

Program aims to help the unbanked find a better balance

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A friend of mine pays her bills with money orders. She hesitates to use her checking account because she fears becoming overdrawn.

She embodies the type of consumer that a budding program in Dallas is trying to reach.

The city of Dallas is partnering with other organizations to develop "Bank on Dallas," a program aimed at getting more unbanked and underbanked consumers to utilize traditional bank services.

In the Dallas-Fort Worth-Arlington area, 10.9 percent of all households are unbanked, compared with 7.7 percent nationally, according to the Federal Deposit Insurance Corp.

In the city of Dallas, the figure is more than 20 percent, said City Council member Jerry Allen, who chairs Mayor Tom Leppert's Bank on Dallas Task Force.

"Being unbanked requires many individuals and families to use check-cashing services, pawnshops or payday lenders," he said. "The goal of Bank on Dallas is to introduce underbanked or unbanked residents to the banking system and create more than 25,000 new, active bank accounts in the next two years."

He's invited community leaders to attend a March 30 meeting at City Hall to talk about the Bank on Dallas program.

The program, which is expected to launch in June, will be a collaborative effort by the city, the Federal Reserve Bank of Dallas, participating financial institutions and community organizations.

For consumers, the cost of not using traditional banking services can be high, said D Newkirk, community outreach manager at City Credit Union, which will participate in the program.

"Many of these individuals spend hundreds of dollars paying fees to check cashing companies when you can start building a credit history," he said.

There are several reasons why some consumers shy away from financial institutions, said Jim Reid, the city's facilitator of the Bank on Dallas program. He's also president of Momentum Texas Inc., a statewide nonprofit based in Dallas that encourages entrepreneurship, especially in low- and moderate-income communities and in women- and minority-owned businesses.

"Many have never had a bank account and they use alternative services," said Reid, who added that a higher percentage of minorities fall into the ranks of the unbanked or underbanked.

What's more, many who live paycheck to paycheck think they have to maintain a minimum balance to have a bank account.

"In Bank on Dallas, there are no minimum balance requirements," Reid said. "The fees will be low fees or no fees."

Financial institutions wanting to participate in the program must sign an agreement to offer those account features.

The Dallas program is modeled after efforts in other cities, such as San Francisco, Houston and San Antonio.

"It's unbelievable how much this idea has caught on in cities across the country," said Jennifer Tescher, director of the Center for Financial Services Innovation in Chicago. "This is great energy on the part of the city, and they're in a really good position to bring folks to the table to participate."

But there are things community leaders can do to make the program even more successful, she said.

"We've got to move beyond counting bank accounts being opened to coming up with better measures of consumer behavior," Tescher said. "Now that they have a bank account, are they able to reduce their transaction costs, are they paying their bills on time?"

The good thing about the Dallas program is that it will partner with community organizations to provide financial education to participants who open up bank accounts.

"We want to give them the tools to make sure they truly understand the simplicity of checking and savings accounts and how to conduct financial business," Allen said.

Not to mention avoid becoming a target for thieves by carrying large amounts of cash.

"We want to stop that cycle, too," Allen said.