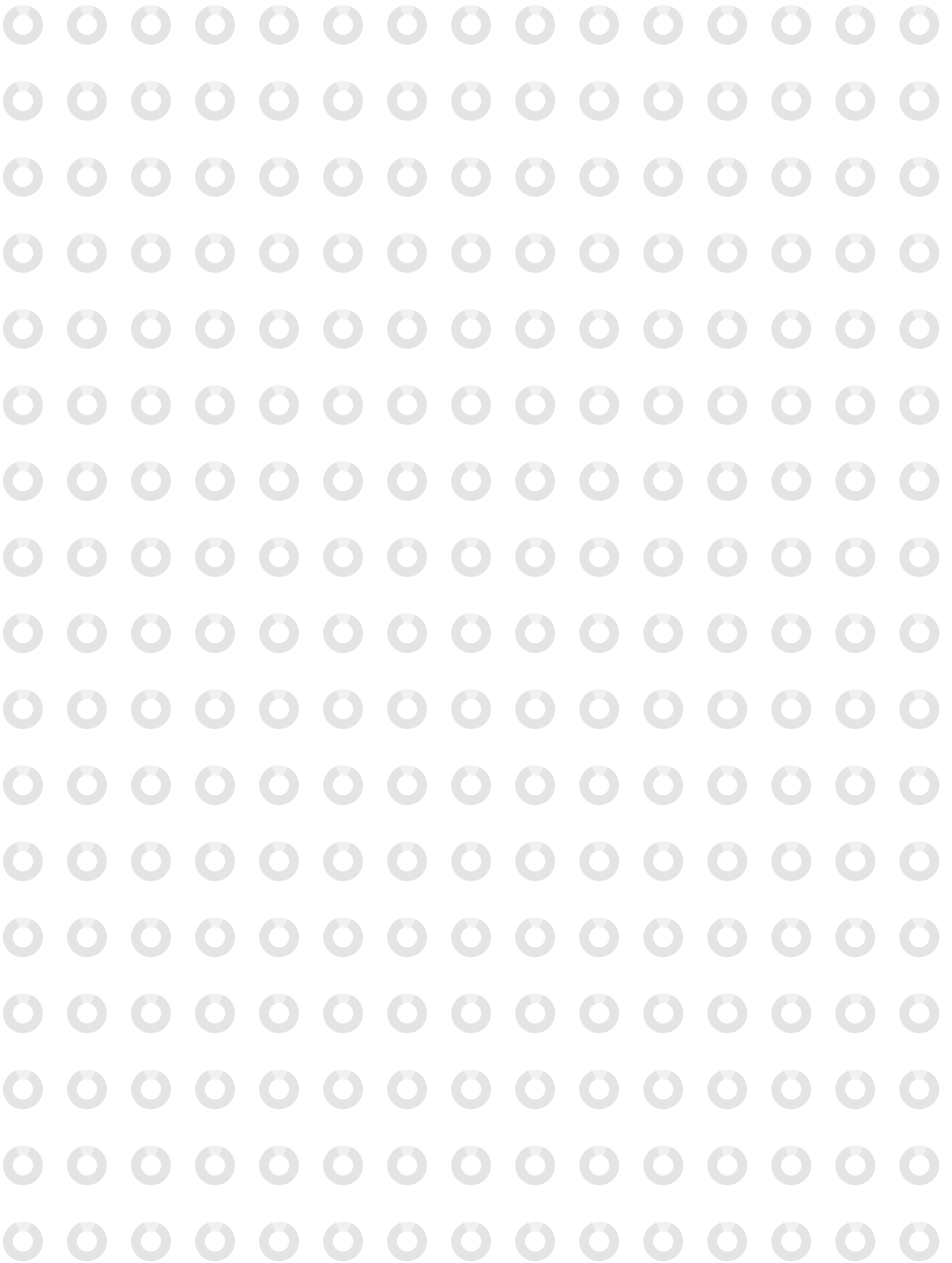


The Present and Future of Bank On Account Data

Pilot Results and Prospective
Data Collection



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Executive Summary

Nearly 27 percent of U.S. households are unbanked and underbanked, which significantly constrains their ability to save reliably, access credit, and achieve other important financial goals. While past financial education and literacy efforts have raised awareness of these issues, there is mixed evidence on the overall effectiveness of such programs, with many studies finding little to no proven impact on consumer financial behaviors. The national Bank On movement seeks to professionalize banking access efforts across the country through supporting local coalitions, increasing the availability of safe and affordable banking products that meet Bank On National Account Standards, and helping connect unbanked and underbanked people to these products.

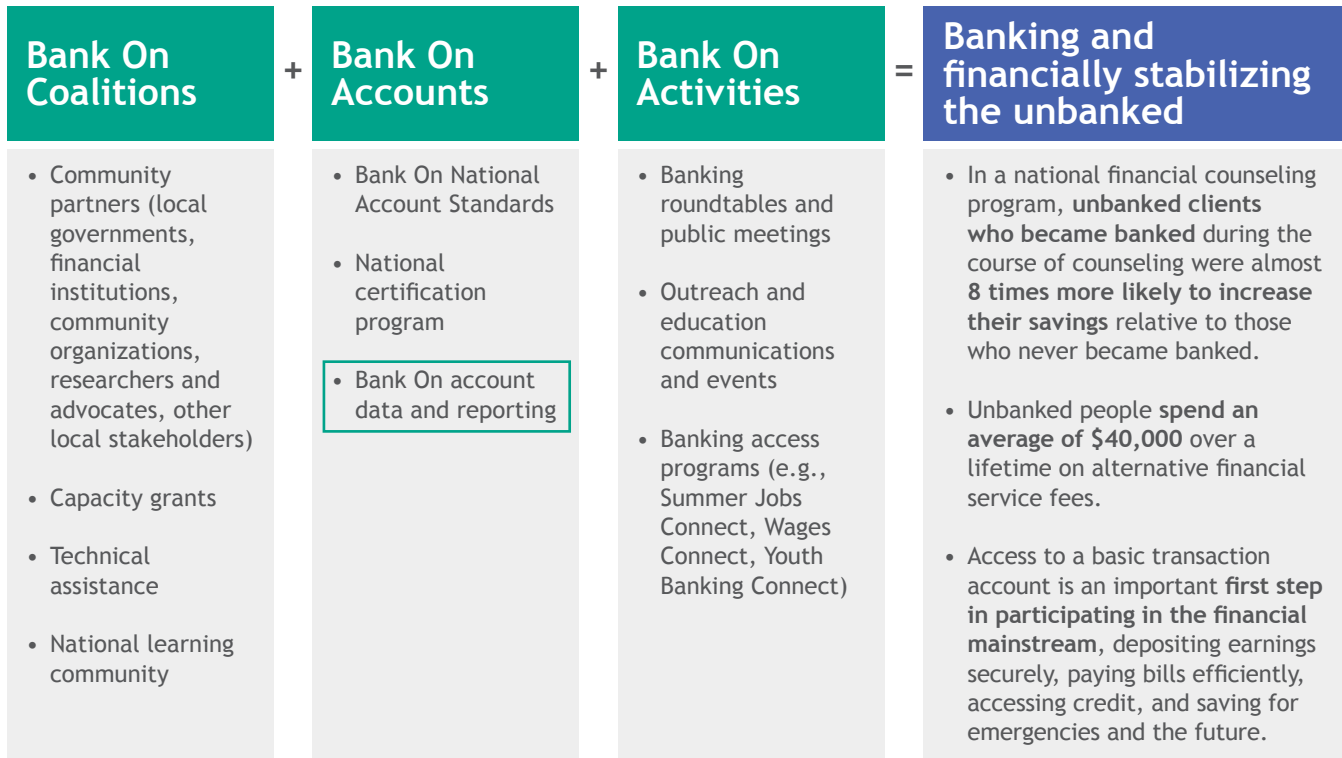
Central to these professionalization efforts is reliable and consistent data demonstrating how consumers use these products. To this end, the Federal Reserve Bank of St. Louis and the Cities for Financial Empowerment Fund (CFE Fund) launched a pilot study in 2017 to demonstrate the takeup and usage of Bank On accounts with four financial institutions: Bank of America, JPMorgan Chase, U.S. Bank, and Wells Fargo. In addition, the pilot study tested how a centralized Bank On data collection process could operate before a national reporting platform is established for all financial institutions offering certified Bank On accounts. National Bank On account data reflects the maturation of this movement: Standardized, national data, aggregated by a federal regulator, allows stakeholders to better understand the market at the national, regional, and local levels. These data demonstrate the vibrant market for these accounts and can motivate current and future financial institution partners to offer accounts that meet the standards. It also underscores the success of local coalition efforts to connect unbanked people to accounts, and can spur the launch of new coalitions and new programmatic integration partnerships.

KEY TAKEAWAYS

- **The Bank On Data Pilot Demonstrates the Growing Professionalization of Bank On Efforts.**
 - In partnership with the Federal Reserve Bank of St. Louis, the CFE Fund's Bank On Data Pilot tracked data on banking accounts certified as meeting the Bank On National Account Standards across data metrics in three categories: Account Opening; Account Usage and Consistency; and Online Access.
 - The data analyzed from the Bank On pilot study supports what the field already knows about the implications of banking status. These data represent the next step in the growth and professionalization of the national Bank On movement. Giving partners the ability to quantify the impact of Bank On nationally and locally, as well as how consumers are opening and using safe, affordable transaction accounts, is an important milestone for banking access efforts.
- **The Market for Bank On Accounts Is Robust.**
 - Data from the first year of Bank On data reporting with the four initial pilot banks shows how the market is responsive to and robust for Bank On accounts, with nearly 3 million Bank On certified accounts opened to date across the country. Of those, over 1.3 million accounts were open and active in 2017 and nearly 600,000 accounts were newly opened in 2017.
 - On average, 72 percent of accounts opened in 2017 were opened by customers new to the financial institution. Accounts were widely and regularly used for traditional banking transactions, including multiple monthly deposits, withdrawals, and debits. Overall, pilot banks processed an average of more than 16 million debit transactions per month for account holders, with an average value of over \$511 million each month.

- **Financial Institutions See the Value of Centralized Reporting.**
 - Pilot financial institutions highlighted the value of reporting account data to a trusted regulatory partner with rigorous data and reporting protocols, as the reporting structure streamlined the numerous data requests they previously received from local coalitions.
 - Future reports with additional financial institution partners will continue to highlight the growth of the Bank On market and support local banking access efforts.

The Bank On Equation: How Key Pieces Fit Together



¹ <http://cfefund.org/wp-content/uploads/2017/07/FEC-Evaluation.pdf>

THE IMPACT OF A BANK ACCOUNT

The national Bank On movement works to support unbanked populations in getting banked and becoming financially stable. Access to a basic transaction account is an important first step in participating in the financial mainstream, depositing earnings securely, paying bills efficiently, accessing credit, and saving for emergencies and the future. It is a cornerstone of financial stability, and thus a critical step in helping individuals and families work toward a strong financial future.

According to the FDIC’s 2017 National Survey of Unbanked and Underbanked Households, approximately 25 percent of U.S. households—over 63 million adults—are unbanked or underbanked. Without a bank account, people lack the ability to save reliably or automatically, or establish a banking relationship that can lead to accessing affordable credit. In addition, being unbanked makes it harder to achieve other important financial goals. A recent evaluation of the CFE Fund’s Financial Empowerment Center initiative¹ found that unbanked financial counseling clients were half as likely to be able to increase savings and over a third less likely to establish a new credit score, even when working closely with trained, professional counselors. The same evaluation found that unbanked clients who became banked during the course of counseling were almost eight times more likely to increase their savings relative to those who never became banked.

The Growth of the Bank On Movement

²As of Oct. 1, 2018

Bank On is a national movement that supports and professionalizes local efforts to expand banking access for consumers outside the financial mainstream, including through municipal infrastructure. Started in 2006 in New York and San Francisco, individual Bank On initiatives have launched in more than 75 cities over the last dozen years. The CFE Fund now leads this national movement, providing technical assistance, grant funding, programmatic standards and central infrastructure to support the local leadership of over 75 Bank On coalitions across the country.

Bank On coalitions are local partnerships between municipal officials, city, state and federal government agencies, financial institutions, community organizations, researchers, and consumer advocates that work to improve the financial stability of unbanked and underbanked residents in their communities. Their work includes raising public awareness about the importance of banking access; working with local financial institution partners to negotiate accounts that meet Bank On National Account Standards; and connecting residents to these accounts through outreach and programmatic integrations.

While locally led, the CFE Fund supports coalitions by liaising nationally with banking, regulatory and nonprofit organization partners to expand banking access, including through the first-ever Bank On National Account Standards and accompanying Bank On account validation and certification process. The standards outline the core features and functionality of a safe and appropriate account, including low or no fees, no possibility of overdraft fees, and robust debit card and online bill pay functionality. The list of financial institutions offering such products continues to expand across the country; 20 certified products already are available at over 25,000 branch locations nationwide.² As this list of certified products continues to grow, it is particularly important to understand both the financial institutions' and newly banked consumers' product experiences.

FINANCIAL INSTITUTIONS AND BANK ON NATIONAL ACCOUNT STANDARDS

The Bank On National Account Standards offer centralized, national guidance for financial institutions to prioritize account offerings that highlight their commitment to:

- meeting disconnected consumers' needs,
- connecting with programmatic banking access opportunities,
- expanding their customer base, and
- meeting regulatory guidance for community reinvestment.

The CFE Fund provides a public certification seal for transactional consumer accounts offered by financial institutions that meet Bank On National Account Standards. Local coalitions can rely upon such certifications when choosing to highlight accounts available to local residents and when choosing with whom to partner for banking access programs. Additionally, financial institutions market their product-specific national certification seal to highlight that their account meets national standards. The CFE Fund also promotes Bank On certified accounts through inclusion in Bank On marketing materials and in communications with local Bank On coalitions, as well as in its own programming investments.

These Bank On certified accounts help financial institutions reach new unbanked and underbanked customers and bring them into the financial mainstream, starting a new banking relationship. These accounts can benefit consumers with volatile incomes who need accounts with low minimum required balances; consumers who have left the mainstream banking system due to past experiences with overdraft issues and are looking for accounts that will not be subject to overdraft fees and have flexible account screening; or those who were turned off by high or unpredictable fees. Bank On certified accounts aim to provide a safe, affordable and functional

banking experience that allows consumers to build or rebuild a relationship with a mainstream financial institution. Financial institutions offering Bank On certified accounts are also poised to attract people entering the banking world for the first time, including young people and students, as they build new long-term banking relationships.

In addition, products certified as meeting the Bank On National Account Standards support Community Reinvestment Act (CRA) service test examinations. The most recent CRA Questions and Answers guidance highlights the availability of low-cost deposit accounts, the extent to which they reduce costs, and the degree to which services are tailored to meet the needs of people with low and moderate incomes as supportive of the regulatory evaluations by examiners.

BANK ON ACCOUNT DATA AND THE ROAD TO A DATA COLLECTION PILOT

As Bank On coalitions continue to launch and thrive across the country, and as the growth of accounts that meet Bank On National Account Standards demonstrates the movement of the consumer financial product market, data that contributes to the evaluation of the impact and reach of these products is critical. In the past, such data has been a point of friction. Local coalition efforts to collect this data from their financial institution partners have been difficult and unreliable, often putting financial institutions with regional and national reaches in the difficult position of being asked to satisfy divergent requests from different partners across their footprint. And over time, Bank On stakeholders became skeptical of any reported impact numbers.

In addition, this inconsistent data collection across coalitions meant there were no national metrics quantifying the success of the Bank On movement. Local coalitions would receive local data, but little data aggregation across coalitions to show the impact of the movement as a whole. Since each coalition collected different metrics, there was also no way to compare impact to find which coalitions were most effective.

Further, according to the financial institutions participating in the pilot study, financial institutions initially had reservations about participating in Bank On coalitions because of the specific reporting requests they would often receive and the administrative burden participation placed on bank employees. Thus, the four financial institutions were motivated to participate in the pilot study as it was one more step towards greater standardization and would benefit their organizations internally as well as externally.

To address the inconsistency of data reporting, the CFE Fund worked to amass a single set of data metrics and built a partnership with the St. Louis Fed to establish a pilot data collection process for national Bank On financial institution partners. The St. Louis Fed's involvement played a critical role in facilitating national Bank On data reporting. Financial institutions were open to sharing proprietary account data with a trusted regulatory partner with rigorous data and reporting protocols. The St. Louis Fed's long history of regional banking access support made them an ideal choice for this reporting partnership.

Setting the Context: The Importance of Bank On Data

The CFE Fund worked with its Bank On National Advisory Board to form a working group—the Metrics of Success Committee—to tackle data reporting challenges. The Committee established a three-part approach to measuring impact: collecting financial institution data on the takeup and performance of all accounts certified as meeting the National Account Standards; measuring coalition productivity through metrics related to coalition activities; and measuring the CFE Fund's impact through the

growth and strength of the national movement. This disaggregated approach represents a significant and more quantifiable shift in how coalitions have traditionally measured success, and was a critical step in the formation of a reporting model that captures key account and movement metrics.

Bank On National Advisory Board		
Name	Title	Organization
Anna Alvarez Boyd	Senior Associate Director, Division of Consumer and Community Affairs	Board of Governors of the Federal Reserve System
Robert A. Annibale	Global Director	Citi Community Development and Citi Inclusive Finance
José Cisneros	Treasurer and Tax Collector	City and County of San Francisco
Mark Colucy	Product Executive	JPMorgan Chase & Co.
Martin Eakes	Chief Executive Officer	Self-Help and the Center for Responsible Lending
Thomas Foley	Deputy Director	World Institute on Disability
Heidi Goldberg	Director, Economic Opportunity and Financial Empowerment, Institute for Youth, Education and Families	National League of Cities
Daniel Dodd-Ramirez	Assistant Director, Office of Financial Empowerment	Consumer Financial Protection Bureau
Bob Jones	President and CEO	Old National Bank
Tishaura Jones	Treasurer	City of St. Louis
Angie Lathrop	Community Affairs Executive, Global Corporate Social Responsibility	Bank of America
Andrea Levere	President	Prosperity Now
Andrea Luquetta	Deputy Director	California Reinvestment Coalition
Cathie Mahon	President and CEO	National Federation of Community Development Credit Unions
Shelley A. Marquez	Senior Vice President/Community Development Manager	Wells Fargo Bank
Mary Miklethun	Senior Vice President, Consumer Banking	U.S. Bank
Nick Bourke	Director of Consumer Finance	The Pew Charitable Trusts
Laura Scherler	Director, Financial Stability & Success	United Way Worldwide
Jennifer Tescher	President and CEO	Center for Financial Services Innovation
Non-Board Attendees		
Elizabeth Ortiz	Deputy Director, Consumer and Community affairs	Federal Deposit Insurance Corporation
Barry Wides	Deputy Controller, Community Affairs	Office of the Comptroller of the Currency

WHAT THIS DATA ADDS TO BANK ON

For financial institutions, this data helps quantify and highlight the performance of Bank On certified products by making the metrics consistent among participating financial institutions.

In addition, data reported as part of this Bank On pilot provides information on safe and affordable accounts and their usage in low-income ZIP codes—creating the opportunity for financial institutions to use this information for CRA regulator examinations of their community investments. These CRA examinations specifically call out improved access to financial services for low- and moderate-income individuals, including products such as low-cost bank accounts, which improve connectivity and decrease costs.

Similarly, local coalitions will have easy access to relevant and manipulable data. Data on growth and usage of Bank On certified accounts is helpful for coalitions to have to share their progress with interested stakeholders, including philanthropic partners. Coalitions can further illustrate their impact by coupling account information with data that they can collect themselves—such as on the

number of engaged financial institutions, outreach efforts and programmatic integrations.

For the broader Bank On movement, these data represent the next step in growth and professionalization. The ability to quantify the impact of Bank On nationally and the ways consumers are opening and using safe, affordable transaction accounts is an important milestone for banking access efforts.

Bank On data add thorough quantitative data to what the field already knows about the implications of banking status. The FDIC's National Survey of Unbanked and Underbanked Households, among other important resources, provides important top-line information on the banking status of consumers across the U.S. The Bank On pilot adds additional detail to overall knowledge about banking access, including information about the popularity and usage of nationally certified safe and affordable transaction accounts.

This report provides an overview of Bank On metrics and why they were chosen, with data from the four financial institutions participating in the initial data pilot. The data, consumer-aggregated and institution-anonymous, are reported down to the ZIP code level, with three or more institutions reporting, and are publicly available to local Bank On coalitions and other stakeholders.

The Bank On Data Pilot

The goal of the Bank On data pilot study was to demonstrate that data on Bank On certified accounts could be collected using a consistent and centralized method. Further, the aim was understanding the demand for and use of Bank On certified accounts, and the experiences of the four financial institution partners—Bank of America, JPMorgan Chase, U.S. Bank and Wells Fargo—as they participated in the data collection process. Each of the institutions volunteered to work with the CFE Fund on building out the data reporting pilot, including agreeing to submit their account data to the St. Louis Fed.

The Bank On data pilot was a nonexperimental study; therefore, the CFE and St. Louis Fed teams did not analyze the outcomes of Bank On certified accounts for individual account holders. The teams chose to study the transaction data of these accounts to inform the design and offering of Bank On certified accounts as well as future data collection processes.

Building on the recommendations of the Bank On National Advisory Board's Metrics of Success Committee, the CFE Fund and the St. Louis Fed convened representatives and regulators from financial institutions to determine the most critical metrics for reporting, as well as to think through the mechanics and other practical issues associated with the effort. In formulating and finalizing which data points would be reported, the priorities were to establish a list that not only accurately represented how customers were using these certified products, but that also balanced the feasibility of reporting components critical to representing Bank On progress. The extensive process to finalize the list included exercises to determine both the "why" and the "how" behind each metric.

The sample of Bank On accounts studied for each metric from the four institutions participating in the pilot represents 26,761 ZIP codes throughout the United States and its territories. The St. Louis Fed team also aggregated the data by ZIP codes with three or more reporting institutions, representing accounts in 10,935 ZIP codes.

Through regular communication among the pilot participants, committee members, regulators and others, the CFE Fund and the St. Louis Fed established the pilot metrics detailed in the following section.

Bank On Metrics

The Bank On data pilot tracked activity and usage of banking accounts certified as meeting the Bank On National Account Standards across the data metrics detailed below. There are three categories of metrics: Account Opening; Account Usage and Consistency; and Online Access. Both the Metrics of Success Committee

and data pilot participants suggested annual reporting to simplify the data reporting process. To ensure that seasonal and cyclical trends are apparent, some metrics are broken out by month.

The aggregated data are publicly available on the St. Louis Fed website at the ZIP code level for areas where three or more financial institutions that participated in the pilot are reporting. The identifier by ZIP code is essential to local Bank On coalitions for identifying where markets and coalition activity are strong.

This section discusses each metric in detail, as well as the insights each brings to the Bank On community and stakeholders.

ACCOUNT OPENING METRICS

Account opening is a key measurement used by both financial institutions and Bank On coalitions to understand the growth and popularity of an account, as well as account attrition. To contextualize account opening momentum across the country, included in the key metrics are the number of:

- total certified accounts opened;
- accounts newly opened;
- new accounts opened by customers new to the institution;
- accounts newly closed; and
- open accounts.

Accounts Opened

This metric refers to the number of Bank On certified accounts opened since the product, in its certified state, was available at the institution.

Reporting on the running total of certified accounts opened provides the Bank On community with numbers that support and identify how the movement is scaling its impact through Bank On National Account certification, as well as the general appeal of products that meet the certification standards.

Beyond the national movement, this metric also provides data locally and regionally to demonstrate local successes. The number of Bank On certified accounts opened can serve as a benchmark for local coalition efforts to help residents get banked or move to a safer, more affordable accounts. Accurate, consistent account opening numbers can also be useful for gaining both government and philanthropic support for banking access efforts, as well as helping coalitions attract new financial institution and social service partners.

Table 1. Bank On Metrics for Data Pilot

Account Opening	Total number of certified accounts opened
	Number of accounts open (2017)
	Number of accounts newly opened (2017)
	Number of account-opening customers new to institution (2017)
	Number of accounts newly closed (2017)
Account Usage and Consistency	Number of account holders utilizing direct deposit
	Number of account holders frequently utilizing direct deposit
	Number of account holders making debit transactions
	Frequency of debit transactions per month
	Total value of debit transactions per month
	Number of account holders making withdrawals
	Frequency of withdrawals per month
	Total value of withdrawals per month
	Number of account holders making deposits
	Frequency of deposits per month
	Total value of deposits per month
Month-end balance	
Online Access	Total number of account holders using bill pay
	Frequency of online bill pay per month
	Total value of online bill pay per month
	Number of accounts using peer-to-peer (P2P) transactions
	Number of P2P transactions per month
	Value of P2P transactions per month
	Number of accounts that are digitally active

Accounts Newly Opened

This metric refers to the number of Bank On certified accounts opened within the reporting year.

Tracking the number of these accounts provides coalitions with data to both assess the impact from their year's efforts, as well as to study how this number varies by city, region or ZIP code.

Number of New Account Customers New to the Institution

This metric is the number of Bank On certified accounts opened by individuals who were not account holders on the day of account opening.

This number helps demonstrate to financial institutions how an account is attracting a new customer base, often key to the longer-term sustainability of such accounts. While this metric does not capture whether a customer was unbanked or underbanked prior to opening a Bank On certified account, it may serve as an indicator for previously unbanked and underbanked and/or new customers opening the accounts, data that are otherwise almost impossible to track.

Number of Accounts Newly Closed

This metric represents the total number of certified accounts closed in the reporting period for any reason. The account attrition rate is a key part of the equation in assessing the vitality of a product. For example, a low closure rate could help demonstrate the vitality and usage of accounts, and financial institutions' internal comparisons of the rate with that of other accounts in their portfolios may prove useful.

Number of Accounts Open (During Reporting Year)

This metric represents the total number of accounts that were open at any point during the reporting year, capturing the entire universe of Bank On certified accounts open during 2017.

The number of individual accounts that were open and potentially active at any point during the reporting year is used as the basis

for estimating the percentage of account holders using direct deposit and online banking, along with other key metrics. The Accounts Open number helps to show a complete picture of account usage across all accounts that were being used during the reporting year.

ACCOUNT USAGE AND CONSISTENCY METRICS

Beyond account opening, it is also important to understand how account holders are using Bank On certified accounts for everyday transactions, to illustrate the accounts' robust functionality and ability to meet consumers' transactional needs. These metrics will also help inform the Bank On National Account Standards by providing quantitative data that demonstrate the usage, and thus the importance, of specific account characteristics.

Direct Deposit

- Number of accounts utilizing direct deposit: The total number of accounts with any automated clearing house (ACH) deposits made in the reporting year
- Number of accounts frequently utilizing direct deposit: The number of accounts that receive any ACH deposit at least twice per month

The Bank On National Account Standards require that account holders have free deposit capability at a branch, at an ATM, or through direct deposit. Understanding direct-deposit usage and frequency will help demonstrate the importance of this requirement.

These metrics can be used to indicate whether account holders are consistently using the accounts, and using the accounts' full functionality—such as free direct deposit of paychecks—without turning to alternative financial services.

Direct-deposit usage can also show the continuity of the account and often indicates that account holders will keep the account as they are using it as their main transactional account.

Identifying the number of account holders frequently using direct deposit helps differenti-

ate between infrequent users (who, for example, do not have direct deposit options through an employer but have a single tax refund deposited directly) and frequent users (those with workplace-offered direct deposit), providing another window into customer usage.

Debit Transactions

- Number of account holders making a debit transaction: The number of account holders who make a debit transaction through online or point-of-sale (POS) purchases in the reporting year
- Number of debit transactions per month
- Value of debit transactions per month

These metrics demonstrate how consumers are using products for everyday transactions by quantifying how many accounts are being used to conduct noncash transactions, and thus how account holders are interacting with the mainstream noncash economy. Tracking this usage also can help financial institutions further identify product sustainability and demand by helping to show the robustness of account usage.

These debit metrics represent a primary way that most people use bank accounts. The number of accounts making debit transactions provides information about the spending habits of the account holders, specifically on noncash transactions and purchases. The data also help to illustrate how Bank On account holders are generating interchange revenues for financial institutions.

In addition, cross-referencing the number of accounts making debit transactions and the total number of debit transactions monthly with the dollar value of these transactions can provide more detail on the frequency and value of average debit transactions. These transactions potentially could show that for some financial institutions, these products are truly profitable, and thus sustainable, while also meeting consumer needs.

Withdrawals

- Number of accounts making withdrawals: The number of accounts used for any form

- of withdrawal within the reporting year
- Number of withdrawals per month
- Value of withdrawals per month

Tracking withdrawals is critical to understanding account usage and the ways customers access their money using their Bank On certified accounts. Withdrawal types may include ATM usage, teller withdrawal or transfers to another account. The total number of withdrawals made, as well as their value, helps identify the amount of money that customers are regularly obtaining, how often they are withdrawing it and how they are withdrawing it.

Withdrawal behavior is an indicator of safe banking and money management. For example, all certified Bank On accounts are required to offer free and unrestricted in-network ATM and branch withdrawals, with no overdraft or insufficient (NSF) fees. Thus, account holders could make smaller, more regular cash withdrawals as needed, rather than concentrating them in a few large withdrawals to avoid fees. This withdrawal behavior would indicate that account holders are carrying cash in smaller amounts, not walking around with large amounts of cash, and using their account as a money management tool, rather than a one-time conduit for a lump-sum withdrawal. Nevertheless, one financial institution participating in the pilot study observed some customers making large one-time cash withdrawals, suggesting some accounts were being used like a check cashing service.

Deposits

- Number of account holders making deposits: The number of accounts making any non-ACH deposit by check or cash
- Number of deposits per month
- Value of deposits per month

Tracking deposits helps measure products' effectiveness in helping people keep 100 percent of their earnings by being able to safely deposit money without fees and, importantly, by not using a check casher or other alternative financial service.

Similar to withdrawals, deposits are also an indicator of account usage. Additionally,

the collective value of these deposits represents the size of the market of people using Bank On certified accounts, which can help make the case for other financial institutions to offer accounts that meet Bank On National Account Standards.

ONLINE ACCESS METRICS

Online banking capabilities (e.g., bill pay and online access) serve as trusted and convenient options for paying bills or transferring funds between accounts or to other people, all while keeping funds and customers' accounts safe.

Online Bill Pay

- Number of accounts using online bill pay
- Number of online bill pay transactions per month
- Value of online bill pay transactions per month

Online bill pay usage metrics not only can display robust account usage but also can help make the case for the importance of this functionality. For example, financial institutions with high money-order usage rates and low bill pay takeup might seek to then make product changes that meet customer needs and lead to cost savings through greater bill pay capabilities.

Tracking the total number of accounts used for bill pay in the reporting year, as well as the monthly number and value of online bill payments, demonstrates how account holders are managing payments and paying bills. It shows how, and if, customers are fully leveraging the benefits and features their banking product offers.

Peer-to-Peer Transactions

- Number of accounts used for peer-to-peer (P2P) transactions
- Number of P2P transactions per month
- Value of P2P transactions per month

Usage of P2P capabilities—which allow customers to transfer and receive money, pay

someone and be paid by someone through their accounts—demonstrates how account holders are using the account for their full range of financial needs.

As financial technology advances, P2P capabilities are seen as critical functionality for consumers of all ages and their banking preferences.

Additionally, financial institutions often obtain interchange revenue from P2P transactions. Thus, tracking P2P capabilities and their usage also supports further analysis of how payments outside of the checking systems work and benefit financial institutions.

- Month-end balance: The month-end balance of all accounts currently open at each financial institution

In addition to account usage, account balances are critical indicators for financial institutions in assessing new account holders' behaviors. These data can serve as a general indicator of account usage and activity, and also can provide insight on the income level of the accounts' customer base.

- Number of digitally active accounts

The reporting system also documents the total number of customers who are digitally active, as defined by the financial institution, to assess the number of account holders who have online access and use it for transactions. An often articulated concern from financial institutions is that the account holders will have a high demand for in-branch customer assistance. Digitally active accounts indicate that customers have the capability to leverage online functionality, such as to check account balances or deposit checks, which lessens the on-site branch burden. These data can help stakeholders understand the value of, and demand for, online access. Similarly, tracking digitally active accounts provides financial institutions with a high-level view of how customers with Bank On certified products embrace and utilize nonbranch features that come with their new banking relationship.

POTENTIAL FUTURE METRICS

For this pilot, the team prioritized the most feasible metrics that would provide meaningful qualitative results. However, there are a number of other metrics that would be interesting to track in future efforts that could support additional best practices for expanding safe and affordable banking access through Bank On certified accounts.

Future efforts and additional studies might include measuring product migration and graduation, which can be useful in demonstrating the power that certified accounts have to retain account holders. For example, customers may begin with a Bank On certified account and use it for some time, then “graduate” to a more sophisticated account, open a credit card or savings account, or take out a loan.

Data Pilot Results

Data from the Bank On pilot study show how robust and responsive the market for Bank On accounts is. The four financial institutions participating in the pilot showed that nearly 3 million Bank On certified accounts have been opened. Of those, 1,386,362 accounts were open and active in 2017, and they represented 26,761, or more than 60 percent, of ZIP codes nationwide. The data for each metric discussed in this section were calculated based on the combined total of Bank On certified accounts during the 2017 pilot year. All data presented were rounded to the nearest whole dollar or percent. Following the data submission, the St. Louis Fed team conducted interviews with representatives from each institution. Common themes were identified among the institutions and are included in this section to provide further context.

Account Opening

This data set looks at account opening in a few ways that offer different measures of demand for products certified as meeting Bank On National Account Standards. The running total of accounts opened over time and number

of accounts newly opened during the reporting period offer a perspective on growth and momentum, which in subsequent years will allow for annual comparisons that reflect the growth of the marketplace. Tracking the percentage of all customers new to a financial institution who opened Bank On accounts—72 percent in 2017—helps demonstrate the ability Bank On products have to attract new customers or bring old ones back to the financial mainstream. This is a critical indicator that these accounts are reaching the intended audience and demonstrates for the financial institutions a key component of product sustainability.

Account closures are reported as well. Nationally, 25 percent of accounts were closed in 2017. While there are no national benchmark data to put this number in context, each of the participating financial institutions stated that the account closure rates were in line with expectations because the portfolios are “young” and the accounts had low average balances.

Table 2. Bank On Customers’ Account Opening at Pilot Financial Institutions (combined)

Total number of accounts ever opened	2,927,610
Total number of accounts currently open	1,386,362
Total number of accounts opened in 2017	595,286
Customers new to financial institution	72%
Accounts closed in 2017	25%

Direct Deposit

Direct deposit is a telling indicator of consistent usage by account holders, as well as an indication that account holders are using the full functionality of the account. Direct deposit data can also show the ‘stickiness’ of Bank On accounts, taking into consideration the fact that direct deposit rates in general tend to be low among low- and moderate-income workers. Notably, the data showed that more than a third of the 34 percent of account holders who used direct deposit during the reporting year were using direct deposit at least twice per month.

Debit

Similarly, tracking debit transactions clearly demonstrates how consumers are using Bank

Table 3. Bank On Account Holders’ Direct Deposits at Pilot Financial Institutions (combined)

Account holders using direct deposit	34%
Direct depositors with two or more direct deposits per month	36%

Table 4. Bank On Account Holders’ Debit Transactions at Pilot Financial Institutions (combined)

Account holders making debit transactions	85%
Average number of debits per account per month	12
Average debit amount	\$32
Total debit transactions	194,268,277
Total value of all debit transactions	\$6,142,508,287

Note: The averages for the number of debits figured is based on the percentage of accounts where debit transactions were made.

Table 5. Bank On Account Holders’ Withdrawals and Deposits at Pilot Financial Institutions (combined)

Account holders making deposits	87%
Average number of deposits per month	2,455,604
Average number of deposits per month per account	2
Average value of deposits	\$277
Total value of all deposits	\$8,165,403,070
Account holders making withdrawals	88%
Average number of withdrawals per month per account	13
Average withdrawal amount	\$54
Total value of all withdrawals	\$11,783,289,589

Note: The averages for the number of deposits and withdrawals figured is based on the percentage of accounts where deposit and withdrawal transactions were made.

³An unbanked person faces average annual fees of \$198.83 for check cashing and money order services, according to a study by NerdWallet.

At an average of 13 times per month, 88 percent of account holders were making withdrawals that average \$54, indicating the accounts’ utility as money management tools. Considering that payments were also made through bill pay, P2P transactions and debit card usage, cash withdrawals represent a small part of how funds were being used, but support the indication that account holders were using their accounts, and that they were using them for varied purposes.

Online Usage

Nearly 74 percent of account holders were digitally active, which speaks to the appeal and importance of the online banking capabilities that Bank On accounts offer. Bill pay, specifically, is not a feature of every certified account. (Some offer free money orders instead.) Therefore, calculating a percentage of bill pay utilization is not possible from this data set. However, in areas where most accounts do have bill pay, coalitions might find it valuable to view these data at the ZIP code level to understand local usage.

While the combined total shows almost three-quarters of account holders were digitally active, representatives from the pilot financial institutions that have accounts offering bill pay were surprised that more account holders were not using the online option.

On products for everyday transactions by quantifying how many accounts are being used to conduct noncash transactions. Pilot banks processed over 16 million debit transactions on average per month for these account holders, for an average of over \$511 million in debit transaction value per month.

Overall, account holders used debit functionality frequently—85 percent of account holders nationally made debit transactions, with \$32 as the transaction average. This data shows a primary way that account holders used their bank accounts, highlights both the value and the frequency of usage, and underscores that account holders rely on this mainstream feature for regular financial transactions.

Withdrawals and Deposits

Customers are accessing their money using account withdrawal and deposit capabilities, both of which are indicators of safe banking and money management. Among the four pilot financial institutions, 87 percent of all account holders were making non-ACH deposits with an average value of \$277. NerdWallet data indicates that the ability to make free withdrawals and deposits would have saved those account holders \$200 each. If all the account holders had used those abilities, collectively they would have saved \$277 million.³ Savings made possible by using a Bank On account for withdrawals and deposits are important to acknowledge.

Person-to-person (P2P) payments were used by 18 percent of account holders; it will be instructive to monitor usage over time as more individuals and even small businesses take advantage of the no-cost transactional feature.

Data Breakdowns by Selected Cities

The first set of data discussed in this report, on Bank On accounts offered by pilot financial institutions, speaks to the vibrancy of Bank On accounts and the ways in which current account holders—nearly 1.4 million nationwide—rely on them daily as a safe and functional way to manage their money. In addition, local coalitions in the United States can drill down this data to see ZIP code level information for their cities. (Only ZIP codes with three or more reporting institutions are included in the data set to maintain anonymity.)

To highlight the opportunity for local analysis, this report includes 2017 data for six specific locations of diverse size and geography, based on 10,900 reporting ZIP codes with pub-

Table 6. Bank On Account Holders’ Online Usage at Pilot Financial Institutions (combined)

Average number of bill pays per month per account	1
Average bill pay amount	\$188
Account holders using P2P	18%
Average number of P2P transactions per month	505,887
Average amount of a P2P transaction	\$70

licly available data. Future data sets with more reporting financial institutions will provide Bank On coalitions and other stakeholders with even more robust account usage figures at the local market level. Given the numerous partnerships across the country between local Bank On coalitions and the participating financial institutions, representatives from each financial institution shared their interest in seeing how their accounts performed compared with the combined data. Further, each financial institution also expressed eagerness to have all local data available on a centralized platform for all interested stakeholders to use.

Table 7. Selected 2017 Metrics for Selected Cities with ZIP Codes with Three or More Reporting Financial Institutions

	Bronx	Los Angeles	Miami	San Antonio	San Francisco	St. Louis
Account holders using direct deposit	36%	32%	35%	35%	36%	38%
Direct depositors with at least two direct deposits per month	36%	33%	33%	37%	38%	31%
Account holders making debit transactions	87%	86%	86%	86%	82%	79%
Average number of debits per account per month	9.7	12.8	12.9	14.8	14.8	10.7
Average debit amount	\$35.43	\$30.60	\$30.79	\$31.06	\$30.68	\$31.11
Account holders making withdrawals	93%	91%	91%	89%	87%	81%
Average number of withdrawals per month per account	12.7	14.0	14.2	15.8	15.8	12.2
Average withdrawal amount	\$68.63	\$56.19	\$55.43	\$49.64	\$54.92	\$28.29
Account holders making deposits	93%	90%	91%	88%	86%	46%
Average number of deposits per month	2.4	1.9	2.2	1.9	2.0	2.2
Average value of deposits	\$262.88	\$317.75	\$274.74	\$260.82	\$289.23	\$332.21
Account holders using bill pay	2.8%	2.1%	3.4%	1.9%	2.4%	2.7%
Number of bill pays per month per account	1.1	0.9	0.8	0.7	0.7	0.9
Accounts using P2P	32%	17%	22%	14%	14%	6%
Average number of P2P transactions per month	2.5	1.9	2.0	1.7	1.5	1.4
Average P2P amount per transaction	\$19.54	\$46.08	\$76.71	\$67.77	\$85.25	\$189.79
Accounts that are digitally active	74%	69%	79%	74%	69%	63%

The Urban Institute reports that the Bronx borough in New York has the highest share of unbanked (21.8 percent) and underbanked (30.5 percent) households in New York City, more than three times higher than the national unbanked rate of 7 percent. In addition, the Bronx has the lowest concentration of bank branches per household of any county in the nation,⁴ while also having the lowest median household income in the five boroughs of New York City. Despite these statistics, Bank On accounts are actively being used in the Bronx, with over 12,000 new customers opening Bank On accounts in 2017. Additionally, 87 percent of account holders in the Bronx were using their accounts for debit transactions and to make an average of roughly 13 withdrawals of \$68 per month. This indicates that Bank On products can be an entry point to the financial mainstream, since there is usage by consumers who may have been entirely unbanked before opening their accounts.

Direct deposit was similarly utilized across diverse cities, highlighting the accounts' ability to promote safe deposits and cost savings. In the six highlighted locations, 32 to 38 percent of account holders used direct deposit. More than 33 percent of that group were frequent direct depositors, an indication that these are account holders who will keep their accounts open because they are using them as their main transactional accounts. Account holders in these locations also used the accounts for digital activities and P2P transactions. Notably, 93 percent of all account holders in the Bronx, and 88 to 91 percent in San Antonio, Los Angeles and Miami, made a deposit, indicating that the accounts served as a viable alternative to check cashers.

The anonymized data set at the ZIP code level with three or more reporting financial institutions aggregated by the St. Louis Fed is published on the St. Louis Fed website. The entire data set can be downloaded and customized for ZIP code and city analysis to assist Bank On coalitions, as well as financial institutions, in examining the data in a local context. Moving forward, all financial institutions with accounts certified as meeting Bank On National Account Standards will be able to report their own data to further support and inform Bank On efforts both at the national and local levels.

Conclusion

The Bank On data pilot study demonstrated data on Bank On certified accounts could be collected using a consistent and centralized method, as well as showed the high demand for and widespread use of Bank On certified accounts. This report is a major step forward in understanding Bank On account usage through a sample of quantitative data from partner financial institutions. With the help of the first four pilot banks, the importance of trusted, consistent and comparable data to highlight the vibrancy and usefulness of Bank On certified accounts is clear. These data are critical to demonstrate, and encourage, the momentum of the Bank On movement and the importance of safe and affordable banking products. Further, these data will inform the processes and reporting for future data collection with additional financial institution partners to continue highlighting the growth of the Bank On market and to support local banking access efforts.

The CFE Fund's Bank On Coalition Playbook includes a chapter on how Bank On coalitions can use this data to support their work of expanding banking access and the availability of Bank On accounts at the local level.

