

NR 99-20

FOR IMMEDIATE RELEASE
March 9, 1999

Contact: Dean DeBuck (202) 874-4876

Few Banks Offer Internet Banking Services But Numbers Growing Rapidly

WASHINGTON, D.C. -- Few banks and thrifts offer customers the option of conducting transactions over the Internet but their numbers are growing rapidly, according to a new study by the Office of the Comptroller of the Currency (OCC). Bank and thrift Web sites that permit on-line banking transactions grew from an estimated 103 at the end of 1997 to 258 by June 1998, an annualized rate of over 300 percent. These Internet services permit customers to transfer money among accounts and to check account balances. Electronic bill payment over the Internet was also available in three-fourths of the banks that offer transactional Internet banking.

Despite the growth, the number of banks offering transactional Internet services remains small, slightly over 4 percent of all banks and 6 percent of national banks. However, trends suggest that by year-end 1999 up to 15 percent of the nation's banks will offer transactional Internet services.

The banks that do offer on-line banking services account for 40 percent of all bank assets. National banks offering on-line banking account for 61 percent of all national bank assets. This reflects the sizeable number of large banks with on-line services. Twenty-seven banks with over \$10 billion in assets -- 42 percent of the total for that asset group -- offer transactional Internet banking services.

Customer use of on-line banking services remains limited. Industry studies cited in the OCC report show 4 percent of households conduct banking transactions over the Internet. However, the OCC study estimates that 40 percent of banking customers have accounts at banks that offer Internet banking services. For this reason, a change in consumer acceptance of Internet banking services could result in widespread use of Internet banking fairly rapidly.

The OCC study was undertaken by the OCC's Special Studies staff, who conduct research and analysis on special projects, including the impact of technological change on banking.

The study is contained in an article, "Banking over the Internet," in the current issue of the OCC's Quarterly Journal. The article is available at www.occ.treas.gov/qj/qj17-4.pdf. The Quarterly Journal can be obtained by writing to Comptroller of the Currency, Public Information Room (Mail Stop 1-5), Washington, D.C. 20219; faxing a request to (202) 874-4448; or visiting the OCC's Public Information Room at 250 E Street, S.W. in Washington, D.C. (9 a.m.-noon and 1-3:30 p.m., Monday-Friday).

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The OCC charters, regulates and examines approximately 2,600 national banks and 66 federal branches and agencies of foreign banks in the United States, accounting for 58 percent of the nation's banking assets. Its mission is to ensure a safe, sound and competitive national banking system that supports the citizens, communities and economy of the United States.□