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Docket ID OCC-2018-0008

To Whom It May Concern,

Introduction

The Cities for Financial Empowerment Fund (CFE Fund) writes in response to this request for comment on the proposed rulemaking to reform the implementing regulations of the Community Reinvestment Act (CRA). The CFE Fund, as detailed below, is concerned that a change to the CRA evaluation methodology that focuses purely on quantifiable CRA activities may have the unintended consequence of undermining support for broader financial inclusion efforts that are more difficult to quantify in dollar value, such as increasing access to safe and affordable banking accounts. A growing number of financial institutions are responding to community needs by recognizing the importance of safe and affordable banking accounts as part of effective financial inclusion strategies, and we believe that financial institutions should continue to receive credit for these efforts.

Who We Are

The CFE Fund is a national nonprofit organization that has worked with over 80 cities and counties to help them implement large-scale, systemic financial empowerment initiatives for their residents including one-on-one financial counseling, asset building, access to safe and affordable banking accounts, and consumer financial protection.

Through a combination of technical assistance and grant funding, the CFE Fund leads the Bank On national initiative that supports almost 90 coalitions around the country to connect with millions of people who operate outside of the financial mainstream. Working with local government, community organizations, financial institutions, regulators, and researchers, we are keenly aware of the barriers and pain points that prevent those that are un- or under-banked from re-engaging with mainstream banking services. Through this multi-sector partnership, and building off the success of FDIC's Model Safe Account pilot, the CFE Fund created the first set of National Account Standards that defines features of safe and affordable checking accounts. Since the launch of the standards in 2015, over 50 financial institutions around the country have introduced a product that meets the Standards.

Why Banking Matters

Our collective experience and research has shown that banking access is a cornerstone of effective financial inclusion efforts, as well as a critical first step towards achieving financial goals like building savings, paying down debt, improving credit scores, and purchasing a home. Having a safe and affordable checking account is a pivotal first step in that process – but real barriers exist. In the FDIC’s 2017 National Survey of Unbanked and Underbanked Households, fees associated with checking accounts were identified as the main reason that individuals are unbanked. Additional reasons included having enough money to open and maintain an account.[1]

According to the FDIC’s research, more than 65 million individuals are un- or underbanked – some 25% of U.S. households. Communities of color and lower-income households are more likely to be un- and underbanked. Being underbanked has dramatic effects on financial stability. First, independent analysis finds that individuals without a bank account can spend \$40,000 on alternative and fringe financial services in their lifetime.[2] Second, being un- or underbanked decreases the ability to achieve financial goals. In an analysis of Financial Empowerment Centers that provided free one-on-one financial counseling to more than 20,000 individuals in five cities, the CFE Fund found that unbanked clients were half as likely to increase savings and a third less likely to improve credit scores. Conversely, unbanked clients who opened bank accounts during financial counseling were nearly eight times more likely to increase their savings.[3]

Bank On

The national Bank On initiative is a multi-sector partnership to create pathways for un- and underbanked individuals to re-enter the financial mainstream. At the core of the initiative are the National Account Standards (the Standards) that are designed to address critical pain points for consumers and limit risk for institutions including overdraft fees, low monthly fees, low opening deposit, and bill pay functionality. The 17 required core features in the Standards address the issues identified by the FDIC as primary reasons that individuals are unbanked. Over 50 financial institutions now have accounts that meet the Standards, including the six largest banks in the country. More than 22,000 branches in every state and Washington, D.C. offer accounts that meet the Standards.

The Federal Reserve Bank of St. Louis recently conducted a pilot study of Bank On account performance, which describes the success and value of accounts. The business and community cases for accounts are strong. Across just four reporting banks, the Federal Reserve Bank found that there were more than 600,000 new accounts opened in 2017, with 1.3 million currently open.[4] Additionally, the accounts were a positive tool for bringing un- and underbanked customers into the bank: 72% of opened accounts were opened by clients who were completely new to the bank. In 2018, based on the success of the pilot and financial institution interest and commitment, the CFE Fund and the Federal Reserve Bank opened the reporting up to all financial institutions with an account meeting the Standards; 10 financial institutions with certified accounts submitted data. Banks are anxious to share their success. In 2019, KeyBank who was not part of the pilot study reported more than 800,000 individuals with their Bank On certified Hassle Free accounts.[5]

Bank On successes are not only in creating safe, affordable accounts but also in leveraging existing, large-scale public programs and services as account opening opportunities. As one

example, the CFE Fund supported 16 cities to develop partnerships with local banks and credit unions to integrate banking access into municipal summer jobs programs for young workers. As part of the hiring process, workers could easily open accounts and enroll in direct deposit; many first-time workers were also opening their first banking accounts. As another example, in 2019, the CFE Fund provided grants and technical assistance to six adult workforce programs run by nonprofits and municipalities to implement banking access into the training curriculum. One nonprofit, Our House, partnered with First Security Bank to open Bank On certified accounts in Little Rock, Arkansas, for workers reentering the workforce who also received financial counseling.[6] As documented in [this video](#), the participants were instantly connected to the financial mainstream and more likely to succeed in their new jobs. Banks play an integral role in strengthening these already-existing programs while receiving CRA credit for partnering with nonprofits and municipalities in low- and moderate-income tract areas.

Community Reinvestment Act Credit

Across the country, banks are finding success with offering Bank On certified accounts and supporting local coalitions. The accounts are banking the un- and underbanked, at scale, while fostering cross-sector partnerships that improve existing public programs. The Community Reinvestment Act's Interagency Q&A (Federal Register, Vol 81, No 142, July 25, 2016) specifically highlights the importance of delivering effective retail banking services that are tailored to the needs of low- and moderate-income individuals, such as low-cost transactional accounts. In addition, multiple senior regulatory leaders addressing Bank On partners in both public and private settings have expressed their enthusiasm for these product offerings and for the service test eligibility.

We are concerned that a change to the CRA evaluation methodology that focuses purely on a single performance ratio of quantifiable CRA activities may have the unintended consequence of reducing banks' incentive to support service test activities, such as safe and affordable banking access as well as meeting the unique needs of LMI communities within their footprint.

Given the core objective of ensuring that financial institutions continue to meet the credit and retail banking needs of their communities and as highlighted in the recent "Joint Statement on CRA Consideration for Activities in Response to the COVID-19"[7], we would urge that any CRA reform effort continues to have a retail service test that credits the efforts of financial institutions to provide access to safe and affordable accounts such as those that meet the Bank On National Account Standards. In addition, investments in account opening partnerships that measurably improve financial inclusion should qualify for community development credit.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Mintz', with a stylized flourish at the end.

Jonathan Mintz
President & CEO
Cities for Financial Empowerment Fund

Citations

[1] Federal Deposit Insurance Corporation. *2017 Annual Survey of Unbanked and Underbanked Households*. <https://www.fdic.gov/householdsurvey/>

[2] Matt Fellowes and Mia Mabanta. *Banking on Wealth: America's New Retail Banking Infrastructure and Its Wealth-Building Potential*. The Metropolitan Policy Program, Brookings Institution. (June 01, 2016): https://www.brookings.edu/wp-content/uploads/2016/06/01_banking_fellowes.pdf

[3] The Cities for Financial Empowerment Fund. *An Evaluation of Financial Empowerment Centers: Building People's Financial Stability Public Service*. (2018): <http://cfefund.org/wp-content/uploads/2017/07/FEC-Evaluation.pdf>

[4] Federal Reserve Bank of St. Louis and the Cities for Financial Empowerment Fund. *The Present and Future of Bank On Account Data: Pilot Results and Perspective Data Collection*. (2019): <https://joinbankon.org/wp-content/uploads/2019/05/The-Present-and-Future-of-Bank-On-Account-Data-Pilot-Results-and-Prospective-Data-Collection.pdf>

[5] Yuka Hayashi. *Bank Accounts Designed for Low-Income Customers Find Broader Audience*. Wall Street Journal (January 3, 2019): <https://www.wsj.com/articles/bank-accounts-designed-for-low-income-customers-find-broader-audience-11546533480>

[6] Bank On Arkansas, Our House Project 2019. <https://vimeo.com/370703239>

[7] Joint Statement on CRA Consideration for Activities in Response to the COVID-19 <https://www.fdic.gov/news/news/financial/2020/fil20019.html>