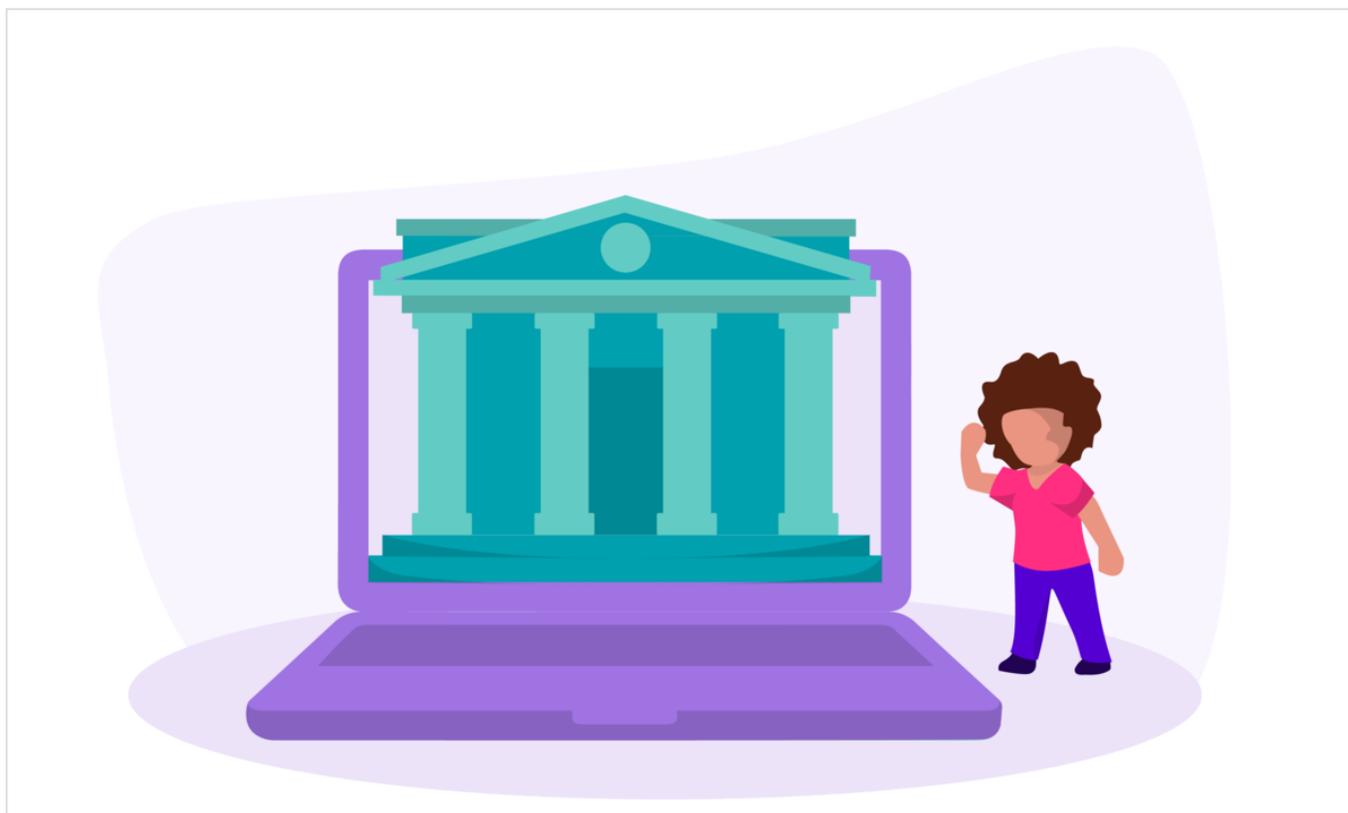


4 Ways Neobanks Differ from Traditional Banks



Just as Amazon and its ilk have changed the retail business model, several neobanks—online only financial services institutions—appear poised to do the same for banks.

Neobanks have risen to prominence overseas, but their widespread adoption in the United States has lagged, due to higher regulatory hurdles here and slower acceptance among U.S. consumers.

In recent years, however, a handful of U.S. neobanks, including Simple, Chime, and Aspiration have established a foothold with consumers, promising to offer on-demand digital services, fewer and more transparent fees, and additional tools aimed at budgeting and saving. They are also increasingly providing banking services to small businesses and freelancers who want an alternative to the big banks.

A recent study by consulting firm CG42 found that the 10 largest banks could lose as much as 11 percent of their customers to non-traditional banks over the next year. Aware of the threat, large banks like Wells Fargo and Chase are creating new brands and services aimed at competing directly with neobanks. In addition to the big banks, several of the successful European neobanks have said that they're interested in expanding in the United States. More competition is good for U.S. consumers, who will have more options to find the company that works best for them.

While neobanks are typically FDIC insured (check before signing up with one), which means that your money is just as safe with one as with a regular bank, you'll notice some differences if you switch to neobanking.

You'll see a sleeker digital interface

Since neobanks don't have traditional brick-and-mortar branches, they're laser-focused on creating the slickest digital experience for the user. They're also more capable of completing common banking services entirely via mobile, from opening new accounts in just a few minutes to pulling up and searching recent statements. While you can access your neobank account online, all services are available via their apps, so you never need a computer in order to use your account.

You'll have options for deposits

Most banks now offer online deposit capabilities, and neobanks are no exception, typically allowing users to snap a photo of check via mobile device in order to make a deposit, and

most are set up to accept direct deposit. Several neobanks, including Chime and GoBank allow customers to deposit funds into their account at retail locations such as 7-Eleven and CVS.

You will see fewer fees

Perhaps the largest differentiator between neobanks and their traditional competitors is what they charge in fees. Without the overhead of staffing and leasing brick-and-mortar branches, neobanks don't need to charge as many fees as traditional banks. Most neobanks, for example, have large ATM networks, making ATM fees more rare, and they typically don't charge monthly fees and don't allow overdrafts (or charge the fees associated with them).

They may not be able to meet all your needs.

While neobanks are a viable alternative for those looking for checking, savings, and some loan products, they don't offer the breadth of services provided by traditional banks. Consumers who also need other banking products, such as mortgages or some investing accounts, may have to look elsewhere (for now).

By [Beth Braverman](#) | March 4th, 2019 | [News](#) | [0 Comments](#)

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