



DREXEL UNIVERSITY

Center for

Hunger-Free Communities



My Power. My Money.

Kevin Thomas, Jr.

Associate Director of Operations & Asset Building

The Building Wealth & Health Network

Center for Hunger-Free Communities | Drexel University 3600 Market Street, 7th Floor |

Philadelphia, PA 19104 Tel: 267-359-6259 | Fax: 267-359-6239

Testimony for public hearing on the Unbanked and Underbanked in Philadelphia

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NOTE: Opinions in this testimony are those of Kevin Thomas, Jr. & The Center for Hunger-Free Communities, and not those of Drexel University.

Hold the baking industry accountable & create opportunities for building wealth

Thank you, Councilman Greenlee, Councilwoman Sanchez, and all other distinguished members in attendance. My name is Kevin Thomas, Jr. and I am the Associate Director of Operations & Asset Building for the Building Wealth & Health Network (The 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 isolation that many of us feel in the community. Our goals have always been to seek solutions to poverty that are based on empirical evidence and human experience. We know that one of the most important drivers of poverty is exposure to violence and trauma, so all solutions to address poverty, must also include time for healing and repair. So, our program combines trauma-informed care with financial literacy. The connection of the two is so simple for us: you cannot separate money from life. If we hope to develop each other economically, we must consider each other's life experiences, our traumas, and the wisdom that comes from them.

I've been invited today to discuss the problem of being unbanked or underbanked, how the City of Philadelphia can help provide access to the Financial System. I am supportive of the city holding hearings. I provide eight specific recommendations. But before I do, I would like to offer some context to consider.

Consider the context

As we speak, the retail banking industry is preparing for a major disruption. The fee-based model that led financial institutions away from good old fashion lending and investing, and toward a more predatory structure, has run its course. People are tired of the abuse banks have waged on us over the years and has slowly started migrating toward fee-free banking services. Private companies like Apple and Venmo have introduced fee-free products into the market. And while majority of society hasn't yet shifted, the future for retail banking is bleak as the younger generation has learned a lot from watching their parents' struggles. It has been reported that many Generation Z'ers (those young people who are now coming of age) are avoiding student loans and finding alternative ways to enter the housing market. They are now managing money from their phones, and not from branches, which makes them less susceptible to the sales tactics bank employees use.

I, for one, am not sad to see the retail banking industry disrupted. This is the same industry that redlined my community and prevented my grandparents from acquiring wealth. The same banking industry that wouldn't even open a location in my neighborhood. The same industry that stopped sending bankers to the school to teach us financial literacy, because it wasn't driving enough business. As someone who spent a good deal of my life poor, I know first-hand that their fee-based model, disproportionately affects people like me. People like me outnumber the wealthy in Philadelphia. We built this city, and we keep it running, but we have been excluded from opportunities to flourish here.

1) 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. It has been their policies that caused this unbanked and underbanked problem. Like always, they create a problem, and now government is swooping in to fix it. The city will hold hearings and figure out a way to get the banking industry more customers. Our goal shouldn't be to get people banked, it should be to give people **access to safe and meaningful financial products and support**. The city's goals should be to restore **access** to checking accounts, debit cards, lending, and investing to the citizens of Philadelphia who desire them. But your actions should not be limited to traditional banking. While these products are synonymous with banking, they are not regulated to that industry alone. Septa provides a "quasi debit card" now. And the City should look outside the box when addressing this issue. The private market has already shown us it can be done.

2) Provide trauma-informed training in the banking system

As we welcome our citizens back into the primary financial system, the banks should acknowledge their role in this, and the difficulty it has caused in so many lives. The city should work to pioneer the first trauma informed financial services training, and **strongly encourage** the banks that operate in our area to use it. Intensive training for banking employees on the barriers associated with being disenfranchised and the best method of communicating and growing the relationship. The people doing this, should be branch staff, not the community relations departments.

3) Ensure all banks accept the City ID

The city recently took a very positive step in helping our more vulnerable citizens by creating the City ID. Many of the banks in our area still do not accept it as a primary form of identification. This ID gives our returning citizens and other underserved people access to employment, and many other resources. Even if this is a federal issue, we must work to get our ID **accepted** by the banks.

4) Address problems in ChexSystems

Many people do not have **access** to bank accounts because they have a negative ChexSystems history. ChexSystems is essentially the credit reporting agency for banks. When someone is denied an account, its usually due to their ChexSystems history. The problem is that while there are many experts in credit, there aren't many experts in ChexSystems. If someone has had previous fraud or owes money from overdrafts, how do they get their access restored? The prevailing answer has been to enter a rehabilitation program offered by one of the banks and to receive a "second chance account." Will Hall at the City Office for Economic Opportunity has done tremendous work with bringing financial institutions to the table to address this issue. However, what the city has not done is to hold banks accountable for what information they report to ChexSystems. Additionally, we have not sought to engage those involved with ChexSystems to providing alternatives. I urge the City to appoint a staff person who can work with ChexSystems. This should be someone with extensive knowledge of ChexSystems that is tasked with getting people's records either cleared or rehabilitated. We need someone on the side of people who are poor as we settle past bank debt. And we need a solution for the many people who were coerced by relatives or partners in their youth, to commit activities that would prevent them from being banked today.

We have people participating in The Network program now, whose own parents are the reason they cannot get a bank account. I remember vividly from my days as a bank manager, all of the young women who were tricked into giving their bank account information to a boyfriend. Rather the exacerbate sexism, and racism, the ChexSystems process must be part of the solution.

5) Ensure access to wealth-building products and services

We must remember that credit scores are a major problem. It is used as a barrier to entry into conventional borrowing and lending, and it creates obstacles in a banking relationship. If someone has a bank account, but has bad credit, they are in a one way and unequal relationship. The bank will make money off of them, but the people will not have **access** to the banking products that create value and wealth. It is not good enough to just get people banked, we need access to wealth building products as well.

I've taught hundreds of people in The Network about how to manage their money and how to build wealth that they can pass on to their children and escape the trap of poverty and trauma. The question that Network Members ask us the most, is "Why don't they teach us personal finance in school?" My answer is always simple: people who are wealthy use their banking systems to make money off of your ignorance.. The less you know, the more the system can profit from you.

6) Mandate financial education in schools

But we know now. Extracting money from the poor is not an issue of ignorance anymore. It's a lack of action. A comprehensive, trauma-informed financial education curriculum needs to be provided in 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 the core requirements at Community College of Philadelphia. Philadelphia can become the most financially educated city in the country. It is within our power to achieve this. Great educators like Dan Lasalle at Olney High school have begun this work. We need to help spread it.

7) Create a public bank

All of these ideas can be offered if the city were to open a public bank. Are you not tired of hearing how Philadelphia is the poorest big city in the United States? Take action now, and start creating the infrastructure and the industry for people to manage their money and to build wealth.

8) Get started now

While you work on creating a public bank for Philadelphia, the ground work 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. We would be happy to work with you, and we can bring along your first bank customers who can help to spread the wealth through their knowledge and their resilience. Through working with hundreds of families, we have already planted a seed for expanding financial health in this city. Through your actions on these 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 that can contribute to a healthy city where all people can flourish for generations to come.

Thank you for the opportunity to provide this testimony.