

The Meeting of the Advisory Committee on Economic Inclusion

of the

Federal Deposit Insurance Corporation

Held in the Board Room

Federal Deposit Insurance Corporation Building

Washington, D.C.

Open to Public Observation via Webcast

November 2, 2023 - 9:00 A.M.

The meeting of the FDIC Advisory Committee on Economic Inclusion (ComE-IN or Committee) was called to order by Martin J. Gruenberg, Chairman of the Board of Directors of the Federal Deposit Insurance Corporation (Corporation or FDIC).

The members of ComE-IN present at the meeting were Steven L. Antonakes, Executive Vice President for Enterprise Risk Management, Eastern Bank; Marla Bilonick, President and CEO, National Association for Latino Community Asset Builders; Raphael Bostic, President and CEO, Federal Reserve Bank of Atlanta; Michael Calhoun, President, Center for Responsible Lending; Naomi Camper, Chief Policy Officer, American Bankers Association; Kenneth Kelly, Chairman and CEO, First Independence Corp and First Independence Bank; Margaret Libby, CEO and Founder, MyPath; Brandee McHale, Head of Community Investing and Development, Citi and President, Citi Foundation; Jonathan Mintz, President and CEO, Cities for Financial Empowerment Fund; Marietta Rodriguez, President and CEO, NeighborWorks America; and Susan Weinstock, President and CEO, Consumer Federation of America.

Members Thomas Foley, Executive Director, National Disability Institute; Ida Rademacher, Vice President, Aspen Institute and Co-Executive Director, Aspen Financial Security Program; and Jennifer Tescher, President and CEO, Financial Health Network, were absent from the meeting.

Members of the Corporation's Board of Directors present at the meeting were Martin J. Gruenberg, Chairman; Travis J. Hill,

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Vice Chairman; and Michael Hsu, Director, Acting Comptroller of the Currency.

Corporation staff who attended the meeting included James L. Anderson, Alys V. Brown, Watina (Renee) Cash, Kymberly K. Copa, Angela Dean, Debra A. Decker, Paola L. Diaz, Lewis Dorman, Camron A. Doss, Keith S. Ernst, Lekeshia Frasure, Pamela A. Freeman, David J. Friedman, Fasil Getachew, Shannon N. Greco, Deva Helmand, Nicholas S. Kazmerski, Candace B. Matzenauer, Katheleen M. McDill, Jonathan N. Miller, Steven R. Murphy, John E. Ochoa Espitia, Elizabeth Ortiz, Mark E. Pearce, Harrel M. Pettway, Ariana L. Rambuyan, Ryan M. Rappa, Kristopher Rengert, Marguerite Sagatelian, David L. Sharp, James P. Sheesley, Nefretete A. Smith, Jacqueline R. Steller, Jessica L. Thurman, Lauren A. Whitaker, Kenneth R. Worthey, Montrice G. Yakimov, and Clarisse A. Young.

Chairman Gruenberg presided over the proceedings. Elizabeth Ortiz, Deputy Director, Consumer and Community Affairs, Division of Depositor and Consumer Protection (DCP), and the Committee's Designated Federal Officer, served as moderator.

Opening Remarks

Chairman Gruenberg opened the meeting by welcoming the members of the Committee and recognizing the newest member of the Committee, Marietta Rodriguez, President and CEO of NeighborWorks America. Next, Chairman Gruenberg provided an overview of the meeting Agenda. Regarding the first matter on the Agenda, Chairman Gruenberg commented on the significance of the recent Community Reinvestment Act (CRA) rulemaking. Chairman Gruenberg then invited Acting Comptroller Hsu to make brief opening remarks. Acting Comptroller Hsu thanked Chairman Gruenberg and echoed his comments on the significance of the CRA rulemaking, noting that it comes at a critical time. Following these remarks, Chairman Gruenberg invited Ms. Ortiz to introduce the first panel presentation.

Ms. Ortiz first read a notice regarding the Government in the Sunshine Act (Sunshine Act). The statement explained that the meeting is not a meeting of the FDIC Board of Directors under the Sunshine Act. Ms. Ortiz explained that the Board members present would only engage in general or preliminary discussions that do not relate to specific proposals for action pending before the FDIC, and that any specific issues for Board

resolution will remain open for full consideration by the Board after the meeting.

Community Reinvestment Act (CRA) Final Rule

Ms. Ortiz introduced Jonathan Miller, Deputy Director, Policy and Research, DCP, to moderate the presentation on the CRA Final Rule. Mr. Miller introduced the panelists: Pamela Freeman, Senior Examination Specialist; Kristopher Rengert, Senior Consumer Researcher; and, Jessica Thurman, Chief, Fair Lending and CRA Examination.

Mr. Miller began by highlighting the four objectives behind the CRA Final Rule (Final Rule): (1) encouraging banks to expand access to credit investment and banking services in low- or moderate-income (LMI) communities; (2) adapting to changes in the banking industry, including mobile and online banking; (3) providing greater clarity and consistency in the application of CRA regulations; and (4) tailoring CRA evaluations and data collection to bank size and business model. Ms. Freeman then compared the evaluation framework from the current rule with the Final Rule and discussed the Final Rule's community development activity provisions. Ms. Thurman discussed the four performance tests for large banks under the Final Rule: the Retail Lending Test, Retail Services and Products Test, Community Development Financing Test, and Community Development Services Test. Mr. Rengert remarked on the Final Rule's different assessment areas, ratings, and tailoring of data requirements and Ms. Thurman commented on the tailoring of tests to each geographic area, based on local opportunities and economic conditions.

Following the presentation, Committee members congratulated the panelists on issuing the Final Rule. The Committee members also asked questions about a number of topics, including: consideration of auto lending; future guidance on the data expected to be collected by banks for examinations; consideration of responsive deposit products; how community development activities occurring outside of the facility-based assessment area will be considered; the scope and frequency of future CRA examinations; the role of community development organizations in implementing the Final Rule; the role of race and ethnicity in defining assessment areas; examiner training on the Final Rule; the Final Rule's asset size thresholds, and the "illustrative list" of CRA qualified community development activities.

The meeting then recessed from 10:24 a.m. to 10:47 a.m.

Updating the FDIC Economic Inclusion Strategic Plan

When the meeting resumed, Ms. Ortiz introduced Montrice Yakimov, Acting Associate Director, Community Affairs, DCP, to moderate a panel presentation on Updating the FDIC Economic Inclusion Strategic Plan. Ms. Yakimov introduced the panelists: Zoya Aleem, Senior Analyst, Abt Associates; Dr. Lianne Fisman, Science and Research Senior Director, Abt Associates; and Sarah Wolff, Senior Associate, Abt Associates.

Ms. Aleem began by providing an overview of the research Abt completed to inform the update to the FDIC 2019 Economic Inclusion Strategic Plan (Plan) and to shape the primary focal areas (opportunity areas) in the next Plan. The research included a literature review, stakeholder interviews, and listening sessions with FDIC staff and external stakeholders. Stakeholders desired the Plan to be a tool for communicating to external audiences: (1) that economic inclusion is an area of interest for the FDIC; and (2) opportunities for partner engagement, while maintaining flexibility for emerging opportunities. Ms. Aleem also discussed the opportunity areas from the 2019 Plan.

Dr. Fisman offered further insights from the interviews and research, most notably the desired reconceptualization of opportunity areas in the Plan to emphasize consumer and community outcomes, particularly for underserved populations, instead of utilization of bank products. As an example, Dr. Fisman noted that the 2021 FDIC National Survey of Unbanked and Underbanked Households indicated only 4.5% of US households are unbanked, while it also showed continued disparities across demographic groups, particularly households of color as compared to White households. Dr. Fisman further acknowledged that there are external forces, like inflation and climate change, that can inhibit progress on economic inclusion. Furthermore, Dr. Fisman explained that consumers cited trust and related issues, such as transparency, as the main barrier for them from achieving greater economic inclusion. Dr. Fisman also noted that banks cited barriers to greater economic inclusion, such as a perception of a lack of profitability, compliance concerns, and internal infrastructure that prevent adoption of technologies that may better serve LMI consumers.

Ms. Wolff spoke about tools and strategies banks can use to advance economic inclusion. These include developing products and making product changes to better meet the needs of underserved consumers, developing partnerships with other organizations that work with those communities, and applying different marketing and communications approaches with those communities. Ms. Wolff commented that the next Plan can focus on the desired outcomes for consumers and communities and provided some examples of how the FDIC can approach different emerging opportunity areas.

Committee members then posed questions to the panel. Members asked about: the timeframe for the research conducted, the panel's thoughts on the shift from a product-focused framework to an outcome-focused framework in the next Plan, and how the FDIC will leverage its strengths as a regulator while taking an outcome-focused approach. Committee members also provided a number of comments based on the research and insights. In particular, Committee members displayed support for taking an outcome-focused approach. One member noted that the outcome focus helps to inspire and empower the FDIC, along with others, to work together to take "big swings" towards economic inclusion. Other members commented on the importance of trust between LMI communities and their financial institutions.

The meeting then recessed from 12:03 p.m. to 1:21 p.m.

Members' Roundtable

Ms. Ortiz next introduced the members' roundtable discussion before turning the meeting over to the Committee members to provide updates on what is happening in their organizations and the communities they serve. The Committee members discussed a wide range of topics, including the following: affordable housing challenges, fraud attempts related to bank products, the racial wealth gap, concerns over inflation, and partnership opportunities to better reach LMI communities. A couple of members made note of inflationary pressures creating strain on the housing market, where affordable stock is already low. One member mentioned that these factors are making community investment deals more complex and sophisticated, which in turn is making it more difficult to attract and retain well-trained staff given the challenging environment. Members also discussed certain programs conducted by their organizations, including those which: provide training opportunities for Black mortgage loan officers,

find housing counselors and financial coaches representative of communities of color, offer loan guarantees on automotive lending, administer bilingual campaigns to protect consumers against fraud, and provide financial education for young adults aged 18-24. Additionally, members provided updates on other current happenings and work streams occurring at their organizations. Multiple members also thanked the FDIC for their commitment to economic inclusion and praised the CRA Final Rule.

The meeting then recessed from 2:39 p.m. to 2:51 p.m.

Bank Small Dollar Lending Programs (SDLPs)

Ms. Ortiz welcomed Vice Chairman Hill to the meeting. She then introduced David Friedman, Special Advisor to the Director, DCP, as moderator for the panel presentation on Bank Small Dollar Lending Programs (SDLP or SDLPs). Mr. Friedman was joined by fellow panelists Chuck Bevan, Product Management Executive, Bank of America; Alex Horowitz, Project Director, Housing Policy Initiative, The Pew Charitable Trusts; Tiffany Pack, Product Group Manager, Standby Cash, Huntington National Bank; and, Melanie Stern, Vice President, Community Reinvestment Act Officer, and Director of Consumer Lending, Spring Bank.

Mr. Friedman began by noting that small dollar lending was the focus of the inaugural Committee meeting in 2007. He also highlighted 2020 interagency guidance issued by the FDIC, OCC, Federal Reserve, and NCUA that provides lending principles for offering responsible small dollar loans. Mr. Horowitz then provided some background statistics to emphasize the opportunity for SDLPs in the market. Mr. Horowitz focused his presentation on SDLPs from six of the eight largest banks. He shared that SDLP products need to meet customers where they are, by providing speed, ease of access, and certainty of approval.

Mr. Bevan, Ms. Pack, and Ms. Stern each discussed details of their organizations' SDLPs. Mr. Bevan described Bank of America's Balance Assist SDLP, which offers loans up to \$500, repayable in three equal monthly installments, to clients through their Bank of America mobile application. Mr. Bevan explained that borrowers must have a 12-month checking history with Bank of America and cannot take out more than six (6) Balance Assist loans in a 12-month period. He also stated that the Balance Assist program has disbursed 1.1 million loans since launching in March 2021.

Ms. Pack described Huntington Bank's Standby Cash SDLP. Ms. Pack explained that Standby Cash, launched in May 2021, is a line of credit up to \$500 offered to checking account customers. She stated that customers are given three months to repay and are not charged interest with autopay (otherwise, the charge is 1% per month). Ms. Pack noted that these loans are underwritten strictly from deposit behavior; however, Huntington does report the loans to credit bureaus in order to help consumers build their credit history. She also emphasized the importance of convenience and access for SDLPs.

Ms. Stern spoke about Spring Bank's Employee Opportunity SDLP, in which the bank partners with employers and uses employment status in lieu of a credit score to offer small dollar loans. She highlighted that Spring Bank was founded in the poorest congressional district in the country, the South Bronx, to demonstrate the need for SDLP products offering by Spring Bank. Ms. Stern also remarked on technology being essential to operate a program like this. Ms. Stern stated that Spring Bank's SDLP has disbursed \$9 million to date.

Following the presentation, Committee members provided some comments and asked a number of questions. Topics discussed included: loss rates and performance of the SDLPs; barriers to expansion of SDLPs; overdraft practices; how banks are discussing SDLPs internally; the predictiveness of different eligibility criteria; experimenting with built-in savings requirements alongside the loans; and how the SDLP products have impacted consumers' account balances. Members also discussed how changes to bank practices related to overdraft and NSF fees is an important development related to consumers' use of SDLPs.

Closing Remarks

Chairman Gruenberg delivered closing comments on the content of the presentations and thanked the members and the staff for their contributions to the meeting.

There being no further business, the meeting was adjourned at 4:07 p.m.

Debra A. Decker
Executive Secretary

November 2, 2023

Federal Deposit Insurance Corporation
And Committee Management Officer
FDIC Advisory Committee on Economic
Inclusion

Minutes
of
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of the
Federal Deposit Insurance Corporation
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Open to Public Observation
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I hereby certify that, to the best of my knowledge, the attached minutes are accurate and complete.

Martin J. Gruenberg
Chairman
Board of Directors
Federal Deposit Insurance Corporation