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**Mobile Banks Gaining Popularity With Young Consumers**

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TURIYA GOETZE, a 23-year-old teaching assistant in Kansas City, Kan., found herself looking for a new bank this summer. Her student checking account at a large national bank had expired, and she was worried about paying lots of fees on a traditional account.

Then she heard about GoBank, one of a new breed of mobile banking services aiming at fee-averse customers, especially 20-somethings or “millennials,” accustomed to doing everything on their smartphones. She now uses it as her sole bank.

Ms. Goetze is a fan of a GoBank feature that lets her check her balance quickly on her phone, without having to log into her account. “I love, love, love it!” she said. She doesn’t pay any monthly fee; GoBank lets users choose their fee (from zero to $9 a month), and right now she opts to pay nothing. But she said she may start paying $1 a month, now that she has been using GoBank for a while and likes it. She estimates she would have had to pay about $12 a month with a traditional account.

Old-fashioned banks, of course, also offer mobile banking apps, and branchless banks aren’t new, either. But the upstarts, which include Simple and Moven, especially appeal to younger customers and others on a tight budget because they shun most fees, including the dreaded overdraft fees, and have no minimum balance requirements. Each differs slightly in its offerings, but all aim to simplify payments and help users closely track their spending. They are meant to be used when customers are on the fly, rather than sitting down at a computer.

The new alternatives work with traditional banks to hold deposits, so the money in your account is F.D.I.C.-insured. GoBank is the mobile banking arm of the Green Dot Corporation, which markets reloadable prepaid debit cards and owns Green Dot Bank, which holds the money deposited via GoBank. Simple and Moven are in effect banking services, rather than banks, but they work with traditional banks to handle the actual banking functions behind their mobile apps. Simple’s deposits are held at Bancorp Bank, based in Delaware (a spokeswoman said Simple may also partner with other banks in the future as it grows), while Moven’s are held at CBW Bank, which is based in Kansas. But customers use the service through their mobile apps or websites.

The new mobile banks are gaining in popularity. Simple became available to the public in July 2012 and now has about 80,000 customers, said a spokeswoman, Krista Berlincourt. Simple currently requires users to email a request for an invitation to join, before allowing them to register. The approach acts as a fraud deterrent and also lets the company ramp up its systems to meet demand, she said.

Moven is still in its testing phase, and also asks customers to submit an invitation, said Alex Sion, Moven’s president; he says the service has “a couple of thousand” customers. One of its distinctions is that it offers users the option to make payments directly from their phones, by tapping the phone on a payment terminal, he said.

The new mobile models are evolving, but they show promise by focusing on what the customer wants to do, rather than relying on banking terms that most millennials don’t care about, said Jennifer Tescher, chief executive of the Center for Financial Services Innovation. Simple’s users, for instance, can see their “safe to spend” balance, which takes into account pending bills. Young people like to have quick access to check their balances, she said, because they have been hard hit by the slow economy and are on tight budgets. “They care about having a terrific user experience that’s easy to use and understand, and works in real time,” she said.

Jim Bruene, founder of the Netbanker blog, said the new mobile banks had a “hip” aura that appeals to young people. GoBank, for instance, offers a budgeting tool called Fortune Teller. Users can ask whether a purchase for a certain amount is a good idea, and the system will respond based on your spending — usually with a mildly sarcastic remark (“Think. When did you last see your mind?”).

Alok Deshpande, vice president of product development with GoBank, said 20-somethings like himself wanted a bank that was fast, easy to use and less adversarial. “It seemed that banking was set up on a punitive model,” he said.

GoBank lets customers open accounts using a mobile app (no invitation required), check balances quickly and deposit checks by snapping a photo. Users can withdraw cash without charge at a network of more than 40,000 A.T.M.’s located mostly in convenience and retail stores. The bank is marketing the accounts through college bookstores operated by Barnes & Noble, and through media tie-ins (like having contestants on the reality television show “Project Runway” get their design budgets through GoBank accounts).

Mr. Deshpande said offering the account free suggested there was a hidden catch, so the bank allows users to select an amount. He won’t say how many customers pay a fee — or how many customers GoBank has, for that matter — but says some indeed do pay.

GoBank makes money from interchange fees, which the bank earns from merchants when customers use their debit cards to make purchases.

There are some drawbacks. In some cases, customers may have to wait 10 days, or even longer, to access funds deposited by personal check. Customers using direct deposit or depositing business checks get fast access to their money, Mr. Deshpande said. They can also deposit cash at retail stores like 7-Eleven (the cashier takes the money and swipes your GoBank debit card to complete the deposit — sort of like getting cash back, in reverse).

Here are some questions about the new services:

**■** *Do funds held in these accounts pay interest?*

Simple pays interest but as with most deposit accounts these days, the rate is quite low. GoBank and Moven don’t pay interest.

**■** *Is it risky to have my balance displayed without actually logging into my account, like GoBank allows?*

The feature is optional and allows you to see your balance by swiping the screen of your phone on the GoBank’s login screen, without actually logging in. It’s a “view only” feature, so you can’t move money unless you log in. Still, you should make sure you have your phone password-protected if you choose to use this feature, Mr. Bruene advises.

■ *What fees do the services charge?*

The fees vary but are minimal compared to a traditional bank account. Moven says it is free for the first year, but may charge a monthly fee after that. Simple charges $5 for a monthly paper statement. GoBank’s charges include $2.50 for using a non-network A.T.M.; basic debit cards are free, but you can have one customized with a photo — of you or your dog, for instance — for $9.

http://www.nytimes.com/2013/12/07/your-money/mobile-banks-gaining-popularity-with-young-consumers.html?pagewanted=all&\_r=0