Office of the Comptroller of the Currency

Community Developments
INSIGHTS

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How Banks Can Measure and Support Customer Financial Health Outcomes

Abstract

The OCC encourages national banks and federal savings associations ("banks") to support consumers' financial health in a safe, sound, and fair manner. This report identifies a way to consider consumer financial health, proposes and encourages use of financial health measures, and provides examples of financial health measure use cases and actions that may contribute to improved customer financial health. It is intended to contribute to broader efforts to measure financial health as a means of supporting improved financial health outcomes.

This report builds on research, consultation with experts, and consideration of diverse views to explain financial health. Some banks are already engaging in activities that may help improve customer financial health outcomes. This report advances the OCC's current perspective on financial health and identified measures and offers examples of use cases that highlight potential actions to improve customer financial health.

I. The OCC and Financial Health

The OCC's mission is to ensure banks operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations. The OCC is committed to promoting a vibrant and diverse banking system.

As noted in the OCC's 2023-2027 Strategic Plan, effective bank supervision supports "a strong and fair banking system, which enables individuals, communities, and the U.S. economy to thrive. Those stakeholders' health, resilience, and trust are the ultimate measures of our success."[1] The Strategic Plan highlights OCC efforts to elevate fairness and integrate it with safety and soundness. This includes advancing financial inclusion and economic opportunity for all and supporting expanded financial literacy and financial health.

Consistent with these objectives, the OCC encourages banks to consider how they can support customers' financial health. To do so, banks may (i) look for ways to understand their customers' financial challenges; (ii) consider opportunities to provide responsive products and services; and (iii) take other steps to support customer efforts to improve their financial health. The OCC's work to encourage a focus on financial health is consistent with its supervision of bank activities conducted pursuant to applicable laws and regulations that prohibit banks from discriminating in lending and the evaluation of banks' records in helping to meet the credit needs of their communities under the Community Reinvestment Act. It is also consistent with efforts undertaken as part of the OCC's Project REACh initiative[2] that contribute to the growth of a more inclusive economy.

Some consumers, especially lower-income consumers, have reported opting out of the regulated banking system. The reasons include a lack or perceived lack of products and services that meet their needs, barriers to accessibility, costs, and a lack of trust.[3] Products and services that better align bank and customer interests may be achieved when a bank can look across products to the whole of the bank's relationship with the customer. Such an alignment can help banks attract and retain potential or current customers by helping their customers address financial challenges and thereby improve customer satisfaction. This focus may also increase customers' ability to access and successfully use additional bank products and enable the bank to widen customer service efforts. The totality of a customer's relationship with the bank may enable more win-win outcomes. As noted in an Aspen Institute Financial Security Program report, "[A] product-focused approach to profits overlooks the potential for a household to be profitable when assessed across multiple products."[4]

A holistic focus on customers can add to the favorable reputation of, and customer trust in, a bank.[5] According to a Financial Health Network study, customers who view their primary financial institution as supporting their financial health are more likely to be very satisfied with their financial institution, to continue their relationship and use additional products and services, and to recommend their financial institution to others.[6] Additionally, as the financial industry

[1] Office of the Comptroller of the Currency, "[OCC Strategic Plan, Fiscal Years 2023-2027,]" and OCC News Release 2024-34, ["Acting Comptroller Discusses Fairness and Compliance Risk Management."]

[2] Project REACh: Removing Barriers to Financial Inclusion.

[3] Federal Deposit Insurance Corporation, "2021 FDIC National Survey of Unbanked and Underbanked Households" (October 2022), Appendix table A.6.

[4] Mack Wallace, Erin Borġ (Thiemann), and Kate Griffin, "Our Collective Call to Action: Next Steps to a More Inclusive Financial System," Aspen Institute Financial Security Program (January 2024).

[5] OCC News Release 2024-34.

[6] Marisa Walster, et al., "FinHealth MAP Maturity Assessment Program: Building a Business Strategy for Financial Health Impact," Financial Health Network (2021).

increasingly moves toward open banking, in which customers may elect to share their financial information with different financial service businesses, this focus on financial health as a core value may support banks' efforts to preserve their customer base. Adopting financial health as a broader objective can help build on existing accomplishments and connect banks to new strategies that could help more consumers meet their financial objectives and attain a desired financial state.

II. What Is Financial Health?

The OCC considers financial health for an individual or household as a state which enables (1) stability in day-to-day finances, (2) resilience to handle adverse circumstances, and (3) security for the future. These three attributes of financial health are interconnected and dynamic in nature.

Figure 1: The Key Elements of Financial Health: Stability, Resilience, and Security

- **Stability**: The ability to use financial products and services to easily and affordably meet regular financial obligations, including the ability to pay on time and in full for housing, utilities, transportation, healthcare, childcare, food, and other necessities.
- **Resilience**: The ability to withstand financial shocks. Resilience includes being able to cover emergency expenses and make ends meet even with a loss of income or unexpected expenses or events. It also includes having assets or insurance adequate to recover from a significant shock.
- **Security**: The ability to feel secure about long-term financial resources including having assets for the future and positive net worth. Such assets may include long-term (e.g., retirement) assets and/or insurance adequate to meet long-term needs. Additionally, security is generally connected to having financial goals and a personal financial plan.

Background

The concept of financial health is not new, and several organizations have been working for many years to advance financial health. (See appendix A.) To build on this important work, the OCC has reviewed research, consulted with experts, and considered diverse views. Taken as a whole, this research points to the potential for banking activities to improve financial health. Some banks are already engaging in activities that can help support improved customer financial health, such as financial literacy education and provision of low-cost accounts tailored to low-income individuals.

Despite the size and vibrancy of the federal banking system and widespread access to financial services, many Americans experience challenges in achieving good financial health. Even Americans with access to a bank account may struggle to build savings and other assets, access affordable credit, and effectively manage their day-to-day finances. For example, according to the U.S. Census Bureau, as of 2020, more than one-third of households had negative or minimal net worth.[7] Additionally, a 2023 Federal Reserve Board survey found 28 percent of Americans were either "just getting by" or finding it difficult to do so.[8] A Consumer Financial Protection Bureau (CFPB) report found, as of early 2022, the majority of low-income households and nearly half of all households with credit cards did not pay their full balance the prior month, and more than one-third of households had difficulty paying at least one bill or expense in the previous year.[9]

Financial health often is correlated with demographic characteristics. For example, the Federal Reserve Board found while 76 percent of White adults described themselves as "doing at least okay financially," only 68 percent of Black and 61 percent of Hispanic adults did the same.[10] Similarly, in 2023, 46 percent of Hispanic and over 54 percent of Black households noted difficulty paying bills and expenses, compared with less than 40 percent of the population overall.[11] Recognizing these disparities and focusing on financial health could enable banks to better meet the financial services needs of underserved populations.

[7] Donald Hays and Briana Sullivan, "The Wealth of Households: 2020," U.S. Census Bureau Current Population Reports P70BR-181 (August 2022).

[8] Federal Reserve Board of Governors, "Economic Well-Being of U.S. Households in 2023" (May 2024).

[9] Scott Fulford, et al., "Making Ends Meet in 2022: Insights from the CFPB Making Ends Meet Survey," Consumer Financial Protection Bureau Office of Research Publication No. 2022-9 (December 2022).

[10] Federal Reserve Board of Governors.

[11] Fulford, et al.

Many factors that affect financial health are not within an individual's control and are not easily visible to or affected by any one bank. For example, economic mobility has been shown to be driven significantly by the places people live, as well as their family's socioeconomic status.[12] Elements such as education, location, and culture can affect individuals' financial actions. While banks cannot directly affect all of these factors, identifying opportunities to increase access to and use of responsive financial products and services can contribute to improved financial health of consumers and communities.

III. What Are Financial Health Vital Signs?

The OCC has identified Financial Health Vital Signs ("Vital Signs"), measures that could be used to assess customers' financial health. These measures are designed to support efforts by banks to understand their customers' financial challenges, to improve product and service offerings, and to empower customers to improve their financial health. Consumers also may find the Vital Signs helpful to assess their personal financial health. The Financial Health Vital Signs are based on review of research, consultation with experts, and consideration of diverse perspectives.

From a bank perspective, the Vital Signs and suggested benchmarks set forth information they could consider integrating into their assessment of current or planned products and services and customer relationships. As currently envisioned, assessing customers' Vital Signs relies on timely and available bank transaction and administrative data that may enable banks to understand key elements of customers' financial challenges. This knowledge can help banks to tailor information, products, and services to customer needs, consistent with consumer protections and in compliance with applicable laws and regulations.

[12] For a summary, see Ana Hernández Kent and Lowell R. Ricketts, "Unequal Starting Points: A Demographic Lens Is Key for Inclusive Wealth Building," in Ray Boshara and Ida Rademacher, eds., *The Future of Building Wealth: Brief Essays on the Best Ideas to Build Wealth—for Everyone*, Financial Security Program, Aspen Institute and Federal Reserve Bank of St. Louis (2021).

Vital Signs Measures

Table 1: Summary of Financial Health Vital Signs

Vital Sign	Definition	Suggested Benchmark
Positive Cash Flow	Inflows exceed outflows in aggregate in all liquid accounts (transaction and savings) held at the bank.	Positive each calendar month or at least two out of the last three calendar months.
Liquidity Buffer	Total amount available in all liquid accounts (transaction and savings) and credit available on any revolving line.	At least $1,000 available at all times.
On-Time Payments or Prime Credit Score	Current on debts or have prime or near-prime credit score.[a]	No debts owed to the bank are over 30 days past due or the customer has a prime or near-prime credit score.

[a] Prime and near-prime credit scores are not defined by the OCC but rather are widely used in the financial industry. The Consumer Financial Protection Bureau defines prime as 660 to 719 and super-prime as 720 or above, and near-prime as 620 to 659. See Consumer Financial Protection Bureau, Borrower Risk Profiles (accessed May 2, 2024).

Vital Sign: Positive Cash Flow

Positive cash flow can demonstrate the customer's ability to meet regular expenses from regular income. And it can indicate the customer may have, or be on the path toward, financial resilience and financial security. With positive cash flow each month, the customer may avoid some account fees and charges; may be able to avoid taking on debts to manage regular expenses; may be able to build savings and wealth; and may use credit to spread out spending over time, to acquire assets, or use credit for other opportunities.

In considering this Vital Sign to understand how a customer will meet regular expenses, it may be useful to look at all the customer's liquid accounts at their bank. A bank might consider the impact of different types of inflows and outflows, such as excluding from the calculation transfers to asset building accounts (such as an investment account). Banks may consider viewing cash flow over different time periods, such as monthly, on average for two of the last three calendar months, or over more months, as well as consider year-to-year comparisons to account for any unusual months. Importantly, considering cash flow in conjunction with the liquidity buffer Vital Sign may enable banks to identify if customers are planning for unexpected expenses or income gaps.

Vital Sign: Liquidity Buffer

A liquidity buffer is meant to capture the customer's ability to be financially resilient in the case of an unexpected expense or drop in income. It involves consideration of whether, if needed to meet financial obligations, the customer would be able to draw from their liquid accounts, including transaction and savings accounts, and rely on available credit (such as a credit card or line of credit).

There are a range of views on how much liquidity may help ensure financial health and what amount is an indicator of financial stress.[13] This range reflects potential variations in circumstances because the potential uses of the liquidity buffer vary. For example, a customer may need to meet a one-time unplanned expense or may need to manage expenses in a longer-term situation such as a job loss or other income shock (to manage all expenses if the income source went away for an extended period). For these reasons, when identifying a customer's liquidity buffer, assessing across multiple time horizons could be useful.

Vital Sign: On-Time Payments or Prime Credit Score

Paying debts on time may indicate the customer is able to meet debt obligations and avoid risks of delinquency and over-indebtedness. Customers who are 30 days past due on one or more debts and, in particular, have multiple past due occurrences over a relatively short time, may have financial health challenges. It may also be useful to consider the amount past due and the type of debt in assessing financial health. The availability of information about the number and amount of debts a customer has outside of the bank may vary.

In a situation when a customer does not have a debt with the bank, a prime or near-prime credit score is another data point that may be useful to assess a customer's debt management ability. A prime credit score, although a lagging indicator, may indicate that the customer can take on and repay debt and may be able to obtain more credit to meet needs, which can contribute to financial security when responsibly managed.

If the customer's credit score is near prime or shows an improving trend, that could indicate improving financial health. Conversely, a declining credit score could indicate a customer's financial health is worsening. Tracking significant changes in credit scores and considering more than one type of credit score to confirm the information in the credit report may yield additional useful information.[14] And it may potentially help banks help their customers address financial challenges, as would seeking to understand when and how customers who may not have a credit score can obtain a credit score (or move from "credit invisible" to visible).[15]

Other Vital Signs

In addition to the above Vital Signs, others may warrant consideration and development to capture the full scope of financial literacy, capability, or well-being.[16] These might include, for instance, net worth and debt-to-income metrics, which are not currently readily available in

[13] Angi, "State of Home Spending 2023," (2023); PYMNTS and Lending Club, "New Reality Check: The Paycheck-to-Paycheck Report: The Emergency Spending Deep Dive Edition," (June 2023).

[14] Rebecca Lake, "FICO Score vs. Other Credit Scores," Investopedia (February 20, 2023).

[15] Kenneth P. Brevoort, Philipp Grimm, and Michelle Kambara, "Data Point: Credit Invisibles," Consumer Financial Protection Bureau Office of Research (2015).

[16] For example, Consumer Financial Protection Bureau, "Measuring Financial Well-Being: A Guide to Using the CFPB Financial Well-Being Scale;" and Financial Industry Regulatory Authority (FINRA) Investor Education Foundation, "National Financial Capability Study."

aggregate form observable by banks. In the future, consumers may have expanded opportunities to permission their financial data to enable more holistic views,[17] which may provide additional ways to assess consumer financial health.

IV. What Are Use Cases for Financial Health Vital Signs?

This section presents a range of potential use cases for Vital Signs by banks to spark discussion and encourage use of the Vital Signs.

Actions that may support measurable improvements in customers' financial health include leveraging data analysis, which may contribute to the development of personalized information to assist customers in managing and improving their financial health. Banks interested in developing and implementing financial health measures may draw on a range of internal expertise, including product line, customer service/customer experience, and serving low- and moderate-income and diverse customer segments.

The Vital Signs may serve as a diagnostic tool to assist an interested bank in assessing how to support customers in using selected products and services. Consideration of financial health may take both a point-in-time snapshot and a trend view, enabling a bank to assess whether a customer's financial health challenge is short or long term. Additionally, other factors, such as the customer's tenure with the bank and income, are relevant in reviewing the Vital Signs data. The Vital Signs are designed as indicators of whether a customer is facing one or more common financial health challenges. As indicators, they may provide important but incomplete insights, especially as a customer may have multiple financial products and relationships outside of the view of any single bank. Based on analysis of inflows and outflows, a bank may be able to identify whether they are a customer's primary financial institution. Additionally, customer surveys or other information voluntarily provided by customers could supplement data viewed through the Vital Signs.

The Vital Signs provide more value taken as a whole rather than relying on any single measure; for instance, a shortfall in any one measure is not necessarily an indication of financial health challenges. Improvements in financial health often occur in small steps and can be nonlinear as customers face volatility in their financial lives and are affected by factors outside of the banks' influence. It is important to have appropriate expectations regarding the outcomes of actions that support customer financial health and recognize a need to think beyond a one-size-fits-all approach to financial health.

[17] Section 1033 of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides, in part, that, subject to rules prescribed by the Consumer Financial Protection Bureau, a consumer financial services provider must make available to a consumer information in the control or possession of the provider concerning the consumer financial product or service that the consumer obtained from the provider. 12 USC 5533(a). CFPB rulemaking efforts are ongoing as of June 2024.

Banks should not constrain options or raise prices due to either visibility or lack of visibility into customers' financial health. Banks must comply with applicable laws and regulations, including privacy laws that govern the collection, storage, use, and sharing of consumer data.[18]

Examples in Practice

Banks in the United States and around the world have focused attention on developing products and services that may help customers improve their financial health. The non-exhaustive set of illustrative examples below includes both existing practices and potential applications.

In addressing customer financial health, several banks have partnered with nonprofit organizations serving communities likely to be facing financial health challenges to provide financial education, financial counseling, and coaching, which can help provide tailored information and guidance to customers in addressing their financial health. These organizations can provide additional context on issues facing customers. Moreover, they can be valuable partners in implementing actions to support customers' financial health, including by helping customers understand bank products and how to use them effectively.

Potential Products and Services for Customers Without Positive Cash Flow

- Low- or no-cost transaction accounts, such as an account that meets the Bank On Account Certification Standards,[19] that enable customers to manage day-to-day activities including receiving wages and paying bills and other essential expenses.
- Money management applications and online tools that help customers manage their day-to-day expenses to avoid negative cash flow. For example, applications can provide alerts about duplicate charges, remind customers about upcoming bills and other recurring charges, and show customers their spending trends.[20]
- Accounts that do not allow overdrafts or accounts with no or low overdraft fees.[21] Banks may also consider allowing grace amounts and grace periods to avoid fees, providing online account access or electronic alerts to notify customers about their account balances, and offering overdraft lines of credit and linked accounts.[22]
- Timely tips to customers on managing expenses, for example, pointing out which regular payments (e.g., bills) might be rescheduled to better align with pay dates.

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[18] These laws include the Fair Credit Reporting Act, 15 USC 1681-1681x; and the Gramm-Leach-Bliley Act, 15 USC 6801-6809.

[19] Bank On, www.joinbankon.org/accounts; Matuschka Lindo Briggs, Nishesh Chalise, and Violeta Gutkowski, "The Bank On National Data Hub: Findings from 2020," Federal Reserve Bank of St. Louis (2021).

[20] René Bennett, "9 Bank Accounts With Built-In Budgeting Tools to Help Track Your Personal Finances," Bankrate (August 17, 2023); *Consumer Reports*, "Banking Apps: The Case Study for a Digital Finance Standard," (March 7, 2024).

[21] Alex Horowitz and Gabriel Kravitz, "Six of the Eight Largest Banks Now Offer Affordable Small Loans," Pew Trusts (January 24, 2023); Allissa Kline, "The Rapid Demise of NSF Fees," *American Banker* (August 18, 2022); Karen Bennett, "Banks That Have Cut or Eliminated Overdraft Fees," Bankrate (March 17, 2023).

[22] OCC Bulletin 2023-12, "Overdraft Protection Programs: Risk Management Practices."

- Simplifying direct deposit of customer pay into an account and providing access to the funds as soon as the bank receives the funds through automated clearing house, or ACH (e.g., early direct deposit).[23]
- Information about community resources may help customers manage their income and expenses.

Potential Products and Services for Customers With Low Liquidity Buffer

- Low- or no-cost savings accounts linked to primary transaction accounts; offering accounts with automatic savings features that enable regular savings from payroll deposits; and enabling customers to transfer small amounts from their transaction account into savings with each debit card purchase.[24]
- Savings and goal-setting tools, such as tools that enable customers to set goals and track their savings progress and those that show customers funds that can be moved from checking to savings.
- Savings incentives, such as chances to win prizes. For example, one bank tested a prize-linked savings incentive to encourage customers to open and grow savings accounts.[25]

Potential Products and Services for Customers With Difficulty Paying Debt or Having Subprime Credit Scores (these may also help with a liquidity buffer)

- Small consumer loans that can be offered to account holders at reasonable rates and terms.[26]
- Secured credit products that can be used to build or repair credit scores.
- Loans underwritten based on transaction account history rather than credit score, which can be a means of providing credit to borrowers who lack a credit score.[27]
- Tools to help customers monitor their credit scores and credit reports and information on how to improve credit scores.[28]
- Information on credit counseling and other financial coaching and education resources offered by trusted nonprofit organizations.

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[23] Spencer Tierney, "32 Banks With Early Direct Deposit," NerdWallet (November 16, 2023); Ellen Chang and Casey Bond, "You Can Get Your Paycheck 2 Days Sooner," *U.S. News and World Report* (January 18, 2024).

[24] Center for Advanced Hindsight Common Cents Lab, Commonwealth, and Financial Health Network, "BlackRock's Emergency Savings Initiative: Impact and Learnings Report 2019-2022."

[25] Commonwealth, "How Truist Used Prize-Based Incentives to Generate $37 Million in Savings," (October 2022).

[26] OCC Bulletin 2020-54, "Small-Dollar Lending: Interagency Lending Principles for Offering Responsible Small-Dollar Loans"; Horowitz and Kravitz.

[27] OCC Bulletin 2019-62, "Consumer Compliance: Interagency Statement on the Use of Alternative Data in Credit Underwriting."

[28] Anya Kartashova and Stephen Mills, "8 Credit Card Issuers That Offer A Free Credit Score," Forbes Advisor (August 22, 2022).

Conclusion

The Vital Signs are intended as a starting point for efforts by interested banks to assess and support customers in improving their financial health, namely, to improve stability, resilience, and security. As those banks use the Vital Signs, they may consider refining measures and modifying how they understand their customers to better serve them. Using and, if appropriate, adapting the Vital Signs may be helpful to assess the customer benefit of new and existing products and services and to consider additional actions. Such actions may include sharing insights, enhancing communications with customers, improving availability and accessibility of products and services, and exploring new products that may better address customer needs. Some interested banks could find it helpful to consider incorporating customer financial health outcomes into strategic planning and management metrics. Other data sources, such as customer surveys and customer engagement metrics, can also provide useful information to complement the insights provided by the Vital Signs.

The OCC intends for the Financial Health Vital Signs to be a resource for banks working to benefit customer financial health. In this work, banks may wish to stay informed of and engage with research across the banking, academic, and other sectors. As well, banks may consider opportunities to work with trusted community organizations to provide services that benefit the financial health of both bank customers and other community residents and empower them toward the financial outcomes they desire. Focusing on financial health and measuring it using the Vital Signs may evolve with experience. The OCC is interested in learning about this evolution, as it encourages banks to work toward a more inclusive financial system and an economy that promotes opportunity for financial health.

Appendix A: Resource Directory

OCC

- Community Developments Fact Sheet: "Financial Capability"
- Banking the Underbanked Resource Directory
- Financial Literacy Resource Directory
- OCC Strategic Plan, Fiscal Years 2023-2027 (September 2022)
- OCC News Release 2024-34, "Acting Comptroller Discusses Fairness and Compliance Risk Management"
- OCC Bulletin 2023-12, "Overdraft Protection Programs: Risk Management Practices"
- OCC Bulletin 2020-54, "Small-Dollar Lending: Interagency Lending Principles for Offering Responsible Small-Dollar Loans"
- OCC Bulletin 2019-62, "Consumer Compliance: Interagency Statement on the Use of Alternative Data in Credit Underwriting"
- Project REACh: Removing Barriers to Financial Inclusion

Other

- Consumer Financial Protection Bureau (CFPB) Financial Well-Being Resources
- Financial Health Network Financial Health Pulse
- Melbourne Institute Financial Wellbeing Scales
- United Nations Secretary-General's Special Advocate for Inclusive Finance for Development
- United Nations Environment Programme Finance Initiative, Principles for Responsible Banking
- Urban Institute Financial Well-Being Data Hub