FEDERAL DEPOSIT INSURANCE CORPORATION

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ADVISORY COMMITTEE ON ECONOMIC INCLUSION

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MEETING

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THURSDAY,

APRIL 27, 2017

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The Advisory committee convened at 9:00 a.m. in the Federal Deposit Insurance Corporation Board Room, 550 17th Street, N.W., Room 6010, Washington, D.C., Martin J. Gruenberg, Chairman, presiding.

PRESENT:

MARTIN J. GRUENBERG, Chairman, FDIC
ROBERT ANNIBALE, Citi
MICHAEL BARR, University of Michigan Law School
JANIE BARRERA, LiftFund
TED BECK, National Endowment for Financial Education
KELVIN BOSTON, Boston Media, Inc.
JOSE CISNEROS, City and County of San Francisco
MARTIN EAKES, Self-Help Credit Union
REV. DR. FLOYD FLAKE, The Greater Allen A.M.E. Cathedral of New York

ESTER R. FUCHS, Columbia University School of International and Public Affairs

ANDREA LEVERE, Corporation for Enterprise Development

PATRICIA McCOY, Boston College Law School

ALDEN J. McDONALD, JR., Liberty Bank and Trust Company

BRUCE MURPHY, KeyBank

MANUEL OROZCO, Institute for Inter-American Dialogue

JOHN W. RYAN, Conference of State Bank Supervisors

PHILLIP L. SWAGEL, University of Maryland, School of Public Policy

JOHN C. WEICHER, Hudson Institute

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

9:07 a.m.

CHAIRMAN GRUENBERG: Good morning, everybody.

If I could call our meeting to order, let me begin by thanking you all for being here and welcoming you.

I think we had a good day yesterday with the Economic Conclusion Summit. I thought it, hopefully, pulled together the thinking and a lot of the work that has gone on in this area over the last several years. I think we will have an opportunity this morning to talk a little bit more about that.

If I may, what I would particularly welcome from you is in some sense your thoughts on, well, now what do we do? You know, we've done a lot of good work in this area. I think we reviewed a lot of it yesterday. And there's a lot of ongoing work to be done, building off of what we have been working on, but in some sense getting from you any thoughts on future strategic directions.

In many ways this Committee really has, fair to say, driven our work in a very constructive and helpful way and productive way. And your thoughts on where we should head in the future. Assuming we're going to carry forward what we've been doing, are there other things we should be thinking about, other directions we should consider? I mean, we thought it would be particularly helpful and, in light of the discussion yesterday, I think appropriate. So, I just thought I would provide that for you. That will be the first panel discussion this morning.

The second panel, which I think will be an interesting one, FDIC staff will share results from new FDIC research. That should give us deeper insight into how to better measure neighborhood access to bank branches.

Our household surveys indicated that about 28 percent of consumers with bank accounts continue to use branches as their primary way to access their accounts. For lower-income households and elderly households the reliance on bank branches is even greater.

So, being able accurately to access the neighborhood's access to bank branches will allow both banks and the public to better target resources to promote access to service. So, I think it is an interesting piece of work and useful thinking, again, strategically of how we can use branches to better improve access to service.

After lunch, the FDIC Community Affairs staff will discuss a number of regional collaborations that have promoted financial education, financial capability with youth, and access to banking services.

One of the big things of yesterday's discussion was local partnerships and building off of local partnerships as a vehicle for expanding access, and thought by describing some of the local work we have done might be useful for that discussion.

And the final panel of the day will

focus on the FDIC's Affordable Mortgage Lending Guide and Online Center. The FDIC developed a three-part series that identifies key resources for community banks and housing organizations for information about affordable mortgage products and programs. The panel will also highlight the website we have developed to disseminate this information. And I think this farther response and utilization of this has in some measure even exceeded our expectations. So, we thought this would be a useful area for discussion as well.

I think we have got a good day planned. I would remind everybody that this meeting is being webcast live and recorded for future viewing. So, we are not alone here.

(Laughter.)

Perhaps keep that in mind. But I think we have a good program for the day.

If I may, let me turn it over to Jon from here.

MR. MILLER: Thank you. Thank you, Mr. Chairman.

Good morning, and good morning, members of the Committee.

I want to just start by thanking those of you who were able to be here yesterday at our Economic Inclusion Summit and who played a role. It was very gratifying to see the Committee's work highlighted so well, and I appreciate your efforts.

So, as the Chairman mentioned in his opening remarks, this panel is going to be to sort of chew over, if you will, the many presentations we heard yesterday at the Economic Inclusion Summit.

For those of you who were not able to be here, we put a packet of the material that we handed yesterday at your places. It has been my experience that it takes some time when you're confronted with so much new information to digest it, and we wanted to start that process now while we have the benefit of the Committee with us today.

So, the way I thought we would proceed

this morning is get a five-to-eight-minute summary of each of the panels, including the lunchtime speaker, and then, open the floor to the general discussion. The summaries will be presented by the moderator of the panel if one of the Committee members was the moderator or one of the fine staff we have sitting here with me if we used an outside moderator. The bios for the staff are in your materials. Let me just say it's a sharp group of people and dedicated group of people.

(Laughter.)

I contend with them every day.

(Laughter.)

So, with that, Michael, let me turn it over to you to start the summaries, and we'll do it in the order that the panel is presented, which is a little bit different than we're laying out here. So, I'll cue you.

MEMBER BARR: Thanks, Jonathan.

So, I am going to, I guess, summarize myself and, then, summarize the other panels in quick order.

Our panel is really looking at the role of research, broadly speaking, in designing new ways to help low- and moderate-income communities. I opened the conversation by talking about the research that has been done on the vulnerability of communities, particularly in the wake of the financial crisis, but also given long-term changes in the structure of work and employment that mean that many households are facing a good deal of income volatility and also expense volatility. And that was brought out later in the panel as well.

Then, I suggested four areas that we might spend some time working on together, and I invented the four P's of products, focusing on looking at ways of developing along the lines that this Committee has been really quite focused on, safe and affordable products, but with a renewed emphasis on trying to generate some slack, some financial cushion for low-income households to weather income and expense volatility.

The second area that many people are already working on is partnerships with local organizations to try to deal with the range of problems that low- and moderate-income families have.

The third is consumer protection, and I highlighted the importance of keeping a strong and robust consumer financial protection agency as part of that package of protection, to make sure that we don't expose low-income families and middle-income families to abuse in the marketplace.

And lastly, on policy there's lots of new areas to work in, and I focused particularly on the big problem of consumer autonomy and giving consumers better ownership of their financial data and giving them a better ability to have control over that data, to port that data to other financial institutions, and to generate more competition in the marketplace for banking products, which should help drive down contingency fees and improve service, so that people are not metaphorically being bloodied and punched in the nose.

So, the other panelists did a terrific job using three different research approaches to tell us more about the state of low- and moderate-income and middle-income families in the United States with respect to their financial services.

Keith Ernst from the FDIC, whom you all know extremely well, at this point presented data from the FDIC's unbanked and underbanked survey to start out. The really striking thing from Keith's presentation of that data was the extent of variation in banking status and outcomes based on geography, educational status, and income. And the wide variation suggests that we're not going to have one strategy that is going to be uniformly helpful to everybody.

Keith also explained the findings from the mobile financial services research that this Committee has heard about before, with a particular focus on the ways in which mobile financial services might overcome some of the key gaps that non-mobile services provide. So, things like safety and convenience and cost that have been the subject of many of our conversations together here.

The next speaker was Fiona Greig. Fiona is the Research Director at the JPMorgan Chase Institute, which is an independent research part of JPMorgan Chase that has been doing work with data from 35 million account-holders at JPMorgan Chase.

And Fiona's work emphasized, in particular, income and expense volatility. And the findings are really quite, again, striking. These are customers who are banked, customers who are middle-income predominantly, customers who have quite an extensive range of relationships with JPMorgan Chase. So, they are not customers who are tangentially connected to the banking system. They are really quite in the wheelhouse of banks. And they are suffering enormous amounts of income expense volatility, and they do not have the savings cushion required to match their income and expense flows in an easy way.

And you can see in the data big spikes for medical expenses, big spikes for auto repair, big spikes for tax payments, and potentially shifting of expenses like medical expenses into periods in which there's higher income, suggesting that people may be either delaying medical services or at least delaying medical payment because of a lack of a cushion.

And then, our last speaker on the panel was Rachel Schneider, who is at the Center for Financial Services Innovation, CFSI, and they had been studying with Jonathan Morduch in NYU low- and moderate-income families through different techniques. We have survey methodology in the first one. Our second one, Fiona's work, is really administrative banking data. And Rachel's product with Jonathan is in-depth household sociological studies in financial diaries, trying to record the activity on a regular basis of these families. They've just published a terrific book on this set of findings.

Really what the sociological study is able to show in detail is the extent of juggling going on in low- and moderate-income families, given their income and expense volatility. And there's extraordinarily complicated financial management going in these families. It is really quite striking how hard it is for them to keep things going, to juggle debt, to juggle expenses, to add extra job after extra job to try to make the income add up to the level of expense they have, and it is a brutally difficult task for them that is taxing, from the survey, from the sociological studies, taxing to them economically and emotionally. So, a huge amount of stress.

It was, I thought, a really interesting, myself excluded -- an interesting and fun panel. I learned a lot, and I think it will help the Committee think through in a much higher level of detail the range of financial services that might be necessary to help families meet that stressful environment.

MR. MILLER: Great. Thank you. Thank you, Michael.

The second panel was on safe banking products, and Patience Singleton, an Acting Chief in our Policy Branch, will summarize that.

MS. SINGLETON: Good morning.

As Jonathan indicated, I am going to give you a summary of the second panel. It focused on safety banking products. It was moderated by Denise Belser of the National League of Cities. It focused on the best practices regarding the design and delivery of products that work for customers, communities, and institutions.

The panelists discussed innovative solutions to address problems facing underserved populations and individuals, solutions involving traditional financial literacy, coaching, creative partnerships, and the use of technology as ways to increase financial services access and financial stability.

The first panelist on the panel was Rani Boukerrou. And I'm not sure if that's the right pronunciation. He's with KeyBank. His presentation centered on how the banks' efforts to meet the needs of consumers actually transformed the culture of the bank and how the bank is now focused on the financial well-being of all of its customers on a holistic approach, including the underserved.

He mentioned sort of the four C's, right? And the four C's for Rani were cash, convenience, credit, and coaching. They were the primary needs of banking clients identified by KeyBank, and he described the Bank's efforts to reach underbanked clients in each of these areas.

So, I'll just quickly go through some of the products and, then, mainly talk about their Financial Wellness Program. But they have a KeyBank Plus Program. As you know, it allows non-customers to cash checks at the institution. KeyBank has a Hassle-Free account, and that is sort of a deposit account with no monthly fees, no minimum balance, no overdraft fees, and it's sort of a free debit card.

And the other product was a Key Basic Credit Line, and that is an unsecured revolving credit line which provides instant access to funds. The credit limits were $200 to $5,000, and the charged fees with APRs of sort of 17 percent to 24 percent, and the actual trade lines were reported to the credit bureaus.

I think that's sort of the most innovative and the most interesting part of his discussion, at least from my perspective, was their Financial Wellness Program. And it's sort of KeyBank's approach to focusing on the financial wellness of all of its customers.

Rani indicated, and I think it's sort of a theme that I sort of saw through the entire presentation of the panelists, was that access isn't sort of sufficient to secure economic security and stability for a lot of underserved individuals or consumers in general; and that they have a program that's intended to increase a customer's confidence and to bring greater peace of mind to all consumers.

The Financial Wellbeing Program includes as a key component of it utilizing this platform HelloWallet. And that's an application that uses insights into customers' behavior to provide individual guidance which allows the customer to control finances by sort of setting their goals and monitoring their progress based on an app. It's a no-cost service provided to the customers.

And basically, customers answer questions on the app that help them develop a financial wellness score, and it's a score from 1 to 100 based on eight categories, such as how much you're saving, how much you spend, you know, your loan and credit card balances, whether or not you have insurance coverage and the amount. So, based on that key information, the app provides recommendations and provides helpful reminders and meaningful tips.

He had indicated, based on some research, oftentimes when you're sort of dealing face to face, a lot of I guess individuals, they don't want to really to tell you what their real financial state is. And the app allows people to have some anonymity in doing it and being free to put in their real information regarding their current status.

The second panelist was Margaret Libby from MyPath. MyPath is a national nonprofit focused on paving economic pathways for low-income youth and it's headquartered in San Francisco.

Margaret's presentation focused on the organization's initiatives to help youth transform and utilize their very first paychecks to help place them on the road to financial stability and mobility. They mainly focus on individuals that are 16 to 24 years old who are employed, but they live in these financial deserts. And by that, those are places where there are not a lot of opportunities for them to learn to manage their finances or to really have access to some mainstream financial services.

The products that they use are built around the needs of the youth based on research and various discussions. MyPath's philosophy is that you need to really start early with youth, obviously, and to position them on a path where they could, obviously, be able to meet their financial needs.

They've found that, under traditional financial education programs, individuals weren't necessarily maintaining -- you know, a lot of programs were you give them a program where you cash your check and you provide some financial literacy, but it was not sustainable.

So, under their model, they embed goals and incentives in the program. First, the youth are provided with quality financial products and, then, they combine that with a financial education component that is also a financial and personal goal and savings component. And that helps the individuals lead to financial empowerment and mobility.

Similar to what KeyBank does, there is also a MyPath technology or sort of app that they use to help the youth. They set goals. They monitor their spending. And by goals, it is something that is sort of concrete. You're going to save for the prom or you're going to save for college. So, you have that in mind and you sort of monitor your spending, and there is sort of an expense tracker that's involved with that.

Another component is the partnership. He indicated that partnerships are extremely important to the success for the program. The model involves local youth employment programs, the MyPath program being the center of a lot of this, and various financial institutions, banks, and they indicated they are working closely with self-help. So far, 8,000 low-income worker youth have received banking accounts, savings, and they're on the path of building credit.

The last panelist was David Johnson of BankPlus, and that's a bank in Mississippi. He discussed BankPlus' small dollar loan alternative to payday lending that they developed in 2008 to help the underbanked and underserved individuals in Mississippi sort of break the payday lending cycle and to start a savings plan. He indicated that it's a huge problem. Payday lenders are basically on every corner, not every corner, maybe two on every corner. In the State I think there are like a thousand outlets in the State, more than McDonald's in the State. So, there was a definite need that they needed to address.

So, they sort of created a small-dollar, short-term, partially-secured loan product, and it was designed to help individuals sort of break the cycle. They are able to sort of charge 5 percent for this loan product. People were like, wow, that's very interesting and very helpful.

Over the past I guess eight or nine years now, they indicated that there were some initial issues with the program regarding people who would get the loan and kind of sort of walk away and not pay it. So now, they have sort of three different loan products. There is a credit-builder, which is fully secured by a BankPlus savings account for persons with credit scores I think under 500. Again, it is to address the higher default rates.

And then, there are more sort of traditional products or the Credit Plus loans that I mentioned. And these are loans that are either $500 or $1,000, requiring higher credit scores. The loan amount is split between the BankPlus checking and savings account, and the amount in the savings account is placed on hold until the loan is paid in full. These loans are generally 12 months to 24 months.

They talked about there's a financial literacy component. You have to attend a class. And then, there's the secured checking and savings account. The requirements for obtaining a loan are sort of a mandatory attendance at the financial literacy seminar. You receive a certificate for your completion of the program, and you have to show six months verifiable information. So, those are the requirements.

And the program has been fairly successful. So far, there have been sort of almost 27,000 loans originated, totaling almost $20 million.

So, the key -- I'm winding down -- the key takeaways from this particular panel, I think, there are a number of them. Again, access is not enough. You need access plus solutions for longer-term financial stability and well-being. People need to be able to set goals and know how to engage and build financial capabilities.

The ultimate goal of bringing people into the economic mainstream is to get consumers to control their finances, that ultimately lead to financial stability, security, and mobility. And this was sort of based on, I guess KeyBank based a lot of their focus on research showing that, for people I think between 30 and 60, that financial security was their top concern. So, just can't give someone a bank account. You really have to understand holistically what their financial concerns are and help them meet their goals.

Again, as I indicated, sort of giving check-cashing -- cashing a check for a younger American who is just getting a first account isn't sufficient. You've got to provide wraparound service for them as well, and understanding that one's finances and savings are critically important to stability and their financial security.

Another sort of take away from the presentation was sort of building products around needs. You know, use research; use input from the public on the needs of clients to help shape products and services. KeyBank did that very well with respect to their sort of low- or no-cost bank account. They showed that fees were a primary determinant on what bank or bank account you select. And they obviously wanted to make sure that that wasn't a barrier for individuals hoping to select KeyBank.

Again, MyPath showed that helping low-income individuals required a lot more work and a comprehensive approach beyond just cashing the checks and giving them a one-time financial literacy course.

With respect to BankPlus, they obviously identified a problem plaguing communities in Mississippi, right, the proliferation of the payday lending funds, and what they could do to address the concerns.

A third, I guess, takeaway is that technology. Technology can be an important means of helping consumers set goals, control their finances. While it's really not a silver bullet, it is something that we need to embrace, and it's been fairly successful so far with these particular programs.

And so, another takeaway is customers want to control their finances, and that's sort of connected to some of the earlier points. But banks and their partners can be at the forefront of efforts by providing innovative products and services, utilizing sort of technology and coaching to help individuals control it.

I think the last takeaway I'll mention -- there are a couple of more -- but be willing, when you create a program, be willing to adjust the program, right? Expand its focus, if that's what it takes. Be prepared to identify what problems are, where there are some areas where there can be improvement, and address them.

I think BankPlus did that very well with respect to its secured loan. They initially said there are a lot of people coming in, because, basically, all you had to do is take a course and they give you $250. So, people would come, take the course, and leave. So, they had a very high default, but they have adjusted and they have sort of set up two-tier types of credit or loan products, one that's completely secured and one that's partially secured.

So, those are some of the takeaways. Obviously, as we move forward and address these issues, these are some of the concerns and issues that we will need to consider and address.

Thank you.

MR. MILLER: Thank you.

I'm just going to add two things on that, numbers that jumped out at me during the presentation. One, for Ms. Libby, 50 percent of the participants in the youth employment project had used check cashers prior to the program, and only 1 percent after participation in the program. I thought that was worth mentioning.

And I think the other thing worth -- Patience said short-term; really 12 months to 24 months, and not short-term in the sense that we come to think of in terms of the BankPlus product, that we come to think of the payday lending.

The third panel, David Friedman, a Policy Analyst in our policy shop, will talk about the Economic Inclusion Partnerships panel.

MR. FRIEDMAN: Thanks, Jonathan.

So, as Jonathan mentioned, the third

panel of the day focused on Economic Inclusion Partnerships that connect financial knowledge and financial services with workforce education, health, economic mobility, and other opportunities. The panel was moderated by Jonathan Mintz, who is President and CEO of the Cities for Financial Empowerment Fund, and featured perspectives of panelists representing local, state, and federal government as well as banks.

So, Jonathan Mintz kicked off the panel by noting that the success of economic inclusion work depends fundamentally upon the vibrancy of partnerships, and he noted CFE funds work with the FDIC to promote access to safe banking products as a prime example of that.

The discussion overall focused on lessons learned about the art of partnerships, best practices, and factors that go into partnering with different sectors.

So, Mary Dupont, Director of Financial Empowerment for the Delaware Department of Health and Social Services, described the unique role that government can play in reaching communities to expand personal financial well-being. She described Delaware's Stand By Me Statewide Financial Empowerment Program which is focused on financial coaching as well as access to products and services. And she discussed Delaware's multisector public/private systems change approach to financial inclusion that leverages the support of employers, state agencies, K-to-12 educators, nonprofits, and higher education institutions.

The next speaker was Tina Lentz, who is the Executive Administrator of the Advocacy and Empowerment Division of the Department of Community Services for Louisville metro government. So, she noted, among other things, the connection between household financial stability and neighborhood economic stability. So, their work on financial empowerment and economic inclusion in Louisville is a combined effort between the Community Services Division as well as the Economic Development Department. And she noted that their philosophy is that, by moving households to mainstream banking, the city could demonstrate to investors that economic development investments would pay off. So, that's sort of how they approached that dual agency structure in Louisville.

And both Mary and Tina shared charts outlining some of the webs of partnerships and really showed the interconnectivity of partnerships developing in this area to promote economic inclusion.

The next two speakers, Greg Housel of the FDIC and Jackie Loya-Torres of Commerce Bancshares, described some work that they're doing in Kansas City to build economic inclusion partnerships to address family stabilization, financial education, and economic mobility with the goal of banking the unbanked.

They discussed the work of their Alliance for Economic Inclusion and the Money Smart KC Program, emphasizing that their work included partners across sectors: financial institutions; nonprofits; government; churches; schools; employers, particularly human resources directors, and re-entry programs, among others.

And they described the very collaborative effort involving 131 partners to create a resource database to really connect people to the range of services that are happening across sectors in Kansas City and to forge new partnerships.

After sort of describing their programmatic work and partnerships, panelists noted some of the key lessons learned and some of the best practices that they ascertained over the years.

So, first and foremost, panelists noted that partnerships are really the key way to reach new populations to provide economic inclusion services. Finding trusted organizations who are already working with a population that they are trying to serve is really the best practice and the easiest way to provide economic inclusion services to a range of populations.

Second, for partnerships to work, there really has to be a common thread that has to resonate with stakeholders, strategic goals. So, fundamentally, successful partnerships have to present a win/win for both organizations. And we heard about a range of examples from Delaware's Stand By Me partnership with Head Start, where Head Start Childcare Centers can actually get extra points on their quality and community services ratings if they offer financial coaching and financial education both to the community as well as to their own employees.

We also heard about a number of connections to housing programs in Louisville, where the Housing Authority is working with Credit Builders Alliance to report rental payments, and in Delaware where the Department of Housing works with Stand By Me to get folks sort of ready for homeownership counseling and homeownership.

The third lesson that I took away from the panel was that partnerships aren't one-size-fits-all and that partnering with government, with the private sector, with community-based organizations, and with banks, each have their own unique aspects to consider.

And fourth, as in all things, in partnerships communication is key and building relationships takes time. There is a metaphor to dating that was used that I think is apt to describe sort of partnership development.

Lastly, not all partnerships will worked as planned, and it is important to know when to end partnerships that are not working. This was not related to the dating metaphor, though perhaps could be.

(Laughter.)

And we heard, for example, about a partnership in Delaware where they were providing financial counseling in a supermarket to supermarket employees, and there were challenges with getting employees to be able to step away from their job to have financial counseling during their work shift.

So, on the theme of ending things, I will conclude my remarks there.

(Laughter.)

MR. MILLER: What was notable about the Delaware example is it was a family-owned grocery store. The owners were fully supportive of the group coming in to do the counseling, but the managers of the grocery and the lower-level supervisors still had to manage the workforce and make sure the work got done. And so, there just wasn't time for the program to work as designed. So, it was sort of a lesson of how you have to sell down as well as up.

We, then, heard from Maurice Jones, who is the relatively new CEO of LISC, the Local Initiatives Support Corporation, one of the premiere nonprofit housing and community development groups in the country.

He started his discussion at lunchtime

by referring, actually, to our 2013 household survey, and he focused on some of the findings there about the impact of job loss or reduction in income on pushing people out of the banking system, the importance of getting a job in terms of getting people back into the banking system, and the finding that one of the primary reasons people say they don't go into the banking system or don't have a bank account is they don't have enough money to get an account.

And his conclusion was we need to help, or LISC's conclusion was that they need to help individuals improve their incomes and get jobs, and that that was a key to getting into the banking mainstream. He talked about the people that they work with are generally poorly educated; often not even high school diplomas, poor literacy, not just financial literacy, literacy; poor numeracy, and that the solution really demands a multidisciplinary approach.

So, they have created what they call their Financial Opportunity Centers, FOCs. They have about 80 around the country. And they provide three services at these Financial Opportunity Centers.

One, financial coaching. So, they do individual budgets with people. They try help the people get a handle on their debts, and they work on obtaining a credit score if they have none, growing a credit score if they have none, or improving one if it's poor.

So, one, financial coaching. Two, they connect individuals with benefits they're entitled to. So, there might be childcare benefits they've left on the table, EITC, housing subsidies, et cetera.

And the third service is workforce development skills and, then, job search and placement. And they described this as very, Maurice described this as very intense customized work focused on specific jobs. So, not just we're going to train you to be a medical technician. We're going to train you to get this job in this medical technician practice. We are going to train you to get this computer coding job. This is the company that is hiring.

And they try to do it in weeks or months, he said, not years. And he said the results were good if they could get people to take up at least two of those three services. That was really the key, and the results were good and they're still working on it. They are seeing improving credit scores, increased employment, increases in net worth.

The key, he said, and working nicely with the panel that came before it, the key is finding good local partners because it is a very high-touch approach. So, it is not something that can be mailed in.

Janie can say it; they are looking for an Executive Director. Let me know if anybody knows a good person.

(Laughter.)

The fourth panel -- I'm sorry, I'm losing track here -- the fourth panel, sustaining customer relationships.

Laura Lawrence. Thank you. Sorry, I lost track.

MS. LAWRENCE: That's okay. It gave me a minute to put the microphone down.

I had the pleasure of talking about or I have the pleasure of talking about sustaining customer relationships. And you're going to hear some of the same themes that you've heard earlier, which really tied together the whole meeting.

The moderator was Daniel Dodd-Ramirez, the Assistant Director of the Office of Financial Empowerment, Consumer Financial Protection Bureau. And the panelists were Katy Davis, Managing Director of Ideas42; Leigh Phillips, CEO of EARN, and, then, Janet Gordon stepped in at the last moment because Mr. Ocanas was unable to make it. She is our Associate Director of Community Affairs at FDIC. And the disclaimer is I work for Janet.

(Laughter.)

She did a wonderful job.

So, my tweet in 140 characters or less for this session, two T's, trust and technology, technology mediated by humans. Listen to your customers; give them control, choices, and a voice in designing fintech. Context matters.

So, in many more characters, Daniel opened it up by reminding us what FDIC's research has shown about what some of the reasons are that people who were banked are now not banked. They believe they don't have enough money. Why bother with a bank? They also distrust banks, among other reasons.

So, what do they want? Faster access to funds, mobile services, and access to their account balances in real time, so it can affect their behavior.

So, why do they go to alternative service providers? They are more convenient. They are established providers in the community and they're welcomed as customers there.

Daniel, then, also kind of talked from his heart and reminded us through a personal experience that setting aside money for unexpected expenses is critical to low-income families, to be able to do that.

And the panelists gave us some insights. Katie talked about Ideas42, which takes behavioral insights and, then, uses those insights to design solutions to everyday issues. So, we could all have good intentions, but we may not realize how important the contextual features are in what we developed, and the context can change our behavior.

So, you have this delightful slide of a gym with steps going up to the gym and an escalator. And everybody was taking the escalator to go exercise at the gym. So, maybe someone didn't think about that design. Context matters.

Bank products can be designed well. They can have an impact not only on what we do, but how we act.

Then, Janet talked about how our community affairs team facilitates partnerships through Money Smart, which I'm sure you all know is our free financial education product that we have curriculums for all ages, and by our technical assistance that promotes partnerships. And I know later in the agenda today you'll be hearing from our community managers in the Regions.

She also reminded us of FDIC's five opportunities which reflect the progression for economic inclusion: financial education at the core, then opening insured bank deposits, credit and savings, affordable mortgages, and entrepreneurship.

Then, Leigh Phillips told us about EARN and reminded us half of the people in this country don't even have $400 or $500 to help them pay for an unexpected expense. And so, EARN's technology-based solution helps families save. They have this app. If you save $20 a month, EARN rewards you with $10 a month.

Low- to moderate-income individuals will save money. They can save money. We need to provide them with the tools and the knowledge to be able to save money.

And saving money is transformative. It provides people with lasting resilience, confidence not only in their financial knowledge, but in their lives as a whole. And it's very impactful. Just that $20 a month, she let us know, even saving that small amount makes a huge difference in the lives of low- to moderate-income individuals.

So, then, we went into the question period. Daniel asked some questions and, then, the audience did as well. And here are the main takeaways, at least that I heard from those questions, as well as the very thoughtful answers.

Customer insights are key into the design of products. Talk to your customers, but, hopefully, before they experience distress. Asking why someone does something might be too intrusive. So, ask what and how questions instead to get at what's going on.

The diversity of partnerships is also key. And if you're trying to reach people with limited English, I mean an obvious solution would be provide information in their language, but also think about using imagery, comics, videos, drawings, and other non-written ways of communicating information.

The needs of specific segments of society, such as low-to-moderate income, people with disabilities, whatever the segment, their needs are usually the same needs that everybody needs: actionable knowledge, transparent products that meet their needs, technology that works, but, most of all -- we're back to the two T's -- with trust. Reach your customers. Provide reliable customer service and make them feel valued as a customer.

Technology allows customers to take immediate action. We can just push the button. We love that, right? That's powerful. So, take advantage of customers' intention at that moment when they are ready to make a choice and take action.

But we were cautioned. Technology can allow things to operate much better, but it can also be a hassle. How many of us have, you know, screamed at our computers?

If it's complicated or if it is has glitches, people are going to be turned off and not go back to whatever you thought was a great technological solution. But everything doesn't have to be totally automated or totally manual. There is a happy medium. We need to find that happy medium. Use automation to get the attention of your customers, but, then, give them the control to make a choice and take that action.

We also need to find out what the role is of nonprofits in designing fintech and how we can support each other, and how the voices of low- to moderate-income individuals can be heard when these things are being designed.

Humans transcend technology. And they're not mutually-exclusive. We heard of an example in sending a letter to individuals who are delinquent on their loan payments. Just including the name of the loan officer, that person's loan officer, in an automated email increases the response, that personal touch.

And just as Patience said in the session that she summarized -- we also heard it again -- technology is a tool. It's not a silver bullet.

And then, we ended up on this, which really is a wonderful summary of the whole session: to sustain customer relationships, we need technology mediated by humans.

Thank you.

MR. MILLER: Thank you, Laura. Very helpful.

The next panel, we went from sustaining customer relationships to growing customer relationships, and Kelvin Boston was the moderator for that.

So, Kelvin, if you would give a summary?

MR. BOSTON: Sure. Again, our panel was focusing on how we can grow customer relationships among diverse consumers. We basically wanted to leave the audience, and particularly the financial institutions, just a couple of tips that they could take back to their institutions and begin to implement.

We were very fortunate on our panel to have a star with us. We know him as Alden McDonald.

(Laughter.)

We learned when he was growing up his nickname was Many Jobs.

(Laughter.)

I'm going to give my remarks, but I would like Alden, since he's here, to just share a couple of the things that you wanted people to take away yesterday, because I think a lot of us were really moved and we learned a lot from your comments. They were very helpful.

MEMBER McDONALD: Thank you, sir.

MR. BOSTON: But, on the other two

panelists, we had Lindsay Daniels from the National Council of La Raza. We shared her Report on Banking in Color, which was a joint research by the National Council of La Raza, the National Urban League, and the National Coalition for Asian-Pacific American Community Development.

And some of their findings I think are important for us to look at. They looked at financial access for low- and moderate-income communities. They found a couple of things that were important.

One, that U.S. citizenship status matters, but particularly for the immigrants and non-citizens and people who had limited English proficiency, and even young people, that sometimes they didn't feel welcome in the banks, and that that was an important issue that we should take into consideration.

Also, customer service and location matter for people of color when they are trying to access a bank. They look for banks that are close to them and banks that have an ATM close to their communities or in their communities.

Also, they found that people at low levels of income and education are more likely to go to their friends and family members for financial advice. And so, this creates an opportunity for us to think about we can begin to engage them more with our financial literacy programs.

The top five priorities that low- and moderate-income communities and their members look at when selecting a financial institution I thought was also revealing. Their study found that, again, distance or location of a bank to their home or workplace was very important to low- and moderate-income families.

They also looked at the number of branches or ATMs in a community was still important, and they looked at account fees and requirements for those fees that banks and other financial institutions required them to open an account.

Customer service was very important

and the ability, again, to communicate in the native language, whether it was Spanish or Asian, was also important when low- and moderate-income households were looking for a banking relationship.

One of the side things that came out that was very, I think, revealing to a lot of the people was the fact that we talk about building relationships with local banks. However, we don't talk about the fact that a lot of times there's a lot of high turnovers, particularly among tellers. And this became a drawback. So, somebody would build a relationship with a teller or somebody at the bank and, then, they would go back to the bank and, if the teller was not there, maybe they even went to another bank, a branch. But that also become a problem. So, I thought that was interesting.

We're also fortunate to have Jamie Armistead from Bank of the West there. He is a technologist. And it is very, very interesting that he talked about digital engagement and how

Bank of the West was able to actually increase the number of customers by having a very robust digital engagement program.

But, also, it was very surprising to find out that the branches and locations where African-Americans and Hispanics were had a higher usage of mobile banking. But, even more revealing, that they found is that, from their digital engagement, it actually increased more money. It was more profitable. Frankly, in his term, the digitally-engaged customers were more profitable for the banks than the other customers were not engaged digitally.

The digitally-engaged customers also had a lower customer attrition rate. Because they were using a mobile platform, they were harder to switch banks. Also, those people who were engaged digitally actually drove branch sales because they would come into the branch to open new services, and they had more services, more bank services, than their other services. As a result, now the bank is putting more resources into promoting everything and doing digital channels.

And some of the other takeaways were that taking time -- this is something else we learned from Alden -- that their bank was actually taking time to show their current customers how to use technologies inside their banks. And we thought that was just fascinating.

The other thing that Alden was doing that I hope he talks about was really just bringing home the point about how health and wealth and financial wellness are tied, so much so that they are talking about diabetes treatment inside of a bank, which I think was just so revealing.

The summaries and basic takeaway were the importance of trust, building long-term relationships, digital access, and reducing the barriers, so that more people of color would feel comfortable working with their banks.

Alden, would you like to say a few words?

MEMBER McDONALD: Yes, thanks, Kelvin.

I think the theme of the entire conference really focused very heavily on partnerships. In growing the business in our institution, we had to implement technology in order to have things to be cost-efficient, No. 1, and had to figure out how to do that. And to grow the business internally, we invested heavily into technology, heavily into partnership.

And the other piece that we found is that we have to help individuals deal with some of the other issues that they face in everyday life, and that's why we went to financial wellness as well as your personal wellness. So, we coupled the two and helped individuals to focus-in on their health as well as their financial wealth. We did that through the whole piece of diabetes because in the communities, for the most part, one out of every four individuals are affected by this medical issue.

So, we do things like publish recipes for eating healthy. And it is a way of communicating with the customer base on a regular basis and having them to open the communication piece.

So, we have focused-in on very heavily the whole digital engagement, and we found in this community the digital engagement works well. So, we are focusing on the health side as well as the financial side, and we mix the two, bring them both together, so we can get more collaboration and more pitch.

So, we have been dealing with the whole digital piece, digital marketing, social marketing for about three years now, and we are trying to find the right combination. To sort of give you an example, one press release we had, within three days we had over 15,000 hits on it. So, we know it is working, and that is how we are engaging to grow our business through the digital and social media with the population that we are dealing with.

MR. MILLER: Thank you, Alden.

Then, the final panel of the day was

the overview, was sort of a forward-looking panel: where do we go from here? And Mark led that panel.

MR. PEARCE: Sure. Thanks, Jonathan.

I had on my panel Bob Annibale and Andrea Levere and Bruce Murphy. And thinking about it last night, it was also impossible to summarize.

(Laughter.)

I talked to Jonathan about maybe letting us just roll the tape. He said we didn't have time on the agenda for that.

(Laughter.)

So, what I am going to try to do is just talk about some of the themes that came through the panel. Since we have the three panelists here, they can fill in any gaps that they really want to make sure that we get into the conversation.

You know, I would start with Andrea's comment about how trust was the most utilized word during the six panels or the five previous panels. And it was interesting, there were lots of different points related to trust that came out through our discussion.

We talked about a brand. We talked about how an institution has a personality. It's a set of values. It's a set of principles about how they do business, how they approach their communities. What do you want to be known for was a key theme.

So, we talked a little bit about Alden's bank and the focus on diabetes is that really is a connection to his bank's community and their customers.

Bruce talked a little bit about affordable housing and investments on long-term housing tax credits, and that some banks might be pulling back from that market, but not KeyBank because it is really part of who they are as an institution.

And we talked a little bit about trust didn't mean you have to be perfect, that you can make mistakes, but rectifying those mistakes is important to maintaining that trust in a community, sort of being willing to say, oh, this didn't work out in accordance to our values, right, in accordance to our approach to our community, and we can do better and we are going to fix it. That was, I thought, an interesting observation.

Bruce talked about how this is not a short-term proposition. It's a long-term, and stay the course. It is not something that you -- you may need to shift tactics, but your long-term strategy and your commitment to your customers and community and who you are as an institution is really the guiding principles. And those were some of the key elements related to trust.

Connecting some of that a little bit to partnerships, one of the things that came through was Andrea talked a little bit about making the business case and the mission case. And you've got to be able to do both of those, not just about what you're doing, but about what each of your partners is doing, how you make those connections. It really has to be something that's going to work and be sustainable for your organization, for your partner organizations, and for the consumers and communities that you're working in.

And so, even though there may be demographic changes or generational changes or technology changes, all these changes that are going on, it's finding that ability to find something that is sustainable and win/win/win/win/win all the way around, I thought was really interesting.

We talked about technology in lots of ways and data in lots of ways. And I think one of the things that I found interesting was sort of the connection between we have a lot more information and data now than we've ever had before, and how we take that data and, then, translate it into solutions that can be targeted for particular challenges in the marketplace. So, not just studying it, but putting it into practice.

We talked about technology. I am interested in Bob's discussion about interoperability, the ability to utilize technology to make things talk together. As we have more sets of partners and intersections in the larger world, having these services fit together in smoother ways with less friction is really important. Bob talked also about speed in payments as a key opportunity moving forward.

But, even as we talk about how we have a greater diversity of partners and a greater diversity of populations and needs, and we can tailor a lot of things, I found it just amazing that at the same time one of the themes that came through to me was that you're not necessarily designing a product for a very small subset, that the products you're developing really are designed to serve a broader population. How you deliver it may be different in certain markets, but that it is really a product design based on a use case for customers and consumers that may be broader than a particular niche.

So, one of the things that really came through from both Bruce and Bob and their comments was their accounts that they offer that were sort of consistent with our SAFE Account template was one of their fastest-growing products, not just to low- and moderate-income consumers, but to other populations. And so, it really was something that had much broader appeal based on a set of product features.

We talked a little bit about the role of policy and regulation, things that regulators could do. You know, listening to Andrea talk a little bit about custodial accounts and figuring out age requirements in accounts. And the glass-half-full part of that was we got to a place where we could help clarify some of the issues related to account ownership and account requirements for a customer identification program. But I also heard just a small note of frustration that it might take a long time for regulators to provide that kind of clarity. And so, thinking through opportunities there.

And I note, just to tie it back to the first panel that Michael moderated on research, was that every question from the audience was a regulatory question, on the application of regulations to the things that the researchers were talking about. So, I found that really interesting and something to think more about.

The role the regulators can play in promoting research and in convenings was something that came through.

And then, I guess the last thing I'll leave you with, which all three of the panelists talked about in different ways, was hope, that we really have over the last 10 years made significant progress in promoting economic inclusion, and that there might be lots of challenges out there in the current environment and for the consumers and customers that we're trying to bring into the mainstream banking system, but the panelists across the board were optimistic of our ability to make progress in that.

MR. MILLER: So, thanks to the panelists and the moderators for a terrific summary and sort of pulling out some key takeaways.

Mr. Chairman, the floor is open for discussion or questions.

CHAIRMAN GRUENBERG: Yes?

MEMBER WEICHER: Thank you, Mr. Chairman.

I had the good fortune of being able to spend yesterday at the Summit, and it was a day well-spent all the way around, from beginning to end. I wanted to say that the summaries we've just heard were outstanding. You couldn't devote the day to them, but we had a very pleasant hour and a half, a very informative hour and a half summarizing the key points and I think also the key takeaways that I heard. So, thank you all.

MR. MILLER: Thank you.

MEMBER LEVERE: I think I mentioned that we had brought the leaders, the Student Committee of our Assets and Opportunity Networks to the event. And I want to thank the FDIC for opening that up to them, and we had a briefing session last night with their responses.

So, I just wanted to share some of them because they echo both the insights we have heard, but also some of the, as the Chairman said, where do we go from here? There was a stunned view about BankPlus' model and what the economics of that model might be, and the number of times each one of them had sat down with their bank trying to create a similar product and gotten absolutely nowhere.

And they were eager to know, was this really a leader for the bank, and to know what is the actual position of this product, how is it used, because they didn't want to walk in and say, BankPlus is doing it. And the other thing that was quite astonishing was that nobody had ever heard of it or of BankPlus before, which there was quite a broad set of players there.

And then, adding to this was a very thoughtful comment about some of the savings products, and that several of the savings products had explicit subsidies attached to them. And so, there was also a deep interest in how do we mobilize savings at scale where we can't attach the subsidies necessarily. We would love to have them, but we don't always have them.

And how can we push on the insights we have so far to take these savings products? These were kind of entrepreneurs who were leading major savings and financial capability programs.

The two other comments that came out were there were several members who work within the bank communities. And we heard several comments yesterday about the anxiety and the feeling within the bank communities, and now, we are seeing this across the board in entering financial institutions, entering other institutions. And what is our responsibility to these communities? What can we do? And there was really very powerful requests for assistance on this piece of the work.

And then, the fourth point which came

out multiple ways -- and I raised it yesterday -- was how do we deal with primarily the game-changing and groundbreaking research that has been done by the FDIC and by many of the other research partners in this room and elsewhere, and really do the same kind of reduced research on how the solutions are changing people's lives. And I know this is an area -- Mark and I talked about this afterwards -- that we are very interested in pursuing.

And you know, Jose can say in the children's savings world they are doing rigorous research with demonstration. That is one area that has gotten a lot of attention, but some of the broader financial capability strategies and the connection to mainstream products hasn't had that same attention. So, how we think about that kind of thing.

MR. MILLER: Go ahead, Ted.

MEMBER BECK: I agree it was a very good session yesterday, thoroughly enjoyed it.

But a theme I continually heard, which

is encouraging, given that we have been doing this for 10 years, is there were a whole bunch of organizations, financial institutions, who were trying to figure out how to do something beyond the ROI of an individual product. You know, they're trying to come up with long-term benefits and solutions to different communities and also working with nonprofits, and trying to figure out how to make it work. You know, that was really encouraging. So, we had some success stories.

But, looking forward, there were a couple of things. One is, how do get more organizations to do this? We have shone a light on some folks who have created stuff. But how do you get a lot more banks to do that? So, how do you encourage them to do that?

And the second thing was technology. Everybody said, well, technology could further enhance what people are doing and bring it to a better scale. But there's also a whole series of technology -- we're talking about fintech generally here -- where it is not regulated. It might just be taking the top scores and figuring out a way to do with them. So, really not filtering into an overall relationship.

One of the things we think about in the education community a lot around the whole fintech question is, how do you find shelf space for this value-added part of the relationship versus just a bidding war? Because everything that was talked about yesterday was doing more for the customer base that the organizations wanted to support and build. And how do you use technology to do that and not just get forced into a bidding war with organizations that do not have the regulatory costs and requirements that insured institutions have and should have? So, to me, that's a big one if we wanted to spend time here.

MR. MILLER: Bob?

But, before I do, if I do say so, in response to your question about the BankPlus program, he did say -- maybe it was in the reception the night before -- he did say that it is profitable. He said it is not very profitable, but it is profitable. And he did say that, in the session yesterday I think he said the delinquency rate was 7.4 percent, but they monitor it.

MS. SINGLETON: It was comparable, too.

MR. MILLER: Go ahead, Patience. I'm sorry?

MS. SINGLETON: No, but he said it was sort of comparable to the other loan products for the bank.

MR. MILLER: And again, it's at 5 percent.

So, sorry. Bob?

MEMBER ANNIBALE: Thanks. I mean, again, thank you. That was a great summary. I think you did a very good job of putting together such an interesting day.

I want to respond and reflect a bit from Andrea's comments, too. She is always so good at summarizing these things. So, I'm going to steal her notes after every meeting.

(Laughter.)

I mean, I sit next to her. She takes these wonderful notes. This is nothing. I mean, it's amazing.

MEMBER MURPHY: Bob, you have to take notes in order to --

(Laughter.)

MEMBER ANNIBALE: But I scribble.

(Laughter.)

I mean, one was the concept that -- a few quick things -- loss leader, I don't think that what we look at, if we look at this to truly serve the segments that we are concerned are underserved today, that this needs to be a loss leader. I don't think it needs to be a loss.

I think there is a need for investment. There is clearly an investment, as there is in any new product or segment. But there are very few things like we are doing that we are doing as an accepted, continued loss play.

And I even say that on the CRA, which

you know is as archaic as it is. If I think of affordable housing, I mean, look, we have the largest range of affordable housing in the country, which is nowhere in proportion to what we need to do. But you can do it at a sustainable, even a profitable level, to really invest the right people against it and look at it nationally, the way you look at other businesses. It just takes an investment of people and technology and capital. But we do a numerous amount, considering the size. And I don't think that is a loss leader.

On all those products, I think it is clearly an investment to get there. And I worked with Jose for years to get KDC and the technology which we spent, you know, millions of dollars, right? We were introducing totally new technologies, starting with what we have. But I believe it can be sustainable and scalable. Is it profit-maximizing in a short-term sense? No, but your portfolio of investments have a great range of opportunities and risks and return.

And I think of many of the partners that you speak of, Andrea. I know them; plus, we work with them, like EARN for years and others, the Mission Asset Fund, KDC. These are all things that I think banks can do professionally within what they do.

I think where it came out, a question of regulations comes up regularly. There's few issues on regulations that holds you back from doing any of this. There's very little. I mean, there are many issues on regulations, you know, that colleagues can go on forever on, I'm sure, and mine particularly. But it isn't around these products and areas.

Clarification on a few things could help. I mean, we went ahead with KDC as best we could on clarification, and it was great that what followed was a really clear guidance. But it didn't hold us back from doing it.

And I think most of what we have looked at here is about you could use regulations and others, the carrot, as we have always said, not just a stick, you know. These products and areas don't really count in CRA terms. Most of the things that we have talked about very loosely really don't count.

I mean, you can do the counts that Bruce talks about, but you open a branch in a low- to moderate-income neighborhood with no products that are particularly relevant or only ones that have very high fees. You get a checkmark. You may not go in there, but you might serve thousands of people through a partner arrangement, a partnership model, where you have a spoke of a legal vehicle branch, but, more important, outreach models, and that doesn't really count.

So, I think there are ways to modernize and give more credit to get people to do that, but just view what stops you from doing anything. There really is not anything that stops.

And last, I really will pick up, too, on the immigrant challenge. And I had to sneak out at lunch to meet with the Mexican Embassy. And that wasn't sneaking out from you, you know. Excusing myself, why I wasn't there.

(Laughter.)

But, you know, we have a program with 32 mayors in the U.S., Cities for Citizenship. We started up with three mayors and now we've got 32. That is really around immigrant integration. And we have a program with the Mexican Embassy and a number of the consulates around the country.

We embedded Financial Empowerment Offices served by external community organizations in the consulates. And those are really about ensuring that the most vulnerable groups are getting the right advice.

Because of all the data you provided, the FDIC data, for example, on the underbanked and unbanked about immigrants -- those are citizens and those are non-citizens -- has made the business case for us with mayors time and time again as to why we should accelerate that integration, and why we, ourselves, are so embedded in that program.

So, again, thank you all for everything and the meetings yesterday. But I do think that the business case is one of choice and investment to serve this segment. And we have seen many who have shown how they are achieving that.

MR. MILLER: Great.

Ester?

MEMBER FUCHS: So, I am so sorry to have missed yesterday. It was actually my last class of the semester.

(Laughter.)

So, I really would have preferred to be here, frankly.

(Laughter.)

But not; it was actually fabulous.

So, I've just been thinking about what everybody was saying and have been trying to keep up with all the issues. And I've been on this Committee quite some time with a number of other people here. So, I have a sort of historical perspective on this.

I think in keeping with this idea of where we are going next, I think it is important for us to think about two things. Where are the solutions coming from, which I think depends on your articulation of the problem. And so, what I see here from our Committee, we have been targeting consistently low- and moderate-income households and trying to improve their ability to be part of the banking system.

So, there are two places where this problem resides. It resides with the population we're targeting -- they have education deficits and they have income deficits -- and with the banks, which have service deficits in terms of what this population wants. And I'm basing that on the research that FDIC has been doing on this issue through the surveys, which I think is where I want to sort of focus my remarks.

So, most of the larger banks, though, are still not incentivized to provide these services, and we still haven't actually figured out exactly what that formula is for populations to go in and even take up the services that are being offered. You know, trust and high touch, I think technology is so important because trust and high touch are too expensive to really bring to scale.

So, what I'm thinking about at this point is where should the interventions go and who should be responsible for the interventions. Like what should policy look like? What should those partnerships look like? When should the solutions be coming from the banks themselves? When does it have to be really totally targeted toward the population? When do we bring in foundations and community-based organizations to partner and school systems, which I didn't hear much about, which historically have been a big part of what we thought the solution was at least for the population, for the customers?

And so, you know, I just have sort of two thoughts to throw out at this point, which is

I think that the incentive structure for the large banks hasn't been made clear to them. It still doesn't exist in a clear way to them, you know, in terms of what you just articulated, Robert, you know, the reasons for doing this.

And so, there are two ways, in my mind, that that can change. One is, because the problem has gotten worse, what is the silver lining? It is not just low- and moderate-income households now that are moving in and out of the banking system and are confronting very serious problems when it comes to banking. It is also middle-class populations, as Jonathan pointed out.

In the research, this is where people are struggling the most, and there isn't enough being done in that regard. That, it seems to me, is part of the old basic mission of banking. That population is critical to the success of these banks.

So, to the extent we can make the case with data to show larger banks that it is in their business interest, business case, that is one way I think we need to go at this point. Normally, I would start with the public policy solutions, but, frankly, I don't know why I should at this point. You know, I think they are less likely to be implemented at this point, and I am a pragmatic utopian.

(Laughter.)

So, I would rather see where the partnerships can emerge, particularly with the banks.

And then, on the other side, you know, dealing with the populations, I think everybody has clearly made the argument for partnerships with community-based organizations, but that is an area where research could be really helpful, because what does it look like; how does it work; when is it most effective? There are so many different ones out there, and everybody just pretty much tells their story. They do help people, and we want a thousand flowers to bloom.

But this is sort of the last thing I'm

going to say, which is, we need to bring solutions to staff. So, we have to have a way, especially both for the individuals and for the banks, to say, here are four off-the-shelf solutions that combine partnerships with community organizations, technology, government support funds through CRA or anything else that government is offering right now, including local government.

And you can look at this and this will work for your bank, and this will work for your population. I think that, given how much has been done over the last 10 years and how much success I think has been shown in a variety of case studies, that this is the point in which the data really can inform this kind of more systemic solution.

And also, bringing in local government and the school systems into this conversation much more directly, where I think, in keeping with what pretty much everybody is saying out there now. You know, it is time for cities and states to step in. And the FDIC can lead on this. It is in a better situation than anybody else to do that.

MR. MILLER: Thank you.

Jose? Then, Michael. And then, Martin.

MEMBER CISNEROS: Yes, well, Mr. Chairman, reflecting a little bit on where do we go from here, as you were mentioning, probably no surprise, I want to talk a little bit about, I think, the opportunity that we see in engagements with local government.

Just looking back at where we've been for the 10-plus years that have passed, you know, more than 10 years ago, we in San Francisco launched the first Bank On Program, and we were followed by dozens of other cities that worked very closely with local banks and credit unions and partners like the FDIC and other regulators to reach out to the unbanked and to get them connected to SAFE Accounts.

We are proud that in San Francisco

we've actually seen a marked decline in the number of unbanked citizens in our city, but we are extremely excited, going forward, on things like the partnership we've done here with the FDIC and with you on helping create and now promote the truly SAFE Accounts that many, many growing number of banks are offering across the country.

Also, over the last few years, we have seen financial coaching really get rolled out one-on-one, direct engagements with low-income folks to help them get ahead; by coaches provided through local government programs, and, of course, as we have heard already today, the children's savings accounts programs like Kindergarten to College, but many others that are rolling out in cities and states across the country.

Probably looking forward, I think the opportunities we can see more growth on in our local programs are many of the efforts around households creating low-dollar savings balances.

We are about in the next few weeks to launch a program, in partnership with our nonprofit Earning San Francisco, to really promote and match small-dollar savings in low-income households in the city.

And we are also excited about the work we want to do, again, in partnership with the FDIC, around youth accounts, particularly for youth under the age of 18 who are getting their first paychecks, oftentimes through programs connected through city governments. And we want to make sure they're banked.

As I know we are going to be talking about later today, we still find many challenges in terms of finding banks and financial institutions that will provide accounts for 16- and 17-year-olds. So, I feel we have a lot of work we could do there, but, again, cities are uniquely poised to be able to roll out those types of successful programs, and we look forward to growing those efforts in the future.

MR. MILLER: Thank you.

Michael?

MEMBER BARR: Let me just start by echoing both what Ester said and what Jose said about state and local engagement. I think it is quite promising.

Let me just, for my part, say two things. One is the FDIC has been producing just a lot of very, very high-quality research and data over the last number of years. It probably has not invested as much in communicating that data and making it usable and helpful for others in the world, both banks and nonprofit partners and other researchers.

So, one area I would love to see in the looking forward category would be having the FDIC really invest in dissemination of that research, communications about the research, engagement with partners about the research. I think that would be quite a valuable and useful investment.

I will say in that regard, I was sitting in this House hearing yesterday, and it struck me during that conversation that it would have been useful if some of the Members had the facts from your community banking research during the course of that conversation in front of them.

(Laughter.)

The second thing I want to say is about a relatively-newish area of research that I hope that the FDIC engages in and that I think would benefit FDIC-insured institutions and the public. And that is around small business access-to-credit issues on both the positive and negative side.

That is, on the positive side, what's going on with access to credit for small business? What are ways to improve that access to credit, particularly for minority-owned businesses, for microbusinesses that are so important to self-employment today, which I meant earlier about the changing structure of work. And I would think that, given the growth of self-employment and microbusinesses as supplements to wage income, that it is quite critical to figure out ways that the FDIC-insured institutions might be better at providing credit for micro and small business and self-employment.

And on the negative side, there has been some expansion of small business credit that is less than protective. So, some technology companies have done a great job in expanding access to credit in Safeways and others have engaged in access to credit that is really quite unsustainable and not based on the business' ability to pay or their growth practices, but on other factors.

So, I think that engaging the FDIC's activities and perhaps the work of this Committee in this area I think would be quite helpful.

MR. MILLER: Thank you.

Martin? Thank you.

MEMBER EAKES: So, I wanted to pick up on some of Ester's thoughts, which is sort of moving to the dark side.

(Laughter.)

MEMBER FUCHS: I'll leave you the dark

side.

MEMBER EAKES: The darker side.

(Laughter.)

I mean, yesterday was wonderful and felt good because we were talking about solutions. But sometimes, if we do the micro-solutions, we are not always keeping the picture of the big picture.

And so, I think when we talk about scaling of solutions, we should also talk about scale of harmful practices. While we spent a lot of time yesterday on savings accounts and access to insured deposit accounts, the level of overdraft fees has not really gone down in the 10 years of this Committee. I think it's gone up. And so, let's just think about that for a moment in relation to some of the key facts that we saw yesterday.

We are still somewhere in the range of $30 billion per year. The United States has 125 million households. So, if we said that the fees fall on 30 percent that we consider to be unbanked, or I guess it would be the underbanked, it's over $1,000 per household per year that's extracted just in overdraft fees on checking accounts.

So, when we were saying that a measure of resilience for households, that 50 percent of American households do not have even $400 or $500 to withstand even some sort of event, traumatic event, we are having our sector that we're proud of, banks and credit unions are taking twice that amount out of households that are impacted each and every single year. And these are not service fees. They are penalty fees for tripping past something that we could avoid, particularly on point-of-sale debit overdrafts.

So, I guess I don't want to be the downer completely here, but when we have -- and I will mention them -- Wells Fargo and Chase collect somewhere between $1 and $2 billion per year in overdraft fees on checking accounts; whereas, Citibank has no overdraft fees on their checking accounts and Bank of America has no overdraft fees on the point-of-sale, the debit card, the largest quantity.

So, it may be that we can't really look to government, to federal policy, for the next few years. And so, we revert, thinking about state and local. For some of us, state is not looking a whole lot better.

(Laughter.)

But there is also policy that is made by large institutions. I mean, we don't often think of that as policy. But, when Bank of America or Wells or Chase particularly, who have so many consumer accounts, when they change policy in very incremental ways, it really literally impacts tens of millions of families across the country. And because the FDIC and the OCC and others have such direct access, we've got to be talking, I think, about how do we police our own; how do we incent and hold accountable?

So, it is frustrating to me that we have made so much progress. We've got Bank On that really has wonderful products, but if the folks who are getting credit for doing an account that is really responsible are for 90 percent of their business really doing something that is more harmful than the good that is coming out of their specialty accounts, we are only pretending that we are making progress; we are actually not. We are not progressing. So, overdrafts is one category.

I know we are going to talk about mortgages. Let me just say that, when we get to mortgage credit, the exclusion of Black and Latino families from the home mortgage market is greater today than it has been in any time in the last 20 years.

So, on this one, we can feel really, I can feel gratified that we have with Dodd-Frank, assuming that it persists, largely eliminated predatory mortgage practices in the United States in the mortgage arena. It has pretty much gone away, not all, but almost all.

And yet, on access to credit, we literally, because of pricing, because of practices of doing overlay, because of overreach in some places, overreaction, if you have a credit score below 680, it is very unlikely that you are going to be able to get an easy home mortgage, either because of restrictions directly or because of the pricing that has made it unaffordable for lower-income families. So, there is a lot that we can harken and be optimistic about.

And then, one more in just sort of putting out things for us to work on going forward, the role of student debt right now is so catastrophically bad that we haven't really grappled with it at all. It is $1.4 trillion now of student debt. Much of it was for useless education that didn't really produce a lot of gain for the people who incurred the debt. And like home mortgage debt, it is one of the only debts that can never ever be discharged in bankruptcy. So that once you make that mistake, you are trapped with it for the rest of your life.

And so, I think on all three of those points, what I am really saying is, as we think about the solutions that we see with someone like BankPlus, which was wonderful, I will say, there is no possible way you can make money for the 5 percent interest rate loan of $500. I can just tell you.

(Laughter.)

I don't care what anybody says; that is not possible.

On the other hand, as Bob says, if you are investing and saying this is something that young people with others will eventually have a longer-range payoff, I can understand it.

So, we have a lot of work left to do on overdrafts. It is just obscene the level of penalties that are taking out of low-income families.

Home mortgages, if we don't recognize that stepping into the middle class happens through homeownership and that the households that we're most concerned about are almost excluded currently.

Thirdly, student debt is providing a millstone around low- and moderate-income households for the very product that should be advancing you.

In the big picture we have a lot of work left to do, and the storm clouds on the horizon just don't look great.

How's that for ending with on a high note?

(Laughter.)

MEMBER BARR: That is not nearly as dark as I thought you were going to be.

(Laughter.)

MR. MILLER: Don't encourage him, Mike, on that.

(Laughter.)

MEMBER MURPHY: So, thank you, Martin, for always making sure that we are not too far celebrating our own successes.

(Laughter.)

At the end of the day, real challenges

still exist.

But I want to say two quick things as I am listening, and I could not have agreed more with the things you described.

When I think about the BankPlus program, I know my cost structure could not survive with a 5 percent interest rate. And so, it is not for me to declare whether that is good or bad. It is mine to say they made a choice, and their choice may be more about mission than margin, but they made a choice. And I always support people who make a choice that they are going to serve their community in a way that they believe in some way is sustainable for them or adds value to the community.

And so, as I think about my own product, it is very similar to a 17-to-24-percent interest rate, given our cost structure, I am very comfortable with suggesting that that is not only sustainable, but it is one that we made a choice. We made a choice to build a product. We made a choice to say this is how we are going to choose to serve our community.

And so, oftentimes when we think about the role of this kind of Committee, you know, to offer ideas and solutions, I think sometimes that isn't helpful, just to be very frank. I don't know that that is helpful. At the end of the day, what I think is more helpful is to talk about making a choice and figuring out, in making that choice in the context of your institution, how you, in fact, can deliver on making the choice.

And so, as I listened to Bob, you know, at the end of the day, it is, then, who you are as an institution, and where this Committee can be helpful is to challenge our articulation of what that is. So, who are you as an institution around serving these communities? To challenge and, then, to say, what are you going to do about that?

And when you are able to do those two things -- oh, by the way, I'm going to incent you to focus on it -- then, the models that get built are based on the context of the capability and the commitment inside of these institutions.

And so, sometimes I think about I am blessed to work for the company that I work with because, at the end of the day, we did a lot of myth-busting. We helped people understand.

I would tell you today inside banks, if you talk about who the low- and moderate-income people are, they don't know who the hell that is.

(Laughter.)

They think that is just poor minorities. Let's just be very honest. They think that is just poor minorities. But the fact of the matter is most of our employees who work in our company are low- to moderate-income. And when you start to talk about that in that context, you, then, start to get a different mindset around making a choice.

Now I'll get off my soapbox.

MEMBER BARRERA: Jonathan, I just want to make a quick point.

MR. MILLER: Sure, Janie.

MEMBER BARRERA: I just wanted to follow up on what Michael said about entrepreneurialism and small business and how the FDIC could look forward towards something like this. Because, right now, in our Administration jobs, jobs, jobs, right? Everything is being surrounded -- I mean, that's the mantra that is out there. And where do jobs come from? Small businesses.

So, if we could come up with that model, that program, of how do we do that and bring it to scale -- I know that CDFIs across the country are working towards this as well -- but for us to look at more research on those CDFIs and what they are doing, to be able, then, to help the industry as well in terms of creating these jobs in small businesses.

MR. MILLER: Alden, I just do know we're somewhat behind schedule, but go ahead.

MEMBER McDONALD: I am going to make mine very short and I am going to try to pick it up to a whole other level.

And in my business, a small community bank, we have to try our best to look at not only the big picture, but how to look at the glass half full. So, I would like to turn the conversation to the half-full side and, also, address the question of where do we go from here.

I do feel that my institution has benefitted from a lot of the discussion that we have had over the years. I think a number of financial institutions have benefitted and have changed their methodology in approaching some of the issues that we have talked about here. So, I think the work that we have done over the last 10 years has very valuable in a number of different ways.

I have seen where the FDIC and other regulatory agencies have addressed and focused-in on accountability through its examination programs, et cetera. And I have seen a number of banks that perhaps would not have been involved in trying to help solve this problem that exists in our communities across the country.

I see a win where technology has provided a lot of, I think a solution to some of the problems that we have been talking about. So, I think scale is very important. On riding the whole technology wave, we have not only scale in helping individuals to become bankable, but we have scale with technology and coaching. And we've seen that through a number of different products and services where we can coach financial literacy through the technology products.

So, to sort of zero-in on where do we go from here, I think because of the technology changes that we have seen with a lot of the products that financial services are offering, I think it may -- and we've talked about this on a number of occasions -- to begin just reviewing the policies of the regulatory bodies to make certain that, because of changes in technology, we are not going to sort of slow that process and that progress down to where it will hurt the growth of what we're attempting to do.

The second piece is that it is very obvious that we have to get the financial literacy and education component in the school system as best and as early as we can, because all of the research that we have done and all of the actual progress that has been made, we continue to hear that the earlier we can get the financial literacy into the system, it is going to flesh out some of the issues that we are faced with. And that is the only way we are going to get ahead of the curve.

So, just to be specific, it may not be possible on a national level, but I think local banking organizations, local organizations can help facilitate maybe some local, some state legislation that can incorporate the whole education piece in the system at an early age. And I think that is a focus that we need to focus on going forward and perhaps find a solution there.

And the last piece -- and I'll shut up

after this -- is that we have enormous amount of fintech products and companies coming on stream. And we also talked about this Committee in several occasions, that we have to monitor to make certain that we don't have another wave of technology that is going to produce high-priced products for a low amount of income.

As Bruce mentioned, most of our employees in the banking business falls within that category. So, when we are designing all of these products, we have found that we started designing it for the LMI, but for the most part it is benefitting a wider range of customers and individuals in our country.

I would like to just thank the FDIC once again, thank Jonathan and his Committee, for all of the work that has been done to at least give us baselines and to give us direction for how do we get to the next step.

Thank you.

MR. MILLER: I think we're out of time.

(Laughter.)

CHAIRMAN GRUENBERG: Let me say, before we conclude the session, as usual, it seems to me you all have given me something to think about, and we'll give it some thought and we'll come back to you at the next meeting.

Why don't we take a quick break?

Jonathan, do you have anything?

MR. MILLER: Yes, I was going to say maybe until 10 minutes, to 11:05.

(Whereupon, the above-entitled matter went off the record at 10:53 a.m. and resumed at 11:09 a.m.)

MR. ERNST: Thank you, Mr. Chairman.

As we have discussed around this table, branch networks are changing. Branches are opening and closing with regularity, perhaps more the latter in recent years than the former. The function and structure of bank branches are changing.

And I'll just say, by brief way of introduction to this session, that we have seen considerable attention being devoted to the impact of these changes on access to bank services, particularly bank branch services. There have been a number of popular media accounts. A number of researchers and commenters have turned their attention to this issue.

And so, we have developed an interest in understanding how we should view the import of these changes. There are many ways to ask this question. Kris Rengert has thought about one particular aspect: how to evaluate neighborhood access to bank branches, and particularly, how to identify areas where concerns about branch access may be most pronounced. He in his presentation will provide more context for our work and explanation of the approach that he has developed. He will offer some examples of how the approach works in practice, and we will look forward to a discussion of the benefits of this approach and the potential applications with the members of the Committee.

With that, all right.

MR. RENGERT: Thank you, Keith, and good morning to you all.

So, our household surveys documented the importance of bank branches to consumers, especially lower-income consumers. For many consumers, branches are the primary means through which they interact with their accounts.

Move forward to the next slide.

Specific subgroups are even more likely to use bank branches as their primary ways to access accounts. So, as many of you are aware, for account-holders and families with incomes under $30,000, over 40 percent rely on bank branches. For account-holders with less than a high school diploma, over 50 percent depend on bank branches. Account-holders age 65 or older, nearly 50 percent rely on bank branches, and account-holders residing outside of metropolitan areas or what we might consider rural by some definitions, over 40 percent depend on bank branches as their primary way to access their accounts.

At the same time, although recognizing that many consumers depend on bank branches, we're also aware that the number of bank branches has been declining, from 2011, just over 98,000 branches; 2016, nearly 92,000 branches, a loss of some 6300 branches, or 6.45 percent.

And this decline is not spread evenly across the United States. Some areas and some neighborhoods are impacted more than others. So, with that in mind, it is important to be able to accurately identify areas with low or limited access to bank branches. Incorrectly identifying areas as lacking access can distract us from where the real problems exist.

Ultimately, we need to be able to accurately identify areas with limited access, ideally, pinpointing those that not only have lower access, but that are also populated by residents who are particularly reliant upon bank branches for accessing their accounts. And that is the focus of this presentation, to discuss the strategy we have developed to that end.

So, a primary motivation behind our effort to develop a refined strategy for assessing neighborhood access to bank branches is to be able to more precisely identify neighborhoods with limited access. This is important for our efforts and others' efforts, to further economic inclusion, to improve consumers' access to bank accounts. And as we have discussed, for many vulnerable populations, tellers are a preferred strategy for accessing accounts.

So, we are particularly interested in identifying specific types of areas, areas without access to bank branches at all, areas without bank branches, and areas vulnerable to losing bank branches, and, then, finally, intersecting those with areas with concentrations of vulnerable populations. This is particularly important in the context, which is likely always to be the case, of there being very limited resources available to addressing these issues.

We find strategies really matter with

limited resources. So, moving on to our strategy, we use Census Tracts as the basic data-building block for neighborhoods, as do many researchers. And then, we use a radial determination of bank branch access for each Census Tract in its local context, and we will discuss exactly what that means in a moment.

Our main contribution is a strategy for using the local distribution of residents and bank branches to identify a locally-defined distance for the radial determination. So, we'll now talk about what that means. I will describe it here and, then, we will walk through it graphically in a few slides.

So, rather than assuming that only consumers in the Census Tract where a bank branch is located can access that bank branch or imposing an arbitrary radial distance to associate bank branches with Census Tracts, we can look at a metropolitan area and identify the distance just for that particular metropolitan area at which a particular percentage of consumers live from the closest bank branch to their Census Tract.

Generally, we might think that residents of very densely-settled areas might encounter bank branches closer to home than residents of more sparsely-populated areas. We might think of New York City versus rural Arizona. There is going to be a different distance at which one might expect to encounter the closest bank branch.

So, we look at individual metropolitan areas and the Census Tracts within them. We calculate the distance from each Census Tract's population-weighted centroid -- I could go into that if you would like, but it is the middle of the Census Tract -- to the nearest bank branch. And then, we rank-order the Census Tracts in that area from the shortest distance, the Census Tract with the closest bank branch to its centroid to the one with the longest distance, the farthest from the closest bank branch.

And then, looking at the cumulative

population, we can identify the distance at which a given percentage, say 75 percent or 90 percent, of that metro area's population lives from its closest Census Tract. That distance is the locally-determined distance threshold, or the LDT, as we'll call it for short here.

So, if we take all of the Census Tracts in a metropolitan area, say the Chicago Metropolitan Area, and we rank-order them -- so, we start and the top row will be the Census Tract that has the closest bank branch to its centroid, and the last one is the Census Tract that has the farthest bank branch. And then, one of the columns is the population, the share of the population in each Census Tract. It's cumulative.

We can move down that table and identify the distance at which 75 percent of the population is above that line, so has at least one bank branch within that distance. So, for Chicago, which we'll talk about in a moment -- spoiler -- it is .68 miles. Seventy-five percent of the population of the central Chicago Metropolitan Area has at least one bank branch within .68 miles of its centroid.

MEMBER McCOY: And, Kris, I take it that this distance which is -- what? -- .68 miles for Chicago --

MR. RENGERT: Yes.

MEMBER McCOY: -- might be different for Joplin, Missouri.

MR. RENGERT: Correct. I don't know the one for Joplin, Missouri, off the top of my head.

(Laughter.)

But Flagstaff would be about six miles.

MEMBER McCOY: Oh, wow.

MR. RENGERT: So, it varies dramatically.

MEMBER McCOY: So, it varies quite a bit?

MR. RENGERT: Correct. And that's just looking at metropolitan areas. We can also do this for non-metropolitan areas. So, we can look at portions of any individual state that are outside of metropolitan areas or micropolitan areas. And Alaska would be the obvious outlier where it is about 23 miles.

But, yes, so that, indeed, is the crux of what we believe we are bringing to the table, is rather than looking at the whole country and saying, well, if there's a bank branch within two miles of your Census Tract, then you have access or you don't have access, well, two miles means something very different in Manhattan. You're not going to find any area in Manhattan that doesn't have access to a bank branch by that metric.

MEMBER FUCHS: Are you actually plotting the locations of the banks in this or not?

MR. RENGERT: Yes.

MEMBER FUCHS: Okay. That has to do with the centroid, right?

MR. RENGERT: Well, the centroid has

to do with the Census Tract, and the Census did that. And then, we plot the location of each bank branch and, then, identify the distance between the centroid of the Census Tract and the closest bank branch.

MR. ERNST: I think the Committee is getting a very good grasp of this method, remarkable from the text slide. I want to suggest, if we get into some of the graphic examples, it will really come together for the rest of us.

MEMBER LEVERE: Who came up with the word centroid?

MR. RENGERT: We'll blame Census for that. That's a tried-and-true word.

So, again, this LDT -- and we'll focus on the 75 percent measure, but we will also talk, you could also look at 90 percent -- we use that to identify for an given metropolitan area the Census Tracts and their resident populations that fall into two different types of areas: Tracts that do not have reasonable access to any bank branches, so they do not have even one bank branch within that reasonable distance for their area, and Tracts that have exactly one bank branch within that reasonable distance. And these should be on our radar because they are at particular risk of having their branch closed. So, you should be aware of that.

We do this for each metropolitan area across the country. We treat the central portions of metropolitan areas distinctly from the outlying portions. This is by definitions that the OMB does and Census does. It is a convenient way of looking at it because the outer portions of metropolitan areas are, by their nature, less densely populated than the central portions, but they are still economically integrated.

So, we can look at the city of Chicago for an example. Here's what we're talking about: so, the map is showing Tracts of lower using the 75 percent LDT. For its central counties within the metropolitan division of the Chicago

Metropolitan Area, here the gray outline is showing just the city of Chicago, which I think folks are probably more familiar with than the entire metro regions. We just focus on that.

The red indicated Tracts are those that have zero branches within the LDT, and the orange shaded branches are those that have exactly one bank branch within the LDT of the Census Tract. And the green are those that have more than one.

MEMBER ANNIBALE: Can I ask something really simple, though?

MR. RENGERT: Sure.

MEMBER ANNIBALE: If we use the Census Tract like I think in Chicago, and the University of Chicago takes up a whole chunk of land. Any other sort of parks, things like which -- historic, Manhattan has a big park.

MR. RENGERT: Uh-hum.

MEMBER ANNIBALE: Does that in any way -- if we see a gap, it may just the big institutions, government buildings.

MR. RENGERT: So, that's addressed in two ways. One, explicitly in the methodology because we are using the population-weighted centroid.

MEMBER ANNIBALE: Okay.

MR. RENGERT: The centroid is not the geographic centroid. The geographic centroid would just say, okay, what are the XY coordinates; what's the middle of the centroid? The population-weighted centroid, the Census is able, because they have their really cool data that nobody else gets, can look at exactly where each household is in terms of the city blocks that they are on and can identify what the center, population-weighted center of a Census Tract is. So, if there is a large park where there is no population, that is not included. That is set aside from that calculation. If there are dormitories in one block where the population is, that's going to be included in the weight. But where there are classroom buildings and even the quad where nobody lives, that's not going to be included. So, that's the explicit.

And then, implicit in terms of how we apply this method -- and I will get to this in more detail later -- this is the starting point. So, our focus here is on identifying areas that just objectively looking at them have lower geographic access to bank branches than other areas within the metro area, but it is a starting point. And then, from there, where you identify areas like the red on this map, then you would go in and look at them. And there's lots of other data, locally-determined data and Census data that might, then -- we might set one aside and say, oh, well, this, you know, a prison where people live, but it's not. It shouldn't weigh where we put bank branches or something out there, et cetera.

MEMBER EAKES: So, it can vary from like 150,000 to 750,000 per Census Tract population?

MR. RENGERT: There is significant variation, and there is some adjustment each

Census and even between Censuses, but --

MEMBER EAKES: Does that have any implication for this? Just that some of the Census Tracts would be one-fourth the population of others?

MR. RENGERT: The fact that it is one-fourth of the population shouldn't because we're using the Census Tract to build the distance. So, a Census Tract with a small population will not add much to the cumulative population in terms of when we determine what that distance is. But, ultimately, that again gets back to, when we then go in to look at areas that are identified as very low access or low access, if there is a very large Census Tract with a very small population, perhaps that would take less of our attention than a more densely-populated Census Tract that is identified as having low access.

MEMBER WEICHER: Following up on that, someone born and raised in Chicago when Illinois was a unit banking state, this map would have been red, period, except right around downtown.

(Laughter.)

What you've got in the far northwest of the map, the orange Tract is O'Hare --

MR. RENGERT: Uh-hum.

MEMBER WEICHER: -- which has a few people living in it. And the far southeast side, the big orange Tract, there's a lake, not Lake Michigan. It's Wolf Lake. And next to that you've got, I think, a forest preserve. While the typical Tract has about 4,000 people in it, some of them, it's odd; they are very oddly located 4,000 people.

MR. RENGERT: Uh-hum. Right.

MEMBER WEICHER: I would imagine you're going to get the same kind of comments that you've just been getting for any city, but the idiosyncrasies tend to look large in a map like this.

MR. RENGERT: Yes. Yes, definitely. So, the Tracts where the population is located in a weird place will be incorporated into the methodology. Where there is a lake or where there is an airport would require some familiarity. So, if an area jumps out as being of concern with regard to access to bank branches, then we would go in and look, and we can apply, as we'll see, we can apply other data to this as well that, then, makes it apparent whether an area really is of concern or just happens to be located far from the nearest bank branch.

MEMBER EAKES: We have one branch at the bottom of the lake, it appears.

(Laughter.)

MR. RENGERT: But the entire Tract does not -- the lake occupies a lot of it, but not all of it.

So, all right, let me move quickly on. So, that was a quick introduction to what the LDT looks like, what it looks like in the city of Chicago.

And so now, for context, I want to sort of compare that to other strategies that have been used and are frequently used in the press and elsewhere.

Neighborhood access to bank branches is often discussed outside of the FDIC. And we believe it is important to move the conversation towards more accurate and more reliable strategies for assessing neighborhood access to bank branches.

Existing analytic strategies frequently focus on the Census Tract where the zip code where a bank branch is located and identify Tracts as having low access if there's no branch within the Tract. So, a Tract with no branch in it doesn't have access to bank branches. Those that have bank branches in them do have access.

Other strategies identify branches within a fixed radius of the center of the Census Tract. So, again, a radial measure like what we were talking about, but they will pick one radial measure and they will say two miles and apply it to the whole country or to multiple states.

This is an example of the branch-in-

Tract strategy, as we call it, the strategies that look at whether or not there is a branch in a Census Tract and the Tract has access to a bank branch if there is one and does not if there is not. We argue that this underestimates the population in the spatial area served by a bank branch, sometimes dramatically.

So, on this map we're seeing, this is a subset. It happens to be Chicago, but that is less relevant. You are looking at Census Tracts. And the green dots are the locations of bank branches. And for purposes of illustration, we're going to focus on the large green dot in the middle of the map.

So, the branch-in-Tract methodology assigns each bank branch to the Census Tract where it is located. Because this particular bank branch happens to be located on the north side of the street, that is the southern boundary of the Census Tract that is shaded with the crosshatch, the bank branch is assigned to that Tract. And it is hard to see on the slide, but there is a small dot right next to the big dot. There's actually two branches that are on that border, both on the north side of that border.

So, the branch-in-Tract strategy says that that shaded Tract has two bank branches in it. So, it is pretty well-served. And the Census Tract on the other side of the street has no bank branches in it. So, it does not have access to bank branches.

MEMBER ANNIBALE: I only want to mention that I have been in meetings where people have shown this and said, we have to get the branch on the other side of the street.

(Laughter.)

There are CRA examiners that can't look across the street. They have to say it is on one side or the other. So, I mean, it can be literally taken.

MR. RENGERT: If you think it's hard for CRA examiners, imagine the poor consumer who can't walk across the street.

(Laughter.)

MEMBER ANNIBALE: But they might live on the other side of the street.

MR. RENGERT: Indeed.

MEMBER FUCHS: Well, in New York they won't walk across the street; the elderly don't.

(Laughter.)

MR. RENGERT: So, to further illustrate that point, as we are looking at access, maybe the shaded Tract that has two bank branches in it is a low-income Tract and maybe the one across the street is upper-income, or vice versa. Depending on what we're looking at, the purpose of what we're looking at, why we are looking at access, this matters. So, hence, the need for a more sophisticated strategy.

(Laughter.)

So, if we apply this example, your example, sir, about the city of Chicago, this is what the city of Chicago looks like if you apply the branch-in-Tract strategy. It is still pretty red.

So, on this map all of the Census

Tracts in red have zero bank branches within them. All of the Census Tracts in orange have exactly one branch. And this is the same coding structure that we used before.

So, the branch-in-Tract method, it is an accurate representation of whether or not there is a branch in an area, but what we are suggesting is it is not an accurate measure of whether there is access to bank branches in an area. And that's an important distinction, one that we like to make.

So, literally half the population, 50.1 percent, over half, of the city of Chicago lives in a Census Tract that does not have a bank branch in it. Another quarter lives in a Census Tract that has exactly one bank branch in it. So, on the face of it, this would suggest that there is a huge problem.

But we looked at the map earlier. It shows that, actually, if you apply the LDT strategy, it is a much smaller share of Chicago that actually has a problem. And to illustrate that, literally nearly 900,000 people, as we see highlighted in red, nearly 900,000 people live in Tracts with no branch, the red Tracts, but that are within a half-a-mile of a branch. So, these are folks that don't have a branch in Tract, but are within relatively close access to one. Or, if we want to hone that in a little bit, just over 200,000 people live in a Tract with no branch, but are within a quarter-mile of a branch. It just doesn't happen to be in the Tract.

So, other strategies that have been used include radially-determined branch access, as we have discussed a little bit. Some researchers use a radial distance from a Tract centroid of one mile, two miles. In this case, the radius around the same bank branch that we looked at before is about one mile. And rather than with the branch-in-Tract strategy that suggests that that one red shaded Tract is the only Tract served by that bank branch, now we see that 15 Census Tracts can be served, if we use that one-mile radius, about a one-mile radius.

But, picking an arbitrary distance, as some researchers have done when assessing neighborhood branch accessibility and applying it to multiple areas, is a problem, as we described before. That New York City versus Flagstaff, Arizona, two miles means a very different things in different places.

So, we can calibrate the LDT. We focus on 75 percent, but we might also look at 90 percent. So, as the radius gets smaller, which means as you are moving to a -- the lower the threshold percentage, so moving from 90 percent to 75 percent, the shorter the distance that is used to identify Tracts within the threshold. And thus, what we are really focusing on is areas that are outside of the threshold. So, the larger that area -- the smaller the areas, the larger the area that is left outside of -- sorry. The more --

MR. ERNST: I think the analogy here is you've got a tuning knob.

MR. RENGERT: Yes.

MR. ERNST: And you can decide how sensitive you want this measurement to be. By adjusting this measurement, you decide do we want to have the areas that really just have the lowest access to bank branches or do we want to dial it back and capture maybe more areas, and some of them may have a little bit more access, but we can make the adjustments between these. And exactly which pairs with which number --

MR. RENGERT: Yes.

MR. ERNST: -- I don't think is critical.

MR. RENGERT: Thank you.

So, again, here, let me just look on the map instead of my notes. So, the 75 percent LDT is the .68 miles that we talked about before on the map of Chicago. The 90 percent LDT is the one mile that we just looked at in the example.

The teal-colored radius is the .68 miles, and you can see that that's five Census Tracts that are included within that distance.

When we move to the 90 percent LDT, we've got 15 Census Tracts.

The dial analogy is good. Depending on what we are looking at, we can move it. We can make it more precise, less precise. If we are trying to identify broadly areas that have low access to bank branches, we might use one number. If we are trying to look specifically at, for instance, populations that have very low mobility, we might turn the dial and be more interested in folks that have an even shorter distance where they don't have an access to a bank branch.

MEMBER EAKES: What is your intuition of why 75 versus 50? Once you pick a standard, it actually has a lot of default.

MR. RENGERT: That is correct.

MEMBER BARR: That is the basic problem with it, you know, the radius reaction.

MR. RENGERT: Yes.

MEMBER BARR: You can say that it's a percentage, but it just ends up being how far you think people should walk.

MEMBER ANNIBALE: Or is there public transport in that city or not? In Manhattan or New York, you would say there's a million ways to go.

MEMBER BARR: You kind of want to have a different measure depending on the commuting standard of that city or that community, or even that subdivision within the city.

MR. RENGERT: Right.

MEMBER BARR: Do people normally walk to work or walk to the bank or do they drive?

MR. RENGERT: Yes.

So, as we use this tool, or for whatever reason, if we are doing case studies and we are looking at a particular area, that is something that can be done. The data exists. We can do that. It is not realistic to do that sort of looking across the whole country. But, if we are looking at Chicago and we are identifying areas where -- you know, one of the maps I will show identifies areas that both have low access to bank branches and a large share of the population doesn't have a high school diploma. Maybe we use a different metric there -- or at work, sorry, a better example. And we look at the share of households that don't have access to a private vehicle.

MEMBER ANNIBALE: Or without public transport.

MEMBER FUCHS: Right.

MEMBER ANNIBALE: Or you could overlay --

MEMBER FUCHS: Or if it is elderly, you look at what percentage is elderly and wouldn't walk --

MEMBER ANNIBALE: You can overlay bank ATMs that sit at outside branches, right, where there are tens of thousands in some of our cities, where the vast majority of people still go for daily access. I mean, you have to think about a lot of these dimensions of access, right. Very few people come to the branch --

MEMBER EAKES: And that shows that

people are buying into your basic --

MR. ERNST: And we are going to illustrate exactly, and I'm excited, actually, we are going to illustrate exactly some of the extensions of this method, but I think you are all hitting the right note, which is how would we use this information in practice, right?

MR. RENGERT: So, I am going to just blast through the next couple of slides.

So, back again, this is Chicago. Twenty percent of the population of the city of Chicago lives in a Tract with lower access to bank branches, using our LDT at the 75 percent threshold. But, if we were interested in focused on particular populations for whom we think that access to bank branches is particularly important, we might overlay on that Census Tracts that are also of low- or moderate-income.

So, here we are looking only at Census Tracts that are LMI Census Tracts, as determined by FFIEC, and that have access to zero branches or exactly one branch, using the same red and orange shading that we talked about before.

We've eliminated, by doing this, 17 Tracts with one branch and 14 Tracts with zero branches from our focus, if our focus was going to be on access to bank branches for residents, for consumers living in low- and moderate-income Census Tracts.

Here we are looking at the intersection between access to bank branches and Tracts where over 25 percent of the households do not have access to a private vehicle. So, again, we have significantly narrowed down the number of Tracts that we're looking at from 185 Tracts in our original just plain-Jane what is the level of neighborhood access. Now we are looking at only 107 Census Tracts, looking with the intersection of access to a private vehicle.

Now we look at Tracts that have low access to bank branches and over 25 percent of the population resides in households where English is not spoken at home. So, clearly, I am taking sort of a small number of examples of data that are available from the American Community Survey and showing what we can do by overlaying them. Depending on who is doing the analysis, if it is a consumer research group that has a particular type of population that they are interested in, they might choose a different set of variables to look at. Depending on what one's interest is, one can focus-in on different subgroups of Census Tracts with lower access to bank branches.

Here we are looking at the intersection with where less than 80 percent of the adult population has earned their high school diploma. Our focus now is on 109 Census Tracts, again, down from 185.

We can also look at other local data that isn't from the Census. So, here we're intersecting Tracts with lower access to bank branches with Tracts that are over a quarter-mile from the nearest L stop, using data from the Chicago Transit Authority.

We see, actually, the vast majority of

lower-access Tracts are -- we see that a significant subset are in this group. But, then, when we move from the access to an L to access to bus stops, we see a very different picture. Clearly, the bus network is much more established than the L network, not surprisingly. So, here the vast majority of Tracts that have lower access to bank branches are within a quarter mile of at least one bus stop.

So, these are just a few examples using of data of how the LDT -- first of all, I described how the LDT has created the data that it uses, what it conceptually means, but, then, looking at several examples of how that can be overlaid with other data to identify particular populations that might be of particular interest in assessing access to bank branches. There's lots of other data that can be looked at as well.

We see this. It is a starting point is what we are arguing. We identify Census Tracts or neighborhoods that may have limited access or may face negative impacts from having a branch closed.

But it is essential to realize that not all communities with lower access to bank branches have a problem. So, implicit in all of this is there are, for instance, lower-income suburban communities that have very low access to bank branches that we really aren't going to be that concerned about. They are not going to jump out when we apply data about high school diploma, for instance, or income data. So, we might set those aside when we are focusing.

But this is a tool that allows us to start that conversation, to start looking at areas, identify areas with lower access, apply other data to identify the areas that are particularly of interest. And we believe that this is a significant improvement over existing strategies. It allows for a more finely-honed, a more sophisticated way of identifying branch access. But, again, it is a starting point.

And our plan going forward is to disseminate this, Laura, from your suggestion earlier. And this is the starting point for that. We look forward to your feedback on what do you think of this approach and, hopefully, you believe it is a contribution, and any ideas you might have for disseminating it.

MR. ERNST: But, maybe just before we do, Martin, since he raised a question that I don't think got addressed, I want to give a response to your question about why 75 percent and not 50 percent, and sort of acknowledge that this choice is an important one because you can always adjust it, but where you start sometimes defines the parameters of the discussion.

For us, I think we are trying to put forward a method that helps us understand which areas have relatively low access to bank branch services. Fifty percent would potentially represent the median. And so, you would be saying anybody who has to travel than the distance by concept has a level of low access. And median didn't feel quite -- it seemed maybe not specifically training the conversation enough on the concept of relatively low access. So, 75 and 90 are two -- you know, we have looked at a variety of locations, and 75 and 90 seemed to provide some resolution and able to identify areas that have some maybe more meaningful context of what it means to be relatively-low access.

It is still, Michael, to your point, still a choice you are making. I think it is less arbitrary than a distance threshold by drawing on the information about where branches are located against the population in the local area. It is implicitly incorporating some of that information about expectations that people might reasonably have in that area for where they would find a bank branch relative to their residence. So, I think there is a little bit, by allowing the data to dictate that distance, we are making less of an arbitrary choice by bringing that information in, but it still is a choice.

So, I think two good questions on the

table are whether 75 and 90 are reasonable choices. And that is very hard to sort of opine on the abstract, I recognize.

But the other is -- and maybe a little easier to opine on -- if you are going to accept our premise, also, that you take this information and, then, think about what are populations of interest, whether it is LMI, whether it is seniors, whether it is individuals without private transportation -- what are the populations of interest that could be primary considerations in any sort of analysis that we might do along these lines?

Michael and Ted and, then, I am going to look this way.

MEMBER BARR: So, you know, let me just start by saying, just repeat what Martin said, which is the fact that we are all jumping in on this means that we think it is important and interesting work. And if it didn't matter, we wouldn't be asking hard questions about it.

(Laughter.)

Really a terrific job.

A couple of things. One is this percentage measure I think is more useful in the context that maybe many of us in the room have in our head of a problem with bank branches in a dense urban community. It may be a lot less useful when you are thinking about problems of exclusion in Native American parts of the country, the Indian reservations, distressed rural communities, where you may have significant lack of access to financial services across a broad part of the community. And so, you're picking up widespread distress and calling it okay and, then, looking for the extremely widespread distress that is worse than the distress that you are seeing. So, you may want to have different measures for rush-hour area versus rural and Native American communities.

The second thing to think about is the interaction between what you are studying and the other financial services in the communities that you are studying. So, I did a geographic mapping exercise in Detroit as part of my Detroit area study research that I talked with the Committee about a number of years ago.

One of the things that -- I used an approach similar to what you did. So, I am just saying it is good.

(Laughter.)

But one of the things that I found is that you have to really carefully look at the interaction effect of the location of bank branches with other financial services, payday lenders, pawn shops, check cashers. All had a huge effect on usage of bank services.

So, even in communities where there was a reasonable access by some measure to bank branches, the usage rates were much lower in communities that had very high alternative financial services penetration. So that there is a decline of about 9 percentage points in bank account usage where AFS penetration was high.

So, I think if you could add into your model not just bank branch location, which obviously is the easiest to obtain, but also using small business data and SIC codes and other information, you can get not perfect, but decent data on the location of these other providers and you can see interaction effects.

MR. ERNST: Thank you.

Then, we are going to come down to Ted, Bruce, and I'll look for more hands, I promise.

MEMBER BECK: Actually, Michael covered a good part of my question. But, basically, has this refined or changed how you look at banking deserts from our discussions yesterday?

MR. ERNST: So, banking deserts suggests almost an objective determination that I think we are struggling. I think we would love to have a method that we felt confident in that could define something that concretely and to say here are the deserts; these are the areas where attention should be put.

So, I think this is our approach to

trying to identify areas that would likely fall into that category. Maybe some would be a little broader, but where we feel like we can do it, lacking that sort of perfect objective measurement to apply to determine that. I think that is right.

MEMBER McCOY: I wanted to say thank you for this really important research and to echo Michael. The fact that we are so engaged in thinking about the methodology is a real tribute to you and the fact that you managed to educate us on these three different approaches, and I think we are all grappling with that.

I was, first of all, intrigued at your statistic that only 21 percent of consumers use ATMs. Is that really true?

MR. ERNST: That is a primary means of accessing their accounts.

MEMBER McCOY: I see.

MR. ERNST: So, a higher proportion use ATM, a much higher proportion use ATM.

MEMBER McCOY: Okay. Okay. And then,

going back to the question about rural areas, I have similar concerns. I spent two years living in a very remote rural area, and an LDT of, let's say, 15 miles, it would be just impossible for many of the people I worked with.

If you think about it, there is either poor public transportation, often none. If it is Alaska, you are talking about airplanes; you can't even drive places. And that is extremely expensive.

MR. ERNST: Yes.

MEMBER McCOY: And so, I actually might think about LDT, is it a proxy for access? In some of these rural areas it actually may not be good proxy for access. You can have an LDT and 75 percent of people within it, but they don't really have access in a meaningful way.

And so, you might think about in the outlier situations what are the limitations of the device, and be explicit about that.

MR. ERNST: Uh-hum.

MEMBER McCOY: The other thing I would

be interested in is, going back to your Chicago maps, is if you could map the LDTs on top of percentage unbanked in each Census Tract, that would be interesting.

MR. RENGERT: If we had data at a Census Tract level, that would be --

MEMBER McCOY: Okay. You don't?

MR. RENGERT: -- that would be wonderful, but --

MR. ERNST: I think what we have tried to do, in response to that, is to identify populations that are more likely to be unbanked. So, looking at low- and moderate-income, looking at areas where maybe both the populations are low- and moderate-income and members of minority populations. So, thinking about ways to layer on to identify where that may play out, even though we don't have the direct measurement.

MR. RENGERT: Thank you.

And just to quickly address the multiple points that have been raised about rural areas, I agree and this tool intuitively makes a lot more sense to apply to more densely-populated, specifically metropolitan areas. And I frequently say, just because you have the data and can apply a tool, it doesn't mean you necessarily should.

We do have data on population, the Census Track level, across the country. We can create the LDTs for rural areas, but it is less meaningful when we -- the contribution of the tool is that we can incorporate a local area to determine what this distance is. When you start looking at the rural area of a large state, it is no longer a small local area. Now it is a huge area. It just happens to have in common that it is a non-metropolitan area of Nebraska or Alaska.

It is not ideal. It is still better than applying two miles. And I think most of our focus would be on metro areas.

MR. ERNST: Right. So, I think we are hearing, one of the things we want to acknowledge is we are hearing very clearly sort of the need to think about the application of this to places like rural areas where, as Michael just said, areas with Native American populations maybe, with very different sort of residential patterns.

MR. RENGERT: Right.

MEMBER FUCHS: Yes. First of all, I want to agree with what everybody said. This needs to be done. We have come a remarkably long way in trying to figure out a way to measure inaccessibility.

I am wondering if you have had an opportunity to look at the food desert piece because I actually did a study on food deserts in New York City, which is obviously urban and wouldn't have the same methodology you were looking for in rural areas.

But the FDA, the Department of Agriculture -- excuse me -- has put together some very interesting methodologies around determining whether it is a food desert, which has to do with access to fresh fruits and vegetables and stores which carry fresh fruits and vegetables. So, also, you have to deal with Robert's point, if you have access to an ATM, for most people, that is sufficient. And maybe fine-tune this a little bit, include that as part of the analysis.

But part of the way they do the food deserts is, beginning with the location and put a radius around the population, as opposed to beginning with a whole city or a whole metro area, and looking at the characteristics of the population first and saying, you know, in an urban area you would use this kind of methodology differently than what you would use in a rural area because of the differences in the way people commute. So, these were walkability, mostly walkability ones for low-income neighborhoods and cities. Obviously, that would be different in rural areas.

So, you are starting more with some of the specific characteristics of the community and, then, you are building out the radius of what makes sense within the characteristics of that community as opposed to taking one big methodology and starting that way. I mean, you know, there's advantages and disadvantages to both, but I think it might be interesting to look.

MR. RENGERT: That is very interesting research. I've looked some at it, not in as much detail as I should. So, I'll go back and look more. But I agree I think it doesn't serve --

MEMBER FUCHS: But I think it was great. So, that is not a criticism. It is just another --

MR. ERNST: Another resource.

MEMBER FUCHS: Yes, another resource.

MR. RENGERT: Thank you.

MR. ERNST: Thank you.

Bruce? And then, Martin.

MEMBER MURPHY: There were moments as you were making your presentation when I'd say whoopee. I was saying whoa.

(Laughter.)

And let me talk about both of those.

MR. RENGERT: Right.

MEMBER MURPHY: We deal every day with

branch authorization and location, and we deal with this question not just in internally, but externally with our advocacy groups. And we just went through an acquisition where this was one of the top three issues that we deal with.

And so, we made a decision that somewhere between 25 and 28 percent of our branches would be in. So, we have made those kind of broad choices. In making those choices, we look at opportunity in the market. We look at the distribution of client groups and we look what I call the intensity. Intensity is really about how active, sophisticated, and informed is the local community about their needs.

And so, what I was saying whoopee about is that this can be a common language about distance. And so, there are places where we would say two miles is an appropriate distance, given those other factors. There are others, as we think about rural. Rural is a real challenge. At the end of the day, rural is a real challenge. And I am in Alaska. I am in Maine. I'm in Utah.

I am in Idaho. At the end of the day, I get rural and understand that it is a challenge.

But the point I guess I really want to make is that this can be an overlap against the tools we use today. It can better inform the tools we use today. The tools we use today may better inform this model.

And so, what I would love to have is a conversation with our branch authorization team, thinking about the way that we think about this versus this particular model, to see where are there real opportunities to figure out how this model can be sharpened, made more relevant in different kinds of communities. Because, I mean, again, we have it all, high concentrations and low concentrations.

So, we would love to engage directly in that regard.

MR. ERNST: Well, we will work to make that connection. Thank you for the offer.

One thing I want to point out is, you know, the communities we highlight, we are not suggesting that communities with low or no access, that our tool evaluates the viability or the economic feasibility of a branch in that location, right? It is really only asking the question, does the community, notwithstanding any factors like that, have relatively-low access?

I think if you do that and you have confidence that you have identified an area of need, then you turn to the question of, you know, I think under our framework, what could be done to address those needs. And the answers may be very different in very different situations.

MEMBER MURPHY: So, the last opportunity is to give the advocates a way to think about this work. Because when they think about branches, it is emotional. Fact-based goes out the window. It is about Mrs. Smith can no longer walk to the branch once a month to have her social opportunity in the branch, and that is what drives that conversation. I don't want to tick off Mrs. Smith. But the reality is I can't have a branch just for Mrs. Smith.

(Laughter.)

And I could have a branch with 200 people and think that that is a viable opportunity.

MR. ERNST: All right. Thank you for those comments.

Martin, I think you had another --

MEMBER EAKES: These are all pretty small points. I think in terms of presentation, if you flipped your threshold to the one minus the percentage, it would be more intuitive when you are communicating. So, instead of calling it a 75 percent threshold and, then, you have to do the math to figure out that means 25 percent, but if you just called it this is the 10 percent threshold that are outside the standard or this is the 25 percent, I think it would be more intuitive presentation-wise.

MR. ERNST: Yes.

MEMBER EAKES: The second thought is that you are very dependent on what you select as your aggregate boundary. So, if you were, for instance, saying let me take downtown Chicago and have a five-mile radius, you would get a lot more variability in some ways in the Census Tracts that you've got included, and the distances would be different. All I am saying is it is very sensitive to initial conditions or initial assumptions.

And then, on one of the places where you have your radius drawn, it actually comes out elliptical. And I am wondering if that is that it was at first a circle, but, then, you have compressed your map to fit it on the page or what.

MR. RENGERT: No. It is basically the act of taking a spherical world and making it on a flat map requires stretching. So, a circle will appear elliptical.

MEMBER EAKES: But do you think this is maybe something this small? I would be surprised.

MR. ERNST: You know, it may have been rendered through the mapping program a little inartfully, but the distance calculations are underneath it.

MR. RENGERT: Thank you.

MEMBER ANNIBALE: Just very briefly, great work. It is really interesting. I think it is much more dynamic than what we have seen before when you crossed the street and you changed thoughts.

(Laughter.)

But I would encourage you, also, early on to have this conversation with the OCC. Try to get them to think in relation along with you on this because the very largest banks are also being looked at in branch terms with them. So, I think both of you covering that would be very helpful early on.

And I would say that there is also am glad if you want to talk to our colleagues on it, only because I have seen them articulate very interestingly in discussions with the regulators particularly. But around near to, they were using the expression near to branches, which was the practical application, but the scientific in any other way of the methodology that you are doing, which really was just about that. You know, areas that have very near proximity, good public transport. And certainly, in urban areas and in suburban I think that is doable. I think everyone has espoused that we have very little experience, but the rural areas may need a different methodology.

MR. ERNST: Thank you.

We have Andrea with her hand up. And I wonder how much time we have.

MEMBER LEVERE: Ten seconds.

MR. ERNST: That is your question --

MEMBER LEVERE: Just 10 seconds, which I want to say, I think in all the conferences we have held, we have never held a session on bank branches. So, all I want to offer is that there is a whole level of analysis that is going into this.

But, back to the point Bruce made of how do we educate those folks who could both make positive things happen or the opposite, to think about how we can develop a curriculum that takes this piece in a way that's accessible and also helps move forward.

MR. ERNST: Thank you.

MEMBER EAKES: I think branches that specialize in overdraft fees are not a good thing.

(Laughter.)

MEMBER LEVERE: Yes.

MEMBER BARRERA: Keith, you know, one of the points that Kris made upfront was that bank branches are closing, right? And the whole idea of technology, people are using our phones, and so on. So, for a lot of banks, for one particular bank that I know of, it was the cost of doing business. They didn't get the traffic in there. And so, therefore, they shut down, left the community down in south Texas. From San Antonio down, they left, right?

So, then, on the other hand, you have got a bank serving the same area that is using their branches for financial education. So, they are creating their team members as financial consultants now and trainers. And, yes, the teller is not going to be doing teller work anymore because people are not coming in for teller work, but they are coming in for financial education.

So, I don't know how we -- how do we help our communities? Yes, it is great information, but, at the end of the day, the bank has got those stockholders that are trying to make more money. So, how do we balance the two things?

MEMBER BARR: You need to demonstrate the intensity of your beliefs.

(Laughter.)

MEMBER BARRERA: We do. We do.

MR. BOSTON: But I do want to add one other thing to follow up what Janie just said. A lot of the banks are also using their facilities now as investment centers where they can say they have a building, but there's no bank; there is no deposit. You know, they are just going in there to talk to investors, but they have a branch.

So, I mean, how do you put that into this model as well? That is not the low- and moderate-income communities, but --

MR. ERNST: I really think that that is the full circle. As I said at the beginning of the presentation, there are many ways to think about the import of bank branches, by asking questions about residential neighborhoods as the bank branches. We recognize that we are asking one subset of those questions, but I think both of these comments, whether it is the use of branches for financial literacy or for investment purposes, highlights many of those other questions as well.

MEMBER FUCHS: A very quick point. I don't want us to leave without some -- there have been programs with positive incentives to get banks to locate in these kinds of small assets. There is New York State, and Diane Teller, who was once Chair of this Committee, did that in New

York State where she basically got the controllers in the State to deposit large sums of money in banks that agreed to locate. And there were maps, less sophisticated than yours, but maps which determined what would be an underserved community. And it worked, frankly. The banks, you know, a whole bunch of different banks opened up in neighborhoods where there --

MEMBER BARRERA: And I think that would be a good resource for community banks to be used in that way, right? The national banks aren't thinking this --

MEMBER FUCHS: But they did in New York. Citi did it. Chase did it. It wasn't just --

MEMBER BARRERA: Are they still there?

MEMBER FUCHS: You know, it is hard for me to say. I haven't looked at the maps recently, but, yes --

MEMBER ANNIBALE: We have one branch that was renewed with that and competitively compete in what you serve in that community, and you receive deposits from, you know -- it doesn't really matter where it goes in terms of a bank branch versus a head office, but it can help the economics of that location.

MEMBER FUCHS: And also subsidize the locations and housing authorities. In cities it is quite doable.

MEMBER EAKES: We should have another session on branches, not just the mapping, but sort of the policy and the trends, because the sense is that mobile is taking transactions out of branches at a pace that is unbelievable, 10 percent per year. And it means that branches, if they were transaction centers, we are going to keep seeing decline in the number of branches and what that means. I think there is a bigger discussion that would be worth following up next time.

MEMBER MURPHY: So, we've got more mobile transactions to those branch transactions.

MEMBER EAKES: Right, we do.

MEMBER MURPHY: And it is going to

continue to go in that direction. By the way, that is not an easy course to break, but that is a different conversation.

MR. ERNST: Mr. Chairman, I think we have received significant feedback.

(Laughter.)

CHAIRMAN GRUENBERG: But I don't disagree with that and it has been a very helpful conversation. This is an important issue and highly relevant to the whole issue of inclusion and access to the system.

Let me just make one final observation, that we've got actually three advisory committees at the FDIC. The meetings of all three are open to the public. And, you know, we will occasionally get a news story after an advisory committee meeting saying, Advisory Committee Criticizes FDIC. And I am thinking to myself when I read the article, yeah. So?

(Laughter.)

You know, you don't have advisory committees, frankly, to tell you everything you are doing is good. You have advisory committees to tell you things that you can do better.

And so, when we get that sort of thing, it suggests to me that we are actually adding value to -- that the advisory committee is actually adding value.

So, thank you all for your comments.

(Whereupon, the above-entitled matter went off the record at 12:07 p.m. and resumed at 1:23 p.m.)

MR. VILLAFRANCA: Good afternoon. Mr. Chairman, members of the ComE-IN Advisory Committee, ladies and gentlemen, Lessie Evans, our Section Chief and our supervisor, thank you for this opportunity to share information about the Community Affairs Branch, representing the Division of Depositor and Consumer Protection.

I have to say that the last time I was given the honor to address this Committee was 2010, and we were talking about building partnerships as well then. And when we talked about the elements, the very first one was trust.

And I think that remains true today.

My name is Eloy Villafranca. I am the Regional Manager for the Dallas Region. I will be your moderator today and I will also share some information about a Dallas organization a little later.

I'm honored to be on the panel today with my esteemed my colleagues from throughout the country: Angelisa Harris, our Regional Manager in the Chicago Region; Emerson Hall, our Regional Manager from the San Francisco Region, and Clinton Vaughn, our Area Manager from the Memphis Area Office. Bios for all the panelists are in your folders along with a set of the PowerPoint slides that you will see.

Each panelist is going to be sharing information with you today on a specific activity or set of events held in their Region or area. The map you see designates how the Community Affairs Branch is segregated throughout the country. There are six Regional Offices and two Area Offices.

When we focus our work in the Community Affairs Branch, we work on what we call our economic inclusion ladder or five opportunities. Beginning as a ladder from the bottom rung, you see is financial education. We like to support quality and innovation and programs to build financial capability and develop educational resources responsible to the needs of LMI individual scenarios: emerging small businesses, diverse households, and communities.

Most of you are aware of our Money Smart Program that was started in 2001 that continues to evolve and that is one of our major products. We do train the trainers and other things for that.

We also promote access to ensure accounts in the use of safe, affordable, insured deposit accounts. We have already talked this morning some about the FDIC SAFE Account Template.

Another area that we look at is credit

and savings, to improve household financial stability and resilience by encouraging safe and affordable savings and credit solutions from insured depository institutions and access by those underserved consumers.

You will see in here some different activities and events where we work with credit repair, where we work with credit knowledge. And one of our Money Smart modules is also about credit.

Affordable mortgages. We encourage institutions to offer and make available prudently-underwritten affordable and responsible mortgage credit. We will have a panel after this one to discuss that and the wonderful work that the Community Affairs Branch has been doing, and in particular Sandra Kerr who has done some remarkable work and has some great products to talk about.

Under small business, we also work with the SBA and others to encourage depository institutions to prudently serve the financial needs of emerging entrepreneurs and small business. And we have worked with a lot of different partners throughout the years to do this, and we continue to do that with not just the SBA, but SBDCs throughout the nation. And many times you will see us holding some workshops on small business.

I see my partner over 20 years, Janie Barrera, has also helped us and worked with us throughout the years, and many of you that we have had the opportunity to work with. We appreciate that.

So, I'm excited to share with you some information today on a particular coalition that we formed in the Dallas County, Texas area. In addition to the five opportunities that we have enumerated, the other areas of importance for us are CRA and community development. We work very closely with our examination staff to work with institutions on CRA and community development opportunities as well.

The coalition in Dallas that we put

together is now called the Dallas Financial Inclusion Roundtable. We formed that 18 months ago from a previous partnership that had lost some momentum and still had some leadership, but there were factions. What we found is a lot of the same partners sometimes work in different organizations and different facilities. And it seems like some of our bankers sometimes tell us, well, I don't know which one to go to.

So, what we did is we got together -- we meaning myself, the United Way of Metropolitan Dallas, and the Federal Reserve Bank of Dallas -- and talked about how can we put together a coalition, a partnership where all of these partners can come together as one and work together on all of the five opportunities and other things that everybody seemed to be working that in different factions.

We have been doing this for a year and a half. We have got somewhere in the area of over 250 people on our membership list that we send information to. We have about 45 financial institutions right now, 85 community organizations, five different government agencies that are making an impact in addressing these needs.

What we have done in the year and a half is to ask the membership what are your reasons for being here; what's your agenda; why are you here? We find that, when we lose membership in these partnerships and coalitions, it is because we are not meeting their needs. And sometimes we have to discuss that back and forth to realize what kind of assets they bring to the coalition that they may not be aware of.

We may have someone that has capacity for financial education, but they are looking for students. Or we may have a church that has participants that need financial education. And that is when the dynamics begin and that is when we start to make some influence.

So, we started with financial education. We did an inventory of providers and curriculum, who was doing what. The majority of those were using our Money Smart curriculum, but we don't always have to have that. We just want there to be financial education there.

We now have a significantly larger number of both providers and participants just from those people coming together and working together.

Account access issue. Just recently, I delivered to the coalition a presentation on the FDIC's Unbanked Survey for the Dallas-Fort Worth Metro Area. What we found from the survey is, from our work that we have been doing not just with this coalition, because it has only been 18 months, but all of the prior work. Since 2009, the unbanked has fallen by 5 percent in Dallas. And since 2013, the unbanked number has fallen by 2 percent. So, we know we are making some impact slowly but surely.

The Roundtable membership has been looking at their own starter accounts. We are doing an inventory right now of those 45 financial institutions. Some are those that already have the SAFE account or the National Account Standards Account that we see. And we are going to move forward with them.

What we found is that we have one or two institutions that we weren't even aware now have accounts that they didn't realize matched our SAFE Account Template. So, we are doing some more research on that, reviewing that, and working forward.

We have our next meeting this summer. We are going to sit down, now that we have established a solid core of membership, and talk to our members about where do we want to make an impact as a partnership, as a coalition. And the FDIC and the United Way of Metropolitan Dallas and the Federal Reserve Bank will continue to guide that effort as we move forward.

So, we were excited to learn about the drop in the number of the unbanked, and Dallas has had a greater overall drop than the entire State of Texas and the nation as a whole. So, we are really excited that, from our own research, we know that it is statistically-significant. It is not huge, but it shows we are moving in the right direction, and we are excited about that.

One of the other things that we talk about with this group is using the 3H approach. We believe in using the head. We believe in using the heart, and we believe in using the hands. And I will let my colleague Emerson talk a little bit more about that in a little bit.

I want to hand over the microphone to Angelisa Harris, our Regional Manager from Chicago, and let her talk about some of her involvement.

MS. HARRIS: Good afternoon.

Thank you, Mr. Chairman, members of the Committee, and DCP leadership, for providing me with the opportunity to share just a snapshot of FDIC frontline experiences and collaborations that exemplify the impact of two economic inclusion strategies we have employed in communities that have struggled with disinvestment, unemployment, and significant underbanked populations of color. These include Milwaukee, Wisconsin; southeast Michigan, and Gary, Indiana.

The first example I would like to share is focused on the FDIC Alliance for Economic Inclusion Coalition's work on building creditworthiness in underserved communities. This effort supports FDIC's Economic Inclusion Strategy to improve the financial stability and resilience of low- and moderate-income consumers.

As you know, FDIC leads the Alliance for Economic Inclusion or AI Coalitions in a number of markets across the country. These broad-based coalitions are comprised of financial institutions and diverse local stakeholders.

The AEI is charged with expanding basic retail financial services for underserved populations, including safe and affordable insured accounts, small-dollar loan programs, targeted financial education programs, alternative delivery channels, and other asset-building programs.

We have two coalitions in the Chicago Region. One is based in Milwaukee, Wisconsin, and the other in the four-county area of southeast Michigan. Through the AEI, we provide leadership to facilitate partnerships among nonprofits and financial institutions and community leaders. These partners collaborate to implement strategies, mobilize resources to strengthen communities, build a more inclusive banking system, and address persistent challenges on a local level.

Several years ago, both coalitions explored the issue of consumer creditworthiness and its impact on the ability of the underbanked to access safe and affordable financial products. This was done through a number of focused discussions and knowledge exchange to better understand consumer, financial, and market dynamics.

The need for credit counseling, financial education, stronger referral networks, and identification of bank products to help build credit emerged as the most pressing issues confronting many underbanked households, the service organizations working with them, and the financial institutions trying to meet their credit and service needs.

The consensus was that building consumer credit scores and knowledge is a fundamental pillar to the successful implementation of any asset-building initiative and efforts to increase access to bank products.

The issue was also a common theme at yesterday's Economic Inclusion Summit, affirming that banks, nonprofits, government agencies, and other stakeholders are generating numerous partnerships and financial products focused on improving consumer creditworthiness around the country.

Tina Lentz at Bank on Louisville, Rachel Schneider at the Center for Financial Services Innovation, Rani Boukerrou at KeyBank, Margaret Libby at MyPath, David Johnson at BankPlus, our luncheon keynote speaker Maurice

Jones at LISC, and even an attendee working with Native Americans spoke to the importance of credit scores, credit counseling, and credit-builder products in providing access to mainstream financial services and a pathway to financial stability.

After considerable outreach and dialog, led by the Community Affairs Specialist on my team with AI members, a series of forums and training workshops were held over the past three years, some in collaboration with the Credit Builders Alliance to build capacity of local organizations, others with a concentrated focus on using FDIC's Money Smart financial education curriculum, and still others that included a deeper dive with local banks to inventory the product offerings that would support building or rebuilding credit histories.

In the Milwaukee AEI, we worked to build the capacity of over 78 organizations, community-based, nonprofit, government agencies, and financial institutions, working with consumers that have no credit or impaired credit.

We collaborated with key organizations such as LISC Milwaukee and the Social Development Commission to improve overall knowledge about credit bureaus, regulatory principles, credit scoring, datasets contained in the credit reports, and how to assist clients on finding and correcting credit mistakes.

We also work with two local consumer groups who share strategies on how to serve a variety of consumers. In addition, attendees at the forums and workshops explore solutions for hard-to-reach consumers.

As a result, local stakeholders have the ability to replicate promising practices, promote access to responsible financial products, and work with banks to collaborate on products and services that support the needs of consumers with low, poor, or no credit histories.

River Works Development Corporation, an AEI member, shared with us a story about one of their clients that benefitted from our work.

In January 2015, a single female head of household was referred to River Works by a local bank because of the challenges she faced related to purchasing an auto and home. Using the information gleaned from the AEI, River Works was able to help her clear up collections and increase her FICO score from 550 to 624. Along the way, she was referred to the Wisconsin Women's Business Initiative Corporation as a candidate for their four-to-one IDA Matched Savings Program and to Habitat for Humanity's Homeownership Program.

In June 2016, she closed on a Habitat house for herself, her five children, and her mother. By purchasing her first home, she is saving over $400 a month in housing-related expenses. During the past two years, she has increased her net worth, decreased her debt, increased her credit score, and increased her savings. This is just one example of how our work impacts the lives of real people.

In total, both of the AI coalitions

reached over 200 representatives of banks, community groups, nonprofits, and government service representatives to increase their knowledge about credit education tools, credit bureau considerations, and availability of second-chance and credit-builder accounts.

Finally, and just as important, I want to highlight the referral networks. It is important that we link consumers to both bank accounts and the supportive services needed for sustainable financial resilience, and that is exactly what we do in the AI coalitions.

The second example I wanted to move to focuses on how our community development work intersects with our economic inclusion strategies to promote access to banking services and insured deposit accounts. This morning one of the panels highlighted the reliance of LMI communities on access to bank branches for financial services. My next example breathes some truth into that.

As you may know, Gary is a low- and moderate-income community that has experienced economic downturn and disinvestment for over five decades. In June 2013, the Chicago Community Affairs staff held several outreach meetings with the city of Gary, local stakeholders, and financial institutions, to assess how well credit service and investment needs are being met.

The outcome was a shared interest on the need to improve communications about the city's community development plans and investment priorities, and the corresponding opportunities for bank engagement. As a result, FDIC convened a Community Development Forum in partnership with the Office of the Controller of the Currency and the Gary Economic Development Corporation. This forum was held onsite at a vacant downtown bank building in need of redevelopment.

The goal of the forum was to inform financial institutions about a number of local community development opportunities related to housing, business development, and consumer financial services. Included among the opportunities highlighted was a need for a bank branch in the downtown area to provide access to financial services for low- and moderate-income consumers.

We were very intentional about hosting the forum in the vacated old bank building to provide a visual backdrop on community development and reinvestment opportunities.

(Laughter.)

I have photos, but I didn't bring them today.

Okay. Eloy is going to release the timekeeper fly on me if I don't wrap up here. So, I will try to speak quickly.

(Laughter.)

There was only one other bank branch in the same zip code. As a result of the forum, one of the financial institutions that was in attendance entered into discussions with the city to explore the feasibility of opening a branch in the building.

Community development, like any financial stability effort, is not a one-and-done thing. It is a series of actions and efforts that take time, a committed focus, and a collaborative effort to see tangible results.

In October 2015, two years later, we saw those results. An FDIC-regulated bank opened a branch at our forum site, Gary's old bank building. This was a big deal for the city and attracted the participation of a former Governor of Indiana at its opening.

The city and local organizations were especially pleased with the potential impact of this bank branch opening on the community because of its products offerings specifically designed for unbanked and underserved consumers. And these products included second-chance accounts, Smart Choice savings and checking accounts, and small-dollar loans, and credit-builder loans.

Since the branch opening, the bank has established a relationship with Men on the Move Mentoring Program for Young Boys at the City Life Center, a nonprofit located in the neighborhood. City Life Center uses a holistic approach to family stability by providing financial wellness, education, and family development programs.

The bank provides financial support to the organization, banking services, and the bank employees devote time and energy and financial education, mentoring, coaching, and personal development training for the program. These bank outreach efforts have reached low-income consumers in nearby neighborhoods with high concentrations of children coming from nearby public housing units, single-parent moms, and households with limited positive male influences. The bank is also engaged in working with local schools.

I thank you for your time. And thank you, Eloy, for not releasing the fly.

I would like to turn over the microphone to my colleague Emerson Hall from San Francisco.

MR. HALL: Thank you, Angelisa.

Good afternoon, Chairman and members of the Advisory Committee.

My name is Emerson Hall, as I've been introduced, and I'm the Community Affairs Manager, the Regional Manager for the San Francisco Region.

This is my first time at the Committee, getting a chance to present, and this is the first time just coming to the Committee. Hopefully, it won't be my last.

(Laughter.)

But I do have, roughly, nine to ten minutes to speak, and I want to share with the Committee. You guys probably already know this, but I'm eight years in September I will be with the FDIC. I was a banker for 25 years before then. But my colleagues here, they have all been here at least 20 to 25 years.

What I see here at the FDIC is that economic inclusion is in the fabric of the organization. We are the furthest Region away from headquarters here. In the San Francisco Region, the Regional Director, the Deputy Regional Director, the Case Managers, the staff, they are all involved. I can call anybody for any kind of help and I'll receive it. The management staff that I have here from Mark to Liz to Janet and to Lessie, we have their support, and I really appreciate it.

And I really appreciate getting a chance to hear the comments and the feedback that you guys provide because what I consider is that we are on the frontlines and we are trying to implement the work that we are talking about and that we are thinking about. And the ideas and the products and the services that is being provided that we talk about, we get a chance to live it every day.

And I told my wife and I have told my friends that, if I was independently wealthy, I would do this for free.

(Laughter.)

And I really would because I think, and I hear other people say, this is the best job; we have the best jobs in the corporation.

Each time I leave the house my wife

tells me something. She says, Emerson, I love you, and she says, come back with a job.

(Laughter.)

So, I want to share really quickly two examples of some of the work. I have some notes. I'm going to stay on point.

(Laughter.)

I want to talk about two examples of some of the work that we've got a chance to be involved in. The first one is in Los Angeles.

I don't think my -- okay, there it is. Oh, I'm supposed to do that? Okay. Okay. I thought it was coming from over there. Sorry. Thank you.

My first example is work that we've done in Los Angeles. And I will be brief because there is a story that I want to tell with this as well. But it is in regards to the Money Smart for young adults. And the Housing Authority of the city of Los Angeles contacted us because of the work that we have been doing in Los Angeles, and they said they wanted to meet with us. We met with them. They wanted to adopt the Money Smart for young adults into their Summer Jobs Program.

Of course, we were very interested in doing that. And so, therefore, what they wanted us to do is provide Money Smart for young adults, train-the-trainer workshops. And I'm not sure if you guys are really familiar with that or not, but, basically, what we're trying to do is duplicate ourselves. If we can multiply the people that's teaching the program, then we are going to be a lot more effective, because the staff I have for the San Francisco Region is five Community Affairs Specialists. We call them CAS for short.

And what I try to instill in our CAS, the C-A-S, is that we're not just Community Affairs Specialists; we're change agents. We are trying to transform the communities. We are trying to transform lives, and that is what I think about every time that I leave my home, is that we have the opportunity, and we get paid to do this, but we have a wonderful opportunity to transform, to be used and transform lives.

And it is hard work. It is not easy, but we have to have high expectations if we want to achieve anything. And so, we have high expectations that we do want to try and make sure that we can achieve.

So, essentially, we set up six training sessions in Money Smart for young adults workshops. In the summer of 2014 -- this was the summer of 2014 -- we trained 160 persons in the train-the-trainer workshops.

So, in the fall of 2014, because we had worked with the Housing Authority, the Economic Workforce Development Department in the city of Los Angeles also contacted us and said, would we provide the same type training for them in the summer of 2015? So, we agreed and we did. So, we provided training in 2015 and 2016 for the Economic Workforce Development Department in Los Angeles and, also, the Housing Authority.

So, over the three-year period 2014,

2015, and 2016, we trained 380 people. So, we multiplied ourselves by a lot, and that 380 people actually, from our follow-up and communications with the city of Los Angeles, 37,000 youth, at risk, low-income youth, were actually provided financial literacy and financial training. So, that's huge.

But I want to go back to very quickly is that the Director of the Housing Authority in 2014, there were two things that she actually wanted to achieve, and we talked about that a little bit yesterday and we talked about some again this morning. It is that not only did she want us to provide training, she wanted us to try to see if financial institutions would open up accounts for the youth, which I didn't think was going to be that hard, but it became a pretty big challenge.

She told me about one financial institution, there was a banker there that had been doing this for the past several years. And she said she had a real challenge with the other financial institutions in getting this done.

So, before meeting with the financial institutions, I wanted to talk to the banker to try to find out exactly how he was able to do it. So, I scheduled an appointment. I went to meet with the banker. It was a fairly young guy. He was in his early thirties.

But he had indicated that, after I told him what I was trying to do, he indicated to me, he says, Emerson, I haven't done anything that's really that amazing. He says, we had a product that nobody was actually using. I started to use it, and it became successful.

And he told me a story about a young man named Antonio. He said that he had helped several years ago, several programs. The kid was 16 years old, first job with the Housing Authority during the summer. He had a poor attitude. He had poor grades, but he opened an account and he had a job, and he stayed in touch with the Branch Manager because the Branch Manager was just, well, 13 years older than the guy.

But he said that, by the time he graduated, he graduated with good grades. He enlisted in the U.S. Marines. He started taking classes while he was in the Marines. He finished college, and he's an officer in the U.S. Marines today.

He was raised by a single parent, a single mother. He had three younger sisters, and his goal was to move his mother out of the public housing that they were living in for the past three generations.

So, of the 37,000 kids that were helped do this, there's a lot of Antonios. There's hundreds of thousands of them. So, we don't see, actually, all the value of the work that we do immediately sometimes. Sometimes it takes a while. So, I will find out if he bought his mother a home when I check back, but I am sure he did.

The second example that I want to share with you is in Sacramento, California. The second example is in Sacramento, California, and specifically, the Sacramento Promise Zone. The Sacramento Promise Zone was a designation awarded in 2015, and it was to spur job creation, to increase economic activity in the area, and then, also, neighborhood revitalization.

The unemployment in the Promise Zone is at 19 percent, and it is significantly than the average rate of Sacrament of 5.3. And so, as we all know, unemployment undermines the very fabric of the families, self-sufficiency, and it negatively impacts people and communities that they live in.

So, Sacramento -- and I get the directions here from headquarters, but I certainly got the understanding. I've been in California now four years. But Sacramento and the surrounding San Joaquin Valley counties have always been a high profile and a high priority for us in California.

So, anytime that we have an opportunity to do some work there, we are going to focus on trying to have some positive impacts. So, ourselves, another regulatory agency, and the Sacramento Housing Redevelopment Organization -- I'm coming to a close; okay -- we held a Promise Zone Forum in September of 2016.

I'll get to my notes, so I can get finished.

In 2016, September of 2016, we hosted a Promise Zone Forum to encourage job creation and assistance for small businesses. Eleven financial institutions participated in the forum. After several meetings and 37 proposals, we were able to have four of the eleven banks, they provided a grant to a nonprofit organization that is funding a project in the Promise Zone which is going to help 60 youth, high school youth, juniors and seniors, learn more about the solar industry and get career jobs.

Now I didn't know much about the solar industry until we got involved in this project. But, from what I understand, the solar industry is one of the fastest job creators in the nation.

It is grown 20 percent each year for the past three years.

So, what we are trying to do is get these young people into careers, not minimum wage jobs, not seasonal jobs, but livable wages. So, that is a real success there in the Promise Zone.

And then, also, another 40 LMI individuals in that community will get training, 100 hours of on-the-job training in the solar industry as well.

So, thank you. Thank you very much.

And I am going to pass the microphone over to my colleague Clinton Vaughn, Area Manager Memphis.

Thank you.

MR. VAUGHN: Thank you. Thank you, Mr. Chairman. I thank you for this opportunity.

Most of you I've had beyond a business cordial relationship, but more in-depth personal relationships.

We've talked about partnerships this entire conference, and it just echoes the need to continue that. And the couple of examples that I have, one that is on the screen is the Memphis CDFI Network. This was a concept that began several years back. This was launched in 2014, but it was several years that led up to this with bank roundtables, listening sessions with the community to hear the needs of the community, to hear the needs of the various lenders and the organizations trying to serve the population.

And what we discovered in that was there were silos, people who were operating in the silos. It was very fragmented. What we wanted to do is create a coalition that would create a buffet, if you will, that someone could go down the line and pick their appetite and let them work together and leverage those resources.

So, when I look at it, this coalition, there's eight of them and it's a mix. It is diverse. This is a bank. This is credit unions. This is nonprofit CDFIs. This is CDFIs that focus on home loans. This is CDFIs that focus on microbusiness loans.

This is CDFIs that focus on true startups, but it also includes CDFIs that look for the businesses that have been in business a five-year season to take them to scale and to the meetings, so we can take it from $500 into the millions.

And we have retirees from corporate America, retirees from SCORE, that are engaged and involved in this process. Because our intent is for people to be successful, not to get them started to watch them fail.

A lot of that goes back to the history. The states that I have are Tennessee, Arkansas, Louisiana, and Mississippi. When you say Tennessee, this is also known as the capital of Mississippi.

(Laughter.)

And we receive in flux of people from those various from those various rural communities, and we are there to provide resources. When we look at what we have, we work a lot with Small Business Development Centers in our Region that are funded by SBA.

We also, through those Small Business Development Centers, we work heavily with the Historically Black Colleges and Universities. When we get into the HBCUs, they were all founded by preachers. So, in my Region, faith and hope blends deep. And in that deepness, you have a commitment to help the community.

The role we play is to try to coordinate those efforts and bring that energy together, so that it can move forward.

I look at Janie on the corner, and I can look at bankers that we were able to work with, communities, get her free space, get her offices open, give her free space in Memphis today and in Louisiana, in other cities. We work that way very intensively because of having that connection and knowing those partnerships in a realistic way.

And what it involves with my staff that I tell them all the time, you begin, you sustain, and you end with trust. We have communities that trust us. When we walk in the room and we are on the agenda, they trust us. They trust the FDIC.

We have to stick with that. So, with these eight CDFIs working together, we have success rates with loans; we have successful businesses; we have minority businesses that are into the millions in sales from startup.

The affordable housing piece, which is the next slide, that is affordable housing for people with disabilities. We are talking an organization that has a 2 percent foreclosure rate. We are talking people that became homeowners that are blind, people that can't hear, people in wheelchairs, that some bankers would look, when they come in the lobby, and say, this is a credit risk I can handle.

But, through this partnership, we have bankers on their boards. We have bankers that have given them true grants that don't have to be repaid, banks that are financing those loans and those credits along with leveraging funds, to the point to some of the deals have $40,000 or more in leveraged funds to lower the amount of their loan.

And we have housing counseling, pre-housing counseling involved. So, we have a multitude of organizations involved, and in every one of these, including the affordable housing through the Institute for Disability Studies, which is through the University of Mississippi, but it covers every county in the State of Mississippi. But that organization's board was started with preachers.

And we've had that type penetration through every one of these organizations where people go beyond to make sure it works. And most of them have served, if not on a voting board of our banks that are involved -- and we have 16 banks involved in that venue -- they are on the advisory board of those banks.

And that climate is what has created this success rate. So, the partnerships continue, and they are very deep and they are very meaningful.

I look at Alden. I can remember with the Chairman riding in a van because we couldn't take a bus into New Orleans, and we didn't have street signs and red lights were not working, but we were able to maneuver through those neighborhoods, largely because my staff and I knew those neighborhoods and we didn't need a street sign.

(Laughter.)

And Alden, going in your Bank Operation Center, you had eight feet of water in those files. All his loan notes, everything was under water.

But it's that caring. It's that partnership. It's that trust that I know you mean what you say, and I know you are here to make good. And that is what has worked these partnerships.

MR. VILLAFRANCA: So, you've gotten a taste of, just a little taste of the hundreds of different activities and events that our staff and our community affairs staff and leadership here in Washington in guiding us do throughout the nation.

At this point, we offer time to you to ask us some questions. These are just here as guidance. But, basically, we really don't need to give this group any.

(Laughter.)

Mr. Boston?

MR. BOSTON: Not us, right.

MR. VILLAFRANCA: I was just going to put my watch back on now.

(Laughter.)

MR. BOSTON: No, no, no.

Yes, I want to say I had a chance to work with all of you and a lot of your other Community Affairs Managers around the country, and I have said this before and I want to say it again. Martin, I believe that one of the secret weapons that the FDIC has is this group. They are not publicized. When you think about the FDIC, we always think about the sign in the window in the bank.

But what your team does all across the country -- and I had a chance to travel with the Moneywise Tour, and you've always been with me for a number of years. To see how they engage communities of all types, and that they know people, like you said, from the bankers to the nonprofits, to the ministers, is amazing.

I thought we also saw something amazing yesterday when we had, I think, one of your coworkers from the Midwest and he talked about how they built the website and brought together 100 organizations.

But the most significant things, and you reinforced it today, is that FDIC was there for a number of years for that one project. A nonprofit cannot afford that. A church cannot afford that. A lot of our banks cannot afford to put one person -- of course, he was doing other things, but he had that project for a number of years.

The relationships that you are

building in these communities, these are not short-term relationships. These are long-term relationships.

So, again, I just want to thank you for all the work that you have done and continue to do. And thank you, Martin, and I hope you don't cut this group, whatever you do, because we need them.

(Laughter.)

Thank you very much.

MEMBER ANNIBALE: I have to say thank you. Thank you. It is very helpful. And I take away, also, the idea that, you know, for many of us there's more to learn from other parts of the country, that we do spend a lot of time, some of us, in our own markets, whatever those are that we come from. But I think you also cover, each of you cover wide geographies of areas that sometimes are underappreciated. And I think we have become more informed from the work you do.

It would be a great idea at some point for us -- maybe we should have a meeting in one of the markets. There's plenty of parts of the South and the Southwest and Midwest are areas where -- you know, some of us would be very urban-bound, I have to confess. But I do confess.

(Laughter.)

It is very helpful.

I have a flight to London tonight. So, it's on the map.

But, no, I think that some of the areas you cover, we would all benefit from because I think Alden particularly and Bruce has branches and a presence in a lot of markets that are challenged differently than the urban markets that clearly we do focus on as well. But we know better.

I would just say thank you for sharing your time with us, but also I'll make a point of myself in my travels to try to call on you, if I can.

MEMBER McDONALD: Yes, I would like to add my thanks and congratulations to you, not only today, but for the work that you do every day. And I could vouch for the fact that in the different markets that we are in, Mr. Chairman, the FDIC outreach group sitting here at this table, they touch every bank in the community in which they operate.

I get the feedback from the bankers that I know in those communities. And the work that we do here and the message that they're carrying out resonate with all of the community banks in the different areas which they represent.

As a result of that, that's why we see continuous activity of these community banks really diving into the message and to the focus that we have for the low- and moderate-income. If it were not for the FDIC, the outreach that these individuals do every day -- they are out there beating the pavement. And I just wanted to make sure that you guys really know that we appreciate what you're doing because it makes the job easier for everyone. So, thank you.

MR. VILLAFRANCA: Andrea?

MEMBER LEVERE: Thank you all as well.

We have had the opportunity, particularly through Liz and Janet, to talk about how we link our 93 coalitions with your fabulous work.

I want to raise one opportunity and, then, one challenge that we're facing, for which we would like to seek your help. So, two months ago, I gave a keynote presentation to Gala Social Venture Partners. Gala Social Venture Partners has a membership of 155 private sector business people who are theoretically focused on social innovation.

And it was very clear, and I'm saying this as nicely as I can, that there was so more that they could do.

(Laughter.)

And so, one of the challenges, because representatives from virtually every financial institution in the Region were sitting at the table, and I had all the new data on unbanked and underbanked, is that collectively they could cut that banking in half. And I issued that challenge to the Gala Social Venture Partners, along with several others.

And I have the same invitation to another one which is being run by one of my college classmates. He is atoning for his private equity sins.

(Laughter.)

But I did want to say that I just think at this time period that these organizations are incredibly high-capacity potential partners to really bring in. So, I assume you already know the man who runs Gala Social Venture Partners, so you don't need that connection. But I just think that is a group of people that could bring lots of value to the work you're doing.

The other thing I will say is that there is a major national foundation who was very focused on funding financial inclusion and massive building coalitions in the South, where there was very little capacity. And they just stopped funding all of them without any transition process.

So, we are now working with all of them to have a convening in New Orleans to try to figure out how we support these organizations going forward who have not been able to find funding and really need it. We've gotten some local foundations, but we would love to work with you all who are -- it's a broad southern region -- to just think about what are the resources that we can bring to the table to support in many cases.

For example, in Louisiana there's one person doing all this work. So, I would love to have that conversation in whatever way made most sense.

And we already have the Rockefeller Foundation stepping up out of recognition that this is a very big issue for the region.

MR. VILLAFRANCA: And that's huge for us, too, being that there are eight managers across the nation.

MEMBER LEVERE: Yes.

MR. VILLAFRANCA: That's not very many.

MEMBER LEVERE: Right.

MR. VILLAFRANCA: But we love it when we get this kind of information.

MEMBER LEVERE: Yes.

MR. VILLAFRANCA: And it just further affirms that we need your assistance, too, to make the connection and help us make the connection as well.

And you brought up something very important, too --

MEMBER LEVERE: Yes.

MR. VILLAFRANCA: -- that I think that people may not know. Within our work and because we work for the FDIC, we are not allowed to be involved in funding in any way.

But you heard a little bit about how Clinton worked with his partners to be able to make that happen. And so, we do as much as we can without stepping over our bounds to do that.

But you're absolutely right, the more partnership we can bring together to the fold, the more we can do exponentially. And it's because he has allowed us to do that.

MEMBER LEVERE: Uh-hum.

MR. VILLAFRANCA: Yes, ma'am?

MEMBER McCOY: Very briefly, you and your colleagues are really unsung heroes. It is one thing for a federal agency to do cutting-edge research, which the FDIC does, developing consumer education materials. It is another thing to actually disseminate all of this and get policies actually implemented on the ground, and it is tireless work. I don't need to tell you. And it takes incredible dedication for years.

And so, I think in some ways this is one of the most exciting things I've heard on this Advisory Committee, is to hear how all of these we think about actually are getting traction in many different places all over the country. So, thank you.

CHAIRMAN GRUENBERG: Yes, thank you.

MR. VILLAFRANCA: Thank you. Thank you.

MEMBER MURPHY: Being transparent, I must admit that we have all engaged in your tunes episodically. And so, what is clear to me is, you know, while I consider myself a pretty bright person, I hire smarter people than me because they can figure out on the ground who and how they need to move in.

So, our corporate responsibility officers, which are regionally across our footprint, you need to know because they have three responsibilities: CRA administration. The second is building a community engagement strategy. We find out who we are going to engage with and who we will not engage with, who we will invest in and who we will not invest in. But we will need to have partners to both validate those strategies, sharpen those strategies, and, ultimately, execute those strategies.

And so, to have informed and engaged

partners who have the same focus, many hands make the load light, making the load lighter. It never gets light in this space.

So, my takeaway here is that there is an opportunity for us to do a better job of connected because there is clear opportunity to leverage both our knowledge and our capability.

And there are things that you know about the programs here that I don't know, that they can know and, then, can begin to engage. So, you should expect to hear from my team in this space.

MEMBER EAKES: So, I just wanted to thank you for all the work you have done. I don't think I have met any of you, but listening to you, I have a sense of why the community trusts you. And all of you have this real authenticity of being able to work with partners, and it is really great.

So, I want to take the chance to pick your brain. I was thinking, when someone called you unsung heroes, nobody has been to Memphis, because as far as I can tell, it is only singing that takes place in Memphis.

(Laughter.)

So, my question is, I'm recently getting involved in Milwaukee and the south side of Chicago, and I'm thinking about the challenge where you have jobs disappearing. So, in communities, particularly communities of color where jobs are disappearing and sometimes where the population is declining, what are the most successful things you've seen in sort of revitalizing hope in those places?

MS. HARRIS: That is my territory. You know, I think the success measures still have a long way to go in those areas, but I am very encouraged by a focus not just with our team, but also with some of our other regulatory partners on workforce development and working with the community private sector partners and banks about how we can really leverage resources and training around that.

So, I can't point to any particular

success measure because I think we are still on a pathway toward developing something that can be a promising practice in that area, but would love to engage with you on where we go from here.

MEMBER EAKES: And so, for you, is workforce development bringing new business in or having people start their own, or both?

MS. HARRIS: All of it, yes. Yes and yes.

MEMBER EAKES: Yes, yes. Thank you.

MR. VILLAFRANCA: One of the things that the FDIC has is a national agreement with the SBA for us to be able to work all through the nation together to bring in people that are entrepreneurs or brand-new businesses, all of that. So, we also partner with all the SBDCs, and we do a lot of things that are outside the box.

The thing that I would say, when listening to you, one of the things that we've seen in the Dallas Region is that talking to financial institutions about thinking outside of the box and bringing in some of those young people in their communities on an internship basis, and what they often find is that they are very teachable, obviously, and they sometimes end up getting a job with the bank, staying on with the bank, and they're there for 40 years.

I mean, it is just all of us thinking what can we do in our own capacities with the resources we have and the inventory that we have, and then, bringing people together to talk about what are the needs. And then, there are others -- usually, somebody has two or three needs of a young person, and somebody else says, you know, we've got 20 young people that need that. That is kind of part of what we like to do, is to bring people together to find out where those dynamics can work, and look at new ways.

And I think, Mr. Murphy, you said earlier about you have a program and you don't know about the success until you start it. And as you work through that, you make those adjustments that work. And the things that don't work, you quit doing those. And that is kind of what we do as well.

MS. HARRIS: And I just want to add before we move on to another question, I think one of the things that FDIC does, and does well, is convene stakeholders around certain issues. So, when you say what works well, I start thinking about all the different pieces that are working. But is there any one movement that really coalesces and will change the trajectory of where things are and where they need to go? Not yet, not yet. But the initial dialogs and the interest is there. So, I expect to be able to answer that question much more concretely the next time I come before you.

(Laughter.)

MEMBER BARR: Let me first join others in just being deeply moved by the work you are doing. It is really quite extraordinary around the country.

I want to ask a question that may be a little on the hard side, given your roles. But how much interaction do you have with the parts of the FDIC that may be less focused on inclusion and equity than you are? That is, you know, the bank examiners, for example. How much tension is there or cooperation is there between your work and the work that they are doing in supervising the institutions that you want as partners?

MEMBER McDONALD: Before you take that, Emerson, I want to remind you your wife said come back home with the job.

(Laughter.)

MR. HALL: No, I plan to.

(Laughter.)

But it is a positive. I will speak for the San Francisco Region. I think I can speak for all the Regions. But it is a positive story.

I see I think it starts at the top and there is a thread that runs through the FDIC that economic inclusion is very, very important. And I know that our Regional Director and Deputy Regional Directors in the Regions, they have conversations here with headquarters in regards to the work that we are doing and the work that they are engaged in.

And as I said during my remarks, I can call anybody in the corporation and ask for support or assistance, and we get it. We have at our roundtables and our listening sessions and our forums, we ask the examiners to participate and attend, and they do.

From what I've been told, because I really want to know, do they see value and do they feel that that is a good use of their time? And they tell us that it is. And that comes all the way from the top, and that is anytime that it seems like that we're not providing quality to the community or we're not using their experience well, then I want to know because we want to try to make sure that we elevate the work that we do.

So, I think it is an excellent relationship, and I see that, because of the emphasis that you guys have placed on it and the Chairman has placed on it, and senior management, the executive management team, it continues to improve every year.

So, I have a job, I hope.

(Laughter.)

I'm meeting with Mark at 4:15. I'll know.

(Laughter.)

MS. HARRIS: I have to piggyback on that. That was actually one of the easiest questions to answer.

And I do have to say it does start at the top. You know, the Chairman has been excellent in conveying the message. Our management team with DCP has been excellent in making sure it is refined and digested and repeated and repeated and repeated before every meeting and gathering, so that people really understand what it is that we are trying to do and how it connects back to our goals and objectives within here at FDIC.

And I have to give a compliment to Regional Director Lowe in the Chicago Region because he has set the tone. He has made my job easier because I don't have to reach out just from a community affairs perspective to try to convince people to come in. They reach out to us. We're seen as a resource, and we are interacting and collaborating on a daily basis. We are getting referrals about financial institutions that might have some challenges.

My team, which is a strong, excellent team, is working side-by-side with examiners to try to open up the doors of opportunities, make the connections in the communities. It's good. It's good.

MR. VILLAFRANCA: Five or six years ago, we got a new Director. At the time, we worked for the Division of Consumer Compliance. That Division is now the Division of Consumer Protection. And that was Mark Pearce. Mark Pearce is not just the Director of DCP, because I hear examiners from Risk Management talk about the things that Mark Pearce talks to them about in meetings. So, this is not an FDIC of segregated silos. This is an organization where, starting with Chairman Gruenberg, it has brought people together and we work together.

In fact, I will tell you that I probably get more calls from the ARB in compliance exams to come look at exams and talk to them. As they said, we advise banks on community development and CRA and those kinds of things.

So, the more we work together, the better we all are. We have examiners that we do what we call listening sessions for, where we bring in organizations like yours and community- and faith-based organizations, and they learn about those that they are going to go out into and exam those banks. So that, when the banks say, we're not sure of this, they can say, well, here's some information. Or they will say, contact Angelisa Harris and the Community Affairs Team and they'll help you out.

MS. HARRIS: I also just want to add, too, that we're invited to the regional meetings with bankers. I had the opportunity to be the luncheon speaker at a whole series the other year. And that's solid commitment, to be able to bring the message about our program at that banker-focused meeting that is being held by a Regional Director and encompasses all of their programming for both risk and compliance.

MEMBER McDONALD: Yes, I would just like to add just a couple of things. As I sat here and was listening to a number of the comments -- and, Michael, to your question -- I realized that I may be the only FDIC member sitting at this table. And I want this panel to know directly from me that what you hear from these individuals here and what you hear from what we talk about in this room, this is throughout the entire FDIC organization.

We get a lot of calls and a lot of support from the FDIC group, not just my bank, all of the banks. And this topic is on the top of the agenda throughout the entire organization, and it is not a topic from a negative point of view. It is a topic of how can we help you achieve these goals.

So, when I made my comment earlier, it just goes to show why the organization as a whole has been really pushing this, because it starts with the Chairman. It has gone throughout the entire organization, and it is part of their everyday life and conversation with the bankers that the FDIC is examining in our country.

MEMBER BARRERA: I just wanted to add that, you know, as you all are the conveners, so as an example, a new CDFI entering an area such as LiftFund where we are expanding outside of Texas, they were conducting dog-and-pony shows.

If I were to invite somebody to come and learn about access to capital for small business, they see LiftFund; who's that? They see a letter going out from the FDIC. All of a sudden, every banker in town is there.

So, it is that kind of reputation that the group has as well. And if you are not endorsing, what you are doing is providing information and convening people and saying these are the kinds of programs that are out there. And so, it gives it legitimacy.

MR. BOSTON: And I just want to go back to something, a question that Martin raised about hope. And it is a little different, but I think it is important.

We may need to go back to a conversation about the children's savings account. I have been telling Mayors and telling the new Mayor in Baltimore that the city of Baltimore needs to have a child's savings account.

Now some of you may remember the little upheaval we had in Baltimore a few years ago. That was because of lack of hope.

The one -- and Andrea and Jose can talk more about this -- is that that account gives parents hope that their child will have a chance to go to college, even if they didn't. And that is a big factor that we overlook.

And so, I think maybe we need to

revisit that account and look at it a little differently and how we can begin to promote it more and use it as a way, one of those instant accounts. It is a small thing, but it brings hope immediately. It is not something you have to wait five years to get started to see that first account go in.

And if you haven't seen the video, we are going to air it on our show, the documentary that we did on the account. It is very moving to see the parents and how they feel and other members, how they feel about just having an account.

I know they are not related, but I just wanted to get back to your question.

MEMBER LEVERE: Let me tell you, we are in the organizing process in Baltimore as we speak.

MR. BOSTON: Great. Thank you.

MEMBER LEVERE: Only because of you.

(Laughter.)

MR. BOSTON: Thank you.

MEMBER MURPHY: So, I only have one last question. Who has Alaska?

MR. HALL: I do.

MEMBER MURPHY: So, we like to have meetings in December.

(Laughter.)

MR. VILLAFRANCA: Mr. Murphy, I might also say he has Hawaii, too.

(Laughter.)

CHAIRMAN GRUENBERG: Well, I want to thank the panel and just remind everybody --

(Applause.)

I would just remind everybody that we do have this session on tape. So, we have it on the record.

(Laughter.)

MEMBER MURPHY: Thank you.

(Whereupon, the above-entitled matter went off the record at 2:30 p.m. and resumed at 2:38 p.m.)

MS. EVANS: Good afternoon.

My name is Lessie Powell Evans, and I

am Chief of the Community Affairs Section of FDIC's Community Affairs Program. I am pleased to convene this panel: Assessing Resources for Affordable Mortgage Lending.

Providing technical assistance and information to banks is a key part of the FDIC's Economic Inclusion Strategy. As you have heard from the previous panel, five economic inclusion opportunities guide our work. This panel will address opportunity for, but acknowledges the important role of community banks in providing mortgage credit.

This economic inclusion opportunity is encourage insured depository institutions to make available prudently-underwritten, affordable, and responsible mortgage credit for low- and moderate-income households.

Mortgage lending is an important element of many community banks' business strategies. Community banks offer mortgage products and services designed to meet the particular needs of their communities, including rural areas and low- and moderate-income borrowers.

As you know, offering affordable mortgage lending to a wide range of customers broadens bank/customer relationships and demonstrates the institution's interest in helping them build financial success.

To determine how the FDIC could contribute to the efforts by banks to offer affordable and responsible mortgage credit for LMI households in underserved areas, the FDIC met with banks across the country individually and in small roundtables. Bankers provided valuable insights into the needs for affordable mortgage credit in the communities they serve.

They also discussed the opportunities and obstacles in using federal and state lending programs, as well as the pros and cons of holding loans in portfolio versus selling loans on the secondary market.

Banks described how they use federal programs, sometimes in combination with other federal programs, such as the Federal Home Loan Bank, other state programs, to expand capacity and to serve a broader consumer base.

Some bankers said that very small banks do not have the specialized staffing or departments to offer complex mortgage products and services, and feel that the risks and the costs of origination are not worth taking without more resources or additional risk mitigation.

Some banks said that, while they wanted to be involved in mortgage lending, it is difficult to find the time to do the research of potential programs, and it is challenging, also, to find and retain trained mortgage staff, particularly in rural areas.

From these meetings, we concluded that community banks could benefit from more information in order to compare mortgage products and services, so that they could make an informed decision about which programs are the right fit for their business plans and strategies, to improve lending options for their communities.

In response to requests for information from bankers on affordable mortgage lending credit that is centralized and easy-to-understand, the FDIC created the Affordable Mortgage Lending Guide and the Online Center, which is a web page designed to compare a variety of current affordable mortgage programs and to identify the next steps to expand or initiate affordable housing lending.

The Center, basically, hosts the Affordable Mortgage Lending Guide, which is a three-part series of publications. Part 1 provides information on federal agencies. That's HUD, HUD's FHA, USDA, VA, and the government-sponsored enterprises, Fannie Mae and Freddie Mac.

Part 2 focuses on state housing finance agencies. Part 2 describes the programs and products offered by state housing finance agencies. Since each state has a finance agency that has different products, this Guide offers a range of information on, first, mortgage products, down payment and closing costs, mortgage tax credits, homeownership counseling programs that can facilitate mortgage lending by insured depository institutions.

As you know, many of these products can be used in conjunction with the federal programs as well as the GSA programs. And as you know, many of the banks use what we call layering in the multifamily world or stacking in the single-family world to actually make the products blend together to make them more affordable.

And part 3 of the Guide, which I also have here, describes the products and services offered by Federal Home Loan Banks. Since each of the Federal Home Loan Banks has different products and services, the publication provides general information on housing programs, their affordable housing programs, the community investment programs advances, the Mortgage Partnership Finance Program, and the Mortgage Purchase Program, which can help facilitate mortgage purchase, mortgage financing for community banks. Again, all of these programs can be used in conjunction to make them more affordable to borrowers.

Essentially, the Guide is a technical assistance resource that provides an overview of a variety of programs. It compares the different programs. It helps identify the next steps for community banks to provide program participation.

These programs discussed in the Guide can provide pathways for creditworthy borrowers to face barriers to homeownership, particularly affordability challenges. They represent business opportunities for community banks looking for responsible, sustainable financial products to add to their lines of credit.

Our panel today will walk through our new resource tool and discuss our outreach and potential impact. It is my pleasure to introduce the panel to you today. Their detailed background information is in your packet.

So, first, you will hear from Sandra Kerr. Sandra is actually located in the Command

Center because she is going to actually walk you through the Online Center. So, Sandra is a Senior Community Affairs Specialist with DCP in the FDIC here in Washington, D.C. Sandra's primary focus at FDIC is external communications and housing and community development issues.

Next, you will hear from Ron Haynie. Ron is the Senior Vice President of Mortgage Finance Policy at the Independent Community Bankers Association, ICBA. Ron has more than 35 years' experience in mortgage lending and banking. He spent 20 years at Freddie Mac. And in his role for ICBA's Services Network, he is responsible for providing competitive mortgage lending products, programs, and services that will enable ICBA community bank members to grow their mortgage business. Ron will discuss how the Guide has been useful to community banks.

And then, we'll hear from Teresa Perez, who is the Regional Community Area Community Affairs Manager for the Kansas City Region.

So, Sandra?

MS. KERR: Good afternoon, everyone.

Instead of talking about the Affordable Mortgage Lending Center, I thought it would be best just to guide you through it, show you how easy it is to use, and some of the available features on the web page.

It has recently been brought to my attention that every time I do this and I click on a new feature, I say it's my favorite.

(Laughter.)

And then, I go to the next one, and it's like, no, that's really my favorite.

Really, really, this is absolutely my favorite part of this web page. I am going to limit myself to three favorites today. I am going to try to abide by that. We'll see if I can do that or not.

Before we start talking about and showing you the Affordable Mortgage Lending Center on FDIC's website, I want to talk a little bit and give you some statistics about the distribution of the publications as well as the use of the web page.

We launched our first book on September 15th of last year, 2016. We also launched the web page at the same time. Since that time, we have been averaging 146 subscribers to the web page every single week. We have over 4500 subscribers. To date, we have had 38,000 page views of the Affordable Mortgage Lending Center from 12,500 individuals.

Sections of the Guide have been downloaded more than 6,000 times. No surprise, you can download an individual part, if you just want to know about a particular program, but you can also download the entire publication. The top three downloads are part 1, part 2, and part 3 of the entire publication.

(Laughter.)

And we also have this available to order the books. If you would like a hard copy, it's available on FDIC's online catalog. It is free. Our Fulfillment Center does a fabulous job.

It will get to you quickly.

To date, we have had 4,000 copies of the publications ordered online. And in addition to that -- you have heard from so many of our regional managers -- we have distributed 2500 copies of each of the publications to the Regions. On a weekly basis, they are giving them out at meetings, at events, when they go to talk to people. So, we are getting a very wide distribution.

And then, finally, FDIC, they tweeted about part 3 of the publication on April 6th. Our third publication about the Federal Home Loan Banks just went out again on April 6th, and it was the most popular FDIC tweet in the past three months.

(Laughter.)

MEMBER LEVERE: Was it your favorite?

(Laughter.)

MS. KERR: It clearly was.

Wait. Let me get to the good part that really is my favorite, which is with appearances in over 10,000 tweeter feeds. That's not Kardashian-worthy, but, by evidence, I think we are doing pretty well.

(Laughter.)

With that, I want to show you the web page. I want to go through very quickly, and I apologize for going through so fast, but I have 10 minutes to cover what you could spend all day on this web page.

Again, I want to emphasize that everything up here, we had to draw the line somewhere. So, all of the programs are for single-family home purchase. We don't get into multi-family; we don't get into rental. These are federal, state, and Federal Home Loan Bank programs that deal with single-family mortgage purchase.

With that, I'm going to step behind the screen. So, if you all will look up at the screen where we've got the web page, I'll just continue talking and clicking.

The first thing that I would like to

show is on the front page we have general information about the Affordable Mortgage Lending Center itself. If you go to the Affordable Mortgage Lending Guide, that brings up all three publications.

We do have resources, and there we do studies, valuable papers, factsheets, and others from all of the federal agencies. And then, we have activities and events from FDIC.

On the left side -- and this is the part I use almost exclusively -- are the quick links, which I consider are my cheat sheets. I can find anything from there quickly with just one or two clicks.

So, we are going to go first to part 1. There you will see you can find the entire Guide, and this is on federal programs plus Fannie Mae and Freddie Mac.

We have an introduction. We also have a program matrix that compares every single federal program and what they offer and if there are special benefits. I am not going to go through all of that today.

But I do want to just, for example, pick HUD. Every single section has an overview of HUD, FHA, and their programs. In this, we do a general overview. We do benefits. I'm trying to go slow because I tend to scroll through these very quickly. We give all the programs that are available for single family. And then, most importantly, we talk about doing business with the FHA.

We discuss delivery options because we know that bankers use a wide variety of delivery options. They may be a seller servicer, but they may also use a third-party originator or a correspondent. So, we talk about how they can use these programs with those different options, and we talk about systems requirements, quality control that is necessary for the program.

And then, finally, every single section, we have a resource section. This is one of my favorite parts.

And why we encourage you use the web

page is because all of these lines are direct links. If anyone, for example, has looked at the HUD Handbook, which consists of 4,000 pages, when we talk about a specific program and resources, we tell you where to go within that Handbook to find the information or we take you directly to the Handbook, to that section itself.

Now let's go to federal agencies and government-sponsored enterprises on the left. Let's say, for example, the book is great to look through if you aren't as familiar with all the programs, but let's say you know exactly the program that you want to look up. There's every federal program for single-family housing.

I am going to just click on the first one, and this is property improvement loan insurance offered by FHA. I am not going to click on all of these, but we would have, if you want to do business with FHA, this is the direct -- if you look down under applications, that takes you directly to the application to become a lender. We also have the web link that gives you

HUD's information about the program as well as contact information.

Each one of the different programs is a very brief outline of what is available. We do borrower criteria, which you can see here; income limits; what the credit scores that are needed; if there is any special advantage for first-time home buyers; if you can own more than one house; if there are any advantages for special populations or persons with disabilities.

We also offer the potential benefits and potential challenges of these programs. We are trying to be very transparent and really just give the bankers and others that use these publications all the information that we can.

Finally, we give the loan criteria. What are the loan limits, the loan-to-value limits; are ARMs available; is homeownership counseling required, et cetera.

One thing that I do want to point out, Mr. Eakes brought up earlier about student debt. We felt this was very important because we find that different federal programs and Fannie and Freddie count student debt differently. So, we put a sentence in every debt-to-income ratio; you will find a sentence on how this program counts student debt. I think that is very important for our community bankers and others to know.

Now my really truly -- and this is my last favorite I'm going to use -- but my true favorite that we have in this book is the little section you will see on the top right that says similar programs. Say you have a customer and this program isn't exactly right. There's something that's just a little bit off that doesn't quite fit that customer. We put in -- we did the research. Here are two other programs that are very similar. So, we suggest that you go look at these programs, and perhaps one of these will be better suited to your customer.

And then, again, resources. And to show you an example, for this particular program, HUD requires a dealer/contractor application. You click on that. It takes you straight to HUD.

It takes you right to the application you need to complete. And we've got those resources for every single program in our Guides.

Now we'll go to part 2. And I know that I have to be quick here. So, if we go to the quick links, we go to every housing finance agency in the country by state. Lessie has already discussed the makeup of this publication, as well as the Federal Home Loan Banks. We talked generally at the beginning about the general programs, but here we provide the very specific information.

Mr. Barr, for you, we'll go to Michigan.

(Laughter.)

There you go. The first page, what we did was put in information very specific to Michigan. We've got the Department of Veterans Affairs, how to contact, as well as USDA, HUD. FHA has Homeownership Centers. So, this is the one for Michigan.

But, very important, it is a great

part feature. At the bottom you will see HUD-approved counseling agencies. If you click on that, that lists every single HUD-approved, certified housing counseling agency in the State of Michigan with their contact information. So, within a few clicks, you can find out almost anything you want to know.

Let's go to the housing state. The Michigan State Housing Development Authority -- and what we do is we provide the programs that are available. They have first lien mortgage products, what the uses are for these products, if they offer down payment assistance, mortgage tax credit certificates. And in Michigan we also have an IDA program to help save for homeownership.

Once again, why we ask you to go to the web page, all of those web pages take you directly to information that you want to know. Especially for a banker that is looking to lend, here's everything in one click to know about all these programs and what it takes to become a lender.

Finally, we'll move to our latest book, which are the Federal Home Loan Banks. If we go to the quick links for the Federal Home Loan Banks, up pops a map with every Region, Federal Home Loan Banks in the country.

Let's go to Atlanta. You'll see that, again, we list all of the states served by the Federal Home Loan Bank of Atlanta. We list the affordable lending services as well as the affordable lending products that they offer.

Something different that we do, because we wanted to give you an idea of how much money is available, we give the historical volume for the AHP program and for the Specialized Set Aside Program.

The next page shows you if they participate in the NPF programs. And another wonderful feature that we put in here is what is the timing that you can expect from this, the timing of application to funding if you're a banker, so you can prepare your customers.

What are the security documents that are needed, and how are the funds distributed? For example, in Atlanta it's first come, first serve.

Then, we show all of the affordable homeownership programs that are grants that are available for low- and moderate-income home buyers. We give all of the information about how much is available, how much money is available. Is it for targeted populations? You'll see under community partners, this is a very specific program for firefighters, law enforcement, and others. Continuing on, Atlanta also has a wonderful program for veterans.

And then, at the very end, once again, we have helpful web pages.

That is an incredibly-brief overview of the information available on the web page. I do want to make a couple more points.

The need for accuracy in information and timely information. This, we are committed to updating this information annually. Right now, we are working on part 2, the state housing finance agencies. We have heard back from about 40 percent of them right now, making changes, updates to their programs.

The next one that we'll tackle are the federal agencies. We're waiting on that. FHFA has just developed the duty to serve for Fannie Mae and Freddie Mac, which is going to be very interesting because the target is underserved populations, rural communities, and manufactured housing.

We're very excited to see what happens with those targets. Fannie and Freddie had to do their implementation plan by April 17th. They are negotiating until the end of the year. They are going to implement in 2018. So, we want to have that information and have it be accurate on our web page.

And then, after that, because we just did a Federal Home Loan Bank Book, that will be the third book we'll tackle, probably toward the end of next year.

I'm on the wrong page. I believe that is the end of my discussion.

We are going to, again, try to keep this as up-to-date as possible. The best way to find the updates is going to be on the web page. We encourage people to go there. That's where you can find the links, and that's where we are going to update the information.

You can order the books online at FDIC's online catalog. Once again, they are free. You can find it under bankers' resources.

Thank you.

MS. EVANS: Then we will hear from Ron Haynie.

MR. HAYNIE: Well, thank you, and thank you for inviting me here today. I certainly appreciate the opportunity.

For starters, I would just like to say hats off to the FDIC and Sandra and the team that put this resource together. This was no small task. You talk about herding cats. That is probably what this was like, to get all the details from all these different various groups and agencies. I mean, that is an incredible feat. And so, thank you so much for doing that.

When I first met with her and she told me what she was going to do, I said, that's a big -- are you sure you're going to do that?

(Laughter.)

And anyway, the end product is just outstanding. I think, obviously, the interest in it by the downloads and the views and the fact that you're shipping out hard copies of this, which I like personally -- I had Sandra ship me some hard copies and I have distributed them.

According to my wife who works for a community bank and is an underwriter, she loves it. Again, for the reasons that Sandra cited, in that it is easy to use, it's intuitive, and it provides that quick dose of information that allows you to size it up.

And so, in thinking about this, if you're in a community bank, you know, we run pretty lean. There's not a lot of staff there.

And so, when you have a borrower that comes in and is looking for a financing for a home and they don't fit the traditional programs, right, and especially this happens a lot in rural and small town communities. I had the privilege of working for a community bank out in Idaho, and for somebody who grew up here on the East Coast in the Washington, D.C., area and go to Idaho, that's culture shock, right?

(Laughter.)

That is culture shock. And so, it was an incredible experience and I'm so thankful I had it. But the people come in and they have a variety of jobs, and they want to buy this house. And it is not a very expensive property, but there's all kinds of interesting nuances about their particular background. They bring in their family. The whole family comes in, I mean, and it's quite an event. And it is not a cookie-cutter loan. It's not a cookie-cutter loans.

And so, then, finding the resources, finding the programs that are out there, so you will be able to make this loan to this consumer is definitely a challenge. And in a small institution you don't have a lot of time, nor do you have a lot of resources to say, hey, can I call up my Research Department and have you guys go figure this out for me?

(Laughter.)

And then, we're going to train everybody, right? I mean, it takes time. And so, there's a lot -- you know, the good news is there are a lot of resources out there. The bad news is there's a lot of resources out there, and I can't figure out which ones I can hone-in on quickly and use to help this borrower.

That's what these Guides do. It actually gets you there to like, okay, this is where I can go. And if that one doesn't work out, here's a couple of other ideas that might. And so, it is incredibly powerful. Again, I just can't thank you enough.

You know, the thing about community banks is that, you know, we are positioned, we are right there on the ground. You know, you're local. You know what's going on in town. You know what's going on in that community. And you know the struggles that people face, and they are all different. No matter where you're at, everyone's got something.

And whether it's a rural community where you are dealing with, you know, this is a single-wide sitting on eight acres someplace, but it is a residential dwelling. It's not a farm, you know. How do I make that work? How can I get that loan sellable to Fannie Mae and Freddie Mac or up to a correspondent? And these are real-live questions that you face every single day.

And so, anything that can be done to help that process along will, obviously, help you be able to serve your customers. It helps community banks to serve their customers.

In a small town -- and I know this is the digital age where everybody does everything online -- but in a small town, folks do still come and walk into the local bank and they say, you know, I have a checking account here. I'm buying a house. Do you all make mortgage loans?

Unfortunately, over the last couple of years, a lot of community banks have gotten out of that business because of it is a very complex business. It is one of the most highly-regulated businesses out there, and I'm sure the FDIC, you all have to go out and you have to examine banks for compliance, and I'm sure you hear it. You hear it firsthand.

I know that we have had a lot of banks, a lot of member banks that have just thrown up their hands and said, I can't do this anymore. I only make a handful of loans a year. I can't keep somebody trained. I can't afford the technology to do it. And so, it is very challenging.

One of the things, sort of my own personal mission at ICBA is trying to keep banks encouraged to be in this business because this is sort of the crux of why you are there. You know, you're helping. Certainly, you're making small business loans and agricultural loans and commercial loans, and all those good things. But it is also making home loans, putting people in their homes, helping them build families, that reinforces the strength of that community. And those become really good, long-term bank customers for you.

And so, keeping bankers interested in making mortgage loans is one of my goals in life, and this certainly goes a long way to doing that.

So, I would just say that, for community banks to be in this business, technology is certainly important. You have to hire and train people. I tell community bankers all the time, you can't do this cheap anymore. Banks, don't get me wrong, I love bankers to death, but they tend to find a cheap way out. And sometimes you just can't do that. You have to be able to hire people. You've got to train them. You have to invest in them. And then, you go out and you try to grow this business. This is one of those tools that can help you get there. It really is.

You know, I could go on forever, but I would just say, you know, thank you again to the FDIC for putting the resources behind it, the commitment to do this. It certainly has been valuable. I think it is going to pay off quite handsomely where we will have more people making mortgage loans and where borrowers will get served.

So, thank you.

MS. EVANS: Thank you, Ron.

Teresa?

MS. PEREZ: Thank you, Ron, Sandra, Lessie, and Committee.

And I'm the last speaker today. So, everybody --

(Laughter.)

I will speak on community affairs work in promoting the Affordable Mortgage Lending Guidance Center specifically and access to affordable mortgage credit more broadly.

Throughout the FDIC's six Regional and two Area Offices, Community Affairs has successfully engages with community banks and other stakeholders focused on access to affordable mortgage lending credit. Today I will share examples from four Regions.

First, the Chicago Region held a full-day workshop on October 12th in Dearborn, Michigan, at which FDIC local and national Community Affairs staff led an interagency-sponsored single-family mortgage credit workshop designed to help provide affordable mortgage and refinancing solutions for LMI and other underserved consumers.

The session highlighted effective ways for banks to make prudently-underwritten and sustainable mortgage loans and identified opportunities to form partnerships designed to help increase access to affordable mortgage credit.

Ninety participants that included banks, nonprofits, and others interested in mortgage lending attended from across the State. Based on comments received during the event and in the evaluation, respondents felt strongly that the workshop improved their understanding of the various mortgage credit programs discussed and increased their knowledge relative to helping consumers access affordable mortgage credit.

Second, on April 6th, the New York Region cosponsored an interagency single-family mortgage credit workshop which featured the announcement of the release of part 3 of the Affordable Mortgage Lending Guide which provides in-depth descriptions for each of the Federal Home Loan Banks' products and services nationwide.

There was high-quality participation from the other cosponsors, the Federal Home Loan Bank of Atlanta, the Federal Reserve Bank, and OCC. The Federal Home Loan Bank of Des Moines was also in attendance for the announcement. Sixty-five in total were in attendance.

In addition, there was great

participation from the audience and immediate unsolicited feedback provided by some attendees who expressed appreciation for this convening.

Third, the Kansas City Region cosponsored an interagency roundtable on April 19th titled, Expanding Affordable Mortgage Credit in Housing in Rural Communities in Kansas City, Missouri. This event focused on increasing awareness of safe and responsible mortgage lending products and services available in rural communities and helping bankers identify opportunities to form partnerships designed to increase access to affordable mortgage credit.

A total of 47 participants attended this event, the vast majority being community bankers from towns with a population of 2500 or less. Two attendees stated that the Guide was the best technical publication they have ever received from a regulatory agency.

(Laughter.)

Finally, next week the Atlanta Region is cosponsoring an interagency CRA community development forum designed to present bankers with information about the Savannah Affordable Housing Fund and existing opportunities and needs for affordable housing in Chatham County.

It will provide bankers with opportunities to network with community-based organizations and the City of Savannah Housing Department to implement affordable housing initiatives.

Four goals have been established for this event. One, to have at least one representative from each bank operating in the Savannah area attend the forum. Two, to have one representative from each nonprofit in the Savannah area focusing on affordable housing attend the forum. Three, to expose bankers to the Fund and affordable housing opportunities in the Savannah area. And, four, to encourage bankers to work in partnership with nonprofits and the Savannah Housing Department to successfully implement affordable housing initiatives.

It is also noteworthy that Community Affairs promotes access to affordable mortgage credit through other varied opportunities, such as through the submission of news articles, participation in statewide housing events as a speaker, workshop convener, meeting attendee, or exhibitor.

For example, Community Affairs has submitted articles in the DCP Regional Newsletters that are distributed to FDIC-supervised banks regarding the Affording Mortgage Lending Guides and Center. These newsletters exist in each of the six FDIC Regional Offices.

Next month, Community Affairs will serve as an exhibitor at the Pennsylvania Housing Finance Agency's Annual Conference that will draw in excess of 700 participants, of which at least a third are bank representatives.

And on an ongoing basis, Community Affairs promotes access to affordable mortgage credit throughout Region participation and meetings convened by other stakeholder organizations across the country.

In summary, Community Affairs has worked in partnership with the other federal and state financial institution regulatory agencies and other federal and local partners, such as the Federal Home Loan Banks, HUD, VA, and USDA, to help promote access to affordable mortgage lending credit. This outreach is integral to supporting the FDIC and DCP mission and goals as well as addressing the goals and strategies outlined in the FDIC Economic Inclusion Strategic Plan.

Thank you.

MS. EVANS: Thank you.

So, we'll open for questions, but I wanted to also seek advice from the Committee. So, I wanted to ask a series of questions and see if you can give us some guidance.

So, one question would be, what other resources can the FDIC provide community bankers regarding mortgage lending?

The second question: the three

publications focus on single-family home purchase. Are there other topics that would be of value that FDIC should explore?

And then, how could we strengthen our outreach efforts to better serve community banks?

And then, finally, are there suggestions that you have on partnerships at the state or local level that could help leverage resources?

MEMBER McCOY: So, I wanted to say this is so exciting. Last night I subscribed.

(Laughter.)

I'm going to go back and start roaming through the website. It is such a heavy lift and it is so useful.

Just a comment and a question. As you may know, I'm a law professor. And last fall I held an Affordable Mortgage Research Conference at my law school, and we're publishing the papers about what features of affordable mortgages reduce default risk. And they will be coming out this summer. And so, Sandra, I'll send them to you, if you're the right person. They will be online.

MS. KERR: Yes.

MEMBER McCOY: And then, the question I have is, it appears that the Center is banker-facing, and I'm thinking that HUD housing counselors and, then, borrowers would love to have their version of a borrower-facing or counselor-facing resource that would be somewhat simpler, I'm sure. And I didn't know if it is delicate to be identifying individual lenders who offer a particular product.

MS. KERR: Yes, I'm electronically-challenged.

(Laughter.)

In the Guides -- and I forgot to mention this -- we went around the around the country and we interviewed different bankers, and we have got banker conversations within the Guide, but they are very honest about the pros, the cons, what was difficult with working with the program, and what was very good about the program.

What we tend to do is we don't give the banks' names or the individuals' names. We use it as a group discussion. So, that way, you are getting multiple banks' opinions.

One thing that we have actually found in promoting this is, while our primary focus on this was for community bankers, to really give them a really good idea of these different programs, they have been tremendously embraced by other parts of FDIC who like this to show to bankers, but also nonprofits. And we feel that this is a really good way for nonprofits to learn what bankers need to know when they are approaching them about maybe working together. This is the criteria that a banker is looking for. So, we feel it is a very good training tool for nonprofits as well.

MS. EVANS: Housing counselors as well as nonprofit developers.

MS. KERR: Right, absolutely.

MEMBER McCOY: But I think if there

would be something for individual borrowers, possibly push them to housing counselors, then advise them about what lenders they may want to look at?

MR. BOSTON: Could this be another add-on to Money Smart?

MS. KERR: Money Smart does have a module right now on housing that they are looking at. So, I think that it does go very much hand-in-hand with that.

MS. EVANS: So, we are updating Money Smart.

MR. BOSTON: Right, but I think you have some material that might be a little deeper --

MS. KERR: Yes.

MR. BOSTON: -- that would be helpful to Pat's point about for the consumer --

MS. KERR: Consumers.

MR. BOSTON: -- as part of the Money Smart Program because you take down some issues about Money Smart payment.

MS. KERR: Thank you.

MEMBER BARR: I was going to make a suggestion, which is along the lines of usual suggestions of the Committee. You're doing really great things, and like why don't you do 500 more of them?

(Laughter.)

This is really terrific. I wonder whether you have thought about -- and maybe this is something that Ron could do instead of you guys -- but flipping it around. So, instead of having a set of materials that people go through to figure out whether a loan fits, you know, plug in the loan feature the bank wants to sell into a program, and it says it's eligible for this; it's not eligible for that. Or maybe have a little dial in it and you're not eligible, but if you dial it this way, you would be eligible. ICBA will sell it to its members. Or FDIC will give it away for free.

(Laughter.)

MR. HAYNIE: There actually is

technology that actually does this, product and pricing engines. And it is more geared, though, to your kind of standard cookie-cutter kind of product. But that is an interesting idea.

And I was going to comment, also, for what Patricia was saying. Being the parent of six millennials, four of which are now homeowners, which was absolutely amazing to me anyway, that they could actually come to this.

(Laughter.)

But a key point to this whole thing, I believe, is how do you get the housing counsel industry, if you will, more engaged? Because I can tell you what I told my kids when they said, Dad, you know, we're looking at a house. We think we want to get one, dah, dah, dah, dah, dah. And I said, you know, the usual stuff. You don't have any money. What do you mean you don't know how to buy a house? Have you saved anything? Well, I don't know. Right.

(Laughter.)

But, anyway, I said, do you know what

you need to do? You need to go online, because that's where you do everything, and you need to find the local housing counselor in Frederick County, Maryland. And sure enough, that's what they did. That's what my son and his fiancé did.

Because they first had gone to a normal, a regular mortgage broker, or whatever, because the realtor referred them to that. And this person was like, I could tell the person was taking them down the wrong path. It wasn't going to work.

And so, I referred them to a counselor and I said, you need to go talk to this counselor, and you need to go visit and you need to go take that counseling course and learn about being a homeowner.

And so, they did, which I was amazed that they did this.

(Laughter.)

But they did. And thank goodness for the housing counselor because she referred them -- she actually had the ability to grab these resources and say, well, you would qualify for this and you could probably get that, and we'll put these things together. And here's a lender that will do that. Because not every lender will do it. You know, a lot of them just want the cookie-cutter loans. Get them done, get them done, get them done.

And so, it is, how do we get the housing counseling agencies out in front more? And I think that is something, obviously, ICBA could support you on, in finding a way to get that message out: work with your local housing counselors and be on that list, right? So, that would require them to become knowledgeable about the programs and be on that list. And so, certainly, that is something we could work with you all on.

MR. BOSTON: Now, if I'm not mistaken, isn't housing counseling about to be cut by this Administration? I think I got the email that that was one of the issues that they're thinking about actually cutting from the federal budget.

But they play a major role, and people don't know that it was because of housing counselors that many Americans did not lose their home. The people who went through housing counseling actually did well keeping their homes.

MS. KERR: And many of the programs from the state housing finance agencies, even from Federal Home Loan Banks, encourage or require housing counseling. It's considered that it is essential.

MR. BOSTON: Right.

MEMBER LEVERE: The Urban Institute has done multiple studies on this.

MS. KERR: Exactly.

MR. BOSTON: Yes, they have.

MS. KERR: Which I do have to give a shout out to the Urban Institute, who helped us with these publications, did tremendous work.

And we also have a working group at the FDIC made up of many of the different branches of DCP that all work together, Research, Policy, Community Affairs. They came together to really create these books and did a tremendous job with them.

MEMBER EAKES: I just wanted to share two cents' worth about why this work is so important, at least for someone like me. I started making home mortgage loans 33 years ago, and they were all families that didn't fit the profile. They were different. They wouldn't qualify for a Fannie Mae or Freddie Mac loan or even an FHA loan.

And so, I think all of us know why it is so important in the community for people to have a first home that is really for many families it is their only way to enter the middle class. It is a gradual forced savings event. So, we all know that.

The part that I think is not as well-known is how critical this is for the survival of community-based financial institutions. And it started at $77 and has grown, but if you are under a billion dollars as a community bank, from $25 million to a billion, you cannot survive; you cannot survive unless you have mortgage lines as part of your portfolio. You can't survive. I'll just say it, and I believe it. I feel like I'm certain of it.

And the problem with that is that what community people want is a 30-year fixed-rate mortgage. And if you hold that on your books, you need to be able to hedge the interest rates. So, in addition to the resources of what loans you can sell, whether it is FHA or Fannie/Freddie, community banks and community credit unions need to be able to hold home loans on their books in order to generate enough income. It is not that they need it to serve all their customers because no financial institution can mortgage lines to more than about 3 percent of their total customers without fully utilizing all the money they've got, because mortgage is so much bigger than what the average savings is per family.

But, if we don't figure this out and make it so that people in the banks are able to make the loans on a relatively-smaller volume than what the huge guys do, we won't have community banks or community credit unions in the future.

So, I think that what you're doing -- I know that's true, and I won't spend all the time to prove it today.

And another thing I wanted to just say to Ron is that, you know, there's all this stereotype that credit unions and banks hate each other. But I've got to say that the ICBA has really been a voice of sanity in housing policy, really quite remarkable. And sometimes I find myself saying, oh, my God, I'm going to have to join the ICBA.

(Laughter.)

You know? But it's true. I had a conversation with a Senator who said, we're doing housing reform. If it doesn't work for the ICBA and the community bankers, it's not done. It's not finished. They have that kind of influence and clout, and I think it is because they represent the parts of America that don't often get heard. And everyone else wants to use them. You know, the big banks want to sort of say, well, we're just like they are. And some of the credit unions, well, we're just like they are.

And I just want to thank Ron, in particular, and his organization. I feel like when there's just been crazy talk about what we need to do in housing policy, it is just insane, the ICBA doesn't always speak up when it doesn't have to, but when it comes down to crunch time, when it's needed, it has been my experience they have always been there.

I just want to thank you. I think this whole Committee thanks you for the role that you and the ICBA have played. And thank you to the FDIC, because I do think this is like maybe -- this is overly dramatic -- but it may be what saves democracies that really don't have -- I'm serious. If we don't have homeownership, if we don't have community banks, we're in a world of trouble.

And what you are focused on is really the intersection of these two things that we have to have for a country as wide and diverse as Montana and North Carolina. It is what we have to have, and you are really doing the Lord's work. Thank you.

MR. BOSTON: I don't know what Martin just said is profound, but I think some of that language needs to be added to this promotion of this product and service; that a lot of times, because the FDIC, you do such great work, but on the promotion side it is like, well, it's just what we do, you know, kind of thing. And people get it. But those are two very important points that he made.

I may have forgotten this. Are really loans a part of your portfolio?

MS. KERR: Yes, absolutely. It's very important.

And we also show how they link. We are very big that one of the best things about this is showing community bankers how they can stack loans.

MR. BOSTON: Great.

MS. KERR: So, we put in the VA loans that the Federal Home Loan Banks offer as grants for veterans as well as the state housing finance agencies often offer forgivable loans, and then, VA loan guarantee programs.

MR. BOSTON: Okay. Thank you.

MS. KERR: Thank you.

(Applause.)

CHAIRMAN GRUENBERG: Thank you. Thank you all very much.

I think that completes our agenda today. It has been a long day. It has been a very good day.

We will, in particular, review the discussion from this morning and come back and carry it forward the next time we get together.

And just FYI on the small business side, we are undertaking a national survey of small business lending to get a better insight into the access to credit for small business.

Folks in our Division of Insurance and Research are working on that. So, it is part of the agenda for the next meeting.

Thank you all very much.

(Whereupon, the above-entitled matter went off the record at 3:33 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: 04-27-17

Place: Washington, DC

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

[redacted]---
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