Resource Guide for Youth Employment Programs: Incorporating Financial Capability and Partnering with Financial Institutions

This resource guide is for youth employment programs that are interested in enhancing financial capability[1] and building partnerships with financial institutions. It maps out how and why such partnerships can help young people[2] achieve greater financial well-being and employment success.

This document highlights youth employment programs funded under the Workforce Innovation and Opportunity Act (WIOA)[3] and locally-funded programs that have formed strong and effective partnerships with financial institutions. It is being published as a companion to a resource guide for financial institutions on this same topic[4] and is intended to help more programs 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."[5] 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.[6] 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,[7] and only one in five youth, ages 15 to 17, living at home have a bank account of their own. 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

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

[4] Financial Literacy and Education Commission (FLEC), *Resource Guide for Financial Institutions: Incorporating Financial Capability into Youth Employment Programs*, November 2016. https://www.treasury.gov/resource-center/financial-education/SiteAssets/Pages/flec11032016/Resource%20Guide%20for%20Financial%20Institutions_FLEC%20D11%202%2016.pdf.

[5] 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.

[6] 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.

[7] 2015 FDIC National Survey of Unbanked and Underbanked Households (October 2016), available at: https://www.fdic.gov/householdsurvey.

together, they result in even more effective financial capability outcomes for youth than if either component is presented alone. Efforts are 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.

Partnerships between youth employment programs and financial institutions can be rewarding to both parties. Finding the right partnerships can help youth employment providers better serve their youth and financial institutions to further their business and civic goals.

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

WIOA 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 these same age groups.

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] Since this training is now a requirement of many youth employment programs, there is an even greater opportunity for collaboration with financial institutions, whether or not the programs receive WIOA funding.

***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 used different practices 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 mentors and coaches to learn about building credit and how to repair a credit history. Some programs offer incentives to develop good financial habits. A recent study documented that a combination of these approaches has measurable impact on the participants' financial knowledge, and resulted

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

in positive financial outcomes, including increased banking and savings rates and better money management skills.[9]

Many youth employment programs provide participants with information about, and access to, a range of financial products and services, so participants can make informed decisions about what best meets their needs. Products and services can range from directing participants to free or low-cost direct deposit accounts, to providing connections to federal financial aid information for youth who are interested in college or career school. There are free federal resources on how to get started with financial education, many of which are highlighted at the end of this document.

Example: *In New York, NY, the local SYEP is helping youth build financial capability by encouraging youth to take advantage of direct deposit. NYC SYEP has incorporated financial nudges into the online application and enrollment process to educate and encourage youth to sign-up for direct deposit and split savings. Since prioritizing direct deposit, 30 percent of participants (i.e. 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 an account with a financial institution.*

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

Youth employment programs have found that many financial institutions are interested in deepening their engagement with communities and working with local programs, non-profit organizations, and others to deliver financial education to young people. Financial institutions are also tailoring financial products and services to better serve the youth participating in such programs.

Financial institutions have found 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 are 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, workforce programs have found that some financial institutions may support youth in other ways, for example, by offering internships and employment opportunities in connection with youth employment programs. These financial institutions can help lay the foundation for a diverse and more inclusive workforce. The WIOA programs may be able to further contribute to these efforts.

Example: *In Washington, DC, the local SYEP and Bank On DC have partnered with two local financial institutions to offer free checking and savings accounts to young people, 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.*

[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.

What are other reasons that financial institutions might work with youth employment programs?

Several factors encourage financial institutions to engage with youth employment programs. In addition to exposure to a new set of customers or members and future employees, these factors may include compliance with legislation, and access to federal funds.

The Community Reinvestment Act (CRA) was enacted to encourage banks and savings associations (collectively, banks)[10] to help meet the credit needs of all segments of their communities, including low- and moderate-income neighborhoods and individuals. The CRA and its implementing regulations require the three federal banking agencies – the FDIC, the Board of Governors of the Federal Reserve System (FRB), and the Office of the Comptroller of the Currency (OCC) – to assess the record of their respective supervised banks in meeting the credit needs of their communities, and to consider those records 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 the CRA include:[11]

- 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 use 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.

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.[12] Through the Bank Enterprise Award 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.[13]

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

[11] 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.

[12] https://www.cdfifund.gov/Documents/CDFI_Brochure.pdf

[13] https://www.cdfifund.gov/programs-training/Programs/bank_enterprise_award/Pages/apply-step.aspx#step12.

The Federal Credit Union Act provides that federal credit unions are organized for, among other things, promoting thrift among its members.[14] This provision is the basis for credit unions' youth savings programs, and can be the basis for working with youth employment programs.

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.[15] When financial institutions create products using safe youth account standards[16] (such as those based on the Bank On National Account Standards[17]), it results in higher account enrollment rates.

Many employment programs and financial institutions are successfully 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 checking account, as needed.

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 or debit card without fees, and free and unrestricted use of in-network automated teller machines (ATMs).

Youth employment programs find it beneficial to work with financial institutions to simultaneously open accounts for many youth by allowing remote account opening (such as during registration for the 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.[18]

Some youth workforce development practitioners find that offering non-custodial accounts to young workers that do not require an adult custodian to cosign or guarantee the account is beneficial as it empowers youth to manage their own money and work towards their own savings goals.[19]

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.[20]

Example: *In San Francisco, CA, a non-profit organization works 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.*

[14] 12 U.S.C. 1752(1)
[15] Vernon Loke, et al., see note 9.
[16] 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://mypathus.org/wp-content/uploads/2014/09/Boosting-the-Power-of-Youth-Paychecks.pdf.
[17] Bank On National Account Standards, available at http://www.joinbankon.org/wp-content/uploads/Bank-On-National-Account-Standards-2015-2016-Final.pdf.
[18] http://www.ffiec.gov/bsa_aml_infobase/documents/BSA_AML_Man_2014_v2.pdf.
[19] Conference of State Bank Supervisors Statutory Requirements for Opening Bank Accounts for Minors by State, available at https://facts.csbs.org/.
[20] 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 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 youth 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 actions should a youth employment program take to get started building a partnership with a financial institution?

Employment programs usually begin the process of exploring involvement with financial institutions by learning in which markets the financial institutions operate. The youth employment program can view the financial institution's web page or may contact the bank's CRA officer for this information. Local government agencies that work on financial capability and Bank On Programs[21] may also be able to provide introductions to financial institutions that they have partnered with in the past. The regulatory agencies' community affairs officers, who are located across the United States (see list below), are also good resources.

A workforce program should be prepared to discuss how it might complement or enhance the financial institution's delivery of financial services to the communities that it serves, such as through programs that target low- and moderate-income youth that are responsive to the needs of the communities. Some of these institutions may already offer similar products for youth participating in workforce programs and may be partnering with similar organizations in other areas.

Partnerships between youth employment programs and financial institutions can yield results if they are properly planned and coordinated. In successful partnerships, the parties often will outline the roles each organization will take, resources that will be provided, and common expectations on the outcomes and measures of success in helping to meet the financial needs of youth participating in employment programs.

[21] *See* www.joinbankon.org.

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