

United Way of Lane County

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Memo

TO: Join Elected Officials Agenda Setting Team
FROM: Elena Fracchia, Associate Director for Income
DATE: November 9, 2012
SUBJECT: BankOn Lane County

The Financial Stability Partnership™ (FSP), an initiative of United Way of Lane County, works to help individuals and families in Lane County move toward greater financial stability by organizing and inspiring community-wide efforts that will support and empower individuals to increase their personal income and create savings. FSP has begun building a BankOn initiative that brings together financial institutions, nonprofit organizations and public sector leaders on issues of financial inclusion. The mission of BankOn is to raise awareness of the importance of having an account with a financial institution and provides individuals and families with the financial education and resources that help lead them to successful entry into the financial mainstream.

We would like to introduce our project to the Join Elected Officials at the December 6, 2012 meeting. It is our intention that during a 45 minute presentation we will provide an overview of the project and the planning that has taken place to date, allow time for questions about the program, and solicit the endorsement and support of the JEO as the project moves forward.

Local elected officials can play an important and influential role in uniting stakeholders around this common agenda, enlisting additional organizations and generating publicity for BankOn. Members of the JEO are invited to designate staff from different city agencies to participate in program development and/or sit on committees. For example, in Indianapolis, City Neighborhood Liaisons provide information about BankOn Indy to underserved residents in low-income neighborhoods, subsidized housing development and correctional facilities. The City of Bryan, TX utilized its media department to help BankOn Brazos Valley develop public service announcements to reach target audiences through popular local radio stations. These are two examples of ways that local government officials can participate. As a supporter of the program, we hope JEO members can lend their local influence throughout the community to help the BankOn Lane County partners reach out to our county's most vulnerable residents.

Thank you for your consideration. Details related to BankOn Lane County are attached. We are happy to answer questions or provide additional information as needed.

BankOn Lane County

In Lane County, over 35% of the Lane County populous (nearly 30,000 households) are unbanked or under-banked. Most of this population has annual household incomes below \$30,000. For these families, there are an increasing number of barriers keeping them from accessing safe and affordable financial resources. In fact, many are forced to utilize financial systems that deplete, rather than protect and preserve, their money.

The Financial Stability Partnership™ of United Way of Lane County has begun building a BankOn partnership between financial institutions, nonprofit organizations and public sector leaders. Its mission is to raise awareness of the importance of having an account with a financial institution while simultaneously providing individuals with the financial education and resources that can lead them to successful entry into the financial mainstream. BankOn will also incorporate the current work of the Savers Alliance (SA), a pilot program designed to empower individuals to develop a complete banking relationship. The mission is not only to create a more inclusive system, but also to increase the financial capability of Lane County's most vulnerable residents.

Why is this important?

The Financial Stability Partnership™ (FSP) has outlined a goal of helping families move toward greater financial stability. Under that goal, FSP has identified a number of strategies that will successfully support families in this effort. Among them is a focus on building financial capability and access to safe and affordable resources. These strategies not only help families protect and grow their resources, but also develop the skills needed for long term financial independence.

There are a number of reasons to focus on safe and affordable banking services, chief among them being that alternative banking services cost extra money. Research by BankOn Central Oregon determined that families pay nearly \$800 a year for alternative banking services. Those are dollars that could go toward more important and pressing needs for a low-income family. Other benefits include

- Establish a checking account to be better able to participate in the payment system;
- Financial security because the dollars in a mainstream account are federally insured;
- Convenience in paying bills and receiving paychecks through direct deposit; and
- Building (or rebuilding) credit by establishing a relationship with a financial institution.

Finally, we see that without a bank account, it is harder to both save and get reasonably priced loans, credit cards, or mortgages – the stepping stones needed to climb the economic ladder of financial stability.

What is BankOn?

The BankOn model is driven by partnerships. Municipal leaders, community organizations, financial institutions, and other community stakeholders work together to create pathways to safe, affordable financial services for unbankable, unbanked, and under-banked individuals.

BankOn programs increase the supply of “Basic Checking or Second Chance Checking” account products by developing baseline criteria for BankOn products. Participating financial institutions will agree to offer these accounts, inform unbanked consumers about the benefits of account ownership and encourage them to open accounts. In addition, BankOn raises community-wide awareness of the risks associated with being unbanked. Important BankOn goals include decreasing reliance on high cost check cashing services, payday lenders and other predatory financial services, and making high-quality money management education more easily available to underserved populations.

Target Population:

BankOn will serve under-banked individuals through a series of products and services. Saver’s Alliance complements BankOn by providing additional supports to unbankable individuals and is designed to build financial capacity through budget, cash flow, debt and credit management, thus enabling individuals to become preferred banking customers. An assessment of unbanked participants will be conducted to determine whether they will be best served by Savers Alliance or BankOn products and services. Initially, most participants will come from referrals made through social service agencies, business and non-profit organizations. By June 2013, the full BankOn Lane County program will rollout, to reach Lane County’s broader low-income community with products for unbanked and under-banked individuals. “Low-income” will be defined as individuals with gross incomes below 200% of the Federal Poverty Guidelines.

How it works:

The first phase will be the implementation of Savers Alliance (SA) on a county-wide basis. Savers Alliance is a project piloted in 2012 which empowers unbankable participants to learn strategies to engage in a productive relationship with a mainstream financial institution. This program provides the following: financial capability education and coaching, benchmarking of knowledge and financial management capabilities, and referrals to participating financial institutions which are honored regardless of the consumer’s ability to qualify for the account on their own. The core tool of this program, the Savers Alliance Matrix (SAM), serves as the basis for counselor referrals to increasingly sophisticated financial products by measuring financial proficiency and management. As the participant achieves additional SAM benchmarks, the person will be referred for additional financial products. During this period, participants will develop and implement budget, cash flow, debt management, savings and

credit building capabilities and will track their progress, using strategies that fit their situations. Upon reaching the sixth level, participants will become preferred customers/members.

Phase two of the project will be the introduction and rollout of BankOn Lane County to the Eugene/Springfield area, then to all of Lane County in the Fall 2013. The program is designed to work with unbanked and under-banked customers to help them access banking services, develop financial management skills and build stronger banking relationships. When BankOn Lane County is rolled out, Savers Alliance will become part of the BankOn initiative. BankOn is a unique partnership of financial institutions consisting of large banks, community banks and credit unions, financial coaches in nonprofit organizations, and local government leaders. All come together to improve financial capability and product availability to an underserved population. This population will be reached through marketing in community based organizations and via local employers. Financial institutions may offer products and services that make banking more convenient, affordable and accessible to this population like low initial deposits, one free money order per month, forgiveness of one nonsufficient fund (NSF) fee per year and low or no minimum checking monthly fees. A financial education and coaching component will be offered by community organizations to all participants served by BankOn. This network of providers will work as one collaborative group to continue to evaluate the program, research new financial stability advances and to share best practices on a regular basis.

In addition to providing access to existing and modified financial institution products, Community Lending Works, a CDFI, will provide SA and BankOn clients with access to customized, affordable loan products including personal loans, credit builder loans, and auto loans to help people reach their financial goals.

This project is designed to promote excellent banking practices and connect participants who have had limited or no exposure to banking resources, have poor credit histories, or are seeking support resources with the financial mainstream. In the process, these participants will be introduced to safe, affordable and well-designed banking products and cutting edge tools and education, all of which will help them in their quest to reach and maintain financial capability.

Partnerships

Typical partners in a BankOn initiative include municipal staff (local government), federal regulatory agencies (FDIC), nonprofit or community-based organizations (Goodwill, St. Vincent De Paul and NEDCO), and bank or credit union representatives. Each BankOn partner plays a unique role in program development and implementation. Because of the nature of the model, no one entity could create and manage a BankOn program on its own. United Way of Lane County has agreed to serve as the convening entity to ensure ongoing development of the program and cross sector communications. As budgets and program development continue,

the administration and management of the program will be determined by an advisory council made up of participating BankOn partners.

Benefits of BankOn Lane County

Embrace Inclusion: The products included in the BankOn portfolio are designed to progressively develop financial capability for a wide audience. These products will be available to unbankable and unbanked referrals from partner agencies, businesses and non-profits until June 2013, when BankOn is available to qualified members of the general public.

Build Trust: BankOn/SA products are designed to assist in a participant's entry into the financial mainstream. As they progress in financial knowledge and capability they are introduced to more advanced products that can enhance their financial lives.

Promote Success: BankOn products and services are designed to create a successful relationship between the participant and the financial institution. This relationship progresses as the participant's financial knowledge and capability increase.

Create Opportunity: By linking education, transaction accounts, stepping stone loans, coaching and support, BankOn Lane County allows participants to access unprecedented points of entry to the financial mainstream, no matter where they start their journey.

Savers Alliance Matrix

S.A.M

Financial Literacy					
Transaction Accounts	Knowledge	Tracking Expenses	Budget	Debt	Credit
6 (Borrower)	Workshop on borrowing basics.	Successfully track expenses for six months.	Successful implementation of working budget strategy for six months.	Debt reduction strategy monitored successfully for six months.	Credit action plan successfully followed for six months.
	Workshop on credit literacy.	Successfully track expenses for three months.	Successful implementation of working budget strategy for three months.	Debt reduction strategy monitored successfully for three months.	Credit action plan successfully followed for three months.
	Workshop on the introduction to and the basics of credit.	Successfully track expenses for one month.	Successful implementation of working budget for one month.	Debt reduction strategy monitored successfully for one month.	Credit action plan successfully followed for one month.
DECISION POINT					
3 (Checking/Debit Card Only)	Workshop on how to choose, manage and keep a checking account and introduction to banking.	Commit to annual expense tracking strategy.	Implement working budget strategy.	Develop a debt repayment strategy and communicate with all creditors.	Create an action plan to address credit problems.
	Workshops on a spending plan, budgeting tools & banking and consumer rights.	Establish strategy to track expenses.	Establish a strategy for a working budget.	Has identified outstanding principle, minimum payment required, interest rates and line of communication with all creditors.	Has identified negative credit entries.
	Workshops on an introduction to financial literacy, banking services.	Learn how to track expenses.	Identify a working budget.	Has identified all outstanding debt and status.	Has reviewed credit report and understands scores.
0 (Unbanked)					
COMMITMENT PLAN			IDENTIFY NEEDS		

BankOn Stakeholders and Supporters*

Those listed in **BOLD have signed a letter of support*

BankOn Lane County Steering Committee: Elena Fracchia, United Way of Lane County; Aaron Walker, Umpqua Bank; Ann Yerkes, OnPoint Community Credit Union; Colleen Stewart, St. Vincent de Paul Society of Lane County; Heather Billings, Oregon Community Credit Union; Mark Brauer, Goodwill Industries; Melanie Oommen, First Congregational Church; Rick Kangail, Goodwill Industries; Sarai Johnson, NEDCO; Tricia Welch, Citizens Bank; Troy Reichenberger, Siuslaw Bank

Non-profits: **United Way of Lane County, Goodwill Industries, Neighborhood Economic Development Corporation (NEDCO), St. Vincent de Paul Society, AARP Tax Aide, Catholic Community Services, Centro Latino Americano, Community Lending Works, Easter Seals Oregon Money Coach Program, First Congregational Church, HeadStart of Lane County, Looking Glass, Metropolitan Affordable Housing, Relief Nursery, WomenSpace**

Financial Institutions: **Oregon Community Credit Union, First Tech Community Credit Union, Northwest Community Credit Union, OnPoint Community Credit Union, Pacific Cascade Federal Credit Union, SELCO Community Credit Union, Bank of America, Chase Bank, Citizens Bank, Key Bank, Home Federal Bank, Oregon Pacific Bank, Pacific Continental Bank, Sterling Bank, Siuslaw Bank, US Bank, Wells Fargo Bank**

Academic & Research Institutions: University of Oregon, Lane Community College

Government Agencies: **City of Eugene, City of Springfield, HACSA (Housing and Community Services Agency) – Family Self-Sufficiency Program, Department of Human Services, Lane County**

Oregon and Lane County Delegation: **Sen. Ron Wyden, Sen. Jeff Merkley, Sen. Floyd Prozanski, Sen. Chris Edwards, Sen. Lee Beyer, Rep. Phil Barnhart, Rep. Nancy Nathanson**