

Treasurer Stephanie Neely
City Treasurer's Office
City of Chicago
121 North LaSalle Street
City Hall, Room 106
Chicago, Illinois 60602



CC: Kant Desai, Chief of Policy

August 6, 2013

Dear Treasurer Neely,

Thank you for your work to strengthen and expand the Bank On Chicago Initiative. The Illinois Asset Building Group (IABG) has been grateful for your engaged partnership and commitment to increasing the number of banked households in Chicago. We believe all people deserve access to the tools needed to build financially secure futures for themselves and their children – including access to a safe checking and savings account.

The Bank On Chicago program is a way to demonstrate reliability and safety in a financial product that individuals can trust. By moving individuals into the financial mainstream, we reduce loss of income to these individuals, increase financial security, and empower people to take control of their finances.

Over the past two years we have seen a number of successes. Over 5,350 accounts have been opened through the initiative. These accounts are an important first step in moving people along the pathway to increased financial stability. The program has also expanded to include a total of 13 financial partners and 25 community partners. Their engagement has been greatly enhanced by the creation of the Bank On Chicago Mini Grant program.

However, we believe there is a fundamental inconsistency between the Bank On products offered by participating financial institutions and the needs of the un/underbanked population. According to a study by the Pew Health Group, the following are reasons most cited for being unbanked:

- Do not have enough money
- Lack proper identification
- Lack time to open an account
- Bank fees are high and/or hidden
- Do not understand the banking system
- Prefer anonymity of check cashers
- Do not trust the banking system
- Listed on ChexSystems

We believe that the Bank On Chicago product should be created with these banking barriers in mind. Chicago, especially as a leader in the Cities for Financial Empowerment Coalition, can and should be a model for other Bank On initiatives across the country. In an effort to move in that direction, the following are recommendations of the Bank On Community Partners for creating a product that will appeal to and work for this specific population.

No Monthly Maintenance Fees: In our survey of community partners, monthly fees were cited as the number one feature that turns away unbanked individuals. Similarly, we have anecdotal evidence that community partners will more often refer potential clients to the financial partners like PNC, Guaranty Bank, or BMO Harris Bank which do not require a monthly fee. Across the country, there are Bank On cities that require approved checking accounts to have no monthly fee, including Seattle, WA and Savannah, GA. We believe Chicago should follow suit.

Unlimited Free Bill Pay: Participants that have a limited number of free bill payments per month often find themselves with unexpected and unmanageable monthly fees. With rent, utilities, internet and phone, car payments, auto insurance, and other monthly expenses, a small number of free bill payments a month does not cut it.

Free Online & Mobile Transactions: Free access to online and mobile banking features including the ability to check balances, transfer money, and pay bills should be a required feature of all Bank On Chicago accounts. With the prevalence of smart phones across communities, mobile banking is becoming an important feature for underbanked communities where access to financial institutions is limited. Banking partners should expand access to these features for all participants.

Low Initial Deposit & No Minimum Balance: For unbanked individuals with very low income, finding \$50 (the highest opening deposit required for several Financial Partners) to set aside and not spend immediately on necessities like food or rent can be truly difficult. Opening deposit requirements should be \$10 or less. Likewise, many low-income families are living paycheck to paycheck and thus do not have the ability to maintain a sizable minimum balance. We recommend that there should be no minimum balance requirements.

Overdraft Protection: The fear of endless fees is one of the major deterrents to new checking accounts for the unbanked. Overdraft fees often turn once banked individuals into unbanked individuals. One way to address this is to ensure that overdrafting an account is not possible, especially via a debit card purchase or an ATM withdrawal. We recommend that overdraft protection is no longer available with a Bank On Chicago checking account.

No Inactivity Fees: Account inactivity can be common among lower-income individuals who may have seasonal or transient employment. Charging an account inactivity fee for a sparsely funded account affirms many of the banking fears felt by this population.

Unlimited Free Check Cashing: According to the FDIC's 2011 Unbanked Report, 47.2% of unbanked households have used non-bank check cashing. Offering unlimited free check cashing will go a long way as an incentive to increase the opening of new Bank On Chicago accounts.

Two Free Money Orders or Certified/Official Checks per Month: Money Orders are the most used non-bank financial services at 58.8% of unbanked having used it. Many Financial Partners charge more for

Money Orders and Cashier's Checks than non-bank service providers like check cashing establishments. We recommend that banks provide at least 2 free money orders or certified checks per month.

Accept at least 2 forms of alternative identification: By accepting alternative identification like Matricula Consular cards from Mexico and the Employment Authorization Card by the Justice Department (Work Permit), Financial Partners should see an increase in new checking accounts from unbanked immigrant communities. In surveys conducted by the National Council of La Raza they found that if an unbanked Latino individual does not have state-issued identification (state ID or Driver's License) then the two forms they are most likely to possess are either ITINs or Mexico's Matricula. According to the FDIC's 2011 report, 17.7% of the unbanked and 9.4% of the under-banked in the U.S. are Foreign Born Non-Citizens. That is a considerable population, often residing in urban centers like Chicago, which would benefit from access to the financial security of a Bank On Chicago checking account. Considering several financial partners already accept these alternative forms, we advocate that all Financial Partners be required to accept either both of these alternative identification forms or others of a similar nature to make opening an account easier for the unbanked immigrant community in Chicago.

Linked Savings Account: We believe that savings are key to building financial stability. Emergency savings can help people weather financial emergencies like car repair, medical emergencies, or job loss. Many of the community partners are providing opportunities to learn how to save. A linked savings account will allow participants to put what they are learning into action.

Second Chance Accounts: A sizable portion of the unbanked are that way because of being on ChexSystems. While several financial partners offer pathways off of ChexSystems, not all do, and most exclude those with a history of fraud. Not all fraud is the same, and given the vague nature of ChexSystems Fraud reporting, what is reported as fraud may not be significant or accurate, evidenced through disputes leading to removal. We believe those with a sparse or low ChexSystems history of fraud be given a second chance. North Side Community Federal Credit, a Bank On Chicago community partner, offers a pathway off of ChexSystems in the form of a savings account and debit card that we would like to recommend as the basis for the Bank On Chicago initiative. We recommend that those on ChexSystems and/or have a history of fraud totaling below \$500 be able to open up, at all financial partners, a savings account with a connected debit card. After one year of responsible banking they can open up a checking account at the same establishment.

Finally we ask that you consider taking these recommendations and creating a standardized Bank On Chicago Checking Account across financial partners. The variety of products and product names across financial institutions make it almost impossible for a participant to walk into a bank and ask for a Bank On Chicago Account. This runs counter to the community partners' efforts to raise awareness of the initiative and the product. In addition to making outreach easier it will also lead to a better process for collecting data and measuring the impact of the overall initiative.

In addition to bank account specifics, we recommend the Bank On Chicago initiative address another relevant financial product – Prepaid Cards. Prepaid cards is a growing, yet unregulated, industry. Widely used by un/underbanked populations, prepaid cards are often seen as an alternative to checking

accounts. We believe the Bank On Chicago initiative should promote the [Principles for Prepaid Debit Cards](#), as outlined by the Cities for Financial Empowerment (CFE) Coalition, with the Initiative's financial partners that offer such a card.

We are more than happy to provide clarification or additional information on these recommendations. As a next step, we would like to meet with you to discuss these recommendations in more detail. Please contact Ethan Brown, IABG Program Associate, at 312-870-4932 or via email at ebrown@heartlandalliance.org to set up a time that's convenient for you.

Thank you for your time and we look forward to further conversations.

Sincerely,



Lucy Mullany
Senior Policy Associate
Policy & Advocacy at Heartland Alliance
Coordinator, Illinois Asset Building Group (IABG)

The following Bank On Chicago Community Partners sign on in support of these recommendations:

Center for Economic Progress
Chicago Commons
Chinese American Service League
Community Reinvestment Organizing Project of the Monroe Foundation
Economic Awareness Council
Heartland Human Care Services
Illinois Asset Building Group
Ladder Up
National Latino Education Institute
North Lawndale Employment Network
Partners in Community Building
Safer Foundation
Sargent Shriver National Center on Poverty Law
The Renaissance Collaborative
The Resurrection Project
United Way of Metropolitan Chicago
YWCA Chicago

