



MAKING CHANGE

**A Popular Education Strategy
to Build Financial Literacy
and Access in California**

by

**Strategic Actions
for a Just Economy**

2002



*This pamphlet was funded by the
National Endowment for Financial Education ®
NEFE®
Project #005-10-2000*



S A J E

2636 Kenwood Avenue
Los Angeles, CA 90007
Phone: 323-732-9961
Fax: 323-733-8831
Web: www.saje.net
E-mail: info@saje.net

Introduction

Strategic Actions for a Just Economy (SAJE) is a popular education center that is dedicated to building power for working class people. We help people in the community take on big banks, government agencies, big developers and landlords to create more just policies and practices.

For example, in 1997, when the County of L.A. stopped mailing checks on the first of the month to people on welfare and instead required people to pick them up at check cashers over a ten day stagger period, SAJE asked the County to offer direct deposit instead. We argued that the stagger period which distributed checks between the first and tenth of the month hurt people who did not receive their checks on the first when rent and most bills are due. We argued that direct deposit could save money for the County, the banks, and most importantly, for people on welfare who were currently paying an average of \$25 per month to cash their checks and buy money orders. Further, the County already offered direct-deposit to their 80,000 employees.

We consulted with national experts, researched how other states used direct deposit to promote financial mainstreaming as part of their welfare reform programs, and presented the results to the County.

When the County refused to offer direct-deposit, we organized and demonstrated. Our campaign was covered by diverse media ranging from the *Wall Street Journal* to *La Opinion*, and finally, the County agreed to a pilot direct deposit program for 1,000 people – all of whom would receive their benefits on the first of the month.



Winner

BANKING'S UNDERSERVED

Washington Mutual Inc., the Seattle-based thrift that acquired several well-known California banks, in June begins offering free savings accounts to welfare recipients who have their payments directly deposited by Los Angeles County. The pilot program, spurred by the advocacy group Strategic Actions for a Just Economy, gives the down-and-out new access to financial services—and means they won't have to use check-cashing outlets, which can charge as much as 3% of a welfare check's face value.

To support the pilot and with people on welfare at the bargaining table, SAJE then negotiated the nation's first welfare-to-work bank account with Washington Mutual, the largest savings and loan in the country. The free no-fee savings account requires direct-deposit of public benefits and completion of SAJE's basic financial literacy training. The account can be opened and maintained with a one cent deposit, has flexible identification requirements – including acceptance of a SAJE photo I.D. – and offers five free money orders per month. The account was designed to serve newcomers to banking as well as people who have had problems in the past and seek to rebuild their banking history. After six months, account holders can move on to a free checking account.

We used the pilot to promote financial literacy, to help an initial core of people on welfare develop banking relationships, and to build a constituency for banking rights in Los Angeles.

Then, with people on welfare in the lead, SAJE, in collaboration with Consumers Union, the California Bankers Association, and the Western Center on Law and Poverty, mounted a successful campaign for state direct-deposit legislation. Today, all counties in California that offer direct-deposit to their employees – 58 in all – must offer direct-deposit to people on welfare.

The results of these efforts have just begun to surface. In Los Angeles, 7,000 welfare recipients signed up for direct-deposit in the first month of the program. Washington Mutual is presently poised to convert the Los Angeles pilot to a state-wide program that will be offered in their 548 branches throughout California. Grassroots organizations from San Diego to San Francisco have consulted with SAJE to replicate our approach to financial literacy and financial power for the poor.

These experiences have changed SAJE as well. Our welfare-to-work banking program is currently run by Haleemah Henderson – the first person to sign up for the welfare-to-work bank account and who is now in the process of completing her Masters Degree at UCLA. Under her leadership, hundreds of people on welfare have received financial literacy training and opened bank accounts. Of these, many were also active in efforts to change policy and some have become leaders themselves. A core group of these leaders have been trained as Peer Financial Educators who now provide financial literacy training to others.

This pamphlet was written to capture the lessons of this experience from the perspective of all who have learned from it so far – people on welfare, County officials, community organizations, financial institutions, and even financial regulators. It serves both as an example of the role that financial literacy can play in building financial power and as an example of popular education in action.

SAJE's Approach to Financial Access: A Popular Education Model

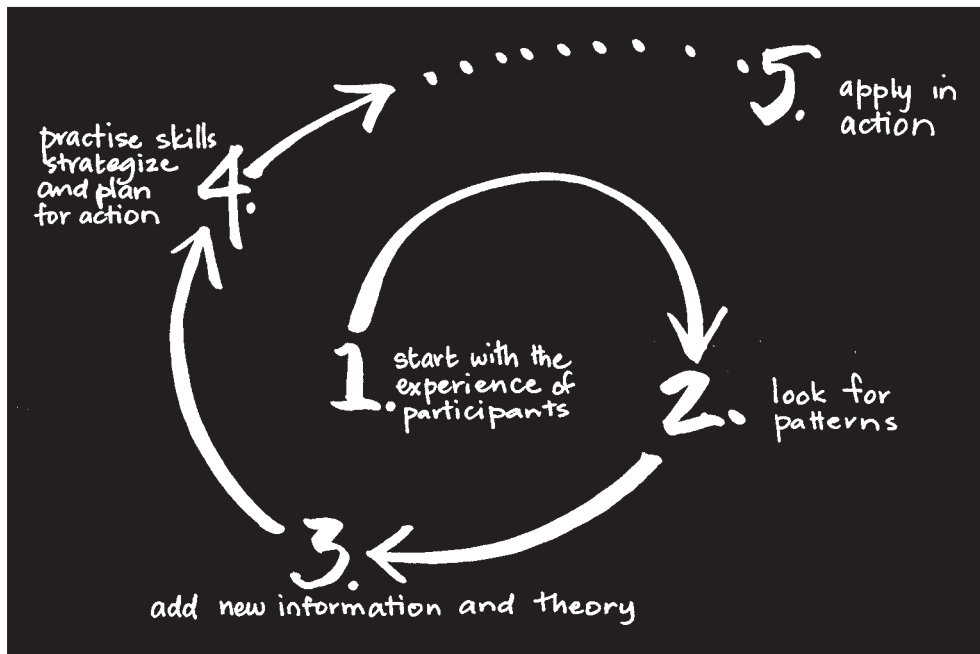
Popular education is education for a genuine democracy. It prepares people with the collective knowledge that they need to have a meaningful role in creating a more equitable society. It provides educational tools which are collective, promote discussion, respect the knowledge of people's experience, and which are accessible to all.

SAJE takes a popular education approach to the problem of financial access. This means that we have confidence that working class people – in this case, people on welfare – can define their own financial problems and then collectively and democratically generate solutions. We use educational methods that make complex financial structures accessible to people who may not have a lot of formal education so that they can make informed and strategic decisions. This is how SAJE gets the most unlikely suspects – people on welfare, immigrants, and tenants – to work together to make changes in policy, in financial institutions, and in people's lives.

Popular education is essentially education for social change and thus requires an action component. Providing people with financial literacy training without providing them with access to financial services is an empty and dispiriting exercise. Providing people with financial literacy training and then helping them open bank accounts that meets their needs – even if that goal requires changes in policy and in financial institutions – is an empowering process that extends the learning process into public and private institutions as well.

A Spiral Model

The popular education process that SAJE uses looks and feels a lot like the spiral model illustrated below.¹



The spiral model suggests the following about the popular education process that SAJE employs:

1. *Learning begins with the experience or knowledge of the participants:* For example, SAJE's banking work grew out of a workshop that was held to discuss how banking affected people in the community. It was in this workshop that SAJE found out – from people on welfare themselves – that the County planned to send people on welfare to the check-cashers to pick up their checks.
2. *After participants have shared their experience, they begin to look for patterns and analyze that experience:* Discussions among people on welfare at subsequent meetings helped build a collective picture of their knowledge. We compared notes on the monthly expenses at the check-cashers and we shared stories about being accosted or robbed because we were carrying our month's income in our purses. We discussed the fact that some of us already had bank accounts that were

¹ Arnold, Rick; Burke, Bev; James, Carl; Martin, D'Arcy; Thomas, Barb. *Educating for a Change*. Doris Marshall Institute. 1991.

now more difficult to use because we now had to physically wait in line at the check cashers to pick up our checks before we could deposit them in our account. And, when County officials rebuffed our suggestion of a direct-deposit alternative – arguing that people on welfare couldn't "handle" a bank account, the group discovered that many among them were former bank employees who had been laid off in the wake of repeated large bank mergers in California and were now on welfare. Later, when we designed a welfare-to-work bank account, the economic experience of people on welfare was used as the template.

3. New information is added to avoid being limited by the knowledge and experience of our group: As we analyze our experience together, we often come up with as many questions as answers – questions which need to be addressed by sources outside our experience. SAJE is constantly conducting research to build a more complete picture of our financial environment.

For example, to build our case for direct-deposit, we called up welfare agencies in other states that had aggressive direct-deposit programs to learn from their experience. We also talked to academic experts, such as Michael Steggman, author of *Savings for the Poor: The Hidden Benefits of Electronic Banking* as well as John Caskey who authored *Fringe Banking: Check Cashing Outlets, Pawnshops, and the Poor*.

4. Practice Skills, Strategize, and Plan for Action: This action step occurs at every level of SAJE's financial literacy program. At an individual level, people who come to SAJE to learn how to open and manage a bank account practice filling out deposit and withdrawal slips and filling out a transaction register. At a collective level, monthly dinner meetings at SAJE became the forum where the ideas for a statewide legislative campaign and for a peer educators program were born and designed.
5. Apply Learning in Action: Taking action -- joining the financial mainstream, participating in a legislative campaign, negotiating a bank account with the president of one of the largest financial institutions in the country -- are examples of how SAJE applies financial literacy training through action on a micro and macro level. These different types of activities also build upon each other, creating new experience, new learning, and new actions as they go.

For some people, getting a bank account was a first step towards joining society's mainstream, not only for themselves but for their children. One participant remembers how her children felt about her using her ATM card: "When I went to the gas station and my children saw me swiping my card for the first time like all the other moms, they yelled, 'You go, Mom!'"

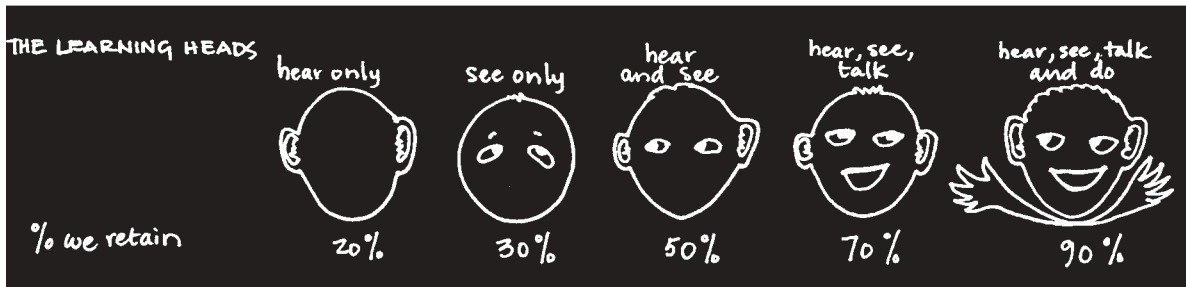
When this kind of personal experience and self-confidence is collectivized through the SAJE organization, it leads to big changes -- a successful legislative campaign, a new kind of bank account, and a core of Peer Financial Educators who now teach others what they have learned.

The Spiral Model supports dynamic growth and development. For example, about one out of ten people who opened a bank account through SAJE's program became activists in the campaign to create a direct-deposit policy in Los Angeles. From that experience, those activists were able to devise a statewide campaign. And, as their financial knowledge deepened and broadened, some of those activists became financial educators themselves. At each step of the way, new experiences are produced and create a foundation for the spiral of shared analysis, action, and reflection to begin anew.

Financial Education for How People Learn

SAJE financial education workshops employ visual and participatory training methods that help break down complex ideas, encourage discussion, and build upon the experience of participants. They do not “dumb down” any information, but rather make the information more accessible, interesting, and fun.

These methods have been proven to improve retention among all learners. As indicated in the illustration of the “learning heads”² below, the more senses that are employed in learning, the more knowledge is retained.



Using these methods, SAJE can go beyond teaching people how to open a bank account to why this is a good idea within the context of larger economic systems by deconstructing complex information and making it accessible to all.

For example, our *Dos Marias, Dos Caminos* (*Two Marias, Two Roads*) training includes an analysis of the difference between “fringe” and “mainstream” financial systems, a structural picture of U.S. banking policy, and the SAJE example of how ordinary people, informed and organized, can change the way the system works. The goal of this kind of education is to promote critical thinking and informed choices as well as to create empowered learners who can apply what they have learned to various aspects of their lives.

The spiral model, coupled with active, collective, multi-sensory educational methods, is an approach to financial education that can not only help produce more informed financial consumers, but greater financial opportunities for poor and working-class people as well.



² Arnold, Rick; Burke, Bev; James, Carl; Martin, D'Arcy; Thomas, Barb. *Educating for a Change*. Doris Marshall Institute. 1991.

The SAJE Welfare-To-Work Banking Pilot

Over the past three years SAJE has provided basic financial literacy education to over 1500 people on welfare and helped over 800 open bank accounts. This section describes the history and methods of the pilot as well as the impact it had on people on welfare. This will be followed by some highlights of the project's effect on other sectors – community organizations, counties, financial institutions, and financial regulators.

Financial Education as a Prerequisite of the Pilot

There were two primary reasons – one practical and the other political – that SAJE required financial education as a prerequisite for participation in the pilot banking program:

- *Competency*: SAJE used education to ensure that participants were making informed choices, understood how to manage an account, and were insulated from failure as they made the transition from check-cashers to banks.
- *Constituency Building*: SAJE's long-term goal is to increase financial equity and opportunities for poor and working class people through a process in which they play an active role. To accomplish this, SAJE needs to educate and develop a grassroots constituency for banking policy. SAJE took advantage of its role as the gateway to a unique banking opportunity in Los Angeles County to educate participants in the broader issues surrounding the pilot and offering them opportunities to get involved.

Basic Components of the Pilot

The following describes the basic components of the pilot as they evolved over time.

Outreach

Neither the County nor the bank promoted the pilot to people on welfare. As large institutions they were poorly equipped to do so and much better prepared to promote whatever system-wide programs followed. Thus, responsibility for all outreach for the pilot rested with SAJE, a small non-profit organization which is headquartered in a craftsman-style house in South Central Los Angeles, and which neither looks nor feels like a financial organization.

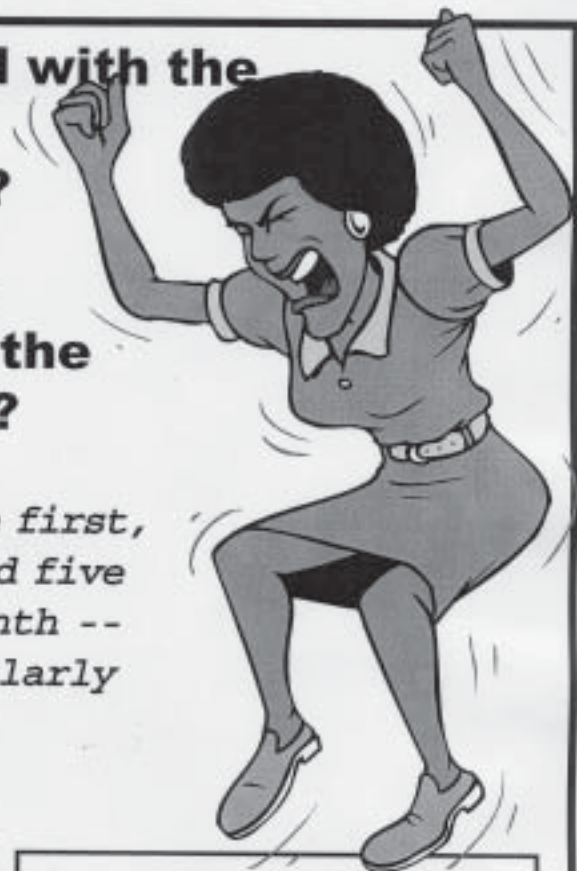
To accomplish this we took to the streets with “guerilla” marketing techniques such as leafleting outside of check-cashers and welfare offices and worked through community organizations that had daily relationships with people on welfare – community colleges, welfare rights organizations, subsidized housing, and homeless shelters.

Community response was not immediate. SAJE first had to build its credibility as a trustworthy organization – one that was trustworthy enough to help people consider new ways to deal with their money, an area of life where most people are rightfully quite conservative. This was a slow and often frustrating process that eventually gleaned results through word of mouth by people who had benefitted from our program. Working through community organizations at first, SAJE gradually built enough of a reputation to sustain two standing weekly workshops at SAJE's headquarters where people drop in to obtain their training and a SAJE identification card, and to make arrangements to open a bank account. These workshops continue today, and through slow and steady work, SAJE has earned a reputation in Los Angeles as a reliable banking resource for poor people.

Are you frustrated with the lines and fees at the check casher?

Does your County check come after the first of the month?

To get your check on the first, a free bank account, and five free money orders a month -- come to one of our regularly scheduled trainings.



East Los Angeles

Fridays
10 AM
IDEPSCA
2302 E. First Street
(near corner of First and Breed)

South Central Los Angeles

Wednesdays
10 AM and 5:30 PM
SAJE House
2636 Kenwood Avenue
(1 block East of Normandie, 1/2 block
South of Adams)

All CalWORKS participants are eligible for this special pilot banking program that is sponsored by Strategic Actions for a Just Economy (SAJE) and Washington Mutual Bank.

For more information call:
Haleemah Henderson at 323-732-9961 Ext. 214

Adjusting the Pilot to People's History and Experience

SAJE worked hard to remove external barriers to banking for people on welfare, making substantial break-throughs in the County and the bank. However, we were less prepared to deal with the internal barriers that keep people out of bank accounts and in “fringe” banking establishments. What we learned influenced our program as time went on.

For example, some people that we spoke to had never had a bank account, didn't know anyone who had a bank account, and were accustomed to dealing in cash at the check-cashers. Other people had tried to open a bank account in the past and were rebuffed because they did not have a large opening balance, a credit card, or multiple identifications – and this stinging experience remained with them as a barrier to ever walking into a bank again. They viewed banks as hostile to their community and to people on welfare. Word of mouth regarding the positive experiences of people who had been through our program were the most important factors in countering these issues, and even that took time. SAJE's Wednesday workshops are still attended by people who walk in bearing flyers that we know are over a year old.

Los Angeles also has an enormous immigrant population which possesses different banking experiences. Immigrants from El Salvador are wary of banks because in their country when unregulated and uninsured institutions closed, there went all their savings. Many Mexican immigrants blamed banks for the peso crisis, or simply saw banks as a bastion for the rich and elite. The *Dos Marias* educational module was developed, in part, to address these issues and introduce immigrants to the U.S. banking system as one that is insured, protected, and supported by government policy and which should be available to all.

Internal barriers to change are the concrete result of the long-term experience of exclusion and are reinforced by a strong comfort level with the cash-and-carry services that have been designed to fill the market gap in the community. These businesses such as check cashers, rent-to-own, and payday loans speak the language of their customers, while many banks do not; provide identification while banks may still ask for multiple I.D.'s including credit cards; and market heavily to low-income people. The problem is, they cost more and no matter how conscientious a person is in paying their bills, the system never leads to a mainstream financial credit history. For this reason, although SAJE never insists that banking is the only way to go and promotes choice, we are nevertheless continually challenged to provide effective financial education that can help people change their habits and their minds.

SAJE Financial Education Program








The central education program of the pilot banking program is known at SAJE as *Banking 101*, a basic financial literacy training that covers:

- History and background of SAJE's banking program that underscores that policy issues behind our effort.
- Understanding direct-deposit
- Features of the welfare-to-work bank account (open and maintain account with a penny, no fees, five free money orders, savings account opportunity for people on ChexSystems, identification requirements)
- Use of deposit and withdrawal slips
- Use of check register
- Endorsing checks
- How to open an account
- How to avoid “hidden fees” from foreign ATM's and overdrafts

Depending on the size and experience of the group (some trainings were conducted one-on-one, others to groups of forty or more) and the level of discussion, this training might take between one and two hours.

All workshops are conducted with participation and discussion using large props such as oversized checks, withdrawal and deposit slips, check registers, and statements. Other workshops were built around this core training to address issues within our constituency or new issues that came up in the economic context of our work.

For example, in the early days of the pilot, *Banking 101* was preceded by a workshop, where people compared and analyzed the features of the bank account against their experience at the check cashers. Later, *Dos Marias*, was developed to examine more complex issues – to compare “fringe” banking to “mainstream” banking, understand interest rates, examine the structure of the U.S. banking system, and discuss issues of fairness. When California began its process in 2000 to develop an Electronic Benefit Transfer (EBT) system – a strategy for distributing welfare checks from a pooled account through a PIN number and ATM card – new material was developed to compare direct-deposit banking to EBT.

Currently:	With EBT:
How: Direct Deposit	How: EBT Card 
When: 1st of Month	When: 3 Day Stagger 
Where: In the Bank	Where: ATM/POS 
Who: You	Who: Authorized Person 
Transaction: One	Transaction: Multiple 
Fees: None	Fees: Multiple \$\$\$

SAJE Identification Cards

One area that needed to be worked out for the unique circumstances of the pilot was how to identify people that were participating in the pilot – a program that was only available to a relatively small number of people through a relatively small number of branches – in a manner that was dignified and convenient for participants and bank personnel alike. The solution was to create a SAJE photo ID card.



The pilot account offered more flexible identification requirements than other bank accounts, so to simplify matters, SAJE would check and photocopy participant’s identification material when they signed up for the program after a *Banking 101* training. Participating branches recognized the distinctive SAJE ID card, accepted it as a primary photo ID for the pilot bank account, and were assured, as indicated on the card, that the customer had completed the required training.

Participants appreciated the cards’ professional appearance as well as the technology that produced them, which works as follows. After completing a *Banking 101* workshop, SAJE staff enter basic information about the participant into a secure database, take digital snapshots of the participant, download the photos to the laptop, and then print out an identification card on a portable digital card printer. Depending on the location of the training, participants either walk out with an identification card or receive one a day or two later in the mail. To participants, the card itself became somewhat symbolic of the transition being made from “marginal to mainstream”, and signified that they were now prepared to open a free bank account.

Training Trainers: SAJE Peer Financial Educators

As word of mouth about the pilot program grew, the number of people who contacted SAJE for training and bank accounts grew. We gradually became aware that our banking activists were not just vouching for SAJE's "product," but were also informally educating others who were more likely to listen to and trust the experience of a peer – another woman on welfare who had successfully moved from the check casher to a bank. To capture this potential in SAJE, we established a formal program for training Peer Financial Educators. The first class of eight graduated in October 2001, and all have since conducted financial trainings in some capacity. In addition, three have completed six week internships, and two were hired as permanent employees on SAJE's staff.



SAJE Peer Financial Educators learn how to present the three basic educational modules that SAJE offers (Banking 101, Dos Marias, and EBT) and also gain a deeper understanding of the economic issues that frame the material.

In addition to building the public speaking and teaching skills of Peer Educators, the training program has an extensive focus on technology. On the one hand, all eight Peer Educators know how to talk about the relationship between technology and banking opportunities. They can explain how the same basic technology can be used to move people into mainstream banking or to keep people in a "fringe" system. They are also adept in explaining the difference between Electronic Benefit Transfer (EBT) and direct deposit into a bank account.

SAJE also teaches Peer Educators how to use technology. For example, all Peer Educators are provided with basic computer training. They learn how to connect to their bank accounts over the internet (PC Banking), how to use Quicken to manage accounts, and how to download account information into a computer. Peer Educators learn how to use the digital cameras, the laptop, and the digital card printer so that they can take over every aspect of a training, including production of identification cards. Our first graduates also received their own computers through a special "Learn and Earn" program, in recognition of their pioneering role as SAJE's first Peer Financial Educators.

The power of the Peer Financial Educator's program is best captured by Brenda Muhammed's story:

In 1999 my house caught on fire. Fortunately, I was gone to pick up my children from school. Unfortunately, we were left with nothing. At that time, I realized that my resources were limited. That brought the stress on! I had been living a cash-and-carry lifestyle. There were no emergency savings to draw from. There were no credit cards to get emergency shelter for my five children. Like a lot of people, I was so busy meeting basic requirements that I allowed my own vision to be blocked.

While in a shelter, I signed up for direct deposit through SAJE's program. With the SAJE I.D. card I was able to overcome the barrier of being on ChexSystems. Maintaining a bank account and developing a banking history were the first steps towards getting my van and the four bedroom apartment where me and my children now live.

It is now three years later and I am educating other people so that they can do what I did. I am a peer educator and part of the Banking Rights Team here at SAJE. We involve people, educate people, and empower people to create economic alternatives.

Financial Education, Access, and the Community Organizations

Today, in Los Angeles, direct deposit is offered to the broad spectrum of the poor who receive public assistance from the County. This includes families with children who receive Temporary Assistance for Needy Families (TANF) benefits; immigrants who receive Cash Assistance Program for Immigrants (CAPI) benefits; and individuals who receive General Relief (GR).

During the pilot program, SAJE worked with over fifty organizations in the community including service providers, community college programs, public housing, and homeless shelters to reach these constituencies – all of whom had never really considered working on banking issues before. Harbor Interfaith in Los Angeles and the Supportive Parents Information Network (SPIN) in San Diego are two examples of organizations that were changed through the process.

Harbor Interfaith

Harbor Interfaith, a program which helps homeless people transition into housing, is a good example of an organization that has incorporated SAJE's financial education and banking programs into their everyday work. After a few initial meetings and workshops, Harbor Interfaith made SAJE financial education and banking workshops a regular feature of their monthly calendar. Today, signing up for the SAJE financial education program and bank account is a requirement for all Harbor Interfaith clients. According to Harbor Interfaith's Sandra Rivers, her goal is to prepare people to move from homelessness to mainstream housing. "For the shelter clients, getting a banking account helps them save their money for future move-in fees. For our transitional housing clients, it's all about helping them pay their rent on time, avoiding late fees and sanctions."

As a result of this commitment, SAJE's Peer Educator Training Program included Harbor Interfaith clients who were homeless when they first made contact with SAJE through a banking workshop. Today, two of these women, Brenda Muhammed and Alejandra Camacho, presently work on SAJE's staff as financial educators and regularly return to Harbor Interfaith to train others.

Supportive Parents Information Network (SPIN), San Diego

After the California direct-deposit law was passed, SAJE made a commitment to help interested community organizations replicate aspects of our financial education and outreach program as a way to ensure that the new law would actually result in banking opportunities for people on welfare.

One of these organizations is the San Diego-based Supportive Parents Information Network (SPIN), which is adapting SAJE's programs to their local context which is quite different than that of Los Angeles. Unlike Los Angeles, San Diego County was an early proponent of direct-deposit which they offered to people on welfare five years prior to the state law. In 2001, like other counties around California, San Diego began to consider whether or not it would also distribute cash benefits through the proposed Electronic Benefit Transfer (EBT) system.

SPIN is parents' rights advocacy group with a membership of 1100 families on welfare. They are also an active member of the Caring Counsel, a San Diego human services coalition whose membership includes clergy and academics as well as social service providers. Both SPIN and the Caring Counsel shared a goal of strengthening San Diego's mainstream banking alternatives for people on welfare before any Electronic Benefit Transfer program was developed. Their plan was to replicate SAJE's program in San Diego and postpone any decision about EBT until a financial literacy program, a peer educators program, and a stronger commitment from local financial institutions were in place.

As a first step, SPIN invited SAJE to a Caring Counsel meeting where examples of our financial education program were presented, discussions with peer educators occurred, and it was agreed that SAJE would share its materials and provide any support necessary to help develop a San Diego program. A few months later, SAJE made a similar presentation at a Caring Counsel meeting, but this time representatives from two banks and the San Diego County Welfare Department were present. Since that time, San Diego County postponed its decision on EBT, and SPIN is in the process of creating a local version of SAJE's program.

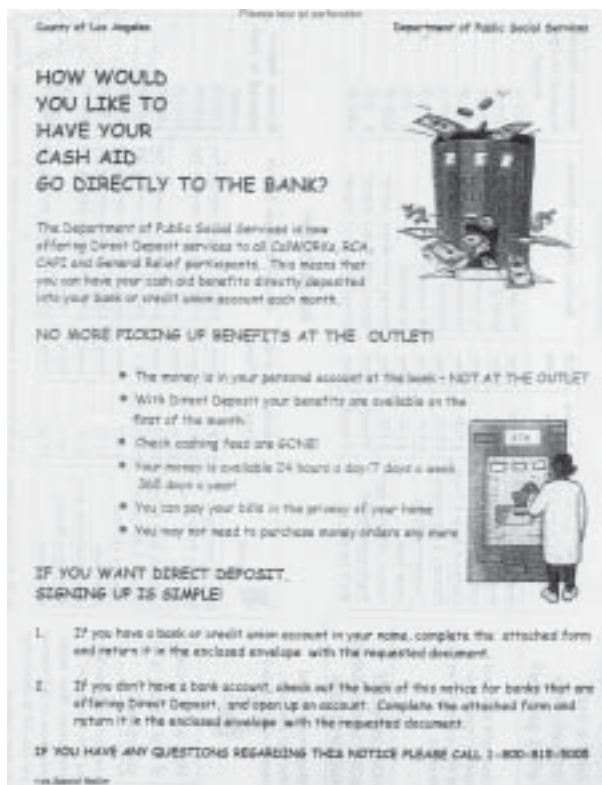
Financial Education, Community Participation and the Counties

Los Angeles County

SAJE's relationship with Los Angeles County moved from confrontation to collaboration over a four year period, and both sides learned from each other through the shared experience. SAJE learned how to troubleshoot problems that could occur during the pilot bank account, to navigate the County system, and met effective and caring individuals within the bureaucracy on the way.

The County's welfare department also learned from its experience with SAJE, as evidenced by the change in the manner in which they now communicate financial issues, programs, and policies to people on welfare. There is an enormous difference in the way people were informed and involved about having to pick up their checks at the check casher in 1997 and the process surrounding implementation of direct deposit and consideration of EBT in 2001.

In 1997, people on welfare were informed by mail that in two months they would no longer receive their checks by mail and would instead be required to pick up their checks in person at designated check cashers over a ten day stagger period. This information was provided after the decision was made and after the contracts had already been signed with check cashing businesses.



Around the same time that the pilot was winding down, the County began to consider Electronic Benefit Transfer and approached SAJE to discuss a strategy to involve people on welfare in the process. Using what we had learned from POWER, SAJE suggested that L.A. County hold regional forums on the issue and that all people on welfare receive notice of the forums in the mail. The County agreed and mailed out an announcement for eleven regional forums.

Unaccustomed to receiving such an invitation to participate by the County, *thousands* of people attended, creating overflow crowds in communities like South Central Los Angeles where high concentrations of people on welfare live. As a result, thousands of people received information, however preliminary, not only about Electronic Benefit Transfer, but about the County’s plan to introduce direct-deposit as well. This opportunity to participate has preceded any decision-making on a Los Angeles EBT program by at least a year.

Similarly, about four months prior to implementation of direct deposit, the County mailed an easy to understand flier about the opportunity to its entire client base. As a result, 7,000 people signed up for direct-deposit of their welfare checks into bank accounts in the first month.

San Diego County

With 22% of its welfare population already receiving aid through direct-deposit banking, San Diego County currently has a goal to raise that number to 30%, in an attempt to provide increased banking opportunities for people on welfare as well as to decrease the County’s costs associated with distributing welfare benefits.

Prior to meeting with SAJE, the County had never considered financial literacy programs as an avenue towards this goal and had certainly never considered the idea that effective financial educators could be drawn from the ranks of the welfare-to-work population. For this to even be a consideration, it was important to local advocates like SPIN that County officials experience SAJE’s financial literacy program and the competence of our Peer Educators first-hand. According to SPIN Director, Jonie Halpern, “The forums were useful in lifting the awareness of the Caring Counsel and the County about what is possible. We liked the SAJE approach to banking – an empowerment model – and it was critical for everyone to see it laid out in a practical format.”

Financial Education, Financial Access, and the Banks

As discussed throughout this pamphlet, SAJE’s approach to financial literacy is closely intertwined with efforts to produce viable banking options for the poor. To accomplish this, SAJE is developing relationships with financial institutions. To date our greatest accomplishments have been to refine the way in which banks use data from ChexSystems; creation of a model welfare-to-work bank account; and building partnerships to reach historically underserved populations.

The Problem With ChexSystems

ChexSystems is a private company that compiles data provided by its member banks regarding “mishandled” bank accounts and outstanding debts. Member financial institutions -- about 80% of all banks -- subscribe to ChexSystems and use its database to pull information on anyone who applies for a bank account.

Through discussions with our members, SAJE learned that the problem with ChexSystems was not the accuracy of its data, but how banks use the database -- which is to basically deny accounts (even savings accounts) to anyone whose name appears on the list. Even after the charge is paid off, consumers names stay on the database for five years, during which time they cannot open a bank account. As a result, thousands of honest people who simply made a mistake, lost their job, or received a check that bounced are frequently painted with the same broad brush as people who intentionally commit fraud.

From the outset, people on welfare told SAJE that a major barrier to opening a bank account was that their name was on the ChexSystems database. In response to this problem, a key strategy of the Washington Mutual pilot bank account was creating a savings account alternative for people who were on the ChexSystems database. People who maintain a savings account in good standing for at least six months are then eligible to obtain a checking account. This component of the pilot, offered a second chance to consumers who had previous problems and an entry-level opportunity for people who were new to banking -- both at very little risk to the bank.

Washington Mutual ultimately changed the manner in which they use the ChexSystems database. Bank personnel now look behind the listing to see the cause of the problem and are more flexible in determining whether or not to open a bank account for a consumer. They also disregard non-fraud problems that are more than three years old.

Since the pilot, other banks in California, including Bank of America, Union Bank, and Wells Fargo, have teamed up with a financial literacy program called *Get Checking* which is offered by Consumer Credit Counselors. Upon completion of the program, people whose names are on the ChexSystems database receive a certificate that allows them to open a bank account at a participating institution.

Valuing Community Partnerships

According to Washington Mutual’s Harold Hutchinson, “SAJE took the initiative in 1998 to help welfare recipients and this has now become one of Washington Mutual’s goals.” Towards this end, Washington Mutual is now in the process of building a two-tier program to institutionalize the SAJE pilot throughout its California branch network. This program will include:

- a universal direct-deposit transitional welfare-to-work bank bank account
- an account with more flexible requirements and more liberal benefits that is run through partner community organizations in a manner similar to the bank’s relationship with SAJE

This approach places a premium on the benefit that a bank can derive from partnering with community organizations that provide financial education and which have an on-going and supportive relationship with people on welfare.

Sharing Financial Education Strategies

Many banks offer financial literacy materials to their customers, and some banks, such as those who participate in the *Get Checking* program, indirectly provide financial education through partnerships with community based organizations.

A much smaller number of institutions choose to offer educational programs themselves. For example, last year, Mario Escobar, the manager of a Wells Fargo branch in East Los Angeles approached SAJE to discuss ways to work together since our membership includes potential customers for the bank. Wells Fargo intends to operate its own financial education program, and prior to kicking off a pilot in East Los Angeles, a series of visits to each others trainings have been planned between SAJE and the branch to promote mutual learning and cooperation.

In the course of these discussions, SAJE learned of Wells Fargo's new initiative to accept the *matricula*, the official identification card of Mexico, as a primary identification. This enables L.A.'s enormous non-citizen population with the opportunity to open a bank account. According to Mario Escobar, "With our new *matricula* program we have been able to triple the number of accounts we normally open. We also want to work with people to teach them how to handle their money better so that they don't have to go to check cashing places and pay extra fees." A likely outcome of SAJE's efforts with Wells Fargo is future collaboration in providing financial education to L.A.'s immigrant communities.

Financial Education, Access, and Financial Regulators

Over the past few years the agencies that regulate financial institutions -- the Federal Reserve, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision -- have developed a strong interest in propagating strategies to reach underserved populations as a way for banks to meet the service standard of the Community Reinvestment Act. Over the past few years, SAJE has presented different aspects of our financial literacy program to over fifty financial institutions at annual conferences that are co-sponsored by the regulatory agencies.

Lessons from Los Angeles

Six months after the implementation of the direct deposit law, thousands of people on welfare now receive direct deposit of their benefits into a bank account. Other community based organizations in California and beyond are working with SAJE to replicate aspects of our program. In closing, here are some important lessons that SAJE learned from our experience of a popular education approach to financial access.

A Few Hundred People Can Make Change for Thousands

The most powerful lesson that SAJE learned was that providing financial education to a relatively small number of women on welfare led to changes in state policy and the overall environment of financial opportunities for people on welfare throughout California. Further, as financial institutions gain more experience with welfare-to-work participants, they are gradually adjusting their viewpoint to see them as a viable and responsible market for banking services.

People on Welfare are Like Everyone Else

The pilot was not without problem participants -- but these were a small minority, no larger the percentage of those who present problems in the general banking population. This point was always advocated by SAJE, was effectively demonstrated through the pilot, and contributed to Washington Mutual's interest in taking the program state-wide. As best stated by Scott Kypers, a Washington Mutual Regional Manager, "Dealing with poor people is no greater risk to the bank than dealing with the population at large."

Flexibility is Key to Creating Opportunities

Simple adjustments to bank accounts that turn hard and fast rules into more flexible criteria can create new financial opportunities for millions of underserved consumers. For example, changing the identification requirements for a bank account so that they are realistic for working class people yet meet the needs of a bank can make an enormous difference. Flexible identification requirements were key to creating a bank account that would be accessible to people on welfare. At a much larger level, new efforts to accept the Mexican *matricula* may seriously increase the number of immigrants with bank accounts in the near future.

Bank Accounts are the Gateway to the Financial Mainstream

Through the pilot, SAJE has observed example after example of how having a bank account has built greater financial confidence and competence among participants. Gretta Smith and Sharon Alaman describe very typical experiences. For Gretta, “Getting a bank account enabled me to manage my money better. When it was in my pocket it just went right out the door. Now I can save. It’s a better situation all the way around.” For Sharon, the bank account was a crucial component of moving from welfare to work and into the economic mainstream. “I was able to use this account as a stepping stone to become normal again. As I moved off the County, I was able to use this account to get others. I now have several accounts, credit cards, and I’ve recently bought a house. I feel economically viable again.”

SAJE Financial Education Resources

For people who are interested in more details about SAJE’s financial education programs, the following resources are available directly from SAJE and will soon be posted on our web site:

- SAJE Peer Educators Training Curriculum. June 2002.
- *Dos Marias, Dos Caminos*. 28 page pamphlet (Spanish and English versions)
- *From Marginal to Mainstream: the Case for Immediate Implementation of a Direct-Deposit Option for Welfare Recipients in L.A. County*. October 4, 1999. 29 page report.
- *Transactions: Building Access to Financial Services and Credit Across L.A.’s Immigrant Communities*. June, 1999. 48 page report.
- “Creating Cultural Windows to Banking Opportunities.” 4 page Reprint from *Community Investments*. Federal Reserve. December 1999.

For More Information, contact Strategic Actions for a Just Economy (SAJE):

Address: 2636 Kenwood Avenue, Los Angeles, CA 90007
Phone: 323-732-9961
Fax: 323-733-8831
Web: www.saje.net
E-mail: info@saje.net

Acknowledgements

Photography: Robin Doyno

Graphic Design: Deborah Willis

Writing: Gilda Haas

Research: Haleemah Henderson, Sabine Abdulrahmaan

SAJE would also like to thank the following foundations which in addition to the National Endowment for Financial Education have supported our financial access and literacy programs:

Arco Foundation, California Community Foundation, California Consumer Protection Foundation, Fannie Mae Foundation, Irvine Foundation, Liberty Hill Foundation, Norman Foundation, Ottinger Foundation, Penney Family fund, McKay Foundation, Ottinger Foundation, Public Welfare Foundation, Rosenberg Foundation, Solidago Foundation, Three Guineas Fund, and the Washington Mutual Foundation.