



Alliance for Economic Inclusion Southeastern Michigan

**Michigan Asset Building Coalition
October 28, 2008**





The Un/Under-Banked

- 28 million unbanked/44.7 million under-banked (40 million households) in the U.S.
- Americans spend \$10.9 billion annually on 324 million alternative financial transactions
- LMI households generate \$1.1 trillion in annual income
- Unbanked consumers represent nearly \$510 billion in income each year

**FDIC/U.S. Bureau of Labor & Statistics*

The Un/Under-Banked



Nearly 965,000 un/under-banked in SE MI

Tri-County Statistics*

Communities	2000	2006	# change	% change	% un/under	# un/under
Total Pop	4,043,476	4,018,969	-24,498	-0.6%	24%	964,553
Hispanic	118,641	146,097	27,456	23.1%	34%	49,673
African Am	1,008,964	1,014,913	5,949	0.6%	46%	466,860

**U.S. Census Bureau*

Detroit Area Household Financial Services Survey

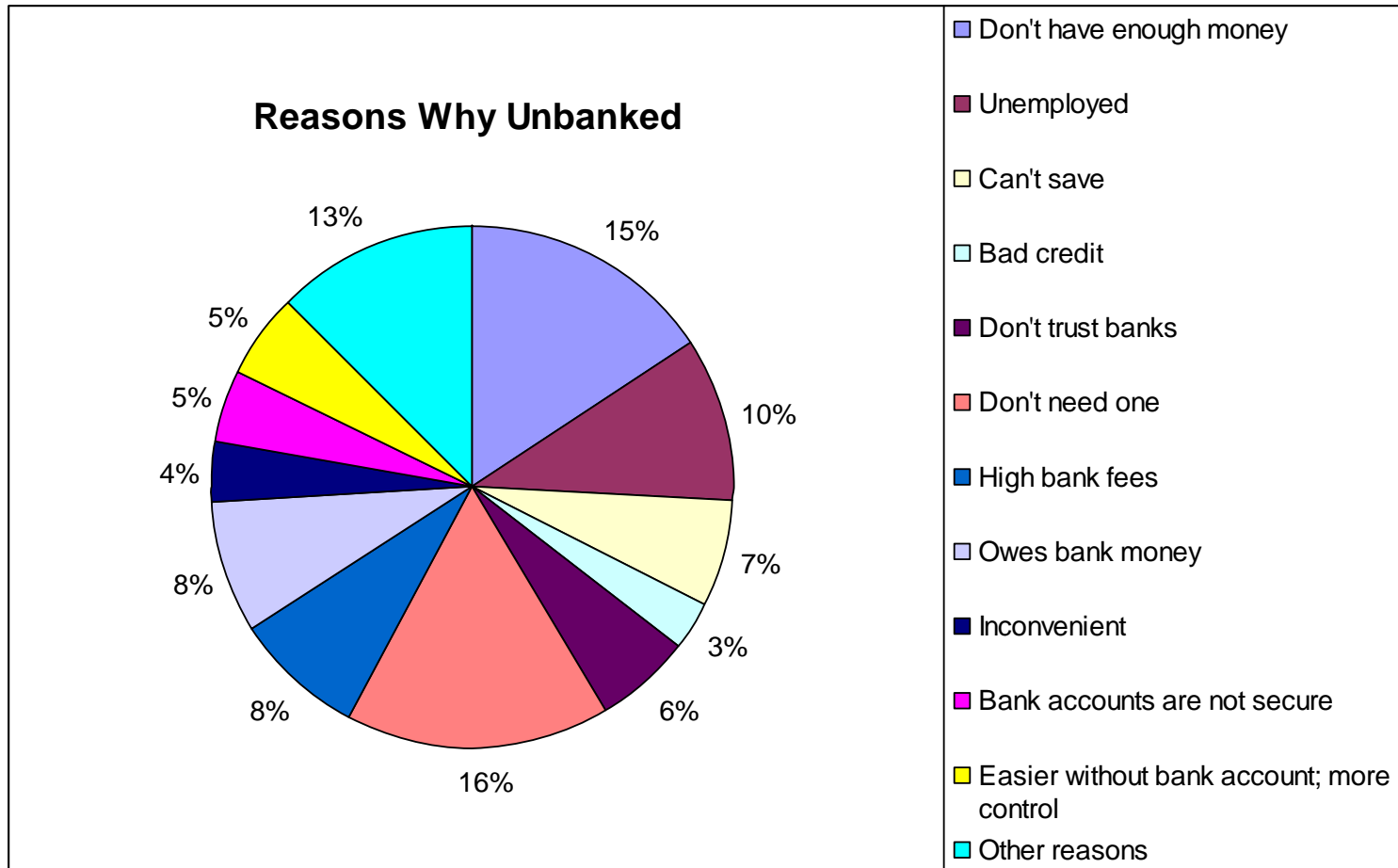


- Survey of 1,003 households in Detroit metro area
- Random, stratified sample
- HH area median = 49,000
- Over sample low-income census tracts
- Questions: individual & household financial service use
- In-person, computer assisted
- Average interview length 76 minutes
- 65% response rate

*Detroit Area Household Financial Services Study, Michael Barr, University of Michigan Law School, 2007

See <http://www-personal.umich.edu/~msbarr/> and click on “Detroit Area Study”

Reasons Why Unbanked



*Detroit Area Household Financial Services Study, Michael Barr, University of Michigan Law School, 2007

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Financial Services Mismatch



- Financial system not designed to serve low- and moderate income households
 - Supply: High bank account fees, high minimum balances, overdraft & NSF fees, check-writing delays & fees, ChexSystems for past account problems
 - Demand: Low income, low savings, immediate needs
- Alternative financial services sector serves poor
 - Check cashers, payday lenders, refund anticipation lenders, pawnshops, title loans, etc.
 - Often costly, inefficient & dead-end

*Detroit Area Household Financial Services Study, Michael Barr, University of Michigan Law School, 2007

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The Un/Under-Banked

- 70% previously banked
 - 70% closed due to moving, high fees, NSF
 - 30% bank closed due to overdrafts
- 75% want to open a bank account
- 33% have looked into opening an account
- 17% report that a bank has denied an application to open a bank account

*Detroit Area Household Financial Services Study, Michael Barr, University of Michigan Law School, 2007

See <http://www-personal.umich.edu/~msbarr/> and click on "Detroit Area Study"

The Un/Under-Banked

- Barriers to building assets
 - Limited access to mainstream financial products
 - High transaction fees
 - Credit
 - Consumer trust
- Safety issues
- Quality of life
 - Direct deposit
 - Bill pay
 - Online banking
 - Savings

AEI Mission



The Alliance for Economic Inclusion establishes a coalition of financial institutions, community-based organizations and other partners focused on improving access to U.S. regulated financial institutions for unbanked and underserved populations. We accomplish this by:

- Delivering comprehensive financial education
- Developing financial products and services that meet the needs of the community
- Advocating for policy changes that promote asset-building

AEI-SEM Vision



The Alliance for Economic Inclusion Southeastern Michigan will be a driving force behind the creation of economic stability for individuals and families by increasing banked households in the region by 50% by 2020.



AEI: Return on Investment

- **LMI individuals/families**
 - Barriers to savings and asset-building broken down; Relationships established/reestablished with regulated financial institutions
- **Community-based partners**
 - Increased ability to assist clients in becoming financially stable (Asset Lens); Grant leverage
- **Community**
 - Local Multiplier Effect –benefits of money that stays in community, home

AEI: Return on Investment



- **Financial institutions**
 - Gain educated customers, increase chances of successful relationships
 - Capture/re-capture customers and strengthen potential market share
 - Satisfy Community Reinvestment Act requirements (banks)/industry philosophy (CUs)



AEI Hispanic Project

- In 2006, Vicente Sanchez (Mexican Consul of MI/OH) approached FDIC, FRB and United Way to launch an SE MI project
- Latino community 34% unbanked nationally, represented by nearly 50,000 unbanked in SE MI
- Since 2003 AEI launch in Chicago
 - More than 10,000 Mexican immigrants have participated in financial education classes
 - 50,000 new bank accounts have been opened
 - \$100 million has been deposited in U.S. financial institutions

AEI-SEM Pilot Results: Hispanic Project



- Timeframe: March - June 2008
- Oakland, Wayne & Macomb counties
- 151 clients completed courses
- 39 new bank accounts opened (57% of previously unbanked)
- Flagstar hired 5 new bilingual staff
- 42 volunteers trained; 8 courses offered



AEI-SEM Expansion

- AEI initially designed to segment communities for comprehensive approach to distinct needs
- AEI ultimately designed to serve all underserved
- Continuing Hispanic Project – SW Detroit, Pontiac
- African American community project launch
 - 46% un/under-banked nationally
 - Estimated 467,000 in SE MI
- Planning process initiated - July 2008



Key Inputs

- Quality AEI membership
- Tiered financial education program
- FDIC MoneySmart curriculum
- Local bank/CU branches - personal attention
- Appropriate products and services
- Trusted community institutions/individuals
- Volunteer trainers
- Certificate of completion
- Related programs, training and resources
- Public policy issues, i.e. penalties for saving



Key Outcomes

- Individuals and families sustain “healthy” relationships with regulated financial institutions
 - Take advantage of additional products/services
 - Consistently save min. of \$300
- AEI sustained and expanded to include other underserved populations
- Policy barriers removed



AEI: Role Expectations

- **Community partners**
 - Coordinate and host financial literacy classes
 - Promote the AEI program
 - Actively participate in AEI planning, tracking and evaluation processes
 - Identify tech assistance and data needs of class
 - Provide access to additional resources for individuals and families in the program, i.e. tax prep, credit counseling, homeowner training
 - Utilize community influence to secure resources and partnerships



AEI: Role Expectations*

- **Financial partners**
 - Offer a low or no cost account
 - Open accounts for those with ChexSystems history over one year old
 - Open accounts for those on ChexSystems less than one year old with financial management training
 - Waive one set of NSF/OD fees per client
 - Require no monthly min. balance requirement
 - Participate in a min. of four community financial training sessions each year
 - Actively partner with community groups to promote the AEI product
 - Track accounts and report out on a quarterly basis

* FDIC "Banker's Toolkit," 2006

AEI-SEM Participation



- **Partnership MOU**
 - Embracing change and innovation
 - AEI champion at the leadership level
 - Working collaboratively with AEI membership
 - Offering relative resources that advance the objectives of the initiative
 - Commitment to data collection, evaluation and reporting practices

What can community leadership do to advance AEI?



- **Consider solutions to challenges**
 - Resources to expand, i.e. grants
 - Sustainability
 - Incentives re: clients, community, banks/CUs
 - Marketing resources
 - Volunteer resources



Alliance for Economic Inclusion Southeastern Michigan

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