

From Access to Assets: The Promise of Financial Services for Underbanked Consumers

Financial Services, Asset-building
and Economic Development:
New Public Policy Perspectives for Puerto Rico

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**The Center for
Financial Services Innovation**

An Initiative of ShoreBank Advisory Services

CFSI

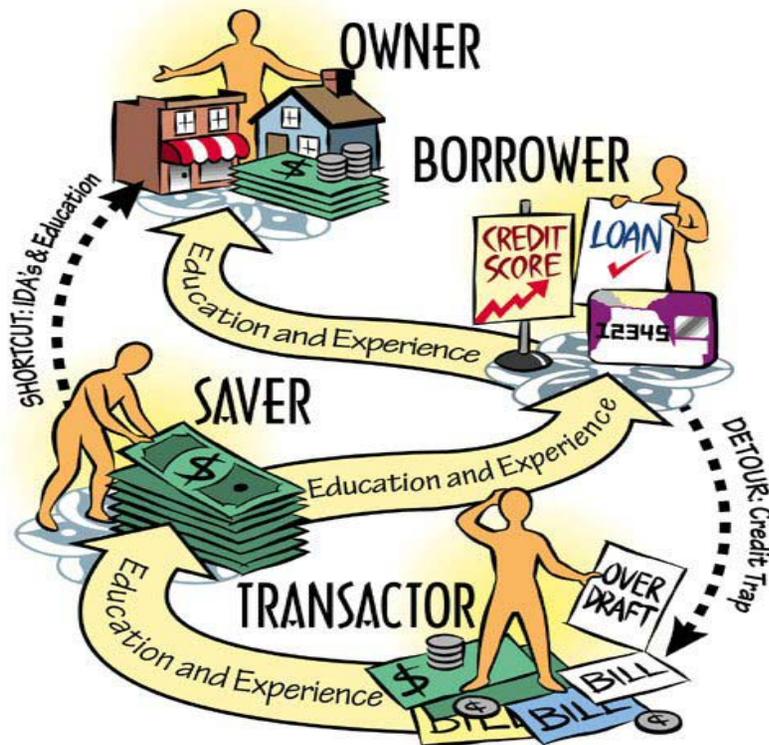
The Center for Financial Services Innovation assists the financial services industry to identify, develop, and implement innovative ways of delivering asset-building opportunities to the underbanked market.

CFSI provides:

- funding for innovative solutions
- a meeting place for interested parties
- information on how to respond to the needs of the underbanked profitably and responsibly

Turning Access Into Assets

- **Current thinking:** Asset building is a journey that begins with basic financial services; access is the first step.
- **Future thinking:** Multifunctional products “grease the path,” making financial transitions seamless.



The Credit Path
Alternatives Federal Credit Union

Supply vs. Demand: The Gap

The gap is due to poorly designed. . .	What does this look like?
<i>Processes</i>	<ul style="list-style-type: none">• ID requirements that overstate risk• ChexSystems, credit checks• Geographic access issues
<i>Products</i>	<ul style="list-style-type: none">• Lack of transparent pricing• Fails to meet customer liquidity needs
<i>Partnerships</i>	<ul style="list-style-type: none">• Lack of cultural awareness• Inappropriate marketing messages

Industry Change = New Opportunities

MAJOR CHANGE	IMPACT
Technological advances	Reduces costs to serve consumers
Government initiatives	Generates awareness of unbanked
Expansion of non-bank sector	Demonstrates demand, profit potential
Emergence of IDAs	Connects assets, financial services
Demographic shifts	Signals market potential

Gaps Mean Opportunity. . .

The gap is due to poorly designed. . .	How to close it?
<i>Processes</i>	<ul style="list-style-type: none">• ITIN, matricula acceptance• Second chance programs• Financial education & outreach
<i>Products</i>	<ul style="list-style-type: none">• Stored-value cards• Remittances• Emergency credit
<i>Partnerships</i>	<ul style="list-style-type: none">• CCO partnerships• Workplace-based outreach• EITC programs

Process Highlight: ITIN Mortgages

- FDIC's New Alliance Task Force brings midwest banks together to encourage acceptance of ITINs as substitute for Social Security #.
- 18 banks in U.S. develop new mortgage product with ITIN, piloted in Chicago.
- Secondary market is considering whether to purchase these mortgages; PMI firms are already participating.

Product Highlight: NetSpend

- NetSpend is one of largest stored-value card companies in the U.S.
- Primary distribution channel: check cashers
- Hybrid debit/deposit card in the works
 - On behalf of FiSCA, they are adding a savings feature, where funds earmarked for savings would be held in separate, interest-bearing accounts.
 - To be unveiled in October

Partnership Highlight: CD Tech & Community Empower

- CDTech: Los Angeles non-profit wants to expand its workplace IDA program with broader array of financial services
- Community Empower: National for-profit start-up supporting 1st time homebuyers with web-based credit repair, mortgage referrals wants to pilot a payroll card with defined contribution accounts
- CFSI invests in partnership to pilot payroll savings card through employers who buy employee assistance programs through CDTech

Challenges Remain

- Cultural barriers
- Inadequate market data
- Finding volume
- Finding partners
- Regulatory issues

For more information

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