Consumer Federation of America

Do Big Banks Provide Affordable Access To Lower Income Savers?

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Executive Summary

The many Americans with insufficient emergency savings can benefit greatly when banks make available and promote accessible and affordable savings accounts, especially those featuring automated deposits. Criteria for accessibility, affordability, and effectiveness, are proposed then used to assess the savings accounts offered by the 101 largest commercial banks by number of branches.

These banks vary greatly in the extent to which they meet the savings criteria. A number offer feasible opportunities for small savers and promote them, and a few even offer savings incentives. But most big banks do not offer and promote accessible and affordable automated savings accounts to these savers.

The report makes recommendations to banks and regulators about ways to improve the affordability, accessibility, and effectiveness of savings accounts for lower income households and their cost-effectiveness for banks. It also offers suggestions about the easiest and most effective ways for these households to build emergency savings.

Introduction

The need of lower income households for adequate emergency savings has been well-established by research.[1] Banks play a key role in helping to meet this need because they have savings products that are available to nearly all Americans. However, savings products that are available are not necessarily accessible, affordable, or effective. Lower income households need to be able to easily purchase and use affordable and automated savings products that are promoted by banks.

The following report addresses these issues. The white paper:

- briefly reviews the literature on the need for emergency savings,
- explains the importance of savings accounts for meeting this need,
- develops criteria for evaluating these accounts in terms of their affordability, automated transfers, and promotion,
- makes recommendations to banks and regulators for increasing account accessibility and effectiveness, and
- suggests simple ways that lower income households can gain access to affordable automated savings accounts.

[1] The most useful recent discussion of these needs and strategies for meeting them is by J. Michael Collins in: Paying for the Unexpected: Making the Case for a New Generation of Strategies to Boost Emergency Savings, Affording Contingencies, and Liquid Resources for Low-Income Families from the book, A Fragile Balance (Palgrave Macmillan, 2015), which he edited.

Emergency Savings Needs

Recent research suggests that a large minority of Americans are living on the financial edge. They have low or moderate incomes that vary frequently. They do not have access to sufficient cash to afford unexpected expenditures ranging from traffic tickets to car repairs so are forced to take on expensive debt or seek financial assistance from relatives or friends. Their financial condition often precludes them from saving for a home or an education, let alone for retirement.

According to the Federal Reserve Board's latest Survey of Consumer Finances (SCF), two-fifths of household had annual incomes under $41,315, and half of these households had annual incomes less than $23,291.[2] The incomes of these low- and moderate-income (LMI) households often vary considerably, not just from year to year but even from month to month.[3] FINRA'S 2009 National Financial Capability Study found that half of families with incomes under $15,000 experienced a decline in income in the previous 12 months.[4] More recent research based on the U.S. Financial Diaries revealed that moderate income families also experienced variation in income. On average, the families studied had more than five months a year when the income earned was at least 25 percent more or less than their average monthly income.[5]

The necessary expenses of households also can vary greatly, not just predictably (e.g., semi-annual car insurance payment) but also unexpectedly (e.g., car repair, dental emergency). A 2015 Pew Charitable Trusts survey of "financial shocks" found that among households in the previous 12 months, 30 percent experienced a major car repair, 24 percent a trip to the hospital, and 10 percent some other large expense.[6] For households living on the financial edge, unexpected expenditures for less expensive items, ranging from a traffic ticket to an emergency room visit, would also represent financial shocks.

One easy way to pay for unexpected expenses is to draw from liquid savings. But LMI households do not always have this option. The Fed's latest SCF reports show that the one-fifth of households with the lowest incomes (and any financial assets) held a median of only $900 in financial assets, most of it in checking accounts used to pay regular expenses. The one-fifth of households with moderate incomes (and any financial assets) held a median of $4,900 in financial assets.[7] Researchers using SCF data have estimated that, after taking regular monthly expenses into account, 24 percent of households have less than $400 in liquid assets. For those in the lowest income quartile, 49 percent fell short of $400.[8]

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[2] Analysis by Professor Jessie X. Fan of 2016 Survey of Consumer Finance data collected by the Federal Reserve Board.

[3] Gregory Mills and Joe Amick, "Can Savings Help Overcome Income Instability?" Perspectives on Low-Income Working Families, The Urban Institute (December 2010).

[4] FINRA Investor Education Foundation, National Financial Capability Study (2009).

[5] Jonathan Morduch and Rachel Schneider, "The Power of Predictable Paychecks," The Atlantic (May, 2017).

[6] The Role of Emergency Savings in Family Financial Security: How Do Families Cope with Financial Shocks, Brief from The Pew Charitable Trusts (October 2015).

[7] Federal Reserve Board, 2016 Survey of Consumer Finances, Historic Tables and Charts, no. 6.

[8] Neil Bhutta and Lisa Dettling, "Money in the Bank? Assessing Families' Liquid Savings using the Survey of Consumer Finances," FEDS Notes (Federal Reserve Board, November 19, 2018).

Regardless of their level of financial assets and liquid savings, about half of all households report in recent surveys that they do not have emergency savings accounts. FINRA's 2018 National Financial Capability Study found that 46 percent of individuals, and three-quarters of those with annual incomes below $25,000, do not have a rainy day fund that can cover three months expenses.[9] AARP's 2019 analysis of U.S. Financial Health Pulse data learned that 53 percent of households indicated that they had no emergency savings account. Seventy-eight percent of households with incomes below $20,000, and 67 percent of those with incomes between $20,000 and $39,000, lacked this emergency fund.[10]

Households that do not draw from savings to pay for an unexpected expense are most likely to resort to credit.[11] When the Federal Reserve Board recently asked households how they would cover an unexpected $400 expense, 31 percent of respondents said they would borrow money, with most using a credit card or a payday or other high-cost loan. Six percent said they would have to defer payment.[12] When respondents to the Making Connections Cross-Site survey were asked how they would deal with an unexpected bill that was half their monthly income and had to be paid in two weeks, many said they would have to resort to borrowing. Asked to identify all the options they would utilize, households with incomes below $30,000 indicated they would borrow from the following sources: bank (28%), credit card (31%), payday or other high-cost loan (14%), family or friends (47%).[13]

Not surprisingly, households with low and variable incomes, most of whom lack adequate emergency savings, are not likely to save for retirement. Few LMI households have retirement accounts -- according to the Fed's SCF, only 11 percent of those in the lowest income quintile and 34 percent of those in the next lowest quintile. And the low-income households with an account have a median amount of only $7,400 in these accounts while the moderate-income households hold a median amount of just $17,000.[14]

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[9] FINRA Investor Education Foundation, The State of U.S. Financial Capability: The 2018 National Financial Capability Study.
[10] Catherine S. Harvey, Unlocking the Potential of Emergency Savings Accounts, AARP Public Policy Institute report (October 2019).
[11] A useful discussion of these options is by Stephanie Chase, Leah Gjertson, and J. Michael Collins in: Coming Up with Cash in a Pinch: Emergency Savings and Its Alternatives (June 2011), made available by the Center for Financial Security at the University of Wisconsin-Madison.
[12] Report on the Economic Well-Being of U.S. Households in 2018-May 2019 (Federal Reserve Board, May 28, 2019).
[13] Lynette Rawlings and Kerstin Gentsch, How Households Expect to Cope in a Financial Emergency. Brief from The Urban Institute (March 2008).
[14] Federal Reserve Board, 2016 Survey of Consumer Finances, Historic Tables and Charts, no. 6.

Importance of Bank and Credit Union Savings Accounts for Meeting Emergency Savings Needs[15]

People hold emergency savings in several different ways. An increasing number keep cash at home. In a 2015 survey commissioned by American Express, 29 percent of respondents said they keep some savings in cash and bills. The Amex survey also found that this emergency saving option was growing in use and that it was more popular with millennials than with older Americans.[16]

However, the most common vehicle for emergency savings is a liquid account at a bank or credit union where funds can be quickly withdrawn, usually without penalty.[17] While some people say they keep this savings in a checking account, far more utilize a traditional savings account or a money market deposit account (MMDA) paying a higher rate but with a much higher dollar minimums (or averages) to avoid monthly fees. According to research we commissioned that uses the Fed's 2016 Survey of Consumer Finance (SCF) data, 57 percent of households held at least one of these two savings accounts. And more than 70 percent of those households in the upper two income quintiles – annual incomes more than $67,239 – held at least one of these accounts.[18]

There are good reasons that a significant majority of upper middle and upper income households own these liquid savings accounts.

- **Availability:** Nearly all households have access to a bank or credit union. That is evident from the fact that, according to 2016 SCF data, 92 percent of all households – and 99 percent of upper middle and upper income households – have a least one checking, savings, or MMDA account with a bank or credit union.[19] In a pinch, these bank and credit union customers can usually find at least one ATM – in the U.S. and often overseas – from which they can draw cash.
- **Safety:** Most bank and credit union customers feel confident that their deposits will not disappear. Amounts below $250,000 at banks and credit unions are insured by the federal government. The most significant safety threat is inflation that depreciates the value of all dollars, but this issue has not been of great concern for several decades.
- **Low Cost:** At most banks and credit unions, customers that can maintain minimum deposits of at least several hundred dollars – or average deposits somewhat above this

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[15] Three sources that discuss the important role of banks in lower-income household savings are: Stephen Brobeck, The Essential Role of Banks and Credit Unions in Facilitating Lower-income Household Saving for Emergencies, Consumer Federation of America white paper (June 2008). Rae-Ann Miller, Susan Burhouse, Luke Reynolds, "Building Assets, Building Relationships: Bank Strategies for Encouraging Lower-Income Households to Save," FDIC Quarterly, v. 2, n. 1 (2008). Sendhil Mullainathan and Eldar Shafir, Savings Policy and Decisionmaking in Low-Income Households, National Poverty Center Policy Brief (November 2010).
[16] Kelli B. Grant, "Under a mattress, in the freezer: Why so many are hiding cash," cnbc.com (January 29, 2015).
[17] The importance of maintaining a savings account separate from checking and retirement accounts is supported by scholarly research. See John Beshears et al, Building Emergency Savings Through Employer Sponsored Rainy-Day Savings Accounts, National Bureau of Economic Research (November 2019), pp. 6-7.
[18] Fan analysis of SCF data, loc. cit.
[19] Fan analysis of SCF data, loc. cit.

– are not charged monthly fees. And most of these institutions allow up to three free withdrawals each month.[20]

- **Interest Earned:** At most banks and credit unions, small savings deposits earn trivial interest that often can be counted in cents not dollars. But on larger deposits, savers can often earn one percent and, at several institutions, more than two percent.

There are also good reasons, however, that less than half of low- and moderate-income (LMI) households own either traditional savings or MMDA accounts. According to 2016 SCF data, only 31 percent of households in the lowest income quintile, and 45 percent of households in the second income quintile, held at least one of these accounts.[21] For many of these families, keeping cash at home seems to be a more viable option.

- **Availability:** It may be inconvenient for a number of these households to make savings deposits and withdrawals. The U.S. branch network has been shrinking, and FDIC data suggest that as many as 20 percent of closings occur in areas where there is a "meaningful impact on physical access" to local bank branches.[22] The roughly one-third of low-income households without a car may find it especially inconvenient to maintain an account at a bank or credit union.[23]
- **Safety:** From the perspective of many lower income households, savings accounts do not ensure safety. When debts are not paid, bank deposits may be frozen or garnished. And many of those who are undocumented are nervous about providing records to which government agencies can gain access.[24]
- **Cost:** As suggested by data presented earlier, a significant minority of LMI households may find it difficult to maintain a minimum balance of at least $300 in a savings account so would be charged monthly fees that at larger banks, usually range from $48 to $72 annually.[25]
- **Interest Earned:** As noted earlier, on small savings accounts these fees would not be offset by interest earned. At the relatively high rate of 0.1% paid by some banks on these accounts, the annual interest earned on a $500 deposit would be 50 cents.

It is not surprising that, faced with one or more of these savings account barriers, small savers would consider keeping emergency savings at home. In fact, some financial experts recommend that all households keep at least several hundred dollars at hand.[26] These funds can do more than pay for pizza deliveries. They can also be used, for example, to tide one over when the power is off and ATMs are not functioning. Given the increasing severity of extreme

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[20] In our survey, we found that most of the largest 30 banks set the minimum at either $300 or $500. Smaller banks and credit unions usually set these minimums at $250 or less.
[21] Fan analysis of SCF data, loc. cit.
[22] Hoai-Luu Q. Nguyen, Do Bank Branches Still Matter? The Effect of Closings on Local Economic Outcomes, MIT Economics (December 2014).
[23] Table 10 of the 2016 Survey of Consumer Finances indicates that 36 percent of households in the lowest income quintile reported no motor vehicle assets.
[24] John Walsh, "In the Trump era, longstanding bank rules requiring customers to identify their country of origin has some people worried about where that information might end up," Business Insider (August 31, 2018).
[25] Our survey indicates that nearly all of the largest couple dozen banks charge between $4 and $6 monthly for not meeting minimum balance requirements.
[26] Wendy Connick, "Should You Keep a Stash of Cash at Home?" fool.com (October 6, 2017).

weather events – from fires to hurricanes – obtaining immediate access to cash at banks and credit unions is a growing concern.

Experts also have noted the risks of keeping cash at home. Cash can be lost or stolen, most likely by a family member or by an outsider doing work on or in the house. Or money can disappear if the home is destroyed by fire or storm.[27] Experts, though, also suggest that there are ways to minimize these risks, for example, by keeping funds in a locked metal box that is hidden effectively. These containers can be forgotten but so too can small savings accounts without mailed statements.[28]

The one unique and important advantage of a savings account over saving at home is that banks and credit unions have the ability to automatically and regularly transfer funds – from employers, governments, or checking accounts – into savings accounts. Automated savings represents the most effective general method of accumulating savings. It is essential to successful retirement savings.[29] Without automatic payroll deductions into a 401k or other retirement accounts, households would likely have accumulated only a small fraction of current retirement savings.

Automated savings is also critically important to effective short-term savings. It is integral to most of the innovative savings programs discussed by Peter Tufano and Daniel Schneider in their seminal and influential 2008 paper on using financial innovation to promote LMI household saving.[30] The importance of automated savings is emphasized in recent research by the Pew Charitable Trusts and by AARP.[31] And "automatic savings" has been the theme of recent America Save Weeks, an event managed by the America Saves program in which more than 1,500 financial institutions, employers, government organizations, and nonprofits participate.[32]

Automated savings for emergencies can succeed only with the active support of banks and credit unions. There is no other way for most LMI households to effectively save on a regular basis. According to the Fed's SCF, 69 percent of low-income households (lowest income quintile) and 84 percent of moderate-income households (second income quintile) have a checking account, so could open savings accounts to which banks and credit unions could automatically and regularly transfer funds.[33] The growing number of employer programs that offer employees short-term savings opportunities also require participation by a financial institution that holds and manages the accounts.[34]

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[27] Grant, loc. cit.
[28] Connick, loc. cit.
[29] The past discussion among retirement savings experts is not whether automatic contributions are desirable but whether they should represent a default option that employees would need explicitly to reject. See for example: William G. Gale et al, Automatic: Changing the Way America Saves (Brookings Institution Press, 2009).
[30] Peter Tufano and Daniel Schneider, Using Financial Innovation to Support Savers: From Coercion to Excitement, Harvard Business School working paper (2008).
[31] The Role of Emergency Savings in Family Financial Security: Barriers to Saving and Policy Opportunities, Brief from The Pew Charitable Trusts (January 2016). Harvey, loc. cit.
[32] America Saves Week 2020 website.
[33] Fan analysis of SCF data, loc. cit.
[34] Anne Tergesen, "Employers Help Workers Build Household-Emergency Funds," The Wall Street Journal (June 13, 2019).

Do Big Banks Provide Affordable Access to Lower-Income Savers?

Do the largest banks provide affordable access to lower-income savers including the long-term poor and also many young adults including most college students? To answer this question, in November and December 2019 we examined the terms of savings accounts at each of the 101 commercial banks with at least 70 branches (see Appendix A).[35] These branches total nearly 50,000 and make up well over half of the some 90,000 bank branches in the U.S.[36]

In terms of accessibility, branch availability was considered to be more important than asset size. According to a 2017 survey of households by the Federal Deposit Insurance Corporation (FDIC), 73 percent of banked households with incomes under $30,000 used a teller to access their account (in the past 12 months). While the percentage for all households was even slightly higher (74%), lower-income households relied the most heavily on tellers. Thirty-eight percent of these households, compared to 24 percent for all households, said that a teller was the primary method of accessing accounts.[37]

In evaluating savings accounts, we considered the following factors:

- **Accessibility:** Could deposits and withdrawals be made through tellers at no charge? As the FDIC survey noted above indicates, many LMI households use tellers. And was the opening balance requirement low – ideally no more than $25 and certainly no higher than $50? While this issue has not been carefully researched, it seems sensible to assume that the higher this requirement, the fewer LMI households think they can meet it.
- **Affordability:** Was there a regular monthly fee? Could this fee be avoided by also having a checking account, making direct deposits into this account, using automated transfers from checking to saving, belonging to a demographic group (e.g., age-related), or maintaining a minimum or average balance? Was there a fee for excessive withdrawals? Federal rules permit up to six debits a month. Given the purpose of savings accounts, we think that banks should not be faulted for assessing a fee for every withdrawal in a month that exceeds three.[38]
- **Automated Deposits:** As noted earlier, regular automated transfers from employers, government, or checking accounts build savings more effectively than individual saver deposits. All large banks have the capacity to make these transfers. Which ones mention, or even promote, automated savings on their website? And what is the minimum transfer amount? Savings advocates have argued that this amount should be no higher than $25.

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[35] Federal Reserve Board, Federal Reserve Statistical Release, Large Commercial Banks, March 31, 2019. SunTrust and BB&T are in the process of merging but have not yet merged their personal accounts.

[36] Olivia Oran, "Number of U.S. bank branches to shrink 20% in five years," Reuters Business News (April 24, 2017).

[37] 2017 FDIC National Survey of Unbanked and Underbanked Households, Federal Deposit Insurance Corporation (October 2018).

[38] While not all websites included information on debit-related fees, the websites revealed that at least eight banks charged a fee after only two monthly withdrawals.

- **Promotion:** There are many ways a bank could promote an accessible, affordable, and automated savings account. We believe that branch promotion, especially to those opening or discussing checking accounts, can be especially effective. But there are many other methods of promotion. In this study, we focused on whether and the extent to which banks encourage automated savings on their websites.

Two factors were considered to be less important.

- **Interest Rates:** On small accounts regardless of the bank, interest earned is usually so trivial that differences were ignored in our evaluation. On a $500 deposit, for example, a 0.01% rate pays five cents a year while the relatively high 0.1% rate pays 50 cents. We did note, however, if the account paid a rate or bonus on all deposits of at least one percent.
- **Account Statements:** On small savings accounts, banks typically charge for a mailed, monthly statement. However, they will email monthly or quarterly statements for free, and account balances can be learned at bank ATMs. While most small savers would probably like to receive a mailed monthly statement, we also are aware that banks will be less willing to offer low-cost accounts if they must absorb the costs of printing and mailing these statements.[39] Savers with accessible bank ATMs can use them to check on account balances.

Using information about these factors related to accessibility, affordability and effectiveness, we then evaluated bank savings accounts in terms of seven questions:

- Do the banks offer an affordable savings account to small savers that **do not** have a checking account?
- Do the banks offer an affordable savings account to small savers that **do** have a checking account?
- Do the banks offer an affordable savings account to small savers who agree to regular transfers from checking to savings?
- Do the banks offer customers financial incentives to use automated transfers to savings?
- Do the banks promote automated savings on their website?
- Do the banks offer affordable savings to age-related groups?
- Do the banks offer "supplemental savings" accounts such as variants on traditional Christmas club accounts or accounts that make savings deposits related to spending?

- **Do the banks offer an affordable savings account to small savers that do not have a checking account?**

Lower income households may not wish to maintain a checking account because they consider the costs too high. The typical monthly checking fee at large banks is $10 to $12, which may only be waived by maintaining a relatively large balance, by using direct deposit, or by making payments with a debit card. Bounced check and stop payment fees average around $35, and there are other fees that may be charged. According to Fed SCF data, 27 percent of households in the first income quintile, and 13 percent of those in the second income quintile, do

[39] Susan Ladika, "Poll: Paper bank statements remain popular," creditcard.com (June 23, 2016).

not have a checking account.[40] The responses of the unbanked in the 2017 FDIC survey suggest that cost is an important factor in their not having a bank account. Over half (53%) said they "do not have enough money to keep in the account," 25 percent said "account fees were too high," and 20 percent said "account fees were unpredictable."[41]

Ten of the 101 banks offer savings accounts with no monthly fees that can be opened and maintained at branches. Most of these banks require an opening deposit of $25 or less. These banks and their accounts are:

Bank Account[42]	Branches	Minimum to Open
SunTrust Essential Savings	1,163	$0
Capital One 360 Performance Savings*	537	$0
TCF Free Savings	325	$25
HSBC Everyday Savings*	227	$0
Community Bank Free Savings	222	$50
NBT Bank Statement Savings	149	$0
United Bank Platinum Savings	138	$50
First Commonwealth Bank Hometown Sav*	138	$0
First National Bank of Omaha Savings	125	$0
Rockland Trust Bank Free Savings*	88	$10

*Promotes automated saving.

Several banks offer free online accounts that can only be opened online and usually require use of one's checking account to make transfers and withdraw funds from the bank's ATMs.

- **Do the banks offer an affordable savings account to small savers that do have a checking account?**

At some other banks, consumers can gain access to an affordable savings account at branches by having a checking account. Eleven of the 91 large banks without free checking will eliminate monthly fees on savings accounts for those with a checking account. Two of the banks offer this feature on two of their savings accounts. Hancock Whitney Bank also offers this feature on their Silver Savings account but also requires a $100 deposit to open the account so the account was deemed insufficiently affordable to be included in the list below.

[40] Fan analysis of SCF data, loc. cit.
[41] 2017 FDIC National Survey, loc. cit.
[42] None of these banks, with the possible exception of First National Bank of Omaha, offers free mailed account statements.

A bank policy requiring checking to gain free saving can be of benefit to the large majority of households with checking accounts. According to 2016 SCF data, 87 percent of households hold a checking account. Even a large majority of households in the lowest income quintile (under $10,432) – 73 percent – have a checking account.[43]

The banks offering an affordable savings account with a checking account are:

Bank Account	Branches	Minimum to Open
Bank of America Advantage Savings*	4,339	ND**
Regions Bank LifeGreen Savings*	1,453	$5
Fifth Third Bank Relationship Savings*	1,138	$0
Fifth Third Bank Goal Setter Savings		$0
Citizens Bank Platinum Savings	1,104	$1
Huntington National Bank Premier Sav*	948	$50
M&T Bank Relationship Savings*	787	ND**
Santander Bank Savings Account*	625	$25
Comerica Bank Statement Savings*	436	$50
People's United Bank Plus Savings	407	$50
People's United Bank Advantage Savings		$50
Wesbanco Bank Companion Savings*	202	$50
Old National Bank Select Savings	196	$50

*Promotes automated saving.

**Not disclosed but most likely zero or one dollar.

- **Do the banks offer an affordable savings account to small savers who agree to regular transfers from checking to savings?**

Twenty-four other banks offer an affordable savings account at branches to those customers who agree to make monthly deposits of no more than $25 into this account. One of these banks makes available this feature on two types of savings accounts.[44] Most of these 24 banks require the deposits to be automatic transfers from checking accounts. We believe that regular automatic transfers into savings accounts represents the most effective method of saving for emergencies. The banks with an affordable savings account to those making monthly deposits are:

[43] Fan analysis of SCF data, loc. cit.

[44] SunTrust offers a Select Savings account that waives monthly fees with automatic transfers of at least $25, but also requires an opening deposit of $100 so was deemed insufficiently affordable to be included in the list. SunTrust, however, also offers a free savings account – Essential Savings.

Bank Account	Branches	Minimum Deposit
Wells Fargo Way2Save*	5,585	$25
Chase Bank Savings	5,034	$25
PNC Bank Standard Savings*	2,416	$25
BB&T Regular Savings*	1,871	$25
Key Bank Active Saver*	1,179	$5
SunTrust Select Savings*	1,163	$25
Citizens Bank One Deposit Savings*	1,104	$1
M&T Relationship Savings*/**	787	$1
BBVA (Compass) Savings*	640	$25
Bank of the West Classic Savings	552	$25
Zion’s Bank Savings*	443	$25
Union Bank Regular Saver	349	$25
Umpqua Bank Grow Savings*	254	$1
Associated Bank Zero Interest Savings		$25
Old National Bank Savings Plus*	196	ND
Iberia Bank Statement Savings	191	$25
Banner Bank Connected Savings	171	$25
Commerce Bank myRewards Saving	168	$25
Columbia State Bank Everyday Savings	150	$25
Frost Bank Savings	144	$10
BOK Financial Personal Savings*	128	$10
NBH Bank Smarter Saving	103	$25
Cadence Bank Propel Savings*	100	$25
Tri City Bank Dream Savings*	76	$1

*Promotes automated saving.

**This account does not require automated transfers, only regular deposits.

The Associated Bank Savings account, distinct from its Zero Interest Savings, did not make this list solely because it charges $2.50 per withdrawal after the first two each month.

- **Do the banks offer customers financial incentives to use automated transfers to savings?**

Before the Great Recession, several banks introduced accounts for low- and middle-income households with significant incentives to save. For example, Wachovia’s Way2Save account provided a 5 percent interest rate and a 5 percent year-end bonus on regular, automated savings deposits.[45] Today few banks offer financial incentives, either a relatively high interest rate or an annual bonus, on these deposits.

Banks rarely offer more than 0.1 percent interest on small savings accounts. However, one bank, Cadence, offers a 1.75 percent interest rate on its Propel Savings (up to $25,000) when at least $25 is automatically transferred from checking to savings each month. Another bank, Capital One, offers a 1.7 percent interest rate on their 360 Performance Savings Account and does not require monthly transfers to earn this relatively high rate.

Four banks offer a bonus on savings accounts when regular monthly deposits are made. However, for small savers this bonus exceeds a few dollars at only one bank, Commerce.

- Commerce Bank MyRewards Savings: For savers making 11 consecutive monthly deposits in savings, and no more than four annual withdrawals, the bank will make the twelfth month deposit representing the average of the previous deposits to a maximum of $50.
- Regions Bank LifeGreen Savings: A $10 electronic transfer in 10 of the previous 12 months qualifies the saver for a one percent bonus on the average balance in the previous 12 months.
- SunTrust Bank Select Savings: Linking a checking account to savings provides a one percent bonus on the average savings balance over the previous 12 months. To avoid monthly fees, the saver must agree to monthly electronic deposits of at least $25.
- BBVA Bank Build My Savings: Customers agreeing to make recurring transfers (weekly to monthly) from checking to savings for either six months or twelve months will be paid a one percent match on all deposits.

- **Do the banks promote automated saving on their website?**

It would seem likely that a persuasive branch employee is more effective than a bank website at convincing small savers to begin automated transfers from checking to savings. Yet, the websites certainly have the potential to create interest in automatic saving, and regardless, they give an indication of whether the bank believes it important to promote this saving.

We reviewed the extent of bank promotion of automatic saving on the savings pages of the websites of the 45 banks, listed above, that offered the most affordable and accessible accounts to small savers. In our evaluation of the website messages, we focused particular attention on their length, type size, placement, and quality of the encouragement to save automatically. The most important aspects of "quality" were clarity and emotive impact.

The websites of 25 of the banks encourage automatic saving. They are identified with asterisks in the three earlier lists of banks. But there is great variation in the extent of promotion, from just a mention to a strong emphasis. The websites of five banks in particular are noteworthy for their strong emphasis on the importance of and opportunities for this saving.

[45] Brobeck, loc. cit., pp. 5-6.

- Huntington Bank: Immediately below the “Savings and Money Market Accounts” title on the savings page is, in large print, the message: “Savings accounts are great for setting aside cash for big purchases or rainy days. And when you link one to a checking account at Huntington you can set up scheduled transfers that will help you get to your savings goals even faster.” Scrolling down the page below descriptions of accounts and features is a promotion for Savings Goal Getter that, in the linked page, recommends in large print: “Save Automatically. You can set up automatic transfers of a specific amount from your Huntington checking account to your savings or money market account to make saving even easier.” Beside this message is encouragement: “You’re on your way…set up a weekly transfer.”
- Citizens Bank: Below the “Savings” head are six “Features and Benefits” that are graphically presented and arranged horizontally. One of these features is “Automatic Transfers” with the text: “Automatically transfer funds from your checking account using Steady Save.” On the same page below descriptions of savings accounts is another prominent screen with “Automatic Transfers” and the text: “Set up automatic transfers at an amount and frequency that fit your budget.” Both promos link to a page explaining and encouraging consideration of the Steady Save and other automatic transfer options.
- KeyBank: The text under the title of the savings account page and photo is in large type and reads: “Save more and reach your goals with a KeyBank savings account….Plus, you can link your new account to your checking account and use EasyUp to make saving part of your daily routine.” Immediately below this message is a brief description of the small saver account that suggests: “Waive the monthly fee with enrollment in EasyUp or in HelloWallet.” There is a link to an EasyUp page that includes the text in large print: “EasyUp Sets $1 Aside for Every Transaction. These small transfers add up fast, and since the average person uses their debt card 300 times a year, you could put away an extra $300 without even thinking about it.”
- Wells Fargo Bank: Immediately below the “Savings and CDs” title on the first savings page is a prominent promotion of the bank’s Way2Save automated savings account. The text is in large white print on blue screen and reads: “Ready for what comes next? The Way2Save account makes it easy to save with automatic transfers from your Wells Fargo checking account and more.” Below that promotion are detailed descriptions of all savings accounts beginning with Way2Save, which is characterized as a “great way to save automatically and build your savings.” This description links to a page of Way2Saves Savings with even more detailed information about the account under the head: “A good choice for customers who want a variety of options to save automatically.”
- Cadence Bank: The home page for savings, after a one-sentence Overview, briefly describes savings options. The first option is Personal Savings with the text: “Use a Personal Savings account to build your money over time. You can set up regular, automated transfers from your everyday bank account into savings.…” The second option is Propel Savings with the text: “This account makes it easy for savings to become a habit. Your savings grow with a premium savings rate and monthly automated transfers from a Cadence personal checking account.” The linked page to this account states in large print under the headline: “With a premium savings rate, a Propel Savings Account from Cadence Bank helps build a savings habit.” Under that

is text, under the subhead, "Sit back and watch your savings grow": "Simply pay yourself first with an automated transfer of $25 or more from your Cadence checking to a Propel Savings account. Setting up an automatic transfer gives you the ease of saving without having to think about it."

- **Do the banks offer affordable savings to age-related groups?**

A number of banks waive monthly fees on savings accounts for different age-related groups.

- Eighty of the 101 institutions (79%) charge no monthly fees on savings accounts held by young people under 18 (or sometimes 17) years of age. A few banks offer financial incentives related to these accounts. For example, at Independent Bank all children with a Swift Savings Account, and consenting teenagers with this account, are enrolled in the Swift Savers Kids Club. Club members receive a $5 coin booklet. When it is filled and submitted for the first time, the bank will match the $5 deposit.
- Twelve of these banks extend this waiver to young adults up to the age of 24 or 25.
- Seven banks waive monthly fees on older persons with one institution, Umpqua Bank, beginning this waiver at age 55.

- **Do the banks offer "supplemental savings" accounts such as variants on traditional Christmas club accounts or accounts that make savings deposits related to spending?**

There are two types of "supplemental savings" opportunities, offered by some banks, that provide additional opportunities to "regular savings." One is related to traditional Christmas club accounts. Now usually called Christmas club, holiday club, or club accounts, these accounts typically require electronic monthly deposits for the first nine or ten months of a year, then transfer accumulated savings to a checking account. When fees are charged for early withdrawals, and they usually are, these accounts resemble incremental certificates of deposit. None of the 24 big banks offering this account offer financial incentives.

A few banks offer customers the opportunity to make small savings deposits related to spending. The most well-known opportunity of this type is Bank of America's Keep the Change program, which was introduced more than a decade ago. For customers with the bank's debit card, Bank of America will round up card purchases to the nearest dollar then transfer this change to a savings account at the bank. Simmons Bank (Round Up) has the same type of program. Key Bank (Easy Up) contributes $1 from each debit purchase to savings. Bank OZK (My Change Keeper) permits customers to round up purchases to the nearest dollar, contribute $1-$5 for each debit purchase, or combine the two.

Only two round-up type programs, however, offer financial incentives. South Street Bank (Round Up to Save) will match two percent of the round up transfers to a maximum of $250. And BOK Financial (QuickSave) will transfer 25 cents or 50 cents for each debit card purchase, match 100 percent of the first three months of transfers, and after that, match five percent of the transfers to a maximum of $250.

Summary and Recommendations

Research Findings: Savings accounts at banks and credit unions represent an important vehicle for lower income households to build emergency savings. Yet, according to Federal Reserve Board data, only 31 percent of households in the lowest income quintile, and 45 percent of those in the second income quintile, have such a savings account (or MMDA).

Banks increase the chances that lower income customers will build emergency savings by providing savings accounts that are accessible, affordable, and effective. More specifically, banks should:

- Offer an account that can be opened and serviced at bank branches.
- Allow easy avoidance of monthly fees.
- Permit up to three free withdrawals per month.
- Offer and promote automatic savings with low minimum monthly deposits.

Using these criteria to assess savings accounts offered by the 101 largest banks by number of branches, we found that at least one account at 25 of the banks (25%) meets these criteria. CFA urges the remaining 74 banks, and the several thousand smaller banks, to consider promoting a savings account that is accessible and attractive to lower income customers.

Bank Opportunities and Obligations: We are aware that, in many instances, these accounts may not and may never be profitable, particularly for those of many low- and moderate-income customers. Many consumers will not use the accounts to build long-term savings but rather to cover shortfalls in checking or to cover unexpected expenditures.[46] But we also know that regulators and technology have made it possible for banks to significantly reduce the costs of these accounts. Banks now have opportunities to:

- Cross-sell savings accounts when checking accounts are sold or personally serviced.
- Market automated savings inexpensively through websites and customer emails.
- Reduce bank visits by selling accounts with automated deposits and ATM withdrawals.[47]
- Split directly deposited employee and government paychecks between checking and saving.
- Avoid the costs of snail mailing monthly statements
- Continue paying trivial interest on small accounts.

[46] A June 2014 BankChoice Monitor survey fielded by Novantas found that when asked how they use their savings or money market accounts, most consumers said, transferring money to checking when my balance is low (61%) or as an "emergency fund" when I need extra cash (56%). One half said "to save for specific activities," and only 12 percent indicated retirement savings. Rob Rubin, "What Should 'Savings Accounts' Really be Called?" The Financial Brand (July 29, 2014). Earlier research on Individual Development Accounts (IDAs) designed to help participants save for a home, education, or business development revealed the extensive use of these accounts to cover unexpected expenses. See: Michael Sherraden, "IDAs and Asset-Building Policy: Lessons and Directions," Center for Social Development Working Paper No. 08-12 (2008).

[47] Banks can also reduce these visits by promoting mobile banking, especially to younger, tech-savvy customers. Yet, while doing so, they should continue to offer savings opportunities through branches and ATMs.

Banks also have a responsibility to provide all consumers with accessible, affordable opportunities to save. The Community Reinvestment Act (CRA) requires banks, especially large ones, to meet a service test for making available services, including "low-cost bank accounts," throughout their service territories. While no distinction is made between checking and saving, the service test does provide general justification for expecting banks to make available and promote affordable savings opportunities.[48]

Role for Regulators: In the past decade, regulators have taken useful steps to assist and encourage banks to offer consumer-friendly savings accounts, most notably, by revising consumer reporting regulations and by urging banks to embrace automated savings. CFA urges regulators to expand efforts to encourage the latter. We also urge regulators to:

- Issue guidance that allows banks to gain greater CRA credit by offering and promoting consumer-friendly savings to lower income households.
- Consider collecting information from banks about bank use of and experience with automated saving. This collection would encourage more banks to offer and promote this saving. It would also help all interested parties – banks, regulators, nonprofits, and other experts – learn more about the effectiveness of automated saving for emergencies.

Needed Research: There is much that we do not know about how to optimize the cost-effectiveness of savings accounts to maximize their use by lower income customers while minimizing bank costs. Here are some related questions that data from banks would help answer:

- Product design: A minimum $25 monthly deposit would seem affordable to this population, but would an even lower amount increase aggregate savings? Would an automated account with transfers representing, not monthly minimums but a percentage of checking deposits, be attractive and effective for some customers? How effective are financial incentives, such as higher interest rates or bonuses, in increasing saving? What role do supplementary savings related to consumer purchases play in building adequate emergency saving?
- Product marketing: How effective is online marketing of automated savings accounts to lower income households? How effective is marketing by branch personnel when checking accounts are opened or maintained? What is the relationship between product design and product marketing? To what extent do different types of product marketing, different financial incentives, and the combination of the two influence saving? Can product marketing without financial incentives significantly increase saving?
- Household welfare: To what extent do automated savings accounts help lower income households avoid expensive loans, pay for unexpected expenses, build long-term savings, and/or decrease household financial worries and sense of insecurity?

[48] Brobeck, The Essential Role of Banks and Credit Unions, loc. cit., p. 4.

Advice to Small Savers: For households with inadequate emergency savings, we urge consideration of the following:

- For those who already have an automated savings account, consider increasing the amount of monthly deposits. The current deposits may reflect an earlier period when your income was much lower.
- For those who have a "non-automated" savings account, ask your bank or credit union if you can automate it and also if this automation allows waiver of monthly fees. Automated savings is, in general, the only effective way for most people to save for emergencies, as well as for expensive products or for retirement.
- For those who have a checking account but no savings account, ask your bank or credit union if they can create one for you that is automated with no monthly fees. Depository institutions have this capability even if they do not advertise it.
- For those with no bank account, see if there is a local bank or credit union that offers a savings account with an affordable opening deposit and no monthly fees. Ten of the 101 largest banks offer this type of account. Certainly a number of the remaining several thousand banks also offer such an account. And our research shows that credit unions are much more likely than banks to offer affordable savings. For example, six of the ten largest credit unions (by number of branches) offer an account with a very low initial deposit and no monthly fees while three others have very low minimum balance requirements -- $50, $75, or $100 (on all accounts).[49]
- For those who cannot find a bank or credit union offering an accessible and affordable account, try to put a little money away each month and keep it somewhere safe, for example, in a locked metal box effectively hidden.

[49] The six credit unions are Navy Federal, America First, Mountain America, Golden 1, Suncoast, and Space Coast. The three credit unions are State Employees, Alaska USA, and Security Service. A report on savings opportunities at large credit unions is forthcoming.

APPENDIX A: LARGEST 101 BANKS BY NUMBER OF BRANCHES*

Bank	Number of Branches
Chase Bank	5,034
Bank of America	4,339
Wells Fargo	5,585
Citibank	702
U.S. Bank	3,048
PNC Bank	2.416
Capital One	537
TD Bank	1,241
BB&T	1,871
SunTrust	1,163
HSBC Bank	227
Citizens Bank	1,104
Fifth Third Bank	1,138
KeyBank	1,179
Union Bank	349
Regions Bank	1,453
BMO Harris	578
M&T Bank	787
Huntingdon	948
BBVA (Compass)	640
Bank of the West	552
Santander Bank	625
Comerica Bank	436
Zion’s Bank	434
People’s United Bank	407
Synovus Bank	299
East West Bank	110
First Horizon Bank	299
BOK Financial	128
First Citizens	550
Associated Bank	243
First National Bank of Pennsylvania	396
Bank United	85
Valley National Bank	221
Frost Bank	144
Iberia Bank	191

Sterling National Bank	98
Hancock Whitney Bank	196
Umpqua Bank	254
Pinnacle Bank	113
Commerce Bank	168
TCF Bank	325
UMB Bank	94
Bank OZK	240
Prosperity Bank	261
Chemical Bank	211
First National of Omaha	125
Old National	196
United Bank	138
Arvest	295
First Bank	117
BankcorpSouth	295
Cadence Bank	100
Union Bank and Trust	154
Washington Federal	235
Simmons Bank	191
First Midwest Bank	110
South Street Bank	167
Centennial Bank	164
Independent Bank	105
First Financial	185
Trustmark	198
Rabobank/Mechanics Bank	100
First Interstate Bank	146
Columbia State Bank	150
Renasant Bank	162
Great Western Bank	174
Fulton Bank	174
Centerstate	125
Wesbanco Bank	202
Bremer Bank	82
United Community Bank	141
Berkshire Bank	109
Glacier Bank	150
Ameris Bank	115

Banner Bank	171
Eastern Bank	91
Community Bank	222
First Merchant’s Bank	118
PlainsCapital	128
NBT Bank	149
Rockland Trust Bank	88
IBC Bank	115
First Commonwealth Bank	138
First Financial Bank	75
Park National Bank	109
Banc First	113
Tri City National Bank	76
Woodforest National Bank	749
First Source Bank	80
First Bank (MO)	92
First Bank (NC)	100
NBH Bank (Community Banks)	103
Westamerica	79
First Security	75
Horizon Bank	86
City NB (WV)	98
Great Southern Bank	100
United Community Bank	78
Carter Bank and Trust	122
First Convenience	318

*Source: Federal Reserve Board, Insured U.S.-Chartered Commercial Banks That Have Consolidated Assets of $300 Million or More (as of September 30, 2018). Banks listed by size of consolidated assets.