

OFFICE OF FINANCIAL EDUCATION
Community Financial Access Pilot



Implementation Guide

March 2009



Introduction

This Implementation Guide was developed to serve as a training and reference tool for the BoP financial institutions and community partners. The information and recommendations enclosed in this document are meant to help BoP partners develop their processes and structure their activities to successfully get the unbanked banked.

The information contained in this manual encompasses the strategic plan and processes developed by BoP, identifies promising practices on banking the unbanked, lessons learned from Treasury's First Accounts Program, best practices from other "Bank on" models, and studies conducted by reputable organizations and researchers with critical knowledge and experience in banking the unbanked.

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Bank on Philadelphia - Overview

Background

Philadelphia, PA has been selected as one of eight pilot communities to participate in the U.S. Department of the Treasury's Community Financial Access Pilot (CFAP), known locally as Bank on Philadelphia (BoP). Bank on Philadelphia is being led locally by the Office of the Philadelphia City Controller.

Mission

The mission of BoP is to increase access to mainstream financial services and financial education for low-to-moderate income families and individuals in Philadelphia.

Need

Tens of thousands of Philadelphians spend much of their hard-earned money on high fees to cash their paychecks, conduct regular financial transactions, and have little savings or assets. Philadelphia's low and moderate income families in particular are paying higher prices to cash their checks by not having an account with a mainstream financial institution. In our current economy, an account with a bank or credit union can be a life-line and a path to economic mobility for low income working families in Philadelphia.

- More than 81,000 Philadelphians do not have an account with a bank or credit union and as many as 220,000 residents need a second chance or a Fresh Start account.
- Approximately 20% of all households in the Philadelphia area cash their payroll checks at a check casher and pay as much as \$450 to \$900 in charges per year.
- In 2006, Philadelphians paid out over \$12.5 million in fees to check cashers to cash their personal, government, or employment checks.
- Low-income Philadelphians often pay annual percentage rates of over 450 percent for short-term loans when they take out loans from pay-day lenders .

The high prices paid by Philadelphians for daily financial transactions are preventing them from accumulating wealth. That means they have less money to invest in their futures -- in personal savings, education, homes, home repairs, retirement, and their children. The lack of wealth is holding low-income families back.

Note: It costs to be unbanked! As a result of being unbanked, people may pay more to cash a check, pay a bill, are at-risk of being robbed because they are carry cash, struggle to save for emergencies and do not build positive credit.

BoP will leverage a wide range of organizations, banks, and credit unions to connect low-to-moderate income consumers to no-cost or low-cost financial accounts with mainstream

financial institutions. In addition, through the Better Choice Program with participating credit unions in the City of Philadelphia, members and potential members will be able to access a lower-cost alternative to existing payday lending products. This financial product can move people away from wealth-stripping payday lenders toward wealth-building institutions and help them break the cycle of debt and encourage a savings habit.

Guiding Principles

- BoP is intended to provide financial account access and financial education to low-to-moderate income individuals that have some earnings.
- BoP is open to all interested national and regional banks, community banks, and credit unions.
- BoP partners represent community and faith-based organizations, financial institutions, employers, local, state, and federal government agencies, associations, businesses, and other organizations interested in promoting financial access and financial education.
- BoP is performance-based and focused on measuring access to accounts and access to financial education as a way to demonstrate effectiveness.
- BoP partners proactively assist individuals to open financial accounts and promote savings through direct deposit.
- BoP financial education providers implement the BoP standard pre-test and post-test to all financial education class participants to ensure participant achievement is measured and financial education is improved as needed.
- BoP Financial Education Network is inclusive of all interested financial education providers and curriculums that meet the BoP accepted recommendations.
- BoP is a self-sustaining effort.

Leadership

Philadelphia's City Controller, Alan Butkovitz, is spearheading BoP in partnership with the U.S. Department of Treasury's Office of Financial Education's Community Financial Access Pilot.

Coordination

The coordination of BoP will be lead by the Controller's Office BoP Coordinator and Treasury's Community Consultant. The Controller's office has dedicated in-kind resources including staff, web development resources, website hosting, meeting coordination, and marketing support, printing, and other resources. Treasury's Office of Financial Education has dedicated a Community Consultant and other in-kind contributions to assist in the development of BoP. Through designated committees and small working groups, BoP has identified the guiding principles, procedures, processes, and resources for the development and implementation of the initiative.

- The *Steering Committee* represents an array of diverse partners. The Committee is comprised of representatives from local, state, and federal government, non-profit, financial institutions, public agencies, and other organizations who have committed time and resources to BoP. The Committees' role is to guide the development of the strategic plan, timelines, and benchmarks for implementing BoP. Subcommittees include representatives of these participants.
- The *Products and Services Subcommittee* develops the objectives for BoP and provides guidance on expanding the availability of appropriate financial products and services. The subcommittee also provides recommendations for ensuring availability of financial education through the BoP Financial Education Network.
- The *Community Outreach Subcommittee* identifies new partners, employers, community venues, and events that provide opportunities for opening accounts. The committee will collaborate with the Design Group and the other committees to ensure that the promotional materials, outreach strategy, and promotional activities are appropriate for reaching the unbanked and supportive of the identified performance measures.
- The *Design Group* is responsible for developing and coordinating the marketing materials and recommending a marketing plan for approval by BoP partners.

Note: The Bank on Philadelphia is an unfunded initiative, supported entirely by the in-kind contributions and work of all its partners and their networks.

The Role of the Office of the City Controller of Philadelphia

As the lead convener of BoP, the City Controller will provide leadership and technical assistance in the development and implementation of the initiative. The City Controller will assist in informing and engaging interested partners to participate in BoP. Coordinating activities include:

- Convening steering committees and work groups.
- Providing presentations to new partners who may be interested in joining BoP.
- Offering meeting space to BoP partners.
- Hosting and updating the BoP website with information and support materials on BoP, including marketing and promotional tools, implementation guide, pre-test and post-test, data collection form, financial education schedule of activities, financial partners, BoP Financial Education Network, and the BoP Financial Education Certificate.
- Providing access to BoP information and resources for the general public and partners.

The Role of Treasury's Community Financial Access Pilot

A Community Consultant (Treasury staff) provides assistance to implement the community initiative. At the conclusion of the pilot Treasury will share information on effective practices. The pilot is designed to build local capacity to continue the initiative even after the end of the pilot.

- The Community Consultant will assess community needs, facilitate partnerships, work with local organizations to develop and/or identify appropriate financial products, and implement financial education services.
- The Community Consultant also provides access to Treasury's research, knowledge of other similar initiatives, and referrals to other public and private sector expertise and programs.
- Treasury's involvement is expected to run through the end of 2009.

The Role of the Financial Institutions

The financial institutions play a crucial role in providing access to available no-cost and low-cost financial products and services to the low-to-moderate income unbanked and under banked consumers in Philadelphia. Their role consists of the following:

- Offer no-cost or low-cost accounts and other appropriate financial products and services to the unbanked.
- Institute internal controls and code(s) for tracking BoP accounts and report BoP accounts opened on a quarterly basis.
- Train staff on goals of BoP and internal processes for assisting consumers who are interested in opening a BoP account.
- Designate a lead BoP contact.
- Promote BoP by posting available marketing materials in local branches.
- Encourage staff to promote BoP when appropriate.
- Participate in special onsite or community outreach events when available and appropriate.
- Encourage the offering of staff or consumer incentives for opening BoP accounts when possible and available.
- Encourage community partners to support and promote BoP with their constituents.
- Connect potential Fresh Start account holders with participating financial education providers. .
- Promote and highlight BoP activities and participation in newsletters, internal bulletins, and website as appropriate.
- Submit articles and notice of special account opening events to the City Controller's Office for posting on the BoP website.

The Role of the Community Partners

The Community Partners also play a crucial role in helping consumers access a mainstream institution and financial education. They are in the best position to rally the community by giving consumers the information they need to access the mainstream financial institutions and access available mainstream financial products and services. The Community Partners are the direct link for the consumers to the mainstream financial institutions. As the pillars in the community they are trusted by potential account holders. Their role consists of the following:

- Train program staff on BoP goals and opportunities.
- Institute financial access as extension of current and future programs.
- Identify an ‘average monthly’ number of BoP accounts opened by clients.
- Incorporate account performance measures within existing programs and services.
- Offer incentives to staff to plan onsite account opening events and activities.
- Train staff on participating financial institutions and available products and services for referral to clients.
- Offer incentives to clients, when appropriate, to open BoP accounts.
- Institute internal controls for tracking BoP performance measures and report referrals to accounts and other BoP activities as appropriate on a quarterly basis.
- Become acquainted with local banks and credit unions.
- Provide information to clients on BoP available products and services.
- Encourage clients to open a checking and savings account, especially using direct deposit. Saving as little as \$10 or \$20 per pay period will assist them establish an emergency fund and reduce interest or need for a pay-day loan.
- Plan special account opening events when possible and appropriate.
- Direct staff and clients to BoP website for resources and information on the initiative.
- Engage community network and existing partners to help promote BoP and direct clients to participating financial institutions.
- Identify key contact for BoP participation and to inform staff on BoP activities.
- Direct potential Fresh Start account holders to participating financial education providers and participating financial institutions, so that they may be able to open an account.
- Promote and highlight BoP activities and participation in local newsletters, program bulletins, organization’s website, local newspapers, and in Public Service Announcements.
- Submit articles and notice of special account opening events to the City Controller’s Office for posting on the BoP website.

Note: Ideally, community partners will refer 7-8 program participants monthly to open accounts in order for BoP to reach its goal of 10,000 accounts opened by December 2009.

Financial Products and Services

A catalogue outlining the financial products and financial services offered by BoP participating financial institutions is available at www.philadelphiacontroller.org/bop. Individuals and organizations can download the catalogue to review the available financial accounts and financial services offered by the financial institutions participating in BoP. A matrix summarizing the financial products and financial services included in the front of the catalogue. BoP provides consumers equal access to the available financial products and services:

BoP Financial Institutions

- American Heritage Federal Credit Union
- Citibank
- Fox Chase Bank
- Freedom Credit Union
- Philadelphia Federal Credit Union
- PNC Bank
- TruMark Financial Credit Union
- United Bank of Philadelphia
- Wachovia

Note: It is recommended for BoP partners to promote both checking and savings accounts to individuals.

BoP Available Financial Products

- Free Checking or Low monthly Fee Checking
- No monthly Balance Checking
- No-cost or Low fee Savings Account
- Youth Accounts
- Minimum Deposit Savings Account
- Better Choice Loan Program
- Fresh Start Account (Second Chance account)

BoP Available Financial Services

- Direct Deposit
- Online Banking and Online Bill Payment
- One Waiver of NSF/OD per year
- Checking Account Linked to Savings Account
- Incentives with Savings Accounts
- Overseas and Domestic Wire Transfers
- Debit/ATM Card
- Safety Deposit Boxes
- Spanish Language Service

Note: Direct deposit is the best way for individuals to save and build their savings!

The Better Choice Loan Program

- The Credit Union Better Choice is a short-term installment loan with a maximum term of 90 days.
- Maximum Loan proceeds are \$500.
- Available to credit union members including current members or anyone eligible to join the credit union. (Credit Unions may have other membership and/or financial education requirements.)
- Credit union reviews application and makes a loan decision without reviewing member's credit score or past credit history.
- Loan payments are calculated based on either weekly, bi-weekly or monthly installments.
- No rollovers and no additional loans are permitted until the first loan is paid off.
- Credit union offers financial counseling to members in house or through a third-party provider.
- A maximum application fee of \$25 may be charged. This fee can be paid in advance or financed as part of the loan balance.
- Loan interest to be calculated at a maximum rate of 18% APR.
- Participating credit unions may establish lower fees or interest rates.
- At disbursement, an amount equal to 10% of the requested loan amount will be deposited into a savings account in the member's name. This amount is added to the loan balance. The member cannot withdraw any portion of this deposit or close the account until the loan is paid in full.
- The interest the member pays on the additional 10% of the loan is rebated to the member's savings account upon payoff.
- Any balance in the savings account may be offset, if the credit union writes off the loan.

Better Choice vs. Payday Lending

| Credit Union Better Choice \$500 for 90 Days | Payday Lending \$500 for 90 Days |
|---|--|
| 18% APR \$25 Application Fee | Fees and Interest equal to \$15 per \$100 borrowed every 14 days |
| Total cost after rebate: \$40.09 | Total cost for 90 days: \$450 |
| Amount in Savings Account: \$52.25 | Amount in Savings Account: \$0 |

Financial Education

A catalogue outlining the participating partners in the BoP Financial Education Network is available at www.philadelphiacontroller.org/bop. The catalog provides a listing of financial education providers and classes under BoP for consumers needing a Fresh Start Account (Second Chance Account) and individuals interested in enhancing their competencies and knowledge in budgeting, account management, savings, and general financial management.

The financial education providers under this network all are considered BoP accepted providers and the class sessions will meet the following recommended guidelines:

- Sessions are 1 ½ hours to 2 hours in length.
- Course content includes budgeting, account management, savings, and general financial management.
- All participants are given a pre-test and post-test to measure knowledge gained.
- Participants will receive a Bank on Philadelphia Financial Education Certificate or PNC Financial Education Certificate of completion to open a Fresh Start Account (at participating financial institutions only).
- The BoP Certificate and PNC Certificate is accepted at all financial institutions offering a Fresh Start account. (PNC Bank will only accept the PNC Certificate to open a Fresh Start account.)

Planning for Onsite Account Opening Activities

BoP financial institutions are interested in collaborating with community partners to host account opening special events at local community centers to encourage community residents to open accounts and establish relationships with the financial institutions in familiar and trusting settings. The guidance and assistance provided by the community partner staff helps to increase trust and encourage participation.

Onsite activities may be planned at a designated financial institution branch as well. Community partners and financial institutions may plan a “field trip” and accompany clients to the financial institution. This enables clients to develop trust and confidence in entering a mainstream financial institution. It also helps them become familiar with a new environment and build a relationship with that particular bank or credit union.

In planning onsite account activities, community partners need to take the following factors into consideration for planning their event to ensure a successful and encouraging experience for the account holder and the participating BoP financial institution:

- Contact a local BoP bank or credit union to coordinate location and time for account opening activity.
- Plan event in accordance with availability of the BoP financial institution.
- Promote account opening activity to clients.

- Prepare clients to open accounts by ensuring that they have the accepted identification for that particular financial institution.
- Inform clients of the available financial products and services available to them by the prospective bank or credit union.
- Confirm number of committed potential account openers and share information with the partnering bank or credit union.
- Have the clients complete the referral card before the event and provide to bank or credit union.

Marketing and Promotional Tool Kit

A set of marketing materials were developed by the partners to promote BoP. A limited amount of the marketing materials will be available for the initial launch. Since BoP is a non-funded initiative, it is essential that BoP partners assist with the printing of the marketing materials.

Note: Word of mouth from satisfied clients/customers is the best marketing strategy! The best promoters for BoP accounts and to help other unbanked individuals get banked will be the new account holders.

Electronic (PDF) versions of the marketing materials are available at <http://www.philadelphiacontroller.org/bop/default.htm>.

| | |
|--|---|
| <i>Brochure</i> | Tri-fold provides overview of the BoP initiative. Use to engage network and othe partners. |
| <i>Referral Card (also available in Spanish)</i> | Handout to consumers about BoP. Encourage consumers to fill in the card and bring to a participating bank or credit union. The card will help ensure they get friendly service from the financial institution, and helps the financial institution track BoP participants and partners. |
| <i>Poster</i> | Post at financial institution or community partner to create general awareness about BoP. You may post it where clients receive services/classes and where employees can see it. |
| <i>Static Sticker</i> | Post on the doors or windows of financial institutions to identify them as participating in BoP. |
| <i>Notepad</i> | Stand-up display provided to participating financial institutions. Contains tear-off referral cards for tellers/staff to give to account holders to refer a friend or relative. |

Data Collection

Performance measures developed by BoP will be tracked and analyzed to ensure the initiative is on-track and achieving its designated goals and results. The data collection form will be available on the BoP website: <http://www.philadelphiacontroller.org/bop/res.htm> for partners to download and complete.

The Pennsylvania Office of Financial Education (PAOFE) has agreed to collect and aggregate the data for Treasury. The data reporting dates are below. A quarterly update on the data collection and BoP's progress will be provided to partners.

Reporting Period Requirements

| Period Ending: | Reporting Due Date: |
|--------------------|---------------------|
| June 30, 2009 | July 10, 2009 |
| September 30, 2009 | October 10, 2009 |
| December 31, 2009 | January 10, 2010 |

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Bank on Philadelphia Partners

ACHIEVEability
African American Chamber of Commerce
American Heritage Federal Credit Union
Campaign for Working Families
Catholic Social Services
Citibank
Consumer Credit Counseling Services of Delaware Valley
Empowerment Group
Federal Reserve Bank of Philadelphia
Financial Freedom Network
Freedom Credit Union
GIM Associates LLC
Greater Philadelphia Urban Affairs Coalition
Lancaster Avenue Business Association
Mariana Bracetti Academy Charter School
Mt. Tabor CEED
Operation HOPE
PA Credit Union Association
PA Office of Financial Education
Philadelphia City Controller
Philadelphia Federal Credit Union
Philadelphia Workforce Development Corporation
Phillips Temple Christian Methodist Church
PNC Bank, N.A.
School District of Philadelphia
The Enterprise Center CDC
U.S. Attorney's Office
U.S. Dept. of Labor - Women's Bureau
U.S. Treasury
United Bank of Philadelphia
United Way of Southeastern Pennsylvania
Wachovia
Philadelphia Weed & Seed Project
West Philadelphia Financial Services