



## **Taking Local Programs to Scale**

The Role of Public and Nonprofit Agencies in Advancing the Assets Agenda  
San Francisco Office of Financial Empowerment and EARN

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### **INTRODUCTION**

Since its inception 20 years ago with a seminal publication, “Assets and the Poor” by Michael Sherraden, the asset-building field, both in its policy advocacy and its programmatic applications, has evolved into a small ecosystem of highly motivated and committed supporters drawn from the public, philanthropic, policy, academic, and nonprofit communities. During these two decades, the asset-building field has been impressively innovative in successfully pioneering a variety of matched savings accounts and other financial products and services that address important market and policy failures in the realm of sustainable wealth accumulation for low-income families.

In San Francisco, a range of innovative programs have evolved from close partnerships between public agencies and non-profit thought leaders. The City and County of San Francisco is now one of only three cities in the country with a municipal Office of Financial Empowerment and has emerged as a national leader in the delivery of programs to increase financial inclusion and combat predatory practices. The key focus of this work is connecting low-income San Franciscans to healthy financial products and providing culturally relevant financial education to ensure success in the mainstream. San Francisco views the role of the city government as essential to this work, and primarily serves as a convener and influencer in the furtherance of financial empowerment goals, bringing together financial institutions, regulators, philanthropic funders and community organizations.

EARN, the nation’s leading provider of microsavings, is an award-winning nonprofit that gives low-income workers the power to create economic prosperity for generations to come. Since 2001, EARN has helped tens of thousands of low-wage families through innovative financial products including matched savings accounts, checking accounts for the unbanked, micro-loans, and money management coaching. The EARN Research Institute evaluates the impact of EARN’s work and publishes original data, sharing lessons learned and best practices. EARN uses this unique grounding in rigorous research and direct service experience to transform the financial services landscape and to champion effective public policies. EARN's ultimate vision is that millions of well-informed, low-income American families will achieve financial success through proven strategies, fair public policy, and their own hard work.

## **BANK ON SAN FRANCISCO**

Bank on San Francisco is the first comprehensive program in the United States to serve the "unbanked," those who live without access to mainstream financial institutions and are forced to rely on expensive check-cashing services. This local, City-led initiative was a response to research<sup>1</sup> revealing that 50,000 San Francisco households, approximately 15% of the population, did not have a checking or a savings account. And, approximately half the adult African-Americans and Latinos living in the city had neither checking nor savings accounts. With no safe way to access and save money, unbanked households are particularly vulnerable in times of crisis or emergency, and lack the necessary tools to build wealth.

Conventional banking products and policies are not designed to meet the needs of lower-income clients. To bring unbanked San Franciscans into the mainstream it was apparent that two things had to change: checking account products needed to be modified, and the bank policies that were keeping residents from accessing the system had to be revised. By combining the influence of local elected leaders, the regulatory power of the Federal Reserve Bank, the credibility of thought leaders like EARN and the New America Foundation and the market drive of mainstream financial institutions, San Francisco became the first city in America to actively move the marketplace of available financial products and services to better serve the unbanked market.

Since 2006, Bank on San Francisco has helped over 70,000 San Francisco residents switch from high cost check-cashing services to free or low-cost bank accounts. The program has been replicated across the country and there are now more than 70 Bank On programs, including a state wide Bank on California initiative. Based on this achievement, President Obama has allocated \$50 million in the 2011 fiscal year budget to create Bank on USA — a powerful success story for the world of social innovation. Some best practices from the design and implementation include:

- ***Don't underestimate the power of City Hall.*** Local government has unparalleled influence as a convener, banking customer, employer and trusted voice with the community that can be used to propel financial empowerment and asset building priorities.
- ***Engage and educate policy influencers early.*** EARN, CFED and the New America Foundation, together, engaged Gavin Newsom before he was even elected as Mayor of San Francisco. As a result, he became a champion for several asset building initiatives.
- ***Do your research.*** Assess the un-banked market in your community. Identify different consumer segments and understand their needs, preferences, and how to reach them. Set clear goals.
- ***Reach out to national experts.*** Organizations like the Center for Financial Services Innovation and the Brookings Institution contributed significantly to the initiative's research capacity.
- ***Involve a bank regulator from the beginning.*** The Federal Reserve Bank of San Francisco played a key role in Bank on San Francisco. Bank regulators and other professionals bring unique contributions when convening financial institutions.
- ***Reach out to the right players.*** While community affairs staff at banks is the right entry point to begin partnership, Bank-on efforts require broader and more extensive coordination with a variety of bank branch personnel.
- ***Reach out to leaders in your advertising community.*** McCann Worldgroup donated marketing and advertising expertise, an in-kind contribution that significantly enhanced Bank on San Francisco's outreach efforts. The City of San Francisco then donated these resources to other Bank On programs.

## **FINANCIAL COACHING**

In the midst of one of the greatest economic downturns, financial coaching has emerged as a tool with great promise to create prosperity for low-income Americans. In the asset building field and beyond, traditional approaches to empowering low-income people have been largely information based, for example, by delivering programs that pass down information or training related to financial education, credit counseling, and first-time homebuyer education.

Financial coaching is focused on empowering the client to identify their own pathway to achieving their financial goals, a strategy that promotes the clients personal sense of financial self-efficacy over a long period of time. Financial self efficacy is defined as the belief that one is capable of performing in a certain manner to attain specific goals. Nonprofit leaders looking to expand their portfolio of program offerings should consider financial coaching, but understand the distinct costs and benefits involved in this field.

There are three key elements that distinguish financial coaching from financial counseling, education, and planning. First, financial coaching is anchored in behavioral change, not in a transfer of information about finances. Second, financial coaching is client-directed because coaching is rooted in a belief that the client ultimately has the answers about what behavioral changes will be required to succeed in achieving financial goals. Lastly, financial coaching is inherently empowering because decision-making is left to the client. EARN's coaching clients find that their confidence increases significantly and they believe they make better financial decisions as a result.

Financial coaching programs are essential to help low-income clients achieve long-term financial success. However, based on our knowledge and experience, they are not scaleable at the national level because of the high fixed cost associated with supporting in-depth interaction between coaches and clients.

Organizations and nonprofit leaders seeking to support the growth of financial coaching should observe four principles:

- **Anchor coaching in behavioral change.** Financial coaching programs should reinforce patterns of behavior known to result in wealth accumulation.
- **Thoughtfully consider the use of coaching.** Financial coaching is not appropriate for all low-income clients. Financial coaching is most effective when working with clients who are in a position to focus on long-term goals.
- **Pay attention to cultural relevance.** Coaching programs must be appropriate for the experiences of low-income people, and the coaching must be delivered in ways that are culturally and linguistically appropriate. This means either recruiting coaches who have long-term experience working with the target population or establishing a training method to instill the appropriate sensitivities.
- **Support coaching through organizational culture.** Because coaching is such a unique discipline that requires staff to learn many new skills, organizations that offer coaching must meaningfully support staff as they go through training. In addition, organizations that begin to offer coaching must also accept and practice what can be a significant philosophical shift for them: transferring power back to clients by letting them make their own decisions within the context of their work with coaching-trained staff.
- **Commit to rigorous evaluation.** All high-quality programs use assessments to evaluate the program's results and to indicate where modification is needed. Financial coaching programs are no exception. In fact, given the newness of the field, further innovation will require outcome assessment to be integrated into program design.

## KINDERGARTEN TO COLLEGE

A promising new initiative is underway in the City and County of San Francisco to promote the habit of saving early and to help more students attend and graduate from college. This pioneering public initiative, called Kindergarten to College (K2C), will automatically open a college savings account for every child entering kindergarten in the City's public schools. Each K2C account will receive an opening deposit of \$50 from the City and County of San Francisco deposited into an account held at Citibank. Families can then use this account to save for post-secondary educational expenses. In addition, EARN will provide a \$120,000 program match for the first year, which will augment the first \$100 saved by each of the 1,200 students and their families. K2C is designed to reach four main goals:

- **Increase likelihood of college attendance.** A child with a college savings account in any amount is seven times more likely to attend college than one without, regardless of income, race or academic achievement. K2C will increase academic aspirations for every child by making college a reality and an expectation from the first day of school.

- **Reduce financial exclusion.** One in three San Francisco children are born into families with no savings or assets of any kind, one in two for African American and Latino children. K2C will help parents begin saving by automating the process for opening a college savings account and incentivizing deposits.
- **Increase financial literacy.** K2C will be the vehicle that incorporates financial education into San Francisco classrooms, as part of the math curriculum. Classes tied to savings incentives will also be available to parents. With K2C, our schools can create a culture of savings, improve financial literacy, increase assets, and bring more children and families into the financial mainstream.
- **Leverage private investment in San Francisco families.** K2C will leverage private funds for savings matches, create behavioral incentives, and help families earn money for college at significantly higher rates than they can earn by saving on their own.

K2C is an initiative of the San Francisco Mayor's Office, the Treasurer's Office of Financial Empowerment, the Department of Children, Youth, & Their Families, and the San Francisco Unified School District. EARN, CFED, the New America Foundation and the San Francisco Foundation are the City's nonprofit partners. The City, in partnership with EARN and Stanford University's Department of Education, will conduct a formal evaluation to assess impact of the K2C initiative to inform the expansion of the program in year two. Lessons learned from K2C will be widely disseminated and used to inform local, state, and national policy. The K2C program officially launched in Fall 2010, working with 18 elementary schools. By the third year of the program, K2C will be available in all public elementary schools in San Francisco.

This ambitious local initiative will deepen the asset building field's understanding of child savings accounts, and if successful, will offer a blueprint for government and nonprofit leaders interested in expanding savings opportunities for all. Some short-term measures of success for this program will depend on the ability to:

- **Secure City funding for K2C in years two and three.** San Francisco Board of Supervisors approved funding for K2C for year one. In order for the three-year pilot to continue, the San Francisco Board of Supervisors must approve funding later this year for year two.
- **Continue to raise private and philanthropic money to leverage public investment.** EARN has successfully raised \$125,000 from individual donors to provide a program match in year one. EARN intends to continue fundraising to help match the savings of children and families participating in K2C.
- **Evaluate the effectiveness of the program.** The opening of 1,200 accounts in the first year establishes an excellent base from which to assess the early financial and behavioral impact of the K2C program.
- **Continue to cultivate relationships with new representatives and policy influencers** at all levels of government to build long-term support for this initiative and encourage replication efforts.

At a time when the State of California faces deep budget deficits and state funding for basic programs is expected to shrink, the landscape for major policy change is extremely challenging. Nevertheless, asset building practitioners, policy makers, and members of the private sector and philanthropic community continue to collaborate with a common goal: To lift up the best ideas, test them rigorously at the local level, and to build a case for public investment in policies that promote upward economic mobility and shared prosperity.

**For Additional Information:** Information is available online about the San Francisco Office of Financial Empowerment's Bank on San Francisco program ([banksf.org](http://banksf.org); [joinbankon.org](http://joinbankon.org)) and Kindergarten to College initiative. The EARN Research Institute produces gold-standard research that aids evidence-based decision-making on starting, growing, and evaluating programs that help create prosperity for low-income workers. For more information, please visit [www.earn.org/research](http://www.earn.org/research)

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<sup>1</sup> "Understanding the Unbanked Market in San Francisco" <http://www.frbsf.org/community/resources/banksfpresentation.pdf>