

MINUTES

CalAccount Blue Ribbon Commission

915 Capitol Mall, Room 587
Sacramento, California 95814

February 16, 2023 – 1:30 P.M.

Public Participation

Call-In Number: (877) 411-9748 and Participant Code: 3790012

OPEN SESSION

Patrick Henning for Treasurer Fiona Ma, Chair, called the meeting to order at 1:30 P.M. and advised that the meeting was being recorded.

Sean Collier announced to the public joining in by phone the instructions for being heard.

Andrea Paval, Commission presenter, called roll.

Item #1

Roll Call

Members Present: Patrick Henning for Fiona Ma, CPA, State Treasurer
Chris Shultz for Clothilde Hewlett, Commissioner of the Department of
Financial Protection and Innovation
James Hicken, Governor appointee
Byron Lopez, Governor appointee
Manisha Padi, Governor appointee
Paulina Gonzalez-Brito, Senate appointee
Frank Robinson, Senate appointee

Members Absent: Fr. Gregory Boyle, Assembly appointee
Miguel Santana, Assembly appointee

Staff Present: Andrea Paval, Commission Presenter
Sean Collier, Public Phone Line Coordinator
Spencer Walker, Legal

Chair Henning declared a quorum present.

Chair Henning advised that public comment will be limited to two minutes per person or 4 minutes if the services of an interpreter are needed.

Item #2 Approval of Minutes from 11.03.2022

Action Item

Chair Henning introduced the item and asked if there were any public comments or comments from the Board.

Seeing none, Chair Henning asked if there were any comments on the public participation line.

Hearing none, Chair Henning asked if there was a motion to approve the minutes from the November 3, 2022 meeting.

Commissioner Robinson motioned to approve.

Commissioner Lopez seconded the motion.

Chair Henning requested staff call the roll.

Chair Henning recognized the minutes as approved.

Item #3 Update on Market Analysis Timeline

Information Item

Chair Henning introduced item number 3 of the agenda: Update on the timing for hiring a consultant to conduct the market analysts required under Government Code section 100104 (a) (1) et seq. as an informational item only and introduced Director Rivera to present this item.

Director Rivera presented the following update:

- Mission Consulting, LLC has been hired for the development of the Request for Proposal for the solicitation of bids for a qualified vendor to conduct and deliver the market analysis.
- The State Treasurer's Office solicited and received commission members' input for inclusion in the Request for Proposal.
- The State Treasurer's Office anticipates a draft of the Request for Proposal Scope of Work that incorporates the Commission's input to be available at the Commission meeting in March.
- The State Treasurer's Office anticipates the Request for Proposal to be finalized by late March.
- The State Treasurer's Office expects to release the Request for Proposal to bidders in late March.
- The State Treasurer's Office expects the bidder's proposals to be due by late April or early May.
- In late May to early June there will be a Commission meeting to vote on the approval of the proposed contractor to prepare the market analysis.
- In June, the State Treasurer's Office anticipates obtaining the Department of General Services' approval to execute the contract.
- In late June, the State Treasurer's Office anticipates the contractor to begin work on the market analysis.
- In fall 2023 there will be a Commission meeting to receive an update from the contractor on the status of the market analysis.
- In January 2024, there will also be a Commission meeting to receive an update from the contractor on the status of the market analysis and to solicit input from the members of

the public.

- In May of 2024, the State Treasurer’s Office anticipates the final market analysis report to be delivered to the Commission.
- In June 2024, the Commission will hold a public meeting to review the final market analysis.
- By July 1, 2024, the Commission will deliver the market analysis report and any accompanying reports to the Chair of the Senate Committee on Banking and Financial Institutions and the Chair of the Assembly Committee on Banking and Finance.

Director Rivera thanked the Commission and concluded his presentation.

Chair Henning thanked Director Rivera and asked if there were any comments or questions from the Commissioners on this item.

Commissioner Gonzalez-Brito thanked Chair Henning for soliciting input from the Commissioners and asked if it is possible to send a written timeline to the Commissioners.

Chair Henning confirmed that staff members would send out a written timeline.

Chair Henning asked for additional questions or comments on this agenda item.

Seeing and hearing none, Chair Henning asked for any public comments in the room.

Seeing and hearing none, Chair Henning asked for any public comments on the phone.

Hearing none, Chair Henning moved on to the next agenda item.

Item #4 General Public Comment

Information Item

Chair Henning opened the floor up for comment.

A caller identified herself as Adriana, an employee with the SEIU and stated she was with two people who would require translation services.

Chair recognized the translator in the room, who began translation for the first caller.

Caller: My name is Laura Poso, I live with my husband and 3 daughters in Los Angeles. I currently work as a cook at McDonald’s. My husband pays the rent and I pay for the accounts and my daughters help with the bills, as well. Currently, my job is paying her 22 hours of work a week at \$16.00 per hour. With the current cost of living, that is not enough. I am earning about \$352 per week. My bank is Chase. In the past, they have charged me \$30 dollars for having a zero balance. Currently, I try to keep my bank account at \$100, but it’s very difficult with my current situation. Before my relationship with Chase, I used to use loans from Western Union and that is where I would cash my checks. But they would charge me \$50 each time I would request a loan. I think it’s unjust for banks to charge so many fees for families and workers that make the minimum. That is why I use loans from Western Union, to be able to take care of my financial needs and the needs of my family. Earning the minimum wage, we can barely pay rent or save for a house. There are a few people living in my house that all

contribute to paying the bills. I would appreciate if the accounts did not have any minimum balance requirements. Thank you.

The translator introduced the second caller.

Caller: I live with my husband in Los Angeles. I currently work as a cashier at McDonald's. For the past 3 years I have had a relationship with Chase bank. Before that I had a bank account at TLS, which is similar to Western Union. I was able to save up to \$10,000 but when I was going to withdraw it for an emergency, they would not allow that. And I was investigated for having a bad balance in my bank. They would ask me why I needed to take out the money. So, they failed to give me all the money and did not allow me to take out the money until the investigation was over. They decided to distribute the money little by little over time. At Chase I am charged a monthly fee of \$4.45 a month which is 160.20 over time, which is a lot of money for me. I only use Chase to deposit my payroll checks. I immediately withdraw my money because I'm afraid that Chase Bank won't let me take out money. Other friends of mine do the same, cash their checks at Western Union for fear that they won't be able to take money out of their accounts. I would like to say that I would like accounts that are free of fees because of the current economic situation it is very difficult for workers. Thank you.

Chair Henning thanked the caller, the translator, and asked if there were any other public comments on the line.

The caller on the line introduced herself and requested Spanish translation services.

Caller: My name is (inaudible) DeNorio and I live on the outskirts of San Francisco. I currently work at Jack-in-the-Box and as an in-home caretaker for the elderly. A little bit ago I was making about \$1,500.00 a month. Three years ago, when I arrived to this country, I was recommended to open an account so that I could have direct deposit into my account. Because I didn't speak English, somebody took me to open an account at Wells Fargo. They explained to me that there would be a fee of \$10 per month if I didn't keep the \$2,000 minimum balance in my account. It was very difficult for me at the time, being new to the country, and it was very difficult to keep up with that minimum balance. One time I wasn't able to keep the minimum balance and they charged me a \$35 fee. With this \$35 fee, I recognize that the State has certain regulations but with the fees that are charged at the bank, they should take into consideration the income of the account holder. Though currently I pay \$120 yearly to keep my account open, it's money I would prefer to use to take care of my parents. What I would like is for there not to be so many regulations on opening accounts and the fees not to be so high. Thank you.

Chair Henning recognized the next caller.

The caller introduced herself as Julia Ornella and stated she did not need a translator.

Julia Ornella: I am the small business program coordinator at RTC, and I wanted to share my experience working with the community. After some of our workshops I get to hear a lot of the experiences that some of the other community members go through and often it really hits home. One experience that was shared with me in the last workshop we were conducting was in the South LA region, still one of our most underserved communities. I was conducting a budgeting workshop, and in that workshop I was teaching different methods on budgeting and how they could become financially empowered. One community member in particular was

really engaged and had really deep questions about financial planning and budgeting and she said she was really struggling with her finances, that she was 50 years old and that the pandemic really hurt her a lot and taking the workshop is really helping her with her budgeting. I explained to her that she only needed to take very small steps to get to where she wanted to get to. And one of the methods really called to her which was start putting her change in empty jars. Her question at the end, which really hit home, was once she has all these jars full of money what is she supposed to do with them? I explained to her she can take them to the bank and the entire energy completely changed and she explained that her account at Bank of America has been cancelled because she wasn't able to deposit money. She said Bank of America is the closest bank in her community. She said she felt really stuck. It was the first time she didn't have a bank. I feel like things really need to change because it's really unfair and I feel that we need to change some of our policies and really help our community. Thank you very much.

The Chair thanked the caller for her time and recognized the next caller.

The caller stated that her name was Natasha Mariner and that she did not require translation services.

Natasha Mariner: I am a recent college graduate from San Diego State University, and I just wanted to share a specific instance of dealing with overdraft fees that affected my grades as well as my overall quality of life as well as in school. Over the last four years, while I was in college, I had an account with Wells Fargo and for each overdraft fee I was charged \$15.00 and on top of that an additional \$5 minimum balance fee every time my account reached below \$50. I ended up paying approximately \$2,100 in fees over the last four years. While I was in college my bills would automatically be charged to my account each month and on one specific occasion, I was charged 10 times over the course of 3 days for an overdraft of just \$2, adding up to charges of \$150 over just 3 days. That day I had an exam at school which was half an hour away from where I was. I did not have a car. There was also no public transportation available for me to take. I had planned on taking a Lyft to get to campus that day but was forced to cancel because I was so far negative in my bank account and did not have enough money. This was a constant occurrence, and these overdraft fees significantly impacted my grades from the constant worry about when these unknown fees would occur. A lot of times the stress felt very overwhelming and made it very difficult to focus on my studies. While that \$5 minimum balance fee may not seem like much, for me it was the price of a coffee or lunch that day and the fear of these fees occurring kept me from spending money that I actually needed for textbooks. I know that my experience is the experience of many students and workers who every month have to pay these exorbitant fees they need to just maintain an account and I know that I speak for them when I say that we work so hard for our money, and we are being taken advantage of by these big banks. And that is why I am here speaking in support of Cal Account. I believe that all Californians should have access to a free account without any hidden fees. Thank you.

Chair Henning thanked the caller and acknowledged the next caller.

Caller: My name is (inaudible) and I don't need a translator. I am a (inaudible) from (inaudible) (inaudible) So I have been trying to work with her calling Chase, what am I going to be able to do? (inaudible) Chase is still charging her \$10, \$10, \$10, they don't leave it there. (inaudible) That is most of the problems I have all the time. (inaudible)

Chair Henning thanked the caller and recognized Commissioner Schulz.

Commissioner Schultz: These calls that we've received were heartbreaking and DFPI is committed to solving the problem. I did want to highlight that most of the comments that were brought up today were about big national banks, which are probably not the most affordable banks so for CRC and the other members of the community, I encourage you to think about encouraging folks to look at credit unions and community banks, which may be a little bit more affordable. Those banks are also not under the jurisdiction of California, so that's another issue entirely. A couple of the folks today that came to testify talked about loans, right. So, the Cal Account Blue Ribbon Commission is not giving any loans. The product isn't designed around loans. So, then we're talking about going to Western Union and paying some number of cents on every dollar to get access to their money through check cashing, which is a possible virtue of what we are talking about today. But what I heard overwhelmingly is folks running very small account balances and/or kind of intentionally running their account into the negative and wanting to be charged no fees for that. And I think on thing that DFPI is concerned about is just how do we design this product where folks can run almost no balance in their account, maybe get very close to the overdraft line continually, and how does that program support itself? Banking kind of rests on three schools. You have lending out money, charging monthly account fees, and feeing people who overdraft their account. Those are the three revenue sources. Here we are talking about none of these revenue sources so I'm struggling to understand how we are getting here, but DFPI has totally committed to working on this. For CRC and other consumer advocates, if you could help bring forward the idea of how we're going to structure this. I'm still struggling with how we could design a program where people could deposit their paycheck immediately, take the money out and that's the program we're designing. If that's the population we are trying to serve and those people want to be charged absolutely nothing for that, I'm just trying to wrap my head around how we do that.

Chair Henning addressed Commissioner Shultz and said his concerns would be appropriately agendized in the next meeting and recognized Commissioner Robinson.

Commissioner Robinson: My main concern was the people who talked about the \$50 fee and everything else. I am really interested to find out what the interest rate was on that loan because that was probably astronomical, too. I would love to figure out and do some follow up with those folks because they brought up as many questions as most (inaudible) do. As a banker, I'm concerned. How does she pay her bills if she is pulling money out? Does she have to go somewhere else and pay a fee on top of that? So, there's more money that's being allocated out and we need to be doing a lot of work on that because I think there's victimization, especially of our poor. Somebody once told me it costs money to be poor in this country, but I totally get that. So, I would love for us to follow up with the folks that called and figure out if we can't follow up with them is there a way that we can do some due diligence on some of the things that they brought up like how much was that fee and how much was the interest rate that you joined? Because then we could do an assessment on truly what is the cost to be a person who is just barely getting by. All the other things we can figure out on some other date. So, thank you.

Chair Henning thanked Commissioner Robbins and recognized Commissioner Gonzalez-Brito, but then apologized and asked Counsel to comment before Commissioner Gonzalez-Brito.

Counsel: The Bagley-Keene Open Meeting Act does allow a governmental body to discuss

something that is not on the agenda, but only on a limited basis to determine if it's going to be on a future agenda.

Chair Henning thanked Counsel and recognized Commissioner Gonzalez-Brito.

Commissioner Gonzalez-Brito: Yes, thank you. I think this speaks to the need to have space on the agenda to have discussion amongst the Commission about what our thoughts are on the products, what we are hearing in our own communities, and in our own constituents about the need for a product like this. It's not clear to me how to get an item on the agenda, I think I've tried in the past and not been successful, so I ask that we have space in the next meeting to do that. I think we heard today about national banks, but we look forward to DFPI's report on credit unions and overdraft fees because unfortunately we're seeing the same thing in credit unions and credit unions don't tend to be in the communities that are most underserved. We barely have national branches in those communities. So, I think the takeaway from the public comment today is the kind of products that are needed. There are ways, and I think we have put forth some ways that a product like this could be paid for, including swipe fees. And I think there are a lot of studies that have been done and I would appreciate staff sharing them with the commissioners on the cost of overdraft, a \$35 dollar fee for a \$5 cup of coffee. Is the cost proportionate to the, you know, is the overdraft a predatory product versus what it actually costs the bank to run that account? I'll stop there and hope we can have a discussion at the next meeting.

Chair Henning thanked Commissioner Gonzalez-Brito and asked Director Rivera to make sure we have an agenda item in the next meeting that addresses their concerns.

Counsel asked that the record reflect there was very limited discussion about the agenda item that was discussed but that there was no public comment on that issue.

Chair Henning acknowledged counsel's comment.

Chair Henning adjourned the meeting.