



Helping The Underbanked And Unbanked

business customers diversity

Summary: According to the CFE Fund, 36MM adults are underbanked or unbanked. Not only that, \$66MM in check-cashing fees was spent by Americans to access their stimulus funds. Bank On is an important initiative that is now available at more than 28K bank and credit union branches nationally. We explain why this initiative is catching on and how you can participate.

Most people have heard of the Spanish Steps in Rome. But, did you know that it is comprised of 138 steps, built in the 18th century, and connects the Spanish Embassy and the church of Trinita dei Monti to the Holy See and Spanish Square? It is amazing to think how many people are connected by these steps. In the present day, taking steps to connect to underbanked and unbanked people is something many bankers are trying to do.

Banks are taking important steps to help unbanked and underbanked individuals gain access to needed financial services. This is especially important these days as government funds are distributed to populations hit hardest by the pandemic, many of which are either [unbanked](#) or [underbanked](#).

Who are the unbanked and underbanked?

The unbanked are those adults who do not use banks in any way at all, while the underbanked have a bank account but often turn to alternative financial providers for services such as check-cashing or payday loans. According to the national nonprofit, Cities for Financial Empowerment Fund (CFE Fund), about 12MM adults are unbanked and around 24MM adults are underbanked in the US. Those 36MM adults make up approximately 16% of US households. Close to 34% of unbanked and 45% of underbanked households earn less than \$30,000 per year. On a national level, nearly 48% of Black households and 42% of Hispanic households are unbanked or underbanked. Many of these people may be suspicious of financial institutions, don't understand the high fees, or simply have not had the opportunity to start a banking relationship.

An important initiative to help

To help with this issue, the CFE Fund provides Bank On-certified financial products. The CFE Fund collaborated with key industry stakeholders to develop the Bank On National Account Standards. These standards give a benchmark for fees, transaction capabilities, and more for account partnerships with financial institutions. The St. Louis Fed stated that Bank On accounts can provide CRA service credit for banks and provide access to new customers with the accounts "perform(ing) in a manner consistent with that of a bank's existing customer base and at similar costs."

While these products have been around for a few years, the CFE Fund recently announced that Bank On-certified accounts are now available at more than 28K bank and credit union branches through its [national Bank On Initiative](#). The [ABA also recently asked its members](#) to consider providing Bank On-certified products. The goal of Bank On is to ensure everyone has access to safe and affordable basic banking services. Oftentimes, unbanked and underbanked individuals spend more money than necessary on alternative financial services and they don't always get the most suitable services for them or the best advice. In fact, the CFE Fund reports that \$66MM in check-cashing fees was spent by Americans to access their stimulus funds.

The role of CFIs

As community financial institutions, you likely have some community members that are unbanked or underbanked. You may not know who they are, but with your outreach efforts, you could find them.

Education. Education is a good way to reach these groups. They may not understand FDIC-insured deposits vs. those in a digital bank. They also may not understand all the fees. Actively offering financial literacy seminars would both provide the education needed and help forge important banking relationships.

Bank On Participation. To be a part of the CFE Fund's effort, you'll want to get certified. To start, check out the [account-related standards for participating financial institutions](#). For certification purposes, accounts offered by an institution must meet certain guidelines. There are also recommended features related to account screening, alternative IDs, online account opening, and more. Those CFIs which offer accounts that meet the required standards can apply for free national certification. The CFE Fund also offers a number of funding opportunities to support banking access efforts, so that is worth investigating too.

Whether it is Bank On participation or simply reaching out within your community, we know that you are the ones making the biggest difference for your local populations, even the most vulnerable. Thank you for all you do!

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