

To: [SafeAccountTemplateComments@fdic.gov](mailto:SafeAccountTemplateComments@fdic.gov)

From: Dory Rand, Woodstock Institute

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Woodstock Institute applauds Chairman Bair and the FDIC's Advisory Committee on Economic Inclusion for proposing templates for safe, low-cost transactional and basic savings account products for lower-wealth consumers. Recent FDIC research documented the need for these products when data showed that while at least one-quarter of U.S. households either lack a bank account or use non-bank providers for some financial services, less than one-fifth of banks had targeted these markets as a strategic priority. Other recent research on high levels of asset poverty ([http://scorecard.cfed.org/issue\\_area.php?page=financial\\_assets](http://scorecard.cfed.org/issue_area.php?page=financial_assets)) and the growing racial wealth gap (<http://www.insightcced.org/uploads/CRWG/Racial%20Wealth%20Gap%20Brief%20Embargoed%205-17.pdf>) illustrate the need for affordable savings products and services to increase savings and assets among lower-wealth populations.

### **Comments on the Transactional Account Template**

Woodstock Institute agrees with the FDIC that key features that would be attractive to lower-wealth and underserved consumers must include: low and transparent fees (and no fees for withdrawals, electronic banking, direct deposit and automatic transfers); simple to use; easily understandable terms and conditions; FDIC-insured; and, subject to consumer protection laws, regulations and guidelines. We agree that opening deposits should not exceed \$10 to \$25 and minimum balance requirements should not exceed \$1. If a monthly maintenance fee is charged, it should not exceed \$3. In addition, the products and services must be sustainable offerings for financial institutions. The sustainability of these accounts should be measured not only in terms of direct revenue from these accounts but also in terms of revenue from cross-selling over a longer time period in which customers graduate to other products and services that offer greater returns. One way to minimize costs for banks and increase access for customers would be to offer greater access to products and services through ATMs and kiosks in addition to tellers and branches.

The proposed transactional account template is an insured transactional account that is structured as a low-fee, basic checking account or an insured account-based debit card. The potential benefits of these accounts include: a safe place to deposit money and take advantage of direct deposit; an easy and inexpensive way to cash checks, withdraw cash, and monitor account balances; a simple and inexpensive way to pay and keep track of bills; a way to establish a history of on-time payments that could improve credit worthiness; a vehicle for automated savings via transfer to another account; and, a way to avoid excessive fees. The automated transfer to savings feature is critically important for lower-wealth customers and should be actively marketed. Overdrafts should not be permitted. Woodstock Institute strongly supports and encourages banks to offer "second chance" checking accounts, where appropriate, to persons with blemished credit histories so that they can reenter mainstream banking. We agree that direct deposit should be encouraged but not required because many LMI workers do not have the option of direct deposit of payroll checks.

The potential benefits to banks from successfully marketing these transaction accounts to unbanked and underserved lower-wealth customers include millions more customers and deposits, opportunities to cross-sell other products and services, and positive consideration under the Community Reinvestment Act. Collection of data on the number and location of such transaction accounts opened would increase transparency and improve compliance with CRA obligations.

If check-writing is permitted on the transaction account, we believe that customers should be allowed to write at least 10 checks per month. Allowing fewer than 10 checks to be written would force customers to use the same high-cost fringe products that these accounts are designed to avoid. Customers should

have access to as much of their deposited funds as possible, as soon as possible (at least the first \$500, and not less than two business days after deposit). Woodstock Institute agrees that banks should offer other financial services to customers and noncustomers alike, such as: money orders; check cashing; online, in person and kiosk bill pay; domestic wire transfers; and international remittances. Products such as money orders are important because many landlords and small business owners in LMI areas do not accept checks. The “competitive market rates” charged for these services should be less than the rates charged by non-bank providers in order to entice customers into mainstream banking. To avoid gouging customers, rates for cashing checks and wire transfers should be capped and not based solely on a percentage of the check or wire transfer/remittance amount.

### **Comments on the Basic Savings Account Template**

The proposed basic savings account template is an insured account that encourages systematic or automatic deposit making, provides liquidity needed for coping with unexpected events, and does not penalize accountholders when withdrawals are made. Woodstock Institute agrees that these accounts should be offered for no or low fees (no monthly maintenance or deposit fee; not more than \$5 for opening deposit and not more than \$1 for monthly minimum balance). The savings accounts must be interest bearing and should carry a rate comparable to high-yield savings accounts. Current rates at below 1 percent are not sufficient to encourage savings. Woodstock Institute believes that traditional passbook savings accounts may also be of interest to segments of the LMI population who are very unfamiliar with banking and/or electronic transactions or do not have access to electronic banking options.

The potential benefits of these accounts to underserved populations include: a safe place to keep money and earn interest; a way to automatically build savings for an emergency fund; a place to build savings for longer-term asset goals such as going to college, starting a business, or buying a home; a way to model savings behavior for children and deposit children’s savings, gifts, allowances, etc. The potential benefits to banks from successfully marketing these savings accounts to unbanked and underserved lower-wealth customers include millions more customers and deposits, opportunities to cross-sell other products and services, the ability to increase revenue through increased lending, and positive consideration under the Community Reinvestment Act. Collection of data on the number and location of such savings accounts opened would increase transparency and improve compliance with CRA obligations.

Thank you for the opportunity to provide these comments.

Respectfully,

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