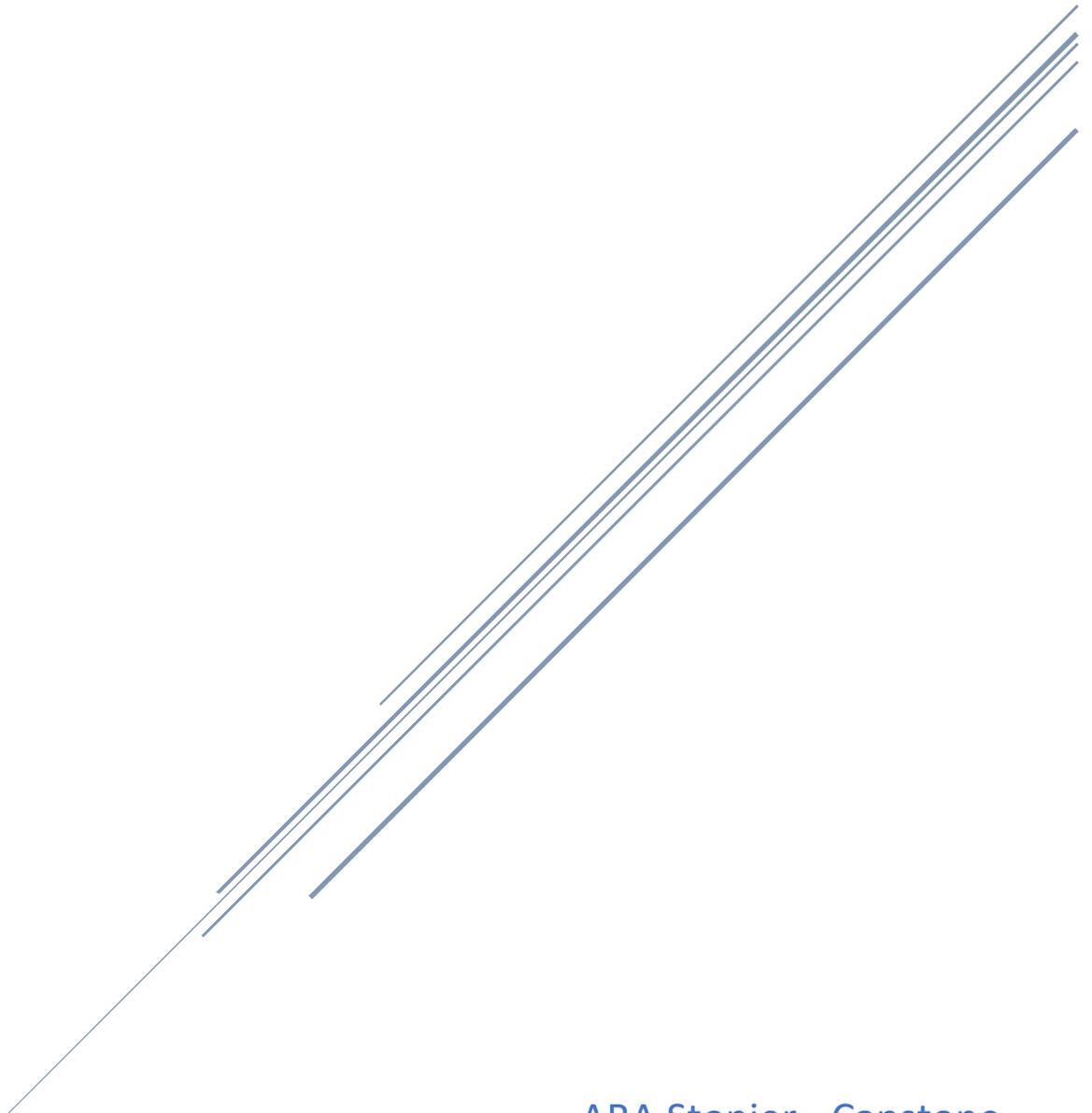


FINANCIAL LITERACY

Public School Partnership



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Disclaimer:

“The purpose of this paper is not indicative of any bank endorsed current or future initiatives and was a student project written for academic purposes only.”

Executive Summary

People's United Bank, headquartered in Bridgeport, CT is a New England based regional bank with a demonstrated commitment to financial literacy, community partnerships and employee connections to the communities in which they work. This commitment is made clear through adherence to the regulatory requirement in the Community Reinvestment Act, the work of the People's United Community Foundation, and the principled set of acts in the Environmental, Social and Corporate Governance Council work. It is a natural progression to financially support a partnership with schools in the delivery of financial education of young adults and an incentive to encourage participation.

We live in turbulent times with increasing pressure on for-profit corporations to act responsibly and take responsibility for previous practices that limited advancement for disadvantaged groups. The US Government has rigorous procedures to prevent and mitigate unfair lending practices and high fees that contribute to economic difficulties among lower socio-economic populations. Financial literacy is an important tool for disadvantaged populations to break out of the cycle of poverty.

The following pages contain the details of a proposal to partner with high schools in a financial literacy course offering to students enrolled in public high schools in 10th through 12th grades with an incentive award upon completion of 5 shares of People's United common stock (or \$100 value of PBCT common stock) in a direct shareholder account set up to reinvest dividends. After development and pilot years, the implementation recommendation is 3 years of staggered rollout and would necessitate somebody within People's United Financial Education

group committed to follow through with program development. The required financial allocation is approximately \$120,000 per year for the financial award and pro-rated salary of the coordinator plus essential marketing materials, supplies and travel (exhibit 4). This budget would make the award available to 1,000 students within the People's United footprint of Connecticut, Massachusetts, New York, New Hampshire, Maine, and Vermont. For the 5-year project plan, the first year would be developmental and the budget doesn't include any incentive awards. The least expensive year is projected be the development year because it doesn't include any incentive award certificates entitling the recipient to 5 shares of PBCT common stock. The most expensive year is the first roll-out year or year 3 on the project plan. The budget is estimated at \$120,000 due to intensive time commitment on the parts of People's personnel to ensure success, inclusion of retail branch staff within the project budget and incentive awards for 500 students. The certificate can be redeemed with appropriate account opening paperwork and a parent/guardian for students under the age of 18 or held until the student reaches the age of 18 to be opened solely in the student name. For program expansion, the program cost is approximately \$100 per student or \$10,000 increase for each additional 100 students enrolled. Typical high school classes enroll approximately 20-25 students. A budget increase of \$10,000 can accommodate approximately 4 additional high school classes.

In the 4th year of the program development, the retail branch personnel should be able to report real new account growth and new relationships to support the program expenses. The program development should include genuine respect for the education community and the ability to reach students with the curriculum. In exchange, the school can be asked to allow for a school-wide bank product fair for students, a staff bank product day to introduce the benefits in Workplace Banking, an opportunity for a retail branch person to lecture in the classroom, and an

opportunity for the People's United brand to be included in the commencement program with recognition for the award.

According to the People's marketing department, the marketing kits for the school-wide events have an approximate cost of approximately \$935 per kit. Each kit is used for an individual school event and would typically result in 40 student accounts. Each kit contains instructions for the People's employee, giveaway items (\$2 each), handouts (400 at \$.25 each), and costs to create and ship the kits (\$35 per kit). The cost of acquisition per checking account is estimated at \$23.38 per account and is generally recovered within 6 months of account opening.

This program will rely heavily on the work of retail branch and market managers to communicate with the schools, solicit applications and be available to lecture to the financial literacy class, and present awards. The budget for the time of the retail managers will be covered as a program cost within the first 3 years, including development year, pilot year and the first year of the program roll-out. However, the retail management personnel and travel costs would be within the branch budget for the fully implemented program years because the program offers the opportunity to cross-promote to a captive audience of students, faculty, and staff within the schools. This program will be a close collaboration between the program coordinator, the retail branch personnel and the school enrolled in the program. It is expected the retail branch personnel will develop a close relationship with the school administration. This relationship can be leveraged to provide a school-wide bank product fair, school staff and faculty product information workshop, Workplace Banking for the staff and faculty, a guest lecture in the class, a school sponsored community financial literacy workshop, and People's inclusion in the graduation program and award presentation.

It is important to note this program would be a good demonstration of meeting the regulatory requirements of the Community Reinvestment Act, including the recent changes to specifically assess the financial amount of bank's activities that meet the Service criteria of the Community Reinvestment Act. This program would also be a good example for inclusion in the non-regulatory responsibility of the Environmental, Social and Corporate Governance (ESG) standards being set by People's within the ESG committee.

The CRA and ESG commitment, together with the potential for organic deposit growth and the Goodwill within the community will help offset the potential revenue loss of fees earned through insufficient funds charges, reported as \$13,532,000 year to date in the period ending 9/30/2020 on the FFIEC call report Schedule I Income Statement line 15.d.a. Consumer overdraft-related service charges on transaction account and non-transaction savings account deposit products for personal, households or family use. These service charges are lucrative, but punitive and banks like People's are committed to moving profits to services that benefit consumers rather than penalizing them. People's United Bank call reports for the years 2018 & 2019 reported line-item fee revenue of \$21.3 million & \$22.8 million respectively. During a global pandemic compromising the livelihoods of America's most vulnerable population, this revenue stream will increasingly be questioned and needs to be replaced. This proposal will offer an opportunity to redirect this revenue stream toward the education that will ultimately lead to its complete elimination. The goal of complete elimination may not be achievable, but People's can openly broadcast and celebrate this as the ultimate mission.

Introduction and Background

People's United Bank, N.A. is a \$58 billion New England based, regional bank headquartered in Bridgeport, CT founded in 1843 and operating 403 branches in Connecticut, Massachusetts, Maine, New Hampshire, New York, and Vermont.

People's has maintained a strong legacy of community partnerships in its guiding principles. The responsibility to give back to the community is exemplified in activities including Charitable giving, encouragement of Employee volunteerism, Community Outreach Programs, Cause related Sponsorships and Community Reinvestment. Examples of People's commitment are detailed in the annual Community Impact Report (People's United Bank, 2019). This report discloses Charitable Giving through Community Foundation grants in the amount of \$3.8 million for 2019, 32,000 employee volunteer hours and 750 financial literacy education workshops. People's sponsors wellness events such as the annual Vermont City Marathon and in August 2018, used the 16 story corporate headquarters to stage the "Over the Edge" fundraiser for the Wakeman Boys & Girls Club in which employees rappelled down the side of the building.

One example that demonstrates People's commitment to Community outreach and Financial Literacy is the partnership with Junior Achievement in 2018 celebrating People's 175th anniversary year. Junior Achievement describes itself as "the world's largest organization dedicated to educating students in grades K-12 with a focus on entrepreneurship, work readiness and financial literacy through experiential hands-on programs." In 2018, People's United Bank marked its 175 years anniversary by contributing \$175,000 to Junior Achievement. The contribution was to be allocated throughout the footprint and in proportion to People's presence within each state. This program utilized the curriculum, program materials and experience of

Junior Achievement and encouraged employees to work together within their local communities to present the financial education within the schools that Peoples was supporting. I was fortunate to be able to help coordinate and present JA in a Day in my local school (Bellows Free Academy, Fairfax, VT) in partnership with 8 other volunteers and in support of 6 classrooms. Junior Achievement sent the curriculum materials for each classroom and met with the volunteers in advance to review the materials and prepare us for the event. Junior Achievement staff was present at the school on the day of the event and assisted in the classroom instruction and helped us deliver the program materials. I was very impressed with the materials provided. The volunteer experience was enjoyable because we had a great partner in Junior Achievement and the thorough, detailed materials provided complete guidance for the day.

Financial literacy partnerships can provide important benefits to the bank and the community. Taking advantage of the strengths of the school and the bank would be the foundation of any great program. Misunderstanding of financial products can cost Americans a great deal of money, to the tune of \$28.66 billion in insufficient funds service charges reported on regulatory call reports through FFEIC in 2019 (Federal Financial Institutions Examination Council, 2019). These fees were reported as an increase of 1.5% from \$28.24 billion in 2018. Overdraft fees collected by small banks or credit unions are not required to report their fee volume to the FDIC. Overdraft fees are disproportionately assessed on lower income and less educated households. The Center for Responsible Lending report in August of 2018 summarizing overdraft fee data for the period ending December 31, 2017 concluded 80% of overdraft fees are incurred by only 8% of account holders. These fees can often be prevented by greater consumer understanding and a better partnership between banks and consumers.

In a 2017 FDIC data report the unbanked population is decreasing, down to 6.5% (with an unknown status of 6.3%) in 2017 from 7.7% in 2013 (Gerald Apaam, et al, 2017). The greatest change in the unbanked population came from lower income and less educated households. It isn't difficult to make a correlation between the decrease in unbanked households and the increase in overdraft fees. Financial literacy in public schools can help further decrease the unbanked households while also helping mitigate the high cost of burdensome overdraft fees. The high cost of overdraft fees can contribute to poor relationships between financial institutions and consumers. Creating goodwill with consumers, especially in this demographic can meet requirements of the Community Reinvestment Act and lead to a better relationship with consumers. A better relationship between the bank and consumers can increase the level of trust, decrease the number of unbanked households, and decrease the burden of overdraft fees on consumers. A more robust relationship with consumers in which more financial products are accessed would be more beneficial financially than the lost revenue from a reduction of overdraft fees collected. Consumers have a great variety of choices in banking, being a visible community partner will be another arrow in the quiver of People's United Bank marketing strategy.

The Community Reinvestment Act was legislation enacted in 1977 by the US Congress with the purpose of encouraging "financial institutions to help meet the credit needs of the local communities in which they are chartered." (title VII, , 1977) The regulatory agency with specific oversight of each institution is charged with using its authority in examinations to encourage institutions to meet this obligation. There is no specific measure or benchmark for financial institutions to meet, the Federal Reserve uses methods to rank a bank's performance based on its size and mission. Each bank is given a rating of either, Outstanding, Satisfactory, Needs to improve or Substantial noncompliance. The Federal Reserve also publishes an online public

database of bank scores. People's most recent evaluation from the OCC (Office of the Comptroller of Currency) of 8/26/2019 as a Large Bank resulted in a Satisfactory rating. (Office of the Comptroller of Currency, n.d.)

Expanding on the robust commitment to meet the spirit and requirements of the Community Reinvestment Act and partnering with local communities in the pursuit of greater financial literacy is a natural progression for People's United. In the pages that follow, I will outline an additional innovative program with community education partners to provide more opportunities for financial literacy with an economic incentive of stock ownership. This program will provide additional benefits in the form of marketing opportunities within the same education institutions, improved goodwill with the community that is created through an ownership stake and increased understanding for our youngest community members that will help to alleviate financial burdens such as overdraft fees.

Implementation Strategy

The successful implementation of any new program relies on a comprehensive strategy, has clearly defined goals and is developed with input from a broad group of stakeholders. This strategy will have a better chance if it is built with an eye to efficiency and includes an understanding of potential areas of adaption as well as a pilot program that includes the areas of flexibility and uncertainty. This program to partner People's with local high schools in neighborhoods of lower household income will include a development phase, pilot phase and full roll-out phase. If the development and pilot phases are thorough, the full roll-out would have low administrative costs and would enable most of the budgeted funds to be used for the incentive award stock shares.

This Financial Literacy Partnership Proposal has a goal of providing incentive awards to high school students for completion of a financial literacy program. Other goals include broadcasting the People's United Bank brand among youth as they enter maturity and increasing Goodwill within the community of the People's United Bank footprint. There also exists some potential to leverage the increased visibility of People's United Bank and products within the specific markets among staff and students in the served educational institutions as well as the possibility to meet enhanced requirements of the Community Reinvestment Act.

This proposal includes a budget and project timeline. Both pieces of the program include some variables that could be changed without compromising the underlying idea and goals, including the amount and type of the award, the timeline for project development and implementation and the scope of the program. While a single share of stock has significance in representing a piece of ownership in the company, the value can change significantly and will

impact the budget of the program over time (People's United Bank Corp is traded on the NASDAQ stock exchange under the symbol PBCT. The historical stock price for the one-year period ending 10/18/2020 is as follows: 52 week high \$17.22, 52 week low \$9.37). (Nasdaq Historical Price PBCT, n.d.) This proposal is built on an award recommendation of 5 shares of stock.

Implementation begins with finding the right person to lead the effort forward. The success and cost effectiveness of any new program relies heavily on the commitment of the person steering the program forward and marshalling support from the individuals who will deliver the program. It will be important to properly engage the willing participation of the educational institutions. This can sometimes be challenging due to the occasionally difficult relationship between for-profit business and public education. While public schools often welcome corporate resources, intervention in educational offerings isn't always given the same warm reception. For best results, the corporate coordinator needs to be a person that can easily acknowledge the expertise of the institution while maintaining a firm directive of inclusion within the class offering of specific concepts. This position will likely fall within the group at People's responsible for Community Outreach and Financial Literacy Coordination. This group of 4 is led by the Executive Director of the People's United Community Foundation. This team is also responsible for Community Outreach. The Community Outreach and Financial Literacy Programs include People's Workplace Banking Program. In this work, the PUB team has worked together to make a series of short tutorials available to People's Customers with EverFI. The offerings include a broad range of financial literacy topics to help adults educate themselves to make the best financial decisions for themselves. This team acknowledges the importance of reaching young adults early to equip them with the best resources. The Community Outreach

team posed the additional thought that EverFI could be a resource for educators who may not be familiar with the most important financial topics. With the completion of every module, students could demonstrate their understanding and qualify for the financial incentive. The PUB Community Outreach & Financial Literacy team is the right group to move this initiative forward.

When the right leader is identified, this person will familiarize themselves with the program first by preparing the first-year budget. People's United budget process begins in November with final budget approval by executive leadership in December. The budget resources would be available beginning in January. However, most school budgets operate in coordination with the academic calendar of July 1 – June 30. Therefore, the first budget year of the program will consist primarily of the salary of the People's coordinator for approximately .2 FTE (full-time equivalent). The work in this first year will primarily consist of organization of the working group, including outreach to potential pilot schools. An academic resource may require some funding for the time an educator would need to participate in the working group meetings. To capitalize on the potential market opportunity, it is key to include local branch market managers together with other key People's United Bank personnel, including a representative from Community Reinvestment Act (CRA) group to ensure the project is considered as evidence of the bank's work to meet the requirements of this legislation. This is especially relevant as there have been recent changes clarifying what qualifies for CRA consideration and quantitative measures that assess volume and value of activity (US Department of the Treasury, 2020). Inclusion of education professionals can be solicited with invitations to 5 high schools in the Bridgeport, CT area with the highest proportion of students participating in free & reduced lunch. High school administrative staffs are busy and a personal invitation may

be necessary to encourage active participation of a guidance counselor or teacher. If at least 1 volunteer isn't available, it may be necessary to offer compensation for the educator's time and contributions. After the school representative is secured, the retail manager should be selected from the same region as the participating educator's school. It is worth considering in the working group a representative from Learning and Development to work with the pilot educational team for collaboration on the specific topics to be included in the literacy program. It is highly likely there will be a great deal of variation in the programs already in place from one school system to another. A challenge in the roll-out to additional schools will be review and update to curriculums for a program to qualify for the incentive awards. The working group educator will be critical with assistance in negotiating class content and developing a boilerplate curriculum to compare with schools that may have a program already. There may even be schools without any Financial Literacy curriculum or the time for development. In the absence of a program, it will be best for the Working Group to have a framework curriculum and the additional delivery resources such as the EverFI modules and the Junior Achievement materials.

The People's coordinator steering the project will prepare an initial menu of topics the bank would consider essential for inclusion in the learning program to qualify for the incentive award. This starting point can be supplemented with great curriculum resources available through partnerships with the American Bankers Association (ABA) and Junior Achievement. There are also good curriculum materials for young adults and adults through the FDIC (FDIC Teacher Online Resource Center, 2017) with teacher lesson plans and videos available as well. Lastly, the Financial Literacy group has the modules available on the EverFI platform and being utilized in the Workplace Banking Program. Minimum program requirements would include at least 1 semester/quarter of the school year and a set of topic quizzes or a final exam. To qualify

for the incentive, students must achieve a minimum number grade of 75, letter grade of C+ and proficiency in 80% of the topic areas or a GPA of 2.75. The school and teacher would determine when students qualify for the incentive award and would submit the list of names to the program coordinator. People's United Bank will want to continue to be active participants in the program if the program is active, continuing to have regular discussions with each school participating in the program. The schools will be solely responsible for attesting that the courses include relevant material and that students have met the minimum expectation to qualify for the award. People's will set the budget, approve individual school applications prior to the beginning of the school year or before December at the very least for consideration of award the following spring. Many schools have an award day prior to the formal graduation ceremony to recognize student accomplishments for 10th and 11th grade students and awards that are don't need to be a part of the formal ceremony. At these events, staff and parents are often present and the awards are frequently listed in the graduation program. People's would take direction from the individual school as to the best event for an opportunity to speak on financial literacy and People's specific partnership to aid in preparing students best for their future financial decisions. The incentive awards can be a part of the school graduation or annual student award ceremony. These avenues will provide good opportunities for exposure at the school beyond the recipients of the award recipients and will help emphasize the goodwill of the program, as many schools accommodate business partners participation at the award ceremonies.

After the working group has been assembled, the assignment on which they would work together is the specifics for the Financial Literacy minimum course requirements and assessment with details available for launch to pilot schools within 3 months. There are many variables in this part of the project that will depend on the working group. The educators will likely bring

ideas and concerns beyond what can initially be articulated. With participation on the working group by representatives from the pilot schools, it is a reasonable expectation the working group will partner with educators to create a program that includes curriculum materials of varying academic rigor. In this way, schools from throughout the entire footprint with varying Financial Literacy education already in place can be evaluated against a recommendation from the group to ensure there is consistency in the program delivery and eligibility for the award.

The working group would meet regularly to determine the program that will have the best chance of success within the school. The primary goal is to provide young adults the best tools to make decisions as they advance to the next step in their lives. The financial incentive is the encouragement to complete the program. The working group will have until April to work out the details so that the pilot school can include the course materials and incentive in their scheduling materials for student course selection the following year and ensure there is an available educator. This will bring the program to the second year of budgeting. There will be a good idea of how many students will be interested in participating because the school will have registered students for their classes in the prior spring and early fall.

The People's budgeting calendar and school budgeting calendar will continue to overlap. This may be cumbersome in the beginning but will quickly become advantageous because the student participation and school commitment will be decided in late spring and early fall, allowing People's to appropriately budget for the awards in June.

The working group will need to work within the budget constraints and award limitations to determine criteria for awards and avoid having to terminate the program early or exceed the budgeted amount to fulfill the commitment. As part of the normal budget process, People's United Bank can request applications for participation by schools with a clearly disclosed

limitation of how many schools will be chosen, how many awards are available and how schools will be chosen. To qualify for the maximum CRA consideration, Retail branch managers will be tasked with contacting schools directly to solicit applications. The target schools will be those with the highest percentage of free and reduced lunch participation (exhibit 2). In the pilot phase, the budgeted award distribution is 100 students. This could easily be filled in the school of the teacher or administrator taking part in the working group. At the same time, the school representative can assist with the most efficient and effective method to solicit school applications for the program.

When the working group has agreed on the program details, the pilot program can be rolled out to the school represented in the working group. The pilot period would be the 3rd or 4th quarter of classes in the school year with the incentive awarded at the time of graduation or class-day awards. Upon successful completion of the pilot, the program could be reviewed for participation rate to appropriately budget and market the program for the following academic year. Applications from school districts would be solicited by Retail Branch or Market Managers or through the website and mass marketing. Applications would be accepted until the program budget funds were completely allocated. Awards would be certificates entitling the named individual to 5 shares of People's United Bank Common Stock (or \$100 value in PBCT common stock) in a dividend reinvestment plan. Specific details of account paperwork would be necessary from the transfer agent, Computershare. The recipient would have to bring the certificate to their local People's United Bank branch to complete necessary account opening documents. Prior to program launch, a representative from People's would need to work out the details with Computershare for account opening.

The first year is for program development by the working group. The second year is the pilot program within the school represented in the working group. In this year, the retail branch or market managers would begin learning of the program and their role. This group will be responsible for understanding the program well enough to work with the program coordinator and make initial contact with the target school administration. Next, the retail partner would solicit the school application and negotiate options to guest lecture, provide a school-wide open banking day to offer People's bank products and information, provide a staff bank information workshop, set up workplace banking and plan awards presentation events.

In the third year, the program coordinator will work with the pilot retail personnel to work out training materials for additional target school participation. This third year of the program has the greatest budget and requires the most time from the program coordinator and pilot branch personnel.

The fourth program year is significant in that the program budget for the retail branch personnel will be expensed within the branch budget. This is because the program creates enough opportunity for the branch to develop a relationship within the school for marketing to students, staff, and faculty. The new accounts will make up for any additional budget costs to administer the program, including travel and marketing expenses.

Future program years would follow the model with an increase in recipients as the budget allows and as the personnel can support. Branch personnel will require the support of the community outreach and financial education department. The program coordinator will continue to assist branch personnel in adherence to the timeline for contacting schools, soliciting applications, incentive award budgeting and participant follow-up to assist in any fundamental program changes. For easy visual reference, please refer to project plan details in exhibit 3.

It is important to note that participating schools would be responsible for ensuring students have met the minimum program requirements to receive the incentive award. Schools would provide a list of award recipients so that People's could create the certificates for presentation. This program does not require any documentation or substantiation that students have met the criteria for the incentive award. All expectations are set at the time of the outreach by the retail personnel to the school administration and the application. All student names submitted by the school will receive the incentive award.

Financial Impact

While the benefits of the program are lengthy and compelling, I would be remiss if I didn't summarize the potential cost of the program in real dollars. The administrative and stock award costs are hard costs without a potential revenue offset. The potential marketing opportunity can be assessed and valued and can be loosely tracked to be counted as a direct cost benefit.

The proposed budget for the first five years is \$406,750 (exhibit 4 Budget).

Year 1 – the program development year is the lowest budget at \$53,500. This first year of the project doesn't have any award shares in the budget to allow enough time for People's to ask and answer internal specific questions on share award allocation and administration of the program. The staff salaries include .2 FTE of the program coordinator (annualized salary and benefit cost of \$150,000) and .1 FTE of Branch personnel (annualized salary and benefit cost of \$160,000). Travel costs of \$5,000 are mostly for working group sessions with school personnel and Retail Branch Managers. The first-year budget also includes Supplies of \$500 and marketing materials of \$1,500. These figures are rough estimates for materials that may or may not be required for the program development. One reason the first year doesn't include a budget for award shares is because People's follows a calendar year for budgeting and school districts follow an academic year of July – June. This means, by the time People's approves the initial budget dollars in November, the school year is already under way and the student class schedules have already been planned. January – June would be used to determine the educational program criteria and school application process. We would begin soliciting applications from schools in July & August for the upcoming school year and awards would be granted in June of the following budget year.

Year 2 – \$79,000 – This is the pilot year and includes additional program development and incentive awards for 100 students from 1 or more schools. This year is the time to also include

rolling out the application to additional schools and additional regions in the footprint. With the staggered roll-out, this year will be when the training will be developed for the retail branch staff. Learning and Development will be key at this time to put together materials that assist in highlighting when and how to make the outreach to the school administration. There will be additional time and travel necessary to work with Retail Branch managers from other areas to introduce the program and their role in soliciting schools to participate. Additional retail salary has been budgeted in anticipation of more time in the school. Total budget for People's personnel is estimated at \$62,250 or a total of .4 FTE. There continues to be the same budget amount for travel, supplies, and marketing materials.

Year 3 – The budget will be incentive awards for 500 students. There is still a good deal of time necessary on the part of the Program coordinator. This is the last year the Retail staff time will be included in the program budget of \$120,000. This program offers a unique marketing opportunity to the Retail Branch Manager to grow deposits and cross-sell products. The staff cost to solicit applications, guest teach for a day and present awards is offset by the revenue generated through deposit growth from offering the school-wide bank product fairs. It will take some time for retail personnel to become comfortable with the events. They will benefit from having more branch personnel on hand for events in the first years. In this year budget, there is a small reduction of the program coordinator time and a fixed amount for travel and training of retail personnel. The supplies budget is increased as well due to the increased students being reached.

Year 4 – The program should be fully deployed with more of the budget of \$73,000 allocated toward incentive awards. There is still time allocated for administrative staff to continue to review the program, collect feedback from participants, train Branch Managers and assist in soliciting applications from schools, prepare information for CRA reporting and work to ensure students are redeeming their certificates for the stock awards. The budget is reduced for the program

coordinator as more of the program work is shifted to the retail branch staff and the branch budget. The amount budgeted for travel is for the program coordinator and other administrative staff to assist retail branch personnel with the program. The supplies and marketing budget allocation remains consistent with prior years.

Year 5 – At this point in the plan, the program should be running well with less administrative costs. This is the year to work on expansion to more schools, utilizing most of the budget of \$96,000 to the cost of the stock incentive. This year represents the lowest amount in administrative costs as the program should be developed well enough to be managed by the retail branch staff. There remains an allocation of .1 FTE for the program coordinator to assist in keeping the branches on the timeline with reminders of communication as well as the budget process for the incentive awards.

People’s United Bank marketing department provided some information to assist with the cross-marketing costs. Multiple marketing kits would be created for events at a cost of approximately \$935 per kit. Each kit is used for an individual school event and would typically result in 40 student accounts. Each kit contains instructions for the People’s employee, giveaway items (\$2 each), handouts (400 at \$.25 each), and costs to create and ship the kits (\$35 per kit). The cost of acquisition per checking account is estimated at \$23.38 per account and is generally recovered within 6 months of account opening.

Non-Financial Impact

This proposal for Financial Literacy Public School Partnership has multiple benefits for which it is difficult to calculate the financial value. Satisfaction of Community Reinvestment Act regulatory requirements is a substantial benefit. Additionally, there is increasing focus on Environmental, Social and Corporate Governance practices of public companies. Programs that demonstrate a commitment to the key issues can improve company ranking. Additionally, the program could offer a marketing opportunity of a captive audience with the students, staff, and faculty of the educational institution within which the Market or Branch Manager would collaborate on the eligibility application, program delivery, award eligibility and award presentation. Finally, the goodwill earned through this program with unbanked families, school leadership and young adults cannot be measured financially.

The Community Reinvestment Act (CRA) was enacted by Congress in 1977 to encourage certain insured depository institutions to help meet the credit needs of the communities in which they are chartered. The legislation came about more specifically to combat a practice by banks of excluding certain neighborhoods with lower household incomes from access to credit, also called 'red-lining'. Most importantly, The Community Reinvestment Act directs banks to focus on household income and neighborhood income, not race. Lending to low and moderate households and neighborhoods often satisfy fair lending and CRA. Household and neighborhood income areas can be substantiated through the website Federal Financial Institutions Examination Office (FFIEC – www.ffiec.gov) within the census and demographic data by county. Household and neighborhood income areas can be substantiated by free and reduced lunch participation rates in school district data through the National Center for Education Statistics (<https://nces.ed.gov/>). For example, the pilot schools would be drawn from the areas around People's home offices in Bridgeport, CT. The

city of Bridgeport, Connecticut is in Fairfield County. According to the 2018 census data available in FFIEC, there are 118,259 residents in low-income neighborhoods (tracts) in Fairfield County, CT. The median family income throughout these 31 tracts of Fairfield County is estimated to be \$42,184/year in 2020 (Exhibit 1). This method works especially well for lending because the online tool returns the neighborhood demographic based on the loan address. Another acceptable tool to calculate CRA is the Title 1 participation and free and reduced lunch participation rate by school district. For example, the demographic information available at National Center for Education Statistics – (<http://nces.ed.gov/ccd/elsi/>) returns information on 41 schools in Fairfield County (Exhibit 2). Using the total student population and the number of students receiving free or reduced lunch, we can calculate a percentage of students at a low-income level. In a discussion with the People’s United Bank First Vice President and CRA Officer, there was indication we could use the percentage of low-income population in the FFIEC neighborhood of the award recipient or school district to calculate the value of the award that can be considered for CRA activity. For the purposes of this proposal, the school district free and reduced lunch calculation may be easier to use for the purposes of submitting information to the OCC for CRA activities. The CRA Officer went on to explain there are three tests to measure how the bank is doing in meeting CRA obligations. The lending test is focused on our lending activity and measures how well the bank meets the credit needs of the community through mortgage loans, small business loans and community development lending and the geographic distribution of the lending activity. The investment test measures how we invest in affordable housing. The CRA Officer also described the most common affordable housing investment on the books of People’s United Bank, N.A as shares in a low-income housing limited partnership. The federal program which supports affordable housing remits payments to the limited partnership and People’s takes the opportunity to utilize the proceeds to purchase tax credits, offsetting tax liability. Last of CRA activities is the service test and includes Education and community outreach to low- and moderate-income households. Some activities that

meet this test are mortgages to special groups who need additional support, such as language. The service test would be met with this proposal, especially if schools are identified using free and reduced lunch criteria to focus on the population who would benefit most from financial literacy and an incentive award of an investment in People's United Bank common stock.

There is increasing scrutiny of companies impacts in the non-regulatory area of Environmental, Social and Corporate Governance. In 1988, James S. Coleman published an essay in the American Journal of Sociology challenging Milton Freidman's previous contention that corporate profitability was financial only. Mr. Coleman introduced the concept of Social Capital and launched the conversation around the impact of social responsibility on the measurement of corporate value. (Coleman, 1988). In 2014, the Guardian reported a shift toward more lasting practices around corporate responsibility, listing the five trends of transparency, trust, community participation, accessing new markets responsibly, and initiatives to engage companies. This article further cites over 5,000 corporations disclose their ESG performance on an annual basis. More recently, companies such as Bloomberg and Price Waterhouse have emerged with programs to record and publish ESG activities and give guidance for executives to steer programs within their firms. In a Washington Post article, the Business Roundtable consisting of chief executives of 192 large companies and chaired by JPMorgan Chase CEO Jamie Dimon acknowledged the importance of companies in considering societies larger goals (McGregor, 2019). MCSI and Sustainalytics, a Morningstar company are just 2 firms reporting on the ESG Risk rating of public companies. Sustainalytics reports People's United Financial has an ESG Risk Rating of 23.8, Medium Risk and is ranked 206 of 1,028 banks. In the Global Universe, People's United is ranked 4,594 of 13,641 companies (Sustainalytics Company ESG Risk Ratings, 2021).

The proposed program would be delivered through close partnership with the retail branch leadership. In this way, the branch and market managers have an opportunity to reach out directly

to school officials with an incentive program. Normally closed doors often open to those bearing gifts. While the program will be built by a central coordinator or 'Champion', it will be in close cooperation with schools and with respect for the work of the educators and will limit the bank role to funding the program and offering professional assistance. The program application will include a request to allow the branch personnel a chance to speak directly to the students in a single class to offer banking expertise, answer questions and discuss the different types of bank accounts and requirements to open an account. The application will also include a request to present the awards in person at a school award recognition day or graduation day. Our branch management personnel will know how to leverage these opportunities to market directly to the school staff and faculty at a time when the bank is displaying goodwill and community consideration by offering stock ownership to students. It is difficult to calculate the specific financial impact of this opportunity, especially as it counts on the skills of the branch management personnel interacting with the school personnel.

Lastly, the goodwill earned in the community with students and families is immeasurable. Offering ownership shares to students in low- and moderate-income households can earn a future client loyalty that would be difficult to lose. Some measure of this loyalty would reasonably carry over to family members of the students. While this population may not be categorized as high potential revenue for the bank, the combination of financial literacy, stock ownership and consideration can change the future of any given student and could result in high potential revenue.

Conclusion

The previous pages outline a proposal for People's United Bank to partner with high schools within the footprint to assist in a financial literacy curriculum and provide a share of common stock as a financial incentive to students on completion of the class.

On successful implementation of this program, the first and most significant benefit to People's United Bank is inclusion of the activity as Community Reinvestment Act activity. The percentage of students from low-income households can be applied to the incentive expenditure and the resulting amount used as demonstration of CRA activity.

Another significant benefit is the access to the students, staff, and faculty in marketing events. In particular, the staff and faculty in their workplace are ideal potential customers with stable income. And to have a marketing opportunity on the heels of a program that helps them in their primary responsibility makes the marketing very easy. Additionally, there is a very real likelihood that People's would have this marketing opportunity without any competition present.

The greatest measurable benefit from full implementation of this partnership is to the future. Our students need consistent financial literacy education from the experts who know the pitfalls. We all owe our underserved populations the opportunity to break the poverty cycle. We have the attention of these students and can demonstrate the benefits of investment with a financial incentive that pays dividends.

And finally, there is a demonstrated commitment by People's to give back to the community. This program would be a natural representation of this commitment.

However, the cost of the program is not insignificant. In year 5, the program would be fully implemented and the calculated cost per student is \$120. The annual cost to reach only 1,000 students is \$120,000. However, this seems like a small amount to pay for the benefits as described.

Appendix

Exhibit 1. FFIEC Bridgeport, CT neighborhood low-income level

Tract Code	Tract Income Level	Distressed or Under-served tract	Tract Median Family Income %	2020 FFIEC Est. MSA/MD non-MSA/MD Median Family Income	2020 Est. Tract Median Family Income	2015 Tract Median Family Income	Tract Population	Tract Minority %	Minority Population	Owner Occupied Units	1- to 4-Family Units
215	Low	No	43.92	\$119,500	\$52,484	\$46,398	6112	84.75	5180	377	1105
220	Low	No	39.97	\$119,500	\$47,764	\$42,222	3005	63.46	1907	504	722
222	Low	No	45.58	\$119,500	\$54,468	\$48,155	4448	76.06	3383	136	662
434	Low	No	48.75	\$119,500	\$58,256	\$51,500	4358	63.47	2766	744	1429
437	Low	No	43.66	\$119,500	\$52,174	\$46,125	2073	60.97	1264	177	458
445	Low	No	42.6	\$119,500	\$50,907	\$45,000	3079	94.93	2923	293	774
703	Low	No	10.02	\$119,500	\$11,974	\$10,588	1199	99	1187	5	47
705	Low	No	24.12	\$119,500	\$28,823	\$25,486	2228	89.36	1991	100	504
706	Low	No	27.89	\$119,500	\$33,329	\$29,464	2292	78.45	1798	86	301
709	Low	No	34.02	\$119,500	\$40,654	\$35,938	2585	92.96	2403	253	746
710	Low	No	39	\$119,500	\$46,605	\$41,202	4077	95.09	3877	322	1050
712	Low	No	37.15	\$119,500	\$44,394	\$39,250	5466	95.08	5197	355	1402
713	Low	No	28.59	\$119,500	\$34,165	\$30,202	3817	91.59	3496	161	872
714	Low	No	30.76	\$119,500	\$36,758	\$32,500	3944	75.53	2979	212	1143
716	Low	No	15.31	\$119,500	\$18,295	\$16,178	2485	95.25	2367	20	336
719	Low	No	36.07	\$119,500	\$43,104	\$38,106	5037	85.98	4331	324	1145
728	Low	No	45.2	\$119,500	\$54,014	\$47,750	5847	92.65	5417	1095	1436
732	Low	No	43.38	\$119,500	\$51,839	\$45,822	2446	69.42	1698	905	444
734	Low	No	42.84	\$119,500	\$50,955	\$45,042	4568	86.12	3934	648	1434
735	Low	No	39.41	\$119,500	\$47,095	\$41,635	3197	98.84	3160	305	1063
736	Low	No	33.82	\$119,500	\$40,415	\$35,724	2544	96.74	2461	206	648
737	Low	No	39.51	\$119,500	\$47,214	\$41,736	4880	93.52	4564	590	1494
738	Low	No	25.03	\$119,500	\$29,911	\$26,445	2559	97.15	2486	107	576
739	Low	No	29.19	\$119,500	\$34,882	\$30,833	3433	97.47	3346	192	768
740	Low	No	29.45	\$119,500	\$35,193	\$31,116	1858	98.65	1833	186	495
743	Low	No	32.22	\$119,500	\$38,503	\$34,036	3858	95.75	3694	478	1302
744	Low	No	32.75	\$119,500	\$39,136	\$34,594	4407	93.22	4108	384	1454
804	Low	No	38.25	\$119,500	\$45,709	\$40,405	5703	77.96	4446	1203	2305
2101	Low	No	43.54	\$119,500	\$52,030	\$45,993	6276	69.6	4368	440	1282
2102	Low	No	36.56	\$119,500	\$43,689	\$38,625	6834	76.72	5243	532	1845
2572	Low	No	35.95	\$119,500	\$42,960	\$37,981	3644	82.88	3020	374	1273
	Low Total				\$42,184	\$37,292	118259				

Exhibit 2. Bridgeport pool for pilot schools

School Name [Public School] 2018-19	Total Students, All Grades (Excludes AE) [Public School] 2018-19	Free and Reduced Lunch Students [Public School] 2018-19	Grade 10 Students [Public School] 2018-19	Grade 11 Students [Public School] 2018-19	Grade 12 Students [Public School] 2018-19	Percentage of students FARL
Bridgeport Military Academy	297	248	90	67	46	84%
Bassick High School	884	722	214	174	206	82%
Warren Harding High School	1,082	824	294	240	228	76%
Stamford Academy	152	110	31	52	31	72%
The Bridge Academy	281	201	50	38	33	72%
Capital Preparatory Harbor School	634	438	58	39	33	69%
J. M. Wright Technical High School	421	286	121	88	94	68%
Achievement First Bridgeport Academy	1,093	717	68	48	48	66%
Central High School	1,515	981	379	397	354	65%
Biotechnology Research and Zoological	467	300	127	103	100	64%
Brien McMahon High School	1,561	973	449	359	337	62%
Aerospace/Hydrospace Engineering and	449	269	121	84	99	60%
Danbury High School	3,086	1,825	804	754	686	59%
Stamford High School	1,743	1,022	423	449	387	59%
Information Technology and Software E	475	274	119	93	105	58%
Bullard-Havens Technical High School	760	436	204	175	176	57%
Norwalk High School	1,722	949	452	379	383	55%
Westhill High School	2,127	1,167	512	521	499	55%
Henry Abbott Technical High School	672	366	179	165	147	54%
Stratford High School	973	510	263	246	218	52%
The Academy of Information Technolog	638	333	160	151	160	52%

Exhibit 3. Project plan years 1-5

Financial Literacy Public School Partnership						
Project phase	Jul/Aug	Sep/Oct	Nov/Dec	Jan/Feb	Mar/April	May/June
Year 1 Development	<ul style="list-style-type: none"> PUB team identified review goals Prepare budget 	Identify/select pilot schools Solicit participation in working group	Establish program requirements Submit budget	Develop new account process	Present program to pilot schools	Review pilot schools
Year 2 Pilot	Assist pilot schools with program	Prepare budget	Submit budget	Check in with schools	Review award recipient list	Open award recipient accounts Award ceremony
Year 3 1 st year full deployment	Contact target schools & assist with applications	Review school applications	Prepare & submit budget	Visit schools Prepare new account paperwork	Review award recipient list Plan award distribution	Open award recipient accounts Award ceremony
Year 4 2 nd year full deployment	Market/Branch managers contact schools for applications	Review school applications	Prepare & submit budget	Visit schools Prepare new account paperwork	Review award recipient list Plan award distribution	Open award recipient accounts Award ceremony
Years 5+ Fully deployed and funded	Market/Branch managers contact schools for applications	Review school applications	Prepare and submit budget	No actions needed	Visit schools Prepare new account paperwork	Award ceremony Review program

Financial Literacy Public School Partnership key dates

July

- Identify target schools list
- Market/Branch managers contact schools

Oct

- Review approved applications
- Create and submit budget

May

- Open accounts for qualified recipients
- Arrange for award presentation

Exhibit 4 – Budget years 1-5

Financial Literacy Public School Partnership Budget						
Project phase	People's Program coordinator Salary and benefits	Supplies & travel	Financial Incentive award	Branch retail staff salary & travel expenses	Marketing materials	Total proposed budget
Year1 Development	.2 FTE \$30,000	Supplies \$500 Travel \$2,500		.1 FTE \$16,500 Travel \$2,500	\$1,500	\$53,500
Year 2 Pilot	.25 FTE \$37,500	Supplies \$500 Travel \$2,500	100 students \$10,000	.15 FTE \$24,750 Travel \$2,500	\$1,500	\$79,000
Year 3 1 st year full deployment	.2 FTE \$30,000	Supplies \$1,000 Travel \$2,500	500 students \$50,000	Travel & Training of Retail mangers \$35,000	\$1,500	\$120,000
Year 4 2 nd year full deployment	.15 FTE \$22,500	Supplies \$1,000 Travel \$2,500	600 students \$60,000	Cost in retail branch budget	\$2,000	\$88,000
Years 5+ Fully deployed and funded	.1 FTE \$15,000	Supplies \$1,000 Travel \$2,500	1,000 students \$100,000	Cost in retail branch budget	\$1,500	\$120,000

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