

# Using Student-Run Banks to Promote Financial Education and Community Economic and Workforce Development

By Dory Rand and Kelly E. Slay

*Dory Rand opens an account at the student-run Curie Branch of Park Federal Savings Bank's April 12, 2005, grand opening.*



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**A**ttorneys, asset-building advocates, and proponents of banking the unbanked are vital to the growing efforts to establish bank branches in high schools and teen centers serving underprivileged youth.<sup>1</sup> Student-run banks help develop skills that are useful to students in earning a high school diploma and accessing skilled jobs or postsecondary education. Furthermore, student-run banks may be a catalyst for economic and workforce development and expose the unbanked and underserved to mainstream banking. Advocates can contribute by becoming active in developing student-run banks and by working to create progressive policies in community economic and workforce development, financial education in school curricula, integrating the unbanked into mainstream banking, and strengthening the Community Reinvestment Act (CRA). Student-run banks in underserved communities represent not only an opportunity for community members to become involved in mainstream banking but also a renewal of economic life in that community.<sup>2</sup>

## I. Student-Run Banks

Students who attend school in high-poverty and urban school districts face many challenges in earning a high school diploma and gaining access to skilled jobs or a postsecondary education. A study by the Manhattan Institute for Policy Research reported that students from America's historically disadvantaged minority groups had just over a 50 percent chance of graduating from high school.<sup>3</sup> In many cases the drop-

<sup>1</sup>For more detailed information on creating a student-run bank, see DORY RAND & IAN GARDINER, SARGENT SHRIVER NATIONAL CENTER ON POVERTY LAW, A GUIDE TO ESTABLISHING BANK BRANCHES IN HIGH SCHOOLS (2006), [www.povertylaw.org/advocacy/publications/bank\\_branches\\_guide.pdf](http://www.povertylaw.org/advocacy/publications/bank_branches_guide.pdf), and Sargent Shriver National Center on Poverty Law, Videotape: Branching Out: The Story of Student-Run Banks (Chicago Art Department 2006), [www.povertylaw.org/advocacy/community-investment](http://www.povertylaw.org/advocacy/community-investment) (with links to [www.youtube.com/watch?v=See1T1iRMzM](http://www.youtube.com/watch?v=See1T1iRMzM)). The comprehensive guide gives a detailed overview of how schools, banks, and other partners can work together to establish a student-run bank that benefits the entire community. The short video depicts the unique partnerships involved in the establishment of the Curie Branch in Chicago and the Cardinal Bank in Milwaukee. The Boys and Girls Club of the Mississippi Valley is featured.

<sup>2</sup>There are student-run credit unions throughout the country as well. Here we focus only on student-run banks, but the ideas are applicable to credit unions.

<sup>3</sup>JAY P. GREENE & MARCUS A. WINTERS, CENTER FOR CIVIC INNOVATION, MANHATTAN INSTITUTE FOR POLICY RESEARCH, CIVIC REPORT NO. 48, LEAVING BOYS BEHIND: PUBLIC HIGH SCHOOL GRADUATION RATES (2006), [www.manhattan-institute.org/pdf/cr\\_48.pdf](http://www.manhattan-institute.org/pdf/cr_48.pdf). The term "historically disadvantaged" has been used to describe Native Americans, Hispanics, and African Americans. More recently, disabled persons have been included in this definition. See NATIONAL ASSESSMENT OF EDUCATIONAL PROGRESS, U.S. DEPARTMENT OF EDUCATION, THE NATION'S REPORT CARD: GLOSSARY, [www.nationsreportcard.gov/glossary.asp](http://www.nationsreportcard.gov/glossary.asp).

out rate is even higher in districts with a majority of minority students and high levels of racial segregation, poverty, or economic segregation.<sup>4</sup> Mainstream financial institutions often overlook these high poverty areas when choosing branch locations and becoming involved in the community. Lack of financial education and exposure to financially responsible role models often leads parents and consequently their children to make poor financial decisions resulting, for example, in mismanagement of money and high credit card debt.<sup>5</sup> Student-run banks give students the information they need to make good financial decisions and join mainstream banking.

Each of the profiled student-run banks is located in a community that has the following characteristics: predominantly low-income, immigrant population, historically disadvantaged minority population, and unbanked or underbanked. Each bank was developed and is maintained by a team of partners or individuals—school officials, officials from financial institutions, bank regulators, project coordinators, attorneys, policy advocates, and marketing experts.

### A. Cardinal Bank

The Cardinal Bank, a branch of Mitchell Bank, opened in 2000 as the first student-run bank in the country.<sup>6</sup> The branch is located in a predominantly Latino and immigrant community in

Milwaukee, Wisconsin, and is open to the public. The bank project exposes students and their families to mainstream banking, gives students the opportunity to build financial skills, and helps them strengthen their career objectives.<sup>7</sup>

### B. Curie Branch

The Curie Branch of Park Federal Savings Bank is located on the campus of Curie Metro High School, a Chicago, Illinois, magnet school with a considerable Latino population.<sup>8</sup> The community investment advocates of the Sargent Shriver National Center on Poverty spearheaded the establishment of the Curie Branch and worked with other partners to identify three goals for the project: help students increase their financial knowledge and skills, improve student access to mainstream banking, and expand student job training and work experience in the high technology field of financial services.<sup>9</sup>

### C. Highlander Branch

The Highlander Branch of County Bank is located on the campus of McLane High School in Fresno, California, an ethnically diverse rural area with many immigrants and migrant workers.<sup>10</sup> This location was selected for a student-run bank project because Fresno has the highest number of people without bank accounts per capita in the United States.<sup>11</sup> The project offers an opportunity to bring the largely unbanked population into mainstream banking.

<sup>4</sup>Lynn Olson, *Diplomas Count: An Essential Guide to Graduation Policy and Rates*, 25 *EDUCATION WEEK* 5, 10–11 (2006), [www.edweek.org/ew/articles/2006/06/22/41s\\_overview.h25.html](http://www.edweek.org/ew/articles/2006/06/22/41s_overview.h25.html).

<sup>5</sup>Kerwin Kofi Charles & Erik Hurst, *The Correlation of Wealth Across Generations*, 111 *JOURNAL OF POLITICAL ECONOMY* 1155–82 (2003), [www.isites.harvard.edu/fs/docs/icb.topic185351.files/11639871.pdf](http://www.isites.harvard.edu/fs/docs/icb.topic185351.files/11639871.pdf). See also University of Chicago, *Financial Education Starts at Home*, in *CAPITAL IDEAS: RESEARCH HIGHLIGHTS FROM THE UNIVERSITY OF CHICAGO GRADUATE SCHOOL OF BUSINESS*, [www.chicagogsb.edu/capideas/spring03/financialeducation.html](http://www.chicagogsb.edu/capideas/spring03/financialeducation.html).

<sup>6</sup>For more information, see Cardinal Bank, a branch of Mitchell Bank, [www.mitchellbank.com/c\\_cardinal.htm](http://www.mitchellbank.com/c_cardinal.htm).

<sup>7</sup>RAND & GARDINER, *supra* note 1, at 2. Partners in the bank include the principal and teachers of South Division High School, legal counsel for Milwaukee Public Schools, Mitchell Bank officials, and the Federal Deposit Insurance Corporation (FDIC) community affairs officer.

<sup>8</sup>See Curie Metro High School, [www.curiehs.org/apps/news/show\\_news.jsp?REC\\_ID=54271&id=0](http://www.curiehs.org/apps/news/show_news.jsp?REC_ID=54271&id=0). For more information on Park Federal Savings Bank, see [www.parkfed.com](http://www.parkfed.com).

<sup>9</sup>Curie Education to Careers Project: A New Approach to Youth (2005) (Proposal on file with Dory Rand). See also Sargent Shriver National Center on Poverty Law, Join Shriver Center Conference Call on June 23: Curie Education to Careers Project: A New Approach to Youth (2005), [www.illinoislegaladvocate.org/index.cfm?fuseaction=news.newsDetails&newsID=457](http://www.illinoislegaladvocate.org/index.cfm?fuseaction=news.newsDetails&newsID=457).

<sup>10</sup>Fresno contains large Hispanic and Hmong communities sharing a distrust of financial institutions. For more information on Highlander Branch, see Highlander Branch of County Bank, [www.mclane.fresno.k12.ca.us/activities/Highlander\\_bank/index.html](http://www.mclane.fresno.k12.ca.us/activities/Highlander_bank/index.html).

<sup>11</sup>Katie Kuehner-Hebert, *Fresno School Branch Courts Students' Parents*, *AMERICAN BANKER*, Oct. 2, 2007, at 4.

## D. Capital One Bank

Capital One Bank opened a branch on the Bronx-based campus of Theodore Roosevelt High School in October 2007.<sup>12</sup> According to a New York school official, the bank will focus on promoting financial literacy and not necessarily on making a profit.<sup>13</sup> Other project goals are banking underserved communities and making students aware of career opportunities and preparing students for those careers, according to Stacy Cooper, project coordinator of Capital One Bank.<sup>14</sup>

## E. The Boys and Girls Club of the Mississippi Valley

Plans are under way to open a student-run bank in a new state-of-the-art Boys and Girls Club facility in Moline, Illinois. This project, unlike the other projects, features a student-run bank located in a teen center rather than a school and includes a community development component for the city and its predominantly Latino and high-poverty Floraciente neighborhood. The project will offer workforce development opportunities through a welding certificate partnership, classes, and a computer lab. It will offer community services through offices, a gymnasium, and a fitness center, among others. The partners in establishing the bank, scheduled to open in late 2008, hope that the bank will spark economic development and train student bankers and club members in job skills and will be accessible to the mostly unbanked community.<sup>15</sup>

## II. Advocating Policy

Student-run banks have been shown to improve community economic development, workforce development, finan-

cial education, and, of course, access to banking. Advocates can use these lessons to advocate more student-run banks and advance policies (e.g., seeking increased funding for and strengthening current legislation such as the CRA and Community Development Financial Institutions Fund) furthering these goals.

### A. Community Economic Development and Workforce Development

Advocates should urge business groups and civic leaders to support a student-run bank project as part of efforts to expand economic and workforce development in the entire community. Student-run banks may offer job opportunities for community members as well as students. Bank partners can assist in workforce development with funding from state workforce agencies. Community Development Financial Institutions (CDFIs) may be tapped as a source of funding for student-run bank projects.

Representatives of Capital One Bank were interested in selecting a school site in a critically underserved community because of the positive impact that student-run banks can have on community economic development.<sup>16</sup> They felt that the Bronx was the perfect fit because it had often been passed over by the city and institutions promoting development in favor of affluent communities such as Manhattan.

The donation of land for a student-run bank, which project partners may be called upon to secure, may itself spur economic development. An advocate can research sites as well as identify city programs that make vacant land available at

<sup>12</sup>On March 10, 2008, after the grand opening of the Roosevelt High School bank branch, North Fork Bank, formerly a subsidiary of Capital One Bank, changed its name to Capital One Bank.

<sup>13</sup>See Samantha Marshall, *Bank Run by Students to Open in Bronx*, CRAIN'S NEW YORK BUSINESS.COM, Oct. 15, 2007, [www.craigslist.com/apps/pbcs.dll/article?AID=/20071015/FREE/71015014](http://www.craigslist.com/apps/pbcs.dll/article?AID=/20071015/FREE/71015014).

<sup>14</sup>Interview with Stacey Cooper, Senior Vice President, and LaKia Williams, Assistant Treasurer and Community Development Associate, Capital One Bank (Nov. 14, 2007) (on file with Kelly E. Slay).

<sup>15</sup>Jonathan Turner, *Official: Q-C is "Model" for Financial Literacy*, QUAD-CITIES ONLINE, Sept. 27, 2007, [www.dollarwiseonline.org/newsroom.asp?year=2007](http://www.dollarwiseonline.org/newsroom.asp?year=2007).

<sup>16</sup>Interview, *supra* note 14.

little or no cost.<sup>17</sup> In the Boys and Girls Club of the Mississippi Valley project, the Moline city council showed its enthusiasm and support for the teen bank by donating the land for the teen center. As in the Bronx, the Floraciente community in Moline is an economically stagnant community that had been overlooked and neglected by planners and developers. Community leaders believe that this project will attract other development and create jobs in the community.<sup>18</sup>

Workforce development and training opportunities are a means for low-skilled individuals to earn good wages and develop skills that can have a positive impact on their financial status as well as on a state's economy.<sup>19</sup> Advocates may, in conjunction with promoting the student-run bank project, work with local organizations, community colleges, and vocational centers to offer job training and readiness programs for youth. The Boys and Girls Club project established a partnership with a local community college to offer welding courses to high school students who are members of the teen center. Upon completion of the course, graduates are eligible for welders' jobs that pay approximately \$30 per hour.<sup>20</sup>

Advocates can work with state workforce agencies to secure resources for em-

ployers to engage in workforce training of underprivileged teens. In Illinois the Department of Commerce and Economic Opportunity is charged with enhancing Illinois's economic competitiveness by supplying technical and financial resources to businesses, families, and workers. The Park Federal Savings Bank was awarded a \$50,000 grant from the department to train student bankers in high-tech financial services.<sup>21</sup> This creates a win, win, win situation: the bank diversifies its financial services team, the student bankers acquire financial education and skills, and the school graduates students who are better prepared for college and careers.<sup>22</sup> The grant helps expose teens to careers and professions with good salaries, benefits, and opportunities for advancement that they may not otherwise consider.

Advocates can encourage both community economic and workforce development by urging their legislators to support increased funding of the Community Development Financial Institutions Fund.<sup>23</sup> The fund, administered by the U.S. Department of the Treasury, was created to improve access by underserved populations to credit, capital, and financial services and thereby promote community economic development.<sup>24</sup> CDFIs can be

<sup>17</sup>Most cities have a department or office devoted to economic development and community-based planning. These departments or offices generally give information about community plans, land sales, and public notices. See City of Chicago's Department of Planning and Development, [www.egov.cityofchicago.org/city/webportal/portalEntityHomeAction.do?BV\\_SessionID=@@@@1602568406.1201195774@@@@&BV\\_EngineID=cccdadedeeelgdcfecelldffhdfhl.0&entityName=Planning+And+Development&entityNameEnumValue=32](http://www.egov.cityofchicago.org/city/webportal/portalEntityHomeAction.do?BV_SessionID=@@@@1602568406.1201195774@@@@&BV_EngineID=cccdadedeeelgdcfecelldffhdfhl.0&entityName=Planning+And+Development&entityNameEnumValue=32).

<sup>18</sup>Amy Rausch, *Moline Approves Plans for Downtown Teen Center*, QUAD-CITIES TIMES, April 17, 2008, at A1.

<sup>19</sup>According to the National Dropout Prevention Center Network at Clemson University, workforce development programs such as career and technology education have many positive benefits for students and employers. See NATIONAL DROPOUT PREVENTION CENTER NETWORK, EFFECTIVE STRATEGIES: CAREER AND TECHNOLOGY EDUCATION, [www.dropoutprevention.org/effstrat/career\\_technology\\_ed/overview.htm](http://www.dropoutprevention.org/effstrat/career_technology_ed/overview.htm).

<sup>20</sup>The welders' certificate is awarded upon completion of the Deere & Company-approved 115-hour production MIG welding class. The cost of the class is \$1,125, and the certificate holder is employable upon course completion. The course is offered through a partnership between Black Hawk Community College and the Boys and Girls Club of the Mississippi Valley. See e-mail from Nanci Perkins, President of the Board of Directors of the Boys and Girls Club of the Mississippi Valley, to Kelly E. Slay (Jan. 25, 2008) (on file with Slay). See also Black Hawk College, [www.bhc.edu](http://www.bhc.edu).

<sup>21</sup>Park Federal Savings Bank was awarded the High Technology School-to-Work Grant. The grant aims to improve education and prepare Illinois students to make the transition from high school to high-skilled jobs. For more information, see Technology Grants and Programs, Illinois Department of Commerce and Economic Opportunity, [www.illinoisbiz.biz/dceo/Bureaus/Technology/Technology+Grants+Programs](http://www.illinoisbiz.biz/dceo/Bureaus/Technology/Technology+Grants+Programs).

<sup>22</sup>See RAND & GARDINER, *supra* note 1, at 11, 14, 17–18.

<sup>23</sup>See CFED, RESOURCE GUIDE: SUPPORT FOR COMMUNITY DEVELOPMENT LENDERS (2007), [www.cfed.org/institute/rg/09\\_rg\\_stateCDFI.pdf](http://www.cfed.org/institute/rg/09_rg_stateCDFI.pdf).

<sup>24</sup>The Community Development Financial Institutions Fund was created as part of the Riegel Community Development and Regulatory Improvement Act of 1994, Pub. L. No. 103-325, 108 Stat. 2160. See COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND, U.S. DEPARTMENT OF THE TREASURY, ABOUT THE CDFI FUND (2008), [www.cdfifund.gov/who\\_we\\_are/about\\_us.asp](http://www.cdfifund.gov/who_we_are/about_us.asp).

structured as banks, credit unions, loan funds or venture capital funds and be communities' resources for renovating affordable housing and community facilities in economically distressed areas, for delivering financial literacy services, and for financing personal and micro-business purposes.<sup>25</sup> CDFIs in underdeveloped communities can both serve to encourage community economic development and fund the establishment of student-run banks.

## B. Financial Education

Financial education has had a positive effect on student bankers, their families, and the community. Public-interest organizations, banks, schools, even students and parents should work to advocate that financial education be made a part of school curricula, student-run bank projects, adult education curricula, and public benefit programs.

According to a survey of 13,000 college students, nearly half have accumulated over \$5,000 in credit card debt and one-third have accumulated more than \$10,000 in credit card debt.<sup>26</sup> One must ask if these staggering numbers would be different if these students had received some form of financial education before entering college. The answer is yes, according to studies conducted by several financial institutions, policy organizations, and public universities.

The Federal Deposit Insurance Corporation (FDIC) and NeighborWorks America conducted a study of the FDIC's

Money Smart financial education curriculum and found that "financial education does change attitudes and behaviors and can result in enhanced financial literacy and improved creditworthiness and the development of a formal banking relationship."<sup>27</sup> Note, however, that some researchers suggest that financial education makes the most impact when started in the home. They contend that parent-child wealth is similar and that parent's saving tendencies may directly or indirectly affect their children's economic choices and future behavior.<sup>28</sup>

The impact of financial education on student bankers and their student-run bank has been very positive. Rudi Morales, former student banker and president of the Curie Branch, cited her experience as an integral part in setting her future goals: "I'm attending college and pursuing a career in financial services based on my experiences as a student banker president of the Curie Branch of Park Federal Savings Bank."<sup>29</sup> In a postparticipation questionnaire administered to the 2005–2006 class of Curie student bankers, one student wrote: "I liked informing other students about financial literacy. I learned a lot about budgeting and the amount of work that goes into saving and separating a want from a need."<sup>30</sup>

A financial education course or even a money management segment as part of a larger course such as economics, when coupled with access to a student-run bank, may make the information practical for students. Utah passed a law making a financial education course a graduation

<sup>25</sup>For an overview of Community Development Financial Institutions, including funding and state practices, see CFED, 2007–2008 ASSETS AND OPPORTUNITY SCORECARD (2008), [www.cfed.org/focus.m?parentid=31&siteid=2471&id=2472](http://www.cfed.org/focus.m?parentid=31&siteid=2471&id=2472) and [www.cfed.org/focus.m?parentid=31&siteid=2471&id=2475&measureid=3981](http://www.cfed.org/focus.m?parentid=31&siteid=2471&id=2475&measureid=3981).

<sup>26</sup>For more information, see Press Release, Sallie Mae, Sallie Mae Launches New "Be Debt Smart" Campaign to Educate Students, Parents and Graduates on Managing Debt and Understanding Credit (Feb. 14, 2007), [www.salliemae.com/about/news\\_info/newsreleases/021407\\_bedebsmart.htm](http://www.salliemae.com/about/news_info/newsreleases/021407_bedebsmart.htm).

<sup>27</sup>Susan E. Burhouse et al., *Banking on Financial Education*, FDIC QUARTERLY, Second Quarter 2007, at 33, [www.fdic.gov/bank/analytical/quarterly/2007\\_vol1\\_2/Banking\\_Financial\\_Edu.pdf](http://www.fdic.gov/bank/analytical/quarterly/2007_vol1_2/Banking_Financial_Edu.pdf). For an overview of the Money Smart program, see FDIC, Money Smart—An Adult Education Program, Overview (2006), [www.fdic.gov/consumers/consumer/moneysmart/overview.html](http://www.fdic.gov/consumers/consumer/moneysmart/overview.html). The FDIC has established eight Money Smart model sites: Atlanta, Boston, Chicago, Dallas, Kansas City, Memphis, New York, and San Francisco. See [www.fdic.gov/consumers/consumer/moneysmart/regions/index.html](http://www.fdic.gov/consumers/consumer/moneysmart/regions/index.html).

<sup>28</sup>Charles & Hurst, *supra* note 5, at 27.

<sup>29</sup>RAND & GARDINER, *supra* note 1, at 3.

<sup>30</sup>Helen Roberts, 2005–2006 Questionnaire for Student Bankers (2006) (on file with Rand). Roberts is clinical assistant professor and associate director, University of Illinois at Chicago Center for Economic Education, 601 S. Morgan #2103 (m/c 144), Chicago, IL 60607-7121 (312.355.0378).

requirement for high school students.<sup>31</sup> In response, Utah Community Credit Union opened a student-run credit union branch at Provo High School.<sup>32</sup> Even if schools do not have student-run banks, financial education classes inform students about how to be financially responsible throughout their lives. Despite the evidence in favor of incorporating financial education into school curricula, it is a requirement for high school graduation in only seven states.<sup>33</sup>

Advocates should urge adult learning centers to incorporate financial education into English as a Second Language programs or work with centers for economic education to train teachers and community organizations in financial literacy.<sup>34</sup>

Asset-building advocates can promote financial education as part of state-supported asset-building programs.<sup>35</sup> Individual Development Accounts (IDAs), which are matched savings accounts funded through federal or state grants, the private sector, foundations, and nonprofit organizations, are one such program.<sup>36</sup> Advocates can encourage partnerships between suitable nonprofit organizations and state agencies to administer the program. And advocates can press state welfare agencies to include financial education as an approved work activity under the requirements of the Temporary Assistance for Needy Families program.<sup>37</sup>

### C. Maintain and Strengthen the CRA

Advocates should urge Congress and federal banking regulators to maintain and strengthen the CRA.<sup>38</sup> Advocates should use the CRA to encourage banks to invest in underserved immigrant communities. Governors and bank regulators can do their part through creative initiatives promoting banking the unbanked. Advocates should push for a strengthened CRA to sustain and increase the partnerships between banks and underserved communities.

The CRA, which applies to banks that are insured by the FDIC, obligates banks to serve the credit needs of low- and moderate-income residents, particularly those living in the bank service area. It requires banks to take steps to make their financial products and services equally accessible to traditionally underserved populations. To encourage banks to fulfill this obligation, they are rated on lending, service, and investment.<sup>39</sup> In order to secure favorable ratings under the service test, banks may support financial education, IDAs, and student-run banks as well as offer affordable retail financial products and services and establish branches and ATMs (automatic teller machines) in underserved communities.<sup>40</sup>

One way to strengthen the CRA is to put teeth into the service test. Many advocates

<sup>31</sup>UTAH CODE ANN. § 53A-13-108 (2008).

<sup>32</sup>Igho Ayoro, *Utah Community Credit Union Opens Student-Run Branch at Provo High*, BYU NEWSNET, Sept. 20, 2007, [newsnet.byu.edu/story.cfm/65370](http://newsnet.byu.edu/story.cfm/65370).

<sup>33</sup>NATIONAL COUNCIL ON ECONOMIC EDUCATION, SURVEY OF THE STATES: ECONOMIC AND PERSONAL FINANCE EDUCATION IN OUR NATION'S SCHOOLS IN 2007 (2007), [www.ncee.net/about/survey2007/NCEESurvey2007.pdf](http://www.ncee.net/about/survey2007/NCEESurvey2007.pdf).

<sup>34</sup>See Dory Rand, *Financial Education and Asset-Building Programs for Welfare Recipients and Low-Income Workers: The Illinois Experience*, 38 CLEARINGHOUSE REVIEW 49 (May–June 2004).

<sup>35</sup>CFED, RESOURCE GUIDE: INDIVIDUAL DEVELOPMENT ACCOUNTS (2007), [www.cfed.org/institute/rg/11\\_rg\\_IDAs.pdf](http://www.cfed.org/institute/rg/11_rg_IDAs.pdf). For a history of Individual Development Accounts (IDAs) on the state and federal level, see [www.cfed.org/focus.m?parentid=2&siteid=374&id=692](http://www.cfed.org/focus.m?parentid=2&siteid=374&id=692).

<sup>36</sup>For information on IDAs, see CFED, RESOURCE GUIDE: INDIVIDUAL DEVELOPMENT ACCOUNTS (2007), [www.cfed.org/institute/rg/11\\_rg\\_IDAs.pdf](http://www.cfed.org/institute/rg/11_rg_IDAs.pdf).

<sup>37</sup>Rand, *supra* note 34, at 62.

<sup>38</sup>Community Reinvestment Act (CRA), 12 U.S.C. §§ 2901–2908, 3806 (2007).

<sup>39</sup>The CRA authorizes assessments of banks to determine if they are actually meeting the needs of the community. It charges four agencies or regulators—Office of the Comptroller, Federal Reserve Bank, Office of Thrift Supervision, and FDIC—with implementing the CRA and with evaluating bank compliance. For more information on the CRA, see National Community Reinvestment Coalition, [www.ncrc.org/index.php?option=com\\_content&task=blogcategory&id=17&Itemid=110](http://www.ncrc.org/index.php?option=com_content&task=blogcategory&id=17&Itemid=110).

<sup>40</sup>See Dory Rand, *Using the Community Reinvestment Act to Promote Checking Accounts for Low-Income People*, 33 CLEARINGHOUSE REVIEW 66, 70–79 (May–June 1999).

believe that the service test is inadequate and loosely defined, does not measure actual performance, and is inappropriately used to boost the overall ratings of borderline banks.<sup>41</sup> A more consistent, performance-based test would make it more difficult for examiners to skew ratings, as some believe examiners now do.<sup>42</sup> Advocates can encourage examiners to perform a more thorough evaluation that includes an analysis of the extent to which banks actually meet the needs of low- and moderate-income individuals. This analysis should be quantitative (for instance, evaluating the number of low- and moderate-income account holders) and qualitative (such as assessing the types of alternative products and services that banks offer to consumers).<sup>43</sup>

Advocates can urge legislators to support the CRA Modernization Act.<sup>44</sup> The Modernization Act would expand the CRA to include other financial institutions such as credit unions and bank lending through brokers, mortgage companies, insurance firms, and securities companies.<sup>45</sup>

The CRA should be used to encourage banks to reinvest in underserved immigrant communities. Research indicates that immigrants and their children accounted for 55 percent of the increase in the American population. Projections suggest that by 2011, one of every six people living in the United States will be of

Latino origin and that Latinos will make up nearly 10 percent of all buying power in America.<sup>46</sup> However, note that the lack of a clear immigration policy on both the state and federal level will continue to affect banking relationships in predominantly immigrant communities.<sup>47</sup> A clear and consistent immigration policy is needed in order to maximize the use of the CRA and strengthen the relationship between immigrants and banks.

Advocates can encourage governors and bank regulators to serve the needs of low- and moderate-income residents by bringing the unbanked into the financial mainstream. For example, California Gov. Arnold Schwarzenegger, in partnership with the FDIC, launched the nation's first statewide initiative to assist unbanked residents, nearly a quarter of whom are Latino and African American, in opening bank accounts.<sup>48</sup> The "Bank on California" program is the first statewide program to take an innovative and inclusive approach to bringing the unbanked into the financial mainstream by offering start accounts and financial education to individuals who do not currently have a bank account. This comes after the success of the "Bank on San Francisco" initiative, in which 11,000 previously unbanked individuals signed up for a checking or savings account.<sup>49</sup> The promise of favorable CRA consideration gives banks an incentive to par-

<sup>41</sup>MICHAEL S. BARR, BROOKINGS INSTITUTION, *BANKING THE POOR* (2004), [www.brookings.edu/reports/2004/10childrenfamilies\\_barr.aspx](http://www.brookings.edu/reports/2004/10childrenfamilies_barr.aspx).

<sup>42</sup>Michael A. Stegman et al., *Toward a More Performance-Driven Service Test: Strengthening Basic Banking Services Under the Community Reinvestment Act*, 9 *GEORGETOWN JOURNAL ON POVERTY LAW AND POLICY* 40 (2002), [www.winwinpartner.com/downloads/072506CC\\_ServiceTest2.pdf](http://www.winwinpartner.com/downloads/072506CC_ServiceTest2.pdf).

<sup>43</sup>BARR, *supra* note 41, at 13.

<sup>44</sup>Community Reinvestment Modernization Act of 2007, H.R. 1289, 110th Cong. (2007).

<sup>45</sup>For more information, see Press Release, Community Investment Network, *CRA Modernization Bill Introduced: Communities Stand to Receive Trillions* (March 1, 2007), [www.communityinvestmentnetwork.org/nc/single-news-item/browse/6/article/cra-modernization-bill-introduced-communities-stand-to-receive-trillions?tx\\_ttnews%5BbackPid%5D=911&cHash=40d02d2c8a](http://www.communityinvestmentnetwork.org/nc/single-news-item/browse/6/article/cra-modernization-bill-introduced-communities-stand-to-receive-trillions?tx_ttnews%5BbackPid%5D=911&cHash=40d02d2c8a).

<sup>46</sup>Burhouse et al., *supra* note 27, at 36.

<sup>47</sup>For more on immigrants and banking, see Michael A. Frias, *Immigrants' Access to Financial Services*, 38 *CLEARINGHOUSE REVIEW* 412 (Sept.–Oct. 2004).

<sup>48</sup>William J. Clinton & Arnold Schwarzenegger, *Beyond Payday Loans*, *WALL STREET JOURNAL*, Jan. 24, 2008, at A17, [www.wsj.com/article\\_email/SB120113610711211855-1MyQjAxMDI4MDIxNDEyMzQ2Wj.html](http://www.wsj.com/article_email/SB120113610711211855-1MyQjAxMDI4MDIxNDEyMzQ2Wj.html). See also California Office of the Governor, *Bank on California: Helping Californians Achieve Financial Mobility* (Jan. 24, 2008), [www.gov.ca.gov/index.php?fact-sheet/8599](http://www.gov.ca.gov/index.php?fact-sheet/8599) (fact sheet).

<sup>49</sup>For more information, see Anne Stuhldreher, CFED, *Bank on San Francisco* (2008), [www.cfed.org/focus.m?parentid=2&siteid=2389&id=2389](http://www.cfed.org/focus.m?parentid=2&siteid=2389&id=2389).

ticipate in outreach to the unbanked and underserved.

### III. What Advocates Can Do in Establishing Student-Run Banks

Advocates have been key project partners in establishing student-run banks. Their skills and expertise as part of a team, in areas such as project coordination, research, writing, and negotiating, are useful in developing and sustaining student-run banks in unbanked and underbanked communities. Some project partners may take on more than one role. Each team of partners must decide who is best equipped to handle each role.

#### A. The Project Coordinator

The project coordinator is arguably the most important member of the student-run bank project team. The coordinator facilitates the project and brings all parties together. The coordinator maintains budgets and tracks expenditures. Proper fiscal management and use of funds keep the student-run bank project vital.

The coordinator may be a partner in another capacity, as is the case with existing student-run banks, or may be hired as an independent third party. As evident in existing student-run banks, the coordinator may be a banker, a regulator, a teacher, or an attorney. For example, Stacey Cooper, a Capital One Bank senior vice president, coordinated the New York student-run bank project.<sup>50</sup> The FDIC's community affairs specialist Lisa Kanemoto coordinated the effort in Fresno.<sup>51</sup> Vicki Kalman, a teacher in Milwaukee's South Division High School and former business careers internship coordinator of the high school, coordinated the Cardinal

Bank project and was the advisor.<sup>52</sup> The Shriver Center's Dory Rand served as the coordinator of the Curie Branch project. Nanci Perkins, business manager of Hanson Watson Associates and president of the board of directors of the Boys and Girls Club of the Mississippi Valley, is coordinating the club's teen center student-run bank project.<sup>53</sup>

The project coordinator may recruit and interview potential partners, write proposals for funding and in-kind donations, and coordinate the ongoing management of the project. The coordinator often establishes and moderates e-mail lists, schedules and sets agendas for meetings and conference calls, facilitates setting goals and measuring outcomes, coordinates media releases, and helps resolve conflicts among team members.

#### B. The Researcher

Representatives from universities, centers for economic education, think tanks and policy organizations are just a few of the types of advocates that may be involved in the research aspects of a student-run bank project. Organizations whose mission aligns with the goals of a student-run bank project can be especially useful in the early stages of the project. As in the Bronx and Chicago projects, researchers may study the demographics of school districts or communities—information which can be used in selecting the project site. Researchers may investigate potential bank partners' CRA ratings, suitability of products and services, use of alternative forms of identification, diversity of workforce, branch locations (e.g., proximity to schools), and reputation for community involvement.<sup>54</sup> A bank's CRA officer, community affairs specialist, or

<sup>50</sup>For more information on Capital One Bank, see [www.capitalone.com](http://www.capitalone.com).

<sup>51</sup>For more information on the FDIC's San Francisco office, see [fdic.gov/about/contact/directory/#San%20Francisco%20Regional%20Office](http://fdic.gov/about/contact/directory/#San%20Francisco%20Regional%20Office).

<sup>52</sup>For general information regarding South Division High School, see [www2.milwaukee.k12.wi.us/south](http://www2.milwaukee.k12.wi.us/south).

<sup>53</sup>For more information on Boys and Girls Club of the Mississippi Valley, see [www.bgcmv.org](http://www.bgcmv.org).

<sup>54</sup>Advocates can research a bank's CRA rating by searching by state, bank, and type of service test. See FEDERAL RESERVE BOARD, CRA PERFORMANCE RATING, [www.federalreserve.gov/dcca/cra/crarate.cfm](http://www.federalreserve.gov/dcca/cra/crarate.cfm). For more information on the CRA performance measures, see RICHARD D. MARSICO, DEMOCRATIZING CAPITAL: THE HISTORY, LAW, AND REFORM OF THE COMMUNITY REINVESTMENT ACT (2005). See also FEDERAL RESERVE BANK OF NEW YORK, DEFINITIONS OF CRA RATINGS (2008), [www.newyorkfed.org/banking/cra/defcra.html](http://www.newyorkfed.org/banking/cra/defcra.html). Financial institutions may choose to allow immigrants to open accounts with identification other than a social security number. For more on immigrant identification document problems, see Tyler Moran, *Access to Identification Documents for Immigrants: Restrictions Undermine Public Policy Goals*, 38 CLEARINGHOUSE REVIEW 350 (Sept.–Oct. 2004).

other banking regulator can easily perform or assist in these functions.

Researchers may create a process, form, or method to evaluate the student bankers and the success of the project. Such evaluation can help make a case for additional funding or policy support. Helen Roberts, associate director of the University of Illinois at Chicago's Center for Economic Education, served as a researcher on the Curie team.<sup>55</sup> She helped create a pre- and postparticipation survey of student bankers.<sup>56</sup> University-based researchers can create research plans that would be sufficient to meet the criteria of an institutional review board if team members wish to have results published in peer-reviewed journals.<sup>57</sup>

### C. The Writer

The initial proposal of the student-run bank idea to school or community organization administrators and potential bank partners should be clearly and concisely written, with particular attention to explaining how a student-run bank can address problems at that particular school, community center, or business. The advocate's knowledge base is useful here since the advocate's track record and relevant experience in working on these problems make the proposal credible. If the initial proposal is submitted to a school, the writer must become familiar with issues of particular interest to that school or school district. If the initial proposal is submitted to bank officials, the writer must become familiar with the bank's market share, branch locations, availability of suitable products and ser-

vices, and compliance with the CRA.<sup>58</sup> If a bank partner has yet to be identified, advocates may consider drafting a request for proposals to determine which banks are interested in partnering with the school or other organization.<sup>59</sup> The request for proposals must accurately describe the project and be written so as to generate a sufficient quality and quantity of proposals.

### D. The Negotiator

Attorneys and legal aid professionals may help the project by writing and reviewing documents from a legal perspective. Attorneys' greatest contribution to a student-run bank project may be negotiating terms for the contracts and releases required during the project. For instance, although a school district and a school may approve a student-run bank project, the parties may disagree on the terms of the contract or partnership agreement. Advocates can use their professional experience to ensure that the contract or partnership agreement aligns with the goals and mission of the bank project.

In large school districts such as New York City and Chicago, attorneys can navigate the bureaucracy toward project approval.<sup>60</sup> Stacey Cooper cited the multiple levels of bureaucracy in the New York City school district, the nation's largest, as being the most difficult obstacle for the Roosevelt Branch project. Attorneys can work with school officials to change or waive administrative rules that pose problems for the project. For example, the New York public school district restricts profit

<sup>55</sup>The Center for Economic Education, University of Illinois at Chicago, promotes high-quality teaching of economics and consumer economics to students from kindergarten through grade 12 and junior college. The center trains teachers and community organizations and offers resources for integrating financial education and economics into school curricula. See [www.cee.econ.uic.edu](http://www.cee.econ.uic.edu).

<sup>56</sup>Roberts, *supra* note 30.

<sup>57</sup>See the U.S. Department of Health and Human Services' rules for the protection of human subjects, 45 C.F.R. §§ 46.101, 46.102, 46.107–17 (2007). For more information, see OFFICE OF HUMAN SUBJECTS RESEARCH, NATIONAL INSTITUTES OF HEALTH, REGULATION AND ETHICAL GUIDELINES, [www.ohsr.od.nih.gov/guidelines/45cfr46.html](http://www.ohsr.od.nih.gov/guidelines/45cfr46.html).

<sup>58</sup>For more information on the CRA, see NATIONAL COMMUNITY REINVESTMENT COALITION, CRA MANUAL (2007), [www.ncrc.org/images/stories/pdf/cra\\_manual.pdf](http://www.ncrc.org/images/stories/pdf/cra_manual.pdf). See also the Federal Reserve Board website, [www.federalreserve.gov/dcca/cra/](http://www.federalreserve.gov/dcca/cra/).

<sup>59</sup>Boys and Girls Club of the Mississippi Valley, Teen Center/Bank—A Club ChoiceConcept: Request for Proposal (Feb. 24, 2008), [www.hansonwatson.com/ClubChoice](http://www.hansonwatson.com/ClubChoice).

<sup>60</sup>See BEN DALTON ET AL., U.S. DEPARTMENT OF EDUCATION, NCES 2006-329, CHARACTERISTICS OF THE 100 LARGEST PUBLIC ELEMENTARY AND SECONDARY SCHOOL DISTRICTS IN THE UNITED STATES: 2003–04, tbl. A1 (2006), [www.nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2006329](http://www.nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2006329).

making on school premises. Stacey Cooper worked with school officials to overcome this restriction. Advocates can help negotiate lease terms for the project site and building contracts and obtain various permits from city officials.

Attorneys can negotiate contracts for other expenditures such as marketing and project evaluation, among others. The team may decide to hire an outside marketing firm to assist with invitations and press releases for a grand opening, for example. The profiled student-run banks received considerable media coverage during grand opening events and continue to receive other ongoing coverage. Attorneys can draft publicity waivers, necessary because students who are minors lack the capacity to sign contracts or waive their rights to the use of their name or likeness in the media. An attorney can look over the request for proposals and help in writing a contract for a university-based researcher to conduct an evaluation.

#### **E. Marketing and Public Relations**

The bank partner and school or teen center partner likely have personnel who are charged with handling marketing and public relations. Such professionals can help in publicizing the student-run bank

project. A third party or project coordinator is often useful in ensuring that all partners are presented in marketing materials and that all agree on key themes and messages.



Developing a student-run bank involves proper planning, time, and both financial and nonfinancial resources. In determining whether a project of this caliber is doable, one should consider partner suitability, costs, time commitment, goals, and outcome measures before deciding to move forward.

Student-run banks present an opportunity for students, parents, staff members, community members, and the traditionally unbanked to become exposed to mainstream banking services. The level of enthusiasm seen in the student-run banks profiled here suggests that student-run banks are wanted and needed. Advocates can play a pivotal role in addressing this need by offering their expertise, resources, and commitment to teen bank initiatives. Advocates have the opportunity to transform lessons from specific projects into sound policies that will ultimately have an impact on entire school districts, states, and communities across the country.