

Boston Alliance for Economic Inclusion

Unbanked/Underbanked

December 6, 2012

Talking Points

- Thank you. Good afternoon. First, I'd like to thank Paul Horowitz for inviting me here today and thank you to the Boston Alliance for Economic Inclusion for hosting this event.
- My name is Barbara Anthony, and I am the Undersecretary of the Massachusetts state Office of Consumer Affairs and Business Regulation. At Consumer Affairs, we seek to empower consumers with information about their rights and responsibilities, but we also work to ensure a fair and competitive marketplace through regulation and oversight by five state agencies. One of those agencies is the Division of Banks.
- The Massachusetts Division of Banks regulates hundreds of banks and credit unions in the Commonwealth, and regulates other financial institutions as well, such as mortgage lenders and bookers, check cashers, and debt collectors. The Division also conducts consumer outreach programs in conjunction with my office.

- The Office of Consumer Affairs and the Division of Banks undertake three important consumer outreach campaigns, one centered on low-cost banking options called “Bank on It,” a second centered around teaching college students basic personal finances called “Project Credit Smarts,” and a third centered on no-fee accounts that state-chartered banks must offer for kids and seniors called “18-65 accounts.”
- The “Bank on It” campaign seeks to empower consumers that were unbanked and underbanked to obtain a bank account. With the campaign, we intend to advance consumer confidence in banking products and services by providing information about low-cost banking options that most banks offer, a no-frills checking or savings account with which consumers could feel comfortable. It also provides simple comparisons between low-cost banking options and high-cost check cashers. In addition, we try to further awareness of low-cost banking so consumers better understand the value of creating a relationship with a bank to have increased access to future lines of credit such as personal loans or mortgages.
- Project Credit Smarts is another campaign taken on by my office. We teach directly to college students in their schools about the importance of credit and debt, bank accounts, student loans, identity theft, and other important information. Our goal is to arm our young people with the knowledge to make smart financial

choices, and much of the information in the program is geared toward teaching an understanding of banking products.

- On a related note, I am a member of the Financial Literacy Advisory Committee. That Committee, set up through statute signed by Governor Patrick, is developing a pilot program to implement financial literacy education in the high schools of 10 gateway cities. This program aims to introduce young people to financial products and services in ways that will invest in a solid foundation for their futures.
- In our “18-65 account” campaign, we make sure that banks post, as required by law, the ability for residents 18 and under and 65 and older to obtain a no-fee checking and savings account from state-chartered banks. In fact, we conducted a survey a little over a year ago where we actually went into local bank branches and made sure information about these accounts was posted.
- In April of this year, my office performed a statistically valid survey of Massachusetts consumers regarding understanding of personal financial awareness and literacy. One of the questions this survey asked was whether the consumer knew that people over 65 years old could obtain a no-cost checking account at Massachusetts state-chartered banks. We found that about 50% of consumers knew about this law. This shows that our awareness campaign is working, but that we still have a ways to go.

- In our survey of banks, we found that most of these banks substantially complied with the letter of the law regarding the 18-65 accounts, but we think that more can be done in the spirit of the law to reach out to the customers and provide them with this helpful information. To that end, my office created educational materials with specific information about these accounts for consumers that we distribute at various events and on our website, mass.gov/consumer. And this past August and September, Verizon worked with my office to sponsor 30-second PSAs on 18-65 accounts throughout its FIOS cable network.
- As you all know, the FDIC issued results on a 2011 survey on Unbanked and Underbanked. It shows a significant decline in the use of traditional banking services and increase in the use of alternative banking products such as check cashiers or payday lenders.
- Massachusetts is not immune from this shift. We saw an increase in unbanked from 4% of the households in 2009 to 4.9% in 2011. And the number of underbanked Massachusetts households increased from 11.6% to 14.1%. We in Massachusetts have strict laws when it comes to lending, so we do not have the type of payday lenders, and their associated problems, that we see in other states. But clearly we are seeing the same move away from traditional banking that is occurring across the country.

- One overarching theme in the survey results is that many people may consider banking products to be too onerous, people do not understand those products, banks themselves may seem too impersonal, and the whole experience may just be overwhelming.
- The survey shows that those groups of people we traditionally think of as having a higher likelihood of being unbanked or underbanked, namely lower-income individuals and minorities, are indeed more likely to be unbanked or underbanked. But interestingly, the survey found that the unbanked or underbanked are not a homogeneous population when it comes to their socio-economic status, past banking experiences, and reasons for not holding an account. There is a significant cultural component in the diversity of our communities that may affect this banking equation.
- In some ways, this shift from traditional banking services and products cuts across all strata of people, much the way that the foreclosure crisis did. Indeed, this shift toward alternative banking services may be collateral damage from the foreclosure crisis. We keep hearing that credit is tight, and this may be driving a move to alternative financial services. And this was an economic crisis that involved banks, so it should not be a surprise that there is a turn away from traditional banking products.

- We have a shared responsibility amongst industry and government to exhibit cultural sensitivity, work to expand the extension of credit, offer low-fee products, and educate consumers about their financial options.
 - One way that banks are being helpful is through interaction with the communities in which they reside: Many banks establish community partnerships, which are good business models to both support community development and also promote banking products.
 - Consumers, too, have a responsibility: They need to educate themselves about the available options and choose the best option for their individual circumstance.
 - But our shared responsibility requires that industry and government need to provide consumers with information. Through community involvement, we can foster cultural sensitivity and further our outreach efforts to diverse communities.
- I encourage local and national financial institutions to be involved in direct consumer contact. That is the best way consumers will understand that banks offer positive and crucial services, and direct contact is the best way to create trust. Through quality customer service and through targeted outreach programs we can influence a move to traditional banking services.

- The goal here is not to convince consumers to open bank accounts because we say it is a good thing. We cannot get consumers to stop using expensive check cashers or stuffing their money in the mattress just because we say so.
- The goal is to empower consumers through financial education so that they can make the best decision for themselves and give them the information and resources and attention they need to best manage their finances.
- Working together, we can inspire a move to traditional banking services, one community at a time. I am greatly encouraged by events like these. You've shown your commitment before, you're showing commitment now; let's commit for the future and change the negative perception and stereotypes of banking in America, while at the same time enhance trust and participation of consumers through empowering them with information.
- I look forward to working with you all. Thank you.