

# Financial Empowerment for all San Franciscans

*José Cisneros, Treasurer*  
City and County of San Francisco



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# Why Financial Empowerment?

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- United States has two distinct financial systems:
  - Mainstream = choice, security, upward mobility
  - Fringe = high-cost, predatory, lack of access
- Financial Empowerment looks at the “other side of the ledger” – increasing income by decreasing expenses and encouraging savings.
- Refers to umbrella of programs: banking, tax refunds, financial education, anti-predatory lending, asset building and savings.



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# The Unbanked in San Francisco

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Data from the Brookings Institution estimates:

- 50,000 San Franciscans are unbanked.
- Among African Americans and Latinos, 50 percent are unbanked.
- Check cashers and payday lenders do more than \$40 million in business each year in SF alone.



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# Why Bank on San Francisco?

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- Without a bank account, families spend hundreds of dollars a year on check cashing fees and money orders.
- The unbanked have no safe place to keep their money, and are more likely to be victims of crime.
- In the event of a disaster, like a fire or an earthquake, families have no way to access money remotely and savings will be lost.
- Studies show that the unbanked are less likely to save and build assets.



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# Regulating Check Cashers and Payday Lenders

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Using a “stick” as well as a “carrot” to help the unbanked:

- The prevalence of check cashers, particularly in the low-income communities in the city, emerged as a key concern.
- San Francisco’s core providers of check cashing and payday lending services sell over \$40 million worth of fringe financial service products every year out of 56 locations.
- The average establishment in the city has a sales volume of \$737,000.
- Implemented a permanent city-wide moratorium on new fringe financial providers to limit density through City’s zoning laws.



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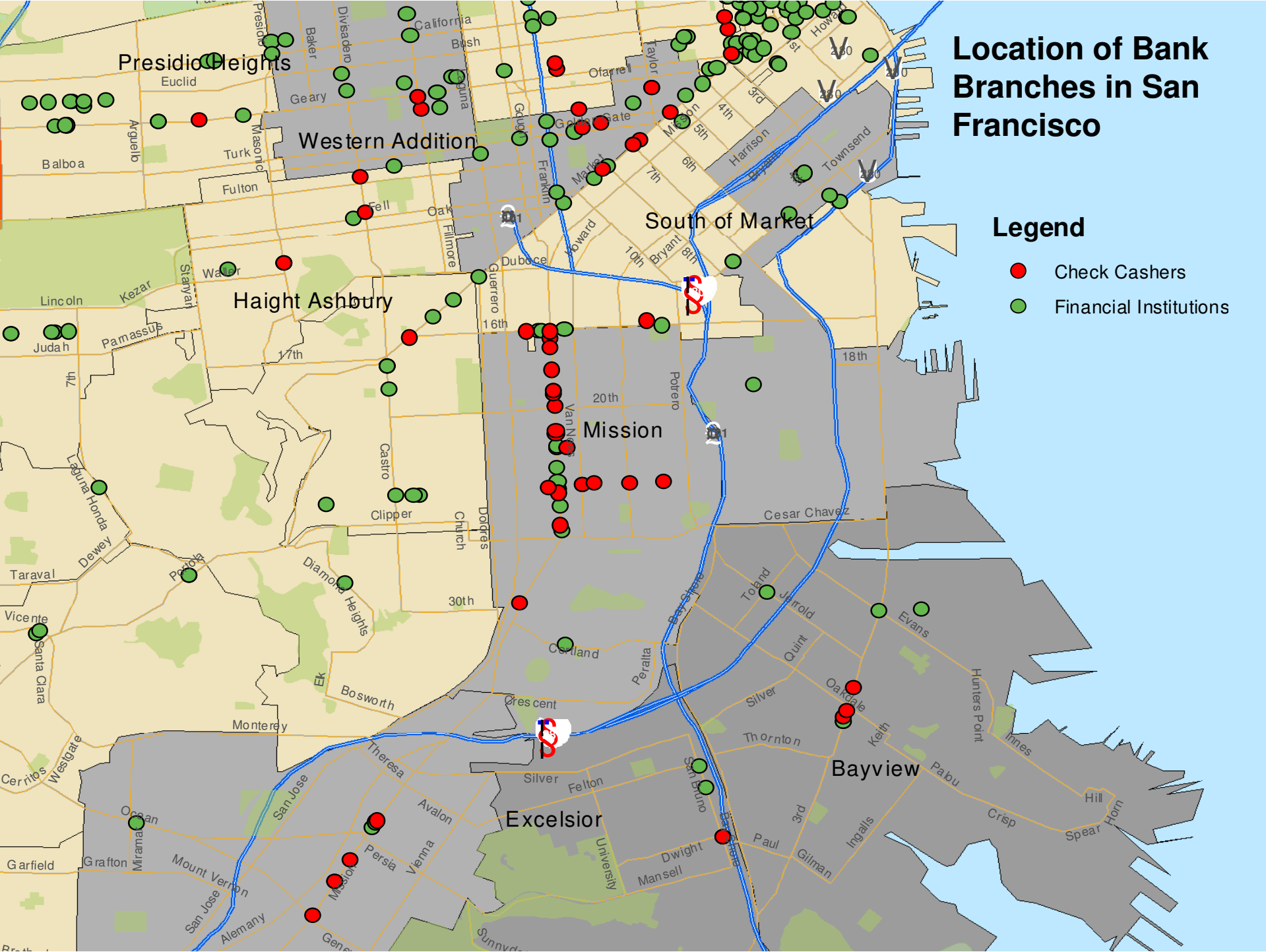
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# Location of Bank Branches in San Francisco

## Legend

- Check Cashers
- Financial Institutions



# What is Bank on San Francisco?

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- Collaborative effort to bring 20,000 unbanked San Franciscans into the financial mainstream within the two year pilot.
- Works collaboratively to “move the marketplace” to offer suitable products and customer support.
- Public/Private Partnership
  - Office of the Treasurer
  - Federal Reserve Bank of San Francisco
  - EARN
  - 15 Financial Institutions (10 banks, 5 credit unions)
  - Community based organizations



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# Forming the Coalition

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- The City convened all San Francisco financial institutions at the Federal Reserve Bank.
- Used influence as a banking client to bring leaders together.
- Developed program collaboratively to ensure buy-in to goals and objectives.
- Created the Bank on SF product through extensive negotiations.
- Banks and credit unions must offer the Bank on SF product in order to participate.



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# The Bank on SF Commitment

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To participate, financial institutions must:

- Offer a low or no cost account.
- Require no monthly minimum balance requirement.
- Accept the Mexican and Guatemalan Consular ID cards as primary identification.
- Open accounts for those with ChexSystems history which is over 1 year old.
- Waive one set of NSF/OD fees per client.
- Actively partner with community groups to promote the product and provide financial education.
- Track accounts and report out on a quarterly basis.



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# Our Partner Banks and Credit Unions



The Next Stage<sup>®</sup>



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# Connecting Money Management Training

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- Bank on San Francisco partners have worked together to pursue a number of approaches to connect participants to money management training;
- Bank on SF partners have faced a number of challenges limiting the number of participants who have received training;
- Challenges reflect the same difficulties encountered nationally by groups trying to deliver money management training;
- Without significant incentives, it is very challenging to stimulate demand
- Behavioral economists see many parallels between financial behavior and choices people make related to health.



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# How are we doing?

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- Launched outreach campaign with outdoor media, press and community events presence.
- Over 170 branch locations participating.
- 11,110 accounts opened in year one.
- Average monthly balance is over \$793.47.
- Over 92% of accounts still in good standing.
- Enthusiasm of financial partners remains high.
- Interest and support from community is overwhelming.



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# Lessons Learned

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- Must focus on a collaborative approach; engage natural partners.
- Don't underestimate the influence of local government, both with financial institutions and the public.
- Thorough communication and training is essential.
- Diversity of the market can be used to benefit everyone.
- Don't make assumptions!



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# What's next for San Francisco?

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- Incredible opportunity exists to build on Bank on San Francisco.
- Address community financial issues:
  - Access to credit and short term, small dollar loans
  - Effective financial education and coaching
  - Crack down on predatory lending
  - Debt reduction and credit repair
  - Savings products and incentives



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