

Bringing Safe, Low-Cost Deposit Accounts to Underserved Consumers:

Lessons from the FDIC Model Safe Accounts Pilot

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Purpose

Conduct a one-year pilot to determine the feasibility of insured depository institutions offering safe, low-cost transaction and savings accounts to help meet the needs of the almost 34 million U.S. households that are either unbanked or underbanked.

Participating Banks

- **Bath Savings Institution**, Bath, Maine
- **Citibank**, New York City, New York
- **Cross County Savings Bank**, Middle Village, NY
- **First State Bank**, Union City, Tennessee
- **ING DIRECT**, Wilmington, Delaware
- **Liberty Bank and Trust Co**, New Orleans, Louisiana
- **Pinnacle Bank**, Lincoln, Nebraska
- **South Central Bank**, Glasgow, Kentucky
- **Webster Five Cents Savings Bank**, Webster, Massachusetts

FDIC Model Safe Accounts Template

Transaction Acct

- Electronic, card-based account
- No overdraft or NSF fees
- Free: direct deposit, automatic saving, and online access
- Open bal. \$10 - \$25
- Monthly min bal. \$1
- Monthly maint. fee up to \$3
- Money orders/e-checks
2 free/mo

Savings Acct

- Interest bearing
- Free: direct deposit, automatic saving, and online access
- Opening bal. \$5
- Monthly min bal. \$5
- Monthly maint. fee
free if min balance met

FINDINGS

High-Level Findings

- A majority of banks stated that Safe Accounts performed on par with or better than their other deposit accounts.
- Most institutions reported that the cost of offering Safe Accounts was roughly the same if not lower than the costs of offering other deposit accounts
- A large proportion of consumers remained banked, suggesting that consumers may be able to maintain successful banking relationships using Safe Accounts.
- Potential risks associated with account mismanagement or fraud were unrealized.
- The higher retention rate, combined with lower risks suggests that Safe Accounts may have greater longevity and lower costs than other accounts.

LESSONS LEARNED

Emerging Business Models

- Many different business models emerged, suggesting that the Model Safe Accounts Template is flexible enough to be used in a wide variety of circumstances.
- Models employed by participating banks are:
 - partnership
 - re-entrant
 - new entrant
 - cross-selling
 - internet

Potential Risks

- Banks concerned about fraud and overdraft risks
 - The incidence of accounts holding negative balances was reported to be relatively low.
 - Several pilot institutions stated that any concerns they may have harbored about potential fraud risk at the beginning of the pilot were not realized.
 - A number of pilot banks stated that they found Safe Accounts to be no more risky than other deposit accounts.

Challenges

- Marketing and advertising
- Establishing a presence in new markets
- Ensuring adequate staff training

Summary

- The results of this one-year pilot suggest that opportunities exist for financial institutions to offer safe, low-cost transaction and savings accounts to underserved and LMI consumers.
- The fact that a large proportion of accountholders remained banked during the year suggests that consumers can maintain successful banking relationships using Safe Accounts.
- The relatively higher retention rates, in combination with the low fraud and account mismanagement risk, suggests that there may be greater account longevity and lower costs associated with Safe Accounts.

Final Report

The final report is available at:

[http://www.fdic.gov/consumers/template/
SafeAccountsFinalReport.pdf](http://www.fdic.gov/consumers/template/SafeAccountsFinalReport.pdf)