

From “Advocacy to Action”



NAACP
Pensacola Branch

“Bank On Escambia”

An overview of the Pensacola NAACP Economic Development Committee’s newly launched initiative to help low-income and underserved communities gain access to mainstream financial institutions and bank accounts to benefit the community by making citizens more financially stable and educated.

Presented on January 20, 2015 by:

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"Bank On Escambia"

The Problem: People in Poverty Without Bank Accounts falling prey to predatory fringe financial services (Payday, Pawn, Check Cashing)

The Pensacola NAACP Economic Development Committee estimates that one in five Escambia County adults, -- and half of the County's Blacks and Latinos -- did not have bank accounts. These primarily working poor County residents face a big disadvantage because they lacked this basic financial tool. In fact, many unbanked Escambia residents reported paying 5 to 10 percent of their income just to cash their paychecks.

We have determined that an estimated 50,000 lower-income individuals (of all races and minorities in particular) did not have bank accounts and faced institutional and perceived barriers to opening them. An estimated 50 percent of black and Latino adults lacked bank accounts:

- For African Americans, appearance on ChexSystems is a major barrier to opening accounts.
- From further research, we learned that unbanked Latinos often do not realize that federal regulations allow financial institutions to accept Mexican or Guatemalan Consular Identification cards to open accounts.

Through our research, we found that many Escambia residents without bank accounts had a deep desire to participate in the financial mainstream.

Families without accounts do not have a safe place to keep their money. They walk around with wads of cash in their pockets or it is at home in a coffee can. Robberies can be more prevalent around check cashing outlets and a disaster, like a house fire or a hurricane, leaves unbanked families even less able to cope in the face of an emergency.

Research helped build a local business case for the "Bank On Escambia" initiative.

President Thornton and the Economic Development co-chairs convened a working group to examine this problem. They learned that there are other costs to being unbanked, costs that are not readily apparent

Initial research was pivotal to shaping the Bank On Escambia strategy. It helped initiative leaders (1) understand the target market and the challenges they face, (2) build the business and political cases for the initiative, and (3) set clear goals.

Maps showing the direct correlation between high unbanked rates and a saturation of check cashers in low-income neighborhoods prompted the NAACP Executive Development Committee to enact a community

empowerment initiative effectively providing mainstream financial services in these neighborhoods. Research also demonstrated that it is expensive to be without a bank account.

In addition, when the locations of mainstream banks and credit unions were layered onto the maps, it was clear that, in Escambia at least, a lack of brick-and-mortar banks was not a major reason that people lacked bank accounts. In fact, most low-income consumers live within a two miles of a bank or credit union. Banking the unbanked began to emerge as an issue of equality and access as opposed to consumer preference or geography.

The NAACP Pensacola Branch "Bank On Escambia" Financial Empowerment Initiative

Perhaps most importantly, a bank account is the first step to financial security. Without one, it is harder to save and to get well-priced car loans, credit cards, or mortgages the exact financial tools needed to climb the economic ladder. Families then stay stuck going to costly alternatives like pawn shops, payday loans and rent-to-own stores.

To address this problem, the NAACP Economic Development Committee will collaborate with financial institution leaders to join with the NAACP and their community partners to create and launch "**Bank On Escambia**", a first-in-the-region effort to bring 10,000 of the county's low-income and unbanked residents into the financial mainstream. The NAACP will implement the "Bank On Escambia" initiative based upon the following principles:

1. NAACP leaders want to offer low-income residents alternatives to check-cashing outlets by increasing the supply of starter bank accounts with easy, affordable ways to deposit paychecks, pay bills, and save.
2. The NAACP and local community organizations will mobilize a grassroots marketing campaign to promote these accounts to unbanked Escambia residents and inform them about how they could open one.
3. By combining the influence of local NAACP leadership, the regulatory power of the Federal Reserve Bank, the market drive of mainstream financial institutions, and the credibility and reach of community organizations, Bank On Escambia aims to move the marketplace of available financial products and services to bank the unbanked.
4. The NAACP and other community partners will develop a coalition of banks and credit unions united to bank 10,000 unbanked Escambia residents in two years, the pilot program will be launched in February 2015.

The National "Bank On" initiative Background and History

Ten years ago, San Francisco public officials challenged financial institution leaders to launch Bank On San Francisco, a first-in-the-nation, to provide low-income residents alternatives to check-cashing outlets by increasing the supply of starter bank accounts with easy, affordable ways to cash paychecks, pay bills, and save. San Francisco officials and local community

organizations would then enact a grass roots marketing campaign to promote these accounts to unbanked San Francisco residents and inform them about how they could open one. Today, an estimated 80,000 starter bank accounts are active and open, and this local success has sparked a national movement. Approximately 100 cities have started or are planning Bank On initiatives and six states California, Connecticut, Florida, Illinois, Indiana, and Mississippi have launched statewide Bank On initiatives. The National League of Cities has started Bank On Cities, San Francisco and New York City launched the Cities for Financial Empowerment coalition, which has 11 member cities. And in 2010, the Obama Administration announced its intentions to create a national Bank On USA initiative.

As the Bank On Escambia model is replicated after the "Bank On" initiatives across the country, it is important to the "Escambia experience" to learn these efforts. The NAACP intends to review the lessons from Bank On operating-model, incorporate what went well and eliminate what did not, and implement ways to strengthen the local Bank On Escambia initiative and support national initiatives to bank the unbanked.

What is "Bank On Escambia"?

Bank On Escambia is a NAACP-led "public-private partnership" that helps unbanked Escambia residents open starter bank accounts. The goal is to financially empower lower-income consumers by making it easier and more affordable for them to deposit their paychecks, pay their bills, and

start saving. Bank on Escambia aims to "move the market" by partnering with participating financial institutions to offer starter accounts with features for unbanked individuals and reach out to unbanked consumers through a grass roots marketing campaign.

Why "Bank On Escambia" and the NAACP?

President Charles Thornton and Pensacola NAACP Economic Development Committee were concerned that too many Escambia adults did not have bank accounts and therefore lacked a safe, affordable way to cash their paychecks, pay their bills, and save. They considered this to be a local market failure and believed that the NAACP could play a catalytic role in addressing it.

- On the supply side of the market, the NAACP's influence and relationships with financial institutions to increase the availability of starter accounts with features that address the needs of unbanked consumers.
- On the demand side, the NAACP and community groups could act as trusted messengers to reach out to unbanked city residents about how they could open accounts and why they should consider doing so.
- The NAACP acts as a conduit to provide technical assistance, community engagement and credible leadership to all stakeholders.

What Are the Main Goals of "Bank On Escambia"?

To help Escambia residents enter the financial mainstream, NAACP leaders aim to:

1. Increase the supply of starter account products that work for the low-income unbanked market by developing baseline product criteria that all participating financial institutions will offer;
2. Raise awareness among unbanked consumers about the benefits of account ownership and encourage them to open accounts; and
3. Raise awareness countywide of the unbanked problem and its potential solutions.
4. Secondary goals are to clamp down on the proliferation of check cashers and payday lenders and make quality money management education more easily available to low-income Escambia residents.

Who Are the Key Partners, and What Do They Do?

NAACP Economic Development Committee. NAACP leaders will play a catalytic role in bringing all partners to the table and keep everyone driving toward goals. They will to manage the day-to-day operations and expand their work to include an array of financial empowerment initiatives.

Financial institutions. A broad range of national and regional banks and credit unions offer starter accounts with a set of features that are required for participation. The features were chosen to help unbanked Escambia residents overcome barriers to opening and managing accounts.

Community Partner Stakeholders. A broad-range of non-profit, civic

associations, public officials and governmental agencies will help implement and shape the initiative; assist the financial institutions; and provide general expertise, experience, and credibility in working with and assisting underserved markets. They host meetings and receive and track quarterly performance data from financial institutions.

How was "Bank on Escambia" originated?

The NAACP Economic Development Committee brought the original concept for Bank On Escambia to the President and will lead the planning and start-up periods. A local program development and consulting company, Diversity Program Advisors, helped develop the financial education strategy and provided subject matter expertise about lower-income consumers. A broad range of nonprofits that help low-income consumers will serve as "trusted-messengers" and let people know how they can open a starter account through Bank On Escambia.

What Are the Intended Outcomes?

- Over two years, Bank On Escambia has demonstrated strong participation by consumers and financial institutions.
- Over 10,000 accounts opened and 90 percent remain active and open after 2 years.
- The average account balance is \$1,000.
- Participating financial institutions represent 75 percent of all retail financial institutions in the County.
- The City and County pass a moratorium on new check cashing

- and payday lending institutions
- Help credit unions launch and market a low-cost, alternative payday loan
- 1,000 families and single-parents have taken advantage of money management learning opportunities
- The NAACP establishes and operates the Financial Education Program, to improve the quality of financial education offerings.

Why the NAACP Economic Development Committee is coordinating this initiative?

The NAACP is an effective convener. The NAACP plays a unique role because it can convene disparate groups into functioning coalitions. No other entity has the ability to summon community stakeholders, private for-profit corporations, and government agencies to the same table and task

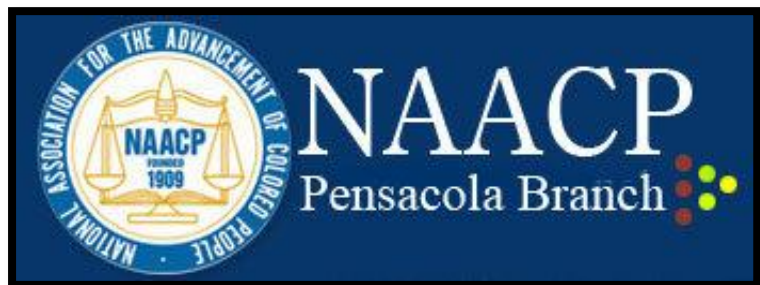
this diverse group with developing a solution. This ability has proved invaluable when many community challenges arose or compromises were necessary.

The NAACP is a "strong connector" to community partners that work with unbanked populations in other ways. In addition to the power of the public message,

The NAACP also has influence with community groups. The NAACP can effectively communicate with executive directors and case managers in public agencies and community organizations to consider access to financial products and education as important as access to public benefits, such as food stamps, and other strategies for reducing poverty. Also, the NAACP can partner with local utility companies, schools, and unions to reach unbanked Escambia residents.

CONTACT INFO:

For More Information or to become a "Bank On Escambia" community partner of participant please contact NAACP Pensacola Branch Economic Development Co-Chair, at 251-504-7313 or email him at grghawthorne@yahoo.com



Key Findings from initial "Bank On Escambia" research

- 1. Poor credit (afflicting nearly all of the unbanked) was a source of significant frustration and regret.**
- 2. The idea of a "second-chance" account resonated deeply with the unbanked.**
- 3. All of the unbanked used check cashing outlets (official and unofficial) and believed check cashers charge excessively high fees.**
- 4. Building credit was seen as an important goal, and unbanked recognized that they were penalized because of their credit problems.**
- 5. The unbanked thought regular bank accounts were too expensive because of their hidden costs and fees, especially those related to minimum balances and overdrafts.**
- 6. The unbanked reacted positively to the idea of a special no- or low-cost bank account available for people with credit problems who could not otherwise open accounts.**
- 7. The unbanked thought that \$10 to \$15 a month was a reasonable fee for having an account. Several said that a free account aroused suspicion.**
- 8. The women viewed money management classes as a benefit; whereas the men thought it could be a waste of time.**
- 9. The unbanked felt that the official endorsements by the NAACP lent credibility to these accounts and increased the belief that these accounts would be different.**

To participate in "Bank On Escambia", financial institutions must at minimum do the following:

- 1. Keep fees low (\$10 to \$15 a month; free with direct deposit).**
- 2. Accept Mexican Matricula and Guatemalan Consular ID cards as primary identification.**
- 3. Open accounts for those whose nonsufficient funds/overdraft history on ChexSystems is more than a year old.**
- 4. Open accounts for those on ChexSystems for less than one year if client completes financial management training.**
- 5. Waive one set of NSF/OD fees per year.**
- 6. Require no monthly minimum balance.**