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## BANKING

### **Regions** pursues unbanked

Fee-based services like check cashing offered to those without accounts.

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*Staff*

**Regions Bank**, the sixth-largest **bank** in metro Atlanta, is pursuing revenue from services long ceded to Walmart and the so-called shadow banking industry.

More than 60 million adults in the U.S. either don't use traditional **banks** or, if they have checking or savings accounts, still choose non-**bank** check cashers, money orders and payday lenders for their financial needs.

Birmingham-based **Regions** Financial, parent of **Regions Bank**, is offering an alternative to the alternative -- services it says are cheaper and broader than those even provided by Walmart, which has crowded into the financial system.

For months, **Regions** has been rolling out "Now Banking," a cache of fee-based, check-cashing services, Western Union money orders, bill-payment options and reloadable debit cards catering to **Regions** customers and those who don't use the **bank**.

If successful, other traditional banking institutions won't be far behind in offering these basic services, which could open up a growth market for them and bring people into the financial mainstream.

"That's a huge segment when the industry is grappling for revenue," said Greg McBride, senior economist with Bankrate.com. "You can't afford to ignore 25 percent of the marketplace."

**Regions'** products are as much as 50 percent cheaper than those offered by other check-cashing services and payday lenders, said John Owen, senior vice president of consumer banking for **Regions**.

"We look at it as an on-ramp to other services," Owen said. Ten percent of Now Banking users have opened **Regions** banking accounts since the program began last summer, he said.

Most of **Regions'** 1,727 branches currently offer the new services, and **Regions** will begin marketing Now Banking in January. **Regions** had 73 branches in metro Atlanta as of June, according to the Federal Deposit Insurance Corp.

**Banks**, however, will have a challenge convincing unbanked consumers to change providers, said T. Stephen Johnson, an Atlanta-based **bank** consultant. Walmart stores, for instance, still have a traditional Friday payday rush that **banks** used to have before the advent of direct deposit.

"If it works, it will be copied [by other **banks**], I can assure you," Johnson said.

In Georgia, nearly 1.2 million households, or about 32 percent, are considered unbanked or "**underbanked**," compared to 25 percent nationwide, according to a 2009 report from the FDIC.

Those "**underbanked**" typically have a basic **bank** account but aren't fully engaged in the financial mainstream; among them are low- to mid-income people, minorities and immigrants.

Engaging these people in traditional banking services will help them obtain affordable credit and save money, the FDIC report said.

**Banks** have had to become creative because they aren't earning as much on loans, with many still trying to clean up bad loans made during the run-up to the recession.

Recent regulatory changes have curbed fees that **banks** can charge for overdrafts and fees charged to merchants when consumers make debit-card purchases.

In response, **Regions** and several other major **banks**, including Atlanta's SunTrust, tried to initiate monthly fees on consumer debit-card use, but the **banks** retreated amid a consumer revolt.

Wells Fargo has long had a sizable money-order business, and other **banks** are looking for ways to provide basic, fee-based banking services, McBride said.

The fast-growing prepaid debit card market, in particular, could be lucrative. The regulatory changes don't limit fees charged to merchants to process prepaid debit cards, McBride said.

**Banks** also want to sell more products to customers, making it more difficult for them to leave.

Surveys of **Regions** customers found 30 percent used money orders, check-cashing services and payday lenders.

Once enrolled, **Regions** will cash government and payroll checks, plus personal checks and money orders. Reloadable debit cards cost \$4 with a \$5 monthly fee that can be waived with a \$500 minimum direct deposit. There are no overdraft fees.

Fees are charged to load the cards through tellers and by phone, but use of **Regions** ATMs is free and cash on the cards is FDIC-insured.

Now Banking and other initiatives could help **Regions** counter the \$170 million in expected annual revenue lost from the regulatory changes.