

# **Economic Inclusion and the FDIC Model Safe Account Template**

**Opportunity for Consumers and Insured  
Depository Institutions**

**Presented by Janet Gordon,  
Associate Director, Community Affairs  
FDIC**



# Economic Inclusion

- FDIC supports broad economic inclusion in the financial mainstream, through promoting the widespread availability and use of safe, affordable and sustainable products and services from insured depository institutions.
  - Benefits consumers: safety; consumer protections; and access to asset building opportunities
  - Benefits the banking system: public confidence and trust; broad customer base; sustainable relationships

# Safe Account Template

- Purpose
- Development
- Pilot and Assessment
- Evolution

# Safe Account Template

- Purpose: To help meet the needs of 25 percent of U.S. households that are either unbanked or underbanked and serve as an on-ramp to mainstream institutions.
- Development: Advisory Committee on Economic Inclusion
- Core features:
  - Insured deposits with consumer protections
  - Transparent charges
  - Low-costs with fees that are proportional to costs
  - Electronic access
  - No insufficient funds or overdraft fees

# Pilot Safe Transaction Account

## CORE FEATURES

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

## ADDITIONAL FEATURES

- Financial education
- Link between transaction and savings account
- Line of credit
- Small-dollar loans
- Kiosk bill pay
- Domestic/international wire transfers

# Pilot Results: Transaction Accounts

- Account retention was in line with other transaction accounts. A large proportion of account holders – about 80% -- were retained over the year.
- Average opening balance among banks was \$244, ranging from \$200 to \$400.
- Average monthly balance among banks was \$243, ranging from \$200 to \$300
- Costs were generally reported as the same or lower due to card-based features, measurement varied.

# Pilot Results: Transaction Accounts

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

# Pilot Results:

## Some Success Factors

- Real time, front line relationship building provided by tellers and customer service representatives was important for many of the pilot banks.
- Tellers/Customer Service Reps were trained to offer Safe Accounts and provide basic financial education.
- As a result of this training, consumers who might have otherwise been turned away, were able to open a Safe Account.

# Pilot Results: 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.

# Pilot Results: Challenges

- **Competition**—Several banks spoke about the challenge of reaching potential customers in communities where there is a strong presence of non-bank financial services providers.
- **Attracting Customers**—A few pilot banks found it difficult to reach consumers who either had either little experience with banks or had a negative perception of banks.

# Pilot 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 low overdraft risk, in combination with the higher retention rates, suggests that there may be greater account longevity and lower costs associated with Safe Accounts.

# Recent Developments

- Institutions continue to implement accounts consistent with the Safe Account Template
- Card-based transaction accounts
  - Two regional institutions
  - Two very large national banks
- Pre-paid cards that encourage banking relationships
- Details (including presentation video) at [www.fdic.gov/about/comein/index.html](http://www.fdic.gov/about/comein/index.html)

# Comments from New Entrants

- Rationale is better service and a tailored product for existing customers who have regular overdrafts: lower cost for customers and bank
- Bank is focused on emerging markets and tailoring auxiliary services and outreach
- Bank is offering a full product suite and the card-based account is an attractive option for many customers who want to “keep it simple”

# FDIC Community Affairs Contacts

- Community Affairs Specialist in Baltimore and  
Community Affairs Officer, New York Region
  - Cynthia DuRant, [CDuRant@fdic.gov](mailto:CDuRant@fdic.gov)
  - Valerie Williams, [VWilliams@fdic.gov](mailto:VWilliams@fdic.gov)
- Community Affairs in Washington DC
  - Janet Gordon, Associate Director  
[JaGordon@fdic.gov](mailto:JaGordon@fdic.gov)