COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE ON COMMERCE AND ECONOMIC DEVELOPMENT

Room 400, City Hall
Philadelphia, Pennsylvania
Monday, October 21, 2019
10:08 a.m.

PRESENT:
COUNCILMAN CURTIS JONES, JR., CHAIR
COUNCILWOMAN JANNIE L. BLACKWELL
COUNCILMAN ALLAN DOMB
COUNCILMAN WILLIAM K. GREENLEE

RESOLUTION 190721 - Resolution calling on the City Council of Philadelphia Committee on Commerce and Economic Development to hold hearings concerning the unbanked and underbanked in Philadelphia and the City's plans for helping to provide access to banking services to all residents.

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COUNCILMAN JONES: Good morning. This is a hearing which is now called to order. It is the City Council's Committee on Commerce and Economic Development, for the purposes of a public hearing on testimony on Resolution No. 190721.

Will the Clerk please read the title of the resolution being considered today.

THE CLERK: Resolution No. 190721, a resolution calling on the City Council of Philadelphia Committee on Commerce and Economic Development to hold hearings concerning the unbanked and underbanked in Philadelphia and the City's plans for helping to provide access to banking services to all residents.

COUNCILMAN JONES: I am here with Councilman Greenlee, who is the author of the resolution, and I would like to make available his remarks.

COUNCILMAN GREENLEE: Thank

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you, Mr. Chairman. Very quickly, first, thank you for calling this hearing.

When we passed the cashless bill back in the beginning of the year, we had stated at the time that this wasn't the end of the whole issue of looking at the issue of unbanked and people who need more financial assistance, and this is a continuation of that.

You'll hear from the Administration particularly today and hopefully from a gentleman from Drexel University about the steps that are being taken to try to help those people to get back accounts, to get credit, that kind of thing.

I will add that that cashless bill, as we were talking I think before we started, has really resonated with people. They realize that this is an important issue and it, again, continues to be.

We're not going to solve it

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today and we're not going to solve it while I'm here, so it's up to, sir, after that to solve the problem.

COUNCILMAN JONES: We'll call you back. We know where you are.

COUNCILMAN GREENLEE: But, again, I appreciate the Administration's testimony today that we'll hear, and we continue, I guess, is the best way to say it.

Thank you, sir.

COUNCILMAN JONES: Well, Councilman, thank you for bringing this to our attention. It is not the first time that you have taken an issue and I saw the cashless issue on national news, what is it, yesterday so that the issue that germinated here in Philadelphia wound up on a national agenda, whether we talk about paid sick leave and others. So I want to publicly thank you for being conscientious.

I've gotten a lot of feedback about this issue when it comes to people

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who are underbanked. There is a cash system that is developing with people who are among the plastic currency holders and then those people who have old-fashioned paper, and more and more that is distinguished by income. Those who have, have plastic. Those who don't, don't have bank accounts and often rely on cash where they can get it to survive day to day. So I'm thankful that you brought this forward.

Ms. Williams, can you bring forth the first group to testify.

THE CLERK: Sylvie Gallier Howard, Will Hall, and Kevin Thomas.

COUNCILMAN JONES: Thank you, guys.

(Witnesses approached witness table.)

COUNCILMAN JONES: There's no waiting line at the front, as you can see, so if you all come up and, in no particular order, state your name for the record and begin your testimony.

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MR. HALL: Good morning. My name is Will Hall. I'm from the Office of Community Empowerment and Opportunity. Councilperson Jones, Councilperson Greenlee, thank you very much for the opportunity to speak with you today about Resolution No. 190721 discussing the problem of individuals being unbanked and underbanked in Philadelphia.

According to the most recent FDIC survey, nationwide 6.5 percent of all households are unbanked, meaning they do not have access to a bank account. Another 18.7 percent are underbanked, meaning that someone in the household has access to a bank account but predatory products such as check cashers are still used.

The situation is worse for individuals from communities that have historically been marginalized. 25.7 percent of families making less than $15,000 per year are unbanked. 22.4 percent of families where the adults lack

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a high school diploma are unbanked. 16.9 percent of black and 14 percent of Hispanic households are unbanked. According to Prosperity Now, 12.5 percent of households in Philadelphia are unbanked, which is almost twice the national average.

According to the Brookings Institute, a full-time worker without a checking account could potentially save as much as $40,000 during her career by relying on lower-cost checking accounts instead of check cashing services. This is because when you are unbanked, every transaction costs money. If you want to cash a check, it costs money - 2 percent or more for paychecks and up to 10 percent for personal checks. If you want to pay a bill, you'll need a money order. Many transactions that are free for the rest of us carry a fee at every instance for those who are unbanked.

In April 2018, the Office of Community Empowerment and Opportunity

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partnered with the Cities for Financial Empowerment Fund to relaunch the Bank On Philadelphia coalition, which is made up of several financial institutions, non-profits, and government agencies. Bank On is a national network of local coalitions that work to reduce the number of unbanked and underbanked households. Nationally the Cities for Financial Empowerment Fund leads this effort. Working with financial institutions and consumer advocates, CFE Fund develops national account standards for what constitutes a safe and affordable bank account. These standards require accounts to make overdraft and non-sufficient fund fees structurally impossible, to have no dormancy or inactivity fees, to have low ($25) opening deposit amounts, and to have low monthly maintenance fees of not more than $5 if the fee is not waivable. In order for an account to become certified as meeting these standards, financial

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institutions must submit their account contracts for review by the National Consumer Law Center.

Locally, four financial institutions have accounts meeting these standards - Wells Fargo, Bank of America, JPMorgan Chase, and Key Bank. These accounts bring the peace of mind that one's bank account will remain safe and affordable with no hidden fees.

Working with our Bank On coalition, our office is nearing the end of a three-year AmeriCorps-VISTA-supported Financial Inclusion for New Americans and returning citizens project. This project examined the unique challenges faced by new Americans and returning citizens in accessing affordable banking. Through conversations with individuals, social service organizations, and a survey, we learned that some of the greatest impediments faced included a lack of convenient locations, distrust of

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financial institutions, perceived insufficient income for a bank account, language barriers, literacy challenges, and embarrassment over financial issues.

In order to meet these challenges, our office developed two interventions. The first was the redesign of our Bank On Philadelphia web page. The page provides information on how to open an account meeting the Bank On national account standards, provides resources specifically addressing the needs of new Americans and returning citizens, uses language that can be read by those with lower literacy levels, and was built to be compatible with common web page translation software. The address for this new site is phila.gov/bankon. That's P-H-I-L-A dot G-O-V forward slash B-A-N-K-O-N.

The second intervention is a pilot project that will take place during the upcoming tax season. Individuals who are unbanked will be incentivized to

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visit a Financial Empowerment Center to obtain help in opening a bank account into which their tax refund can be deposited. The Financial Empowerment Center counselor will also develop an action plan for the individual with regard to their tax refund to assist them in coming up with a client-driven plan for the use of their tax refund that will provide optimal benefit to the individual and their family.

Our office has also partnered with Philadelphia Youth Network to integrate banking access into the WorkReady summer youth employment program. Last summer a pilot was done to allow youth to open youth-appropriate bank accounts into which their weekly pay can be directly deposited. The plan is to make this available to more youth in the summer of 2020.

Our Bank On Philadelphia coalition just launched a Youth Banking Subcommittee that will work to make

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banking more available to youth in the PYN WorkReady program. This work is particularly exciting because rather than working to change individuals' norms around the use of check cashers and other fringe financial services, good banking habits are being developed at the start of the youth's financial lives. This work is supported by many of our financial institution partners, including Santander, which made youth-appropriate online financial education available to all youth in the program, and Bank of America, who worked with the youth to open accounts.

While our office, with the support of our partners, is working in many areas to lower barriers to financial inclusion, more needs to be done. Individuals who are unbanked or underbanked are oftentimes making very conscious decisions to manage their money the way that they do. In many economic corridors in the City, there is no bank

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branch presence, but where you don't find a bank branch, you will usually find a check casher. Many individuals have also used banks incorrectly or have been victims of fraud related to prior bank accounts, which can lead to uncertain access to their money and missed bills. These experiences and many others can be overcome and people's lives can be made less expensive through safe and affordable bank accounts, mobile banking services, and a full understanding of how banks work for their customers.

In order to help individuals overcome barriers to greater financial inclusion, our office administers the Financial Empowerment Centers, or FECs. The FECs provide free, one-on-one financial counseling to any Philadelphia resident. Half of all FEC clients live at or near the poverty level, three-quarters are persons of color, and over 45 percent have dependents. Since opening their doors in 2013, the

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Philadelphia FECs have served 13,410 unique clients across 28,861 sessions and have helped clients reduce their debt by $16.7 million, increase their savings by $2.7 million. 1,870 clients have improved their credit scores by at least 35 points, and 570 clients who were unbanked opened bank accounts. Over $6 of wealth has been generated by FEC clients for every $1 invested into the FECs.

Since 2017, FEC capacity has declined, leading to a drop of clients served from 4,000 each year to 1,100 each year. This drop in volume has led to a drop in FECs' ability to assist unbanked and underbanked clients in becoming fully banked. At full capacity, the FECs helped an average of 136 clients open accounts each year. At current capacity, they average fewer than 45.

The one-on-one assistance an FEC counselor provides is crucial in meeting the needs of those who are

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unbanked and underbanked. Counselors are a trusted ally that bridge the gap between financial institutions and those who are unbanked. They are a professional resource that can educate on how banks work and how to make bank accounts work for the consumer, and they are an advocate who can help clients who have had bad prior experiences correct their records with the banks.

Thank you very much for your time today, for your attention to the needs faced by the unbanked and underbanked, and for your interest in the work that our office and our partners are doing.

And I'm going to go ahead and turn over the mic.

COUNCILMAN JONES: Thank you for your testimony. Actually, you read it so quick, it reminded me of one of those commercials at the end of the commercial they do the disclaimer, but I actually heard everything you said and I

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appreciated your input.

MR. THOMAS: Thank you, Councilman Greenlee, Councilman Jones, Councilman Domb. My name is Kevin Thomas, Jr. and I'm the Associate Director of Operations and Asset Building for the Building Wealth and Health Network. The Network is a trauma-informed financial empowerment program run by the Center for Hunger-Free Communities at Drexel University. Over the past few years we have worked with over 1,000 low- to no-income Philadelphians to help build their assets, lift their credit scores, and improve their economic security. We also focus on helping families improve their health by lowering their depression and breaking the cycle of isolation that many of us feel in the community.

I've been invited today to discuss the problem of being unbanked or underbanked and how the City of Philadelphia can help provide access to

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the financial system. I am supportive of holding hearings and I provide eight specific recommendations. I believe my full comments have been provided, so I'm going to provide an abridged version today.

First, hold the banking industry accountable. I began with this because as the City considers holding hearings, it must consider how it plans to hold the banking industry accountable. The banking industry actively disenfranchised us, and it's been their policies that have caused this unbanked and underbanked problem, and like always, they create the problem and now government is swooping in to fix it.

The City's goal should be to restore access to checking accounts, debit cards, lending, and investing to citizens of Philadelphia who desire them. But your actions should not be limited to traditional banking. Priority companies like Apple and Venmo have introduced

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fee-free products into the market.

Two, provide trauma-informed training in the banking system. The City should work to pioneer the first trauma-informed financial services training and strongly encourage that the banks that operate in our area use it. That would be intensive training for banking employees on the barriers associated with being disenfranchised and the best method for communicating and growing a relationship with the community.

Three, ensure all banks accept the City ID. The City recently took a very positive step in helping our more vulnerable citizens by creating a City ID, but many of the banks in our area still don't accept it as a primary form of identification. Even if this is a federal issue, we must work to get our IDs accepted by the banks.

Four, address problems in ChexSystems. Many people do not have

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access to bank accounts because they have a negative ChexSystems history. I urge the City to appoint a staff person who can work directly with ChexSystems, a ChexSystems expert. This person should be someone with extensive knowledge of ChexSystems that's tasked with getting people's records either cleared or rehabilitated. We have to address the issue of people getting into situations in which they've been coerced in their youth and not being able to gain access to banking many years later. We have people currently in our network program who can't get a bank account because it's something that their parents did or their parents talked them into. And I remember from my days as a branch manager all of the young women who were coerced into giving their banking information to a boyfriend or a partner. We needed someone working on the side of them.

Five, ensure access to wealth-building products and services.

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We must remember that credit is still a problem. It's used as a barrier to entry and it mitigates the banking relationship. If someone has a bank account that has bad credit, they're in a one-way and unequal relationship with the bank. The bank will make money off of them, but they won't have access to the banking products that create value and wealth for themselves.

Six, mandate financial education in schools. A comprehensive trauma-informed financial education curriculum needs to be provided at every level of our public education from elementary through high school. The School District has the power to do that. The City has the power to add financial education to some of the core curriculums at Community College of Philadelphia. Philadelphia can become the most financially educated city in the country. It's within our power to achieve it. Great educators like Dan La Salle at

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Olney High School have begun the work. We need to help spread it.

Seven, create a public bank. All of these ideas can be offered if the City were to open a public bank. The power structure of the bank should include people from the community that it serves.

Eight, get started now. While you work on creating a public bank for Philadelphia, the groundwork for these ideas can begin. You can begin to hold the banking industry accountable for predatory and exclusionary practices. You can do this through forming alliances and coalitions throughout the City.

I hope I've been able to show that being unbanked is more than a financial problem. It's a life problem. There are circumstances that lead to this outcome, and fixing the outcome without addressing the circumstances that lead to it will not solve the problem. Through your actions on the ideas above, you have

the opportunity to help tens of thousands
of people break out of poverty. People
like me, our children, and our children's
children deserve it. We have the right
to manage and grow our wealth and to
contribute to a healthy city where all of
us can flourish for generations to come.
Thank you for the opportunity
to testify.
COUNCILMAN JONES: Thank you.
I want to recognize that
Councilman Allan Domb has joined us.
And if you'll state your name
and begin your testimony. We'll wait for
questions, if it's okay.
MS. HOWARD: Thank you. Good
morning, Chairperson Jones, Councilman
Greenlee, Councilman Domb. My name is
Sylvie Gallier Howard. I'm the First
Deputy Director of the Department of
Commerce. I'm happy to be here today to
provide testimony on Resolution No.
190721, which calls on this Committee to
hold hearings concerning the unbanked and

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underbanked in Philadelphia and the City's plans for helping to provide access to banking services for all residents.

With the rising popularity of payment apps and the ease of online banking, more and more businesses in the U.S. and across the global are adopting a cashless model. The rationale for this decision includes the desire to respond to consumer behavior as well as safety, efficiency, and sustainability. However, for those who are unbanked and underbanked, the move towards cashless transactions has created another hurdle for a population that already faces significant financial challenges.

Although there are a number of products that allow unbanked customers to obtain debits cards and convert cash to plastic, and some at a very low cost to the consumer, the stakes are much bigger than that. As Will and other experts have pointed out, true financial

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empowerment and inclusion means creating access to safe and affordable bank accounts so that people can save, build credit, and participate fully in the modern economy.

According to a survey from the World Bank, 44 percent of unbanked Americans cite lack of trust in banks as a reason to remain outside of the system. That is why the Department of Commerce has been working with the Office of Financial Empowerment to engage companies in the financial services and financial technology sectors to seek answers to this issue in Philadelphia. Although there is still work to do, we are starting to see a shift in this industry towards more inclusive, more accessible spaces and products.

The same wave of innovation that is ushering in cashless businesses across the U.S. and the world should be harnessed to solve the problem of financial exclusion. Philadelphia with

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its growing economy, young tech talent, equity-focused community, and problem-solving attitude has an opportunity to be out in front as a leader on this issue.

Thank you for the opportunity to testify today, and I'm happy to answer any questions.

COUNCILMAN JONES: Thank you.

The Chair recognizes Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Mr. Chairman.

Thank you all three of you for your testimony and the work you're doing on this issue.

Mr. Hall first, I have to say I didn't know a lot about the Financial Empowerment Centers, so I'm glad to hear all that. Now, you say towards the end, since 2017 FEC capacity has declined, leading to a drop in clients. Do I interpret that to mean you don't have the same amount of money? Is that what "capacity" means?

MR. HALL: That's correct.

COUNCILMAN GREENLEE: I figured that. Okay. How do you get the funding? Where does the Financial Empowerment Centers get funding from?

MR. HALL: When the Financial Empowerment Centers were launched, it was a grant from the Bloomberg Foundation that funded them for the first three years. At some point, our office applied CSBG funding as well. Three years ago we got some funding from PHFA, and the rest of it is smaller amounts from financial institution partners, but it's a lot of fundraising.

COUNCILMAN GREENLEE: Okay. And is that Bloomberg money, is that now --

MR. HALL: That is gone.

COUNCILMAN GREENLEE: That's gone?

MR. HALL: That ran out in the middle of 2016.

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COUNCILMAN GREENLEE: So I assume that leads to since 2017 the capacity has gone down because of that.

Is there any hope to get some kind of other funding or grant from some place? Is there work being done to do that; do you know?

MR. HALL: I mean, we have a fairly regular cycle of funders that we apply to, and it's -- it depends on the year really. A couple years ago we did a lot better. This last year was down a little bit. We were able to move some CSBG funding over. It's sort of dependent upon funder priorities and all that.

COUNCILMAN GREENLEE: Yeah. It often comes down to funding, doesn't it?

Now, you say also towards the end over $6 of wealth has been generated by FEC clients for every dollar invested. How have you measured that? How is that measured? Does that kind of go together with what you say earlier in that

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paragraph?

MR. HALL: I'm sorry. I missed the question.

COUNCILMAN GREENLEE: You say over $6 of wealth has been generated by FEC clients for every dollar invested. How have you measured that?

MR. HALL: So if you take the savings amount that I mentioned there, the 2.7, and then the 16.7 in debt reduction, by reducing somebody's debt or increasing their savings, you are creating --

COUNCILMAN GREENLEE: A little closer to the microphone.

MR. HALL: Sure. Sorry.

COUNCILMAN GREENLEE: Your voice just kind of disappears in the empty space here.

MR. HALL: I just want to get the numbers right here.

So if you take the 2.7 million in savings and the 16.7 million in reduced debt, it creates 19.4 million in

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wealth for the client by either reducing their debt or increasing their savings. I say over $6 because I have only estimates so far on how much money is saved by having better credit scores. So the $6 is based on the total investment to date and the debt reduction and the savings increase. It's over $6 because having a higher credit score leads to a lower cost of credit and leads to savings as well. I just don't have that really good yet, so I don't quote that stat.

COUNCILMAN GREENLEE: And, lastly, all three of you refer to issues with banks obviously because of this issue, and I know banks in some areas have closed over the years. What work is being done either with the City or other organizations to try to deal with that issue, try to get more -- like I noticed on Girard Avenue near me, there was a bank -- I'm forgetting the branch now -- that just opened. There was no bank on that whole stretch of Girard Avenue for a long time.

MR. HALL: Fulton Bank. 27th and Girard?

COUNCILMAN GREENLEE: Yes.

MR. HALL: Fulton Bank.

COUNCILMAN GREENLEE: Yes. What work is being done to try to work with the banks, see what the problem is? Is the problem a lot of times security or lack of customer involvement? Because a lot of times we hear complaints -- I see people go in that bank all the time, but they closed.

So just generally, I don't know if anybody has one thought on that.

MR. HALL: I mean, I would say that for our Bank On coalition, the biggest initiative addressing that issue is the work with the youth going through the WorkReady program. If there is -- right down from that stop at 27th and Girard, there used to be a check casher there on the south side of the street.

COUNCILMAN GREENLEE: I

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remember them.

MR. HALL: So living in Brewerytown, if I had to go over to get a check cashed, I would have either had to hop the bus down to Wells Fargo on Fairmount, walk a mile or I can just go into the check casher. So that becomes a habit. That's just a thing I'm used to going and paying like the $12 fee or whatever to get the cash checked.

By working with youth and helping them set up good banking habits that include digital and the option to cash checks and to manage money through your phone or your computer I would say is the biggest thing we're doing to address the sort of banking deserts that exist.

But I'll let others.

COUNCILMAN GREENLEE: Would you say -- Mr. Thomas, you want to say something on that?

MR. THOMAS: Yeah. I wanted to mention that it's great that you brought

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up Fulton Bank in Brewerytown. The reason that that made that news is because there aren't any banks there. The issue isn't that they've come to a gentrified area and put a branch. It's that they weren't there 20 years ago before it gentrified.

The issue that we have with banks in the community and partially the issue for being underbanked or unbanked is that there is distrust. This is an industry that actively redlined a community, and there isn't a belief that there's the people's best interest at heart. So there needs to be work done, work done internally within the system, work that can be done on our side in order to reestablish that positive relationship.

We have, like Will mentioned, taught the financial education in class -- I'm sorry; the digital financial education, because those are alternatives into getting into the bank, but there's a

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good portion of society that's just not there yet either, and they just need someone that's willing to bridge that gap for them and work on their side to reestablish their relationship.

COUNCILMAN GREENLEE: Okay. I appreciate it. Actually, many years ago there was a bank on Girard Avenue, but just when I say the name, you know it's been a while ago. It was Fidelity Bank was up on Girard Avenue for a long time, right at 29th Street there. I think actually where the check cashing place may have opened. But it was for a long time a bankless area, and that just caused a lot of concern, because like you say, you could either go to the check cashing place or go to another bank. A lot of people just didn't have the mobility to go to another bank, so the check cashing was the only option really, and that was costly obviously.

And just one last thing. Mr. Thomas, you mentioned about banks

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accepting the City ID. Is the City working with banks at all to try to ensure -- I know you can't make them do it, but, Sylvie, maybe you can -- I don't know if you have had any experience with that. Because it would seem like if we're really pushing people to get a City ID, you would think banks could be persuaded maybe to take that.

MS. HOWARD: Yeah. I know that there was outreach to the banks, and I think some of them are accepting the City ID; is that right? I'm not completely sure, but I know that that's -- and hopefully that's the type of thing where as more people -- I mean, the City ID has been really popular, so that's the type of thing where we can sort of continue to get banks on board, but I know there was initial outreach.

If you don't mind, just to your initial question, one of the things -- for example, when JPMorgan Chase came into the market, they did reach out to us

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and they had a scout that was out looking at locations, and we did let them know about neighborhoods, because they're obviously unfamiliar with Philadelphia, so we did let them know about neighborhoods that are not sort of the greater Center City area that they should be looking at as part of their search.

COUNCILMAN GREENLEE: I appreciate that. Thank you. Thank you very much.

The record should reflect Councilwoman Blackwell, a member of the Committee, is present.

Councilman Domb.

COUNCILMAN DOMB: Thank you, Councilman Greenlee.

Good morning, and thank you all for your testimony. I want to follow up on Councilman Greenlee's question on the FEC. What is the annual budget of that program?

MR. HALL: So that's complicated, because it's a mix of both

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City-provided funding and also our service provider, Clarifi, raises money for the program. This last year was around $300,000.

COUNCILMAN DOMB: 300,000?

MR. HALL: Yeah, and that's between City-provided funding and --

COUNCILMAN DOMB: How much was it in 2016 when you had the money from the other funding?

MR. HALL: Yeah. It was around 800,000 to 900,000.

COUNCILMAN DOMB: So the gap is 500,000 to 600,000 that you're short.

MR. HALL: That's correct.

COUNCILMAN DOMB: That made the difference.

MR. HALL: Yeah.

COUNCILMAN DOMB: And other resources for that, any idea where you might be able to get other resources to make -- it doesn't sound like a ton of money to make up for the impact you're having.

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MR. HALL: Yes. It's -- I would say yes and no. I mean, again, we make a lot of application for funding for that project, so we certainly have ideas. Whether or not they pan out is, again, from what I can tell, comes down to funder priority.

COUNCILMAN DOMB: When you did your math, just make sure I understand your math equation here, I guess you took the cost from when you opened in 2013 to today, you took the annual budget, multiplied it by the years, and then divided it by the 16.7 to 2.7?

MR. HALL: Yup.

COUNCILMAN DOMB: I mean, it's a great program. That's why we hate to see it not continue.

I just want to make this comment on the area of financial literacy. This Council put forth a resolution back in February asking the state to provide mandatory pre-K to 12th grade financial literacy courses. So

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we're waiting for our state legislators to make it happen. So whatever you could do to help us with that, that would be great.

And I have one other question I want to understand on people not being able to be banked. Is it the monthly cost of opening an account or what is the major reason where they can't get a bank account? Access? Location? What is the major reason?

MR. THOMAS: So I'd have to give you three. It's ChexSystems history, fees, and ID.

COUNCILMAN DOMB: When you say "ChexSystems history," what do you mean by that?

MR. THOMAS: So it's either I owe a bank or I had had an activity in my youth that prevented me from getting a bank account today.

This is one of those things where the crime just doesn't fit the punishment. You know, I was a branch

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manager back when empty ATM envelopes was a thing. Banks have progressed, so you can't really do that anymore, but the most anybody ever made was $300, and to be 20 years later and still can't get a bank account for something you did when you were 21 is ridiculous. But those three things.

COUNCILMAN DOMB: So if you have a bank account -- I'm just using an example -- that has $100 in the account and you go in with a check today that's $1,000, let's just say, and they can't cover that check with your account, can't they electronically verify those funds pretty quickly?

MR. THOMAS: Yes.

COUNCILMAN DOMB: What's the timeframe, do you know, to verify the funds?

MR. THOMAS: If the bank is putting effort into it, they can get it done in a few minutes.

COUNCILMAN DOMB: My office did

a quick survey of three lenders who don't have any cost to open an account. One is Republic Bank, one is Philadelphia Federal Credit Union, one is TruMark. There's no cost to open an account or monthly fees with them. So that would remove one of the obstacles.

MR. THOMAS: So the credit unions are obviously a different model than commercial banks. And Republic Bank, I'm not 100 percent sure, but I know their CEO was the guy who used to run Commerce Bank, which was also a different model than commercial banks. They had a deposit-based model.

So, yeah. They do offer something that will be helpful as far as removing the fees, and as long as there's not a minimum requirement that you have to keep into the account in order to prevent a monthly fee, that does give access.

MR. HALL: I do want to point out the trade-off between those two

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things, and then I don't know the three accounts that were looked at, but a lot of them come with non-sufficient fund fees and overdraft fees. And so I know with the FEC counselors, they assess to the extent to which one feature is important to the client or another. So with a National Account Standards certified account, it's a $5 monthly fee, but it will never be another fee. There's no way to get in trouble with the account, and the $5 is priced under what a check casher would be. So you're still saving money on your banking costs. Of course, there are free accounts, but they usually come with these other fees that can get the client. So it sort of depends on the client need.

COUNCILMAN DOMB: So you three know more about this probably than we do. If I said to you today what's the solution, what would you tell us?

MR. THOMAS: A public bank.

MR. HALL: I think it's, yeah,

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working one-on-one with clients who are hard to change from unbanked to banked. For some folks, there's an easy lever to pull around put a bank in their neighborhood, a public bank, things like that, but for some folks, it's just a lifelong habit. Like it's what I do, until I be told that this is costing you money.

Professor Servon from University of Pennsylvania wrote a book, The Unbanking of America, and she spent, I think it was, six months working in a check cashing institution. She got tipped from the people who came in and cashed their checks. She got Christmas cards and cookies and things like that. To be told that that institution is taking money out of your pocket can be jarring. And so to have somebody like a counselor, somebody like that to be able to walk through it with somebody I think is how you get at the tougher-to-reach individuals.

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MS. HOWARD: I'm not an expert on banking, but I guess I would say I think bank accounts that are not rife with fees so that everybody can have one. I actually had a conversation with someone in Europe and they said that unlike here, it's almost impossible to live beyond your means of the credit card, because in Europe they don't allow people to spend beyond their means and that they have much more rigorous caps. So I think people have to learn how to use those types of tools in plastic and having more rigorous caps on those types of things.

And, lastly, there's going to be a new program through Office of Innovation and Technology called Pitch and Pilot where instead of just us as government coming up with a solution, putting out an RFP and saying, here, bid on this, we're going to say, here's a problem, can you pitch some solutions. And so we're thinking about doing that in terms of the unbanked and cashless and just saying to some start-ups -- basically start-ups are the ones applying to these things, and you would have to put some recourses behind that obviously, but trying to get some solutions, because I think there's probably innovative solutions out there that none of us at this table, all due respect, or anyone in this room know about.

COUNCILMAN DOMB: Okay. Thank you. Thank you for your testimony.

Oh, I'm sorry.

MR. THOMAS: I just wanted to follow up on that. The thing with check cashing places that people in the community like, and it was reported in studies, that it's transparent. I know what it is ahead of time, what my fee is going to be, and it never gets snuck up on me. I never come back and see money missing from my account. So the transparency needs to be added to the banking industry, but there are also just

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problems that the private market can't solve, just like there are ones government can't solve. And when you start thinking about taking people's life experience and their disenfranchisement from an industry and their habits and then working to build credit, that's an endeavor that it doesn't necessarily -- that isn't ripe with profit, which is why the government may need to step in, which is why when I say a public bank, it's more about being able to do something holistically for a population that might not necessarily drive to register.

COUNCILMAN DOMB: Thank you for your testimony today. Thank you.

COUNCILMAN GREENLEE: Thank you, Councilman.

Just a follow-up on -- I think you touched on this. Do you find there's still a fair amount of just general distrust of banks, particularly among the immigrant community? They're just not sure. They'd rather have that cash right

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in their hand and they know what they have? You still see that and, if so, has there been any success in addressing it to make people feel more confident?

MR. HALL: So in our survey, our New Americans survey, our Financial Inclusion for New American survey, specifically among new American population, generally it had to do with the strength of the banking system in the country of origin. So if you came from a country with a strong independent banking system that you could trust, you were more likely to trust a bank here. If you had like a single-bank country that was corrupt, that you were less likely to trust like banks when you arrived here.

And, yeah, as far as the distrust generally goes, yes, there's still a high amount of distrust. You know, these institutions do so many different things that when you hear about a mortgage lending scandal like was pointed out around redlining, when you

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find out about somebody opening accounts on behalf of clients that were not authorized, it's hard to separate that out from my checking account, which is highly regulated by four different federal regulators and is kept relatively safe. So, yeah, things like that do lead to distrust.

COUNCILMAN GREENLEE: Because I heard that when we were doing the whole cashless bill. There were some people that just said, I want to use cash. I don't trust the bank or I don't trust the credit card company, you know, that kind of thing. And I think you make a good point, particularly immigrants coming from countries where that was a problem, they're less confident in doing something here. So I guess the work continues on issues like that.

Are there any other questions or comments?

(No response.)

COUNCILMAN GREENLEE: Anyone

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else here that wants to testify on this Resolution 190721?

(No response.)

COUNCILMAN GREENLEE: Okay. First of all, thank you all. Actually, I kind of feel good about the work that's being done. It's clear that people are seeing the problem, trying to deal with it. It's not something that's going to be solved next week and, like I said, I won't be here, but I'm sure the next Council will all solve that problem totally.

And, by the way, Mr. Thomas, when you mentioned mandate financial education in schools, I saw Councilman Domb almost jump up in the air, because he's been talking about that since he got here.

But, again, thank you all very much. Thank you for the work you do and, again, this is to be continued. Thank you.

MS. HOWARD: Thank you,

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Councilman Greenlee, for bringing attention to this topic.

COUNCILMAN GREENLEE: Sure. Thank you.

Okay. Given no other testimony, on behalf of the Chairman, Councilman Jones, the hearing on Resolution 190721 is continued to the call of the Chair.

Thank you very much.

(Committee on Commerce and Economic Development concluded at 10:46 a.m.)

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter, and that this is a true and correct transcript of same.

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