



Resource Guide for Financial Institutions: Incorporating Financial Capability into Youth Employment Programs

This resource guide is for financial institutions interested in enhancing financial capability¹ through partnerships with youth employment programs. It maps out how and why financial institutions can help young people² achieve greater financial well-being and employment success.

This document highlights youth employment programs funded under the Workforce Innovation and Opportunity Act (WIOA) and locally-funded programs that have formed strong and effective partnerships with financial institutions. It is intended to help more financial institutions build on these successful approaches.

Background

As the President's Advisory Council on Financial Capability for Young Americans concluded, "When young people receive their first paycheck, they are primed to learn more about money management and have a unique opportunity to make a timely and informed choice about their new income."³ Many young people participating in employment programs do not know how to access mainstream financial products and services. A study of youth

participating in summer employment programs found that nearly half of them were unbanked at the start of their program.⁴ The Federal Deposit Insurance Corporation (FDIC) has found that households headed by individuals age 15 to 24 are almost twice as likely to be unbanked than the national average,⁵ and only one in five youth ages 15 to 17 living in a home with a bank account has a bank account of their own.⁶ Access to a financial institution is a key starting point for building financial capability.

It is critical to provide young people in employment programs with the appropriate resources to encourage financial capability. Youth employment programs can support this mission by incorporating financial education and access to safe and appropriate financial products. When these components are presented together, they result in even more effective financial capability outcomes for youth than if either component is presented alone. Efforts have proven to be most effective when both the education and access are customized to participants' needs. In order to create these successful programs, a partnership with a financial institution is essential.

¹ "Financial capability is the capacity, based on knowledge, skills, and access, to manage financial resources prudently and effectively. Efforts to improve financial capability, which should be based on evidence of effectiveness, empower individuals to make informed choices, plan and set goals, avoid pitfalls, know where to seek help, and take other actions to better their present and long-term financial well-being." [Executive Order 13646](#); see 78 FR 39159 (June 28, 2013).

² Unless otherwise specified, in this document the terms "youth" and "young people" generally refer to individuals aged 14 to 24 participating in employment training programs.

³ President's Advisory Council on Financial Capability for Young Americans Final Report: <https://www.treasury.gov/resource-center/financialeducation/Documents/PACFCYA%20Final%20Report%20June%202015.pdf>.

⁴ Cities for Financial Empowerment Fund, *Summer Jobs Connect: More Than A Job*, at 18 (February 2015), available at: <http://cfefund.org/info/our-projects#summer-jobs-connect>.

⁵ 2015 FDIC National Survey of Unbanked and Underbanked Households (October 2016), available at: <https://www.fdic.gov/householdsurvey>.

⁶ FDIC Youth Savings Pilot Symposium (October 21, 2016)

What is WIOA funding and why is this significant in expanding youth financial capability?

WIOA⁷ was enacted in July 2014 to provide funding, resources, services, training, leadership, and support for workforce development and related programs across the country. The law is intended to improve an individual's prospect for success in the labor market, by helping him or her find, train for and maintain a job. WIOA also helps businesses by connecting them with potential employees.

Under WIOA, the U.S. Department of Labor (DOL) supports youth employment programs that provide paid employment opportunities for low- and moderate-income in-school youth, ages 14 to 21, and out-of-school youth, ages 16 to 24, who meet other eligibility requirements. Locally funded programs may use different definitions of youth for eligibility purposes, but often target this same age group.

WIOA differs from past legislation related to federal job training programs by including financial literacy as a program element. A local recipient of WIOA formula funds must offer or make available a financial literacy curriculum or training to youth participating in its local workforce program. The training must support youth's ability to create budgets, open checking and savings accounts at financial institutions, learn about credit, and make informed financial decisions.⁸ As this is now a requirement for many youth employment programs, there is an even greater opportunity for collaboration with financial institutions.

Example: In St. Louis, MO, the St. Louis Agency on Training and Employment (S.L.A.T.E.), a WIOA formula fund recipient, has partnered with a local credit union to offer robust financial literacy training and a tailored transactional account for all youth participants. During the enrollment process for the Summer Youth Employment Program (SYEP), youth applicants are assigned a trained job coach, who explains the benefits of banking and can help facilitate an account opening with the partner credit union at that moment. Participants are required to enroll in direct deposit, and continue to interact with the trained job coaches throughout the summer.

How can youth employment programs help participants build financial capability?

Youth employment programs have many ways to help participants build financial capability. Some programs match young workers with mentors or coaches, to help them identify savings goals and develop budgeting skills to work toward these goals. Young workers also work with these mentors and coaches to learn about building credit and how to repair a credit history. Teaching young people how to manage their finances effectively can prevent them from misusing credit. Some programs have found it effective to offer incentives to develop good habits. A recent study has documented that a combination of these items has measurable impact on knowledge and positive financial actions.⁹

Programs can provide youth with information about and access to a range of available financial products and services so they can make informed decisions about which ones best meet their needs. This can range from directing them to free or low-cost direct deposit accounts to

⁷ Workforce Innovation and Opportunity Act. Public Law [113-128](#), (July 22, 2014).

⁸ DOL, WIOA Final Rule, <https://doleta.gov/wioa/Docs/wioa-regs-labor-final-rule.pdf>

⁹ Vernon Loke, et al., *Boosting the Power of Youth Paychecks: Integrating Financial Capability into Youth Employment Programs*, at 4 (April 2016), Federal Reserve Bank of San Francisco & MyPath available at: <http://mypathus.org/wp-content/uploads/2014/09/Boosting-the-Power-of-Youth-Paychecks.pdf>.

providing connections to federal financial aid information for youth who are interested in college or career school. Federal resources at the end of this document provide information and tools to help.

***Example:** In New York, NY, the local SYEP is helping youth build financial capability by encouraging direct deposit. NYC SYEP has incorporated financial nudges into the online application and enrollment process, to educate about and encourage sign-up for direct deposit and split savings. Since prioritizing direct deposit, 30 percent of participants, about 16,000 youth, are now enrolled, up from zero participation a few years ago. All participants are also required to participate in an orientation that covers financial management and the benefits of using a bank account.*

What are the opportunities for financial institutions to work with youth employment programs?

Many financial institutions are deepening their engagement with communities by working with workforce programs, non-profit organizations and others to deliver financial education that meets the needs of the programs and the youth. Financial institutions are also tailoring their financial products and services to better serve participating youth.

Financial institutions find that working with youth employment programs can connect them to a new, young set of customers or members and future employees. Youth in these programs have been encouraged, and in some cases incentivized to participate in financial education workshops, seminars or games, sign up for direct deposit, save regularly, or reach a specific financial goal.

Additionally, some financial institutions have expanded economic opportunities for youth by offering internships and employment opportunities in connection with workforce programs. These financial institutions help lay the foundation for a diverse and more inclusive

workforce. WIOA programs may be able to further contribute to these efforts.

***Example:** In Washington, DC, two local financial institutions have partnered with the DC SYEP and Bank On DC to offer free checking and savings accounts, which can be opened online. One of the accounts offered is a non-custodial account, open to participants age 14 and older. The program also hires and trains peer educators, known as Young Money Managers, to teach financial education workshops to all SYEP participants at their employment sites. DC SYEP also uses a self-paced online platform that youth participants may access even after their summer employment ends.*

What are youth-friendly account features and services that financial institutions may offer?

Young people save more when given the opportunity to open accounts that come with youth-friendly account features.¹⁰ When financial institutions create products using safe youth account standards¹¹ (such as those based on the Bank On National Account Standards¹²), it results in higher account enrollment rates.

Many financial institutions have been successful in meeting the financial needs of young people through one or more types of savings and transaction accounts, including linked accounts. These generally are savings and checking accounts that are linked by an account number and enable the customer to keep the majority of his or her funds in the savings account and move money into the transaction (demand) account, as needed.

¹⁰ Vernon Loke, et al., see note 9.

¹¹ Federal Reserve Bank of San Francisco & MyPath, *Boosting the Power of Youth Paychecks: Integrating Financial Capability into Youth Employment Programs*, at 4 (April 2016), available at <http://mypath.org/wp-content/uploads/2014/09/Boosting-the-Power-of-Youth-Paychecks.pdf>.

¹² Bank On National Account Standards, available at <http://www.joinbankon.org/wp-content/uploads/Bank-On-National-Account-Standards-2015-2016-Final.pdf>.

The most typical features for youth-friendly accounts include no minimum or starting balance, zero or low monthly and minimum balance fees, no overdraft capability, no dormancy or inactivity fees, free and unrestricted access to customer service, free online/mobile banking and bill pay, ability to add cash or other direct deposit sources to the account/card without fees, and free and unrestricted use of in-network Automated Teller Machines (ATMs).

Financial institutions have successfully opened accounts for many youth at once, by allowing remote account opening (such as during registration for the employment program). Financial institutions may be able to work with partners to assist in opening accounts using student IDs, municipal IDs, program documentation or other reasonable means of identity verification consistent with the financial institution's policies and procedures.¹³

Some youth employment programs have found that having non-custodial accounts for young workers that do not require an adult custodian to cosign or guarantee the account is beneficial because it empowers youth to manage their own money and work for their own savings goals.¹⁴

Regulatory agencies have released guidance to encourage financial institutions to develop youth savings programs. This guidance may be helpful in developing transaction products for working youth.¹⁵

¹³ Bank Secrecy Act/Anti-Money Laundering Examination Manual.

http://www.ffiec.gov/bsa_aml_infobase/documents/BSA_AML_Man_2014_v2.pdf

¹⁴ Conference of State Bank Supervisors Statutory Requirements for Opening Bank Accounts for Minors by State, available at <https://facts.csbs.org/>.

¹⁵ Guidance to Encourage Financial Institutions' Youth Savings Programs and Address Related Frequently Asked Questions, (February 24, 2015), available at <https://www.treasury.gov/resource-center/financial-education/SiteAssets/Pages/commission-index/Final%20Proposed%20Youth%20Savings%20Guidance%2003022015%20Clean.pdf>.

Example: In San Francisco, CA, a non-profit organization has worked with a local financial institution to provide two different youth savings accounts: a restricted savings account to encourage participants to meet a savings goal and a regular savings account tied to an ATM card. New transaction accounts are also available. Both accounts have low fees, do not require parental signature, and cannot be overdrawn. The program supports setting personal financial goals and includes incentives to succeed. Since 2011, participants have saved over \$850,000.

Example: In Chicago, IL, several financial institutions have partnered with Bank On Chicago and One Summer Chicago to place nearly 25,000 youth ages 14 to 24 in summer employment and learning opportunities and to provide participating youth with accounts. These financial institutions offer products that have no monthly fees, minimum balances, and overdraft-capability. An adult co-signer is not required for any participating youth over age 16. Most allow youth to receive an ATM and debit card, and some allow accounts to be opened remotely. Many of the partnering financial institutions also have mobile apps, so young people can manage their accounts from a mobile phone.

What are the Community Reinvestment Act (CRA) implications for banks to work with youth employment programs?

The CRA was enacted to encourage banks and savings associations (collectively, banks)¹⁶ to help meet the credit needs of all segments of their communities, including low- and moderate-income neighborhoods and individuals. CRA and its implementing regulations require the three federal banking agencies (FDIC, the Fed and the OCC) to access the record of each bank in meeting the credit needs of its community and

¹⁶ CRA applies to FDIC-insured depository institutions, such as national banks, savings associations, and state-chartered commercial and savings banks.

to consider that record in evaluating and approving applications for charters, bank mergers, acquisitions, and branch openings.

Financial literacy and education programs targeted to low- and moderate-income youth that are responsive to community needs may receive favorable consideration as responsive, innovative, or flexible services, or as community development activities under the CRA, depending on the size and type of the institution and type of CRA evaluation.

CRA consideration may also be given to banks that provide retail banking services that improve access to financial services, or decrease costs, for low- or moderate-income individuals, such as low-cost deposit accounts. Examples of bank support for financial literacy programs that may receive favorable consideration under CRA include¹⁷:

- Investments in, or contributions to a program, activity, or organization that provides credit counseling, personal money management, and other financial services education programs targeted to low- and moderate- income youth.
- Investments in organizations supporting activities essential to the ability of low- and moderate-income individuals or geographies to utilize credit or to sustain economic development, such as, job training programs or workforce development programs that enable low- or moderate-income individuals to work.
- Providing bank staff to serve as educators in financial literacy programs targeted to low- and moderate-income youth.

What are other incentives for financial institutions to work with youth employment programs?

¹⁷ Community Reinvestment Act; Interagency Questions and Answers Regarding Community Reinvestment; Guidance, 81 Fed. Reg. 48506 (July 25, 2016), available at <https://www.gpo.gov/fdsys/pkg/FR-2016-07-25/pdf/2016-16693.pdf>

The Community Development Financial Institutions Fund (CDFI Fund), part of the U.S. Department of the Treasury, supports mission-driven financial institutions working on a local level. Financial institutions that become certified by the CDFI Fund are eligible to apply for the comprehensive services it offers, including monetary support and training to build organization capacity.¹⁸ Through the Bank Enterprise Award Program (BEA Program), the CDFI Fund provides monetary awards to FDIC-insured financial institutions that successfully demonstrate an increase in their lending, investing, or service activities in distressed communities, including youth savings accounts.¹⁹

The Federal Credit Union Act provides that federal credit unions are organized for, among other things, promoting thrift among members.²⁰ This provision is the basis for credit unions' youth savings programs, and can be the basis for working with youth employment programs.

How do financial institutions get in touch with youth employment programs and get involved?

Financial institutions can find their appropriate state and local Workforce Development Board or related contacts at: <http://www.servicelocator.org/workforcecontacts.asp>.

Financial institutions can reach out to community affairs officers from their respective regulatory agencies for more information (see below). Local government agencies that work on financial capability and Bank On Programs may also be able provide links to youth employment programs.

¹⁸ The CDFI Fund, available at:

https://www.cdfifund.gov/Documents/CDFI_Brochure.pdf

¹⁹ The CDFI Bank Enterprise Award Program, available at: https://www.cdfifund.gov/programs-training/Programs/bank_enterprise_award/Pages/apply-step.aspx#step12

²⁰ 12 U.S.C. 1752(1)

Resources for Financial Institution and Youth Employment Program Partnerships

Regulatory Agency Community Affairs Contacts

- Federal Reserve Banks (FRB): <https://www.federalreserveeducation.org>
- Federal Deposit Insurance Corporation (FDIC): <http://www.fdic.gov/consumers/community>
- National Credit Union Administration (NCUA): <https://www.ncua.gov/consumers/Pages/financial-literacy-resources.aspx>
- Office of the Comptroller of the Currency (OCC): <http://www.occ.gov/topics/community-affairs/index-community-affairs.html>

Federal Government

- Administration for Children and Families (ACF) and Consumer Financial Protection Bureau (CFPB)'s Building Financial Capability in Youth Programs, Insights from Roundtable:
- <http://www.consumerfinance.gov/data-research/research-reports/building-financial-capability-in-youth-employment-programs/>
- CRA Regulation Resources: <https://www.ffiec.gov/cra/>
- DOL's Youth Connections Community of Practice Website: <https://youth.workforcegps.org/>
- FDIC's Model Safe Accounts Template: <https://www.fdic.gov/consumers/template/template.pdf>
- FDIC's Money Smart: <https://www.fdic.gov/moneysmart>
- Federal Student Aid's Preparing and Paying for College: www.studentaid.gov
- Financial Literacy and Education Commission (FLEC) background and financial education resources: <http://www.mymoney.gov/Pages/for-youth.aspx>
- Guidance to Encourage Financial Institutions' Youth Savings Programs and Address Related Frequently Asked Questions: <https://www.federalreserve.gov/newsevents/press/bcreg/bcreg20150224a1.pdf>
- NCUA's MyCreditUnion.gov: <http://www.mycreditunion.gov/Pages/default.aspx>
- OCC's Community Developments Insights - School-Based Bank Savings Programs: <https://occ.gov/topics/community-affairs/publications/insights/insights-school-based-bank-savings-programs.pdf>
- President's Advisory Council on Financial Capability for Young Americans Final Report: <https://www.treasury.gov/resource-center/financial-education/Documents/PACFCYA%20Final%20Report%20June%202015.pdf>
- Securities and Exchange Commission's Student Resources for Saving and Investing: <https://investor.gov/outreach/students>
- Social Security Administration Resources for Young People: <https://www.ssa.gov/people/youngpeople/saving.html>
- WIOA Resource Page: www.doleta.gov/wioa

Non-Government

Please note that these resources have not been supported or endorsed by the FLEC and may not be an exhaustive list of materials on this topic.

- America Saves for Young Workers: <http://www.americasaves.org/organizations/current-initiatives/first-time-workers>
- Cities for Financial Empowerment Fund Summer Jobs Connect: <http://cfefund.org/info/our-projects#innovation-center>
- Conference of State Bank Supervisors Statutory Requirements for Opening Bank Accounts for Minors by State: <https://facts.csbs.org/>
- Federal Reserve Bank of Boston's Leveraging Financial Education: <http://bostonfed.org/commdev/conf/2015/leveraging-financial-education/index.htm>
- MyPath: <http://mypathus.org/>
- National League of Cities Municipal Action Guide: http://www.nlc.org/Documents/Find%20City%20Solutions/IYEF/Family%20Economic%20Success/YE-FC%20Mag%20Pub_finaldraft%20v2.pdf