



NEWS RELEASE

Comptroller of the Currency
Administrator of National Banks

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Comptroller Urges Industry to Adapt Technology To Give Low-Income Americans Greater Access to Banking Services

BALTIMORE -- Low-income Americans constitute a large and potentially important market for financial services providers, and technology gives banks a means to serve that market in a cost-effective way, Comptroller of the Currency John D. Hawke Jr. said today.

“The military refers to technology as a “force multiplier” -- a means to maximize resources and shift outcomes,” Mr. Hawke said in a [speech](#) to a community development conference cosponsored by the OCC and the American Bankers Association. “It can be that for the banking industry as well in the effort to profitably serve the underbanked.”

Mr. Hawke told the conference that many people have decided to avoid using banks for reasons that make perfectly good economic sense. However, many families that have decided to forgo a banking relationship have suffered economically as a result, he said.

“The relatively small sums that people without a formal banking relationship spend to cash a few checks and buy a few money orders are not the problem,” Mr. Hawke said. “It's the compound effect of lost opportunities to build wealth and make a better life that is the problem. It's the cash tucked away -- not safely in a savings account, but in a coffee can or hip pocket, vulnerable to theft or loss -- that sets people back in their struggle to get ahead.”

Technology has already shown its potential to improve the delivery of financial services to low-income individuals, Mr. Hawke said.

“In the Electronic Transfer Accounts now being offered by hundreds of financial institutions around the country, we have the prototype of a technology-intensive, utilitarian, low cost account that has already drawn thousands of previously unbanked Americans into the banking system,” the Comptroller said. The ETA allows recipients of many kinds of Federal payments to access their funds automatically through electronic funds transfers.

Mr. Hawke said he is encouraged by the number of institutions that have begun to build on the ETA model. Some have developed ETA-like accounts that combine direct deposit with bill

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payment options, an attractive service for individuals accustomed to spending several dollars per month for money orders or electronic bill payments for that purpose.

“For banks, the key is to keep expenses down and paper to a minimum, and technology holds tremendous promise in that regard,” Mr. Hawke said.

The Comptroller said individuals who lack established relationships with banks constitute a huge market. For example, in 2000, Americans cashed 180 million checks at 11,000 check-cashing outlets, generating fees of \$1.5 billion. Moreover, the payday loan industry has grown from virtually nothing ten years ago to a nationwide business generating fees of up to \$2.2 billion a year today.

“This situation poses a challenge for banks -- and an opportunity,” Mr. Hawke said. “The challenge is to understand why people who might become bank customers aren't doing so. The opportunity is to change their minds and their financial habits. It's a high-stakes undertaking -- for banks, for current and potential bank customers, and for our economy.”

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The OCC charters, regulates and examines approximately 2,200 national banks and 52 federal branches of foreign banks in the U.S., accounting for more than 54 percent of the nation's banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the United States.