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Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

VIA ELECTRONIC DELIVERY TO: SafeAccountTemplateComments@fdic.gov

Dear Members of the Advisory Committee on Economic Inclusion:

Fidelity National Information Services, Inc. (FIS) appreciates the opportunity to submit these comments in response to the FDIC Request for Public Comment on Proposed Templates for Safe, Low-Cost Transaction and Basic Savings Accounts for Low and Moderate Income (LMI) Consumers.

FIS delivers banking and payments technologies to more than 14,000 financial institutions and businesses in over 100 countries worldwide. FIS provides financial institution core processing, and card issuer and transaction processing services, including the NYCE® Network. FIS maintains processing and technology relationships with 40 of the top 50 global banks, including nine of the top 10. FIS is a member of Standard and Poor's (S&P) 500® Index and consistently holds a leading ranking in the annual FinTech 100 rankings. Headquartered in Jacksonville, Fla., FIS employs more than 30,000 on a global basis. FIS is listed on the New York Stock Exchange under the "FIS" ticker symbol.

FIS has multiple assets and areas of domain expertise, including an electronic transaction account solution in support of services provided by banks, credit unions and retailers, and a deposit account risk management service¹ used by more than 8,500 regulated depositories in the United States. Through the nearly forty-year-old risk management service, we collect consumer performance data, consult with depositories on account acquisition and management strategies, and monitor the ongoing performance of select consumer segments and portfolios. The FIS electronic transaction account solution enhances the ability of a bank or credit union to serve an LMI consumer that might currently be conducting financial transactions through other channels. It is from these vantage points that FIS submits these comments and commends the FDIC for continued attention to models that promote access to safe and affordable financial services products for all segments of the nation.

FDIC Question(s):

"What are some ways of minimizing costs of offering transactional and savings accounts with attractive features for LMI underserved consumers?"

"Are there types of transactional accounts other than basic checking, basic savings, and account-based debit cards that would be attractive to both LMI underserved consumers and insured financial institutions?"

FIS Recommendation: Encourage product innovation that meets the needs of consumers and depositories.

Increasingly, a wide range of transactional and savings products exist for all consumers and, in particular, for the LMI segment on which the proposed Templates focus. The proliferation of payroll cards, general purpose reloadable cards, and innovations in traditional depository offerings present not only options in account type but an increase in features attractive to the underserved segments.

FIS urges the FDIC to consider the array of offerings that meet the transactional and savings needs of this segment and has concern that, if templates focus solely on traditional checking (transaction) and

¹ This service is offered through Chex Systems, Inc., an indirect, wholly-owned subsidiary of Fidelity National Information Services, Inc.



savings vehicles, innovation will be stymied and depositories will have limited opportunity to create offerings that serve the needs of the consumer at a socially responsible profit to the depository.

FIS sees opportunity for depositories to offer safe, affordable accounts that may or may not fit the traditional mold of a transaction account from an operational or processing standpoint, yet these accounts could provide a range of features to the consumer at a cost structure compelling to both consumer and depository. FIS currently supports innovative product offerings that combine features of savings, credit, and transacting in a single account with features that may include ATM and POS access to funds, non-depository account funding, multi-channel account support, bill payment and SMS alerts, while complying with Know Your Customer (KYC) and other regulations.

Critical to the success of this program would be the depositories' ability to create an offering that is compelling from a consumer standpoint while not cost prohibitive for the depository. As some of the findings from the FDIC small dollar loan pilot might indicate, serving lower-dollar transactions with traditional systems and processes can quickly erode any profit margins, resulting in either pricing not attractive to the consumer or economics not attractive to the depository. FIS commends the FDIC on their recent study of the underbanked and unbanked population and believes that through a less prescriptive definition of form accounts must take, depositories will be better able to innovate in ways that serve the needs of both consumer and depository.

FDIC Question: "What is an appropriate range for "low fees" necessary to offset some of the financial institution's costs associated with offering a transactional account?"

FIS Recommendation: Focus on segmentation and reasonable risk-based pricing instead of articulating specific fee amounts.

Over the past decade, there have been significant advances in the data and analytics available to depositories opening transaction and savings accounts. Despite this, the vast majority of new deposit accounts opened have been of the "free checking" variety, a model that relies on frequent over-drawers to effectively subsidize an entire portfolio through the application of punitive fees—an issue currently subject to great scrutiny.

Over the past several years, some institutions have deployed strategies of risk-base pricing deposit accounts and assigning privileges that mirror long-proven best practices in credit portfolios. FIS works with many institutions, from national banks to community banks and credit unions, that have implemented so-called second-chance accounts for consumers who would likely not otherwise qualify for a transaction account based on past performance as an indicator of future risk. While different models of this account exist, FIS sees great success in institutions where this strategy has been employed in a manner meant to build a long-term relationship. To compensate for the risk presented on these types of accounts and break the model of dependence on punitive fees, we often see the application of a \$5 to \$10 per month service charge—a charge consumers are often more than willing to pay as it represents considerable savings over their other, more expensive options of check cashing, bill payment services, and money orders.

These second-chance programs, however, are only appropriate for specific segments. FIS has seen hundreds of depository clients who have employed strategies of offering fairly restrictive accounts to those with little to no financial history. Much as subprime and thin file performance and strategies differ in credit acquisition best practices, so too should practices differ for these segments in the transaction and savings account portfolios. FIS has helped many of these depositories realize that a strategy that does not distinguish between higher risk consumers and those who are new to the financial services system does not reflect the best interest of either consumers or the depositories' desire in creating longer-term relationships.

While acknowledging that "reasonable" language, particularly as it applies to fees, may be challenging, FIS strongly urges the FDIC to encourage dynamic pricing of transaction and savings accounts commensurate with the risk posed by a consumer. Consumers have shown a willingness to pay



handsomely for access to financial services, as demonstrated by the rise in deferred presentment loans; while FIS does not advocate this fee structure as a model on which to base this proposal, research shows consumers favor—and will pay for—financial services for which they feel there is a clear, easily understood disclosure of fees to be incurred. Through matching the appropriate product to the consumer, a high degree of transparency can be achieved while providing access to low and moderate income consumers priced commensurate with risk.

FDIC Question: “If check writing is permitted, should there be a maximum number of checks that can be written each statement cycle? If so, at least how many checks should be allowed to be written each statement cycle?”

FIS Recommendation: Assign the appropriate privileges and payment vehicles aligned with consumer and not account type.

A number of payment options are associated with transaction accounts—debit cards, online bill payment, checks and, increasingly, mobile payments. Each have unique nuances—including clearing times—that can be challenging to understand, particularly for those with limited understanding of or experience with transaction accounts. Even in some second-chance or other types of accounts on which no overdraft activity is permitted, consumers may incur hundreds of dollars in fees through returned NSF checks. Some of this activity is the result of consumers purposely writing a check for which funds are not available, while some of the activity is the result of not understanding posting times or available balance calculations.

The application of a maximum number of checks may provide an operational burden for the depository that must keep a tally of checks per cycle, and may add an element of complexity for the consumer. In addition, either returning checks over the maximum number or imposing a punitive fee for exceeding the maximum will subject consumers to fees and other consequences. Imposing a cap on the number of checks per month does not guard against the fact that a consumer is in possession of tens or hundreds of checks that may be negotiated without regard to available balance or number of permitted transactions. Further, a depository that does not impose an NSF fee for checks written in excess of balance or allowed transaction count faces a potentially higher operations cost for which there is no remuneration. Finally, the elimination of an NSF fee has the potential of making it more enticing for certain segments to write NSF checks, thereby increasing the overall risk profile of check acceptance for retailers and other payees.

Despite this, there are large segments of the population—including low and moderate income segments—which either need or prefer to write checks and do not have significant overdraft or NSF activity. FIS does not discourage the FDIC from prohibiting overdraft activity as part of the proposed standards, yet encourages a more dynamic assignment of payment privileges based on consumer behavior and experience.

For those consumers whose past history—either demonstrated inability to effectively manage a traditional transaction account or lack of history—indicates checks as potentially problematic, FIS sees promise in the provision of an electronic transaction account that is supplemented with a debit card, online bill payment options in which the amount is immediately debited from the consumers account, text alerts for transaction activity, text access for balances, mobile/Web/IVR interfaces to help them quickly and efficiently manage their funds, live agent support that also educates consumers on the most efficient use of the products and services, money orders at competitive rates, savings accounts, lines of credit and other services that round out the offering. .

For those consumers, regardless of income, with a demonstrated history of effectively managing a traditional transaction account, FIS encourages the FDIC to not preclude the ability to write checks when so doing may be the most convenient option.

Currently, FIS encourages depositories to look not just at payment vehicles but all privileges and make dynamic assignments based on risk. For example, some institutions will not allow ATM deposits on



certain account types or consumer profiles to guard against the risk of empty envelope deposits. The use of past history to assess risk and assign payment and transaction privileges gives depositories the opportunity to provide consumer choice while guarding against undue risks without penalizing those consumers with no history of account mismanagement.

FDIC Sample Template-Eligibility: “When opening an account, consideration could be given to apply latitude and flexibility (as permitted by law) when forming a reasonable belief about each customer’s identity and when assessing the risk of opening a new account.”

FIS Recommendation: Promote access to all segments of low and moderate income.

With the advent of the USA PATRIOT Act and further strengthening of know-your-customer requirements, many depositories have found it increasingly problematic to serve the needs of those consumers in the United States whose identities cannot easily be verified. This is to the detriment of millions of consumers who may benefit from improved access to financial services.

Recent research² by FIS that examined the behaviors and transaction account performance of under-documented Latinos indicated that those consumers who applied for a transaction account with no government number (Social Security Number or Individual Taxpayer Identification Number) charged off at a rate approximately sixty percent lower than the general population (5.6% of account applicants charging off within one year compared to 12.6% in the general population). In addition, when this segment did charge off, the average loss was \$281, compared to the average loss from the general population of \$497.

As the FDIC considers account structures and offerings, FIS encourages the FDIC to also consider access issues for those who may find themselves unable to comply with depositories’ know-your-customer requirements. These efforts may include working with foreign governments on the ability to electronically verify the validity of identification documents issued by foreign governments.

FDIC Question: “What are some ways of minimizing the costs of offering transactional and savings accounts with attractive features for LMI underserved consumers?”

FIS Recommendation: Revisit existing credit products to provide access to short-term needs and build credit history.

As free checking grew in prominence, with a heavy reliance on discretionary overdraft protection programs, many depositories de-emphasized overdraft lines of credit. Even so, overdraft lines of credit have traditionally been targeted to prime consumers. As overdraft and deferred presentment loans are more heavily regulated, the liquidity issue faced by the segments availing themselves of these services has not been remedied. This leaves a greater need for services that provide access to short-term, small-dollar credit that is both affordable to the consumer and profitable for the financial institution.

FIS commends Chairman Bair and the FDIC for their pilot programs and willingness to engage with depositories to explore options to provide short-term, small-dollar loans and the inclusion of this as an option in the Template. FIS sees opportunity in the exploration of overdraft lines of credit as a viable source of short-term, small-dollar lending.

FIS believes that by utilizing existing decisioning and underwriting services and, in most cases, existing platforms at the financial institution, depositories can revisit overdraft lines of credit and make these more widely available. While in the past these revolving lines were targeted to prime consumers and were line amounts in the thousands of dollars, depositories could extend the offering of these lines into higher risk and lower income segments with lower line amounts and higher interest rates or an annual fee to compensate for risk.

Doing this would provide consumers access to a clearly disclosed line of credit, greater ability to manage a credit relationship, and ready access to funds when needed. Unlike deferred presentment transactions

² “Portrait and Banking Behaviors of Under-Documented Latinos,” an unpublished study as of the date of this letter.



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or loans made in advance of a direct deposit, this facility is a revolving line of credit, providing greater flexibility in repayment and safeguarding against the disruption in income that a single-installment payback creates. In addition, these accounts fit the standard of a credit product that may be reported to consumer reporting agencies; this helps consumers build a credit profile who have otherwise had trouble managing relationships in the past or who are new to the financial services sector.

FDIC Statement: "Potential for long-term success"

FIS Recommendation: Report consumer behavior to consumer reporting agencies and educate consumers on the impacts of this activity.

Consumers who utilize alternative financial services do not enjoy the benefit of the reporting of their good behavior to consumer reporting agencies. Likewise, consumers utilizing these services who do not use the products appropriately are often times not reported to consumer reporting agencies utilized by depositories. Both of these may make efforts by depositories to offer safe, affordable products to low and moderate income segments more problematic, especially if the depository wishes to employ risk-based approaches that do not penalize those with demonstrated histories of appropriate financial management.

FDIC Statement: "Potential for long-term success"

FIS Recommendation: Continually monitor account activity and actively manage accounts.

Using both data from consumer reporting agencies as well as internal data, FIS encourages the FDIC to provide guidelines for the ongoing monitoring and management of accounts once opened or encourage depositories to actively evaluate customer data throughout the account lifecycle. Just as this strategy has proven effective when employed in credit portfolios, so too can it help depositories migrate responsible consumers to greater privileges and lower fees and manage consumers who show signs of trouble.

In submitting these comments, FIS commends the FDIC in its efforts to improve access to safe, affordable transaction and savings products. FIS supports low or no balance requirements, free access to branch and online banking channels, the provisioning of affordable money services, and other features; however, FIS strongly believes that the best approach to financial inclusion is the application of analytics to appropriately match consumer with product and pricing and using analytics to expand the options available to consumers. FIS also encourages the FDIC to be mindful of the costs associated with development and operation of new products and features. Through lowered fees and balance requirements, these accounts may necessarily mean a lower profit margin for depositories; anything that may be done to leverage existing systems and technology will decrease the overhead associated with these programs and make them more attractive to depositories.

Barriers exist today for both depositories and consumers. However, FIS is confident that efforts such as this FDIC initiative hold the promise to break down these barriers in ways benefiting both the consumer and depository institutions.

I would be happy to discuss FIS' views in greater detail and welcome any participation in ongoing conversations relative to this matter. In that regard, please contact me at (651) 361-2267.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'Joshua S. Turnbull', is written over a faint, larger version of the same signature.

Joshua S. Turnbull
Director, Strategy Integration
FIS