The Role of Financial Institutions: Consumer Financial Health in the Coronavirus Crisis

As we continue to grapple with immediate health and safety concerns related to COVID-19, we are already experiencing many of the implications that come with a massive economic slowdown. There has been an initial wave of significant scheduling cuts, layoffs, and hiring freezes in reaction to low sales and tumbling markets. Small businesses are taking big hits, and many workers are losing, or are at risk of losing, income and benefits. Consumers most impacted will be those already vulnerable to economic shocks. As a result, we will see increases in lost income, a higher demand for short-term liquidity, and greater financial anxiety.

This brief is intended to help financial service providers focus on how best to respond to consumer financial needs. Clearly, this calls for a well-orchestrated organizational response as the implications span across functional groups, products, and service lines with implications for customers, employees and communities. More than ever, it is a critical time and opportunity for companies to maintain and build customer and employee trust.

Building Better Detection: How to Know When Your Customers Need Help

We encourage financial institutions to develop better detection systems to identify and proactively monitor customers who may be experiencing financial shocks. While some organizations may decide to implement short-term relief measures across the board, applying a targeted approach to address customers with the most acute needs will be critical. Both customer surveys and transactional data can be useful tools to understand underlying consumer behavior or needs. Providers can identify loss of income through a number of indicators, such as declining monthly deposits or average liquid savings, missed payments, and insufficient fund alerts for cash withdrawal. Indicators for people searching for alternative cash sources might include overdraft and cash activity, increased carried balance and credit usage, direct debits from benefits and/or money inflows from 401(k)s. Identifying these pain points can allow for proactive outreach and intervention on behalf of the institution.

Near-term actions: How to Provide Relief

This is a critical moment to commit to delivering sustainable value to consumers, especially those most impacted during this crisis. Providers will have to determine how, when, and for how long to offer temporary relief measures. However, here are a few leading examples of what we are seeing. See our full list of all the customer-focused COVID-19 responses from our Financial Health Network Members, which we are regularly updating:

- **Savings and Liquidity**: To weather financial shocks associated with the crisis, many households will need extra savings and liquidity. Some financial institutions have introduced temporary policies that remove costly barriers to accessing savings such as waiving penalties and fees. For example, Regions Bank is waiving fees for excessive withdrawals on all savings and money market accounts, and Citgiroup and Citizens Bank are waiving withdrawal penalties for certificates of deposit.

- **In-person Services:** Decisions about how and where people conduct essential financial transactions become even more critical, both supporting digital banking and supporting safety measures in branches. With customer safety in mind, BBVA is currently waiving out-of-network ATM fees. More than one in four (28%) of all financial institutions that are Financial Health Network Member have closed branches to foot traffic, while 72% have chosen to keep branches open, but with increased social distancing measures. All of our Members are encouraging digital banking services, such as mobile or app-based banking or telebanking.

- **Other Relief Measures**: Several financial institutions are implementing other temporary policies to relieve customers, like loan payment deferrals and extensions, forbearances on payments, options to increase credit lines, suspending new repossession actions, suspending foreclosure sales and evictions, and other forms of hardship support. These are all important measures that can help households be a little more resilient during these trying times.

These principles can apply across a wide set of stakeholders, from large and small banks to credit unions to fintech providers. While there will be differences in capacity, resources, and reach, each institution can apply these concepts in their own context. Credit unions, with their deep community connections but arguably less sophisticated infrastructure and technology, may have an opportunity to develop creative local solutions. As with traditional financial institutions, fintech providers should also consider ways they can alleviate product and service requirements or fees, and strategize how they can provide better customer support during these trying times.

The Balancing Act

There is no doubt that there will be many challenges ahead. Financial institutions will have to make tough decisions, including balancing safely managing their companies with addressing customer needs, determining how long to extend these kinds of temporary measures, and weighing the trade-offs between loosening credit and managing risk. This is an opportunity to truly differentiate in the eyes of customers and make an enormous impact in the daily lives of consumers all over the country, however. To do this, it is critical to help customers make well-informed financial decisions and focus on addressing their financial health needs.

We're Here to Help.
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