



## ***DCU BULLETIN***

*Division of Credit Unions*

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### **Division Sponsoring Conferences on Reaching Un-Banked and Under-Banked**

The Division of Credit Unions (Division), the National Credit Union Administration (NCUA), and the Washington Credit Union League (League) are sponsoring a conference in October. The primary purpose is to encourage credit unions to deliver asset-building products and services to un-banked<sup>i</sup> and under-banked<sup>ii</sup> individuals that will make a real difference to Washington's communities. The conference will also provide best practices on how to move the un-banked and under-banked along a pathway into savings, credit, and investing products that are both profitable for the credit union and wealth-building for the member.

The conference will be repeated on three dates and in three locations to make it convenient for you to attend.

<i>Tuesday, October 16</i> <i>8:00 am to 12:30 pm</i>	<i>Lynnwood</i>	<i>Hampton Inn &amp; Suites</i> <i>19324 Alderwood Mall Parkway</i> <i>Lynnwood</i>
<i>Tuesday, October 23</i> <i>8:00 am to 12:30 pm</i>	<i>Spokane</i>	<i>Mirabeau Park Hotel &amp; Convention Center</i> <i>N 1100 Sullivan Rd</i> <i>Spokane Valley</i>
<i>Tuesday, October 30</i> <i>8:00 am to 12:30 pm</i>	<i>Yakima</i>	<i>Clarion Hotel &amp; Conference Center</i> <i>1507 N First Street</i> <i>Yakima</i>

A continental breakfast will be provided starting at 8:00 am.

Management, community outreach officers, and board of directors from state-chartered and federal chartered credit unions are encouraged to attend.

The Fannie Mae Foundation estimated 10 percent of American households are un-banked, totaling 23-56 million adults<sup>iii</sup>. BearingPoint estimates the under-banked population could be an additional 45 million people.<sup>iv</sup> It is estimated that the un- and under-banked population spends at least \$10.9 billion a year on fees and charges to alternative financial service providers (AFS). Examples of these AFSs include check cashers, payday lenders, convenience stores, the post office for money orders, rent-to-own shops and pawnshops. Even some “super” discount stores now cash checks, sell money orders, offer bill payment services, and sell stored-value cards. The Consumer Federation of America shows that people without savings are six times more likely to use AFS products<sup>v</sup>. Those who lack access to the banking system spend significantly more on financial transactions. The volume of transactions for the un-banked and under-banked can translate into large profits, as demonstrated by the growth in AFS companies and remittances in the last 30 years.

Credit unions are strategically well positioned to offer reasonably priced, basic financial services — such as check cashing, money orders, and most importantly, savings accounts — to help families who are currently un-banked or under-banked build savings and improve credit risk profiles. Reasonably priced short-term loan products with a savings component provide sensible alternatives to payday loans in a way that helps families manage their short-term credit needs and build a savings cushion for emergencies. In addition, financial literacy helps individuals build their first small assets and may also enhance trust, loyalty, and member retention for credit unions.

We want to encourage credit unions in their strategic business planning process to consider including a specific outreach to un-banked and under-banked individuals and families that will provide alternatives to high cost and often predatory financial products. The regulators and credit unions share a commitment and vision to provide increased access to affordable, mainstream financial products and services to un- and under-banked individuals. The Division is working on an examination program<sup>vi</sup> on what are safe and sound practices in serving the un-banked and under-banked members.

The Division, NCUA, and the League are holding a series of morning conferences to discuss this concept with you. We will also provide examples, contacts, and tools, as well as a chance to explore the risks and rewards of these outreach programs. The Director of Credit Unions encourages you to try to attend one of these conferences. Each of the conferences is identical in structure but may have different speakers. The Division and NCUA will be available to discuss the program, examination expectations, and assistance available. There will also be a panel of community service

providers from the conference location area who will describe their constituencies, their needs, and what barriers they are confronting. Then we will have a panel of credit union and banking managers who have experience in building trust with the un-banked to under-banked. They will answer questions and share inspirational anecdotes.

Please pre-register so we can be sure to have sufficient seats available. There is no fee. You may register by calling Elizabeth Acosta at (360) 902-8791, e-mailing us at [dcu@dfi.wa.gov](mailto:dcu@dfi.wa.gov), or on-line at [http://www.dfi.wa.gov/cu/unbanked\\_conferences.htm](http://www.dfi.wa.gov/cu/unbanked_conferences.htm)

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<sup>i</sup> Most authors define the unbanked as individuals without any banking relationship, although some individuals may have had a banking relationship in the past.

<sup>ii</sup> The Center for Financial Services Innovation (CFSI) uses the definition of under-banked as persons with a banking account but low FICO score that impedes their access to incremental credit. See “Highlights from the Inaugural Underbanked Financial Services Forum”, July 2006, [www.cfsinnovation.com](http://www.cfsinnovation.com) .

<sup>iii</sup> “Innovations in Personal Finance for the Unbanked: Emerging Practices from the Field”, Fannie Mae Foundation, 2003, [http://www.fanniemae.foundation.org/programs/pdf/fscs\\_Case\\_Studies\\_Intro.pdf](http://www.fanniemae.foundation.org/programs/pdf/fscs_Case_Studies_Intro.pdf) .

<sup>iv</sup> “Highlights from the Inaugural Underbanked Financial Services Forum”, The Center for Financial Services Innovation, July 2006, [www.cfsinnovation.com](http://www.cfsinnovation.com) .

<sup>v</sup> “Cashed Out: Consumers Pay Steep Premium to “Bank” at Check Cashing Outlets,” by Joan Ann Fox and Patrick Woodall, The Consumer Confederation of America, November 2006, [http://www.consumerfed.org/pdfs/CFA\\_2006\\_Check\\_Cashing\\_Study111506.pdf](http://www.consumerfed.org/pdfs/CFA_2006_Check_Cashing_Study111506.pdf) .

<sup>vi</sup> The NCUA has a White Paper titled “Supervising Community Development Credit Unions,” NCUA, February 2005, See <http://www.ncua.gov/letters/2005/CU/05-CU-01.doc> .