



COUNCILMEMBER DAVID ALVAREZ
City of San Diego
Eighth District

MEMORANDUM

DATE: March 25, 2013
TO: Honorable Mayor Bob Filner
FROM: Councilmember David Alvarez
SUBJECT: *Bank On San Diego*

I encourage you to launch *Bank On San Diego*. *Bank On San Diego* would be a partnership between banks, financial institutions, and community groups to connect low-income, under banked San Diegans with financial services (bank accounts, loans, etc.) and financial literacy programs. By making *Bank On San Diego* an initiative of the mayor's office, low-income San Diegans can be more fully integrated into our economy and financial system.

Bank On is an initiative launched in 2005 in San Francisco by Mayor Gavin Newsom and City Treasurer Jose Cisneros to provide moderate to low-income individuals access to safe, low-cost bank accounts. The program is a partnership between asset-building nonprofits, the city and financial institutions including the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC) to provide access to mainstream banking to a larger population of residents.

According to the FDIC's 2011 National Survey of Unbanked and Underbanked Households, there are an estimated 10 million households without bank accounts. Another 24 million households are underbanked, meaning that they have a bank account, but these accounts do not fully meet their needs, and they still rely on high-cost check cashing services or other expensive and predatory financial services. In San Diego, 6.1% of households are unbanked and 15% of households are underbanked.

Bank On programs address these issues by creating a partnership between the organizing director (city or non-profit), asset-building nonprofits, and financial institutions. The organizing director

provides funding to asset-building nonprofits through grants to initiate financial literacy training to program participants. This training teaches participants financial responsibility which gives them tools to utilize mainstream banking services. Banks participate in the program by providing participants a low-cost or free checking account. In addition, banks agree to accept more diverse forms of identification including the Matricula Consular Card (Guatemala and Mexico) and participants' Individual Taxpayer Identification Number. *Bank On* provides banks which receive FDIC insurance the incentive to improve their Community Reinvestment Act performance by opening banks to moderate to low-income individuals. Banks participating in this initiative sign a Memorandum of Understanding.

The success of *Bank On* San Francisco inspired Governor Schwarzenegger to launch a *Bank On* California campaign in 2008 and President Obama's *Bank On* USA campaign in 2011. Governor Schwarzenegger's initiative resulted in seven *Bank On* programs in California locations including: Los Angeles, Sacramento, Orange County, Fresno, Stanislaus, Oakland, and San Jose. Additionally, over sixty *Bank On* programs have been implemented across the country.

I learned about *Bank On* while meeting with the Treasury Department during a recent visit to Washington D.C.. I met with several local banks and all are willing to participate in *Bank On* San Diego (Bank of America, Wells Fargo, Vibra Bank, and Neighborhood National Bank). Many of the larger banks participate in *Bank On* programs throughout the country. My staff has also contacted the other *Bank On* locations in California and the record shows *Bank On* programs are most successful when initiated by a mayor. City-lead initiatives promote accountability from banks through the added pressure of its relationship with the government, Federal Reserve and the FDIC. Other advantages include a city's ability to provide dedicated staff to the initiative as well as the finances to run the program (*Bank On* programs run by nonprofits were limited in these areas). *Bank On* San Francisco and *Bank On* Los Angeles are examples of successful City-run initiatives.

Our City would greatly benefit from *Bank On* San Diego. *Bank On* San Diego would help prevent many moderate to low-income families from wasting their hard-earned wages on unnecessary financial fees and predatory interest rates. Economically disadvantaged communities would have access to mainstream and affordable banking services and a portion of their income would no longer go towards expensive cash-checking services, resulting in families having the opportunity to make better financial decisions such as paying their mortgage and saving to send their kids to college.

As you consider the impact this will have on families and the potential for helping San Diegans retain more of their hard-earned income, I respectfully request that the city take the initial steps to implement *Bank On* San Diego.

Thank you for your consideration of this matter.

CC: Vince Hall, Chief of Staff, Mayor Bob Filner