

2021

California Department of
Financial Protection and Innovation

BankOn California

PROTECTING CONSUMERS
FOSTERING TRUST & INNOVATION

DFPI 
DEPARTMENT OF FINANCIAL
PROTECTION & INNOVATION



DEPARTMENT OF FINANCIAL
PROTECTION & INNOVATION

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Published August 2021

TABLE OF CONTENTS

Background.....3

BankOn Programs5

Regional BankOn Coalitions6

Recommendations for the BankOn California Program8

Contact Information.....9

Sources.....10

BACKGROUND

An estimated 5.6 percent to 7.6 percent of Californians are considered unbanked, according to the Federal Deposit Insurance Corporation's (FDIC) most recent survey of household use of banking and financial services. That means that no one in their household has a checking or savings account. The unbanked numbers increase dramatically when filtered for income level (low-income, 24 percent), ethnicity (Black households, 15.2 percent; Hispanic, 14 percent), and disability (disabled, 15 percent). The FDIC survey, published in October 2020, found that the main reasons households do not have a bank account include:

- Don't have enough money to meet minimum balance requirements (48.9 percent)
- Don't trust banks (36.3 percent)
- Avoiding a bank gives more privacy (36 percent)
- Bank account fees are too high (34.2 percent)
- Bank account fees are too unpredictable (31.3 percent)

The BankOn California program was created in 2008 to help consumers access basic financial services while avoiding costly alternative financial products by creating low-fee bank accounts, in addition to creating partnerships with community-based organizations to overcome the lack of trust in the banking system. The program was launched by the Governor's Office with the help of financial institutions, city mayors, federal bank regulatory agencies, and community-based organizations. At its inception, the statewide program was a collaborative voluntary initiative to help develop and market low-fee bank accounts and educate Californians about the benefits of bank accounts.

The original BankOn regional programs were in San Francisco, Oakland, San Jose, Los Angeles, and Fresno. After the statewide launch, other regional BankOn programs were established in the Central Coast, Capital Region, Napa Valley, Santa Ana/Orange, Redding, and Stanislaus.

The statewide BankOn California program was placed within the former Department of Business Oversight on Jan. 1, 2016, by AB 1292 (Dababneh, 2015). The Department of Business Oversight became the Department of Financial Protection and Innovation (DFPI) in 2020. The DFPI has no authority over the participation of financial institutions in the program, and all organizations are participating on a voluntary basis with BankOn California. Most of the participating financial institutions are federally chartered and regulated, not by the state, but the federal government.

Since the initial program launch in 2008, the BankOn California program has largely gone dormant due to lack of funding and collaboration with financial institutions. The program has been under the management of the Cities for Financial Empowerment (CFE) Fund since 2012. The CFE Fund has major institutional support, primarily from Wells Fargo, Chase, and Bank of America. The CFE Fund created BankOn National Account Standards for financial institutions to become BankOn Certified. The standards include

core and strongly recommended features that address cost, functionality, and consumer safety.

Financial Code section 80002 requires the DFPI to provide a “brief summary” of the program’s activities annually to the chairpersons of the Senate Committee on Banking and Financial Institutions and the Assembly Committee on Banking and Finance. The report is due each year by August 30.

BANKON PROGRAMS

BankOn programs offered:

- *The BankOn National Account Standards* – Developed by the CFE Fund, the account standards identify both core and recommended features for safe and affordable banking products. The standards include transaction functionality such as point-of-sale capability, electronic bill payment, online banking, and no overdraft fees. BankOn coalitions can use these standards to identify local and regional banks and credit unions that offer qualifying accounts.
- *Financial Empowerment Centers (FECs)* – Financial Empowerment Centers are coalitions of government entities, financial institutions, and community-based organizations that administer regional financial empowerment programming. The three active coalitions in San Francisco, Sacramento (Capital Region), and Los Angeles receive extensive support from municipal sources.
- *BankOn Funding Resources* - The CFE Fund offers funding and technical assistance to cities and community partners. Funding opportunities include:
 - BankOn Innovation Grants of up to \$50,000
 - BankOn Capacity Grant Fund awards of up to \$25,000
 - BankOn Startup Grants of up to \$5,000
- *Starting A New Coalition* - The CFE Fund publishes a handbook for communities interested in starting or reviving BankOn programs. The "*BankOn Coalition Playbook: Equipping BankOn Coalitions for local banking success*" updated May 2021 is available at https://issuu.com/cfefund/docs/bank_on_playbook_jan_2017

REGIONAL BANKON COALITIONS

Of the 11 regional programs that were established, only three are still active: Los Angeles, San Francisco, and the Capital Region.

ACTIVE

Capital Region:

- Sacramento Financial Empowerment Center (FEC) currently operates the BankOn program, along with the CFE Fund.
- United Way Capital Region was the original program partner until the city took over operations with the CFE Fund.
- Currently the FEC is partnered with the International Rescue Committee (IRC) as the lead implementation partner.
- Serves Sacramento, Yolo, and Amador counties.
- List of financial institution partners:
 - Chase
 - Wells Fargo
 - Bank of America
 - Citibank
 - Self-Help Federal Credit Union
 - U.S. Bank

San Francisco:

- Founded in 2005-06 with then-Mayor Gavin Newsom and San Francisco Treasurer Jose Cisneros.
- The San Francisco Financial Empowerment Center uses the Smart Money Coaching model rather than the CFE Fund model.
- List of financial institution partners:
 - Mechanics Bank
 - Self-Help
 - Self-Help Federal Credit Union
 - U.S. Bank
 - Chase
 - Bank of America
 - Community Financial Resources

Los Angeles:

- BankOn program is housed in the county of Los Angeles Department of Consumer & Business Affairs
- List of financial institutions and accounts offered available at the link below:
 - Bank of America
 - Beneficial State Bank
 - Chase Bank
 - Citibank
 - Financial Partners Credit Union

- First Foundation
- SCE Federal Credit Union
- Self-Help Federal Credit Union
- Union Bank
- U.S. Bank
- Additional community and county partners
 - <https://dcba.lacounty.gov/bank-on-partners/>

Currently, Oakland is attempting to revive the BankOn Oakland program. Supporters are forming a coalition to administer the program.

NO LONGER ACTIVE

- Fresno
- Napa
- Redding
- Santa Ana
- San Jose
- Central Coast
- Stanislaus
- Redding

RECOMMENDATIONS FOR THE BANKON CALIFORNIA PROGRAM

Policy & Program Advocacy

- Government benefit programs should encourage unbanked recipients to open bank accounts.
 - A direct deposit option for federal, state, and local benefits could incentivize opening a bank account.
 - BankOn certified accounts are a viable option to meet this need.
- Encouragement of public-private partnerships could help meet the needs of unbanked households and individuals.
 - Government support can help bolster participation in the program, making the coalition stronger.
 - Creating a statewide coalition could help streamline negotiations with banking institutions, making it easier to onboard new partners.
- Data reporting on participants and accounts could be better.
 - Current BankOn statistics come from Federal Bank of St. Louis, BankOn National Data (BOND).
 - <https://www.stlouisfed.org/community-development/data-tools/bank-on-national-data-hub>
 - Data is aggregated but can be location specific with ZIP codes and region.
 - Currently, data is from 2018 and only accounts for the total BankOn accounts opened and currently open.
 - Marketing and outreach campaigns could help leverage strong partnerships, public resources, and community connections.

Financial Empowerment Center (FEC) Model & BankOn

- Simply providing low-cost banking options does not motivate unbanked populations to get banked. Programs utilizing a community-based, holistic approach have greater success with the unbanked.
- The FEC model utilizes municipal resources to leverage financial institutional support, while partnering with community-based nonprofits to reach a broader audience. The FEC model can generate better program data so future policy can be informed with more specific data on participants.

CONTACT INFORMATION

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