

**FINANCIAL
SERVICES
STUDENT
SERVICES
INTERNATIONAL
REMITTANCES
HOME
FORECLOSURES
EMPLOYER**



**BANK
LOCATIONS
PAYDAY
LENDERS
CHECK
CASHERS**

A Community-Wide Financial Needs Assessment

Requested By:

City of Bryan, Texas
Community Development Services
405 West 28th Street
Bryan, Texas 77803

Spring, 2012

**A Community-Wide Financial Needs Assessment
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Under the Supervision and Direction Of:
Professor Edwina Dorch, Ph.D.
Research Performed By
Capstone Project 2012

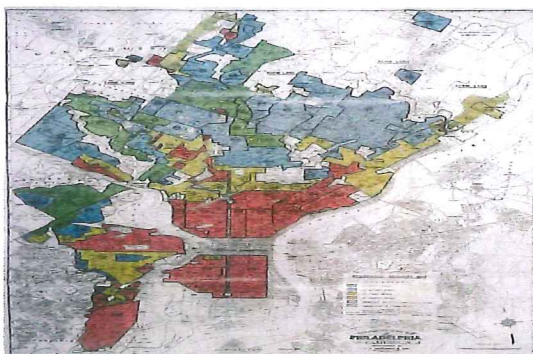
Jonathan Dumire, Thomas Eck, Christopher Jarmon, Jose Rocha, Sarah Murray, Michael Neu, Rebecca Zeske & Phil York
Texas A&M

The Bush School of Government and Public Service
Masters of Public Service and Administration
4220 TAMU College Station, TX 77843-4220 · Phone 979-862-3469 · Fax 979-845-4155

Community Reinvestment Act

The Community Reinvestment Act (CRA, Pub.L. 95-128, title VIII of the Housing and Community Development Act of 1977, 91 Stat. 1147, 12 U.S.C. § 2901 et seq.) is a United States federal law designed to encourage commercial banks and savings associations to help meet the needs of borrowers in all segments of their communities, including low- and moderate-income neighborhoods. Congress passed the Act in 1977 to reduce discriminatory credit practices against low-income neighborhoods, a practice known as redlining.

The CRA was passed as a result of national pressure to address the deteriorating conditions of American cities—particularly lower-income and minority neighborhoods. Community activists, such as [Gale Cincotta](#) of [National People's Action](#) in Chicago, had led the national fight to pass, and later to enforce the Act.



The Act instructs the appropriate federal financial supervisory agencies to encourage regulated financial institutions to help meet the credit needs of the local communities in which they are chartered, consistent with safe and sound operation (Section 802.)

To enforce the statute, federal regulatory agencies examine banking institutions for CRA compliance, and take this information into consideration when approving applications for new bank branches or for mergers or acquisitions (Section 804.)

http://en.wikipedia.org/wiki/Community_Reinvestment_Act

The Beginning A Discovery in San Francisco

SEPTEMBER 28, 2006

FOR IMMEDIATE RELEASE:
Thursday, September 28, 2006
Contact: Mayor's Office of Communications, 415-554-6131.

*** PRESS RELEASE ***

Mayor Newsom and Treasurer Cisneros Launch Bank on San Francisco Initiative

San Francisco becomes first city in the nation to create a comprehensive program to bank the unbanked

San Francisco, CA — Mayor Gavin Newsom and Treasurer José Cisneros today announced the launch of Bank on San Francisco, an innovative new program which allows San Francisco families dependent on high-cost check-cashers to easily open a starter bank account with reputable financial institutions. The launch coincides with the mailing of 11,595 checks totaling \$2.3 million to Working Families Credit recipients.

"Over the next two years, we plan to bring 10,000 of the 50,000 un-banked San Francisco families into the financial mainstream so they can begin to save and build assets," said Mayor Newsom. "Our goal is to have the fewest un-banked residents of any major American city. We are the first city in the country to undertake such an initiative," said Mayor Newsom.

Treasurer José Cisneros spearheaded the initiative by working with banks and credit unions across the City to develop banking products which meet the needs of unbanked San Franciscans. Earlier this year, Treasurer Cisneros worked with Supervisor Tom Ammiano to pass legislation that placed a temporary moratorium on opening new commercial check-cashing outlets and will create new land use regulations for check cashers.

"We're thrilled to launch Bank on San Francisco," said Treasurer Cisneros. "Thousands of hard-working unbanked San Franciscans will be able to open an account — even if they have mismanaged an account in the past, need to use their Matricula card as ID, or simply want quality financial management training. This is a real alternative to high-priced, predatory check cashing and payday lending businesses," continued the Treasurer.

Participating banks and credit unions that have agreed to help local low-income families become "banked" by offering new products and services include Bank of America, Bank of the West, Citibank, Mission Area Federal Credit Union, Mission National Bank, Northeast Community Federal Credit Union, Patelco Credit Union, Spectrum Federal Credit Union, Sterling Bank and Trust, US Bank, Washington Mutual, and Wells Fargo. The program is run in partnership with the Federal Reserve Bank of San Francisco and local non-profit, EARN.

An estimated 50,000 households in San Francisco have neither a checking nor savings account, representing 15% of all households in the City. Among African Americans and Latinos, approximately 50% of adults are unbanked. Families without bank accounts pay high fees to cash checks and pay bills, and with no safe and reliable way to access their money they are particularly vulnerable in times of crisis.

<http://www.sftreasurer.org/index.aspx?page=82>

2

The first Bank On Program was launched in San Francisco in 2006^{1,2}. The program is designed to transition low-income individuals from using high-cost alternative financial services such as payday loans and check cashing services to using low-or-no cost checking and savings accounts.

The Bank On program has been highly successful, being replicated in 70 cities, 6 states, and there are discussions to implement of national Bank On program.

In 2005, city leaders believed they could encourage low-income residents to apply for the federal Earned Income Tax Credit by giving bonuses to those who applied in the form of a check for 10 percent of the federal credit.

More than 10,000 Working Families Credit checks were sent out in the first year, but many of the people receiving those checks did not have bank accounts and cashed those payments at check-cashing stores ... Soon after those first checks went out, Cisneros convened a meeting of banks and credit unions in the city to address the lack of savings and checking accounts, which is where the Bank on San Francisco idea took form

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2007/12/03/MNC0TKIH3.DTL&ao=all>

¹ <http://bankconcentraltexas.org/PDF/BankonSFCCaseStudy.pdf>

² http://www.bryantx.gov/include/press_release.asp?id=1090

A Community-Wide Financial Needs Assessment

And, in 2011, the Brazos Valley Bank On Program was launched by the City Manager's Office in Bryan Texas.

The screenshot shows the City of Bryan website with a red header containing the logo and the slogan "The Good Life, Texas Style." Below the header is a navigation menu with links for Home, City Government, Capital Improvements, City Services, E-Services, Our Community, and Employment. The main content area is titled "Press Release" and dated "Wednesday, March 23, 2011". The headline is "Bank On Brazos Valley to help citizens' finances". The text of the press release discusses the launch of the Bank On Brazos Valley (BOBV) program, which aims to help unbanked and under-banked residents in the Brazos Valley region. It mentions that BOBV is an initiative to get these residents connected to mainstream financial service providers like banks and credit unions. The press release also notes that BOBV officially launches on Thursday, March 24, at 10:00 a.m. in the boardroom of the Brazos Valley Council of Governments offices at 3991 East 29th St. in Bryan. The text further explains that BOBV is an initiative to get the unbanked and/or under-banked residents of the Brazos Valley connected to mainstream financial service providers like banks and credit unions to protect and save more of their hard earned money. BOBV officially launches at 10:00 a.m. on Thursday, March 24, in the boardroom of the Brazos Valley Council of Governments offices at 3991 East 29th St. in Bryan. According to a December 2009 survey conducted on behalf of the Federal Deposit Insurance Corporation (FDIC) by the U.S. Bureau of the Census, it was revealed that more than one quarter (25.6%) of all households in the United States are unbanked or under-banked and that those households are disproportionately low-income and/or minority (see survey results at www.economicinclusion.gov). In Texas, the number of unbanked and under-banked residents in the same survey is reported as high as 35.8% and in the Metropolitan Statistical Area (MSA) closest to the Brazos Valley region, the total number of unbanked and under-banked residents is projected at 31.6%. The survey estimates that over one million Texas households lack a bank account, paying hundreds and sometimes thousands of dollars each year to cash checks and pay bills at check cashers, payday lenders and other fringe financial service providers. These families are missing out on opportunities to build wealth which could, in turn, lead to more financially stable neighborhoods. The Bank On Brazos Valley initiative grew out of the 2009-2010 Bank On Cities Campaign, a technical assistance project by the National League of Cities' Institute for Youth, Education and Families. This was the second phase of the Bank On Cities Campaign and added 8 new cities, including Bryan, TX, that aimed at helping municipal leaders connect low and moderate-income families to mainstream financial services and products. "The technical assistance from NLC was invaluable to our efforts to broaden this initiative to a regional focus," said Ronnie Jackson, Bryan's Neighborhood and Youth Services Manager and coordinator for BOBV. BOBV has the support of 6 local banks and 2 credit unions in Bryan & College Station that will be offering basic account features that will encourage and support low income families to open new accounts. Local non-profit agencies and community based organizations will support and encourage clients to secure their financial futures by opening checking and savings accounts with these participating mainstream financial partners. "A city's economic health depends on the financial security of its residents, and the City of Bryan and our surrounding communities want to help expand financial opportunities for families, especially in these uncertain economic times," adds Bryan's Mayor Pro-Tem Ann Horton, the leading advocate for this program on the Bryan City Council. City of College Station Mayor Nancy Berry and Councilman Dave Ruesink also have been supportive of this program and have been involved with its development. They are excited about the opportunity this program presents for economic stability for residents of both cities. For more information on BOBV, go online to www.bankonbrazosvalley.com. Additional Contact Information: Ronnie Jackson, City of Bryan Neighborhood/Youth Services, 209-5115, rjackson@bryantx.gov.

The Brazos Valley Program had a number of financial partners including

Financial Partners

- Aggieldand Credit Union
- Brazos Valley Bank
- Branch
- Citi
- City Bank Texas
- Commerce National Bank
- FedStar Credit Union
- First Convenience Bank
- First Victoria
- MidSouth Bank
- The Bank & Trust

Federal Regulatory Partners

- FDIC
- Federal Reserve Bank of Dallas - Houston
- Office of the Comptroller of the Currency

A Community-Wide Financial Needs Assessment

The Financial Community Needs Assessment Bryan-College Station, Texas Methods Used

As part of the implementation of the Bank On Program, the City Bryan City Manager's Office asked that there be a formative program evaluation. However, a community-wide financial needs assessment was performed instead since the program was so new and had not been *fully* implemented.

Witkin (1994) noted some of the more exotic assessment methodologies (such as the nominal group process, Delphi techniques, incident techniques and environmental scanning). However,

There are basically five types of community needs assessments:

1. The Existing Data Approach (which utilizes previously compiled statistical data),
2. the Attitude Survey Approach (which utilizes information gathered from community residents),
3. the Key Informant Approach (which utilizes the knowledge of community leaders & decision makers),
4. the Community Forum (which utilizes information gathered from public meetings) and
5. the Focus Group Interview (which utilizes information gathered from a select group of individuals).

All of these methods were used to assess community needs with respect to financial services offered accessibility to financial institutions, and integration with social services.

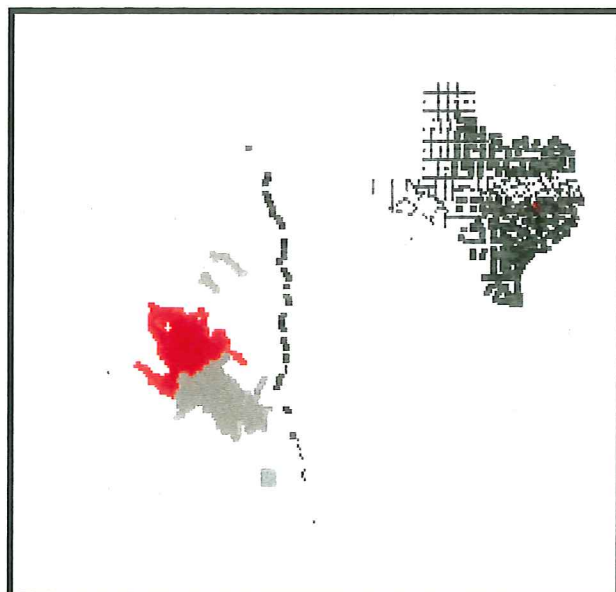
Bryan-College Station, Texas

The **Bryan-College Station Metropolitan Statistical Area** is a metropolitan area in the [Brazos Valley](#) region of Texas that covers three counties:

[Brazos](#), [Burleson](#), and [Robertson](#).

As of the [2000 census](#), the MSA had a population of 184,885

(The 2010 Census placed the population at 228,660)



Federal Deposit Insurance Corporation (FDIC) Definitions

Banked

Households that **HAVE** one or both a checking and/or savings.

Under-banked

Households that **HAVE** checking or savings AND use **Payday Lenders** and **Check Cashiers**

Un-banked

Households that **DO NOT HAVE** Either a checking OR savings account.

A few years after the Bank On Program was launched, the Federal Deposit Insurance Corporation (FDIC) provided official definitions for unbanked and under-banked (above).

FDIC Estimates Un/Under-banked

Link

<http://www.economicinclusion.gov/>



In 2009, The Federal Deposit Insurance Corporation (FDIC) administered a special supplement to the U.S. Census Bureau's Current Population Survey (CPS) to collect data on the number of *unbanked and under-banked* at the national, state, and metropolitan levels³.

Results indicated that 10.6% of Houston-Baytown-Sugar Land MSA households are unbanked and 21.0% of them are under-banked (indicating that there are a larger number of under-banked than unbanked).

³ <http://www.fdic.gov/householdsurvey/>

Extrapolating From FDIC Houston To Bryan-College Station

	Low-Income \$30k-below	Number of Unbanked (estimate)	Low-Income Unbanked %	Number of Underbanked (estimate)	Low-Income Underbanked %
Bryan	11,296	3,326	29%	3,133	27%
College Station	15,541	4,701	30%	4,339	27%

5

Extrapolating from Houston percentages provided by the FDIC in 2009, there are approximately 6,459 unbanked and under-banked in Bryan, Texas and approximately 9,040 unbanked and under-banked in College Station Texas.

(While these estimates suggest that College Station has more unbanked and under-banked residents than Bryan, other data, in this case from the United States Census Bureau, shows that Bryan actually has a larger percentage of households making below \$25,000 (suggesting that Bryan has more low-income households). Also, College Station is home to Texas A&M University, home to about 47,000⁴ students (who are mostly low-income). The large presence of students located in College Station overestimates the number of unbanked and under-banked households there).

⁴ <http://www.tamu.edu/customers/oisp/student-reports/enrollment-profile-spring-2012.pdf>

**Residents Usage Of
Government Issued Electronic Debit Cards**

Amount of Public Electronic Debit Card Use

There is 7% Unemployment, 7,000 Residents Over 65 and 19, 000 Residents Receive Food Stamps



Direct Express is a debit card provided by the federal treasury.

- *Seniors pay 90 cents for ATM withdrawals beyond one free withdrawal per month*



LoneStar is a debit card provided by the State of Texas to SNAP and TANF recipients.

- *Merchants can charge fees for cash withdrawals*



TWC UI Visa® is a debit card for provided by the State of Texas to those receiving Unemployment Insurance.

- *Withdrawals from bank tellers are \$5 each beyond one free after each deposit*

Residents Receiving Social Security and SSI Disability Payments

According to the U.S. 2010 Census there are approximately 6,858 persons 65 years and over in Bryan, Texas. This makes up almost 10% of the total population (the extensive use of Census data can be considered part of the existing data approach described above). In College Station, the same data indicates that there are 4,411 individuals in that age group. Unlike its counterpart in Bryan, this age group merely represents 5% of the population. Residents use who do not have a bank account use the Direct Express Debit Card issued by the federal government.

Residents Receiving TANF and SNAP (Food Stamp)

Approximately 19, 000 residents receive food stamps in Brazos County and a subset of these residents, also receive TANF. These residents use the Lone Star Card issued by the state of Texas.

Residents Receiving Unemployment Benefits

According to the 2010 US Census, the City of Bryan had 2,786 people that were unemployed, which comes out to 4.9 percent of the population. The neighboring city of College Station had 2,860 unemployed, however, this consist of a lower amount of the populous at 3.7 percent. Residents who do not have a bank account use a debit card issued by the state of Texas.

Focus Groups were held to determine resident’s views about these cards. In general residents find these cards save money that would be spent on cashing checks.

Local Action Needed	State Action Needed	Federal Action Needed
	X	X
Monitor Amount of State & Federal Fees		

Electronic Debit Card Provided To University & College Students

50,054 TAMU Students , 18,156 Blinn Students

<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> TAMU (Aggie Bucks) </div> <p>Payments made with credit cards incur a 2.25% convenience fee, minimum charge of \$3</p> <p>Short Term Loans Online Debt Management Class</p> <p>Student Loan Repayment Stafford / NDSL & Federal Family Education Loans (FFEL) 6% to 8% Interest Rate</p>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> BLINN (Blinn Bucs) </div> <p>The Blinn Bucs card can be used to receiving tuition/loan refunds. Students must wait 12 days after the semester to receive refunds</p> <p>Students may cash personal checks up to \$35 and checks from parents or guardians up to \$50.</p> <p>2.75% for online credit card transactions</p>
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The Bryan-College Station region is unique as it is host to two major institutions of higher education: Blinn College-Bryan Campus and Texas A&M University (TAMU). The former is a branch of a much larger Blinn College System while the latter is one of the largest universities in the United States (TAMUtimes 2011).

Area financial institutions, such as Wells Fargo, provide college students access to banking through the “Aggie Bucks” card (Blinn college offers a similar program).

Students with bank accounts can also receive their student refunds checks quicker and easier than if they did not have access to banking. However, there are fees associated with these cards.

Students receive on-line training prior to accepting student loans but perhaps face to face classes would be more useful in minimizes the amount of debt incurred.

Face-to-face interviews were held with the financial aid counselors at both institutions to determine student residents needs. As with the rest of the nation, students are concerned about the amount of student tuition as well as loan interest rates.

Local Action Needed	State Action Needed	Federal Action Needed
X		
Minimize Debit Card Fees		Loan Management & Training

Remittances (or International Money Transfers)

Foreign-born population: 12.8% Bryan , 13.7% College Station

<i>Send \$100 to Mexico</i>	Western Union	Citibank <i>(with account)</i>	Wells Fargo <i>(with an account)</i>
IN PERSON	\$12	up to \$8	up to \$7
BY PHONE	\$15	up to \$8	up to \$7
ONLINE	\$12	up to \$8	up to \$7

11

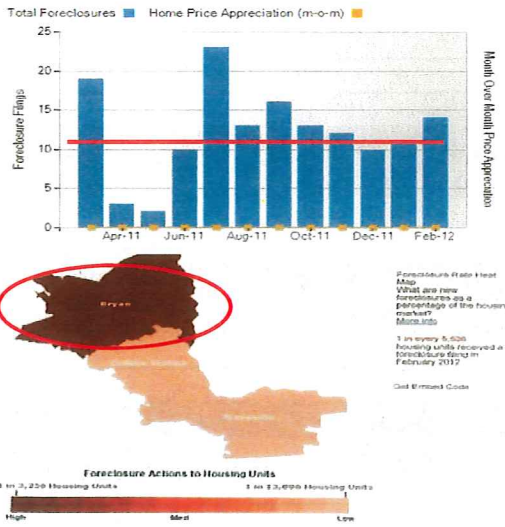
In College Station, Texas 14.6% of the residents are foreign born (this represents about 13,703 individuals) and in Bryan, Texas 11.7% (8,915 individuals) of the residents are foreign born.

Although this data might not completely represent the immigration population in College Station and Bryan, it serves as a good proxy for the number of residents who might be seeking remittance services.

Telephone interview were held with bank representatives to determine the amounts of these fees and the amounts of residents in need of remittance services.

Local Action Needed	State Action Needed	Federal Action Needed
X		
Monitor Amount of Remittance Fees		

Home Foreclosures



BVCOG has First-Time Home Buyers Counseling Classes

NO classes for Home-Foreclosure Literacy Assistance.

The Making Home Affordable Program was put into place by President Obama in 2009 to help families avoid losing their homes in foreclosure.

In foreclosure **short sales**, the lender can seek a deficiency judgment on remaining debt. So if a short sale buyer pays \$250k for a property with a \$300k loan balance, the deficiency is \$50k **plus costs, fees and penalties.**

There are 67,808 housing units in Bryan and College Station, Texas (U.S. Census Bureau 2012).

The homeownership rate in Bryan is 50.1%, but only 34.7% in College Station in the years 2006-2010 due to a large university student population (U.S. Census Bureau 2012). Prices of

Homeownership continues to be burdensome with 17.2% of College Station residents spending 35% or more of their household income on house expenses (U.S. Census Bureau 2012).

In Bryan, 23.8% of the population spends more than 35% of household income on housing (U.S. Census Bureau 2012).

Archival and web data was used to gather information about housing in the Bryan-College Station area.

Local Action Needed	State Action Needed	Federal Action Needed
X		X
Implement Predatory Lending Classes		Insure Home Foreclosure Assistance

A Community-Wide Financial Needs Assessment

Community Financial Needs Assessment
Government Issued Electronic Debit Cards & Federal Services

Summary

		X	
		Monitor Electronic Debit Card Fees	
University Issued Debit Cards	Local Action Needed	State Action Needed	Federal Action Needed
	X		X
	Monitor Electronic Debit Card Fees		Insure Student Loan Debt Assistance
Remittance Services	Local Action Needed	State Action Needed	Federal Action Needed
	X		
	Monitor Electronic Debit Card Fees		
Housing Services	Local Action Needed	State Action Needed	Federal Action Needed
	X		X
	Offer Predatory Lending Classes		Insure Home Foreclosure Assistance

State, Federal and University and College issued electronic debit cards have fees associated with their usage. Fees are levied by the state issuer of the card and by merchants. Monitoring these fees would be useful to residents.

Both banks and private agencies offer remittance services in the Bryan-College Station area. However, the fees associated with this financial service are high and discussions with local banks could be useful. .

Additionally, nationally, the average student loan debt for four years is 25,000. Hence, the community should use Northern Illinois University as a model for student financial training.

There are a large number of foreclosures in Bryan each month and thus literacy classes on predatory lending as well as increased guidance on housing foreclosure assistance should be offered more than just during Brazos Valley Money Week.

Residents Accessibility to Financial Institutions

Amount of Employer Payroll Deposits to Banks

We used a stratified random sample of Large, Medium and Small Employers to determine the % of employees with direct deposit

Company	# of employees	# under 25,000	Have Direct Deposit	DD Mandatory	How many use DD	Organization size
Brazos County	900	-	Yes	No	80-90%	Large
AT&T	21	0	Yes	No	95%	Small
Ashley Furniture	40	26	Yes	No	80%	Small
Starbucks	20	most	Yes	No	70%	Small
Bed Bath & Beyond	-	-	Yes	No	-	Small
Kent Moore Cabinets	414	385	Yes	No	60%	Large
Conlee-Garrett Moving & Storage	26	-	No	-	-	Non-franchised
Dudley's Construction	60	0	Yes	No	-	Non-franchised
Aggieland Carpet One	13	3	No	-	-	Non-franchised
Brazos Diesel Service	7	1	No	-	-	Non-franchised
Brazos Valley Carpet Outlet	24	3	Yes	No	87.5%	Non-franchised
Khol's	90	15	Yes	Yes	100%	Small

The smaller the number of employees, the less likely to have direct deposit

In a pilot telephone survey, using a stratified random of local businesses (small and large⁵; franchise and non-franchise) 9 out of 12 cases (75%) employers indicated they have implemented direct payroll deposit services and in at least one case (Khol's) the service is mandatory.

This preliminary pilot data suggests that large employers were more likely than small employers to provide direct payroll deposit and a second capstone might determine the degree to which this hypothesis is true.

Employer Direct Payroll Deposit	Local Action Needed	State Action Needed	Federal Action Needed
	X		
	Small Employer Direct Deposit Study		

⁵ "Small" and "Large" is defined by the number of employees a business has. Having 100 or more employees means that the organization is large. Having fewer than 100 employees means that the organization is small.

Amounts & Types of Financial Education

Topics	Operation Hope Dallas, TX	Northern Illinois	Bank On Houston	Area Banks	Texas A&M Agrilife Extension	Texas A&M Financial Aid Office	United Way Brazos Valley	Brazos Valley Affordable Housing Corporation	Blinn College	Area High Schools
Credit Card Debt	X	X	X	X	X	X				
Buy/Rent a Home	X	X	X	X	X		X	X		
Money for College	X	X	X		X	X			X	X
Start a business	X		X		X					
Investing	X	X	X	X	X	X				
Saving for Retirement	X	X	X	X	X	X				
Bankruptcy	X		X	X	X					
Bank account types	X	X	X	X						
Balance a checkbook	X	X	X	X	X					
Types of loans	X	X	X	X	X	X	X	X		
Insurance	X		X	X	X	X				
Charitable giving	X		X				X			

Operation Hope in Dallas is a nationally acclaimed program by which to measure offerings by the Bryan-College Station area.

Financial literacy classes are offered in Brazos Valley. However, most often the courses are sporadic and not evaluated properly.

Although Texas A&M and BVCOG regularly offer free literacy classes, they are primarily offered to selected residents (e.g. university students or to first time home buyers).

Financial literacy classes are offered by a number of community agencies but the offerings are not well advertised and the impact of them is not properly evaluated.

Financial Literacy Classes	Local Action Needed	State Action Needed	Federal Action Needed
	X	X	
	Offer Greater Variety More Regularly	Request State Technical Assistance	

Amount and Types of Services Offered By Local Banks and Credit Unions

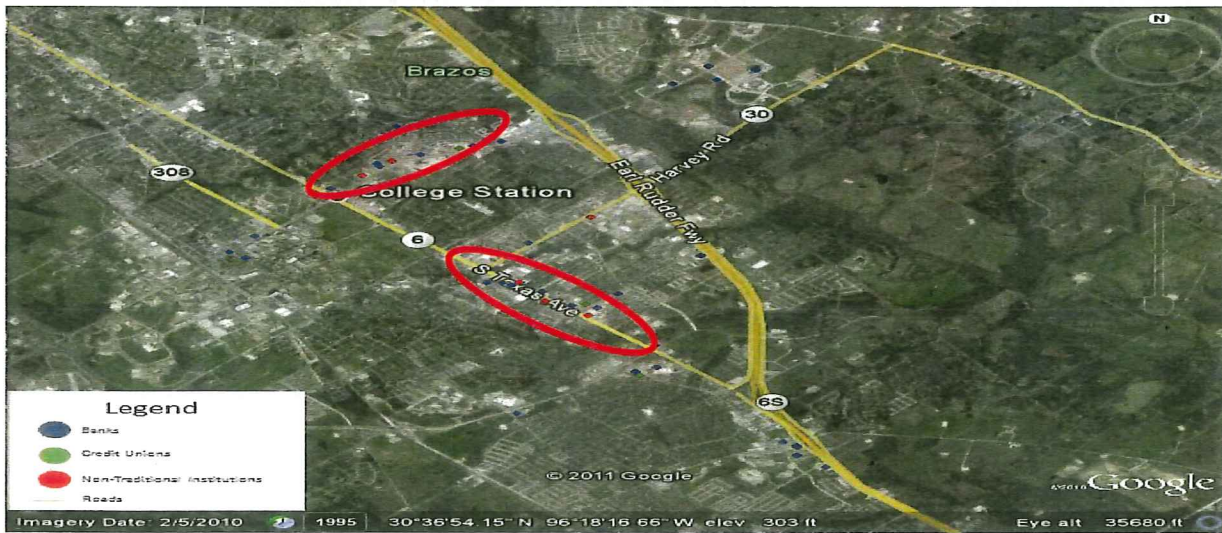
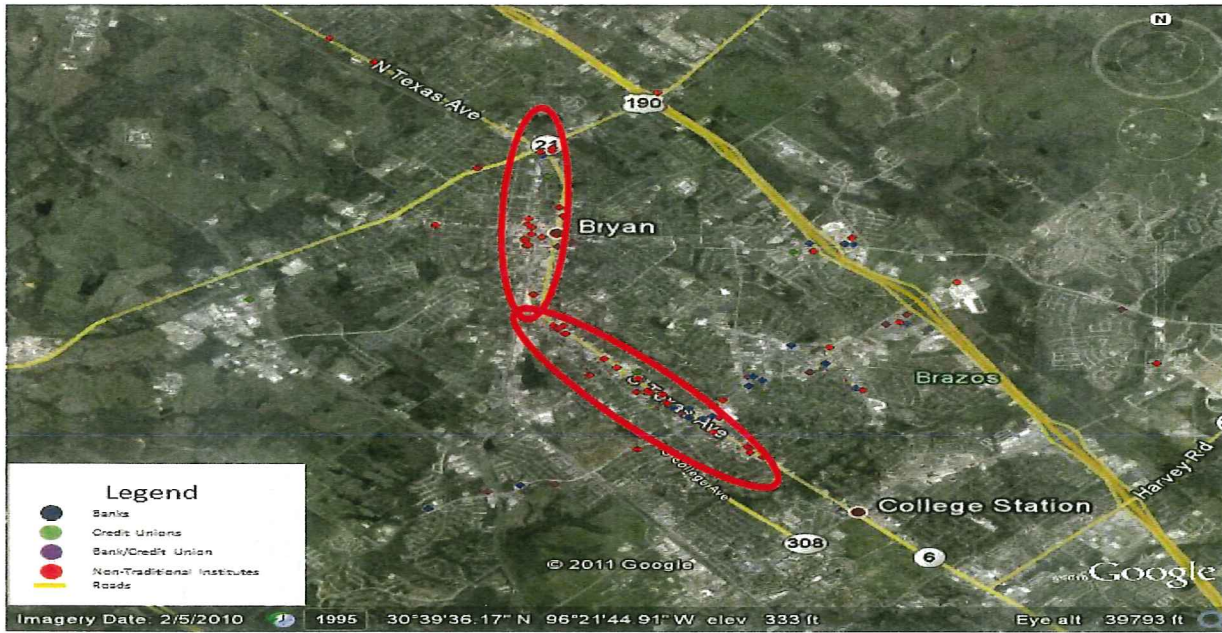
**Surveyed institutions
are partners of:
Bank On Brazos Valley**

	ID	Checking	Savings	Loans/Credit	Misc				
	Matricula ID accepted	Checking \$0-\$100 Req.	2nd-Chance Checking	Savings for IDA	Savings for Youth	Small Loans \$200-\$2000	Auto Loans	Credit Cards Line of Credit	Money Managers
Citibank	✓	✓	✓	✓	✓	✓	✓	✓	
First Convenience	✓	✓	✓		✓	✓			
MidSouth	✓	✓	✓	✓	✓	✓		✓	
Brazos Valley	✓	✓				✓			
City Bank Texas		✓		✓	✓				
Commerce		✓		✓	✓	✓	✓	✓	
First Victoria	✓	✓	✓		✓			✓	
The Bank & Trust	✓	✓			✓	✓	✓		
Aggieland	✓	✓				✓	✓	✓	✓
FedStar		✓			✓	✓	✓	✓	

Bank On Brazos Valley bank partners indicated that they provide free checking and small dollar loans. They do less well with respect to second chance checking accounts.

Bank & Credit Union Services	Local Action Needed	State Action Needed	Federal Action Needed
	X		
Outreach to Nursing Home & BHA Clients			

A Community-Wide Financial Needs Assessment



The two maps above indicate the location of Banks, Credit Unions, and Alternative Financial Services in Bryan and College Station. These maps were created through the use of GIS technology.

These maps reveal two key findings:

Most financial entities are located along a main corridor i.e., Texas Avenue. However, what is of note is that, the city of Bryan, with a greater minority population, has substantially more payday lenders and check cashers than College station (as indicated by the number of red dots on the map).

Bank & Credit Union Services	Local Action Needed	State Action Needed	Federal Action Needed
	X		
Outreach to Nursing Home & BHA Clients			

GIS Maps⁶

⁶ Red Dot = AFS Providers; Blue Dot = Banks; Green Dots = Credit Unions

Check Cashing and Payday Lending Regulations

CHECK CASHING

Banks and alternative services charge noncustomers a fee.

The *Uniform Money Services Act* was proposed as national legislation to require licensing, recordkeeping (2000).

PAYDAY LENDING

Nonbank service providers provide high-interest loans.

Texas House Bill 2592, Sec 393.223 requires lenders to disclose information such as fees and interest rates (2012). *Zoning ordinances* were used in Texas cities like Irving and Brownsville to limit lenders.

Check Cashers

Cashing checks in Texas can be problematic for those without bank accounts. Research by the Pew Charitable Trust found that 89% of unbanked households “spend approximately \$1,042 per year on check-cashing services” (Anderson 2009). Also, banks in Texas are legally allowed to charge non-customers a fee for cashing a check.

The Texas Legislature attempted to make these fees illegal by amending **SB 314**, also known as **the Sunset Banking Bill**. However, this was blocked by five large banks within the state with the court (Shumate 2011) deeming the law outside the state’s jurisdiction.

Other legislation for check cashers includes the **Uniform Money Services Act**, which is national legislation to require licensing and recordkeeping.

Payday Lenders

House Bill 2592, Sec 393.223 requires lenders to disclose information such as fees and interest rates to customers upon taking out payday loans. **House Bill 2594, Sec. 393.603** creates a licensing requirement for title and payday loan providers (Powell 2011). This allows the consumers to properly research each lender.

These bills were effective January 1, 2012 (Powell 2011).

Payday Lenders&Check Cashers	Local Action Needed	State Action Needed	Federal Action Needed
	X		
	Request Ordinance Implementation Study		

A Community-Wide Financial Needs Assessment

	<i>Payday Lenders</i>	<i>Check Cashing Entities</i>	<i>Free Tax Prep</i>
	<ol style="list-style-type: none"> 1. Stop Auto Insurance 2. Stop Financial Services 3. Ace Cash Express 4. America Cash Advance 5. Aple Corp 6. Atlas Credit 7. B&F Finance 8. B&W Finance 9. Cash 2 U 10. Cash Plus 11. Check 'n' Go 12. Covington Credit 13. EZ Money Loan 14. First Cash Adv. 15. Gold Star Finance 16. Nationwide Money Services 17. Network Finance 18. OneMain Financial 19. Preferred Finance 20. Rent-A-Center Financial 21. Security Finance 22. Springleaf Financial 23. Sun Loan Company 24. Texas Credit Corporation 25. Texas Cash Advance 26. TJD Financial 27. Toledo Finance 28. Western Finance 29. World Finance 	<ol style="list-style-type: none"> 1. Ace Cash Express 2. BV Check Authority 3. Central Texas Loans 4. Check 'n' Go 5. Express Mart 106 6. Ponzio's Food Market 7. First Cash Advance 8. La Nortanita 9. Mr. Payroll 10. Texas Paychex, LLC 	<ol style="list-style-type: none"> 1. The Bryan and College Station public library system 2. VITA
TOTAL	29	10	2

Community groups could ask the question:

Is this number of payday lenders too many or are they providing a needed service without exploiting residents?

Amount of Free Tax Preparation Services

Volunteer Income Tax Assistance (VITA)	United Way Volunteer Income Tax Assistance
<p>Free tax help is available to low- and moderate-income individuals through VITA if they cannot prepare their own returns.</p> <p>To qualify, families must make \$50,000 or below and individuals must make below \$30,000 a year.</p>	<p>The Texas A&M University Business School, the United Way, and BVCOG together certify and provide volunteers for the local VITA Program.</p> <p>Free help provided by AARP volunteers.</p>

Refund Anticipation Loans (RAF)

RALs are loans secured by and repaid directly from the proceeds of a consumer's tax refund from the Internal Revenue Service (IRS). Fees for these loans can translate into **triple-digit Annual Percentage Rates**.

Refund Anticipation Checks (RAC)

RACs are non-loan payment devices offered by RAL banks. With RACs, the bank opens a temporary bank account into which the IRS direct deposits the refund check. After the refund is deposited, the bank issues the consumer a paper check or prepaid debit card with the RAC proceeds and closes the temporary account.

Volunteer Income Tax Assistance (VITA)

Free tax help is available to low and moderate income individuals through the Volunteer Income Tax Assistance (VITA) program if they cannot prepare their own returns. To qualify families generally have to make \$50,000 or below and individuals have to make below \$30,000 a year.

The Texas A&M University Mays Business School and the United Way together certify and provide volunteers for the local VITA Program. Free help is also provided by AARP volunteers. Bryan and College Station libraries serve as community centers where these services are provided.

Payday Lenders & Check Cashers	Local Action Needed	State Action Needed	Federal Action Needed
	X		
	Increase Residents Receiving VITA		

Community Financial Needs Assessment
Financial Services Accessibility

Summary

Employer Direct Payroll Deposit	Local Action Needed	State Action Needed	Federal Action Needed
	X		
	Small Employer Direct Deposit Study		
Financial Literacy Classes	Local Action Needed	State Action Needed	Federal Action Needed
	X	X	
	Offer & Evaluate More Often	Technical Assistance	
Bank & Credit Union Services	Local Action Needed	State Action Needed	Federal Action Needed
	X		
	Outreach to Nursing Home & BHA Clients		
Payday Lenders & Check Cashers	Local Action Needed	State Action Needed	Federal Action Needed
	X		
	Bryan City Ordinance Study		
Free Tax Preparation	Local Action Needed	State Action Needed	Federal Action Needed
	X		
	US Substantially Increase Number Of Residents Served		

**Amount of Financial Service Integration
With Other Social Services**

New Checking And Savings Accounts Over Three Quarters For Banks Involved in Bank On Program

	2011				Total Reported
	1st Q	2nd Q	3rd Q	4th Q	
Number of New Accounts					
Checking		1465	1637	653	3755
Savings		53	55	44	152
Other		0	0	0	0
Direct Deposit		2	0	2	4
Number of Closed Accounts					
		0	186	37	233
Total Reported Active Accounts	0	1520	1506	662	3688

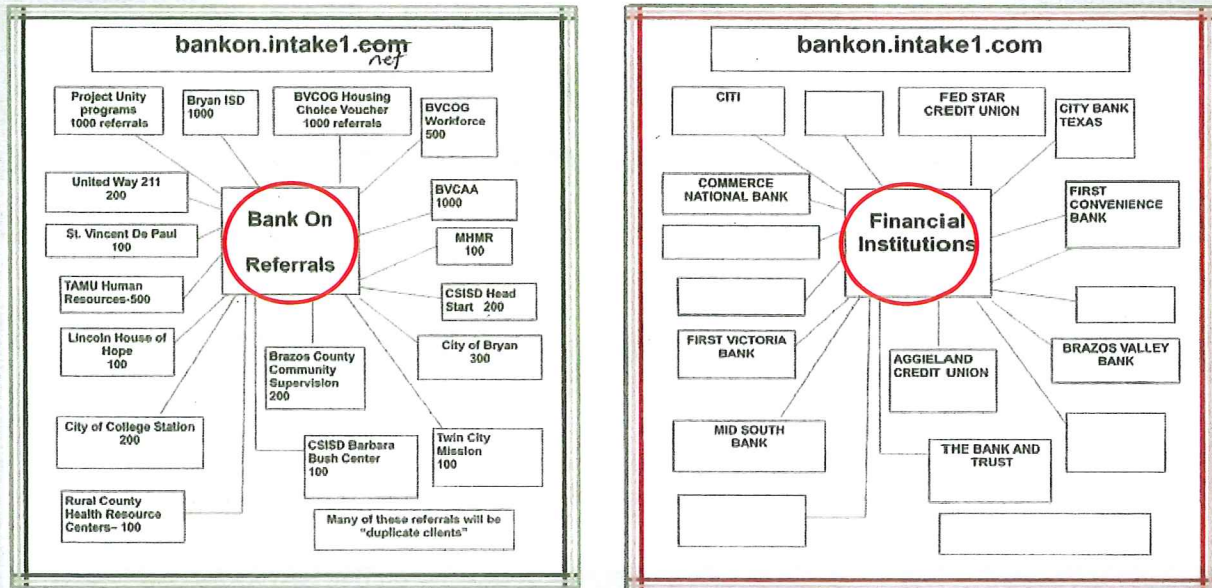
**But How Many of These New Accounts Were Opened By
Nonprofits and Government Agencies Involved With The Bank On Program?**

The graphic above shows the number of checking and savings accounts opened by Bank On partners in the last three quarters of 2011.

However, the banks have no way of knowing if the customer is low income or if the customer is referred from a Bank On Program a public social service agency, a nonprofit, an employer or a the customer is a new university student.

In other words they have no way of communicating with either public or nonprofit agencies about clients they have in common.

The Bryan-College Station Nonprofit and Government Bank-On Program Partners



Project Unity is a non-profit agency based in Bryan, Texas that provides three core programs: Texas Families Together & Safe, Safe Harbour, and Special Health Services. Project Unity is special in that it attempts to coordinate services across multiple organizations.

Recently, Project Unity proposed that all Bank On stakeholders use their "Intake One" proprietary software to provide for case counting and for greater service integration.

If all agencies agree to use Intake 1, the system could calculate the number of local clients in need of financial services and referred to the Bank on Program by nonprofits and by local banks.

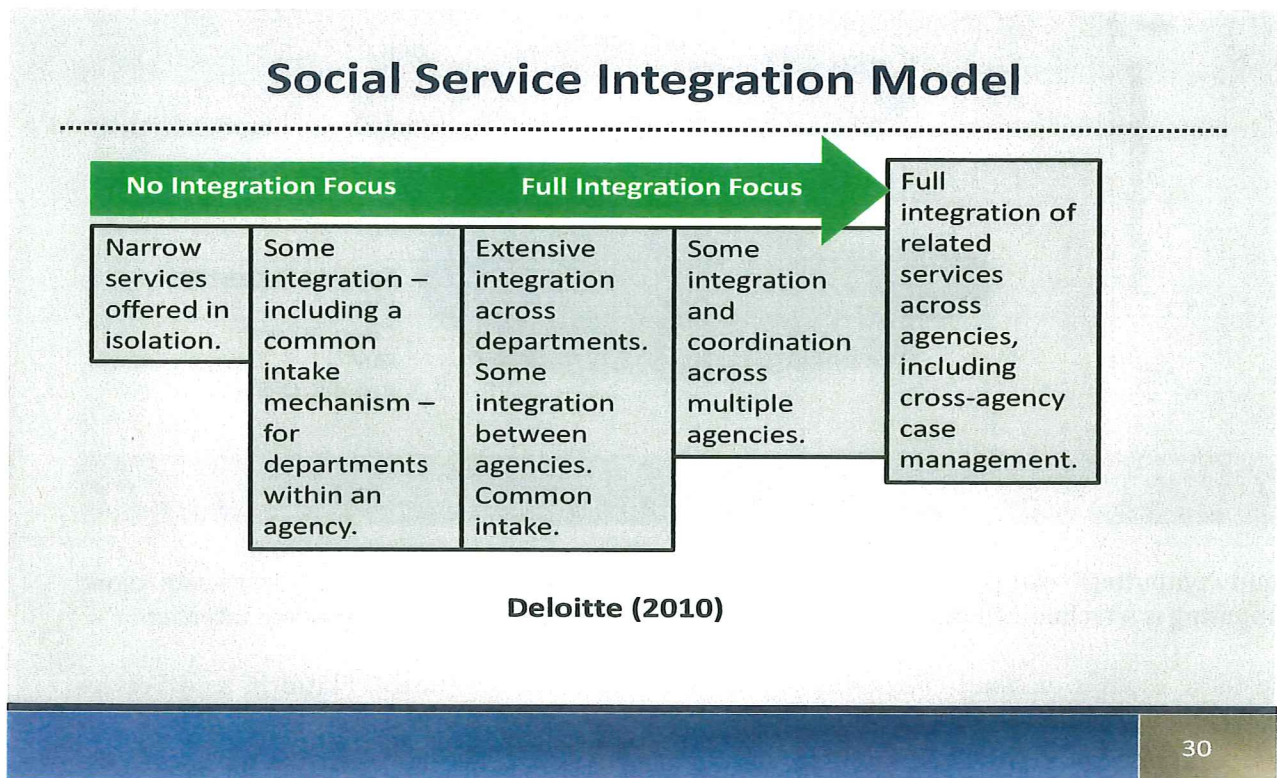
It would not however, calculate the total number of local residents in need of financial services but opening bank accounts through government social service caseworkers.

A Community-Wide Financial Needs Assessment

Historically, services were integrated by collocating staff, consolidating case management files, and through other “operational” approaches (described below).

However, more recent methods by which to integrate services involved “integrating information and information systems.” However, this can be taken one step further to say that, specifically, cloud computing is the information system best suited to accomplish service integration.

In the graph below, there is no service integration on the left and full integration on the right.

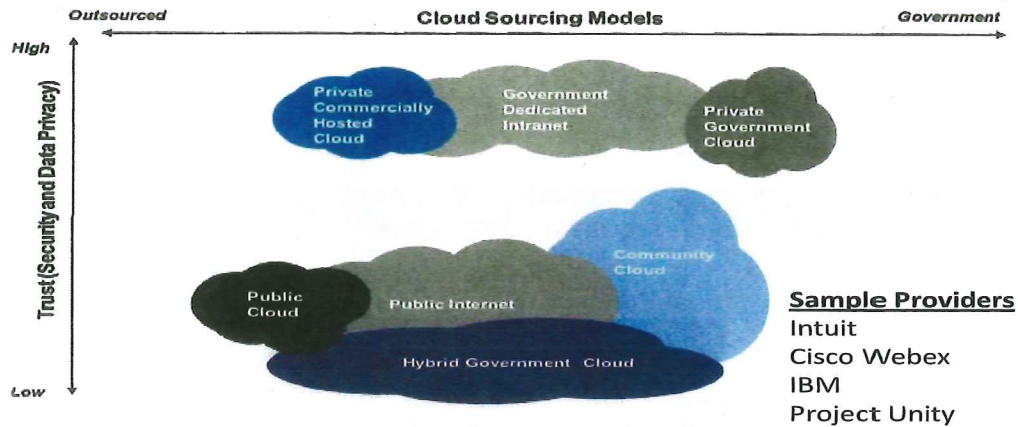


Cloud computing can assist with achieving “full integration focus.”

Utilizing cloud computing technology can assist with breaking communication barriers between agencies.

Purchasing cloud computing can get increase information sharing and collaboration and thereby increase the efficiency and effectiveness of private, public and nonprofit organizations.

Post Millennial Social Service Integration i.e., Cloud Computing



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Cloud computing⁷ can provide a technology solution to service integration. Specifically, cloud computing is a technology that allows users to access computing resources over the internet.

The three models of cloud computing are Software as a Service (SaaS), Platform as a Service (PaaS) and Infrastructure as a Service (IaaS).

SaaS provides the best option to bring about service integration and an appropriate type of cloud environment for this is the hybrid cloud, which is a mix between a public, private, and community cloud.

The value of SaaS is that it is software provided over the web and anyone who has access to an internet connection would be able to use the software.

This fits in with service integration because a survey conducted by the Texas Health and Human Services Commission (HHSC) found that 36% of HHSC clients were interested in applying for services on-line (Health and Human Services Eligibility Transition Plan).

⁷ According to the National Institute of Standards and Technology (NIST) cloud computing is: "a model for enabling convenient, on-demand network access to a shared pool of configurable computing resources that can be rapidly provisioned and released with minimal management effort or service provider interaction." (Kundra 2011: 5).

A Community-Wide Financial Needs Assessment

Historically, services were integrated by collocating staff, consolidating case management files, and through other “operational” approaches (described below).

However, more recent methods by which to integrate services involved “integrating information and information systems.” However, this can be taken one step further to say that, specifically, cloud computing is the information system best suited to accomplish service integration.

The Texas Integrated Eligibility Redesign System (TIERS) is a statewide program which integrates a number of social services provided to residents throughout the state.

The goal of the information computer technology system is for state residents to be able to apply for and receive a number of social services at a number of entry points.

Social Service Integration at the State Level

GOVERNMENT TECHNOLOGY
SOLUTIONS FOR STATE AND LOCAL GOVERNMENT

Texas Rolls Out TIERS Eligibility System After 8-Year Transition
December 20, 2011 By Brian Heaton

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Whoever wrote the Chinese proverb, “The journey is the reward,” clearly wasn’t anticipating Texas’ efforts to replace its 30-year-old legacy benefits processing system.

It has taken more than eight years to bring the new Texas Integrated Eligibility Redesign System (TIERS) online in every region of the state. While its users ultimately may find it more efficient than its predecessor — the 1970s-era System of Application, Verification, Eligibility, Referral and Reporting (SAVERR) — it’s likely that the personnel involved in the transition are thankful the project’s finish line is now firmly in sight.

Program Name	Responsible Agency	Benefit/Access Type
Food Stamp	HHSC	Food assistance
Temporary Assistance for Needy Families (TANF)	HHSC	Cash
Medicaid	HHSC	Medical services
Women, Infant and Children (WIC)	DSHS	Prescribed nutritional benefits
Refugee Cash Assistance	HHSC	Cash
Unemployment Insurance	TWC	Cash
Vendor Drug Program	HHSC	Medical services
Child Care	TWC	Time and attendance tracking/monitoring
Immunization Program	DSHS	Medical services tracking and recording
Foster Care Provider Payments	DFPS	Cash
Medical Transportation	TxDOT	Medical services transit
Children’s Health Insurance Program (CHIP)	HHSC	Medical services

Table 1: Agency Programs Selected for review in Phase II of the study

Integrated Benefits Card Feasibility Study
Report to the Legislature, July 2008

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Theoretically, all local residents receiving TANF, Food Stamps, Child Support, Employment Assistance and Unemployment Payments are or in the near future will be in the TIERS system.

However, local nonprofit social service agencies who have contracts with and thereby share clients with state social service departments do not have access to TIERS.

Hence, state and nonprofit caseworkers duplicate the application, case management, monitoring and termination processes because the technology is not integrated resulting in less efficient and less effective client services.

Government and Nonprofit Service Integration

Upfront Cloud Cost

Therefore, some agency would be responsible for absorbing the upfront cost of developing this application.

However, that agency which shoulders the upfront cost would be reimbursed by multiple agencies wanting to join in and be a part of the system.

Thus, assuming that it costs \$600,000 to develop the software application, and assuming that there are 400 agencies in the Brazos Valley that would like to have access to the application;

Each agency would pay \$1,500 to the original agency that developed the application.

Subscription Fee Cost

In addition to the one-time fee, agencies would also have to pay an ongoing monthly subscription fee.

EXAMPLE: The “professional” version of Salesforce.com’s CRM software is priced at \$65 per month per user or \$780 per year per user. This service model comes with a minimum amount of data and file storage. To acquire more data and file storage requires an additional cost.

Microsoft Office 365 for “midsize businesses and enterprises” costs \$27 per user per month for the E4 level (the most extensive level).

<http://www.youtube.com/watch?v=Rwi5vziPA>

Social service case count and case management integration could be achieved through cloud computing in the following ways

Option 1 (Upfront Cloud Cost): Under this scenario, one assumes that no software option exists in the marketplace to serve an organization’s service integration needs. As a result, an agency (preferably a government agency) takes the initiative to contract with a private sector firm to develop a comprehensive software program. That agency would be responsible for all upfront development and management costs. However, as the agency implements this software, it would charge a flat fee (and a maintenance fee) to any other agency that wanted to be a part of this system. This way, the agency that absorbs the upfront development cost is gradually reimbursed those costs of over time. The drawback is in estimating the number of agencies who would be interested in joining the program.

Option 2 (Subscription Fee Cost): Under this scenario, one assumes that a software option already exists in the marketplace that is suitable for service integration. The software should be web-based and managed by a private sector company. Under this model, agencies pay a subscription fee to the company that provides the software. The actual fee varies by company, but is charged on a “per user per month” basis. For example, the “professional” version of Salesforce.Com’s Customer Relationship Management (CRM) software is priced at \$65 per month per user or \$780 per year per user. Examples of this type of software are Effort-to-Outcomes⁸ and Intake1⁹.

⁸ <http://www.socialsolutions.com/>

⁹ <http://www.intake1.com/>

Given that cloud computing provides a mechanism by which to accomplish service integration, a brief list of private sector firms that engage in SaaS has been provided. The value of SaaS¹⁰ is that it is software provided over the web and anyone who has access to an internet connection would be able to use the software.

Packaged Software	These integrated offers focus on a specific process, such as managing Employees' benefits, salaries, and annual performance reviews. They're Designed with specific business processes built in that customers can Modify
Package Software Vendors	Salesforce.Com; Netsuite; Intuit; RightNow; Concur; Taleo; SugarCRM Constant Contact; Project Unity
Collaborative Software	This area is dominated by software that focuses on all sorts of collaboration efforts including Web conferencing, document collaboration, project planning, instant messaging, and even email
Collaborative Software Vendors	Microsoft Live; LotusLive; Google Apps; Cisco Webex Collaboration Zoho; Citrix Goto Meeting
Enabling and Management Tools	These two areas support the development and the deployment of SaaS. They include tools that developers need when creating and extending a SaaS platform
Enabling and Management Tools Vendors	HP; IBM; Sogeti; Compuware; iTKO; SOASTA; Symantec; McAfee CA; Kapersky Labs

Financial Services Case Count	Local Action Needed	State Action Needed	Federal Action Needed
	X	X	
	Cloud Computing Cost-Benefit Analysis	Cloud Computing Cost-Benefit Analysis	

Software as a Service (SaaS) Providers¹¹

¹⁰ Common examples of SaaS would be the many publicly available e-mail services, including Gmail, Hotmail, and Yahoo! Mail. One of the most well-known and well-regarded providers in this space is Salesforce.com.

¹¹ This information can be found in Hurwitz et al. (2010)

Conclusions

In 2006 San Francisco discovered that many of its residents did not have a bank checking account. As a result San Francisco launched an innovative program called the Bank On Program. They implemented this program with the help of area banks who were willing to have more lenient policies with respect to lower income residents. And, similar programs were subsequently implemented in numerous other cities.

The objective of this study was to determine what should be the goals of a Bank On Program in the Brazos Valley Texas and specifically in the cities of Bryan and College Station. Hence, a community-wide needs assessment was performed assessing the needs beginning with the use of a financial needs assessment formula provided by the FDIC (2009) and expanding to the assessment of particular categories of residents as suggested by Michael Barr's (2004) Brookings Article entitled Banking the Poor.

Witkin (1994) proposed that there are basically five types of community needs assessments:

- The Existing Data Approach,
- The Attitude Survey,
- The Key Informant Approach,
- The Community Forum Approach and
- The Focus Group Approach

And all of these methods were used to determine the needs of the Bryan-College Station community. The assessment was completed as part of a Capstone Project at Texas A&M, Bush School.

The Community-Wide Needs Assessment revealed the need:

1. For banks to ask low income, elderly, disabled, first time home buyers about their needs.

2. For the community to monitor the amount of federal and state electronic debit cards fees charged to:

- Elders Receiving Social Security Income
- The Disabled Receiving Social security Income
- TANF and Food Stamp Recipients
- The Unemployed
- College and University Students

3. For the community to monitor the amount of remittance fees charged by:

- banks; and
- private entities such as Western Union

4. For banks and community groups to offer more regular, a greater variety, strategically located literacy classes and to evaluate their impact

- predatory lending, short sales and home foreclosures;
- student loans; and student loan forgiveness.

5. For banks to provide out-tellers in:

- nursing homes
- homes for the disabled and
- low income housing complexes

6. For banks and the community to engage in the following studies:

- small business employers' use of direct payroll deposit;
- bank small dollar loans relative to payday lender small loans;
- the cost of nonprofit cloud computing services