Minutes

of

The Meeting of the FDIC Advisory Committee on Economic Inclusion

of the

Held in the Board Room

Federal Deposit Insurance Corporation Building

Washington, D.C.

Open to Public Observation Via Webcast

October 22, 2020 – 1:00 P.M.

The meeting of the FDIC Advisory Committee on Economic Inclusion ("ComE-IN" or "Committee") was called to order by Jelena McWilliams, 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 Michael S. Barr, Dean, Ford School of Public Policy, University of Michigan Law School; Raphael Bostic, President and CEO, Federal Reserve Bank of Atlanta; Naomi Camper, Chief Policy Officer, American Bankers Association; José Cisneros, Treasurer, City and County of San Francisco; Martin Eakes, Chief Executive Officer, Self-Help Credit Union; Maurice Jones, President and CEO, Local Initiatives Support Corporation (LISC); Margaret Libby, President, MyPath; Alden J. McDonald, Jr., President and CEO, Liberty Bank and Trust Company, New Orleans, Louisiana; 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; and Christina Tetreault, Senior Policy Counsel, Consumer Reports.

Members of the Corporation’s Board of Directors present at the meeting were Jelena McWilliams, Chairman, and Martin J. Gruenberg, Director. Jonathan Miller, Designated Federal Officer for the Committee and Deputy Director, Division of Depositor and Consumer Protection, also was present at the meeting and moderated the proceedings.

Corporation staff who attended the meeting included Leonard N. Chanin, Karyen Chu, Kymberly K. Copa, Chad R. Davis, Keith S. Ernst, Shannon N. Greco, Patricia S. Gurneau, Arleas Upton Kea, Mark J. Kutzbach, Brandon Milhorn, Jonathan N. Miller, Arthur J. Murton, Mark E. Pearce, Nikita Pearson, Betty J. Rudolph, David L. Sharp, Mona L. Thomas, Sam R. Waxenbaum, and Jeffrey Weinstein.

Chairman McWilliams opened and presided at the meeting. Chairman McWilliams welcomed participants to the meeting. She began by thanking the participants for joining virtually. Chairman McWilliams noted the importance of discussing financial inclusion issues that are especially relevant for low and moderate income communities considering the impact that the pandemic has had on the wage labor market and among communities of color. Chairman McWilliams next introduced the new Committee Members: Naomi Camper, Chief Policy Officer of the American Bankers Association (“ABA”); Lisa Mensah, President and CEO of the Opportunity Finance Network (“OFN”); Jennifer Tescher, President and CEO of the Financial Health Network (“FHN”); and Christina Tetreault, Senior Policy Counsel at Consumer Reports.

Next, Chairman McWilliams asked Director Gruenberg if he would like to make any comments. Director Gruenberg welcomed and thanked everyone for taking the time to attend the meeting. He mentioned that the meeting would be focused on access to the banking system and how this affects people most severely and disproportionately impacted by the current pandemic and economic crisis.

Then Chairman McWilliams turned the discussion over to Jonathan Miller, Deputy Director, FDIC Division of Depositor and Consumer Protection (“DCP”), moderator for the meeting.

Mr. Miller described the first session, the Members Roundtable, as an opportunity for Committee members to describe a challenge or an issue they may be facing in their communities or in their organizations.

Mr. Miller then invited Member Barr to share his thoughts. Member Barr began the discussion by noting that the current public health crisis posed uniquely difficult challenges to communities of color in the areas of health, small businesses, employment, and education. Member Barr highlighted the difficulty minority-owned small businesses had getting Paycheck Protection Program (“PPP”) loans. Member Barr also expressed optimism at the Federal Reserve Board’s (“FRB”) approach to Community Re-investment Act (“CRA”) reforms. Further, Member Barr expressed worries about commercial real estate and its effect on community banks during economic downturns. In addition, Member Barr cited concerns with payment systems not properly serving communities of color and the unbanked; he cited slow or missing payments to low-income communities during the early months of the pandemic. Finally, Member Barr stated that affirmative steps need to be taken to ensure Community Development Financial Institutions (“CDFIs”) and Minority Depository Institutions (“MDIs”) are able to partake in the benefits offered by fintech innovation.

Member Bostic began his remarks by agreeing with Member Barr on CRA reform and the need for input from outside groups on the process. Member Bostic further agreed that community banks need to engage with emerging technologies. Member Bostic noted that there were two more topics he wished to discuss: 1.) workforce development as addressed by the Advancing Careers for Low Income Families Initiative; and 2.) the macroeconomic effects of racism as it impacts employment, education, health, housing, wealth, financial services, and criminal justice. Finally, Member Bostic commented on the importance of building coalitions with new participants.

Next, Mr. Miller invited Member Camper to share her thoughts. Member Camper first spoke about how funneling government COVID-19 stimulus payments through banks and the process of PPP loan distribution highlighted the challenges faced by those who did not have pre-existing relationships with banks. Member Camper stated that increasing public awareness of available relief programs (and the fraud schemes that have developed around them) could make a large difference in how people are able to manage their finances through our current public health crisis.

Mr. Miller thanked Member Camper for recognizing the Committee’s work and then directed Member Cisneros to begin his comments. Member Cisneros focused his commentary on San Francisco’s response to the pandemic. Member Cisneros spoke about the economic recovery task force assembled by the mayor of San Francisco that had developed 41 recommendations for how the city can support struggling businesses. At the same time, Member Cisneros commented on a local survey conducted with the California Reinvestment Coalition that aimed to see how local banks and credit unions were supporting their customers. The survey found that not all institutions were offering relief to customers during the ongoing public health crisis and those that did make relief available did not always clearly communicate those services to their customers.

Member Cisneros commented on “hidden obstacles” that kept individuals from achieving financial success. These obstacles included hidden negative records in their check systems or early warning system records, though a fair number of these records were erroneous. Member Cisneros encouraged reform of the check systems and banking record systems culture in order to make it more similar to the credit reporting systems with greater transparency. Finally, Member Cisneros spoke about the creation of income replacement projects and the basic income project that the mayor of San Francisco announced to support over 100 artists.

Mr. Miller thanked Member Cisneros for his commentary and then directed Member Eakes to begin his remarks. Member Eakes began his comments by thanking Chairman McWilliams and Director Gruenberg for convening the group. Member Eakes stated that there are currently three crises challenging the country: a public health crisis, a job and recession crisis, and a racial justice crisis. Acknowledging there were problems with PPP, Member Eakes nevertheless praised the program and the $187 million of loans made available for banks that he worked with. Member Eakes stated his belief that the True Lender Rule could allow predatory lenders to export their products nationwide. Member Eakes stated that the Committee’s charge to close the racial wealth gap was greater than ever, but believed that this group would be able to push forward on these issues during this challenging time.

Mr. Miller thanked Member Eakes for his presentation and asked Member Jones to begin his statement. Member Jones stated that he agreed with what the panel members before him had said. Member Jones wanted to use his time to discuss LISC’s Black Economic Development Fund, a fund designed to invest in minority-led depository institutions, credit unions, and CDFIs in order to serve minority-led businesses. Member Jones stated his hope that more private sector enterprises will invest in minority-owned institutions as the Committee addresses the three challenges highlighted by Member Eakes.

Mr. Miller congratulated Member Jones on his initiative before asking Member Libby to begin her remarks. Member Libby began by agreeing with previous members about their commentary on how COVID-19, the economy, and the racial justice movements have affected the communities they care about; she wanted to go further and shift the focus onto how these challenges are affecting the youth. Member Libby stated that young adults between 14-24 years old might experience setbacks they cannot recover from without the Committee’s actions on these issues. Member Libby continued, stating that COVID was providing unique challenges to the mental and financial health of Black and Brown youth. Member Libby shared how MyPath was working with Black and Brown technology companies to engage, educate, and support Black and Brown youth in order to get them involved with the banking system. Member Libby echoed Member Cisneros’ concerns regarding check system reform to ensure youth can get access to the banking system and the benefits that come with that access.

Mr. Miller thanked Member Libby for her commentary and asked Member McDonald to begin his statement. Member McDonald began by welcoming the new Committee members and stating his frustration with a changed focus on several items the Committee has addressed. In the current public health crisis, Member McDonald highlighted some areas of concern: slow rebounds for minority-owned small businesses, increased housing costs, increased escrow, rising insurance costs, payday lending concerns sparked by fintech companies, fraud in fintech, and CRA reform. Member McDonald stated his belief that restarting the economy would be difficult, and that minority communities are likely to take longer to recover. Member McDonald noted that partnerships, like those with LISC would likely develop to address these challenges. Finally, Member McDonald highlighted the challenges that minority-communities faced with remote learning and expressed his belief that there would be lasting setbacks that this Committee could try to address with financial education efforts.

Mr. Miller thanked Member McDonald for his commentary and recognized Member Mensah to begin her remarks. Member Mensah began by bringing attention to OFN’s upcoming virtual event, the Financial Justice annual conference. Member Mensah argued that CDFIs have a strong basis of experience but their small size challenges their ability to respond to the current crisis. Because of this, Member Mensah stated that new partnerships have been a surprising and welcome source of support for CDFIs. She noted that there is demand for the services of CDFIs and that expanding CDFI appropriations will help these institutions to extend services into sole proprietorships, native reservations, and communities of deeply persistent poverty.

Mr. Miller thanked Member Mensah for her insight before asking Member Mintz to give his remarks. Member Mintz began by observing that the public health crisis had really put the importance of access to mainstream banking in the public consciousness. Member Mintz expressed his gratitude for the work done by the IRS and FDIC to allow unbanked individuals to receive stimulus payments. The ability to create accounts entirely online is a functionality that Member Mintz argued needs support in light of the fact that the accounts are affordable and sustainable. Member Mintz noted the increased online traffic that the CFE Fund has seen in response to the ABA’s push for safe banking options. Furthermore, Member Mintz was encouraged by local governments putting forward financial counseling services as part of their COVID response.

Mr. Miller thanked Member Mintz for his comments and stated that the FDIC values its partnership with his organization. Member Patenaude spoke next, stating that she would focus her commentary on how COVID has hampered long-term recovery efforts in Puerto Rico. Member Patenaude highlighted the small fraction of funds held by HUD that have been spent since Hurricane Maria to help with recovery on the island. Increased housing costs also concerned Member Patenaude. In addition, Member Patendaude brought up a lack of skilled labor, but emphasized that there is an opportunity there that organizations, like the Homebuilders Institute, where she serves on the board, have focused on providing training in the construction industry.

Mr. Miller thanked Member Patenaude for her remarks and turned the conversation over to Member Tescher. Member Tescher expressed her thanks for the invitation to join the Committee and agreed with many points emphasized by other members. Member Tescher highlighted issues the current crisis made clear to her, including: the difficulty of getting stimulus payments to the unbanked, large institutions offering small-dollar credit products, anti-competitive behavior in big-tech, unresponsive tech vendors for small community banks, and racial equity. Member Tescher expressed her concern that there was a lack of safe places for dialogues about how racism effects the economy within the banking industry. Finally, Member Tescher highlighted the challenge bankers face understanding racial disparities faced by their customers due to fair lending rules curtailing certain types of data gathering.

Mr. Miller thanked Member Tescher for her statement before turning to the final member, Member Tetrault. Member Tetrault's commentary focused on two areas: Consumer Reports' research on the financial impacts of the pandemic and the role of digital finance during the pandemic. Member Tetrault stated that data on COVID's financial impact revealed that the pandemic was worsening pre-existing financial inequities. Member Tetrault stated that, due to systemic racism, people of color were more vulnerable to the economic impacts of COVID. Consumer Reports found that families that were doing well before the pandemic and did not suffer job losses have been able to continue saving while families that suffered financial hardships at the start of the pandemic have faced increasing hardships. Member Tetrault further communicated the difficulty consumers have faced handling debts during the pandemic, even with federal forbearance put in place. Member Tetrault moved onto discussing digital finance and several reports that had found an increase in fraud schemes through digital financial apps like Venmo and Cash App. Member Tetrault believed there is an opportunity for payment law to help protect victims who normally cannot recover after being tricked into authorizing payments to scammers. In the interest of time, Member Tetrault ceded her time back to Mr. Miller.

Before moving into the next panel and introducing Karyen Chu, Chief, Banking and Consumer Research, FDIC Division of Insurance and Research (DIR), as moderator of the "2019 FDIC

Survey Results: How America Banks”, Mr. Miller noted that members had been previously provided with more extensive biographies of all of the speakers in materials. Introducing Ms. Chu, Mr. Miller stated that Ms. Chu and her team conduct consumer finance research, including work on the FDIC survey, and research for publication in academic journals and analysis that supports a wide range of FDIC policymaking.

Ms. Chu advised that the panel would present an overview of the 2019 FDIC Survey, noting that the survey is conducted annually in conjunction with the United States Census Bureau; that the most recent survey was conducted in June of 2019 and collected responses from almost 33,000 households; and that the survey seeks to gather information from both banked and unbanked households regarding financial products and services that they use to meet their core banking needs including bank credit union accounts, prepaid cards and non-bank financial transaction services and bank and non-bank credit. She stated that the 2019 survey draws representative samples from all 50 states and the District of Columbia, allowing for the production of estimates at national and state levels. Ms. Chu then acknowledged that because the survey results reflect a period of generally favorable economic conditions, and in light of the extraordinary disruptions caused by the pandemic, the survey includes a postscript that addresses possible consequences for the unbanked rate and discusses pandemic related challenges faced by households in conducting financial transactions. Ms. Chu then turned the presentation over to Jeffrey Weinstein, Senior Financial Economist in DIR to begin discussing the survey results.

Mr. Weinstein began his remarks by providing an overview of the remainder of the presentation to include bank account ownership for unbanked and banked households, non-bank financial transaction services, bank and non-bank credit, saving for unexpected expenses or emergencies, the postscript that Ms. Chu had previously described, and the economicinclusion.gov website.

He reported that in 2019, nearly 95 percent of U.S. households were banked, meaning that at least one member of the household had a bank or credit union account, which represents the highest number and percentage of households with bank accounts since the survey was first conducted in 2009; that the 1.1 percent decrease in the unbanked rate between 2017 and 2019 corresponds to an increase of approximately 1.5 million banked households between 2017 and 2019; and that nearly half of the decline in the unbanked rate between 2017 and 2019 was associated with improvements in the socioeconomic circumstances of U.S. households.

He noted that unbanked rates continue to vary considerably across the U.S. population, with higher unbanked rates among lower-income households, less educated households, black and Hispanic households, households headed by a working-age individual with a disability, and households with volatile income; that the unbanked rates for black and Hispanic households sharply declined in recent years, but remained substantially higher than the white unbanked rate; that the unbanked rates by state were highest in the South, but that differences in unbanked rates between the South and the Northeast, Midwest, and West, have narrowed in recent years; and that, among unbanked households in 2019, about 50.4 percent, had previously had a bank account at some point in the past, which was slightly higher than the percent of households previously banked in 2017.

Mr. Weinstein explained that 56.2 percent of unbanked households were not at all interested in having a bank account, while 24.8 percent were very or somewhat interested in having an account; that about 31.7 percent of unbanked households that had previously been banked, were very or somewhat interested in having an account, compared with approximately 17.9 percent of unbanked households that had never been banked, about 17.9 percent; and that, for households that were unbanked in 2019, but last had a bank account sometime within the past 12 months, 48.8 percent, were very or somewhat interested in having an account. Mr. Weinstein reported that 48.9 percent of unbanked households cited inability to meet minimum balance requirements most frequently as a reason for not having an account; that mistrust of banks was cited by approximately one third of unbanked households as a reason for not having an account and was the second most cited reason; and that a high proportion, approximately 27 percent, of unbanked households that were very or somewhat interested in having a bank account cited personal identification credit or former bank account problems. Mr. Weinstein advised that the 2019 survey included new questions for unbanked households that asked about their satisfaction with their most recent bank and their perceptions of how clearly banks, in general, communicate account fees. He reported that, among unbanked households that had previously been banked, 55.1 percent were very or somewhat satisfied with their most recent bank, and 46.8 percent thought banks communicated account fees very or somewhat clearly; and that interest in having a bank account was higher among unbanked households that were very or somewhat satisfied with their most recent bank.

Mr. Weinstein then paused for a question from Member Tescher, who asked whether respondents using prepaid card were counted as unbanked or banked to which Mr. Weinstein responded that the survey did not treat them as banked, noting that the report separately tabulated whether a household used a prepaid card across both banked and unbanked households, where banked and unbanked is dependent upon having or not having an account at a bank or credit union. In response to a follow up question regarding prepaid card use from Member Tescher, Ms. Chu advised that 27.7 percent of unbanked households had a prepaid card in 2019.

Committee members continued to raise a number of questions regarding Mr. Weinstein’s presentation. Member Mintz asked about the 2019 survey’s approach to the issue of underbanked households. In response, Ms. Chu advised that the 2019 does not categorize households as being underbanked, but examines separately the different non-bank transaction products and services to provide more granularity as well as additional information on the frequency of use of these non-bank transaction services to allow for better segmentation of the underbanked category. Member Bostic asked if there was any information to account for the increase in the number of unbanked persons amongst Native Americans. Mr. Weinstein responded that the sample size tends to be smaller for American Indian or Alaska Native households and that larger sample size would need to be examined for statistically significant results.

Returning to the presentation, Mr. Weinstein discussed the survey findings on bank account access methods in the past 12 months, noting that mobile banking use continued to increase; that the use of online banking declined considerably, from 36 percent to 22.8 percent; that the use of bank tellers to access accounts declined modestly; and that access methods varied across household demographics. He also noted that 83 percent of banked households spoke with a teller or other employee in person at a bank branch, that is, visited a bank branch at least once in the past 12 months, which represented a slight decrease from 2017; and that bank branch visits were prevalent even among banked households that used online or mobile banking as their primary method of account access. He explained that the survey included new questions that asked banked households about their satisfaction with their primary bank and their perceptions of how clearly their bank communicates account fees, reporting that almost all banked households were satisfied with their primary bank and thought that their bank communicated account fees clearly; that satisfaction and perceptions of clarity on fees were consistently high across different population segments; and that households where income varied a lot from month to month were the population segment with the lowest satisfaction and the lowest perception of clarity on fees.

Beginning his presentation by discussing the use of non-bank financial transaction services (NFTS) in the past 12 months, Mark Kutzbach, Senior Financial Economist, DIR, advised that the survey has categorized these services as nonbank money orders, nonbank check cashing, and nonbank international remittances. He also reported that the survey included new questions on the use of bill payment services, such as Western Union or Moneygram, peer-to-peer (P2P) services, such as Paypal or Venmo, NFTS in the past 12 months. Mr. Kutzbach reported that the use of money orders, check cashing, and bill payment services was higher among lower income, less educated, younger Black, Hispanic, and American Indian or Alaska Native households and households that had volatile income from month to month. He also reported that the use of peer-to-peer services was higher among households with income over $75,000 a year, college educated households, and younger and middle aged households. Mr. Kutzbach noted that, from 2017 to 2019, money orders and check cashing declined in use, while use of international remittances increased; that households that were very or somewhat clear on their bank's communication about account fees tended to have lower use of non-bank financial transaction services; and that households that were not very clear or not at all clear on their bank's communication on account fees tended to have higher use of non-bank financial transaction services. Mr. Kutzbach then paused for a question from Member Mintz requesting clarification on whether the data that has been presented was separated by the banked and unbanked populations to which Ms. Chu responded that the data breaks out product usage by different household character stakes as well as bank account ownership.

Mr. Kutzbach then discussed the 2019 survey findings on the use of bank and non-bank credit products, which included credit cards, auto loans, pawn shop loans, tax refund anticipation loans, rent-to-own services, personal loans or lines of credit from a bank. He reported that there was an increase in bank credit from 2015 to 2019 from 67.9 percent to 72.5 percent and that the use of non-bank credit decreased from 8.1 percent to 4.8 percent over different segments of the population. He further noted that bank credit use differences by income and race/ethnicity were stark and that non-bank credit use was higher among the following households: lower income, less educated, Black and Hispanic, and working age-disabled households.

Mr. Kutzbach then briefly discussed the survey's results regarding saving for unexpected emergencies. He reported that, in 2019, 64.2 percent of households saved for unexpected expenses or emergencies in the last 12 months, which was an increase from savings reported in 2015 and 2017. He noted that savings rates were lower among the following households: lower income, less educated, older, Black, Hispanic and American Indian or Alaska Native households, and working age disabled households; that rates of savings for unexpected expenses or emergencies increased from 2015 to 2019, both for unbanked and banked households; and that rates of savings for unexpected emergencies continued to be much lower for the unbanked.

Following Mr. Kutzbach's remarks on savings data, several committee members asked a number of questions, including whether the savings data from the survey had been categorized by income level, age, and various other demographic characteristics. Responding to these inquiries, Mr. Weinstein stated that an examination of the larger set of demographic and socioeconomic characteristics revealed that savings rates increased across the board.

Mr. Kutzbach concluded his presentation by providing an overview of the postscript related to the COVID-19 pandemic that appears in the report. He noted that there are higher rates of unemployment and differences in the way people are using and having access to financial services; that it is expected that the COVID 19 pandemic is likely to contribute to a rise in the unbanked rate.

Mr. Weinstein continued discussing the postscript by noting that social distancing guidelines instituted in response to the pandemic may make the use of paper instruments to conduct financial transactions particularly challenging; that use of paper instruments for paying bills and receiving income in a typical month was much more common among the unbanked; that reliance on paper instruments may make it harder for households to receive government relief efforts; that social distancing guidelines may make bank branch visits more challenging; and that the economic ramifications of the pandemic may particularly affect households without an adequate savings cushion or without access to responsible, affordable credit.

Mr. Weinstein concluded the presentation on the survey by discussing the “How America Banks” new website, which contains a link to economicinclusion.gov, where the public can access the full survey report, the executive summary, with the preface and postscript, and a set of appendix tables.

Following the conclusion of the presentation on the 2019 survey data, Mr. Miller announced that the meeting would briefly recess. Accordingly, at 3:24 p.m., the meeting stood in recess.

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The meeting reconvened at 3:37 p.m. that same day, at which time Mr. Miller advised that the panel would discuss the financial status and health of American households as impacted by the COVID crisis. Mr. Miller then introduced Keith Ernst, Associate Director of Consumer Research and Exam Analytics at the FDIC, as moderator for the next panel, “The Financial Status and Health of American Households during the COVID Crisis”. Mr. Ernst then introduced Jason Brown, Assistant Director, Office of Research, Consumer Financial Protection Bureau (“CFPB”), Fiona Greig, Managing Director and Director of Consumer Research, JPMorgan Chase Institute, Rob Levy, Vice President of Research and Measurement, Financial Health Network, and Kevin Klowden, Executive Director, Center for Regional Economics and California Center, Milken Institute to discuss perspectives on data collected since the onset of the pandemic.

Mr. Brown opened the presentation by noting that the CFPB has been conducting research to understand the effects of the pandemic on consumer credit trends, which is gathered from a random sample of consumer credit records from one of three nationwide consumer reporting agencies. He reported that the data includes approximately 5 million credit records and is updated monthly. Mr. Brown also noted several other observations from the data including that auto and home purchases, typically done in person, fell in March, but have since rebounded since social distancing measures were relaxed; revolving credit card applications fell and have stayed low; credit card balances have fallen considerably, since April and continuing through June; personal income shot up in April with the CARES Act and the personal savings rate remaining elevated; that the biggest drop in credit card balances occurred among those with the highest credit scores; and that most credit card account closures were due to inactivity, particularly among the super prime and prime borrowers. Mr. Brown also made note of several measures in place to help borrowers during the pandemic such as the CARES Act, which required lenders to suspend principal and interest on federally held student loans and that mortgage borrowers with federal or GSE backed mortgages were allowed to apply for forbearance for 180 days up to 360 days.

Ms. Greig then discussed several papers that JP Morgan Chase has published recently on aggregate trends in consumer behavior, including income, spending and savings, as well as the impacts of unemployment insurance benefits on spending and savings. Ms. Greig reported that job losses have been disproportionately affecting low-income families. With regard to spending, she noted that there has been a significant drop in spending, which had begun to recover; that recovery occurred more quickly for low-income families (close to the distribution of $1,200 stimulus check); that grocery workers spending dropped the least (hours and wages dropped the least); that clothing and department store industries spending recovered very quickly; that there had been a larger drop in credit card spending; and that there had been overall checking account balance growth for consumers.

Next, Mr. Levy provided an overview of the results from the U.S. Financial Health Pulse 2020 Trends Report. He explained that the goal of the pulse is to take a holistic view of financial health, bringing together the components of spending, saving, borrowing in order to answer the question of how financially healthy is America. Mr. Levy described that the Pulse is a unique study, with over 6,400 respondents, that combines survey and transactional data; that examined July and August data; and that looked at accounts across different institutions, checking, savings, and credit cards, some mortgages, and some 401(k) s for approximately 835 people. Mr. Levy reported that FHN breaks down the data into the four basic categories of spending, saving, borrowing, and planning. He also noted that FHN breaks down the results for financial health in America into three categories, financially vulnerable, financially coping, and financially healthy. He further reported that the 2020 trend report is that financial health has improved from previous years, but that 67 percent of consumers are still financially coping or vulnerable. Mr. Levy described massive disparities among the data according to race including that 39 percent of White Americans are financially healthy; 39 percent of Asian Americans; 24 percent of Latinx, and 15 percent of Black Americans. He concluded by noting that only 61 percent of Black respondents received the debt relief requested, compared to 73 percent and 76 percent of Latinx and White respondents, which confirms challenges that Black Americans are facing with the banking system.

After being introduced by Mr. Ernst, Mr. Klowden began by providing an overview of the work that the Milken Institute, in conjunction with the Small Business Administration has done to address infrastructure issues. Mr. Klowden noted over 6,000 bank branches closed between 2008 and 2016 with the majority closing in intensely urban areas and locations that were already considered marginal in terms of availability of access to capital. Mr. Klowden reported that MDIs ad been filling in some of that gap leading up to 2008 financial crisis but that the number of MDIs dropped to 149 by 2018. He also described a division in terms of access to broadband between urban minority communities and rural communities, which impacts banking online, access to capital, saving money, and lending access. Mr. Klowden noted that mortgage and refinancing data from 2015 shows overall mortgage denials of 19 percent for Hispanic community, 27 percent for the Black community, and that infrastructure issues impact consumers being able to access online mortgages, alternate sources, fintech, and other elements. He also noted that rural communities have less access to resources.

Mr. Klowden continued by discussing the ability of communities and populations to work remotely. He reported that, according to surveys, the overall ability to telework in households ranges between 43.5 percent to nearly 45 percent; that the data is fairly consistent by age range (25 to 50 or 25 to 55 or 55 and older); and that regarding ethnicity, the population able to telework drops from 43.5 percent down to 39.5 percent for Black households and 29 percent for Hispanic households. He noted that the ability to work effectively, trust connections and infrastructure at home, and trust in institutions and access has proved to be problematic related to remote work. He closed by noting that concerns regarding availability and access to credit will be important to address in order rebuild the infrastructure for household lending and building household savings

In the discussion following the panel’s presentation, Committee members made a number of comments and observations. Member Barr asked Ms. Greig about the effect of the data if another stimulus payment is not distributed. Member Camper asked for further clarification regarding the data related to consumers who had applied for debt relief that was not received. Mr. Ernst asked Committee members to think about what issues are going to be the most important for financial services providers to pay attention to in the coming year to which several panelists and Committee members offered responses.

Mr. Miller then introduced Nikita Pearson, Acting Director, FDIC Office of Minority and Women Inclusion (OMWI) and Betty Rudolph, FDIC National Director of Minority Depository Institution (MDI) and Community Development Banking to discuss OMWI and MDI initiatives and developments.

Ms. Pearson began her presentation by sharing her personal experiences struggling to join that financial system. She emphasized that there is necessity to create a fair and inclusive financial system. Ms. Pearson further noted that diversity, equity, and inclusion are fundamental aspects of the FDIC's work and that the FDIC is working to transform its workforce to help make the banking system safer, fairer, and more inclusive. She explained that the FDIC’s goal is to have a diverse workforce that is well trained on the needs of the communities that banks serve. Ms. Pearson continued, noting that the FDIC has realized that there is a need to focus on our examination workforce in that bank examiners ensure that

financial institutions treat consumers and depositors fairly and reinvest in their communities. Ms. Pearson then made note of several steps that the FDIC has taken to address examination workforce concerns.
She reported that positive results in recruiting and retention efforts and that the FDIC remains committed to establishing a diverse workforce and an inclusive work environment at the FDIC and across the financial services industry.

Next, Ms. Rudolph provided an overview of the FDIC’s MDI program. She explained that the FDIC MDI Program’s work is governed by five statutory goals and that key program initiatives support those goals, such as the new MDI subcommittee to the FDIC’s Advisory Committee on Community Banking and a comprehensive research study that looked at the structure, performance, and social impact of MDIs. Ms. Rudolph noted that the FDIC Board approved proposed updates to the FDIC’s Statement of Policy Regarding Minority Depository Institutions. She further noted that Chairman McWilliams has recorded numerous podcasts, videos, and messages about the importance of minority and community development banks and that the FDIC brought together about 30 large bank CEOs and about 25 MDI CEOs to explore partnerships that might provide CRA credit for the larger institution for various financial support, loan participations, and technical assistance activities. Ms. Rudolph described the
FDIC’s MDI resource guide that detail the role that FDIC-insured MDIs and CDFIs play in the economy. Concluding her remarks, Ms. Rudolph provided a brief overview of the Mission Driven Fund for 250 FDIC-insured MDIs and CDFIs that play an essential role in serving low and moderate-income communities to raise capital and attract technical expertise. In response to Ms. Rudolph’s remarks, Member McDonald, Jr. shared his experiences as an MDI and thanked the FDIC for its support.

Closing the meeting, Chairman McWilliams thanked the participants for their time and dedication and expressed her gratitude for the panelists’ and Committee members’ passion about the various issues discussed. She stated that the discussions today were much needed discussions, and stated that the Committee would continue to meet and have these discussions.

Director Gruenberg was invited to share his closing comments. He thanked this remarkable group for their willingness to invest the time and effort to give FDIC the benefit of their thoughts. Mr. Miller then thanked everyone and stated that he would be in touch with the Members about next year's meetings.

There being no further business, the meeting was adjourned at 5:11 p.m.

Debra A. Decker
Deputy Executive Secretary
Federal Deposit Insurance Corporation
And Committee Management Officer
FDIC Advisory Committee on Economic
Inclusion

Minutes

of

The Meeting of the FDIC Advisory Committee on Economic Inclusion

of the

Federal Deposit Insurance Corporation

Held Via Webcast

Federal Deposit Insurance Corporation Building

Washington, D.C.

Open to Public Observation

October 22, 2020 – 1:00 P.M.

I hereby certify that, to the best of my knowledge, the attached minutes are accurate and complete.

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Jelena McWilliams
Chairman
Board of Directors
Federal Deposit Insurance Corporation