



Bank On and CRA: A Powerful Yet Simple Change That Can Increase Financial Inclusion

BPI Staff | March 16, 2020

The American success story includes a bank account. The first family home, the first car, the first paycheck – not to mention the transactions that keep daily life moving – depend on banking. We have also seen during this pandemic that without a bank account it generally takes longer and can be more cumbersome for recipients to get access to government relief funds.

Without bank accounts, consumers rack up fees – as much as \$40,000 worth of them over a lifetime – to use expensive and often exploitative services like check cashers and payday lenders.¹ And with banks, Americans are more likely to save for their future.

According to a 2020 Federal Reserve [report, 6 percent of American adults are unbanked and another 16 percent are underbanked](#).² That's an improvement over previous years, but it needs to be better. That's why banks are investing in reaching as many customers as possible through the [Bank On](#) initiative, a program offered by the non-profit Cities for Financial Empowerment Fund that sets the terms of a low-cost basic banking account and encourages banks to offer and consumers to use certified accounts.

Certified Bank On accounts are designed to address the reasons why some consumers have historically been shut out of traditional banking. These accounts generally cap monthly fees at \$5 (and in no case more than \$10), have no overdraft fees, offer a debit card, and have low opening deposit requirements. They bring more Americans into the formal banking system, where they can establish or rebuild credit and build wealth.

Banks want to offer these low-cost accounts to meet the needs of low- and moderate-income individuals and create relationships with more households. The Community Reinvestment Act should offer a strong incentive for banks, particularly community banks, to offer such accounts, but their status under CRA presently is unfortunately unclear. There is anecdotal evidence that some banks that offer this product do receive credit, both for offering the accounts and also for their participation in the Bank On coalitions, through volunteering, provision of financial support, and helping establish banking access connection to programs. But it is not clear how much or how consistently. The Interagency CRA Questions and Answers identify low-cost deposit accounts as a retail banking service that improves access to financial services or decreases costs for low- and moderate-income individuals that would be eligible for credit under the service test.³ The Federal Reserve Bank of St. Louis, in its [2019 Report](#) on the Bank On National data hub, which collects data on Bank On accounts, notes that the certified Bank On accounts support service test examinations under the CRA. But a clear, industry-wide mandate is lacking.

¹ Brookings Institution, "Banking on Wealth: America's New Retail Banking Infrastructure and Its Wealth-Building Potential," Jan. 22, 2008: <https://www.brookings.edu/research/banking-on-wealth-americas-new-retail-banking-infrastructure-and-its-wealth-building-potential/>

² The FDIC, whose household banking surveys also examine access to banking services, removed the term "underbanked" from its report from after issuing many previous reports using that term. <https://www.fdic.gov/analysis/household-survey/index.html>

³ Under the OCC's final CRA rule, retail banking services will be accounted for on a qualitative basis as part of performance context. We urge the OCC to issue an interpretation/guidance clarifying whether low-cost deposit accounts such as a certified Bank On account will be eligible for CRA credit.

Greater clarity about whether a certified Bank On account would be eligible for credit under the CRA would serve as incentive for even more banks nationwide to offer these accounts, thus increasing the ability of the banking industry to provide to historically unbanked and underbanked populations the benefits of participation in the banking system. The federal banking agencies can provide this clarity by including in any final CRA regulation a clear treatment of these accounts, and issuing interim guidance pending issuance of such a rule.

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