



Community Financial Access Pilot: *Creating Templates for Expanding Financial Opportunities*

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The U.S. Department of the Treasury launched The Community Financial Access Pilot (CFAP) in 2008 to increase access to financial services and financial education among low- and moderate-income (LMI) families and individuals.¹ Through the Treasury's Office of Financial Education (now the Office of Financial Education and Financial Access), eight locations were selected for a two-year pilot. The CFAP was designed to test and demonstrate effective, replicable, and sustainable approaches to expanding access to financial services and education. A full report of the CFAP will be available later this year; this article provides an overview of the CFAP program and presents preliminary findings from the pilots.

Who are the Unbanked?

Unbanked individuals and households are those without a bank or credit union account, whether or not they have had one in the past. Underbanked consumers are defined as those who have such an account, but who also regularly use alternative financial services such as check cashers, money orders, and other services to meet regular financial transaction or credit needs. These financially underserved households often lack access to reasonably-priced short-term consumer credit; have a harder time building assets; have a harder time handling financial emergencies; and do not fully benefit from local and national economies. Greater access to appropriate financial services is seen as an important first step in helping

these consumers achieve financial security.

According to a 2009 study by the FDIC on the unbanked and underbanked, approximately 30 million households are considered to be financially underserved and do not fully participate in the mainstream financial system.² Unbanked and underbanked consumers on average are poorer and more diverse than the population as a whole. At least 71 percent of unbanked households have incomes below \$30,000, while most underbanked households have incomes below \$50,000. According to the study, “those with a black, Hispanic non-black, or American Indian/Alaskan householder” are more likely to be unbanked and underbanked than the population as a whole.

In the Twelfth Federal Reserve District (the District), the state-wide averages of unbanked and underbanked populations are similar to the nation as a whole (7.7 percent unbanked and 17.9 percent underbanked). The rates of unbanked populations in the District are similar to or below the national average—with particularly low rates of unbanked populations in Utah, Hawaii, Washington, and Alaska (See Figure 1). The District has one of the highest rates of underbanked populations—25.5 percent in Alaska and among the lowest—13.8 percent in Hawaii. Metropolitan areas around the District similarly vary in the levels of unbanked populations, ranging from

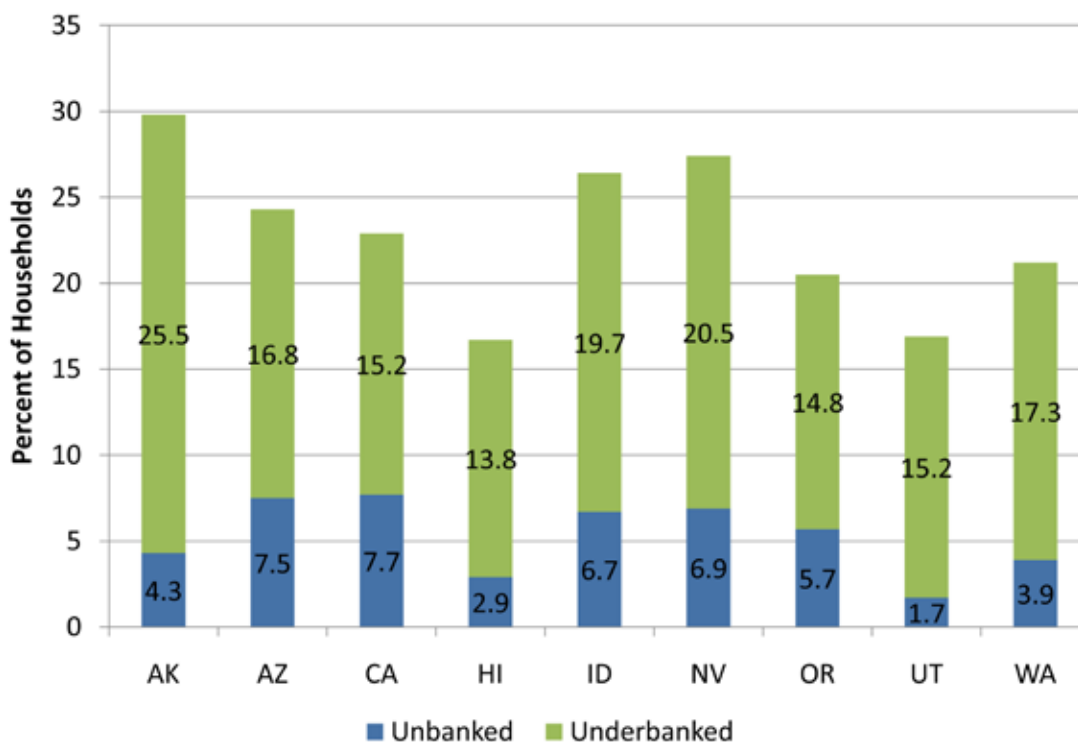
2.0 percent in Honolulu, to 9.2 percent in Los Angeles, to 11.5 percent in Riverside-San Bernardino, making it one of the most unbanked metropolitan areas in the country.

Development of the CFAP

While the U.S. Department of the Treasury has long been engaged in efforts to expand financial access for LMI households, in recent years there has been a growing recognition of the need to build local collaboratives that can bring together a wide range of stakeholders in the area of financial services. Using remaining funds from earlier initiatives, including the First Accounts Program, the Office of Financial Education launched the CFAP in 2008, with the goal of providing localities with technical assistance to build these collaboratives, and to create programs that would be self-sustaining after the CFAP pilot phase was complete.

As a first step, the Office of Financial Education consulted with other federal and state agencies, Federal Reserve Bank staff, non-profit organizations, and financial institutions to identify locations for the CFAP pilot. The selected sites included urban, suburban, metropolitan and rural communities in different parts of the country with LMI populations believed to be lacking access to financial education and financial services.

Figure 1 Unbanked and Underbanked Households in the 12th District



Source: FDIC National Survey of Unbanked and Underbanked Households

Figure 2 Selected Communities of the CFAP



Larger circles indicate regional pilots.

The Treasury Department intentionally selected diverse communities to participate in the pilot. In some of the communities, other initiatives around financial services, such as asset-building or financial literacy initiatives were underway, or had existed in the past. These communities already had some collaborative structure in place, but community partners may also have been reluctant to take on another major task. In other communities, the wide array of financial institutions, community organizations, and other entities did not have a history of working together on these types of projects. In others, particularly in the two most rural pilot sites, it was harder to identify partner organizations, especially financial partners with the capability and willingness to expand their activities. By selecting communities with very different experiences with collaboration in the area of financial services, Treasury hoped that the lessons learned from CFAP would be relevant to a broader array of other communities.

To implement CFAP, Treasury hired two Community Consultants to provide technical assistance to the eight selected sites to develop and implement initiatives over two years. The consultants were involved in a wide range of activities, including convening meetings, recommending and assisting working groups, guiding community needs assessments, and assisting in developing guidelines for financial products and financial education. The Community Consultants also served as a link to other best practices, bringing ideas and examples from research and previous approaches to complement local ideas and strategies.

In the end, however, each community was in charge of identifying its own needs and resources, and determining where to focus its efforts. Hence, eight approaches

emerged from the eight pilot sites. A brief summary of the primary focus of each site is as follows:

CFAP Site	Summary of focus
Fresno, CA – Bank on Fresno	Provide access to accounts meeting common standards; reach a diverse unbanked LMI population.
Jacksonville, FL – Community Financial Access Initiative	Provide access to financial education and accounts for those needing “second chance checking.” Focused on certain LMI neighborhoods and populations.
Eastern Kentucky, KY – Community Financial Access Pilot	Two efforts focused on providing financial education and capacity building to deliver financial access and financial education in a LMI rural region through partnerships with community colleges and a local university.
Mississippi Delta, MS – Miss. Community Financial Access Coalition	Build capacity and enhance resources for local organizations to provide financial education and financial access to diverse populations across a broad LMI rural area, including teen parents, other parents of young children, and public housing residents.
St. Louis Metro Area, MS/IL – St. Louis Community Financial Access Pilot	Provide financial information, education and access through partnerships with community organizations serving low-income populations.
Philadelphia, PA – Bank on Philadelphia	Provide access to accounts and set standards for related financial education provided by a large number of community-based organizations.

Financial institutions of all kinds—community banks, credit unions, and larger banks—can provide low-cost, low-risk financial products.

While Treasury is still distilling the lessons from the various CFAP pilots, one key finding is that there is not a one-size-fits-all approach, and different partners are needed in different types of communities. In addition, three key lessons from CFAP are already clear. First, financial institutions must be key partners in any initiative that seeks to promote increased financial access. Second, in order for initiatives to be about more than just products and transactions, there needs to be special attention paid to the design and delivery of financial education, including specific information about proper use of financial products. Third, a strong collaborative that brings together multiple stakeholders can form the basis not only for the original initiative, but also provide a platform for new initiatives and ideas. Each of these is discussed briefly below.

Roles for Financial Institutions in Product Development and Delivery

Financial institutions of all kinds—community banks, credit unions, and larger banks—can provide low-cost, low-risk financial products. By offering a range of services, and providing information and an environment that is helpful to the customer, a financial institution can enhance the likelihood that the customer will become and stay banked. Among the products that are most useful to the unbanked population are free- or low-cost checking accounts with low balance requirements, and limited ability to overdraw, as well as accounts that expand access to consumers without standard identification and those who are on Chexsystems. Financial institutions may also consider offering credit and savings products to meet other financial service needs of LMI customers. Appropriate low-cost financial products do not necessarily need to be newly created—many financial institutions have low-cost accounts available, or can rename and revamp old products (such as making youth accounts available to a broader market). Thus, product development does not need to be a major barrier to implementation.

In St. Louis, St. Louis Community Credit Union (SLCCU) joined the CFAP in order to expand its services in the metro area's low-income neighborhoods. With the assistance of the Community Consultant, SLCCU was able to provide low-cost starter and second chance accounts to clients of two local community action agencies, which provide low-income residents with services such

as home-heating assistance and a food bank. SLCCU staff also provided financial education training with question-and-answer sessions on site at the community action agencies. During this collaboration, SLCCU developed low-cost, small dollar loans to serve as an alternative to payday loans and a credit builder loan to help clients of those agencies establish credit.

Financial institutions can also provide financial education and counseling, in a formal or informal setting. For example, community and regional banks may provide financial education through non-profit partners. Smaller credit unions may prefer to provide financial education on a one-on-one basis at account opening or as needed. In Philadelphia, PNC Bank provides both access to accounts and financial education. Individuals who complete the two-hour course receive a certificate, which allows them to open a checking account at PNC, even if they have a negative ChexSystems record. The certificate may also be accepted by other partner financial institutions in Bank on Philadelphia.

While financial institutions are critical, CFAP also demonstrated that there may need to be other partners to help launch the initiative by bringing the partners together. Government agencies, larger umbrella non-profit organizations, or even higher education institutions may effectively convene various stakeholders. These organizations are often seen as a "neutral party" and have connections and influence to bring stakeholders together. In addition to holding an initial convening, such conveners can facilitate communication among working groups, develop and host a website for information sharing, hold ongoing meetings, and collect data reports from participating organizations. These types of entities may also be a channel through which funding for outreach/marketing and development and distribution of materials can occur.

Financial Education Standards and Delivery

A second lesson emerging from the CFAP pilot is the need for collaboratives to develop a strategy around financial education. There are many types of financial education providers and many sources of curricula and materials. Many of the CFAP sites chose to use the FDIC's Money Smart curriculum, which focuses on the basics of money management and is geared to adult learners and appropriate for those with low levels of formal education. Money Smart is free, readily reproducible, available in multiple languages, and modifiable to meet local needs.

CFAP pilot sites also worked to ensure that the quality of the financial education was consistent across different service providers. Here, CFAP sites took different approaches, for example, agreeing to use the same curriculum (for example, in Brownsville, TX, all financial

Recommended Guidelines in Financial Education

As part of Bank on Philadelphia (BoP), the Financial Education Provider Network developed a set of recommended guidelines to ensure that education provided through the program was strong and consistent across service providers. The guidelines include the following recommended minimum content:

Spending Plan (budgeting): Understanding the elements of preparing and managing a personal spending plan.

Saving: The benefits of saving and how to set reasonable and achievable savings goals. In addition, strategies for establishing a savings account and developing savings habits will be reviewed.

Account Management: The importance of record keeping and strategies for doing so; the functionality of the debit card as well as common mistakes and pitfalls that can come with debit card use; common banking procedures (i.e. writing checks, deposits, withdrawals, and deposits availability); and choosing and opening an account.

Banking Products: Learning about no or low-cost financial products specifically designed to help lower costs in conducting daily financial transactions.

Cost of Financial Resources: The high cost of using alternative financial services such as pay-day lenders, check cashers, and the effect these services have in depleting personal earnings.

Additionally, the BoP Financial Education Provider Network encourages providers to ensure that their curriculum meets the diverse needs of their learners by addressing the following items:

Literacy: The reading level is appropriate for the learners.

Diversity: Materials reflect diversity in areas such as age, race, gender, and household income.

Culturally Sensitive: Text, illustrations, and learning activities are culturally sensitive and appropriate for the learners. Text is translated if necessary.

Comprehension: Sessions are 1 1/2 hours to 2 hours in length.

Achievement: The BoP Certificate, or, if the participant received financial education from PNC Bank, the PNC Certificate of Completion is provided to all participants upon completion of financial education session. A pre- and post- survey will also be distributed in class to measure knowledge gained and the impact of the learning session on the learner.

Delivery: The delivery of the financial education material is flexible for the learners (one-on-one, group or class instruction, self-study via CD, or online study).

education programming is based on Money Smart), or developing content standards (as in Philadelphia, see text box above). Many initiatives also include brief pre- and post-tests of knowledge to determine the effectiveness of the education. However, the CFAP pilot revealed that more work needs to be done to help communities work together to streamline and coordinate evaluation efforts.

Delivery is critical to any financial education approach, as it is to financial access. The CFAP pilot found that while providers may exist in the community, they may need help in reaching scale or finding appropriate locations. In Jacksonville, FL for example, an established financial education provider was able to greatly expand the number of people served due to partnerships with com-

munity organizations, local banks, the library system, and other partners. At other sites, financial education was tied to other learning opportunities, for example, children's education, savings initiatives, and job training and placement programs.

Building Strong Collaboratives

A third lesson from CFAP is that collaboration in the area of financial services is not just limited to financial institutions. Local and state government agencies, advocacy groups, ethnic communities, faith-based entities, health organizations, educational institutions, major non-profit organizations, as well as employers and other community businesses, and even interested individuals, such as retired

financial or education professionals are all key stakeholders that can be engaged in the challenge of providing financial access to the underserved. Many of the collaboratives in CFAP found it effective to start work with a core group of committed organizations and individuals, and allow early successes to attract even more interested participants.

When working with multiple partners that have varied interests, CFAP sites found that it was important to focus on the shared objective of enhancing the financial capability of community residents. The staff at all the partner organizations should understand, be committed to, and be able to explain the community financial access initiative. For example, a case manager at a social service organization should understand the benefits of an account, so that he can encourage a client to open one, and a teller at a bank or credit union should be committed to opening accounts for first time customers – even if that customer is unfamiliar with the bank's processes and terminology. Ultimately, services are delivered by front line staff at the partner organizations, and CFAP initiatives worked hard to ensure that they were appropriately trained and supportive of the goals of the initiative.

The CFAP pilots also showed that effective collaboratives change over time to meet new or existing community needs. For example, Bank on Fresno, which developed from the Bank on California campaign, along with the Department of Treasury's technical assistance, is now exploring new ways to meet the daily financial needs of the diverse underserved population in its community. Having opened over 30,000 accounts, and provided financial education to over 460 individuals, Bank on Fresno uses Facebook, Twitter and other social media approaches to inform the young adult residents of the community. The collaborative is also looking at ways to provide additional services to meet the needs of residents, including Spanish-language financial education, debt counseling, and microloans.

Next Steps: Bank on USA

Financial access is not the only challenge facing low-income families, and efforts to connect the unbanked to appropriate financial services must be situated within a broader set of income, workforce development, and supportive services. However, lessons learned from the CFAP sites indicate that working with committed partners with diverse capabilities can improve financial access for previously underserved individuals, which is seen as an important step on a path to financial security. Further, initiatives to expand access to financial services can be effective in bringing together different sectors of the community for a common purpose, which can have positive spillover effects in other areas.

Beginning this year, the Department of the Treasury is developing a Bank on USA initiative. This initiative will promote access to affordable and appropriate financial services and basic consumer credit products for underserved households. Bank on USA will use lessons learned from the CFAP and other initiatives to support local efforts to expand access to financial services and financial education in order to promote financial empowerment of underserved populations and to promote innovation in financial services that meet the needs of LMI populations. The President's proposed FY 2011 budget, if funded, would include a Bank on USA Initiative with several components, including:

- A grant program to seed local initiatives to bank the unbanked and provide appropriate financial products and services to unbanked and underbanked LMI people;
- Outreach and technical assistance, including the development of outreach and partnerships among federal, state and local government entities, financial institutions, community-based organizations and others; education tools, and the maintenance of a web-based toolkit for practitioners;
- Research and development on expanding access to accounts, including the development of model low-cost, simple savings and transaction products, and model implementation and outreach strategies, which will include the integration of financial access and financial education;
- Encouragement and assistance in developing innovative products, services and delivery approaches to meet the financial needs of unbanked and underbanked populations;
- Evaluation and research on the impact of financial access initiatives on individual, household and community financial and non-financial well-being; and
- An awareness campaign at the national and local levels aimed at the unbanked.

The success of Bank on USA will depend on the local commitment, creativity and effort of participating communities and, together with national support, will hopefully give more American households new financial opportunities and the chance to build assets for the future and contribute to the rebuilding of American communities. **CI**

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Endnotes

Making the Connection: Transit-Oriented Development and Jobs

1. This article is an updated excerpt from the study *Making the Connection: Transit-Oriented Development and Jobs*, by Sarah Grady with Greg LeRoy, Good Jobs First, March 2006.
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5. The Department of Housing and Urban Development Housing and Community Design Awards 2001 Winners, 2001, available at <http://www.huduser.org/research/AIA-2001.html> and email correspondence with author, Connie Lively, formerly of Portland Development Commission, February 13, 2006.
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7. For more information on our research-based, systemic-oriented efforts to reverse this trend, see the Center for Cities & Schools' PLUS Leadership Initiative <http://citiesandschools.berkeley.edu/leadership.html>
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1. Low- and moderate-income means a family income that does not exceed—(1) for non-metropolitan areas, 80 percent of the statewide median family income; or (2) for metropolitan areas, 80 percent of the greater of the statewide median family income or metropolitan area median family income. (Notice of Funds Availability (NOFA) Inviting Applications for the First Accounts Program, issued by the US Department of the Treasury, December 17, 2001).
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