



NEWS RELEASE

Comptroller of the Currency
Administrator of National Banks

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Kevin Mukri
(202) 874-5770

Comptroller Hawke Outlines the Challenges of Reaching the Unbanked

WASHINGTON -- Comptroller of the Currency John D. Hawke, Jr. outlined the challenges of bringing banking services to the unbanked in a speech today to the National Community Reinvestment Coalition.

According to Mr. Hawke, some 10 million American families lack accounts at financial institutions. "Affluent neighborhoods, where the median income was 120 percent or greater than the area median income, had three times as many bank offices per 10,000 residents as neighborhoods where the median income was 50 percent of area median income," Mr. Hawke said.

The problem of the unbanked is not limited to access to financial services. "It's obvious, I think, that in order to serve the community effectively, an institution should have a physical presence there," Mr. Hawke said. "But the lack of physical access to banks cannot be the entire answer to the problem of the unbanked. Many of those who remain outside the banking system are there by choice."

Cost is one concern of the unbanked. "According to a 1999 study by the U.S. Public Interest Group, the average minimum balance required to avoid fees for checking accounts at large banks was \$616," Mr. Hawke said. "Given these realities, it's no wonder that so many low- and moderate-income Americans choose not to conduct financial transactions at a bank."

One way to help build relationships between the unbanked and mainstream financial institutions is the through the Electronic Transfer Account (ETA) which was developed by the Treasury Department. "The ETA -- a utilitarian, all-electronic account that, for a fee of no more than \$3 a month -- allows recipients of many kind of Federal payments, including salaries and retirement benefits, to access their funds automatically through electronic funds transfer," Mr. Hawke said.

Progress is underway in communicating the benefits of the ETA. "Right now the ETA is available at more than 600 financial institutions with thousands of branches nationwide," Mr. Hawke said.

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ETA is particularly promising as a bridge toward other benefits of banking relationships. “I think, rather, that ETA’s greatest value is as a stepping stone -- for customers who use them to get a foothold into the financial mainstream and for financial institutions who use the ETA as a model to bring the benefits of a banking relationship within reach of others,” Mr. Hawke said.

Mr. Hawke emphasized the importance of technology-based solutions to the problem of the unbanked. “I believe that technology offers great potential for bringing the unbanked into the financial mainstream, with all of its benefits,” Mr. Hawke said. “It also offers new possibilities for financial institutions to develop deeper and more profitable customer relationships.”

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