Action Not Words
by Charles B. Wendel

Hardly a day goes by when without a bank making a public pronouncement about how deeply its cares about the communities in which it operates. But how many take a specific action? How many are willing to alter their profit numbers to address inequality and help lower income customers? Until now, words and PR releases seem to have taken precedence over tangible change. That may finally be changing.

This Tuesday's *New York Times Deal Book* features an article titled, "PNC gives up revenue to tame overdraft fees." The article states, "PNC announced a move today to reduce its share of the $17 billion in overdraft fees that Americans pay each year. Its expected to cut customers' overdraft fees by about 60 percent, and its own revenue by $125 million to $150 million." PNC is introducing a new product that includes an app with a "low cash mode" informing customers about an OD and giving them time to fix it.

FIC, among others, has written before about the negative impact overdraft fees have on many lower income consumers as well as the extent to which banks depend on these fees to bolster their profitability. The article mentioned the extent to which overdraft fees grow revenue, stating that these fees total $35.61per account annually at JPMorgan Chase, $14.96 per account at PNC, and $4.90 at Citi. The ethics of this dependency has long been in doubt. Now, so too, is the sustainability of this revenue stream. PNC may be the beginning of a wave that will substantially eliminate those fees, providing some economic relief to those who need it the most.

The article goes on to mention a CFPB report stating that only eight percent of Americans generate 75% of the fees and quotes a senior fellow at the Brookings Institution: "Overdraft is an expensive fee they[banks] charge only on those people who run out of money that goes straight to short-term profits."

But why would a bank willingly give up these profits? William Demchak, PNC's CEO was frank in saying, "We weren't doing the best we could by our clients." That is a frank admission. He also said he expects to gain market share from doing so, a likely result. Doing good may be good for the bank.

My favorite comment in the article, one that only the CEO of a megabank with multiple paths to growth would dare to make was: "In the short run, if it cost up 100 million bucks or something – so what?" Many CEOs struggling to figure out how to grow and increase margins are scratching for every dollar they can, in some cases making personnel cuts that enhance the near-term bottom line but may sacrifice the bank's long term existence. Banks that have developed growth engines are in powerful positions versus others.

Of course, the PNC announcement and product must become a reality, but that will likely occur, given the CEO's commitment and the positive change the bank is introducing. Lower or no overdraft fees and reduced credit card rates, among other actions, replace cheap words with concrete actions.

Actions like this show where banks can make a difference while protecting their franchise.

FIC works with clients on targeted issues that result in growth and sustained success. Continued uncertainty requires organizational flexibility as financial institutions focus on future performance while managing current portfolios and changing customer expectations. FIC can provide a valuable independent perspective to Board of Directors and senior management.