

“We Don’t Do Banks”

The Financial Voices of CalWORKs Recipients

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Financial Lives of CalWORKs Families

Why Care?

- We can better serve CalWORKs families if we understand their attitudes and behaviors towards banking, saving and spending.
- Identify ways in which public assistance program rules and procedures make financial lives of families more *costly and complicated*.
 - Devise better strategies for serving the financial needs of low-income families that appreciates the complexity of their financial lives. **More than just banking.**

“We Don’t Do Banks”

- Findings based on interviews with 37 CalWORKs recipients in Santa Clara County and San Francisco.
- Open-ended conversations about strategies for money management, experiences with financial services, and thoughts on CalWORKs
- Why Interviews? Consider Asset Limits...

Where we're going...

- **ROUTINE MONEY MANAGEMENT: ACCESSING CASH**
- **BANK ACCOUNTS: OVERDRAFTS, FEES AND GETTING IN TROUBLE**
- **PREPAID CARDS: EASY TO USE, EASY TO UNDERSTAND**
- **SAVINGS: CREATIVE SOLUTIONS**
- **FRIENDS AND FAMILY: A CRUCIAL SOURCE OF SUPPORT**
- **SHORT-TERM CREDIT, PAYDAY LOANS AND CREDIT CARDS: THE LONG HANGOVER OF DEBT**
- **INSTITUTIONAL BARRIERS: ASSET LIMITS, CHILD SUPPORT, RESTITUTION**
- **WRAP UP: IMPLICATIONS FOR POLICY AND PRACTICE**

ROUTINE MONEY MANAGEMENT: ACCESSING CASH

*“Actually what I do is I withdraw once from the bank..... They charge you three bucks a transaction...it’s **actually cheaper to cash a check at a check cashing place** than it is Bank of America.”*

Q: So you get—so they load up the card and then—so you just go to an ATM, withdraw everything?

*“A: Yeah. That’s the best way to do it. Otherwise **you’re just gonna get nickel and dimed**. You know that, I mean, for having a bank--. Bank of America will charge you five bucks for going through a—to a private ATM machine to check your balance. That’s five bucks. That’s robbery without a gun. If you’re 71 cents overdrawn it’s a \$35 fine. Again, that’s robbery without a gun.”*

“I do a lot of things through money orders or actually go to the paying center...”

BANK ACCOUNTS: OVERDRAFTS, FEES AND GETTING IN TROUBLE

*“It’s always been I’d get charged for something...Overdraft and then it’s like the bill to pay the over draft fee is like thirty something dollars to pay for a \$2 overdraft....I didn’t want to have to deal....**So I just stopped** with the whole credit cards and banking and stuff like that. So I keep money hidden in my little safe I got, you know.”*

*“I had forgot that I had **an automatic withdrawal** which was from my car insurance and...my bank account from being negative \$30 something dollars and it ended up going over \$200 and I’m like **I don’t have the money for this** and they closed my account.”*

*“Yeah, I owe Wells Fargo. But like in this place usually if you owe the bank like \$100, even that, they put you in the... What they call **the check system**, because you owe so—so much money to them, that you haven’t paid it so that if you try to go open another bank account and you haven’t paid them off, they’ll automatically know...”*

PREPAID CARDS: EASY TO USE, EASY TO UNDERSTAND

*“..some people here might not be able to get a bank account, right?... So the prepaid card came out and it's been a good thing for everybody. You know? It's a **easy way to access**. You know, a lot of people accept it now days. It's just like a bank card except you don't have to deal with people, you know?”*

*“You know, it's like you don't have to owe the bank, like... where they...pull out money that they don't have in the bank... And it's a hassle with the banks, you know what I mean? With a prepaid card **it's just you managing it your way**. Nobody calls you, nobody tells you, oh, you have no money in there, you need to put some. It's nothing like that. It's whether you want to have money in it, you know? And I think that's a good thing.”*

SAVINGS: CREATIVE SOLUTIONS

“You know what I don’t have a bank account but I’m able to save. Like I’m saving now with the little bit of pennies I get...I give it to my older brother and my older brother lives in his own house, he has a safe at his house for whatever me, my sister and my other brother give him and he’s well financially secure....”

FRIENDS AND FAMILY: A CRUCIAL SOURCE OF SUPPORT

Q: Where do you turn for help?

“Oh, my brother.... Do I feel uncomfortable about it? Course I do, yeah, I do. I hate it. Because I want to pay him back. You know, I don't want a hand out....”

“To my mom, I hate doing it because she helps so much but I just keep my fingers crossed...My mother keeps track of everything....”

And people turn to you...

“When I got that I was getting phone calls everyday, get your money yet, you think you gonna let me borrow this or my brother asked me to borrow, give him money for an engine I was like what the heck, you're not getting that, you're working no.”

SHORT-TERM CREDIT, PAYDAY LOANS AND CREDIT CARDS: THE LONG HANGOVER OF DEBT

“it was like \$300 and some dollars and I was like oh my god but I need my brakes fixed. Unless you have that extra just \$300 floating around which a lot of us don’t you get -- like I said you’re pulled into it [payday loan] but then I kind of think about it that extra what is it like \$50 for that little transaction, that’s an extra \$100 that I could be using but I know I used it at the time that I needed it. But then I got behind to where I couldn’t catch up again...”

INSTITUTIONAL BARRIERS: ASSET LIMITS, CHILD SUPPORT, RESTITUTION

“They ask if you have a bank account, I think that they like to monitor how much you have in the bank, that’s what I think I don’t know. But they don’t give you anything, there’s nothing to monitor in the bank.”

“Cause what they do is they want you to pull out a printout of your statement like every three months. For the records so that they know how much you’re actually holding in the bank. ‘Cause with the money that we receive every month, the—their thing is we’re supposed to pay rent with the money or, you know, spend it on, you know, our children or something like that. But they want to be able to see that you’re not saving that money and just collecting...”

Q: So you think you’ll get in trouble if you are saving it?

“A: I think we would, yeah.”

Implications for Policy & Practice

REDUCE THE COST OF ROUTINE FINANCIAL TRANSACTIONS

- Brand EBT Cards with Visa or Mastercard
- Make EBT Cards Reloadable:
- Make first five withdrawals from EBT cards free each month

ENABLE FAMILIES TO SAVE MONEY AND PLAN FOR THE FUTURE

- Provide a Savings “Bucket” to EBT:
- Eliminate asset limits and reduce reporting requirements

ENCOURAGE ATTACHMENT TO SAFE AND AFFORDABLE BANKING PRODUCTS

- Encourage Development of “Basic Bank Accounts”
- Explore potential of new products

EXPLORE WAYS TO HELP FAMILIES COVER UNEXPECTED EXPENSES

- Offer automatic savings options
- Small loans for those transitioning off assistance

On a related note...

Current Project: Exploring the growth in child SSI rolls in the recession.

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Thanks!!

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