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ECONOMY

Some Bank Branches Run Low on Cash as Customers Make Big Withdrawals

Regulators stress risks of keeping large sums of cash at home rather than in an insured institution



Banking officials say some customers are making huge cash withdrawals in the face of the coronavirus pandemic, exposing themselves to undue risks

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By Andrew Ackerman and Orla McCaffrey

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WASHINGTON—Some branches of U.S. banks and credit unions have run low on cash as customers make big withdrawals, prompting regulators to warn that they are putting their money at risk.

Though no precise tallies exist, industry officials described dozens of incidents across the country, often in affluent neighborhoods of such cities as Seattle and New York, where people have withdrawn tens of thousands of dollars at a time.

The withdrawals, sometimes reaching \$100,000 or more, appear to be motivated by financial-market tumult over the coronavirus epidemic. In one incident, an elderly couple withdrew some \$250,000 all at once earlier this week, an industry official said.

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In response, banks and regulators are warning consumers that it's a mistake to keep large amounts of cash at home, where it can be lost to fire or flood—or stolen. In contrast, each deposit account at a bank or credit union is federally insured up to \$250,000.

“Your money is safer at an institution than if you put it in your pocket,” said Troy Stang, president and chief executive of the Northwest Credit Union Association.

The Federal Deposit Insurance Corp. issued a press release on Wednesday to remind consumers that insured deposits are safe. In bold letters, the agency said: “Since 1933, no depositor has ever lost a penny of FDIC-insured funds.”

Said one banking official: “It's easier to rob you than it is to rob a bank, which is federally insured and physically secure.”

Other banking groups are appealing to individuals worried about the spread of germs in the midst of the coronavirus pandemic. Paper money, in short, is dirty.

“Keeping cash in the bank is a prudent defense against contamination,” the Colorado Bankers Association said in a press release on Wednesday. “A single dollar bill can be home to as many as 3,000 different bacteria and has changed hands with upwards of a thousand times.”

Industry officials say there is no danger depositors won't have access to their money. Though it doesn't take more than a few big cash withdrawals to deplete the cash held in the vaults of many modest-sized bank branches, there is still plenty of cash available for circulation to the public.

“The Federal Reserve has plans in place to address a range of contingency situations,” a spokeswoman said. “To date we have not experienced pronounced spikes and have had no difficulty meeting demand for cash.”

Banks must set aside a pool of cash, called a reserve, to cover a share of the deposits owed to customers. Most banks deposit most of that reserve with their regional Federal Reserve Bank, keeping enough in their vaults to cover expected transactions.

When customers want to withdraw more money than usual, banks can order emergency shipments of cash from their accounts at the regional Federal Reserve branch.

In all, cash kept in the vaults of all U.S. banks totaled to \$76 billion during the week of March 11, according to Fed data.

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