

# The FAIR initiative

## Financial Access In Reach

In 2013, initiated by the Northwest Area Foundation, thought leaders from a cross section of foundations, nonprofits, and financial institutions came together with a common issue and strong will to solve it: far too many low-income, financially under-served Minnesotans have little to no access to financial products that build wealth rather than strip it. **FAIR will introduce to the market a new product that will increase access to savings and credit building opportunities for the financially under-served across Minneapolis and St. Paul.**

## Financial landscape

**There is a gap in the financial marketplace** when it comes to products that enable low-income, financially under-served consumers to effectively transact, save, and secure credit, all of which contribute building wealth.

**16.4% of households in the Twin Cities are un- or under-banked** and 30.3% are liquid asset poor (meaning they don't have cash reserves, or assets to sell for cash, to cover expenses for three months without income). While those numbers may not seem stark, they are strikingly high when broken down by race and income.

### By race

- 12% of whites are un- or under-banked
- 51.4% of blacks are un- or under-banked
- 45.7% of Hispanics are un- or underbanked

### By income

- 45.5% making <\$15K and 5.8% making >\$75K are un- or under-banked

*\* Data not available on other demographics because sample size is too small to make estimates.*

**Financially under-served:** Un-banked & under-banked who lack full access to traditional financial services and products due to low or no credit, have had negative experiences, or have low incomes

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**Asset poverty:** Low to no savings to weather emergencies

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**Market gap:** Lack of access to affordable capital or credit-building products

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**Wealth stripping:** High interest, often predatory, loans (e.g. payday, auto title) that create cycles of debt

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**Wealth building:** Education, purchasing a home, starting a small business

## Opportunity

### Alternative financial market

(check cashers, payday lenders)

- + Instant access to cash
- + Fees are transparent
- + Easier to access and build trust
- + Accessible regardless of history

- (-) High fees, decentralized service
- (-) Can cause a cycle of debt
- (-) **Products don't build credit**



### MARKET GAP = opportunity to bridge

#### A product that:

- + Is accessible & customized
- + Makes managing money easy & simple
- + Allows you to store, spend, send, & save money & **(re)build credit**

### Mainstream financial market

(banks, credit unions)

- + **Wealth-building products, e.g. credit lines & loans**, if good credit
- + Safe place to store money
- + Easy access to suite of products
- + Products accrue interest

- (-) Harder to access and build trust
- (-) Takes time for checks to clear
- (-) Fees aren't always transparent
- (-) ChexSystems (is impacted by flawed history)

**There is room in the market for a consumer-centric product(s) that is simple, intuitive, and transparent married with information and real tools to help consumers better manage their money.** We envision a product developed and marketed from the ground up so it lands in more hands, cuts down on transactional costs of using one's money, and lays the foundation for real wealth-building to happen.

## WHERE DID THIS COME FROM?

A cross-sector collaboration of leaders from Minneapolis and St. Paul have come together as part of the emerging Financial Access In Reach (FAIR) initiative with a shared vision of connecting the 223,000 financially under-served individuals – largely low-income and from communities of color – to opportunities that ultimately increase their financial health and wealth.

Influenced by the Bank On model\* that exists in nearly 100 cities nationwide, FAIR seeks to take financial inclusion to the next level by launching a grassroots and well-marketed, research-based campaign that moves beyond modifying a basic transactional product to a model that allows the financially under-served to safely and effectively transact, save, AND (re)build credit to ultimately achieve financial mobility.

*\*Launched in San Francisco in 2006, Bank On provide un- and under-banked people with free or low-cost starter or “second chance” bank accounts via public/private partnerships between local or state governments, financial institutions, and community-based organizations.*

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## HOW WE'RE BUILDING IT.

Prepare + Prosper (P+P) is the lead organization coordinating the initiative. P+P is working to building momentum and create strong public will and support across nonprofit, public, financial, and philanthropic partners and most importantly, financially under-served consumers.

P+P partnered with the Center for Financial Services Innovation (CFSI) to vet the FAIR product proof of concept and issued a competitive request for proposals (RFP) to find a financial services partner to bring concept to reality.

Currently, P+P is working with a financial partner to negotiate and build all elements of the FAIR initiative to test in fall 2016. Ultimately, P+P will prepilot product(s) and platform in late 2016. Our guiding assumptions are as follows:

- + Innovation, when deeply informed by consumer experience, can inform high-quality products.
- + Success will require active involvement and “stakeholder ownership” by an array of cross-sector leaders and financially under-served consumers.
- + We can't assume immediate demand once the product(s) is created. We must build trust a grassroots, well-marketed, research-based campaign.
- + The new product(s) will be distributed by nonprofits, financial institutions, and public and private partners directly serving the communities.

## WHO IS AT THE TABLE SO FAR?

Cassandra Adler, Adler Consulting LLC  
Nichol Beckstrand, Sunrise Banks  
Diane Benjamin, Otto Bremer Foundation  
Dorothy Bridges, Federal Reserve Bank of Mpls  
Brett Costain, Twin Cities LISC  
Kelly Drummer, Tiwahe Foundation  
Nikki Foster, NWA  
Erick Garcia Luna, City of Minneapolis – Office of Mayor Betsy Hodges  
Mark Jacobs, Dakota County  
Therese Kuvaas, MN Bankers Association  
Bob Lind, City of Minneapolis  
Eva Margolis, Lutheran Social Services of MN  
David McGee, Build Wealth MN  
Julia Miller, MN Department of Commerce  
Eric Muschler, McKnight Foundation  
Jamie Nabozny, Sunrise Banks  
David Nicholson, Headwaters Foundation  
John Quincy, City of Minneapolis, Councilmember  
Bill Raker, Firefly Credit Union  
Vic Rosenthal, Jewish Community Action  
Cate Rysavy, Lutheran Social Service of MN  
Vicki Shipley, U.S. Bank  
Ryan Smith, MN Credit Union Network  
Dave Snyder, Minnesota Asset Building Coalition  
Aaron Sojourner, University of Minnesota Carlson School of Management  
Jo-Anne Stately, Minneapolis Foundation  
Dick Todd, Federal Reserve Bank of Mpls  
Joanne Whiterabbit, Woodlands National Bank  
David Wiese, Wells Fargo

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