FEDERAL DEPOSIT INSURANCE CORPORATION

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ADVISORY COMMITTEE ON ECONOMIC INCLUSION

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MEETING

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THURSDAY
MAY 13, 2021

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

PRESENT:

RAPHAEL BOSTIC, President and CEO, Federal Reserve Bank of Atlanta
NAOMI CAMPER, Chief Policy Officer, American Bankers Association
MAURICE JONES, CEO, OneTen
MARGARET LIBBY, President, MyPath
LISA MENSAH, President and CEO, Opportunity Finance Network
JONATHAN MINTZ, President and CEO, Cities for Financial Empowerment Fund
PAMELA PATENAUDE, Moultonborough, New Hampshire
JENNIFER TESCHER, President and CEO, Financial Health Network
CHRISTINA TETREAULT, Senior Policy Counsel, Consumer Reports

ALSO PRESENT:

JELENA McWILLIAMS, Chairman, FDIC
MARTIN GRUENBERG, Board of Directors, FDIC
DAVID UEJIO, Acting Director, Consumer Financial Protection Bureau
DAVID EHRICH, Co-Founder and Executive Director, Alliance for Innovative Regulation (AIR)
KEITH ERNST, Associate Director, FDIC Division of Depositor and Consumer Protection
JOHN GONZALEZ, Regional Community Affairs Specialist, FDIC, DCP
ELAINE HUNTER, Regional Community Affairs Specialist, FDIC, DCP
SULTAN MEGHJI, Chief Innovation Officer, FDIC
JONATHAN MILLER, Deputy Director, FDIC Division of Depositor and Consumer Protection
ROB MORGAN, SVP Innovation and Strategy, Office of Innovation, American Bankers Association
ELIZABETH ORTIZ, Deputy Director, FDIC, DCP
LUKE REYNOLDS, Section Chief, FDIC, DCP
DAVID ROTHSTEIN, Senior Principal, Cities for Financial Empowerment Fund
MIA SOWELL, Senior Community Affairs Specialist, FDIC

C O N T E N T S

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

(1:03 p.m.)

MR. MILLER: Hello, everybody. Welcome to the meeting of the Advisory Committee on Economic Inclusion. I'm just going to read a statement at the start of the meeting, and then I'm going to turn it over to Chairman McWilliams.

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 identifies 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 deliberations on the proposals.

Thank you very much, and Chairman McWilliams, let me turn the meeting over to you.

(Pause.)

MR. MILLER: Chairman McWilliams, you may be on mute.

CHAIRMAN McWILLIAMS: All right. So now I should be -- can you hear me okay?

MR. MILLER: Yes. We hear you now.

CHAIRMAN McWILLIAMS: All right. Well, good afternoon and welcome to this meeting of the Advisory Committee on Economic Inclusion, better known as the ComE-In.

And the reason that Jonathan had to give that disclosure is because we have an unusually high number of FDIC Board Members in attendance today, which I am very grateful for. And we run into the issue of having a quorum for the purposes of the Board Meetings. But it's really a good thing because the issues we're going to discuss today are very timely, especially in light of the pandemic and the impact of the pandemic on low and moderate income communities.

I want to thank you all for joining us virtually for the second year in a row and for dedicating your time to the issues we're going to cover.

The FDIC has seen meaningful improvements in recent years in reaching the last mile of unbanked Americans. Based on results of our biannual survey, the proportion of U.S. households that were banked in 2019, 94.6 percent was the highest since the survey began in 2009. But despite these improvements, much remains to be done as we know that over 7 million households do not have a banking relationship to deposit their checks or with which to save for unexpected expenses. And this was only exacerbated last year as banks rushed to provide payments from PPP and other government programs to consumers and individuals as well as small businesses, and we knew that at that point in time -- anecdotally we heard issues, especially for people who did not have an existing banking relationship in terms of obtaining that check.

Though there are many signs of hope for our communities, we are still in the midst of a pandemic that continues to disrupt the daily lives of all Americans. I like to believe that there is light at the end of the tunnel but even with that, we are particularly mindful of the disproportionate economic and health challenges that minority and low and moderate income communities have borne throughout the pandemic and going into the pandemic.

Our meeting this afternoon will start with a member roundtable. We want to hear from you and from the work you're doing on the ground, the communities that you work with every day. Your input is really valuable to us to help us inform our process here at the FDIC and how we approach these issues. As you know, we have had longstanding, I would say, priorities as a corporation, as a government agency to work on financial inclusion issues, and that work will not cease. In fact, we're just looking how can we even expand our efforts and do more.

Before turning to our program today, which I promise is excellent, I would like to see if any of the other Board members have any comments they would like to make. Director Gruenberg?

DIRECTOR GRUENBERG: Yes. Thank you, Jelena.

CHAIRMAN McWILLIAMS: Thank you.

DIRECTOR GRUENBERG: I also would like to welcome the members of the FDIC's Advisory Committee on Economic Inclusion and thank them for taking the time to participate in today's meeting, particularly pleased to welcome Acting CFPB Director and FDIC Board Member David Uejio. I am very pleased he can take part in today's meeting.

One of the many lessons we've learned in the challenge of coping with the pandemic is the critical importance for everyone in the United States to have access to a bank account and to be able to receive payments by direct deposit. This is true in normal times and takes on a particular urgency during times of stress and the value of being able to receive direct deposit of public benefits is especially acute.

In that regard, I would like to acknowledge the work of this advisory committee in conjunction with the career staff of the FDIC in developing the so-called safe account template of a low-cost account-based debit card as a vehicle to provide affordable access to the banking system for everyone in the United States. I think this was a real contribution.

As we know, the safe account template served as the basis for the Bank On account, which is now being promoted by the Cities for Financial Empowerment and is being offered by banks across the country and is also being supported by the leading banking industry trade associations. That progress traces back to the work of this committee, so I wanted to take this opportunity to acknowledge that. And we'll hear more about that work on one of the panels this afternoon.

So let me conclude by saying I particularly look forward to the roundtable discussion with the committee members this afternoon, and I want to thank you all again for participating in today's program. Thank you.

CHAIRMAN McWILLIAMS: Thank you, Marty. Do we have Director Uejio with us, and if so, Dave, do you have any comments you would like to share?

DIRECTOR UEJIO: Sure. Thank you. I'm certainly glad -- I'm happy to keep my remarks brief, very excited to share about all of the great work of the committee. Thank you for this opportunity and good afternoon, committee members. It is a pleasure to be here with you today.

I'll be keeping my remarks brief, but did want to mention that during my tenure as the Acting Director of the CFPB, I have made racial and economic equity a central focus and indeed one of my top two priorities at the Bureau. So this conversation is very important to me personally. And in doing so, we think a great deal about the component tree they're in and really think that it is important for there to be freedom from discrimination and free access to capital for underserved communities.

So I'm very interested to hear about the work of the committees and look forward to getting a briefing on the things that you are doing and seeing through your work in this space. Thank you and turning it back to the Chair.

CHAIRMAN McWILLIAMS: Thank you, Dave, very much. Thank you. I will now turn it to Jonathan Miller to get us started with an excellent program we have today. And thank you, again, for your time and interest in helping us get to the bottom of these issues that matter for everybody in the United States of America. Thank you. Jonathan?

MR. MILLER: Thank you very much, Chairman McWilliams. So as the Chairman mentioned, we're now going to start our member roundtable where we go around and hear a little bit about the challenges and work that our committee members are doing. So Raphael Bostic, if you would start off, please?

MEMBER BOSTIC: Sure thing, Jonathan. Thank you and good afternoon. I want to first say thank you to Chair McWilliams and Board Members Gruenberg and Uejio for allowing us to get together. This is really a good committee, and I've always enjoyed it. And Dave, this is two weeks in a row for us so I have to say it's good to see you again.

We are doing a lot on the economic inclusion front and, you know, I could talk about this a lot, for hours. I know I only have seven minutes. I'm going to try to keep this quick, but I would want to mention our "racism in the economy" series that, people, I hope you're all subscribed to and watching as well as webinars that our bank is doing to offer advice to recovering -- how to recover from the pandemic to small businesses. We're doing this particularly with small businesses of color because that is going to be an important -- really important body of institutions for us if we're going to see a recovery really happen.

But I'm going to spend most of my time today talking about a new initiative which we are calling "the Special Committee on Payments Inclusion." This committee is really a follow-up to a whitepaper that our bank released in September of 2020, and that paper was motivated by two organizational strategic priorities; the one is to increase economic mobility and resilience, and the second is to promote safer innovation in payments.

And in the paper, we noted that innovations in payments are proliferating, which is a good thing, but we also observed that these innovations and this progress have the unintended consequence of excluding people, particularly those who primarily use cash and those who lack access to our credit or debit card. Now at our bank, we've taken on a model of an economy that works for everyone. And if we're really going to take that notion seriously, this idea -- or this reality that innovation might actually lead to excluding people is something we have to take seriously and find solutions to. So the committee is really our response to that.

Now we are not alone in being interested in this topic, so what we thought we would do is bring together representatives from the banking sector, from the payments industry itself, retailers, academics, and folks from the Government to come together to find those solutions and to figure out what kind of innovations can advance economic mobility and resilience in my District, in the 6th District, and beyond. And our north star is to advance ubiquitous access to safe, efficient, and inclusive payments for everyone.

And what we're going to do is we're going to have this be as evidence-based as possible. We're going to convene a -- going to try to build a research agenda that will guide us and answer questions that will help us to find solutions. And then ultimately, we're going to come up with recommendations to industry and policy makers on things that might be done.

We have 17 members on the committee, and I'd say it is a broad-based group. And I want to thank the FDIC in particular for agreeing to provide a member, Mark Pearce, to this committee. We're really looking forward to the guidance and the insights that he and other will give.

We're standing this up. One thing we're trying to do at our bank is be clear and explicit about the charge for particular institutions and bodies, to give this a charter, and with a charter, we intend -- with a charter, we intend this to be up for about two years. And at the end, we're going to hopefully have a good set of recommendations to move things forward.

Let me just close by saying that this issue would be solved, this issue of exclusion would be solved if we found a solution to the issue of people being unbanked. But we've had this issue and problem for a long time. Actually the unbanked was an issue when I started as a professional. I got my PhD 25 years ago, we were talking about this. And Chairman McWilliams noted that there has been progress made, but she also noted that the problem still persists. So you know, one of the things that we're going to think about is whether there are some alternative parallel approaches that also might help move the dial in this regard.

We had our kickoff meeting last week. Our conversation was very interesting, lots of topics that have been raised, like why are people using cash; what are the use cases for that; what are the market needs for people; what are the frictions that are preventing them from either getting a bank account or being able to access some of these new payment vehicles. And so we're going to continue to have these conversations, and I'm just really excited about it. I think it's going to be something that's is going to really produce some alternative and additional avenues for economic inclusion.

So we're going to keep working, and I'm really looking forward to giving you all updates on our progress as we go through these next two years. So I'll stop there, and I'll send it back to Jonathan.

MR. MILLER: Thank you very much, Raphael. Came in in plenty of time, too. Jonathan Mintz?

MEMBER MINTZ: Thank you so much. I'm really pleased to be here, and I appreciate the opportunity. I appreciate the work of this panel, and I think this meeting comes at a great time.

You know, I'm just going to make really just one or two quick observations. You know, we've all been working on banking access for many years from the FDIC leadership all the way to grassroots community efforts. And I have to say I have never seen this work, this topic be more front and center in the American consciousness. You know, sometimes working at a national level, and I'm sure working at a federal level, you can wonder whether needles really move at a programming level, at an individual level. And I think what we're seeing in the banking access field is really a very new present front and center phase.

Part of that is, of course, the pandemic. You know, a crisis not only creates opportunities sometimes, but it also lays bare key underlying conditions. And I think that America learned and witnessed up close a really compelling explanation for why we talk about banking access, why banking access matters, why being banked is more than an adjective.

When the IRS and the Government told Americans that if they didn't have a bank account, they were going to have to wait months longer to get their stimulus payments and then have to navigate what to do with those checks, I think that message was driven home loud and clear.

You're going to hear a lot more on today's panel about the work of Bank On and other related efforts, and I'm not going to steal that thunder. But you know, what I'm seeing is an explosion of local programming, whether it's weaving banking access into jobs programs, into new guaranteed income programs, into utility allowance connections, into municipal employee programming, on and on and on, the idea of banking access being part of those local payment streams is becoming an increasingly mainstream idea. And again, you'll hear more about that.

You are seeing -- without commenting on the individual merits, you are seeing an explosion as well in state and in federal banking access policy ideas. And whatever you think about those individual ideas -- and I'm sure we all have our own opinions -- the fact that that's what so many of our policy leaders are talking about and paying attention to I think is incredibly encouraging and exciting.

You have the American Bankers

Association telling its thousands of members this is priority number one, and we're not asking you to take a hit. We are inviting you to step forward into Bank On certified accounts and the opportunity to bring people this last mile that the Chairman referred to, to bring them home into the system.

And you have the IRS, the mother lode of direct payments to America talking about and referring people to opening Bank On certified accounts, as Mr. Gruenberg mentioned, you know, a product of the FDIC's safe account pilot years back, telling people and having the White House telling us all that thinking about making these upcoming child tax payments banking access payment opportunities, that kind of elevation of this work is sort of breathtaking.

And what I want to say is that none of that would have been possible, we would not be here to meet that moment that we find ourselves at without the leadership of the FDIC, from senior leadership through career staff, the dedication to making this work and to making it literal yet at such a large scale has brought us to a very exciting point.

So thank you very much. Looking forward to you all hearing more about the work at the panel, and I'm interested in hearing about everyone else's work. Thank you.

MR. MILLER: Thank you, Jonathan, and that's a terrific segue to our next speaker, Naomi Camper from the ABA.

MEMBER CAMPER: Great. Thank you. Can you hear me? Terrific. First, let me amplify the last thing that Jonathan Mintz said, which is without the vision of the FDIC and the staff and the creation of the unbanked survey that has shone a spotlight for years and years on the problem of people being outside the banking system, we would not be able to measure our progress or even to quantify the scope of the problem. So thanks to all of you who are little boxes on the screen without a picture, but we see you and we know the work that you've put into this.

I want to -- I know I have seven minutes. No one's used that time, so I'm going to try to come in under as well. I want to lean in on the moment we have before us, because we know the power of this committee to get things done. Jonathan Mintz just mentioned July as a banking access moment when millions of families will be getting the first of a recurring monthly payment for child tax credits. This is an incredible opportunity for us to have a call to action for those who are currently unbanked and give them a reason to become banked and give them a timeframe to do it. And we can only have the advance runway to make this a successful get banked moment if the IRS can re-launch its "Get My Payments" portal. It did so for the first round of stimulus payments, and it made it interactive. It allowed -- our understanding is 10 million people had the opportunity to enter direct deposit information into the GMP portal, and it allowed them to avoid getting a paper check, the slow nature of getting that, and also for those outside the system, it allowed them to avoid check-cashing and other fees and safety issues that go along with getting a paper check.

If we can leverage this moment, if the IRS can give us some lead time, launch that payment portal, the industry, non-profits, government can all work together for a massive call to action to get people banked. And that's where the Bank On initiative comes in, and that's where the FDIC's leadership in creating the safe accounts and the standards that are now embodied in the Bank On national standards, we have a growing number of banks offering certified accounts. We have scale across the country, and we have a standard that we know works for those households who, for a variety of reasons, remain outside the system.

So the scaffolding is all here, and the moment is upon is. So I would just urge us all to use our voices as ComE-IN members and observers to make this moment, the most of it, happen.

Also, just we're talking about challenges and opportunities, so just to provide a little bit of perspective into how the banking industry is thinking about the challenges and opportunities, we heard from the beginning, of course, the pandemic -- and Director Gruenberg mentioned this -- the pandemic really re-emphasized why banking accounts are important. We saw it with PPP. We saw it with EIP and a whole variety of challenges through the pandemic.

At the same time, we're seeing in the policy arena a lot of discussions that really go to the heart of what it means to be banked or to be a bank. We see the OCC pushing boundaries about who merits a banking charter. The Fed is looking into who should have access to the payment system, and President Bostic mentioned the new initiative that's underway. Members of Congress are exploring whether the U.S. Postal Service or whether the Federal Reserve should essentially take on consumer banking functions, and the list goes on.

And as Jonathan mentioned, we'll all have our different opinions about that, but the discussion really is front and center. So it's not going to surprise anyone that the American Bankers Association believes that banking accounts are the right answer.

We would love -- well we haven't gotten from 7 million down to 0. We do think that the progress is mounting. But we also want to reinforce that we don't think a banking relationship is simply transactional and embodying just a few discreet transactions. And so the growth that goes along and the growth potential of having a true banking relationship is what we're after. It's not just about a direct deposit. It's about credit. It's about mortgages. It's about investment accounts. It's about opportunities. So we're keeping our eye on that ball.

We also recognize the importance of coalitions and partnerships with non-profits and governments, because one of the reasons that there are people outside the banking system is the need to establish or reestablish trust with them. And so we are very grateful for the collaboration that we see every day.

There are a lot of other things we've been involved with. We don't have time to talk about it. I did want to flag one last thing that we haven't really talked about, but for the committee's radar screen is just the increase in fraud that banks and their customers are encountering with a lot of the issues related to the pandemic. So I will end there because I don't want to have Jonathan Miller give me the evil eye. But you know, happy to talk to anybody on the committee about our foreclosure prevention efforts, our fraud prevention efforts, our continued working through PPP and EIP.

With that, I will turn it back. So Get My Payments portal, let's open it up and let's work together. Thank you.

MR. MILLER: Thank you so much, Naomi.

That was terrific. Pam Patenaude.

MEMBER PATENAUDE: Thank you, Jonathan. Thank you, Chairwoman McWilliams, for hosting us today, and hello to the other members of the FDIC Board and my fellow advisory board members.

I'm happy today to report on some progress that's being made in Puerto Rico. The pandemic certainly has slowed down the recovery efforts, but I'm happy to say that the new Administration, under the leadership of Secretary Fudge at HUD, has unlocked critical resources for the island recently. They made provisions to provide an additional $3.2 billion of the $20 billion that was allocated to Puerto Rico for the community development block grant disaster recovery funding.

The numbers are not overwhelming. To date only 828 families have been helped with the R3 program, which is the recovery -- housing recovery program. And the main obstacle there is the inability to prove ownership. Title issues have plagued the island for decades but owners are having a very difficult time. Many times families have multiple homes on one plot of land, and other members of the family have to sign off. So that progress continues to be slow. I don't know what the solution is to that problem but I know that is what's going to hold back the recovery. It's been 24 months since Maria made landfall, so I'm hopeful as this pandemic eases, that we will begin to see the money flow faster on the island.

And then I'd just like to touch on the work that I'm doing. I'm working with several states on implementing the home ownership assistance fund program, the $9.9 billion that was appropriated through the American Rescue Act. I'm happy to say that the Treasury guidance encourages the grantees, the states or the state HFAs to target the program to socially disadvantaged individuals, and that is defined by the SBA definition.

Those programs are literally just in

the formulation stage right now, and what I hope to be able to do is help states identify the populations that may not have asked -- may not be in a forbearance program and may not have communicated with their servicers.

So I want to yield back my time, Jonathan, to my fellow advisory board members. Thank you.

MR. MILLER: Thank you so much, Pam, for both those reports. I'll be interested to hear going forward about the home ownership assistance fund. It's so important and we know that the concern for the folks who have not been in touch with their servicers. Jen Tescher.

MEMBER TESCHER: Good afternoon, everybody. It's nice to be here and I really have enjoyed the comments that have been made so far and hearing everyone's passion on the issues.

We have been putting out a tremendous amount of research the last few months at the Financial Health Network, and I'm going to just share a couple highlights with you, because I think it really speaks to some of the issues we've been talking about so far.

So you know, we've been talking about the importance of banking access, how much the pandemic demonstrated that. We put out a paper in partnership with Brookings around the uses, payment methods, and cost to recipients of the Economic Impact Payments, essentially the stimulus payments that were made. We used publicly available data and our own pulse data to estimate how long recipients waited to receive their EIP, how much in fees some of them may have paid to access it, especially those that didn't have bank accounts, and how they ultimately used their EIP.

So at the time we wrote this report, it was 1 in 20 eligible recipients had still not received their EIP after six months. Only 45 percent of the EIPs were distributed in the first wave. It took almost four months to distribute 90 percent of the EIP money. This is the first wave, the CARES Act wave. One in 10 Americans received a paper check under the CARES Act despite having a bank account. So those weren't even unbanked people. Those were folks who had a bank account but chose to receive a paper check. Over 3 million paper checks from that EIP distribution were cashed through check cashers, and we estimate that a family of five could have paid $195 or more in check cashing fees in some states. And if you do the math, CARES Act EIP recipients paid an estimated $66 million in check cashing fees to essentially gain access to stimulus relief money.

The most common uses of those funds were for spending, housing, and bills, not surprisingly.

And the report, at the end, goes on to talk about some recommendations to ensure that future direct stimulus programs run more smoothly. Now certainly, things have gone more smoothly since that very first round. And as Naomi mentioned, a big part of that was the IRS portal. And I really echo her call for the IRS to relaunch that portal, because the child tax credit represents almost an even more important opportunity, because it's not a one-time lump sum. It's going to -- portions of it are going to be paid monthly.

And I would go a step further and recommend that the IRS not just put up the portal and allow people to enter direct deposit information but that they enable taxpayers and potential recipients of the child tax credit to apply for and open a bank account right on that portal. There are lots of ways they could think about doing this, leveraging private sector accounts, but I think the more we can give the people the opportunity in the moment to get that account, the better off we're going to be.

We also released a report called our FIN health spend report. For the last decade, we've been releasing a report that sort of totals the amount of money in interest and fees that are being spent by underserved consumers on financial services every year. And this year we made a methodological improvement, and it enables us to not only describe how much people are spending in aggregate but to break down how much people are spending by race and ethnicity, by income, by their level of financial health. And I think it's important here because as important as it is as a baseline to get people into bank accounts. The work doesn't stop there, right? If we really want to improve people's financial health, we've got to be thinking about how they use those accounts, how those accounts are priced and structured, et cetera.

So just a couple of statistics here. Across the two dozen-plus financial products and services that we benchmarked, people spent $303 billion in interest and fees last year. And not surprisingly, consumers struggling with financial health, Black and Latinx households and low to moderate income consumers spent a greater share of their income on interest and fees contributing to the widening gap.

So as an example, Black households

spent on average 6 percent of their income on the financial services we studied. Latinx households spent 5 percent. White households spent 3 percent. Or another view on that would be the most financially vulnerable households spent, on average, 13 percent of their annual income on the products studied, whereas financially healthy households spent just 1 percent.

Another couple -- another few stats that are just really depressing. Black households are 2.7 times more likely to use pawn loans than White households. Latinx households are 3.1 times more likely to use payday loans than White households, and low and moderate income households are 1.8 times more likely to have overdrafted than non-LMI households.

It's one of the reasons why one of the things that we're thinking about and focusing on is how can we permit financial institutions to collect demographic information on their customers so that they can understand outcomes across different racial, ethnic differences while at the same time not using that data in a way that would be improper or illegal, frankly, for lending. Like on the one hand, we're really encouraging financial services firms to recognize that they have a role to play in closing race gaps, but we're hamstringing them by not enabling them to gather and then disaggregate their own data to understand amongst their own customer bases what those gaps look like. And so that's one thing that we're really interested in and starting to have some conversations about.

I think I'll pause there. There's more I could say, but everyone else has done such a nice job. I don't want to be the outlier.

MR. MILLER: Thank you so much, Jen. A lot of really interesting data. We'll look forward to digging into it at some point. Thank you so much. So next, Margaret Libby?

MEMBER LIBBY: Great. Thank you, Jonathan, and it's just -- it's great to be here with all of you and hear all of the reflections and calls to action that folks have shared to date. And I want to echo or start by echoing a couple of the comments of other committee members in really recognizing and acknowledging the leadership of the FDIC around this banking access financial inclusion issue, you know, stretching back to the safe account. And I think so much -- you know, as others have said, so much of that work is paying off, you know, in these recent months. And just also to acknowledge the comments that there is still, you know, work left to be done.

And I think one of the areas that we see in our work where there is a need to kind of extend these banking rails that we're talking about which really, I think, are the economic rails in a lot of ways that our economy and payments, as we've all seen and folks have commented on, it's the economic rails if you're not in banking, you're really -- you're not able to participate and benefit from so much of this stimulus and kind of rebuilding that's happening.

And so the thing that we really see in

our work is just this need to extend those rails to working young people who are old enough legally to have a job and earn their own income independently but not old enough to bank on their own. And that presents a major challenge for a number of young people who don't have adults in their lives. And so whether that's foster youth. There are a number of kinds of young people that this is a serious issue for, and I think, you know, with Jen's data around the costs, the high costs of banking and being underbanked for Black and Latinx families, if we think about all of those families as young people, a few years, you know, prior to where they are now and the opportunity of youth employment and youth workforce systems as a platform that exists in communities all around the country as a really powerful touchpoint to engage Black and Latinx low income young people and young adults in banking. I think that's something that I would love for this committee to, you know, continue to think about and focus on.

And I think going back to sort of crediting the FDIC for real leadership around this issue, Luke Reynolds, who I think we might be hearing from later, was part of and kind of leading a project around youth -- or non-custodial savings accounts for young people with a dozen or so regional banks. And so I think there are a lot of lessons in that work that I would love to see surfaced, and even looking at how some of those approaches can be extended to transactional accounts or checking accounts so it's not just the savings but both kinds of accounts so that young people have that access. And I think that will serve us well to do that work while people are in their early stages of their financial lives. So that's one thing I wanted to start with.

And I think there is a really -- you know, we're speaking about technology also this afternoon, and I think, you know, when you think of the work permit touchpoint which every young person that's getting involved in these programs needs to move through, all the data that is being supplied for that work permit is the data that would satisfy the KYC requirement. So with the right kind of secure technology built around that work permitting process that could auto enroll young people or at least do the KYC process and give them an opportunity to select, you know, an account or a banking relationship that makes sense for them. I think that's a really powerful touchpoint for us to look at in terms of technology and thinking about what that could like.

Okay. So the second thing that I want to touch on is a couple of projects that we are doing in partnership with our BIPOC -- low income BIPOC youth and young adults.

And so one is around supporting them to really think about what are the economic challenges that they and their peers are facing, and what are the solutions that they feel are going to best position them with the economic footholds that they really need to move out of poverty in their life spans, which really, you know, when you think about 18 to 24-year-olds, which is the group that we've been working with, this is what we're calling the youth economic bill of rights project, they -- this is the second major economic setback that they've experienced in their young lives. And they're growing up in communities that have been plagued by redlining and a number of other discriminatory policies and practices that, you know, were already putting their communities in challenging or, you know, with a number of challenges. And so when you think about adding two economic setbacks in their lives, we're really seeing a need, and I think that young people are as well, in rethinking the way that we invest in young people.

I think there's been a lot of great work and thinking and policy and stimulus and recovery efforts focused on small businesses and families. And we're -- you know, we love all of that, and I think in addition to that, we really believe we need to think about young adults as separate from the families efforts that we've made to date, because in a lot of cases, they are on their own, and especially for the low income BIPOC youth that we are engaging around this project, they are on their own.

And so thinking about targeted investments that can really make a difference in their ability to transition into adulthood with the economic footholds that they really need to live independent financial and economic lives. This economic bill of rights project is really kind of illuminating what the challenges are that they're facing and what some of those solutions are in this. Banking access is one of them, credit access, access to financial coaches, I think that has been touched on, the idea that banking access is incredibly important but having a way to really learn and engage and really make the right kinds of financial decisions is key.

And there are a number of others, but one example that I'll share in terms of these targeted investments -- and I know, Jonathan -- I'm keeping my eye on the time -- is a guaranteed income project that is targeting emancipated foster youth in Santa Clara County in California. We're participating by providing optional financial coaching. And about a little over half of the young people receiving these monthly $1,000 payments have opted in to receiving the financial mentoring services. And I think, you know, it's an example. We're seeing more of these pilots pop up, and we're excited to see those focused on youth and young adults to really support them as they make this transition.

The final project is this wealth equity lab which is engaging Black and Brown tech pipeline organizations in the work of imagining what the next iteration of our technology is going to look like to provide access to safe financial products with the touchpoints to get individual financial mentoring and coaching. And so I think we're very excited about this approach of really having the end user define the problem and the need and be engaged in helping to build out the technology. And so excited for the technology section -- or session a little bit later, and I will pause there, and yes, thank you so much for all of your thoughtful comments to date. I'm looking forward to the rest of our session.

MR. MILLER: Thank you so much, Margaret. I appreciate your thoughtful comments and the interesting projects you're working on. Next we'll hear from Christina Tetreault.

MEMBER TETREAULT: Good morning, everyone, from California so -- and good afternoon to folks who are outside the California time zone. It's wonderful to be here and I want to echo my fellow committee members' statements about how informative these meetings are and how much I enjoy hearing what other folks are working on. Because I have the pleasure of going later in the round robin, a lot of things I was going to mention, I've been madly scribbling off so as not to be redundant, but I do what to echo at a very high level that consumer reports research continues to document the disproportionate economic impact of the pandemic on Black and Latinx families, and the challenges cannot be overstated.

There is also -- and this may seem a little off topic -- a looming potential crisis when student loan payments resume. So federal student loans have been in forbearance and that will end this fall, and 40 percent of people with education debt do not have a degree. And even the tiniest balances can be overwhelming for families with limited or no incomes. So we are very concerned about how repayment restarting will happen, and eager to see additional information reach those borrowers. And so I definitely just wanted to flag that here.

The other thing I wanted to talk about, and Naomi mentioned it earlier, is the incidence of fraud, so all types of fraud. The identity theft, for example, where folks are finding out that they are -- that claims were made for unemployment in their name; imposter frauds where people are tricked into sending money because they're told that, say, their utilities are in danger of being cut off; and then the financial desperation fraud. So these are scammers who specifically prey on people who are at the economic margins, and they promise relief, and so we are seeing all types of those frauds spiking.

And I'll use that as a transition to talking about credit reporting and again, this seems, okay, you know, how is this relevant when we're really very concerned about people who often exist outside the economic -- the three big credit bureaus and the credit reporting system as it exists. But what we have been seeing is this spike in complaints and errors, and what we've seen in going out and doing direct engagement with consumers is that we have a handful of stories -- I don't know how widespread this is -- where folks who didn't think they had a credit history are pulling their credit reports and actually finding that they've been the victim of identity theft.

So you know, one example is a person who pulled their credit report and found out they had a Walmart credit card which they had absolutely never applied for. So that, I'll just put a pin in that, but there's more coming from Consumer Reports on the credit reporting research so stay tuned.

However, I will not be delivering that research because May 7th was my last day at Consumer Reports. That work there is in good hands, and if anyone needs contacts at Consumer Reports, I'm happy to make those connections. But I will be starting Monday with the California Department of Financial Protection and Innovation, and I will be standing up the Office of Financial Technology Innovation.

And for folks who are not familiar with the office, the OFTI was established with the passage of the California Consumer Financial Protection law last year. And the Office of

Financial Technology Innovation will work with entrepreneurs and licensees to encourage the creation of innovative and responsible financial products and services. So I'm very much looking forward to assuming that role on Monday, and I thank you for the opportunity to speak today and look forward to the rest of the program. Back to you, Jonathan.

MR. MILLER: Thank you so much, Christina. We'll look forward to your participation in your new role. I'm sure you'll have a lot of interesting -- very interesting things to report back in that role.

And Lisa Mensah, thank you so much for waiting so patiently. We look forward to hearing from you.

MEMBER MENSAH: Thank you, Jonathan. Very nice to go last because I get to hear from all of my friends and to follow really thoughtful people.

I love being part of an advisory group on economic inclusion, because I now have the job of representing 350 CDFIs of the 1,000 that are out there that really fight for economic inclusion all the time. And what I like about this committee is we can talk about both what that means at the individual and what that means at the institutional level of banks.

And I feel like CDFIs are uniquely devoted to fighting for the lives and livelihoods of low income consumers and minority consumers, often the same, and also fighting for low income communities and the institutions that are needed to rebuild those communities.

You asked us to talk both about opportunities and challenges, and I have to begin with opportunities. I feel a little like Jonathan Mintz in the unusualness of this moment in time, a horrible painful crisis with way too many folks dead, but it has meant that the country has reawakened to more of a commitment to racial justice and to a commitment to looking deep at who can help now.

And in that fight, I feel CDFI's have

had unusual opportunity to stand up, to raise our hands, to say we've been here for 40 years, we are the specialists in lending deep in low income communities, and you need us now, both in the crisis and in as you rebuild. I was pleased to hear yesterday from the Deputy Secretary of the Treasury who said if you're going to unlock opportunity, you're going to build back better, which is this Administration's goal, you have to unlock things that have been stuck. We can't just do repair. And I think that has been a moment so -- that we can stand up as a field, a field that invests in small business, that invests in facilities, in housing, in providing consumer accounts, whether we're credit unions of community banks or loan funds. And so we are ready to unlock.

For us, the opportunity has presented itself with new partners and as well as enhanced opportunities with both partners. So the new partners are some of the corporations who've stood with OFN and stood up new commitments to reaching deep in communities. For us, that was Google last summer and who committed $180 million, $10 million of grant, and $170 million of debt and to the Google efforts; and then secondly, Twitter, who joined us in launching a finance justice fund last November, committed $100 million. And those two companies have started to move others, and we hope there will be soon new announcements.

We are thinking about the Juneteenth timing in our year as being a time to celebrate true opportunity, what does it look like, what does it mean to use your freedom in America. And we hope more companies will come with us then.

The new partners are great. The old partners are essential, and the old partners for this field have been banks. And they are the groups you regulate, the FDIC, and we don't believe we will get to full economic inclusion without out banks. So Naomi mentioned the belief in the need to invigorate the regulated big major banking sector, and you all have talked about accounts that have reached consumers.

It's not only the consumer touch that's needed for economic inclusion. It's the kind of thing and same partnerships the banks have done with CDFIs to build the childcare centers, to build the affordable housing, to build the home ownership opportunities and the small business communities that revitalize. So we see this as a moment of opportunity for reinvigorating those partnerships to make -- we raised our hand and said there's actually a line of CDFIs who need affordable capital at this time to do the work they've started to do, the mission they want to do.

It is beyond PPP. That has been our task to join banks in moving lots of PPP dollars. We're in the last push for the last two weeks, but I really think the partnerships with banks are so important for the future. And for this reason, we watch very carefully. So our concerns and challenges, we are watching very carefully the future regulatory environment; the need for a

CRA, if modernized, to not ever go backwards; and the need to connect with the partners that we feel have ground-in opportunities, so it means CDFI partnerships that we think are possible.

So we are convinced there are opportunities for bold partnerships. We are calling it the moment of financing justice, and I'm just very proud that there's a field ready to stand up and take their place now. It has been under-resourced for far too long, and we're finally seeing a moment to do this. Many of you heard that at the very end of the CARES Act, the very -- as the CARES Act, the very end of the year, there was an unusual opportunity, $12 billion of appropriations to the CDFI fund; $1.25 billion in rapid response dollars, and we are expecting to hear about those dollars in the coming month or so. And that will reach the entire field of CDFIs and will be a powerful kind of boost to the net assets that will allow us to borrow more. So even more essential is the moment for strong partnerships with the banking sector.

The next two tranches are yet to come, but this is a moment of opportunity, a moment in the spotlight for a difficult reason, because the country needs us. And the challenges, we are watching how to make good, how to make sure people don't just use this as a photo op but really to say 10-year money, 15-year money, long commitments to a field that needs to be here to really drive economic inclusion.

So I'll be brief. I think I'm looking forward to some interchange, but it is a moment in crisis to -- that has revealed more opportunity for serious partnerships at both private and public sector levels. Thank you, Jonathan.

MR. MILLER: Thank you so much. And to close our roundtable, Maurice Jones.

MEMBER JONES: Thanks, John. Can you hear and see me okay? Yes, great. Well good to be with everybody.

I thought I'd share a little bit about

the OneTen Coalition that I've recently joined. OneTen is a coalition now of about 45 companies, overwhelmingly Fortune 500 companies, who have come together and committed to hiring, advancing, and promoting a million Black talent who do not yet have four-year degrees into family sustaining careers and jobs over the next 10 years. And just to give you some context for this, if you look at the country today and you look at jobs that pay $60,000 or above, right now today 79 percent of them require a four-year degree. If you look at jobs that pay $40,000 and above, 71 percent of them require a four-year degree. If you look at the U.S. labor force, 66 percent of it has a four-year degree now -- I'm sorry -- 66 percent of it does not have a four-year degree. And if you look at Black talent in the labor force, 76 percent of Black talent do not have a four-year degree.

So we're in a country right now where we are in many ways creating two Americas, and one way is we are now looking at limiting catapulting into the middle class to folks who have four-year degrees, and that's by far a slim minority of the country, and it's disproportionately impacting Black talent and other talent of color.

So these companies have come together and they're basically making a handful of commitments; one, to put jobs on the table, a million jobs. And these are not just new hires but in fact, I think the biggest opportunity is going to be internal mobility, promotions and advancements.

The second piece of what they're doing is -- and by the way, the jobs have to pay a living wage. The jobs have to have a low risk of automation. The jobs cannot require a four-year degree, and the jobs, you have to -- it can't require more than five years of experience for one to be eligible and competitive.

The second piece that the companies are committing to is actually in addition to putting jobs on the table that don't require four-year degrees, making their hiring and promotion practices more inclusive, the biggest piece of which is actually removing four-year degree requirements from existing jobs that they had. There are a number of other things they can do, but recredentialing existing jobs to create more opportunities for folks without four-year degrees is the second commitment that the companies are signing up for.

The third piece is where we have created a community of practice, and that community of practice is essentially a forum within which the CEOs and the CHROs meet four times a year to share best practices in areas such as skills-based hiring, using apprenticeships to develop and bring in more diverse talent, launching OneTen ecosystems in cities throughout the country, retention and advancement and promotion issues, how to work with hiring managers to promote more hiring and advancing of folks without four-year degrees, how to work and create a culture within the company that is more conducive to Black talent and other talent of color in particular thriving.

And so this community of practice may, in fact, be the most powerful vehicle of this whole OneTen journey for changing corporations and changing corporate practices and making them more inclusive.

The fourth area that they're committing to is a 10-year commitment here, and 10 years is a metaphor for a longtime commitment to really make change.

And then the fifth area they are committing to is they're each making in addition to jobs, then the other piece is they're making a financial contribution to the operations of the OneTen organization, to the operations of the organization and also making investments in a couple of other infrastructures that I want to talk to you about.

The way that this works is we start with jobs, translating those jobs into skills. We aggregate in addition to that talent developers who are in the workforce development/talent development space. We go through a process of endorsing them so we are endorsing talent developers who have a track record that suggests that they'll be good at preparing Black talent for these jobs. We're talking community colleges, national online players, local hands-on players, the entire gamut of programs of companies, apprenticeship programs, et cetera. And so we send a demand signal to those groups and use that demand signal to influence the content of the offerings that these folks are going to be putting on the table both now and as they evolve to try to meet this demand.

And the final two pieces are sourcing Black talent through these talent developers and also working -- and this actually may be the bigger opportunity -- working with Black talent that's already in the companies. Walmart, for example, is one of our coalition members. They have 300,000 Black talent in the company today.

The question is what we can do to be more helpful in internal mobility for that company, upskilling and reskilling.

And then the final piece of the ecosystem are the wraparound services that talent needs to thrive -- transportation, child care, housing, coaching, and the like. All of that is the ecosystem that we're building both online and face-to-face in about 35 markets around the country.

So that's, you know, what we're seeing. I think from our standpoint so far, early on what we are seeing is an opportunity to aggregate demand. That's going to be the most important piece of this. So we need jobs, jobs, jobs -- quality jobs.

And then the other big piece of this is how to align and scale the talent development system in the country. The biggest piece of the talent development system in the country right now for this work are the community colleges. But even with the community colleges and all the rest, in order for us to really skill and upskill and reskill a million talent over the next 10 years, we will need to scale and improve what we have out there and frankly, take what is effectively a pretty fragmented infrastructure and build a more high functioning team.

And so that's the effort that we're about. I'm excited about it. It's bold. The commitment now is real. I mean we're taking what was a moment in 2020 and hopefully turning it into a movement. There's a lot of work but boy, is it fun. And I look forward to sharing the peaks and the valleys of the journey with you as we go along. So thank you for letting me share.

MR. MILLER: Thank you so much, Maurice, and to all the members of the committee. We are remarkably ahead of schedule, so I thought I might give each of you an opportunity to respond, to comment, to question or just reflect on anything your fellow committee members may have said. If you have an interest in doing so, just please raise your hand, and I'll call on you in the chat. Raphael.

MEMBER BOSTIC: Yes. I just wanted to emphasize what a couple of our committee members said about the lessons that we will learn from the three waves of economic impact payments that went out. Now our bank in Atlanta was responsible for executing the instructions from the Treasury, and I will tell you that we learned a lot about account management, about how you fix errors, and really about how you engage with the public. And I think there are real opportunities there that I'm hopeful we can learn some lessons on that can be used in a more general setting. So this is something that I think that all of us will need to be more -- actually we need to keep our focus on so that we don't get distracted by other things and really take advantage of a crisis to draw -- to take us to a new place that's better for everyone.

MR. MILLER: Thank you, Raphael. Anybody else have any comments or thoughts? I'll -- if not.

MEMBER LIBBY: Jonathan?

MR. MILLER: Oh, go ahead, yes.

MEMBER LIBBY: Yes. I just wanted to underscore, I think, this idea that Maurice brought up about the 10-year commitment, and I love the idea that that's a metaphor for a long time.

But I think it's -- and this is what -- I was talking to one of my financial coaches yesterday who's been doing financial coaching with unaccompanied homeless minors in San Francisco, and just his reflections on the kinds of challenges that young people who've grown up in poverty are dealing with as they -- you know, like with -- there's a number of challenges. And I think this idea that we're in a moment and there are so many ways that we can be creative to leverage that, but this is a long-term process. I think that it really is going to be -- like there's complexity to the challenges, and they're not just related to the pandemic, right, which I think a lot of us have underscored, that these have been longstanding challenges that were exacerbated by what we've seen happening in our country in the last year or so.

But just this idea that all of these approaches, I think we really need to be thinking about them with a long-term view and the complexity of the challenges. So just really appreciated that idea of the time horizon and the importance of that.

MR. MILLER: Thank you very much, Margaret. Anybody else have any comments they'd like to make, observations? Oh, Jonathan Mintz. Thank you.

MEMBER MINTZ: I would be guilty of poor board management if I didn't agree with Naomi Camper. No. I do really want to underscore the point that Naomi drove home, which is I think that when it comes to that last mile that the Chairman talked about, banking the unbanked, I think that this opportunity of the money that's going to the population that will be eligible for these child tax payments with recurring payments over several months, I honestly think that is the biggest opportunity of knocking off the last mile I've ever seen in my career.

And I think that given that we have the infrastructure in the banking side of the equation with Bank On accounts, so many of which can be opened right online, with the success that the IRS experienced, thanks to the FDIC's encouragement, on that first stimulus payment and the interactive portal that allowed people to enter in a bank account and directed them to Bank On accounts and to the FDIC if they didn't have an account yet. You know, we've heard estimates of 10-12 million people took advantage of that opportunity.

So I think the -- I think if we all were to really say what's the one thing that would make the biggest, quickest, largest difference on banking access, I think Naomi was absolutely right, it is this opportunity of the child tax payments.

MR. MILLER: Thank you so much Jonathan, and let me just assure the public this hasn't been scripted. Naomi, go ahead.

MR. CRUSE: Sorry. It has not been scripted, I promise. I do want to add -- and you'll get to this on the next panel, but one of the things that's been really encouraging and gratifying over the last sort of six to eight months that we've been making a real concerted effort with all of the ABA's membership, challenging them and encouraging them to open certified accounts or to get existing accounts certified is the interest in it, the enthusiasm about it, and the uptake from banks of all sizes. And I know that when the Bank On movement first started and CFE fund was first promoting its accounts, they tended to be offered by larger institutions. That is no longer the case, and it's banks and it's credit unions. It is regulated financial institutions across the board, I think, who have really paid attention to what are the reasons that people are unbanked and how do these accounts solve for those, how do they make people feel comfortable. So you know, just reiterating that the work that the FDIC did and put in so much effort to finding out why, not just how many, has really been important as banks and other regulated institutions go out and try to invite hesitant would be customers into our institutions.

MR. MILLER: Thank you, Naomi. Anybody else, any other comments or questions from our committee members? Lisa, go ahead, yes.

MEMBER MENSAH: Tech challenge. I've been trying to put things in the chat. I also am not scripted but Naomi raised an interesting point about the value of relationship in a banking relationship. And I find this an interesting point when we're -- one of the things the PPP program taught us is that banks couldn't reach all small businesses and non-profits. And so it gave special interest in fin techs and in next generation new institutions. I'm sort of interested in what other people are hearing.

We are concerned as a field, that some are great, some non-banks are great. We have many depositories in our membership and many non-depositories that aren't regulated. But I am concerned that not all solutions to inclusion are fair or on the level. And I think this is going to be there is a push. I think Naomi raised a big point on what is a bank or what is -- who should be in this sector. And I think the topic of inclusion is, I think, promised and we're concerned. We could believe -- feel this in CRA and we feel it in who's answering the call. So we think, as I said, I thought that was put to race.

MR. MILLER: Thank you very much, Lisa. I'm glad I noticed your hand waving. Any -- oh, Jen Tescher.

MEMBER TESCHER: Yes. I feel the need to sort of respond to Lisa and others that while I think banks are a very important option for people, that we shouldn't -- we should be careful that we don't toss aside anything that might look new or unfamiliar because it doesn't have what we currently think of, because it isn't what we currently think of as a bank. And I want to be really careful about the kinds of products and institutions that we're suggesting consumers do business with.

But I also recognize that the world is changing a lot, and there are some very interesting things coming to the fore. And I just want to be careful that we use a scalpel as opposed to a mallet as we're trying to distinguish between good and bad.

MR. MILLER: Thanks very much, Jen. Appreciate your thoughts there. Raphael Bostic.

MEMBER BOSTIC: Yes. This is actually taking me back to where I started which is, you know, our task force on innovation and financial inclusion recognizes that a lot of the new stuff that's happening, a lot of the new services are going to emerge from institutions that may or may not be banks. And I think it's important that we have a conversation about what our expectations are from the innovators in terms of how they think about inclusion and how they make products available -- products and services available so that inclusion is really achieved. So we might -- and now let me say one other thing. I think we might have it in our head to be afraid of all this happening in terms of the regulated institutional space. But that's not really how the world is working anymore, and I think we need to make sure that as we engage, we do it with the market that we actually have. And that's going to be a lot of non-banks. It's going to be a lot of FinTechs. It's going to be a lot of smaller institutions that may not have the sophistication or sensitivity to these issues, so you know, I'm going to try to make sure that our bank goes to where they are and make sure they're aware of it, and I would encourage all of us to do the same.

MR. MILLER: Thank you very much, Raphael. Last call before we head into break? Anybody else?

(No response.)

MR. MILLER: All right then. Why don't we take a break then to 2:40? Thanks again to all the members of the Committee, and I'll see you at 2:40.

(Whereupon, the above-entitled matter went off the record at 2:23 p.m. and resumed at 2:40 p.m.)

MR. MILLER: Hello, and welcome back, everybody. We're now going to move to our first panel discussion, which will focus on expanding inclusion through technology and innovation.

We sort of had a perfect segue at the end of our last discussion to that topic, so Keith Ernst, FDIC, is Associate Director for Analytics, who will moderate that discussion. Keith, let me turn it over to you.

MR. ERNST: Great, thank you. Good afternoon, Chairman McWilliams, Directors Gruenberg, Uejio, and members of the Committee.

At the onset, let me say what a pleasure it is to be back here with you, so many great perspectives and such great experience that this committee brings to the table. I know it was deeply appreciated by all of us here at the FDIC.

Now, in past common conversations, we've considered technology. We've often focused on its potential, its potential to lower operating costs, to improve outcomes, and in so doing, to expand the reach of the nation's banking system.

The core question we've grappled with has often been, which technologies are we going to focus on and how will it further economic inclusion?

FDIC research, for example, has helped call attention to the potential of mobile financial services, and that's been both in our qualitative research and in our quantitative research.

So, in our qualitative research, it's really helped call attention to the potential for technology to make a match between consumer needs and expectations and what the technology can deliver, perhaps in ways that traditional banking has not for some members of the public.

And that may be through timely information that gives consumers a sense of control, or it might be through the convenience of features like remote deposit capture that enable consumers to deposit a check using a smartphone and to get access to funds in a timely and secure manner.

Quantitatively, FDIC research has pointed at how technology like this can meet needs in perhaps unexpected and surprising ways. As far back as 2013, FDIC survey data suggested that Black and Hispanic bank households were making use of mobile financial services at relatively higher rates compared to White, non-Hispanic, bank households.

Now, this Committee has gone on in areas like this to observe the notable increase in mobile financial services uptake, to the point where, in the FDIC's most recent set of findings, it had become the most common primary means of account access, with more than a third of bank households using mobile financial services to access their bank account, compared to just about 23 percent who are using online services, their desktop or their tablet at home.

And while focus on specific technologies has proven useful, I think the details I just provided truly illustrate some of the types of conversations we've had around the table, the motivation for today's panel is really a little different.

Today, we'll focus not on a specific technology, but on the more general question of how to foster the responsible adoption of technology to support economic inclusion, and this afternoon, we have two distinguished guests to help the committee consider this topic.

While we typically skip over the bio details of our guests, it is worth taking a minute to recognize the experience and perspective of our presenters, and in part because it gives me an opportunity to introduce one of our newer employees at the FDIC, Sultan Meghji, who joined in February 2021, so just a few short months ago, as the organization's first Chief Innovation Officer.

He is recognized as an expert in financial technology. He co-founded Neocova, a financial technology firm providing secure cloud-native artificial intelligence-based software for community banks and credit unions.

He has experience working in digital banking in Kenya, Tanzania, and Uganda, and he's worked with think tanks in central banks to create peer-to-peer banking solutions in Africa and Central Asia.

He is a nonresident scholar in the cyber policy initiative at the Carnegie Endowment for International Peace, and he has played the role of advisor to U.S. Treasury, the Group of 7, the Office of the Comptroller of the Currency, and the FBI, in the areas of cybersecurity, quantum computing, and artificial intelligence.

He's also, here at the FDIC,

establishing FDiTech, and we'll have a chance to hear from him and more details about this new office, including his aspirations to make contributions within and outside the organization to promote the use of technology to support economic inclusion, and how inclusion is a key focus for that office.

But let me say now before introducing our second speaker, David Ehrich, that from the outside, I've been able to see him assembling what really has just been a great team, so I have no doubt that that office will do great things.

Now, I'd like to say a word or two about David Ehrich, and then I'll go over just a little bit how the session will unfold and we'll get started with the conversation in earnest.

David Ehrich is co-founder and Executive Director of AIR, the Alliance for Innovative Regulation, a nonprofit dedicated to the digital modernization of the regulatory system, a small ambition there, I suppose; co-founder of Petal, a FinTech credit card pioneering the use of cash while underwriting to help consumers build safe and affordable credit access when they don't have a credit score; and David was also appointed to the CFPB's Consumer Advisory Board.

Now, at AIR, he's focused on asking important questions, like how technology can be of service to a more inclusive banking system, and I think key to their approach seems to be their thinking about how regulators themselves can better understand, anticipate, and make use of technology, both to meet their mission and to support its adoption within industry.

On a personal note, I'd also say that David is someone who has time and again generously shared his expertise and perspective, and so I think we're in for a treat today with our conversation.

My plan here is to start with a few questions to each of our panelists in turn. I want to encourage committee members to go ahead and use your raise-hand function. You know, the value in these meetings really is in the exchange of ideas, and I think even in this morning's panel, we were reminded again of why.

Don't feel like we need to queue up in turn. I'm used to seeing many hands go up and finding ways to recognize people in due time, so please, when the spirit moves you, put the hand up and we will come to you. We value your perspectives and we want to hear your questions and thoughts.

But now let me turn to Sultan. Welcome, Sultan. I wonder if you could, just as an initial question, tell us about this new office within FDIC, FDiTech, its objectives, and more generally the opportunity that attracted you to join us?

MR. MEGHJI: Well, fantastic, thank you, Keith. Great to see you again, David, and to the Chairman, Directors, and the other members, thank you for having me today.

It's exciting to be here on something like day 90, and I only know that because about every day or two, the Chairman says, well, what have you done for me today? So, I'm keeping a very close track on the number of days I've been here.

So, let me break that question apart into a couple of pieces. First is, you know, what are we building? We're building a new organization inside of the FDIC specifically focused on bringing innovation, not just into FDIC, but also into the member organizations.

And so as we continue to build it up, you'll really see two different features of how we do things. The first will be inwardly oriented, so looking at how the FDIC does what it does, and there's a lot of work there.

And just Monday, we had a new member join us as my deputy. Her name is Zunera Mazhar. She comes to us from the Department of Education and CIS, and before that, a career in banking, and so not only has she worked through transformation programs at other agencies, but also understands the banking sector intimately, having been sitting there at the teller station and a variety of other roles.

The second piece, the external piece, is really focused on engagement and a variety of other activities, and through that we've brought a noted expert in the field from CFPB, Jennifer Lassiter, in to join us to run those programs, and the two of them combined are really quite a powerhouse.

And then here as someone new to FDIC, I've been continually impressed with the people on board, and so it's set a very high bar for me in terms of bringing new people into the organization. They have to kind of live up to that expectation.

Let me talk very briefly about the core themes of innovation that we're hankering on right now, and the first one has direct relevance to this discussion because it's inclusion.

And it is fundamentally about how do we ensure that we are building and encouraging the build of an inclusive, diverse, and equitable banking system for all Americans, and not just for Americans on the consumer side, the individual side, but also in terms of small business, in terms what minority and women-owned businesses bring to this great nation.

I actually got into banking originally because I'm from basically a small town in the middle of Illinois that no one's ever heard of, and that town contracted over the last few decades because the bank closed.

It was a one branch bank in the middle of a cornfield, originally an ag bank, and when it closed and got taken over by a law firm's spreadsheet in Springfield, Illinois, it ended up really having a detrimental economic impact to that small town.

And that took me down the path when I visited the town a while ago to say, well, what does the actual impact of a bank like that have on its local community in terms of not just, you know, business activities, but consumer activities?

Did the local people in this small town have a place to go, not just for basic depository functions, but where to get a home mortgage, or a car loan, or any of the other things we need in order to live our lives?

And it took me down the path of realizing that there's a direct through line between access to banking and economic empowerment. And without that capability, that town really struggled, and only now, many decades later, is it starting to come back.

And so after now a few decades in marketing and mostly in technology, but in banking as well, I've gotten to a point where I saw an opportunity with FDIC because of its reach and because of the leadership it's already demonstrated, not just in terms of ensuring that we have a safe and sound banking system, but encouraging wonderful activities, for example, the Bank On initiative and other activities around serving underbanked and unbanked communities, but also the leadership role it's been able to take in terms of bringing light to this discussion.

You know, there are very few organizations in this country that have that direct touch point, and so that's all just the first theme of innovation, so that was a really long answer.

The other three are much more straightforward. It's resilience. So, how do we ensure that we're building a resilient banking system, one that is not just aware of the activities, the things like cyber attacks and things like that, but also planning for this continual evolution and continual disruptions that are brought on by everything from state and non-state cyber actors, through to climate change, and everything in between?

The third theme is around amplification. It's how do we take the great experts in this field, whether they're inside agencies like ours, or out in the market, and remove the friction from their day-to-day lives, right?

A process established 40 years ago when it was done with pen and paper makes perfect sense, but when you're doing it entirely digitally, you probably want to rethink how some of that process is executed.

So, what can we do so that experts spend more of their time being the experts and less of their time manhandling a process, or a spreadsheet, or wanting to take their laptop and hurl it out the window? Because we've all been there, I'm sure.

And then finally, we have to think about the future. You know, one of the things that is really important to me is ensuring America's position on the world stage, and economically that we're really leading this world, as we have in the 20th century.

I'm a member of Bretton Woods, which, for those who don't know, was responsible for the creation of things like the World Bank and IMF, and also was instrumental in the creation of the

Marshall Plan after World War II.

Well, what did that do? That established, through American leadership, an economic system that allowed us to prosper and to use all aspects of our foreign policy to ensure that we are maintaining a place in the world and a leadership function for free market capitalism and democracy, which I still think are the two best things after peanut butter and chocolate together.

And so what do we do about the 21st century? How do we take that same thinking and apply it to how we do things in the 21st century? And so that's what protecting the future is about.

And then of course my favorite catchphrase which is, you know, what happens when Elon Musk builds a bank on Mars? I hope to heck that it's working with the American banking system and not something else, so how do we think about that?

So, those are the themes and that's

what brought me here, a very long answer to your question, Keith, but thanks for giving me the opportunity to sell what we're doing.

MR. ERNST: No, no, a great intro, and I'm sure we'll have follow-up questions from committee members as we go along, but let me just go to my next question here.

Because I think what may be of real interest to the Committee is while it's still early days in your tenure here, can you tell us more about the kinds of initiatives you anticipate bringing to this committee?

I mean, you know, you talk, you know, about innovation being one of the four pillars. How do you see that manifesting itself?

MR. MEGHJI: Absolutely, and it's a great question and one that I really look forward to engaging with this community on more.

The first thing I would say is I've only met a few of the committee members one-to-one, and so I invite every single one of them to reach out to me and let's find a few minutes to chat.

The reality is that there is so much we can do that it's really about prioritizing a couple of initial first steps, and that first thing is just what this is, which is engaging and listening.

You know, I've built a couple of companies and I always like going to where the customers are. In fact, I heard two different committee members make a version of that same sentence, statement earlier, and that's the same thing we're doing.

You know, we're not going to build a program without listening to our key stakeholders, like members of this community, members of the public, stakeholders, et cetera, and people like David, by the way, as well, who it's exciting to be on this panel with.

That's the first thing and I'm, you know, 90 or so, 80 or so days into that journey, and there's going to be a lot more of that.

Something you might have seen fairly

recently, we announced Office Hours, these are focused on artificial intelligence, and we've had an amazing response so far and I really look forward to engaging through the Office Hours Program.

You know, we'll do a couple of other things in terms of information gathering and you'll probably see an RFI or two come out, and you'll see other Office Hours and opportunities like that, so that's kind of category number one of activities.

Category number two is now once we have that, once we've really understood what's going on out there, where are the places we can actually move forward on?

You know, from August of last year until just really this last week, we've been running something called rapid phrase prototyping, which is an opportunity for us to engage and let the market come to us with suggestions of things that they think would be meaningful and useful to us.

And it started with, I think, about 20 or so organizations, and it actually grew to a little over 30, and then through the various phases, it got down to, I think, 11 or so. I think 11 is the number. I could be wrong there. And we've gotten a lot of really amazing things.

And the thing that I enjoyed watching as I joined this organization is that it opened people's minds to the art of the possible, and it's really engaged and energized in a discussion about what we can do to not just be more efficient, as you highlighted, Keith, at the very beginning, but also ways to kind of just do a better job, right?

You know, the risks to our universe are all famous. You know, the notion of risk management is a phrase in everybody's mind now days and what can we do about that, and so that's really exciting.

And then the next phrase downstream of that is going to be engagement, and there are a number of things we're looking at, and I already highlighted Jennifer Lassiter joining us from CFPB, where she's run a number of tech sprints, and these are opportunities where we bring -- we channel light basically on a problem and begin a discussion about how we can solve parts of those problems.

Well, don't be at all surprised if we do a tech sprint or two this year. Don't be at all surprised if inclusion is one of the anchors of that either.

So, those are going to be just an initial couple of things we're doing, a lot of other stuff coming down the line. I'm not quite ready to announce all of it just yet.

MR. ERNST: Understood, well, thank you for giving that glimpse in. You know, you mentioned obviously an interest in engaging and collaborating with stakeholders on this Committee. You've talked about the Office Hours, you've established and the RFIs we've put out.

Can you talk a little bit -- just a little bit more, are there other mechanisms through which people should be thinking about connecting with you and with your office, you know, about the value you're looking to get out of these engagements, how people can come to them and get the most out of it from their point of view?

MR. MEGHJI: Absolutely, and I've said the word transparency before and I'll continue to say it again. I hope that we create the most transparent, most open, innovation program amongst the regulatory community.

I want the entire stakeholder community, everyone listening to the sound of my voice, everyone who has looked at anything we've done that's highlighted our open email and some other things like that, to know that we want to hear from them.

You know, this is -- you know, for so long, you know, the regulatory community has been an opaque organization to so many people out there and I really want us to consider a more open view of it.

And, you know, one of the things that I think a lot of us have dealt with for a long time is that the FinTech community has really met the customer where the customer is and, you know, and the banking community could have done a better job of that.

And I think for us as regulators, we really need to hear what people are doing and where they're thinking, and to make sure that, you know, we engage early and often.

I've historically called that being regulatory forward, from my time in the private sector, and I'd like to see us do a mirror of that.

It's a big challenge, I think, for people to change that, you know, bring in a different culture of transparency in places where it hasn't necessarily been. But the one thing that's been really exciting since joining is seeing just how many people are engaged and wanting to hear it.

You know, I was in a briefing

yesterday and we were talking about some artificial intelligence that we're using internally, and it was just amazing and awesome.

And that's one of those things where I don't think we've really done a good job talking about what we've done and the value that technology in some of the projects we've done internally have been outside.

And so obviously we want to not just bring information in, but we also want to be able to put information out. And so being able to do both of those, I think, in a more transparent way is going to be a big piece of what we talk about moving forward.

MR. ERNST: Great, thank you. Now, you know, you mentioned Bretton Woods, but I'm going to go back into some of your other experiences.

You know, I read in the beginning some of your really sort of diverse work experiences ranging from developing nations to, you know, a cloud-based service provider who was on the cutting edge trying to serve community banks and credit unions.

And I wonder how do those experiences inform your views about what it takes to recognize potential technology when it comes to something like economic inclusion?

MR. MEGHJI: It's such a great question, Keith, because, you know, the world has become digital. You know, I'm old enough that the world was not digital, you know, when I was a kid growing up.

You know, I'm a child of the Cold War, right, so, you know, watching -- you know, and I had the opportunity of working on the first web browser just as one example of that, right, and watching the world become digital over time has been a real thing and a real evolution to our culture.

And there are parts of the world where they didn't have the infrastructure. They didn't have the mature banking ecosystem that we have, that we were fortunately enough to have, for example, in the 20th century.

And so when I got the opportunity to spend some time in Africa and Central Asia working on kind of last-mile community banking into, you know, villages in places like Kenya and Tanzania, one of the most interesting things we learned was that the last mile was key.

You heard the Chairman talk about that already and that is a big anchor for a lot of the things we're thinking about is how do we enable that last mile? And digital technology, to me, is the most effective way of solving that last mile discussion.

Other amazing community groups and other organizations from municipalities themselves all the way through to every other local organization, it's great, but the way to enable them, the way to really make that meaningful impact and anchor people in this system, my belief is that digital technology is the only way we'll do that, and so, you know, that, to me, was kind of part one.

Part two is we are in the midst of a fairly large generational change here in the United States, and as we continue to see people who grew up as we call them digitally native, you know, they would prefer to pick up their phone, versus engage in almost any other way, and certainly the pandemic has reinforced that.

And so for us as a community, there's a lot of energy we can put into making sure that it's not, you know, banking and then digital banking; it is digital banking, full stop.

And to me, that is also part of this discussion, is really understanding what the impacts of that generational evolution is, and how we can evolve that.

You put those two together and it's really a coda to a lot of the work that I've done in my career, and it's almost like a perfect storm of backgrounds that allowed me to land in a role like this to be able to do these kinds of things.

MR. ERNST: And it's really

interesting to hear you frame it that way, because so much of what I think this Committee has talked about and what the FDIC research has shown in the past is that the technology itself is important, but what's really important is understanding how it's positioned and how it's connecting with consumers and delivering on its potential, right? You know, a phone in a vacuum is not very useful. Right?

MR. MEGHJI: Absolutely, absolutely, well, and it's an amazing opportunity, right? I mean, just as one example, I've spent, you know, most of my career in artificial intelligence and, you know, there are amazing opportunities for artificial intelligence out there, right?

There are also places we need to be very thoughtful about the risk that putting technology in can provide, you know, so there are a lot of discussions around that, but, you know, the vast majority of artificial intelligence in the banking system is really around the theme of amplification, as I described it.

It's around automating processes. It's around looking for errors or looking for bad behavior, including, by the way, discrimination, and highlighting implicit bias that people might not even realize is going on.

And so there are amazing opportunities for us to use these technologies to make the system better for everyone, especially those people who are not serviced at the same level as the rest of the population.

MR. ERNST: And that really brings me to sort of my last prepared question for you, and it's almost a perfect setup. How do you see the adoption of technology by regulatory agencies themselves as integral to supporting economic inclusion?

MR. MEGHJI: It's just not optional. It's the only way. You know, we could double the staff at the FDIC, if we could figure out how to pay for it, and we still would not have the resources we needed in order to solve some of these problems, right?

The only way to solve them, the only way to highlight them, is through technology, and a lot of that's around data: its ability to see what's going on, understand it, measure it, make changes, and then measure the impact, right?

It's kind of measure, change, and then measure what your impact was, right? We're an incredibly quantitative organization, which is one of the great things about FDIC, and you look at the great work our research division, just as one example, puts out on a daily basis. It's absolutely fantastic stuff.

But at the end of the day, without technology, we'll never hit the scale we need to in order to really understand what's actually happening there and the impact of it. Because it's not just that we're making a change, it's that we measure the change.

And we can test different ways that we can make changes, and perhaps one type of technology is really meaningful for one subset of activities, but it might not be the right thing for everything.

Banking, historically, has been very comfortable with one-size-fits-all solutions, and that's a very general sentence meant in a general way, and for us as regulators, you know, we've been part of that logic, right?

And, you know, as we move into much more complicated cohorts, and I'll say it like that and not just of consumers, but of banks, but of non-banks, but of ourselves, there's a lot that we can do with technology that allows us to do that in a much safer and much more sound way.

MR. ERNST: Great, thank you. I think I am going to test our committee members' patience by suggesting that I'm going to shift the conversation for David and then really try and draw everybody in the room into this conversation.

So, Sultan, wonderful talking with you. Thank you for getting us started there. David, if I can ask you to come off mute?

I guess my first question to you --

let me see if I'm -- I'm not quite seeing you here yet. I'm going to wait until we have you up on screen, I think.

MR. EHRICH: Can you hear me?

MR. ERNST: Yes, there we go.

MR. EHRICH: I'm there.

MR. ERNST: We've got you, wonderful. Welcome, David. You know, I guess I would start by asking you how was my description of AIR? How should committee members understand the organization? Did I do a decent job? What do they need to know about your group?

MR. EHRICH: You know, first, I want to thank Chairman McWilliams and also the FDIC Board of Directors and the Advisory Committee for inviting me to be here today. It's an honor and a pleasure to join this important conversation.

And Keith, your description of AIR is excellent. You know, you were there from the very beginning. You were one of the first people I reached out to when Jo Ann Barefoot and I were thinking about forming AIR.

One way to think about AIR is to start with the question: how confident are we that our bank examiners have all of the right tools that can help them identify UDAP violations, or discriminatory lending practices, or other challenges to financial inclusion?

And I think that as you think about our financial services ecosystem, it's very complex, our regulators have a very, very tough job, but they're frequently working with analog reports that are based on delayed and sample data, and today's technology has just moved so much further beyond that.

You know, as Sultan described, we have this opportunity for our --

(Audio interference.)

MR. EHRICH: -- professionals to spend less time massaging and standardizing data, but actually, you know, spending their time analyzing and identifying illegal activity, and that's all possible with computers.

What Sultan has really laid out, I

think, very effectively is that we're really thinking about scale. How do we improve our effectiveness? And one of the ways to improve our effectiveness is through scale, and how you do that is through technology. And at AIR, we really think about the future of regulation and we think about the art of the possible.

How can you use technology to really recreate how we think about regulation and how we think about, how we can affect regulation for the objectives that we put regulation in place for, for safety and soundness, for consumer protection, for financial inclusion, to stop financial crime? And for all of these reasons, technology is a really strong and important anchor for us to consider.

So, AIR, as a nonprofit organization, we operate at this intersection of technology, innovation, and regulation, and we work with regulators and central banks around the globe to really advocate for a digitally-native regulatory system.

Like what Sultan referred to when we think about our kids and how comfortable they are with, you know, the digital system today, imagine if our regulatory system could operate like that.

We are really committed to the use of responsible technology to help consumers and small businesses build their financial health, and we have key focus areas, which include gender and racial equity, green finance, and financial inclusion in emerging markets.

So, we think of our work at AIR in three strategic pillars. We think about it in terms of educate, accelerate, and standardize. Where educate is creating new intellectual capital, like our reg tech manifesto and our case study on innovation from the Financial Conduct Authority in the U.K.

We also think about our work in terms of accelerate. How can we help accelerate the adoption of new technologies across the whole ecosystem in financial services? We run tech sprints and we have an accelerator where we identify and implement new digital solutions for regulators, and one example of that is we worked with FinCEN, for example, to help create --

(Audio interference.)

MR. ERNST: David, I think we've got you turned on mute somehow here. Let me see if I can help you. There you go. I think you're back.

MR. EHRICH: Where did you lose me?

MR. ERNST: So, why don't you start from -- if we go back to, you know, you had described sort of the role that AIR played in thinking about technology and regulators, and you were starting to talk about sort of its implementation within industry.

MR. EHRICH: And did you hear about our work in terms of our three pillars?

MR. ERNST: Yes, you had just sort of introduced that and that's where we lost you.

MR. EHRICH: That's perfect. And so our position is that technology is driving incredible transformation in financial services, and we need to be able to see the impact of that. In some cases negative impact on consumers like bias in AI or how our data is being used without our knowledge or permission.

And financial regulators have a key role to play in navigating those waters, because we have to take actions to protect consumers, but at the same time, we want to deliver on the promise that technology can provide to improve financial inclusion, and financial fairness, and all of our objectives for regulatory action.

So, when I think about the role of the FDIC here, we are super excited about working, you know, about the work that the FDIC is doing, and about Sultan as a new member of the FDIC community, and also Jennifer Lassiter.

I've had the opportunity to work with both of them in their private capacity, and I'm just really excited to see the direction that the FDIC is taking in this capacity.

MR. ERNST: Great, thank you for that great introduction to AIR, and obviously this is hard work, and one of the things AIR has become known for already is its sponsorship of tech sprints as a way of approaching this challenge.

And Sultan mentioned it before, but I wonder if you could take a few minutes for members of the Committee, or maybe some of our viewers who are participating in the meeting remotely, to help them understand a little bit more about what that means, what these events are, how they work, but maybe just importantly what they can accomplish?

MR. EHRICH: And I think it's important to just take a little bit of a step back here. The word that we use for tech sprints is actually a very common activity in the tech community, only they term them hackathons.

But in the regulatory community, we're a little bit uncomfortable with the word hacking. You know, it implies perhaps maybe illegal activity. In the tech community, it just means working.

Hacking just means like working hard

at something, and so a hackathon is when a group of people come together to solve a problem, and we have been working to do this, solving problems specifically for regulatory concerns and regulatory issues.

It's actually a strategy that was outlined and really adapted for regulators by the Financial Conduct Authority in the U.K. They have been a real leader in this space in terms of thinking through what regulatory innovation looks like and how you get there.

And tech sprints have been a very valuable tool to actually try to achieve this elusive goal of innovation. How do you actually innovate? Well, tech sprints can be a very powerful way to get there.

And what tech sprints are is really an event, a very intense problem solving event. It could take place over a weekend, or a week, or two weeks, but the idea is that you're focusing on a single problem statement.

And you bring together a group of

people from a very diverse set of sources that have very different points of view, and that together you actually create new solutions. You co-create new solutions, which none of the individuals would be able to think through or create in isolation, right?

So, the idea is that you bring together a policy expert or a regulator together with a technologist, and they're coming from two entirely different worlds; where the technologist isn't aware of the regulatory issues and the regulator isn't always necessarily aware of the latest technologies that can actually solve some of their problems.

And you bring these two groups of people, who typically don't spend enough time together, and you bring them together to problem solve intensely on a single problem, and what happens is remarkable. Because you get a sharing of understanding, you get a sharing of experience, you get a sharing of different aspects of problem solving that people in the isolation of their own verticals don't have an opportunity to see how to think or deal with this across multiple verticals.

MR. ERNST: Yeah, that's a really helpful response, and I know AIR recently worked with the FDIC and also with the Financial Conduct Authority to look specifically to develop a tech sprint focused on women's economic empowerment as a subject.

And I know members of the committee here know that women-headed households are a key population segment when it comes to thinking about economic inclusion challenges. They are among different household types, especially female parent-headed households, the most likely to be unbanked.

Eighteen percent of female parent households in our most recent study were unbanked, and that's much higher than some other family types or the 5.4 percent overall among all households.

And I wonder if I can ask you to help

the Committee understand sort of this in a more applied setting? So, you know, if you can talk a little bit about what the objective was here? What were some of the solutions? And again, maybe most importantly, what do you think participants and observers took away from this particular experience?

MR. EHRICH: You know, the tech sprints operate on two levels, two very important different levels. One on level, they're driving tactical digital solutions to specific problems, but -- did I lose you, Keith? Are you there? You're back?

MR. ERNST: I'm sorry. I'm here. I'm here.

MR. EHRICH: No problem. Can you hear me still?

MR. ERNST: Yes, yes, we have you.

MR. EHRICH: So, I was saying that the tech sprints operate on two very distinct levels, and on the very tactical tangible level, they're creating digital prototypes, very specific digital prototypes, to the questions that they're trying to solve.

But on this more macro level or more meta level, tech sprints are very powerful because they do create cross-pollination of ideas, and they do create dialogue, and they are very helpful in being able to spotlight very specific issues.

In this case, as we all know, women have been disproportionately impacted by COVID. What we can anticipate is that we will see this play out even as we begin to emerge from the COVID financial crisis; that women will most likely be impacted adversely even as we begin to emerge, that they will emerge less quickly, and this is also true for businesses that are owned by women.

But in this case, what we were able to do is bring together experts from a variety of different backgrounds, and some of the very interesting solutions that were proposed may have been very specific, like, for example, the impact of victims of intimate partner violence.

So, in this case, you have an opportunity to use financial technology to help rebuild a woman's life after she has experienced an incredible displacement, where, in some cases, she leaves the house without ID.

In many cases, there's financial abuse that's taking place in the relationship that makes it impossible for this victim to have access to financial instruments, all of which is needed if this person is going to successfully rebuild their life independently, so we have a number of solutions that we're focusing on that.

Another solution that I thought was very interesting was more structural in its approach.

If you think about the people who have been impacted adversely by the financial crisis, that's going to impact their credit scores and that is going to be a hangover that will stay with them for quite some time, but for many of them, the impact of the financial crisis is going to be a very short duration.

For a whole segment of the population, there's going to be people who were impacted adversely, but, you know, actually do get a job and do get themselves back on their feet, but they're going to be carrying that credit score hangover for a long time.

So, one of the ideas that was created in the tech sprint was to create a financial stability score. Could you have a score that ran parallel with a credit score, recognizing that something went wrong in the credit cycle, but that this person today, with more recent information, is actually more stable and is in a much better place to access safe and affordable credit?

A third idea that came through, which I thought was very interesting, was also systemic in nature. It was really structural. It was looking at how to create social impact funding vehicles to actually be able to provide low-cost loans to women and women-owned businesses.

MR. ERNST: Those are really interesting solutions, and as you talk, it is really easy to imagine the range of perspectives you would need to have around the table for those to come together in any sort of credible fashion, recognizing that within the short period of time they are together, you know, they are not necessarily putting a solution into production, but they are sort of getting their arms around it.

Can you talk just a little bit about the kinds of perspectives you had in the room for this particular event?

MR. EHRICH: Absolutely, we had accessed a number of different perspectives. We started with listening sessions, a series of listening sessions with NGOs, the people who were holding the expertise in terms of the challenges that women were facing generally, but then also specifically related to the pandemic.

And also trends that they had seen through the pandemic in terms of were there specific interventions that were working, or specific interventions that weren't working, so that we could help define our problem statement with that in mind.

We also worked very closely with regulators, with technology developers, and also with FinTechs that were trying to develop solutions to help address these populations and these specific problems.

MR. ERNST: Great, and I have one more question and then I'm going to tell the Committee members that I am going to be opening the floor here in a minute to see if we have questions and engagement, and I'm sure we will.

But I guess, David, you know, the last question before I do that I would ask you is, you know, it's easy for me to imagine sort of the benefit to participants being in the room and having this experience and having these conversations.

How do you think people who are not in the room benefit from these conversations taking place, and how can they plug into and sort of get access to some of what was learned in that setting?

MR. EHRICH: I think that we can think about this in a couple of different levels, right? So, there's the opportunity to participate in a tech sprint that we're running, but part of our objective at AIR is to disseminate this technology.

This is a new approach to innovation that's really helpful, because it is a rapid prototyping and it does bring together these different parties that often don't spend enough time together.

And so, for example, what we're really hoping to do is help spread the use of tech sprints across multiple participants in the ecosystem.

So, I had the opportunity to work closely with the CFPB and with Jennifer Lassiter on the tech sprint strategy that the CFPB executed against, and we also are working with regulators around the world to do this.

We're working right now on a tech sprint in South Africa, that we're working closely with the FDIC, to assess credit lending, and the kind of work that Sultan was involved with, really taking credit access to the last mile, both in the townships and in rural parts of South Africa.

But I think in a world where technology companies are using tech sprints every day, using tech sprints on a weekly basis -- a firm like Apple will use tech sprints as a recruiting tool.

So, they'll set up 30 tech sprints over the course of a week and bring technologists in to solve specific problems. They have this opportunity to observe them at the table, to observe them in their problem solving mode.

We could get to a place where we're using tech sprints, you know, on a drop of a coin to solve or address specific questions that we have, and it could be iterative on a single problem.

You could do a tech sprint, put it into the accelerator, and start to build it. You actually hit a blockade where you're not sure if you should go left or right. You do another tech sprint.

And I think that this is the path that our technology companies have started to adopt, but we have yet to see that kind of adoption in the financial services sector, both in traditional financial institutions and the regulatory environment, and that's one of the great values of being able to interact with FinTechs and the new technology that is coming along.

MR. EHRICH: Great, thank you so much. There's so much here we could dig into, but let me go ahead and invite the Committee members to offer their perspectives and questions.

This has been a really interesting conversation for me, but we're about 45 minutes in, so I want to make sure our Committee members have their chance now too.

So, I'm looking for hands and I see, Christina, with your hand up first.

MEMBER TETREAULT: Thank you so much. A quick question for both panelists is I'm hoping they can talk about the potential or any thoughts on blockchain and crytocurrency in financial inclusion?

MR. EHRICH: Sultan, do you want to go first?

MR. MEGHJI: I was just going to say, David, you've got to start.

(Laughter.)

CHAIRMAN McWILLIAMS: I'm going to mute them both before they answer.

(Laughter.)

MR. EHRICH: I mean, Christina, I was going to remind the Committee that blockchain is perhaps outside of the purview of the FDIC at the moment, although that might not be true at some point in the future. Who knows?

But, yes, blockchain has some very

interesting implications on financial inclusion. When you think about certain aspects of the financial value chain that actually cost a fair amount of money, right, like processing payments, for example, it's a fairly expensive process today. That could be managed on the blockchain in the future at zero cost, right?

When you think about some of the challenges that we face in terms of account opening, they are, you know, in some cases related to the requirements that we have around KYC.

Imagine if we had a digital ID that could automatically open up a bank account on the blockchain and could secure that that person was who that person said they were.

These are the kinds of opportunities that we're looking about in the future. When we think about what is the future of regulation, when we think about the art of the possible, these are some of the questions that are looming on the horizon. They have yet to be defined, but it's a very interesting opportunity.

MR. MEGHJI: And I'll say that there are two ways to interpret the question. One is about it from a banking services perspective and the other is from a purely technological perspective.

Underlying a lot of digital assets, there's a variety of new and interesting technologies that allow for a variety of different capabilities in the back office, as well as underlying technologies like payments and things like that.

I will refrain from commenting on any currency-based discussions or anything like that, but I will say there are a lot of interesting things.

I'll just highlight one, which is called a zero-knowledge proof, and it is a way of analyzing data without you having to have access to the data and storing it on your own infrastructure.

So, just imagine the ability for us to

get -- and probably some of the first capabilities out there are to analyze populations where we have a lot of different data in a lot of different places so that we can better figure out where we should be putting our energies in terms of focusing our inclusion programs.

To me, that's an amazing opportunity that digital asset-based technologies will allow us to do, and it keeps me from getting in trouble with my boss.

MR. EHRICH: And Sultan, I'll just add to that. Our very first tech sprint for which Chairman McWilliams was a judge was actually on AML and human trafficking, specifically looking at privacy-enhancing technologies like zero-knowledge proof to use as a potential way of sharing information legally to solve for AML.

MR. ERNST: Great, thank you both. Other thoughts or questions from the Committee?

While we're waiting, maybe I'll connect the two of you and see, David and Sultan, if there's anything in each other's presentations that stood out for you or that made you want to ask a question?

MR. MEGHJI: Well, David, who I have the good fortune of having known here for a little bit, I really embraced his definition of tech sprints. I won't say the H word, because I'm a government employee and I don't think I'm allowed to say that word.

But I would ask David, you know, one of the things that I adore about tech sprints is their compressed timeline and the direct value that's created. You know, it's a very days and, you know, it's not weeks, or months, or years.

The thing that I'm always curious about is how you take a tech sprint and extend it into the future. You extend that value past, you know, that very short window of time and turn it into something more systemic in terms of the nature of change.

Do you want to spend a few minutes talking about that, because I know you have some good thoughts on that?

MR. EHRICH: Yeah, absolutely. You know, the rapid prototyping aspect of tech sprints is very impressive, especially for those of us who come from large institutions of any type, whether they're financial institutions, or regulatory institutions, or just large institutions.

I think everybody here knows how difficult and how mired the process of product creation can be, and so when you sit down and do this one week or two-day exercise and you see what can be accomplished in this very compressed period of time, it is really eye opening.

And for those of us who are children of the Cold War, it is extremely eye opening, because it's so different than anything that we know.

I mean, for me personally, having come from large financial institutions and then migrating into the FinTech world, it was an enormous transformation for me to see how work is done and how different it is, and that's part of the value of bringing tech sprints to larger, more traditional, organizations.

But, yes, at the end of the tech sprint, you do have this series of prototypes, and then the question is what do you do with them?

If the tech sprint is commercial in nature, in other words, the teams that are building the solutions, they have a commercial interest in bringing them to market, that is one path that you can take in terms of encouraging the use of those prototypes.

If the tech sprint is more of a systemic approach, or trying to address a structural issue that doesn't necessarily have a private market solution, or at least an easily visible private market solution, that's where there isn't an obvious path for prototypes that are being created, because there isn't an immediate return on investment from developing them.

So, one of the things that AIR has

done to address this is we've created an incubator. So, we have the tech sprint of our program, which is really around creation and iteration; but then we also have an incubator part of the program, which is really about development and implementation.

And so what we have done is we have created an open source repository on GitHub, where we take the solutions that have enough interest in them and have some sponsorship, and we put them in that incubator to develop it further in open source, so that you can create that solution, and then provide that solution not only to whatever the sponsoring organization is, but you now have it built out in open source, so you could take that to regulators around the globe, or you could take that to law enforcement around the globe.

This is one of the paths that we're using specifically for our tech sprint on child sexual abuse materials. We came up with three really interesting risk assessments that could be built into FinCEN's existing tools that they use to assess risk on trying to identify payments for CCEM.

And in this case, we're building this out. We're building this out in open source with the intention of being able to implement that at FinCEN, but then we can make that available to any law enforcement agency in the U.S., at the state level, federal level, or internationally.

MR. MEGHJI: David, just very quickly, I get so excited to hear you talk about open source. You know, for those of us who come from the tech community, and it's not generally well known, but I'll highlight it, you know, open source is the reason why we have the internet and the world wide web, and the mobile technology the way we have it today.

And for the last, you know, 30 years basically, that's been the underlying mechanism by which technology is scaled globally, and so seeing more energy in open source in this sector is just really exciting, and kind of guarantees that it gets adopted, which is great.

MR. EHRICH: It's really important, Sultan, because as you know, one of the challenges with technology vendors is that they work very hard to create closed gardens.

You want a walled garden where only your technology can be used, and therefore you have essentially a monopoly on whatever that process is, but then it becomes much harder to update that technology.

And if a technology is built in open source, then multiple players can leverage that technology, they can use that technology, when it comes time to update that technology, you can update it across multiple platforms.

So, it becomes a key effective tool for the creation of interoperability, and interoperability is also very important in this conversation because being able to -- for example, the work that the FDIC does in financial inclusion.

Imagine if that work could be easily

coordinated in a digital way with the work that the CFPB does on financial inclusion, and by being able to link that if they had similar technology infrastructures, it would be much easier to do that, and so interoperability enabled by open source is part of the vision for what the regulator of the future could be.

And for those of you who may be more interested, this is maybe a little bit arcane, we have published a white paper called the Reg Tech Manifesto, which really talks about what a digitally-native regulatory system could be and the roadmap for how to get there.

I do want to warn my friends who are on the financial inclusion committee that it is 120 pages long.

(Laughter.)

MR. ERNST: It is long, but it is an interesting read, so let me say that for it for sure.

MR. EHRICH: Or at least the executive summary is.

(Laughter.)

MR. ERNST: No, I think the full document, you could spend some time. It may not be prime-time TV material, but it's worth the attention for sure.

MR. EHRICH: And Keith, if I can just add one more thing about this power of the tech sprints and the accelerator? You know, this is one of the primary tools that the FCA has used, the Financial Conduct Authority, has used in the U.K. to anchor their innovation strategy.

And so one of the reasons why this tool is so powerful is that really it solves the question to the answer of how do you innovate; like what is the process for how to innovate, and tech sprints and an accelerator is a way to do that.

MR. ERNST: And it is really intriguing to hear. It's, for me personally, really intriguing and positive to hear the way you talk about the different perspectives coming together in that room, right? And perspectives that maybe often are not joined, so you can really get a sense of where the value is created at that table, right?

And you've talked a lot about sort of the solutions that come out of it, but I imagine part of what may be valuable in that conversation is learning where the roadblocks are too, right?

Identifying what's hard and understanding why it's hard can be just as valuable as the solutions, I would imagine.

MR. EHRICH: That's exactly correct. We did a tech sprint with the Department of Financial Services in New York State, and that was on the path to creating digital regulatory reporting.

And what was fascinating was as we were preparing for that tech sprint and as we executed that tech sprint, that's exactly what we saw. Not only did we see what we could solve with the tech sprint, but we saw all of the gaps that needed to be solved.

You know, and in that process, we

essentially created a roadmap for the innovation team at the DFS. They've got plenty of stuff to work on, which in many cases, you know, kind of fell out of the preparation for the tech sprint on digital regulatory reporting.

MR. ERNST: Great, really interesting. Well, I'm getting the warning sign that we are coming close to the end, so let me tell our members this is perhaps the last call for questions.

All right, well, let me then turn to both of you and say thank you very much. This has been an incredibly interesting conversation. I am sure we will have more opportunities to bring interesting developments back to the Committee's attention and to engage, but for today, just let me say thank you again and I really appreciate your participation and all of the information you shared with us.

MR. EHRICH: It's really a pleasure to be here. Thank you, Keith.

MR. MEGHJI: Thank you, Keith. Thank

you to everyone.

MR. ERNST: Great, Jonathan Miller, back to you.

MR. MILLER: Thank you so much, Keith, Sultan, and David, really terrific panel. At this time, we're going to take a break until 3:45 and then we'll hear from our final panel. So, thank you and see you in a little bit more than five minutes.

(Whereupon, the above-entitled matter went off the record at 3:37 p.m. and resumed at 3:45 p.m.)

MR. MILLER: Hello everybody and welcome back. We are ready to go to our second and final panel now. Which will focus on Expanding Account Access. You heard some talk about this early on in the roundtable. Ms. Ortiz, the FDIC's Deputy Director of Consumer and Community Affairs will monitor the discussion. Liz, thank you.

MS. ORTIZ: Good afternoon everyone. Welcome, or welcome back, to today's second and final panel, Expanding Account Access. Or, as I like to refer to it, #GetBanked.

By now, I hope everyone has paid at least one visit to the #GetBanked landing page at fdic.gov. And if you haven't, feel free to do so now. One of the benefits of virtual meetings, you can look and listen simultaneously.

And while doing that, I will take just a couple of minutes to anchor this effort in the FDIC's overall strategy to advance economic inclusion.

The FDIC Economic Inclusion Strategic Plan envisions five opportunity areas. These are: financial capability, in-short accounts, consumer credit, mortgage credit, and small business financial services.

We see this as a ladder, with each rung on the ladder representing a point of connection between consumers and their financial institutions.

Taken together, they represent increased engagement for consumers, with the financial system incorporating transactions, savings, and the opportunity to build stability and wealth through home ownership and entrepreneurship.

The #GetBanked initiative represents a three-pronged effort to motivate unbanked consumers to begin a banking relationship and open an account. These efforts work on their own, but are also mutually reinforcing.

First, more banks. We envision more banks offering accounts that work for consumers.

Second, increased consumer awareness about the benefits of a banking relationship. We need to tell the story that there's a better way, and reach consumers where they are.

Three, strong local networks. These are the connective tissue, those strong community-based organizations, non-profits, local government agencies, that act as a bridge between consumers and communities that need access to financial services.

Firing on all three cylinders creates,

we hope momentum that not only moves the needle for the unbanked, but yields enough energy that this virtuous cycle keeps moving on its own. More customers, more success stories, more banks, which, in turn, leads to even more customers, more bank relationships. And so it continues, growing stronger with every turn.

In this panel, we will hear from three pairs of speakers, with a pause after each section, for an opportunity to hear from the committee.

First, Mia Sowell and Luke Reynolds will describe the details of the #GetBanked public awareness campaign, and how the lessons learned from the early days of the pandemic have informed FDIC's outreach.

Next, Elaine Hunter and John Gonzalez, Community Affairs Specialists from Atlanta and Houston, respectively, will describe their efforts to engage with local community partners, and capitalize on our messaging.

And then finally, we'll hear from our

partners, the American Bankers Association and Cities for Financial Empowerment, who are working together to encourage the nation's banks to meet the needs of consumers who need a safe and affordable bank account.

Before turning this over to my panelists, I offer my own observation, that over the past year especially, we have learned a lot about the challenges of communities that are "underserved."

Access to financial services is but one of many challenges faced by communities that are also struggling with access to healthcare, broadband, and other necessities that the pandemic brought into sharper focus.

Working together with non-profit partners and industry, while experimenting with our own public outreach, has been an opportunity to learn what's possible, and where we can do more.

So, feedback from you today about what we are doing now is always welcome. And in addition, I would like you all to please consider offering suggestions and ideas for what else, or what next, because we really want to know that too.

At this point, I want to turn it over to Mia Sowell. Mia?

MS. SOWELL: Thank you, Liz. So, before we talk about the actual campaign, I'd like to spend a little bit of time to talk about the overall #GetBanked initiative, which is an effort that kicked off near the beginning of the pandemic last spring, when the first round of economic impact payments, or stimulus payments, were released.

The pandemic emphasized the urgency of assisting people with low- and moderate-incomes, to gain access to affordable and sustainable bank accounts, because having a bank account was critical in order to receive those timely stimulus payments, income tax refunds, and other government payments, such as unemployment.

For many people without bank accounts,

they may not understand why it's important to have one, particularly if they never had a bank account, or have been accustomed to making due without one.

The FDIC wanted to increase our messaging about the importance of getting banked, so that more Americans -- particularly those in low- and moderate-income communities who were hardest hit -- could access the government resources that could help sustain their households during the pandemic.

The goals of the #GetBanked initiative are directly tied to the FDIC's vision for promoting affordable accounts, which is for all Americans to have access to secure and affordable, in short, banking services, and that every bank offers affordable transaction and savings accounts. The #GetBanked initiative takes us one step closer to fulfilling that vision.

There are three main goals of the initiative. The first is to increase consumers' awareness of secure and affordable bank accounts.

We wanted to provide consumers with some of our internal resources, where they could learn more about the benefits of having a bank account, and why they should have one.

Second, we wanted to help them navigate to resources where they could safely open a bank account that was the right fit for their needs.

One thing that was really important during the pandemic was the ability to open a bank account online, since several branches were closed or had very limited in-person services. So, we communicated this information out to consumers.

There was a particular focus to bring awareness to people, to say that if you don't have a bank account or you think it's too costly to have a bank account, you can open an affordable bank account online, while staying safe at home, through resources provided by the FDIC.

And third, we maximized our engagement with local community partners who work directly with low- and moderate-income communities, so that they were knowledgeable of these resources and could refer their stakeholders and clients to them.

So, this is where our relationships with our collaborative partners would be key and help us reach a broader audience.

We have three categories of collaborative partners: (1) government agencies; (2) bank trade associations; and (3) inter-mediaries that help us reach consumers.

Identifying way to promote affordable accounts has truly been a holistic government approach, by working with agencies who assist in getting government payments to consumers, like Treasury and the IRS, to agencies that provide consumers with information to protect and manage their finances, such as the Consumer Financial Protection Bureau, as well as those agencies who serve low- and moderate-income communities, and communities in need, such as HUD and FEMA.

Equally important for collaboration efforts, were with trade associations, and intermediaries that help financial institutions reach low- and moderate-income consumers.

At the national level, these banking trade associations are American Bankers Association, and the Independent Community Bankers of America.

American Bankers Association has encouraged every bank to offer affordable accounts by working with their core service provider. And later, Rob Morgan from ABA will discuss this further.

And the Independent Community Bankers of America website offers a list of community banks that can open accounts online with a starting balance of $25 or less. And both of these trade associations have a link on their website to get the #GetBanked webpage and resources to consumers.

At a national level, the intermediary

that helps affordable bank account products reach consumers, is Savings for Financial Empowerment Fund, which leads the national BankOn movement.

The BankOn website, as you know, connects people to a list of financial institutions that offer affordable accounts. And several of these accounts can be opened online.

BankOn also supports local coalitions, and encourages banking, regulatory, and non-profit organizations, to expand banking access. And David Rothstein will discuss that further in our panel today as well.

The benefit of these collaborative partnerships is best illustrated through some of the outputs of this initiative, which are a result of our continuous efforts to get more Americans banked.

There are multiple complementary efforts happening across the country through our regional community affairs teams, as well as efforts coming from the Washington office, to promote the message about getting banked. These efforts, national and regional, are mutually reinforcing, and work to support the success of getting more people banked.

First, we have the #GetBanked webpage, which is at fdic.gov/getbanked. The webpage has several resources that address some of the questions that consumers may have about why it's important to have a bank account, and it is available in English and Spanish.

Some of the highlighted resources of this page are a flyer, for the top reasons to get banked, which includes reasons and considerations for someone to open a bank account, such as, your money is safe at a bank, there's no check-cashing fees, and once you've established a relationship through a bank account, you can access other banking products, such as credit cards and auto loans.

We also have a video which reiterates many of these reasons and benefits of having a bank account.

Another important resource on the

webpage is our checklist that helps consumers determine what kind of bank account meets their needs. It educates consumers about bank account features, such as monthly fees, overdraft protection and bill pay, and then it helps them to determine the most important account features for their individual needs.

And to provide useful information for finding a bank and opening an account online, we have included links to BankFive, which is our FDIC tool, which helps locate FDIC-insured banks in your area, and we also included links to the list of affordable accounts that can be opened online through BankOn and the Independent Community Bankers of America.

We also have a link to the American Bankers Association website as well. And these resources are all front-and-center on our #GetBanked webpage.

Another way we've been working to get more people banked is through our outreach events that occur both at the regional and national levels.

Over the past year, 67 webinars have been conducted to promote affordable bank accounts, through our community affairs teams.

Some webinars are for bankers, where they are informed about the opportunities to offer affordable bank accounts to consumers, and other webinars are for community-based organizations and local governments, where there may be opportunities for them to partner with financial institutions to determine the best way to get residents and consumers in their local areas to learn more about opening bank accounts.

And later, you'll hear from two of our regional offices about some of the recent outreach they've conducted in their local areas.

We've also increased our social media presence regarding affordable accounts throughout the duration of the initiative, not only on Twitter and LinkedIn, but also on Facebook and Instagram, where we're more likely to reach consumers.

We've received several reposts and usage of the #GetBanked by many organizations and people throughout the country, to help get the message out. And so that's really exciting and encouraging.

Also, Consumer News is FDIC's monthly newsletter that includes helpful hints, quick-tips and common sense strategies, for consumers to protect and stretch their hard-earned money. It's featured on our webpage. And the April edition, which was just released a couple of weeks ago, highlights the #GetBanked campaign.

And lastly, FDIC explains, is a series of short videos, which feature FDIC employees who demystify banking issues and financial vocabulary, and present them to the public in a friendly and understandable way.

And we have videos in English and Spanish, many which echo themes of the #GetBanked initiative, such as FDIC explains getting banked. And FDIC explains overdraft fees.

So that concludes my portion of the

presentation. Now I'll turn it over to Luke Reynolds, who will discuss more about the #GetBanked public awareness advertising campaign. Luke?

MR. REYNOLDS: Thank you, Mia. Next slide please.

We've launched a public awareness campaign to motivate people about bank accounts in two metropolitan areas, to join the banking system.

This is happening in the Greater Atlanta, Georgia, MSA; and the Greater Houston MSA. We selected these two markets based on a number of factors.

For example, we looked at data from the 2013 to 2017 FDIC national survey of unbanked and underbanked households, we looked at the strength of the local BankOn coalition to connect people to banks in the market that offer affordable accounts with minimal clicks, We looked at the availability of Money Smart Alliance members, and other factors. And we came up with these markets.

We're trying to reach people about bank accounts. From there, we work with our research team to try to identify the demographics of who we should focus on reaching in each of those two markets.

For both markets -- both Greater Houston and Greater Atlanta -- some common factors included not being a homeowner, having an income less than $30,000 a year, and having low educational attainment.

In Houston, we added on a layer of being Hispanic, since 52 percent of the unbanked were Hispanic and Black is 35 percent. In Atlanta, Black 56 percent unbanked.

So these data points, our research team helped us determine -- make it more likely that a person does not have a banking relationship.

So then, from there we looked at national data that media firms generate, a lot of media consumption happens of people, so basically, what types of media people consume, and we considered that, as well as we looked at our budget and we determined that radio and streaming radio and digital banners would be the most effective way to proceed.

Again, we selected these based on media habits of the target audience, as well as our budget.

So the ads encourage people to visit FDIC.gov/getbanked, which you just heard about. The general theme of the advertising is, there's a better way. So the idea is transitioning from unbanked to banked is more than just a smart move. It's a transformative and empowering experience that's personal to a person.

Behind each experience are stories that can evoke feelings, such as joy, or relief and security. So we're trying to tell relatable stories through trustworthy, first-person narratives, to give our audience a voice.

Our advertising is intended to break down misconceptions about banks, and help people see how banks can help them meet their everyday financial needs, potentially for a lower cost, and offering them other benefits.

We use research, including our own, and from CFE and others, to inform the content of our advertising. So what messages are most likely to be effective to include in our advertising.

Again, as I think I mentioned a little bit earlier, we're using digital banners from streaming television ads, radio ads, and streaming audio advertising.

The advertising is going to run starting the 1st of April, and it's going to run through the end of June.

Since the start of our campaign of our effort to mention the media more than 350 times, includes Detroit Free Press, NPR, and a great TV story that was picked up by roughly 80 affiliates nationwide, and it appeared in a nationally syndicated column by Michelle Singletary.

So we look forward to reviewing the

results from our ad campaign a little bit later this year, as well as next year when the next BankOn survey data comes in, and formulate the next steps based on it. I think at this point we're ready for questions, I believe.

MS. ORTIZ: Yes. Thanks, Luke. Thank you, Mia. I wanted to pause here and offer members of the committee the opportunity to share comments or ask questions about what you just heard.

And as moderator, I reserve the right to pose a question or two to you all myself. I'm going to look through and see if I see any hands raised in terms of questions.

All right, well I'd like to start us off and I guess ask for some feedback from the committee. Direct advertising and promotion is something that the FDIC does infrequently. I was wondering if there are any members of the committee who have experiences with their organizations and with their programs, where they've done some direct outreach along these lines, and could offer some feedback or insights that might be instructive for us. Jonathan Mintz, I think you've got your hand up.

MEMBER MINTZ: Thank you. Thanks, Liz. Thanks everybody. Yeah, we also are doing something we've never done before at the CFE Fund, which is dipping our toe in the water of direct advertising to people about banking.

And as Luke mentioned, we've done a lot of research and focus groups around the right kinds of messaging, the dos and the don'ts, and where people are when they think about this.

I could talk about that forever. But the most interesting thing we learned, and what made us decide to, in part, reach out and experiment with direct advertising, was the fact that people were, in fact, very persuadable on moving from being unbanked to banked. Particularly, and to us surprisingly those who had previously been banked before and were no longer in the system. They were even more convincible and open to that shift.

So we did a relatively modest digital advertising campaign, mostly on social media. And the results were surprisingly good. The watch-the-whole-video rate was one-and-a-half times the industry average. The click-through to the site we wanted them to go to -- our COVID BankOn site -- was also one-and-a-half times the industry average. So that was very encouraging.

And with spending just $30,000, $40,000, we had over 100,000 people coming to the COVID BankOn site, and according to our consultants, those who not only came to the site, but then clicked on one of our partners to go open an account, right directly to that site, was about six times what is considered the industry average.

So all of this is to say, in this new world of working together to get people to the right sites to actually open an account, those were all super-encouraging. And we're going to keep going.

And to Naomi's point earlier, we would

really love to augment a message from the IRS around the opening of this portal. And we think advertising shows that it can do the trick.

MS. ORTIZ: That's great, Jonathan. Thank you very much for that. Another question I've been thinking about that I'd like to pose to folks on the committee is, many of you I think have experience with financial education, and tying financial education with account access, or with account openings. And I'd be curious if there are ideas or insights as to how we might incorporate some of these things together.

As I said at the top of the panel, our economic inclusion ladder envisions financial education coupled with account access, and adding on other elements of a banking relationship. Some thoughts or ideas about how to go from accounts to relationships, or to incorporate financial education, those would be welcome as well.

All right, well maybe we can come back to that as we progress with the presentation.

Maybe folks can be thinking about that a little bit. At this point, we're going to hear from -- oh, I'm sorry. Jennifer Tescher, I didn't mean to overlook you.

MEMBER TESCHER: You did not. I am slow on the draw. Forgive me. While we all would love to be able to connect account acquisition or account access with financial education, the research shows that it is very challenging to make that happen.

And I'm really glad that in the examples that I'm hearing from, the incredible -- just incredible work that you all are doing. I'm just blown away by this campaign and by the excellent work that Jonathan was just talking about.

Like I'm really glad to see you guys just going for it and getting people into the accounts, as opposed to putting a hurdle in front of it, and really working with financial institutions to make sure that the products they're offering -- these low- or no-fee checking accounts -- are constructed in such a way that it is difficult to hurt themselves in using them, as opposed to easy.

So I think that's the right approach. And then while there is something to be said for more classroom-style, or even video-style education, the research also has not shown it to be terribly effective in actually causing behavior change.

Maybe some knowledge gained, but not necessarily behavior change. And so again, I'm a really big fan of thinking about how financial institutions can be embedding the kind of information, tools, advice, in a realtime fashion that enables consumers to then maybe make different choices.

Like what's coming to my mind is the latest announcement from PNC Bank around what they're doing with overdraft.

And you can sign up for a feature that will allow you to literally choose if an item is going to cause an overdraft -- hey, let me tell you, this is about to cause an overdraft. Would you like me to not put it through? Would you like to not make the payment? Or something else.

That's a great example of giving people realtime information that might actually cause them to make a better or different decision.

And then I think people like Jonathan and others will like have more to say about the role that community partners play in providing additional information, training, et cetera, in partnership with banks.

Jennifer, you teed up the next portion of the panel absolutely perfectly. All right? At this point, we're going to hear from our second pair of speakers, Elaine Hunter and John Gonzalez. They're going to talk about these community-based partnerships from their perspective, working on the ground in Atlanta and Houston. Elaine, I turn it over to you.

MS. HUNTER: Thanks, Liz. And good afternoon. I want to again thank you all for the opportunity share about the work that we've been doing in Atlanta to support the campaign. We're employing four primary strategies.

First, we're informing and equipping our community-based organizations and our partners who serve consumers, about the campaign and FDIC's economic inclusion materials.

Who are the consumers that I'm referring to? Well our target audience, as Luke explained, consists of Blacks age 18 to 45 years in age in the Atlanta metropolitan area, but our community partners tell us that beyond these numbers, these consumers consist of, one, returning citizens without permanent addresses or documentation necessary to open accounts.

That could be lost Social Security cards or birth certificates, or other documents that were misplaced while they were incarcerated.

There are also consumers with negative bank account histories, either from a credit perspective or a check systems perspective, when it comes to deposit accounts.

There are also individuals with disabilities who may have asset limitations that might affect their benefits, or transportation issues.

There are second or more generation users of the non-traditional financial services and products that are offered by our banks. Some of them have never, in their family history, have had a bank account before.

And there are also consumers who work during normal banking hours. These are consumers who are too busy to come into a branch, and they may not have access to online banking because they don't have a bank account, and it's just so much easier for them to have their pay put on payroll accounts.

We invited our community partners to assist us in reaching these consumers, because our partners communicate with and engage these consumers on a regular basis. And they have personal relationships with these consumers.

So we did this also by engaging our

community partners through three one-hour webinars we hosted in April, called GetBanked Fridays.

The purpose of these webinars was to support the campaign by partially addressing the reasons the FDIC's How-America-Banks survey noted, as to why consumers are unbanked.

So the first webinar addressed the issue of consumers not having enough money to open and keep accounts. That actually was the number one reason cited by consumers in our survey.

The second webinar helped understand the benefits of owning bank accounts, and how certain features, such as direct deposit and online banking, work.

The third webinar addressed the issue of consumers being unbanked because they had previously closed bank accounts. This webinar explained how consumers can maintain and protect these accounts.

And it also talked about the

documentation that's used by banks, such as bank statements, that provide transparency to consumers, that help consumers see exactly what a bank is going to charge them, and what's happening with their money.

And that addresses one of the other top reasons that consumers were unbanked, because they don't trust banks. So that kind of helped the trust issue in some way.

Additionally, we emailed over 100 community partners information about FDIC's economic inclusion resources, including the free FDIC money financial education program. Its #GetBanked webpage and flyers are the top reasons to #GetBanked and how-to-pick-a-bank-account checklist, which Mia mentioned earlier.

Some early results from these efforts with our partners, is that, one, feedback from the community partners is that they're sharing this information with the consumers they serve.

Also, we're developing relationships with two new impactful community partners.

First, one is a non-profit staffing organization that employs members of our target audience.

They're interested in providing the employees with the option of opening accounts offered by BankOn Atlanta financial institutions, as well as financial education offered through Money Smart.

The second new partner is a non-profit organization that serves at-risk students and their parents. They have requested a Money Smart Train-the-Trainer session for their affiliates, and they've invited me to present the FDIC's economic inclusion resources to their executives at their next Executive Directors meeting.

Since Money Smart includes instruction on bank accounts, this will expose parents and students to the benefits of owning bank accounts.

The second strategy is to engage BankOn Atlanta. The BankOn Atlanta project manager has presented at all of the #GetBanked Friday webinars that I previously mentioned.

She's explained what BankOn is, and is

encouraging financial institutions to offer the certified accounts.

BankOn Atlanta consists of eight banks: Bank of America, JP Morgan Chase, PNC, Truist, Wells Fargo, Bank OZK, Cadence Bank, and Iberia Bank.

There are also three credit unions: First Choice Credit Union, Georgia's Own Credit Union, and Credit Union of Atlanta.

In addition, there are over 40 community-based organizations that are also members of BankOn Atlanta. These organizations primarily focus on financial education, small business, affordable housing, and community services, such as food banks.

They are critical to BankOn Atlanta, in that they provide a holistic approach to building sustainable financial foundations. For example, by teaching consumers how to use and maintain bank accounts and develop other relationships with banks.

Our third strategy is to inform

bankers about the campaign and BankOn Atlanta, and to encourage them to offer certified BankOn accounts.

We began this during a recent interagency CRA and COVID webinar offered to bankers in Georgia. During the webinar, I informed bankers about the campaign, so that they would be aware of consumers wanting to open accounts.

BankOn Atlanta explained the BankOn movement, the account standards, and encouraged banks to offer certified BankOn accounts. Over 100 bankers attended that webinar, and I'm hearing that some of them are interested. So I'm standing by to hear more from BankOn Atlanta on those results.

The fourth strategy involves speaking engagements where the campaign and the BankOn certified accounts are promoted.

Two such recent speaking engagements were for FEMA. Two of my colleagues and I, we presented to external and internal stakeholders of FEMA.

One outcome so far is that FEMA's disability integration specialist has asked for the link to the 90 coalition banks that are offering the certified accounts. She then provided this information to all of her stakeholders.

I'm also scheduled to present at two additional events in May and June, will also promote the campaign and the BankOn Atlanta coalition.

Overall, community partners and BankOn coalitions are hearing about the campaign and visiting the FDIC's #GetBanked website.

There's a buzz of excitement about the campaign and the tools, especially the campaign's video and the flyers that I mentioned generally, and that Mia talked about.

So given these and other feedback, I think the campaign is off to a great start. So thank you for your attention, and I look forward to engaging you further. Liz?

MS. ORTIZ: Thanks, Elaine. John, why don't you keep us going?

MR. GONZALEZ: All right. Thank you, Liz and Elaine. And hello everyone.

Thank you for this opportunity. I am glad to report that in Houston, the FDIC has had the opportunity to collaborate with multiple community partners to increase account access among the unbanked.

As part of the public awareness campaign, the FDIC has had speaking engagements and co-hosted a series of six weekly webinars sponsored by BankOn Houston, that we call Coffee-Talk Tuesdays.

The purpose of these talks is to expand account access and provide solutions to obstacles consumers face when it comes to getting banked.

Depending on the topic being discussed on that particular day, the audience of the coffee talk could be banks, community-based organizations, local government, or consumers.

For example, one week our coffee talk was titled, A Chat With Bankers, where bankers discuss things like how to open an account and what documents are required, and as you can imagine, this event focused mostly on an audience of consumers and community-based organizations.

Another week, BankOn Houston talked about basically what the mission is of BankOn Houston, the typical reasons consumers have for not being banked, and a banking product they offer as a solution for these consumer obstacles. This particular event mainly focused on an audience of bankers.

During each of these webinars, BankOn Houston discussed specific features and benefits for both banks and consumers when it comes to CFE Fund certified accounts, or a National Account Standard account, sometimes referred to as NAS, or National Account Standards, and how banks can continue to partner with the BankOn coalition.

And then BankOn Houston also focused on the features of these certified accounts, the financial institutions currently offering them, and names of accounts offered by member financial institutions.

Banks in the Houston area -- like for example BancorpSouth and BB&T, now Truist, who currently offer the CFE Fund accounts -- have joined our coffee talks to share how these accounts have benefitted their customers who formerly used costly alternative financial services.

These accounts have also been beneficial for banks, because now with the NAS -- National Account Standards account -- they are able to reach parts of the community that we're not able to help before.

Because of these coffee talks, so far three of the banks who have attended in April and May have asked for additional information from BankOn Houston, and are considering the addition of the certified accounts to their list of products.

In addition, consumers have found the

coffee talks to be very informative, and have asked us to expand them until the end of June, and also to conduct some of them in Spanish, which we will do. So right now we're in the process of scheduling these.

In April and May, I've also had the privilege to have been a guest speaker, or in some cases, host events, with BankOn Houston, Money Smart Houston, and the Houston AI, to raise awareness of the #GetBanked campaign.

Due to FDIC participation in these events, local community-based organizations and the City of Houston have asked us to participate in future events originally only focused on promoting their particular campaigns, which will now promote #GetBanked as part of their campaigns as well.

On April 28th, FDIC also hosted a webinar titled, A Medley of Opportunities. For low- and moderate-income schools in Texas, this partnership-building workshop centered around get-banked, and providing opportunities for low-and moderate-income schools in Texas, to present partnership opportunities for organizations in attendance, regarding financial education, banking products and services, internships for students, in-kind resources, and other BankOn Houston services that provide the CFE Fund accounts, and how banks could apply to offer these products to the students and the parents.

There was also a call to action made by the panelists of the school districts and banks and the FDIC to the attendees, for them to consider all the opportunities being presented, and how they could partner moving forward.

As a result of this call to action, banks that already had partnerships with the school districts and BankOn, shared this information in a chat while the webinar was going on.

And banks that were not partnering yet started forming partnerships on the chat. There was immediate interest expressed by two banks in particular, who happened to attend -- Forrest

National Bank and BBVA -- to renew or start collaborating and volunteering with some of the school districts that were panelists that day, and also help raise awareness of account access and join the local BankOn coalition.

In all these events I've had the opportunity to attend or host, all participants have expressed having seen or heard about our campaign on social media, which is really exciting, because we're seeing that it works. That the results are there. The word is being spread out.

And they're also very appreciative, these folks that are participating in the webinars, and supportive of the FDIC's efforts.

An additional positive impact of our outreach efforts -- and I'm really excited about this one -- has been the interest Univision Houston, channel 45, has taken in our campaign.

The community outreach director for Univision Houston became interested and, quite frankly, became our cheerleader, in Univision

Channel 45, to help promote our campaign.

The community outreach director was so interested that she asked the morning news show to interview a representative from FDIC to talk about the campaign and access to banking.

Also, some of the coalitions I work with in El Paso -- and this is another recent development, as recent as yesterday -- some of the coalitions that I work with in El Paso who heard of the work we're doing in Houston, are now interested in helping bring BankOn to El Paso.

So, trying to see how they can have a BankOn El Paso, which we currently do not have.

So, also recently, as a result of collaboration with Univision on May 4th, Senior Community Affairs Specialist Paul Arias was interviewed live during the Univision Houston morning show, and the story was posted to the Univision public website after the fact.

So, although we have not been able to engage the community impact of this interview just yet, other Univision programs have expressed an interest in conducting additional interviews in the near future, and continue to help disseminate this important message.

Moving forward, I am very fortunate to have additional invitations for speaking engagements, to continue to raise awareness of our #GetBanked campaign, with community-based organizations such as SER, SERV Jobs, we had United Way, Thrive, three other school districts in the Houston area, the Houston Urban League, City of Houston Office for Financial Empowerment, and City of Houston Office of Education.

So, I'll have an opportunity to speak at all of the events, which some are held bimonthly and some are monthly.

So, in general, I'm glad to say that the communities' reaction to our campaign so far has been very positive.

So, thank you very for this opportunity to share this information with you. And back to you.

MS. ORTIZ: Thanks, John. Thanks,

Elaine. I think now you know why we chose Houston and Atlanta to be the pilot cities for our advertisements. It wasn't just about the data. In fact, there are other cities where there are higher rates of unbanked households.

But we wanted to choose places where they had a strong team and a really vibrant local network. Strong BankOn coalitions, strong partnerships, as well as banks that were offering accounts that were going to work for consumers.

We wanted to choose places that we thought could be models for other parts of the country. And I think you've got a strong from Elaine and John how important all of those local connections really are, to take us from messaging and interest to actually opening that bank account.

I'm going to move us to the last pair of speakers, because I want to make sure we don't run out of time. So, thank you Elaine and John, and I'm going to now turn it over to David Rothstein and Rob Morgan. David?

MR. ROTHSTEIN: Hi. Thank you so much, Liz and everybody at the FDIC, for welcoming BankOn to talk about our national program.

I am thrilled, again, to be working with folks on the ground as we continue to hold webinars, as we continue to collaborate to really make big, honest success. You can start the slides. Thanks so much.

So, BankOn, as I mentioned, is both a national and a regional program. You've just heard about Houston and Atlanta and their successes in working with both the FDIC, but also run through the city municipal government organizations.

So, what's remarkable is, again, how many coalitions are part of the BankOn network. And I'm excited to talk about that in a few minutes.

BankOn is made up of several components that really make it work together. The first is the certified accounts. Throughout the day, you've heard about BankOn accounts, which at the outset we had four large banks who had certified BankOn accounts that met our National Account Standards.

And I'm thrilled to talk about the fact that we're 85-plus today in terms of accounts that meet the National Account Standards.

Those accounts are promoted and integrated into programs through our local coalitions, like the ones that you heard about in Atlanta and Houston.

We're thrilled that we have about 86 coalitions right now around the country, and those include coalitions that are run by municipalities, United Way and other non-profits. Some of the coalitions are counties, cities, and others are even now at the state level.

Additionally, part of the BankOn work is really around researching what moves people into accounts when they're unbanked, how they're using these accounts, and again, those partnerships are not just things that the CFE

Fund has done, but we have worked with the FDIC, the Federal Reserve Bank of St. Louis, and others, to really put numbers and data, and some really cutting-edge research, around how the unbanked can get into bank accounts.

And then, finally, certainly last but not least at all, is how BankOn accounts are integrated into programs and services. Specifically, programs where payments are being made.

So, that includes things like reimbursements, stimulus programs, basic income programs. Any time that money is changing hands is an excellent time for banking access, which, again, both the advisory committee and others have talked about. You can definitely go to the next slide. Yeah, thank you.

I mentioned that the BankOn National Account Standards really focus on features that an account has to be safe, affordable, and fully transactional.

The features of the BankOn account

really come from not just sort of experiences of unbanked and underbanked individuals, from the FDIC's own research on the survey of unbanked households.

So, they include things like ensuring that people have enough money to open the account and maintain the account, and that there are no overdraft fees, which is a huge part of what the BankOn movement is all about.

We currently have 85 certified accounts with money more in the pipeline, which is extremely exciting. The growth in the number of accounts has just been amazing over the past year.

And this includes not just large banks. This includes community banks, credit unions. The gamut is large, from financial institutions that have thousands of branches, to those who have a few.

We have some banks that have literally one or two branches that are part of this work set.

Additionally, we're excited that we have, I believe it's 99 of the 100 largest metropolitan areas have at least one branch that people can access one of these accounts.

One of our things that I'd also really like to highlight -- you heard a little bit about this and you'll hear a little bit more from Rob in a minute here -- is the partnerships that we have through BankOn continue to grow and are really helping financial institutions and coalitions make BankOn work.

This includes things like the partnership with the American Banker Association. They have been such an ally and an incredible partner, in talking to their membership about the benefits of BankOn, and helping connect them, not just to us, but to local coalitions, as well as the core processors who really make things work, in terms of account usage and design.

And so, it's no wonder that upon that release and partnership in October of 2020, that the number of financial institutions who have certified accounts has grown exponentially. You can go to the next slide.

I mentioned coalitions, and you heard about Houston and Atlanta, which are fantastic coalitions. We have more than 85 coalitions around the country. Those white dots represent the coalitions that are part of the BankOn family.

And again, these include -- it's really a diverse set of coalitions, in terms of who's running the coalitions, but also how they function.

Some, again, are city and county level, some are state level, like in Maryland and Arkansas.

These coalitions serve a variety of functions. And you heard some of that from the previous panel. A lot of what they do revolves around sort of marketing these accounts, bringing financial institutions that are local into offering accounts that meet the standards, and really finding programs and places where account access matters and people can get into these accounts.

Many of the municipal leaders have really taken the BankOn access piece, and found public programs as a way to hook into this movement and into access.

You heard a little bit about this as well. Jonathan Mintz, our CEO, mentioned some of the communications research that we did that led to and helped us shape our social media marketing campaign during COVID.

This is a big piece of BankOn. We feel like we are now in a position to not only provide experiences of financial institutions that we work with in coalitions, but to really aggregate those experiences.

Two such examples include the partnership with the Federal Reserve Bank of St. Louis, who now hosts the BankOn national data hub, where financial institutions can report aggregate data on things like number of accounts opened, accountholders that are new to the financial institution, closure rates, and things like how the accounts are being used in terms of deposits and spending.

And as I mentioned, Jonathan also mentioned the communications research that we partook about two years ago now, that really looked at how messages can move unbanked individuals into being interested in opening accounts.

The other thing I wanted to touch on, and this is really at the heart of where BankOn is going.

We're there now in a lot of ways, but this is really the next frontier of banking access work. And for the last three hours, I feel like we have touched on different pieces and parts of these.

But this is all to say that designing the accounts and offering the accounts certainly is a really important step. But getting people into the accounts and helping them use these accounts, it's the important stage of this that we're focused on.

As was mentioned, there was a lot of success around getting people to open accounts to receive their COVID stimulus payments, and in those three different iterations.

Certainly, the first one where you could open an account and then enter in that account information to the IRS portal, was one that was more measurable, perhaps, than the other two.

I think it was Naomi Camper who mentioned some 10 million people entered account information for direct deposit into the IRS website, which is, again, a huge feed.

We've also spent time working, for instance, in Maryland, connecting individuals who are on unemployment compensation and insurance to their payments.

The State of Maryland is now switching to a different system where direct deposit is available. So, BankOn accounts are being featured, and people are being referred to those accounts, by the Department of Labor in Maryland.

One of the other pieces, obviously, that we're really, really encouraged by -- and I think at least four people mentioned it already today -- is around child tax credit payments.

So, not only is this an area where people can receive these payments and need them in a timely fashion through direct deposit, but it's not a one-time transaction. It's not a one-time direct deposit.

So, a bank account is even more relevant here for people to get these payments, whether it's monthly, or whether it's going to be quarterly.

And it's not a small amount of money either. You're not looking at about $10 or $20 per month. This is a significant investment that really matters to people.

Additionally, there are some other program pieces that our coalitions are working on, and that we're working to help them, through grant programs and technical assistance.

Some of these don't involve direct payments themselves, but are really working with people who are financially vulnerable, and really can benefit from having a new account, or an account at all, if they don't have one or have never had one.

These include things like foster youth aging out of the system. This also includes individuals who are receiving counseling at either a financial empowerment center, or a housing counseling program.

And then, of course, some of our coalitions have really been working on getting people accounts as they leave the criminal justice system.

The other piece that is not totally new, but it continues to grow, is around universal basic income, or Mayors Guaranteed Income.

Again, these are repeat payments, generally for not a small amount of money, and most of the government entities, whether it's city government or a social service agency, they're not looking to do paper checks. It's important to them to do this in a way that enlists direct deposit.

And so, that's a real opportunity for bank account opening, to not only save money for the institutions who are making the payments, but of course for the people receiving these payments.

I'm going to stop there. I'm going to try to follow our model of being slightly early, if possible. And I'm certainly open to any questions.

I really appreciate the time that you've provided and the partnership that we have with the FDIC, both at the national and regional levels. Thank you for your time.

MS. ORTIZ: Thanks, David. I'll turn it over to Rob, and then we'll go back to the committee for some questions.

MR. MORGAN: Great. Thank so much, Liz. Really grateful for the opportunity to be here in the virtual room with you all and share some of the work that we're doing to help promote these important initiatives, although I don't have to convince this group about the importance of economic inclusion, or why it's such a priority for our industry and the ABA.

This is something we've been working on for some time, as you know. In 2019, we hired Naomi Mercer as our SDP, leading diversity, equity and inclusion.

This was a recognition for banks to have the trust of their communities, they really need to reflect that. She is working with our members to help them be more diverse, as well as more inclusive.

And I think one common theme I've heard today is that the pandemic really magnified the challenges faced by families that don't have access to a banking relationship. That's certainly something we saw.

And as we worked with the FDIC and other government agencies to deliver much needed stimulus to families and small businesses across the country, we wanted to make sure we were doing everything we could to ensure everyone had access.

One of the initiatives that this kicked off was our work with the CFE Fund and BankOn to promote safe responsible accounts. And what you're seeing on-screen is the culmination of a lot of work that was our announcement back in October at ABA's annual convention, whereas you heard we encourage all of our members to consider offering BankOn certified accounts.

As you know, before the announcement many banks offered certified accounts. There were some that had accounts that qualified, but may not have been certified, and even more banks offering similar accounts designed to bring unbanked families into banking.

But we think there's a lot of power in the BankOn brand, in terms of helping banks identify how best to serve these communities, as well as consumers helping identify products that are safe and responsible.

So, as part of this announcement, we did a lot of communications with our members and a full wraparound push to help them understand what BankOn is, why these standards are so important, through our daily publications, webinars, etc.

But we didn't really want to stop at marketing this. We wanted to help make it as easy as possible for our member banks to offer these accounts.

And this brings us to sort of the role of the core providers, which is something a few people have touched on today, and probably answers a question that a number of you are wondering, which is why we're hearing from sort of the innovation person.

Obviously, ABA has a lot of people who are more qualified than I am to discuss our economic inclusion initiatives. But as Sultan teed up, technology is increasingly changing the way banks connect with their customers and communities, something that was really accelerated by the pandemic. And so, technology plays a really important role in helping roll these things out.

As you've heard in the past from Chairman McWilliams, from our CEO, Rob Nichols, and from pretty much every community bank CEO around the country, for the vast majority of banks in our country, any new product or service runs through their core provider.

These companies provide the technology infrastructure that's the backbone of most community banks. And without the buy-in of the core, it's impossible for community banks to offer new products.

This has been a priority of ABA's, given how important it is for community banks, and how important it is to their ability to innovate and offer relevant products to their communities. And it's one we've been doing a lot of work on.

Three years ago, we stood up a

committee of community bank leaders to try to address these issues, led by Julie Thurlow, CEO of Reading Cooperative, and Lisa Gold Schier, from the ABA side.

This committee was designed to identify work that we could do as an industry to help strengthen the relationship between banks and their core providers.

They focused on issues around access to data, how to integrate third-party products, as well as contract issues, and developed a lot of resources to help banks better engage with their cores and roll these sort of products out.

But what's really important is these relationships that we built with the cores gave us a strong base to engage with them, to enlist their help, to help promote the BankOn initiative.

And what we'll see on the next slide is a list of the 20 core providers who ultimately worked with us and committee to help promote BankOn adoption.

So, we worked with these cores, both from a technology standpoint, but also a change management standpoint, in how they communicate with their customers.

As you can imagine, every one of these 20 cores has very different technology systems. Some are more advanced, some are more open. But at the end of the day, it's very different to implement these accounts in each system. And our goal was to help make this as turnkey as possible for a community bank that wanted to offer a BankOn-ready account.

So, we wanted to do some of the legwork for these banks. And in some cases, the cores worked with their customer relation teams to train them up so when they got a call, they could quickly and easily turn on a BankOn account, help configure an account setting that would align with the BankOn National Account Standards.

Some, of course, were able to go even farther and make templates that effectively made these accounts sort of a default option. And Jack Henry's the most recent to develop one of these sort of templates.

The cores have also quickly leaned in, in terms of marketing these accounts to their customers through sort of webinars, blogs, etc. We think there's a lot of opportunity to do more here.

Some of the next steps include working to identify banks that are already close, and may be able to apply for BankOn certification.

So, the last piece of what we're doing, and some of what's represented on the last slide, is sharing success stories.

As David shared, we're really excited to hear the success that CFE has had in signing more banks up for BankOn. I think it's almost doubled. Dave, you can correct me, almost triple. And so, really, kudos to them and their team for all of the work they've done there.

And as we move forward, the role that we think we can play, from an ABA perspective, is to help collect success stories and make the business case to encourage other banks to adopt BankOn accounts.

One important aspect of these accounts that David mentioned, is that they're full-service accounts. They're designed to be the start of a deeper financial relationship.

We obviously think there's a huge benefit to a long-term banking relationship that goes well beyond the deposit account.

These accounts are also designed to be economically sustainable for the banks that offer them. And so, we've been collecting data and anecdotes.

Some of the data you see on the screen here is from the St. Louis fed. Gives us an idea of how these accounts are being used. And what we generally see is that these accounts are being used as traditional bank accounts. They're being used as the sort of full-service accounts. And they are a way for banks to reach into new markets and expand their footprint.

The anecdotes we're hearing also back this up. A number of the banks we're engaging here report that they've been able to bring new customers into the bank and reach new markets that they weren't able to reach in the past.

So, we're sharing these success stories and getting our banks who believe in BankOn in front of the rest of the industry, to help promote adoption.

We're looking forward to even more data from the St. Louis fed and others, that help make this case.

So, as you can tell, we're very excited about the work that's been done, CFE, our great partners, and the FDIC's #GetBanked initiative is so important.

We look forward to working with you all to promote economic inclusion going forward.

MS. ORTIZ: Thanks, Rob. Thanks, David. I think we have time for just one question. Naomi, I'll give it to you.

MEMBER CAMPER: I hesitate even to

raise my hand, because -- thank you for including Rob Morgan on the panel.

I guess my question is for all of us here, but particularly for those of the FDIC potentially, who have done such an amazing job at getting FDIC insurance the plan recognition it needs, where every consumer understands the value of deposit insurance. They know FDIC is a trusted brand.

As we get more banks and insured institutions offering BankOn accounts, how can we all work together to get the name recognition and the brand recognition, and the power that BankOn National Standards should carry with them?

These are essentially the safe account standards that FDIC piloted. Is there more work we can do? This may be an answer for another day, but I'd love to get us all thinking about that, so that can be sort of a next step.

There may be next steps in all of these initiatives. But that's something on my mind.

MS. ORTIZ: Absolutely. Elaine, do you want to take a stab at that one, in terms of what else not only FDIC can do, but FDIC working with the financial institutions in your market?

MS. HUNTER: Sure. I think one of the things that banks can do is promote the accounts more, not only to consumers, but also to other banks. I think some banks, especially the smaller banks, are reluctant because they're not sure if these accounts work.

Are they really beneficial to the bank? And so I think the more banks promote the accounts, other banks will see that, hey, this is a good thing to do.

I think that would be helpful. And then, I think that the banks could be more available to community-based organizations. So, the BankOn coalitions, they do a great job of letting the organizations, as with the FDIC, letting the organization know, hey, these accounts are out there.

But it's really going to take the

bankers collaborating with these organizations and reaching out to their consumers, and telling consumers more about the accounts, and giving consumers the opportunities to open the accounts as soon as possible, whether on the spot, or a nearby branch, or online.

But those are just two of the things I think that the bankers could do to really help this program be successful.

MS. ORTIZ: Great. Thanks, Elaine. Well, I want to thank all of my panelists. Thank you to the committee. I want everybody to remember #GetBanked, follow us, share our resources, and help us spread the word. Jonathan?

MR. MILLER: Thank you so much, Liz. And I just want to comment behind Liz and really also encourage everybody to look at the #GetBanked page on our website.

You can see the ads that are running, you can see all the other material. It's terrific work that Liz and her team did. And so, thanks again to the panels for great discussion.

And before we close, let me turn to Chairman McWilliams for any closing remarks she may have.

CHAIRMAN MCWILLIAMS: Thank you, Jonathan, so much. And I would like to thank all the panelists, moderators, and our staff, that have made this meeting possible. The only thing better would have been seeing you in person. And we're hoping that maybe that's available in the near future. Keeping my fingers crossed.

I would like to thank the members of the committee for their continued partnership. Without your input and your feedback, frankly, our jobs would be a lot more difficult.

But many of you are on the ground working with the communities, and understand the plight of those who need financial assistance and financial inclusion the most, and we're grateful for the work you're doing.

I also appreciate your comments and inquisitive questions to our staff. It keeps us on our toes. Keeps us sharp.

And I'm pleased to tell you that the next meeting of this committee will be on Thursday, October 7, we're hoping in person. We're not sure yet. We will let you know in due time.

And we're going to monitor the situation with the pandemic and keeping our fingers that the fall will bring much relief to the country as we need it.

Again, thank you very much. Please keep up the good work, and thank you for your support of the FDIC. Jonathan?

MR. MILLER: Thank you very much, Chairman McWilliams. And the meeting's adjourned. See you in a few months, and thank you again. Bye bye.

CHAIRMAN MCWILLIAMS: I'm sad it's done. See you next time.

MR. MILLER: Thank you. Bye bye.

(Whereupon, the above-entitled matter went off the record at 4:56 p.m.)

C E R T I F I C A T E

This is to certify that the foregoing transcript

In the matter of: Advisory Committee on Economic Inclusion

Before: FDIC

Date: 05-13-21

Place: teleconference

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

Neal R Gross

Court Reporter