



**FIONA MA, CPA**  
TREASURER  
STATE OF CALIFORNIA

**Subject: Recommendation for the Implementation of the CalAccount Program**

Honorable Timothy Grayson  
Chair, Assembly Banking and Finance Committee  
1021 O Street, Suite 5510  
Sacramento, CA 95814

Dear Assemblymember Grayson,

On behalf of the CalAccount Blue Ribbon Commission, I am writing to recommend the implementation of the CalAccount program. The need and feasibility of this initiative has been confirmed by the CalAccount Market Study & Feasibility Assessment commissioned by the State Treasurer's Office.

The study, released on July 1, 2024, highlights the need for a no-cost/no-fee banking option among unbanked and underbanked Californians, particularly within Black, Brown, Indigenous, and People of Color (BIPOC) communities as well as existing low-income communities. Nearly 1 in 5 California households are unbanked or underbanked, relying on costly alternative financial services such as payday lenders, prepaid debit cards, and pawn shops. These households pay disproportionately more for financial services, often lack savings accounts, have fewer opportunities to build credit, and face increased rates of loan rejection. The dollars diverted from low-income households to pay for these last-option financial services are dollars that are not spent in the local economy benefiting their families and communities. CalAccount would be a way to lower the disparity of banking access within these communities and increase the amount of income spent in local economies.

Key findings from the CalAccount Market Study & Feasibility Assessment:

- **Fills a Market Need:** No-fee, no-minimum balance accounts are exceedingly rare in California. Among the 418 traditional banks examined, only two offer checking accounts with no minimum opening deposit, no monthly service charge, and no overdraft fee. CalAccount would eliminate these multiple fees, resulting in "meaningful impacts" on California households.
- **Reduces Disparities:** The CalAccount program has the potential to significantly reduce disparities in access to banking services for BIPOC and low-income Californians, with the report estimating as much as a 30% reduction in these disparities, depending on program awareness.

- **Feasibility of CalAccount:** The study affirms that the CalAccount program is feasible. Indeed, technical features of the program, which would be delivered through a public/private partnership, are similar or identical to transaction account features already offered by banks and fintech companies. Furthermore, nearly 4 in 10 unbanked Californians—and three-fourths of underbanked Californians—are already using mobile online financial services like those CalAccount would offer, often at a high cost to the individuals.
- **Cost-Benefit Analysis:** The benefits of CalAccount may outweigh the costs across all versions of the program analyzed. Additionally, unbanked and underbanked households could avoid fees totaling \$70 to \$150 per year, and unbanked households could increase their savings by approximately \$450 to \$1,200—a significant impact that could ease financial insecurity.
- **Addresses Rural Access Barriers:** The report also highlights the significant barriers faced by rural populations, particularly Native Americans, with nearly one-third residing more than 10 miles from the nearest branch office and about 10 percent more than 20 miles away.

Along with these findings, for the CalAccount program to succeed, incentives should be crafted for banks and credit unions to participate. These incentives should be in addition to the incentives already being provided to small/medium sized banks by the State Treasurer's office. Below is a list of potential opportunities, which are preliminary and suggestive of the need for further development, as this was not the focus of the market feasibility study:

- **Provide Low-Cost Deposits to Banks:** The State could reward participating banks by offering State deposits to those who participate in the CalAccount program. These low-cost deposits would be consistent with programs already available to California banks.
- **Provide Community Reinvestment Act (CRA) Credit:** CalAccount program activity could be approved as a community investment for CRA credit. While this may require federal approval, it could be a significant incentive for banks.
- **Investigate Regulatory Safe Harbor:** Developing a plan that provides clear guidelines for compliance with federal banking regulations, including Know Your Customer (KYC) and the Bank Secrecy Act, could make participation more appealing to banks.
- **Solicit Input and Innovative Solutions from Financial Services Experts:** Engaging with banking and fintech experts to explore creative ideas for CalAccount could be highly productive. This could include requests for information (RFI) for services from the financial industry as a low-cost way to gather new input.
- **Conduct Additional Implementation Study:** The report indicates that additional research is required to realize this program among unbanked and underbanked individuals. This research should be completed by an outside contractor with expertise in both banking and social issues. Understanding banking structures and the barriers to accepting a role in traditional banking must be explored for the program to maximize uptake and ensure success.

#### **Estimated Program Costs**

The estimated costs of implementing the CalAccount Program were detailed in the RAND study, "Banking the Unbanked: CalAccount Market Study and Feasibility Assessment." These estimates are not all-encompassing and underscores the importance of careful planning and strategic

incentives to ensure the program's success. The feasibility study also indicates that there is potential for the program to generate revenues contingent on market conditions, swipe fee averages and the contracts initiated by the state through public-private partnerships to bring the program to fruition.

It is the recommendation of the Commission that the program be implemented regardless of its ability to 100% cover costs. CalAccount has the potential to make a significant impact on the lives of Californians with the social benefits outweighing the costs in all scenarios.

The findings from the CalAccount Market Study & Feasibility Assessment show the need for the CalAccount program and prove its feasibility. Over the course of nearly 3 years there has been overwhelming public support for the program. In the testimony of hundreds of people who have spoken and submitted comments, not a single person or organization publicly opposed CalAccount. Future collaboration with the Legislature, the Treasurer's office and the many stakeholders who have shared their personal experiences with barriers to banking and the harm they experience because of being unbanked or underbanked will develop a program that benefits Californians. On behalf of the commission, I am eager to work with you, your committees and the legislature more broadly to act on these findings by implementing the CalAccount program, bringing significant financial relief that Californians need and deserve and promote economic equity for millions across our golden state.

In Peace & Friendship,

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**FIONA MA, CPA**

**California State Treasurer**



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TREASURER  
STATE OF CALIFORNIA

**Subject: Recommendation for the Implementation of the CalAccount Program**

Honorable Monique Limón  
Chair, Senate Banking and Financial Institutions Committee  
1020 N Street, Room 522  
Sacramento, CA 95814

Dear Senator Limón,

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