



UNBANKED

New pressure on banks to offer affordable consumer accounts

By Kevin Wack October 19, 2020, 9:00 p.m. EDT 3 Min Read



Pressure is mounting on banks to offer low-cost accounts that could help bring more unbanked households into the financial mainstream.

On Monday, both the American Bankers Association and the Federal Deposit Insurance Corp. called on banks that do not already offer accounts designed for previously unbanked consumers to start doing so.

The basic accounts cost \$10 or less per month and they usually do not come with paper checks, and don't charge fees for either overdrafts or low balances. JPMorgan Chase, Citigroup, Bank of America and [Wells Fargo](#) are among more than 40 banks that offer such accounts, and on Monday ABA President and CEO Rob Nichols urged "the rest of the industry" to join them.

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“We believe that expanding the number of banks that offer these safe, affordable accounts can help lower the number of unbanked and underbanked in the country and promote financial inclusion,” Nichols said in a speech.

Core features of 'safe' bank accounts

Minimum opening deposit of \$25 or less

No fees for overdrafts, low balances or low activity

Monthly maintenance fees of \$5 or less

Free bill pay or four free money orders/cashier's checks per month

Unrestricted branch and ATM access in bank's network

Source: Cities for Financial Empowerment Fund

He added that 20 core providers — including Fiserv, FIS and Jack Henry — have committed to making it easier for banks that use their technology to offer the basic accounts.

FDIC officials made a similar appeal to banks during a conference call announcing the results of a biennial survey that tallies the number of Americans who lack bank accounts. The survey found that while 5.4% of U.S. households were unbanked in 2019, the lowest percentage since the survey began in 2009, Black and Hispanic households were substantially more likely than white households to be unbanked.



ignore the advice.

During the Obama administration, the Consumer Financial Protection Bureau [put pressure on the nation's 25 largest retail banks](#) not only to offer basic accounts, but also to promote their availability. But [a recent list of participating banks](#) from the Cities for Financial Empowerment Fund, which developed [the specific standards for so-called safe bank accounts](#), indicates that more than half of those top-25 banks are not currently offering the accounts.

Richard Cordray, the CFPB's former director, said in a recent interview that basic accounts appeal to younger consumers who are worried about overdraft fees. He said in an email Monday he is pleased to see the ABA advocating for financial inclusion, but suggested that the low-cost accounts themselves are little more than public relations vehicles if banks aren't actively marketing them in their communities.

"Having them for PR purposes, being able to show that they exist, is different from promoting them," Cordray said.

If Joe Biden gets elected president, financial inclusion figures to become a bigger priority for bank regulators than it has been during the Trump administration. Policy ideas that recently drew favorable mentions by a Democratic unity task force — made up of both Biden supporters and backers of Sen. Bernie Sanders — include postal banking and universal consumer accounts through the Federal Reserve.

The FDIC report released Monday showed that the number of Americans who lack bank accounts has fallen substantially over the last decade. The unbanked population peaked at 8.2% in 2011 and fell by more than a third over the next eight years.

FDIC officials attributed the trend largely to improvements in socio-economic circumstances during that period. But they warned that the pandemic-induced rise in unemployment is likely to cause more Americans to fall out of the banking system.

The agency's report also noted wide disparities between racial groups in 2019. "We found that approximately 14% of Black households, and 12% of Hispanic households, did not have bank accounts," said Karyen Chu, chief of banking and consumer research at the FDIC. "That compared with less than 3% of white households."

According to the FDIC, 48.9% of unbanked households in 2019 said that the main reason they did not have accounts was that they did not have enough money to meet minimum balance requirements. Another 16% cited a lack of trust in banks as the main factor, while nearly 9% pointed to either the size or unpredictability of bank fees.



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targeted specifically for transgender and nonbinary people, who often face outsized financial hardship.

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