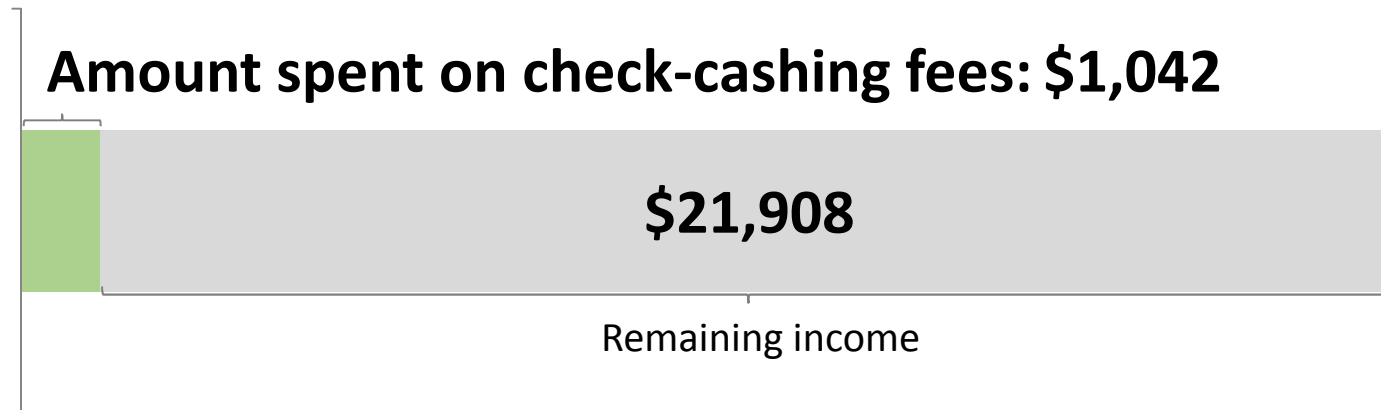


## The unbanked widely use very expensive nonbanks for their basic financial services needs.

Estimated typical fees paid to nonbank check cashers over one year by an unbanked, working household



*Additional Unknown Direct Costs:* Money orders, bill payment services, remittances

*Additional Unknown Indirect Costs:* OPPORTUNITY COST = No or limited access to wealth-building credit or loans, often with higher prices than might be otherwise possible

Source: Analysis of data from Fellowes and Mabanta, "Banking on Wealth: America's New Retail Banking Infrastructure and Its Wealth-Building Potential" (The Brookings Institution, 2008); profile fits the median household without a DFI account.

Note: Check-cashing rate is based on the 50-state average. For more information, see Fellowes and Mabanta, "Banking on Wealth..."



# Why Bank on California?

***"So why should we care about the un-banked? The answer is simple. Getting more Americans involved in the financial mainstream sector is about investing in our communities. If we can help individuals and families climb the ladder of economic success – our communities prosper and our entire country benefits."*** -U.S. Treasurer Anna Escobedo Cabral

## **Too many Californians are un-banked:**

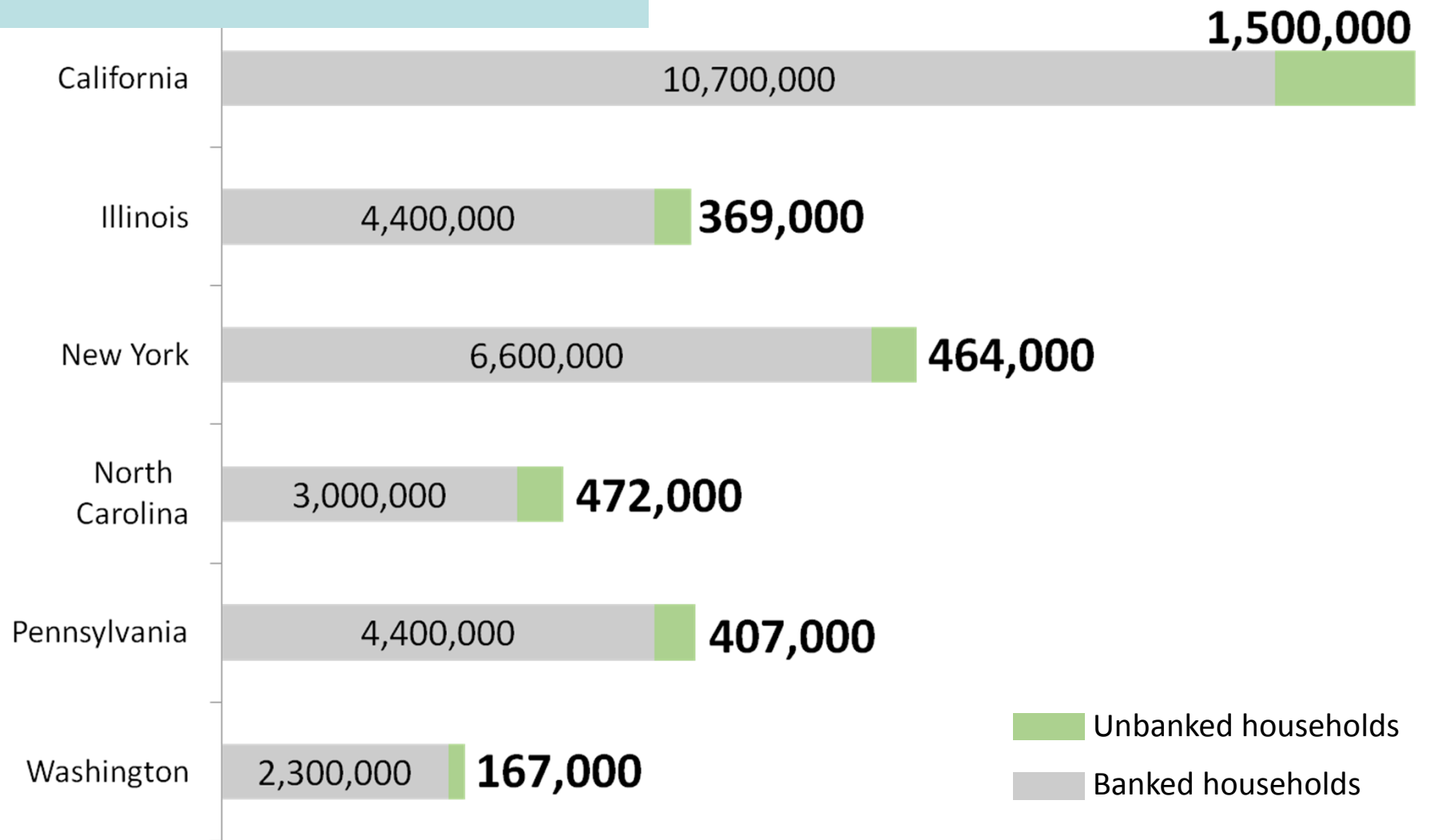
- ✓ 1 in 2 California households don't have savings accounts.
- ✓ 1 in 5 Californians don't have checking accounts.
- ✓ 2 of the top 3 areas with the highest percentage of un-banked residents in the country are in California.

*Source: Brookings Institution, Scarborough Research*



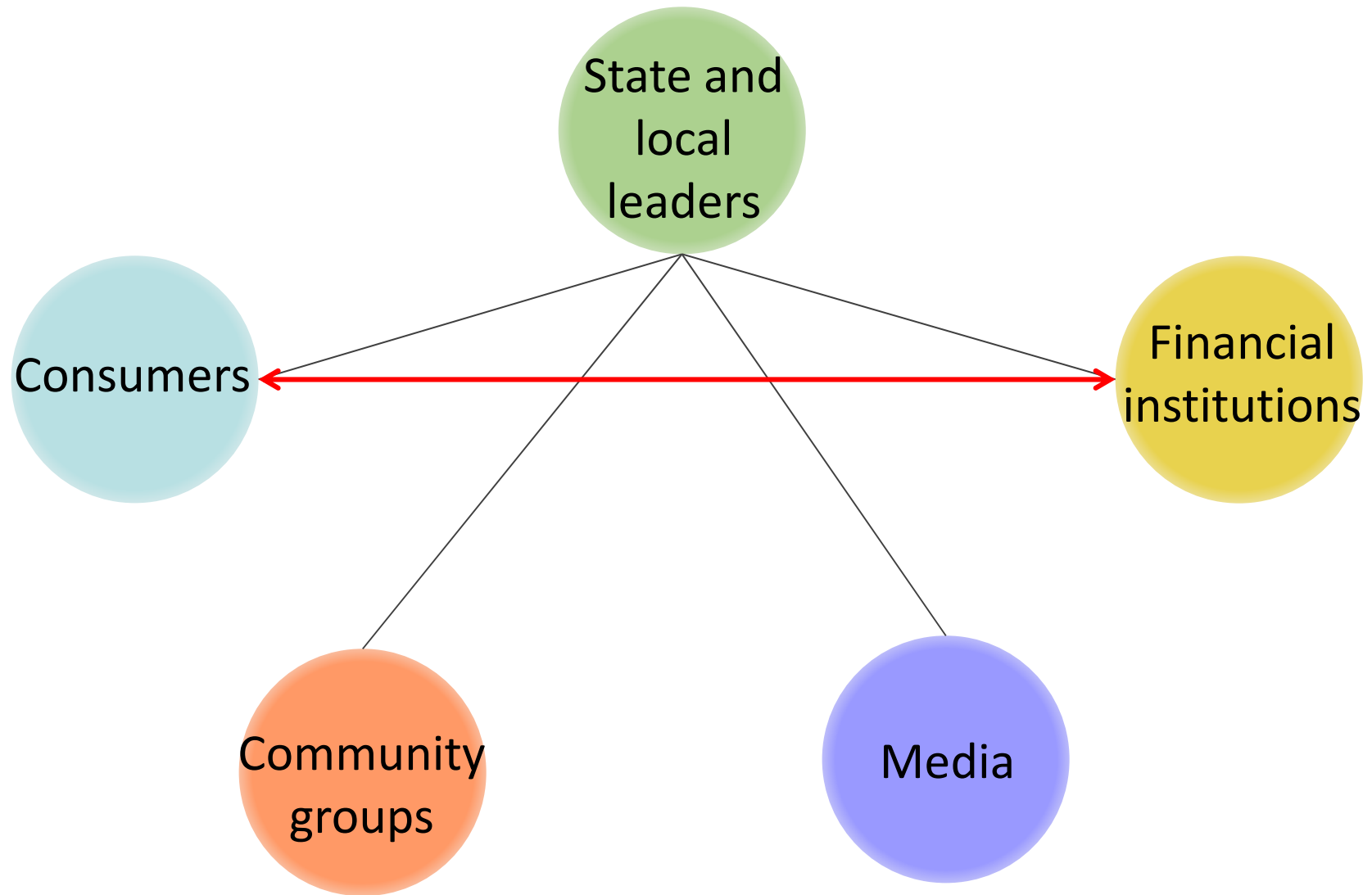
**At a broad level, there's a big number of households that we think do not have a basic bank account. For example:**

Share of unbanked households by state



Source: Estimates based on data from the U.S. Census Bureau and the Federal Reserve's 2004 Survey of Consumer Finances

The Bank On model is a public-private partnership, led by elected officials, that works to “move the market” and connect qualified consumers with the financial institutions and products that are appropriate for them.





# What is Bank on California?

## **A partnership between a diverse statewide coalition:**

- ✓ Office of the Governor
- ✓ Financial Institutions & Federal Regulatory Agencies
- ✓ Community Organizations
- ✓ City mayors

## **We:**

- ✓ Develop and market starter accounts
- ✓ Boost financial literacy

Overall goal: Bring 100,000 “un-banked” Californians into financial mainstream





# What is Bank on California?

## **An on-ramp to economic mobility:**

By helping California's un-banked open starter bank accounts and enter the financial mainstream they will be able to:

- ✓ Gain access to lower-cost sources of credit
- ✓ Begin saving
- ✓ Build a credit history
- ✓ Invest for their future





# Why Bank on California?

## **This problem is also an opportunity:**

- ✓ Both the un-banked and financial institutions can benefit: Under this initiative, banks can offer starter accounts that work for their bottom line and for un-banked consumers.
- ✓ Helping the un-banked improves communities: In cities where a greater share of residents have a bank account, homeownership rates are higher, while crime rates are lower.





# Baseline Features of BOC Account

- Low-cost accounts
- No monthly minimum balance requirement
- Open accounts for those with NSF/overdraft histories on ChexSystems of over one year
- Open accounts for those on ChexSystems for less than one year with financial education training
- Waiver of one set of NSF/overdraft fees per year
- Allow acceptable forms of ID, including the Matricula Consular Card and Individual Taxpayer Identification Number (ITIN)
- Enhanced customer service





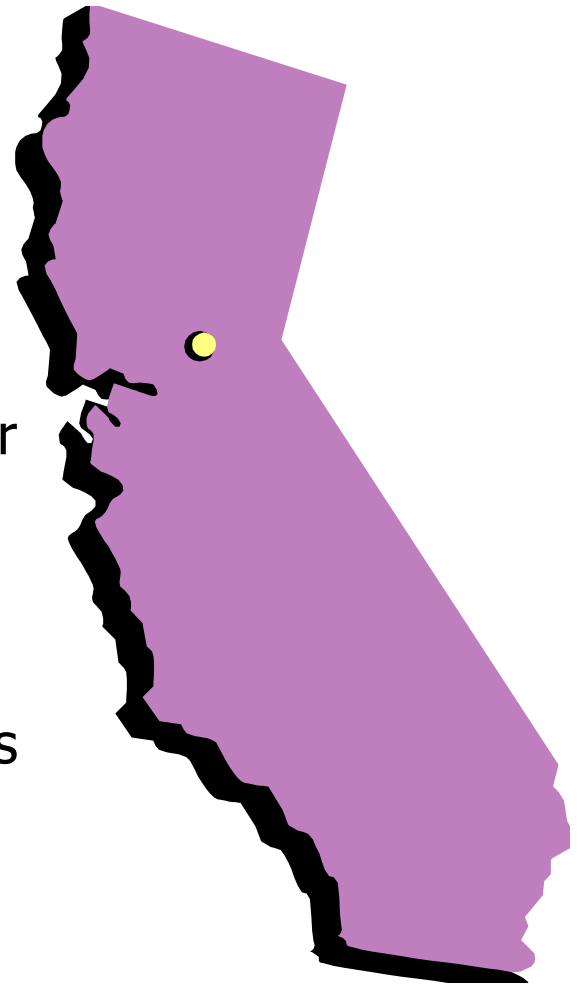
# The Marketing Challenge

- The typical Bank on CA consumer:
  - Believes they are locked out of the banking system.
  - Has a fear of discomfort or humiliation when dealing with bankers and may distrust banks.
  - Is African-American or Latino, may speak Spanish.
  - Is between the ages of 18-45.
  - Earns a low wage, although an estimated 25% of the audience earns \$25,000 to \$45,000 per year.
- We reach them through:
  - Partnering with “trusted messengers” (churches, community orgs)
  - “Bully pulpit” of public officials
  - Pro bono advertising campaign
  - Ethnic media



## Start-up

- ✓ Governor published op-ed in WSJ with President Clinton in January 2008
- ✓ Worked with leads in our initial partner cities: Fresno, Oakland, San Jose, LA, and San Francisco
- ✓ Recruited financial institutions to offer starter accounts
- ✓ Began discussions with key community groups
- ✓ Formed local coalitions and working groups
- ✓ Developed materials and outreach strategies
  
- Announced the Bank on California initiative with our local government, financial institution and community group partners in December 2008



**Bank On campaigns have been popping up in cities across the country over the last two years.**

