of initiative leaders to get all financial institutions to agree to a single account structure was seen as a failure. However, once the initiative launched, it became quickly apparent that the unbanked market is as diverse in its banking needs as any other consumer group. Some preferred a national bank with a large branch network, while others needed the personal assistance of a community development credit union. In focus groups, consumers expressed a desire to "have the same thing as everybody else," and the range of products in the Bank On initiative served to meet this need.

The Bank On San Francisco account features have emerged as a "ceiling" rather than a "floor" as other regions negotiate with financial institutions. We expected that the features negotiated for the first Bank On would become the floor upon which other initiatives could build.

In actuality, these early negotiations inadvertently became a ceiling, and later initiatives have struggled to get financial institutions to provide additional features, such as eliminating overdrafts, offering free money orders, capping monthly fees at $5, or removing opening-balance requirements. However, several initiatives launched in 2010, such as Bank On DC, required that all Bank On accounts be overdraft-free. Another, Bank On Newark, has incorporated a free monthly money order into its initiative, albeit at the cost of losing a major national partner. In addition, sometimes desired product features fall victim to political considerations, as opposed to financial institution opposition. For example, some initiatives have had to make the acceptance of alternative IDs for undocumented immigrants voluntary instead of mandatory.

As more Bank On campaigns emerge, national banks struggle to respond to different requests from different coalitions. Some financial institutions express frustration when dozens of cities approach them with different Bank On requests. The diversity of requests can create tension between the cities' desire to tailor their Bank On initiatives to local needs and the financial institutions' interest in maintaining consistency across markets. Financial institutions are also concerned with the amount of staff time dedicated to repeating a months-long negotiation process around the country. Leaders from many initiatives are also frustrated by the time and energy it takes to get financial partners on board, and smaller communities without the influence of a big-city mayor can struggle to reach agreement on product criteria.

Recommendations

Develop criteria for financial institution involvement that spur innovation, encourage participation, and create better products for unbanked consumers. National Bank On initiatives may be better positioned than local coalitions to work with financial institutions on developing standard starter account features. Reaching agreement is not easy. An advisory group of financial institutions, city leaders, community leaders, researchers, and policy experts should be convened to recommend baseline criteria. Local coalitions should then have the freedom to negotiate additional features in their communities.

Clarify the regulatory guidelines on key issues, such as the acceptance of alternative IDs and options for customers on ChexSystems. Bank and credit union staffers may be concerned that federal regulations prevent them from accepting non-U.S. forms of ID or taking on higher-risk customers, such as those with a history of overdrafts. Federal regulators can continue playing a role by clarifying how key regulations apply to Bank On initiatives and ensuring that Bank On leaders have easy access to this information for their negotiations. Regulatory agencies should stay involved with Bank On initiatives and should issue clear guidance on these matters.

To participate in Bank On San Francisco, financial institutions must at minimum do the following:

1. Keep fees low ($6 to $9 a month; free with direct deposit).
2. Accept Mexican Matricula and Guatemalan Consular ID cards as primary identification.
3. Open accounts for those whose nonsufficient funds/overdraft history on ChexSystems is more than a year old.
4. Open accounts for those on ChexSystems for less than one year if client completes financial management training.
5. Waive one set of NSF/OD fees per year.
6. Require no monthly minimum balance.

Explore product innovations and ways to incorporate them into Bank On initiatives. Banks, credit unions, and other types of financial services providers are increasingly using technology to provide better products for un- and underbanked consumers. Alternative products, such as pre-paid debit cards, should be considered for inclusion in a Bank On initiative if they work well for these consumers and offer comparable consumer protections and pricing.

Lesson Five: Establishing successful partnerships with financial institutions requires clear policies and regular communications and training, even though this work is time-consuming and labor-intensive.

Bank On San Francisco launched with a press conference featuring the mayor, treasurer, and other city leaders; a bus advertising campaign; coverage in the local newspapers; and community outreach to potential customers. Soon afterward, however, leaders of the Bank On San Francisco initiative faced a serious problem—financial institutions had not properly trained their branch-level staffers. Customers, some of whom were entering a bank for the first time or after a negative experience, confronted branch personnel who did not know about the initiative or their institution's new policies and therefore turned them away. It quickly became apparent that strong emphasis had to be placed on thorough and frequent training and communications.

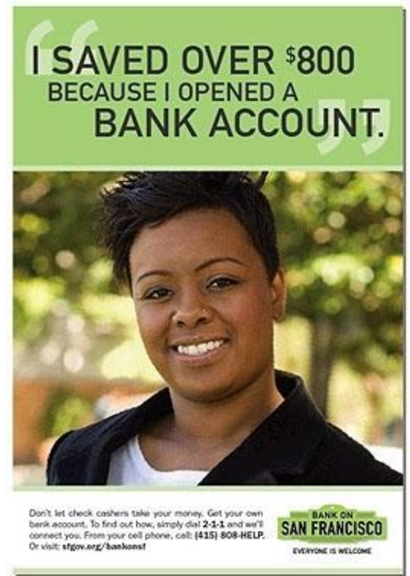
It's important to work early and often with financial institution managers and tellers. In San Francisco, initiative leaders were working with 174 bank and credit union branches across the City—with literally hundreds, if not thousands, of employees. Often, information does not flow smoothly and regularly to branch staffers, some of whom are therefore misinformed or can make negative assumptions about the target market. To guarantee that information reaches those who have direct contact with the customers, mandatory branch trainings were implemented. Bank On San Francisco regularly conducts meetings designed to keep its branch managers and tellers—who turn over frequently—informed about policies and procedures for opening the Bank On accounts. For quality control, the City uses "secret shoppers," who go to local financial institution outlets and ask for the Bank On San Francisco account. The City then reports the secret shoppers' experiences to the financial institutions.

Maintaining financial institution commitment requires continuous effort. The success of a Bank On initiative, particularly in the early stages, depends on the involvement of many people within a financial institution. Working just with a financial institution's "higher-ups" is not enough. Communication has to extend to multiple parts of the financial institution and include staffers responsible for products, data tracking, marketing, and community relations. Reaching the correct people at the bank or credit union can be challenging and requires persistence. Once a financial institution launches the initiative, it has to provide a great deal of follow-through and recognize the importance of regularly convening its representatives to keep up momentum and expectations. At least once a year, coalition champions should meet with local market presidents to encourage them to renew their commitment to the initiative.

Bank On policies and expectations should be consistent and clearly defined, and initiative leaders should be prepared to remove underperforming partners from the coalition. As the Bank On San Francisco initiative gained traction and began to show results, the need for clear policies and expectations became increasingly important. When initiative staffers began meeting with branch managers and tellers, they realized that product criteria and data-tracking policies were not being followed consistently. In some cases, as much as a year into the initiative, certain bank and credit union personnel did not even know the basic details of the initiative. In response, Bank On San Francisco stays firmly focused on participation requirements and customer service. Financial institutions are expected to attend quarterly meetings and to report data in advance of these meetings. They are expected to train branch staffers at least once a year and to maintain a high level of understanding about the initiative at the branch level. To ensure initiative credibility with customers and the community, initiative leaders have had to remove several banks from participating, because they consistently failed to meet these requirements.

Recommendations

National providers of technical assistance to Bank On initiatives should develop guidelines for financial institution policies and procedures, and a training manual for branch personnel. The guidelines should include policies for product criteria, data tracking, use of marketing assets, and expectations for participation. The national providers could also develop training materials in partnership with financial institutions. Other tools, such as online training, should be available for new hires at the branch level.



Banks and credit unions that join local and national initiatives should provide a letter of commitment outlining their participation agreement. A simple letter of commitment from bank and credit union executives that includes the basic agreement and designates an initiative lead contact from each institution could help underscore the baseline for initiative participation.

Lesson Six: Current options for tracking starter accounts opened through Bank On initiatives are inconsistent, unreliable, and hard to enforce.

Bank On San Francisco is one of the first initiatives to get a large number of financial institutions to voluntarily and regularly report account data. Analyzing this data has allowed us to assess our progress toward our goals. It has also prompted other cities to develop Bank On coalitions when they hear about our results. That said, the data-collection method has problems.

Determining whom to count—and not count—as Bank On customers is challenging. The first challenge is defining how financial institutions determine who is unbanked and who is not, for the purpose of counting the number of accounts opened through Bank On San Francisco. There was significant back-and-forth about whether customers should have to ask for the Bank On San Francisco "account" specifically in order to be counted. Initiative leaders eventually decided that we could not anticipate what a customer may or may not say, and we also wanted to include changes in financial institution practices—for example, several financial institutions, for the first time, trained staffers to approach check-cashing customers in their branches and offer them the new account. If customers had been required to ask for Bank On, they would not have been counted, even though they became banked as a result of the initiative. Eventually, a policy was designed and disseminated to partners. It requires that the financial institutions decide who is and is not unbanked and determine how the customer heard about Bank On San Francisco.

Clear policies on data tracking and collection should be set and maintained. Financial institutions voluntarily submit data to the Federal Reserve Bank of San Francisco each quarter. The majority of participating financial institutions have created an electronic code in their systems that they use to track these accounts. They then pull reports and submit the following data:

- Number of new accounts opened
- Number of accounts closed
- Average monthly balance
- ZIP Codes of account holders
- Additional information such as direct deposit usage and how the customer heard about the initiative. Overdraft occurrence is requested but rarely reported

The Federal Reserve Bank of San Francisco then aggregates the data and produces the quarterly report, which is presented to partners at the quarterly convenings. This process allows us to track progress toward goals, monitor trends within financial institutions, determine how partners are performing, and adapt the initiative accordingly.

The data collection method has several limitations. Essentially, this data are self-reported, inconsistent, and not verifiable. Banks and credit union staffers determine whether a customer should be counted. Despite efforts to clarify the process, however, there is no independent oversight to determine if accounts are accurately tracked. This may lead to both over- and undercounting at the various institutions.

Data is tracked on a per account basis not by individual account holders, so financial institutions track only the number of accounts opened not the number of individuals banked. For example, one person may open more than one account, or may close one account and open another at a different financial institution and therefore be counted twice. Banks and credit unions have no way of comparing account holders to see if duplicate accounts are being tracked.

In addition, Bank On initiatives cannot collect key demographic data or the customers' account activity and experience over time because of legal restrictions on tracking this type of information. Bank On coordinators have no direct contact with customers and therefore cannot follow up to verify whether they were indeed counted correctly or gather any other data that would allow them to track demographics and outcomes.

Coalition coordinators across the country say they spend an inordinate amount of time tracking down data from financial institutions, many of which neglect to submit their quarterly reports.

Recommendations

Clarify the definition of what counts as a qualified "Bank On" account and recommend the best ways to code and track customers. Confusion persists about who should be counted and tracked as an eligible Bank On account holder. National guidelines for making that determination might include the length of time the customer was unbanked and the age of the customer when he or she opened an account for the first time. These guidelines, as well as recommendations on the mechanics of tracking customers, should be distributed to coalitions and financial institution partners.

Set standards for data collection. National Bank On initiatives should convene a working group of representatives from financial institutions and community organizations, city leaders, policy experts, software and web experts, and prominent researchers who would use the data. The group's goals would be to determine (1) key questions to be answered by the data about account performance, profitability, and consumer behavior, (2) key indicators to regularly assess these questions, (3) some standard or template to make this process uniform and as easy as possible across coalitions. The process should be as non-burdensome as possible on participating financial institutions.

Retain regulators as the collectors of account data from participating financial institutions. Account data should always be sent to a regulatory institution to ensure their safekeeping. Financial institutions will provide this data more readily to a regulator than to a city agency or community group.

Lesson Seven: Financial education is vitally important to the consumers we hope to reach, but developing effective strategies is challenging.

In our initial research, we found that San Francisco's financial education resources were hard to locate, inconsistent in quality, and almost entirely decentralized. When we started Bank On San Francisco, we surveyed the landscape of financial education offerings and learned that:

1. A wide range of banks, nonprofits, and educational institutions offer money management training throughout San Francisco.
2. These trainings varied in content (e.g. a focus on credit repair, first-time home purchase, or household budgeting) and focused on different groups of people (at-risk youth, adults, etc.).
3. The trainings had varying levels of quality, cultural relevance, and understanding of their target audiences.
4. The far-flung supply of money management training was disconnected from the demand—people who want to take classes and can benefit from them.
5. Little was known about how participants' financial know-how improved and how they used it to enhance their financial well-being.

Many financial institutions said they offered robust financial education initiatives of their own, but in reality, they held the classes on an ad hoc basis and provided little in the way of substance or consistency.

Our financial education strategy evolved considerably over time, mostly through trial and error. Originally, we thought about requiring some form of financial education for Bank On customers but later decided that doing so would only create another barrier for people to overcome—one that is not required for anyone else to open a bank account. We then decided that Bank On should offer some type of class, and so we worked with our nonprofit partner EARN to develop a curriculum and begin teaching our own classes at a downtown location. After several classes attracted no participants, we realized that getting a bank account is not an incentive to go to a class. We decided to decouple traditional financial education from the account opening process. We wanted to make high-quality financial education available to those who wanted it. And we wanted as much education as possible to happen at the point of sale between the teller and the customer—so that the customer could learn as much as possible about how to use the account. We eventually learned that financial education classes attract the most participants when they are linked to another service and offered by a familiar partner in an accessible location.

A "mini-grant" strategy—by which community organizations are minimally compensated for hosting classes—proved effective for attracting participants. We provide $100 to any nonprofit that guarantees it will organize a group of 20 people who want to take a class on a certain topic. The nonprofit can use that money for refreshments, childcare, or incentives to encourage participation. We established a pool of professional trainers with specific expertise in teaching low-income customers and the ability to teach in several languages. We pay the trainers by the hour. We then identify a partner bank or credit union to join in the training and offer accounts to the participants. Community organizations also agreed to administer pre- and post-class surveys.

Many community-based organizations want to offer financial education but lack the expertise and resources to do so. We believe the mini-grant strategy works because it provides structure to the process. For example, we require an application from the host organization and set deadlines for it to apply for "rounds" of funding. The City's involvement reinforces the expectation of quality service and eliminates the concern that for-profit financial institutions will use these classes to sell their products. The trainers are screened, trained, and regularly evaluated.

In the past two years, San Francisco along with 60 partners has hosted 135 financial education classes in the community for about 2,400 people.

Bank On SF Financial Education Results

Goal	Findings	After attending an OFE Workshop
Financial Services	• 52% did not have a checking account • 22% used a check casher one to five times a year • 10% used a check casher six or more times a year • 8% used a payday lender in the preceding 12 months	• 46% plan on opening a checking account • 42% who previously did not have a savings account plan to open one
Budgeting	• 36% did not know how to keep record of their income and expenses • 40% bought things they knew they could not afford • 71% felt that they never had enough money	• 77% felt the workshops helped them learn to manage their money "somewhat to a lot" • 66% intend to start using a spending plan and budget • 64% plan to start saving for an emergency
Credit	• 64% had not seen their credit report in more than 12 months • 24% did not know what a credit report is	• 63% plan to pull their credit report and fix any mistakes
Workshop Evaluation		• 88% rated the OFE workshop as "good to excellent" • 93% rated OFE trainers as "good to excellent" • 86% would recommend an OFE workshop to a friend

Bank On San Francisco—and other Bank On initiatives—are well positioned to improve standards for financial education and raise the visibility and professionalism of the field. Bank On SF has struggled with financial education delivery in much the same way other initiatives have. While the mini-grant initiative seems an effective way to organize financial education for potential Bank On customers and is proving successful in attracting participants, very little is known about how this information is used and, ultimately, what kind of impact it has on participants.

In 2009, San Francisco implemented a Financial Education Network (FEN) and established standards for financial education instruction. The network also hosts a quarterly professional development series at the Federal Reserve Bank of San Francisco and invites all financial educators in the region to participate. The sessions have focused on a range of topics, including "Understanding Financial Coaching and Counseling," "Bankruptcy Resources for Financial Educators," "New Credit Card Regulations & Rebuilding Credit in 2010," and "Behavioral Economics and Financial Education." The City is also building an online directory to enable members of the community to easily find the financial education resources they need.

Bank On initiatives can help public and nonprofit institutions integrate financial education into their services for lower- and moderate-income people. In San Francisco, the goal is for effective financial education to become a vital part of poverty-reduction efforts and in time a "business as usual" component of service delivery and case management in public agencies and community organizations. Several organizations that receive mini-grants—such as those that serve at-risk youth or the homeless—have decided to integrate financial education into their ongoing services.

Recommendations

Bank On initiatives can shift from offering financial education—which emphasizes knowledge gains—to financial capability approaches—which emphasize changes in behavior. Whereas financial education is a set of provider outputs, financial capability is a set of consumer outcomes, according to the Center for Financial Services Innovation, such as increased savings, improved credit scores, or use of lower-cost financial services. Financial capability requires both the ability to act (knowledge, skills, confidence, and motivation) and the opportunity to act through access to beneficial financial products and institutions. Bank On programs provide a unique opportunity to connect ability with opportunity and should strive to provide direct links to products and services through financial education programs affiliated with a Bank On program. These approaches can then be evaluated on how well participants *use* their knowledge to improve their financial well-being.

National Bank On initiatives should encourage experimentation in the delivery of financial education/financial capability approaches. New approaches should take account of the ways that adults learn and how busy they are. The results of these experiments should be measured to determine what strategies are most effective. The increase in text messaging and other mobile communication between people and their financial institutions is not only popular and cost-effective but has been shown to improve financial capability. Workplace financial education initiatives that connect employees to direct deposit, retirement saving options, and other products should also be high priorities.

Cities and states can integrate financial education/capability approaches into a range of initiatives that serve low-income people. Too often, financial education and financial capability approaches stand alone, separated from other services for low- and moderate-income people, or are seen as "nice to have" add-ons as opposed to core services. All organizations that provide affordable housing, nutrition assistance, and job training, among other programs, should look at ways to integrate guidance on financial well-being and access into their services.

Lesson Eight: Bank On marketing and outreach campaigns should leverage strong partnerships, public resources, and community connections.

Bank On San Francisco initially had limited resources when it began pursuing its goals. We had a potential market of 50,000 households spread across the City but little direct connection to them. San Francisco embarked on a professional outreach campaign designed specifically to reach our target markets with well-honed messages.

We do not know as much as we would like about which marketing methods are most effective for reaching unbanked consumers in San Francisco. The United Way information line (211) that provides customer service for Bank On San Francisco asks all callers who inquire about Bank On San Francisco how they heard about it. The number one answer that callers give is bus and billboard ads. Number two is flyers and brochures, and number three is direct mail. However, financial institution staffers said repeatedly that referrals from community groups, churches, and schools bring in the most Bank On customers.

Pro bono marketing support from the advertising community provided a professional campaign that appealed to consumers. San Francisco benefited greatly from the donation of a pro bono marketing campaign from McCann Worldgroup. McCann employees volunteered to design all elements of the marketing campaign and work with initiative leaders to develop a marketing strategy that would resonate with people who felt that they were locked out of the financial mainstream or that they had no need for these products and services. In addition to creating initiative materials and a website, McCann used its significant influence as a major media buyer to secure pro bono space on billboards and in newspapers. McCann donated full rights to the campaign to San Francisco, which in turn has made these materials available to any Bank On initiative in the country, significantly reducing costs for emerging initiatives and helping to build the Bank On brand.

Customer service from the United Way and 211 vastly increased the ability of the program to accommodate large numbers of inquiries. The City was struggling to determine who could take calls and inform customers about the initiative. The United Way volunteered its 211 service to be the main point of contact for the initiative. Information about Bank On San Francisco is now incorporated into the extensive community resource database managed by 211, and customers can call to ask basic questions about the costs and features of accounts and to find the nearest participating bank or credit union. In addition, customers can receive information about other initiatives and services, and Bank On San Francisco can receive reports about call volume, customer complaints, and feedback. The United Way considered the extensive outreach campaign supporting the Bank On initiative a good way to promote the 211 service to a wide range of new users at no additional cost.

The mayor's and treasurer's ability to use the media drew significant attention to both the program and the issue of the unbanked. The mayor's and treasurer's involvement in Bank On resulted in significant coverage by the mainstream media. Stories about the initiative have appeared in dozens of local and national print, radio, and television outlets. In addition to promoting the initiative, the media's reporting helped maintain the support and interest of partners, such as financial institutions, and fueled the spread of the model nationwide.

Ongoing outreach to key community groups that serve as "trusted messengers" is critical to overcoming some consumer skepticism about banks. Perhaps the most important method of promoting Bank On SF is working with large numbers of community partners—nonprofits, labor unions, faith-based organizations, schools, affordable-housing providers, and many others—that can inform their customers about the initiative. At first, community groups were skeptical about the initiative; they thought it was simply a marketing ploy for banks. So, initiative leaders used the research data to build a case for why having a bank account is an important anti-poverty strategy and then assured their community partners that the financial institutions would play by the City's rules. Four years later, helping community partners make financial-empowerment work a core component of their service has been one of the Bank On SF initiative's greatest achievements.

Leveraging public resources and connections increased the scale of the outreach campaign, as did support from financial institutions. Some of the initiative's most effective outreach came from using resources that are freely available to public agencies, such as space on the City's buses and bus shelters. Bank On San Francisco also engaged in an array of outreach projects, including direct-mail campaigns with key partners such as the local utility company, Pacific Gas and Electric (55,000 recipients); the In-Home Supportive Services employee union (16,000 recipients); and beneficiaries of the Working Families Credit, the City's match to the Earned Income Tax Credit (12,000 recipients). Information was also sent home with every public school student. In addition, to get the program up and running, many of the financial institution partners contributed money, based on their asset size, to the marketing campaign and worked to promote the initiative through their own community relations activities.

Cynicism from some community groups hampered early outreach efforts. In the early stages, there was significant push-back and distrust from some community agencies that were hesitant to introduce their customers to a for-profit entity like a major national bank. Some groups expressed concern that their customers would be cross-sold products, such as credit cards, or were reluctant to drive business toward these institutions for fear of misguiding their clients. Others had staffers who faced financial problems similar to those of their customers and had difficulty encouraging customers to resolve issues or take actions that they themselves struggled with.

As a solution, we worked hard to gain a place at the table with other community partners to discuss anti-poverty strategies and to position financial access and education as important parts of the discussion. We have since developed a wide array of partnerships to promote the initiative and have fostered stronger ties between the financial and the nonprofit communities.

Recommendations

Investing in an effective marketing and outreach campaign is time-consuming and costly. National Bank On initiatives could employ several strategies to significantly reduce costs for local initiatives to reach greater numbers of lower-income consumers.

Create templates for marketing materials and websites. National Bank On initiatives should create a "bank" of marketing materials and images that would be available online. Local initiatives could then download these images and templates to create materials for their own communities. They would pay only for the cost of printing and no longer need to hire a creative agency as they do now. Bank On initiative websites and online tools could also be standardized and modified for local use, which would save local initiatives significant time and resources.

Form alliances with national level partners that would help local initiatives. A partnership with a national level organization, such as the United Way, that could assist with customer service and other key outreach activities would be a valuable resource for local efforts. Similarly, a partnership with AmeriCorps or VISTA could provide full-time volunteers to build the community partnerships that are critical to reach unbanked residents.

Lesson Nine: Cities that start Bank On campaigns are well-positioned to promote financial empowerment goals beyond account access.

Bank On coalitions unite dozens of partners—community groups, local government, financial institutions—around the idea of helping unbanked consumers access starter accounts. Once a Bank On coalition is in place, the partners are well positioned to build on this alliance to pursue other financial empowerment goals.

The success of Bank On San Francisco spurred city officials to seek more ways to increase access to financial products and services. San Francisco followed the lead of New York City and San Antonio to create an Office of Financial Empowerment. The OFE has launched several initiatives to expand the financial empowerment work across the City:

Payday Plus SF. The credit union members of the coalition agreed on standards for an alternative payday loan product, with maximum interest rates of 18 percent, that can be paid back over six to 12 months.

Financial Education Network. The City used its convening power to survey the landscape of financial education and bring together key stakeholders. This network focuses on improving standards and access to services citywide.

Kindergarten to College. San Francisco recently announced the first publicly funded children's savings account initiative in the country, in partnership with the San Francisco School District. K2C will begin automatically opening college savings accounts for public school kindergartners in February 2011.

In addition to launching new initiatives and products, the Bank On coalition in San Francisco focused on incorporating financial empowerment goals into existing city initiatives. For example, the City has restructured the Working Families Credit to provide more money to recipients who use direct deposit for their WFC checks and less money to those who request paper checks. As a result, the share of recipients who request direct deposit jumped from 3 percent to more than 90 percent in just one year.

The City is also developing a payroll card that will allow 100 percent of its employees to be paid electronically, and a citywide initiative will launch to encourage employers to use electronic pay. Financial empowerment topics are now incorporated into learning circles for case managers in public agencies and community organizations, and access to Bank On SF accounts is included in screening tools for public and community benefits.

There is great potential to build on the Bank On platform and continue to connect San Franciscans to the financial mainstream. During difficult budget times, however, it is a challenge to increase city funding for this type of work, and the San Francisco Office of Financial Empowerment remains largely privately funded.

Recommendations

National Bank On initiatives should provide additional supports and incentives for regional coalitions to explore financial empowerment strategies beyond traditional Bank On campaigns, such as working with new partners (employers, for example) or developing new products, such as payroll cards or alternative payday loans. The emphasis should be on financial empowerment innovations that other cities could replicate. Local coalitions that pursue various innovations should document what they're learning and share it with other coalitions.

Encourage the dissemination and sharing of successful models through coalitions like Cities for Financial Empowerment. In 2008, San Francisco joined with New York City to create Cities for Financial Empowerment, a coalition of municipalities that embed financial empowerment work within local government. These types of coalitions hold great promise in the sharing and scaling of successful models that cover a wide range of financial capability and asset building priorities.

Lesson 10: Bank On coalitions should consider local policies that advance financial empowerment goals. The collective voices of Bank On coalitions could also be harnessed to advance policies at the national level.

Local policies can help Bank On coalitions achieve their goals. In Bank On San Francisco, we set an initial goal to clamp down on the proliferation of payday lending and check-cashing outlets after research showed that they were overrepresented in low-income communities of color. We used a city planning code to ban new check-cashing and payday lending establishments throughout the City.[9]

There are limits to financial empowerment policies that can be pursued locally, but many cities are innovating in this area. Financial institutions are regulated by the state and federal governments, but many cities are pursuing local policies to increase access to mainstream financial services and increase consumer protections.

New York City has a Banking Development District initiative that complements a similar statewide program to provide incentives for financial institutions that locate in underserved communities and develop products for people who are unbanked and underbanked. Los Angeles is advancing a similar initiative. Several cities, including New York and San Antonio, have enacted legislation to improve disclosures for Refund Anticipation Loans, which often charge interest rates of a few hundred percent to allow tax filers to immediately access their refunds.[10]

Local Bank On coalitions can play a role in ensuring that consumer protection laws are followed in their communities. For example, in San Francisco a community partner alerted the City to violations of check-cashing regulations by a local grocery store. The information led to an investigation by the district attorney's office.

[9]http://library.municode.com/HTML/14139/level2/ART2USDI_S249.35FRFISEREUSDI.html
[10] For information about RAL restrictions in New York City: http://www.nyc.gov/html/ofe/html/help/refund.shtml

Bank Ons can offer their "on the ground" input to strengthen financial services legislation and regulation at the state and national levels. On a broader scale, financial empowerment programs are deeply integrated within the community and can voice the needs and experiences of low-income consumers to the federal and regulatory agencies that monitor banks and credit unions. For example, the members of the Cities for Financial Empowerment coalition have come together to make recommendations on overdraft reform, the creation of the Consumer Financial Protection Bureau, financial education standards, and a variety of other pilots and reforms. Similarly, in addition to considering legislative, policy, and enforcement options, Bank On initiatives could join forces to advocate the advancement of complementary policies at the state and federal levels and the organization and reach of Bank On coalitions could provide an easily accessible infrastructure for further testing products and policies to financially empower lower-income Americans.

Recommendations

National organizations can harness the input and ideas of local Bank On coalitions to advance and inform supportive federal policies. Bank On coalitions have put financial empowerment approaches on the radar screen of many local organizations that may never have considered them before. By participating in Bank On coalitions, many community organizations are likely to see financial empowerment as an important complement to the services they already provide for their constituents. A range of policy and advocacy groups can tap into these voices to support and advance effective financial empowerment policies.

Create ways to document and share promising legislative, policy, and enforcement ideas. National Bank On efforts could produce and disseminate examples of policies that have succeeded and recommend which cities or states could enact similar policies.

Conclusion

Bank On San Francisco began as a local effort to address a serious problem. Initiative leaders believed that a city government could play a much broader and more influential role in connecting residents to the financial mainstream, and they set out to see if their theory was correct. When early results proved promising, the Bank On approach spread more quickly than anticipated. There are several reasons for this. The initiative design is straightforward and relatively easy to replicate, and it draws on resources (local government, community partners, financial regulators, and banks and credit unions) that are widely available in most parts of the country, particularly large urban areas. Bank On initiatives also provide a cost-effective way for local leaders to help low-income residents, especially when budgets are strained. Bank On goals are easy to communicate and attract political support across the spectrum.

Many partners—including the San Francisco Office of Financial Empowerment, the National League of Cities, the Pew Charitable Trusts, the FDIC, and the Federal Reserve Bank of San Francisco—assisted cities that wanted to start their own initiatives. San Francisco took a nonproprietary approach and freely shared its experience and help. The City also provided initiative materials and resources, such as its marketing campaign and online toolkit.

New national support for Bank On initiatives could open up an exciting second phase of the Bank On movement, one that brings in new partners, promotes product innovation, and ushers in new policies and financial capability approaches—all to help more Americans access affordable and effective services to manage their day-to-day finances and save for their long-term goals.

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Top 10 Lessons From Bank On San Francisco

Lessons*	Recommendations
Lesson One: Initial research was pivotal to shaping the Bank On San Francisco strategy. It helped initiative leaders (1) understand the target market and the challenges they face, (2) build the business and political cases for the initiative, and (3) set clear goals.	• Support local and national market research on unbanked and underbanked consumers. • Support research that examines key questions about how to better reach and serve the unbanked and underbanked market. • Consider setting goals that measure increases in individuals' "financial capability" in addition to numbers of starter accounts opened.
Lesson Two: Local public officials are well positioned to play a critical and unique role in Bank On campaigns—especially by uniting different stakeholders around a common agenda.	• Provide financial support and technical assistance to strengthen city involvement in Bank On campaigns. • Reach out to local and state elected officials in areas without Bank On initiatives, to encourage them to launch programs.
Lesson Three: A collaborative design process that involves financial institutions, community partners, government leaders, and regulatory agencies contributes significantly to partner buy-in and participation. Structured and regular communications with all partners then keep the collaboration and momentum going.	• National Bank On initiatives should "set a table" similar to the one that Bank On San Francisco set locally, where a range of participants—financial institutions, community groups, federal agencies, and existing Bank On coalitions—can shape the initiative.
Lesson Four: Negotiation and collaboration with financial institutions can be challenging and intensive, and yield inconsistent results across the country.	• Develop criteria for financial institution involvement that spur innovation, encourage participation, and create better products for unbanked consumers. • Clarify the regulatory guidelines on key issues, such as the acceptance of alternative IDs and options for customers on ChexSystems. • Explore product innovations and ways to incorporate them into Bank On initiatives.
Lesson Five: Establishing successful partnerships with financial institutions requires clear policies and regular communications and training, even though this work is time-consuming and labor-intensive.	• National providers of technical assistance to Bank On initiatives should develop guidelines for financial institution policies and procedures, and a training manual for branch personnel. • Banks and credit unions that join local and national initiatives should provide a letter of commitment outlining their participation agreement.
Lesson Six: Current options for tracking starter accounts opened through Bank On initiatives are inconsistent, unreliable, and hard to enforce.	• Clarify the definition of a qualified "Bank On" account and recommend the best ways to code and track customers. • Set national standards for data collection. • Retain regulators as the collectors of account data from participating financial institutions.
Lesson Seven: Financial education is vitally important to the consumers we hope to reach, but developing effective strategies is challenging.	• Bank On initiatives can shift from offering financial *education*—which emphasizes knowledge gains—to financial *capability* approaches—which emphasize changes in behavior. • National Bank On initiatives should encourage experimentation in the delivery of financial education/financial capability approaches. • Cities and states can integrate financial education/capability approaches into a range of initiatives that serve low-income people.
Lesson Eight: Bank On marketing and outreach campaigns should leverage strong partnerships, public resources, and community connections.	• Create templates for marketing materials and websites. • Form alliances with national level partners that would help local initiatives.
Lesson Nine: Cities that start Bank On campaigns are well positioned to promote financial empowerment goals beyond account access.	• National Bank On initiatives should provide additional supports and incentives for regional coalitions to explore financial empowerment strategies beyond traditional Bank On campaigns, such as working with new partners (employers, for example) or developing new products, such as payroll cards or alternative payday loans. • Encourage the dissemination and sharing of successful models through coalitions like Cities for Financial Empowerment.
Lesson Ten: Local financial empowerment policies can advance and reinforce Bank On coalitions.	• National organizations can harness the input and ideas of local Bank On coalitions to advance and inform supportive federal policies. • Create ways to document and share promising legislative, policy, and enforcement ideas amongst Bank On coalitions

*These recommendations are aimed at a variety of stakeholders. Some are for individual Bank On initiatives, while others are for current and emerging national efforts to support local and state Bank On initiatives.

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