

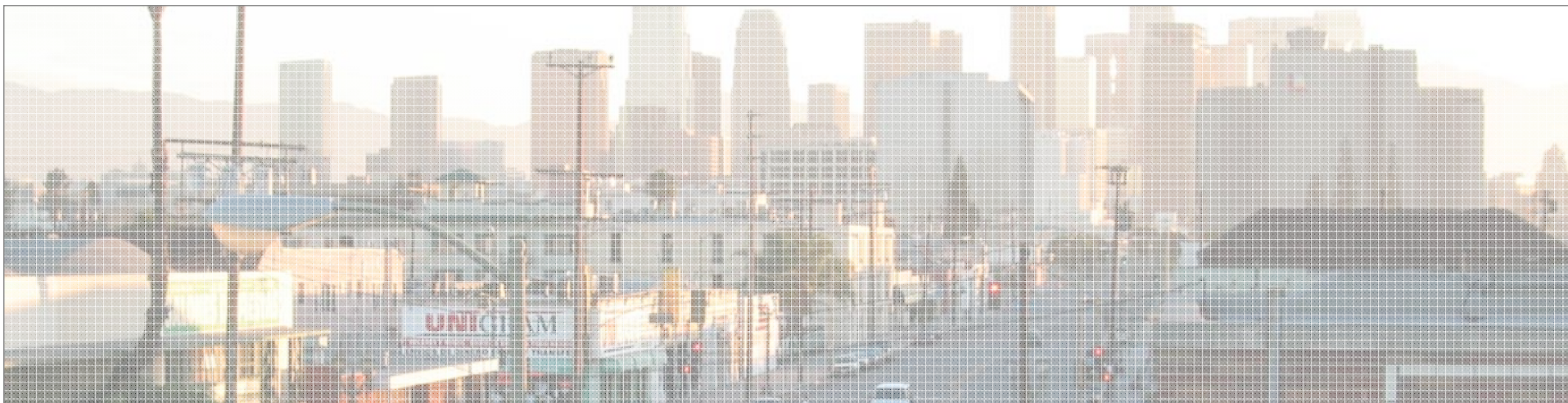
Bank on Los Angeles

Assessing the Market Opportunity

A faded, halftone-style photograph of a Los Angeles street scene. In the foreground, a multi-lane road with white lane markings is visible. On the left, there's a utility pole and a palm tree. In the middle ground, there are several buildings, including one with a sign that says "UNION". In the background, the Los Angeles city skyline is visible under a hazy sky.

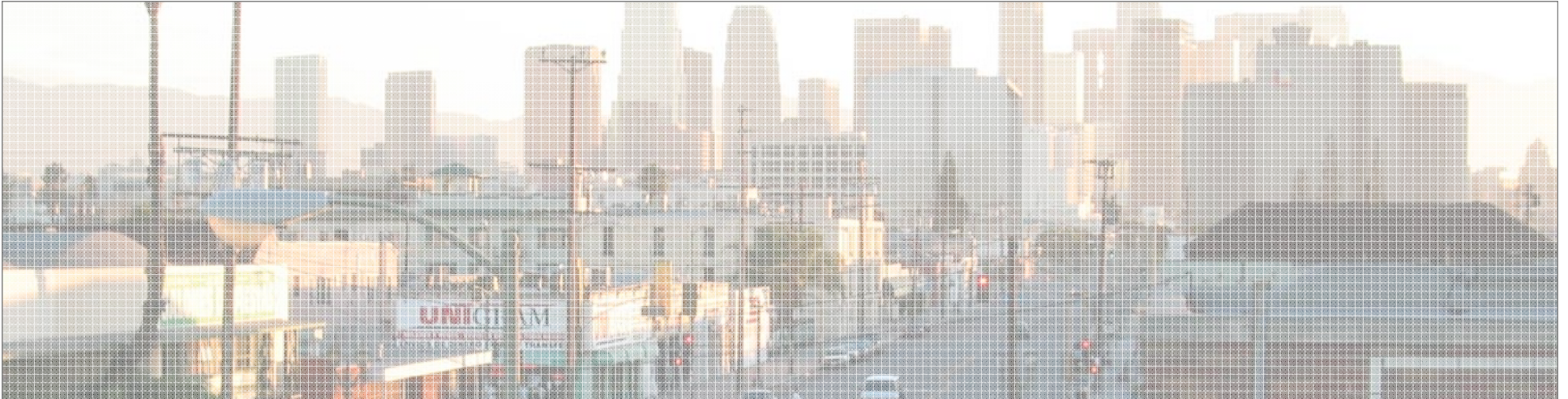
Bank on LA launch
December 2, 2008

*Matt Fellowes, Director
Safe Banking Opportunities Project
The Pew Charitable Trusts*



The broad goal of the Bank on LA campaign is to help Angelenos make better use of financial services to convert their wages into wealth, with an initial focus on connecting qualified households to appropriate bank accounts.

Similar campaigns have been popping up all over the country over the last two years.



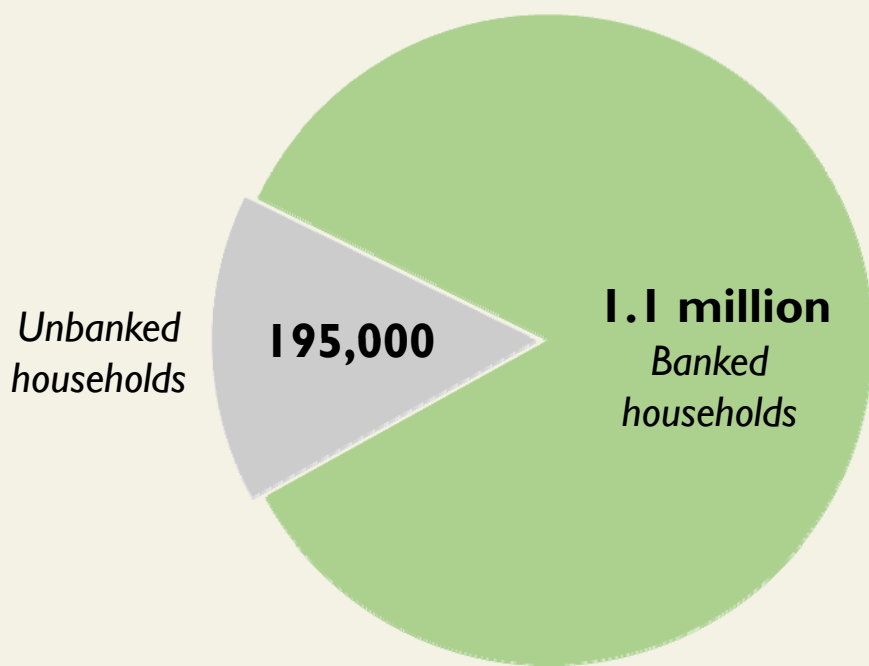
We at Pew are particularly excited about the Bank On campaign in LA and are pledging to raise over \$1 million in LA-based research to support this effort.

What is the market opportunity for Bank on LA?

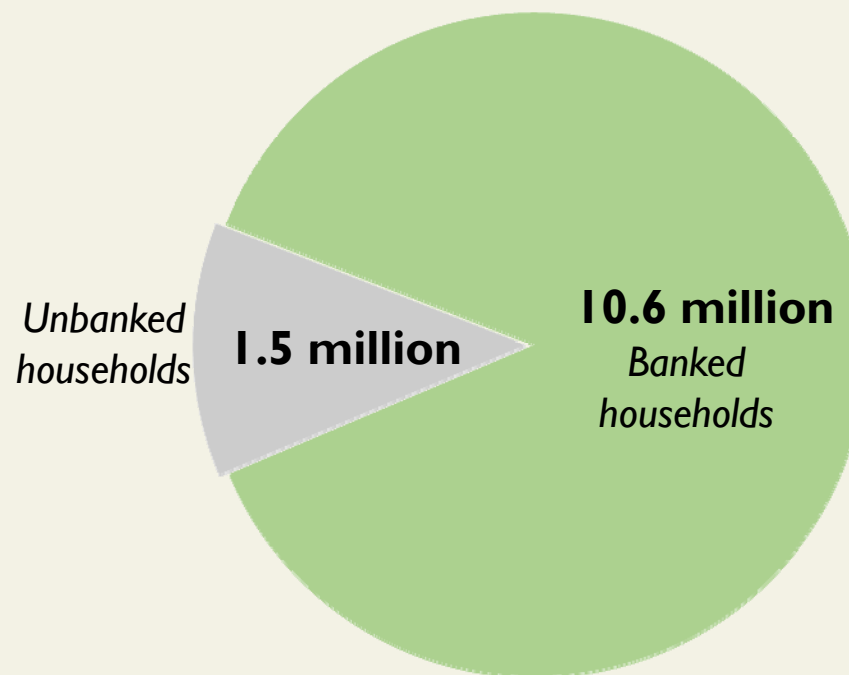
At a broad level, it's the share of households that we think do not have a basic bank account. In California, that works out to be about 1.5 million households, and in Los Angeles it's about 195,000 households.

Share of unbanked households in Los Angeles and California

Los Angeles

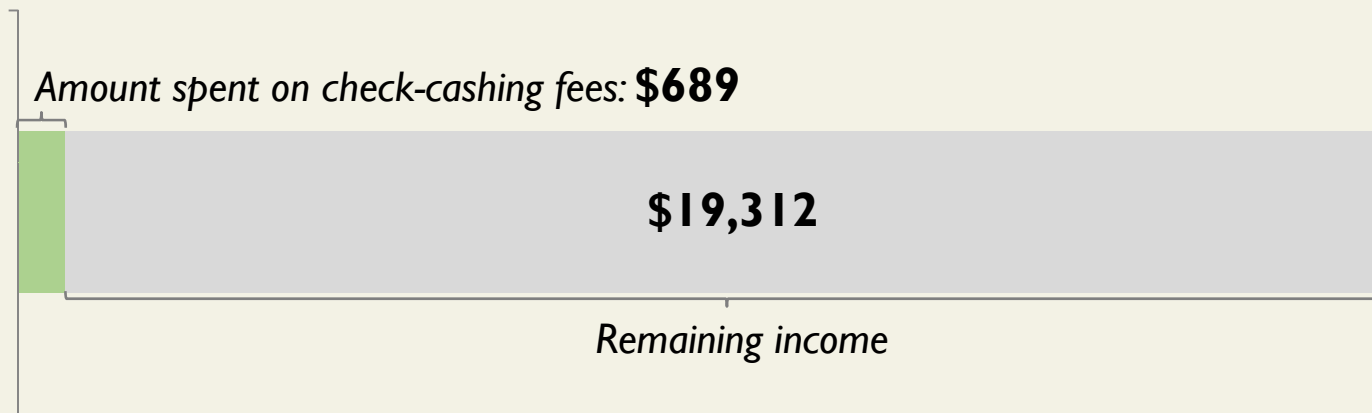


California



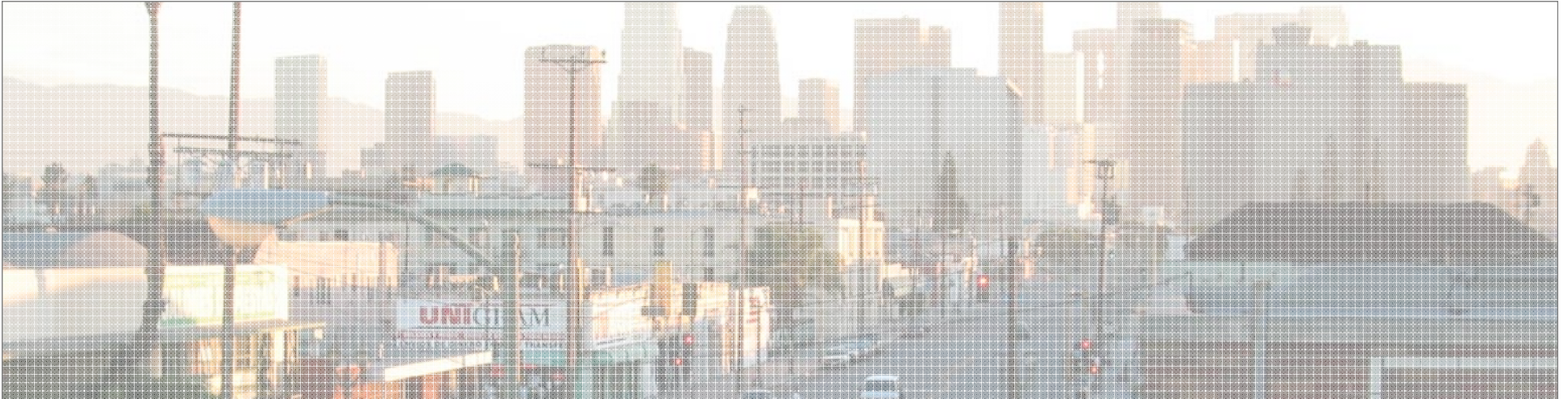
The unbanked widely use very expensive nonbanks for their basic financial services needs.

Estimated typical fees paid to nonbank check cashers over one year by an unbanked, working household in California



Additional Unknown Direct Costs: Money orders, bill payment services, remittances

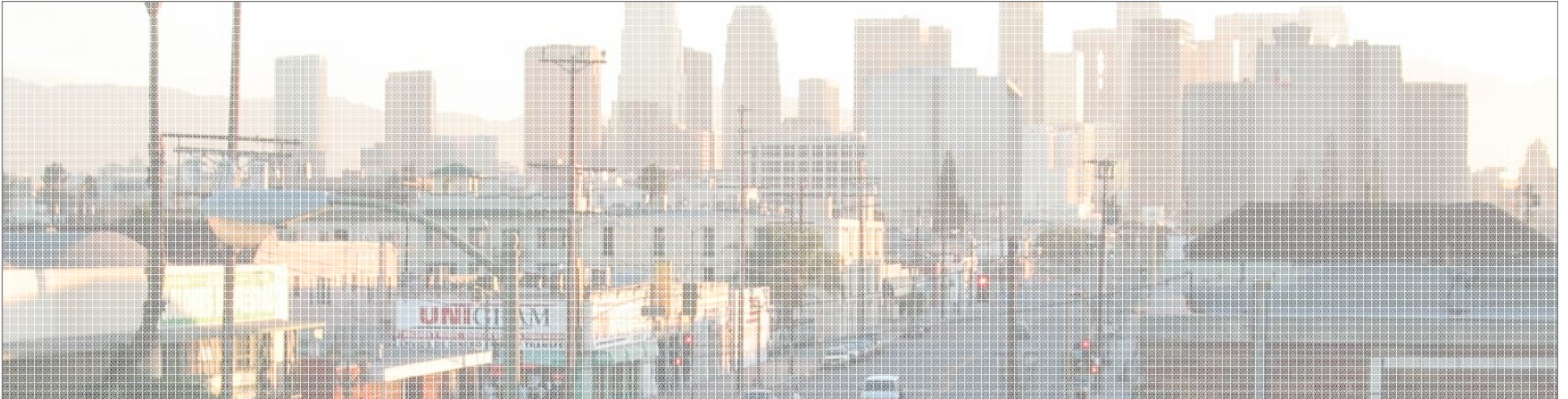
Additional Unknown Indirect Costs: OPPORTUNITY COST = No or limited access to wealth-building credit or loans, often with higher prices than might be otherwise possible



But this is the overall market opportunity, which is potentially larger (and more risky) than the one that Bank on LA is going to help you meet in the short term, because you are initially focused on connecting the segment of unbanked households that are qualified for appropriate bank accounts.

Qualified means that households can financially benefit from using a bank account, have appropriate paperwork, and do not have a history of fraud or identity theft.

Appropriate means that the bank account is safe, affordable, fair, and empowering.

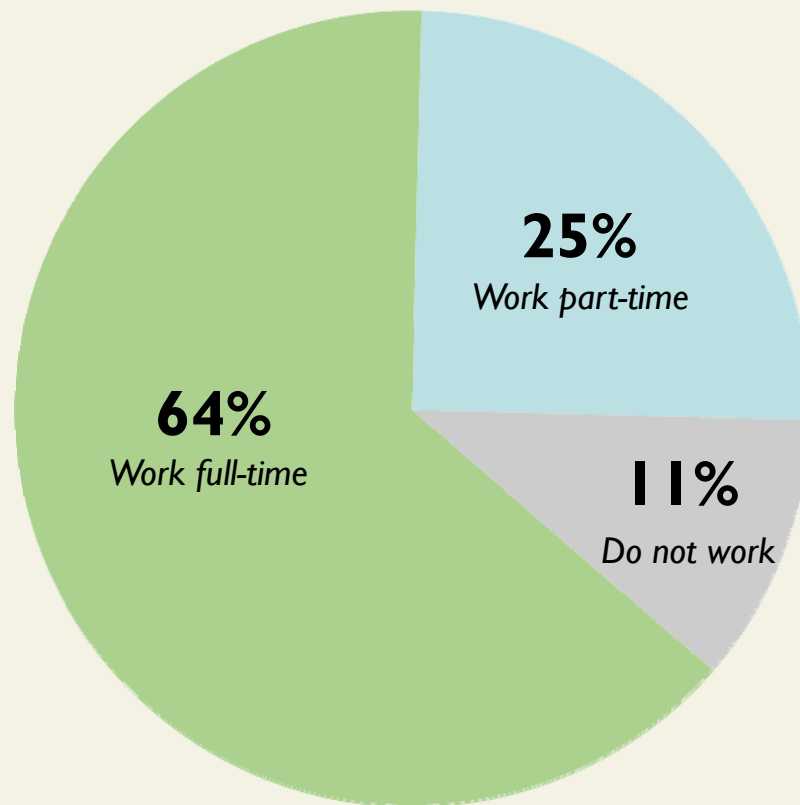


We think that over half of the 195,000 unbanked households in LA are qualified for an appropriate account and can be served by banks and credit unions.

Here are four reasons why.

First, most unbanked households have acceptable financial profiles for most banks. Many households without checking accounts, for instance, have steady, full-time jobs, and about half have never had a checking account in the past.

Share of unbanked households that...



55% of these households have never had a bank account

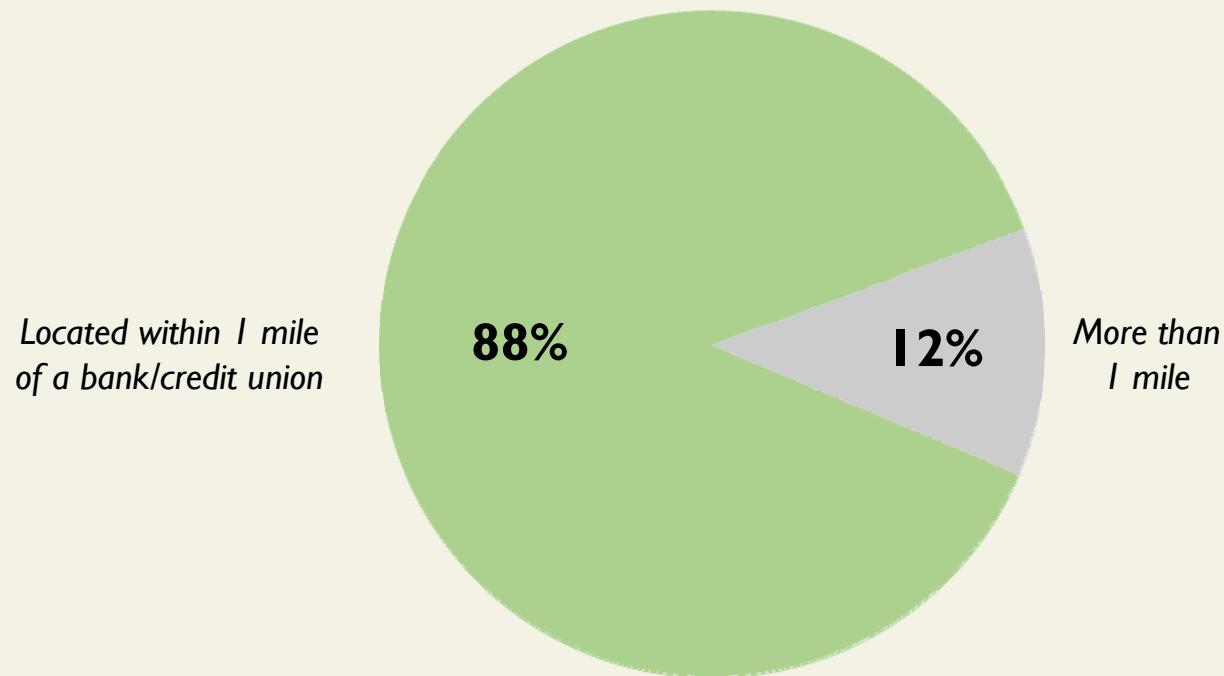
Second, the most important reasons why people indicate they don't have a checking account point to trust and misperception barriers—which can be broken down with the right marketing and partnerships, which Bank on LA provides.

Households' most important reasons for not having a checking account

<u>Most Important Reason for Not Having an Account</u>	<u>Share of Households</u>
Do not write enough checks to make it worthwhile	28%
Do not like dealing with banks	23%
Do not think that I have enough money	14%
Fees are too high	12%
All other reasons	23%

Third, banks have the grounds to compete with the nonbank check cashers currently serving the segment of the qualified market.

More than 88 percent of **full-service** check cashers in Los Angeles County are located within one mile of a bank or credit union.





...however, recent survey findings indicate that service hours may remain an access barrier.

Third, banks have the grounds to compete with the nonbank check cashers currently serving the segment of the qualified market.

This is Crenshaw Boulevard, a major thoroughfare in the low-income Crenshaw district of south LA



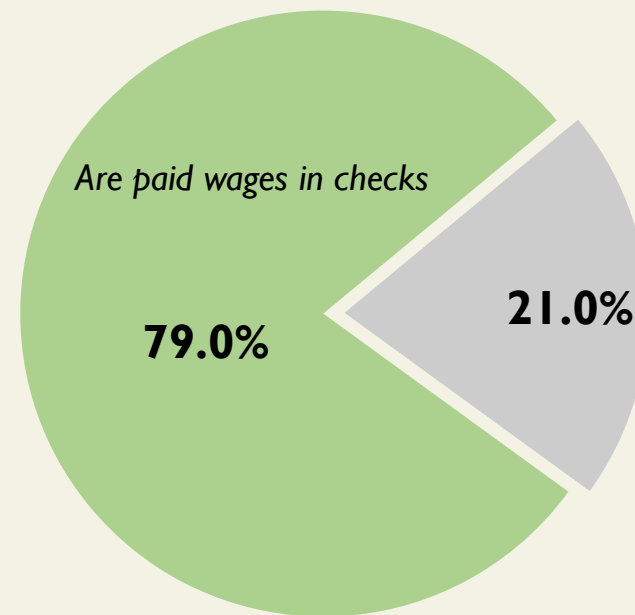
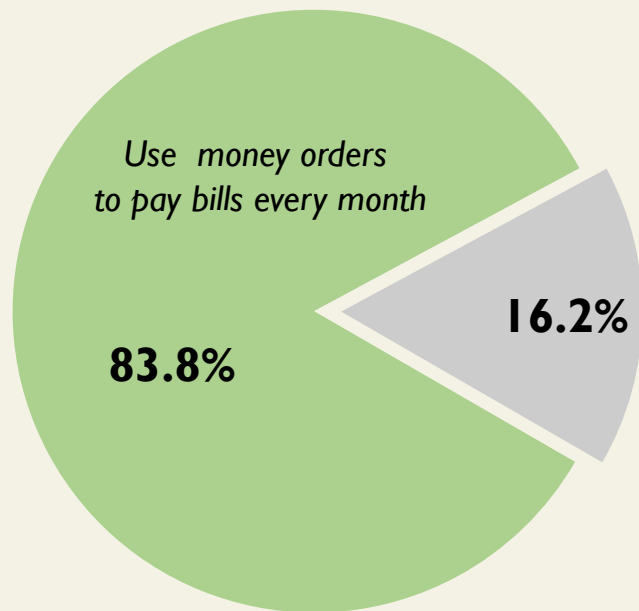
 Check casher, payday lender, or pawnshop

 Bank or credit union

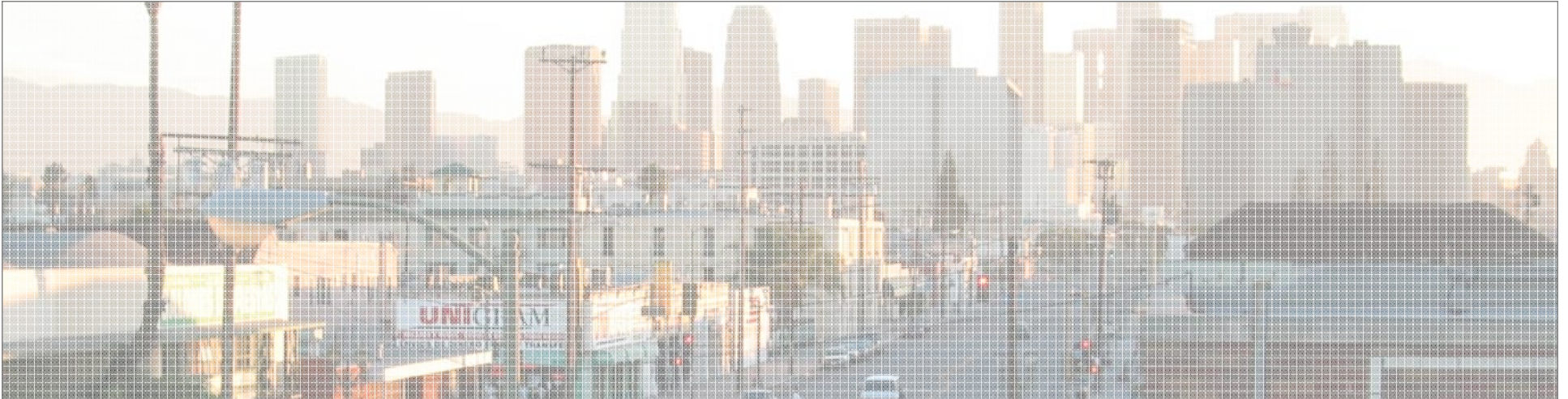
This points to an overlooked marketing opportunity to connect lower-income consumers to the already existing depository financial service infrastructure.

Finally, the majority of unbanked/unserved households are already relying heavily on paper checks; they do not live in a cash economy.

Share of unbanked/unserved households that...



Only 25 percent of unbanked/unserved households report paying one or more monthly bills in cash.



In conclusion, the available evidence suggests over half of the unbanked market is qualified for appropriate accounts, although there is also a large unqualified share.

Evidence also suggests that banks are already pursuing this segment. The Bank on LA campaign will add value to those efforts by accelerating this market trend in a relatively low-cost manner.



THE
PEW
CHARITABLE TRUSTS

For more information:

pewtrusts.org/safebanking