

**President's Advisory Council on Financial Capability
Financial Access Subcommittee**

Report – July 12, 2011

Subcommittee Members:

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Background:

The 2009 FDIC Survey of Unbanked and Underbanked Households found that one of every four American households is unbanked (meaning they do not have a bank or credit union account) or underbanked (meaning that although they may have an account with a mainstream financial institution, they are turning to alternative financial services providers to fulfill their immediate financial needs). In essence, those who least can afford it are paying the most for basic financial services, such as check cashing or bill paying. The President's Advisory Council on Financial Capability (PACFC) is to provide recommendations to the President and the Secretary of Treasury on promoting private-sector development of financial products and services that will benefit unbanked and underbanked consumers, and in particular the low and moderate income population. In that regard, the Financial Access Subcommittee has focused its research efforts in the following areas: 1) on-going programs, products, and services that support and promote financial education, access, and asset building, 2) emerging and developing technologies, and 3) promoting the FDIC, NCUA, and Department of Education partnership on youth financial access, education, and savings.

Updates:

On April 21, 2011 the Financial Access (FA) Subcommittee recommended the "*Mobile Application Challenge*" to the PACFC for its consideration and presentation to the Secretary of the Treasury and the President. Mobile technologies such as wireless broadband and smartphones have expanded rapidly and according to recent data, groups that have traditionally been more likely to be unbanked and underbanked, such as African Americans, Latinos, and the young adult population aged 18-29, now own and use cell phones at a greater rate than other demographic groups in the United States. A challenge by Treasury to the private sector should harness the creativity and inventiveness of application (app) developers, designers, and others to create applications for mobile devices that promote financial capability and financial access. The PACFC approved the Financial Access Subcommittee's recommendation, and forwarded the recommendation to Treasury for consideration. The Treasury received the PACFC's recommendation and is generally supportive of the idea. Treasury staff is in-process of investigating the authorities available to hold such a competition and the best way to design a competition for maximum impact.

Since April's PACFC public meeting, the FA Subcommittee has continued its efforts to identify financial products, services, and programs in the private sector that are scalable, and more importantly, beneficial to the nearly 30 million unbanked/underbanked households in the United States. Programs such as:

- a) The *Indianapolis Campaign for Financial Fitness* (ICFF), where the First Lady of Indianapolis, Winnie Ballard is leading a city wide team effort to engage and partner with community for-profit and non-profit organizations and civic leadership to provide financial education, free tax services and financial access to the 80,000 unbanked individuals in Indianapolis,

- b) the Texas Credit Union League's *Juntos Avanzamos* ("Together We Advance") outreach program that empowers credit unions to provide access to affordable financial services to the Hispanic community,
- c) the FDIC's Advisory Council on Economic Inclusion, which continues to develop and test initiatives to improve access to the banking system for underserved communities,
- d) the Center for Financial Services Innovation (CFSI), whose on-going programs, activities, funding, and recommendations are addressing the financial needs of the underbanked,
- e) Operation Hope's community efforts, encouraging municipalities in low income areas to establish Financial Literacy Councils that promote financial education, skills, and access,
- f) The Mission Asset Fund (MAF), a non-profit organization in the Mission District of San Francisco that has developed a groundbreaking model, which includes savings, micro-loans and financial education and creates a direct pathway for immigrants and low income individuals to transition into the financial mainstream,
- g) The Cities for Financial Empowerment (CFE) coalition, an alliance of eleven major cities in the United States that addresses challenges and develops strategies to improve the financial capability and financial stability of individuals and families through public-private partnerships and financial empowerment initiatives, such as the *Bank on San Francisco* and *Kindergarten to College (K2C)* initiatives,
- h) The *Lifetime Savings Accounts (LSAs)* also called *Child Savings Accounts (CSAs)* by the Corporation for Enterprise Development (CFED), which provides the potential for low and moderate income Americans to gain access to mainstream financial institutions and build assets, and
- i) Mission SF's peer-to-peer financial education program that is focused principally on high school students

All of these programs have captured the Subcommittee's early interest and will be further explored and discussed in the weeks ahead.

In summary, the FA Subcommittee has been actively engaged in researching, examining and identifying viable and measureable solutions to address the issue of financial access (unbanked/underbanked), and to date has surmised that 1) technology will play a vital role, 2) public and private partnerships (*such as those successfully developed and employed by the Charles Schwab Foundation*) will be key, 3) community involvement/outreach will be essential, and 4) financial education, especially among youth, will be critical in achieving the President's goal.