

Banking Relationships Build Stability and Access

Two Banks Reach Out to Low-Income Families

"You can bank on it," or "You can take it to the bank," means something is certain or sure. Strong, secure, dependable....that's the image of banks. They keep our money safe, they provide loans and help us plan for the future.

It's easy to take banks, and the services they offer, for granted. But for the estimated 10 to 20 percent of the adult population who are "unbanked" – meaning they have no checking or savings accounts – banks can seem intimidating and out of reach.

Being unbanked means being disconnected from the financial mainstream and having to find other ways to pay bills, cash paychecks, or cover unexpected expenses. It also means you are vulnerable to "fringe" financial services such as: payday loans, rapid refund loans, pawning, sub-prime credit cards, rent-to-own, and high-fee check cashing and money-wiring.

There are many reasons a person has no checking or savings account. It can be due to a poor credit record, a divorce, a lack of trust, or embarrassment about not understanding banking or managing money. If a person has written bad checks or made late payments in the past, they may be listed in ChexSystems – a database used by banks and credit unions to screen new customers and reduce risks. Once a person is listed in ChexSystems, even if they correct the problem, their negative record lasts for five years.

Improving access to financial services is an integral part of the Casey Foundation's new, comprehensive approach to helping low-income families and neighborhoods connect with the mainstream economy. Called Family Economic Success (FES), the effort blends strategies for workforce development, family economic supports and community investment. As part of FES, the Casey Foundation provides funding to the Retail Financial Services Initiative, a three-year project of the National Community Investment Fund (NCIF). The initiative is working to expand access to financial services and wealth-building opportunities for low- and moderate-income consumers.

An NCIF member, Citizens Trust Bank, in Atlanta, has started a new program to reach unbanked families in its neighborhoods. Citizens Trust is one of the largest African American-owned banks in the nation. A certified CDFI (community development financial institution), Citizens was founded in 1921 and today has nearly \$390 million in assets, 11 local bank branches, and an investment subsidiary.

Their new program, called *CT Beginnings*, offers "second chance" electronic checking accounts to people who have trouble qualifying for bank accounts due to past problems.

Moira Montgomery, Citizen's vice president of compliance and special projects, is enthused about the effort. "We started this program in conjunction with a national trend to help low-income people build wealth and eventually get into homes. Having credit is necessary for this to happen. Unfortunate things can happen to people, and it can cause

them to be shut out of the mainstream financial system. We are really happy to be able to help people get back on track."

The cost to open a *CT Beginnings* account is \$10, and a small monthly service fee is charged. The new account holder receives an ATM and debit card, and can write a maximum of five checks each month. Paychecks can be direct-deposited.

CT Beginnings customers are required to attend a financial literacy class on the basics of money management, including balancing a checkbook, budgeting, saving, using an ATM, and the concepts of electronic banking. Account holders have access to the internet through bank branches. *CT Beginnings* customers are warned about writing insufficient fund checks – their account is closed if they allow this to happen.

Citizens Trust has found a receptive audience in local churches. One church has organized a seven-week schedule of classes, with one class held per week. Participants receive free checking account services for a year, and they are awarded a certificate at the end of the class. Another church has partnered with Citizens Trust to develop a 10-module series of classes.

Moira teaches the classes and enlists retail managers from the bank branches to help her. "The response and demand has been great," she says. "People are excited and very appreciative. We give homework exercises, and ask people to work on their budget. Sometimes they are afraid to take control of their finances, and they are often embarrassed about their past problems. We can help ease them through this. After they have been managing their account for six months to a year, we sit down with them and review their progress. Then we can help them graduate to another product or service."

Moira is hoping to expand the *CT Beginnings* program to other churches and non-profit organizations in Atlanta, and eventually to their branch offices in Alabama.

Legacy Bank in Milwaukee is another Initiative partner that is reaching out to the unbanked. Margaret Henningsen, a founder, past president and current vice president of Legacy, sees their new *Financial Liberty First Accounts* program as a natural extension of the bank's responsibilities. "Reaching out to the unbanked is right in line with our mission. Our mission statement addresses 'a special focus on those who traditionally have been underserved', and 'building small businesses, increasing home ownership and developing the economic base of our community.'"

When the *First Accounts* program was being developed in 2002, Margaret already had a target group in mind. When she previously ran Head Start for Milwaukee County, she worked with child care providers. They told her that they wanted to offer direct deposit to employees, but could not because so many of their employees were unbanked. Margaret knew these existing organizations would encourage their employees to open bank accounts, and she knew the child care provider network was growing.

"Child care boomed when welfare reform was enacted," Margaret says. "More mothers needed child care in order to go to work, and many mothers started providing childcare as a business. I knew this would be a good industry to focus on." The child care community's response to *First Accounts* was even better than expected, and inquiries soon began to come in from non-child care organizations as well.

The *First Accounts* program starts with a savings or checking account. The checking account is available even to individuals who are listed in ChexSystems. Ten dollars and proper identification (a social security card and a driver's or non-driver's license) will open an account. There are no other fees, except in the case of an overdraft. The new customer is counseled about the rules and regulations, and if they are on ChexSystems, they must attend a class within 60 days of opening their account. Although the class is optional for customers who are not in ChexSystems, about 90 percent of *First Accounts* customers elect to take the financial management seminar. Margaret is one of the resources for the Get Checking program and also teaches financial management classes for child care providers and other welfare-to-work community programs.

"About one-third of our *First Accounts* customers have never had a bank account," says Margaret. "Many of the others have had a bad experience in the past, or were treated badly by a financial institution. There is a lack of trust to overcome – many are afraid that money in their account will be reported and it will affect their benefits. Many don't understand how direct deposits work. They are used to dealing with paper checks. Using an ATM is a new experience too."

Legacy's program has been so successful that they have expanded beyond the childcare community. They are providing financial management classes to women who are rebuilding their lives through a halfway house program and they have developed a program for the YWCA welfare-to-work agency.

How does Legacy Bank spread the word about *First Accounts*? A number of customers were asked to participate in a focus group. "We listened to them talk about how *First Accounts* had changed their lives," says Margaret. "Through them, we were able to identify people who could be coaches...like ambassadors to other unbanked individuals. Our customers bring others in." And, she adds, "The grapevine is alive and well!"