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Insights

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Department

School-Based Bank Savings Programs: Bringing Financial Education to Students

Abstract

Banks establish school-based bank savings programs as financial education initiatives to help students learn about the importance of saving and other money management topics. To set up a program on school premises, bankers collaborate with school administrators and teachers who share an interest in providing financial education programs to their students. These programs vary from “mini banks” that offer student savings accounts to more complex programs that also offer career-oriented banker training.

This *Insights* report discusses how the school-based bank savings programs operate, explains their establishment in “nonbank branch” settings or as authorized bank branches, and describes the benefits and potential risks to banks participating in these programs.

The information presented here was obtained mainly from national bankers active in school-based bank savings programs, nonprofit and trade associations, and state treasurers’ offices.

I. What Is a School-Based Bank Savings Program?

Bringing financial education and services to children in schools has a longstanding history in the United States.¹ In 1915, for example, the American Bankers Association staff collaborated with New York City School Board members and local thrift institution personnel to set up school banks in schools across the city. By 1917, the program included 180 public school-based institutions and \$250,000 of student savings deposits (\$4 million in 2008 dollars).²

Today, bankers collaborate with elementary, middle, and high school administrators and teachers to establish school-based bank savings programs across the country. These programs vary from “mini banks” that offer student savings accounts to more complex programs that also offer career-oriented banker training.³ These programs are intended to help students understand the value of saving by opening and managing savings accounts. Many school-based bank savings programs provide other financial education activities through presentations, classes, and curricula development in coordination with the school faculty and administration.

¹ See Ashley Cruce, “A History of Progressive-Era School Savings Banking: 1870 to 1930,” Working Paper 01-3, Center for Social Development, Washington University of St. Louis, August 2001.

² See Milton W. Harrison, “Business of \$300,000 a Year in School Banks,” *The New York Times*, August 26, 1917. Faculty and school administrators also participated in this citywide program and saved \$50,000 (close to \$855,000 in 2008 dollars).

³ Savings accounts offered to students are typically custodial accounts that comport with the Uniform Transfers to Minors Act or the Uniform Gifts to Minors Act. Most states have adopted one form of these uniform acts to allow a parent or custodian to fund an account for a child until the child reaches legal age, either 18 or 21 years of age, depending on the age prescribed by state law. Student participation in school-based bank savings programs typically requires parental consent.

Banks set up school-based bank savings programs in either nonbank branches or authorized bank branches.

Nonbank Branch Settings

National banks may participate in financial literacy programs, such as school-based bank savings programs, on the premises of, or at a facility used by, a school.⁴ The school premises or facility is *not* considered an authorized branch when:

- The bank does not establish and operate the school premises or facility on which the financial literacy program is conducted.
- Bank employees work at the site only to participate in the program.
- No services are provided to the general public.
- The principal purpose of the financial literacy program is educational.

A program is educational if it is designed to teach students the principles of personal economics or the benefits of saving for the future and is not designed for the purpose of profit-making.⁵

Authorized Bank Branch

Bankers may decide to open school-based bank savings programs in authorized bank branches. To do so, national banks would submit applications to the Office of the Comptroller of the Currency (OCC) to establish bank branches.⁶

II. Why Are School-Based Bank Savings Programs of Interest to Banks?

Banks have chosen to establish school-based bank savings programs to:

- Provide financial education and expand community service.
- Receive favorable Community Reinvestment Act (CRA) consideration.
- Identify potential bank employees.
- Elevate visibility, reputation, and goodwill.

CRA Consideration

Banks may receive positive CRA consideration for providing community development service if the school-based bank savings programs are directed primarily toward low- and moderate-income (LMI) students.⁷ How such activities would be considered, however, would depend on whether the banks are subject to the CRA Service Test or the Community Development Test, and if the school programs are considered authorized branches.

Programs in Authorized Bank Branches or Nonbank Branches

For banks that are evaluated as large banks (under the Lending, Investment, and Service Tests), qualifying school-based bank savings programs would be considered under the Community

⁴ See OCC Interpretive Letter #839, November 1998 available at www.occ.gov/interp/nov98/int839.pdf; OCC Advisory Letter (AL 2001-1), January 16, 2001 available at www.occ.treas.gov/ftp/advisory/2001-1.doc; and 12 CFR 7.1021 [66 FR 34791 (July 2001)] available at www.occ.treas.gov/ftp/release/2001-61a.pdf.

⁵ The Federal Deposit Insurance Corporation (FDIC) has a similar exemption from the definition of “branch” for state non-member banks. See 12 CFR 303.46 [73 FR 55431 (September 25, 2008)].

⁶ See the OCC Corporate Applications—Comptroller’s Licensing Manual, Branches and Relocations, available at www.occ.treas.gov/corpapps/corpapplic.htm.

⁷ See the 2009 Interagency CRA Questions and Answers, Section 12(i)-3 (74 Federal Register 512, (January 6, 2009)). More information is available at www.ffiec.gov/cra/.

Development Service portion of the CRA Service Test. For intermediate small banks, the qualifying activity would be considered under the Community Development Test.

Programs in Authorized Bank Branches

In those instances where the bank's presence is considered an authorized branch, the bank would have to ensure that the geography where the branch is located has been included in the bank's assessment area (12 CFR 25.41(c)(2)). For a bank that is evaluated as a large bank (under the Lending, Investment, and Service Tests), the bank would receive positive consideration under the branch distribution portion of the Service Test if the branch is located in an LMI geography. In addition, the OCC would evaluate the bank's record of lending, investing, and providing services in the assessment area (12 CFR 25.21(a)(1)).

If the bank is evaluated as a small bank, however, the OCC could consider the branch and the services provided at management's option (12 CFR 25 Appendix A (d)(3)(B)). Such activity, though, could only be used to enhance an overall "satisfactory" rating.

National banks are encouraged to discuss the possible CRA consideration of school-based bank savings programs with their OCC supervisory office.

III. How Does a School-Based Bank Savings Program Work?

School-based bank savings programs offer students an opportunity to open and make deposits to savings accounts.⁸ To set up a program on school premises, bankers work with school administrators and teachers who are interested in providing financial education to their students. In cooperation with school administration and faculty, a bank determines where the program is to be located on school premises; what the days and hours of operation will be; which financial services are to be offered (e.g., savings account deposits and withdrawals); and how students, faculty, school administration, and parents will participate in the program.

"Mini Bank" Student Savings Programs

"Mini bank" student savings programs offer youngsters an opportunity to open and make deposits to their savings accounts during the school year. Bank staff is responsible for program management and oversight. "Banking center" tables are often set up by bank staff in common student gathering areas, such as cafeterias. Depending on the program, banking centers may be open one or more days per week (or month) for several hours per day. The banking center is available to students during non-class time, such as before school or at lunch time. With parental permission, students can open savings accounts and make deposits to their accounts at the banking center. Typically, monthly savings account statements are mailed to students' homes. Some programs create a "student teller" role for students who assist bank staff with accepting savings deposits. Other programs rely on bank staff, faculty, and, occasionally, parents to collect savings deposits from students.

Student savings programs may include banker classroom presentations on saving and other financial education topics and field trips to banks so students can observe how banks operate. Typically, bank staff is available to answer financial education and banking-related questions that students, faculty, parents, and school administrators ask. Bankers also provide marketing and program materials, including student participation gifts and prizes. These types of programs are typically offered to students in elementary and middle schools. (Appendix A describes a hypothetical case study of a student savings program at an elementary school.) According to a

⁸ Funds deposited into savings accounts, including student savings accounts, are FDIC-insured. More information about FDIC-insured deposit accounts is available at www.fdic.gov.

2008 survey conducted by the American Bankers Association Education Foundation, “mini bank” student savings programs were the most common school-based bank savings program undertaken by banks and thrifts.⁹

Student Banker Savings Programs

Student banker savings programs are typically integrated with high school career development programs and business curricula.¹⁰ Bankers, assisted by faculty and school administrators, select and train student bankers to help run school-based bank savings programs. Under bank staff supervision, student bankers receive hands-on teller training and work experience by providing banking services, including opening savings accounts and collecting savings deposits from students, faculty, and school administrators during hours of operation.¹¹ Banks manage their student banker programs to ensure adequate bank staff supervision, sufficient security on school premises, and appropriate information technology to preserve account holder privacy and maintain sound banking practices.

Program Structure

A student banker savings program is typically located on high school premises where student traffic is heaviest and can be monitored. A bank typically rehabilitates and constructs the space for the program’s use; provides the office equipment, information technology, security on premises, and other bank-related program needs; manages the day-to-day student banker training; and supervises and monitors the overall program.¹²

These school-based bank savings programs operate during the school year, including summer months when the school is open. The days and hours of operation range from three to five days per week and two to seven hours per day, respectively. Savings accounts are opened and deposits collected by student bankers from students, faculty, and school administrators. Student bankers gain work-related experience and may be paid by the banks for their services. Funds may be withdrawn at the school program’s teller window, at a non-school premises bank branch, or an on-site or off-site automated teller machine (ATM). Typically, monthly savings account statements are mailed to students’ homes. Some student banker savings programs use other career development and business program students to create and launch program marketing and advertising activities.¹³ Many programs offer student bankers summer internships and part- or full-time employment after graduation from high school.¹⁴ (Appendix B describes a hypothetical case study of a student banker savings program.)

⁹ More information about the 2008 survey findings is available at the American Bankers Association Education Foundation Web site at www.aba.com/aba/documents/press/abaef/SchoolBnkXecSummry.pdf.

¹⁰ For example, the National Academy Foundation, a national network of career academies, has 264 Academies of Finance located in high schools to support the professional development of students seeking careers in banking and finance. Several Academies of Finance include student banker savings programs. More information about the Academies of Finance is available at www.naf.org.

¹¹ For account holder privacy, computer systems used by student bankers typically do not allow them to view account holder information.

¹² In some mature programs, a faculty member or a school administrator may manage the day-to-day work schedule for the student bankers. Under these circumstances, bank staff remains responsible for supervising and monitoring the overall program.

¹³ For example, marketing and advertising students may create and broadcast announcements over the school’s public address system to launch student savings campaigns and inform students about the school-based bank savings program’s hours of operation.

¹⁴ The Sargent Shriver National Center on Poverty has written *A Guide to Establishing Bank Branches in High Schools* for banks interested in learning more about how to set up school-based bank savings programs. Similarly, the Michigan Credit Union League Family Involvement Council has written a resource guide called *A How-to Guide for Establishing a Student Credit Union Branch*.

Student banker savings programs are often complemented with other financial education activities provided by bank staff, such as classroom presentations, curricula development, and seminars. In some instances, these financial education activities are also available to faculty, school administrative staff, parents, and the larger community. Bank staff also may serve as advisors to the students.

Some banks establish authorized branches when setting up school-based bank savings programs. School-based bank savings programs established in bank branches are typically open to the public and have a separate entrance for the non-school community. These banks often have additional bank staff on premises during the days and hours of operation and confine the branch activities to deposit services. Account holders and individuals interested in a wider array of financial products and services are given marketing materials and contact information for other nearby bank branches in the community.

IV. What Are the Key Risks/Regulatory Issues?

Setting up a school-based bank savings program is a longer term financial education initiative. A potential risk for a bank is that the program may lose support from the school board, administration, or faculty because of influences unrelated to the school-based bank savings program. For example, greater budget pressures affecting school space allocations, program or curriculum decisions, and staffing needs may result in a school having to disengage from a school-based bank savings program.

Banks that establish school-based bank savings programs are responsible for setting up, supervising, and monitoring procedures to ensure that the bank-related activities on school premises are conducted in a safe and sound manner and consistent with applicable law.¹⁵

Deposits collected at the school must be secure while on premises and safely transported to the bank's processing location. Bank staff must establish adequate account management and processing procedures for deposits collected and withdrawals made on school premises. Moreover, bank staff must provide sufficient oversight of the transactions made by student tellers and student bankers who handle and process funds. Most states require financial institutions to obtain parental consent before students under the age of 18 are allowed to open savings accounts. Compliance with state labor laws also will be important for bank programs that pay hourly wages to student tellers or student bankers.

National banks that seek to set up school-based bank savings programs in nonbank branch settings must meet the conditions in 12 CFR 7.1021. National banks that have student banker school-based savings programs that do not meet the conditions in 12 CFR 7.1021 must submit branch applications to the OCC.

V. Who Is Involved in School-Based Bank Savings Programs Today?

A school-based bank savings program is a financial education initiative that banks can undertake to promote financial literacy. It is a cooperative effort between bankers and school faculty members, administrators, school board members, or school district officials. Several of the largest national banks and numerous midsize and community banks have established school-based bank savings programs.

¹⁵ Federal banking statutes and regulations that may be applicable to school-based bank savings programs include the Truth in Savings Act (12 USC 4301 *et seq.*; 12 CFR 230 (Regulation DD)), which requires certain deposit account disclosures; Electronic Funds Transfers (15 USC 1693b; 12 CFR 205 (Regulation E)), which requires certain ATM disclosures; the Availability of Funds and the Collection of Checks (12 USC 4001 *et seq.*; 12 CFR 229 (Regulation CC)), which governs the availability of funds deposited in checking accounts and the collection and return of checks; the Bank Secrecy Act (31 USC 5311 *et seq.*), which requires program, recordkeeping and reporting requirements; and the USA PATRIOT Act (31 CFR 103.121(a)(3) FAQs: Final Customer Identification Program (CIP) Rule question 6, p.6 (April 28, 2005)), which describes the CIP rule for deposit accounts opened by or on behalf of minors and specifically addresses school-based programs.

VI. What Is the Cost Structure of a School-Based Bank Savings Program?

The costs to establish and operate school-based bank savings programs depend on the program's complexity; size and design of the space used on school grounds; number of students participating; and bank staff needed to supervise and manage the program. Start-up costs may include, but are not limited to, construction or rehabilitation of the program space; architectural and design; information technology (e.g., setting up data-processing systems); security systems; furnishings; equipment; building permits; and legal services. The monthly operating costs may include, but are not limited to, bank staff compensation for supervising and managing the program and the costs associated with data processing, account monitoring, insurance, supplies, and marketing materials. Programs may incur monthly student banker wage costs and uniform expenses.

School-based bank savings programs that use modestly designed smaller spaces, manage fewer student savings accounts, and require a smaller number of bank staff hours to supervise and manage the program have lower start-up and monthly operating costs than do larger, more complex student banker savings programs. According to interviews held with bankers that offer smaller, less complex student savings programs, the start-up costs are minimal and the monthly operating costs are driven primarily by bank staff compensation costs. More complex student banker savings programs tend to incur higher start-up and monthly operating costs. These programs typically train and staff student bankers, use space constructed to mimic a bank lobby, handle a greater number of student savings accounts, and employ a larger number of bank staff hours to supervise and operate the program. Bankers who run student banker savings programs have stated in interviews that the start-up costs can range from \$60,000 to \$220,000 and are determined primarily by the construction and rehabilitation costs incurred to build the program space. Monthly operating costs can range from \$15,000 to \$33,000 and are influenced mainly by the number of bank staff hours needed to supervise and manage the program.¹⁶

VII. What Barriers Have Constrained Growth of School-Based Bank Savings Programs?

School-based bank savings programs are collaborations between bankers and schools interested in providing financial education to students. These programs require school district staff resources. Consequently, program growth may be constrained by school districts that are encountering budgetary pressures.

VIII. Conclusion

Banks establish school-based bank savings programs as financial education initiatives to help students understand the importance of saving. These programs help banks expand their community service and broaden their customer base. In addition, banks may benefit from elevated visibility, reputation, and goodwill. Banks that set up school-based bank savings programs targeted to LMI individuals also may receive CRA consideration under certain circumstances.

¹⁶ The values for start-up and operating costs are in 2008 dollars.

Appendix A

Sunshine Elementary School Student Savings Program A Hypothetical Case Study

Background

Bank X is a \$500 million intermediate small bank located in a small Midwest town. In February 2005, the banker approached the principal at Sunshine Elementary, a local school whose student body primarily resided in LMI households, about setting up a student savings program for the following academic year. The banker, school administrators, faculty, and school board members agreed that Bank X would start its student saving program for the school's fourth and fifth graders in September 2006.

Student Savings Program Operation

Each year, the bank program manager and staff launch the program by making presentations to the fourth and fifth grade classes during the second week of the school term. The presentations explain the importance of saving and describe the student savings program at Sunshine Elementary. In addition, students receive a small packet for their parents. The packet includes a letter of introduction about the program, a permission form to be signed by the parents agreeing to their child's participation in the program, marketing materials, and bank contact information.

Each Wednesday at lunch time, bank staff sets up a "banking center" table in front of the cafeteria where students can open a savings account or make deposits. Students who turn in signed permission slips to bank staff are eligible to open savings accounts. Student savings account holders receive a "bank bag" that includes a savings booklet used to post each deposit and the monthly interest earned. Students can make deposits of no more than \$5.00 per week. In addition to earning monthly interest on the savings, students receive a 100 percent matching contribution from the bank for the first \$5.00 in deposits made. Monthly savings account statements are mailed to the students' homes. Students wishing to withdraw funds can do so by going to a nearby non-school-based Bank X branch. Early in the spring term, bank staff makes another presentation to students about program participation and other financial education topics.

Program Awards and Performance

At the end of the school year, the bank hosts a student savings program celebration for all Sunshine Elementary students and their parents. At this event, the president of Bank X presents awards to the five students who hold the largest savings balances at the end of the school year. In the past two years, the student savings account program at Sunshine Elementary has opened 90 accounts that accumulated savings of \$2,250. For the purpose of CRA, Bank X's student savings program may receive positive CRA consideration under the Intermediate Small Bank Community Development Test.

Appendix B

New High School Student Banker Savings Program

A Hypothetical Case Study

Background

In April 2002, the Spring School District officials approached their bank, Bank Y, about setting up a student banker savings program at New High School. The school is in a midsize Southern community, where the majority of students reside in LMI households. Bank Y, a \$2 billion large bank, has a longstanding business relationship with the school district and has cosponsored numerous financial education projects with the school district in the past. Establishing a student banker savings program at New High School benefits the bank because this program supports the bank's business relationship with the school district, provides financial education to students who are also considered potential longer term customers, and helps identify potential future bank employees. The school district is committed to New High's Business and Career Development Center and views a student banker savings program on campus as a way to provide job training to its business and career development students. The school district also believes the student body of 1,500 students would benefit substantially from receiving financial education through a savings program.

Establishing a Student Banker Savings Program

Bank Y personnel met with school board members, the high school's principal, and director of the Business and Career Development Center to discuss the establishment of a school-based bank savings program. These organizational meetings resulted in a decision that Bank Y would begin its program at the New High School in fall 2003. The school provided 400 square feet of space adjacent to and accessible from the school cafeteria at no cost to the bank. The bank was responsible for the design and construction of the space as well as installation of the security system, information technology, equipment, and furniture.

Bank Y paid \$95,000 to set up the school-based bank savings program. The bank defrayed some of its start-up costs by using older furniture and equipment held in storage. Monthly average operating costs are \$18,000, which includes the bank's program manager and student bankers' salaries and costs associated with data processing, account monitoring, information technology, insurance, materials, supplies, marketing, and advertising.

<p>Initial Set-Up Costs</p> <ul style="list-style-type: none"> • Architectural design • Construction • Security system and information technology • Office equipment and furniture 	<p>\$ 95,000</p>
<p>Monthly Average Operating Costs</p> <ul style="list-style-type: none"> • Personnel • Data processing, account monitoring, and information technology • Insurance • Materials and supplies • Marketing and advertising 	<p>\$18,000</p>

Each year, the bank's program manager, with cooperation from the director of the Business and Career Development Center, interviews students for student banker positions. Eight students are selected to participate in the program annually. Four junior- and four senior-level students are selected. The bank manager trains the student bankers during the summer before the program begins in the fall. To help maintain student banker continuity, juniors may remain in the program as seniors the next school year. To foster leadership skills, the bank program manager selects one of the seniors as the student banker "manager."

Program Operation

The bank program manager, with cooperation from school administrators, determined that the savings program would be open Monday through Friday for four hours each day from September, the beginning of the school year, through July, the end of the summer term. Under the bank program manager's supervision, the student bankers open savings accounts and accept savings deposits from students, faculty, and school administrators. The student banker "manager" assists the bank program manager with supervision and oversight of the program activities. Account holders can make withdrawals at the on-site ATM or from a nearby Bank Y branch office. Monthly savings account statements are mailed to students' homes. Student bankers are eligible to participate in the bank's summer internship program and to interview for part- and full-time teller positions at bank branches after graduation.

The school's director of the Business and Career Development Center, business faculty members, and the bank program manager organize financial education classroom presentations for students and after-school financial education classes for parents and the public.

Program Performance

Since the student banker savings program opened in 2003, students have opened more than 1,000 student savings accounts. Each year, an average of 10 financial education classes are offered to students and five after-school classes are available to parents and residents in the community. Each year, the bank hires three students as summer interns and has hired eight high school graduates as full- or part-time employees. For the purpose of CRA, Bank Y's school-based bank savings program may receive favorable CRA consideration under the community development service portion of the CRA Large Bank Service Test.

Appendix C

Resource Directory

OCC

Financial Literacy Resource Directory
www.occ.treas.gov/cdd/finlitresdir.htm

Financial Literacy Update Newsletters (*see bottom of this Web page*)
www.occ.treas.gov/cdd/finlitresdir.htm#OCCFinancialLiteracy

OCC Advisory Letter, AL 2001-1, January 16, 2001
www.occ.treas.gov/ftp/advisory/2001-1.txt

National Academy Foundation

www.naf.org/cps/rde/xchg

American Bankers Association Education Foundation

www.aba.com/ABAEF/default.htm

Sargent Shriver National Center on Poverty

A Guide to Establishing Bank Branches in High Schools, July 2006
www.povertylaw.org//advocacy/community-investment/a-guide-to-establishing-bank-branches-in-high-schools-final.pdf

Michigan Credit Union League (MCUL) Family Involvement Council

A How-to Guide for Establishing a Student Credit Union Branch, August 2003
www.mcul.org/files/cucorp/744/file/CU%20Community/Financial%20Literacy/Student_Credit_Union_Branch_Handbook.pdf

Sherrie L.W. Rhine is the primary author of this report. Other contributors include William Reeves, Beth Castro, Barry Wides, and Julie L. Williams. *Community Development Insights* reports differ from OCC advisory letters, bulletins, and regulations. *Insights* reports do not reflect agency policy and should not be considered as definitive regulatory or supervisory guidance. Some of the information used in the preparation of this paper was obtained from publicly available sources that are considered reliable. However, the use of this information does not constitute an endorsement of its accuracy by the OCC.