

Building Financial Stability:
Policies to Help Families Access Reasonably Priced
Financial Services

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Building Financial Stability
Policies to Help Lower Income
Households Access Reasonably
Priced Financial Services

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Why Financial Services Access Matters

- Ability to keep income
- Access to lower cost financial services, cheaper credit
- Ability to build savings
 - to avoid expensive credit
 - For mid-life (education) and long-term assets (retirement)
- Learning wise financial practices
- Bringing cash transactions into the mainstream economy
- Increased financial stability for the family and community

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The Current State of Financial Services

- Lack of reasonably priced financial products that meet lower-income households' transaction needs, while also enabling them to build savings
 - By depositories
 - By nonbank firms
- Limited state and federal policies and programs to facilitate and encourage access to bank accounts (transaction and savings products)

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Policy Options at the State Level

- Banking initiatives
 - Bank On Indiana
 - Banking Development Districts
- Unique “moments” to connect to accounts
 - Birth
 - Tax Time
 - Public Assistance
- Nonprofit banking initiatives
- Engagement and regulation of nonbank financial services
- Financial education

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Banking Initiatives: Bank On... Indiana

- Collaboration between government and financial institutions to provide and market starter bank accounts
- Engage municipal leaders to lead local coalitions to raise awareness of the accounts
- Community organizations – local United Ways, Goodwill, Community Action Agencies – educate and facilitate access to participating banks
- Important Steps
 - Establish accounts with no overdraft fees or monthly charges and consider prohibiting overdrafts, period
 - Forgo ChexSystems/credit checks
 - Accept ITIN numbers to reach immigrant populations
 - Track account usage data
 - Facilitate direct deposit

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Banking Initiatives: Banking Districts

- State established banking development districts
- State funds deposited into banks that expand services and locate in designated districts
- Municipalities' incentives:
 - access to below-market public funds
 - property tax breaks
 - other local tax incentives

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Unique Moment: Birth Children's Savings Accounts

- Create children's savings accounts for education, homeownership, and retirement
 - Enroll children at birth
 - Seed the accounts
 - Match for income, savings goal, certain activities
 - Enhances financial education
- Platform options
 - 529s (Education)
 - Vouchers
 - Thrift Savings Plan model

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Unique Moments: Tax Time

- Annual time when billions of dollars flow to low and middle-income tax filers
 - \$80 billion annually in tax refunds to tax filers with AGIs of \$30K or less
- Annual occurrence when middle and lower-income households receive a significant lump sum payment
- Tax filers use tax time and the refund to do financial planning for the rest of the year

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Unique Moment: Tax Time

- Indiana Tax filers: Who are They?
 - 2.8 million individual tax returns filed
 - 1.4 million households earn \$30,000 AGI or less
 - 437,364 tax filers claiming the EITC
 - \$800 million in Federal EITC dollars claimed

TY 2005

The Brookings Institution

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Unique Moment: Tax Time

- Use of state EITC to spur opening of bank accounts
 - Tax filers could be defaulted into a savings or transaction account
 - Enable the account to receive deposits throughout the year
 - Facilitate direct deposit into the account
 - Provide security, convenience, and the capability to manage and track spending
- Enable tax filers to split refund and encourage use of the federal split
- Provide a state tax credit bonus for tax filers who save in certain savings products (529s, U.S. Savings Bonds, 1 year CDs, etc.)
- Enable the purchase of U.S. Savings Bonds on the state income tax form

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Unique Moment: Tax Time

- Educate lower-income tax filers about the federal and state EITC
 - Mandate that employers inform employees
 - “It’s Your Money: Claim It”
- Support for VITA sites and efforts to promote account opening and savings at tax time

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Unique Moment: Benefits Cards

- Debit cards connected to a bank account into which benefits funds are deposited (TANF, Food Stamps, Unemployment Insurance)
- Serves as a transaction tool
- Upgrade
 - To receive other payments - wages/salary, other benefits
 - Add a savings component
 - Distribute direct deposit forms
 - Help banks satisfy Know Your Customer requirements

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Unique Moment: Assets Test for Benefits

- Temporary Assistance for Needy Families (TANF)
 - Improve or eliminate the Assets Test
 - Raise Limit, Exclude all Vehicles, Exclude Specific Assets
- Medicaid/SCHIP
 - Eliminate cap for parents of children who qualify for assistance

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Support for Nonprofits

- Volunteer Income Tax Assistance programs
- Financial education programs
- IDA programs
- Nonprofits connecting households to fairly priced financial services

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Southern Indiana Asset Building Coalition SIABC



equity is democracy.

ASSET Building Coalition

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History

The Asset Building Coalition was formed in 2005 by the Clark County, IN community through a grant from the Indiana Association of United Ways. The lead agencies are Metro United Way of Clark County and the Community Foundation of Southern Indiana.

Our Mission

To assist individuals in utilizing equitable financial systems.

How we turn our mission into action

- Providing free financial counseling, financial education workshops and tax preparation services;
- Partnering with financial institutions who offer fair financial services;
- Partnering with community based organizations, religious institutions and government agencies to educate community members about state and federal benefit programs they are eligible to receive;
- Partnering with community based organizations, religious institutions and government agencies to educate community members about predatory financial practices in their communities.

The Southern Indiana Asset Building Coalition exists to assist individuals in utilizing equitable financial systems.

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Financial Education

- State office of financial education
- Clearinghouse of Fin Ed Curricula/Information
- State Seal of Approval
- Promote incorporation of financial education into K-12 curriculum
- Financial Services Corps
- Encourage employer-based Fin Ed

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Regulate Nonbank Financial Services

- Encourage partnerships with check cashers and banks and credit unions
- Restrict abusive payday lending practices (cap interest rate at 36%)
- Curb abusive tax preparation practices (require strict licensing, disclosure, interest caps)

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New America in California

2007-2008 Legislative Session:

- Senate Bill 752 Creating a California Kids Account for Every Child
- Assembly Bill 167 The CalWORKs Savings Act
- Assembly Bill 1502 Establishing Banking Development Districts
- Assembly Bill 1693 The Refund to Savings Act
- Assembly Bill 2123 The California Financial Literacy Initiative
- Assembly Bill 2368 The CalWORKs Mobility Initiative
- Assembly Bill 2940: California Employee Savings Program (CalESP)
- Assembly Joint Resolution 59: California Subprime Mortgage Foreclosure Resolution

2005-2006 Legislative Session:

- AB 2466 Reforming the CalWORKS Asset Limit (Signed into Law)
- AB 2439 Split Refunds/Savings Bill (Signed into Law)

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