Office of the Comptroller of the Currency
U.S. Department of the Treasury

OCC BULLETIN 2015-16

Subject: Youth Savings Programs
Date: February 24, 2015

To: Chief Executive Officers of National Banks, Federal Savings Associations, and Federal Branches and Agencies of Foreign Banks; All Department and Division Heads; All Examining Personnel; and Other Interested Parties

Description: Guidance to Encourage Financial Institutions' Youth Savings Programs and Address Related Frequently Asked Questions

Summary

On February 24, 2015, the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the U.S. Department of the Treasury's Financial Crimes Enforcement Network, and the National Credit Union Administration issued "Guidance to Encourage Financial Institutions' Youth Savings Programs and Address Frequently Asked Questions" (guidance). The interagency guidance provides answers to common questions, including those related to Customer Identification Program requirements that may arise as financial institutions collaborate with schools and other community stakeholders to facilitate youth savings and financial education programs. The guidance provides principles that national banks and federal savings associations (collectively, banks) should consider and is intended to encourage them to develop and implement programs to expand the financial capability of youth and build opportunities for the financial inclusion of more families.

The guidance clarifies the application of existing guidelines and addresses uncertainties regarding legal and regulatory issues in connection with financial institutions' establishing youth savings programs. The guidance does not create new regulatory agency policy or set industry expectations.

This effort is consistent with the "Starting Early for Financial Success" focus of the Financial Literacy and Education Commission, a body of 21 federal agencies (including the OCC and the other financial regulators) and the White House Domestic Policy Council. The commission was formed pursuant to the Financial Literacy and Education Improvement Act (P.L. 108-159) to improve the financial literacy and education of persons in the United States.

Note for Community Banks

Community banks may seek opportunities to collaborate with schools and local government entities to establish youth savings programs. Community banks that are intermediate small banks may receive positive consideration in their Community Reinvestment Act (CRA) evaluations, under the community development test, for providing community development services if the youth savings programs are directed primarily toward low- and moderate-income students. See Interagency Questions and Answers Regarding Community Reinvestment, section __.12(i)-3, 78 Fed. Reg. 69671, 69678 (November 20, 2013).

Highlights

The guidance provides answers to common questions about several legal and regulatory considerations relating to youth savings programs. The attached guidance focuses on the following:

- In questions 1 through 3, the guidance clarifies rules that apply to financial institutions that open accounts for minors, including the rules concerning the issuance of ATM cards and debit cards, and the application of consumer protection laws and regulations for such accounts.
- Question 4 applies to banks and savings associations and clarifies how they may receive CRA consideration for developing and implementing youth savings programs.
- Question 5 describes the conditions when a financial institution's youth savings program would not require a branch application. Generally, a financial institution might not be required to submit a branch application to its regulator if the goal of the youth savings program is financial education designed to teach students the principles of personal financial management, banking operations, and saving for the future, and is not designed for the purpose of profit-making.
- In questions 6 through 9, the guidance reiterates requirements under the Customer Identification Program for financial institutions when minors or their representatives (i.e., parents, guardians, or third parties) open accounts. These requirements include the information that financial institutions must collect about a minor, such as how to verify the identity of the minor.
- Question 10 reiterates Customer Identification Program requirements for financial institutions when a third party, such as a school district or other governmental unit, education institution, nonprofit organization, or corporate sponsor, opens an account for multiple minors.

The document references other resources from the OCC, such as the *Community Developments Insights* report "School-Based Bank Savings Programs." The report discusses how school-based bank savings programs operate, explains their establishment in "nonbank branch" settings or as

authorized bank branches, and describes the benefits and potential risks to banks participating in these programs.

Background

The purpose of the guidance is to encourage financial institutions to develop and implement programs to expand the financial capability of youth and build opportunities for financial inclusion for more families. The guidance also addresses questions that may arise as financial institutions collaborate with schools to establish youth savings programs. Many financial institutions collaborate with schools to form programs that allow students in elementary, middle, and high schools to open and manage savings accounts. These programs range from in-school banking programs that offer students basic savings accounts to more complex asset-building accounts and school district-wide programs that offer universal savings accounts to large numbers of children. These programs are intended to help students understand the value of saving for the future by opening and managing savings accounts. These savings accounts generally have very low minimum balance requirements and low or no monthly maintenance fees. Material account terms and conditions are also explained in an age-appropriate manner.

Youth savings programs are generally linked to a diverse array of financial education efforts, including personal financial management or programs in which students run their school's bank branch with oversight from teachers and the sponsoring bank. In some instances, these financial education activities are also available to faculty, school administrative staff, parents, and the larger community.

Through experiential learning, students learn about the value of savings by opening and managing savings accounts, which helps to form savings habits early. Research indicates that youth savings programs, when combined with financial education, may be effective in helping students to improve their long-term financial and education outcomes, such as completing college.

Banks may receive CRA consideration for providing school-based youth savings programs directed primarily toward low- and moderate-income students as community development services. How such activities are considered, however, depends on whether the banks are subject to the CRA service test for large banks or large savings associations or the community development test for intermediate small banks.[1]

Further Information

Direct questions or comments to Barry Wides, Deputy Comptroller, or Karen Bellesi, Community Development Manager, Community Affairs, at (202) 649-6420; or the District Community Affairs Officer responsible for your district.

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[1] See Interagency Questions and Answers Regarding Community Reinvestment, § __.12(i)-3, 78 Fed. Reg. 69671, 69678 (November 20, 2013).

Related Link

- "Guidance to Encourage Financial Institutions' Youth Savings Programs and Address Related Frequently Asked Questions" (PDF)