

“Bank On” Transaction Accounts: Making Traditional Banking More Inclusive

April 13, 2021



Paul Calem

202.997.0867

Paul.Calem@bpi.com

Introduction

“Bank On” is a national program whose goal “is to ensure that everyone has access to a safe and affordable bank or credit union account.” It comprises local partnerships of city, state, and federal government agencies, financial institutions and nonprofit organizations. These local Bank On coalitions are joined nationally under the leadership of the Cities for Financial Empowerment (CFE) Fund, with the common goal of promoting financial inclusion through expanded access to low-cost transaction accounts.

A focal point of the Bank On effort is to have banks and credit unions offer deposit accounts that meet the National Account Standards developed for the program by the CFE Fund, its Advisory Board and other stakeholders. Financial institutions with appropriately low-cost accounts that meet these standards, which include having low minimum balances and no overdraft fees, can apply for national Bank On certification by the CFE fund.

This research note offers a brief introduction to the Bank On program, and examines data on number, use and geographic distribution of Bank On certified accounts, collected for a study launched in 2017 by the CFE Fund and the Federal Reserve Bank of St. Louis and later made available to the public.

These data show that the take-up rate for Bank On accounts is greatest in areas with high concentrations of lower-income and minority households, as indicated by the ZIP codes associated with the accounts. For instance, close to 60 percent of Bank On certified accounts opened in 2017 were for customers residing in areas with more than 50 percent minority population, whereas only 30 percent of the branches of the banks participating in the study were located in such areas. Similarly, about 46 percent of accounts opened in 2017 were in ZIP codes with more than 50 percent LMI population, more than double the share of participating institutions’ branches within this neighborhood category. Thus, Bank On appears to be achieving significant success in reaching the population it has targeted.

Background on Bank On

Since its inception in 2006 as an effort to expand banking access in the cities of New York and San Francisco, Bank On has transformed into a national effort joining together more than 75 local Bank On coalitions.¹ The local coalitions work to increase public awareness about the importance of banking access; negotiate account terms that meet the program’s National Account Standards; and engage in outreach efforts to build awareness of Bank On products.

¹ As of October 2018. The discussion in this section draws on material in [bankon_data.pdf \(stlouisfed.org\)](https://www.bankon.org/data.pdf)

The CFE Fund provides national leadership for the local initiatives by providing technical assistance, grant funding and a central infrastructure that connects nationally with banking, regulatory and nonprofit organization partners to facilitate the local efforts. Information about best practices is shared with local Bank On coalitions in the form of the CFE Fund’s [Bank On Coalition Playbook](#), which covers a range of topics including guidelines for launching a Bank On Coalition and recommendations on effective communication with unbanked individuals. The CFE Fund also ensures that the program’s National Account Standards are maintained by implementing the Bank On account validation and certification process.

The National Account Standards define core features of a convenient and affordable transaction account for households that may have difficulty meeting minimum balance requirements or paying monthly maintenance or other fees associated with traditional accounts. The current, full set of Standards is presented in Appendix 1.

The Standards include a minimum opening deposit of \$25 or less, and no or low (\$5 or less) monthly maintenance fee. They disallow surprise or penalty fees for overdrafts, non-sufficient funds, low balances or account dormancy. Accounts may allow for negative balances, but customers cannot be charged fees if this occurs.²

The Standards also call for much of the same functionality as the typical bank transaction account, including direct deposit; free and unrestricted in-network ATM access; debit card issuance; and online bill pay and mobile banking (for institutions with these online banking capabilities). The Standards strongly encourage lifting common barriers to consumers opening accounts. For example, consumers should not be excluded from opening a bank account by screening for prior incidence of bounced checks; they should be denied only for past incidences of actual fraud, and they should be able to utilize alternative forms of identification, such as municipal or consular IDs.

Banks and credit unions with accounts that meet the Standards may apply for certification from the CFE Fund through an [online portal](#). The “public certification seal” granted by the CFE Fund facilitates marketing efforts. Also, the CFE Fund promotes Bank On certified accounts through inclusion in Bank On marketing materials and in communications with local Bank On coalitions.

Bank On certified accounts help financial institutions reach currently unbanked and underbanked customers with the potential to build a long-term banking relationship. These may be consumers who have volatile incomes needing accounts with low minimum required balances and low, predictable fees, or individuals entering the banking world for the first time, including young people, students and recent immigrants.

The number of financial institutions offering Bank On certified accounts tripled from 2018 to January 2021 to 60 firms, with 76 institutions currently offering the accounts. The accounts are offered at banks and credit unions that hold nearly half of the national deposit market share (45 percent as of January 2021) with branches located in every state and in 99 of the largest 100 metro markets.³ The program continues to grow its footprint.

Bank On Pilot Study and National Data Hub

The Federal Reserve Bank of St. Louis and the CFE Fund launched a data collection and pilot study in 2017 to examine take-up and use of Bank On accounts, with participation of four financial institutions: Bank of America,

² There are no grace period, warning, or fee reversal exceptions to this requirement. Transactions may be denied when an account balance is insufficient, and the bank may cancel a customer’s account after repeated overdraft attempts. Bank On participating institutions are encouraged to minimize the possibility of overdraft by offering checkless transaction accounts; low balance alerts; and smartphone apps or other money management tools.

³ See [About – BankOn \(joinbankon.org\)](#)

JPMorgan Chase, U.S. Bank and Wells Fargo. 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 Reserve Bank.

The primary goal of the data pilot study was to design and test a centralized data collection process in anticipation of establishing a national reporting platform for institutions offering Bank On certified accounts. Another aim was to develop an understanding of the take-up and use of these accounts. In particular, the pilot study aimed to identify practical and informative metrics for gauging account take-up and use:

“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.”⁴

The pilot study demonstrated how data on Bank On certified accounts could be collected in a consistent and centralized manner across institutions. Following the conclusion of the pilot study, the Federal Reserve Bank of St. Louis made available to the public a version of the study dataset that aggregates the metrics by ZIP code (available [here](#).)

Building on the experience of the pilot study, the CFE fund and St. Louis Fed afterwards initiated an annual, standardized data collection. The stated goal is to establish and maintain a “National Data Hub” to support analytics that advances understanding of the market for these accounts.⁵

A list of the 23 account activity metrics included in the annual data collection is presented in Appendix 2. There are three categories of metrics: account opening and closing; account usage and consistency; and online or digital access.⁶ These are collected from each institution at the ZIP code level. This geographic granularity enables financial institutions to use this information for Community Reinvestment Act reporting purposes.

The first post-pilot year of data collection was 2018, with 10 institutions participating. The Federal Reserve Bank of St. Louis recently published a [report](#) presenting various aggregated statistics based on these data. The report indicated that about 1.35 million Bank On certified accounts were currently open, with nearly 800,000 opened at the ten reporting banks in 2018. Three-fourths of the newly opened accounts were associated with customers new to the institution. Only a quarter of the open accounts had direct (ACH) deposit activity, but three-fourths had electronic debits. Most (70 percent) customers used online banking (were digitally active) during the year.

Unlike the sample for the pilot study, the data collected for the National Data Hub are not available to the public at the ZIP code or any such granular level. However, the Federal Reserve Bank of St. Louis makes available a data query tool (accessible [here](#)) that enables stakeholders and other interested parties to examine local metrics.⁷

Analysis of Data from the Pilot Study Sample

As noted previously, following the conclusion of the pilot study the Federal Reserve Bank of St. Louis provided a public version of the dataset that aggregates the data by ZIP code. The St. Louis Fed also published a [report](#)

⁴ See [bankon_data.pdf \(stlouisfed.org\)](#), page 8.

⁵ Informed by the pilot experience, minor changes were made to the collection procedures and set of metrics. See [2019_bankon_report_final.pdf \(stlouisfed.org\)](#), page 6.

⁶ For identification of seasonal and cyclical trends, the usage and consistency metrics and most of the online access metrics are broken out by month.

⁷ The “Bank On Coalition Playbook” includes a [chapter](#) detailing how to use the local data query tool.

describing and presenting summary statistics for the metrics included in the study. This section revisits the public dataset from the pilot study, merging in neighborhood income and demographic variables to analyze account take-up and usage patterns by neighborhood category.

The public dataset limits the sample to ZIP codes with data from at least three of the four reporting institutions, resulting in exclusion of more than half of the ZIP codes in the original sample: whereas the latter has 26,761 ZIP codes according to the St. Louis Fed report, the public version has 10,935. However, the public version of the dataset has only 10 percent fewer currently open accounts: 1,249,741 are in the public dataset, compared to 1,386,362 in the full sample. Therefore, and as confirmed below, excluding the ZIP codes with only one or two reporting institutions does not materially affect the findings of the analysis.

Neighborhood demographic information by Census tract is obtained from the 2010 Decennial Census dataset. Demographic measures utilized are share of the population that identifies as non-white (Black or African American, Hispanic, Asian-American, or Native American or Native Hawaiian); and share of the working-age population (age 21 or older) that is under 35. These tract-level variables are allocated to ZIP codes using the tract-to-ZIP mapping available from the U.S. Department of Housing and Urban Development (HUD).⁸

The share of the ZIP code's population that is low- or moderate-income (LMI) is based on low- or moderate-income population share by Census tract, which is derived from 2011-2015 American Community Survey (ACS) data, based on Census 2010 geography, and [obtained from HUD](#). These tract-level LMI shares are then allocated to ZIP codes by again using the HUD mapping.

Take-up by neighborhood classification. Table 1 presents findings on account take-up by neighborhood classification. Two take-up metrics are considered alongside two comparison benchmarks. The take-up metrics are number of accounts currently open and number of new accounts opened in 2017 within each ZIP code category, as a percentage of all currently open and newly opened accounts, respectively.⁹ The first comparison benchmark is based on the pilot study sample's ZIP code distribution: the percent of sample ZIP codes within each category. The second comparison benchmark is based on the overall branch location distribution of the four institutions that participated in the pilot study: the percent of these institutions' branches within each ZIP code category (including branches with ZIP codes that are not in the analysis sample).¹⁰

Clearly, from Table 1, Bank On certified accounts disproportionately associate with areas that are predominantly minority-populated. Close to 60 percent of accounts opened in 2017 were in ZIP codes that are more than 50 percent minority, more than double the share of participating institutions' branches within this neighborhood category. Conversely, only 7 percent of accounts opened in 2017 were in areas with less than 15 percent minority population, whereas 19 percent of the participating institutions' branches are in these areas.

Likewise, Bank On certified accounts are disproportionately in areas that are predominantly low- or moderate-income. About 46 percent of accounts opened in 2017 were in ZIP codes with more than 50 percent LMI population, more than double the share of participating institutions' branches within this neighborhood category.

⁸ For each ZIP code, the weighted average of each measure is calculated using the weights provided by the HUD mapping. This mapping, which weights each Census tract fully or partially contained within a given ZIP code by the tract's share of the total residential population in that ZIP code, is available [here](#).

⁹ Accounts currently open is defined in the pilot study as accounts open at any point during the calendar year.

¹⁰ This is calculated using branch location data from the FDIC's 2017 Summary of Deposits. Branches are excluded from the denominator if they are located in ZIP codes for which the relevant demographic data are missing.

Conversely, only 7 percent of accounts opened in 2017 were in areas with less than 15 percent LMI population, about one third the share of participating institutions' branches within this neighborhood category. In addition, Table 1 indicates a relatively high concentration of Bank On certified accounts in neighborhoods with a relatively large share of younger, working-age population (the 21-35 age grouping).

Other findings on account take-up and usage. Table 2 presents several additional statistics on account take-up, usage and online access, by neighborhood category. See Appendix 3 for specific metric definitions. The distinction by age of neighborhood residents does not exhibit any notable differences from the overall sample and is excluded from the table for the sake of brevity.

Rates of account opening substantially exceed rates of account closing, indicating robust growth of the Bank On customer population. For the most part, similar values for the metrics are observed across ZIP code categories. A notable exception is that the percent of recently opened accounts that are associated with individuals new to the institution is greater in areas with higher concentrations of minority and LMI residents. Also, a lower rate of account opening is observed in areas where less than 25 percent of the population is LMI. Finally, note that the full sample and public dataset exhibit similar values for these statistics, consistent with the previous observation that exclusion of ZIP codes from the public dataset does not have a material effect.

Conclusion

Bank On, coordinated by the CFE Fund, seeks to connect traditional banks with unbanked and underbanked individuals and families—those that currently lack a bank account or still use high-cost, nonbank financial service providers for some payment services. This research note has highlighted that the program is succeeding in focusing on minority and low-income populations and has successfully scaled up to become a national program. These results argue for policymakers taking further actions to publicize and encourage even broader customer usage of Bank On accounts, and for more banks to offer them.

Table 1: Share of Account Openings by Neighborhood Category, Relative to Benchmarks

	Neighborhood (ZIP Code) Categories				
	> 50% Minority	< 15% Minority	> 50% LMI	< 25% LMI	> 30% age 21-35
% of accounts currently open	59.5%	6.4%	45.9%	7.8%	37.2%
% of accounts opened in past year	59.2%	7.0%	46.3%	7.3%	37.1%
% of in-sample ZIP codes	25.6%	26.2%	22.2%	14.4%	19.6%
% of all branch locations of the 4 institutions	27.0%	19.3%	21.0%	20.9%	25.6%

Table 2: Other Take-up and Usage Statistics by Neighborhood Category

	Full Sample	Public Dataset	Neighborhood (ZIP Code) Categories			
			> 50% Minority	< 15% Minority	> 50% LMI	< 25% LMI
Rate of Account Opening	52.3%	51.4%	52.7%	53.3%	54.5%	42.8%
Rate of Account Closing	30.5%	30.9%	31.3%	31.0%	28.3%	26.9%
% New to Institution	72.0%	72.1%	74.7%	67.5%	75.9%	60.6%
% Using Debit	85.0%	85.6%	86.7%	82.4%	86.9%	81.4%
% Digitally Active	NA	73.8%	73.1%	72.3%	71.4%	79.2%

Note: Statistics for the full sample are as [reported](#) by the St. Louis Fed.

Appendix 1: The National Account Standards for Bank On



BANK ON NATIONAL ACCOUNT STANDARDS (2021 - 2022)

TERMS	STANDARDS
Core Features	
Transaction Account at Insured Depository Institution	Checking account (including checkless checking) or bank- or credit union-offered prepaid
Debit Card	Debit card network (e.g., Visa, Mastercard, Discover) for point of sale and bill payment; free
Minimum Opening Deposit	\$25 or less If not waivable: \$5 or less
Monthly Maintenance Fee	If waivable: \$10 or less; offer at least two options to waive fee entirely with a single transaction (e.g. direct deposit with no minimum deposit, online bill pay, or debit card purchase)
Overdraft or Non-Sufficient Funds (NSF) Fees	None
Account Activation, Closure, Dormancy, Inactivity, and Low Balance Fees	None
Customer Service	
Branch Access	For financial institutions with branches: free and unrestricted For financial institutions without branches: access to free ATM network and free remote deposits
Telephone Banking (Including Live Support)	Free and unrestricted
ATM Access	Free and unrestricted in network \$2.50 or less out-of-network fee; or up to \$3.00 if also provide free access to a partner ATM network
Functionality	
Deposit Capability	Free cash and checks in branch and at ATM (when available), and direct deposit
Bill Pay	Free by financial institution if available, otherwise at least four free money orders and/or cashier checks per month
Check Cashing for Checks Issued by that Institution	Free
Online Banking, Mobile Banking, Banking Alerts	Free (if offered)
Monthly Statements	Free electronic; \$2 or less for mailed paper (if offered)
Insured Account Deposits	Insured by FDIC or NCUSIF
Strongly Recommended Features	
Account Screening (e.g. ChexSystems, Early Warning Services)	Only deny new customers for past incidences of actual fraud
Alternative IDs (Municipal, Consular, etc.)	Accept alternative IDs
Online Account Opening and Deposits	Free at financial institutions with branches
Linked Savings Accounts	Free savings accounts and account transfers
Funds Availability	Immediate availability for known customers cashing government, payroll, or checks from that financial institution
Money Orders	\$1.70 or less (based on U.S. Postal Service rate)
Remittances (International Wire)	Competitively priced by country (\$5.00 - \$20.00)
Credit-Building Product Offerings	Secured credit card or secured personal loan, e.g.

Source: [Bank On National Account Standards 2020.2021 \(netdna-ssl.com\)](https://www.netdna-ssl.com/bank-on-national-account-standards-2020-2021)

Appendix 2: Metrics Collected for the Bank on Data Hub

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

Source: https://www.stlouisfed.org/~media/files/pdfs/community-development/bank-on/2019_bankon_report_final.pdf?la=en

Appendix 3: Metrics Included in Table 2

1. Rate of account opening (respectively, closing), calculated as Bank On certified accounts opened (closed) during 2017 as a percent of accounts open at the start of the year. (Accounts currently open is defined in the pilot study as accounts open at any point during the year. Therefore, number of accounts open at the start of the year is calculated as number of accounts currently open plus number of accounts closed minus number of accounts open during the year.)
2. Percent of accounts new to the institution, defined as the share of new accounts that were opened by individuals who were not account holders on the day of account opening.
3. Percent of accounts using debit, defined as the percent of currently open accounts with debit transaction through online or point-of-sale purchases in the reporting year.
4. Percent of accounts that are reported to be “digitally active” by the institution, such that the customer conducts online transactions.