

## Proposed Templates for Safe, Low-Cost Transactional and Basic Savings Accounts

We welcome this opportunity to comment on the above topic.

May 2010 4

### Figure 1

#### A Sample Template for

#### Safe, Low-Cost Transactional Account Features For LMI Consumers *Account Would Take the Form of a Low Fee Basic Checking Account or Insured Account-Based Debit Card*

#### Potential Features and Services to Consider Fees/

#### Other Aspects

#### Eligibility:

When opening an account, consideration could be given to apply latitude and flexibility (as permitted by law) when forming a reasonable belief about each customer's identify and when assessing the risk of opening a new account.

Risk management policies should indicate what flexibility is permitted under current regulations and the risk the bank is willing to take. There are some LMI people who do not have drivers' licenses, which is the primary form of identification.

#### Basic Characteristics

Opening balance deposit requirement \$10 - \$25-should be determined by each bank.

Monthly minimum balance requirement \$1 - okay

Monthly maintenance fee/service charge No/low fee – no fee is desirable

Total number of withdrawals per month – should not have a limit

If check-writing is permitted, the ability to write at least \_\_\_number of checks each statement cycle – should not have a limit

Unlimited number of electronic withdrawals (e.g., debit card and ATM card used in the bank network) - yes

No fee - yes

Electronic (e.g. phone, online or mobile phone) banking, including (at a minimum) the ability to view account transactions and transfer funds between accounts. - yes

No fee - yes

Overdrafts are not permitted and NSF fees are not assessed by the institution – rather than make exceptions to the newly enacted overdraft regulation, customers should opt-in or opt-out.

or

Checking account can be linked to a savings account or line of credit to cover overdrafts

No fee –if have savings account

Low fee – if there is availability of a line of credit

Account can receive deposits via direct deposit No fee -yes

Option to automatically transfer into a savings account a fixed percentage of each checking account deposit or a fixed dollar amount every month. –yes, and should be encouraged

No fee - yes

#### Other Financial Services Offered To Customers And Noncustomers

Money orders Competitive market

Rate – if customer, cashier's checks and money orders should be at lower rate than non-customers

Check cashing Competitive market

Rate – if customer, no fee

Ability to pay bills online, at the branch, or at on- and off-site kiosks. Competitive market

Rate – should be free

Domestic wire transfers Competitive market

Rate -yes

International remittances Competitive market

Rate - yes

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## Figure 2

### A Sample Template for

### Safe, Low-Cost Basic Savings Account Features

### For LMI Consumers

### Potential Features and Services to Consider Fees/

### Other Aspects

#### Eligibility:

When opening an account, consideration could be given to apply latitude and flexibility (as permitted by law) when forming a reasonable belief about each customer's identify and when assessing the risk of opening a new account.-

Risk management policies should indicate what flexibility is permitted under current regulations and the risk the bank is willing to take. There are some LMI people who do not have drivers' licenses, which is the primary form of identification.

#### Basic Characteristics

Opening balance deposit requirement No amount/as low as \$5 - yes

Monthly minimum balance requirement No amount/as low as \$1 - yes

Monthly maintenance fee/service charge None - yes

Withdrawals Standard notice of withdrawal

provisions would apply. (See

12 C.F.R. § 204.2(d)(1); See also

12 C.F.R. § 329.1(b).) – should be subject to current provisions

Deposits (including the ability to make deposits through direct deposit or

automatic transfer from a checking account at the institution) – should be encouraged

No fees -yes

Interest bearing Yes, and paid at a

competitive/market rate – yes

#### Public Comment

The FDIC is seeking comments on all aspects of the templates, including:

- What are the expected benefits to consumers using safe, low-cost transactional and basic savings accounts?

The expected benefits to consumers are having access to mainstream financial services that will help them build assets. Also, they will have better record-keeping that will create better money management skills. A key component is that they will pay less in fees than they now pay to check cashing services.

- If check-writing is permitted, should there be a maximum number of checks that can be written each statement cycle? If so, at least how many checks should be allowed to be written each statement cycle?

The burden to banks to keep track may be a hindrance. Account holders should be subject to policies that govern regular checking accounts. The more conditions placed on

the accounts, the less likely they will be “mainstreamed”, and less likely they will want to open an account.

- What is an appropriate range for "low fees" necessary to offset some of the financial institution's costs associated with offering a transactional account?

Each bank will follow its own policies based on marketplace competition. There should not be a mandated fee structure.

- What constitutes a reasonable range of competitive fees for other financial services (e.g., money orders, check cashing, bill payment, domestic and international wire transfers, and other financial services) offered to customers and noncustomers?

Again, each bank will base fee structures based on the marketplace. For account holders, check cashing, bill payments, debit cards, ATM usage and online banking should be free. Money orders, cashier's checks and wire transfers should be subject to fees, based on marketplace competition.

- What are some ways of minimizing the costs of offering transactional and savings accounts with attractive features for LMI underserved consumers?

Profitable banks that want to serve ALL their community will provide these accounts more as a service, with the intent that they are building a customer base which will utilize other bank products that will make a profit .

- Are there types of transactional accounts other than basic checking, basic savings accounts, and account-based debit cards that would be attractive to both LMI underserved consumers and insured financial institutions?

Added services would be low fee domestic and international wire transfers.

At Amarillo National Bank, we are committed to providing banking services to everyone. For years, the bank has offered products such as:

No fee, no minimum balance checking account; \$50.00 to open the account ( if needed, we open accounts with \$0.00, pending deposit.

Free ATM/Debit Card, no fees, no charge for the card

Free online banking

On overdraft fees, we lowered our fees to \$19.00. About 40% of accounts have fees waived, if not chronic overdraft situation. We do have flexibility based on conditions.

We offer no fee savings accounts, subject to provisions; \$30.00 to open account and the availability of an ATM/Debit card at no cost.

We cash checks for account holders for free and for non-customers we cash payroll checks drawn on our bank for free.

We need to remember that managing deposit accounts costs money. We do earn money on those accounts through lending and investments, but currently the spread is very narrow. With the Opt-In requirement, a large portion of recouped expenses will evaporate.

- **We have free checking now with a minimum deposit of \$50 and no transactional fees. Who is this new product aimed at and will there be specific criteria to be eligible?**
- **The \$10 to \$25 opening amount may be so low that transactions won't be feasible. You can't make many purchases for that amount. The low amount may mean the accounts are opened but not used.**
- **The appropriate range for "low fees" is currently a moving target. With Opt-In, our revenue to offset deposit account expenses will be cut. The bank is looking at alternatives to recoup those lost fees by beginning to charge for checking account services. Some of those fees could be in set up fees for auto transfers, monthly fees for bill pay or monthly fees for on-line access. Note: the bank pays about \$4.50 per account per month for on-line accounts and the same for bill pay customers that is currently not passed on to the account holder. We may have no choice but to charge for those transactions for which we get billed including ATMs.**
- **Not sure what the break even profitability balance for an account is – but I'm sure it is more than \$1. I suggest the minimum balance be higher than that. You might want to check with others about the profitability level.**

Thank you for the opportunity to make comment.

For further information, please contact Chris Newell, Compliance & CRA Officer at 806-378-8000.