



## **BANK ON CALIFORNIA**

### **HELPING CALIFORNIANS ACHIEVE FINANCIAL MOBILITY**

*Today Governor Schwarzenegger announced that California will be the first state in the nation to launch an effort to help working Californians without bank accounts open starter accounts. The announcement was made in an opinion piece coauthored with President Clinton and published in today's [Wall Street Journal](#). The new initiative, called "Bank on California," will help more low- and middle-income Californians establish savings, build a credit history, gain access to lower-cost sources of credit and invest for the future.*

**"Bank on California" will help working families save money by accessing basic financial services others may take for granted – putting them in the financial mainstream.** This simple, innovative idea won't cost taxpayers a dime, helps working families get ahead and grows California's economy at the same time.

**"Bank on California" will be a collaborative voluntary initiative with the help of financial institutions, city mayors, federal bank regulatory agencies, and community groups.** The initiative will:

- Develop and market starter accounts with features that work for unbanked consumers.
- Educate Californians without bank accounts about the benefits of account ownership and encourage them to open accounts.
- Help Californians build their money management skills.
- Form diverse coalitions of financial institutions, regulators, city mayors and nonprofits in key markets statewide to market the accounts to unbanked Californians.

**Over the next few months, the Governor's Office will take the lead in bringing together financial institutions and community groups statewide.**

- Financial institutions will develop and market starter accounts.
- Five to seven city mayors will lead local coalitions and help raise awareness.
- Community groups will inform their clients about why they should and how they can open starter accounts through "Bank on California."

#### **On the Record:**

**Brookings Institution Fellow Matt Fellowes – Bank Accounts Are An "On-Ramp To Economic Mobility And Wealth In This Country":** "Bank accounts are essentially an on-ramp to economic mobility and wealth in this country. Without access to that on-ramp, people are basically living in a cash economy where there's no opportunity to convert that into wealth." (Wyatt Buchanan, "Program Helps Low-Income S.F. Residents Start Bank Accounts," [San Francisco Chronicle](#), 12/4/07)

**United States Federal Reserve Board Of Governors Chairman Ben Bernanke – Bringing More People Into The Banking System "Would Be A Positive Development":** "In terms of bringing more people into the banking system, that -- I think it would be a positive development. The main way, I think, the Federal Reserve can help that process is what we do, which is to encourage the banks and bank holding companies that we supervise to reach out into underserved communities, this partly through the Community Reinvestment Act, but just, more generally, to provide services and to try to attract unbanked people into the banking system." (Ben Bernanke, Hearing of the Senate Banking, Housing And Urban Affairs Committee, Transcript, 7/19/07)

**Former Federal Deposit Insurance Corporation (FDIC) Chairman Donald Powell – "Making Sure That The Unbanked Get Into The Mainstream In America Is A Worthy Goal":** "Making sure that the unbanked get into the mainstream in America is a worthy goal. If we help these folks become average Americans, middle class Americans - let me tell you what middle class Americans do. They pay taxes. They teach Sunday School classes. They attend PTA meetings. They assist the homeless. They make contributions to charity." (Donald Powell, Tapping the Unbanked Market Symposium, [Speech](#), 11/5/03)

**U.S. Treasurer Anna Escobedo Cabral – “If We Can Help Individuals And Families Climb The Ladder Of Economic Success – Our Communities Prosper And Our Entire Country Benefits”:** “So why should we care about the unbanked? 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. Becoming a part of the financial mainstream is the first step on that ladder.” (Anna Escobedo Cabral, Eastern Regional Conference on Reaching Unbanked People, [Speech](#), 10/4/07)

**Federal Deposit Insurance Corporation (FDIC) Chairman Sheila Bair – “The Gap Between What The Unbanked And Under-Banked Pay For Credit And What Those In The Mainstream Pay Is Astonishing”:** “The gap between what the unbanked and under-banked pay for credit and what those in the mainstream pay is astonishing. Yet we can see from the efforts of those mainstream lenders that have stepped in to fill the gap—too few so far—that the cost of credit can be made much lower and still be profitable for the lender. I am convinced that a continuing dialogue among consumer advocates, regulators and the banking industry is the key to closing this gap. We can and must find lending solutions that work for lenders and consumers alike. This is both a challenge and an opportunity to find lasting solutions for an important public policy dilemma.” (Sheila Bair, Financial Services Conference of the Consumer Federation of America, [Speech](#), 11/30/06)

**Former Comptroller Of The Currency John D. Hawke, Jr. – “When Consumers Gain Comfort With Bank Products, They Are More Likely To Develop Additional Financial Skills That Allow Them To More Fully Benefit From The American Financial System”:** “When consumers gain comfort with bank products, they are more likely to develop additional financial skills that allow them to more fully benefit from the American financial system.’ Many banks, especially those located in areas with significant immigrant populations, have devoted major resources to capturing a share of this growing market. According to the Federal Reserve Board’s most recent Survey of Consumer Finances, 22 percent of minority households in the U.S. do not have a bank account.” (Office of the Comptroller of the Currency, “OCC Publishes Edition of Insights Addressing Remittances,” [Press Release](#), 9/15/04)

**Center For Financial Services Innovation Director Jennifer Tescher – State And Local Action To Support The Unbanked “Could Usher In A New Generation Of Public-Private Partnerships With The Potential To Change The Financial Behavior Of Both Consumers And Banks”:** “Early results are encouraging. In San Francisco, for instance, a group of 15 financial institutions has opened more than 11,000 bank accounts in one year - serving more than 20% of the city’s estimated unbanked population. If pioneering efforts like these continue to succeed, they could usher in a new generation of public-private partnerships with the potential to change the financial behavior of both consumers and banks.” (Jennifer Tescher, “A State/Municipal Boost for Unbanked,” [American Banker](#), 11/30/07)

### **Just the Facts:**

**Nationally, there are as many as 28 million unbanked people.** “There are millions of Americans who do not have a bank account...A recent study has estimated that there are 28 million unbanked people in the U.S. and another 45 million underserved who lack adequate access to credit.” (Martin J. Gruenberg, FDIC Alliance for Economic Inclusion Baltimore Forum, [Speech](#), 5/1/07)

**11 percent of California households don’t have a checking account.** Approximately 1.2 million households in California lack a checking account, representing about 11 percent of all households in the state. An additional 5.7 million households, or about 47 percent, were without a savings account. Altogether, there were about 1 million households who own neither a checking nor a savings account.

- African American and Latino households were also more likely to be unbanked than other households in California. It is estimated that 21 percent of African American households and 24 percent of Latino households lacked basic bank accounts in 2003, compared with only 4 percent of white households and 5 percent of “other race” households.
  - Over one-quarter of African American and Latino households did not have a checking account, and approximately two-thirds of each group did not have a savings account. Together, African American and Latino households accounted for approximately 898,369 of the total unbanked. (Brookings Institution)
- California is home to two of the top three areas with the highest percentages of unbanked residents in the country. It is estimated that in the Fresno market, eleven percent of consumers are unbanked and in Los Angeles, nine percent are unbanked. (Scarborough Research, “Unbanked Consumers: Unique Opportunities for Financial Marketers,” [Report](#), 3/16/06)

**Moderate- and lower-income households pay over \$8 billion at check cashing outlets, payday lenders and pawnshops on basic financial services.** “Those fees are collected from 48,082 non-bank establishments, which include approximately 26,000 businesses.”

- More than 20 million Americans now cash more than \$60 billion in checks each year at check cashing businesses. “Overall, about 10 million households lack a transaction account (e.g., savings, checking, call account, money market) and about 12 million do not have a checking account (e.g., checking, checking money market)...This latter group of unbanked households represents the primary market for the \$60 billion in checks cashed every year at nonbank establishments.”
- These businesses charge an average of \$40 per payroll check to cash a check from typical unbanked households with full-time workers. “Among the households that lack a checking account, 52 percent include at least one full-time worker, costing the household an average of \$40 per payroll check to use a non-bank check casher.” (Matt Fellowes and Mia Mabanta, “Banking on Wealth: America’s New Retail Banking Infrastructure and Its Wealth-Building Potential,” [Brookings Institution Research Brief](#), 1/08)

**A full-time worker who utilizes a lower-cost checking account could save \$40,000 over their career.** “A full-time worker without a checking account could potentially save as much as \$40,000 during his career by relying on a lower-cost checking account instead of check-cashing services.”

- The same worker could generate as much as \$360,000 in wealth if these savings were instead invested in the stock market over their career. “Depending on types of checking accounts, residence, money management skills, and account stability, this same unbanked worker, assisted in transferring his savings into a low-cost exchange-traded fund with a discount broker, could generate as much as \$360,000 in wealth over his 40-year career.”
  - This would be enough to pay for about 25 years of retirement, not accounting for the value of social security benefits. (Matt Fellowes and Mia Mabanta, “Banking on Wealth: America’s New Retail Banking Infrastructure and Its Wealth-Building Potential,” [Brookings Institution Research Brief](#), 1/08)