



City of San Antonio

Accessing the Financial Mainstream

July 12, 2007

Who is San Antonio?

Race Demographics from 2005 Census Bureau Survey

–64.0% White (including Hispanic/Latino)

–6.1% Black or African American

–0.7% American Indian or Alaska Native

–1.8% Asian

–0.1% Native Hawaiian or Pacific Islander

–24.1% Other

–3.2% Two or more races

- ✓ Ethnicity data: 61% Hispanic or Latino, (predominately from Mexico)
- ✓ Largest U.S. city with single minority, majority
- ✓ 42% of foreign born are naturalized; 58% are not citizens
- ✓ Generational
 - Experiencing 4th or 5th generational immigrants



How Many Don't Access the Mainstream?

- ✓ 22% of San Antonio low- mid-income families are not banked
 - 83% of un-banked earn less than \$25,000 annually
- ✓ Of VITA families eligible for EITC in San Antonio, 27% are un-banked
 - Average Adjusted Gross Income less than \$17,000

Impact of Not Using Mainstream Services

✓ Working families find it hard to achieve
Family Economic Success due to:

- Higher cost of debt
- Reduced access to credit for major purchases
- Higher insurance rates
- Higher home ownership costs

Growth of Costly Fringe Financial Services

- ✓ In 2006, payday loans exceeded \$40 billion, with annualized interest rates of 400% or more
- ✓ Payday lending grew nationally from 300 stores seven years ago to more than 10,000 stores
- ✓ Check cashers process more than 180 million checks annually, worth about \$60 billion
- ✓ An estimated 14,000 pawnshops operate nationwide - outnumbering credit unions and banks

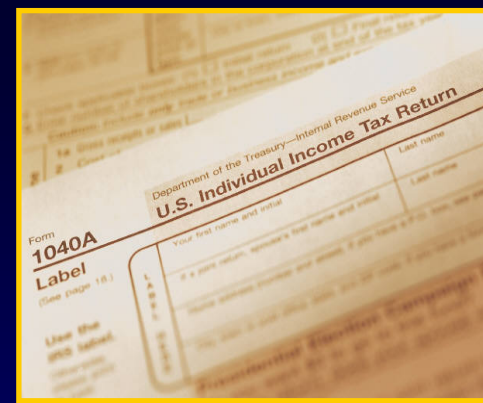
Economic Impact of Fringe Financial Services

2005 EITC Filers

- ✓ 220,000+ taxpayers were eligible for the Earned Income Tax Credit (EITC)
- ✓ 170,000 households claimed EITC
 - 68% used a paid tax preparer
 - 49% used a Refund Anticipation Loan (RAL)
 - San Antonio working families spent an estimated \$11 million on RALs

Economic Impact of Fringe Financial Services

Sub-Prime/Predatory Lending



- ✓ Volunteer Income Tax Assistance filers were surveyed concerning sub-prime and predatory auto loans
 - 19% (of those responding) indicated they had a non-market rate auto loan
 - Pilot refinance project revealed that 40% could be refinanced
 - Average monthly savings: \$40 - \$255

Positive Impact of Mainstream Financial Services

- In CY 2006 the City of San Antonio partnered with the City Employees Credit Union to offer a 0% interest *Refund Express* loan (available in 2 business days)
- The Alternative Refund Anticipation Loans (ARALs) connected un-banked and under-banked to a financial institution
- A total of 154 un-banked individuals opened a mainstream account but did not use the Refund Express

Positive Impact of Mainstream Financial Services, Cont.

- 1,098 taxpayers saved \$150,000 by not using traditional RALS
- For CY 2007 to date: 124 New Automobile Loans Purchase/Auto Loan Refinance requests
- From the Auto Loan requests, 23 closed for \$239,771: 101 loans in various stage of processing
- 16 individuals used other mainstream services (such as Home Equity, Credit Cards, Personal Loans, etc.) for \$51,942

Strategies for Reducing the Unbanked Population

- ✓ Educate residents on the advantages of traditional banking services
- ✓ Create access to services needed by low- to mid-income families
- ✓ Embed mainstream banking into other support programs

Who is Involved?

- ✓ City of San Antonio
- ✓ United Way of San Antonio and Bexar County
- ✓ Annie E. Casey Foundation
- ✓ Internal Revenue Service
- ✓ Colleges and Universities
- ✓ Financial institutions
- ✓ Faith based organizations
- ✓ Community based organizations

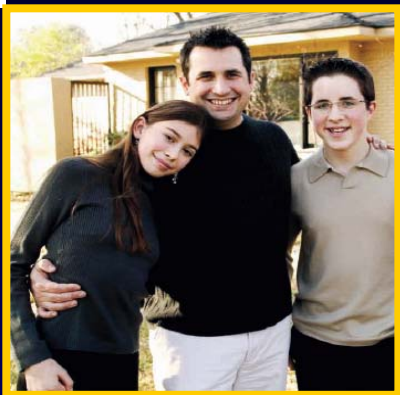
City Venues to Connect Residents to Mainstream Financial Services:

- ✓ Utility assistance program
- ✓ Volunteer Income Tax Assistance (VITA)
- ✓ Low Income Free Tax Clinic
- ✓ Individual Tax Identification Number processing
- ✓ Individual Development Account (IDA)
- ✓ Auto purchase program
- ✓ Auto refinance program
- ✓ Financial literacy classes



Why Involve the City?

- ✓ City programs improve the financial well-being of residents by helping to:
 - Increase income
 - VITA, LITC, ITIN, etc.
 - Reduce debt
 - Auto Refinance, etc.
 - Build assets
 - IDA, Auto Purchase, etc.
 - Protect assets
 - Mortgage assistance, foreclosure prevention, etc.



Contact Information

Sheila McNeil

Councilwoman, District 2

City of San Antonio

210-207-7278

district2@sanantonio.gov

