FEDERAL DEPOSIT INSURANCE CORPORATION

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ADVISORY COMMITTEE ON ECONOMIC INCLUSION

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MEETING

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THURSDAY
OCTOBER 22, 2020

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The Advisory Committee convened at 1:00 p.m. EDT via Videoteleconference, Jelena McWilliams, Chairman, presiding.

PRESENT:

MICHAEL S. BARR, Dean, Ford School of Public Policy, University of Michigan Law School
RAPHAEL BOSTIC, President and CEO, Federal Reserve Bank of Atlanta
NAOMI CAMPER, Chief Policy Officer, American Bankers Association
JOSÉ CISNEROS, Treasurer, City and County of San Francisco
MARTIN EAKES, Chief Executive Officer, Self-Help Credit Union
MAURICE JONES, President and CEO, Local Initiatives Support Corporation (LISC)
MARGARET LIBBY, President, MyPath
ALDEN J. MCDONALD, JR., President and CEO, Liberty Bank and Trust Company
LISA MENSAH, President and CEO, Opportunity Finance Network
JONATHAN MINTZ, President and CEO, Cities for Financial Empowerment Fund

PAMELA PATENAUDE, Former Deputy Secretary, U.S. Department of Housing and Urban Development
JENNIFER TESCHER, President and CEO, Financial Health Network
CHRISTINA TETREAULT, Manager, Financial Policy, Consumer Reports

ALSO PRESENT:

JELENA McWILLIAMS, Chairman, FDIC
MARTIN GRUENBERG, Board of Directors, FDIC
JASON BROWN, Assistant Director, Office of Research, Consumer Financial Protection Bureau
KARYEN CHU, Chief, Banking and Consumer Research, FDIC Division of Insurance and Research
KEITH ERNST, Associate Director, FDIC Division of Depositor and Consumer Protection
FIONA GREIG, Managing Director and Director of Consumer Research, JPMorgan Chase Institute
KEVIN KLOWDEN, Executive Director, Center for Regional Economics and California Center, Milken Institute
MARK KUTZBACH, Senior Financial Economist, FDIC Division of Insurance and Research
ROB LEVY, Vice President of Research and Measurement, Financial Health Network
JONATHAN MILLER, Deputy Director, FDIC Division of Depositor and Consumer Protection
NIKITA PEARSON, Acting Director, FDIC Office of Minority and Women Inclusion (OMWI)
BETTY RUDOLPH, FDIC National Director of Minority Depository Institution (MDI) and Community Development Banking
JEFFREY WEINSTEIN, Senior Financial Economist, FDIC Division of Insurance and Research

KANAV BHAGAT, Managing Director of Financial Markets Research, JPMorgan Chase Institute

LARIECE BROWN, Quantitative Analytics Director, Freddie Mac

KELLY COCHRAN, Deputy Director, FinRegLab

KATY DAVIS, Managing Director, ideas42

AMELIA ERWITT, Managing Director, Cities for Financial Empowerment Fund

LINDSAY FERGUSON, Director of Strategic Engagement for America Saves, Consumer Federation of America

RYAN GOODSTEIN, Senior Economist, FDIC DCP

JASON GROSS, CEO and Co-Founder, Petal

EMERSON HALL, Associate Director, FDIC DCP

DANIEL NESTEL, Senior Director of Government Relations, FICO

MARK PEARCE, Director, FDIC DCP

LAUREN SAUNDERS, Associate Director, National Consumer Law Center

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P-R-O-C-E-E-D-I-N-G-S

1:04 p.m.

MR. MILLER: Good afternoon, everybody. Welcome. I know we're maybe having -- Madam Chairwoman, can you hear me?

CHAIRMAN MCWILLIAMS: Yes, we can hear you.

MR. MILLER: It's Jonathan.

CHAIRMAN MCWILLIAMS: Cutting up a little bit, but we can hear you.

MR. MILLER: Now I see you. Can you see me?

CHAIRMAN MCWILLIAMS: This is like the Verizon commercial now. Now I can see you. I could be Jonathan with an accent. All right, we'll having a little bit of a technical issue with Jonathan's mic, so I will go ahead and get us started --

(Simultaneous speaking.)

CHAIRMAN MCWILLIAMS: Welcome --

MR. MILLER: Can you hear me? Can you hear me now?

CHAIRMAN MCWILLIAMS: Yes, we can.

MR. MILLER: I'm sorry; we're doing my sound through my phone, instead of the computer. Let me just welcome everybody. Apologize for the difficulties with the technology. Welcome, everybody, to the Committee on Economic Inclusion meeting. We have a very tight time table today, and a lot of information to get through, a lot of good stuff to get through, so let me turn it over to the chairman to get us started. Thank you so much, Jelena.

CHAIRMAN MCWILLIAMS: Thank you, Jonathan, and thank you, everybody, for joining us today. I will say welcome to 2020, where nothing is going as it's supposed to go, including the technical difficulties at the FDIC.

I want to thank you all for taking the time, and I want to apologize that we have not been able to convene this important committee sooner. Frankly, we have been thinking that we would be able to do this in person and have you here for a constructive in-person discussion, but the pandemic ended up taking a long time.

We kept on moving the dates in, I would say, at this point, disappointing hope that we would be in person. Thank you for joining us virtually. Thank you for being willing to give us your time. I cannot think of a better time to discuss the issues that are going to affect low and moderate income community and for financial inclusion than what's going on right now with enormous job loss in the wage labor market and also among the communities of color. Thank you for being willing to engage with us on those topics. We have some new members to announce today. I will read their names.

We have Naomi Camper, chief policy officer of the American Bankers Association, ABA. We have Lisa Mensah, president and CEO of the Opportunity Finance Network, OFN, Jennifer Tescher, president and CEO of the Financial Health Network, FHN, and Christina Tetreault, senior policy counsel at Consumer Reports.

Thank you all for joining us. We're

only beefing up the Panel with more expertise in this area and with people who are truly out there on the front lines of trying to make sure that the issues with which this Committee deals with are affecting communities in the right way. With that, I will turn it back to you, Jonathan. I really look forward to an engaging discussion today.

MR. MILLER: Thank you very much. Thank you very much, everybody. We begin today's meeting with our members roundtable. We've asked each member of the Committee to describe, briefly, a challenge or an issue they may be facing in their communities or in their organizations. As I mentioned, we're asking people to stay strictly to the six minutes. Michael Barr, let me start with you, please.

CHAIRMAN MCWILLIAMS: Jonathan, can we just take a second -- I'm sure Michael won't object. Marty, would like you to make opening comments, as well, please?

DIRECTOR GRUENBERG: Well, just to say

welcome to everyone. Thank you for taking the time. Good to see you, even if it's virtual.

I can't help but be struck that the focus of our attention today around access to the banking system particularly impacts the people most severely and disproportionately impacted by the current pandemic and economic crisis.

It did strike me that our discussion today really may have broader implications beyond the particular issue of the focus of this committee. Particularly timely and helpful to have you all here today and very much look forward to the discussion. Thank you, Jelena.

CHAIRMAN MCWILLIAMS: Thank you, Martin. Sorry, Jonathan and Michael, to interrupt. Please go ahead.

MR. MILLER: Thank you. Michael, unmute and start your video.

MEMBER BARR: I hope that everybody can see and hear me at this point. It's great to be here. Thank you, Chair McWilliams, for convening us. It's obviously, as both you and

Marty said, a pretty brutal time, especially for communities of color.

The public health crisis is hitting communities of color harder. Small businesses owned by minorities are being harder hit. Employment for minorities has been harder hit than for anybody else. The struggle we're having in education is hitting communities of color harder than anybody else.

It's just a brutal time for the communities that we're all working in and for. I thought I might highlight just a handful of issues that are on my mind that I'm sure are in your mind, but I think are worth some discussing. Obviously, on the small business front, the really small businesses didn't get much help out of the PPP program. The help they did get was mostly from minority depository institutions and CDFIs. They had a much harder time getting access to banks beyond MDIs and CDFIs.

I think that's a significant issue that needs to get worked on and addressed because the problem for small businesses isn't going away. That was especially acute for minority owned businesses, as I mentioned, were harder hit in the crisis and had less access to the banking system and less access to PPP loans.

That's got to be addressed in the next -- whatever happens in the next stimulus bill, if there is one. Obviously, on many people's mind is the Community Re-investment Act reform. I was very glad to see, Chairman McWilliams, your comments about wanting to work with the fed and others on reform.

I think that the fed's approach provides a reasonable basis to begin discussions. I think it's a much better approach than the approach that the OCC put forward unilaterally, which I thought, itself, was a mistake. The third issue just to address -- again, I know you're on it -- is commercial real estate, which, again, is affecting low income communities much worse than anywhere else. Examiners tend to thwack community banks pretty hard on commercial real estate whenever there's a downturn.

I worry about that time right now. Trying to figure out how to work with banks on CRE issues right now is pretty critical for low income communities. The fourth big issue I wanted to put on the table was about the way our payment system continues to disadvantage low income people.

We've talked about this many times on the Committee, but you saw it in spades when the government tried to get money out the door to low income communities. The people who needed it the most either never got it or got it last. We need to continue to push on good funds availability, getting cash into the hands of the unbanked.

I was encouraged by the ABA's announcement, its support of safe and affordable bank on accounts. It's a project that the FDIC has been leading on for many, many years, but I do think we have, still, much more work to do to make sure our payment system actually works for people who need it the most. The last big set of topics -- again, I know this is on your agenda, Chair McWilliams -- is about the effect of technology on community banking. Again, it affects community banks serving low income communities significantly.

As people talk about central bank digital currency, as we're seeing innovations in fintech, unless we do take affirmative steps to help CDFIs and MDIs in community banks serving low income communities more broadly, they're going to get left behind, and we're going to see even more deterioration in access in low-income communities.

This is an absolutely critical area. I really appreciate the chance to put those items on the table. I really look forward to additional input from the rest of this wonderful group. I wanted to add my welcome to the new members. You did a great job bringing new people into the Committee. I'm really looking forward to their contributions.

MR. MILLER: Thank you so much,

Michael, and thank you for staying within the time. Raphael Bostic, thanks for joining us. Please go ahead --

(Simultaneous speaking.)

MEMBER BOSTIC: I'm unmuted and video is started. Good afternoon, everyone. Good morning. It's really good to be here. Thank you for convening this, Chair McWilliams. I'm really pleased. I thought I would jump in quickly with a few comments.

I totally agree with Michael's commentary on CRA reform. We're going to do all we can to make sure that we get a lot of input on that. In terms of payments and its exclusion of low income people, we just released, in September, a white paper on financial inclusion around the relationship between technology and inclusion that I think would be important for people to look at.

Then on technology and community banking, me and my chief of supervision did an op-ed on exactly this issue and how we think about having community banks be more engaged. What I wanted to put on the table are two issues. One is workforce development and really how do we think about making sure that people with low wages and in areas that are being disrupted can get jobs. In this regard, one significant barrier to economic mobility occurs when career advancement actually puts a family above the income eligibility threshold for public assistance programs.

This can often lead to people losing their benefits or losing more benefits than they're actually making, in terms of extra income, so they can be worse off by doing this. This research, for us, resulted in something -- an initiative we're calling the Advancing Careers for Low Income Families Initiative.

We are putting this research into action. We have partnerships with state agencies in Alabama, Connecticut, Oklahoma, Florida, Georgia, and Tennessee. We're working, really, to change practices through the customization of something that we call a CLIFF tool, where CLIFF stands for career ladder identifier and financial forecaster.

We've been working very closely with Goodwill, on the local level, to try to make progress here. I would also want to call out a partnership that we have stood up with the Markle Foundation and over 30 organizations, ranging from corporations to civil rights groups. We're calling it the Rework America Alliance. This is really designed to develop strategies to enable unemployed and low wage workers to emerge from the crisis stronger, getting better skills, and being well positioned to take advantage of the opportunities of tomorrow.

My Center for Workforce and Economic Opportunity has also launched what we're calling the Talent Finance Initiative, which is a partnership with the U.S. Chamber, WorkingNation, and the Greater Houston Partnership.

We're looking for ways to design -- new ways to fund and finance workforce development. The last thing I wanted to talk about is something I'm very excited about. Hopefully, you've heard about this. Earlier this month, my bank, along with the Federal Reserve Banks of Minneapolis and Boston, launched a new series titled Racism and the Economy.

It really was motivated by high profile events in the past and increasing recognition that this has implications for macroeconomic potential. We've designed this to be a seven-part series or a multipart series. We're going to cover particular topics, such as employment, education, health, housing, wealth, financial services, and criminal justice because all of these are areas where racism is a definite constraint. We're really going to focus on actions.

We're having proposers really look to offer proposals on things we might do to make progress on this and have the conversation be in that solution space. We had our first session on October 7th. I can put the link in the chat if

I'm allowed to do that.

I know we're not supposed to use the chat for that. It was really an interesting thing. We had Angela Glover Blackwell and Ursula Burns as featured speakers, and then Geoffrey Canada from the Harlem's Children Zone, and Carmen Rojas from the Marguerite Casey Foundation as speakers.

We closed with a panel of the three presidents, myself, Eric Rosengren, and Neel Kashkari. We had over 3,000 attendees. We had Kai Ryssdal from Marketplace, as our moderator. I will just highlight some key themes. One is that history matters and continues to play an important role in shaping how things play out today. The second that emerged is there's real tension between incremental efforts and transformational change. The speakers had really different views on that.

A third part, which is important for this conversation that we're having, as well, is that there is a long run aspect to this. This is not going to be solved in a day or two. This is going to take years and years and a real commitment.

Then the last thing I would just say is we're trying to place a large emphasis on building coalitions with new participants, bringing more people into the conversation, so that this is -- so that we bring every effort and every resource we can to harness and to make real change. Thank you, again, for allowing me to be here, and I'm looking forward to the rest of the day. It's really a pleasure.

MR. MILLER: Thank you so much, Raphael. I was one of the 3,000 attendees. It was a terrific program. Welcome to Naomi Camper from the ABA. Welcome to the Committee. You've already gotten a shout out. Why don't you go ahead and start your presentation?

MEMBER CAMPER: Great, thank you so much. Can you guys hear me?

MR. MILLER: Yes, we can.

MEMBER CAMPER: Great. Thank you so

much, and thanks for including me to be part of this Panel. I am glad that I got to go after Jonathan and Governor Bostic because one of the themes that I really wanted to focus on was how banks have been responding to essentially being put in the position -- and we're very glad to be in this position -- of helping to speed delivery of so much of the government relief to struggling consumers.

It has really highlighted the cost of being unbanked. Because as Michael noted, the stimulus payments and the EIPs, where time was completely of the essence, in terms of getting to consumers, if you were unbanked, you were not first in line.

For PPP, if you were not already part of a banking relationship, the way the program was structured made it harder for you to be in the first round. I wanted to highlight a few ways that banks have been responding to being in this position and some of what we're doing to reduce the number of people outside the mainstream banking system and welcome them in. Of course, we were encouraged by the latest FDIC data, but we were also troubled by some of the persistent disparities.

Like everybody else, banks had to transform the way they did business overnight. A lot of what we've been doing has been from our bedrooms or our kitchens. We emphasized -- and all of the member banks have emphasized trying to create and offer unprecedented flexibility for individuals and families who have found themselves struggling.

Obviously, I think you all know the story of PPP, where something over 90 percent of the loans flowed through banks. With the stimulus payments, this was something that we were gratified for the success.

When IRS first estimated how the payments would go out, they estimated that about $60 million would be made electronically. When all was said and done, $122 million of those, or 75 percent, went out electronically. Why did that happen? Lots of collaboration for getting the word out that consumers should enter their direct deposit, but the banking industry really made a full court press to encourage their clients who were already banked to visit the IRS portal and enter their routing numbers in to file their taxes and have their routing numbers entered in that way.

Also, we had a really big push to make consumers aware of the ability, when we were all strictly quarantined, to be able to open an account completely online, without visiting a branch.

One other element of the stimulus payment program that really concerned us, and we think we've made progress on, has to do with them being subject to garnishment. National Consumer Law Center raised the alarm early on that these payments were -- the way the statute was drafted were subject to garnishment.

We worked very collaboratively, and we were very pleased to see the Senate pass language so that future stimulus payments should not be subject to them. We are working very hard to deliver forbearance relief to consumers, both through the CARES Act programs for GSC and FHA, as well as portfolio loans. While forbearance numbers are decreasing, more than 70 percent of loans that are in forbearance are now in an extension. We are concerned about that, and we're also troubled by new data showing that 7.1 percent of homeowners missed their September mortgage payments.

This is an area where there's also collaboration with consumer advocates in the mortgage industry. We are hoping to be able to launch a public awareness campaign, so that people who don't know that aid is available to them will be encouraged to call their bank or servicer and take advantage of what's out there.

We have seen a huge rise in fraud and phishing schemes. ABA launched its largest ever consumer protection campaign in our history. Banks Never Ask That is designed to help consumers not fall prey to this. More than 1,500 banks are participating in the campaign.

We think that this kind of scale of awareness can really make a difference. I don't want to be the first person to go over my time limit, so let me just end with the big news. Thank you to Michael Barr for mentioning it. Together with the Cities for Financial Empowerment Fund, ABA launched -- and we want to give a huge shout out to the nation's core service providers, who provide operational backbone to community banks.

Together, we launched an initiative to encourage all banks to offer BankOn certified accounts. Thank you to the FDIC and this Committee for pioneering safe accounts. We know 2020 has reinforced, like nothing else could have, the importance of being part of the banking system.

If you don't have a bank account, you're not first in line for government relief. We think that is unacceptable. At our annual convention, just on Monday, over 2,000 banks in participation. Our CEO, Rob Nichols, called on all banks to consider participating in BankOn to offer an account.

We think it will make a tangible difference. We know, like with so much related to BankOn, it's not banks alone -- Jonathan's giving me the sign --

(Simultaneous speaking.)

MEMBER CAMPER: -- the whole Committee to make sure that we get everyone into the banking system. Thank you.

MR. MILLER: Naomi, thank you for recognizing the Committee's work, and thank you for your work. Jose, you will unmute. We'll hand it over to you.

MEMBER CISNEROS: Thank you, Jonathan. Jose Cisneros, here. Great to see everyone. I'm excited to be able to report what's going on from San Francisco. As with everyone else, we are struggling to survive through all of this. Fortunately, our government, state and local leaders, have been listening to the scientists.

The folks in the city have been very compliant. We feel we've had some good results. In fact, for a city of nearly a million people, we have fewer than 140 deaths throughout the entire pandemic.

At the same time, we're working very hard to support local businesses and the economy, which, of course, have been severely impacted. The mayor put together an economic recovery task force of over 100 community members and a similar good-sized engagement from city staff.

They've come out with 41 recommendations for how we can continue to support businesses that are suffering during this time. Particularly, looking at the work that's going on with regard to financial services, our Office of Financial Empowerment's been working hard to get good advice out to people who are struggling and informing people the best ways to understand and be aware of and access the various types of local, state, and federal government supports that are here for individuals and for businesses.

We're continuing to try and get that word out. At the same time, we also partnered with the California Reinvestment Coalition. We did a local survey of all the banks and credit unions in San Francisco to see how they were responding and how they were supporting their customers.

We found it was a real mixed bag, in terms of support. A number of institutions were doing some things, offering relief, working with customers, but we saw not all institutions were doing that.

Even the ones that were weren't always making that information or that opportunity available and readily understood by their customers. There was a real mixed bag. I encourage anybody who wants to to go to our website and look at the report. It's called Pre-existing Conditions, Assessing the Financial Services Response to Racism, Inequality, and

COVID-19. We're also continuing to do a lot of work in terms of banking access and fair and equitable banking access.

We are continuing to use our financial one-on-one coaches to connect folks to the safest banking services, financial services, that they can access. We're also making sure that they have the opportunity to access whatever relief opportunities are available.

What we're finding is that there's still this hidden obstacle for a number of people who completely, oftentimes, unbeknownst to them, have these hidden negative records in their check systems or early warning system records. This is oftentimes becoming a roadblock to them becoming financially successful.

We're finding that a fair number of these records are erroneous records. We have, I believe, a real mission we want to suggest that everybody join us on, which is to really reform the check systems and banking record systems culture and make it more similar to the credit reporting systems. This country's come a long way in giving people equal and open access and transparency to their credit reports, as well as inform them of ways to make corrections to erroneous information in their credit reports.

We see nothing of the like for banking record history systems. It really is becoming a handicap for folks who have erroneous information in there, but have no idea it's there, no idea how it's impacting them, and particularly no idea how to correct it.

I really do call on everybody on this Committee to find a way to work with us and see if we can make some changes there. We're continuing to explore new areas, where we can help people in our community.

I'm very proud of the fact that our city has joined a number of other cities across the country to actually, particularly in response to the pandemic, looking at income replacement projects. We have a basic income project that the mayor just announced to support over 100 artists in the area who've been financially devastated. We have another one that we launched previously to support low income new mothers and other groups that we're looking at. We think there's some really exciting opportunities here to look at things differently, find ways to be responsive to what's going on in our community, and make some differences for people going forward. Thanks for the time.

MR. MILLER: Thank you very much, Jose. Next up, Mart Eakes.

MEMBER EAKES: Good afternoon, everyone. Let me start by thanking the FDIC, Chairman McWilliams, and Vice Chair Gruenberg for convening this group. I feel like I have worked with just about every person on this Council for more than decades and that it's just a privilege to be included with this group.

I really admire just about everyone who's on the Committee. For us, we view this as a time of three different intersecting crises. We've got the health crisis, which is devastating.

Almost all of us have had, as someone described it, an empty seat at our table, a family table or friend table, of someone who has died because of COVID, which is serious. Secondly, we've got a jobs and a recession crisis that is especially impacting low income and minority families across the country. Thirdly, we have a moment of (audio interference) both policing and from government action.

All three of these together make this a pretty trying time, a difficult time, but also some rays of sunlight have come through. I want to mention priorities for us have been focusing on our staff. Self-Help has about 800 staff trying to keep them safe in 70 different branches, working with 200,000 members.

About half of our energy has been to make sure that we keep our staff and members safe and that we survive the crisis. The other half of our energy is focused on expanding in areas where there are service needs, but where CDFIs and others are facing such hardship that they may not make it all the way through.

I wanted to mention the PPP program, which, for all of the criticism that it has received, did a tremendous amount of good. It was designed very, very quickly and was grafted on top of SBA guidelines and eligibility rules, which had lots of unintended consequences because it wasn't really built -- those guidelines weren't built to have a wide distribution network. While it's true that it didn't reach the smallest businesses, by the end of the third round, most of the banks that I worked with -- and certainly, our program, we did $187 million of PPP loans.

For a small institution, that was a lot. About 65 to 70 percent were to communities of color, which we targeted from the beginning. It was just a tremendous outreach. It also highlighted the point that Black and Latino businesses, about 90 percent of those businesses do not have any employees.

The vast number of very small entrepreneurs didn't get any help from this because it didn't really fit very well at all. Yet, by the end, for us, the median loan size was below $20,000. For many of the banks that we worked with, their median loan size dropped a lot.

A lot of the criticism that came from the first round, I think, had been addressed as best it could in that program by the end. On policy level, we've got lots of areas that are just hateful. The True Lender Rule is potentially one of the most dangerous things that has come out in recent time. It could enable payday lenders and predatory unsecured lenders to come back and export their usurious products nationwide, even in the states that have blocked it.

It was very encouraging to me that the Business Roundtable, the National Association of Realtors, the largest banks in the country came out against trying to implement the, essentially, repeal of the Disparate Impact Rule that HUD had put in place and, previously, the affirmatively furthering fair housing.

There was really unified support from civil rights groups and industry groups to say this is not the time to be taking that step backward. Yet, during this time, debt collectors have had record profits. Payday lenders are expanding in areas where people are desperate for cash.

I think our charge, our call to be active on the racial wealth gap, in this moment, is greater than it's ever been. I feel like this Committee, the people that I know on it, we will be in a position to think about that issue and how to actually help our allies and others push forward during this really difficult time. I'll stop there. Thank you.

MR. MILLER: I'm sorry. Mart, can you hear me?

MEMBER EAKES: Yes, I ended.

MR. MILLER: Yes, I'm sorry. I was

inadvertently on mute. I didn't listen to my own instructions. Thank you, Mart, for that terrific presentation. Maurice.

MEMBER JONES: Yes. I don't know if you can see me or not.

MR. MILLER: Yes.

MEMBER JONES: You can? Okay. All right, good. Jonathan, thanks. Madam Chair, thanks for having me. Marty, good to see you, and good to see everybody on this Panel. I'm going to give you some time back because I'm not going to repeat a lot of stuff that has already been said.

I would just say ditto to everything that has been said before me. I did want to just share one initiative that LISC is involved in. We will formally roll out the 29th of this month and move it from there. We're calling it the Black Economic Development Fund. It is a fund that is designed to invest in Black depository institutions, Black-led depository institutions, so Black-led banks, Black-led credit unions, and

Black-led CDFIs, with the ultimate aspiration to strengthen these institutions to serve -- better serve Black-led businesses.

What I'm excited about is the funders, the investors in this initially are Netflix, Costco, Square. There are two or three others that I'm not at liberty to talk about at this time, but they're organizations that up to now have done very little in the development finance space and who are answering the call this moment to actually be engaged in fighting the intense racial wealth, health, and opportunity gaps that we have in the country.

We're going to launch this with about $100 million in the fund in October, late October, the 29th. It looks like, based on the investors in the pipeline, that this will grow to about a $250 million fund. The proceeds will be used to make deposits in the depository institutions and to provide bridge loan products for those organizations and other Black -- I should have said one -- where there are no

Black-led financial institutions, banks, or credit unions, LISC will be the Black-led CDFI that's probably doing the direct lending to the businesses.

We're going to be looking for other partners, as well. The proceeds will be for deposits and, largely, bridge financing. It's a six to eight-year fund right now. We'll see where it goes from there.

It's all part and parcel of the kinds of things that we hope more and more particularly private sector enterprises will step up to investing in as we all try to, in Martin's words, tackle the three -- at least the three challenges and invitations that we're feeling now.

Otherwise, I echo with what my colleagues have all said as the main challenges and opportunities. I wish that everybody is doing well, staying healthy, and, as I say, staying sane most days in what is a crazy world. With that, Jonathan, I'll cede my time back. I'll, say, reserve my time for another day, Jonathan.

MR. MILLER: Noted, and thank you, and good luck with what sounds like a terrific initiative, Maurice. Margaret Libby.

MEMBER LIBBY: Okay, can you hear me okay?

MS. GRECO: Yes, we can hear you.

MEMBER LIBBY: Okay, wonderful. I guess, from California, I'll say good morning, but good afternoon to folks on the East Coast. Let's see. As others have said, this is such an amazing group of colleagues, so it's great to be with all of you and welcome to the new members.

I think I, similar to Maurice, maybe, will focus in on -- I think a lot of folks have already shared some of the ways that COVID and the COVID economy and the racial justice movements that have already been there, but have been amplified in different ways, how all of that is coming together to continue to impact, but even, I think, in a deeper way, the communities that we care about.

I think I'll just put a spin on it that is coming from a youth and young adult perspective because I think why all of these forces are impacting young people in a different way is just that as they're transitioning into adulthood -- we're focused on 14 to 24 year olds -- the kinds of things they're doing in their lives to get economic footholds, whether it's entering the workforce, entering college, trying to secure housing, those kinds of foundational moves that they're making in that part of their life, they're really experiencing a setback on those fronts from which they may not be able to recover without the kinds of things that I think this Committee is talking about and thinking about and some of the things that we're trying to do at MyPath.

But it's just such a critical time in somebody's life. We've got young people who, both of their parents have lost their jobs. They're not eligible for unemployment insurance or some of the stimulus payments. There's so many young people in those kinds of circumstances around the country.

We're focused on Black and Brown youth from low income communities in that age range. I think one of the things that means, as they're experiencing this, in a lot of ways, isolation is that one of the things that they've been telling us matters for them is really looking at the intersection of mental health and financial health. That intersection for them and their generation is critical, given that they have this as a defining, shaping experience as they're making this transition.

That's one of the things that we're looking at. I know the San Francisco fed has done some great research there, and others, so we're looking at that as we build out our financial mentoring pilots.

It's been something that's been in the works, but as we're looking at how to support young people over time, as they're moving through this transition into adulthood, we are looking to scale financial mentoring, now delivered virtually, on our new platform, which will be something -- rather than just engaging young people during a workforce experience, we'll be able to engage them over time.

We're calling it MyPath Next. We're largely working with Black and Brown tech pipeline groups in what we're calling, and launching in the next three weeks, the MyPath Wealth Equity Lab, which is a place where we will be engaging Black and Brown tech groups to build out this next iteration of our platform, which we see as something that will be a resource to the thousands of young people that we've already engaged across the country, as they're making financial and economic decisions, and then giving them those supports that they need.

I think the thing that I also -- I want to echo what Jose shared about the check systems reforms, but also reiterate what I think I touched on in my first meeting with this group.

I am hopeful that we can build on the

great work that the Committee has done with the safe accounts by really looking at how to add a transactional non-custodial account for young people, so that we're really aligning those timelines.

When you're old enough to work independently, you're old enough to bank independently. Because if those timelines aren't lined up, we're essentially leaving the Black and Brown young people that we're working with to using check cashers and getting on that financial path. Excited to continue those conversations about how we build on the great work and add that transactional account. The other thing that we're focused on -- and this is -- I think Jose also touched on this, but is really looking at guaranteed income as a critical support alongside financial capability, so alongside banking access and alongside financial mentoring.

We have a pilot in Santa Clara County with foster youth who are emancipating from the foster care system. We're bringing the financial mentoring through a partnership with a credit union to provide those young people with the support and skills and that coaching relationship that they'll need to really maximize the impact of those guaranteed income payments.

Then we're also getting a pilot started with teen parents, so really looking at, from an equity lens, who are the people who can most benefit from the guaranteed income, and then coupling it with the banking access and the financial supports.

I think I will pause there, but just to say that -- echoing what others have said is that especially with the stimulus payments, we've seen that without access to banking -- if you're not on the rails, you just can't access the kinds of benefits that are out there, so just the importance -- to end by echoing the importance of extending those rails to people who are already participating in the economy when they're 15 and 16, but without access to those rails. Thank you so much. Excited to hear from the rest of you.

Thank you, Jonathan. I will go back on mute.

MR. MILLER: Thank you very much, Margaret. Alden. Alden McDonald. There you are. Now I hear you.

MEMBER MCDONALD: Yes, there we go. Good. Can you see me, hear me? Hello? Can you hear me?

MS. GRECO: Yes, we can hear you.

MEMBER MCDONALD: Okay, good. Thank you very much. Welcome all of the new members to the Committee. I, like Martin, we've been around for a while. We feel like dinosaurs, almost, representing on this Committee. This Committee, in the past years, has done a tremendous amount of work. What I'd like to share from where I sit, to this Committee, is that a lot of the work we've done, it's almost like if someone punched us in the gut because from where I sit, a lot of the good work we've done, there's a changing guard and there's a change in direction for a lot of these items.

For example, what we see, we see a lot

of individuals losing their jobs. We see a lot of individuals going back in the marketplace with less income. We see a lot of small business, a lot of minority business, a lot of African-American owned business that will have a hard time rebounding.

All of this relates to jobs in different ways in the challenged communities. We also see housing costs getting way out of hand. The housing costs, we see the increase in housing cost. It's going to put some pressure on the ratio, not only for home ownership, but for renters, as well.

We see escrow bound to increase because of taxes, because of the upward trend in property values and reassessments. We see insurance costs increasing. We're beginning to see a lot of new pressures in the industry. On top of all of this, we also see the fintech companies, a lot of new fintech companies come into play. A lot of these fintech companies, at one point, did, in fact, provide some answers to the small wage earner, but we see new fintech companies putting new products in place, there is, as Martin talked about, a whole new payday lending effort.

We see a lot of this coming into the community. We see a lot of it coming into the marketplace and my immediate thought on what do we do about this? Maybe Jonathan through some future date can take an inventory of where we were pre-pandemic and some of the new issues that are popping up post-pandemic and sort of take a balancing act and see what it is that we need to press forward with.

The other piece on the fintech companies, a lot of fraud that is popping up out there to the minority community, what are the products and how the products are being offered is opening up the wallet, so to speak, of individuals who cannot afford to have a hiccup. The whole fraud piece, the whole disclosure piece, I think we need to look at. The CRA reform effort, I think it's much needed. I think the FDIC has been moving down this road. I'd like to challenge our staff to look at a simplified version for community banks.

A lot of community banks are willing to jump in and to reach out to some of these individuals, but the rules are not clear, and there's no simplified version for them to jump in, take hold of something, and make something happen.

Everybody's trying to do the balancing act with security, investments, and lending. I think on the community bank side, that is a very simple way that we can maybe have discussion on in the future. We see a very strong challenge to returning the economy, particularly the African-American community or any community.

It's going to be a challenge to get the economy going again, whether it's the jobs, whether it's the small business, whether it's lending, the whole bit. The return of the economy, different cities are managing that differently. Whereas, normal return of an economic downturn with this large a policy would normally take three years, three to four years, the minority community, it takes ten years. We have to keep this in mind and look at the number of items we are dealing with. Maurice talked about his new effort at LISC. I think that's right on point. I think partnerships are going to develop out of this.

Hopefully, we will have more community banks joining in to maximize the credit available. My last speech is on the education front. We have a lot of individuals in the minority communities really having trouble with the education online.

A lot of them do not have table service to really (audio interference). We're going to have an education setback in these communities. I don't know how we chime in and maybe get our fiscal education efforts into that side. I want to stop there.

I have a number of things I could talk about, but I think, for the most part, everybody's been working to make this recovery come back and the work of the FDIC has been very, very much successful. This new challenge, I feel we can get by with these. Thank you.

MR. MILLER: Thank you. Thank you very much, Alden. I appreciate it. Lisa Mensah, welcome to the Committee.

MEMBER MENSAH: Thank you.

MR. MILLER: You're up.

MEMBER MENSAH: Thank you, Jonathan, and thank you Chairman McWilliams and Director Gruenberg. It's really a pleasure to be here. I feel like others who have said there are so many friends and people I adore and love working with on this Committee, so it was an easy yes.

I am looking forward to the rest of the deliberations and to learning some things. I will take a page out of being a little bit focused on this question of challenge. The God honest truth is that I am challenged by pulling off OFN's biggest event, which is our wonderful Finance Justice annual conference.

I hope you'll all sign up. It's November 9 through 12. We think thousands will gather virtually. Unfortunately, it will not be in L.A., as we hoped to be, but it will be strong. We're very thankful to you, Raphael Bostic, for doing a message for us. Many of the folks on this call will be part of our various sessions. The theme of finance justice really describes what I think is in front of us as a movement of community development, financial institutions. I would say that I want to borrow a phrase that was coined by Robert Smith, who said CDFIs function as the capillaries of a financial bloodstream.

To me, our challenge right now is to be the capillaries. We're being asked to do a tremendous amount. That's really what several of our other folks have stepped in. Let me tell you what it looks like from my shoes.

That is that we actually have, in some cases, 40 years of experience in operating loan funds and credit unions and the banks, but that many of our absolutely strong players are very small. There is a line in the famous movie Jaws, for those of you who are of my generation, where they say we're going to need a bigger boat.

I feel that is the challenge of the capillaries right now. We've got to be stronger, swifter, and bigger to meet this moment. That's where I think these new partnerships are so essential. I want to echo what Maurice said. I think the surprise of this year, in all of its difficulty, is new partnerships, and many of them pulled by old partners, partners like FDIC, partners like our banking partners. For us, this was the new partnership with Google this year. I think folks have heard of this, but Google placed $170 million of treasury money with us for over ten years to reach small businesses, particularly in minority communities, especially in African-American communities.

That money was five times over-subscribed amongst the OFN membership. Of the thousand CDFIs that are certified, about half of them are loan funds. OFN's membership is around 330.

When we say that we were over-subscribed five times for $170 million, it shows you that people want to be good capillaries, want to have access to funding that is very efficient, very perfectly timed for the moment.

This is where we need to push our partners. We've spent a lot of time showing we could get the money back to people. We're having to make the tough case that this is when we need deeply discounted debt and grants. We've got balance sheets to build. Here, I want to really thank the members of Congress and folks who've stood up to look for other places where we could support a field that exists, but needs to be stronger. I think that's why we're hopeful that both in recovery funds from the federal level, that in expanded CDFI appropriations, we can be better capillaries.

We can be a bigger, stronger boat.

Because I think -- and Naomi's comments really made this clear -- we need to do our work. Our work is to extend where the formal banking sector can't always reach into those sole proprietorships, on native reservations, into communities of deeply persistent poverty, whether those are rural or urban pockets.

I am looking forward to our discussions today. I won't take any more time. Big challenge, be the kind of capillaries we were meant to be for this moment, and it will take partnerships. That's what we're really focused on, so thanks.

MR. MILLER: Thank you so much, Lisa. That's a great analogy, great image to have in mind. Thank you. Jonathan Mintz.

MEMBER MINTZ: Thank you. It's really inspiring to be with this group. I have to say that the work over the last several months has spanned from emptying my dishwasher two to three times per day or being on the phone with the FDIC, with the ABA, with a bunch of folks that are on this great Commission.

I'm really grateful for all of that. I want to start with some conversation we've already had a little bit about the importance of banking. The inspiring part of this pandemic, this moment, is that the importance of being connected to the mainstream banking system has catapulted, I think, into the national consciousness.

Being unbanked isn't just an adjective. It means you are unable, particularly during COVID, to be able to do the primary, basic things that one needs to be able to do, including, of course, receive government benefits, like the stimulus.

I am so deeply thrilled and impressed and grateful to the FDIC's work with the IRS, who agreed to open up a portal allowing people to enter in bank account information, if it wasn't already there, in their system, so that they could get the stimulus payment quicker and safer through direct deposit. Then so grateful to the

FDIC, and through the FDIC, both the IRS and CDC, to tell Americans that, in fact, being banked wasn't just a good idea, but that there were safe and appropriate and affordable and useful bank and credit union accounts out there, as certified by the BankOn program.

A nod to Jose Cisneros, who always told me this would be a good national platform. I think it made a really big difference that the traffic that we saw and that the IRS saw, in regard to people adding bank accounts and opening up new bank accounts, was tremendous.

Our partners really stepped forward in the financial institutions who had certified accounts, particularly those who had accounts that could be opened online, entirely, by new customers.

That's a really big deal and, I think, a clear call to the banking industry and to those who support them about the importance of that kind of functionality. I think that this announcement this week by the American Bankers

Association, which is so amazing, which is to really coalesce, as a whole field, across banking and government and community organizations and advocates, really come together to the idea that these kinds of accounts need to be made available. This is not a charitable ask. These accounts are sustainable.

They are doing really well for the financial institutions. When the ABA, this week, told their thousands of members that the big push was to get them all to open an account, the traffic that we have been fielding at the CFE Fund in just the last couple of days is inspiring and a little bit scary.

I also want to say, in addition to the importance of banking and the progress around safe banking during these times, I want to talk a little bit about the cities that we've been working with. We're working in about 100, a little over 100 cities and counties around the country.

Mayors and county leaders are stepping

forward and putting financial empowerment programs, not just banking, but also financial counseling and the like, putting it front and center in their emergency responses to COVID. I think that kind of positioning of this work is also one of the great reveals of this terrible pandemic. Just in the financial counseling field, alone, we have either helped create or beef up, because of increased demand, these kinds of public services in over 50 cities and counties in just the last few months.

While that's a lot of work on our end, as I know you all have been working so hard, I think what it really speaks to is a clear understanding by local government about how critical individual financial stability is and that there are programs that deliver to be able to genuinely help people.

The last thing I just want to say real quickly is that not only are these programs being avidly consumed and highlighted and distributed by local government, but most importantly, people are taking advantage of them.

I think this is one of my big lightbulbs during this pandemic, which is that even in a crisis, even when health and safety and kids and dishwashers are at the forefront of people's minds, when help is made available, people go to great lengths to consume that help and to use that help to better their lives, to figure out how to navigate a new IRS portal to put in a bank account, to figure out how to talk about their finances remotely with a stranger, and to be able to start to negotiate around debt and build their credit scores up, all those other things that are so critical.

I'm very inspired by what I'm seeing in local government and, most importantly, in underscoring this idea that financial empowerment is a key to pandemic response. Thank you.

MR. MILLER: Thank you so much, Jonathan. I want you to know we really -- the FDIC really values the partnership that we have with your organization and others. Pam

Patenaude.

MEMBER PATENAUDE: Jonathan?

MR. MILLER: Yes, I can hear you.

MEMBER PATENAUDE: Can you see me?

MR. MILLER: Not yet, but that could be my video. We're a little slow here. Why don't you go ahead and get started, and you'll pop up. There you are. Now I see you.

MEMBER PATENAUDE: Thank you, Jonathan. Good afternoon, Chairwoman McWilliams and Director Gruenberg. It's wonderful to be here, at least virtually, with all of you today. I'm so inspired by hearing from my fellow Advisory Board members. I'd like to focus on something that I'm very passionate about. Those of you that know me personally, I continue to focus on the recovery efforts, the long-term recovery efforts, primarily in Puerto Rico, but in the continental United States, as well. Something that the pandemic has certainly hampered the recovery efforts, not just in Puerto Rico, but in other areas.

But in particular, in Puerto Rico, there are more than 6,000 homeowners who are eligible and waiting more than three years, since Hurricane Maria struck the island, for permanent reconstruction of their homes. Only 175 of those homeowners have had their homes permanently repaired or reconstructed.

By comparison, Texas, who had close to the economic damages that Puerto Rico did, 2,000 homeowners' homes have been completed to date. It's just, by comparison, obviously still very, very slow, painfully slow in Texas, as well. What comes to mind is that of these homeowners, many of them who, pre-pandemic, had reasonable credit scores, with their homes in disrepair, they're unable to tap equity that may have helped them ride through the COVID recession. The folks that we're dealing with are the fortunate ones right now.

Of the nearly $20 billion in disaster recovery funds, HUD funds alone, only a fraction, less than $1 billion, has been spent to date, an estimated $70 to $80 billion in FEMA money in addition to that. I bring that to your attention.

The other area I'd just like to touch on -- and it's been brought up by other Advisory Board members -- the increase in housing costs. I can't help but think how we are going to build any affordable housing in this country with the skyrocketing lumber prices and, certainly, not -- we're not going to see any reduction in lumber prices in the near term.

I wanted to bring that up. The other area that came up was the lack of skilled labor. I think there's enormous opportunity. One of the non-profits that I serve on the board of, the Homebuilders Institute, is laser focused on job training in the construction industry. I'm going to yield back my time to you, Jonathan. Thank you for the opportunity to share my concerns.

MR. MILLER: Thank you very much, Pam, for bringing to the Committee a number of concerns that I think we need to think about.

Another new member, Jennifer Tescher, welcome to the Committee. Look forward to hearing your discussion.

MEMBER TESCHER: Great. Good afternoon, everybody. Thanks so much for the invitation to join this Committee. Like others have said, I feel like I'm really among friends. I think I know almost every single person on this group, and if I don't know you yet, I look forward to getting to know you. Thank you to the chairman and vice chair for being here and for convening this group. Tons of important points have already been made.

I just want to highlight a couple of them, and then talk about a couple of other things on my mind. I want to echo what many of you have said around how the challenge of getting the government stimulus payments out has really re-awakened people to the issue of the unbanked. I would really like to think that this represents maybe our best moment ever to think about how we get rid of the unbanked problem once and for all.

I know we're going to hear from the FDIC on its latest research, which shows a trend line of decline in the number of unbanked, although recognizing that data was pre-pandemic.

But what is it really going to take to, once and for all, get rid of that number? It's a relatively small number. I'd love for us to use our creativity to really think about that and, as they say, not waste a good crisis.

I also want to acknowledge something else that's been going on out in the market that hasn't been getting quite as much attention, given all of the other crises we're dealing with. That is a number of institutions, large banks, in particular, starting to offer small-dollar credit products. Most recently, Bank of America announced the creation of a small-dollar credit product. I just want to take a minute to acknowledge the FDIC's leadership on this topic. You, more than any of the regulators, have really, for a decade now, been really promoting this. I think hats off to you. I think some of the new efforts we're seeing out in the market are really due to your long-standing efforts.

I want to talk a little bit about technology. I know Michael Barr, at the top of this section of the agenda, talked about the importance of making sure that smaller banks, community banks, aren't put at a disadvantage because they don't have the resources or abilities as it relates to technology. We're hearing a lot about anti-competitive behavior as it relates to big tech. I'm thinking about the Google announcement the other day from the Justice Department. We have our own anti-competitiveness issue in the banking industry as it relates to the core processing vendors.

We actually just published a paper a couple of months ago called What Banks Need for their Tech Stack to Support Consumer Financial Health. The report looked at the fact that there's all these incredible enhancements that, in many cases, fintech or challenger banks have developed that would make for obvious additions to basic checking accounts at every bank and credit union offers. What's often holding those institutions back is the inability to get their tech vendor to make it happen for them, particularly an issue for small community banks.

I want to reference the fact that the FDIC is obviously thinking about this and put out an RFI over the summer about the potential establishment of a standards based voluntary certification framework around technology vendors. I think there's a tremendous amount of work to be done in this arena. It's a complicated one, but I'm glad to see the FDIC is thinking about that. I think there's work that the regulators could do to together on this issue.

I think it's going to be of great import. Finally, I want to just say -- I want to raise one more issue, as it relates to race equity. I was so glad to hear about -- from Raphael Bostic, his series on racism and the

American economy. I saw the marketing for the first episode -- or first session, but I didn't realize it was going to be a series. We run a network of 150-160 companies and organizations, many of them financial services providers. Based on what I'm hearing and seeing, I don't find that there are enough safe places for dialogue, particularly among bankers, on this topic and on what to do about it.

We've seen lots of big announcements from the big banks, but I think elsewhere in the industry, on this topic of race equity, whether it relates to your own internal hiring practices or as it relates to your external practices with your customers, I think there's been a paucity of conversation and dialogue.

I think it can be complicated, but there's a responsibility for all of us at this table, and I think the regulators have an important role to play to create safe space for that dialogue, to help people understand what they might be able to do differently.

One thing we're hearing -- I'm getting the stink eye from Jonathan. One of the things that we're hearing directly from bankers is that they don't have the data that they need to be able to understand the disparities between their customers, in a funny way, because fair lending rules prevent them from collecting that data, aside from their mortgage and small business borrowers. It's sort of an interesting potential challenge here. On the one hand, we want to make sure that institutions are lending fairly and not using data that might disadvantage people, but at the same time, it's really hard to diagnose the problem without that data.

That's something that I've now heard from a number of financial institutions and look forward to having an opportunity to talk about it with this group. Thank you.

MR. MILLER: Jennifer, thank you so much. I'll be happy to learn more about the concerns that you just mentioned. Finally, I want to welcome the last new member of the Panel, Christina Tetreault. Christina, so glad to have you. Go ahead.

MEMBER TETREAULT: It's wonderful to be here. Thank you so much. I'm going to talk about two different things, the first of which is Consumer Reports' research on the financial impacts of the pandemic. Then separately, I'm going to share some thoughts on the role of digital finance during the pandemic and pull on some of the threads that have been mentioned here today. Just a quick note. I'm happy to connect offline about methodology and additional finding from Consumer Reports' research, but in the interest of time, I'm not going to spend -- I'm not going to do a deep dive on that.

What do the data say about what the financial impact is on households? This won't come as a surprise to anyone on the call. The pandemic is widening pre-existing financial inequities. Just as the adverse health impacts of the crisis are disproportionately affecting people of color, we're seeing the same thing when it comes to financial hardships, that these families are struggling more because of the systemic racism that left them in a position to be more vulnerable to these impacts.

I'm going to give some specific examples. What we've seen is Black and Latinx borrowers are more likely -- excuse me, workers are more likely to have lost jobs and income than White workers. What that has resulted in is that Black and Latinx families have been more likely to have to cut back on spending in order to find funds to cover very basic expenses, such as food and housing. We've also seen that these families are considerably more likely to be struggling with housing payments, so rent or mortgage. What is this showing overall for Consumer Reports?

What we've seen is -- and this has been someone else's language, but this sort of K-shaped difference rate, is that people who were doing well coming into the crisis and didn't suffer job loss or loss of income are actually fortifying their savings, and they're doing pretty well. There was an earlier report this week about credit scores going up. I think that was in the Wall Street Journal. Then what we're seeing, in particular, is with families that have faced financial hardship, as the crisis wears on, the hardship is increasing over time.

As I mentioned, Consumer Reports has been tracking families since the crisis, and we've done particular work on some qualitative work on following 50 different people through the crisis to see how their experience changed over time. In the October panel, we saw, in particular, the impact of the end of expanded unemployment and what that means. We've seen that families are increasingly visiting food banks, that they're seeking alternative ways to cover lost income, and in one particularly heartbreaking instance, a woman from Tennessee, who had been donating plasma, now is anemic and is unable to get that extra income for her family because she can't donate blood.

It's a very worrying time. We have

seen, also -- we have been tracking how are people able to access help to help them withstand these -- the financial storm that the pandemic has created. We've tracked all different types of help. That includes not only unemployment, which we've seen actually increase, over time, people's success. Accessing unemployment has gone up as we've been tracking. We've seen persistent difficulties in accessing relief from debts.

I'm happy to share specific details, but we've noticed some worrying consumer experiences in accessing relief from auto loans, credit card debt, even student loans, despite the federal backed loans being in automatic forbearance. People with private loans are struggling very much in order to get relief from them. Again, this persistent hardship that we're seeing and the urgency which appears to be lost when it comes to getting people real relief, in terms of income supports and other things, very eager to see any relief efforts put people first and really center those families in the economic response.

I'm going to transition to just talking very briefly about digital finance. Earlier, members have commented on the increase in fraud. I'm about to say some things based on reading media reports, so this is not Consumer Reports' finding, but the Wall Street Journal, the New York Times, and other media have reported the incidents of consumer fraud, and particularly the consumer fraud through digital financial apps like Venmo and the Cash App.

This is particularly worrying because these apps are seeing, according to, at least, their CEOs, tremendous uptick, particularly among people who are using these apps as replacements for traditional financial accounts, which obviously is very near and dear to everyone this call. What does this point to? It points to a number of problems that Consumer Reports has been very eager to see remedied. One is greater emphasis by these companies, financial service providers, broadly, in keeping fraudsters out of their -- off of their platforms.

It really speaks to the gap in payments law that doesn't make consumers whole when they are tricked into authorizing a payment to a scammer. We think there's a real opportunity for industry to step up, for the law to catch up with the way that people approach these products. There's a lot of opportunity here. In the interest of time, I'm going to stop speaking. I'm very eager to continue this conversation, and I'm grateful for the opportunity to be here. Thank you.

MR. MILLER: Thank you so much, Christina, and thank you to all the members of the Committee for a really fascinating view of the issues confronting your community. It's now time for the results of our survey, the 2019 FDIC survey results, how America banks. I'm going to turn the Panel over to Karyen Chu. I'm going to introduce her briefly and just make sure the members of the Panel, of the Committee, know that there are more extensive biographies of all the panelists in the materials that we sent. Karyen, welcome.

Karyen is the chief of banking and consumer research in the FDIC Center for Financial Research, in the Division of Insurance and Research. Ms. Chu and her team conduct consumer finance research, including work on this survey, the FDIC survey, and research for publication and academic journals and analysis that supports a wide range of FDIC policymaking. With that, Karen, I'll turn it over to you. Introduce your panelists and get us started. Thank you so much.

MS. CHU: Great, thank you. Let me go ahead and share my screen. Can you all see the slides? Yes?

DIRECTOR GRUENBERG: Yes, I can, Karyen.

MS. CHU: Okay, thank you. Good afternoon, Chairman McWilliams, Director Gruenberg, and members of the Committee. We are delighted to be here today to present findings from our 2019 survey report on how America banks.

As many of you know, we have conducted this survey annually since 2009, in partnership with the U.S. Census Bureau, as a supplement to the current population survey. The most recent survey, the results of which we will discuss today, was conducted in June of 2019 and collected responses from almost 33,000 households. The survey seeks to gather information from both banked and unbanked households and information on financial products and services that they use to meet their core banking needs. That includes bank credit union accounts, prepaid cards and non-bank financial transaction services and bank and non-bank credit.

The survey draws representative samples from all 50 states and the District of Columbia, which allows us to produce estimates at the national and state levels, and even for about 60 some larger MSAs. We do recognize that the

2019 survey results reflect a period of generally favorable economic conditions. In light of the extraordinary disruptions caused by the pandemic, how America banks includes a postscript that addresses possible consequences for the unbanked rate and also discusses pandemic-related challenges faced by households in conducting financial transactions, visiting bank branches, accessing savings, and obtaining credit.

We will start today's presentation with the 2019 survey results, and we will end with the postscript. Because we are doing this in a virtual format, I have a little bit of housekeeping before we move on to the actual results. What we have done is we have built in a number of places into the presentation where we will pause for questions. Please use the raise hand function in WebEx to indicate when you have a question.

When we get to each of those points where we will pause for questions, I will call on members individually, the ones with raised hands, one at a time. Please know that unfortunately, I won't be able to see when it is that you raised your hands. I just can see that you've got your hands raised at that point in time. I will now ask my colleague Jeffrey Weinstein, to begin talking about the 2019 survey results.

MR. WEINSTEIN: Okay, great. Thank you very much, Karen. Does everyone hear me?

MS. CHU: Yes.

MR. WEINSTEIN: Okay, great. Thanks. Just to -- I first want to just overview the remainder of the presentation. We're going to follow the order of the topics in the report, including bank account ownership for unbanked and banked households. Before I continue, I think we're moving to Slide 4.

MS. CHU: Yes, I'm -- okay.

(Simultaneous speaking.)

MR. WEINSTEIN: The remainder of the presentation, we'll follow the order of the topics in the report, including bank account ownership for unbanked and banked households, non-bank financial transaction services, bank and non-bank credit, saving for unexpected expenses or emergencies, and the postscript that Karyen just described. We're going to conclude with a plug to our website, How America Banks, which contains a link to the full report, with additional survey results, as well as a link to economicinclusion.gov, where you can generate customer data tables and charts.

To begin with the headline numbers, in 2019, nearly 95 percent of U.S. households, approximately 124 million, were banked, meaning that at least one member of the household had a bank or credit union account. These estimates represent the highest number and percentage of households with bank accounts since the survey was first conducted in 2009. Conversely, 5.4 percent of U.S. households, approximately 7.1 million, were unbanked in 2019, meaning that nobody in the household had a bank or credit union account.

This figure displays the percentage of

households that were unbanked in each year of the survey. Between 2017 and 2019, the unbanked rate fell by 1.1 percentage points, from 6.5 to 5.4 percent. This decrease corresponds to an increase of approximately 1.5 million banked households between 2017 and 2019. About half of the decline in the unbanked rate between 2017 and 2019 was associated with improvements in the socioeconomic circumstances of U.S. households, including annual income level, monthly income volatility, employment status, home ownership status, and educational attainment. Unbanked rates continue to vary considerably across the U.S. population.

For example, unbanked rates were higher among lower income households, less educated households, Black, Hispanic and American Indian or Alaska Native households, households headed by a working age individual with a disability, and households with income that varied a lot or somewhat from month to month, which we call volatile income.

This slide shows unbanked rates by race and ethnicity over time. We see that recent declines in unbanked rates have been particularly sharp for Black and Hispanic households. Between 2015 and 2019, the unbanked rate for Black households, if we look at the first set of bars, declined from 18.5 percent to 13.8 percent. The unbanked rates for Hispanic households, looking at the second set of bars, declined from 16.3 percent to 12.2 percent. However, despite these improvements, unbanked rates in 2019 for Black and Hispanic households remained substantially above the unbanked rate for White households in 2019, which is 2.5 percent. This estimate is displayed in the second to last set of bars.

This map displays unbanked rates across states in 2019. Unbanked rates ranged from 0.5 percent in New Hampshire to 12.8 percent in Mississippi. In general, unbanked rates were highest in the South, consistent with previous years. However, differences in unbanked rates between the South and the other three regions, Northeast, Midwest, and West, have narrowed in recent years. Bank account ownership is not static. Among unbanked households in 2019, about half, 50.4 percent, had had a bank account at some point in the past, in other words, had previously been banked.

This percentage is slightly higher than in 2017, in 2019, where about 47 percent of households had previously been banked -- 47 percent of unbanked households had previously been banked. The 2019 survey asked unbanked households how interested they were in having a bank account. The top bar in the figure shows that more than half of unbanked households, 56.2 percent, were not at all interested in having an account, while 24.8 percent were very or somewhat interested, so in the left-most part of the -- the first two segments of the top-most bar.

The bottom two bars indicate that about one third of unbanked households that had previously been banked, about 31.7 percent, were very or somewhat interested in having an account, compared with about one sixth of unbanked households that had never been banked, about 17.9 percent. For households that were unbanked in 2019, but last had a bank account sometime within the past 12 months, almost half, 48.8 percent, were very or somewhat interested in having an account. As in previous years, the 2019 survey asked unbanked households about their reasons for not having a bank account.

Habits were similar to those reported in previous years. We see that about half of unbanked households, 48.9 percent, cited don't have enough money to meet minimum balance requirements as a reason for not having an account. This is the top-most blue bar. This is the most cited reason. This reason was also the most cited main reason for not having an account, 29.0 percent, which is the tan bar.

We can see from the graph that don't trust banks was cited by approximately one third of unbanked households as a reason for not having an account and was the second most cited reason.

The survey asked about several other reasons for not having an account, as you can see in the graph. I'll just read off a few of them. They include avoiding a bank gives more privacy. Bank account fees are too high. Bank account fees are too unpredictable and personal identification, credit, or former bank account problems.

One thing of note that I wanted to point out is that a high proportion of unbanked households that were very or somewhat interested in having a bank account cited personal identification credit or former bank account problems. This was cited by about 27 percent of households that were very or somewhat interested in having an account. This is compared with unbanked households that were not very or not at all interested in having an account; 18.5 percent of these households cited personal identification, credit, or former bank account problems as a reason for not having an account.

To complement existing questions on reasons for not having a bank account that I just discussed, the 2019 survey included new questions for unbanked households, asked about their satisfaction with their most recent bank and their perceptions of how clearly banks, in general, communicate account fees. We see that among unbanked households that had previously been banked, 55.1 percent were very or somewhat satisfied with their most recent bank, and 46.8 percent thought banks communicated account fees very or somewhat clearly.

We also find that interest in having a bank account was higher among unbanked households that were very or somewhat satisfied with their most recent bank or that thought banks communicated account fees very or somewhat clearly. As I'm going to show in a couple slides, banked households were asked alternative versions of the two questions, and we'll see those results in a little bit. Before we move on to the next section of the presentation, I just want to see if there are any questions at this point.

MS. CHU: It looks like I have two raised hands. Alden.

MEMBER MCDONALD: No, I did not raise my hand. I'm sorry --

(Simultaneous speaking.)

MS. CHU: All right. Thank you, Alden. Jennifer Tescher.

MEMBER TESCHER: Yes, just one quick question. If the respondent had a prepaid card, did you count them as unbanked or banked?

MS. CHU: Jeffrey?

MR. WEINSTEIN: Yes. Prepaid cards, we did not -- we have results on that. We're actually not going to be presenting them in this talk for time constraints, but we did not treat them as banked or -- basically, that was -- we tabulated prepaid card status for households that had a bank account, a checking or savings account at a bank or credit union. We tabulated prepaid card use separately from that. We actually have results in the report that tabulate prepaid cards -- that tabulate whether a household used a prepaid card across both banked and unbanked households, where banked and unbanked is dependent upon having or not having an account at a bank or credit union.

MEMBER TESCHER: I see. Do you happen to know offhand, of the unbanked households, how many of them or what percentage of them had a prepaid card? If you don't, we can talk about it offline.

MR. WEINSTEIN: Oh, sure. I can get that number for you in a second.

MS. CHU: It's 27.7 percent of unbanked households had a prepaid card in 2019. Jonathan Mintz.

MEMBER MINTZ: Thanks. I just -- I know that this report takes a different approach to the issue of the under-banked. I wonder if you could briefly just outline what that different approach is and what, if anything, you can tell us about that segment?

MS. CHU: That segment meaning under-banked?

MEMBER MINTZ: Yes.

MS. CHU: Yes. In previous years, the FDIC's survey report would categorize certain households as being under-banked. That would be households that had a bank account and also used one of a specific set of either non-bank credit products or non-bank transaction services, like check cashing or international remittances.

As you note, this year, How America Banks does not categorize households as being under-banked. What we -- the alternative approach, really, is to look separately at the different products and services to provide more granularity, in terms of different transaction products, which argue -- non-bank transaction products, the use, specifically, of check cashing, of remittance services, of non-bank money orders, the use of some of the -- we added some new products, new services, new transaction services, non-bank transaction services, like peer-to-peer payments, and also bill payment services, through services such as Western Union.

We've added, also, additional information that you can layer on to segment more finely these different groups. We have new information that you will hear about shortly on the frequency of use of these transaction services, non-bank transaction services, whether they're used barely or often or sometimes. I do want to note that all the data that we had previously used to categorize households as being under-banked are still available. So if groups were interested in categorizing it for their own internal analysis purposes, you're still able to do that. Hopefully, that helps answer your question.

MEMBER MINTZ: Thank you.

MS. CHU: Thank you. Raphael.

MEMBER BOSTIC: Thank you. Just very quickly, I noticed that the numbers of unbanked actually went up for Native Americans over the period. Do you have any idea about what's driving that?

MS. CHU: Jeffrey.

MR. WEINSTEIN: We did look at whether the changes in the unbanked rates were -- I have to remember exactly what the results were for that. Let me just take a -- taking a look at the figure for that. From 2017 to 2019, the unbanked rate among American Indian or Alaska Native households fell from 18 percent to 16.3 percent. That difference was not statistically significant. It did -- from '15 to '17, it rose from 15.3 percent to 18 -- 15.3 percent to 18 percent. I do not remember if that difference was significant. As you can imagine, the sample size tends to be smaller for American Indian or Alaska Native households. So we would need a larger sample, probably, to better -- to see if -- for that to be significant, the sample would have to be larger. In that case, the drop was not significant from 17 to 19.

MEMBER BOSTIC: Thank you.

MS. CHU: It does not look like we have any more raised hands. Alden and Raphael, I'd just like you to know that your hands are still raised. Jeffrey, please continue.

MR. WEINSTEIN: Okay, great. Thanks, Karyen. Thank you for all your questions. The next section is going to focus on banked households, specifically bank account access methods, bank branch visits, and satisfaction clarity. This figure shows the primary method that banked households use to access their bank accounts in the past 12 months. We see that between 2017 and 2019, use of mobile banking more than doubled, from 15.6 percent to 34 percent, if we look at the last set of bars. Use of online banking declined considerably, from 36 percent to 21 percent -- excuse me, from 36 percent to 22.8 percent if we look at the second-to-last set of bars. Use of bank tellers declined modestly.

If we look at the first set of bars, use of bank tellers as a primary method of account access declined from 24.3 percent in 2017 to 21 percent in 2019. We find that these changes occurred broadly across segments of the bank population. Additionally, even groups with lower use of mobile banking in 2017 exhibited large increases in use of this method. For example, among rural households, 11.2 percent used mobile banking as the primary method of account access in 2017. That percentage more than doubled to 24.3 percent in 2019.

This slide discusses bank branch visits. We know that some households may rely on bank branches for activities other than accessing an account, such as resolving a problem or asking about products or services. In 2019, 83 percent of banked households spoke with a teller or other employee in person at a bank branch, that is visited a bank branch at least once in the past 12 months. This is down slightly from 86 percent in 2017. We look at the left-most two bars and just invert them.

The share of household -- I'm sorry, the frequency of bank branch visits declined somewhat between 2017 and 2019. We can see, if we look at the last two bars, the share of banked households that visited a branch ten or more times declined from 35.4 percent in 2017 to 28.4 percent in 2019. Whereas, the share of banked households that visited a branch one to four times, if you look at the second set of bars, increased from 30.8 percent in 2017 to 36.3 percent in 2019.

Continuing to look at bank branch visits, we see from this graph that bank branch visits were prevalent even among banked households that used online or mobile banking as their primary method of account access. For example, if we look at the tan bars on mobile banking, the tan bars indicate that among banked households that used mobile banking as their primary method, about 4 in 5, 79.9 percent, visited a bank branch at least once in the past 12 months, and about 1 in 5, 18.8 percent, visited ten or more times.

As with unbanked households, there were also questions on satisfaction and clarity -- new questions on satisfaction and clarity for banked households. These questions asked banked households about their satisfaction with their primary bank and their perceptions of how clearly their bank communicates account fees. We find that almost all bank households were satisfied with their primary bank and thought that their bank communicated account fees clearly. Specifically, 97.3 percent were very or somewhat satisfied with their primary bank, and 92.1 percent thought their bank communicated account fees very or somewhat clearly.

We also find that satisfaction and perceptions of clarity on fees were consistently high across different population segments. Finally, we find that households where income varied a lot from month to month were the population segment with the lowest satisfaction and the lowest perception of clarity on fees.

(Simultaneous speaking.)

MR. WEINSTEIN: Okay, yes, we'll see if we have questions.

MS. CHU: I do not see any raised hands. Going once. Going twice. All right, Jeffrey, please continue.

MR. WEINSTEIN: Okay. I actually now want to turn the presentation over to Mark, who's going to discuss -- who's going to continue the discussion, starting with non-bank financial transaction services.

MR. KUTZBACH: Good afternoon. My name is Mark Kutzbach. I'll be talking about non-bank financial transaction services. In 2019, the survey continued to ask about the following non-bank financial transaction services, whether the household used that service in the last 12 months. These were money orders, check cashing, and international remittances. The 2019 survey also included new questions about the use of the following non-bank financial transaction services.

First, bill payment services, such as offered by Western Union or MoneyGram. These are services that have a capability for someone to pay bills using cash at a physical location. Second, peer-to-peer or person-to-person, we'll call it P2P payment services. This is the use of a website or app to send or receive money inside the United States.

Examples of that are PayPal, Venmo, and Cash App. These providers usually require having a bank account, a prepaid card, or a credit card to access that service. That varies by provider. This figure shows the use of specific non-bank financial transaction services in 2019. The first three of these, money orders, check cashing, and bill payment services, are services that a household might use in lieu of some of the services offered by a bank account. This figure is for all households.

For those three services, 11.9 percent of households used money orders, 5.5 percent used check cashing, and 4.9 percent used bill payment services. Altogether, the lowest bar on this figure shows the percent of households using at least one of money order, check cashing, or bill payment services in 2019, and 17.2 percent of households used at least one of those. Also, 5.5

percent of households used international remittances, and about a third, 31.1 percent of households used peer-to-peer payment services.

I'm now going to speak a little bit about the characteristics of households using these services. Money orders, check cashing, and bill payment services have similar patterns of use across population segments. The use of money orders, check cashing, and bill payment services was higher among lower income, less educated, younger Black, Hispanic, and American Indian or Alaska Native households and households that had volatile income from month to month. In particular, I'd like to speak about one of our new services that we asked about, peer-to-peer payment services. The users of this service were substantially different from the households using other known bank financial transaction services.

Use of peer-to-peer services was higher among households with income over $75,000 a year, college educated households, and younger and middle-aged households. The population segments using peer-to-peer services were generally quite different than money order, check cashing, and bill payment services. One group that was in common in both is younger households. This figure shows the changes over time in the use of money orders, check cashing, and international remittances for all households.

These are the three non-bank financial transaction services that we asked about in 2015, 2017, and 2019. From 2017 to 2019, money orders and check cashing declined in use, while use of international remittances increased. These changes occurred across most segments of the population. When we control for changes in socioeconomic characteristics of households during this period, the differences substantially remain.

The 2019 survey also included new questions about the frequency of use of non-bank financial transaction services. For households that used non-bank money orders, check cashing, and bill payment services and international remittances, there was a follow-up question of whether they used that service often, sometimes, or rarely. This figure shows the percent of all households using each of these services often, sometimes, or rarely. You can see, with the money orders -- that's the set of bars on the left, there was a bimodal distribution, 4.4 percent of households used money orders often, 2.9 percent used them sometimes, and 4.6 percent used them rarely.

That bimodal nature was largely characteristic of banked households. Unbanked households tended to use money orders often. For the other three services, check cashing, bill payment services, and international remittances, there was a more even distribution of frequency of use.

Also, tying in with some of the responses that Jeffrey discussed earlier, banked household perceptions of clarity of their bank's communication about account fees, we find that households that were very or somewhat clear on their bank's communication about account fees tended to have lower use of non-bank financial transaction services.

Conversely, households that were not very clear or not at all clear on their bank's communication on account fees tended to have higher use of non-bank financial transaction services. If you look at the lowest two bars, households that were very or somewhat clear -- that thought their bank communicated very or somewhat clearly about account fees, 14.7 percent of those used either money order, check cashing, or bill payment services, while among households that were not very clear, or that thought their bank's communication about account fees was not very clear or not clear at all, 20.1 percent of those used a non-bank financial -- used money order, check cashing, or bill payment services.

Interestingly, we also see this pattern among peer-to-peer payment services, even though the population segments using that service are somewhat different than the population segments using money orders, check cashing, or bill payment services. I'd like to pause for any questions about non-bank financial transaction services.

MS. CHU: If you have any questions, please use the raise hand feature of WebEx. I don't currently -- oh, Jonathan Mintz.

MEMBER MINTZ: Thank you. My question is just whether or not this information -- the data's broken out as we're seeing it on this presentation between those who are banked and those who are unbanked or overall? I apologize if you said that and I missed it.

MS. CHU: I'm sorry; when you mean broken out, do you mean is it disaggregated in the report or in the raw data?

MEMBER MINTZ: I'm just wondering if the data that we're seeing in this presentation reflects everybody or is just those who are unbanked or just those who are banked?

MS. CHU: What you're seeing reflects everybody. For example, in this particular one, this is actually just banked households. This data reflects -- these data reflect everyone.

MR. KUTZBACH: In both of those cases, as well as this figure that Karyen is showing now, the report breaks out usage by banked and unbanked households.

MEMBER MINTZ: Got it. Thank you so much.

MS. CHU: Right. We have more detail. In the report, we always break out usage by different household character stakes, and then also bank account ownership. With the amount of time we were allotted, we were trying to maximize the amount of topics we could cover. I see no other questions. Go ahead, Mark.

MR. KUTZBACH: Yes. Now I'm going to talk about the use of bank and non-bank credit. The 2019 survey examined household use of bank and non-bank credit, focusing on products households may use to address cash flow imbalances, unexpected expenses, or temporary income household shortfalls.

A household is considered to have used bank credit if it had at least one of the following in the last 12 months, use of a Visa, MasterCard, American Express, or Discover credit card, or a personal loan or line of credit from a bank.

A household is considered to have used non-bank credit if it used at least one of the following in the last 12 months, a payday, auto title loan, pawn shop loan, or a tax refund anticipation loan, or if they used a rent-to-own service.

This figure, for all households, shows use of bank credit and non-bank credit from 2015 to 2019. There was an increase in bank credit from 2015 to 2019; it increased from 67.9 percent to 72.5 percent. While non-bank credit decreased from 8.1 percent to 4.8 percent. The increase in bank credit use and the decline in non-bank credit use occurred broadly over different segments of the population.

Bank credit use was lower among the

following households: lower income, less educated Black, Hispanic, and American Indian or Alaska Native households, and the working age disabled. Differences by income and race/ethnicity were stark.

This bank figure, also for all households -- or for all banked households among Black, Hispanic, and White households, displays the use of bank credit by income level and by race/ethnicity in 2019. Differences by race/ethnicity persist at every income level.

For example, in the top set of bars, that's households with less than $15,000 in income, 23.5 percent of Black households and 30.3 percent of Hispanic households had bank credit, while 45 percent of White households had bank credit.

MS. CHU: I just want to jump in really quickly. Mark, I think you meant to say that this graph shows data for all households, not just banked households.

MR. KUTZBACH: Yes, I thought I said

that. Yes, this is for all households among Black, Hispanic, and White households.

MS. CHU: Right, thanks.

MR. KUTZBACH: Non-bank credit use was higher among the following households: lower income, less educated, Black and Hispanic, and working age disabled households. Households with income that varied a lot from month to month were more than twice as likely to use non-bank credit as households with income that was about the same each month.

Any questions on bank and non-bank credit?

MS. CHU: I am currently not seeing any questions. Alden?

MEMBER MCDONALD: Yes, I just have one. I notice there's a 20 basis point difference on the credit, I guess, under $50,000 versus over 50. Was there anything in the survey or anything that brought out why the larger amount of difference between White customers and Blacks and Hispanics? There's a 20 point difference roughly, and 50,000 is low.

Am I making sense? In other words, if you take a look at mean 75,000, there was an 80 percent bank use for Blacks, 83 for Hispanics, and 91 for Whites, so roughly about the same increase, a little bit more, but it became significantly different, 50,000 low threshold, which leads me to wonder why there were twice as many.

MS. CHU: I --

MEMBER MCDONALD: Maybe you didn't have it in your survey.

MS. CHU: Mark or Jeffrey, would either one of you like to take that question?

MR. KUTZBACH: Yes. So, I don't think we directly tried to explain that, given the data that we have. There may be differences in bank account ownership by race/ethnicity, or bank account ownership status by race/ethnicity at those levels, but all of the use of bank credit is quite a bit higher at the high income level.

It's sort of more compressed.

Whereas, at lower income levels, given that it's quite a bit lower, there's more possibility for divergences. Jeffrey, do you have anything to add on that?

MR. WEINSTEIN: Yes, I'll just add we did -- so something we checked is whether -- the racial/ethnic differences, overall, are extremely large. We document them in the report. You can see, as they're pointed out, they're very different, even within income groups.

We did check to see whether bank account ownership, as well as other socioeconomic and demographic characteristics -- a very broad set that are included in the base current population survey, which would include things like age and home ownership status and employment status -- we find that the large racial and ethnic differences still do persist, even after accounting for these other variables.

This is a pretty -- the changes are still pretty broad. The differences across race/ethnicity are still pretty big. We also --

to extend that a little bit, we also do look for American Indian or Alaska Native households.

We don't have enough of a sample to desegregate by these income categories, these five, but we can do it for just -- to see above and below $50,000. We did find, again, very stark differences in use of bank credit at those income levels, at broader income levels for that population.

MS. CHU: Alden, did you have any additional questions?

MEMBER MCDONALD: Thank you.

MS. CHU: Thank you. I see no additional questions. Let me move us back to the agenda. So, Mark, I think, are you presenting this part?

MR. KUTZBACH: Yes, I'll be talking about saving for unexpected emergencies or expenses. In 2019, 64.2 percent of households saved for unexpected expenses or emergencies in the last 12 months. That's up from 56.3 percent in 2015, and 57.8 percent in 2017.

Households were prompted to consider only funds that could easily be spent, if necessary, and not retirement or other long-term savings.

Savings rates were lower among the following households, lower income, less educated, older, Black, Hispanic and American Indian or Alaska Native households, and working age disabled households. Savings rates increased broadly across population segments between 2015 and 2019.

Rates of savings for unexpected expenses or emergencies increased from 2015 to 2019, both for unbanked and banked households. Rates of savings for unexpected emergencies continued to be much lower for the unbanked.

However, the proportion of unbanked households that saved for unexpected emergencies was higher in 2019 than in previous years. Any questions about savings?

MS. CHU: I do not see any questions. Oh, Jonathan Mintz?

MEMBER MINTZ: Sorry. On the savings, can you break that out, or do you know how that plays across income levels? In other words, is it generally true that the tide is lifting on savings, or is that actually more, in the data, a reflection of disparity?

MS. CHU: Jeffrey, would you like to take that question?

MR. WEINSTEIN: Yes. We have an appendix table, actually, that has this information, where we break out rates of saving for unexpected expenses or emergencies by income and race/ethnicity and a lot of other socioeconomic characteristics and demographic. I'm just going to quickly find that table.

So we see, in 2019, for households with income of less than $15,000, 35.6 percent save for unexpected expenses or emergencies, compared with 78.2 percent of households with income of -- excuse me, 78.2 percent of households with income of at least $75,000. There are very large differences --

(Simultaneous speaking.)

MEMBER MINTZ: Can I just ask how those two numbers, then, compare to 2017, if you have that in front of you?

MR. WEINSTEIN: I do, yes. For 2017, for households with less than $50,000 in income, 28.9 percent save for unexpected expenses or emergencies, and for at least $75,000, it was 73.8 percent. Both of those -- the savings rates for both of those groups increased. Those increases, actually, across all the five income levels that we presented were all statistically significant increases.

MEMBER MINTZ: Thanks.

MR. WEINSTEIN: It was pretty across the board if we look at all -- if we look at a larger set of demographic and socioeconomic characteristics, it was pretty much across the board that savings rates went up.

MEMBER MINTZ: Thanks again.

MR. WEINSTEIN: Sure.

MS. CHU: Thank you. Margaret?

MEMBER LIBBY: Yes, thank you. Jeffrey, I'm curious if you've done a similar slice looking at age?

MR. WEINSTEIN: Yes, we did. I can get those results. So for age, again, from '17 to '19 -- actually, if you go back to '15 to '19, savings rates increased across the board by age. We see that in 2019, among households that are 65 years or older, 57.1 percent saved for unexpected expenses or emergencies.

And for -- let's say, the second lowest age group, age 25 to 34, 70.7 percent saved for unexpected expenses or emergencies. Pretty much, except for -- we have the lowest age group, 15 to 24, 65.4 percent save for unexpected expenses or emergencies, but from there, it goes up when we look at 25 to 34. From that point, it decreases by age. But in general, savings rates are lower among older households.

MEMBER LIBBY: Thank you.

MS. CHU: Thank you. I see no additional raised hands, so please continue.

MR. KUTZBACH: Okay. So now, we're going to give an overview of the postscript that appears in the report. We have the postscript on potential consequences of the COVID-19 pandemic on the unbanked rate.

And we write this in light of the -- the data that we're reporting is from 2019 in the survey, which is a substantially period of time in the economy and use of financial services, most likely, than the present and the time when this report will come out.

There is higher rates of unemployment and differences in the way people are using and having access to financial services. We expect the COVID-19 pandemic is likely to contribute to a rise in the unbanked rate.

Changes in socioeconomic circumstances of U.S. households, over time, have been associated with changes in the unbanked rate, as we've reported in previous versions of this survey report. For example, approximately two thirds of the decrease in unbanked rate between

2011 and 2019, a decrease from 8.2 percent to 5.4 percent, was associated with changes in socioeconomic circumstances of U.S. households, including, for example, income and variability in income.

Unbanked rates have been consistently high among certain segments of the population, including the unemployed and those with volatile income.

For example, the unbanked rate has been about four times higher for unemployed households and about 50 percent higher for -- that's compared to employed households -- and about 50 percent higher for households with volatile income from month to month, compared with households that have stable income from month to month.

In the 2013 survey, about a third, 34.1 percent, of households that became unbanked in the past 12 months experienced either significant income loss or job loss that contributed to their becoming unbanked.

Taken together, these data suggest that the unbanked rate is likely to raise from its level just before the pandemic and from the level reported in the 2019 survey results.

I'm going to hand it over to Jeffrey now for continuing discussing the postscript.

MR. WEINSTEIN: Okay, thank you, Mark. This slide discusses potential pandemic-related challenges in conducting financial transactions. Social distancing guidelines instituted in response to the pandemic may make the use of cash, paper checks, and money orders -- that is paper instruments -- to conduct financial transactions particularly challenging.

If we look at the 2015 and 2017 surveys, those surveys found that use of paper instruments for paying bills and receiving income in a typical month was much more common among the unbanked. As an example, 66.1 percent of unbanked households in 2017 used cash to pay bills, compared with 13.4 percent of banked households.

If we look at income receipt, paper check or money order and cash were the two most common ways that unbanked households received income, while direct deposit into a bank account was, by far, the most common way for banked households.

This distinction is important because reliance on paper instruments may make it harder for households to receive government relief efforts. For example, households without direct deposit may experience delays in receiving government stimulus payments, such as having to wait for a paper check or prepaid card to be mailed. Now, moving on to bank branch visits, social distancing guidelines may make bank branch visits more challenging.

In 2019, nearly half of banked households, 46.8 percent, visited a branch five or more times in the past 12 months, which suggests that branches and the range of services they provide play an important role.

Bank branch visits were more prevalent

among certain segments of the bank population, including rural households, older households, and households with volatile income. And some households may find it difficult to reduce their reliance on branches.

For example, rates of home Internet and smart phone access were lower among rural households, suggesting that it may be difficult for these households to switch to other methods of safe account access, like online or mobile banking.

And then finally, the economic ramifications of the pandemic may particularly affect households without an adequate savings cushion or without access to responsible, affordable credit.

In 2019, 35.8 percent of households did not save for unexpected expenses or emergencies. As a result, many households may need credit to handle unexpected changes in income and expenses. However, in 2017, we found that 19.7 percent of households likely did not have a credit score, which could make it harder for these households to obtain credit.

Now we're just about done, there's one more slide after this. I'll just ask are there any questions about the postscript?

MS. CHU: I am not seeing any questions. Please continue.

MR. WEINSTEIN: Okay, great. I'm now going to conclude with a plug to How America Banks.

So How America Banks is a new website. It contains a link to economicinclusion.gov, where you can download the full report, the executive summary, with the preface and postscript, and a set of appendix tables -- a set of many appendix tables, I will say -- that, in part, give key estimates at the state level and for larger metropolitan statistical areas, like Karyen hinted at at the beginning of the presentation.

Also available are tools that allow you to create custom data tables and custom charts for a variety of variables and geographies, as well as five-year estimates of unbanked rates; and these estimates combine data from three consecutive surveys.

One of the benefits of five-year estimates is that they're based on a larger sample than single-year estimates, allowing us to provide more estimates for more metropolitan statistical areas than single-year estimates, and also having estimates more widely available for sub-populations, such as low-income households and Black and Hispanic households.

Finally, what's also available on economicinclusion.gov are links to the full datasets, data documentation, and a form to subscribe to FDIC updates.

And that concludes our presentation. Thank you. I'll turn it back over to Karyen.

MS. CHU: Thank you, Jeffrey. So we're happy to take questions on any part of the survey findings presentation, or we're happy to turn the time back to Jonathan. And I am not seeing any raised hands. Jonathan?

MR. MILLER: Margaret, is your hand up from earlier, or do you have another question?

Can she hear me?

MEMBER LIBBY: Hi, Jonathan. Sorry, it was still up. It is down now.

MR. MILLER: Thank you. Well, let me say thank you to Karen, to Jeffrey, and to Mark. We are unbelievably ahead of schedule. And we're still waiting for one of the panelists for the next panel to join the call, so why don't I -- I'm going to suggest that we take a break until 3:35, which is just under -- just about under 15 minutes.

Why don't we all come back on at 3:35 and pick it up from there? Thanks again to the panelists and see everybody in a little bit more than ten minutes.

(Whereupon, the above-entitled matter went off the record at 3:24 p.m. and resumed at 3:37 p.m.)

MR. MILLER: All right, welcome back,

everybody. Again, thanks to Karyen and her staff for a terrific panel. They gave us a good picture of the world as it existed pre-COVID. This panel is now the financial status and health of American households after the COVID crisis hit us. To take us through this panel, moderate this panel, I'll turn it over to Keith Ernst. Most of you know Keith pretty well, at this point.

Keith serves as the Associate Director of Consumer Research and Exam Analytics at the FDIC. He leads a team of highly capable staff that provides analytic support to FDIC examination staff, and provides policy analysis, economic inclusion topics, and other supervisory policy topics, as well. Keith, thank you.

MR. ERNST: Thank you, Jonathan, and good afternoon, Chairman McWilliams, Director Gruenberg, members of the Committee. It's a privilege to be back with you, albeit it virtually, this afternoon. In this panel, we're going to try to build on the previous asset.

And I say that in the sense that we

will be sharing analyses and perspectives on data collected since the onset of the pandemic. We had the postscript in the last session, where our presenters started to think ahead about the implications of the pandemic for the issues this Committee deals with. And in this panel, we'll present some additional information to help us push that conversation a little bit further.

We look forward to a robust discussion period with this panel at the conclusion of our presentations. And speaking of presentations, I will give a brief introduction right now of our very talented crew, who's generously agreed to be with us this afternoon.

We will hear first from Jason Brown, who's the Assistant Director for Research at the Consumer Financial Protection Bureau. He'll be discussing researching on consumer credit trends.

Fiona Greig, Managing Director and Director of Research at the JPMorgan Chase Institute, will look at household spending, liquidity, and how public programs like supplemental unemployment insurance show up in household finances.

Rob Levy, the Vice President of Research and Measurement at the Financial Health Network, will talk about new data they released, if I recall correctly, just this week on the financial wellbeing of consumers.

And Kevin Klowden, Executive Director of the Center for Regional Economics and California Center at the Milken Institute, will offer some observations about how the limits of our nation's infrastructure have made it more difficult to meet the challenges of our current conditions.

Now, I think you'll find all these presentations useful. I want to just acknowledge right up front, there is no perfect data that exists that can fully inform our perspective on how the challenging circumstances consumers are encountering are changing the ways they relate to and use financial services. That being said, I do think the presentations we'll hear are incredibly helpful and relevant.

Even with that limitation acknowledged, I want to encourage members of the Committee, as you hear these presentations, as you take this information in, to think both about today and about how the FDIC should be training its focus for supporting economic inclusion in the banking system moving forward. Appreciate everybody's flexibility with our virtual format. Similar to the past presentation, we will hold questions until a designated period. In our case, it will be at the end of the four presentations. They should go by relatively quickly, and I'm anxious, as I'm sure members of the Committee are, to get to the discussion point.

And at that point, I'll be told who has raised their virtual hand and will recognize people, as best I can, in order that I'm told. I'll also, as has been my practice with this Committee, try to give a bit of a heads up of the order I'm seeing in my queue. So, with that brief introduction and context for this discussion, I'd like to hand the floor off to Jason with my appreciation.

MR. BROWN: All right, thank you, Keith. Thank you for the opportunity to present some of the recent work we've been doing at the CFPB to understand the effects of the pandemic on consumer credit trends.

I look forward to hearing the other presenters and to the discussion. Shannon, I think we can move on to the next slide. Most of our pandemic work makes use of our consumer credit panel, which is the 1 in 48 random sample of de-identified consumer credit records from one of the three nationwide consumer reporting agencies. It includes approximately 5 million credit records and is updated monthly, so it's a useful tool of looking at consumer financial well-being, because it's updated so frequently and has granular administrative data at the individual level.

With these data we've written two

public reports, so far, that I'm going to draw from for this presentation. First, in early May, we looked at credit applications on a week-by-week basis since the start of March to see how credit demand, as sort of proxied by applications, has changed since the pandemic.

Then at the end of August, we looked at a broader suite of metrics on how consumers are faring. So our plan at the bureau is to keep looking at these metrics from the reports going forward and reporting on them to keep people abreast on what we're seeing.

Okay, Shannon, we can move on. Okay, so this first chart is, as I said, credit demand as proxied by credit applications. We call that credit demand because it precedes the actual decision to grant a loan. So this chart is based on the analysis of our credit applications report. It's updated to the end of June. What you're looking at is the change in credit inquiries, by market, compared to the first week in March.

What we do is we cold-comp some seasonal variation to try to get at how much credit applications have changed in each market compared to what we would have expected. And the markets we look at are the major ones, auto, new mortgage, revolving credit. We don't have student loan on here, of course. Then there's another category, which includes things like personal installment loans.

When we first looked at this at the end of March, we saw a sharp drop in applications in every market, over 50 percent in the case of auto.

But then a funny thing happened: the auto market rebounded. It was close to historical levels by the end of June. You can see that in the first panel.

Then new mortgage applications surpassed historical levels. Meanwhile, revolving credit card applications fell and have stayed low. Auto and home purchases are typically done in person, so we can see why they fell in March, but have since rebounded since social distancing measures were relaxed. On the other hand, credit card applications typically are not done in person, so we don't think that social distancing is directly responsible for that sustained drop in applications.

Something else, we think, is driving that. Shannon, we can move on to the next slide.

Looking more closely at credit cards, we see that credit card balances have fallen considerably. This is from our second prior report. This is the year over year change in monthly credit card balances.

Starting in April, they plunge, then they continue to fall, even through June, down 10 percent from June of last year. As we've looked at more recent data since then, it's continued to fall. Some of the other panelists may have -- I think will have more data that can shine more of a light on this at the household level.

I think Fiona's group has done some really interesting work that can get at some of the income and spending dynamics. But from macro data, we saw personal income shoot up in April with the CARES Act and the personal savings rate remaining elevated.

One thing I will point out is that we did not see a lot of geographic differences based on median income or race/ethnic composition, but we did see the biggest drop in credit card balances among those with the highest credit scores, which may have indicated that declines in balances were a result of the decline in discretionary purchases.

Our takeaway from this is that it doesn't look like consumers are accumulating credit card debt to stay afloat financially. Again, some of the other panelists will provide greater detail on that, as well. Shannon, I think we can move on.

Turning to access to credit, we looked at credit limits for credit cards. What you're seeing here is the cumulative change in total credit limits across all existing credit card accounts, by credit score groups, since the start of 2019.

They have been growing for all credit score groups, except for deep sub-prime, which is in green; that's basically an instant access. Then in March of this year, at the time of the pandemic, they froze. They stopped growing. It's a noticeable break, I should say, but a little perspective is due here.

The very slight decline across all credit score groups amounts to one tenth of 1 percent of average credit limits. Just for the sake of comparison, in the first quarter of the great recession, credit limits fell by 7 percent, so a much larger drop.

We also look at account closures, and not much happened there, either. There wasn't much of a difference in Q1 2020 from Q1 of 2019. Most of the closures were from inactivity, particularly among the super prime and prime borrowers.

Shannon, I think we can move to the

next slide. Now, this slide is about some of the measures to help borrowers during the pandemic. There were a number of measures put in place to help borrowers.

For instance, the CARES Act required lenders to suspend principal and interest on federally held student loans until September 30th, and that's been extended to the end of the year. Mortgage borrowers with federal or GSE-backed mortgages were allowed to apply for forbearance for 180 days up to 360 days. There's not anything in the CARES Act for auto and credit card, but financial institutions do have the discretion of providing payment assistance.

What we do see here, across markets, is an increase in assistance, but I would point out that you should look at the scale of the Y axis, because they are different for each market, and how we define assistance, because assistance is defined in different ways for different products. We define it as zero payment due, despite a positive balance, just to be able to get that apples to apples comparison.

Looking at each market, at its peak in May, a little over 3 percent of auto loan accounts reported assistance. Nearly 6 percent of first-time mortgages received assistance in June, and well over 80 percent of student loans were getting assistance, while a little over 3 percent of credit card accounts were also getting assistance.

Across all markets, except for student loans, we did see accounts transitioning out of assistance, and we did see the likelihood of assistance being higher in minority -- majority/minority census tracks and the lowest income census tracks and in the areas hardest hit by the unemployment shock and by COVID cases. So we are seeing assistance going to places that might be hardest hit.

But that's not to say that the assistance is commensurate with the need. This may actually be something that Rob even gets into because their report touches on that a little bit. Okay, so I think we can move on to the next slide, the last slide.

This is looking at delinquency, so, of course, a good measure of distress. What the charts show is that the transition into delinquency, which, in general, means going from current to 30 days past due, that's the green line and the transition into increasing delinquency, which is the orange line meaning more delinquent this month than it was in the last month.

Unsurprisingly, given the blanket assistance provided across almost all student loan accounts, delinquency fell to nearly zero in that market. For the other markets, the trend isn't quite as clean or as abrupt, but delinquency and worsening delinquency rates did fall from January through June. And it's not shown here, but looking across credit score groups, these rates fell the most for lowest credit score borrowers.

Again, perhaps seeing relief hitting

those most likely to be hit. That's all I have today. Look forward to the discussion. Going to kick it over to Fiona.

MS. GREIG: Thank you, Jason. Shannon, can we skip forward? Great. Thank you for having me. I'm going to be speaking about several papers that we have been publishing over the last while, in the first instance, on aggregate trends in consumer behavior, so income, spending and savings, and then secondly, I'm going to be looking at the impacts of unemployment insurance benefits on spending and savings.

Just to characterize the data that we're using here, first of all, we're working with a bunch of teams of colleagues at University of Chicago and Princeton. And the data that we've got to bring to bear here is obviously the Chase portfolio data, which I think gives us a high frequency view of spending, income, and savings for families. Then also, we can observe some covariance, like industry of employment, age, race, that sort of thing, some of which I'll share with you.

I think the key thing here is that we think this sample spans the income spectrum. That's quite helpful, given that we know that the job losses have been disproportionately affecting low income families. Next slide. If we just take a very broad view -- some of these charts, you'll notice, go through the end of May.

I'll narrate how they continue, but I was only able to share with you that which we've published. Obviously, initially, there was a huge drop in spending. This is no surprise. Notably a larger drop in credit card spending, to the tune of 40 percent, compared to debit card spending.

Since then, spending has recovered, but I think just thinking about the magnitude of this spending drop, it was so large, it was eight-fold larger than what we normally see, in terms of a spending drop, when people lose their jobs. So that tells us that the initial spending drop was very much due to the pandemic, itself, as opposed to the original rounds of job losses.

Next slide. When we compare the spending trends by income quartile, we see that actually, spending has recovered more quickly for low income families.

This is surprising, in light of the fact that we know that the job losses have disproportionately affected low income families. Right? So labor income for low income families has gone down the most, and yet spending has recovered the most quickly for low income families.

Now, this could be a couple of things. It could be high income families -- a higher share of their budget share is on discretionary, which was cut more. That's part of the picture. Maybe this is a geographic story, in that high income families tend to live in cities and places where the lockdowns may have been more severe. That could be part of the picture.

But what we believe to be really

playing a role here is the CARES Act. And you can start to see this in the second vertical line, which notes April 15th. That's where the vast majority of the economic impact came and started to get dispensed, and you see a large spike in spending, particularly among low income families, for whom $1,200 or more would have been a material, significant sized, chunk.

Okay, next slide. For a subset of our sample, we're able to figure out where they work and what industry they work in, and I want to focus your attention on two of these lines. The purple line, the top line, is grocery workers, their spending dropped the least. Their hours dropped the least. Their wages dropped the least.

If anything, they were probably working overtime and continuing to incur job-related expenses, and so it's no surprise that workers in the grocery sector, their spending recovered most quickly and even potentially was elevated.

But the next line, the blue line, which represents people working in the clothing and department store industries, that's surprising that their spending recovered so quickly. This is a sector where we know the job losses have been vast. And this is starting to tell us that it's not just the economic impact payments that is affecting the spending of this group, but also likely unemployment insurance.

Let's move to the next slide. The next charts I'm going to show you are about balances. And here, I'm showing you levels of checking account balances on the left and percent change in those balances on the right.

What we're observing is growth, lots of balance growth, to the tune of 30-40 percent, and, indeed, larger balance growth and percentage terms for low income families. The dollar value growth is actually higher for higher income families, but the percentage growth is larger for low income families.

That's probably because a $1,200 check

is a larger percent increase if you start out with $2,000 than if you start out with $4,000. But it just goes to show that was a material boost to the savings buffers that families had.

The trend that we continue to see from here on out, actually, is slower, but leveling, all the way through August. August starts to look like it's dipping, but we're not sure if we're seeing every last penny in our August data yet. Consider this sustained from here. Next slide, I'm going to show you this by, again, industry of employment.

And just to focus, again, your attention on the blue and the purple, balance growth was high for grocery workers. That's likely because they're relatively low income workers and probably had low balances to begin with.

But notably, the balances of workers in the clothing and department store industry are increasing when the EIP hits, and then increasing from there. That starts to suggest that it is not just the EIP, but again, unemployment insurance benefits that are helping to boost those savings even while they're unemployed.

Next slide. So this puzzle that I teed up in the beginning, whereby job losses and labor income characterized in the light blue bars dropped the most for low income families, and yet spending has recovered the most for low income families, seems like it is resolved when we take government transfers into account.

When we take those government transfers into account, then total income actually is increasing for low income families, and it's relatively stable for high income families. This also tells us that the source of that savings growth is very different for low income families than it is for high income families. For low income families, this implies that the savings growth is coming from government benefits that are not fully being spent.

Whereas, for high income families, the savings growth is due to continued cuts to spending or the spending that has not yet recovered.

Okay, so now, on the next slide, I'm going to shift to the benefit story. I'm going to feature -- well, I think there are really three big parts of the CARES Act, in terms of how this directly impacted families. I'm featuring two here: the economic impact payments, which were mostly dispensed in April, and this is not my chart, but I found it super helpful, in terms of understanding when these benefits were dispensed, and also how big they are. Right? And so you can see this is a cumulative view. The green bars are almost fully stacked, even by the end of April. Right?

We've almost fully dispensed the EIP. But unemployment insurance is a weekly or bi-weekly payment, continues, obviously, on. And by the end of July, the federal government had dispensed as much or more in UI as it had in EIP. You can think of these programs as being, actually, comparable in size, first the EIP, and then the UI.

One that's not reflected here is forbearance, which Jason talked about, but is obviously another release valve for folks that isn't a cash infusion. Next slide. Another way to think about the role of unemployment insurance is this chart, which is BEA data.

Never before has unemployment insurance, as a share of total income, barely ever budged above 1 percent. As of the end of June, it was 7 percent of total income. That's for three reasons: number one, historically high unemployment rates; number two, the actual $600 for the level of benefits; and number three, the PUA, which extended the eligibility of this program to self-employed, contingent workers, and people who had limited work histories.

On the next slide I'm showing you what we normally expect to see, in terms of the spending trends of people who lose their job and receive unemployment insurance. We normally see a drop in spend. This is because unemployment benefits normally don't fully replace that pre-job loss earning. Right? It's more on the tune of 50 to 60 percent of their wages is what they're receiving in UI.

Of course, we see steeper cuts in spending among Black and Hispanic families, who tend to have less of a cash buffer when they lose a job. So contrast this picture with the next slide.

I'm not going to show you race cuts, but just here is -- the orange line is showing what happened to spending relative to baseline of the unemployed, people who received benefits, compared to everybody else, who we don't observe receiving benefits.

And, first thing, in the weeks leading up to that first benefit check, the spending of the unemployed is dropping more than the employed. They are really cutting back.

Above and beyond the impacts of the pandemic, they are likely experiencing some hardship. They are really cutting back.

However, when that check starts to arrive, their spending soars. It soars beyond what we would have expected to see based on the trends of the employed, whose spending is still way down. It's soaring above their own baseline to the tune of roughly 10 percent above their own baseline. So this is really suggesting that extra $600 boost is boosting people's spend considerably.

On the next slide, I'm going to show -- this tells us two stories. This is a story of a subset of our sample who all lost their job by mid-April. And this is the story of what happens to people's spending when they have to wait for those benefits to arrive.

We contrast the green group -- they're the people who received their benefits in March -- versus the blue group, who received their benefits in April, and the orange group that had to wait all the way until May to receive their benefits, even though they had lost their job no later than April 19th.

You can see with each passing week,

they are having to cut their spending by more. I think this is a story not just about the impacts of delay of UI benefits, but also of the PUA, because the PUA extended benefits to people who would have otherwise not gotten those benefits. And so this is probably what the spending would have looked like for families who -- for workers who are currently receiving PUA benefits, who are contingent workers who might not have received them but for the CARES Act. Next slide.

I'm going to conclude with a piece we released last week, which tells us what's going on in August. August is an important month for jobless workers, because that's when their $600 supplement ended. What we observe is that the spending of the unemployed dropped by about 14 percent in August.

That's notable because it drops, actually, below the level of employed. It's still roughly on par with their pre-pandemic spending, so they're kind of coming back to baseline, but one thing that's notable is that the last week of this data, the spending level is lower than the prior week, meaning that this is -- this has not yet plateaued.

It's still falling at the end of this series. Another point, I would say, is that August, we believe, is -- people would not yet have been receiving lost wages assistance. We think that was actually implemented starting in September. And so this is showing just the impact of the expiration of the $600. Finally, the last slide, next slide, is showing what happens to savings. So we're just showing this ratio to January. Of course, everybody's savings grew in February and March with normal tax refunds, and then in April, with the arrival of the economic impact payments.

But between March and July, you see that the checking account balances of people who were receiving UI benefits actually doubled over the course of those four months. But in August, alone -- in one month, alone, they had spent two thirds of the additional buffer that they had accumulated over the prior four months.

What this tells us is that the spending trends I showed you on the prior slide, the 14 percent drop, is fueled, in part, by the savings buffer that they had accumulated over this time.

The 14 percent drop might just be the beginning of that drop in their spending, if we don't see either improvements in their labor force or returning to work, or use of some other release valve, like forbearance and the like. So this is sort of a movie in progress, where I haven't yet seen the September data, but I think this very clearly shows just how important the CARES Act was for jobless workers in boosting both the spending and the savings of those jobless workers.

I think that's my last slide, but advance forward. Yes, this is just to summarize -- I think broadly, aggregate spending has rebounded, but we're still not yet at pre-pandemic levels.

Like I said, the role of government income support has been really important and is buffering against the unequal impacts that the pandemic is having on families across the income spectrum. So I'll conclude there. Thank you.

MR. LEVY: Good afternoon, everyone. My name is Rob Levy, with the Financial Health Network. Thank you so much for having me. I'm pleased to present the results from our U.S. Financial Health Pulse 2020 Trends Report.

As Keith said, this is hot off the presses. It was actually released two weeks ago, but I'm going to sharing it with you all today. I think you all heard a little bit about Financial Health Network from Jennifer earlier. The financial health is our marquee research study, and we've been doing it for three years now. The goal of the pulse is really to take a holistic view of financial health, bringing together the components of spending, saving, borrowing, and planning to answer the question of how financially healthy is America.

That's what I'm going to tell you about today. Next slide. Of course, I wanted to thank our funders, as always, Flourish, the Light Foundation, and AARP, and our research partners, USC and Plaid. Next slide. Let's talk a little bit about the methodology, and then I'll get into the findings.

The pulse is a unique study, in that it combines survey and transactional data. The survey is fielded through USC's Understanding America study, which is a nationally represented online panel. As I said, we've been doing this for three years, you can see the dates there.

This year's study was over 6,400 respondents, so pretty broad and deep dataset. We had been fielding the study in April/May of previous years. This year, we fielded the study in April/May, but so much was changing that we went back to the survey in July and August, and that's the primary data that I'll be showing you today. This, similarly to what Fiona just showed you, was at the end of the stimulus benefit and the unemployment insurance bump, so it reflects the best of times, so to speak, and I'll comment on that a little bit more.

We also have now been incorporating transactional data from a subset of this panel, approximately 835 people who have opted in sharing their data with us through applied integration, so we're able to see accounts across different institutions, checking, savings, and credit cards, some mortgages, and some 401(k)s.

I'll touch on just a couple of those pieces of data in this presentation. We're just really getting into that now. Next slide.

Before I give you the high level numbers, I want to show you how we put together financial health, because that's part of what, I think, allows us to tell the story about where we are as a country.

So we've been measuring financial health for years now. We introduced this framework about five years ago, and we've been using it for as a rubric for how do you measure financial health. We break it down into the four basic categories of spending, saving, borrowing, and planning. Then within each of them, we've developed an indicator that we think, with these eight indicators together, you get a pretty holistic picture of where someone's at. And it ensures that when you're looking at financial health, you don't just see a bump in savings, but miss that they're actually taking on debt at the same time. You get to put the whole picture together. And you can see the indicators here.

From these indicators, we've developed a survey, so a question that corresponds to each of the indicators, as well as a scoring logic that then generates a fin-health score, which we then benchmark against the U.S. data that we derive from the pulse.

If you're interested in the methodology and the weeds of it, please go to the link there.

All right, let's get into the data. With that, we then use that score to then determine how financially healthy is America. Go to the next slide. We break that down into three categories, financially vulnerable, financially coping, and financially healthy. If you're financially vulnerable, that means you are struggling with almost all of those eight indicators. If you're financially coping, you're doing okay with some, not so much with others.

If you're financially healthy, that means you're doing okay with all indicators of financial health. The headline for this 2020 trend report is that financial health has improved from previous years, but we still have a pretty big problem on our hands, in that two-thirds are still financially coping or vulnerable.

Last year's report showed that 29 percent of Americans were financially healthy. The year before was 28 percent. If you just were looking at those trends, you might say we're on a nice upward swing, but as I think we've already heard, it is way more complicated than that.

Then, of course, even if we were still at 33 percent -- and I'm sure that number has dipped just since August -- we still have a problem, which is that 67 percent, or two thirds of this country, are financially struggling in one way or another. It's also worth noting that the entire 4 percent bump in financially healthy came entirely from the financially coping. Last year it was 54 percent coping and 29 healthy, and then that just switched. Financially vulnerable stayed the same.

And I think one of the themes from our research is that looking at this K-shaped recovery that people are talking about, which is that those who are doing well were already doing well, and the impact of the pandemic has kind of exacerbated that; whereas, those that were struggling continue to struggle and now at risk, I think, of really going down as the various stimulus efforts have ended.

Let's look at the next slide, please. Again, to put in context the numbers that make it seem like people are doing okay, always really important to look at who is actually experiencing extreme hardship.

I think that's one of the things that all of us researchers have struggled with is, how do we see savings balances up and credit card debt down, but also lines at food banks? Again, the realities of both those things are true. While looking at that two thirds of people who are financially coping and vulnerable, we find that 22 percent essentially have food insecurity, saying they're worried that food's going to run out; 26 percent are having rent or mortgage insecurities and they're worried about their ability to pay that; 29 percent are saying they spent down their savings to cope with the effects of the pandemic; and 41 percent are carrying a balance on their credit cards just to make ends meet.

These are just various indicators of financial hardship and stress. On the next slide, one of the things that we look at a lot in this year's study are financial health disparities. As I was saying, they are continuing to widen.

First, it's a level set. Just this year, again, in August, at this high point, we still had massive disparities according to race. Certainly, the events of this summer have made this issue come to the forefront.

If, when we break it down by race, we see that 39 percent of White Americans are financially healthy, 39 percent of Asian Americans, but then it drops to only 24 percent of Latinx and 15 percent of Black Americans. The Black Americans has stayed relatively level back a few years of our study. Most of the increase has been borne by White, Asian, and Latinx Americans.

In the shift that we saw particularly from this past year, as you can see on the right, which shows you the change of financially healthy between 2019 and 2020, we see that most of that benefit is going to White and Latinx Americans, and that Black are a negative 1 percent, which is not significant, so essentially zero, flat for the year.

We also see this happening on income. While we did see -- there were some ways you might say it was good to see that low income Americans went up 1 percent or essentially relatively flat amidst the pandemic, knowing they were most likely the ones unemployed and impacted by that, we see these massive gains going gradually more and more so to the higher levels on the income chart and continuing that divide.

We also saw some gain -- we look at gender, as well. We saw some gains by women this year for a variety of reasons, although, again, that gap still remains. I don't have it here. I think the gap is something like 12 points between men and women, even with the improvements that women saw in 2019. Next slide.

Again, this is a little bit of the transactional data that we have for the product integration that we were looking at liquid account balances.

Again, on the issue of the K shape, you can sort of see it happening here. That those with incomes of $100,000 or more household incomes saw their average liquid account balances grow extremely high, from $9,000 to something around over $14,000 by the end of July.

Whereas, you saw much lower increases at the lower income thresholds. As Fiona mentioned, proportionally, those are still somewhat meaningful, but on a raw numbers account, we can see where the vast amount of these dollars are going, between the stimulus, the benefits, and then who's able to reduce their expenses; most of that is going to high income earners.

The next slide, this is also touched on by Jason. We looked at this question of debt relief. We did see a number of our analysts saying they have unmanageable debt, more so Black and Latinx customers, by our analysts. But what I think was really disturbing -- because you might say okay, that is the case of historic issues that we've been talking a lot about this year, but shouldn't they all at least be able to get that debt relief? Shouldn't that be equitable? And in fact, no, that's not the case. Those that we asked did you request debt relief, and they were looking at variety of student mortgage, credit cards, et cetera, and did you get it, a huge difference here.

Only 61 percent of Black respondents said they were able to receive that debt relief that they requested, compared to 73 and 76 of Latinx and White respondents. That's a very concerning modern-day story of the challenges that Black Americans are facing with the banking system. Next slide. I think that's a wrap.

If you are interested in the full report, please go to their website and the dataset is available, or will be made available soon. Thank you so much for having me today.

MR. ERNST: Thanks, Rob. I think that brings us to Kevin.

MR. LEVY: Sorry. I was supposed to introduce Kevin. Go for it, Kevin.

MR. KLOWDEN: That's quite all right. The virtual world always leads to a certain number of challenges, so we're good. So unlike everyone else, I'm going to be talking a bit more anecdotally on adopting a number of different metrics, as well as some anecdotal information to frame the larger conversation.

Actually, I'm thrilled, just so you know -- my background is that I'm the non-governmental individual. I'm with Milken Institute. It's a non-partisan, non-profit economic think tank. Access to capital has been one of our fundamental issues for the last several years.

We've been partnered with the SBA, among others, in terms of these issues. And one of the things in particular that's come up especially is the issues of infrastructure. Some of the survey data that was actually done and presented earlier in terms of pre-COVID still holds true, where the concept, in particular, of a banking desert is especially important when looking at availability and access to capital, as well as the ability of households, particularly in the -- from a geographic standpoint, in inner city urban areas, especially, particularly minority communities, especially Black and Hispanic, based on government data, has led to a significant number of problems.

The collapse in relationships that particularly happened coming out of the great recession, over 6,000 bank branches were closed between 2008 and 2016, which is over 6 percent of branches nationally, but 82 percent of those were in intensely urban areas, particularly in inner city locations and locations that were already considered to be marginal in terms of availability of access to capital.

The other thing that happened in particular that went along with that is that minority depository institutions, MDIs, which had been filling in some of that gap leading up to the 2008 financial crisis, you'd actually seen a significant increase from 164 to 215 nationally. By 2018, that had dropped back down to 149. And the African-American share of MDIs had gone from 30 percent in 2001 down to 15 percent in 2018. So the locational aspect of access to capital for households and the relationships also for small businesses hit significantly. Now in other parts of the country and other parts of the world, particularly in regard to the middle class, upper middle class, and upper class, the top income earners, beyond the impact in particular of the CARES Act and PPP and other -- and unemployment in terms of providing assistance, there is also a significant discrepancy and division that's happened in terms of the ability to access capital for loans and alternate sources online.

One of the things that is particularly true, both in terms of urban -- very urban minority communities, as well as in rural communities, is the division in terms of access to broadband. Only 63 percent of rural respondents, according to Pew, actually have consistent broadband adoption.

That number jumps up to 79 percent of urban respondents. When you compare that to the suburbs and wealthier communities where it jumps up to 87 percent, that's a significant difference. That matters when combined, also, with the fact that the United States is among the lower adopting countries when it comes to the ability to not only bank online, but bank mobilely, to have access to capital and be able to support saving both -- not only savings, but also in terms of potential lending access.

Right now, one of the things that is particularly important when looking at the auto loan data and the various issues in regards to that is that the infrastructure specifically for auto loans is contained normally within the auto dealerships themselves, whether it is done on a more formalized basis, particularly from the auto companies, or it's done even in used vehicle markets where used dealers are willing to adopt and take higher risk loans in terms of vehicle purchases which disproportionately, once again, falls on the working class and also on minority communities.

That means that capital access there, because it is less constrained by geography and more tied to a tangible asset, often means that that's an area where investment or purchasing can happen. The fact is that there is still a massive trailing effort in terms of mortgages and refinancing. And so the most recent data, which is still a few years old from 2015, the overall mortgage denials at 12 percent jumps to 19 percent for the Hispanic community, 27 percent for the Black community.

One of the things -- and this gets back to this infrastructure issue -- is that being able to access online mortgages, alternate sources, fintech and various other elements, is significantly reduced. And this also expands this issue.

It is also an issue, once again, in

rural communities, where the ability to effectively access these sources drops considerably.

One of the things that's actually been the case and has shown up especially in various data and surveys, including from the Bureau of Labor Statistics, when it comes to financial health of communities in relation to this has been the fact that if -- beyond broadband access, beyond the ability of bank branches, is the ability of communities and populations to work remotely, to be able to telework. According to the BLS's two different surveys, the ability to telework in households ranges between 43 and a half to nearly 45 percent, but if you then look at -- if you look at the data, it's fairly consistent by age range. It actually is pretty consistent, whether populations are 25 to 50 or -- 25 to 55 or 55 and older.

Where it breaks down, in particular, actually happens by ethnicity, where the population able to telework drops from an average, according to the primary survey, from about 43 and a half percent down to 39 and a half percent for Black households, 29 percent for Hispanic.

And for Hispanic households you have an even larger issue, which is that their takeup rate -- the number who actually do it, as opposed to feel they could -- drops down to 14 and a half percent.

Why that matters when it comes to banking, again, is that it's a trust in an ability to be able to work effectively, to be able to trust your connections and your infrastructure at home, and then again, in particular, trust in institutions and access. By contrast, just to look at it from an alternate perspective, there is a very clear situation that exists if you look at Asia, in particular, China, where 57 percent of the population in China, not just an urban standpoint, but in a rural standpoint and otherwise, has access to mobile banking, as in Ant Financial or WeChat Pay, which is tied to accounts or various other sources.

And where that played a significant role during the lockdowns that happened in China, which happened more severely and more quickly than happened in the U.S., that the ability to access banking and payments effectively remained incredibly strong.

What we have seen in terms of electronic access in the system in the United States is that as unemployment insurance has become even more important, in terms of ties to banking and otherwise, not only has the infrastructure for various households and the ability to operate and do banking remotely, access to capital, potentially access lines of credit has been restricted, but you're also seeing the breakdown in the infrastructure for unemployment payments themselves. We actually saw California do a two-week suspension of unemployment payments because the system was viewed as having not only fraud, but structural and applicational issues. We've seen significant restrictions in the infrastructure in Florida earlier in the pandemic and on an ongoing basis, and throughout the United States, where the technological infrastructure is not necessarily set up or structured to be able to handle the various flows in the pandemic.

If you're looking at reasons why households especially have increased their savings rates and concerns, that issue of access to capital remains incredibly important and continues to be a profound and pressing issue, whether it is from a lending standpoint, whether it is from just simply access to savings, and otherwise.

Even the wealthier communities, which have cut down on discretionary spending, have also reflected concerns about the ability to access and be available to capital on an ongoing basis.

This means that going into any kind of recovery and any kind of ability to rebuild the infrastructure of lending to households, household savings, and other issues, this perceived vulnerability remains incredibly important and is one of the key areas that we need to look at, not only in terms of general banking, but in terms of creating standards and investments, whether it is in broadband or mobile literacy and technology or otherwise, to be able to facilitate any kind of reinvestment and growth once we move from a pandemic mitigation phase to a more effective structural opening. With that, I will -- Keith, I'll turn things back over to you. Thank you.

MR. ERNST: Great. Thank you, Kevin. And thank you to all of our panelists. I feel like we've put a tremendous amount of really interesting information on the table and I'm very interested to allow the members of the Committee a chance to get in here.

Now I haven't checked with Jonathan Miller on chat here, but I think since we started ten minutes early, it means we get to go 20 minutes long. No, I'm seeing on chat that's not the case.

But still, welcome a chance to entertain questions or comments from members of the Committee. We've heard a lot of information about how conditions are changing for consumers through the pandemic, the important role that public programs seem to have made, the ways in which our infrastructure have interacted with these efforts, in some cases, you know, not able to support them as we might like. And so I'm anxious to hear people's questions. I see Mike Barr with --

MEMBER BARR: Thanks very much, Keith. Sorry, let me see if I can put on headphones and get rid of the echo. Better? I thought the presentations were really fascinating, learned a lot. It really shows the importance of getting this real-time economic data from transactions and from the health survey. And I wonder -- maybe, Fiona, this is best directed at you, when you're looking at the data. You know, this would be of super use to policymakers.

Can you figure out in the transaction data if there's not, for example, another stimulus bill, what's the projected exhaustion of the buffer stock, and when do you start seeing not only effects at the individual level, but at the aggregate level you're building up from your transaction data? I wonder if you've -- I'm sure you've thought about that. I wonder if you could just share a little bit about how you guys are thinking about it.

MR. ERNST: Fiona, you're on mute.

MS. GREIG: I think I'm not on mute. Can you hear me now? Okay, great. I said predictions are a dangerous business to be in, so I don't take that invitation welcomely. Probably, it's even a worse business to be in in a pandemic, right, because we don't know what's going to happen to the labor market.

And so, in terms of the spending trajectory that I described to you of the jobless workers, right, I mean September's going to be clouded by the LWA, right, the lost wages assistance, which did start to go out. Now, I think already, as of now, like 35 out of the 50 states have already exhausted their FEMA pots. And so that's also tapped out.

But what really matters in terms of thinking about this on a go-forward basis is what's going to happen to the labor market and if people are going to be able to go back to work.

If they're going to -- and in some ways, initially, maybe that was a matter of choice, but later it may be more a matter of opportunity. So I don't have kind of aggregate GDP predictions. One thing I will comment on, though, is that I think in the aggregate data, we're seeing more robust recovery in sort of GDP than in job market. And that is telling us that it really matters how people are spending their economic impact payments and their UI dollars, right. And the evidence out there suggests that they're spending it on stuff, rather than services, including durable goods.

And they're also saving some of it,

evidently, as you can see in the savings jumps, right. So there's a cautiousness with which people are using these funds, and that also has downstream implications for economic growth, right, and recovery because buying a refrigerator generates fewer jobs than going out to restaurants.

And also, there's only so many refrigerators one can buy. One thing we will be looking into is how people are spending these stimulus dollars and UI funds as a way to get closer to your question.

MR. ERNST: Great, thank you, Fiona. I'm seeing a question from Alden in the queue.

MEMBER MCDONALD: Yes, thank you. My question is for Kevin, please. Kevin, you mentioned some information about used car dealers carrying their own paper. Do you have any idea as to what percentage of their sales are being self-funded? And if so, is there a way of measuring these data going forward? Because if that is a trending piece, it's going to be very,

very hard to monitor interest rates that are being charged, and fees. And this is new methodology of having higher interest rates and subprime markets that it's not really monitored any place that we see.

MR. KLOWDEN: Actually, thank you for bringing it up. Just to clarify that, it's the new car makers who are primarily monetizing. What you're really seeing, though, in the used car maker is the -- and this is hard, you're right, it's hard to capture in the data -- is that there's been a number of cases where they've been using local or more informal relationships, in some cases, where they've been -- rather than traditional banks, they've been using institutions that, in many cases, we would consider to be subprime credit sources.

One of the things -- I don't have it right in front of me, but the numbers that have happened leading up to the pandemic, in terms of the delinquency rate, particularly from non-standard lending in the auto market, where there's been a bubble of subprime credit coming from alternate lending sources by -- not exactly payday loans, but organizations that functionally operate in a similar basis operating interest rates in the 30 something percent and higher has jumped dramatically.

That's something I can look up -- I don't have it right in front of me -- later, but it is a real problem. We have a sense of the delinquency rate. We have a sense in terms of the number of loans that are classified as riskier and how those have gone up dramatically.

There are breakdowns in terms of them operating on the same institutional basis. Most of the time, it's not -- unless you're dealing with a large enough used car organization, it's not their own paper, unto itself, as much as it is non-standard.

They're using alternate credit lines, and they provide that infrastructure and access to, in many ways, what we would consider -- similar to the subprime housing brokers leading up to the 2008 recession. That make sense?

MEMBER MCDONALD: Perhaps the subprime funds, investment funds that have been popping up, is that a source of funding for some of these loans? Because if it is, it's a whole other problem that's bubbling up that's going to have an effect on the minority communities and the unbanked and the lower income levels.

That's going to begin creating a whole other problem that we need to think about from a measurement point of view from the FDIC's unbanked and underbanked survey. Thank you.

MR. KLOWDEN: Absolutely.

MR. ERNST: Great, thank you. I see another question on the line from Naomi.

MEMBER CAMPER: It says my video is no longer connected. Can you hear me?

MR. ERNST: We hear you just fine.

MEMBER CAMPER: Okay, good. Well after a five-hour meeting, it's probably just as well my video is off. This question, I think if my memory is correct, goes to Rob.

I just wondered, Rob, if you have a little additional detail about the slide that you presented about people who asked for some form of relief who didn't get it. Do you have a sense of how that breaks down with a little more granularity?

MR. LEVY: I can give you as much granularity as I have. It was one of many questions that we asked, and I think it's one we want to probe on some more. I realized, actually, that I think my slide -- the language was not as precise as it could have been, so let me use the opportunity to clarify.

So we asked two questions, basically, on this issue. First we said, did you apply for -- did someone in your household, because all of our questions are household level -- apply for debt relief? We clarified it as being student loans, credit cards, auto loans, mortgages, or other loans.

That was the first set of questions. And the second question was then, and then of those, right, so then if you said yes, next question, have you received this relief? So the data that I showed you was the answer to that second question.

So amongst those who said yes, who had asked for relief, 61 percent of Black households then got it, whereas 73 percent of Latinx households who requested it received it, and 76 for White. I do know that -- and Black households were more likely to also request that relief. I don't have those numbers offhand, but that should check out with the other numbers that we were showing in the study. I'm happy to follow up more with more detail than that.

MEMBER CAMPER: Yes, that would be great. And also, to the extent that you were able to parse out whether relief was -- you know, banks versus non-banks in terms of granting the relief.

Because one of the things that I tried to impress at the beginning of the meeting this morning is we are really urging consumers who are in need of relief to call their banks, not be afraid to call their banks.

And so obviously, it would be concerning, but also helpful to get feedback if we're not providing it. Any additional detail you have, but again, the message we want to get across to struggling consumers is please call your bank and ask what relief might be available.

MR. LEVY: Absolutely.

MR. ERNST: Great, thank you. I don't have a question on the floor, but I'd like to put a question to the Committee. We asked Fiona to make a bit of a prediction and she deftly danced around it, I think I can say. But I do want to ask the Committee, thinking about what you're hearing, so we shared information with you today on the latest FDIC household survey indicating that the trends coming into the pandemic were, in many respects, very positive, historic participation in the banking system, though gaps remained.

On this panel, we're updating that

with additional information, certainly no surprise, I imagine, to members of the Committee that during the pandemic, household finances have been buffeted a little bit.

We've seen sort of, in Jason's presentation, a little bit in Fiona's, sort of pulling away from some credit use, so maybe some slight recovery there, but much of the activity seemingly buttressed by public support programs.

If you, if anybody on the Committee has a perspective, thinking about what are going to be the most important things for financial services providers for groups looking to support consumers over the coming year to pay attention to, what are the issues that come to your mind? I really would welcome comments or questions along these lines.

MR. LEVY: Keith, I'm happy to take a stab at it, but I don't know if you're going for the Committee or the panel.

MR. ERNST: No, really for the Committee, really interested in your perspective on this, but if not, Rob, have at it. Why don't you take a shot and we'll see if it provokes some more questions.

MR. LEVY: Yes. I think it's really interesting to think about the data you guys just released juxtaposed against what we just heard and the really positive progress you've made around financial inclusion.

I think clearly one of the pain points that we saw in providing relief is around the payment system, and particularly around those who most need it getting access to those stimulus checks and government benefits as soon as possible because we saw from Fiona's data how quickly they are spending down their other resources when they don't have that funding.

And while yes, we can be really happy about 5 percent unbanked rate, and that's a major success, we know that number is not 5 percent flat across the country, right. It is disproportionately higher in rural areas and in metropolitan areas, disproportionately higher among communities of color. Of course, those are the communities that my data and other data is showing were impacted by this and need the funds the quickest. So I think there is a need for helping to resolve that issue in those pockets where bankedness is still a real challenge. That's one solution I think about.

MR. ERNST: Great. Thanks for the suggestion. I am being given a bit of the high sign from Jonathan Miller that we are approaching the end of our time. So I just want to do one last call for questions from the Committee before handing the floor back over to Jonathan.

Again, my deep appreciation to everyone on the panel for the great information we've been able to share with the Committee. All right, Jonathan, I think we're back to you.

MR. MILLER: Thank you to the panel, very interesting. Really appreciate it. Keith, thank you very much. Ten minutes early, and just five minutes long. The next panel, the final panel of the day, is really designed to give the

Committee some insight into two programs here at the FDIC that have some relevance to the work of the Committee, our MDI CDFI program, we've heard quite a bit about that today, and our Office of Minority and Women Inclusion program. So let me introduce, briefly, the two panelists. First, Betty Rudolph.

Betty is the National Director for Minority and Community Development Banking at the FDIC, a role she's been in since April of 2018. She has over 30 years of experience here at the FDIC and we value her as a colleague.

Nikita Pearson is the acting director of the Office of Minority and Women Inclusion, or OMWI, as it's referred to. She is responsible for leading the FDIC's diversity, equity, and inclusion efforts for our workforce, our business activities, and our supervised institutions.

Her permanent position is as a deputy director with us in the Division of Depositor and Consumer Protection. So Betty, with that, I'll turn it over to you to get us started.

MS. RUDOLPH: Great. Thank you so much, Jonathan. I have a number of slides. I'm going to go through them fairly quickly. I know it's the end of a long day, but I'm really thrilled to be able to update you on some of the initiatives we have going on in our Minority and Community Development Banking program. So moving on to the next slide, Shannon, our work is governed by five statutory goals.

These were set (audio interference) in 1989 (audio interference) promote creation of new MDIs, and to provide training technicals (audio interference) that we have set before us (audio interference) to try to fulfill those goals. On the next slide -- Shannon, if you could (audio interference) --

MR. MILLER: Betty, we lost you there for a minute. Welcome back.

MS. RUDOLPH: Can you hear me now?

MR. MILLER: Now we can hear you. Betty, can you hear us?

I'll tell you what. Nikita, why don't

you get started, and hopefully we'll get Betty back?

MS. PEARSON: Okay, Jonathan, can you hear me and see me?

MR. MILLER: I can hear you. I don't see you yet, but why don't you go ahead and get started?

MS. PEARSON: Okay, I will just go ahead and get started. Chairman McWilliams, Director Gruenberg, and members of the Committee, I'm so excited to have an opportunity to speak with you today.

As a person who initially struggled being in the financial system, and as a person with many family and friends who still struggle to see themselves as a part of the financial system, I thank you for your work in this area. The necessity of creating a fair and inclusive financial system is more than just a job for me.

I have witnessed my mother being denied a loan in a heartbreaking way. Every day, I saw my great-grandmother carry all of her money from her Social Security check in her pocket because she didn't trust banks.

I've watched many from my community become increasingly frustrated by their inability to build wealth because they do not see a financial system that supports their hopes and dreams. Today, I would like to share how the FDIC is working to transform our workforce and how our efforts will ultimately help make the banking system safer, fairer, and more inclusive. Diversity, equity, and inclusion are fundamental aspects of the FDIC's work. Our goal is to have a diverse workforce that is well trained on the needs of the communities that banks serve. If our employees understand and are a reflection of the communities that banks serve, they are better equipped to be standard bearers for economic inclusion.

As you know, diverse cultural perspectives can inspire creativity and drive innovations, which are key aspects of advancing economic inclusion --

(Off-record comments.)

MS. PEARSON: Can you hear me? All right. Shannon, am I good to go?

MR. MILLER: I'm sorry; go ahead, Nikita. We were somehow getting somebody else on the call. I think you're good to go now.

MS. PEARSON: Okay. I'm going to go back a little bit because I'm going to get to one of my favorite pieces of this. As you know --

MR. MILLER: That's good.

MS. PEARSON: As you know, diverse cultural perspectives can inspire creativity and drive innovation, which are key aspects of advancing economic inclusions because there is simply not a single solution to address disparities. We want to make sure we are attracting, recruiting, and hiring the best talent.

For the FDIC, that means a focus on our examination workforce. Bank examiners ensure that financial institutions treat consumers and depositors fairly and reinvest in their communities. Bank examiners are also responsible for supervising mission-driven banks like minority depository institutions.

In addition, bank examiners like me tend to occupy a large percentage of leadership positions in the agency. Our ability to attract and retain a diverse examiner workforce has primarily been impacted by high travel, the location of our offices, and low turnover.

Depending on the location, the average examiner spends 89 nights away from home. Excluding retirement, this is the top reason for employees leaving the examination workforce. Our field offices are mostly located in smaller cities, and examiners frequently travel to rural areas. Candidates with the specialized experience that we seek may be attracted to more career opportunities in larger metropolitan areas. The average tenure at the FDIC is 25 years, and the median age is 51.

Not surprisingly, this usually means more experienced employees are selected for promotional opportunities and, once selected, employees tend to stay in their positions for an extended period.

This workforce dynamic provides the FDIC with incredible experience and industry knowledge, but it also means we have fewer opportunities to transform the workforce to address our long-standing representation gaps. I know these challenges very well.

When I was an examiner, I missed my oldest daughter's first day of school and the moment my youngest daughter took her first steps because I was on business travel.

I lived 60 miles away from my office because I didn't feel comfortable living in a small town where the office was located. For these reasons, I often considered leaving the agency. However, the FDIC is now taking steps to address these issues in hopes of retaining employees, including minorities and women like me. Upon her arrival, Chairman McWilliams required a thorough study of examiner hiring. As a result, she established an executive level task force to improve diversity inclusion.

To build a talent pipeline, we strengthen our recruitment strategy with more targeted outreach to minority serving institutions, like historically Black colleges and universities and Hispanic serving institutions.

We made changes to make our mandatory examiner training more efficient. The amount of time that it takes to earn a commission and the inability to train and develop in other areas have been points of frustration for new employees.

We believe this effort will help improve retention of all employees, including minorities and women. As the FDIC has worked to increase representation in the workforce, we have also expanded workplace benefits and services to improve retention. The FDIC was one of the first agencies to announce six weeks of paid parental leave. In addition, we launched a pilot student loan repayment program to provide meaningful financial assistance to commission examiners. We suspect that the pool of eligible applicants will include a number of individuals from low and moderate income communities who may have taken on more debt to finance their education.

The FDIC also identified changes to daily operations that may support retention. As a part of our supervision modernization efforts, we plan to implement technology solutions to reduce the amount of travel that examiners are away from their family.

We are also reviewing opportunities to expand long-term telework flexibilities. We hope these efforts will reduce examiner travel and improve retention. As the FDIC has worked to improve retention, we have also placed increased emphasis on enriching career development in support of our goal to foster diverse workforce at all levels of the organization.

We have added a new performance standard for managers that focuses on career development and the cultivation of an inclusive work environment. We increased our focus on mentorship programs. We expanded professional development through greater access to the graduate school of banking. Employees will enjoy more career advancement opportunities, with increased flexibility to pursue career enhancement development assignments.

They may also take part in a newly created leadership development program for high-performing employees. To enhance our diversity and inclusion efforts, the FDIC has also engaged an independent consultant to identify any remaining barriers that may exist for career advancements by minorities, women, and persons with disabilities.

Our recruiting and retention efforts have already produced results, and new initiatives in these areas will further strengthen diversity. While we have made progress, we know that our efforts are far from complete.

We remain committed to establishing a diverse workforce and an inclusive work environment, both at the agency and across the financial services industry. Having a workplace that is diverse, inclusive, and accessible to everyone helps us effectively respond to the needs of those who participate in the financial system. Because we are responsible for ensuring that our supervised banks comply with federal consumer protection, anti-discrimination, and community and reinvestment loss, the FDIC has a responsibility to lead by example.

Our credibility as a regulator depends on it. Today, we absolutely should celebrate that a record number of U.S. households have a bank account. The next step is ensuring that those households have a path to build wealth.

With a diverse and inclusive workforce, the FDIC is better prepared to work with you to create these opportunities. Thank you for being our partners on this journey.

MR. MILLER: Thank you very much,

Nikita, appreciate it. Betty is back with us by phone, so she'll direct Shannon on the slides. Thanks. Welcome back, Betty.

MS. RUDOLPH: Thank you, Jonathan. I'm sorry about that, Committee members. I think I was talking about the second slide, which was our statutory goals. Actually, I think I went beyond that, and I was talking about some of our key program initiatives that support those five statutory goals. On Slide 3, the first item there is representation. And so we've tried to make an effort to increase the voices of minority and community development bankers at the table. And so we've added a new MDI subcommittee to our Advisory Committee on Community Banking.

It has nine executives of MDIs from across the country, of all types of MDIs and different sizes and business models. And Chairman McWilliams also added a number of representatives to our community bank advisory committee. Of the 18 slots, three are filled by minority bankers, which is more than proportionate to their role in the economy. And I think that's based on the important role that these banks play in the financial system.

The second bullet there is research. Last year, we completed a fairly comprehensive research study that looked at the structure, performance, and social impact of minority depository institutions. I think Kevin, in the last panel, cited a couple of statistics from that study. Overall, it showed that MDIs consolidated similar to what we saw in the banking industry overall, that MDI financial performance had improved over five years, and that these institutions play an outsized role in their social impact, in terms of serving low and moderate income communities and minority communities.

In terms of policy, we have two initiatives that we've undertaken recently. In August, our board of directors approved an update to our statement of policy regarding minority depository institutions, which bolstered the policy statement that we've had since 1990. And it's out for public comment right now, until November 24th.

We also changed some policy in terms of when we have a failing MDI, we market it nationwide to all eligible MDIs. And we added an exclusive two-week window at the beginning of that process just for MDIs to do their due diligence to get some technical assistance and better understand the bidding process. There's only been one MDI that failed since we implemented that process, and the winning bidder was another minority depository institution.

In terms of advocacy, we've done quite a bit on -- our chairman has recorded numerous podcasts, videos, and messages about the importance of minority and community development banks. And we've also recorded some videos trying to tell the stories of individual banks to elevate their role and awareness in the general population about the role they play.

Last year, in terms of partnerships,

we brought together about 30 large bank CEOs and about 25 MDI CEOs to explore partnerships that might provide CRA credit for the larger institution for various financial support, loan participations, and technical assistance activities.

We had some successes with that, but we feel that there's a need to build on that in a much more robust way. And so I'm going to talk about, the remaining minutes that I have, two of those initiatives, a resource guide that we just published last Friday and an investment fund that the FDIC is facilitating.

If you could move to the next slide, Shannon. The resource guide is -- really talks about the role that FDIC-insured MDIs and CDFIs play in the economy, and it talks about the business case for supporting these institutions. And then it outlines several ways that private companies can partner with these institutions. And this came about over the summer, when numerous large banks and private companies made commitments in the billions of dollars, in particular, over the past eight weeks.

We wanted to find a way to help them understand that there are other ways, other than deposits, for supporting these institutions. So you can find that on our website, Shannon, if you click to the next -- Slide No. 5, it's under the fdic.gov/mdi.

This next slide, Slide 6, just shows an outline of the guide. I won't get into a lot of detail on that, except to mention that one of the attachments really goes through all of these commitments that have been made. It's fairly substantial over the -- we just selected some of them, but it's very substantial.

The other feature, moving on to Slide 7, is that we collected some impact stories. These are individual banks and stories about the way they're changing their communities through their work. And so Slide 7 just shows an example of one, M&F Bank out of Durham, North Carolina. Moving on to Slide 8, we also published a CDFI and MDI bank locator. It's an interactive mapping system where you can look up the headquarters or branches of any MDI or CDFI -- any of the FDIC-insured MDIs or CDFIs in the country. So it's a good way to understand where they are.

There's a link, moving on to Slide 9, that shows, for example, if you clicked on First Independence Bank in Detroit, it will tell you it's a CDFI, an MDI. And if you scroll down in that little box, there's a link to every bank website for all MDIs and CDFIs.

Moving on to Slide 10, Chairman McWilliams gave a speech at the end of August talking about creating a financial system of inclusion and belonging.

And an important part of that speech was a concept that she outlined for creating a framework where we could channel many of these substantial commitments, financial commitments, made by private companies to minority and low and moderate income communities through MDIs and

CDFIs. So she mentioned the concept in this speech in August, and then just yesterday the FDIC released what I'll call a strategic roadmap -- we call it an infographic -- of what this fund could look like. It's called the Mission-Driven Fund, investing in banks that support communities in need. So this is for FDIC-insured MDIs and CDFIs that play an essential role in serving low and moderate income communities.

The first part of the graphic just talks about the role these banks play in their communities. So on the left-hand side, there are about 250 FDIC-insured MDIs and CDFIs. Moving over to the right, they originate a greater percentage of their mortgage portfolios to borrowers in LMI communities and non-MDIs.

CDFI banks deliver 60 percent of their services in LMI communities, and MDI small business loan portfolios include a larger percentage of small business loans than non-MDIs.

So moving down to how investment could help mission-driven banks and the communities they serve, we just pointed out here -- I know that nobody on this call, on this Committee, needs any real explanation for the fact that we want to raise additional capital to support additional lending in communities these banks serve to weather the effects of economic downturns, attract additional technical expertise to grow their operations and expand their services, and to acquire, deploy, and maintain technology, and also to build capacity and scale to achieve cost efficiency. Those are well known, I know, to this community.

We'll move down a little further in the graphic and talk about the roadmap for this Mission-Driven Fund. It starts with the FDIC establishing a framework for the fund. I think it's very important to point out that the FDIC will not actually be a fund investor.

The investors will be, as I mentioned, some of these large corporations, philanthropic organizations, it could include other financial institutions and others invest in the fund. Then the fund will receive investment pitches from banks.

So MDI and CDFI banks would be invited to come forward. The investment committee would meet quarterly to receive any proposals from these banks for how they would use investment funds. And we would have an independent fund manager and investment committee that would be making those investment decisions. Some of those investment opportunities could include direct equity investments, structured transactions, funding commitments, and loss-share arrangements. I wanted to highlight, again, FDIC would not play a role in fund management or individual investment decisions.

The fund would be set to have a very minimal rate of return to investors. Many of these investors that we've talked to are looking for a minimal rate of return. They want to preserve their principal. They're not looking for market rates of return.

Then finally, in turn, the MDIs and

CDFIs are going to use these investments to help their communities through additional lending and mortgages, small business development, community development, et cetera.

Finally, the fund, we would have transparency and accountability through annual reporting to investors and the FDIC, including the impact that these investments have had on the community. And we would continue to provide some technical assistance and monitor the fund just to maintain its mission-driven focus. At the end of the graphic, we just have an illustration of the multiplier effect on equity capital. Many of the investors that we've talked to are treasurers of large companies that are not bankers, so they really want to see a multiplier effect. Initially, many of them thought we can just make a deposit.

And this really shows that deposits, while they're useful, are one for one, whereas equity capital can be multiplied in some cases up to ten times. Then at the conclusion of the graphic, it's just for more information, the FDIC has a mailbox, missiondrivenfund@fdic.gov. I'm going to pause there and see if folks -- I'm going to turn it back over to you, Jonathan.

MR. MILLER: Thank you, Betty. Thank you, Nikita. Two terrific presentations. Does anybody have any -- Alden.

MEMBER MCDONALD: Thank you very much.

MR. MILLER: You're good now.

MEMBER MCDONALD: I'm good now, thank you. I wanted to take this opportunity, as an MDI, to congratulate Chairman McWilliams and Betty Rudolph for their work in -- for MDIs, for supporting MDIs. All of the information in Betty's presentation is real stuff that has given immediate relief, immediate returns, and is making all MDI banks much stronger. I'll give you just one example. Our bank grew significantly during the Black Lives Matter, which then reduced our capital to asset ratio.

Because of the work that the FDIC is in the process of doing, we were fortunate to get additional capital, which is going to put us back in compliance. But more importantly than that, the additional deposits that we received with the support of the FDIC and others is allowing us to do another $100 million in mortgage lending.

So the multiplier effect that Betty mentioned is very real, and we all should see some significant growth in our communities with this program. Hats off, again, Chairman McWilliams and Betty Rudolph for the work that you've done. On behalf of all of the MDIs, I say thank you.

MR. MILLER: Thank you very much, Alden. Naomi, do I see your hand up, or is that from earlier?

MEMBER CAMPER: No, that's from earlier.

MR. MILLER: Okay. Listen, I want to thank, again, all the members of the Committee. Are there any other questions? I don't see any other questions, so let me turn the meeting back over to the Chairman.

CHAIRMAN MCWILLIAMS: Thank you, Jonathan. This is usually when we serve some food, so I think, I don't know, you failed. I'm hungry. Thank you all so much. It's been a wonderful discussion and a much needed discussion, frankly, at these times.

We will continue to meet and consider these issues, as I believe they're only going to become more pressing the further the pandemic stretches into the future.

Some of the communities that we have been discussing today are going to be even harder hit in the months to come, unless we are able to actually restart our economy. Thank you all for your time. Thank you for your dedication.

Thank you, most of all, for being so passionate about these issues and sharing that passion and your expertise with the FDIC. Marty, I would love it if you would just give us the closing words.

DIRECTOR GRUENBERG: I don't know that I have any, Jelena, just to thank this remarkable group for their willingness to invest the time and effort to give us the benefit of their thoughts. They have given us enormous value over a number of years.

I think they've made a real impact. I just really want to thank them, particularly during this time, for their participation. These are difficult days, so it's nice to see some friendly faces, I have to say. Thank you all, and hope to see you again next time.

MR. MILLER: Thank you all very much, and we'll be in touch about next year's meetings. Thank you. Bye-bye, now.

CHAIRMAN MCWILLIAMS: Thank you, Jonathan, as well, and the team. Bye-bye.

DIRECTOR GRUENBERG: Thank you, bye-bye.

(Whereupon, the above-entitled matter went off the record at 5:11 p.m.)

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C E R T I F I C A T E

This is to certify that the foregoing transcript

In the matter of: Meeting of the Advisory Committee on Economic Inclusion

Before: FDIC

Date: 10-22-20

Place: teleconference

was duly recorded and accurately transcribed under my direction; further, that said transcript is a true and accurate record of the proceedings.

[redacted]

Court Reporter