

# Memorandum



DATE August 7, 2009

TO Members of the Finance, Audit & Accountability Committee:  
Jerry Allen (Chair), Ann Margolin (Vice Chair), Delia Jasso, Vonciel Jones Hill, Angela Hunt, David Neumann and Ron Natinsky

SUBJECT **"Bank on Dallas"**

On Tuesday, August 11, 2009, the Finance, Audit & Accountability Committee will be briefed on the "Bank of Dallas" initiative.

A copy of the briefing is attached. Staff will be available at the meeting to answer questions.

Should you have any questions or concerns, please let me know.



A.C. Gonzalez  
Assistant City Manager

## Attachment

C: The Honorable Mayor and Members of the City Council  
Mary K. Suhm, City Manager  
Deborah Watkins, City Secretary  
Thomas P. Perkins, City Attorney  
Craig Kinton, City Auditor  
Judge C. Victor Lander, Judiciary  
Ryan S. Evans, First Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Forest Turner, Assistant City Manager  
David Cook, Chief Financial Officer  
Jeanne Chipperfield, Director, Budget & Management Services  
Karl Zavitkovsky Director, Office of Economic Development  
Hammond Perot, Assistant Director, Office of Economic Development  
Helena Stevens-Thompson, Assistant to the City Manager

# “Bank on Dallas”

Finance, Audit & Accountability Committee

August 11, 2009



# Purpose

- To brief the Finance Committee on the “Bank on Dallas” program, which aims to create more than 25,000 new, active bank accounts in under-banked Dallas neighborhoods
- To outline potential next steps and seek Finance Committee guidance regarding this initiative

# Background

- Jim Reid of Momentum Texas was commissioned by the City to research the program
- “Bank on Dallas” based on model developed in San Francisco, California
  - Replicated in Houston, San Antonio and 5 other California cities
- Goal is to connect residents to mainstream financial services and alleviate the millions of dollars being spent nationwide on alternative financial services and predatory lenders
- Nationally, 20% are unbanked; up to 50% in inner city/minority communities
- Dallas has 366 banks, and 293 alternative financial services facilities (check cashers, payday lenders and pawnshops)
  - Percentage of alternate service lenders high in lower income neighborhoods
  - Fees from check cashers and payday lenders total \$34 M; value of checks cashed/payday loans: \$418 M
- Estimated that regular check casher fees can total \$800/user annually (see Appendix)

# How Could this Program Work in Dallas?

- Requires **partnership** between City of Dallas, interested banks, credit unions, financial literacy providers, social service providers and bank regulators
- Planning committee formed to focus on three components:
  - Criteria/Product development
  - Marketing
  - Financial literacy

## How Could this Program Work in Dallas? (cont)

- Specific **objectives** of design phase:
  - Develop a **low-cost product** to meet the needs of unbanked consumers
  - **Expand marketing** in targeted, low-income neighborhoods
  - Partner with **nonprofits** in Dallas to identify persons ready to enter the financial mainstream and provide them financial literacy training
- Program design phase estimated to be approximately **6 months**

# What Are Potential Benefits?

- Reduction of high check cashing fees
- Lowered risk of theft or loss due to fire or natural disaster
- Lower cost of credit
- Improved financial literacy
- Overcome obstacles to using financial institutions:
  - Culture and language barriers
  - Don't write enough checks
  - Mistrust of banks/credit unions (hidden fees)
  - Previous accounts closed

# Goals

- Bank on Dallas would:
  - Increase the supply of starter bank accounts
  - Raise awareness of potential benefits from the use of the mainstream financial system
  - Provide “second chance” accounts
  - Encourage financial education, savings and asset building
- **Create 25,000 new accounts over a two year period**



# Results from Other Programs

- **San Francisco:**
  - Organized by the Office of City Treasurer, the Federal Reserve San Francisco and EARN (non-profit)
  - Has received \$1.4 million in grants since program inception (2006)
  - 10 banks, 5 credit unions participating (numerous branch locations)
  - Accounts have **no monthly fees, no initial deposit required, checkless, free money orders, no remittance fees**
  - In **2 years, 31,000 accounts** opened; **24,000 still active. Average balance: \$980**
  - Financial literacy training provided to almost 700 people
  - Program has a website and hotline for marketing

# Results from Other Programs (cont)

- **Houston**

- Organized by City Treasurer, Mayor's Office, Alliance for Economic Inclusion (FDIC sponsored), and Federal Reserve Bank of Dallas Houston branch
- Launched January 2009
- Budget of \$130,000 in marketing dollars and pro bono design services from marketing firm; Clear Channel billboards donated
- City provides part time staff and website
- 22 financial institutions as members
- Low or no cost checking with no minimum balance requirements, offer debit or ATM card, offer at least one additional account feature
- Nine non-profits provide financial literacy training in English and Spanish
- **Goal** to create **10,000 new accounts in first year; reached in first quarter**

# Results from Other Programs (cont)

- **Other California Cities**

- Targeted cities: Los Angeles, San Jose, Oakland and Fresno
- Started in 2008
- Program coordinated by staff from Governor's office and FDIC (2 total); managed locally
- Funded from private sources; no state money involved
- 30 financial institutions in the five cities
- Low or no cost monthly fees, no minimum balance, waiver of first set of overdraft fees.
- Goal to reach 100,000 in two years
- Program includes financial literacy training

# Lessons Learned from Other Programs

- **Early involvement of financial institutions and regulators is a must**
  - Banks benefit from starter accounts that generate new customers and favorable CRA consideration
- **Proactive support by City is important** (staffing, city leadership)
- Coalition with a **formal partnership structure provides needed organization**
- **Strong involvement** with **community** organizations, financial institutions, churches, schools, employers is essential
- **Resources and experts must be mobilized at the front end** (i.e. FDIC, Federal Reserve)
- Need **pro bono marketing support**

# Necessary Next Steps to Implement a “Bank on Dallas” Program

- Obtain support of major banking institutions and credit unions
- Employ a designated individual to facilitate the program design process (est. cost: \$5.5k) including the formation of a design team steering committee
- Convene a planning and design team steering committee
  - Designate Chair and Vice Chair
  - Create/recruit subcommittees: products and services, marketing, financial literacy
- Gain commitment from a marketing/advertising firm to provide pro bono marketing assistance
- Anticipate an independent fundraising requirement of \$100,000 to underwrite marketing, program materials and program launch
- Dedicate a City staff person (.5-1 FTE) to manage program

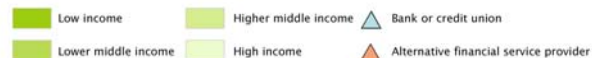
# Appendix



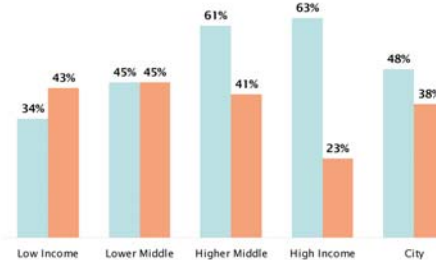
# City Profile: Dallas

## Basic Financial Services Infrastructure (estimates)

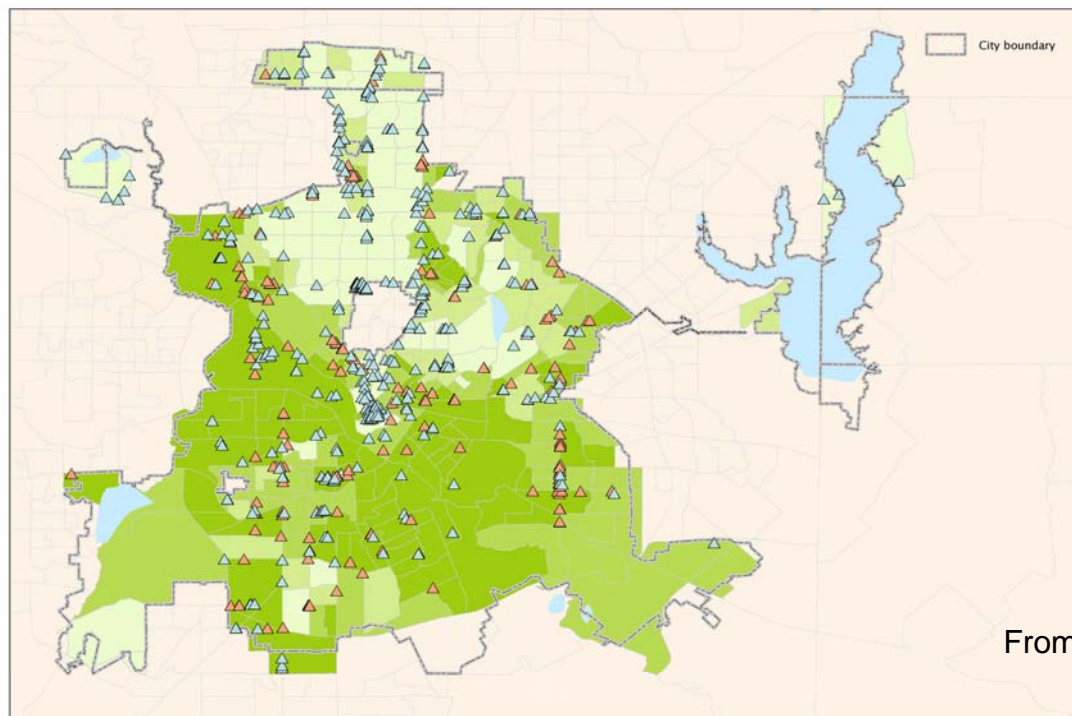
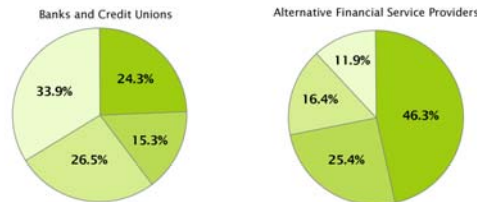
Number of non-bank check cashers	107	Number of payday lenders	98
Total value of checks cashed	\$246,742,765	Total value of payday loans	\$171,223,901
Total fees on checks cashed	\$6,168,569	Total fees on payday loans	\$27,823,884
Number of pawnshops	88	Number of banks and credit unions	366
Total value of pawn loans*	\$21,157,915	Major banks, by number of branches	Bank of America, Chase, Wells Fargo, Washington Mutual, First National



Proportion of Neighborhoods Containing a Financial Services Branch, by Neighborhood Income



Distribution of Financial Services Branches, by Neighborhood Income



From the Brookings Institute

Brookings analysis of data from the Texas Office of the Consumer Credit Commissioner, the Federal Deposit Insurance Corporation, infoUSA, and the U.S. Census Bureau. The estimates in these analyses were generated using the best available data, but should be treated as estimates nonetheless. \*Because we lack reliable data on pawn loan fees, they are not included here. Alternative financial service providers include any non-bank institutions that offer check cashing, payday loans, and/or pawn loans. Neighborhood income represented by census tract. Income groups were determined using national neighborhood income quartiles where median neighborhood income is greater than \$0 (low income is \$37,146 or less; lower middle income is between \$37,147 and \$48,258; higher middle income is between \$48,259 and \$64,190; and high income is \$64,191 or greater). Census tracts that are not fully contained within city boundaries are included in this analysis only if more than half of tract population falls inside the city. Financial services data are current as of 2006; neighborhood income data are from 1999 and have been adjusted to 2006 dollars using the Bureau of Labor Statistics' CPI Research Series.