

BANKING



InView
Q3 2018



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General Banking Industry News

- ▶ The U.S. Congress failed to overrule the CFPB's new consumer lending rules which require payday lenders to determine if a potential borrower will be able to repay the loan in full – with interest – within 30 days. The acting director of the CFPB, Mick Mulvaney, had said when he first took over he would revisit the pending rules, which had been implemented during the last few weeks of Richard Cordray's directorship. (Source: *Washington Post*, 5/17/18)
- ▶ In an interview with Bloomberg Television, Wells Fargo's CEO Tim Sloan said his bank planned to start growing its auto loan business again after pausing for a short time and tightening its underwriting standards. Mr. Sloan also said Wells was worried about the commercial real estate market now, describing it as "frothy." (Source: *Bloomberg.com*, 5/21/18)
- ▶ Analysts at Goldman Sachs published a note saying that while Amazon has an immense customer base, it is unlikely to develop any "standalone" banking operation in the near future. The analysts predict Amazon will be content to partner with existing banks and offer "complementary" services through those partnerships. (Source: *CNBC.com*, 5/22/18)
- ▶ Congress passed a bill which would relieve two dozen regional banks from being affected by strict rules set into place by the 2010 Dodd-Frank Law – rules which were more important for the major national banks after the 2009 financial crisis. (Source: *Wall Street Journal*, 5/22/18)
- ▶ Goldman Sachs' president said the company plans to expand its new Marcus consumer bank beyond just personal loans to possibly offer mortgages, auto loans, credit cards and even insurance products. Since Goldman Sachs launched Marcus in 2016, the bank has gained 1.5 million customers, collected \$22 billion in digital deposits and issued more than \$3 billion in personal loans. (Source: *Bloomberg.com*, 5/31/18)
- ▶ Citizens Bank announced it would acquire Franklin American Mortgage in a deal valued at \$511 million. The acquisition will triple the size of Citizens' mortgage servicing portfolio and double the size of its mortgage origination platform, moving Citizens into the top 15 largest bank-owned mortgage companies in the U.S. (Source: *HousingWire.com*, 5/31/18)
- ▶ The Office of the Comptroller of the Currency issued a bulletin in which it "encouraged" banks and other financial firms to offer small short-term loans to customers, a reversal from the Obama-era OCC's view that banks should stay away from these "payday" type of loans. In the bulletin, the Comptroller of the Currency said "consumers should have more choices which are safe and affordable, and banks should be part of the solution" and banks should be able to make small loans to customers if "their truck broke down on the weekend and they need access to money to get the transmission fixed." (Source: *Wall Street Journal*, 5/23/18)



- ▶ President Trump signed into law the Economic Growth, Regulatory Relief and Consumer Protection Act. This act was best known for its changes to rules put into place after the 2009 economic crisis that more strictly regulated banks, but the act also has a consumer-friendly section. Now consumers will be able to freeze their credit files at Equifax, Experian, and TransUnion for free, plus they can have the files “unfrozen” without having to pay a fee. Previously consumers had to pay as much as \$10 at each credit reporting bureau to freeze or unfreeze their files. The new law will go into effect sometime in September 2018. (Source: *New York Times*, 6/2/18)



- ▶ Banco Popular’s Puerto Rican subsidiary filed paperwork to acquire Wells Fargo’s automotive finance business in Puerto Rico. The acquisition is expected to be approved during the third quarter of 2018. (Source: *Business Wire*, 6/4/18)
- ▶ Wells Fargo announced it is selling 52 bank branches to Flagstar Bank. These branches represent Wells’ entire retail bank presence in Indiana, Michigan and Ohio, plus four branches in Wisconsin. (Source: *Business Wire*, 6/5/18)
- ▶ Bank of America announced a five-year, nationwide initiative to hire 10,000 people from low- and moderate-income areas to work in primarily entry-level jobs at bank branches and call centers. The program is part of Bank of America’s efforts to support the communities where it is located. (Source: *Charlotte Observer*, 6/9/18)
- ▶ The Office of the Comptroller of the Currency reported an investigation by the regulatory agency found evidence of several banks other than Wells Fargo who opened unauthorized accounts “without proof of customer consent.” The OCC, however, refused to name which banks they identified as having these illegal sales practices, only that the banks had received letters about specific problems earlier this year. In testimony before the House Financial Services Committee, the head of the OCC said his agency found roughly 20,000 unauthorized accounts during its review of more than forty banks. (Sources: *Los Angeles Times*, 6/9/18, 6/14/18)
- ▶ Square withdrew its application with the FDIC to become a depository bank, but according to a company spokesperson the payment processor does plan to resubmit its application later on. Square said it withdrew its application so it could “amend and strengthen some areas” of the application. (Source: *American Banker*, 7/6/18)
- ▶ JPMorgan Chase unveiled a new 27-foot long trailer called the Chase BizMobile which will make appearances at small-business events around the country. Chase created the BizMobile to help it increase the “face-to-face” time it has with small business owners and help build their trust. The Chase BizMobile will offer refreshments and games, and while event attendees can book 20-minute coaching sessions about marketing, social media, and finding business financing, they won’t be able to open accounts or apply for loans. (Source: *Tearsheet.co*, 6/15/18)



▶ US Bancorp issued a statement that it will not process any credit card transactions made with “identified” cryptocurrency dealers due to the “high risk associated with these anonymous [cryptocurrency] exchanges.” Citibank, JPMorgan Chase and Bank of America had also recently made the same decision, and Wells Fargo announced a similar ban on cryptocurrency transactions the following week. (Sources: SNL Bank and Thrift Daily, 6/8/18; SNL Bank and Thrift Daily, 6/13/18)



▶ President Trump nominated Kathy Kraninger to be the new permanent director of the Consumer Financial Protection Bureau, but her lack of experience in the financial services industry may make confirmation difficult. Ms. Kraninger is the associate director for general government at the Office of Management and Budget and has responsibility for funding seven cabinet departments and thirty government agencies, but before that her experience has been in the Department of Homeland Security as a clerk and deputy assistant secretary. The White House argues she will “bring a fresh perspective and much-needed management experience” to the CFPB, and the chairman of the House Financial Services Committee said her budget experience is “desperately needed at an agency which has been plagued by cost overruns and unnecessary spending.” (Source Los Angeles Times, 6/19/18)

▶ The Federal Reserve reported all 35 of the largest bank holding companies in the United States passed their “stress tests” and are strong enough to withstand a potential severe downturn in the economy. (Source: Wall Street Journal, 6/21/18)

▶ Ally Financial will pay almost \$20 million to settle a class-action lawsuit which alleged the bank charged additional fees when customers tried to purchase cars in lease-to-own agreements. The documentation and dealer fees were not disclosed in the original lease agreements. The \$20 million settlement agreement is preliminary, as Ally was not able to produce documents for every lease agreement it had executed since 2009. (Source: Automotive News, 6/21/18)

▶ Researchers found small community banks are charging minority customers more than large national banks, possibly because their size and “wholesome image” has helped them avoid government regulators. The researchers found community banks located in predominantly African-American neighborhoods required an average minimum deposit of \$81 to open an account, compared to \$69 in white neighborhoods, and required customers to maintain a minimum average balance of \$871 to avoid paying monthly fees, compared to \$626 in white neighborhoods. (Source: Boston Globe, 6/22/18)

▶ Fifth Third Bancorp continued its expansion into Florida with the opening of seven new branches in Orlando, Jacksonville, Sarasota, and Bonita Springs. The company plans to open as many as 125 branches in the southeastern United States in the next three years, returning to an expansion plan it had originally developed before the recession hit. (Source: American Banker, 6/26/18, 7/20/18)





- ▶ A survey of customer satisfaction with banks found that direct banks – those with no brick-and-mortar presence – have a higher satisfaction score than regular retail banks: 863 out of 1,000 compared to 806. Among those consumers who use direct banks, only 43% consider the direct bank to be their “primary” bank. *(Source: PR Newswire, 6/28/18)*
- ▶ Citizens Financial Group launched an online-only division called Citizens Access. The Citizens Access savings account pays 2% APY, which is much higher than the 0.9% average APY on savings accounts overall. It also offers several CDs with lengths ranging from 6-months to 4-years and rates from 2.05% to 3.05%. A minimum deposit of \$5,000 is required for all Citizens Access accounts. Citizens claims new customers can open and fund a Citizens Access account in less than five minutes. While the new Citizens Access is online-only, it does not yet have an app, only a mobile-responsive website. *(Source: Bankrate.com, 7/10/18)*
- ▶ PNC Financial Services Group told investors it plans to launch a digital bank available nationwide in the second half of 2018, plus it will build new branches in a few select markets. While the company declined to say exactly which markets it was targeting, when one investor analyst pointed out that PNC has recently started offering middle market business banking in Dallas, Denver, Houston, Kansas City, Minneapolis, and Nashville, PNC’s CEO said, “if you were throwing darts, that’s where I’d aim.” *(Source: Pittsburgh Post-Gazette, 7/13/18)*
- ▶ Fifth Third Bank announced a new agreement with FCTI, Inc. will allow its customers to use ATMs in 7-Eleven stores across the country without paying a fee. The ATMs have Fifth Third branded marketing and messages on the screen for Fifth Third customers. *(Source: PR Newswire, 7/24/18)*
- ▶ Bank of America is reportedly sending out mailers to its customers asking if they are U.S. citizens as part of an effort to update its customer profiles. The project was discovered when news went viral about a couple in Kansas who got locked out of their bank account after not responding to a mailer they received which looked suspicious (to them) and asked for the husband’s Social Security number, citizenship status, and whether he had any offshore bank accounts. According to a Bank of America spokesperson “all banks are required to maintain complete and accurate records for all their customers. This is not unique to Bank of America and all customers are asked to provide the same information” so banks can meet certain government requirements regarding anti-money laundering and economic sanctions restrictions. *(Source: Washington Post, 8/1/18)*
- ▶ Nationwide sold off \$3 billion in deposits at its Nationwide Bank of BofI Federal Bank, a step towards exiting the retail bank business. Nationwide had said in May it was going to focus on managing the 18,500 401(k) retirement plans and move away from retail banking. The sale will impact roughly 100,000 Nationwide customers who have checking, savings, and money-market accounts. *(Source: Columbus Dispatch, 8/3/18)*
- ▶ In an interview with Bloomberg, Wells Fargo’s head of personal lending said the bank is looking at expanding its student loan business into refinancing U.S. government issued student loans. The bank sees it as a way to raise its awareness among college students and build a relationship with them. *(Source: Bloomberg.com, 8/13/18)*



- ▶ A draft memo from the interim director of the Consumer Financial Protection Bureau shows the agency plans to stop requiring routine examinations of lenders to see if they are violating the Military Lending Act, saying the need for examinations is not explicitly called for in the legislation. The plan to stop the oversight surprised many advocates for the servicemembers, since the Military Lending Act was passed to protect military members and their families from predatory loans, credit card gouging and financial fraud. Because of the examinations required by the law, in 2014 Ace Cash Express was discovered to have pushed military members and other low-income borrowers into high-interest loans. (Source: *New York Times*, 8/10/18)



- ▶ Synovus Financial Corp. announced it will acquire FCB Financial Holdings, Inc., owner of Florida Community Bank, in a deal valued at \$2.9 billion. The acquisition will move Synovus into the top five Southeast regional banks in terms of deposits. (Source: *Banking & Credit News*, 8/3/18)
- ▶ The Wall Street Journal reported Facebook has asked major U.S. banks to share customer data such as checking account balances and card transactions with the social media giant, in order to offer new services through its Messenger product. One large bank supposedly halted discussions with Facebook on the subject due to customer data privacy concerns though. The day after the article was published, as backlash began to grow on social media, a spokesperson for Facebook said the story wasn't accurate and the company was only working with banks to offer chatbot services through Messenger, and it hadn't asked banks for any credit card transaction data. Facebook also said banks have approached it about possible partnerships too, so the interest is not one-sided. (Sources: *Wall Street Journal*, 8/6/18; *TechCrunch.com*, 8/7/18)

Credit/Debit/Prepaid Cards

- ▶ Visa stopped running television ads which used Morgan Freeman as the voice-over artist, citing the recent allegations of sexual harassment against the actor. (Source: *New York Times*, 5/25/18)
- ▶ PayPal opened a pop-up location in New York City on June 8th and 9th to promote its new PayPal Cashback MasterCard. The “Cash’n Back” location was designed to look like a bodega and offer “Insta-worthy” art from local and digital artists. The artwork themes came from the results of a survey by PayPal which found if consumers earned \$500 cashback with the new PayPal Cashback card, 55% said they would use that money to go to restaurants/buy food and 46% said they would buy clothes or shoes. Consumers needed to register on Eventbrite to gain access to the pop-up location. (Source: *MarketingDaily*, 6/1/18)
- ▶ Chase and Starbucks teamed up to launch the new Starbucks Rewards Visa Prepaid Card. This new card lets users earn Stars on purchases at non-Starbucks retailers. Cardholders earn 1 star for every \$10 in non-Starbucks purchases made with the card, plus they automatically receive Gold Status in the Starbucks Rewards program and will receive 125 bonus starts (good for one free drink or food item) the first time they use the Starbucks Rewards Visa Prepaid Card to load \$10 or more onto their registered Starbucks Card. (Source: *Business Wire*, 6/11/18)



- ▶ An ad campaign for MasterCard which ran during the World Cup drew criticism in social media. The campaign said for every goal scored in the 2018 World Cup by superstar soccer players Lionel Messi or Neymar, MasterCard would make a donate equivalent to 10,000 meals to the World Food Program for starving children in the Caribbean or Latin America. Many people on social media argued the company should just donate to the charity in the soccer players' names regardless of whether or not they score a goal. (Source: *TheDrum.com*, 6/2/18)



- ▶ The U.S. Supreme Court ruled in favor of American Express, ending a long-fought battle by the U.S. government and state governments. The plaintiffs alleged American Express contracts with merchants prevented card competition by barring merchants from suggesting customers use a different card for payment than American Express. American Express charges a higher fee to retailers for processing their transactions than Visa, MasterCard or Discover charge, so retailers would prefer customers use a lower-fee card for purchases. The Supreme Court justices stated the card competition argument only looked at the purchase from the retailer side – if a retailer accepts all four cards, but the consumer only has a Visa and an American Express, then that limits which card the consumer can use. (Source: *American Banker*, 6/25/18)
- ▶ American Express announced a new partnership with Amazon to offer a credit card for small business owners. It is Amazon's first co-branded partnership with American Express, and Amazon's first card aimed at small businesses. The two companies are still in the process of designing the card's rewards program and no launch date has been established yet. (Source: *Wall Street Journal*, 6/26/18)
- ▶ Citigroup agreed to pay \$335 million to 1.75 million customers who paid too much in interest on their credit cards. The bank had disclosed to the CFPB and other regulators earlier this year it discovered the methodology it used to determine which customers were eligible for interest rate-reductions was flawed. (Source: *Associated Press State & Local*, 6/29/18)
- ▶ Citigroup acquired L.L. Bean's credit card portfolio from Barclays for \$1.5 billion. Going forward, Citi will issue a new co-branded card to L.L. Bean customers through MasterCard. The card offers 4% reward on purchases from L. L. Bean. (Source: *American Banker*, 7/10/18)
- ▶ PayPal announced the sale of its consumer credit receivables portfolio to Synchrony has been completed. In addition to the sale, PayPal said it extended its existing co-brand credit card program with Synchrony, which will be the exclusive issuer of PayPal credit in the United States through 2028. (Source: *Business Wire*, 7/3/18)

- ▶ The microinvestment financial services company Acorns added a rewards debit card to its product offerings. Purchases made with the Acorns debit card will be automatically rounded up to the next dollar and the difference deposited into the user's Acorns account. The card, its Acorns deposit account and Acorns later retirement account cost \$3 per month and users have free or fee-reimbursed ATM withdrawals nationwide. The company reported it had received 10,000 pre-orders for the card and only 100,000 cards will be available at launch. (Source: *TechCrunch.com*, 6/5/18)



▶ PayPal launched a debit card for Venmo users. The new Venmo MasterCard debit card will let users pay for purchases using funds in their Venmo account. Card purchases can be split among other Venmo users similar to other transactions. (Source: Reuters.com, 6/25/18)



▶ PrepaidCards123.com introduced a new tool which will let consumers calculate the costs of almost 100 prepaid cards based on a three-step quiz asking how they plan to use the card. The tool also lets users filter the cards based on features available like bill payment or high balance limits. (Source: PR Newswire, 7/5/18)

▶ Citigroup and American Airlines launched a new credit card: the AAdvantage MileUp card. This new card has no annual fee and cardholders will be able to earn 2 AAdvantage Miles for every \$1 spent on American Airlines purchases or at grocery stores, with 1 AAdvantage Mile earned for every \$1 on other purchases. If cardholders spend \$500 on the card within the first three months of opening their account, they will receive a bonus of 10,000 AAdvantage Miles and a \$50 statement credit. (Source: Business Wire, 7/11/18)

▶ Elevate Credit teamed up with Capital Community Bank of Utah to offer the new Today Card powered by MasterCard. This card is for non-prime customers but has special “prime” features such as a family share feature which lets users add additional cards with access to a set amount of the credit line, plus set up alerts and deactivate/reactivate a card through the app. Customers also have credit score monitoring and credit lines of up to \$3,500. (Source: Business Wire, 7/19/18)

▶ Visa Inc. has partnered with WEX, Inc., a provider of corporate payment solutions, to offer B2B customers the ability to use a Visa virtual credit card for global payments. According to the companies, over half of B2B payments in the United States are currently made by check, whereas a virtual credit card could offer more security and cost less than the \$8 average to process a check. (Source: Business Wire, 7/24/18)

▶ Synchrony Financial reported its contract to provide credit cards for Walmart will expire in 2019 and not be renewed. Walmart has signed a new agreement with Capital One Financial to issue its private-label and co-branded credit cards. Synchrony is in the process of deciding whether or not to sell off the \$10 billion Walmart card portfolio or keep it and convert any qualifying customers over to general purpose cards. (Source: Bloomberg.com, 7/26/18)

▶ A new study by A.T. Kearney says banks in the United States are missing out by not offering contactless cards. The report says in Australia, contactless cards are used for more than one-fourth of all transactions, compared to 0.32% in the United States. By switching to contactless cards, banks could potentially save \$22 billion in costs from reduced cash-handling. The move would also benefit consumers and retailers because contactless card transactions are faster and more convenient. While new contactless terminals would need to be installed by retailers, in actuality many already have them as roughly half of all Visa transactions in the U.S. take place at merchants who have the contactless terminals installed and more than 95% of all new terminals shipped have the contactless technology built-in. (Source: CFO.com, 7/25/18)



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- ▶ Discover unveiled a new design for its Discover Cashback Debit card which is vertical rather than horizontal and covered in a geometric print to stand out in a user's wallet. The company also added new features to the card: the ability to temporarily freeze access to the card if it is lost or stolen; and the option for automatic deposit of any Cashback bonus funds into a Discover Savings account each month. (Source: Business Wire, 8/8/18)
- ▶ Chase announced its Chase Pay service has been integrated with the Tock restaurant reservation system, so customers can now book reservations with their Chase credit card, debit card or Chase Rewards points – or a combination of card and points. Chase customers will also have access to exclusive events from Tock, such as winery tours, pop-up dining, chef's tables, and more. (Source: Business Wire, 6/26/18)
- ▶ Kroger's Foods Co. grocery division in California said it would stop accepting Visa credit cards as of August 14th due to the excessive fees Visa charges to process the transactions. The chain will still accept Visa debit cards since those have a lower transaction fee. According to Kroger's CIO, the chain has seen a recent increase in the number of customers choosing to pay with "premium" Visa credit cards for their purchases to earn rewards points or cash-back. (Source: Wall Street Journal, 7/30/18)
- ▶ Chase Card Services teamed up with Expedia to add more options to the Chase Ultimate Rewards travel hub. Chase cardmembers will now be able to search, book & redeem points for more than 272,000 lodging options and over 25,000 activities, plus receive special discount offers. (Source: Business Wire, 8/13/18)
- ▶ Capital One unveiled a new card aimed at consumers who enjoy dining out and other entertainment options. The Savor Card lets users earn an unlimited 4% cash back on all dining and entertainment purchases made with the card, 2% cash back on grocery store purchases, and 1% on all other eligible purchases. Savor cardholders will also receive special access to ticket presales and curated experiences. If new cardholders spend \$3,000 in purchases within the first three months of opening a Savor Card account, they will receive a \$500 bonus. (Source: PR Newswire, 8/14/18)
- ▶ An annual credit card customer satisfaction survey found Discover ranked the highest, receiving a score of 836 points out of a possible 1,000, followed by American Express with a score of 830 and Barclays U.S. with a score of 806. The survey also found 47% of consumers who switched to using a new card in the past year did so in order to earn better rewards. (Source: PR Newswire, 8/16/18)

Consumer Financial Services Behavior/Trends

- ▶ According to the latest *Economic Well-Being of U.S. Households* report from the Federal Reserve Board, 40% of Americans said they don't have at least \$400 available to cover an emergency expense such as a car repair and would have to borrow the money or sell something to raise the money. As bad as that sounds, it is down from 50% from the same survey fielded in 2013. The same report revealed fewer than 40% of Americans feel like they are on track for their retirement savings plans, and 25% have zero money saved for retirement. (Source: money.cnn.com, 5/22/18)



- ▶ A consumer survey found only 1% said their preferred way to pay for purchases was a mobile wallet, compared to 38% credit card, 33% debit card, and 18% cash. Roughly one-fourth of consumers (27%) said they had “any interest” in using a mobile wallet and only 17% said they would be willing to switch how they paid for purchases if it took less time to check out. (Source: *TheFinancialBrand.com*, 7/5/18)



- ▶ An annual review of Federal Reserve data found the level of credit card, student loan, and car loan debt held by American households has climbed 45% in the past ten years and will exceed \$4 trillion by the end of 2018. During the same ten years though, U.S. household mortgage debt has dropped 5.5%. (Source: *PR Newswire*, 6/21/18)
- ▶ A review of “alternative credit” data collected by FactorTrust, a credit bureau acquired by TransUnion last year which monitored customers use of short-term and payday loans, found 12% of consumers who had used short-term or payday loans actually have prime or super-prime credit scores. The data review also found 75% of short-term loan consumers do have access to traditional credit and customers in the alternate credit database tended to take out smaller loans (just under \$2,000) than those with traditional credit histories (just under \$3,000). According to one of the researchers involved in the study, they suggested people might prefer the short-term loans to having a credit card because they know exactly how much they owe and there is a set term for the payments. (Source: *American Banker*, 5/24/18)
- ▶ A survey of U.S. consumers found 20% believe cash will disappear as a payment option during their lifetime, being replaced by mobile payments or cards. Among this group almost half (48%) think this shift will happen within the next five years. The survey also found 20% are “actively frustrated” by businesses which only accept cash for payment. (Source: *Payment Week*, 5/28/18)
- ▶ A new report on how U.S. consumers use bank branches found more than 75% said they had gone to a bank branch in the past two years to complete a transaction and 50% said they had visited a branch to get information about a bank product, to ask a question of bank employees, to open a new account or to apply for a loan. The study also reported 39% said they’d switch banking providers if their local bank branch closed. (Source: *The Financial Brand*, 6/11/18)
- ▶ A report on U.S. consumer online bill pay habits found almost three-fourths (73%) of online bill payments in 2016 were made directly at the biller’s website, not through banks – up from 62% in 2010. Reasons why consumers prefer paying at the biller-direct sites include: payments are posted sooner than if they go through banks and often the biller-direct sites accept credit cards as payment whereas payments made through banks come directly out of the customer’s account. (Source: *PYMNTS.com*, 6/25/18)

- ▶ A survey of 1,000 U.S. Millennials found more than one-fourth said having a bad credit score had made it hard for them to buy a car, 25% said having a bad credit score made it more difficult to get an apartment or house, and 14% said they were living with roommates because they couldn’t rent an apartment by themselves due to a poor credit score. (Source: *PR Newswire*, 7/11/18)



- ▶ A new survey by TD Bank found that 34% of U.S. consumers are living paycheck-to-paycheck. The survey also found financial stress is preventing 19% of consumers from buying a home, while 18% said they can't save for retirement, and 12% said they can't pay off debt. (Source: PR Newswire, 7/26/18)
- ▶ Older consumers are starting to pick up on peer-to-peer (P2P) payments. A recent survey of more than 9,000 U.S. consumers found that while more than 75% of Millennials have used mobile or online P2P services, 69% of Gen X and 51% of Baby Boomers have used P2P. Seventy percent of Baby Boomers said they used P2P because it had been offered to them by their bank, while Millennials and Gen X consumers use P2P after being told about it by their friends or family. (Source: PR Newswire, 7/11/18)
- ▶ A survey by CreditCards.com found almost 25% of U.S. cardholders who carry a balance on their credit card do so not because they can't pay the balance but because they believe carrying a balance improves their credit score, which isn't true. (Source: Forbes.com, 7/5/18)
- ▶ When asked what makes a bank "most convenient," 28% of consumers said it offers a "leading" mobile app, compared to 16% saying there was a branch nearby and 9% saying it had an ATM nearby. (Source: TheFinancialBrand.com, 7/16/18)
- ▶ When asked what they are saving money for (if anything), 45% of Americans said they were saving up for travel, while 37% said they were just saving money in general, and 30% said they were saving money for retirement. (Source: PR Newswire, 7/26/18)
- ▶ A survey of roughly 3,700 American consumers found 38% of those ages 18-21 have thought about getting a payday loan and over half of people age 22-37 have considered doing so. Over 10% of Generation Z (18-21) respondents said they've considered getting a payday loan in order to pay for college expenses. (Source: CNBC.com, 8/1/18)



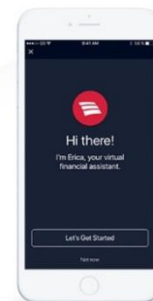
Banking Technology

- ▶ The Consumer Financial Protection Bureau announced it will create a regulatory "sandbox" for fintech firms to test products and get guidance from governmental authorities before making the products available to consumers. (Source: American Banker, 5/29/18)
- ▶ Bank of America rolled out its new AI virtual assistant Erica to all of its mobile customers nationwide. Customers can use Erica in the Bank of America app to search for specific account transactions, learn about their credit score, schedule in-person meeting with bank employees at a financial service center, view online bills & schedule payments, lock/unlock their debit card and more. The company later reported within the first two months Erica was available, more than one million customers had used the AI assistant. (Sources: Business Wire, 5/18/18; PYMNTS.com, 6/12/18)

Bank of America 

Who is Erica?
Coming soon.

Erica will help make your financial life easier with valuable alerts,¹ helpful insights and financial guidance.



We are bringing more convenience to your Mobile Banking app.² Erica will soon make banking easier.



- ▶ Microsoft is part of a new group which is developing a company called Bakkt that will have a global network where consumers & businesses can buy, sell, store, and spend cryptocurrencies such as bitcoin. The network would convert the cryptocurrency into U.S. dollars to spend at retailers like Starbucks, which is also part of this project. (Source: *CNBC.com*, 8/3/18)
- ▶ American Express is testing a blockchain-based rewards program with Boxed.com. American Express will create a private network for Boxed to transfer customer information via “smart contracts” that are sent anonymously to American Express. The card company will be able to track the performance of its rewards offers but not see data which can be traced back to the individual cardholders. (Source: *MarketingDive.com*, 5/29/18)
- ▶ USAA filed an intellectual property lawsuit against Wells Fargo, claiming Wells infringed on its remote-deposit capture patents. USAA announced in 2017 it would start asking other banks using the remote-deposit capture technology to pay a licensing fee, but Wells is the only bank USAA has sued to date. (Source: *American Banker*, 6/8/18)
- ▶ Citibank announced it will roll out its Facebook Messenger-integrated chatbot in Hong Kong by the end of the year after testing it in Singapore in 2017. Citi’s chatbot is the first one in Facebook Messenger which will let customers access their financial records, with the possibility of making transactions through the chatbot at some point in the future. Wells Fargo’s Facebook Messenger chatbot only lets users check their account balance or review activity, while the one offered by American Express can also tell cardholders about new rewards available and add extra cards to the account. (Source: *Venturebeat.com*, 6/26/18)
- ▶ A group of fifty banks and financial services vendors including JPMorgan Chase, Barclays, and Royal Bank of Canada have formed a group called the Financial Desktop Connectivity and Collaboration Consortium (FDC3) to explore ways for financial services apps to interact across platforms and browsers. Royal Bank Canada already uses a product called OpenFin OS which lets them connect multiple applications across multiple monitors so a query run in one application is automatically triggered in other relevant apps. (Source: *American Banker*, 7/2/18)
- ▶ IBM is testing a blockchain-based distributed ledger technology platform for the financial services industry called LedgerConnect. Nine companies including Citigroup and Barclays are involved in the test, but IBM says the platform still needs to show a “successful proof of concept” and be approved by government regulatory agencies before going to market. (Source: *CNBC.com*, 7/30/18)
- ▶ Representatives from the Retail Industry Leaders Association – which includes Walmart and Home Depot – met with the Federal Trade Commission and the Federal Reserve to convey their concerns over a new “one-click ordering” initiative Visa and MasterCard intend to roll out soon. The card processors say the plan will make the online checkout process less vulnerable to fraud because the two companies will use unique tokens for each purchase and those tokens will only be able to be associated with the actual account number by either Visa or MasterCard. The retailers argue the new system will not let them select whether to process a transaction as debit or credit, but only as credit which has higher interchange fees. (Source: *Wall Street Journal*, 5/24/18)

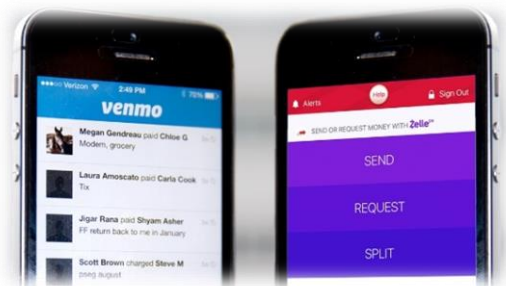


Mobile/Online Payments and Banking

- ▶ eMarketer estimates 23.4 million people use the Starbucks mobile app to make a purchase at least once every six months, meaning it has more users than any other mobile payment app including Apple Pay (22 million), Google Pay (11.1 million) and Samsung Pay (9.9 million). eMarketer forecasts this ranking probably won't change much through 2022, especially since Starbucks' app is tied to its Rewards program so users earn points (Stars) when they use the app to make a purchase. (Source: Adweek.com, 5/22/18)



- ▶ PayPal bought iZettle, a Swedish start-up which sells credit card readers and other mobile payment platforms. The acquisition will allow PayPal to expand into eleven new countries including France, Germany, Brazil and Mexico. (Source: money.cnn.com, 5/18/18)
- ▶ Two annual customer satisfaction surveys found Capital One had the highest rated retail bank mobile app with 888 out of a possible 1,000 points and American Express had the highest rated credit card app with 894 out of 1,000 points. The surveys did, however, find many consumers are confused by their financial services apps, with more than 20% saying they do not “have a complete understanding of the feature-rich apps being offered by their banks and credit card companies.” (Source: PR Newswire, 6/8/18)
- ▶ A survey of the mobile payment landscape at U.S. retailers found the number who said they accept Apple Pay dropped from 48% in 2017 to just 35% in 2018. Google Pay saw a similar decline, from 38% of retailers surveyed in 2017 to 25% in 2018. Retailers were more positive about PayPal, which saw its support grow from 48% of retailers to 64%, and American Express's Express Checkout which climbed from 9% to 16%. (Source: PR Newswire, 6/14/18)
- ▶ SoFi introduced a new mobile checking account targeted to Millennials. SoFi Money will allow users to make P2P payments, bill payments, fund transfers and wire transfers through an app on their mobile device. Accountholders who have direct deposit will be able to earn 1% interest and have other “opportunities to add more value with the debit card” but the company's CEO would not clarify what those are. (Source: Tearsheet.co, 6/20/18)
- ▶ Clothing retailer Abercrombie & Fitch added Venmo as a payment option on purchases made through its app or sibling-brand Hollister's app. (Source: Bloomberg.com, 8/7/18)
- ▶ eMarketer predicted Zelle will overtake Venmo in the P2P mobile payment platform race in the United States this year with an estimated 27.4 million users by the end of 2018 compared to 22.9 million Venmo users. The overall US peer-to-peer mobile payment market is forecast to reach 111 million users by 2022, with \$340.97 billion in transaction value. (Source: eMarketer, 6/13/18)



- ▶ JPMorgan Chase announced its new Finn by Chase digital bank account is now available nationwide after a limited test in St. Louis. New customers opening Finn accounts can receive a \$100 bonus after they complete ten transactions through the app, like paying a bill or sending money to a friend. The app also lets users make automatic deposits into a savings account on certain transactions, like moving \$2 to savings every time they use the app to make a \$5 purchase at Starbucks. (Source: Reuters.com, 6/28/18)



- ▶ MoneyGram has expanded its online platform to include Australia, Austria, Belgium, the Netherlands and Portugal. Customers in those countries can now use MoneyGram's online platform to send funds 24/7 directly to more than two billion bank accounts and mobile wallets worldwide, as well as any of MoneyGram's locations in 200 countries. (Source: PR Newswire, 7/18/18)
- ▶ Zelle reported during the second quarter more than 100 million transactions took place on its network totaling \$28 billion in payments, a 17% increase in transactions and 11% increase in payment volume over Q1. During the second quarter, consumers made an average of six transactions and sent an average of \$281 per transaction. Zelle has 29 active financial institutions on its network and another 119 are under contract. (Source: PR Newswire, 7/26/18)
- ▶ Chase Pay and Samsung Pay have teamed up so Chase Pay users who own compatible Samsung Galaxy phones can link their Chase Pay account to their Samsung Pay account. This means people will be able to tap their Samsung Galaxy phone on the payment terminal and pay with Chase Pay. Customers will also be able to earn Samsung Rewards points on their purchases in addition to Chase Ultimate Rewards points if they have an eligible Chase card. (Source: Business Wire, 7/27/18)
- ▶ Apple CEO Tim Cook announced that CVS and 7-Eleven have finally agreed to start accepting Apple Pay at their stores. The two retailer chains had been members of the Merchant Customer Exchange (MCX) consortium which was developing its own mobile payment system called CurrentC, and they refused to accept Apple Pay since it would be a competitor. CurrentC never launched and Chase acquired MCX to use its technology in Chase Pay. (Source: USA Today, 7/31/18)

- ▶ BBVA Compass updated its mobile banking app to add a spending tracker which lets users see how much they spend in different categories and a budget tracker where users can set monthly spending limits and then see at a glance if they are on track (green-yellow-red). (Source: PR Newswire, 8/15/18)



- ▶ Chase announced its customers can now use the mobile wallet on their smartphone to withdraw cash at almost all of its 16,000 ATMs across the country, without the need to have their card or PIN code. All customers need to do is add their Chase debit or Liquid card to their phone's mobile wallet through the Chase Mobile app. (Source: Chase press release, 8/1/18)



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