

GRANTEE LEARNING BRIEF

## Center for Community Self-Help

### *Helping underserved communities enter the financial mainstream through micro-branches*

Mainstream financial institutions have struggled to meet the needs of low-income families living paycheck to paycheck. Alternative providers such as check-cashers and payday lenders have emerged to fill the void. Yet consumers standing in check-cashing lines have little or no opportunity to save money, establish a credit history and access affordable credit, and build assets.

#### The Micro-Branch Initiative

The Center for Community Self-Help is creating a retail credit union employing an innovative micro-branch strategy in the California Bay Area. The micro-branch will provide a comfortable environment where consumers will find products they need and receive help to advance financially. The goal is to attract new members through transactional services (check-cashing, remittances, etc.) and transition them to account-based relationships.

The first micro-branch, in East San Jose, will open in late 2009, targeting the Latino immigrant community, particularly unbanked individuals living in the cash economy.

Innovative components include:

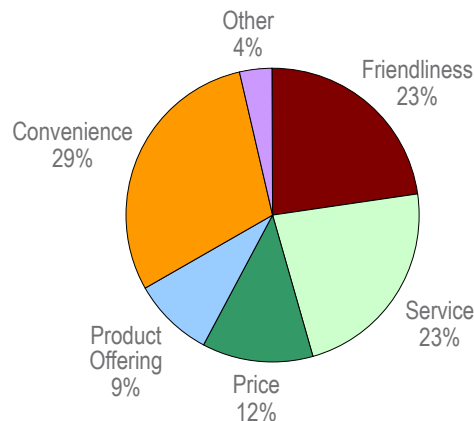
- Design: Small and familiar—more like check-cashers than banks; friendly and accessible yet professional and secure; staffed by people with diverse language skills and cultural backgrounds
- Customer acquisition: Easily accessible and visible locations (along heavy-traffic thoroughfares), extended hours
- Relevant product suite: Efficient transaction services, deposit-based checking and savings products, and responsible loan products
- Cost control: Adopting a low-cost model, starting with a small footprint, and leveraging existing infrastructure (Self-Help has had a

California office since 2006) to operate sustainably even with small account balances

- Customer migration/advancement strategy: Using “in-line financial education” to prepare customers to move from fee-based transactions to account-based relationships

#### Rethinking Financial Education

Self-Help is committed to in-line financial education, using every interaction with customers to enhance their financial literacy. At the micro-branches, in-line education will be delivered by tellers during transactions or by ATMs or kiosks with educational messages on screens and receipts.



*During the market research phase, Self-Help learned many reasons why consumers use check-cashers.*

#### About This Learning Brief

In September 2007, the Center for Financial Services Innovation (CFSI) received a two-year, \$2 million grant from The Walmart Foundation to create the Nonprofit Opportunities Fund. The fund provides innovative nonprofit organizations with the funding, partnerships, and peer learning they need to connect their un- and underbanked constituents with financial services and asset-building opportunities.

This Learning Brief describes the experiences of one grantee, Self-Help, through fall 2009.

#### About Self-Help

Founded in 1980, Self-Help is one of the nation’s leading community development financial institutions. Its mission is to create and protect ownership and economic opportunity for people of color, women, rural residents, and low-wealth families and communities. Self-Help Credit Union provides a full range of financial services.

#### About CFSI

CFSI’s mission is to transform the financial services marketplace to help underbanked consumers achieve financial prosperity.

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## Pre-launch Activities, Insights, and Key Decisions

### Market Research

Using observations, interviews, focus groups, and surveys, Self-Help researched its target market, unbanked Latino immigrants, and drew on its findings to inform the micro-branch strategy.

Research Finding	Self-Help's Solution
When savings are depleted and people need cash quickly, they stop using checking accounts to avoid overdraft fees and instead turn to check-cashers.	Self-Help created a Demand Deposit Account that will significantly reduce the risk of overdraft.
People are uncomfortable with banking products and either avoid them or use them in a limited way to keep from embarrassment.	The micro-branches will offer in-line financial education in a culturally sensitive, familiar-looking environment.
Recent immigrants rely on friends and family for guidance with financial decisions and practices.	Staff will be hired from the community in which the micro-branches are located and reflect the target market.

### Operational Infrastructure

**Startup:** Self-Help explored acquiring a check-cashing chain with more than 30 stores and 100,000 customers as a way to launch more quickly, but rejected the idea after several months, largely because of the potential risks in an uncertain economy. Another merger, however, did prove fruitful. As part of its broader California strategy, Self-Help merged with Community Trust Credit Union. That provided an operating platform in California on which to base the micro-branches and expedited regulatory approvals.

**Technology:** Self-Help sought out leading-edge technology to create a service delivery model that is economically sustainable, makes low-deposit accounts viable, and serves the needs of the target market. This includes:

- Selecting a check-decisioning vendor that can process handwritten payroll or two-party checks
- Using a cash recycler for security as well as efficiency in teller lines, allowing staff to focus on customer interactions

- Including a convenient through-window ATM to allow for “teachable moments” between staff and members
- Installing an instant-issue debit card printer to produce cards with a picture ID—a huge value to the target population
- Using lobby space and TV monitors to deliver in-line financial education

### Looking Ahead

After the first micro-branch opens in late 2009, Self-Help plans three more micro-branches within five years, with the goal of serving 15,000 customers and transitioning 75 percent from transactional to account-based relationships. Each branch is projected to break even within 29 months. Long term, Self-Help wants to work with like-minded organizations to replicate this model and fundamentally change the way financial services are delivered to low-income communities.

### For More Information

Contact the California Office of Self-Help at 510.379.5511, or visit [www.self-help.org](http://www.self-help.org).

### Demand Deposit Account with an Instant-Issue Debit Card

Self-Help's Demand Deposit Account is designed expressly for underbanked consumers. Key features include:

- Discounted transactional services applied to check-cashing, money orders, and phone cards
- Discounts on monthly checking-account fees for those who sign up for direct deposit or electronic statements
- Instant-issue debit card available to new account holders, removing the perceived timing advantage of higher-priced prepaid cards, and accommodating individuals without a reliable address

### Other Products

Self-Help will also offer:

- My Piggy Bank savings account promoting event savings around Mother's Day, quinceañeras, or back-to-school shopping
- Credit-building loan targeting members with thin or no credit files