



MEMORANDUM

TO: Federal Financial Analytics Clients
FROM: Karen Petrou
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Ever since I suggested that “Equality Banks” could make a meaningful difference [in 2018](#), I’ve been asked by well-meaning people across the industry how one might be set up. No one has yet, though, done more than that, so [my new book](#) lays out additional concrete action steps for building an Equality Bank under current law. Now, though, comes a real example of a fledgling, yet impressive, effort to do just that to make a real difference in the financial lives of the most under-served community of them all: [the disabled](#).

As the [American Banker described](#) last week, two brothers realized that persons with disabilities, especially intellectual ones, were having great difficulty establishing the “ABLE” accounts that under law permit small savings accounts without loss of disability benefits. This is of course a vital safety net as well as an important boost on the path to independence.

Bankers’ banks are among the charter options in current law well suited for equality banks and that’s exactly what these enterprising brothers have deployed. Using a Delaware-based bank, the new venture – called Purple – provides a raft of basic banking services and handles ABLE accounts, working also to persuade more states to establish them.

Purple’s business model includes small fees to make the venture viable and its potential customer base is broad, but also in need of carefully-designed products and knowledgeable service. The kind of partnership developed in this case is thus a great model for many other equality- and equity-targeted products.

But, it’s not the only one. As I’ve said before, it’s shocking when you step back and think about it that the OCC’s special-purpose charters so far are only for high-risk and often high-flying fintech and crypto ventures. The OCC can and should quickly authorize special-purpose equality banks, possibly requiring these companies to charter themselves as public-benefit corporations as now allowed under a recent [OCC rule](#).

Innovation in finance is essential for equality, but innovation without regulatory discipline is inclusive only for yet another group of ambitious venture capitalists. CDFIs and minority depository institutions have made great contributions to equality banking but, even after the big boost given them in the new stimulus law, remain circumscribed charters. To bring equality banking into the mainstream, we need not just new charters, but also strict standards ensuring that promises are kept, missions are met, and risks run are only on behalf of customers, not managers or investors.