FEDERAL DEPOSIT INSURANCE CORPORATION

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ADVISORY COMMITTEE ON ECONOMIC INCLUSION

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MEETING

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TUESDAY,
JUNE 28, 2022

The Advisory Committee convened at 1:00 p.m. EDT via Video Teleconference, Martin J. Gruenberg, Acting FDIC Chairman, presiding.

PRESENT:

STEVEN ANTONAKES, Executive Vice President for Enterprise Risk Management, Eastern Bank
MICHAEL CALHOUN, President, Center for Responsible Lending (CRL)
NAOMI CAMPER, Chief Policy Officer, American Bankers Association (ABA)
THOMAS FOLEY, Executive Director, National Disability Institute
KENNETH KELLY, Chairman & CEO, First Independence Corp and First Independence Bank
MARGARET LIBBY, Founder & CEO, MyPath
BRANDEE MCHALE, Head of Community Investing and Development, Citi; President, Citi Foundation
JONATHAN MINTZ, President & CEO, Cities for Financial Empowerment Fund
JENNIFER TESCHER, President & CEO, Financial Health Network
CHRISTINA TETREAULT, Deputy Commissioner, Office of Financial Technology Innovation, California Department of Financial Protection and Innovation (DFPI)

ALSO PRESENT:

MARTIN J. GRUENBERG, Acting Chairman, Federal Deposit Insurance Corporation
MICHAEL J. HSU, Acting Comptroller of the Currency, Office of the Comptroller of the Currency
ROHIT CHOPRA, Director, Consumer Financial Protection Bureau
ZIXTA MARTINEZ, Deputy Director, CFPB
ELIZABETH ORTIZ, Deputy Director, Division of Depositor and Consumer Protection, FDIC
LUKE BROWN, Associate Director, Division of Depositor and Consumer Protection, FDIC
JONATHAN MILLER, Deputy Director, Division of Depositor and Consumer Protection, FDIC
MAUREEN YAP, Senior Counsel, National Fair Housing Alliance
KENON CHEN, Executive Vice President, Corporate Strategy, Clear Capital
MELODY TAYLOR, Regional Director Mid Atlantic Office of Fair Housing and Equal Opportunity, HUD
PATIENCE SINGLETON, Senior Policy Analyst, FDIC
PAMELA FREEMAN, Chief, Fair Lending and CRA Examinations, FDIC
RICHARD SCHWARTZ, Counsel, FDIC

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

1:05 p.m.

MS. ORTIZ: Good afternoon and good morning to some, and welcome to everyone to the June meeting of the FDIC's Advisory Committee on Economic Inclusion, better known as the ComE-In.

My name is Elizabeth Ortiz and I am the Deputy Director for Consumer and Community Affairs at the FDIC.

This is our first meeting of the Advisory Committee in 2022 and our fourth virtual meeting, and hopefully our last one as we are transitioning back to the office and to in-person gatherings.

Since this is a virtual meeting, we have a compact but full agenda. I have a brief statement to share before turning the meeting over to our Acting Chairman.

Under the Government in the Sunshine Act, whenever a quorum of the FDIC's Board of Directors deliberates on Agency business such as regulation or a matter of policy, the Board's meeting generally is required to be open to the public and is subject to certain notice requirements.

This meeting is not a Board Meeting called for such purposes.

Accordingly, general discussions which may occur among Board Members at this meeting on subjects relevant to the FDIC's responsibilities, but which do not pose specific issues for official Board resolution either now or reasonably anticipated in the future, do not constitute a meeting that is required to be open to the public and subject to the notification requirements in accordance with the Sunshine Act.

Similarly, informal or exploratory discussions among Board Members do not constitute a meeting that is required to be open to the public and subject to the notification requirements provided that any such discussions are preliminary in nature, that there are no relevant proposals for action pending before the FDIC, and that the merits of any proposed Agency action would be open to full consideration by the Board at a later time.

If during the course of this meeting Staff identify matters that should be discussed by Board Members at a subsequent Board Meeting in order to comply with the Sunshine Act, Staff will advise the Board Members that those matters should be deferred and presented to the Board in a meeting at a later date, at which time Board Members can engage in full deliberation on the proposals.

And now it is my pleasure and my honor to introduce the Acting Chairman of the FDIC, Martin Gruenberg.

ACTING CHAIRMAN GRUENBERG: Thank you, Liz, it's wonderful to see you all sort of. I kind of hope this is the last time we do one of these meetings virtually and the next time we can actually be in person.

I do think the quality of the engagement and interaction is really night and day between an in-person meeting and a virtual meeting like this one.

Nonetheless, we'll make the best of it and take advantage of the opportunity to engage with you all.

Let me start today's meeting of our Advisory Committee on Economic Inclusion by introducing the five new Members, who are joining the Committee. I'd like to acknowledge them.

Steven Antonakes, the Executive Vice President for Enterprise Risk Management at Eastern Bank in Massachusetts.

Mike Calhoun, the President of the Center for Responsible Lending.

Thomas Foley, the Executive Director of the National Disability Institute.

Brandee Mchale, the Head of Community Investing and Development at Citibank and President of the Citi Foundation.

And Kenneth Kelly, the Chairman and CEO of First Independence Corporation and First Independence Bank.

All of these are extraordinary

individuals and they join the other Members of our Committee that I'd also like to acknowledge there are seven additional Members, five of whom are able to be with us today.

Naomi Camper, the Chief Policy Officer for the American Bankers Association.

Margaret Libby, the founder and CEO of MyPath in San Francisco.

Lisa Mensah, who could not be with us today, the President and CEO of Opportunity Finance Network.

Jonathan Mintz, the President and CEO of Cities for Financial Empowerment.

Jennifer Tescher, the President and CEO of the Financial Health Network.

Christina Tetreault, the Deputy Commissioner for the California Department of Financial Protection.

And Raphael Bostic, who can't be with us today, the President and CEO of the Federal Reserve Bank of Atlanta.

This is really an extraordinary and diverse group of people that bring a lot of perspectives to bear on the issue of concern for this Committee.

And let me at the outset also acknowledge that taking part in our meeting today is acting Comptroller, Michael Hsu, and we're going to be joined I believe later in our meeting by another Member of our Board, CFPB Director, Rohit Chopra.

And joining us at the outset of our meeting is CFPB Deputy Director, Zixta Martinez. Let me briefly summarize the agenda for our meeting.

We're going to start by taking advantage of the participation of our Committee Members and have a roundtable discussion asking each of them briefly to share their thoughts with us on the current situation and its consequence for expanding access to the financial system.

After the roundtable discussion with our Committee Members, we're going to have a panel discussion on the timely issue of bias in the home appraisal process, which I think is now widely recognized as a important dimension or vehicle for discrimination in the mortgage market.

It's been the subject of extensive attention by the PAVE taskforce, and PAVE stands for the property appraisal valuation equity program that was undertaken.

Participation by a range of federal agencies and the person who really led the Staff work for that PAVE report, Melody Taylor, was the Regional Director for the Mid-Atlantic Office of Fair Housing and Equal Opportunity at HUD is here with us to take part in that panel.

And in addition to Melody, we have Maureen Yap, the Senior Counsel at the National Fair Housing Alliance, and Kenon Chen, the Executive Vice President for Corporate Strategy at Clear Capital.

We'll have a range of perspectives by deeply knowledgeable people on this important subject. So, that'll be the first panel after our roundtable discussion, and following that, we'll have a panel of FDIC Staff to talk about the notice of proposed rulemaking on the Community Reinvestment Act, CRA, which was issued by the three bank regulatory agencies, the Fed, the OCC, and the FDIC at the beginning of May.

This is an ambitious proposal, I think it is actually I would view it as a landmark proposal in terms of expanding the reach and impact of CRA to improve access to credit, investment, and basic banking services for low- and moderate-income communities across the United States, both urban and rural.

It's an ambitious proposal, quite complicated, and it'll be a nice opportunity for our Staff to lay out the key elements of the proposal and an opportunity for us to get feedback from our Committee Members on the proposal.

I very much look forward to that discussion.

I think it's an excellent program that we have prepared for you all today and before I turn the program over to Liz to begin the roundtable discussion, I'd like to ask my fellow Board Member Acting Comptroller Hsu if you'd like to make a comment as well?

DIRECTOR HSU: Sure. Thank you so much, Marty, I'll keep it really short.

I've been really looking forward to this because I recall doing this meeting last year and just the range of perspectives in this kind of intimate setting is really, really valuable.

It was a thoroughly enjoyable and informative and insightful discussion so I'm looking forward to it today. Again, I apologize in advance I am going to have to hop at 2:00 p.m., so hopefully we can get through the roundtable.

But the agenda looks fantastic, very timely, and I had posed some questions last time.

One question, I think it builds off of where Marty was going, given where what are we in the economic cycle, I'd be curious to hear how is that impacting folks' thoughts on issues of inclusion as we enter higher rates and a more volatile environment?

It would be great to hear people's perspectives on that. Thank you.

ACTING CHAIRMAN GRUENBERG: Thank you, Mike, and thank you for being here today. If I can ask Zixta Martinez, the Deputy Director from the CFPB, did you want to make a comment?

MS. MARTINEZ: I do, thank you so much. I actually have a few comments I'd like to make.

First, I want to thank you Acting Chairman Gruenberg for holding today's meeting on economic inclusion and second, I want to agree with Comptroller Hsu with respect to the range of topics and diversity of views here reflected.

I do want to share some remarks and in particular, I want to focus remarks on the need to increase access to affordable payments, credit, and other financial products and services.

One of the most signature drivers leading us to double down on our efforts to broaden access is the expansion of electronic payments. Electronic payments are quickly supplanting cash and are now an essential part of the economy.

Their increasing omnipresence came in full view during the pandemic as the un and underbanked faced considerable challenges, making purchases and receiving payments, including the economic impact payments.

And banks have both an obligatory and leading role to play in this effort. Chartered banks are granted unique powers and privileges not possessed by ordinary commercial firms.

Banks are special, they have access to Federal Reserve system liquidity and enjoy the FDIC's guarantee on insured deposits.

Depositors are assured their money is safe and banks are therefore able to attract large volumes of deposits that their customers treat as cash. This provides banks with a valuable source of low-cost stable funding.

It is then neither a surprise nor a tall order that the Government expects banks to meet their statutory requirements to serve a broad range of communities and customers.

By meeting their obligations to increase banking access and reduce banking and financial inequities, banks can play a key role, for example, in reducing the persistent and growing home ownership gap between black and white families and closing the economic gap between the banked and the under and unbanked.

Indeed, considering the significant benefits banks derive from their unique relationship with the public, banks should ensure that arbitrary customer-level revenue or profitability targets do not impede lower-income household access to affordable banking products, including the most basic of all, a checking or savings account.

Achieving this most basic access will require offering low monthly fees and further reducing the cost of overdraft and non-sufficient fund fees, while still providing lower-balance customers flexibility to help manage their expenses.

And serving consumers in all areas of the country, including in banking deserts, in rural areas, and within communities of color.

Director Chopra as a Member of the FDIC Board recently voted in support of an effort to update and modernize the Community Reinvestment Act's regulatory framework.

First, the proposal takes steps to address past problems with grave inflation on the CRA exam, which almost every bank currently passes.

Second, the proposed regulatory framework will eventually rely on small business lending data, which will allow for a more in-depth understanding of small business lending issues and include detailed data broken down by race and ethnicity.

Third, the proposal would increase incentives for banks to finance community development projects in areas experiencing persistent poverty as well as areas with low levels of past community development, financing, including in banking deserts.

The proposal also includes explicit incentives for community development financing and services in native communities.

Finally, the proposal would recognize banks that assist low and moderate-income communities with clean energy transition and climate resiliency.

For example, Native families who depend on farming for both subsistence and commercial gain face increasing threats from drought, flood, and rising temperatures, with limited resources at their disposal to invest in climate mitigation solutions.

Overall, the proposed CRA rule would help put low-income communities on stronger financial footing and provide people with increased opportunities to access financial products and services that can help purchase homes, start small businesses, or otherwise build financial wealth.

In addition, the CFPB is working to ensure that banking access and access to credit is not unfairly affected by algorithmic models.

Along with other federal financial regulators, we will be working to implement a dormant authority in federal law to ensure that algorithmic home valuations are fair and accurate.

We also release guidance to lending institutions confirming that it is unlawful to use black box models that do not allow for clear understanding of adverse actions such as denial of credit.

Adverse action notices are an important part of the Equal Credit Opportunity Act, both because they serve as a consumer education tool and because they are an important deterrent. Thank you for the opportunity to provide some remarks.

I am looking forward to today's conversation.

ACTING CHAIRMAN GRUENBERG: Thank you, Zixta, and I'll turn the program over to Liz and begin our roundtable. Liz, it's all yours.

MS. ORTIZ: Thank you, Marty. It's my pleasure to introduce the Members roundtable.

Each ComE-IN Member is invited to spend a few minutes sharing with us some observations, challenges, as well as successes and opportunities that they as leaders in their organizations are actively pursuing.

You are an amazing group of committed practitioners and professionals and so I expect this dialogue to spark a host of great ideas that we can all build on together to advance economic inclusion.

So, I hope nobody feels too much pressure going into this. We will go around the virtual room in reverse alphabetical order.

Each of you can hand it off to the next Member and I recognize that our brains don't necessarily automatically work in reverse alphabetical order so I'm here to help if you don't remember who is coming after you.

And if we have some time left before the first break, I'll try to pull out a couple of themes for folks to maybe discuss or to put on the table for further exploration at future meetings of the comment.

With that, Christina Tetreault, can you start us off?

MEMBER TETREAULT: Thanks, good morning, good afternoon, everyone, I'm going to talk about something that is really big here in California in May. California's Governor, Governor Newsom, issued a crypto asset executive order.

The executive order takes a whole of California Government approach and it ensures that California is aligned with our federal colleagues. It's an opportunity for the Department to provide regulatory clarity using our existing authorities.

We are particularly interested in understanding crypto assets and financial inclusion. We have an outstanding invitation for comment.

We are eager to get written responses to that comment, and so I will leave you with the fact that it closes August 5th and we look forward to hearing from people.

With that, I will close and hand off to

Jennifer Tescher. Thanks.

MEMBER TESCHER: Christina, that was so short I wasn't prepared. Good morning, good afternoon, everybody, it's so nice to see everybody even if it's by video. I'm going to touch on a few important pieces of research that we've put out in the last few months.

I think the common theme among them is that they're focused on cost, they're focused on how much people are paying. So, earlier this year we put out our annual fin health spend report.

Our spend report looks at how households manage their finances and access credit.

And we do this annually so we essentially look at in 2021 how much people spent in total on interest and fees on a range of more than two dozen financial products and services.

Everything from credit cards to mortgages to student loans, quite an array.

And we're able to look at trends year on year, we're able to look at product by product, and we're also able to disaggregate the data based on race and ethnicity and also based on financial health status.

So, I want to just give you a little bit of a snapshot. All of the research is available on our website for free and you can peruse it at your leisure.

In 2021, spending on interest and fees was $305 billion.

That's a decline, a decline from a high of $319 billion in 2020 and the biggest reason for that decline, not surprisingly, was COVID-19 and the impact that the moratorium on student loan repayment had and on credit card balances declining.

A combination of less spend but also people paying down credit cards given the influx of relief money that many people received. So, that largely explains the decline.

But as you well know, we can't just look at the top line, we've got to dig underneath it and the disparities in fees, interest paid by race, ethnicity, and income continue to be significant.

So, on average, black households spent more than twice what white households spent on interest and fees as a percentage of their income. So, for black households they spent 7 percent of their household income on interest and fees for financial services.

Whereas for white families that was 3 percent, and for Latinx households it was 5 percent. Households with low to moderate income spent nearly three times more of their income on interest and fees than higher-income households did.

So, they spent 8 percent versus 3 percent for higher income households.

And you can look at that breakdown for all of the different products, I'm not going to go through all of them here but I do want to touch on one in particular that has been the subject of a lot of interest, a lot of engagement by some of the regulators on this call, and by the banking industry, and that's overdraft and NSF fees.

So, between 2020 and 2021, overdraft and NSF fees remained recovery steady year over year.

They totaled about $11 billion and it makes sense that even though we've seen significant changes, positive changes, by the industry, those really didn't start to take effect really until this year.

So, we should see some change when we measure again next year for this year's numbers. But it is interesting to note that in 2019, just to give a little bit more of a sense of time, overdraft and NSF fees totaled $15.5 billion.

So, again, I think, we know we've seen a gap in overdraft and NSF over the last two years because of COVID-19. At first there was a moratorium, a lot of institutions were waiving those fees and then there was also just less spending going on.

So, again, for both of those reasons, it'll be interesting to see how much we see it increase this year just because of the economy pick up and how much it will be counteracted by the changes that institutions have made.

But I think it's important to note again that black households with bank accounts were 1.8 times as likely as white households to report having paid at least one overdraft.

And Latinx households were 1.4 times more likely. And sort of not surprisingly, financially vulnerable households with bank accounts were nearly 10 times as likely to overdraft as financially healthy households.

The other things I would point out that you might want to look at is through this research we also put out a separate brief on Buy Now Pay Later, a relatively new product in the market that I know there's a lot of interest around.

There isn't a ton of great data and the data that we have is pretty good. It doesn't get us all the way there in terms of what we need to know but there are some interesting stuff in there.

You know we also, one of the products that we always look at is credit cards and interest in fees on revolving balances for both general purpose and private label cards declined in 2021, again because stimulus payments from the government benefits enabled folks to pay down.

But the trends we were seeing in cards got us curious and my colleague Cory Stone and I actually just published a separate paper on brookings in which we look at revolving credit card balances and the challenge that those posed to financial health.

And we make some suggestions about different ways we might think about structuring the repayment structures.

Just to give a little bit of data, revolving card balances, so the balances that people carry when they're revolving their credit cards account for about 15 percent of all non-mortgage debt, but they account for the largest share of non-mortgage interests and fees paid.

Because credit cards are just more expensive than auto loans, student loans, other things that make up significant portions of non-mortgage debt. About half of the cardholders that are revolvers make monthly payments at or close to the minimum.

And they account then for the majority of the revolving balances.

And there's some research that the CFPB has done in the past that shows that in a significant amount of long-borrowing episodes, meaning when people are revolving for months and months and months, the amount owed increased beyond the amount they initially borrowed.

Heavy revolvers who carry an unpaid balance in more than half of all months equal 40 percent of all outstanding balances over the 18-month period beginning January 19th, but they paid 85 percent of all the finance charges.

And there have been lots of things that folks have done over the years to try to encourage people to pay down their debt faster, but the one thing that hasn't gotten a lot of attention and that we focus a lot of attention on is the minimum pay formula, which today is the greater of 1 percent of your end-of-month balance or floor amount.

And I don't have time to go into great detail but we ended up with the low minimum balance amounts from some financial regulation that the federal regulators put into place in 2003 when they wanted end negatively amortizing credit.

Because some credit card lenders were offering minimum payments below zero percent and so from a safety and soundness perspective, the idea was if that's not really good, we want to make sure that banks are actually getting people to make payments for the safety of the system.

But we didn't really think about the financial health of the consumer in that equation. And so the guidance right now is that minimum payment has to amortize the current balance over a reasonable period of time.

But there's no definition of reasonable, and if you look at some of the data I shared and some additional data, I would suggest that the length of time that some people are carrying those balances really isn't reasonable.

And they're not able to pay it off. And so we go through and look at several different scenarios for altering the minimum pay formula, everything from just raising it from one percent to something higher, to installmentizing each purchase, which some large financial institutions already offer.

A newer credit card company called Upgrade, this is what they do.

And then the third option, which I think is the one I'm particularly fond of, which is changing the formula itself because right now, if it's 1 percent, let's pretend, of your balance, it's your end-of-month balance.

And so that means the amount of money you're paying on your credit card is declining every months as your principal balance declines. And your principal payments aren't level so you're making a smaller amount of principal payments every month, which is part of why it's so slow.

Imagine if your mortgage worked that way.

So, I think it would be interesting to think about changing the formula so instead of you making a minimum payment based on the percentage of your month-end balance, it should be tied to your total credit line, which is how, frankly, we're underwriting consumers for those credit cards in the first place.

So, it also sort of aligns end to end. This is something I would love to talk about more, lots of interesting food for thought but this is absolutely within the purview of federal regulators.

There's a number of different ways they could approach it. We put out a great medical debt report, I'm only mentioning it because I don't have time to talk about it now but it's such an important issue.

It was noted in President Biden's executive order on the topic and so we have some interesting data there. And then finally, our new financial health pulse data will be out at the end of August.

I raise that now because I know in October I think on the agenda is getting to hear from the FDIC about its latest un and underbanked survey data. It might be an interesting opportunity to compare and contrast.

I will tell you that our data was collected six months after the SHED, the Federal Reserve SHED data was collected.

And our top line findings is going to be different from theirs because that much has changed just in six months with the decline of COVID-19 aid, a variety of other things happening in the economy.

We are starting to now see the decline, ~~is~~ are a little bit of the challenge and stress on financial health. So, more to talk about there but thank you so much for the time.

MEMBER MINTZ: I think I'm up next, Jonathan Mintz with the CFE Fund. I'm delighted to be here, it's really an honor, and I look forward to it all the time even if it's not in person this time.

I'm going to limit my comments, not surprisingly, to BankOn and talk a little bit about the cutting edge of where we're pushing some exciting boundaries. As a little bit of background, as of this morning we were at 248 certified accounts.

There are another couple dozen in the mix. Thanks to our friends at the FDIC, we know that the banks who makeup that 248 and it's also credit unions, comprise 56 percent of the U.S. deposit market share.

Certified accounts are now available in just under half of the Branches across the country, lots of progress and a lot of that progress is due to folks on this WebEx but also to our partners across about 90 coalitions in this country at the local level, the regional level.

We've got a bunch of state coalitions starting so lots of important partners. I want to just talk about three things during my five minutes, one is I want to talk about where we are on scaled banking access integrations.

Second, I want to talk about two new populations that we're talking about connecting to, as populations that we're excited about. And then I want to talk about a new front in our banking access work which is direct digital advertising and how that's going.

So, on scaled banking access integrations, I see Brandee on my screen and I have to point out, as you all have heard me say many times, that our first really large approach to inserting banking into programming with payments was Brandee's brainchild, which is our Summer Jobs Connect program that Citi's been so supportive of now for nine summers.

So, that's really exciting and I think it's really taught us a lot through our partners about how to approach large-scale integrations of getting people into certified accounts as part of their payment streams, rather than just generically through financial education.

We have spoken before I think at our last meeting about the really exciting partnership that we had with the FDIC and the IRS and the CDC regarding the stimulus payments and the ability for people and the encouragement and the direction of people to open up certified accounts to be able to get their stimulus payments safely and quickly.

That's very exciting and I won't repeat that. The cutting edge for us at the moment on large-scale is unemployment payments. We're working with several states, the first one out of the gate has been Maryland, who have discontinued the default approach to unemployment payments through pay cards, overspending cards, and instead are actively encouraging program recipients to give them account information to get direct deposit, and if they don't have one, to then steer them directly to the range of hundreds of BankOn certified accounts that they can choose from in order to safely do so.

We really think that unemployment

payments represent an important investment in thinking about scale, not just because of the number of people that are reached but also because of the nature of unemployment benefits, which are periodic.

And that periodic use of the account, we have all learned I think in this group, is key to not just getting people into banking but having banking become a natural practice.

So, we're very excited about that, very grateful this happened.

I really have to shout out to our partners in BankOn Maryland, which is led in that jurisdiction by Maryland CASH, for those of you who know them, who really had a wonderful partnership with the Maryland Department of Labor regarding discontinuing the pay cards and switching to banking.

We're very excited about that and I am literally I think preaching to the choir when I say we know that, according to FDIC research, those who are unemployed are four times more likely to be unbanked.

So, this is a real key target and our ability to push this out to multiple states is very exciting. The second thing I mentioned is I want to talk about two new populations that we're focusing in on.

The first is veterans and the second is foster youth service recipients. So, we partnered with our friends at the FDIC again and the Association of Military Banks of America and the Veterans Affairs Department.

And we are now, Veterans Affairs folks are now actively pushing out BankOn accounts for the moment on benefits but as is our Trojan Horse strategy, we're obviously aiming towards that also becoming true of salary.

It's early days on this effort but the traffic has been pretty steady and significant on the resource page that we helped the VA put together.

We think this is a population again well worth investing in of course and we're just thrilled at the ever-increasing sense that both State and

Federal Government agencies feel confident relying upon the good housekeeping nature of a BankOn seal and so we're looking forward to more progress with that population. The other population which I have been struggling to figure out an opportunity to reach for over a decade is foster youth.

We're focusing in on some work in Milwaukee that we're funding in partnership with nearby BankOn Chicago that's developed an expertise around trauma-informed financial education and coaching and the Economic Awareness Council.

So, we're working with and funding two nonprofit organizations in the Milwaukee area. BankOn Milwaukee is of course helping with the account end of this programming partnership and there are two subpopulations of foster youth that we're working with.

One is the youth that are aging out. So, some nonprofits that serve foster youth have custodial accounts that they keep for these kids while they're in the program. Those custodial accounts are closed when kids age out and so this is an important time.

And given that there are payments that are part of the aging out process in foster care, we think it's also an effective time, just in time, to get folks into safe accounts that they can use to launch their adult lives.

The second subpopulation of foster youth that we're working with are those that are in residential treatment programs and connected workforce opportunities and again that represents a population that has a connection to money in a way that allows us to leverage that banking access moment.

In the groups that we're working with in Milwaukee, about 85 to 90 percent of them are unbanked. Moving onto my last point, which is digital advertising, I think some of you know I've mentioned before that we really wanted to begin this with communications research.

We outsourced focus groups and surveys in four different cities and zeroed in on what kinds of messaging really resonated with people who are outside of the banking system and what motivates them to get back into the banking system.

I talked a little bit about that before so I won't go into detail. I will just say that BankOn, the national movement, and through our partners across the country engaged in some pretty significant digital advertising investments.

The short story, because I can read Liz's eyes, is that these ads, and we're doing it through social media, we're doing it through Google search ads, these ads are all outperforming industry benchmarks and what that tells us is that using the right language and finding people at the right moment works.

And people are not just spending time looking at the ads but they are also clicking through too -- we've set up a single national site that really focuses in on the couple three dozen of our certified partners who allow people to open up an account even if they're a new customer to that bank or credit union.

So, it's one click and you're in and you can open your account basically.

And the hit rate of people that are watching the ads coming to the website spending on average over 10 minutes reviewing the information on our website, and then clicking through at about a third depending on how they get there to our partner organization to open up those accounts tells us this direct advertising approach is well worth the investment.

And I also just couldn't stop without a quick shout-out to the FDIC Get Banked campaign.

90 percent of the traffic that comes to us from somebody else's website comes to us from your Get Banked work and we think the investment makes a lot of sense and is one we're going to continue to explore.

Thank you. I think I'm followed by Brandee.

MEMBER MCHALE: Yes, here I am. Thank you for the opportunity to join the Committee and to be here with you all today. As a new Member, I'm really honored and excited about the chance to both share my own institution's experience but also to learn from others.

And I want to thank the Acting Chairman and the leadership team at the FDIC for the opportunity. I know we're short on time but I just, I think, I know you all know this, there has never been a more critical time to address these issues.

It is a period of extreme economic volatility but it's also a period of financial inclusion and innovation that's really energizing to see. Innovation is being driven across the financial services ecosystem.

We heard many of these examples. But the thing I want to really point out is that the innovation is being driven in two fronts by focusing on the what, what are the needs, understanding what works, and then translating that into the how, how can we do more of that?

We're making more data available, again deepening our knowledge of what's happening to households, as Jenn Tescher spoke about a few minutes ago.

And certainly, convenings like this that bring together leaders to share ideas and to cross-fertilize ideas is an important accelerator.

And also important to eliminate those barriers that are in place that are keeping us from closing income and wealth gaps in our country.

I think this work is even more imperative when you look at where the wealth gaps are the greatest, for communities and households of color and especially for black households.

Despite, though, all the innovative work that we've been doing, the trend is worsening.

I was really taken aback reading a paper issued a few weeks ago by the National Bureau of Economic Research that shows that in fact, the racial wealth gap isn't closing, it's on track to grow.

And so we have to ask ourselves, is our innovation actually driving effectiveness? Is it actually driving the impact that we want? I say all this because it's definitely not a time to give up.

I think it's a time to double down but if we're going to change this trajectory, a business as usual approach just isn't going to work.

And with this in my mind, we at Citi launched Action for Racial Equity, it’s a $1 billion in strategic initiative to promote financial inclusion and asset building and help close the racial wealth gap.

This is not driven or organized using our traditional community investing or philanthropic approaches. There are important philanthropic programs in this effort.

But rather than think about this as a standalone program or a vertical that we're building within the bank, we stepped back and said what if we looked across the institution?

How do we leverage a whole wide array of resources simultaneously? How do we work horizontally across the bank to center racial equity in our products, our people, procurement, and our philanthropy to build financial health and assets?

This includes, just to give you a few examples, I have to build off of some of the commentary earlier and I'm proud to say that we went live this past weekend and have eliminated overdraft fees, returned item fees, and overdraft protection fees that can have such a detrimental impact on consumers with the least ability to absorb an unexpected expense.

We've been scaling up product distribution partnerships like some of the ones that Jonathan spoke about, working with national nonprofits, but also affordable housing developers and municipal partners, not just to increase access to products.

But really, we're designing these efforts to help address the underlying trust gap that still exists between banks and underserved communities, bringing more families into the financial mainstream by launching new children's savings programs.

We've had San Francisco's kindergarten college effort in place for a decade and we are seeing now a plethora of program replications. We just announced new efforts in places including Los Angeles, San Jose, and Atlanta.

These programs make it easy to access banking services and build banking habits at a young age and we hope that as a result, these young people and their families will remain banked throughout their lifetime.

And we're going all in to ensure CDFIs and MDIs have the capacity that they need to leverage the unprecedented level of public dollars available to them.

This includes committing $50 million from our foundation to fund human capital and technology investments in these institutions, working with our institutional side of the bank, our institutional clients to identify revenue generation opportunities for MDIs.

And then placing senior executives from across the bank in residence at MDIs to share expertise. None of these examples and the other things that we're doing on their own none of these are really brand-new ideas.

But we believe we're taking a brand-new approach by working comprehensively on these issues.

This isn't just about doing more, it's about doing things differently, and it also means being willing to ask ourselves this hard question, are we actually making a difference?

And so last October we announced, and we are in the middle right now of, a third-party led racial equity audit to assess our action for racial equity effort and help deepen our understanding of not just how Citi but how the broader financial services sector can help close the racial wealth gap.

The recommendations of that audit will be published later this year. In the interest of time I won't go into this deeper but I'll just point out one final thing before I close that I think is important for this Committee.

The work that we've done through our assessment to date has reinforced that the economic challenges we're facing require both comprehensives and collaborative solutions.

This means not just working alongside one another but we've got to look for ways we can deepen our collective commitments in the financial services sector and establish shared common goals so the sum is greater than the parts.

And as the Committee works together to review regulatory financial and social issues that have kept us from achieving our objectives, I'm optimistic and hopeful that the work that this group does will further drive that collaboration and coordination and help ensure the solutions we champion can move us from dialogue to action and from individual action to collective impact and systemic change.

Thank you. I'm going to turn it over

Margaret Libby.

MEMBER LIBBY: Thank you, Brandee, and hello, good morning, and good afternoon, everybody. As Brandee said, I'm Margaret Libby, I'm the founder and CEO of MyPath.

We are based in San Francisco but working nationally really to make sure that BIPOC, youth of color and young adults of color growing up in low-income communities have access to banking, credit-building opportunities and also opportunities to save really to facilitate a strong start to make sure that they can get on a path to wealth-building.

That's really what our work has been about, so it's really been an honor to be part of this Committee and be able to share the lessons that have come out of our work and some of the best practices and emerging issues that we're seeing but also that young people are telling us about.

Because that's another important part of our model, really not just engaging young people in banking, savings, and credit-building but in leadership and advocacy around these issues and the policy issues that are in place that can be changed in order to facilitate even more youth financial inclusion.

And so yes, it's a real honor to be part of this group and to be able to bring some of the ideas that they have surfaced in the last couple of years to this table and to the members of the group.

So, yes, I very much appreciate the comments of the Members thus far and I look forward to the rest of the conversation. I think the three things that I wanted to focus on today, and Liz, I actually I thought I had a timer going because I really wanted to be right on time.

But I want to share a little bit I think about a youth economic bill of rights that our 18 to 24-year-old youth advocacy group has put together and then a little bit about some of the emerging issues that they're identifying in places where they're excited to engage I think with the CFPB, with the FDIC and others to really be part of some of the solutions that they've identified through the youth economic bill of rights.

But I want to start with this idea that really, as I mentioned, our early work was about banking and banking access for young people.

And I think one of the pieces that came out of that which was almost like a precursor to this youth economic bill of rights was our MyPath youth banking standards, which were really designed to get at what is a quality and accessible bank account look like for young people?

And so drawing on the great work that the FDIC has done around safe accounts, which certainly I think was a lot of the foundation for BankOn, BankOn 2.0, together with our young people we drew on all of that work to then say there's a couple of additional pieces that need to take place in order for youth to have access. I think this is for foster youth, it's for other systems-involved youth, youth who have undocumented parents.

There are a number of youth in low-income communities for whom just having a safe and quality account isn't enough, but making sure it's non-custodial is critical.

And making sure that they can access an account with an alternate I.D. like a school I.D. is core to them accessing the banking system.

And we think, and our young people feel strongly, this is actually one of the economic rights in the document they've put together, is to build a national model of banking that will really ensure there's access points for those young people who are vulnerable to predatory financial services without those two additional steps taken.

And so that's something that we are excited to continue to have conversations with this group around, is really to make sure there is that strong on ramp to the financial services system so that we're positioning young people to start strong, have access to the services, the education they need to really get on that path to wealth-building.

So, that's one thing and I'll say we are very proud that through that early work that we did and spreading it to cities and partners I know, and then groups like Jonathan have really been able to scale those best practices in that approach to thousands of young people across the country.

And so that's something that our young people are very proud of. So, the second thing I want to talk about is this youth economic bill of rights.

As we pushed out this banking saving credit building work, our young people and our team really wanted to see a document that would really be even broader to look at what is the whole set of things that young people, young people of color from low-income communities really want to see in the economy to ensure that as a country, with an equity lens, we are really providing the footholds that they need to transition in a strong way from being young people into their adult lives into the financial system and the economy.

And so the banking piece is one and

another one that is in there is a guaranteed income, another one is access to financial mentoring and access to their credit information.

I think the combination of access to the credit information and financial mentoring is something that we have really taken on as an organization.

And Jonathan, I was really excited to hear you talking about foster youth because one of the things that we've done in order to put this bill of rights or this economic bill of rights into practice and start to demonstrate the impact of the kinds of ideas that young people are putting onto paper in this document is to provide financial mentoring that has a youth development and a trauma-informed framework embedded in it to add that to the first guaranteed income pilot for emancipating foster youth in the country.

It's something that the County of Santa Clara is doing. So, two years ago we began adding that financial mentoring component as an option so we saw a number of the participants opt in and really maximize the impact of that income. And so it's another one of these moments where there's money for an offering like financial mentoring to really resonate with young people. And we have a white paper that's forthcoming that will share some of what we learned about that integration.

And as counties across the State of California are applying to embed their own guaranteed income pilots through a pot of money that the state is making available, we think that more of this financial mentoring will be a component of those.

So, enabling access to banking, access to credit-building opportunities for some of our most vulnerable young people.

So, we're excited about that pilot. I think as I start to run out of time, the thing I'll say, the other sort of idea embedded in the bill of rights is the idea that youth of color from low-income communities really want to be part of the design of the solutions to address the ideas they've put together in the bill of rights.

So, even thinking about what education should look like if we're trying to make sure that young people who are largely being targeted by and engaging in a market like crypto are part of designing the education materials and the dissemination strategy so that we're really getting at the young people who are using and investing in crypto and really looking at some of the other emerging issues like Buy Now, Pay Later.

So, with that I will turn the mic. Everybody has been so good about knowing who's next and I will confess that I am not entirely sure that I know who I'm handing it off to.

But, yes, I'm really excited to continue to engage with all of you on these fronts. Thank you and I will go back to Liz and --

(Simultaneous Speaking.)

MEMBER KELLY: I'll take the ball, Libby, thank you so much and good afternoon, everyone, I'm Kenneth Kelly, it is such an honor and a pleasure to serve with you.

I just want to thank our Acting Chairman for his leadership on this effort and also to the fellow Board Members. Again, I'm Kenneth Kelly, I serve as Chairman CEO of First Independence Bank based in Detroit, Michigan.

Our bank actually was started because it was one of the positive outcomes of the 1967 riots in Detroit. We've been in business now 52 years with a focus on creating wealth in the African American community.

We were fortunate enough to really open up a new branch this year in Minneapolis. I think many of you know the hurt we saw around the world in what took place with George Floyd's murder.

And so we've been fortunate enough to open a bank branch there. I want to spend a few moments to talk about just a couple of things before I close.

One, a little bit more about who we are and talk about what happened there in Minneapolis because I think it is a cornerstone of what we're going to need to tackle the problems that I've heard thus far from my colleagues.

Number two, to substantiate the topics that we're going to hear about a little bit later on, the appraisal process and CRA, and then the last item I'll close with real quickly is talking about this financial literacy issue that started with one of the opening comments.

So, again, who we are, started in 1970 with a focus on ensuring that there were banking services in the African American community.

One of our founders two years ago said to me, one of the beauties of us starting that bank back in 1970 was that African Americans started to get jobs in the larger banks aside from being a janitor and a teller.

And so I say that to say collaboration and partnership can work hand in hand. What we saw take place when we moved into the Minneapolis market, there were five banks there and I want to give all of them credit because it is the collaboration that you just heard Brandee discuss from Citi that we're going to need tackle these issues.

And those banks include Bank of America, Bremer Bank, Huntington/TCF, of course they've combined now since that time, U.S. Bank and Wells Fargo. And they came really with open arms and allowed us to basically go and move into that market.

Those five banks constitute roughly 80 percent of that market and as you know, you have seen how the social unrest that has taken place, and not just with George Floyd's murder but with what has happened subsequently.

Why I bring that up is not only just about ribbon-cutting and showing that we've moved into that market but there's also now a change in discussion around home ownership in that market.

Unfortunately, Minneapolis has one of the highest home ownership gaps in this country between Caucasians and African Americans, almost a 50-point gap.

There are discussions now beyond the banks that also include public officials, looking at how do we tackle that market because all of us know that home ownership is one of the greatest contributors to wealth for a family.

And so I want to bring that up because that's I think a model that we've got to figure out how do we lean into collaboration and partnership to tackle some of these problems?

And it shows up in one of the previous comments of one of our peers. I saw where the appraisal demographic is 97 percent white and practically all male.

That is a challenge and I think we have to figure out how do we look at leaning into that in creating educational opportunities and creating an awareness to increase the diversity on the appraisal side.

And so when we deal with those outcomes, they come with all the preconceived notions that we all bring to the table. And so I just want to challenge us to think about how do we lean into that and challenge that?

On the CRA side, I mean this is probably the chance of not one generation but maybe three. We saw the last CRA take place back in 77, if I recall correctly, and here we are in 2022.

So, the likelihood of it changing again might be fairly slim and my point is let's certainly lean into that and see how do we create opportunities where banks are not just confined to geography anymore.

There's affinity, there are other boundaries that we have to look at how do we encourage the outcomes that we so deeply desire that we heard thus far today?

And then my closing remark is around this topic of literacy. I'm happy to say the State of Michigan just passed a bill and the Governor I believe has signed that, making us the 14th state to require some form of financial literacy inside of the school system.

I believe it is required that they'll take the equivalent of what I would call or remember as a semester -- it's been so long ago -- of financial literacy. And I think that's a topic that we ought to push.

Academia and the intent of having people go and be productive in society is great, but if they can't leverage what they're being productive with, then I think we missed the boat.

And we see that it's more expensive for those at the less fortunate end of the socioeconomic pyramid.

So, I want to just encourage us to look at those as opportunities where we can make change and continue to lean into that in a group that is not only partnership-based but certainly collaborative.

So, at this point in time I'd like to conclude my comments and call on Tom Foley.

MEMBER FOLEY: Thank you sir, I appreciate it, and I really appreciate the opportunity to be here with all of you today. Again, Tom Foley, I'm with the National Disability Institute.

We're the first and only national disability organization that works exclusively on financial and economic inclusion for folks with disabilities. I want to highlight three data-points to then highlight three things that we're specifically working on.

So, for folks with disabilities, and this is based on 2019 FDIC data, folks with disabilities are three times less likely to be banked than the rest of the population, 4.5 percent to about 16.2 percent.

Similar trends hold true for access to credit. Folks with disabilities are about 1.7 times less likely to get the credit that they're interested in receiving than the rest of the general population.

But you know the number that really tends to get people's attention is one around net worth. And for an average household in United States, 2019 data, it's around $84,000. For people with disabilities, it's about $14,400.

But if you look at households that are black and disabled, that net worth comes out to $1282. Again $1282. So, this intersection at race and disability is really where we're seeing some outcomes that simply need to change.

I mention these data-points for three reasons. One is we have access to this data and that's the first thing I want to highlight. We have access to this data because FDIC asks the disability question.

And you know Financial Health Network also asks the disability question in their Pulse data. And so this is critically important to doing this work is having access and asking the disability question.

Whether that’s Section 1071 of Dodd Frank or the Equal Private Opportunity Act, we need to get data on people with disabilities.

And I encourage anyone when talking about data to really think about, oh gosh, are we even collecting data on those 41 million Americans with these kind of economic outcomes?

The second thing I wanted to talk about was CRA, community reinvestment. I'm really excited about this afternoon's presentation because for the first time ever with the proposal, people with disabilities are actually talked about as a group to be served.

But I guess the question that we've been asking and the question I ask everyone here, $1282, is it enough that people with disabilities are being identified as a group that count towards CRA credit?

Perhaps we could do something to more deeply invest in these communities that are having these kinds of economic outcomes. And the last piece I wanted to talk about was accessibility.

We talk about accessibility to bank accounts but for me that means something different and I've had the great opportunity to work with a number of you for a while but if I were there in person you would notice my Golden Retriever guide dog.

She's always the most popular one. I'm totally blind so when I talk about accessibility, I talk about the digital accessibility of the bank's website or digital accessibility of an app.

And we know from survey data that 60 to 70 percent of these products are not always accessible to people with disabilities. Digital accessibility is not mentioned in the refresh on CRA.

So, when we're talking about including disability and including, particularly people at the intersection of race, ethnicity, and disability, you know digital accessibility is something that really needs to be front of mind if we want to reach this community.

And I think we do. I was reminded in talking with some friends that I knew back in college, which was a while ago, and a number of them are doing quite well. They talk about putting their kids through college with their stock options.

And these are other people like me,

they're blind, they're quadriplegics, they're people who have built a financial future for themselves and their family because inclusion works.

And that has made all the difference for them, so there's still a huge discrepancy in the disability community. But with all you guys and on the Board, I'm really looking forward to taking steps to close those gaps.

I really appreciate the opportunity to be here today and Naomi, I will hand it off to you.

MEMBER CAMPER: Great, thank you so much, Tom, and it's actually fitting that I follow Tom because what I want to focus on today and thank you, it's really nice to see everyone, I love the camera on setting so it's at least a little bit interactive.

The work that Tom and I did together when each of us was at our former employer has now grown and expanded and a real shout-out to Tom and MDI for the work thank you been doing with ABA and our member banks to help really guide them and train them to be able to make both their branches and their digital offerings fully accessible to all customers.

And the theme of this whole Committee is inclusion so I just want to give a quick update on a few things that rise to the top for what ABA is doing but also that in order to move those initiatives forward, we really depend on collaboration and this is the right group to tell you where I think we can make a few steps forward.

So, first, of course you know I'm going to start with BankOn, I always do. And Jonathan previewed some of the progress.

What I think he didn't spell out is since we started working together at ABA and CFE on encouraging all banks to offer BankOn accounts, it's been -- Jonathan check my math -- but more than a 500 percent increase in the number of certified accounts with more coming along.

And what's especially exciting is that it really ranges across banks of all sizes.

It's the biggest to the smallest and we've actually at ABA developed this incredibly cool dashboard that shows you a visualization on a time series by state and by county of where there is now physical branch access to a bank offering BankOn accounts.

So, that visualization, that took a long time to populate, we're keeping it updated. I really would love for you all to go visit it, you can just Google ABA BankOn and it takes you really right to that website.

That's been a really important tool as we've tried to encourage additional adoption of BankOn accounts with our banks. Part of it is inspiring banks to get involved.

There may be a little FOMO involved and whatever it is that motivates our members to offer a BankOn certified account, we're all for it.

We also are really focused on not just having banks offer those accounts, they need market them and they need to really invite customers in.

So, to that end, we are very close to launching a training program for frontline bank staff whose banks offer these accounts, because we really want them to understand and have skin in the game on why these accounts are exciting, who they're meant for, who might be inspired by them.

And really how it lifts up some of the insights from the FDIC's survey and trains staff how to talk about these accounts in ways that resonates. So, thank you to CFE and FDIC for their partnership there.

We are really focused in two follow-on areas, one is encouraging broader marketing of these accounts with the BankOn certification label. And I would say that an echo chamber around what a BankOn account is would be really helpful.

So, we know that one of the reasons people are unbanked is there's a test gap with banks.

So, to the extent there is reinforcement from whether it's the public sector or the nonprofit sector reaffirming that if there's a BankOn seal, that is an account you can feel confident you're going to get the right features and in a safe way.

That's really great validation that creates a virtuous cycle. The other thing we're really asking our banks to consider doing is putting their data into the St. Louis bond hub so that we get better data about how these accounts are performing.

So, that's a real priority for us. The thing that's been the most impactful for getting banks to adopt BankOn certified accounts is when we collaborate on information sharing. So, I know we have worked with the FDIC, the OCC, and the Federal Reserve Community Affairs Office, we've done webinars with our state alliance members and those agencies.

We have pretty much unlimited capacity to do those. We would love to do a 50-state physical or virtual tour with anybody. The more we talk about this in a collaborative setting, the more banks are going to adopt BankOn certified accounts.

So, that's my ask for you. Two other quick things that we've been up to at ABA, you can't tell where I'm looking but I'm looking at Kenneth Kelly. We have started up a special MDI Advisory

Council that's a peer-to-peer firm within the ABA.

But what's important to us is that we're doing it in close collaboration with the National Bankers Association.

They are essentially jointly staffing this for us to make sure that we create these connections not just within the MDI community but then longer term to make sure that our other members who want to collaborate with MDIs have that opportunity and we're happy to help facilitate that.

Finally, a huge and growing problem with fraud. We are relaunching our Banks Never Ask That campaign.

This is another one where collaboration is going to be the most effective. We use humor to talk about banks will never call you up and ask for -- of course, what we really mean is your bank account number and your Social Security number, but we inject humor and it's a very catchy campaign.

We are hoping to have widespread participation in this but it's a really troubling issue with all the mobile phone spoofing et cetera. So, for another day. Liz is getting panicked because we're almost out of time.

But with that, thank you and I will turn it over to my friend Mike Calhoun.

MEMBER CALHOUN: Thank you, Naomi, and I'll try and pick up the pace and continue that trend and build on the points that the wonderful Members of this Commission have made.

It truly is quite an honor and opportunity to serve at this time. We are hopefully coming through the worst of the COVID-19 pandemic although the future is certainly hard to predict.

And we are blessed to be led by the leadership of the FDIC which includes such experience but also people willing to take new approaches.

The responses from the Government certainly lessen the pain of COVID-19 and in fact, I noted that household wealth this year has hit a new record of over $140 billion.

But it's no surprise to the people here

that wealth is skewed very heavily with the top 1 percent holding onto 30 percent of the total wealth in the country.

The top 10 percent have 70 percent of the wealth and the bottom half of the population having just over 2.5 percent of the wealth. And when you add the racial divide and other considerations, the disparities become even greater.

We are right now in a particularly challenging time.

We do, as many of you know, at the Center for Responsible Lending and self-help credit unions, a lot of our focus is on housing work. We are experiencing the greatest housing affordability shock that I've seen in 40 years of work.

Over the last 18 months, between house appreciation north to 30 percent and the near doubling of mortgage interest rates, you've seen a house payment for the typical home buyer, a prospective buyer, more than double in an 18-month period.

I think one of the things that this COVID-19 period and coming on the heels of the Great Recession it made clear are pretty durable features in our landscape.

First, it is a time of volatility for households, particularly lower wealth households. And Jennifer at Financial Health Network has done great job of documenting that.

Those households are more vulnerable than they were in the COVID-19 crisis, than they were in the Great Recession, and they will be going forward.

And second is we have this vast wealth disparity with many of the families that we are trying to help having virtually no financial assets.

One important factor about the wealth figures is that they typically include, the typical ones that are cited include, durable goods, principally personal property, and the biggest one being cars.

For example, if you take those out, the racial wealth gap goes from 8 to 1 for black households and 5 to 1 for Latino households to 20 to 1 for Latino versus white households.

And over 40 to 1 for medium wealth for black and white households.

I think the challenge before us how do we build a financial system that serves those households, recognizing that volatility, that disparity of wealth in too many of our products or what I would call Ozzie and Harriet products that are designed for 1950s when there was stable income, stable jobs, and a steadily growing economy.

So, one, this is going to require new approaches, new ideas, which many are already outlining here.

One we're looking at in the mortgage area is, as others have, building on research that shows that it's disruptions of income shocks and expense shocks that trigger foreclosures, a program we're launching self-help is setting up reserve funds with higher LTB.

100 percent LTB loans, we provide a grant

of $2500 for reserve funds with required contributions of $25 a month, because we also with the failure of passage and the Build Back Better Act, there's the scarcity of dollars to meet these increased needs.

And so we're going to have to try new approaches. And lastly, we need to fix the products instead of serving and addressing and ameliorating this volatility and wealth disparity, instead exploit it.

And I will finish with comments that others have raised and in particular, overdrafts, which very much took what once was a courtesy program and turned it into a cash cow where most of the money is funded 80 percent of it by statistics, by those living on bank account balances that average about $350 and who help subsidize accounts for others.

We welcome the changes that we have seen but to help those who are currently being battered by overdrafts, the frequent overdrafters, there have to be very substantial limits on the fees and the number of fees that can be charged each year.

And unfortunately, many, in fact the majority of the publicized changes don't do that. The one real bright post has been the widespread elimination of NSF fees which particularly hit those households.

But too many of these other programs, despite the value changes, still charge unlimited numbers of high overdraft fees that will continue to follow in these households.

And they're winning quite frankly the PR campaign, if you look at the ads and the marketing, that focus on those more nimble around-the-edges programs.

This is, and I'll finish with, a call, this will only get fixed, this is often the case, with coordinated regulatory action that sets basic protections to keep people from being subjected to these abusive practices and we hope that this group of regulators and the institutions they represent will continue their leadership in achieving those reforms.

So, with that I will pass it onto Steve, who we all have the pleasure of knowing.

MEMBER ANTONAKES: Great, thank you, Mike. Good afternoon, and certainly, I'm honored to be here as well. I'm cognizant that I have 90 seconds until the end of the break so I will try to be as quick as I can be.

I want to especially thank Chairman Gruenberg, Comptroller Hsu, it is a special treat for me also to be here with Director Chopra and Deputy Director Martinez, both of whom I had the privilege of working alongside for several years at CFPB.

Also, I'd just like to thank the professional staff of the FDIC that are in attendance, again many of whom I had the privilege of working with on interagency and FFIEC efforts.

So, let me just give a quick primer on Eastern Bank, which is a name that probably isn't familiar for most of you, speak briefly to some of the economic inclusion challenges that we're seeing in our market and then just discuss a couple of our current initiatives.

And again, I will try to be as brief as possible. Eastern is $24 billion commercial bank, primarily servicing Eastern Massachusetts and Southern New Hampshire.

We're based in Boston we trace our roots to the 1818 chartering of the institution for savings in the town of Salem, Massachusetts.

And couple of differentiators in my mind for Eastern, nearly one in three of our offices are located in low and moderate income census tracks.

We have an active social justice platform and we use our voice to advocate for LGBTQ+ rights, women's rights, immigrant rights, and racial equity.

We also have an outsized foundation with nearly $300 million in assets and its primary mission is economic inclusion and mobility, with a particular focus on advancing equity in the small business ecosystem, securing safe and affordable housing, enriching early childhood development as well as promoting workforce development.

Now, in terms of what we're seeing for economic inclusion, let me just pick off what Mike was speaking to earlier on in his comments. Certainly, the dramatic run-up in housing values and lack of affordable housing stock is really front and center.

A recent study concluded that buying a home in Boston specifically requires an annual salary of $181,000 or twice the medium.

Secondarily, I would say, also noteworthy, the historic wealth gap that exists between white, brown, and black families as chronicled by the Federal Reserve Bank of Boston 2015 Color of Money Study.

And that's a situation, unfortunately, which has probably only grown worse through the years of the pandemic.

And then just the current economic issues that we're all grappling as well, inflation, increased cost of living, gas prices for those that are still commuting to the office and don't have the luxury to work remotely.

And at least in the case of Massachusetts, the public transportation system and infrastructure that is not nearly as robust as it was before the pandemic.

So, transitioning into a couple of things that we're focusing on at the bank, we will be shortly launching a special-purpose credit program with more flexible underwriting criteria for loans to women and minority-owned small businesses.

Its primary objective is really to counteract the systemic inequities that women and minority businesses, small businesses, face.

The program will feature loans from $10,000 to $250,000 with reduced minimum credit scores and relaxed cash flow requirements.

Moreover, we're actually offering the program with no minimum credit scores for loans of up to $100,000 if the borrower works with and is vetted by one of our nonprofit community partner organizations.

So, it's something we're very excited about and plan on launching later this summer. We have a commitment to at least landing $5 million in this space this year and then we'll continue to assess the viability of that program thereafter.

There's been a great deal of discussion already about overdraft, both trends in the market, changes that institutions are making.

We are also implementing a number of changes in the overdraft space like many banks, although perhaps not as many banks of our size.

Specifically, effective July 1st, we will eliminate all NSF fees. We'll provide an enhanced safety net by not charging an overdraft fee if the end of day available balance is $50 or less.

Additionally, we do not charge an overdraft fee for any transaction of $5 or less regardless of the end-of-day balance. We're capping overdraft fees at one per day and we previously eliminated linked account fees and any annual fee or cash advance fee tied to our cash reserve products.

I'd say we're not done at that point, however, as we are now researching the viability of a low-cost short-term liquidity program as an additional alternative to overdraft for our customers as well.

So, with that, Liz, let me turn it back to you.

MS. ORTIZ: Thanks, Steve, and thank you Members for making my job really very easy because all I need to say right now is that was a great roundtable. I'm talking to you from the dark.

Let me move everybody into a short break by paraphrasing new Member Tom Foley, inclusion works. Indeed, it has made all the difference. All right, I'll see everybody back here at 2:40 p.m. and the lights will be back on.

Thank you.

(Whereupon, the above-entitled matter went off the record at 2:34 p.m. and resumed at 2:40 p.m.)

MS. ORTIZ: Welcome back, everyone, it's

now my pleasure to introduce my colleague, Luke Brown, Associate Director in FDIC's Division of Depositor and Consumer Protection.

Luke?

MR. BROWN: Hello, everybody, thank you, Liz. Hopefully you can hear me okay. Good afternoon, it's a pleasure to be here with a great panel.

Our panel's discussion will focus on appraisal bias and efforts to address this really important issue.

Over the last year, a spotlight has been shined on the appraisal industry and its practices. Slide 2, please? There we go. Right there is perfect, thank you.

With Maureen's permission, who is the author of this report that I'm referencing here, I'm providing a quote. So, I saw this quote in the National Fair Housing Alliance report on appraisal bias and I think it says it all. Appraisers have the power to effect whether a consumer can buy a home instead of rent, access credit with reasonable terms or build wealth for their family and generations to come.

Obviously, that's a lot of power and that's a great impact on every day people's lives. You might have heard about a situation that occurred a few years ago in Marin City, California.

In 2020 a black couple was seeking to refinance their home. The initial appraisal value of that home was $995,000.

Suspecting that the valuation of their home was unjustifiably low, they ordered a new appraisal from a different company, cleared all evidence of their race from their home.

And then they asked their white friend to pose as the homeowner. The second appraised value of their home came in at $1.48 million. So, this is just one illustration that bias in the appraisal process continues today.

And this is an important issue that needs to be addressed. So, our panel discussion will focus on issues regarding bias in the home appraisals including the history, background, trends and recent events and analysis.

These issues will be explored from a consumer and industry and policy perspective. Each of our panelists will start by providing some opening remarks and then once they're concluded we'll transition over to ComE-IN Members.

To the extent that you might have questions, the panelists are happy to answer them.

At the beginning of the meeting, Acting Chairman Gruenberg introduced our panelists but in case some participants weren't on the call at 1:00 p.m., I'll just do another quick introduction.

Our first speaker will be Maureen Yap. Maureen is currently the Senior Counsel at the National Fair Housing Alliance. Kenon Chen is our next speaker. Kenon is Executive Vice President of Corporate Strategy at Clear Capital.

And for the purpose of this panel, Kenon is representing the Real Estate Valuation Advocacy Association.

Our final presenter is Melody Taylor. Melody serves as Executive Director of the interagency taskforce on PAVE.

The PAVE action plan, as the Chairman described, is a big deal. The interagency PAVE taskforce is chaired by HUD Secretary Fudge and Domestic Policy Advisor Ambassador Susan Rice.

And through the PAVE action plan, the 13 Member federal agencies, including the FDIC by the way, commits to taking some concrete steps including specific regulatory supervisory and examination actions to substantially reduce the racial and ethnic bias in residential property valuation.

So, we believe this report will move things forward and there's now a lot of important focus and attention on this issue across the federal agencies and other stakeholders as well.

So, with that let's get started, Maureen, it's all yours.

MS. YAP: Thanks to the panel. Thank you so much for the opportunity today. As Luke mentioned, my name is Maureen Yap and I am a Senior Counsel at the National Fair Housing Alliance.

Next slide, please.

So, to understand where we are today, it's helpful to understand the history. In fact, many of our laws were purposely designed to provide opportunities to whites and to simultaneously deny opportunities to people of color.

Next slide, please.

Segregation and discrimination were in place from the beginning of America's housing market, but really became codified in the 1930s under the New Deal. At that time, the Homeowners Loan Corporation, or HOLC, was established.

The HOLC used feedback from real estate professionals including appraisers to develop risk categories. They also developed maps that were explicitly based on the unfounded Association between race and risk.

As you can see in this HOLC map of Baltimore, the Government shaded areas in red and coded them as hazardous if there were any black households in the area. This led to the term redlining which is used today.

Later, the Federal Housing Administration, or FHA, adopted a system for underwriting mortgages, which meant that the FHA provided mortgages on the basis of race, not on whether the individual could afford a mortgage.

So, early on, the Federal Government codified the unfounded association between race and risk and the idea that the highest value should be reserved for white, homogeneous areas.

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This discrimination did not stop with the maps but was further bolstered through the explicit race-based policy manuals.

For example, the 1938 FHA underwriting manual stated areas surrounding a location are investigated to determine whether incompatible racial and social groups are present for the purpose of making a prediction regarding the probability of the locations being invaded by such groups.

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To address these unfair practices, advocates and stakeholders work tirelessly to pass the Fair Housing Act in 1968 and the Equal Credit Opportunity Act in 1974.

These laws promote fair access to credit and fair housing, including fair appraisals.

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But we all know the passage of a law does not magically change existing policies practices or attitudes.

So, as late as the 1970s, the course material for the American Institute of real estate appraisers included explicitly race-based evaluations such as a general rule, homogeneity of the population contributes to stability of real estate values.

Information on the percentage of Native-born whites, foreign whites and non-white population is important and the changes in this composition have a significance.

So, you can see the race-based policies continued among real estate professionals even after passage of civil rights laws, making it harder for people of color to buy homes and build wealth.

In fact, the appraisal manual kept this language until it was sued by the Department of Justice and the case was settled in 1977.

Next slide, please.

And now we'll take a look at how appraisal bias can manifest in the present time, even without explicitly race-based policies.

We know from experience in mortgage pricing, mortgage underwriting and insurance, that broad discretion is a key risk factor in discrimination.

Here's a copy of the current uniform residential appraisal report, which uses a method of valuation called the sales comparison approach.

Fannie Mae, Freddie Mac, and others require appraisers to use this approach in their home valuations.

As you can see, the form states that race and racial composition of the neighborhood are not appraisal factors, however, the form itself provides the appraiser with broad discretion.

For example, the form provides appraisers with the discretion to determine the neighborhood boundaries and neighborhood descriptions and whether a market is declining.

Other parts of this forum also provide the appraiser with broad discretion to decide which comparable sales to use and which value adjustments to make.

So, let's see how this plays out for appraisals.

Next slide, please.

First, we turn to the recent research by the Federal Housing Finance Agency.

They reviewed the numerous appraisal reports contained in the Fannie Mae Freddie Mac uniform appraisal data set and found that thousands of appraisal reports still contain language based on race, ethnicity, and religion. A few examples include black race population above state average, store fronts supplying Jewish households, predominantly Hispanic, more Asian influence of late, and of course, homogeneous neighborhood with good schools.

This shows that the issue is not just a one-off but pervasive.

The issue is if the valuation is not based on a prohibited basis like race, ethnicity, or religion, then why would the appraiser feel the need to put this language in the freeform text portion of the report?

Next slide, please.

Next, let's take a look at refinancings and Luke alluded to this particular issue here.

This issue has been prominently featured in the news lately with reports of households of color having to whitewash their homes to get a fair valuation.

Here, whitewashing means that the homeowner removed all evidence that they are a homeowner of color by removing family photos, holiday cards, art and books, and asking a white friend to pose as the homeowner.

And after this whitewashing, the appraised value is much higher. In one case, even half a million dollars higher. And of course, this change in value represents wealth, equity, and opportunity for this family.

It also represents a gut-wrenching decision for families of color who have to decide whether to erase all evidence of their racial identity in case that will impact the value of the home.

Next slide, please.

So some might say well that's troubling but that's just a few bad apples. So, we can turn to Fannie Mae's recent research on millions of refinancing and appraisal reports in its database.

Fannie Mae found the greatest over

valuations were for white homeowners in majority black neighborhoods.

Fannie Mae also determined, quote, for white borrowers in majority black neighborhoods, the leading separately identifiable reason category for the over valuation is comparable location.

This indicates that the appraisal relied on comparable sales from outside of the subject property's immediate area even though potentially more appropriate comparable properties were available closer to the subject property.

So, another way to say this is when faced with a white homeowner in a majority black neighborhood, the appraiser used their discretion to go beyond the black neighborhood to find another neighborhood that reflected a different higher value for the white homeowner.

So, in other words, these findings show systemic evidence of the impact of the whitewashing effect we have seen an individual incidents.

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Alright, let's see if the story is any different for purchases. Freddie Mac recently analyzed over 12 million appraisal reports in this database. Unfortunately, the story remains the same.

Freddie Mac found that appraisers were much more likely to find the appraised value fell below the contract price in black and Latino census tracks.

Based on our experience, this means a less valuable property for the buyer, plus a reduction in wealth as the buyer has to come up with more cash to close. Or in some cases, the buyer just loses out on the property.

So, the appraisal disparities for purchases also appear to be systemic.

Next slide, please.

So what does this mean overall?

Dr. Andre Perry and his colleagues at the Brookings Institution found that consistent undervaluation of similar homes result in a stunning $156 billion in cumulative losses for families in majority black neighborhoods and for the country as a whole, putting everything together given the centuries of discriminatory policies by government as well as private actors.

Today the home ownership gap between black and white individuals is larger than it was before passage of the Fair Housing Act. Latinos and other communities of color also lag behind the white home ownership rate.

Given that home ownership is the cornerstone of building wealth in the United States, it is not surprising that the wealth gap between whites and communities of color remains large and persistent.

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Against this backdrop, the Appraisal Subcommittee commissioned a report to identify any instances of racial or ethnic bias in appraisal standards.

Since that time, NOF has also built out some recommendations that go beyond the scope of the report.

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So I'm going to very quickly run through these recommendations.

Overall, we advocate for an appraisal process that is fair, transparent, and data-driven. So, first, governance.

At this time, the appraisal process is governed by rules set forth by the appraisal foundation, a private nonprofit entity that is not subject to the guardrails for federal rulemaking.

We recommend transferring the rulemaking to the Appraisal Subcommittee, which is a federal agency. Next, the appraisal profession.

Relatedly, the Appraisal Foundation's criteria for entry into the appraisal profession are unreasonably high, leading to a profession that is 97 percent white and 70 percent male.

The Appraisal Foundation should review these professional criteria for disparate impact and only retain those criteria that have a solid business justification.

Fair housing training, also related, the Appraisal Foundation's criteria do not contain robust or accurate requirements for fair housing training. The Appraisal Foundation should immediately revise the inaccurate training and requirements.

Next, the appraisal standards. Given the high fair housing risk in discretion, the Appraisal Foundation, GSEs, and other federal agencies should revise the guidance to limit the risk of discretion.

Data, next, the GSEs require lenders and appraisers to submit appraisal data to them which has resulted in a comprehensive database of millions of appraisal reports.

To ensure robust compliance and enforcement, the FHFA and other federal regulators should share the appraisal data among the regulators and with the public.

Lastly, accountability is a highly complex issue but overall, the goal should be to provide consumers with access to fair remedies from discriminatory appraisals.

Among other things, the federal regulators and enforcement agencies should issue exam and investigative procedures to identify potentially discriminatory appraisal practices.

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We acknowledge that it will take coordinated and concerted efforts to reverse the centuries of discrimination.

But we can accomplish great things when we work together, so we're hoping that through this discussion, we can all recommit to work together to promote racial equity and fair appraisals.

Thank you to the FDIC and to this panel and I'll turn it back over to you, Luke.

MR. BROWN: Thank you, Maureen. Extremely helpful, substantive presentations that I'm sure is food for thought as we move towards a conversation at the end of the opening remarks.

Kenon, the mic is with you.

MR. CHEN: Thank you very much, thank you to the FDIC for inviting me to join the panel, thank you to my fellow panel members. Maureen did an amazing job I think talking about the history of policy and the impacts.

And so I'm going to really focus on looking at where we are now and where some of the progress is moving forward.

You can go to the next slide.

My name is Kenon Chen, I am here representing the Real Estate Valuation Advocacy Association.

And to share the perspective of appraisal management companies and residential property valuation providers.

As background, appraisal management companies are third-party service providers which are engaged by bank and non-bank lenders to manage appraiser and valuation professional panels to complete residential assignments and compliance with state law and federal appraisal independent of its requirements.

Like appraisers, AMCs, appraisal management companies, are regulated in all 50 states in the District of Columbia. And federal oversight comes from the Appraisal Subcommittee.

The support for Fair Housing Compliance and Diversity is very clear from a REVAA standpoint. REVAA unequivocally supports fair housing compliance and supports a vibrant and diverse appraiser industry.

We have and attempt to remain an active part of the collective solution as the recommendations of the PAVE taskforce final report are further discussed and new policy revisions implemented.

From our perspective, the spotlight, Luke mentioned it earlier, the spotlight has been cast on the appraisal evaluations industry by both the creation of the PAVE taskforce and its groundbreaking work as well as the media coverage has actually brought us a historic moment for the appraisal and valuations industry.

And it joins two other pivotal moments which have really shaped and reshaped the home valuation process including the passage of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, FIRREA, as well as the Dodd-Frank Act in 2010, which came on the heels of the housing financial crisis.

It is a once-in-a-generation opportunity that 13 agencies came together to agree on a set of recommendations, which I know that Melody will cover here in a bit.

So, plain and simple, it is imperative that we seize this opportunity afforded by this unprecedented cross industry and cross-government collaboration to enact real and meaningful changes.

I want to move forward to the next slide.

I know we've talked a lot about the current demographics and racial makeup of the appraisal workforce but I did want to also address the aging nature of the workforce as well as the capacity within today's appraisal workforce.

I'm showing a slide here from Freddie Mac, both Freddie Mac and Fannie May have tracked the number of licensed appraisers, unique appraisers, working on appraisals being submitted to the uniform collateral data portal.

And so we can see data from 2013 to now. What you see on here is the volume of appraisals being submitted for both purchase and refinance volume and that gives you the green and blue bar charts there.

And then the yellow line that's going directly across is the number of unique appraiser licenses tied to that work being done.

And it becomes pretty clear right away that the volume of appraisals needed for the industry over time has increased greatly from 2013 until now, but the number of active appraisers has stayed flat.

And actually, when you look at the data from the Appraisal Subcommittee, we show actually a 3 percent decline in the number of active licenses doing appraisal work.

I'm going to the next slide.

What that has resulted in is that less and less young people and new diverse entrants to the appraisal profession have been joining the workforce.

In fact, the median age is 52 for appraisers, and then this stat has been mentioned multiple times already that appraisers are 97 percent white and 70 percent male. And what we see is that there are multiple barriers to entry into the appraisal profession.

Not only is the requirements high in terms of from an educational standpoint, the need to complete 1500 to 2500 hours of experience in order to get a license, but also the current supervisory model, which requires that those experience hours are done with a supervisor.

And supervisory appraisers are often hesitant to take on trainees. One, there's an economic burden that requires their time and effort, and often, not getting paid for that additional time.

But also, there's a max of the number of trainees that a supervisor can take on, only three.

And then once a trainee is trained, because an appraiser often works within a local market, they're essentially training someone to work in the exact same area that they work in for their income.

And so they're training their competitor. And so it's very difficult for new entrants into the profession to get a supervisor to take them on unless, of course, they have a close relationship with them, which is why often family members are trained by supervisory appraisers.

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From a REVAA standpoint, the recommendations are to remove some of those barriers to entry and to use that as an opportunity to both modernize the training process as well as the experience requirements.

There's been programs already put forth that are being adopted at a state level like the practical application of real estate appraisal program, which utilizes virtual training and technology to help train future appraisers on a variety of different markets without needing to rely on all their experience hours coming from supervisors.

Next slide, please.

I also want to go through some of the lessons that really have been learned and then accelerated throughout the COVID-19 pandemic. Appraisal modernization efforts are underway right now.

About four years ago, we notice that there was an inability for the appraiser capacity to handle spikes within loan volume, particularly within refinance volume driven by rate changes. And a number of different organizations started experimenting with ideas to solve those capacity issues.

Those lessons learned were also accelerated through COVID-19 because of the need for appraisers to gain access to data on properties without actually entering the properties themselves to promote social distancing.

And so appraisal flexibilities and new valuation tools were enacted in partnership with Fannie Mae and Freddie Mac to provide new ways for data to be collected and gathered at the property so that the property data was being brought to appraisers at their desk rather than appraisers needing to visit the home and collect data themselves.

Both GSEs have enacted hybrid appraisal programs and some 280,000 hybrid appraisals have been completed in tests and learns over the past few years.

And again, what this involves is a non-appraiser visiting the home, collecting data, utilizing a mobile device, and then that data being presented in a transparent way back to the appraiser at their desk.

The quality has been found through these 280,000 appraisals to be at least the same, if not better, than traditional appraisals. And in fact, Freddie Mac is moving forward with launching a non-appraiser property data report on July 17th.

Again, powered by mobile technology to gather the data in a more standardized and transparent way.

Next slide, please.

What I'm showing here is actually Fannie Mae's vision for a risk-based spectrum of appraisals moving forward, moving from on the left appraisal waivers, utilizing technology to know whether a new appraisal was needed based on previous data and understanding of the property to inspection-based appraisal waivers where data collection happens at the property, gathering data, to desktop appraisals where data already exists but an appraiser is looking at it from their desk and doing analysis.

Hybrid appraisals, where a non-appraiser is collecting the data and again bringing that data back to the appraiser. And then in certain cases sending out an appraiser to the property.

And in all of these, what we see is the potential to create more independence and less risk of an unconscious bias by removing the need for an appraiser to know who the occupants of the property are.

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Through adding additional workforces, additional capacity is increased to handle some of those spikes in volume that we showed in the previous slide.

Property digits of aged technology is required with appraiser modernization, which again brings additional transparency and standardization to deal with some of the subjectivity that Maureen mentioned in her presentation.

And then I already spoke about removing potential unconscious bias risk by again creating additional separation between the occupants of the home and the person doing the actual analysis in value.

Next slide.

We have seen again unprecedented collaboration with the PAVE taskforce and agreement on the roadmap to reduce inequity.

Part of that action plan includes information on modernization efforts and agreement on the need to modernize the appraisal process which really has not changed much in the past few decades.

There's also an agreement on increasing appraiser diversity. And that removes blind spots. And appraisal management companies, which we represent, play a key role in hiring and training new appraisers.

So, they're a really good vehicle for accelerating appraiser diversity within the industry.

Fannie Mae and Freddie Mac have also both released equitable housing plans which are really worth the read, and both of them contain specific appraisal changes that include modernization steps as a key part of accelerating equitable valuation in the industry.

Also, REVAA has partnered with both GSEs on the appraiser diversity initiative which is an initiative to recruit new diverse talent into the industry, working with the National Urban League and others.

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Where do we go next?

Obviously, we're at a pivotal time where we have some pretty amazing roadmaps that have been set up that have the ability to provide options for change.

But they now require ongoing cross-industry collaboration, bringing all stakeholders to the table to ensure that the execution of those plans has the intended result.

We also need to continue to work on the adoption of automated valuation model quality control standards so that automated valuations also have the appropriate testing and appropriate quality control when it comes to reducing any disparate impact.

Constructive dialog with Congress, federal regulators and industry stakeholders is a must so that no unintended consequences arise through the adoption of new policies and regulations.

And then we agree with NOFA on more data collection and data sharing to ensure the scope and impact of issues are understood for effective solutions.

I just want to say thank you very much for the time and I'm certainly happy to engage in the discussion once we get to questions. Back to you, Luke, thank you.

MR. BROWN: Kenon, thank you for the thoughtful presentation, a lot of information in what you just walked us through, including on the dynamics around the workforce and the aging and also obviously the issue of the supervisory model where there are a number of challenges embedded in that model to bring in new people, which obviously is a problem that needs to be addressed.

But thank you for walking us through that and with that, I'll pass the baton to Melody, who will talk about her PAVE work. Thank you, Melody.

MS. TAYLOR: Awesome, thank you, and thank you, Maureen and Kenon, for your great presentations. And in both of what you presented some validation to the work that the PAVE taskforce has done and will continue to do.

So, I also want to thank you, Luke, and Members of the Committee for the invitation to share information and updates regarding property appraisal and valuation equity, which we affectionately call PAVE.

And so for the next few minutes, I'd like to walk through elements of the action plan on a high level and provide an update on where we are so far and where we'd like to go.

Next slide.

So, as you likely know, on June 1st, the centennial of the Tulsa Race Massacre, President Biden announced the creation of the taskforce, giving us 180 days to develop a transformative set of actions to root out racial and ethnic bias in home valuations.

The taskforce, as mentioned earlier, was chaired by HUD Secretary Marcia Fudge and Domestic Policy Advisor, Susan Rice.

And in March, we watched the Vice

President of the United States, which was an extremely proud moment for myself and Members of the taskforce with heartfelt endorsement, the release and the adoption of the PAVE action plan.

The action plan capped months of hard work and determination by a team of, as mentioned, 13 federal and independent agencies seeking to speak in one voice by aligning and harmonizing regulations so that all families and neighborhoods will have a better chance to build intergenerational wealth through home ownership.

Next slide.

So, the action plan in summary, it's designed to provide an outline of the historical nature of discrimination and property valuation to examine the various forms of bias and most importantly, it describes solutions.

I want to underscore that the work of PAVE was purposed to scope out solutions and collaborate with advocacy, industry, philanthropy, and researchers to ensure that equity is embedded in the home buying process.

Next slide.

Maureen gave a really good analysis of the historical nature of bias in the home appraisal process.

Since the release of the action plan, undoubtedly, the question of whether we evaluated or relied upon enough or the right data to show that appraisal bias existed has definitely been a point of public contention.

What I like to highlight when I share information about PAVE is that we know that 54 years since the passage of the Fair Housing Act, the housing discrimination continues and the home ownership gap is wider than ever.

We know that discrimination has a history in the home-buying process. Mortgage redlining contributed to the home ownership gap and community disinvestment, steering and blockbusting, perpetuated segregation, the denial of homeowner's insurance contributed to blight and distressed communities.

And appraisal bias is a subset of that process and is a contributing factor for the valuation of communities of color.

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One of the points that the action plan amplifies and a point that I deem worthy of discussing and sharing is the compounding effects of under valuations when a home is undervalued under time.

So, over that time, communities are impacted by these under valuations. In homeowners' experience, less gain of home equity and wealth when they sell or refinance a home, that happens to the individual.

But what happens to the community at large is also the loss of wealth and the benefit to that particular community, creating less opportunity to pass wealth or to benefit from the wealth gaining opportunities.

And those examples of that are retirements and repairs, tuitions, not having access to those funds to do those things.

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I've layered the cause, consequences, and extent of the problem which the report was designed to do, but more importantly, I want to talk about some of the solutions that are detailed in the report.

The planned details are a set of commitments and actions centered around several themes. First, enhancing oversight and accountability.

The plan commits federal agencies to create a legislative proposal to modernize the government structure of the appraisal industry to improve transparency and public participation in the establishment of appraisal standards, which we heard was one of the recommendations earlier.

Clarifying the application of the Fair Housing Act and ECOA through the issuance of guidance and improving coordination and collaboration between federal enforcement agencies.

One of the second areas we focused on was empowering consumers, the plan establishes new ways to educate consumers about appraisals and obtains concrete commitment from embedding appraisal bias training in the housing counseling process to the issuance of guidance to improve the reconsideration of value process as well.

Third, establishing quality control standards in automated valuation models.

Again, we sought to ensure that these models did not rely upon biased data that could replicate past discrimination including through the intended inclusion of non-discrimination quality control standards in future proposed rulemaking.

Fourth, cultivating an appraisal profession that's well trained and looks like the communities that it serves.

As you heard from my colleague earlier, he gave a good account of the lack of diversity, the aging workforce of appraisers, and the need to be able to recruit and retain a diverse workforce.

And so the plan lays out a series of

actions to remove barriers of entry to make it difficult for underrepresented groups to access the profession and to strengthen those areas around anti-bias, fair housing, and fair lending training.

And lastly, coordinated enforcement effort to keep industry accountable.

Next slide, please.

So, how will we do this? I want to talk a little bit about the future state of PAVE.

PAVE taskforce did not envision this to be a one-report wonder. I say that often and frequently, we did not.

We had implementation in mind and we envisioned for stages in the implementation process or for the implementation of the plan and its name. We call it the PAVE action plan, not just the PAVE report.

And since the release, the taskforce member agencies hit the ground running.

My colleague, Luke, and other Members quickly formed a cohort around supervision agencies and banking agencies to think more broadly about the commitments and how they can align.

And other members of the taskforce have already begun to put actions in motion. Part of this implementation was to create several phases and one of the other phases is engaging stakeholders.

So, to date we've engaged philanthropic agencies such as Brookings, Policy Link, and Lisk to discuss ways to engage and regionalize the work. And so a couple of areas that I'd like to highlight.

The City of Philadelphia, for example, has established a taskforce and will be releasing a report on appraisal bias within the City of Philadelphia and how they seek to address it.

Also, the State of Maryland also formed a taskforce as well working closely with Prince George's County, as many of you may know of some of the media accounts there where individuals have experienced disparities in the valuation of the properties there.

The finding on implementing long-term

initiatives, the action plan documents areas that we could not address in the limited time given and speaks to data and a research agenda.

With the FHA taking the lead, we're thinking through multi-agency MOUs to allow for data sharing and aggregation and HUD policy development and research team are also thinking through ways to further study and evaluate appraisals in the areas of taxes, manufactured homes and rural communities, areas that we again in that 180 timeframe were unable to really do a deep dive and do an analysis.

And lastly, we endeavor to hold ourselves accountable. We know this report was widely received publicly and because we had made commitments in the report, we will do just that, hold ourselves accountable.

And we developed internal mechanisms to establish and track milestones which we've documented in the report.

Next slide, please.

I'm going to highlight some of the action items.

There are 21 commitments that are borne in the report and as I mentioned, some of these action items are currently underway, in particular clarifying the application of the Fair Housing Act and ECOA.

I think Maureen may have mentioned it and if not, we documented in the report early on that DOJ issued a statement of interest in the California case that was described earlier.

And as a result of that, HUD, DOJ, and CFPB are working to align as a number of the appraisal cases increase. So, we're working collectively to think through guidance there. The mention of developing a legislative proposal, we're currently working to do that as well in tandem with the Domestic Policy Council.

Legislative proposal is under review by principals to enhance the governance structure of the appraisal industry, thereby giving greater authority to the appraisal Subcommittee.

Then lastly, Maureen mentioned in her presentation the uniform residential appraisal form. And FHFA is currently working on the redesign of that form, hoping to make it publicly available for comment sometime in the near future.

And we hope that the changes to the form will reduce the opportunities for bias and subjectivity in the process.

Next slide, please.

So, on the education and outreach front, many things I believe are happening collectively and just kind of organically throughout the dialogue and the opportunities for collaboration. But in particular, I'd like to highlight the launch of the PAVE website, which served as a flagship education outreach campaign providing links to agency websites, centralizing complaint processes, and serving as a trove of information regarding state regulations and the appraisal process generally.

HUD and its Office of Housing Counseling are working collaboratively to incorporate and develop a curriculum around appraisal bias to be built out into the housing counseling process and in training housing counselors.

Lastly, I think just in a united effort to require anti-bias and fair housing and fair lending training, again, my colleagues here, NOFA, the Appraisal Subcommittee, and others continue to engage the Appraisal Foundation, the Appraisal Institute, and states to adopt this measure.

Next slide.

Data and research actions, again, I think overarchingly and overwhelmingly, what we heard from industry, academia, and others is the need for data and research efforts to continue.

And I will say that the taskforce members, FHFA, FHA, USDA, all are working collectively to create again a multi-agency MOU that would allow for the sharing and aggregation of data, but also there are think-tanks to really work on and create opportunities for a repository of data that would allow for public access and greater research.

And we're really excited about that initiative as well.

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And here lastly, enforcement and compliance actions, as I mentioned earlier, the banking agencies are working collectively to align but also the enforcement agencies adopt this in fair housing, CFPB, DOJ, we continue to join ourselves in collective dialog in thinking through how to establish guidance and create tools that would help and assist us to better conduct investigations.

In fact, FHFA, which has taken a huge lead, has positioned themselves in a matter of a week to share appraisal files with HUD's Office of Systemic Investigations that will allow investigators to better look at comparative data and to have more accurate account of when discrimination occurs in appraisal complaints.

Next slide, please.

And finally, I'd just like to share, again, as we continue to do this work and make strides, we started the taskforce with creating a set of opportunities that would add policy, meet people, and to make this real for the public at large.

And so again, I mentioned the DOJ issuance of a statement of interest, the FHA issued mortgage letter that clarified non-discrimination requirements as it relates to FHA appraisers.

And again, the data sharing conversations among key federal agencies continues to be work that we are doing and I believe we will successfully achieve.

Next slide.

In closing, I again, thank you to Luke and the Committee for inviting me to speak. If you have not had an opportunity to take a deep dive into the report, I ask you to check out our website, PAVE.HUD.gov.

It's very interactive and it'll give you great information on the report, but also access to information surrounding many of the other things that I share with you today.

Thank you.

MR. BROWN: Thank you, Melody, for describing all the many actions and focus areas of PAVE and particularly, thank you for your leadership. This has been a massive effort but it's important work so I want to thank you for that.

So, I think these have been three great presentations. I mentioned earlier about the spotlight that's being placed on appraisal bias and appraisal industry.

I think these three presentations really cut across all the various issues that are in the spotlight so I hope that was helpful to the common Members.

We probably should pause for a time-check because I think we're a little bit over. Liz, what are your thoughts on where we should go from here?

MS. ORTIZ: I have at least 10 minutes for questions, Luke.

MR. BROWN: Ok. Great. Alright with that, I will open things up. Do any ComE-IN Members have questions of our panel? I apologize if I'm missing any hands, feel free to speak up.

MEMBER MINTZ: I'll jump in where people figured out where the hands are, this is Jonathan Mintz. I want to thank you for a really eye-opening, informative presentation.

It was in many cases difficult to hear and I think that's really important to squarely put these issues in front of folks that aren't steeped in this part of the business.

And I just want to also really underscore how reassuring it is that all of this is drenched in recommendations and progress, ranging from new partnerships to new approaches to enforcement.

So, I think all of that is just a real gift to this important issue.

I guess the question that I have, I'm sure there's a back story and you can all use your discretion on how much of it you think you want to share, but I'm curious about where the profession has fallen down on self-regulation here.

And more importantly, that's maybe the gossipy part of the question, more importantly where or whether there's a point of intersection that can make the industry professional association a more -- to find their value add so that they're a part of the solution here.

MS. YAP: You go ahead, Melody.

MS. TAYLOR: I'll jump in quickly and say just as a part of this endeavor, the work that we did with the Appraisal Subcommittee, they play a very critical and key role in the governance and the alignment of working with states, state regulators, but also with regards to appraisal standards and qualifications.

And I think you'll see in the NOFA report they did a really deep dive on that and provided recommendations.

But again, I think working closely with the Subcommittee on the legislative proposals that are going to be put forward, that would give them greater governance will be a huge game-changer in the regulation of appraisers.

MR. BROWN: Does somebody else want to jump in before I go to Director Chopra?

MR. CHEN: One thing that maybe I'll just add to that is the opportunity right now is to be able to look at different methods and different ways to approach the appraisal practice itself, which really hasn't changed for multiple decades, it's been a paper-based process.

Over the past few years we've seen a lot of investment on moving the mortgage process off to more of a digitized process which gives you more transparency and oversight as to what's even going on and that data being available for analysis.

I think we're at an opportunity where we can now start to move the appraisal practice and the appraisal manufacturing process into the digitized world as well so that, again, we can answer questions like yours with a lot more definitive, I think, results.

And that's why the request for data

sharing for the digital data we already have is really taking place, so that we can dive in deeper on these issues and understand root cause and analysis.

MR. BROWN: Thank you. Director Chopra, you had a question?

DIRECTOR CHOPRA: Yes, I just wanted to echo something that Melody said and I also want to thank Melody for leading so much of the PAVE taskforce and really catalyzing a lot of action.

Melody mentioned the Appraisal Subcommittee and for those who are not familiar, it's a panel of regulators as well as HUD and the Federal Housing Finance Agency that does have some key roles.

The CFPB is currently serving as chair of that Subcommittee and a key piece of our focus is oversight of the Appraisal Foundation.

The Foundation is a nonprofit organization that wields a whole lot of power when it comes to appraisal standards and making sure that these Subcommittee, which is the regulators, is watching the foundation closely is very, very critical.

I will also, just to Jonathan's question, add I really see the appraisal community as a key part of this, I think right now many appraisers really feel that they have a unique value to add.

But many times appraisal management companies in the industry structure limit their ability to really do their job.

So, figuring out the balance between algorithmic appraisals included automated valuation models and human appraisals I think is a core focus for many of us.

And again, the report that the National Fair Housing Alliance conducted for the Appraisal Subcommittee and the work with the foundation and all of the PAVE taskforce work has really made sure that all of the regulators are putting this higher on the agenda.

And again, I just want to thank Melody and her team for all the work she's done.

MR. BROWN: Does anyone want to add

thoughts to Director Chopra's point? Any other questions for the panel? If not, I'll jump in for a second and ask a question of Melody.

Melody, a lot of issues you've walked through.

Obviously, solving these problems is not going to be very easy so I'm curious to hear from you about some opportunities but yet, what are the biggest obstacles for government agencies to move forward and address the issues that are outlined in the PAVE action plan.

MS. TAYLOR: Thanks, Luke, I'll start with the obstacle because it's just one word, time. We have two years remaining to be able to reach some of these milestones.

I believe that we are on the right path to do so but I think the biggest obstacle would be time and making sure that we embed in each of the federal agencies that may not have appraisal as a part of its book of business or portfolio to embed this work so that it's not an initiative but it is a part of the work that's being done by the Agency.

So, time would be the obstacle. The opportunities I think we heard it resonate in each of the conversations today, the opportunity to dialog and collaborate. We have created that in the listening sessions that we held throughout the development of the report.

I think unique and a great opportunity for dialog with the industry, with academia, with Federal Government.

In my career as a career federal servant, I haven't seen this kind of synergy where all these agencies and industry and advocacy are coming together on a civil rights issue and have one voice around it.

There have been some areas of pushback regarding data and whether or not certain data was used.

But resoundingly, I believe that all of the areas that the report landed on, reconsideration of value, quality control standards, diversity in the industry, when we held the listening session, those were some of the areas that each one of the industries provided as areas that they wanted to see change in.

And I believe those are the opportunities that we can seize upon. Thank you.

MR. BROWN: Thank you, Melody, that's helpful and I think maybe we have time for one more quick question.

Maureen, you're a fair housing fair lending expert, you've had a number of roles in the industry addressing these types of important issues.

Given the work that you've done on the report, was there any one or two things that surprised you that you didn't expect to see yet you did?

MS. YAP: Thanks, Luke, I appreciate that. And I think what really surprised us was the state of the industry and where it is. Kenon alluded to that too, that a lot of the methodologies haven't changed in decades.

And I think for most of the folks on the common group here who have worked in this area for so long, we'd have been really surprised as well.

I can remember in the 1990s when the DOJ first started bringing cases against mortgage lenders and the lenders would say, well, when it comes to underwriting there's the five Cs, and one of them was character and I have to look the borrower in the eye and make a determination.

And that was just taken as gospel at the time and now it sounds cute and quaint, but that's kind of where a lot of what we're hearing about the appraisal industry, that it's more art than science.

You even have some case law where judges deferred to the appraised value because it was more art than science.

But to Kenon's point about the digital revolution, the data revolution, there are many ways that this can be fair, transparent, and data-driven.

And I'll just end by saying the second big surprise was how well received it was. So, definitely, many thanks to Melody and her team for the Herculean task that they executed in such a quick turnaround.

But also, we did many presentations to industry associations like REVAA and we didn't know how they were going to react, especially when they saw the disconnect between where they are and where mortgage lending underwriting pricing, homeowner's insurance, all of the changes and limits on discretion that are part of the housing market.

But we have found that the industry trade associations, the appraisers that we have talked to want to jump in with both feet.

They are excited to learn, they want to do better, they want to be a part of this conversation and help shape it.

So, that was a really pleasant surprise.

MR. BROWN: Interesting, well thank you very much, Maureen. I see that the Acting Chairman Gruenberg has his hand up.

ACTING CHAIRMAN GRUENBERG: One, I wanted to thank the FDIC Staff for putting together such a thoughtful panel on an important issue. It really has been a terrific discussion and I'm very appreciative to the panel members.

The way that the PAVE report has elevated an issue of extraordinary public importance that I think lacked widespread public appreciation is really kind of a case study or a model of how to bring an important issue of public policy to light.

And the one question I did want to ask, and Maureen may have answered it already, aside from all of the policy proposals, the extraordinary insularity of the appraisal profession jumps out at you just when you look at the numbers that Kenon presented in his presentation.

Do you think that the appraisers themselves are aware of that and understand that there is a need for a chance and in some sense, it will start with them if we're going to make progress on this issue?

I'd ask all three of you, if you would, to respond to that.

MR. CHEN: Thank you so much for the

question. And I do think that awareness is growing and this is maybe one of the unexpected impacts of COVID-19 and of the pandemic.

And with the roll-out of appraisal flexibilities and the need to create social distancing for appraisers, that event of saying we can't work the way that we have worked traditionally and we need to find new methods and new ways to continue appraising really did accelerate a number of both conversations and awareness of things for two reasons.

Number one is the need to embrace technology to do things we haven't been able to do before. In other words, see into the property and see what the property is without actually visiting the property.

And then number two, the historic and record volume particularly within refinancing that we've had over the past two years has also I think demonstrated to many that the current capacity within the appraiser workforce is not set up to handle the needs of the financial system.

In many areas, especially Texas and others, we've seen turn times extended to six weeks plus. We've seen rising costs to acquire an appraisal and so the need for new talent to come into the industry I think is becoming evident.

So, when you layer that with the understanding of the current demographics and the current supervisory model, which really limits diversity, both diversity in terms of age as well as race, I do believe that's awoken a number of participants to the need to embrace a different process.

MS. YAP: I'll build on Kenon's comments, that was a great question, thank you, and I will use it to insert a shameless plug.

So, like I said, the reaction we've gotten has been overwhelmingly positive and the folks that we've talked to at the appraisal trade associations are very interested in what to do next.

However, having worked in this field for a long time, 12 years at the Federal Reserve, and I'm sure all of the folks on the phone here know nothing focuses the mind like an enforcement action or possible enforcement.

So, our shameless plug is to encourage quick action on one part of the PAVE action plan, which is for the federal regulators and the enforcement agencies to quickly put out public exam procedures and investigation procedures so that the appraisers and the lenders and the AMCs know the federal regulators are quite serious about looking at this issue.

You can't really tell when an enforcement action can be appropriate.

You only want to go forward if it is appropriate but exam procedures for a law that's been on the book they 1968 seems very appropriate and it also gives concrete guidance to the industry as to how to move forward and what they should be doing in their compliance management systems.

Thank you for that opportunity to share

that view.

MR. BROWN: Thank you, Maureen, and I will say the banking agencies are extremely focused on exam procedures in this space so you'll hear more on that. Melody?

MS. TAYLOR: Sure thank you for that. I will say, as Maureen mentioned, my background is fair housing and so shameless plug for enforcement as well.

I will say from HUD's perspective and the Office of Fair Housing Equal Opportunity, as the number of complaints rise, the Agency is working very hard at creating some quality control standards around enforcement work, making sure that there are public interest relief when cases or complaints are conciliated and that investigators have some consistency in the way that cases are being evaluated.

And we are working closely with DOJ and CFPB in discussions around those cases.

MR. BROWN: Thank you, and apologies, I

can't see all the hands up. Speak now if someone has a hand up and I'm missing it but I'm sure Liz is saying don't say that, we've got to move on.

With that, unless somebody wants to really say something here, Melody, Kenon, and Maureen, thank you very much, fantastic conversation. I appreciate it very much.

With that, Liz, I'm going to take the baton and throw it back to you.

MS. ORTIZ: Thank you, Luke, thank you, panelists, that was great. So, now it is time for another short break, let's everyone plan on being back together at 3:55 p.m. for the CRA panel. Thank you.

(Whereupon, the above-entitled matter went off the record at 3:49 p.m. and resumed at 3:55 p.m.)

MS. ORTIZ: All right. Welcome back, everyone. I'm going to introduce Jonathan Miller who's going to moderate our last panel of this afternoon on the Community Reinvestment Act.

Jonathan?

MR. MILLER: Thank you, Liz. Very happy to be here with the panel to talk about the new proposed rule on the Community Reinvestment Act regulation. So today we're going to start by sharing the agency's objectives for the proposal and then give a high level overview of some of the key topics like assessment areas, qualifying activities, and the overall evaluation framework.

We'll highlight areas of interest regarding financial and economic inclusion throughout. The NPR strengthens the serious role in financial inclusion by providing consideration for activities that may address inequities in credit access for LMI communities. In the new CRA proposal, the agencies recognize the importance of community banks of larger institutions, of CDFIs and MDIs, minority depository institutions, and the role they play in providing equitable finance to access to consumers and communities, one of the core goals of the rulemaking effort.

And then at the end, we will leave time for your questions and comments. Because this conversation is taking place while the comment period for the proposal is still open, a summary of this discussion will be made part of the public record as a comment. I want to introduce the panelists and then I'll go over a few of the high level goals here.

So the first panelist is Rick Schwartz, counsel in our legal division, then Patience Singleton, a senior policy analyst in our policy branch, and then Pam Freeman, chief of fair lending and CRA in our exams groups here at the FDIC.

Next slide, please.

I should say all three of the panelists are longstanding experts on the Community Reinvestment Act.

Next slide, please.

So let me just go over the timeline really quickly.

The Community Reinvestment Act was originally passed as I'm sure most of you know in

1977. It's one of several seminal pieces of legislation enacted to address inequities in access to credit. Under the CRA statute, financial institutions have an affirmative obligation to help meet the credit and banking needs of their local communities, including the low and moderate income communities consistent with safe and sound operations. The Federal Reserve Board, the FDIC, and the Office of the Comptroller of the Currency are responsible for issuing regulations to implement and determine how banks are going to be evaluated under the Community Reinvestment Act.

Building on previous feedback from stakeholders, research, the agencies released a notice of proposed rulemaking or an NPR to update the CRA regulations on May 5th earlier this year. The NPR requests comments on all aspects of the reg text and the policy proposals. The comment period closes on August 5th, a few weeks -- a little bit more than a month from now.

We really urge the members of this

committee, the organizations you represent to put in comments.

Next slide, please.

I'm going to talk a minute about the broad objectives that we're seeing to achieve with this rulemaking. First, the NPR would expand access to credit investments and basic banking services in low and moderate income communities, both urban and rural.

A major goal for us is to strengthen CRA. We do this by expanding the geographic area in which we evaluate the bank's lending by adding auto lending -- the evaluation of auto lending -- for the largest banks and by raising the bar for banks to earn each rating category in CRA, low satisfactory, high satisfactory, outstanding, et cetera. So I would summarize the first objective as expand the reach of CRA and raise the bar. The second key element, adapting to changes in the banking industry, including internet and mobile bank.

For example, the proposal would make

changes in how assessment areas are determined. This would be that banks will be evaluated on their mortgage and small business lending whether it is done from a branch in the traditional way or online. This is a business model neutral approach.

The third element I want to highlight is the goal of providing greater clarity, consistency, and transparency in this CRA evaluation with stakeholders across the spectrum have asked for. One way the proposal would accomplish this is by adopting a metrics-based approached to CRA evaluations for retail lending and community development financing which will also include public benchmarks for greater transparency, certainty, and consistency. We are aiming to ensure that the primary purpose of community development activities which we will define more specifically in the proposal is to serve low and moderate income, underserved, and rural communities.

The fourth element I'd like to highlight is that the CRA proposal tailors the CRA evaluation and data collection to bank size and business type.

All banks are not the same, and all communities are not the same. The proposal kept categories similar to the ones we have today, small, intermediate, and large banks.

The proposal tailors the test and data collection requirements to each of those categories. There's no new data collection for small or intermediate banks. We sought to leverage existing data as much as possible to do the effective review. So with that very broad overview of our objectives, I'm going to turn the presentation over to Rick Schwartz. Rick?

MR. SCHWARTZ: Thank you, Jonathan.

Next slide, please.

The proposal on assessment areas relate to where banks are assessed for their CRA performance. Under the existing regulation, banks are evaluated where they have main offices, branches, and deposit-taking ATMs.

Our goal was to maintain a focus on evaluating banks where they have branches but to also take into account the growing use of mobile and online banking. The proposal would retain assessment areas around main offices and branches as well as deposit-taking remote service facilities which include ATMs. The proposal refers to these as facility-based assessment areas.

Large banks, which under the proposal would be banks over 2 billion dollars, would be required to delineate facility-based assessment areas consisting of one or more MSAs or metropolitan divisions or one or more contiguous counties. For intermediate and small banks, those under 2 billion dollars, however, the proposal would provide these banks with greater flexibility and would allow them to delineate partial county assessment areas consistent with current practice and recognizing their smaller service areas.

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With regard to assessment areas outside of facilities, the NPR would require large banks to delineate retail lending assessment areas where a bank would have a concentration of home mortgage and/or small business lending outside of its facility-based assessment area.

Under this proposal, a large bank would delineate retail lending assessment areas where it had an annual lending volume of at least 100 home mortgage loan originations or at least 250 small business loan originations in an MSA or a non-metropolitan area of a state for two consecutive years. Intermediate and small banks would not be required to delineate retail lending assessment areas. Second, the NPR would evaluate the remaining lending outside of bank assessment areas described as the outside retail lending area in the proposal.

As noted on the slide, the proposal clarifies the areas where a bank would be evaluated on their community development financing performance. To provide greater certainty, the agencies propose to consider all community development qualifying activities regardless of location for banks evaluated under the new community development financing test to be discussed by Patience in a few minutes. CD loans, investments, and services outside of facility-based assessment areas would be considered at the state, multi-state MSA, and at the institution levels as applicable.

Next slide, please.

So Jonathan mentioned community development. So there's some pretty significant changes with regard to community development, or I'll call them CD definitions. The proposal response to stakeholder feedback about improving transparency and certainty about the CD activities that are eligible for CRA credit.

Under the existing CRA regulation, CD activities fall into four broad categories: affordable housing, community services, economic development, and revitalization and stabilization. The agencies propose to establish 11 CD categories that would establish specific eligibility standards for a range of loans, investments, and services. One key part of the proposal to highlight is the primary purpose standard.

The standard has two overall prongs. The first option would look at whether a, quote, majority of dollars, beneficiaries, or housing units, unquote, go to the enumerated CD purposes. Or in cases with less than a majority for the entire activity benefitting low and moderate income individuals or communities, the second option would look at whether the express bona fide intent of the activity meets the CD standard. For additional clarity, the agencies propose to maintain a publicly available illustrative list of eligible CD activities.

In addition, the agencies propose a process open to banks to confirm the eligibility of CD activities in advance.

Next slide.

This slide lists the 11 categories of CD activities proposed in the NPR. I'll highlight a few of the provisions included in these definitions. First, to provide clearer standards, the agencies propose to keep affordable housing.

This is intended to recognize the importance of promoting affordable housing for low and moderate income individuals. In addition to the current definition, this includes a new provision defining naturally occurring affordable housing to recognize the importance to communities of multi-family rental housing that does not involve a government program. Second, the NPR would apply targeted criteria for place-based activities by replacing the current revitalization and stabilization activities component of the definition with six new categories of CD activities.

All of these place-based proposals specify that eligible activities may not displace or exclude low or moderate income residents in targeted census tracts. One of the place-based definitions is for disaster preparedness and climate resiliency covering activities to help individuals and communities prepare for, adapt to, and withstand natural disasters, weather-related disasters, and climate-related risks. Another place-based definition is for activities for native land areas. The provision in this category reflects the unique economic, credit, and financial service needs of native and tribal communities. Excuse me.

Third, the NPR includes a specific category for investments, loans, and other activities undertaken in cooperation with minority depository institutions, women depository institutions, low income credit unions, and, this is a new addition, Treasury Department certified CDFIs. CD activities that support or are conducted in partnership with those entities are considered particularly high impact and responsive when assessing a bank's CD activities. Now I'm going to turn over the presentation to Patience to discuss the overall evaluation framework.

MS. SINGLETON: Thank you, Rick. This chart summarizes the proposed evaluation approach for all bank types (audio interference) to be evaluated under an approved strategic plan. The agencies propose a tailored evaluation framework with different performative banks of different sizes and business models.

As you can see, the proposal would have three categories based on bank size, large, intermediate, and small. The proposal increased the size threshold for each type of bank. It defines a small bank as a bank with average assets of less than (audio interference) either of the prior two calendar years. An intermediate bank (audio interference) assets of at least 600 million in both of the prior two calendar years and less than 2 billion in either of the prior two calendar years. (Audio interference) would define a large bank as a bank with average assets (audio interference) in both of the prior two calendar years.

In addition (audio interference) designated as a wholesaler for a limited purpose bank. Four tests are proposed for large banks. Retail lending tests, retail services and products test, community development (audio interference), community development services test. Each test focuses on activities that advance financial entities and to LMI individuals.

Each test receives a separate conclusion that is linked to a bank's overall institution rating. I will discuss more detail about these tests shortly. For retail lending, entities and banks would be evaluated under the proposed retail lending test.

Regarding community development activities, an intermediate bank would be evaluated under the community development test currently applicable to intermediate (audio interference) unless they opt to be evaluated under the proposed community development financing test. Under the proposal, small banks would continue to be evaluated under the existing small bank performance standards unless the bank opts into the proposed retail lending test. Wholesale and limited purpose banks evaluated under the proposed community development financing test, wholesale, or limited purpose banks, which is a modified version of community development financing test.

There would be a (audio interference) strategic plan option for all banks subject to approval by the bank's regulator.

Next slide, please.

The next few slides provide details on (audio interference). I won't go over all of the content. They're here for your reference.

The proposed (audio interference) test would measure how well a bank's retail lending meets the (audio interference) of LMI individuals, small businesses, small (audio interference), and LMI census tracts through an analysis of lending (audio interference) distributions. Six retail product lines would fall under the (audio interference) home mortgage loans, open end home mortgage, multi-family loans, small business loans, (audio interference) loans, and automobile loans.

Next slide, please.

The proposal provides a clear standard for determining (audio interference) loan product that's considered a major product line and included in the retail lending test (audio interference).

Under the proposed major product line standard, our retail product except for automobile loans (audio interference) would be evaluated under the retail lending test when it makes up at least 15 percent of dollar value of a bank's retail lending in a specific assessment area. Product lines could vary across the bank's assessment areas as well as the bank's (audio interference) if applicable. A different approach would be used for auto loans as they typically involve smaller dollar amounts.

Two percentages would be averaged to determine if the 15 percent threshold is met (audio interference) percentage of auto lending by dollar volume and the percentage (audio interference).

Next slide, please.

The proposal would establish a set of retail lending metrics (audio interference) to evaluate a bank's retail lending, including lending to low income and moderate-income (audio interference).

MR. MILLER: Oops. It seems like we've lost Patience. I'll take over for her here. So with apologies for not being as well prepared on this as she would've been.

So I guess I would summarize the retail lending test as saying we're going to be doing going forward the kinds of analyses -- very similar to the kinds of analyses we do today in terms of the distribution metrics, both the geographic distribution and the borrower distribution. What we've done in the past sort of behind the curtain we're now going to do in front of a curtain. So you'll see and the public will see, the bank will see all the analysis -- all the analysis that we're going.

But the same -- but the geographic and borrower distribution tests are going to be the -- are going to be the same.

Next slide, please.

I'm going to highlight a few important points on this slide. The proposal would also establish lending distribution performance ranges for each rating category using a consistent and transparent method.

The performance ranges would be tailored to each assessment area because the methodology relies on local data specific to that assessment area. Thresholds would be set using the local data referred to as community benchmarks which reflect information such as the percentage of low income families in an assessment area and market benchmarks which represent the aggregate performance of other reported lenders. In summary, the proposed retail lending test would provide the bank with greater certainty about CRA performance expectations, consistently tailor expectations to the unique conditions in different markets, and automatically adjust performance thresholds over time in a way that reflects changes in the business and economic cycles.

Next slide, please.

Turning next to the retail services and products test. The agencies proposed modernizing the existing evaluation of a bank's products and services by adding a more explicit focus on the financial inclusion potential of these products and by adding specific measures for evaluation such as availability and usage. This test would evaluate the availability and responsiveness of a bank's retail banking services and products targeted to LMI individuals and LMI census tracts.

The test would evaluate two prongs: delivery systems and credit and deposit products that are responsive to the needs of LMI consumers and communities. While the evaluation would continue to be predominately qualitative in nature, it would also incorporate some quantitative measures as guidelines. For large banks with assets of 10 billion dollars or more, agencies will evaluate availability and usage of the responsiveness of the accounts.

For example, BankOn accounts and other safe, low cost transaction and savings accounts would be evaluated under this portion of the test. In addition, the NPR specifies under the retail services and products test that retail lending focused partnerships with minority depository institutions, women's depository institutions, low income credit unions and Treasury Department certified CDFIs should be considered when assessing the responsiveness of a bank's credit products in meeting the needs of the LMI communities. Now I'm going to go turn over the presentation to Pam Freeman.

MS. FREEMAN: Thank you, Jonathan.

Next slide, please.

So I'm now going to focus on the community development financing test which would use metrics and benchmarks to standardize the review of community development loans and investments while also incorporating a qualitative impact review of community development financing activities. The agencies would evaluate community development loans and investments in facility-based assessment areas plus the state, multi-state MSA, and nationwide levels.

Banks would receive consideration for

qualifying activities anywhere in a state or a multi-state MSA in which they maintain a facility-based assessment area. And in addition, banks are going to receive consideration at the institution level for any and all qualifying community development activities conducted. The proposed community development financing metric would measure the dollar value of a bank's community development loans and community development investments together relevant to the dollar value of deposits.

And that's as opposed to the separate tests that we currently use for large banks. This is going to allow banks to engage in the activity best suited to their expertise and that is most needed for the community development project that the bank is financing. In addition, the agencies propose to count both new originations and prior activities remaining on the bank's balance sheet and the numerator of the metric in order to emphasize the provision of long term capital.

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The proposed community development services test would evaluate the extent to which a large bank provides community development services. The evaluation would be primarily qualitative and would be based on any relevant information provided by a bank, including information such as the total number of hours for all community development services performed by the bank. The agencies propose retaining the current definition of community development services to include activities that have as their primary purpose community development and are related to the provision of financial services.

Activities that reflect other areas of expertise of a bank's employees would also be considered to be related to the provision of financial services. In addition, the agencies propose that in non-metropolitan areas banks may receive community development service consideration for volunteer activities. The meeting identified community development need, even if unrelated to the provision of financial services.

And moreover, given the importance of financial literacy, the NPR proposes to grant CRA consideration for all financial literacy programs regardless of the income level of the beneficiaries.

Next slide, please.

Now I'm going to turn back to the impact review that I mentioned. So the agencies propose a set of impact factors that would inform the impact review for the community development financing and community development services test.

These factors would include but would not be limited to the specific factors proposed in the regulation and presented on this slide. Some examples of the factors proposed in the regulation are activities serving persistent poverty counties, activities and geographies with low level community development financing, activities that support affordable housing in high opportunity areas, and activities that support or are conducted in partnership with a minority depository institution, women depository institution, low income credit union, and Treasury Department certified CDFI. Also important for banks and organizations that you represent, community development activities that result in a new community development financing product or service for low or moderate income individuals and families are considered particularly high impact and responsive when assessing a bank's community development activities.

Next slide, please.

So the next several slides focus on ratings. Again, most of this detailed information is here for your reference. So we are proposing to provide greater transparency and consistency on assigning conclusions and ratings for a bank's overall performance, and it's grounded in performance in its local communities.

But also under the methodology proposed in the NPR, each performance test would result in a performance score and rating at the state, multi-state MSA, and institution level. With respect to conclusions, we're going to maintain the current five categories, outstanding, high satisfactory, low satisfactory, needs to improve, and substantial noncompliance. And then for ratings, we're proposing to keep the four categories of outstanding, satisfactory, needs to improve, and substantial noncompliance.

Next slide, please.

For large banks, the agencies propose to determine a bank's state, multi-state MSA, and institution rating by combining the bank's performance scores across all performance tests. The agencies propose to maintain the emphasis on retail lending and recognizing importance of community development lending and investments by giving these tests the heaviest weights. So the proposed weights are 45 percent for the retail lending test performance score, 30 percent for the community development financing test performance score, 15 percent for the retail services and products test, and 10 percent for the community development services test.

In addition to the weighting, the agencies propose retain the requirement that as applicable for each state and multi-state MSA and at the institution level the retail lending test conclusion for a large or intermediate bank needs to be at least low satisfactory in order for the bank's overall rating to be satisfactory or higher.

Next slide, please.

Just a few items to note for intermediate banks, the agencies propose to weight both the retail lending test and the applicable community development test at 50 percent each. And that's consistent with the current requirements.

However, the agencies propose not applying the current requirement that an intermediate bank must receive a satisfactory rating in both the retail lending test and intermediate bank community development evaluation. However, as I just mentioned, an intermediate bank would need to receive at least a low satisfactory on the retail lending test in order to receive an overall satisfactory at the institution level. Small banks would be evaluating using the status quo small bank lending test.

So their rating would be based on the lending test performance. Small banks would have the option to submit retail services and community development activities for consideration. But that's to elevate a satisfactory rating to an outstanding rating. However, they could receive an outstanding rating based solely on retail lending performance.

Next slide, please.

And finally, we turn our attention to data collection and reporting which is covered in the next two slides. We recognize the importance of using existing data sources where possible and of tailoring data requirements. Under the proposal, small and intermediate banks would not have any new data requirements with the required performance tests.

Large banks with assets over 10 billion, agencies propose new reporting requirements for deposits data and automobile lending data. FDIC summary of deposits data would be used for banks with assets of 10 billion or less, although individual banks could choose to voluntarily collect and maintain this deposits data.

Next slide, please.

The agencies propose to require all large banks, wholesale and limited purpose banks, and intermediate banks that opt in to the community development financing test to collect and maintain the community development financing data.

And this data would be necessary to construct the community development financing metrics and benchmarks used to consistently evaluate the dollar amount of the banks community development lending and investments. The agencies also propose to require that large banks with assets over 10 billion collect, maintain, and report limited community development services data in a prescribed format. And that would be necessary for the metrics-based evaluation of these community development services activities.

No other bank would be required by regulation to collect such data. And regarding retail services and products, the agencies propose that large banks be required to collect and maintain to support the proposal's branch analysis and remote service facilities analysis in a prescribed format. And in addition, large banks with assets over 10 billion would have new data requirements for deposit products and digital and other delivery systems.

This would facilitate a review of the largest banks performance regarding whether digital and other delivery systems and deposit products like low cost bank accounts are responsive to the needs of low and moderate income individuals and communities. And on that, we can go to the last slide. And we hope you found the presentation informative, and we are available for questions and comments.

MR. MILLER: Thank you very much, Pam and the other -- and Rick and Patience. Patience is back, I think.

MS. SINGLETON: I'm back.

MR. MILLER: Good.

MS. SINGLETON: I've been on since 1:00 o'clock, and it goes out during my presentation. Sorry. I've been on since 1:00. Go ahead.

MR. MILLER: So this is the point where we're happy to take any questions or comments you may have. I am sort of monitoring to see if -- please raise your hand or just jump right in. People are talking to us all the time about CRA. So I'd be amazed if nobody here had any thoughts about it.

MEMBER KELLY: Hey, Jon. This is Kenneth Kelly. I have a question for you.

MR. MILLER: Yes?

MEMBER KELLY: If I look out five years from now, what would be the result of the plan being implemented?

MR. MILLER: Well, that's a speculative question. I think -- so the --

MEMBER KELLY: And let me phrase it and give you a chance to think about it.

MR. MILLER: Well --

MEMBER KELLY: If you kind of begin with the end in mind, I thought it was said earlier in '77 this was to deal with inequities. So we're in 2022. I think there was a revision at some point in time. But long story short, 5, 10, 15 years from now, what do you think some outcomes would be from what we're trying to put forth here?

MR. MILLER: So I think if you go back to what we laid out as in one of the first slides the objectives of the rulemaking, I think what we're really trying to do is expand the reach of the Community Reinvestment Act. And the proposal does that by covering -- evaluating banks in a broader set of geographies. It does that by incorporating for the first time in the lending test at least one kind of consumer lending for the largest banks, auto lending. And it does that by establishing and by raising the bar the amount of lending that a bank will have to do compared to today to get a low satisfactory, a high satisfactory, and outstanding. So my expectation if the rule is finalized in the form it was proposed, and of course we have to take all the comments and --

MEMBER KELLY: Sure.

MR. MILLER: -- consider the comments. So that's certainly -- and we expect to make changes based on those comments. But if the goal of the proposal is that you'll see more credit available to low or moderate income borrowers and low or moderate income communities in a nutshell.

MS. SINGLETON: Yeah, can I piggyback on that, Jonathan. Just I think we stressed in the presentations, rural areas that are often underserved, metropolitan areas where there may not be granted access. And there's a (audio interference). So we hope that there's more credit in capital and service provided in those areas which is part of the objectives of the proposed rule.

MS. FREEMAN: I would like to expand on that a little bit too. I think both those are great comments. And as Jonathan mentioned, we're hoping that this is going to help address inequities and credit access, especially in low and moderate income communities and to low and moderate income individuals and families.

And I would hope whether it's this proposal or some iteration of this proposal that we come out as a final rule that it absolutely accomplishes that. Right now we've increased the areas where retail lending is going to be considered. It'll be in these new retail lending assessment areas, and it'll be outside of those areas that we've never done that before.

Now we're going to absolutely consider community development everywhere. So we've been very clear about that. We're going to come out with this very clear qualifying list of activities, and we're going to give preapproval on activities so that way banks can have assurances of what they're going to do is going to count.

And we're going to be more rigorous. And then we're also going to encourage partnerships with minority depository institution and Treasury certified CDFIs. We included that as a specific definition for community development. We've considered that to be an impactful and responsive activity. So hopefully all of these will have more impact in the low and moderate income.

MR. MILLER: Thank you, Patience and Pam. Any other --

MEMBER KELLY: Thank you.

MR. MILLER: Yes, sir. Any other questions or comments?

MEMBER CAMPER: I have a comment and a question.

MR. MILLER: Okay, Naomi.

MEMBER CAMPER: Yes, so first of all, thank you all. I mean, I think it was in even the opening comments this morning that different participants today noted the historic nature of this proposed change, 700 pages, nights and weekends, months and months. I know you've heard from both EBA and member banks a great deal, and we're so appreciative of the thought that has gone into this and so many elements of the proposal.

Love it when you sort of say words like, tailored, and acknowledgment especially across the broad spectrum of banks, the capacity that different banks have to do the implementation. I think you're going to get a comprehensive set of comments from the industry. And I will say even as we were on this meeting, I have constant calendar invites popping up, another working group call on CRA for small slivers.

We are really being very methodical. I know that we, along with some others sent in a letter earlier in the month asking for your consideration for an extension of 30 days so that we could respond with great detail and thought. So hopefully we'll get a response to that soon.

I know we'll also be spending some time in our comment letter talking about the triggers that'll create the retail lending assessment area and helping you to understand the perspective, especially of smaller institutions about whether purely numerical trigger, how that works for banks that may not be a household name in a given geographic area. And so maybe raising alternative methods for your consideration that would supplement just a simple loan count. But overall, I just wanted you to know we are really -- we understand in the industry the momentous nature of this proposal.

It's a big deal, and we want you to get it right. We want to get it right because I think banks are eager to tell their story on this score. So it's more just thank you and hopefully we hear back about the due date at some point soon.

MR. MILLER: Thank you, Naomi.

MEMBER CAMPER: Thank you.

MR. MILLER: Appreciate the comments. We now have a host of hands. So I'm just going to go down the list. Jonathan Mintz?

MEMBER MINTZ: I have a complaint, two comments, and a question. The complaint is about Shannon that everybody says such wonderful things about. But let me just say I tried to arrange for a marching band to march through the halls of the FDIC to underscore Naomi's point about what a momentous moment this is, and Shannon point blank refused. So I'm just registering that complaint. The two comments, I think that obviously we're super focused on the --

ACTING CHAIRMAN GRUENBERG: Jonathan, I was unaware of that, by the way.

(Simultaneous speaking.)

MEMBER MINTZ: This is a management issue. There's no question. Obviously, we're super focused in the BankOn world on the proposed new retail services and products test. And I just want to say two quick things about that.

One is that one of the reasons that we think -- not just that we love it but that we think it makes so much sense is it really dovetails with all of our research on the financial empowerment counseling side of our house which has shown the connectivity between having a safe bank account, having a mainstream bank or credit union account, and being able to more successfully save money and improve credit scores. So I really just want to make the point that for those in our industry it doesn't feel like -- what's the expression, like a sore thumb or an extra thumb or something. It feels very much to be building on what people need in order to be homeowners. So we're very excited about that.

The second thing I wanted to say real quickly is as you all know, the federal reserve bank of St. Louis has the BankOn national data hub. And I'm hoping that there are ways that the data that is apples to apples to apples collected currently, for example, in the BankOn world might be a useful mechanism for examiners in being able to help banks and credit unions show their stuff in regard to answering that 15 percent part of the proposed test. The last question I had was super quick which was, is there a part of this that you see that particularly emphasizes or rewards or gives credit to the ability to open new accounts online?

Because I know we've been thinking about expanding our approach to assessment areas in this.

And I think that online account opening for new customers is a particularly strong feature in that regard. And I'm just wondering if you see that somewhere in the existing proposal. Sorry, Shannon.

MR. MILLER: Do the panelists want to address that?

MS. SINGLETON: Let's see. I mean, we're sort of looking at the retail services test, we're looking at the distribution of the bank's digital and other systems. So I don't think it's specific.

But the third component of that test would apply to banks that have over 10 billion in assets. And delivery systems, they're (audio interference) online banking but also telephone banking and bank by mail and bank at work programs. So consider that under that prong.

But there's nothing sort of specifically as I recall in the (audio interference) in the preamble that discusses that. But that's something that we could obviously include. If it were included, it would be under the evaluation of the bank's digital and other divisions prong.

MR. MILLER: Thank you.

MS. SINGLETON: I think that's important and that's something that we can consider as we move (audio interference) comment.

MR. MILLER: Right. There's a general standard that any --

MS. SINGLETON: Yeah.

MR. MILLER: -- service -- product or service that's particularly responsive to low and moderate income consumers would get special consideration. And I think opening accounts digitally might make that --

(Simultaneous speaking)

MR. SCHWARTZ: I'm sorry, Jonathan. Just three seconds just to add that we're going to be coming up with a list of qualified activities, first of all. And second of all, the banks will be able to write to us and ask if certain activities are covered. So I think between those two, there's a good chance that those activities will be covered.

MR. MILLER: Thank you. Tom Foley, you had a question?

MEMBER FOLEY: Please and thank you. Really appreciate the opportunity and how much thoughtfulness and hard work has gone into this. We're really excited about potential changes. So two questions, one is credit for financial literacy activities regardless of income level. I was wondering if you could share some more of the thinking behind that.

And then also from the housing perspective, so National Disability Institute, we do obviously a lot of work around disability. And about the only thing more hard to come by than affordable housing is accessible housing. And I'm wondering if it captures the need for accessible housing as well.

MS. FREEMAN: So I can address the thinking behind the financial literacy and not having to require income levels to track that is that we heard from a lot of banks that it was difficult sometimes when they did these financial literacy outreach to actually obtain the income of the people that were attending. And we do feel like financial literacy is important across the board. So that was the thinking behind that.

MR. MILLER: Anybody want to address the other question?

MS. SINGLETON: I don't recall, again, something specific about accessible housing, but place that in your comment letter. Does anyone else recall --

(Simultaneous speaking.)

MS. FREEMAN: I don't believe so.

MS. SINGLETON: -- housing? Yeah, I don't recall that being in the preamble or in the rule.

MEMBER FOLEY: Appreciate that. Thank you.

MR. MILLER: Steve Antonakes?

MEMBER ANTONAKES: Hey, Jonathan. How are you?

MR. MILLER: Good, Steve.

MEMBER ANTONAKES: Good to see you.

MR. MILLER: Nice to see you.

MEMBER ANTONAKES: Good, thank you. Good to see you. And certainly I'll add to my colleagues my sincere congratulations to you, your staff, OCC, and Federal Reserve staff. Really a comprehensive effort at updating these regulations and really a tremendous effort.

It's personally exciting for me having cut my teeth as a regulator as a CRA examiner two regulatory regimes ago. So it's really exciting in many respects. I had a couple questions primarily relative to the thresholds.

You maintain the large bank, intermediate, and small bank distinction here, large bank at 2 billion dollars in assets. And I guess my, like, reaction there is, boy, the swath between 2 billion and 2 trillion is pretty significant. Was there any thought to, like, a really large bank or a megabank standard for banks 100 billion dollars in assets or greater, for example, 250, wherever you draw the line?

And then the only other thing on thresholds I wanted to point out or just get feedback on was on the enhanced data collection requirements at 10 billion dollars in assets. So this doesn't really impact my bank anymore because we're bigger than this. But when we cross that 10 billion dollar threshold, it's an expensive proposition between Durbin enhanced supervision, things of that nature.

And I always worry that when you put an asset figure in a law or regulation, it becomes less relevant over time. And I would argue the 10 billion dollar threshold compared to when Dodd-Frank was signed is very different today than it was 12 years ago. So any concern about unintended consequences of those data collection provisions taking in at 10 billion in terms of increased cost leading to further consolidation, things along those lines? Just something I just would hope you'd be mindful of.

MR. MILLER: So thank you for the comments, Steve. And of course, any comments you want to submit in writing will be under consideration. So the threshold discussions really went to the balance that we're trying to achieve between the increased efforts that would be required to collect and report data and the benefits we saw from having that data and collecting it.

And every time you draw these kinds of lines, there are other places you could plausibly draw them. But we picked a place where we thought considering the size of the banks, the assets covered and so forth that we thought made sense. And of course, we'd consider anything that -- any other proposals that come in on the comments. Thank you.

MEMBER ANTONAKES: Thank you.

MR. MILLER: Margaret, you have your hand up?

MEMBER LIBBY: Yes, thank you, Jonathan. And yeah, so I will try to be quick because I know we're getting close I guess to the end of this section. But I was thinking about the presentation earlier and just the way as we talk to our young people about the history of the financial services sector, we talk about redlining. And really the original CRA was in response to that. And so I want to echo the comments that a few speakers have made around just how big this moment is and this opportunity and just appreciate all of the thought and work that's gone into it to date.

And I know one of the things that our young people have been interested in and this will be in our letter is around the retail services piece and the openness to including non-custodial accounts for young people who fit in certain subcategories there, and then also around the credit access piece and looking at sort of small, entry level, safe credit builder products that used to be a lot more widely available as a safe pathway in or on-ramp in to credit. And so just wanted to raise those two things as things that I know are on their minds as you think about this next iteration. Thank you.

MR. MILLER: Thank you, Margaret. I think probably somebody can say something about the credit builder products. Patience, is that your bailiwick, or --

MS. SINGLETON: I mean, yeah, obviously, I mean, credit building products currently under the CRA would be considered under the services test. So yeah, I think that with this, obviously, we just place more of an emphasis (audio interference) quantitative and the qualitative aspects of it a bit more. So I think builder products have always been or at least they should've been in an area where you would be able to receive CRA consideration.

And with respect to this NPR, that would be (audio interference). I think it's intended to receive CRA consideration. If it's not clear, please definitely place that in your comment letter and we'll consider it. But it's my understanding those type of products are covered and CRA eligible.

MR. MILLER: Thank you. Thank you, Patience. Thank you for the question, Margaret. I think I don't see any other hands, and we're just five minutes past time. So let me thank Rick, Pam, and Patience for their presentation. Let me thank the members of the committee for their participation. And Mr. Chairman, let me turn it over back to you.

ACTING CHAIRMAN GRUENBERG: Well, thank you, Jonathan. Before I bring the meeting to a close, I think Director Chopra is still on the call. Would you want to make a final --

(Simultaneous speaking.)

DIRECTOR CHOPRA: Yeah. No, Marty, thank you so much for convening this meeting. And I really want to thank all the staff who put a lot of work into this and to the members. Let me just follow up on the conversation we just had briefly about CRA.

And you know there's going to be a process obviously to review all the comments carefully to finalize the rule. But I think CRA binds chartered banks. But I think it's important that we recognize that non-bank financial firms have started to receive more public benefits in recent decades, especially in the mortgage market.

And we all know about the public programs administered through the VA, the USDA, HUD, and the GSEs. And it's worth noting that in 2020 non-bank mortgage companies originated over 60 percent of all reported mortgages in the country. And given that the public in many ways subsidizes mortgage lending by these non-banks, I think policymakers across the board need to consider ways to ensure that all mortgage lenders are serving all qualified applicants, especially in neighborhoods that have been historically excluded.

And we see that state policymakers are already moving in this direction, in Illinois, in Massachusetts, in New York. They all have laws now obligating both banks and non-banks to meet state CRA requirements in the mortgage market. And if we believe that public benefits to banks and non-banks in the mortgage market are becoming more similar, it really seems reasonable to me to ensure that the public obligations are also similar.

So again, really excited about all the work that is being done on the CRA. I especially want to note the comments about the impact it may have on rural areas which I think is an important piece of this. I also just generally want to comment on the overall conversation, whether it's about appraisal bias, other issues.

One of the things I asked the staff at the CFPB a lot is when we talk about economic inclusion, we often talk about the word, creditworthy. And often creditworthy leads people to believe something about a person's character about individuals, about whether they're a good person or not. I think sometimes we don't always -- we think a lot about whether people are worthy of credit.

But we also need to think, is credit worthy of the people that they're serving? Is it set up in ways that give people confidence, meaningful protection, accountability when things go wrong, the ability to get help? We are obviously very interested in economic inclusion and products that don't set people up to fail, that help people get ahead, and that's going to be a core focus.

And we really value the input from this committee on all of that. So Mr. Chairman, I want to thank you for allowing me and the deputy director to participate. And again, thanks to the staff and all the members for the discussion today.

ACTING CHAIRMAN GRUENBERG: Well, thank you, Rohit. Thank you for taking the time. And I want to thank Comptroller Hsu as well for participating in today's meeting.

I'd like to thank all of the members of our committee for their thoughtful participation. There's no meeting that the FDIC holds that I look forward to or enjoy more if I may be candid about it than the meetings of this committee. So thank you very much for your willingness to share your time and your thoughts with us.

I'd like to thank our staff who really did a terrific job today in putting together an enlightening program across the board and also participated on the panels. And I also want to thank the outside panelists who really contributed greatly

I think to the conversation today. Let me conclude by just reminding everyone that our next meeting is going to be on October 27th.

And our intention is to have that meeting in person. So we very much look forward to seeing you all, talking to you all, and hopefully structuring the meeting that we can really make full benefit of your input and structure it in a way to encourage as much interaction as possible. And I'd simply note that at that October meeting, we will release the FDIC's latest household survey on who's unbanked and underbanked in the United States.

So I think it'll be a very interesting meeting that we can all look forward to. So with that, let me bring the meeting to a close. We're actually on schedule, on time.

Liz, thank you very much for your very skilled leadership of the agenda today. And take care, and we'll see you all next time. Thanks a lot.

(Whereupon, the above-entitled matter went off the record at 4:55 p.m.)