

LATE BREAKING NEWS

FISCA'S ALL ACCESS SAVINGS PROGRAM:

A BANK ACCOUNT THAT WORKS FOR THE UNBANKED | BY BILL SIEGEL

Over the course of the last decade, the U.S. government has spent millions of dollars trying to resolve what it calls "the unbanked problem." According to data from the Federal Reserve Bank, approximately 9.5 percent of households in this country do not have a traditional checking or savings account at a bank or credit union.

While the government has been busy trying to underwrite a solution, few have asked some pretty basic questions: What if the means to meet the needs of the unbanked already exists? What if this solution could be implemented at no cost to taxpayers? What if the unbanked could access bank accounts conveniently, without the high bank fees and minimum balance requirements that many say drove them away from the traditional banking system?

In pursuing the goal of banking unbanked Americans, the government funded programs such as First Accounts and Electronic Benefit Transfer accounts – primarily by paying large subsidies to already highly profitable banks. The stated goal behind these efforts was to bring unbanked consumers into the "financial mainstream." Along the way, the federal government and subsidized banking partners received applause from consumer activists, who are often critical of the Financial Service Centers where the unbanked cash payroll checks, wire funds to relatives living in distant cities and pay bills electronically.

For all of the hard work and government investment, hardly a dent has been put into "the unbanked problem." Why? Well, there are a variety of reasons, but the chief mistake made by government planners, bank participants and so-called consumer advocates is that they ignored consumers – the very people they want to open bank accounts.

Many of the unbanked are outside of the traditional banking system for very good reasons. More than half of the people in America without a checking account have had one in the past. They have already been a part of the "mainstream" and voted with their feet. A series of studies in recent years clearly show consumers who use Financial Service Centers do it for reasons of convenience, service and value. They made a decision on how to transact financial business using the same types of selection

criteria that we each use on a daily basis to decide on dozens of purchases.

No matter what groups, like the ironically named Consumer Federation of America, would have you believe, consumers are not stupid. Claims that financial illiteracy is the primary reason people do not have a bank account ignore the real reasons these consumers have opted not to maintain a savings or checking account. Financial carrots to encourage banks to serve these customers don't work. Many marketers have learned the hard way through ignoring the needs and wants of the target customer. You

debit card and the savings account via the Internet, automated phone system, or a live customer service agent at no cost to the consumer. Cardholders can also set up automatic, recurring transfers from their debit card to their savings account to encourage regular savings. Funds in the All-Access savings accounts earn an annual percentage yield of 0.75%, significantly above the prevailing rate paid by major banks. The savings program has no minimum balance requirement and funds in the accounts are not subject to fees. The savings accounts are insured by the Federal Deposit

"WHAT IF THE MEANS TO MEET THE NEEDS OF THE UNBANKED ALREADY EXISTS? WHAT IF THIS SOLUTION COULD BE IMPLEMENTED AT NO COST TO TAXPAYERS?"

"MORE THAN 13,500 CONSUMERS HAVE ALREADY SIGNED UP FOR SAVINGS ACCOUNTS WITH MORE THAN \$2.5 MILLION IN TOTAL SAVINGS."

cannot force consumer behavior, especially in a competitive marketplace.

The vast majority of unbanked Americans use Financial Service Centers, and numerous studies reflect a customer base that is very happy with the service and value they receive.

In May, the Financial Service Centers of America (FiSCA) with NetSpend Corp. launched the All-Access National Savings Program, a first-of-its-kind savings product based on an interest-bearing, federally insured account linked to a prepaid debit card. The program is designed to reach the millions of Americans who do not have bank accounts.

The FiSCA and NetSpend partnership is uniquely positioned to offer easy savings account access at the locations where a majority of unbanked and under-banked consumers conduct financial transactions. The All-Access National Savings Program provides Financial Service Center customers with a simple, secure and convenient savings vehicle, giving consumers the ability to create a savings fund for long-term financial empowerment.

Funds can be transferred between the

Insurance Corporation. Inter National Bank is the program's bank partner.

Will the All-Access program solve "the unbanked problem"? First, it is important to note that it is not a "problem" when consumers make informed purchase decisions. What we do know is that the FiSCA sponsored All-Access program is a revolutionary way to bring access to savings products to all Americans.

In less than three months since the All-Access savings product first became available, and with little promotional push, more than 13,500 consumers have signed up for savings accounts with more than \$2.5 million in total savings. That's nearly 1,000 additional Americans with new savings accounts per week. And not a single dollar in government subsidies has gone into the program. Consumers will determine the success of the All-Access savings program – and the early trend indicates they like the product. ■

Bill Siegel is a former FiSCA chairman, current FiSCA board member and serves as the head of FiSCA's Savings Program Committee.

HAWAIIAN CHECK CASHERS TO FORM A STATE ASSOCIATION

According to Craig Schafer, President of Money Services of Hawaii, Inc., a group of check cashers and payday lenders operating in Hawaii have made a unanimous decision to form a state association. Craig told *Currents*, "The impetus for (our) decision is an ongoing effort in the Hawaiian legislature to introduce legislation unfavorable to payday advance providers."

Two bills are currently under consideration by the legislature, and although no bill has made it out of committee in the most recent session, the State Senate has directed the State auditor's office to perform a sunrise review of the regulation of payday lenders and deferred deposit check cashers.

The check cashing and payday lending group represents the majority of Hawaii's check cashers and payday lenders and has created a committee to begin the formal process of creating an association. The committee will prepare an association name, bylaws, a mission statement, pre-

THE CHECK CASHING AND PAYDAY LENDING GROUP REPRESENTS THE MAJORITY OF HAWAII'S CHECK CASHERS AND PAYDAY LENDERS ...

liminary budget and a slate of officers and board members for submission to the entire group for acceptance.

The committee includes Doreen Rodrigues of Hawaii Check Cashing, Ed Britton of Payday Loans of Hawaii, Peter Landretti of Colortyme and Craig Schafer of Money Service Centers of Hawaii. ■

