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THE ESSENTIAL ROLE OF BANKS AND CREDIT UNIONS IN FACILITATING LOWER-INCOME HOUSEHOLD SAVING FOR EMERGENCIES

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Introduction

Recent research has recognized the importance of low- and moderate-income households being able to easily pay for routine unexpected expenditures such as car repairs and emergency dental treatment. And it has linked the unmet emergency savings needs of these households both to their utilization of high-cost credit and to their inability to save for medium- and long-term goals.

This paper explores the role of banks and credit unions in helping LMI households build adequate emergency savings. After reviewing the extent of LMI emergency savings needs, it argues that these institutions have the unique capability and potential to facilitate increased emergency savings among millions of the least affluent households. It also suggests the most effective ways these institutions could effectively promote this saving, the resulting benefits to them for doing so, and strategies for maximizing these benefits.

In preparing this paper, I consulted dozens of publications on LMI saving and financial institution savings accounts. But the most useful source of information was dozens of individual and group discussions with industry leaders, most of whom had line authority for savings services. These leaders represent bank and credit union trade associations, big banks, small banks, and large credit unions (1). Several institutions even gave me access to proprietary data about their accounts. Footnote one lists cooperating banks and credit unions.

Most LMI Households Have Unmet Emergency Savings Needs

A 2007 paper I prepared recommends that the concept of emergency savings needs to be defined more narrowly than most researchers and educators have done so. Yet even after this redefinition, most low- and moderate-income households are unable to easily pay for unexpected expenditures typically occurring several times annually. (2)

Most financial planners, educators, and researchers have assumed that households need liquid financial resources representing between three and six months of expenditures to adequately meet their emergency needs. But, as the paper documents, households define their emergency savings needs far more narrowly and, in fact, typically report unexpected expenditures annually of only $2,000.

Yet, even when emergency savings needs are defined in this more limited way, among most LMI households they are still unmet. These unmet needs are evident in the significant gap, for most of these households, between perceived emergency savings needs and typical unexpected expenditures, on the one hand, and liquid financial resources available to meet these needs, on the other.

Low-income households (lowest income quintile) perceive typical emergency savings needs of $1,500 and typically spend $2,000 annually on these needs. Yet less than one-third of these households have a savings account, less then three-tenths say they have emergency savings of at least $500, and the median amount of those with a checking and/or savings account is only $600.

Moderate-income households (second income quintile) perceive typical emergency savings needs of $3,000 and report typical annual emergency expenditures of $2,000. But less than half have a savings account, less than half say they have emergency savings of at least $500, and the median amount of those with a checking and/or savings account is only $1,500.

Thus, a substantial majority of low- and moderate income households lack sufficient liquid savings to pay for unexpected expenditures. My recent analysis of six surveys undertaken by the Opinion Research Corporation for the Consumer Federation of America over the past four years provides additional information about how large this majority is (3). For the nearly 30 percent of households with incomes below $25,000, about three-quarters reported that they lack a separate emergency savings fund, had less than $500 in an emergency savings separate from checking, and had less than $500 in a savings account with funds that could be used to pay for emergency expenditures. Since real emergency savings needs are far larger, it appears that they are experienced by well over three-quarters of all LMI households.

The 2007 report also suggests that inadequate liquid financial resources to pay for unexpected expenditures are related to many undesirable financial experiences. For 450 households with incomes under $25,000 surveyed in 2005, the lower the level of "emergency savings," the more likely households are to express concern about paying monthly bills, have difficulty making monthly mortgage or rent payments, bounce checks, make only minimum credit car payments, and take out payday loans. Those reporting no emergency savings were four to ten times more likely to indicate unfavorable financial experiences than those with at least $500 in these savings. And those reporting emergency savings of $1 to $500 were two to five times more likely to indicate unfavorable experiences than those with at least $500. These strong and expected correlations suggest that simply having emergency savings substantially reduces the likelihood of having certain undesirable financial experiences.

<u>Banks and Credit Unions Must Play an Essential Role in Meeting These Needs</u>

Because of their ubiquity, products, and social obligation, banks and credit unions are uniquely situated to facilitate low- and moderate-income household emergency saving. And the use of their transaction accounts by the large majority of LMI households suggests that they also view these institutions as providing viable emergency savings options.

Access: Despite some well-founded criticism that branch shutdowns have restricted access in some LMI communities, banks and credit unions nevertheless provide these services to a large majority of all low- and moderate-income households. According to the latest Survey of Consumer Finances, nearly three-quarters (72%) of the lowest income quintile and nine-tenths of the second income quintile maintain a checking and/or saving account at a bank or credit union (4). While other research suggests that these figures are biased upward, there is no dispute that a large majority of LMI households are "banked" (5).

Lack of physical access to these financial institutions is not an important reason 20 to 30 percent of LMI households do not have a transaction account. There are now more than 85,000 bank branches and more than 350,000 ATMs nationwide (6). By comparison, there are only 24,000 supermarkets. Yet, almost all LMI households have found ways to regularly shop at these food markets. In part, that is because an estimated two-thirds of low-income households and 85 percent of moderate-income households own a car (7). It is true; however, that access to a credit union is largely restricted to those who have one available at work.

The research suggests that insufficient funds, difficulty avoiding checking fees, relatively high minimum savings deposits, low savings yields, and lack of bank encouragement appear to be far more important reasons some households are bankless (8). The good news here is that these are factors banks could largely control if they chose to do so.

Physical access to bank or credit union branches, as opposed to virtual access through phone and Internet, is still important for most LMI households. Only a minority of low- and moderate-income households have easy access to use of the Internet (9). And reluctance to bank virtually is widespread among all income groups because of factors such as concerns about security (10). Nevertheless, those LMI households who can directly deposit paychecks and make withdrawals from ATMs now have less need for access to branch tellers than previously. According to a recent Opinion Research Corporation survey commissioned by the Consumer Federation of America, about three-quarters (77%) of those with household incomes under $25,000 who "receive regular paychecks" (47% of the income group) say they have available a direct deposit option, though slightly less than two-thirds (63%) with this option choose to utilize it (11).

Products: As well as broad access, all banks and credit unions offer accounts that could be suitable for emergency savings. Virtually all these financial institutions offer a basic savings account whose funds are secure. While these accounts cannot be opened without a minimum deposit that is typically several hundred dollars, or maintained fee-free without a minimum balance usually of the same amount, increasingly banks and credit unions are making exceptions to these restrictions. The most important is the lowering of these minimums to $25 or $50 if the depositor agrees to a periodic, usually monthly, electronic transfer from direct deposit or checking to saving (12). Also, in the dozens of areas with Individual Development Account and America Saves programs, most large banks have agreed to significantly lower opening and minimum balance requirements for participating savers (13).

It is true that these accounts offer relatively low yields, typically under one percent. Yet, for most emergency savings accounts, the dollar losses are not large. For example, the difference between annual yields of one and three percent on $500 in savings is only $10, a fraction of one bounced check fee. That would seem to be a small price to pay for being able to avoid taking on high-cost debt or seeking assistance from family members to cover largely unavoidable but unexpected emergency expenditures.

Social Obligation: As institutions providing consumer financial services that are protected by the government, banks and credit unions are considered to have some obligation to serve social, as well as their own parochial, interests. This reasoning helped justify the Community Reinvestment Act, which requires banks to invest in the communities they serve, most importantly, to expand homeownership opportunities through the provision of mortgage credit. The CRA also 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 a general justification for expecting banks to make available and promote affordable savings opportunities. No other type of financial institution is required to meet such a social obligation. (14)

Other Emergency Savings Options: Except possibly for other savings accounts such as incremental certificates of deposit, there are no other viable emergency savings options to bank and credit union savings and MMDA accounts. U.S. Savings Bonds cannot be cashed during the first year after purchase. For small depositors, experts agree, checking deposits are too accessible, and are seen as too accessible, to serve as effective emergency savings. Experts also agree that over time the use of lines of credit, which are viewed by some individuals as emergency savings, aggravates rather than helps meet emergency savings needs. (15)

Perhaps the most viable alternative to bank or credit union emergency saving is saving at home where, if funds are physically and mentally "hidden" effectively, they would be available to cover unexpected expenditures. In fact, one could argue that hiding these funds at home may protect them as effectively as keeping them on deposit at a bank or credit union where they could be accessed at any ATM. The evidence suggests that some LMI households have resorted to this emergency savings alternative (16). However, apart from the difficulty of hiding these funds at home, these households lack access to automatic savings options requiring little physical or mental effort beyond enrollment.

How Banks and Credit Unions Could Persuade LMI Households to Build Emergency Savings

Through the marketing of attractive savings accounts, banks and credit unions have the ability to stimulate personal saving by millions of nonsaving Americans. For example, in just four months after introducing their Way2Save account, which caps monthly deposits at $100 and thus has limited appeal to high-income households, Wachovia sold 700,000 of these accounts. By comparison, the most successful nonprofit savings initiatives, such as Individual Development Accounts and America Saves, each took years to enroll tens of thousands of savers (though these programs appear to confer a broader range of saver and societal benefits). (17)

What are the key elements of a successful bank/credit union savings promotion, and what LMI households are most responsive to this promotion?

The Banked: In regard to the second question, we hypothesize that existing LMI bank/credit union customers are by far the most responsive to the marketing of savings accounts. That would include the some 60 to 70 percent of all low-income households (first income quintile), and 80 to 90 percent of all moderate-income households (second income quintile), that have a checking and/or savings account. These households believe that they have sufficient funds to maintain a transaction account, that they know how to use this account, and that the benefits conferred to them by these accounts exceed related costs.

Further, we hypothesize that those LMI households with existing savings accounts, who have not yet met emergency savings needs, tend to be more responsive to the marketing of savings than are those households with only a checking account. These savers have, at least at one point, recognized the value of maintaining a savings account. Moreover, it is relatively easy for banks and credit unions to effectively target these savers through promotional inserts in monthly statements. According to the 2004 Survey of Consumer Finances, 32 percent of low-income households and 48 percent of moderate-income households held a savings account or MMDA. The median value of these accounts was $900 for low-income depositors and $1,500 for moderate income depositors. (18)

Returning to the first question, the experience of banks and credit unions, reinforced by the belief of savings managers in these institutions, suggests that four factors are necessary for successful mass marketing of saving to non-affluent customers. These are an attractive account, marketed aggressively, in which customers make regular affordable deposits automatically.

Recently, the most attractive account feature has been a high yield. That has been offered, for example, by Wachovia -- 5% yield and 5% bonus at year's end -- by Washington Mutual -- 5.5% to 6.5% -- and by Boeing Employees Credit Union -- 7.5% (19). The effectiveness of this incentive is illustrated, as noted above, by the 700,000 accounts Wachovia sold within four months, mainly to moderate- and middle-income households. Another type of effective feature is automatic enrollment of regular savers in a potentially lucrative sweepstakes. In its Super Saver Sweepstakes program, Tower Federal Credit Union draws for prizes monthly ($1,000 first prize), quarterly ($3,000 first prize), and annually ($20,000 grant prize) (20).

For savings to accumulate effectively, however, deposits must be automatic -- that is, transferred electronically from checking or direct payroll deposits at least monthly. This accumulation cannot depend on periodic visits by depositors to branches, ATMs, or even to one's computer. That is what experience with 401k and other automatic savings programs, such as Bank of America's Keep the Change account, have taught us (21). Especially for those with little discretionary income, if the decision to save must be made repeatedly, it will frequently be deferred to some spending priority.

However, these regular deposits must be affordable for LMI customers. In an effort to include LMI households, Wachovia, Washington Mutual, and Tower accounts allow required monthly deposits of as little as $25. (And Boeing has no minimum.) The low cost of electronic funds transfers has given banks the flexibility to lower minimum deposits to this level. And the desire to attract new customers has helped motivate them to do so. An unpublished 2007 Consumer Federation of America survey of savings accounts at large banks found that many had minimum opening balances of $50 or less and that monthly fees frequently could be avoided either by making automatic monthly transfers or by keeping a minimum balance of only $100 (as opposed to the typical minimum of $300).

These savings accounts, though, will not be purchased unless they are marketed aggressively. For example, this year Wachovia is spending tens of millions of dollars, primarily on media advertising, in order to sell more than one million Way to Save accounts. And in the past three years Bank of America has spent even more to enroll more than eight million customers in its Keep the Change program. (They also report that existing depositors are now marketing the account themselves, influencing about half of new depositors.) In group sessions, Navy Federal Credit Union persuades about one-third of those Great Lakes Navy trainees, who choose the credit union as their primary financial services provider, to purchase its Easy Start incremental certificate of deposit. (22)

Though none of these accounts specifically targets LMI households, all are being marketed to the broad middle-market, which includes many low- and most moderate-income households. In fact, the Wachovia, Washington Mutual, and Boeing accounts discourage large depositors by capping monthly or total deposits earning high yields -- $100/month at Wachovia, $500/month at WaMu, and $500 at Boeing. While not knowing the age and income profile of purchasers of these account purchasers, I have been informed by Navy Federal Credit Union that those members holding Easy Start CDs tend to be young Navy enlisted men and women, or their spouses, who have relatively low incomes.

<u>The Unbanked:</u> It is far more difficult for banks and credit unions to persuade the unbanked, than the banked, to open and build savings accounts. There is little evidence that most households who have chosen not to bank at a traditional financial institution can be convinced to open a transaction account and, when they are, the account is usually checking. In fact, at present researchers and practitioners seem more enthusiastic about utilizing stored value card options, than traditional checking, as an alternative to check cashing and other fringe banking services.

To date, most efforts to persuade unbanked LMI households to save have been led by non-profit organizations which have involved banks and credit unions in their programs. The most ambitious attempts have been local Individual Development Account and America Saves programs. Both initiatives have been based on research, funded by national foundations, launched in dozens of communities, supported by community outreach staffers at financial institutions who have contributed time and funding, and have required specific savings commitments from participants. IDA programs require these participants to open and maintain an account whereas America Saves requires them only to pledge to implement a specific savings plan. Independent research, much more thorough for IDAs, has concluded that both programs promote both greater interest in saving and actual saving. In the past decade, IDA programs have enrolled more than 65,000 savers. Since 2001, American Saves has enrolled slightly more than 100,000 savers. (23)

Yet, the experience of both programs demonstrates how difficult it is to persuade unbanked or underbanked LMI households to save through banks and credit unions. Only about half of IDA participants save as much as $100 of their own dollars, and many end up withdrawing more funds than they deposit, thereby forfeiting matched dollars, in order to pay for unexpected expenses. Only a small minority of enrolled American Savers have taken advantage of the willingness of participating banks to lower or eliminate opening and minimum deposit requirements on basic savings accounts. Moreover, there is evidence that most of those opening these special accounts have not accumulated savings. National City Bank, for instance, reports that it now has 3,544 Saves accounts, but nearly half of them have zero balances, and this number does not include Saves accounts that were closed earlier. Thus, less than half of Saves accounts opened at National City currently have deposits. The more encouraging news is that these accounts total $849,550, more than $500 per active account.

How Banks and Credit Unions Can Profitably Serve LMI Savers

Banks and credit unions can profitably promote savings accounts to many low- and moderate-income consumers. That is certainly true for most young LMI Americans whose household incomes will grow as they age. But it is also true for most households whose incomes will remain modest. Banks such as Bank of America, Wachovia, and Washington Mutual have in fact designed savings programs to appeal to moderate-income households by lowering or eliminating minimum balance requirements, making savings automatic, and providing an attractive financial incentive. They do so mainly to recruit new customers who will immediately open highly profitable checking accounts and eventually purchase other products.

But banks and credit unions can also profit by selling savings account to existing customers for two types of reasons. First, these accounts can represent an inexpensive source of deposits. That is not the case if these accounts have low balances since the cost of servicing them will usually exceed the income generated from the investment of these funds. However, automatic savings provides a mechanism that allows these accounts to grow over time. How much must they grow in order to be profitable? In individual conversations, bank and credit union leaders give estimates ranging between $500 and $1000. That makes sense since $500 invested by a financial institution should generate an annual yield of perhaps $20 to $40, while the interest expense would typically be less than $5, and the costs of servicing this account should be as low as the $10 or so of preparing and mailing monthly statements (but range upward depending largely on customer use of branch personnel). It would seem likely, however, that a number of autosave accounts held by moderate-income households would grow well beyond $1000 in size. That would occur, for example, in two years if just $50 were deposited monthly.

Banks and credit unions can also benefit from selling savings accounts by increasing customer retention. As noted earlier, checking accounts are the product most likely to be used by all financial institution customers, including LMI households. According to the available evidence, and widespread industry belief, persuading these customers to purchase a savings account as well increases the chances they will continue to use the bank or credit union as its primary financial institution. One industry leader has cited Bank Marketing Association figures that the chances of losing customers after their first year is 50 percent if they hold only a checking account but only 10 percent if they hold both a checking and a saving account. That probability diminishes even further if customers deposit paychecks directly. (24)

These realities suggest a multi-stage savings-based strategy for banks and credit unions to recruit and retain more LMI customers and to increase the profitability of these customers (25):

- Use attractive savings as a loss leader to attract new customers who also open checking accounts. If reliant on mass advertising, this marketing is relatively expensive yet apparently well worth it to institutions like Bank of America, which has enrolled more than eight million customers in its Keep the Change program, and Wachovia, which should sell more than one million Way2Save accounts in their first year. Less expensive marketing strategies, with correspondingly lower yields, include selling to the employees of institutional customers and selling from branches.

- Try to persuade these new customers, especially those with modest incomes, to save automatically. As they complete the application form for checking, ask them if they would like an amount automatically transferred each month to a no-fee savings account so they can more easily pay for any unexpected expenditures that arise.

- Consider offering and promoting incremental certificates of deposits to which customers make automatic deposits monthly. Navy Federal Credit Union and other credit unions have found that these accounts, which pay yields between the rates of traditional savings accounts and cds, are attractive to many customers, including about one-third of young enlisted men and women who decide to bank with Navy.

- Consider offering goal-oriented accounts in which customers make automatic deposits to cover some fixed expense that could range from Christmas to a wedding to a down payment on a car or home. An increasing number of banks and credit unions are now offering these "custom" accounts. And it appears, probably because of strong customer desire to pay for, rather than finance, this expense, that these accounts can be attractive without offering high yields. It also seems that, if satisfactory maintenance of these accounts helped ensure favorable loan terms, customer interest in future car or home loans would increase.

- Offer general incentives to save in all accounts. Tower Federal Credit Union has innovatingly offered all savers the opportunity to win monthly, quarterly, and annual sweepstakes payments, with larger depositors qualifying for the largest prizes. (26)

- On the other hand, consider restrictions and disincentives on savings withdrawals. Bank and credit unions have traditionally limited free monthly withdrawals to three. But these institutions might also experiment with small fees on all withdrawals, especially if the accounts pay relatively high yields.

Limiting and discouraging withdrawals would also lower financial institution administrative expenses, particularly if withdrawals were being made at teller windows rather than from ATMs. These costs would also lessen if banks and credit unions were given more flexibility to reduce consumer reporting requirements. If these institutions, for instance, were permitted to provide bi-monthly or quarterly statements, small accounts would more likely be profitable. And depositors may not mind since they could access any ATM with a bank card in order to learn their savings balance. According to the Federal Reserve Board, there is no requirement for a monthly statement for a savings account. However, under Regulation E, electronic funds transfers do trigger such a requirement. But this requirement could be waived, as it has for payroll cards, if institutions provided online, ATM, or voice response systems or if depositors could obtain a hard copy from branches "on demand." (27)

Conclusion

Banks and credit unions play an essential role in facilitating lower- and moderate-income household saving for emergencies. That role is especially important in facilitating this saving among the large majority of LMI households who currently are banked, i.e., have a checking or saving account at a bank or credit union. To be successful, these financial institutions must aggressively market, to both low- and middle-income households, attractive savings accounts to which customers make regular, affordable deposits automatically. These accounts benefit banks and credit unions by attracting new customers, retaining existing customers, and over time inexpensively building deposits.

Footnotes

(1) The Consumers Bankers Association generously invited me to speak to a couple dozen bankers on the association's deposit and investment committees, then gave me the opportunity to attend and speak at a CBA deposits conference. The American Bankers Association Education Foundation organized a meeting of a dozen bankers where I was able to discuss bank facilitation of youth savings accounts. I also had the chance to discuss bank promotion of LMI savings with savings leaders at National City, Citi, Key, Citizens, Bank of America, Dollar, Columbia,

Washington Mutual, and Wachovia. The last two institutions were especially generous, and trusting, in allowing me to read proprietary documents about new savings accounts. And a half-dozen of these banks allowed representatives to serve on an informal bank savings advisory committee I organized and led. Credit union leaders were equally as generous with their time. I was able to have discussions with leaders of the Credit Union National Association, the National Association of Federal Credit Unions, Navy and Coastal -- the nation's two largest credit unions -- Langley, and Tower. Navy was especially helpful in providing me with access to proprietary data about their savings accounts.

(2) Stephen Brobeck, "Unmet Emergency Savings Needs and the Role of Financial Institutions in Meeting Them" (Consumer Federation of America, 2007). This paper mainly presents new data about the significant emergency savings gap experienced by most LMI households and only begins to explore the role of banks in helping close this gap. The difficulty LMI households have paying for unexpected expenditures are supported by the literature evaluating Individual Development Accounts. See, for example: Michael Sherraden, "IDAs and Asset-Building Policy: Lessons and Directions," Center for Social Development Working Paper No. 08-12 (2008), p. 6.

(3) Stephen Brobeck, "How Americans Conceptualize Emergency Savings: Evidence From Consumer Surveys" (Consumer Federation of America, 2008).

(4) Brian Bucks, "Recent Changes in U.S. Family Finances: Evidence from the 2001 and 2004 Survey of Consumer Finances," Federal Reserve Bulletin (2006), p. A13.

(5) Some critics have argued that, because of difficulties recruiting a sufficient number of representative low-income respondents, the Fed data underestimates the percentage of unbanked low-income households. Considering the care taken by the Fed survey, as well as the estimates by other less reliable surveys, it seems unlikely that the Fed's 70 percent figure for low-income households with transaction accounts was any lower than 60 percent, the lower end of the range used in this paper.

(6) Beverly Hirtle and Christopher Metli, "The Evolution of U.S. Bank Branch Networks: Growth, Consolidation, and Strategy," Current Issues in Economics and Finance (Federal Reserve Bank of New York, July 2004), p. 2.

(7) U.S. Department of Commerce, Statistical Abstract of the U.S., 2004-2005 (Washington, D.C., 2005), p. 456.

(8) A useful discussion of this issue is found in: Jennifer Tescher et. al., The Power of Experience in Understanding the Underbanked Market (Chicago, July 2007). John P. Caskey, "Reaching Out to the Unbanked," Washington University in St. Louis Center for Social Development Working Paper 00-15 (2000).

(9) U.S. Department of Commerce, National Telecommunication and Information Administration, A Nation Online (Washington, DC, 2004). This study suggests that in 2004, less

than one-quarter of low-income households and only two-fifths of moderate-income households had home access to the Internet.

(10) According to a 2004 survey, 71 percent of online consumers who do not bank online say they never will mainly because of privacy and security concerns. Survey data reported by Catherine Graeber in her Online Banking 2004 report, "Understanding the Mindset of Holdouts, Fence-Sitters, and Quitters."

(11) Survey prepared for the Consumer Federation of America by Opinion Research Corporation (May 2008).

(12) Unpublished Consumer Federation of America survey of savings accounts at large banks (2007).

(13) Periodic reports from local America Saves campaigns to the Consumer Federation of America, which manages America Saves.

(14) April 2008 conversation with CRA expert Allen Fishbein. Current CRA requirements are spelled out in: Federal Register, v. 66, n. 134 (July 12, 2001), pp. 36627-28.

(15) John P. Caskey, "Beyond Cash-and-Carry: Financial Savings, Financial Services, and Low Income Households in Two Communities," Report prepared for the Consumer Federation of America and the Ford Foundation (December 1977), pp. 34-35.

(16) In a Federal Bank of Chicago 2001-02 survey of LMI households, 14 percent reported savings in cash and other extra-institutional means. Robin Newberger, "Savings Account Usage by Low- and Moderate-Income People in the Chicago Metropolitan Area," Profitwise News and Views (Federal Reserve Bank of Chicago, January 2004), p. 3.

(17) Conversations with Wachovia officials. Information about American Savers from the Saver database maintained by the Consumer Federation of America. Information about IDA enrollments summarized in the Individual Development Accounts subpage of the RESULTS website.

(18) Information extracted from the Fed's 2005 Survey of Consumer Finances database by Catherine Montalto.

(19) Information on savings accounts supplied by the institutions or found on their websites.

(20) Information on this program found on the credit union's website.

(21) The Keep the Change account has enrolled over eight million customers, generating $10 billion in savings, according to a June 2008 conference presentation by the account manager. However, since it does not allow additional saver deposits, for individual households it is limited as a vehicle to build emergency savings. Wachovia's Way2Save account, on the other hand,

allows customers to deposit additional funds up to $100 a month, and according to the bank, 20 percent have chosen to do so.

(22) Conversations with Navy Federal Credit Union officials and data on accounts these officials made available for inspection.

(23) For an overview of IDAs, see Sherraden, "IDAs and Asset-Building Policy," referenced above. For an analysis of bank participation in IDA program see the report by the Center for Community Capitalism at the University of North Carolina Chapel Hill, "Financial Institutions and Individual Development Accounts: Results of a National Survey," published October 2003. For an overview of America Saves, see its website, especially the many news articles and the evaluation of Cleveland Saves by Brenda Cude.

(24) Presentation of Anat Bird for Ryan, Beck using Bank Marketing Association data (no date). Laura Fuller, "A Simple Customer-Retention Strategy: Securing Direct Deposits," ABA Bank Marketing Journal (May 2005), p. 47.

(25) Far and away the best discussion of strategies to promote personal saving is the working paper by Peter Tufano and Daniel Schneider, "Using Financial Innovation to Support Savers: From Coercion to Excitement," prepared in 2008. It will be published in a forthcoming volume edited by Rebecca Blank and Michael Barr. A useful overview of bank strategies for encouraging LMI household saving can be found in the article, "Building Assets, Building Relationships: Bank Strategies for Encouraging Lower-Income Households to Save," FDIC Quarterly (2008, vol. 2, no. 1), pp. 23-32.

(26) In addition to Tufano and Daniel's paper referenced above, see the working paper by Tufano, Nick Maynard, and Jan-Emmanuel De Neve, "Consumer Demand for Prize-Linked Savings: A Preliminary Analysis," published in 2008, which reports on a survey of the potential demand for prize-linked savings accounts at one credit union.

(27) Email communication from Federal Reserve Board staffer Jeanne Hogarth on January 31, 2007.