

**The Foundation of Asset Building:
Financial Services for Lower-Income Consumers**

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Executive Summary

As many as 22.2 million U.S. households comprising about 56 million adults are unbanked. This staggering figure points to a crisis in the bifurcated financial services world where some consumers do not have access to mainstream financial institutions. These households are disproportionately lower-income and minority.

Households that do not have bank accounts are disadvantaged in several ways. They spend up to three times as much for basic services using check cashers than consumers with accounts at mainstream financial institutions. Unbanked consumers also lack access to instruments like savings accounts that encourage modest savings. Further, the unbanked may not be able to establish a credit history, which has implications for future credit applications and for employment and insurance coverage.

This report, *“The Foundation of Asset Building: Financial Services for Lower-Income Consumers”*, describes some of the best practices in the banking industry to reach low-income, unbanked consumers. These practices include affordable checking or lifeline accounts with account opening criteria and other features that are appropriate for lower-income consumers, innovative financial literacy programs, and creative outreach and marketing strategies. This report explores the financial sustainability of these account products and observations from the bankers on strategic factors of success. An inventory of lifeline banking resources comprises the last section of this report.

This report profiles the Acceso Popular Account at Banco Popular de Puerto Rico, Cash and Save Program of Union Bank of California, First Bank of the Americas in Chicago, First Interstate Bank in Montana and Wyoming, and Wells Fargo Bank Wisconsin’s participation in the Get Checking Program. The case studies reveal that lifeline banking does more than reduce the number of unbanked consumers; it can also be financially sustainable for the bank.

Our basic finding is that banks with a commitment to reach unbanked or under-banked households can do so effectively and efficiently. Some financial institutions claim that it is not financial sustainable to serve such consumers and communities. However, the banks profiled here have demonstrated that with energy and creativity, it is possible to provide retail banking services to people previously considered unprofitable customers.

Recommendations

The report offers the following recommendations for others interested in developing products for lower-income, unbanked consumers:

- *Model Lifeline Account Features*

Establishing checking and savings accounts with traditional financial institutions can be a major challenge for lower-income consumers. Account features such as no minimum balance requirement, no monthly service fee, free teller charges, and flexible identification policies can mitigate the cost, credit, and inconvenience barriers that many unbanked consumers face.

- ***Financial Literacy***

Barriers to mainstream banking, such as distrust, lack of financial management skills and knowledge, and marketing can be addressed through effective financial literacy training. In addition to enhancing the personal finance management skills of participants, with the right program and staffing, financial literacy training can be fun. Banks with successful affordable products regard financial literacy training as an integral part of the program.

- ***Program Marketing and Management***

A financial institution's marketing of lifeline products should include more than just information on account features and criteria. It should also provide a description of how mainstream banking benefits the customer, such as decreasing financial service transaction fees. In addition, banks should work in partnership with community-based organizations and nonprofit consumer organizations to ensure effective outreach. Enthusiastic staff and effective bank management are key components of success in serving the unbanked.

- ***Improving the Financial Sustainability of Serving Lower-Income Consumers***

The banks profiled in this report do not view these programs as charity. Serving lower-income consumers makes good business sense. The availability of electronic technology, cross-selling opportunities, increasing market penetration, staff training, and management were cited as factors that can improve financial returns for these programs. The banks also had experiences with reducing losses and point out the importance of a financial institution's entrepreneurial spirit. However, the most important factor is patience – the banks profiled in this report assert those financial institutions should assess financial returns in the long-term.

- ***The Role of Policymakers and the Community Reinvestment Act (CRA)***

The Service Test of the Community Reinvestment Act regulations provides an opportunity to promote mainstream banking. However, there are few benchmarks for assessing a bank's performance in reaching lower-income consumers. We recommend that in addition to investigating the bank's record for opening or closing branches, that examiners research and document the lowest cost, most accessible accounts available in the bank's market to enable a comparison with competitors. In addition, a sampling of a bank's account data can be used to identify the income distribution of its account holders.

- ***Support the Community Development Financial Institutions (CDFI) Fund***

The CDFI Fund has supported the efforts of several institutions profiled in this report to provide retail services to lower-income consumers. However, its ability to support efforts to reach the unbanked are restricted due to falling federal appropriations in recent years. Increased funding for the CDFI Fund is necessary to provide incentives to banks and CDFIs to reach more unbanked consumers.

WOODSTOCK INSTITUTE

Woodstock Institute, a Chicago nonprofit incorporated in 1973, works locally and nationally to promote sound community reinvestment and economic development in lower-income and minority communities. It collaborates with community organizations, financial institutions, foundations, government agencies, and others to promote its goals.

The Institute engages in applied research, policy analysis, technical assistance, public education, and program design and evaluation. Its areas of expertise include: CRA and fair lending policies, financial and insurance services, small business lending, community development financial institutions, and economic development strategies.

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Chapter I

Introduction

This report, *The Foundation of Asset Building: Financial Services for Lower-Income Consumers*, describes the best practices in the banking industry to reach low-income, unbanked consumers. These practices include affordable checking or lifeline accounts with account opening criteria and other features that are appropriate for lower-income consumers. Further, the banks that offer these products provide financial literacy programs and engage in creative outreach and marketing strategies. This report also examines the financial sustainability of these account products. Many banks contend that serving lower-income consumers is too costly. Therefore, the financial feasibility of penetrating underserved markets was explored with bank officials. Lessons-learned and lifeline banking resources conclude this report.

This publication has several goals. First, we emphasize the relationship between lifeline banking and asset development. As we discuss in the next chapter, lifeline banking is the foundation for good personal finance management, developing credit, and obtaining loans for small businesses or homes. It is also our hope that by providing information on how other banks have approached serving the unbanked, this publication will encourage more financial institutions to develop and effectively market retail products in underserved communities. Further, we advocate that bank regulators take a strategic approach to assessing a bank's record under the Community Reinvestment Act (CRA) service test. In addition to examining a bank's record of opening and closing branches, examiners should look more closely at account criteria, among other things, to determine whether they are appropriate for lower-income consumers. Last, we sought to inform advocates of new opportunities for lower-income unbanked consumers to enter the financial mainstream. Recent innovations, such as Matricula Consular cards, individual tax identification numbers (ITINs), and expanded credit references provide more flexibility for people who might otherwise have not met bank identification or other criteria.

The next chapter of this report describes the role of lifeline banking with asset development. It identifies barriers to lifeline banking as well as new developments or innovations that facilitate mainstream banking by lower-income consumers. Chapters III-VII are case studies documenting the Acceso Popular Account at Banco Popular de Puerto Rico, Cash and Save Program of Union Bank of California, First Bank of the Americas in Chicago, First Interstate Bank in Montana and Wyoming, and Wells Fargo Bank Wisconsin's participation in the Get Checking Program. These institutions were chosen in consultation with community organizations, bank regulators, and bankers. The case studies include a description of the bank and its lifeline banking product(s), financial literacy programs, and outreach and marketing strategies. The case studies also describe the institution's approach to financial sustainability of serving lower-income consumers. Recommendations for financial institutions and their community partners interested in expanding their financial services for lower-income consumers comprises the eighth chapter of this report. The report concludes with a list of resources and publications on promoting lifeline banking for lower-income consumers.



Chapter II

Asset Development and the Financial Mainstream

For years, the Federal Reserve Board has estimated that about ten million households in the U.S. lack access to basic bank accounts. However, a recent study by the General Accounting Office¹ puts the true figure of unbanked households at over twice the Federal Reserve's estimates. The GAO asserts that as many as 22.2 million households comprising about 56 million adults are unbanked. This staggering figure points to a crisis in the bifurcated financial services world.

Households that do not have bank accounts are disadvantaged in several ways. They spend up to three times as much for basic services using check cashers. Consumers without a banking relationship also lack access to instruments like savings accounts that encourage modest savings. Further, the unbanked may not be able to establish a credit history, which could affect employment and insurance coverage.

A relationship with a mainstream financial institution is the first step on the credit path—it is the foundation on which asset development rests. Alternatives Federal Credit Union, a community development credit union (CDCU) located in Ithaca, New York, has developed a model that describes “The Credit Path.” The first stage of the Path is the use of basic financial services, including affordable bill payment and check cashing. The consumer then moves to stage two: establishing savings habits with the aid of savings accounts and other service vehicles. The third and fourth stages are becoming a first time borrower and developing assets through home mortgages or small business loans. Alternatives Federal Credit Union argues that financial education is the key to every stage of the Credit Path (see Figure 1 on page 4).

Challenges to Lifeline Banking

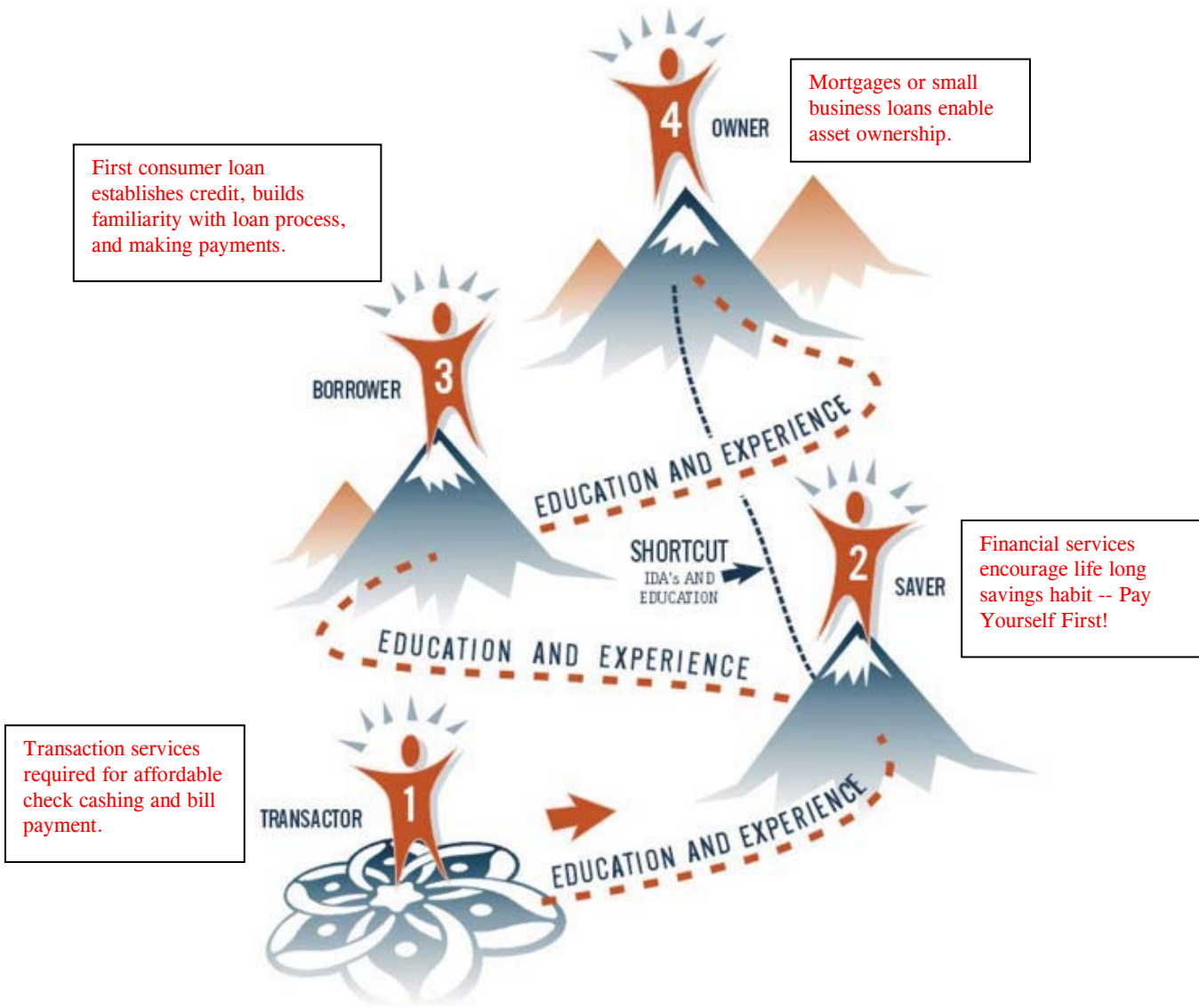
Lower-income consumers must often overcome several barriers to developing a relationship with a mainstream financial institution. They experience limited access, and have inadequate forms of identification, excessive costs, and difficulties due to credit ratings. Some lower-income consumers, especially recent immigrants, have to overcome cultural issues that have led to distrust of financial institutions. Poor financial management skills, ineffective marketing, information dissemination, and outreach by banks can also inhibit lifeline banking by lower-income consumers.

Limited Access

Banks have abandoned many inner-city communities. Bank mergers involving institutions with overlapping branch locations have caused a decline in the number of bank branches per capita in lower-income communities as the newly merged institutions close branches. Further, banks often have inconvenient hours and are not accessible on evenings and weekends. Finally, residents of lower-income communities may also have problems accessing automatic teller machines (ATMs).

¹General Accounting Office. *Electronic Transfers: Use by Federal Payment Recipients Has Increased but Obstacles to Greater Participation Remain.* (2002).

Figure 1
The Credit Path: The Path of Opportunity



Source: Alternatives Federal Credit Union Annual Report. 2000.

Identification

Traditional sources of identification, such as driver's license, social security cards, and major credit cards may not be available to lower-income consumers. Banks should consider accepting other forms of identification, including utility bills, state identification cards, and individual tax identification number (ITIN) cards. Mexican immigrants should have the option of presenting a Matricula Consular card, a form of identification issued by the Mexican consulate.

Matricula Card

More banks are accepting the Certificate of Consular Registration, also known as the Matricula Consular card, as an acceptable form of primary identification for new account openings and over-the-counter transactions. The Mexican Government, through its representatives at the Consulate General of Mexico, issues the Matricula Consular card to Mexican Nationals in local offices throughout the United States.² To apply, applicants must have proof of Mexican citizenship, such as a birth certificate, documents with their current address, and a photo identification card from an official institution. The cost of the card is \$29.³

Wire Transfers

Due to the increased number of immigrants that regularly send funds home to relatives, the wire transfer industry has grown tremendously over the last few years. Wiring funds can be very expensive.

Cost of Wiring \$300 to Mexico⁴

Citibank C2it	\$31.00
Western Union	\$21.00
MoneyGram	\$20.00

Source: The Greenlining Institute. 2002.

Cost

It can be prohibitively expensive for lower-income people to maintain bank accounts. They may face high minimum balances, initial deposits, or monthly service fees. Further, incurring multiple fees due to bounced checks can add considerably to the cost of a checking account.

²Greenlining Institute, Cost of Sending Money to Mexico From Chicago. Greenlining Institute. (17 May 2002).

³Allison, Melissa, "IDs Open Bank Doors for Mexican Immigrants." Chicago Tribune. (21 April 2002).

⁴Includes wire fees and exchange rate charges.

Transaction Accounts

Financial institutions have introduced products that allow consumers to conduct basic financial services, such as bill payment and check cashing. These accounts are generally accessed through electronic means, such as ATMs and POS terminals as well as telephone banking. Because they do not include the issuance of checks, it is important that these accounts include low-cost bill payment services. The ETA is an example of a transaction account.

Credit Status

Some banks conduct credit checks and scoring for applicants. Consumers with little or no credit or a slightly blemished credit record can be disqualified from opening a bank account. In addition, some banks require a ChexSystems review, which may prohibit some lower-income consumers from establishing retail accounts.

ChexSystems

ChexSystems is a network of banks and credit unions that regularly contribute negative consumer information on checking and savings accounts. Negative information usually consists of non-sufficient funds (NSF), bounced checks, and unpaid overdraft fees. This information is shared among member institutions to help them assess the risk of opening new accounts. Each financial institution determines their own ChexSystems review criteria, including the term of the overdraft or outstanding fee. Approximately 90 percent of U.S. banks use ChexSystems, therefore a listing greatly reduces a consumer's chances of obtaining a checking account.⁵

Distrust

Unbanked consumers may have attempted to access banking services in the past and been repelled for a variety of reasons. Some may worry that financial institutions share account information with others, including creditors. In addition, poor communication regarding account guidelines can also lead to misunderstandings for account holders. Consumers may also feel uncomfortable continuing a relationship with a bank that has denied them a loan.

⁵NewCheckingAccount.com, "NewCheckingAccount.com." (2001).

Individual Tax Identification Numbers (ITINs)

The Internal Revenue Service (IRS) made individual tax identification numbers (ITINs) available to consumers in July 1996. ITINs are for consumers that are not eligible to obtain social security numbers but are required to file a federal income tax return. An ITIN facilitates mainstream banking by immigrants by enabling them to pay income taxes on interest-bearing bank accounts. Many banks now accept ITINs instead of a social security number. The IRS allows other organizations, such as financial institutions, to become an ITIN authorizing agent, enabling them to assist applicants in obtaining ITINs in a timely manner.

Financial Management Skills

Access to banking products is only part of the asset development landscape. Lifeline banking requires significant person-to-person training and education on balancing checkbooks, planning monthly finances, using an ATM, etc. In fact, according to the 1992 Survey of Consumer Finances, over one-half of unbanked households held a bank account at one time—they may have closed that account due to problems managing the account.⁶ Without the skills to manage accounts, consumers may be faced with high fees for non-sufficient funds and other transactions. They might become frustrated and close their accounts. In addition, some consumers are uncomfortable using electronic technologies such as automatic teller machines (ATMs), point of sale (POS) terminals, and Internet banking.

Poor Marketing or Management

Many banks have affordable accounts that are directed to lower-income consumers. However, lower-income people are often not aware of affordable options because the products are not effectively marketed. It is also essential that banks train their front line staff to provide polite and courteous customer service and to market bank products to non-customers that cash checks at the institution.

Incentives for Lifeline Banking

The Federal government has several initiatives to reduce the number of unbanked consumers. The U.S. Treasury Department developed the First Accounts Program and the Electronic Transfer Account (ETA) to encourage lower-income consumers to establish a retail account with a mainstream financial institution. It also administers the Community Development Financial Institutions (CDFI) Fund.

The goal of the First Accounts program is to decrease the number of unbanked consumers by providing financial incentives to banks and their community partners to develop suitable products and outreach activities. The grants, which were announced in May 2002, totaled over \$8 million to 15 financial institutions. Treasury officials hope that these models can be replicated in other communities.

An ETA is a low-cost transaction account that allows consumers to receive Federal benefit, wage, salary, or retirement payments electronically. Consumers are permitted a minimum of four cash

⁶Dunham, Constance, "Defining the Market: Characterizing the Nonbanked Population." Financial Access in the 21st Century: Proceeding of a Forum. (1997).

withdrawals and four balance inquiries per month. Further, financial institutions must provide ETA holders the same consumer protections that are available to other bank customers. Treasury provides participating financial institutions a one-time fee of \$12.60 for each ETA they open to offset the costs of setting up the account. Financial institutions are also allowed to charge a service fee up to \$3.00 per month. Nationwide, there are 25,000 ETAs. Banco Popular de Puerto Rico, Union Bank of California, Wells Fargo Bank, Firststar Bank, Bank of America, and FleetBoston have the highest level of ETA activity.⁷

The CDFI Fund was created to expand the availability of credit, investment capital, and financial services in distressed urban and rural communities. Through the Bank Enterprise Awards (BEA) and Core Programs, the Fund has provided grants to community development credit unions, community development banks, and mainstream banks to promote lifeline banking.

⁷Donchatz, Cathy. (11 March 2002).

Chapter III

Acceso Popular Banco Popular De Puerto Rico

History and Background

Banco Popular de Puerto Rico (BPPR) is headquartered in San Juan, Puerto Rico. Founded in 1893 to serve the financial needs of working class and lower-income consumers, BPPR was the first non-European bank on the island. BPPR has 196 branches in Puerto Rico and eight in the United States Virgin Islands (USVI). The Bank offers retail and commercial services and loans, investment banking, and auto and equipment leasing. BPPR is a lead Federal Home Administration (FHA) lender in Puerto Rico.

BPPR has some unique marketing advantages. It is the largest corporation on the island and therefore has a very high public profile. BPPR also owns the island's ATM network. Consequently, BPPR does not have to pay fees to outside ATM networks like other banks. In addition to banking, BPPR affiliates offer insurance and data processing. GM Group, a subsidiary of BPPR, is the largest electronic transaction processor on the island. It also administers Puerto Rico's electronic benefits transfer program.

A related bank, Banco Popular North America, operates in California, Florida, New York, Texas, Illinois, and New Jersey. It is the largest U.S. bank owned by Hispanics, with more than 100 branches. It also ranked ninth among the top ten Small Business Administration (SBA) lenders in 2001, with 763 loans and \$145,026,803 in loan volume.

Retail Account Products

BPPR has an extensive delivery system. Of its 204 branches, 19 percent are located in lower-income communities. The Bank operates 570 ATMs, 21 percent of which are located at shopping centers and stores in distressed areas. BPPR also operates over 45,000 POS terminals, giving it an unprecedented market share of such transactions on the island. In addition, Popular Mortgage and Popular Finance, subsidiaries of BPPR, operate 67 loan origination offices. BPPR has a tradition of community outreach. In the 1950s, it developed a fleet of mobile branches to reach individuals in rural and isolated areas of the island.

Acceso Popular

Introduced in March 2001, Acceso Popular was designed to reduce the number of the unbanked in Puerto Rico, where up to 50 percent of adults do not have a relationship with a mainstream financial institution. BPPR rolled out Acceso Popular in the United States Virgin Islands (USVI) in July 2002.

Acceso Popular is an electronic transaction account that allows account holders to conduct financial transactions through ATMs and POS terminals. Paper checks are not provided. Services can also be accessed via the Internet and BPPR's telephone banking service. The account has a monthly service charge of \$1 and there is no minimum balance requirement. In addition to free unlimited deposits and withdrawals through BPPR's ATMs, customers are allowed two free teller withdrawals per month.

Additional withdrawals are \$1. Most lower-income residents of Puerto Rico have little or no insurance coverage. Therefore, Acceso Popular includes a \$5,000 accidental death insurance policy free of charge.

Table 1
Acceso Popular Banco Popular De Puerto Rico

Opening Requirements	Minimum Opening Deposit	\$0
	Waiting Period (days)	0
	ChexSystems Review	Yes
	Credit Check	No
	Credit Scoring	No
Identification	ITIN	No
	Matricula Card	No
Fees	Minimum Balance Required	\$0
	Monthly Service Fee	\$1
	NSF Fees	\$10
	Teller Transactions	2 free, after 2, \$1 each
	Phone Banking	\$0
Account Features	# Free Bank ATMs/Month	Unlimited
	# Free Foreign ATMs/Month	0
	# Free Checks/Month	N/A
	Overdraft Protection	N/A
	Direct Deposit	Yes
	Wire Transfer Services	Yes

In response to consumer demand, BPPR included a savings component to Acceso Popular. To encourage consumers to save, Acceso Popular's customers can have automatic transfers from their transaction account to their savings account in amounts as small as \$5. BPPR's management contends that automatic transfers encourage savings because 'the eyes that don't see is the heart that does not feel'. Withdrawals are also limited. Acceso Popular's customers can make only one teller withdrawal from the savings section per month and ATM withdrawals from savings are not permitted.

Acceso Popular has met with great demand. BPPR opened over 104,230 Acceso Popular accounts from March 2001 to June 2002. About one-half of Acceso Popular's customers have activated the savings component. By June 2002, there were \$13 million in deposits in the Acceso Popular's savings and \$29 million in the transaction accounts. BPPR processes about 1.7 million Acceso Popular's transactions per month and over 87,000 of the account holders use POS terminals and ATMs on a regular basis. In addition, over 3,000 Acceso Popular's customers use the Internet to manage their accounts. Acceso Popular is very popular with women. Most of the account holders are female heads of households with 2-3 children each.

Customers retain Acceso Popular accounts at the same rate as traditional BPPR deposit products. Approximately 13.5 percent of Acceso Popular's accounts are closed per year compared to 13.7 percent of other account products. BPPR is working to reduce this number by discouraging customers from closing their accounts once they meet their savings goal.

Other Retail Banking Services

BPPR's customers, including those enrolled in Acceso Popular, can use TelePago Popular, the Bank's automated bill payment system. TelePago Popular allows consumers to register to pay their bills by telephone. It is completely free of charge to consumers. Consumers can make fixed payments or variable payments (where the payment date and amount may change from month to month).

BPPR and its affiliates deliver government benefits. BPPR began providing electronic transfer accounts (ETAs) for federal benefits in October 1999. With over 8,375 accounts, BPPR has more ETAs than any other financial institution. The monthly service charge for an Acceso ETA is \$1 and customers can access their funds through ATM and POS networks at no charge. Acceso ETA customers can also make telephone inquiries. GM Group, a subsidiary of BPPR, coordinates 450,000 electronic benefit transfer (EBT) accounts for the Puerto Rican government. Cash and food stamp benefits are accessed through a debit card that can be used at ATMs and POS terminals. BPPR's management credit Puerto Rico's EBT program with increasing consumer confidence with electronic banking, thus paving the way for Acceso Popular.

Envia ATH was established in 1997 to meet the needs of the growing number of immigrants from the Dominican Republic desiring to send money home to relatives.⁸ Envia ATH is a transaction account that includes the issuance of two ATM cards, one of which can be sent to a friend or relative to access funds via Dominican Republic ATMs. Envia ATH's customers make transactions totaling over \$647,000 a month. The average transaction is \$207. There is a \$3 fee per transaction. The program has limited appeal. Only those Dominicans with adequate personal identification, including immigration documents, can establish Envia ATH accounts.

Pronto Popular is a pilot program for prospective homeowners that functions like an Individual Development Account (IDA). Program participants receive homeownership counseling from Rural Opportunities Inc. (ROI) and their savings are matched three to one for up to \$5,000 by the Federal Home Loan Bank. There are currently about 30 people registered in the program, which started in December 2001. Banco Popular provides and services the savings accounts. To reduce debt service payments, Popular Mortgage, a subsidiary of BPPR, will provide a low-interest second mortgage to program graduates.

Children between 12 and 18 years old are eligible to establish an ATH POP account. The account is accessed electronically through ATMs and POS terminals. There is also a savings incentive. The higher the monthly balance, the higher the earned-interest. The account is free of charge if a minimum balance of \$100 is maintained. Otherwise, BPPR charges a \$2 per month service fee.

BPPR offers Club del Ahorro, an electronic transaction account for younger children. There is no minimum balance and no monthly service fee. Statements are issued quarterly. The account pays fixed interest when the balance reaches \$5 or more. Up to three withdrawals at branches per month are permitted at no cost. Club del Ahorro offers several novelties, including a colorful booklet for children to record their transactions, a Club Membership card, and a birthday greeting card.

⁸Popular, Inc. Offering Financial Services to the Unbanked. (N.D.)

Outreach and Marketing

As part of its efforts to reduce the number of unbanked consumers, the management of BPPR sought to capitalize on existing relationships with lower-income consumers. A large number of unbanked consumers pay a \$5 fee per check to cash payroll checks. BPPR also cashes the government checks of non-customers free of charge. BPPR's tellers and customer service representatives regularly encourage non-customers to establish a transaction account and reduce their financial service fees.

BPPR's management recognized that many lower-income consumers are intimidated by financial institutions. Therefore, it established a community outreach program titled 'El Banco en la Comunidad' or 'the Bank in the Community' in March 2001. El Banco en la Comunidad is an educational and marketing program conducted by bank personnel in urban and rural communities throughout Puerto Rico. The presentations provide basic financial information and encourage savings and asset development. El Banco en la Comunidad's presentations also include information on Acceso Popular's accounts.

El Banco en la Comunidad's presentations are very lively, informal, and interactive—a cross between an educational workshop and a motivational speech. BPPR's management found that the biggest incentive for most people to establish an Acceso Popular account was to facilitate savings. Therefore, El Banco en la Comunidad reinforces modest savings to cover education expenses, home purchase, and for other purposes.

After the presentation, El Banco en la Comunidad's participants can submit applications to open an Acceso Popular account. They can also participate in a demonstration on how to use an ATM card and receive a validated ATM card.

BPPR's branches, which are encouraged to sponsor at least one El Banco en la Comunidad program per year, held an average of two programs each in 2001-2002. From March 2001-June 2002, BPPR conducted over 400 El Banco en la Comunidad programs.

BPPR's branch staff is integrally involved in El Banco en la Comunidad. A regional marketing officer and bank branch staff begin the process by meeting with community leaders from churches, rural and urban community organizations, and public housing tenant councils to explain Acceso Popular. The Bank staff then prepares flyers and assists community leaders to distribute them to residents. Local branch staff help attendees complete account application documents. BPPR's staff asserts that Acceso Popular is an easy sell at El Banco en la Comunidad because many participants are concerned about building their savings.

To increase participation, the Bank often features its mascot at El Banco en la Comunidad presentations to appeal to children. All of the programs are held in community facilities and refreshments are served. BPPR also raffles several small appliances and other prizes to attendees at the end of the program.

Financial Literacy Training

In addition to El Banco en la Comunidad, BPPR collaborates with several local and community organizations to plan and market financial literacy seminars. They collaborate with affordable housing advocates and developers as well as public housing administrators, who are required to provide

education seminars for residents of public housing. BPPR also participates in annual orientation programs for adults whose children are beginning Head Start. In addition, BPPR sponsors workshops on the benefits of the ETA program, which is organized annually by local offices of the Social Security Administration.

BPPR sponsors financial literacy seminars on small business management financial planning. The Bank is the largest SBA lender in Puerto Rico with 392 loans totaling \$47 million in the fiscal year ending September 2002.

The Financial Sustainability of Serving Lower-Income Consumers

BPPR's management emphasizes that Acceso Popular was not developed to meet community reinvestment requirements. Rather, the program was established to encourage lower-income consumers to enter the financial mainstream. Further, BPPR does not actively cross sell loan products to Acceso Popular's customers, many of whom are very low-income and are just starting to engage in personal finance management. However, the Bank does cite several financial incentives for the program. Acceso Popular has played a role in helping the Bank reduce teller transaction expenses, expand its customer base, and increase retail product revenue.

BPPR has a policy of cashing government checks free of charge. The Puerto Rican government is the largest employer on the island and many of its employees are unbanked. Acceso Popular has enabled BPPR to reduce transaction costs because more customers use ATMs and POS terminals to cash checks and make withdrawals instead of making teller visits.

Another consideration was expanding the market penetration of the Bank. BPPR has a significant market penetration in middle- and higher-income Puerto Rican markets. In fact, its market share is as high as 36 percent for some deposit products. Bank management found that extending services to lower-income, unbanked consumers was an opportunity to increase its overall market penetration.

Acceso Popular has also increased BPPR's retail business. Several nonprofit organizations have established accounts with the Bank due to relationships developed through El Banco en la Comunidad and other community outreach efforts.

Lessons

BPPR has many advantages that other banks do not possess. The Bank owns Puerto Rico's ATM network, and therefore its electronic banking expenses are less expensive than those of other financial institutions. Further, BPPR has huge name recognition and market penetration in Puerto Rico.

However, many of its experiences can be replicated in other communities. Its financial literacy program, El Banco en la Comunidad, has been an effective way to engage lower-income consumers. This success may be related to three factors. First, the facilitator makes the programs fun for participants. The style is very informal and helps participants relax and engage in the program. Second, combining the programs with a raffle near the end of the session encourages people to remain for the entire program. Third, BPPR allows participants to apply for an account and receive a validated ATM card at the end of the program.

In addition to these factors, BPPR thought carefully about the design of the Acceso Popular program. It has combined a low-cost transaction account with Telepago, a free-of-charge and convenient means for consumers to pay bills. This option is crucial because otherwise Acceso Popular customers would be forced to incur additional expenses to purchase money orders.

Electronic technology has played a large part in enabling BPPR to serve lower-income consumers at a modest cost. Electronic banking is lower in cost than personal services. Further, electronic banking is convenient for Puerto Ricans who travel between the island and mainland United States. However, BPPR has not eliminated branches or exacted a fee for teller visits because many of its customers still value personal services. Rather, it reinforces the advantages of electronic banking for consumers.

BPPR has enacted several policies to reduce losses due to fraud. Staff monitor all BPPR accounts, including Acceso Popular accounts, for suspicious transactions. Further, Banco Popular is a member of a coalition of banks that share information on fraudulent activities. The Bank also has strict account opening procedures. For instance, copies of identification cards are made on-site at El Banco en la Comunidad programs.

Chapter IV

Cash and Save Program of Union Bank of California

Union Bank of California, which has roots going back to 1864, was formed by the merger of Union Bank and the Bank of California in 1996. Union Bank is based in San Francisco and is the third largest bank in California with \$37.6 billion in assets and nearly 9,300 employees in 2002. Most of Union Bank's 260 branches are located in California, although its assessment area includes Oregon and Washington. Union Bank also operates 16 overseas facilities.

Union Bank is a full service retail bank and provides numerous small business and residential lending programs. The Bank has a wide array of deposit products and services, including ATMs, telephone banking, electronic benefit transfer, and bilingual services. It also has in-store branches and Internet banking. Products and services are offered in a variety of languages. Almost 30 percent of the branches of the Bank are located in low- and moderate-income census tracts⁹ and one-quarter are within retail grocery stores.

History and Background

Established by Union Bank in 1993, Cash and Save is a network of branches that provide check cashing and retail services for lower-income consumers. Cash and Save is an operating division within Union Bank with a four-person management team charged with administration, marketing, and operations. The goal of Cash and Save is to move unbanked consumers into the financial mainstream.

Cash and Save has a champion within the senior management of Union Bank. In fact, Cash and Save was the brainchild of Richard Hartnack, Union Bank's vice chairman. It is largely through his leadership that Cash and Save's management is able to obtain resources and support from Union Bank.

There are currently 12 Cash and Save branches serving approximately 10,000-12,000 customers per week. There are about 133,000 Cash and Save customers. The Los Angeles-Long Beach region has seven Cash and Save branches, San Diego has three, and there is one each in Orange County and Central California. Seven Cash and Save branches are located within Union Bank branches in low- and moderate-income (LMI) communities. There are six stand-alone Cash and Save branches primarily located in grocery stores. Three new branches will open in 2003 in a grocery store chain that serves 80,000 customers per month.

Cash and Save branches have a different branding strategy than a traditional bank branch. Each offers extended evening and weekend hours. They also resemble traditional check cashing stores in appearance, with bright signage and banners advertising services. Cash and Save branches within Union Bank branches have separate lines and facilities and their signage distinguishes them from the Bank. The Cash and Save stand-alone branches are located near the main entrances of high volume grocery stores. In addition to penetrating new markets, the advantage of these partnerships is that each grocery chain has become a Union Bank customer. One Cash and Save facility is located in a retail center and shares the lobby with a high traffic video rental store.

⁹Office of the Comptroller of the Currency. Community Reinvestment Act Performance Evaluation: Union National Bank of California, N.A. Washington, DC: (30 March 1998).

Cash and Save’s management carefully considered the staffing of its facilities. Most of Cash and Save’s employees live in the community it serves and are trained to understand and adopt the Cash and Save’s philosophy of providing high-quality personal services to lower-income consumers. Cash and Save’s branch managers are responsible for business development, training and supervising staff, and customer service, including assisting customers with transactions as required.

Retail Accounts Products

During the first two years of operation, Cash and Save just provided check cashing and ancillary services. Cash and Save’s branches now function as a hybrid of a bank and a check casher. The menu of services was developed through extensive outreach to community organizations and local churches that provide informal feedback on product offerings. Cash and Save’s management also worked as tellers at the pilot branch for three months to determine customer preferences. Cash and Save provides typical check cashing and retail banking services and products:

Check Cashing	Retail Banking
<ul style="list-style-type: none"> • Check cashing • Money orders • Money transfers • Prepaid telephone cards • Business services (faxing, photocopying, and postage) • Bus tokens and passes 	<ul style="list-style-type: none"> • Basic Checking • Nest Egg Savings Account • Combo Account • Prepaid debit card • Secured and unsecured credit cards • Consumer, residential, and other loans • Financial counseling

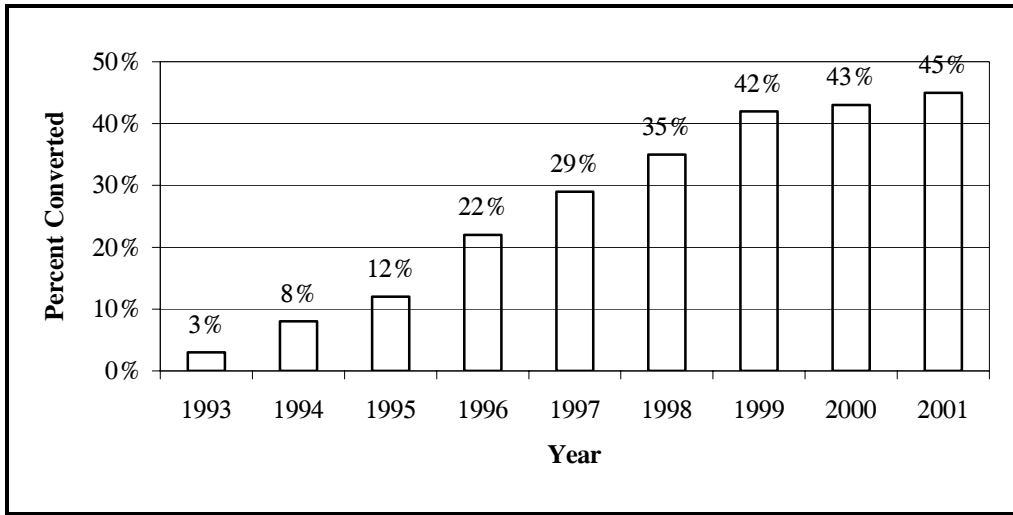
Cash and Save’s check cashing fees are less than those of other check cashers. Cash and Save charges 1-1.5 percent of the amount of the check and check cashers charge 1.75-3 percent. Cash and Save’s management set the fees at a lower rate to attract customers and to encourage long-term customer loyalty. The lower rates are offset by higher gross revenues and safeguards to minimize check cashing losses (see section on the Sustainability of Serving Lower-Income Consumers for more information).

Union Bank is transitioning Cash and Save customers to mainstream banking. This conversion is related to the tenure of a Cash and Save customer. By 2001, 45 percent of Cash and Save’s customers established traditional bank accounts compared to 35 percent in 1998 and 8 percent in 1994 (see Figure 2 on page 17).¹⁰

¹⁰Cash and Save Division of Union Bank of California. Financial and Community Service. (N.D.)

Figure 2

Conversion of Cash and Save Customers Into Bank Account Holders



Some local community organizations are concerned with the Cash and Save model. Although they applaud the Bank for transitioning check cashing customers to Bank customers, they assert that Cash and Save perpetuates a two-tiered system of banking. They would like Cash and Save's products to be available to all Union Bank customers.

Cash and Save's branches provide Union Bank's Basic Checking account. In addition, Cash and Save has developed several new intermediate retail services for consumers who do not desire a checking account. These products are the Nest Egg savings account, the Combo Account, and a prepaid debit card. Cash and Save has introduced the Cash and Save Computer Savers account, a secured credit card, and a Cash Card. Last, the Bank provides financial services through an alliance with Nix, a California check cashing outlet.

Basic Checking

Union Bank's most affordable checking account product, Basic Checking, is offered to Cash and Save customers. It has a low minimum deposit of only \$1 with a \$3 monthly service fee. The account allows customers to write up to five checks per month. After five checks, customers pay \$.75 per check. Customers are allowed five deposits at a branch per month. Basic Checking is also accessible through telephone or Internet banking. Union Bank does not require a credit check for Basic Checking customers and materials are available in multiple languages (see Table 2 on page 18).

Cash and Save has piloted several modifications to the Basic Checking account that were eventually adopted by Union Bank for the Basic Checking account (see Table 2). For instance, Cash and Save has very flexible identification (ID) criteria. In addition to traditional forms of ID, Cash and Save began accepting the Matricula Consular card and individual tax identification numbers (ITINs) in 1993 and 1996, respectively. Cash and Save was one of the first financial institutions to liberalize its ChexSystems review standards. In 1999, Cash and Save increased the reporting threshold of outstanding bank fees from \$50 to \$100. In addition, records one year or older that have been repaid to

the previous bank are disregarded. Records older than three years with no fraudulent or criminal activity are also disregarded, even if the debt was not paid. Due to the experiences at Cash and Save, Union Bank (as well as several other banks in the region) began to accept the Matricula Consular card and ITINs for identification and adopted more flexible ChexSystems review policy.

Table 2
Union Bank Basic Checking Program

Opening Requirements	Minimum Opening Deposit	\$1
	Waiting Period (days)	None
	ChexSystems Review	Yes
	Credit Check	No
	Credit Scoring	No
Identification	ITIN	Yes
	Matricula	Yes
Fees	Minimum Balance Required	\$0
	Monthly Service Fee	\$3
	NSF Fees	Varies
	Teller Transactions	N/A
	Phone Banking	\$0
Account Features	# Free Bank ATMs/Month	Unlimited
	# Free Foreign ATMs/Month	0
	# Free Checks/Month	5
	Overdraft Protection	Yes
	Direct Deposit	Yes
	Wire Transfer Services	Yes

Intermediate Retail Services

Cash and Save's management recognizes that not all consumers want or need a checking account. Therefore, Cash and Save offers three intermediate services.

The Nest Egg is a basic savings account. There is no credit check, the minimum opening deposit is \$10 and there is no monthly service charge if customers make at least one deposit of \$10 or more per month. Deposits can be automatically made to the Nest Egg when a customer cashes a check. The Nest Egg savings account does not include an ATM card so most customers treat the account like a long-term savings vehicle and make infrequent withdrawals. The low transaction rate and lack of an ATM card reduces Check and Save's operating costs as well as losses.

The Combo Account combines the Nest Egg with a low-cost money order plan. The plan includes six free money orders per month for the first year. Cash and Save makes a \$10 deposit to each new account and waives the annual \$10 fee during the first year.

In the Fall of 2001, Cash and Save developed a savings program for customers interested in purchasing personal computers. The cost of the computer is approximately \$600 (plus taxes) because Cash and Save underwrites a portion of the cost. Each Computer Savers Program participant has one year to save \$700. The program was developed in this manner to give participants an incentive to continue saving by

building on the surplus funds after the computer purchase. Cash and Save's management anticipates that approximately 70 people will complete the program.

For people who have no credit or have credit problems, Cash and Save offers a secured credit card as well as a Cash Card. The Cash Card is a prepaid ATM card. It can be used for purchases as well as to withdraw cash from ATMs. The Card can also be sent to a relative or friend to make withdrawals. The initial fee is \$4.95 and customers can add to their Cash Card balances for \$1.

Other Retail Banking Services

Union Bank also provides other lower-cost retail products and programs. In addition, the Bank has a partnership with a local check cashing business.

Regular Savings has a minimum opening deposit of \$50 and the service fee is waived if customers make one deposit of at least \$25 each month. Junior Bankers is a savings account for children. It has no monthly service fee and the opening deposit can be as little as \$1. The Bank also has a student ATM Savings program that combines Junior Banking with an ATM card. Union Bank offers a free savings account for people over age 55. Union Bank also provides several investment products, including certificates of deposits, retirement and education individual retirement accounts (IRAs), and mutual funds which can be purchased.

Union Bank and Cash and Save participate in the Los Angeles Get Checking program, which allows consumers with outstanding checking account fees to establish accounts (for more information on Get Checking, see the case study on Wells Fargo). The financial literacy training is provided by the Consumer Credit Counseling Services of Los Angeles (CCCSLA) and held at Union Bank branches. CCCSLA charges each participant \$50 for the training. However, Cash and Save provides a \$50 gift certificate for each graduate. The certificates can be redeemed when the participant opens a Union Bank account. The program is popular with Bank management because it contributes to Union Bank's bottom line. Bank management estimates that 97 percent of Get Checking customers maintain their new Union Bank accounts responsibly. Further, customer service representatives appreciate having an option for customers who have been denied a Union Bank account because of ChexSystems information.

Union Bank is a participant in the U.S. Treasury's Electronic Transfer Account (ETA) Program. Union Bank's ETA program is marketed in partnership with community nonprofit organizations. For instance, Union Bank allows veterans to apply for Union Bank ETAs at the offices of the Legal Aid Foundation of Los Angeles. The Bank has opened more than 2,000 ETAs and has a 92 percent retention rate.¹¹ Applicants documented by ChexSystems to have been involved in bank fraud are disqualified.

Money transfers are made by Union Bank through MoneyGram, which charges \$10 for transfers up to \$400. The entire process is automated, although the transfer recipient must visit a MoneyGram outlet to receive the funds. MoneyGram also has a 10-minute transfer for \$15 regardless of the size of the transfer. The fee is reduced to \$14.25 for Cash and Save customers with frequent service cards.

In March 2000, Union Bank acquired a 40 percent non-controlling interest in Navicert Financial, Inc., a privately held company that operates 47 Nix Check Cashing stores in southern California. Union Bank also has an option to acquire the remainder of the Navicert Financial, Inc. in ten years. The Nix

¹¹Varman, Arthi. California Reinvestment Coalition, Letter to Marva Williams. (13 August 2002).

stores, which offer customary check cashing services and payday loans, serve 600,000 customers and employ more than 400 people.¹²

The investment division of the Bank coordinates the Nix/Union Bank alliance, which allows Union Bank to provide services at Nix facilities through an ATM. Nix's staff can transmit requests to open new accounts to Union Bank's staff. Each facility also has displays with financial planning information developed by Operation Hope. By February 2002, 13 stores had been converted to Union Bank-Nix facilities. Seventeen additional Nix offices will be converted by the end of 2002.¹³

The alliance is not without its critics. Some community representatives contend that the partnership gives legitimacy and credibility to the check cashing and payday loan industries. Further, the Union Bank-Nix facilities are not bank branches. Therefore, unless a Union Bank's customer uses the ATM, they can not access customary bank services such as making deposits or withdrawals. The alliance did not result in a reduction of Nix's check cashing rates, which are 1.65 percent of the face value of a check plus a \$.75 service fee. However, several policies were enacted due to concerns from community and consumer activists regarding predatory payday loans. The reforms include a cooling off period, limits on rollovers, and new loans. In addition, customers having difficulty paying the entire balance of the loan can negotiate a repayment plan.¹⁴ The 15 percent payday loan fee did not change. A \$200 Nix payday loan payable in 14 days has an annual percentage rate of 391 percent.

Outreach and Marketing

Cash and Save management have found that marketing must be tailored to the type of location. Stand-alone locations and those within grocery stores require very little marketing. The most important element is good signage and location. Cash and Save facilities within Union Bank's branches require more marketing and outreach to increase customer base.

Engaging in outreach services is a major component of the job description of Cash and Save branch managers. They make presentations and provide financial literacy training at elementary and secondary schools, Chambers of Commerce, community organizations, the Social Security Administration, United Way, churches, local government agencies, and employment training centers.

Financial Literacy Training

Cash and Save's management considers financial literacy training a form of marketing. They contend that education is the first step to building a long-term relationship and trust with a potential customer.

Cash and Save's staff offer workshops on basic banking, budget management, and credit management. At the basic banking workshops, participants learn critical banking skills, such as how to write a check, complete a deposit slip, and balance a checking account. The safety, convenience, record keeping, and credit-building benefits of checking accounts are also clarified.

¹²Hartnack, Richard C. "Union Bank of California: Brings Convenience of Banking to Communities," Community Developments. (Summer 2001).

¹³Mandaro, Laura. "Union of California Stands by Check-Cashing Venture." American Banker. (21 February 2002).

¹⁴Varman, Arthi. California Reinvestment Coalition, Letter to Marva Williams. (13 August 2002).

Cash and Save's staff assist workshop participants with account applications at financial literacy workshops. In most cases, participants will receive an invalidated cash card that can be activated at a Cash and Save facility.

The Financial Sustainability of Serving Lower-Income Consumers

Union Bank's managers report that most Cash and Save branches have achieved profit margins of 20-25 percent. The highest profit margins are from Cash and Save facilities within traditional branches due to higher revenues and lower start up costs. The breakeven period for a Cash and Save facility within Union Bank's branch is only 12 months. It typically takes up to 30 months for a stand-alone branch to reach breakeven due to higher initial costs. In addition, because Cash and Save facilities within existing Union Bank branches share expenses such as rent, utilities, and security, they have lower operating costs. Another factor of profitability is the age of the branch. In general, the more mature the branch, the higher its profitability.

Cash and Save's management have instituted several policies to increase revenue. First, Cash and Save's management has developed a marketing system that involves identifying customer needs and preferences for retail products by posing a series of questions. Once their preferences are known, Cash and Save's staff recommend appropriate retail products. Second, each Cash and Save branch must meet monthly performance goals including cross selling Cash and Save's and Union Bank's products. Sales strategies include: 'selling in the aisle' of grocery store branches, 'refer a buddy' incentives for customers, and customer appreciation gifts. Cash and Save's staff have experienced greatest success selling the Nest Egg Saving account to customers. Other popular products include secured credit cards and auto loans. Larger loans, such as home mortgages, are much more challenging to make due to the limited income and other challenges that many Cash and Save customers face.

Cash and Save's management exercises very tight control over costs. Losses are approximately 2 percent of revenues compared to loss rates between 4-5 percent in the check cashing industry. In fact, Cash and Save has the lowest loss rate of all of the divisions of Union Bank. Cash and Save's management credits the low loss rates to:

- A carefully crafted check cashing policy
- Tight operational controls
- Use of automated equipment and services
- A high level of employee retention

First, Cash and Save has a carefully crafted check cashing policy and operational controls that helps to reduce identification fraud. Cash and Save's tellers verify a potential customer's employment as well as the employer's credit rating to reduce the incidence of non-sufficient fund checks. Cash and Save's staff also consult business directories to confirm information on the employer. Once approved, Cash and Save's customers are issued an identification card with a bar code that facilitates finding the customer's records in the Bank's database. A video photograph is also taken. The photograph is viewed by Cash and Save's tellers each time a customer cashes a check. Cash and Save also has a policy of only cashing government and payroll checks, further reducing opportunities for abuse or fraud. It is mandatory for Cash and Save's staff to follow these carefully constructed procedures, some of which are built into the software system.

Second, losses are also minimized by implementing several operating policies. Only one person has access to a teller drawer unlike check cashers, where up to three tellers may operate from one cash drawer. Multiple access to cash drawers increases potential for error and makes accountability difficult. Losses have also been reduced by instituting standard Union Bank's practices. For instance, at least two Cash and Save's staff are required to access the safes that contain cash, blank money orders, and other negotiable items.

Third, Cash and Save's branches are highly automated. Cash is dispensed to the tellers through secured dispensers located between the teller workstations. The cash dispensers record each transaction in a matter of just a few seconds making it easier to reconcile and balance accounts at the close of the day. The money order system is also automated. Therefore, it only takes 35 seconds to process a money order purchase. Union Bank's ATMs and ATM cash dispensers are also available in most Cash and Save branches and people are encouraged to use them to make deposits and withdrawals. The design of Cash and Save branches was also carefully considered. All teller materials are located in the workstation, which reduces transaction time. Because of the use of automated hardware, software applications, and careful design, Cash and Save tellers typically serve 10-12 customers in 5-10 minutes.

Fourth, managers assert personnel training and recruitment costs are minimized because Union Bank and Cash and Save have higher than average employee retention rates. Cash and Save's tellers appreciate the automated nature of work. In addition, Cash and Save offers financial cross selling incentives to motivate the staff.

Lessons

Cash and Save has a remarkable record of attracting unbanked consumers. Almost half of its customers transition into traditional bank accounts.

Cash and Save's management has identified several lessons for serving lower-income consumers. They include: the importance of locating in densely populated communities, building trust with customers, developing support within the Bank, maintaining an entrepreneurial spirit, staff training, and reliable operating systems.

The Cash and Save's business model works best in urban areas with high concentrations of population. The stores in San Diego took much longer to become sustainable than the ones in Los Angeles due to lower population. Communities with high numbers of recent immigrants also comprise a considerable portion of Cash and Save's market.

Integrity is important to building trust with customers and encouraging long-term loyalty. Cash and Save does not engage in bait and switch marketing. In addition, product and service fees have not increased in eight years.

Cash and Save's managers must work through the politics of the Bank to obtain operational and other support and resources. Therefore, it is crucial to market the program internally. Cash and Save's management has been careful to demonstrate how it contributes to the bottom line of the Bank. For instance, Union Bank appreciates the opportunity to test new products and services at Cash and Save such as acceptance of the Matricula Consular card and ITINs. Once these policies were deemed viable, they were adopted by Union Bank branches.

Developing a new program such as Cash and Save required managers with an entrepreneurial spirit. Cash and Save's managers often have to raise resources and develop systems with outside vendors. Cash and Save managers also took the unusual step of working as tellers during the pilot stage in order to more effectively identify the right product mix and market opportunities.

Cash and Save's hardware, software, and workstation designs are crucial to cutting transaction costs. The major key to Cash and Save's successful cross selling record is staff training and a carefully crafted sales incentives program.

Programs such as Cash and Save depend on reliable operating systems to cut costs and decrease transaction time. Technology development has played a big role in the program's ability to deliver services efficiently.



Chapter V

First Bank of the Americas

History and Background

First Bank of the Americas, S.S.B (FBA) is a state-chartered bank located in a Mexican-American immigrant community on Chicago's Southwest side. The first office opened in 1998. By December 2001, FBA had \$65 million in assets, three branches, and 33 employees.¹⁵ FBA has plans to expand to inner-ring suburban areas that have large Mexican-American populations. FBA's management is also considering establishing a branch in an adjacent lower-income African-American community.

Although its assessment areas is the Chicago MSA, the focus of FBA is serving the lower-income Mexican-American community in Chicago's Pilsen, Heart of Chicago, Back of the Yards, and Little Village neighborhoods. Impressed with significant population growth of Hispanics in Chicago, FBA's founders recognized the market potential for financial services. The Hispanic population in the City of Chicago increased by 38 percent from 1990 to 2000, comprising over 26 percent of Chicago residents.¹⁶ Over half of the families in the target area are low- or moderate-income.¹⁷

The mission statement of FBA is:

To be the primary financial institution for the unbanked and fringe-banked Hispanic and African-American citizens of the communities we serve while building capital for our stakeholders. We define our stakeholders as our investors, employees, customers, and the citizens of the communities we serve. We will nourish our deep roots in our service area and be a primary source of community development by offering financial products and services responsive to the needs of the community at fair prices.

Dealing with cultural distrust of financial institutions by the Mexican-American community was a major priority for FBA's management. Even before the Bank opened its doors, the founders attended community and business meetings and events to share their vision of the Bank. Relationship building with the Mexican-American community is an essential and ongoing endeavor for Bank management.

FBA's management recognized that there were major opportunities to serve the Mexican-American community. Its target market is unbanked consumers with high levels of distrust of financial institutions who pay high prices for basic financial services and loans. Therefore, there was a market for lower-cost financial services.

In its first years of operation, FBA concentrated on providing basic financial services such as check cashing, bill payment, and money transfers. FBA then began providing affordable loan products to counter high priced products offered by predatory consumer and home mortgage lenders, which target this Hispanic community. In just a few short years, FBA refinanced over 150 mortgages and home equity loans and 1,600 consumer loans. Some of the mortgages the Bank refinanced had interest rates over 12 percent at a time when market rates were 8 percent. This disparity is even more extreme with

¹⁵Federal Deposit Insurance Corporation. "First Bank of the Americas 2001 FFIEC Call Report." (16 May 2002).

¹⁶U.S. Census. "General Population and Housing Characteristics, (1990 and 2000)."

¹⁷Federal Deposit Insurance Corporation. Community Reinvestment Act Performance Evaluation of First Bank of the Americas, SSB. (22 March 1999).

consumer loans. The Bank refinanced loans with annual percentage rates (APRs) as high as 48 percent. FBA consumer loans had an interest rate ranging from 13-15 percent. FBA estimates that it has saved its customers \$3.5 million in interest expenses in five years.¹⁸

FBA has raised funds to support its work with lower-income consumers. In 1998, the CDFI Fund certified FBA as a community development financial institution (CDFI) and approved a \$1 million equity grant and a \$100,000 technical assistance grant. FBA leveraged these funds with \$2 million in private capital to purchase a bank branch. In 2000, FBA received a \$935,000 CDFI grant. This grant enabled the Bank to expand its customer base by converting the unbanked to mainstream banking. The funds were also used to help FBA maintain adequate capital.

Retail Account Products

FBA's niche is providing personal banking services to customers. It offers checking and savings accounts as well as low-cost bill payment services.

Free Checking Account

FBA's basic lifeline checking account product carries no monthly fee, a minimum opening deposit of \$100, and no minimum balance requirement (see Table 3 on page 27). There are no teller charges for any FBA products. The Bank reviews the applicant's ChexSystems status, but does not review credit. FBA also introduced flexible ID policies, including accepting the Matricula Consular card as a primary form of identification and utility bills as a secondary form of identification. FBA has also been authorized by the Internal Revenue Service (IRS) to accept applications for Individual Tax Identification Numbers (ITINs) which can be used by consumers without social security numbers to establish bank accounts (see Chapter II). The non-sufficient funds (NSF) fee for the Free Checking Account is \$25 and FBA allows four free telephone-banking transactions or inquires per month. After that, each transaction is \$.50. The Bank only has two ATMs, but does not surcharge transactions at foreign ATMs. Account holders can also obtain a debit card.

Other Retail Banking Services

FBA offers two other low cost transaction accounts. The ETA account is for consumers who receive federal benefits and the monthly service charge is \$3. All of the financial services are conducted electronically. FBA currently has 197 ETA accounts. The First Account is similar to the ETA—the only difference is that customers can make deposits from sources other than federal benefits. The monthly service fee is \$3.

The Bank also offers several low cost savings account products. The Passbook and Statement Savings accounts have a \$100 minimum initial deposit and have a \$5 per month service fee if the \$100 minimum balance is not maintained. The Statement Savings account also includes an optional ATM card. In addition, the Bank offers low cost Youth Passbook Savings and a Christmas Club Account as well as certificates of deposit (CDs).

¹⁸First Bank of the Americas. Presentation to the Donor's Forum. (October 2002).

Table 3
First Bank of the Americas
Free Checking Account

Opening Requirements	Minimum Opening Deposit	\$100
	Waiting Period (days)	10
	ChexSystems Review	Yes
	Credit Check	No
	Credit Scoring	No
Identification	ITIN	Yes
	Matricula Card	Yes
Fees	Minimum Balance Required	\$0
	Monthly Service Fee	\$0
	NSF Fees	\$25
	Teller Transactions	\$0
	Phone Banking	4 free per month
Account Features	# Free Bank ATMs/Month	Unlimited
	# Free Foreign ATMs/Month	0
	# Free Checks/Month	Unlimited
	Overdraft Protection	No
	Direct Deposit	Yes
	Wire Transfer Services	Yes

FBA also has a telephone banking program. DirectTeller is a voice response system that provides information on account balances, account transfers, recent transactions, and accrued interest. The first four inquiries per month are free. Subsequent inquiries are \$.50 each.

FBA also offers low cost money orders and electronic bill payment of utilities for people without checking accounts. Some utility companies offer free electronic bill payment; the highest cost is \$.30. The utility companies provide the Bank with payment scanner equipment to process payments and then electronic transfers are made from the Bank to the utility company's bank account. FBA's customers can also pay bills by establishing pre-authorized Automatic ClearingHouse (ACH) debits. The Bank processes almost 10,000 bill payment transactions (money orders and electronic bill payment) per month.

Affordable means to transfer funds to relatives in Mexico is important to FBA customers. Therefore, FBA established QuickCash in November 2001. QuickCash, which is tied to the Free Checking Account, includes the issuance of two ATM cards. One of the cards can be mailed to a relative in Mexico who can then make withdrawals. Each withdrawal made in Mexico is only \$1.50, a fraction of cost for wire services. FBA is also working with the Mexican government to provide services to Mexican residents who do not have access to ATMs.

FBA's services are very accessible for Spanish speaking consumers. Its materials are multi-lingual and many of the tellers are multi-lingual. FBA provides a range of services, however overdraft protection, bank at work, and Internet banking are not available at this time.

Outreach and Marketing

FBA learned very early that traditional marketing techniques were not an effective means to reach their target market. Not only are they cost prohibitive, but this type of marketing does not help reach people who feel marginalized by the financial services sector and or have high levels of distrust of banks. They found that reaching out to the community on a one-on-one basic was the best way to establish trust, provide financial education, and convert people to the financial mainstream. This approach to banking is time- and resource-intensive, however Bank management recognizes that it takes considerable time to transition local residents to mainstream banking.

One way that the Bank has approached community outreach and product marketing is to open its offices to community organizations. FBA's main branch has 2,800 square feet of conference space that is used by community groups to hold meetings. The space is also used for FBA's financial literacy, home ownership, entrepreneurial, and ESL (English as a second language) programs. Most recently, the Bank has allowed a welfare-to-work program that teaches computer skills to use the space for their classes. FBA also hosts health screenings and lectures in cooperation with St. Anthony Hospital. Most new FBA customers learn about the bank by participating in community programs.

FBA also believes in the power of partnerships. It has formed its own advisory board, developed relationships with local churches, Mexican-American organizations, and with small business technical assistance organizations. The FBA Civic Advisory Board of community leaders helps the Bank's management develop products and services. For instance, the Board advised FBA's management that people needed an affordable means to transfer money to relatives in Mexico. The Board is comprised of local business and community leaders.

The Archdiocese of Chicago allows FBA's staff to make public service announcements during church services at nine local Roman Catholic Churches. 'Projecto su Dinero' or 'Protect Your Money' presentations help people understand and identify predatory financial services and loans. The presentations reach 3,000-5,000 people at each church.¹⁹ A Spanish language brochure that describes how to identify a predatory loan is also distributed. Although the name of the bank is not disclosed during the announcements, Bank representatives are available to meet with people after the service to discuss their financial concerns.

The Mexican-American community is organized into groups that are associated with Mexican federations or states. The Coalition of Mexican Organizations in the Midwest represents over 500,000 Mexican-Americans in the Chicago area. Bank management has participated in several of the Coalition's social and community programs. The Coalition also maintains an office in a FBA branch.

The Bank has established a partnership that support entrepreneurial development. The Entrepreneurs Institute is a series of classes sponsored by FBA, ACCION Chicago, a microenterprise lender, and Roosevelt University. Topics include preparing a business plan, obtaining funding, marketing and advertising, accounting, and computer technology. FBA provides small business advice and loans to the Institute's participants.

¹⁹First Bank of the Americas. Presentation to the Donor's Forum. (October 2002).

Financial Literacy Training

Providing financial literacy services is a major priority of FBA. Many of those in its target market have never managed a retail checking account, and therefore need information on the fundamentals of personal financial management. In addition, financial literacy training is an outreach strategy.

Predatory home mortgage lenders target the market that FBA serves. Therefore, the Bank offers seminars to educate consumers on how to identify and avoid predatory loans and services. Other topics include establishing credit, and obtaining mortgage and consumer loans.

FBA established the BankStart program for third to eighth grade students at two local schools in 1998. A third BankStart school is slated in the near future. Students must maintain passing grades to participate in BankStart. BankStart provides passbook savings accounts with a minimum balance of \$5 and a minimum deposit of \$1. BankStart's students elect the board of directors, staff the teller counter, and reconcile the accounts. The students also name the school bank. At Saucedo Academy, where the first BankStart program was established, the students selected the name 'Bank of the Millennium'.

FBA's staff provide support to BankStart's students including teller training and computer equipment. The Bank also sponsors pizza parties and has an annual award ceremony for BankStart's participants. BankStart has been an instrumental way to market FBA to the Mexican-American community and provide financial literacy training. The children learn about the benefits of mainstream banking and many bring their parents to the Bank to establish accounts.

FBA also partnered with Kennedy-King College to provide English as a second language (ESL) class to employees of local businesses. FBA's staff compliment the program by teaching basic financial and money management skills.

The Financial Sustainability of Serving Lower-Income Consumers

FBA's management has determined that it is possible to serve a market that is predominantly lower-income and make a profit. However, they did identify some of their challenges and opportunities, including structuring the sources of revenue, the need for patient capital and subsidies, and economies of scale. FBA's management also credits the role of new technology, cross selling opportunities, and efforts to reduce fraud in increasing the financial feasibility of serving lower-income consumers.

FBA is not structured to earn very much income from fees. Instead, their strategy is to earn funds from spread income---their cost of funds must be lower than the funds the Bank earns from loans. FBA's management reflects that they are able to do this without gouging their customers. In fact, many of FBA's loans are used to refinance its customers' existing consumer and home mortgage loans. The success of this strategy depends on several factors: loan repayment and low cost of funds. FBA's management contends that their borrowers have a high sense of obligation and that defaults are very low. Second, the Bank does not have a large number of deposit accounts that earn higher interest rates, therefore its cost of funds is relatively low.

FBA's investors were cautioned from the beginning that it would take some time for FBA to achieve its profitability goals. The investors are not expecting a quick profit—but are in the process for the long-term.

Another important factor according to FBA's management is the subsidies the Bank has received from the CDFI Fund. These funds serve as low-cost capital that enable the Bank to expand and support its outreach services to lower-income consumers. FBA's management contend that this was particularly important during the first few years of the Bank's operation.

Reaching economies of scale is also key. As the Bank grows in size, management project that its overhead costs will stabilize and operations will be more readily supported by FBA's income.

Instituting electronic means of access can cut financial service costs for consumers and institutions. FBA's customers are currently new to the banking system and are not comfortable with technology. However, over time, FBA may be able to introduce electronic banking.

FBA also counts on the income earned from cross selling other bank products, such as loans and credit cards, to retail customers. Therefore, FBA's tellers and customer service representatives have strong financial incentives to sell FBA's products to existing customers. FBA's management believes that most cross sells are initiated by its tellers.

FBA's management is constantly on guard for attempted fraud. Identity theft is a major problem. However, they argue that there is very little loss due to overdrafts or outstanding fees. Most of the Bank's losses are due to fraud perpetuated by organized crime groups.

Lessons

Courteous and proficient staff are a crucial component of the Bank's high touch approach to banking. Further, FBA can not pay salaries competitive with those of major financial institutions. Therefore, Bank management has developed several strategies to attract and retain good staff.

First, FBA strives to promote a good working environment. It provides extensive training to new staff for many people, working at FBA is their first job. New staff are usually hired as tellers, and are trained and mentored by senior Bank staff. Bank management also strives to be flexible with staff that need time off due to personal or family problems. The management has inculcated an environment where employees are open to filling in when other staff experience personal emergencies. Many of the FBA's employees appreciate the flexibility that the Bank can offer--most are young women with small children who have to cope with numerous family issues.

Second, FBA's management attempts to fill vacancies for loan officers and managers with existing staff instead of bringing in new people. This practice promotes employee loyalty and provides opportunities for staff to move up the career ladder.

Third, FBA started an employee stock ownership plan (ESOP) in 1999. To participate, employees must be at least 21 years old and have been with the Bank at least one year. The amount of stock earned is dependent on job tenure and salary.

These practices are also crucial to employee recruitment. FBA's management has found that typical recruitment techniques, such as ads in local papers, do not attract appropriate candidates. Most of its employees were recruited by current Bank staff.

Chapter VI

First Interstate Bank

History and Background

Homer Scott founded First Interstate Bank (FIB), which is headquartered in Billings, Montana, in 1968. Today, the Bank operates 57 branches and over 120 ATMs in 40 communities throughout Montana and Wyoming. Five FIB branches are located on or near reservations in Montana and Wyoming, where approximately 6 percent of the population indicated that they are at least part Native-American in 2000. The Scott family retains 80 percent ownership of FIB.

FIB is a full service bank offering personal and business banking products and loans, investment banking, and Internet banking. The Bank participates in a number of government loan programs, including Federal Housing Administration (FHA), Department of Veterans Affairs (VA), Rural Housing Services (RHS), Montana Board of Housing (MBOH), and U.S. Department of Housing and Urban Development (HUD). FIB is an active affordable housing lender and offers Small Business Administration (SBA), Bureau of Indian Affairs (BIA), and Farm Service Agency (FSA) loans. FIB was the top lender in fiscal year 2001 in the United States Department of Agriculture's (USDA's) Guaranteed Rural Housing Loan Program.

FIB has also established a foundation. The First Interstate BancSystem Foundation (FIB Foundation) has two major funding focuses, community development and support of community capital campaigns. It funds economic development projects and community services for low- and moderate-income consumers and communities.

Retail Account Products

FIB offers an extensive selection of retail account products, including free and low-cost checking accounts. A low-cost savings account and telephone and Internet banking are also featured. Direct deposit is available for all FIB retail products.

Free Checking Account

FIB offers Free Checking, a lifeline checking account product (see Table 4 on page 32). The minimum initial deposit is \$100 and there is no minimum balance requirement. FIB does conduct a ChexSystems review. Free Checking allows unlimited check writing and teller transactions and can be accessed through a free Internet banking service and 24-hour telephone banking. With Bank approval, account holders can obtain a free ATM card and VISA Check Card. FIB has instituted a policy to discourage overdrafts. The non-sufficient fund (NSF) fee is \$19 per item and all checks that could result in an overdraft are automatically returned. Further, if the account remains overdrawn for five consecutive days, a \$5 daily charge is assessed. This charge begins on the sixth day and is assessed each consecutive day the account remains overdrawn.

Table 4
First Interstate Bank
Free Checking Account

Opening Requirements	Minimum Opening Deposit	\$100
	Waiting Period (days)	0
	ChexSystems Review	Yes
	Credit Check	No
	Credit Scoring	No
Identification	ITIN	Yes
	Matricula Card	No
Fees	Minimum Balance Required	\$0
	Monthly Service Fee	\$0
	NSF Fees	\$19/item; \$5 per day after 5 days
	Teller Transactions	\$0
	Phone Banking	\$0
Account Features	# Free Bank ATMs/Month	Unlimited
	# Free Foreign ATMs/Month	0
	# Free Checks/Month	Unlimited
	Overdraft Protection	No
	Direct Deposit	Yes
	Wire Transfer Services	Yes

Other Retail Banking Services

FIB offers two other low-cost checking accounts: Rewards 50 and Student Checking. Rewards 50 is an interest bearing checking account for customers age 50 and older. The account has no minimum balance requirement and no monthly service charge. Similar to Free Checking, Rewards 50 allows unlimited check writing, no per check fee, and a free ATM Card or VISA Check Card for approved customers. Rewards 50 includes a number of additional services including free Internet banking, bill payment, and telephone banking. Free travelers checks and a discount on safe deposit boxes are also offered. Student Checking is a free basic account offered to full-time students. It does not require a credit check although there is a ChexSystems review.

The Bank also offers Regular Savings, a low cost savings account. The account has a \$100 minimum opening deposit and carries a monthly service charge of \$2 if a \$200 minimum account balance is not maintained. The minimum opening deposit for minors is \$50 and the monthly service charge is waived for customers under age 18 or age 55 and over.

Day and Night Telephone Banking is FIB's 24-hour bank-by-phone program and is free for all Bank customers. It allows customers to obtain balance information on accounts, verify transactions, make account transfers, and request a fax copy of an account statement.

Free Internet banking is available to all FIB customers. Internet banking allows customers to view and download account balances and transactions, and transfer funds between accounts. The site also features online applications for FIB consumer loans and credit cards.

FIB is a partner in an initiative that received approval for a \$425,812 grant from the U.S. Treasury Department's First Accounts Program. Their partner is the Native American Development Corporation (NADC), a community development financial institution (CDFI) located in Billings, Montana. The goal of the project is to establish savings or checking accounts for 280 unbanked low- and moderate-income individuals living on four Native American Reservations in Montana and Wyoming. The two-year initiative will include financial literacy training and the establishment of three FIB ATMs in communities without branches. Temporary Assistance to Needy Families' (TANF) recipients can use the training sessions to fulfill training requirements. After the participants complete the training, they will receive a certificate that can be presented to establish a savings or checking account at a FIB branch. The Bank has agreed to waive the minimum deposit and there is no credit check. A ChexSystems review is conducted. Several area employers, public housing authorities, and community organizations have agreed to promote the program to employees and program participants.

Outreach and Marketing

FIB is actively involved in fostering partnerships with residents of Native American reservations and community-based organizations. In 2002, it co-sponsored a three-day workshop for government and private industry with Montana State University in Billings on developing effective working relationships with Native American organizations. FIB also sponsored a home ownership training symposium with the Northern Cheyenne Reservation Partnership for Community Development Action (NCR-PCDA). The Bank was a lead sponsor and participant in the 2001 Tribal Economic Development Summit. The Summit was the first time all tribes in Montana and Wyoming met to discuss how to promote economic development on reservations. The Summit also sought to improve relationships between tribal governments and state and federal government agencies. FIB is also active in NADC of Billings and the New'e Development Corporation on Wind River Reservation in Wyoming.

FIB also supports affordable housing initiatives. For instance, it provided strategic planning services for Habitat for Humanity. The Bank also made an interim loan to homeWORD, Inc. to renovate a downtown building for affordable apartments and retail shops. homeWORD, Inc. is a nonprofit organization that develops affordable housing and supports other asset building strategies. It offers first-time homebuyer classes and various client services through their Homeownership Center.

FIB has participated in a variety of youth activities. The Bank partnered with Chief Dull Knife College's Career Institute to host 'Celebrating Our Successes', a career fair for high school seniors. Bank staff are also involved in several volunteer activities. They conduct mock job interviews with high school students and volunteer with the Read to Kids Program at local middle school. FIB's staff also volunteer with the United Way, Big Brothers and Sisters, Boys and Girls Clubs, Kiwanis, Rotary Club, 4-H, Salvation Army, and Ronald McDonald House.

Financial Literacy Training

FIB is active in providing financial literacy services to the community. Financial literacy programs are targeted to low- and moderate-income consumers with a special focus on school-aged children and Native American communities. Its major financial literacy program is school-based Mini Banks. FIB is also involved in home purchase counseling and small business development programs.

FIB Mini Bank

The Bank has established Mini Banks or school-based banking at five schools in small, agricultural communities in Montana. A sixth Mini Bank is being planned for a Wyoming school. The first Mini Bank was established in Harding, Montana in 1999. FIB chose to work with children because of the importance of establishing good savings habits early in life. Further, children often discuss their experiences at home, thus encouraging parents to become more comfortable with the banking system.

The Mini Bank serves children in third through twelfth grades. FIB allows children at participating schools to establish a FIB savings account. The Bank waives its minimum deposit requirement and all fees for Mini Bank participants. In addition to completing transactions at school, students can also present their savings account punchcards at their local FIB branch during the summer. Some Mini Banks also give students a passbook when an account is opened.

Each Mini Bank has a student board of directors selected by the teachers through an application process. The Board is responsible for making and recording financial transactions, marketing, and creating policies, such as establishing minimum deposits and fees.

Teachers and FIB's staff provide training on conducting all basic bank functions, budgeting, investing, and other topics. The FIB Foundation provides financial literacy resources to the school for use in the classroom. In addition, the County Extension Office and the Montana Consumer Council have collaborated with FIB to provide curriculum for high school students. The Bank provides each school with a laptop computer with bank database software to record transactions. Further, staff from the local FIB branch are assigned to each Mini Bank to provide support with classes and help with transactions. The Bank also provides a savings incentive for the students. They receive a 4 percent interest rate instead of the Bank's customary rate of 2-3 percent.

The FIB Foundation collaborates with the Bank on the Mini Bank program. Foundation staff are responsible for recruiting new schools to join the Mini Bank program, providing financial literacy resources and for program administration. It also organizes an annual Mini Bank conference.

There are currently 350 Mini Bank savings accounts with deposits totaling \$42,000. One school has deposits totaling more than \$15,000. The Mini Bank program has other benefits in addition to promoting savings. Mini Bank students participate in job shadow days at local branches to learn more about the banking industry. The FIB Foundation also sponsors an annual conference that gives students information on customer service, business planning, and marketing. The public speaking skills of Mini Bank participants is improved by opportunities to make presentations at the annual Mini Bank conference and to FIB management.

Home Purchase Counseling and Small Business Development

The Bank also provides consumer training for adults. FIB holds educational seminars and fairs on homeownership, covering topics such as understanding the Truth in Lending Act, how to qualify for a home loan, and understanding credit. Classes for lower-income consumers include information on how to obtain assistance with down payments and closing costs. The Bank also sponsors home education classes with two local Neighborhood Reinvestment Corporation offices, Wyoming Partners in Homebuyer Education, and the Montana Homeownership Network.

FIB also offers the Home\$start Savings, a grant program of the Federal Home Loan Bank of Seattle for low- and moderate-income households. Home\$start Savings matches a first-time homebuyers' savings with \$3 for every \$1 dollar saved, up to \$5,000. The grants can be used as a downpayment and/or for closing costs.

FIB also supports small business development. A FIB's staff person serves on the board of directors of the Montana Community Development Corporation. The Bank provides direct technical assistance to entrepreneurs through the Tribal Business Information Systems, a small business development corporation (SBDC) tied to tribal community colleges.

The Financial Sustainability of Serving Lower-Income Consumers

FIB believes that working with lower-income consumers is good business. Through its initiatives with Native American communities, the Bank has raised investments for its trust department. It also promotes retail accounts, employee benefit plans, and other products to Tribal governments.

In addition to the opportunity to cross sell products and services, FIB cites other factors that support the financial viability of providing services to lower-income consumers. First, they credit the use of electronic services for enabling them to serve customers more efficiently and inexpensively. Second is support from the FIB Foundation, which focuses on community development projects. The FIB Foundation underwrites a portion of the cost of the Mini Bank and other community programs. Third, the cost of providing services to lower-income consumers has fallen as FIB's managers learn more about the community's financial service and lending needs. This enables them to develop appropriate products and services, improve loan underwriting, and reduce delinquencies and defaults. Fourth, FIB characterizes itself as a fast follower. The Bank makes it a practice to watch market innovations and adapt them to the Montana and Wyoming market. This has allowed them to learn from the experiences of other financial institutions and reduce risk.

Lessons

FIB formalized its support of community development through the establishment of a community reinvestment office eight years ago. Since that time, FIB has built its knowledge based on serving lower-income consumers and communities. They have also identified ways to overcome some of the challenges of working on reservations. Their experience with the Mini Banks has also taught them some important lessons about working with youth and school-based programs. Further, the Bank stresses the importance of personal service and supporting volunteerism among staff.

FIB believes that working with lower-income and unbanked consumers requires patience. They recognize that lower-income consumers face severe challenges—banking is only one area where support and assistance is necessary. Therefore, FIB is prepared to work long-term with lower-income communities and consumers on financial literacy, home ownership, small business development, and other projects.

In addition, FIB learned how to overcome challenges of underwriting loans on Indian Reservations, such as property ownership. FIB made it a priority to include Native American businesspersons on the

advisory boards of each branch located on or near a reservation. Advisory board members also help the Bank identify market opportunities on the reservations.

Several lessons have been identified through FIB's experiences with the Mini Bank program. First is the importance of support from the participating school. The Bank requires that at least three teachers serve as Mini Bank sponsors and help students promote and operate the Bank. Second, Mini Banks work best when the financial literacy curriculum is integrated and reinforced by classroom lessons. Third, FIB's management found it useful to link branch staff and the Mini Banks so that students can become more comfortable conducting transactions in a bank setting. Last, FIB's management asserts that it is optimal to start with elementary-aged children so that they can begin to establish good savings habits early.

Improved electronic technology, such as ATMs, POS terminals, and direct deposit has also been important to enabling FIB to expand services efficiently. However, FIB's management acknowledges that consumers in their market area have been relatively slow to adopt the new technology. Therefore, it is crucial that the Bank continues to provide adequate teller services.

Last, FIB's management believes that encouraging Bank staff to volunteer with local nonprofit organizations strengthens community support. To encourage volunteerism by Bank staff, the FIB Foundation sponsors an annual volunteer leadership award and matches cash contributions by employees to nonprofit organizations. In addition, the FIB Foundation makes donations to nonprofit agencies based on the amount of hours that Bank staff spend on volunteer activities.

Chapter VII

Get Checking & Wells Fargo Bank

History and Background

Wells Fargo & Company is a multi-bank holding company founded in 1852. Wells Fargo is the fifth largest financial services company in the United States, with assets totaling \$312 billion and over 134,000 employees worldwide. Wells Fargo & Company is headquartered in San Francisco and operates in 23 states in the Midwest, Western U.S., and in several locations internationally. In total, the Bank has 5,400 branches, 6,400 ATMs, serving over 20 million households.²⁰

Wells Fargo Bank, Wisconsin, N.A. (WFWI) is a subsidiary of Wells Fargo & Company. Wells Fargo Wisconsin was formerly known as Norwest Bank Wisconsin, NA. The name was changed in June of 2000 following the merger of Wells Fargo Corporation and Norwest Corporation. WFWI has \$2.4 billion in total assets, approximately 650 employees, and 58 branches in 12 assessment areas throughout Wisconsin.²¹ WFWI is a full service retail bank and provides numerous small business and residential lending programs.

Retail Account Products

Get Checking

Get Checking began in 1998 in Milwaukee County, Wisconsin. Get Checking is a financial literacy program that provides unbanked individuals with a solid educational foundation and an opportunity to establish a checking or savings account with a mainstream financial institution. The program is a partnership among financial institutions, community-based financial educators, and eFunds Corporation (the owner of ChexSystems). The Milwaukee County University of Wisconsin – Extension (UW-Extension) serves as coordinator of the program.

Get Checking grew out of concern over the growing number of the unbanked and the realization that in order to combat this growing problem, a strong commitment from financial institutions was needed to open accounts for the unbanked. UW-Extension and the Consumer Credit Counseling Service (CCCS) developed the initial program curriculum. A WFWI employee played an integral role in developing the program concept and provided leadership to guide the program's development. eFunds Corporation joined Get Checking in 1999 as a corporate sponsor, has supported the development of the Get Checking curriculum, and coordinated the effort to make the program available nationally. Today, Get Checking is available in 37 locations throughout the United States. In 2002, US Bank became the first financial institution to endorse Get Checking at the national level.

²⁰Wells Fargo & Company. (2002).

²¹Federal Deposit Insurance Corporation. "Wells Fargo Wisconsin, National Association. 30 June 2002 Call Report" and Office of the Comptroller of the Currency. Community Reinvestment Act Performance Evaluation: Wells Fargo Bank Wisconsin, N.A. Washington, DC: Office of the Comptroller of the Currency. (2000).

Get Checking is aimed at consumers who have mishandled a checking account in the past or who have never opened an account. The program serves both the consumer and the participating financial institution. For the consumer, Get Checking is a second chance to overcome past banking problems and reestablish a relationship with a mainstream financial institution. For the Bank, it is a chance to provide this second chance for the consumer while minimizing its risk in doing so.

Program participants are required to attend six hours of instruction and skill development training specific to checking and savings accounts. To successfully complete the program, participants must attend all class sessions, complete all class exercises, and pass a short competency test. Once these requirements are met, the participant is granted a completion certificate that guarantees the right to open an account at a participating financial institution, provided that all debt from previous checking account problems has been settled. Participating financial institutions will waive the ChexSystems report requirement when opening the new account. This is one of the most important features of the program, as most banks prohibit a person with a negative ChexSystems report from opening an account for a period of five years. The certificate is good for one year in order to allow the participant time to clear up any past checking account debt. A notation will be added to the participant's ChexSystems report indicating completion of the Get Checking program. While the negative record is not removed from the ChexSystems report, the report is updated to reflect the completion date of the Get Checking program.

Get Checking Program Achievements: Get Checking's participants are primarily young, female, minority, and low- to moderate-income consumers. In 2001, nearly 75 percent of participants were under the age of 35. Seventy-nine percent of participants list their race/ethnicity as African-American, Latino, Asian, or other. Eighty-eight percent of participants have incomes that are 80 percent or less of the Milwaukee County median income.

It is important to note that Get Checking serves the entire range of the demographic spectrum. In fact, program management has seen an increase in the diversity of program participants as the program becomes more established. This can be explained in part by the program's expansion into new areas that may have a different demographic composition.

As of December 2001, there have been 1,012 participants in the WFWI Get Checking classes. A total of 914 individuals have received completion certificates. Both participation and completion rates have been increasing as the program matures. In 2001, 91 percent of those who registered for Get Checking actually attended classes, up from 60 percent in 2000. In 2001, 97 percent of participants who attended all classes completed the program, compared to 86 percent in 2000. The increase in the completion rate of Get Checking is largely attributable to the introduction of a \$35 program fee to help cover the cost of course materials and instructor pay.

Wells Fargo's Role in Get Checking: As of June 30, 2002, WFWI has opened 85 checking accounts and nine savings accounts for Get Checking graduates. According to bank management, less than 5 percent of accounts opened by program graduates have been closed due to reoccurrence of past banking problems such as bounced checks.

While 19 banks participate in Get Checking in the Milwaukee area, WFWI is highlighted in this report because of its leadership in the initial program development. WFWI was one of three financial institutions involved in the implementation of the Get Checking program during its inception in 1998. As previously mentioned, a Bank employee played a key role developing the program concept and providing leadership to guide its development. WFWI's branch manager currently serves on the Get

Checking Board of Directors. In addition, the Bank's staff members also serve as instructors in the financial literacy component of the program. WFWI actively participates in the program at this level in its Milwaukee and Los Angeles markets, though program graduates can use their completion certificate to open a checking or savings account at any Wells Fargo Bank branch.

Marketing Get Checking: Get Checking is primarily marketed by word of mouth. Approximately 70 percent of participant referrals come from participating financial institutions. Referrals are typically individuals whose application to open a new account has been declined due to a negative ChexSystems report. WFWI will also refer its current account holders who are on the verge of having an account closed to Get Checking. The idea is to give the account holder a second chance to correct negative financial behavior before moving to close the account. Another major source of participant referrals is the result of networking with other social service providers, such as other financial literacy programs, job training programs, and home ownership programs. Referrals of friends and family by Get Checking graduates is a fast growing source of new participants. Finally, program management sees employer referrals as a major new source of participant referrals in the future. As more employers move to direct payroll deposit, it is vital that employees have a checking or savings account with a mainstream financial institution. Get Checking is an effective means to help employees move into the financial mainstream.

Other Wells Fargo Initiatives

WFWI's participation in the Get Checking program is part of a wider array of activities aimed at increasing access of the unbanked.

Retail Account Products: WFWI offers Wells Fargo Free Checking, an affordable, lifeline checking account product (see Table 5 on page 40). Free Checking is the account most frequently opened by Get Checking graduates. The minimum opening deposit is \$100. The account has no minimum balance requirement and no monthly service fee. While WFWI typically conducts a ChexSystems review for the Free Checking account, this requirement is waived for those with a Get Checking completion certificate. Free Checking allows unlimited check writing and free teller transactions. In addition, account holders have access to free 24-hour telephone and online banking.

Other Retail Services: WFWI offers an innovative international money transfer product, InterCuenta Express®. InterCuenta Express® is designed to provide its Mexican-American customers with a safe, convenient, and lower cost alternative to wire-transfer companies and check cashing stores when sending money to relatives in Mexico. InterCuenta Express®, which was launched in 1995, is a partnership between WFWI and Grupo Financiero Bancomer in Mexico. InterCuenta Express® allows WFWI's account holders to send up to \$1,000 daily to a Bancomer account holder in Mexico. The transfer can be completed at any branch, via telephone, ATM, or online. Each transaction costs \$10, in addition to a \$10 annual fee. There are no minimum balance, initial deposit, or monthly service fee requirements.

Outreach and Marketing

WFWI created Community Advisory Boards in order to allow individual markets the opportunity to gather information on how to best serve low- and moderate-income consumers. Community Advisory Boards are comprised of a variety of individuals, including public, private and nonprofit

representatives, business owners, and community members, both lower-income and higher-income individuals. Local bank managers are responsible for managing the Board and for recruiting its members.

Table 5
Wells Fargo Bank, Wisconsin
Free Checking Account

Opening Requirements	Minimum Opening Deposit	\$100
	Waiting Period (days)	None
	ChexSystems Review	Yes
	Credit Check	No
	Credit Scoring	No
Identification	ITIN	Yes
	Matricula Card	Yes
Fees	Minimum Balance Required	\$0
	Monthly Service Fee	\$0
	NSF Fees	\$25
	Teller Transactions	\$0
	Phone Banking	\$0
Account Features	# Free Bank ATMs/Month	Unlimited
	# Free Foreign ATMs/Month	0
	# Free Checks/Month	Unlimited
	Funds Availability Policy	1 - 5 Days
	Overdraft Protection	Yes
	Direct Deposit	Yes
	Wire Transfer Services	Yes

In 2001, WFWI established the Diverse Growth Segments team. The purpose of the Diverse Growth Segments team is to identify and develop new marketing initiatives, business strategies, and best practices to address the needs of emerging markets, including Latino, Asian American, and African-American populations across all of WFWI's business units. The Diverse Growth Segments team is comprised of WFWI's employees.

To enhance outreach and service to the Latino market, WFWI began accepting the Matricula Consular card as primary identification for opening an account. Acceptance of the Matricula began in November 2001, making WFWI the first bank to do so on a national basis. More than 30,000 accounts were opened in the first six months of accepting the Matricula. Wells Fargo's leadership has led to widespread acceptance of the Matricula by other major lenders.

Financial Literacy Training

WFWI participates in other financial literacy programs in addition to the Get Checking Program, including Banking on Our Future and the Individual Development Account (IDA) program.

Banking on Our Future is a computer based financial literacy program that was launched in 2001 with Operation HOPE, a Los Angeles-based nonprofit organization. The program is aimed at children, adolescents, and adults from low- and moderate-income households. Banking on Our Future curriculum covers topics such as basic banking, savings, and the importance of good credit. The program is offered on the Internet at <http://www.bankingonourfuture.org> and in CD-ROM and classroom-based formats. WFWI's employees work with Operation HOPE to deliver the program that is offered in the majority of WFWI's 23 banking states. Since the program's launch in October of 2001, more than 10,000 students have received financial literacy training. A Spanish language version of the program was launched in May of 2002 with materials available on CD-ROM, print formats, and the Internet at <http://www.elfuturoentusmanos.org>. The Banking on Our Future website was named as one of the nation's top three financial literacy sites by The Jump Start Coalition for Personal Financial Literacy.

WFWI participates in the Individual Development Account (IDA) program in nine of its banking states, including the Greater Milwaukee area. The IDA is a financial and economic development tool designed to help low-income families save and accumulate financial assets to buy their first home, pay for post-secondary education, or start a small business. IDA holders are encouraged to save through the use of incentives typically in the form of matching funds provided by a variety of private and public sources.²² WFWI works in collaboration with the Social Development Commission (SDC) to provide IDAs in the Milwaukee area. Participants complete a development plan with the SDC, while WFWI provides financial literacy training and opens an account for the participant. The Federal government matches funds deposited in the IDA. Bank statements are sent to the SDC, and participants must have the permission of the SDC in order to withdraw funds. Since year 2000, WFWI has opened 76 IDA accounts.

Financial Sustainability of Serving Lower-Income Consumers

WFWI believes that it is important to serve the needs of all consumers in the market in which it operates. This includes lower-income consumers. In short, WFWI's philosophy is that it should serve customers where, when, and how they are in the present moment by working with them at the income level they are at currently and moving along with them as they grow financially.

WFWI's management provided insight into how the Bank views the financial sustainability of serving lower-income consumers, including a discussion of short-term versus long-term profitability, reducing financial losses, achieving economies of scale, and the role of technology. WFWI's management believes that serving lower-income consumers can be a profitable business strategy in both short- and long-terms. Certain accounts may have a higher profit margin, but low cost accounts are an important first step toward developing a long-term relationship and increasing market share. Cross selling is key in this regard. WFWI's management sees a program like Get Checking as a piece of a puzzle – an individual graduates from the Get Checking program and enters the banking system by opening a checking or savings account at WFWI. The customer's income and banking needs will mature as time moves on, which can mean more business for WFWI in the long-term. WFWI's management posits that a Get Checking graduate will turn to them when looking for a loan to purchase a home or a new car.

Get Checking plays an important role in helping the Bank reduce losses due to fraud or overdrafts. WFWI's management understands that Get Checking's participants could be in one of two situations.

²²Corporation for Enterprise Development. "IDAnetwork, About IDAs." (2002).

The participant could be a person that had problems operating a checking account in the past, but who wants to overcome them and return to the banking system. Alternatively, it could be a person who does not have a credit history. In both situations, the Get Checking program is an excellent place to begin a relationship with a bank. Get Checking increases participants' knowledge of the banking system making them better-informed customers. This is an effective way to reduce financial loss, as graduates have the skills needed to properly manage a checking account.

Profitability and loss reduction are closely related to a third aspect of financial sustainability – economies of scale. A bank achieves economies of scale as its customer base grows, because its administrative costs stabilize as it gains more customers. Get Checking allows WFWI to expand its customer base by gaining access to the large market of unbanked consumers, while decreasing its exposure to the risk that poor account management causes.

Technology is another key aspect of the financial sustainability of serving lower-income consumers. Technological innovation has made it possible to reach out to lower-income consumers in a more cost-effective way, thus increasing the accessibility of mainstream financial services to the unbanked. This is especially true in the case of financial literacy training. WFWI's Banking on Our Future program is a prime example. The web-based format has allowed the Bank to create a centralized team to develop and implement the program. This is much more cost effective than having each individual develop and implement its own program. In terms of delivery, the vast reach of the Internet makes the program accessible to a wide audience. Availability of alternative non-Internet based versions of the curriculum helps to compensate for the fact that a portion of its target audience may not have access to a computer.

Lessons

Get Checking's and WFWI's management has identified a number of valuable lessons to aid in the goal of reducing the number of the unbanked. First, given the opportunity, people will change their financial behavior. Second, building trust plays a key role when working to bring the unbanked into the mainstream financial services world. Third, creating a sense of ownership is key to increasing completion rates. Finally, unbanked consumers are demographically diverse.

Program staff find that participants understand the value of the second chance that Get Checking provides and come to class prepared to make changes and to take full advantage of this opportunity. WFWI's management reports a very low occurrence of past problem behavior, with less than five percent of accounts opened by program graduates having been closed due to abusive behavior.

Fear and distrust of financial institutions is a powerful deterrent that prevents consumers from utilizing a mainstream financial institution for their banking needs. Bank staff participation in Get Checking classes has proven to be an important way to help break down these barriers. Staff attendance provides participants with an opportunity to see banks differently, as a source of information and assistance, rather than an institution to be fearful of and distrustful. Basically, after completing the program, participants walk into a bank and see a friendly face, someone they can feel comfortable with to ask questions.

While bank participation in classes is key, it is important that classes be held in the community and not in the bank. While over the course of the program the feelings of fear and distrust toward banks may subside, holding classes in the bank often creates an initial barrier that prevents potential students from

participating in Get Checking, and thus developing a relationship with a mainstream financial institution.

Introduction of the \$35 program fee was an important step towards increasing students' dedication to attending classes and completing the program. This is evidenced by the increase in completion rates from 86 percent in year 2000 to 97 percent in year 2001. Program management believes that the fee created an incentive for students to follow through with the program; it has worked to create a sense of ownership.



Chapter VIII

Recommendations for Developing Lifeline Account Products

Creating lifeline account products for lower-income consumers requires a mix of services. First, the account criteria and features must be carefully considered. In addition, financial literacy must be integrated into the program design so those consumers can manage their accounts effectively. It is also crucial to market products to lower-income consumers and communities. The financial sustainability of these programs is also essential. Banks are for-profit entities and as these case studies have demonstrated, well-managed lifeline banking products can be a good business decision. Last is the role of public policy. Community Reinvestment Act policy and support for community development financial institutions (CDFIs) can play an integral role in promoting lifeline banking.

Model Lifeline Account Features

Establishing checking and savings accounts with traditional financial institutions can be a major challenge for lower-income consumers. The following features of a model lifeline checking account mitigate the cost, credit status, and inconvenience barriers that many unbanked consumers face:

- No credit check
- Flexible identification
- Minimal opening requirement
- No minimum balance
- No monthly service fee
- No teller charges
- Unlimited check writing
- Free withdrawals from bank-owned ATM machines
- Six free non-bank ATM transactions per month
- Promotion of direct deposit of paychecks and government benefits

Account Disclosures

It is important that consumers understand account provisions. Therefore, they should be translated from “legalese” into standard language, making it understandable for readers of all levels. In addition, many of the materials should also be translated into Spanish or other languages as appropriate. Whatever the adequacy of financial literacy programs, businesses should assume responsibility for honest and clear advertising of prices, terms, and conditions. Such clarity itself contributes to financial learning. Financial institutions have a particular responsibility under fair credit laws to disclose credit terms adequately. Federal regulators should be vigilant in correcting inadequacies in those disclosures, as should state regulators operating under state law.

Starter Transaction Accounts

Many lower-income consumers conduct their financial business on a cash basis. They use check cashers to cash checks and purchase money orders to pay bills. As a result, these consumers do not have to manage account balances.

For these consumers, a Starter Transaction Account similar to the Banco Popular's Acceso Popular product may be the first step to lifeline banking. These accounts can reduce the incidence of NSF fees that many inexperienced account holders pay. Once they have demonstrated effective management of the account, they can graduate into a checking account. The starter account has the following features:

- **Telephone Banking:** Banks should provide information on account balances and other activity by telephone so that account holders can avoid NSF fees.
- **No Overdrafts:** All checks that will cause a negative balance should be returned.
- **Limit Withdrawals:** ATM withdrawals should be limited to \$50/day.
- **Funds Availability:** Account holders may not be able to access funds deposited by check for up to two business days. However, immediate access should be allowed for cash, and direct or electronic deposits.

Intermediate Products

Checking account products may not be suitable for all consumers. In fact, one of the reasons that people frequent check cashers is that they serve as one-stop-shops for cashing checks and paying bills. However, very few financial institutions provide inexpensive electronic bill payment services. Therefore Union Bank's Nest Egg savings account and First Bank of the Americas' services are crucial. These institutions provide low-cost savings account products combined with electronic and reduced-priced money orders.

Financial Literacy

Barriers related to mainstream banking such as trust, low financial literacy, and marketing barriers can be addressed through effective financial literacy training such as Well Fargo's participation in the Get Checking program. The workshops should include the following topics:

- Budgeting and personal finance management skills.
- How to make informed decisions about choosing accounts or applying for loan products or credit cards.
- Account management: balancing checkbooks, managing funds availability timetables, and using electronic banking services.
- Information on investment and savings options.

In addition to being informative, with the right program and staffing, financial literacy training can be fun. A component of the success of Acceso Popular programs is that people enjoy the sessions due to the nature of the presentations. In addition, the Bank provides door prizes and raffles, which also encourages participation.

It is also crucial to provide financial literacy programs for children. First Interstate Bank and First Bank of the Americas partner with local schools help to provide opportunities for children to learn about financial management and the importance of savings as well as opportunity to gain banking experience.

Another important lesson is capturing the audience. Banco Popular and First Bank of the Americas have developed means for consumers to establish accounts at the financial literacy sessions.

Program Marketing and Management

Financial institutions' marketing of these new products should include not only information on account features and criteria but also provide information on how mainstream banking benefits the consumer, including paying lower transactions fees than check cashers. Marketing strategies similar to Banco Popular's, that work in partnership with community-based organizations and nonprofit consumer organizations are critical to reaching lower-income consumers. Targeted marketing efforts, such as community newspapers and radio ads, should be considered as well.

A major component of the success of the program depends on the enthusiasm of bank staff to work with lower-income consumers. First Bank of the Americas' tellers encourage people who cash checks at the Bank to apply for checking or savings accounts. Banks should use their in-house communication mechanisms or hold short orientation meetings to inform staff of new programs. The Bank should also stress the importance of its efforts to address the financial service needs of lower-income consumers. Management should also set performance goals and incentives. Union Bank has designed its incentive structure to encourage staff to cross sell products. First Interstate Bank's support of community volunteerism by staff also helps promote relationships between communities with high numbers of unbanked residents and the Bank.

Improving the Financial Sustainability of Serving Lower-Income Consumers

All the banks in this case study asserted that serving lower-income consumers made good business sense--they do not approach these programs as charity. The availability of electronic technology, cross selling opportunities, increasing market penetration, staff training, and management were cited as issues that can improve financial returns for these programs. The Banks also employed strategies to reduce losses due to fraud. Having an entrepreneurial spirit also appears to be an important factor. Last, all the Banks assert that financial institutions should assess the financial sustainability of lifeline banking over the long-term.

The importance of electronic technology was also stressed by many of the case study. ATMs, POS terminals, telephone, and Internet banking increase access and decrease the costs of the financial institution. However, the need for personal services for some transactions and consumers was also noted.

Union Bank also described the importance of its electronic services. The Bank uses cash machines and other technologies to decrease transaction time and costs. Technology can also be used to reduce fraud. Union Bank stores a video image of customers that can be downloaded during a financial transaction.

Cross selling is also a major incentive for most of the banks in this report. Wells Fargo has engaged in the Get Checking Program as a way to capture customers and develop loyalty so that they can sell additional products. It is also important for banks to carefully consider developing incentives and performance goals that encourage staff to cross sell products or to promote products to customers that do not have retail accounts. Cross selling is not just limited to customers. Due to contacts made as part of its community outreach programs to lower-income consumers, First Interstate Bank has sold products and made loans to nonprofit and government agencies.

Reaching lower-income consumers is also a bank's growth strategy. Banco Popular has a tremendous market share in Puerto Rico. Reaching more lower-income consumers was the best way for them to increase their market share.

Staff training is important for several reasons. It helps to reduce program losses due to fraud and can increase operating efficiencies by reducing transaction time. Training is also essential to promoting a culture of trust with bank customers and increasing cross selling revenue.

Senior management plays an essential role. Union Bank's senior management insure that Cash and Save has sufficient internal resources. The sense of community involvement at First Interstate Bank is due in large part to the encouragement and recognition that staff receive from senior management.

Fraud is common to all bank services and products. It is essential for banks to take proactive steps to reduce fraud with retail accounts. Banco Popular conducts careful staff training and Union Bank has established strict account opening requirements.

Working with lower-income consumers also requires patience---it is a long-term prospect and it may take some time before banks can realize additional revenue through cross selling. First Bank of the Americas has apprised its investors that the Bank would not achieve profitability at the same rate as mainstream de novo banks. There is some evidence from Union Bank's and First Bank of the Americas' case studies that profitability is associated with tenure. As programs and products grow, economies of scale can be reached which reduce operating expenses and increase income. First Interstate also reflected that as its expertise grew, it was better able to lower program costs.

Union Bank also approaches Cash and Save with an entrepreneurial spirit. Bank management continuously explores new product ideas, ways to increase resources within the Bank and increase program efficiencies.

Philanthropy also plays a role in providing services to lower-income consumers. A bank's charitable contributions should be targeted to community development efforts. The First Interstate Bank Foundation plays an integral role in the Mini Bank's program administration and funding.

Community Development Finance Policy

Policymakers can also help to support services for lower-income consumers through the Community Reinvestment Act (CRA). Increasing support for the CDFI Fund could also support programs for the unbanked.

CRA regulations provide an opportunity to promote mainstream banking. The CRA Service Test assesses a bank's market penetration, record of opening and closing branches, and other factors.

Comparing banks to their peers and conducting a market share analysis of the bank's customers by income should strengthen Service Test assessments. Examiners should research and document the lowest cost most accessible accounts available in the metropolitan region or state to enable a comparison with competitors. Examiners should use a sample of a bank's account data to identify the income distribution of its account holders. The examiners should then compare the bank's market share of lower-income consumers to its market share of upper-income customers. Ideally, the ratio of lower-income customers to upper-income customers should be at least 1.0. CRA Service Test examinations should also include the following:

- The number and location of branch locations, and hours and days of branch operation;
- Location of full-service ATMs;
- Use of telephone or Internet banking;
- Description of retail services provided (e.g., check cashing/money order/wire transfer/bill payment services); and
- Participation in bank-at-school, bank-at-work, and financial literacy efforts.

The CDFI Fund has supported the efforts of several institutions profiled in this report to provide retail services to lower-income consumers. However, its ability to support efforts to reach the unbanked are restricted due to falling appropriations in recent years. Funding for the CDFI Fund must increase to provide incentives to banks and CDFIs to reach more unbanked consumers.



Chapter VIII
Lifeline Banking Resources

Agency	Contact
<p>Association of Community Organizations for Reform Now (ACORN)</p> <p>ACORN advocates for lifeline banking for lower-income consumers.</p>	<p>88 3rd Avenue Brooklyn, NY 11217 (877) 55ACORN acorn.org</p>
<p>Center for Community Capitalism</p> <p>The Center for Community Capitalism shapes public policies that foster innovation in community development. It explores ways to leverage electronic banking technology to create new markets for financial services and investment opportunities for residents in the inner city.</p>	<p>The Kenan Center, UNC-Chapel Hill Chapel Hill, NC 27599-3440 (919) 962-8839 kenaninstitute.unc.edu</p>
<p>ChexSystems</p> <p>Maintains database of retail accounts holders.</p>	<p>Consumer Relations 12005 Ford Road, Suite 600 Dallas, TX 75234 (800) 428-9623 chexhelp.com</p>
<p>Consulate General of Mexico</p> <p>Issues Matricula Consular cards.</p>	<p>Local telephone directory for Consulate General of Mexico office in your City. Mexonline.com/consulate.htm</p>
<p>Consumer Action</p> <p>Consumer Action has released “Banking Basics: You Can Bank On It.” This fact sheet describes services offered by banks and credit unions, including checking accounts, savings accounts, certificates of deposit, and debit cards.</p>	<p>717 Market Street, Suite 310 San Francisco, CA 94103-2109 (415) 777-9648 consumer-action.org</p>
<p>Consumer Federation of America (CFA)</p> <p>CFA has worked on issues related to checking, check cashing, credit unions, and electronic banking fees.</p>	<p>1424 16th St., NW, Suite 604 Washington, DC 20036 (202) 387-6121 consumerfederation.org</p>
<p>Consumers Union</p> <p>Consumers Union engages in consumer advocacy and provides advice on financial services and products, including bank fees, credit cards, privacy, and electronic banking.</p>	<p>101 Truman Avenue Yonkers, NY 10703-1057 (914) 378-2000 consumersunion.org</p>

<p>Cooperative State Research, Education, and Extension Service</p> <p>State Extension programs are run by the U.S. Department of Agriculture and housed in public universities around the country. They promote family economics, financial literacy, and consumer education in urban and rural locations.</p>	<p>1400 Independence Avenue, S.W., Stop 2201 Washington, DC 20250-2201 (202) 720-7441 reusda.gov</p>
<p>Federal Deposit Insurance Corporation (FDIC)</p> <p>FDIC has a host of information on financial literacy and basic banking information. FDIC also runs the MoneySmart program, which works with community groups, financial institutions, and government bodies to implement financial literacy programs and bilingual curricula.</p>	<p>Attention: MoneySmart Order Desk 550 17th Street, NW Washington, DC 20429 (877) ASKFDIC fdic.gov</p>
<p>Federal Reserve Board of Governors</p> <p>The Federal Reserve System includes 12 district banks, all of which operate their own financial education programs. The Federal Reserve Board creates and publishes consumer education materials on financial issues. The district banks provide their own financial literacy resources and publications on various topics.</p>	<p>20th Street and Constitution Avenue, NW Washington, DC 20551 (202) 452-3000 federalreserve.gov</p>
<p>IDA Network</p> <p>This partnership of the Corporation for Enterprise Development (CFED), National Endowment for Financial Education (NEFE), and Fannie Mae Foundation provides Individual Development Account providers with resources to provide financial literacy education.</p>	<p>777 N Capitol St., NW, Suite 800 Washington, DC 20002 (202) 408-9788 idanetwork.org</p>
<p>National Community Investment Fund (NCIF)</p> <p>NCIF has developed the Retail Financial Services Initiative. The Initiative is a three-year project to expand access to financial services and wealth building opportunities for lower-income consumers.</p>	<p>7054 South Jeffrey Blvd. Chicago, IL 60649 (773) 420-4910 ncif.org</p>
<p>National Community Reinvestment Coalition (NCRC)</p> <p>NCRC is a coalition of national, regional, and local organizations formed to increase the flow of private capital into traditionally underserved communities.</p>	<p>733 15th Street, NW, Suite 540 Washington, DC 20005 (202) 628-8866 ncrc.org</p>

<p>National Consumer Law Center (NCLC)</p> <p>NCLC advocates for low-income consumers nationwide and produces bilingual consumer education materials.</p>	<p>1629 K Street, NW, Suite 600 Washington, DC 20006 (202) 986-6060 consumerlaw.org</p>
<p>U.S. Department of the Treasury Electronic Transfer Accounts (ETAs)</p> <p>ETAs are government-sponsored accounts that may be available to recipients of federal benefits.</p>	<p>(888) 382-3311 eta-find.gov</p>
<p>U.S. Department of the Treasury First Accounts Program</p> <p>First Accounts provides financial resources to develop programs for lower-income, unbanked individuals.</p>	<p>1500 Pennsylvania Ave., NW Washington, DC 20220 (202) 622-0741 treas.gov/firstaccounts</p>
<p>U.S. Public Interest Research Group (PIRG)</p> <p>U.S. PIRG and its affiliates engage in advocacy regarding financial services issues, including predatory home mortgage and payday lending, identity theft, and banking services.</p>	<p>218 D Street, SW Washington, DC 20003 (202) 546-9707 pirg.org/consumer</p>
<p>Woodstock Institute</p> <p>The Institute is a lead researcher, educator, public policy analyst, and advocate of community reinvestment. It has developed new account products for lower-income consumers and promoted financial literacy training through several bank partnerships.</p>	<p>407 South Dearborn, Suite 550 Chicago, IL 60605 (312) 427-8070 woodstockinst.org</p>



Chapter X

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Table of Contents

	Page
Chapter I: Introduction	1
Chapter II: Asset Development and the Financial Mainstream	3
Chapter III: Acceso Popular Banco Popular De Puerto Rico	9
Chapter IV: Cash and Save Program of Union Bank of California	15
Chapter V: First Bank of the Americas	25
Chapter VI: First Interstate Bank	31
Chapter VII: Get Checking & Wells Fargo Bank	37
Chapter VIII: Recommendations for Developing Lifeline Account Products	45
Chapter VIII: Lifeline Banking Resources	51
Chapter X: References	55

Tables & Figures

	Page
Table 1: Acceso Popular Banco Popular De Puerto Rico	10
Table 2: Union Bank Basic Checking Program	18
Table 3: First Bank of the Americas Free Checking Account	27
Table 4: First Interstate Bank Free Checking Account	32
Table 5: Wells Fargo Bank, Wisconsin Free Checking Account	40
Figure 1: The Credit Path: The Path of Opportunity	4
Figure 2: Conversion of Cash and Save Customers Into Bank Account Holders	17