



William C. Velásquez Institute

KEY RFP DATES

RFP Issued: December 9, 2008

Pre-Proposal Conference: January 5, 2009

Submit Proposal by 5pm PST: January 22, 2009

Committee Selection Announced: January 30, 2009

Interim Research Report due: April 30, 2009

Final Research Report due: July 31, 2009

The William C. Velasquez Institute (WCVI) Community Development Strategies Program Announces the following Request For Proposals to Conduct the Following Research Study:

Estimating the Economic Impacts of Expanding Best Practices to Financial Services in Low and Moderate-income California Communities

Pre-Proposal Conference

A non-mandatory Pre-Proposal Conference will be held on Monday January 5, 2009 at 10am at William C. Velasquez Offices at 2914 N. Main Street 1st Floor Los Angeles, CA 90031. Please RSVP to Mr. Miguel Perla at mperla@wcvl.org or by telephone at (323) 222-2217 if you wish to attend this meeting. If you would like to participate by via conference call, please contact us for details.

The due date for submittal of proposals is January 22, 2009 no later than 5pm PST.

We look forward to receiving your proposal and invite any questions regarding this RFP.

Sincerely,

Antonio Gonzalez
President, William C. Velasquez Institute



William C. Velásquez Institute

Introduction

The William C. Velásquez Institute (WCVI) is a tax-exempt, non-profit, non-partisan public policy analysis organization chartered in 1985 whose purpose is to conduct research and policy activities to provide information and policy models to community and elected leaders that enables them to improve the social, political, economic and environmental conditions of Latino and other historically excluded communities.

Project Description

Millions of people in U.S. conduct their lives outside the formal banking system. Over forty percent of American households are under-banked. Thirteen percent of American households have no access to bank services. Among Latino and other minority communities, the share of residents living outside the formal financial system rises to 50% or more.

Despite this lack of access to formal banking system, low and moderate-income households typically need financial services as much as wealthier families. They need to cash checks, pay bills, save money, run small businesses, access short-term loans or credit lines, and many send a significant fraction of their earnings to abroad.

There are a wide range of opinions on how to best enhance economic well-being in the coming decade through the fostering of best industry practices for meeting the financial needs of the un-banked and under-banked.

Many analysts and policymakers point to the failure of the traditional banking system and offer a wide range of opinions on how to best enhance economic well-being in the coming decade for the un-banked and under-banked. Some continue to argue for the need to push the traditional banking and credit union infrastructure to become more responsive to the low and moderate-income population.¹ Others view non-traditional service providers with hostility and seek their exclusion through legislation or local ordinances aimed at low and moderate-income communities, while others argue that non-traditional service providers are likely to be the base from which a more innovative, cost-effective and local scale service infrastructure is emerging.² Still others suggest that emerging new technologies will revolutionize the way by which both traditional and non-traditional service providers will operate and open-up new channels for the provision of a wide range of financial products and services.³

¹ Matt Fellowes and Mia, Mabanta, **Banking on Wealth: America's New Retail Banking Infrastructure and Its Wealth-Building Potential**, Brookings Institutions, 2008.

² Sherrie L. W. Rhine, William H. Greene, Maude Toussaint-Comeau. **The Importance of Check-Cashing Businesses to the Unbanked: Racial/Ethnic Differences** Review of Economics and Statistics February 2006, Vol. 88, No. 1: 146–157.

³ Michael J. Herrmann, Arjan Schütte, and Rachel Schneider **Innovation Trends in Financial Services to the Underbanked**, Center for Financial Services Innovation, 2008.



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This project hopes to conduct substantive research into these questions and establish recommendations for best practices to improving financial opportunities to those that need them the most.

Objectives

The purpose of this research project is to:

1. Define the populations that utilize traditional and non-traditional financial service providers:
 - How much do low and moderate-income people pay for financial services in California communities where banks are scarce or refuse low and moderate clients? How are different agents or institutions in the financial services industry responding by providing lower cost, best practice alternatives?
2. Establish the specific impact of using alternatively banked versus non-bank financial service providers on households in low and moderate-income communities.
 - What are the current aggregate impacts on low and moderate-income communities in California of using banked and non-banked financial service providers?
3. Establish how greater access to best practice financial service providers, both banked and un-banked, would increase the spending power of low and moderate-income households.
 - How might greater access to best practice financial service providers increase overall local consumption, investment, employment and business activity?
4. Identify policies that increase effective access for low and moderate-income people to financial services.
 - What public policy recommendations are most appropriate for the California legislature with respect to the role of the traditional and non-traditional financial industries in serving the un-banked?



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Selection Criteria

The William C. Velasquez Institute (WCVI) will use the Selected Research Team's findings to develop the following:

- **Consumer Report Card** Will inform the target population of the costs and quality of services available to them at various check cashing, remittance, and Pay Day loan companies in California.
- **Policy Recommendations Platform** Will enable WCVI to provide constructive ideas to advocate to local and state policy-makers

The William C. Velasquez Institute will designate a Selection Committee made up of anonymous members who will conduct a blind evaluation of the qualified proposal submittals. Proposals that do not follow the submittal instructions will be set aside. The selection of the successful proposal will be made after all proposals have been reviewed and scored based on the evaluation criteria below. Proposals should include:

- A. Develop an estimate of the costs of financial services in low income communities in California: (25 points max)** Estimates should use a combination of industry sources including existing research and estimates provided by regulatory agencies and trade associations. It is important to highlight changes in the competitive environment as new agents or institutions in California's financial services industry respond to the need by providing lower cost, best practice alternatives. These differing costs should be verified using spot checks and actual transactions made at local money transfer organizations, check cashing services and payday lenders in specific California communities.

It is also important to analyze the differences in the types of services offered between higher cost, limited service providers and new best practice alternatives even within the same neighborhood. Previous literature provides guidance in this regard, but there is no substitute for actual transactions services and charges, documented clearly for different California communities.

- B. Developing a household and community profile of financial services costs: (25 points max)** The overall community cost of financial services and a lack of credit access should be generalized or "scaled up" from actual conditions in representative households surveyed in the representative low and moderate-income communities selected using census data and other sources of detailed geographic data in California. How do low and moderate-income households actually use non-bank cash transaction services on a daily basis? How much is their aggregate purchasing power for other goods and services reduced or augmented?

Detailed data using GIS technology must be used to provide detailed summary tables and geographic profiles to provide community-wide estimates of the cost of cash-based transactions to low and moderate-income households.



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- C. Provide proposed policy approaches to stimulate and regulate the emergence of best practice industry approaches to providing financial services to poor communities: (25 points max)** The research project should propose alternative approaches and develop specific proposals for policy action to best foster an environment for innovation and competition, based on services, convenience and cost.

The report should focus on policy approaches that contribute to expansion of access and affordability of providing financial services to low and moderate-income people. More specifically, the report should propose public policy recommendations to the California legislature with respect to the role of the traditional and non-traditional financial industries in serving the un-banked. The report should factually establish the niche that the non-traditional financial services sector fill in providing services to the un-banked.

- D. Create a California Consumer Guide for non-traditional financial services providers serving the un-banked: (25 points max)** Results of the research should be organized in a way that allows WCVI to rank within categories (i.e. remittances, Pay Day loans, check cashing) the service providers which are least expensive, fastest, most efficient, etc. These results may vary by community.

2. Proposal Structure

A. Proposal Structure

1. Experience and Qualifications of Research Team
2. Proposed Methodology
3. Project Approach
4. Work Plan
5. Project Schedule
6. Post-Study Implementation Methodology (If applicable)
7. Monthly Budget (Total Budget not to Exceed \$75,000)



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3. Budget and grant disbursement schedule

First and Second Disbursements totaling \$50,000 shall be released according to submitted budget
Final Disbursement of \$25,000 shall be released upon receipt of Final Research Report

4. Proposal Instructions and Format

Firms shall submit six (6) copies of their proposal and deliver by close of business to the address below. Firms must also submit an electronic version of their proposal electronically on either MS Word or PDF format to Mr. Steven Ochoa at sochoa@wcvl.org with subject headline “*(Firm’s Name) and Economic Impact Proposal*” by Thursday, January 22, 2008, at 5pm PST.

All questions, interpretations, or clarifications, either administrative or technical may be also be submitted electronically to sochoa@wcvl.org, preferably before the pre-proposal conference on January 5, 2009.

DEADLINE DATE TO SUBMIT PROPOSAL

All parties interested in being considered for this project must deliver electronic and hardcopy proposals by Thursday January 22, 5pm PST to the following address:

Attention: Mr. Steven Ochoa
Vice President of Policy & Research
William C. Velasquez Institute
2914 N. Main Street 1st Floor
Los Angeles, CA 90031
sochoa@wcvl.org